

Owner/Operator Options

Historically, the regional transit operating agency would be considered the obvious choice for operating any new transit service. Within the Minneapolis area, this has been the case as Light Rail transit has been implemented.

While there is a general preference for having the transit operator involved, the arrangements and level of involvement vary considerably among cities that have implemented streetcar. The key reasons that streetcar service has been treated differently than other types of transit service is that the proposed streetcar lines typically serve short local trips and are usually funded with local and private funds. Often, initial streetcar lines overlay the regional transit network.

A brief overview is provided of owner and operator options that should be considered before initiating streetcar service in Minneapolis and describes the major advantages and disadvantages associated with each option.

Lead Agency Options

The lead agency would assume all administrative functions such as overseeing the streetcar's daily operation, as well as the planning, financing and overall performance monitoring of the network. In addition, a new streetcar system would require a significant amount of effort associated with initial implementation, including:

- Securing appropriate grants and other financing mechanisms
- Issuing an RFP for design and construction of the streetcar line
- Procuring streetcar vehicles
- Establish fare policy and marketing/advertising materials
- Establish a policy / oversight board
- Prepare plan for operation and maintenance of streetcar:
 - If operated in-house, develop an organizational structure and hire and train staff
 - If contracted out, develop and issue an RFP, evaluate proposals and negotiate contract with selected bidder.

Once the system is up and running, major on-going administrative responsibilities of the lead agency are:

- Contract oversight (if not operated directly)
- Staffing and support for policy board
- Planning for future extensions

- Scheduling
- Analysis of system performance
- Capital improvement programming and grant applications
- Annual federal and state reporting requirements
- Monitoring federal and state legislation
- Marketing and advertising

There are three practical options for the administrative or lead agency: They are:

- City of Minneapolis
- Metro Transit
- New non-profit agency (JPA)

The advantages and disadvantages of these options are discussed below.

City of Minneapolis

There are four possible departments that could serve in a lead role if the City were to manage the streetcar system. They are:

- Public Works
- Community Planning and Economic Development (CPED)
- Mayor's Office
- New Department

In all cases, additional staff would be needed for the initial implementation phase as well as potentially for on-going work. The type of individual needed for implementation would likely not be the same as the person needed for on-going administration. Key skills for implementation work include project management, facilitation and consensus building, lobbying and legislation and grant development.

Public Works

The Public Works Department has been managing this streetcar feasibility study and currently handles all transportation functions in the city. Public Works staff is also knowledgeable about streetcar operations and understands the role streetcar can have within the City's ongoing Transportation Action Plan. This suggests that the Public Works Department would be well positioned to take a lead role if the City is interested in assuming this responsibility.

Community Planning and Economic Development (CPED)

While it would be unusual for a planning department to assume the responsibilities of streetcar operation, CPED could play a larger role in using streetcar to further citywide development and growth goals – particularly downtown. However, if CPED does become the lead agency, it would likely require at least one experienced staff person if they were to assume such responsibilities.

Mayor's Office

Putting together the funding package and catalyzing the necessary public and private support for a new streetcar line is a significant task which requires a centralized “champion”. In some cities, where the Mayor's office has advocated for streetcar development, implementation tasks are assigned to the Mayor's office, where the liaison staff can speak with the political authority of the Mayor. While the Mayor's office may not be a logical department for on-going administrative activities, having a dedicated project leader, working out of the Mayor's office can make a very strong statement about the need to pull together across disciplines and agencies to make this happen.

New Department

The City could elect to create a new department devoted exclusively to streetcars. The rationale for doing so is to establish and devote a department to a single purpose. The major advantages of this type of approach are that a new public transportation department would have a single focus and would be able to devote 100% of its time for this purpose. The City may feel it is inappropriate and not necessary to establish a new department and that the existing structure works fine. Should the City assume the lead role for a consolidated transit system; it may be worthwhile to further explore this option.

Metro Transit

The major advantage of having Metro Transit serve as the lead agency is that they clearly have extensive experience designing, implementing and administering transit projects. As the largest regional transit provider in the Twin Cities, Metro Transit also understands how streetcars would best integrate into the underlying bus network. In addition, Metro Transit has already expressed interest in taking on this responsibility and has been actively involved in the development of this feasibility study.

