

# SEPTA's Value Proposition

ECONOMIC INTELLIGENCE COMPENDIUM

2020





# Purpose

Articulating the value proposition that SEPTA provides to the region's residents and its economy



## Economic Impact

Econsult Solutions Inc. (ESI) has completed a series of analyses evaluating the range of economic and quality of life impacts of SEPTA for the southeast region and for Pennsylvania

[SEPTA Economic Impact Report 2020](#)

[SEPTA Impact of Future Projects Report](#)

[SEPTA Congestion Report](#)

[SEPTA Value Proposition Report](#)

[SEPTA Fare Equity Report](#)



## Property & Catalytic Value



## Equitable Growth



# Context

In a time of crisis, SEPTA's direct and catalytic economic value is more essential than ever to Pennsylvania's recovery

- Data and analysis contained in these reports reflect conditions prior to the Covid-19 public health and economic crisis
- The analyses show that the southeast region's transportation network and SEPTA's transit service are essential to its economic competitiveness, productivity and growth
- While the future is uncertain, the collective analyses demonstrate that the southeast region is an essential contributor to the prosperity and fiscal health of Pennsylvania
- The analyses also show that increased investment levels in mass transit since the passage of Act 89 have resulted in significant economic gains across the Commonwealth
- **Investing in the recovery of SEPTA and the southeast region is essential to any strategy for Pennsylvania's economic recovery**





# Economic Impact

Regional economic, tax base and population growth contributions

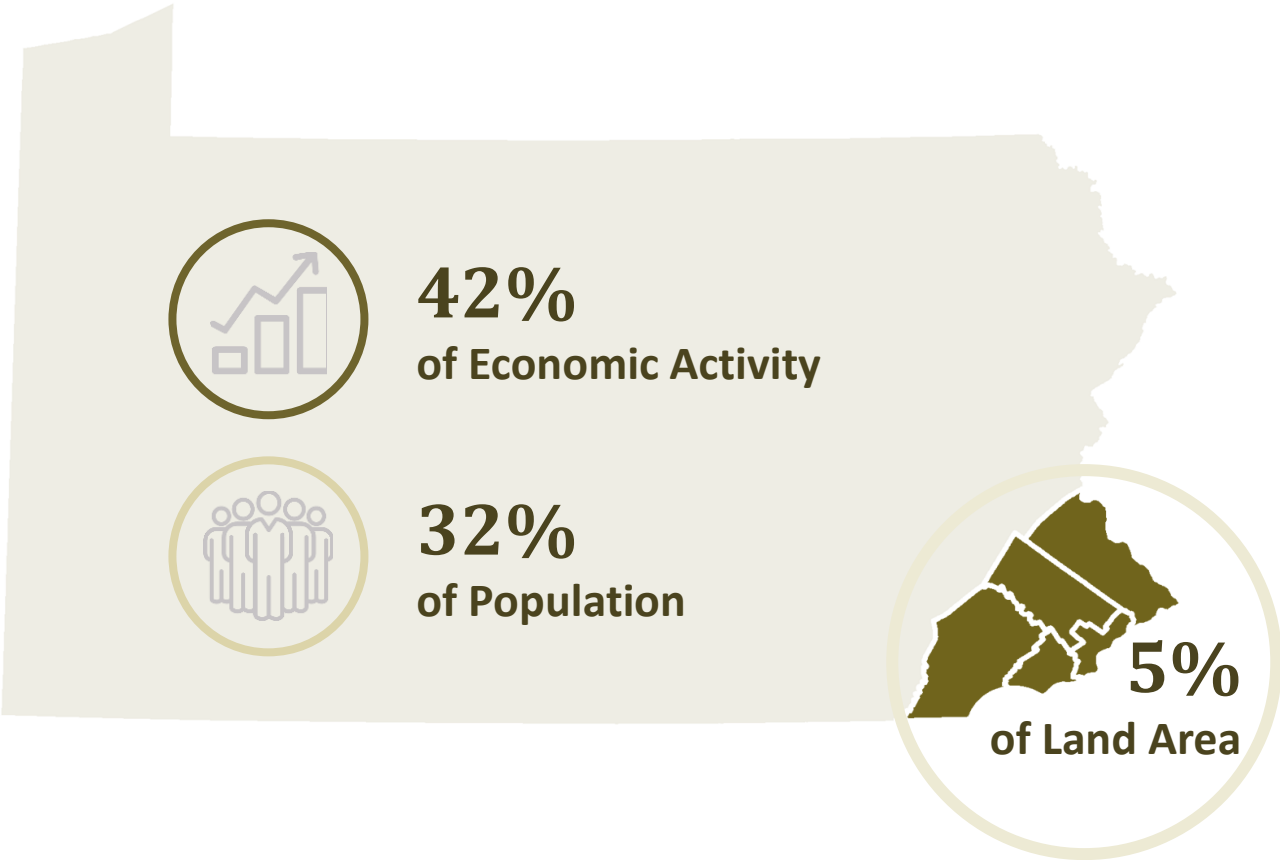
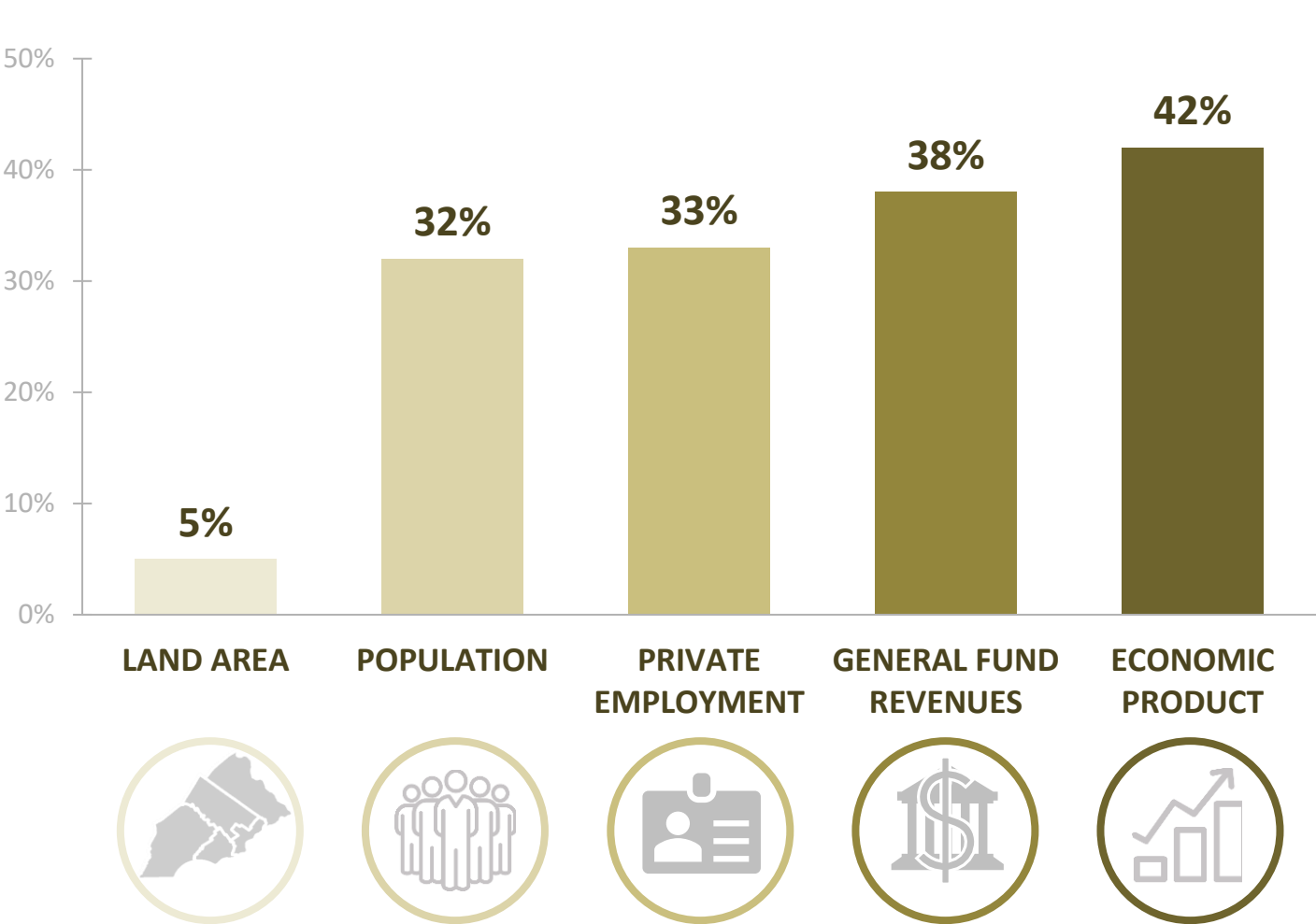
SEPTA economic footprint



# Southeast Share of the Commonwealth

Southeast Pennsylvania is an outsized economic engine for the Commonwealth due to its density and productivity

