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

Property & Catalytic Value

Equitable Growth

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
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
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 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

- **35% Sales Tax**
- **40% Income Tax**
- **42% Corporation Tax**
- **40% Estate & Realty Transfer Tax**

**General Fund Revenues**
- **$34.9 Billion**
  - **$21.6 Billion** Rest of State
  - **$13.3 Billion** Southeast Region (38%)

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

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

Population changes:
- Bucks: +121,537
- Delaware: +90,829
- Chester: +7,766
- Montgomery: +25,064
- Philadelphia: +55,781
- Rest of State: -30,708
- Statewide: +121,000

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2016</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND REVENUES</td>
<td>36.0%</td>
<td>36.4%</td>
<td>38.2%</td>
</tr>
<tr>
<td>ECONOMIC PRODUCT</td>
<td>39.7%</td>
<td>40.7%</td>
<td>41.6%</td>
</tr>
</tbody>
</table>

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
Growth Patterns and SEPTA Service

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

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

SEPTA Economic Impact Report 2020
SEPTA's Economic Footprint

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

Annual Economic Impact in Pennsylvania

<table>
<thead>
<tr>
<th>CAPITAL INVESTMENTS</th>
<th>OPERATING EXPENDITURES</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>$492M DIRECT IMPACT</td>
<td>$1.30B DIRECT IMPACT</td>
<td>$1.80B DIRECT IMPACT</td>
</tr>
<tr>
<td>$1.08B TOTAL ECONOMIC IMPACT</td>
<td>$2.35B TOTAL ECONOMIC IMPACT</td>
<td>$3.43B TOTAL ECONOMIC IMPACT</td>
</tr>
<tr>
<td>7,200 TOTAL JOBS</td>
<td>19,300 TOTAL JOBS</td>
<td>26,500 TOTAL JOBS</td>
</tr>
<tr>
<td>$414M TOTAL EARNINGS</td>
<td>$1.44B TOTAL EARNINGS</td>
<td>$1.86B TOTAL EARNINGS</td>
</tr>
</tbody>
</table>

Each $1.00 in direct activity creates $1.91 in Pennsylvania economic impact.

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

<table>
<thead>
<tr>
<th></th>
<th>PRE-ACT 89</th>
<th>POST-ACT 89</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIRECT IMPACT</td>
<td>$247M</td>
<td>$492M</td>
</tr>
<tr>
<td>TOTAL ECONOMIC IMPACT</td>
<td>$479M</td>
<td>$1.08B</td>
</tr>
<tr>
<td>TOTAL JOBS</td>
<td>3,250</td>
<td>7,190</td>
</tr>
<tr>
<td>TOTAL EARNINGS</td>
<td>$190M</td>
<td>$414M</td>
</tr>
</tbody>
</table>

Capital impacts +126% since Act 89

Completed Projects - Philadelphia

Completed Projects - Regional

SEPTA Economic Impact Report 2020
SEPTA’s Economic Footprint

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

<table>
<thead>
<tr>
<th>FIVE COUNTIES</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.24B</td>
<td>25,200</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$1.80B</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BUCKS</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$298M</td>
<td>2,300</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$127M</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONTGOMERY</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$444M</td>
<td>3,400</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$185M</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DELAWARE</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$476M</td>
<td>3,600</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$229M</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHESTER</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$177M</td>
<td>1,400</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$71M</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PHILADELPHIA</th>
<th>ANNUAL IMPACTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.84B</td>
<td>14,500</td>
</tr>
<tr>
<td></td>
<td>ECONOMIC IMPACT</td>
<td>JOBS</td>
</tr>
<tr>
<td></td>
<td>$1.18B</td>
<td>EARNINGS</td>
</tr>
</tbody>
</table>

SEPTA Economic Impact Report 2020
Property and Catalytic Value

- Residential property value
- Catalyzing commercial development and employment growth
Hedonic regression models of housing transaction isolate the market value from transit proximity, holding all other housing and community features constant.
Residential Property Value