Metro Transit's unique experience in operating rail transit services in Minneapolis should be a key factor in determining a role for this agency. While Metro Transit's experience makes them an obvious candidate for being the lead operating agency, they may be less interested or able in other areas. A key issue is whether Metro Transit can balance the needs of this entirely local service with the demands of managing a regional agency. It should be noted that Metro Transit could manage and operate any new service under contract or under the direction of a different lead agency. Metro Transit may have a greater interest in operating streetcars, and less interest in championing the implementation, managing the construction (though they would necessarily provide

input), and/or managing and financing the line. A key next step is to have City leadership and Metro Transit leadership meet to discuss the level of interest and commitment of each entity in each of these critical roles.

New Agency or Non-Profit Organization

Another option for a lead agency is to create a new agency to administer and manage the service, which would most likely be operated under contract by Metro Transit. The most common arrangement when two or more agencies administer a public service is a Joint Powers Authority (JPA). JPAs are formal decision making bodies created to provide a specific service (i.e., water service, waste management, fire suppression, regional transit services, etc.). JPAs are generally very formal organizations with a voting board, ruled by majority rather than consensus voting. JPA's generally have an assigned staff and an annual operating budget funded by the participating agencies. The assigned staff could be an existing agency (such as the City of Minneapolis) or a new staff could be hired by the JPA to administer service. A JPA can also apply for and administer grants and can receive tax revenues or other funding from participating jurisdictions, although it cannot introduce tax measures for financing its work.

Another option is to create a "purpose built" non-profit organization whose basic purpose is to manage the streetcar. This is similar to the way Portland operates its streetcar, as described below. In the Portland example, the non-profit Portland Streetcar Inc is responsible for managing the streetcar line, and contracting for service with their regional transit operator. The non-profit includes representation from the local improvement district that funds the streetcar, as well as members of the City and transit boards. This technique has proven to be very flexible and gives the public the feeling that the streetcar is somehow "different" from other transit. A downside of this option is that the non-profit can not apply directly for certain funding sources, and is dependant on other agencies to apply for and advocate for public funds.

Experience in Other Cities

This section presents several case studies from other cities that currently have streetcar in place or are nearing completion of their first line. A brief summary of the organizational structure is included, along with advantages or disadvantages associated with each

Seattle, Washington

The City of Seattle and their regional transit provider, King County Metro, are working together to implement a new 2.3 mile streetcar line along South Lake Union, connecting downtown Seattle to the University of Washington Medical School, and serving a developing area that will house the City's growing biotechnology industry.

The City's Mayor has been a key proponent of the line and has maintained control of all aspects of implementation. The City will own the right of way and the rolling stock for the line, which will be operated and maintained by King County Metro.

A significant amount of the funding for this line, including on-going operating resources, will come from a Local Improvement District in the South Lake Union neighborhood. Representatives of the South Lake Union District and the City will serve as an advisory committee for the streetcar service, and will have a policy role in approval of any changes in service levels, hours etc.

The involvement of the Mayor's office was critical to implementation. The City hired a local consultant with experience in managing and expediting projects as well as lobbying and political experience. The consultant was assigned essentially full time to managing all aspects of implementation, including establishing the Local Improvement District, overseeing the design and environmental consultants and negotiating an MOU between the City, the Local Improvement District and the transit agency on all aspects of administration and operation of the service.

While the South Lake Union Streetcar line has not yet opened, the plan calls for the City continuing to own the right of way. This is particularly important and relevant to Minneapolis because the trackway is a multiuse lane in the street. The City procured the vehicles with assistance from King County Metro who will operate and maintain the line. Because the line has a unique funding source, it will not "count" against the proportion of service hours provided in the City of Seattle by regional agreement unless or until it becomes a regular transit route funded by regional transit dollars.

Given the unique funding arrangement for this line, and the ownership of the right of way, a Memorandum of Understanding has been negotiated explaining the roles and responsibilities of each agency. The City and Local Improvement District will continue to have a role in overseeing the line, as long as special funding is provided for operations.

Advantages of This Approach

- There is general agreement that the line could not have been built without the dedication of resources from the Mayor's Office. Although the project manager utilized by the Mayor was a consultant and not a City employee, he spoke with the authority of the Mayor and provided constant encouragement to all City departments to get the job done.
- Like Metro Transit in the Twin Cities, King County Metro had expressed interest from the beginning in operating the route, and would have been very concerned about bringing in a separate operator for this new service. Complex union issues may even have prevented that from happening if it were desirable. King County Metro has been a willing partner in all aspects of service design and implementation and has provided considerable expertise in the design of vehicles and amenities.