Southeast Region Share of Pennsylvania Activity

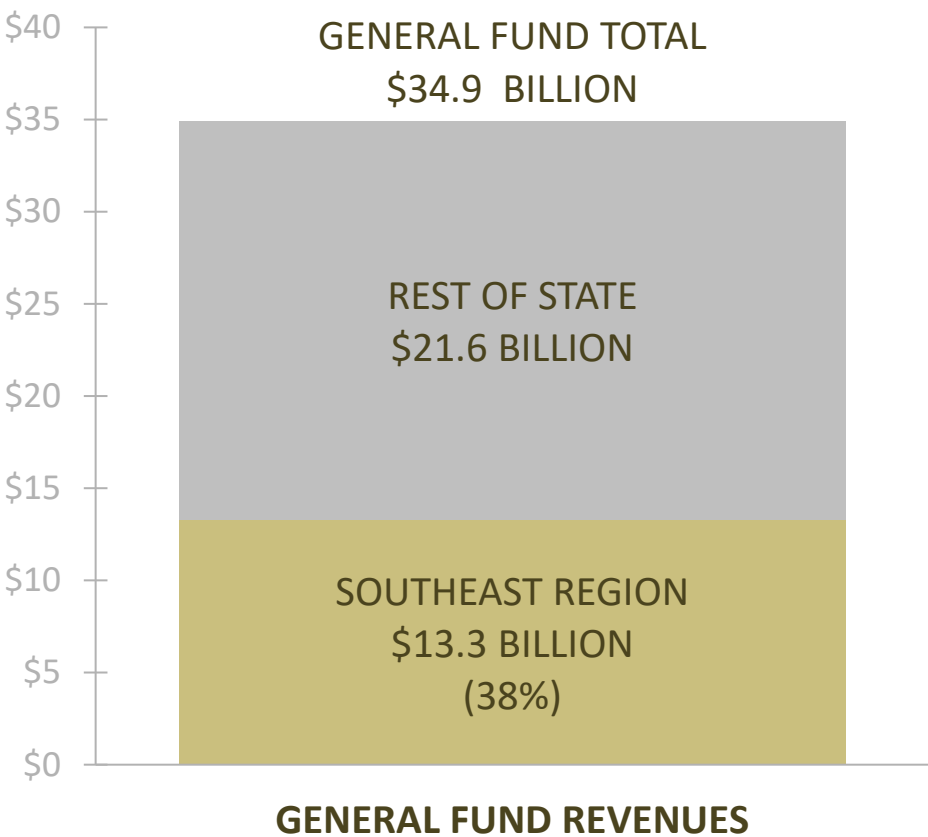
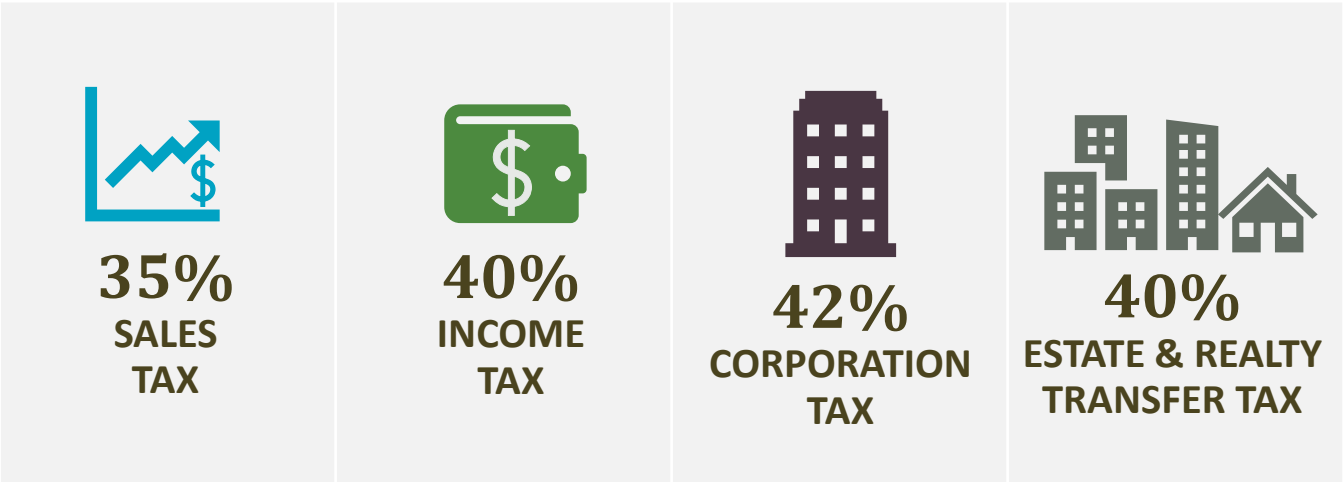


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# Southeast Share of the Commonwealth

The southeast region is also an outsized contributor to Pennsylvania’s tax base

Southeast Region Share of Major Pennsylvania General Fund Sources

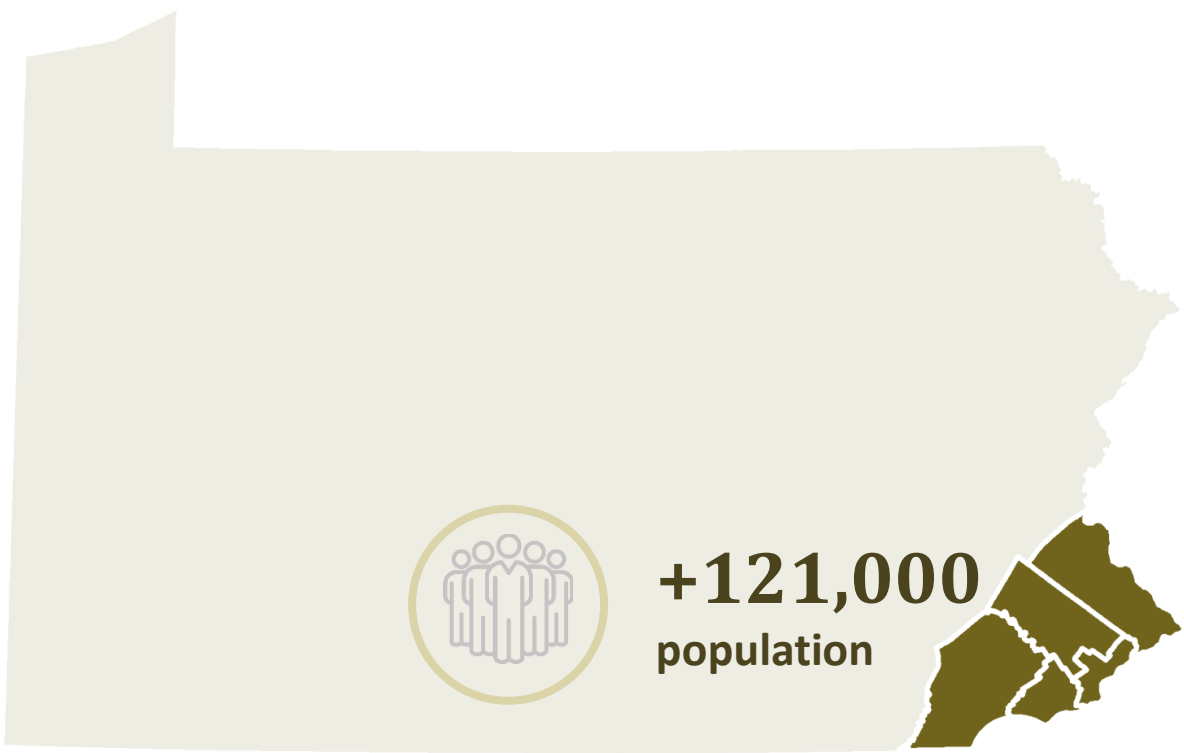
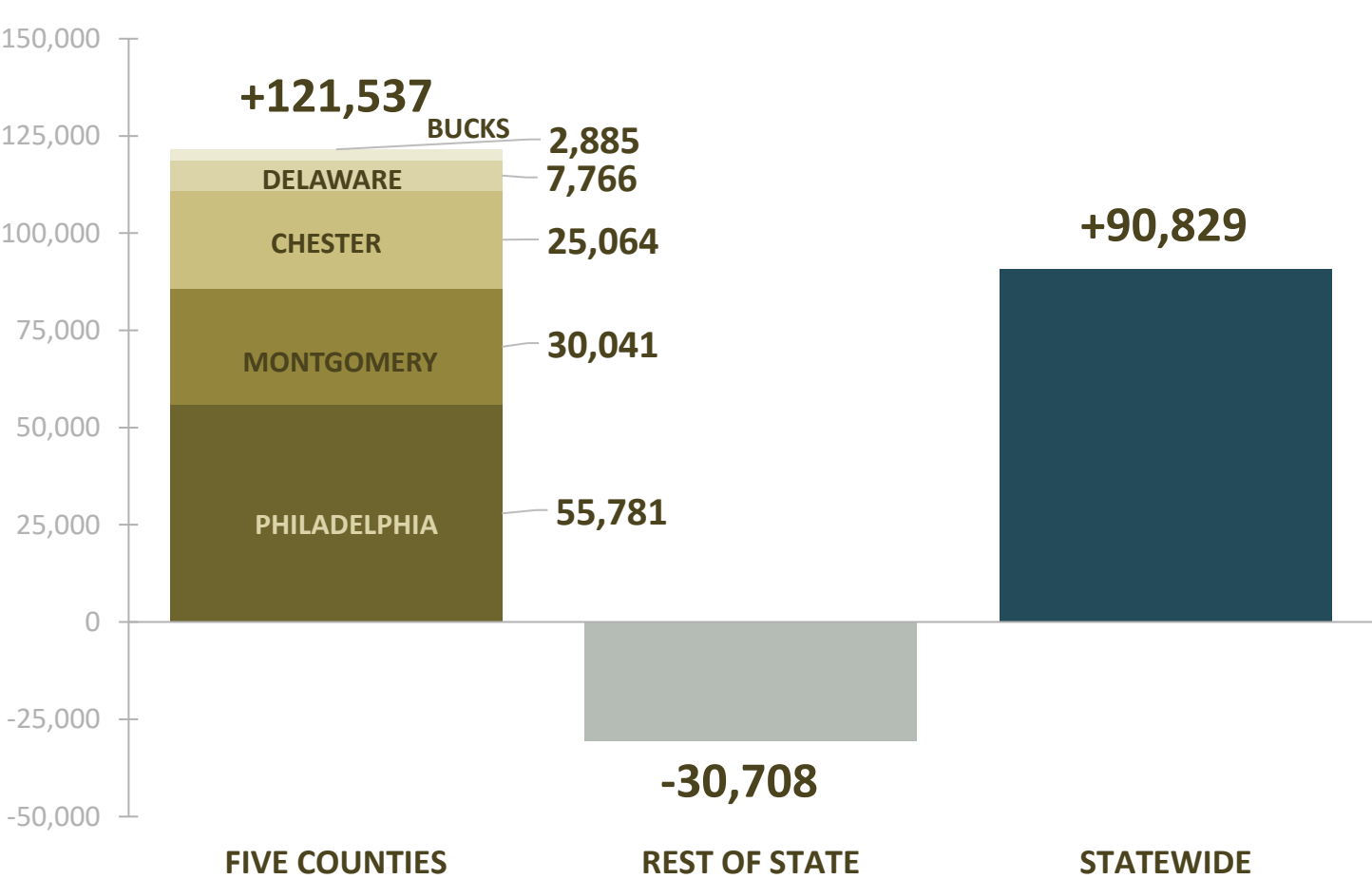