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

<table>
<thead>
<tr>
<th>County</th>
<th>Post-Act 89</th>
<th>Pre-Act 89</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Premium</td>
<td>% of Value</td>
</tr>
<tr>
<td>Bucks</td>
<td>$2.9 B</td>
<td>7%</td>
</tr>
<tr>
<td>Chester</td>
<td>$1.9 B</td>
<td>4%</td>
</tr>
<tr>
<td>Delaware</td>
<td>$3.7 B</td>
<td>11%</td>
</tr>
<tr>
<td>Montgomery</td>
<td>$6.6 B</td>
<td>8%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>$17.5 B</td>
<td>17%</td>
</tr>
<tr>
<td>Region</td>
<td>$32.7 B</td>
<td>11%</td>
</tr>
</tbody>
</table>

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
Commercial Development: Projects of Regional Significance

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

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.
King of Prussia Rail: Catalytic Impact

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

<table>
<thead>
<tr>
<th>Development Impact</th>
<th>Property Value Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5.3M</strong> SF of net new development</td>
<td><strong>$260M</strong> net new commercial value</td>
</tr>
<tr>
<td><strong>8,000</strong> net new jobs</td>
<td><strong>$83M</strong> Residential value near extension stations ($32,000 per house)</td>
</tr>
<tr>
<td><strong>$636M</strong> additional annual earnings</td>
<td><strong>$1.8B</strong> Residential property value regionwide</td>
</tr>
</tbody>
</table>

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

**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

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**Net Present Value of Investment and Return**

- **$17.1 billion**
- **$6.5 billion**
- **$10.6 Billion**

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

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**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*

- **Bus**
- **Car**

**Feedback Loop from Diminished Bus Service Quality**

- **Congestion**
- **Mode Shift**
  - bus vs. car
- **Bus Service Quality**

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

SEPTA Congestion Report

SEPTA's Value Proposition: Economic Intelligence Compendium
Property and Catalytic Value

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

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

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

“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.

“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

“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.”

Milan announces ambitious scheme to reduce car use after lockdown.
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
## Household Budget Impacts

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

<table>
<thead>
<tr>
<th>Housing Premium</th>
<th>$870</th>
<th>From Transit Added Value</th>
<th>HOUSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Ownership</td>
<td>($1,670)</td>
<td>From Fewer Vehicles</td>
<td>TRANSPORTATION</td>
</tr>
<tr>
<td>Car Driving</td>
<td>($530)</td>
<td>From Less Car Usage</td>
<td></td>
</tr>
<tr>
<td>Public Transit</td>
<td>$500</td>
<td>From More Transit Usage</td>
<td></td>
</tr>
<tr>
<td>Average Savings per Household</td>
<td>($830)</td>
<td>MORE AFFORDABLE</td>
<td>NET IMPACT</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Product</th>
<th>FY 18-20</th>
<th>FY 21-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Pass</td>
<td>$96.00</td>
<td>$99.00</td>
</tr>
<tr>
<td>Weekly Pass</td>
<td>$25.50</td>
<td>$26.50</td>
</tr>
<tr>
<td>Base - Cash / Quick Trip</td>
<td>$2.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>Base – Travel Wallet</td>
<td>$2.00</td>
<td>$2.50</td>
</tr>
<tr>
<td>Transfer</td>
<td>$1.00</td>
<td>First Free</td>
</tr>
</tbody>
</table>

**SEPTA Fare Equity Report**
Fare Equity Impacts

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

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

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

- 75% (4th Quartile): 0.2%
- 50-75% (3rd Quartile): 1.0%
- 25-50% (2nd Quartile): -1.3%
- <25% (1st Quartile): -1.2%
- Citywide: -0.6%

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

- Poverty Rate: -1.4%
- Children: -2.2%
- Minority Residents: -1.4%
- Citywide: -0.6%
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