- The City is able to leverage facilities that King County Metro already owns for heavy maintenance. The City is also able to leverage King County Metro's expertise in rail vehicle and facility maintenance.
- The Local Improvement District was able to accomplish their goal of maintaining some greater level of involvement in this service than in traditional transit services in Seattle, and guarantees high levels of service for the early years of implementation. This allows for reasonably high levels of service to be provided as the new neighborhood develops, even when ridership may be slow in developing.

Disadvantages of This Approach

- Although the MOU describes the roles and responsibilities of each agency, it is not completely clear what would happen in the case of a dispute over service levels or spans. For example, if after 5 years, King County Metro decides that demand does not justify the minimum frequencies that the other partners require, and if the partners are not paying directly for those hours, it is unclear how that would be resolved.
- King County Metro's costs are considered quite high by some and there has been some concern that the costs associated with this line are being unfairly computed. It is difficult to adjudicate these issues which have generally been resolved by a "handshake" and political negotiation.
- It is not clear whether this arrangement sets a precedent for all other streetcar lines in Seattle, or whether this was unique and tied to the involvement of an active Local Improvement District.

Portland, Oregon

Development of the first 2.4 mile streetcar line in Portland was a highly collaborative project from the beginning. The initial line has been extended two times in the past few years and is preparing to open a third extension in the Fall of 2007.

The initial effort to develop streetcar was spearheaded by leaders from the City of Portland, and a variety of public, non-profit and private organizations. The initial line was funded largely through a creative combination of local public and private sources, rather than the traditional federal and state grants. The approach to funding each extension has been slightly different, tailored to the local area being served.

The critical component that made streetcar implementation successful was that the project was embraced by developers, property owners and the neighborhoods from the very beginning. The City of Portland has always assumed the role of owner of the Portland Streetcar. In 1990, the City initiated a comprehensive feasibility study. In 1992, the City was awarded a \$900,000 federal grant from the US Department of Housing and Urban Development, and provided the local match. This money allowed the City to continue outreach and preliminary design and engineering on the first line. By 1995, the City issued an RFP to design, build, operate and maintain the streetcar

line. The independent nonprofit Portland Streetcar, Inc. was selected to implement the streetcar line.

While the City owns the line, Portland Streetcar, Inc. (PSI), a 501c3, single purpose non-profit agency, is essentially an umbrella agency that was formed with the sole purpose of operating the streetcar system. Rather than employ their own staff, PSI contracts with TriMet and the City of Portland to operate, maintain and administer the service. TriMet staff funded by contract consists of 20 operators, 3 superintendents and 5 maintenance technicians. City of Portland staff consists of a Manager, Assistant Manager of Maintenance, Manager of Operations and Safety and two stop and car cleaners.

Future planning of the streetcar network is being conducted through the City of Portland's Office of Transportation in partnership with Metro (the regional planning agency), TriMet and Multnomah County. Portland Streetcar Inc. also has a Citizen's Advisory Committee (CAC), which governs the streetcar line and reviews and offers its advice on all significant project planning, design and operation issues. The active and effective CAC has had a significant role in shaping the Streetcar Project and continues to serve as a driving force behind its success. In addition, a separate Eastside Project Advisory Committee is overseeing development of an extension planned for Portland's eastside (which will utilize federal funding sources).

Advantages of This Approach

- Portland Streetcar Inc. was established to focus exclusively on the streetcar corridor. Although TriMet was certainly qualified to serve as the operator of the service, their focus as a regional agency was moving people over longer distances – not necessarily on downtown circulation.
- The marketing and advertising role of Portland Streetcar, Inc. was critical to its success. Because streetcar was a new concept, some people needed to be convinced that it would work as real downtown circulation.
- The Portland Streetcar, Inc. board consists of a broad base of local business owners and developers, which helped with implementing the Local Improvement District (LID) and continues to support growth of the network.
- As the system plans to add another line, federal funding is being pursued through the Section 5309 New Starts program. The use of various funding mechanisms to build the original line and each extension provides direct experience in piecing many different sources together to build a line.

Disadvantages of This Approach

- Tri Met may have access to a broader array of transit funds than could be reached through Portland Streetcar Inc. The involvement of the private non-profit requires that funding be generated through that agency to support streetcar operations.

- Unit costs for drivers and maintenance workers are determined by Tri-Met and there is some concern that their costs are very high. It is unclear what would happen if there was an impasse on costs.
- As a non-profit agency, Portland Streetcar, Inc. can not directly compete for many public funding sources. Either Tri Met or the City has to sponsor grant applications, and some granters may restrict who can direct grant funds. This has not been a significant issue previously because the City sponsored the HUD grants, but this can be more complicated if FTA funds are involved.
- There is less integration of the streetcar with other Tri Met services than might be expected. While fares are mostly integrated between the systems, Portland Streetcar is branded differently from other TriMet services and they offer an annual pass that is only good for streetcar.