**38%** of Pennsylvania General Fund revenues, **\$13.3 BILLION** in FY 2019, originate in the southeast region

# Southeast Share of the Commonwealth

Population growth in the southeast region has exceeded total Pennsylvania population growth over the past decade

Population Growth - Southeast Region and Statewide: 2010 - 2019

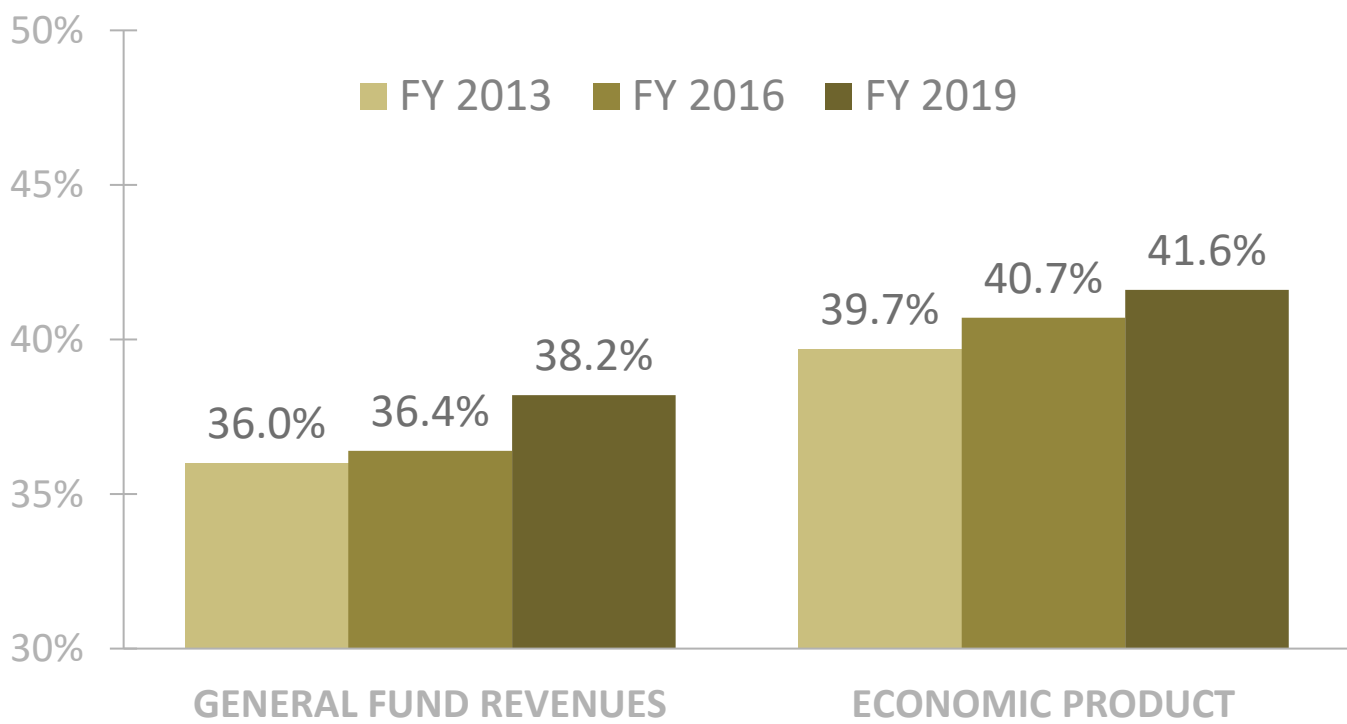


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# Southeast Share of the Commonwealth

The share of statewide tax revenue and economic activity produced by the southeast region has grown in recent years

Southeast Region Share of Pennsylvania Activity



The increase of 2.2 percentage points in the southeast share of the General Fund since FY 2013 equates to **\$770 million** in additional state revenue

The increase of 1.9 percentage points in the southeast share of economic product since FY 2013 equates to **\$15 billion** in additional economic product

The counties served by the state’s two largest transit agencies, SEPTA and Port Authority of Allegheny County, account for:

- 42%** of Pennsylvania’s population
- 50%** of Pennsylvania’s General Fund revenues
- 55%** of Pennsylvania’s economic product

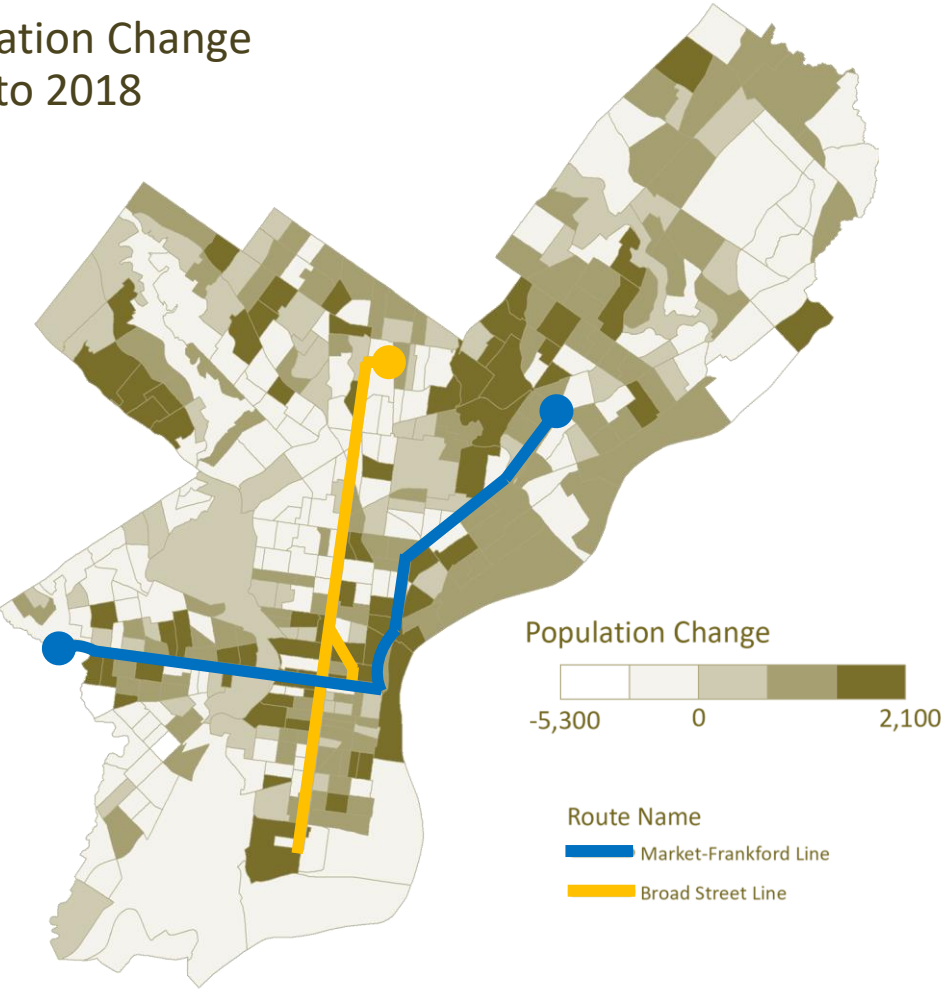
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# Growth Patterns and SEPTA Service

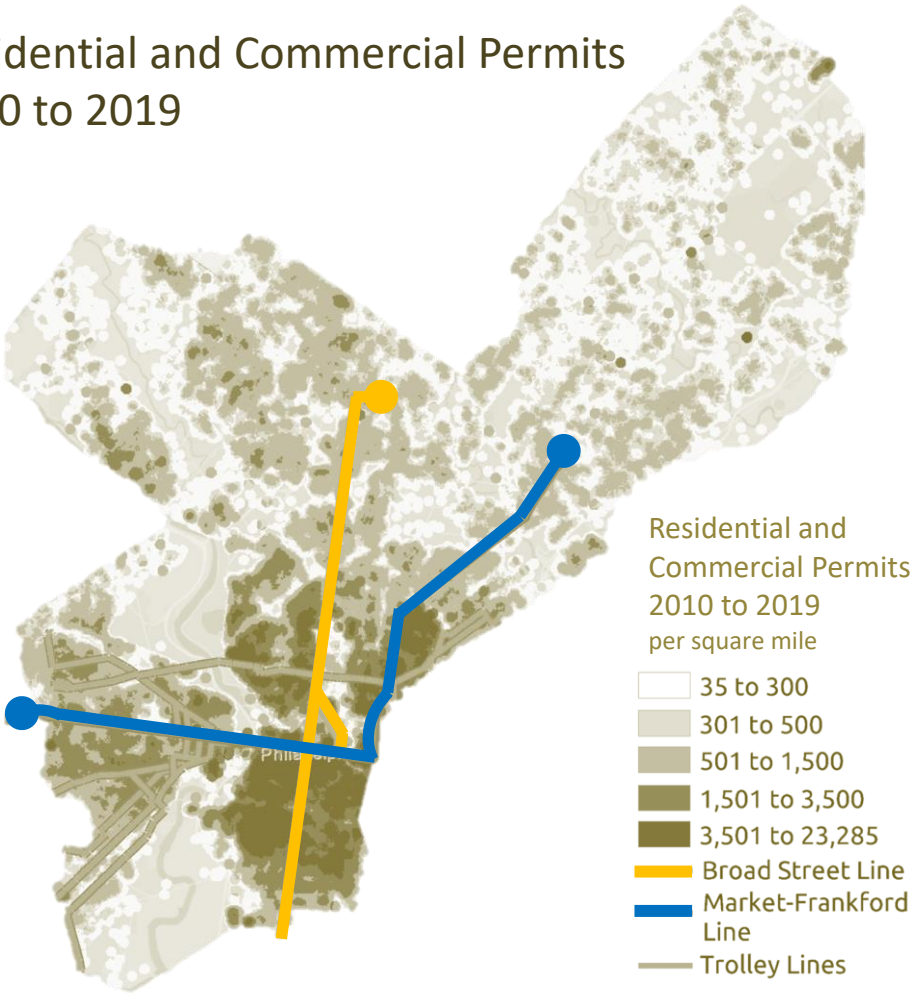
Patterns of growth and development within Philadelphia align closely with key nodes of SEPTA service

Population Change  
2010 to 2018



Population growth in Census tracts adjacent to the BSL and MFL has been **2X** the citywide average

Residential and Commercial Permits  
2010 to 2019







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# SEPTA’s Economic Footprint

SEPTA’s operating expenditures and capital investments are major drivers of economic activity for Pennsylvania

Annual Economic Impact in Pennsylvania

	CAPITAL INVESTMENTS	OPERATING EXPENDITURES	COMBINED	
	<b>\$492M</b> DIRECT IMPACT	<b>\$1.30B</b> DIRECT IMPACT	<b>\$1.80B</b> DIRECT IMPACT	<b>Each \$1.00 in direct activity creates \$1.91 in Pennsylvania economic impact</b>
	<b>\$1.08B</b> TOTAL ECONOMIC IMPACT	<b>\$2.35B</b> TOTAL ECONOMIC IMPACT	<b>\$3.43B</b> TOTAL ECONOMIC IMPACT	
	<b>7,200</b> TOTAL JOBS	<b>19,300</b> TOTAL JOBS	<b>26,500</b> TOTAL JOBS	
	<b>\$414M</b> TOTAL EARNINGS	<b>\$1.44B</b> TOTAL EARNINGS	<b>\$1.86B</b> TOTAL EARNINGS	

AVERAGE ANNUAL IMPACTS FY 2015-2019 (IN \$2019)





[SEPTA Economic Impact Report 2020](#)



# Capital Impact— Pre/Post Act 89

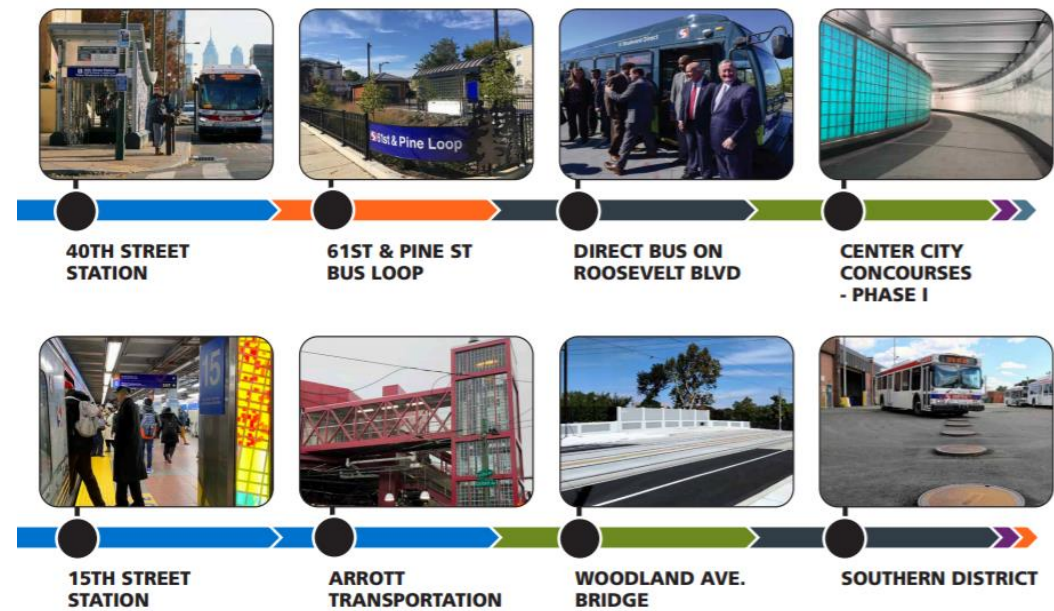
Capital impacts have increased significantly since the passage of Act 89, demonstrating the strong economic returns of increasing investment levels in mass transit

## Annual Capital Investment Impact in Pennsylvania

	PRE-ACT 89	POST-ACT 89	
	\$247M DIRECT IMPACT	\$492M DIRECT IMPACT	Capital impacts +126% since Act 89
	\$479M TOTAL ECONOMIC IMPACT	\$1.08B TOTAL ECONOMIC IMPACT	
	3,250 TOTAL JOBS	7,190 TOTAL JOBS	
	\$190M TOTAL EARNINGS	\$414M TOTAL EARNINGS	
	AVERAGE ANNUAL IMPACTS FY 2012-2014 (IN \$2019)	AVERAGE ANNUAL IMPACTS FY 2015-2019 (IN \$2019)	

SEPTA Economic Impact Report 2020

## Completed Projects - Philadelphia






## Completed Projects - Regional






# SEPTA’s Economic Footprint

SEPTA’s economic footprint yields significant activity in each of the five counties of the southeast region

Annual Economic Impact by County

			
	ANNUAL IMPACTS		
FIVE COUNTIES	<b>\$3.24B</b> ECONOMIC IMPACT	<b>25,200</b> JOBS	<b>\$1.80B</b> EARNINGS
	ANNUAL IMPACTS		
BUCKS	<b>\$298M</b> ECONOMIC IMPACT	<b>2,300</b> JOBS	<b>\$127M</b> EARNINGS
	ANNUAL IMPACTS		
MONTGOMERY	<b>\$444M</b> ECONOMIC IMPACT	<b>3,400</b> JOBS	<b>\$185M</b> EARNINGS

			
	ANNUAL IMPACTS		
DELAWARE	<b>\$476M</b> ECONOMIC IMPACT	<b>3,600</b> JOBS	<b>\$229M</b> EARNINGS
	ANNUAL IMPACTS		
CHESTER	<b>\$177M</b> ECONOMIC IMPACT	<b>1,400</b> JOBS	<b>\$71M</b> EARNINGS
	ANNUAL IMPACTS		
PHILADELPHIA	<b>\$1.84B</b> ECONOMIC IMPACT	<b>14,500</b> JOBS	<b>\$1.18B</b> EARNINGS

[SEPTA Economic Impact Report 2020](#)