Memphis, Tennessee

The Memphis Area Transit Authority (MATA) operates three Trolley lines in central Memphis: two parallel, 2.5-mile lines downtown that connect on either end to form a loop, the Main Street and Riverfront lines, as well as a perpendicular 2-mile route connecting downtown to Midtown and the Medical District, the Madison Avenue Line.

The Main Street Line was the first built, opening in 1993. Its capital cost, including reconstruction of the Main Street Mall, was \$34.9 million. The line's middle segment is part of the mall, and indeed, redevelopment of the mall was the impetus for the line's construction. To the north and south, the alignment is on-street, in mixed traffic flow. The Riverfront Line, opened in 1997, cost \$15.8 million to construct and primarily utilizes a freight and passenger rail right-of-way, while the Madison Avenue Line, opened in 2004 at a cost of \$55 million, operates almost entirely on-street.

While MATA is solely responsible for Trolley operations, maintenance and administration, the agency has no dedicated funding source and its budget relies on subsidies from the City of Memphis's general fund, the Tennessee Department of Transportation and federal grants. Nor does MATA own any part of the Trolley right-of-way; the City holds title not only to the underlying land, but tracks. Capital costs for the three projects were covered in large part by the federal government, with some matching funds provided by the City and State and a small amount by MATA.

Planning for the system grew out of a determination by City officials that a transitway for rubber-tired vehicles originally proposed as part of the redevelopment of Main Street Mall would be incompatible with the mall's pedestrian environment. A report issued in 1989 by the Hnedak Bobo Group recommended the use of vintage streetcars, and evaluated several possible extensions of a mall line. The report was adopted by MATA and the City in 1990, and the three existing corridors were built according to its recommendations. While MATA was the lead agency responsible for planning, the City's engineering department was involved.

MATA is now planning a regional rail network utilizing modern light rail vehicles that would interline with historic trolleys in the existing corridors. To advise MATA on the “development and implementation” of the system, a Regional Rail Steering Committee consisting of 30 key stakeholders including elected officials, staff and private citizens was established.

Advantages

- **Responsibilities are well defined.** As with all other aspects of transit planning, administration and operations in Memphis, the Trolley is primarily a MATA responsibility, with assistance from the City.
- **Strong integration with existing operations.** The Trolley system is fully integrated with MATA’s bus operations, both in terms of management and service provision. The Trolley is thus able to take advantage of existing resources, expertise and economies of scale.
- **Partnership between City and transit operator.** The relationship between MATA and the city is longstanding and well understood.

Disadvantages

- **Operating budget is not assured.** Because MATA has no guaranteed funding source, MATA must rely on contributions from the City on an annual basis. However, MATA staff expressed little concern about the arrangement, as City contributions have historically increased year over year.
- **Reliance on traditional funding sources.** Unlike public-private partnerships in other cities, the traditional public sector model employed by MATA relies entirely on fare revenues and taxpayer subsidies for funding.

Summary and Recommendations

Based on the three case studies, and the options that seem likely in Minneapolis, it is recommended that the City take responsibility for implementation of the first streetcar line. This recommendation is made primarily because the City already owns the ROW and it is clear that the primary circulation benefits will be to city residents, employees, customers and visitors. Further, no streetcar line will be built without a champion, and while Metro Transit has shown interest in operating and maintaining any resulting streetcar line the true champion for this service is the City of Minneapolis.

It is also likely that funding sources will largely come from local sources, rather than regional or federal dollars. Since Metro Transit has been involved in this feasibility study all along, and they have the experience with operating rail transit, it is recommended that Metro Transit operate and maintain the vehicles, either as the direct operating agency, or through a contract with the City or a non-profit agency. Finally, some type of reporting relationship should be established between Metro Transit and the City that provides additional funding for the service as it grows. If Metro Transit

operates the service under contract to another entity, there would potentially be more local control on the level of service provided and other service parameters, with the trade-off that the less responsibility Metro Transit has the less likely it is that they would allocate funding towards the line.

It should be noted that in the past Metro Transit has expressed some reluctance about the Midtown Greenway. While they may recognize the role it would play in that particular corridor, they have also indicated that current service on Lake Street is one of their highest performing corridors. Given the need for a dedicated maintenance facility for this corridor, and the interest in historic or historic-look vehicles exclusively in the Greenway, it may be possible to develop a different type of operating arrangement in this corridor.