# Property and Catalytic Value

Residential property value

Catalyzing commercial development and employment growth





# Residential Property Value

☒ Square Footage  
☒ # of Bedrooms  
☒ Year Built  
☐ Transit Access

☒ Square Footage  
☒ # of Bedrooms  
☒ Year Built  
☒ Transit Access



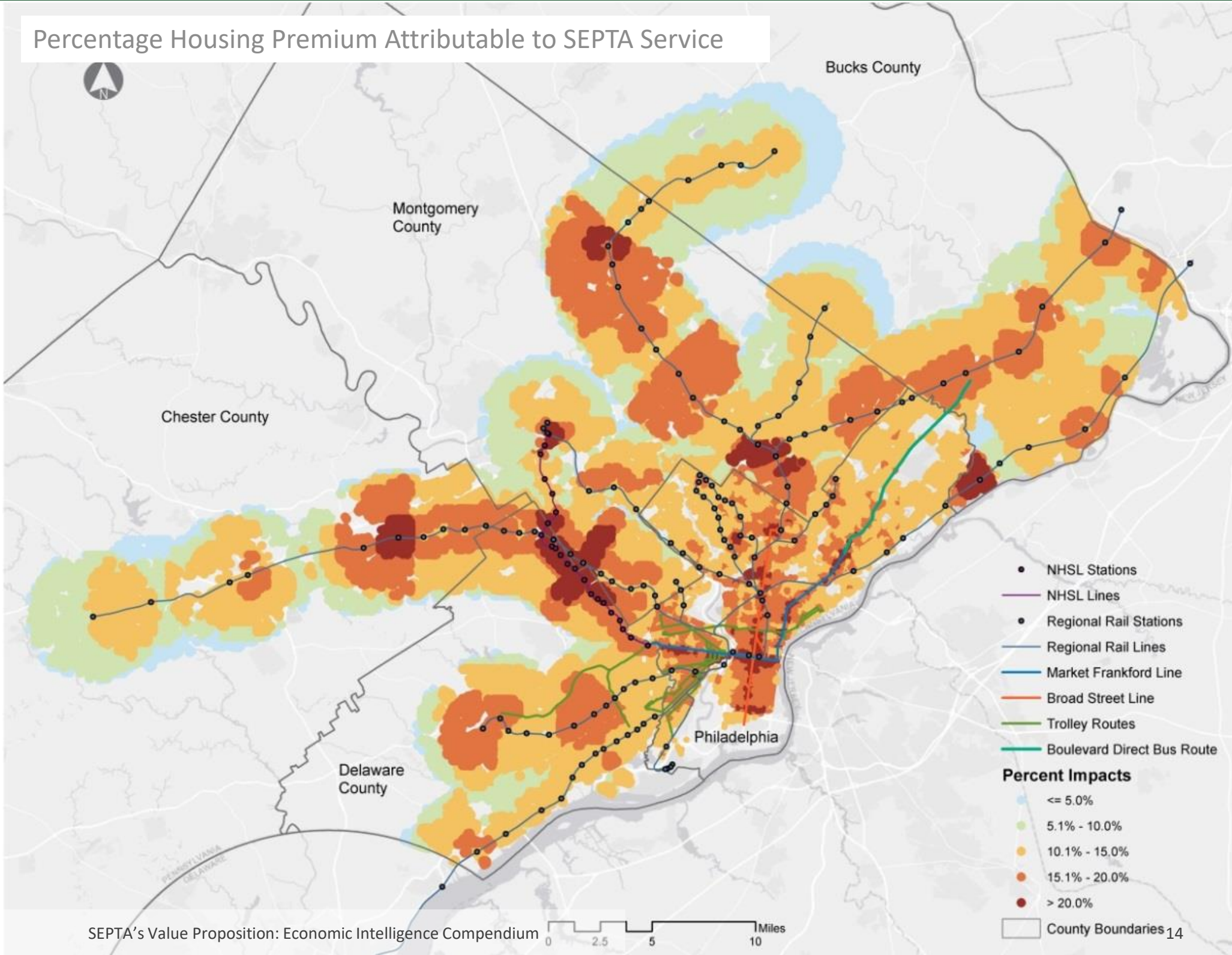
FOR SALE



FOR SALE

Hedonic regression models of housing transaction isolate the market value from transit proximity, holding all other housing and community features constant

Percentage Housing Premium Attributable to SEPTA Service





# Residential Property Value

Access to SEPTA service contributes \$33 billion in housing value across the region, or \$21,600 per household

Residential Property Value Attributable to SEPTA Service

County	Post-Act 89			Pre-Act 89		
	Total Premium	% of Value	Premium per HH	Total Premium	% of Value	Premium per HH
Bucks	\$2.9 B	7%	\$12,500	\$2.2 B	5%	\$9,300
Chester	\$1.9 B	4%	\$10,300	\$1.4 B	3%	\$7,500
Delaware	\$3.7 B	11%	\$18,300	\$2.9 B	8%	\$14,300
Montgomery	\$6.6 B	8%	\$21,400	\$5.1 B	6%	\$16,400
Philadelphia	\$17.5 B	17%	\$30,100	\$12.9 B	13%	\$22,200
Region	\$32.7 B	11%	\$21,600	\$24.4 B	7%	\$16,100

The premium from proximity to SEPTA service accounts for 11% of all housing value in the southeast region

# Catalyzing Commercial Development

Large-scale commercial development is enabled by SEPTA's efficient delivery of commuters to employment hubs



“We timed the walk (from 30th Street Station to 2222 Market). It was important for us to test.

We don’t know what the future holds but we can imagine it with fewer cars.

Many of our associates don’t own cars and live in the city. For people who live outside of the city, commuting on the train is how they get to work.”

— Sarah Bouchard, Managing Partner for Morgan Lewis’ Philadelphia Office



SEPTA Economic Impact Report 2020



# Commercial Development: Projects of Regional Significance

SEPTA's envisioned projects would enhance capacity to key commercial nodes, raising the ceiling on development potential

Rail Capacity



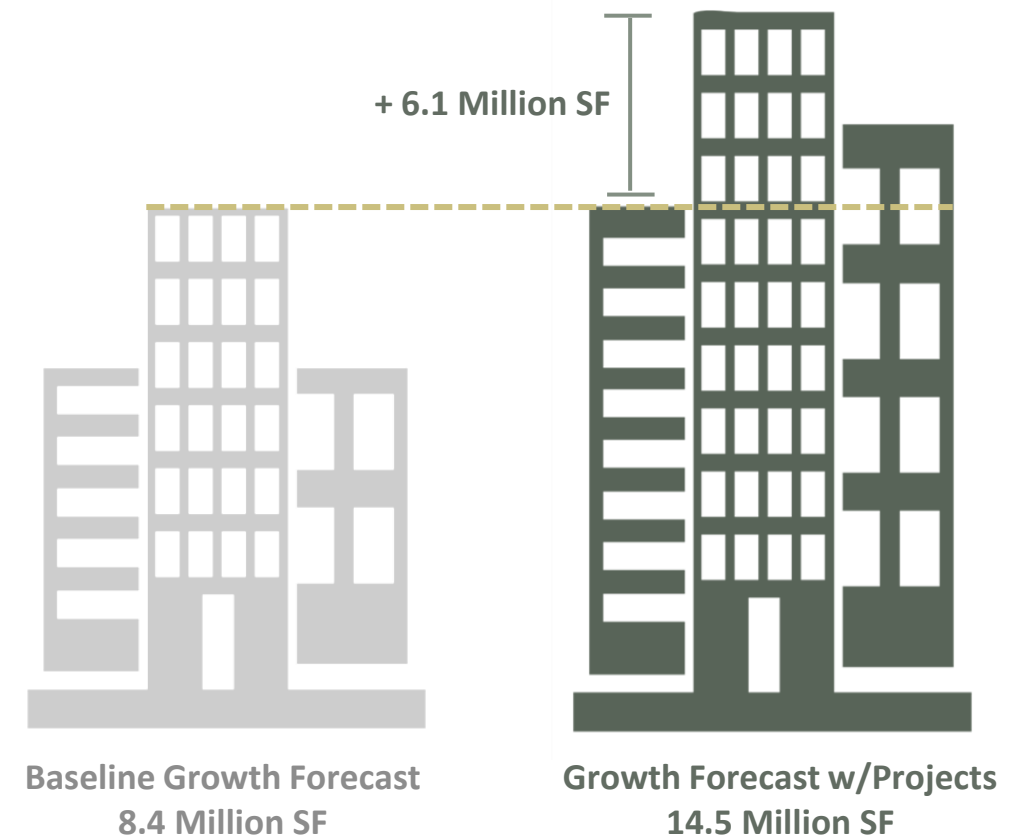
King of Prussia Rail



Bus Network Redesign



Trolley Modernization



**Absent additional transit capacity, key development sites like Schuylkill Yards and uCity Square will fall short of their potential – or crowd out other growth in the office market**

SEPTA Impact of Future Projects Report

# King of Prussia Rail: Catalytic Impact

The KOP Rail extension project will generate new commercial activity and enhance residential property values

## Development Impact



**5.3M**  
 SF of net new  
 development



**8,000**  
 net new jobs



**\$636M**  
 additional  
 annual earnings

## Property Value Impact



**\$260M**  
 net new  
 commercial value



**\$83M**  
 Residential value  
 near extension stations  
 (\$32,000 per house)



**\$1.8B**  
 Residential property  
 value regionwide



[SEPTA Impact of Future Projects Report](#)



# Commercial Value: Projects of Regional Significance

SEPTA’s projects of significance would increase the long-term employment growth trajectory of the region



**11.4 million**  
SF of additional commercial  
development in downtown / KOP



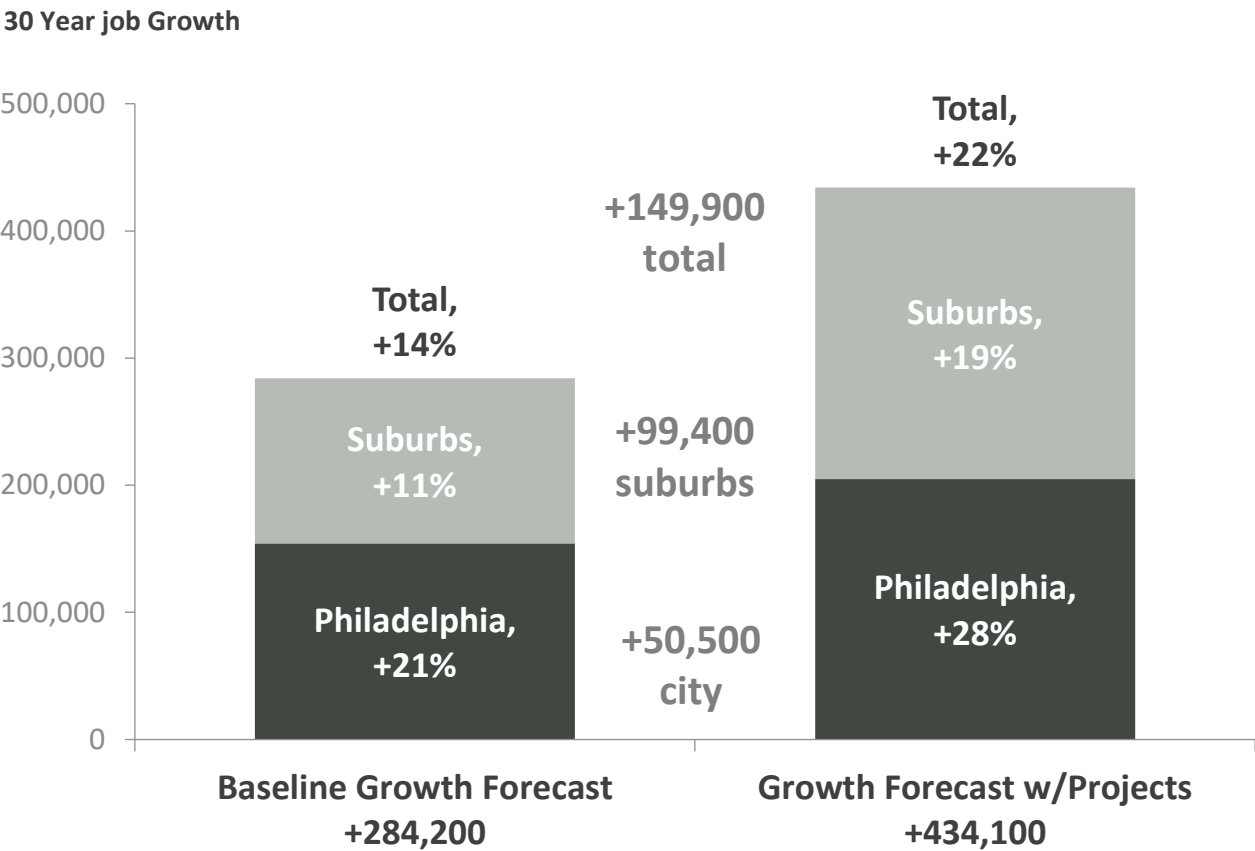
**149,900**  
additional jobs  
across the region



**\$10.1 billion**  
additional annual earnings  
across the region

[SEPTA Impact of Future Projects Report](#)

Regional Employment Growth



**50% increase in the 30-year job growth pace**

# Return on Investment: Projects of Regional Significance

Public returns through tax revenues yielded by the projects exceed private sector investment benchmarks

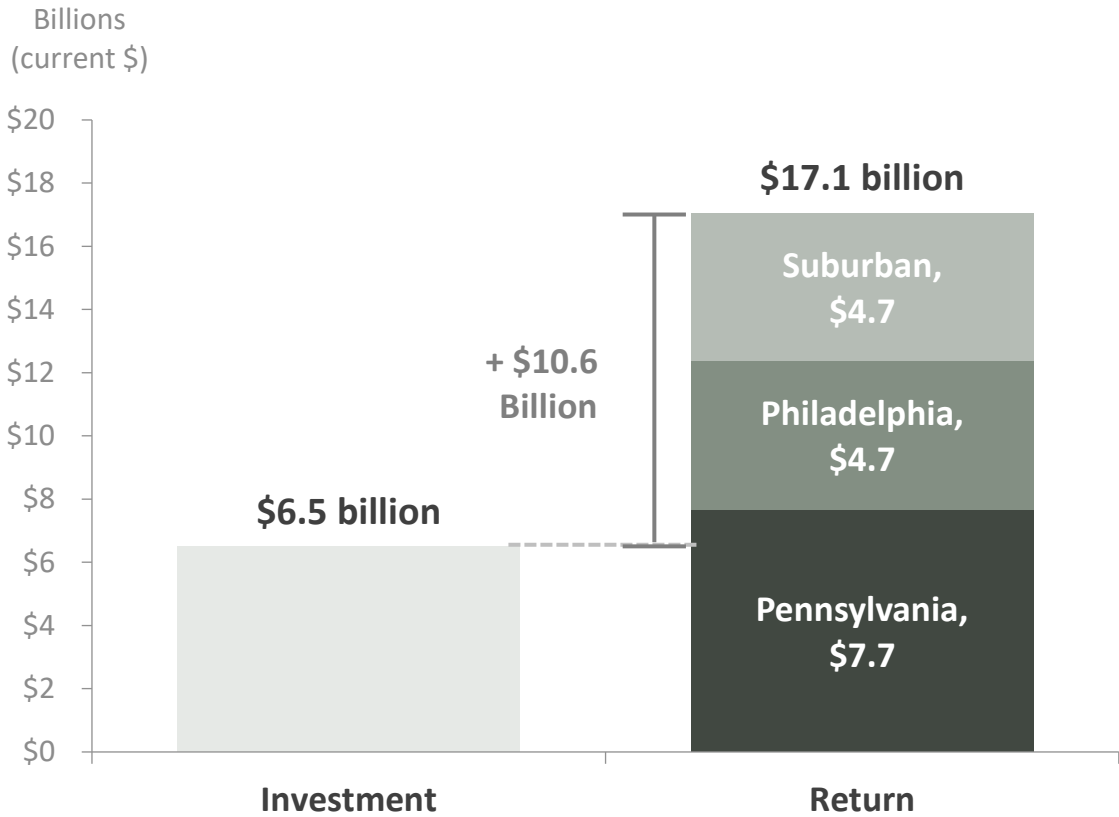


**\$17.1 billion**  
 Net Present Value of  
 expected increase in  
 tax revenue



**2.6x**  
 Return on Investment  
  
**12.3%**  
 Annual Return

Net Present Value of Investment and Return



Net Present Value of expected costs and tax revenues over 60 years at a 5% discount rate

[SEPTA Impact of Future Projects Report](#)



# Congestion Impacts

Residents across Philadelphia suffer direct time and value losses from downtown congestion delays

## Direct Losses



**9.7 million**  
annual hours of time delay  
for bus and car passengers



**\$152 million**  
annual time value and transportation  
costs to bus and car passengers



**\$21 million**  
additional SEPTA bus operating costs and  
downstream revenue losses annually

## Competitiveness Losses



**15,700**  
Potential jobs  
foregone



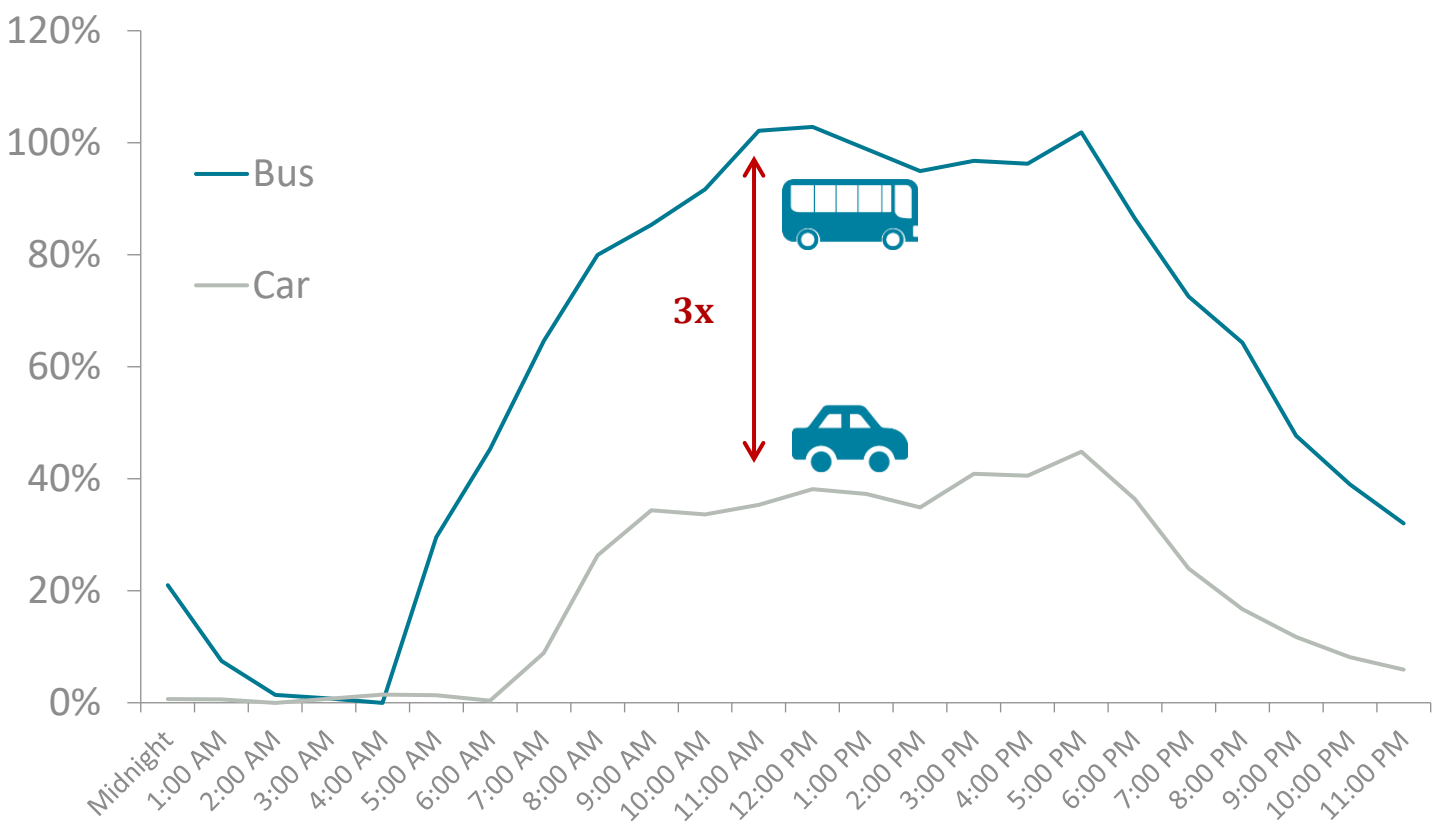
**\$1.08 billion**  
Potential earnings  
foregone

[SEPTA Congestion Report](#)

# Congestion: Downstream Impacts

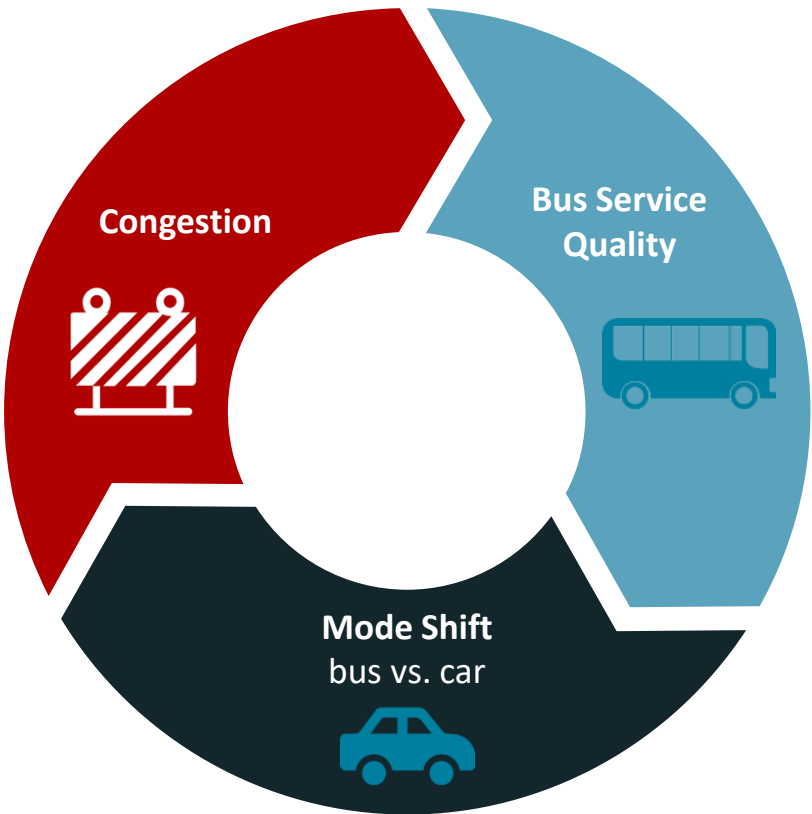
Excess congestion delays for buses relative to cars encourage a feedback loop leading to further congestion

Time Delay on Center City Street Grid by Hour due to Congestion  
 Bus vs. Car



Buses suffer **3X** the congestion delays of cars on downtown streets

Feedback Loop from Diminished Bus Service Quality



SEPTA Congestion Report



# Congestion and Economic Recovery

The period of economic recovery presents an opportunity to reassess the relationship between cities and cars

**VentureBeat**

The COVID-19 crisis could show us how to cure our congested cities

“When the crisis ends, many of our old habits — including the idea that one has to leave home to go to the workplace on a daily basis — will have changed. And the new habits we’re now building could help solve a long-standing problem no one has been able to solve to date: traffic congestion.”

*The Atlantic*

The Pandemic Shows What Cars Have Done to Cities

Along streets suddenly devoid of traffic, pedestrians get a fresh look at all the space that motor vehicles have commandeered.

“Before all the cars come back, we can start working on the gaps in everyday livability that have been exposed by the coronavirus—and today’s livability is tomorrow’s resilience.”

**The Guardian**

Milan announces ambitious scheme to reduce car use after lockdown

“It’s a once-in-a-lifetime opportunity to take a fresh look at your streets and make sure that they are set to achieve the outcomes that we want to achieve: not just moving cars as fast as possible from point A to point B, but making it possible for everyone to get around safely.”

— Janette Sadik-Khan, former transportation commissioner for New York City



# Equitable Growth

Household budget impacts

Access to opportunity





# Preserving Affordability in a Growing City

High-quality transit service can reduce household expenses while growing asset values



## Location Efficiency

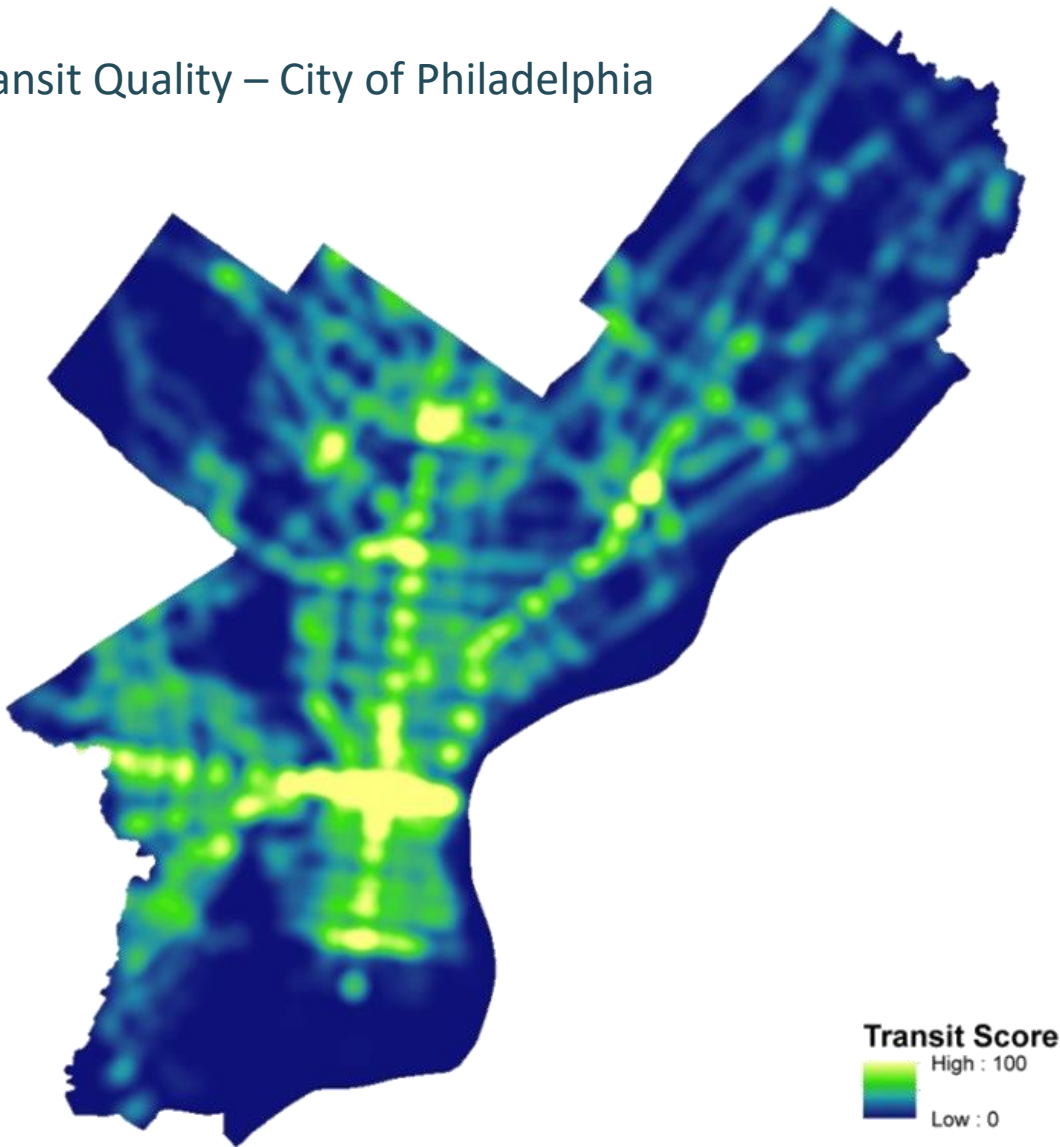
Housing costs are often connected to transportation costs



## Household Budgets

Areas served by transit may have higher housing costs (through higher property values) offset by lower transportation costs






Relative Transit Quality – City of Philadelphia



[SEPTA Value Proposition Report](#)

# Household Budget Impacts

SEPTA service reduces net expenses for the average Philadelphia household in Philadelphia

	Housing Premium	\$870	From Transit Added Value	HOUSING
	Car Ownership	(\$1,670)	From Fewer Vehicles	TRANSPORTATION
	Car Driving	(\$530)	From Less Car Usage	
	Public Transit	\$500	From More Transit Usage	
	Average Savings per Household	(\$830)	MORE AFFORDABLE	NET IMPACT

The average household saves **\$830** per year in expenses due to transit service, a total of **\$481 million** per year citywide



# Fare Restructuring Proposal

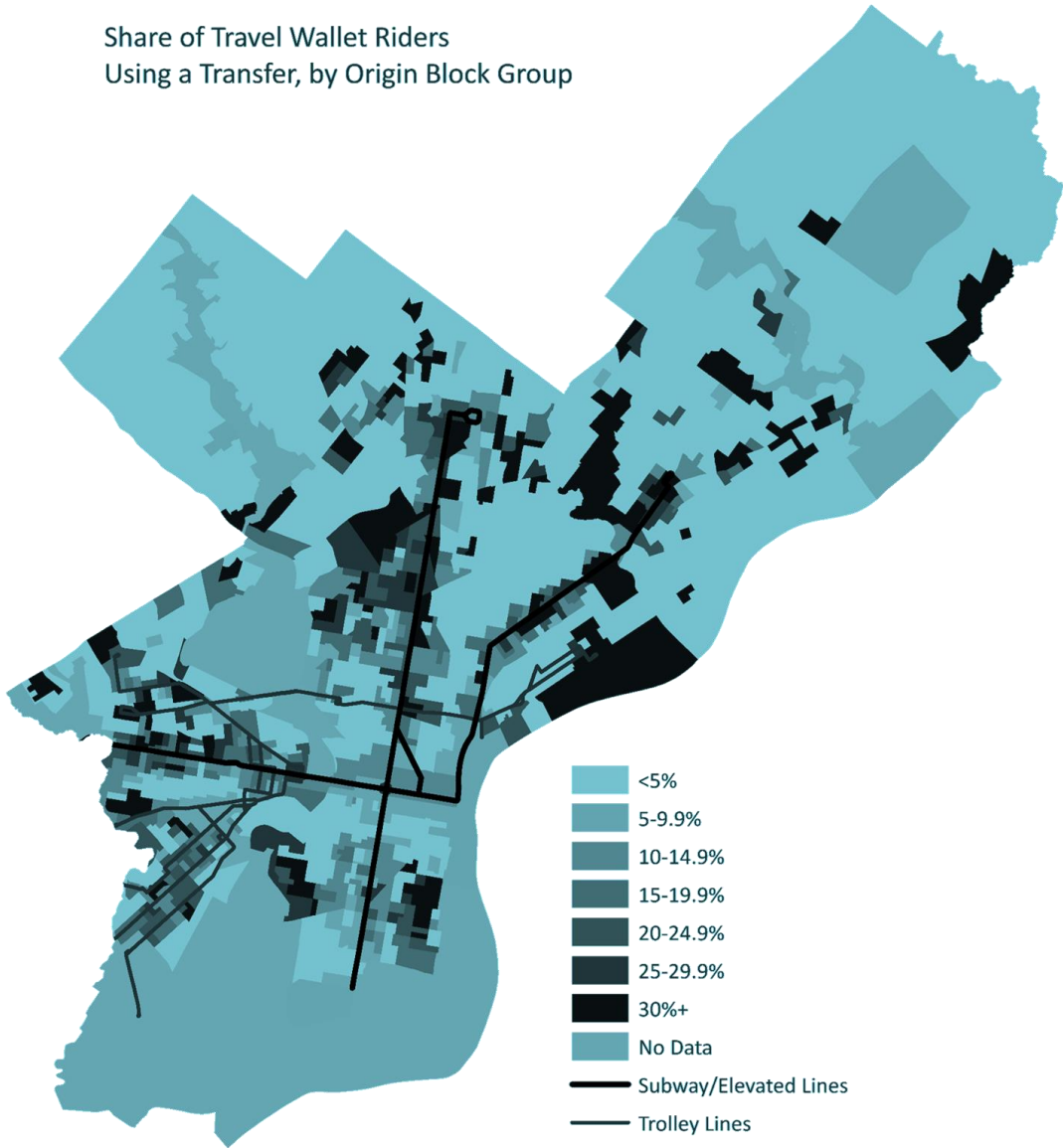
SEPTA fare FY 2021 fare proposal includes eliminated the first transfer fee and sub-inflationary growth in pass prices

FY 2021-23 Fare Proposal: Pricing for Selected Products

	FY 18-20	FY 21-23
Monthly Pass	\$96.00	\$99.00
Weekly Pass	\$25.50	\$26.50
Base - Cash / Quick Trip	\$2.50	\$2.50
Base – Travel Wallet	\$2.00	\$2.50
Transfer	\$1.00	First Free

SEPTA Fare Equity Report

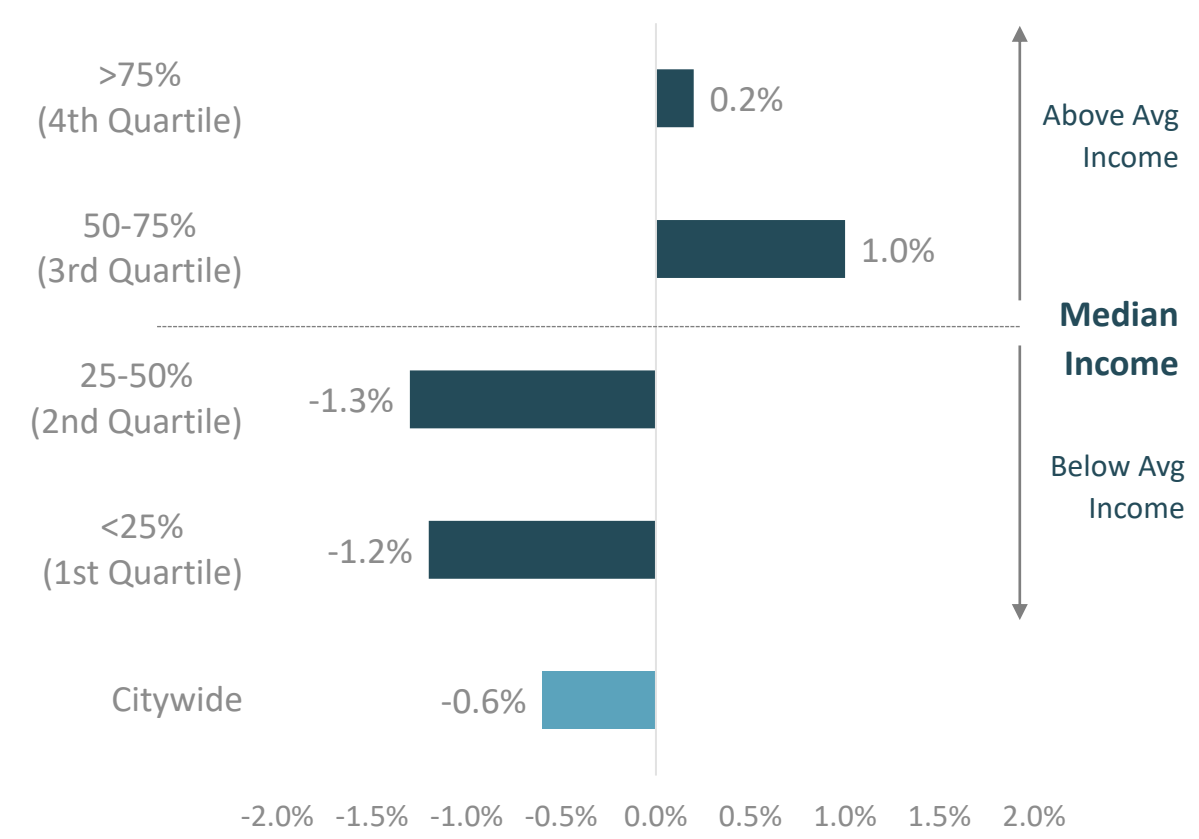
Share of Travel Wallet Riders  
Using a Transfer, by Origin Block Group



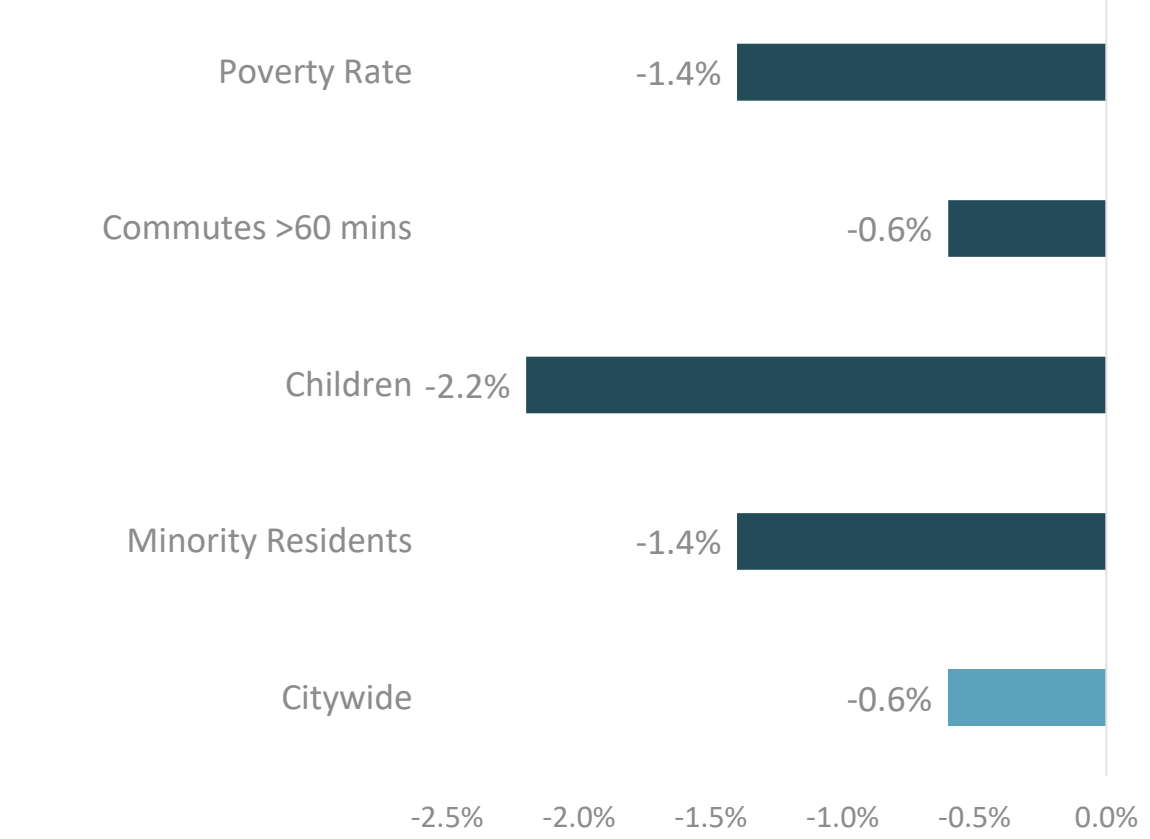
# Fare Equity Impacts

Low-income riders and other disadvantaged communities see decreases in fares relative to income under the proposal

Change in Average Roundtrip Fare as Share of Daily Income by Block Group Income Quartile



Change in Average Roundtrip Fare as Share of Daily Income Selected Block Group Characteristics (Above City Median)



**Average fares fall as a share of income in communities with incomes below the city median, and with above average concentrations of minority residents**





1435 Walnut St, 4<sup>th</sup> Floor, Philadelphia, PA 19102 | 215-717-2777 | [econsultsolutions.com](http://econsultsolutions.com)

[in linkedin.com/company/econsult-solutions](https://www.linkedin.com/company/econsult-solutions) | [@econsultsolutns](https://twitter.com/econsultsolutns)

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