

# PHOENIXVILLE TRAIN PROJECT CHANGES TRACKS



## DOWNTOWN MARKETING & DEVELOPMENT By Barry Cassidy

The Borough of Phoenixville's access to passenger rail to Philadelphia ended through the dissolution of CONRAIL. The Mayor's Task Force for the Restoration of Passenger Rail Service to Phoenixville is spearheading the effort to restore service on the same rail line, now owned by Norfolk Southern.

The group seeks to utilize a value capture strategy by using new real estate developments in the communities that are transit proximate. Through the value capture strategy, the group would fund the project by capturing a portion of the new assessed value which will be designated for the rail project. The project is centering on eight properties in Phoenixville Borough and Schuylkill Township.

The program recently received con-

tact from Smart Growth America and Transportation America concerning their interest in the Phoenixville/Philadelphia Train Project. The project team went to Washington, DC, and met with them concerning the financing of the train project. Transportation America offered to help us fund our project through a set aside for small passenger rails for which SEPTA, as a transit agency, is not eligible to apply.

*(Continued on page 18)*

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## DOWNTOWN MARKETING & DEVELOPMENT

(Continued from page 17)

The group seeks to move forward with federal funding, some combination of three of these programs are available utilizing the Consolidated Rail Infrastructure and Safety Improvement Program (grant), Restoration and Enhancement Grants Program (operating) and the Railroad Rehabilitation & Improvement Financing (loan).

A total budget of \$175,557,435 could be funded with the Consolidated Rail Infrastructure and Safety Improvement Program grant of \$87.77 million and \$87.77 million with thirty-five-year term Railroad Rehabilitation & Improvement Financing. The Railroad Rehabilitation & Improvement Financing features a six-year wait period before payments begin.


The thirty-five-year Railroad Rehabilitation & Improvement Financing could finance the entire project, in total. The combination of the Railroad Rehabilitation & Improvement Financing and Consolidated Rail Infrastructure and Safety Improvement Program clearly fits the needs of the Phoenixville Project by providing a front end write down of costs,

coupled with a 35-year term for the remainder. The federal funding scheme would be the best option for the project rather than issuing bonds as the funding mechanism. The interest rate for a Railroad Rehabilitation & Improvement Financing is tied to the rate the federal government borrows.

The Restoration and Enhancement Grants Program could provide operating subsidy for the project in the three-year ramp-up period. The operating revenue cannot be determined until we have the ridership study from the Delaware Regional Planning Commission

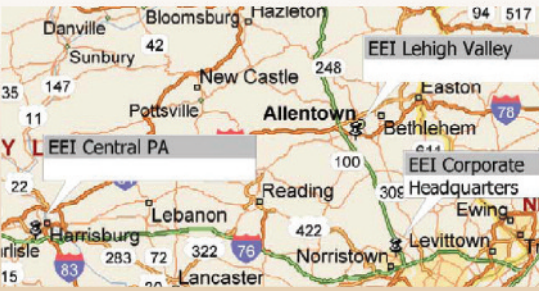
At this point we need to secure the simulation from Norfolk Southern and derive consensus from the taxing bodies concerning the value capture to complete the project. We will begin public meetings in August and present our plan to all of the taxing entities.

There are eight properties that are in the plan for value capture, the most prominent being the Phoenix Steel Site and the Barto Pool development. Both have approved plans and would be capable of being considered quickly for the



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Railroad Rehabilitation & Improvement Financing. The program is normally associated with the amount of fares that will be generated. This funding mechanism is a dictate of the law. You have to pay your taxes.

Initially we were going to seek a Transit Revitalization Investment District designation but it appears that the federal program is more in line with what we were seeking. I like to do much of my economic development with a balloon loan (Colonial Theatre, Phoenixville Foundry, Downingtown Fire Station). The Railroad Rehabilitation & Improvement Financing offers exactly that, as we will have six years to build the developments before they would need payments. I love a partial balloon with a longer lower (1 1/2% -2%) interest payback,

This payback mechanism could be a Neighborhood Improvement District to make improvements or providing expanded services within any neighborhood improvement districts established. Services include improving transportation-related expenses.

So, it appears that it is doable and as long as the political will is there, it can be accomplished in not more than four years. We are buying rolling stock which is eighty percent of the budget.

I view this project in geo-spatial political context. Phoenixville/Schuylkill real estate market will be on steroids with the value increases associated with the introduction of rail service. The area will become the dominant investment/living destination in the area and people owning real estate will flourish.

It appears that the general Phoenixville/Schuylkill area will have a sudden appreciation in the value of the real estate. When we were studying the concept of value capture, we found that Chester County has frozen taxes at the 1996 level. This means if you sell your house the taxes will remain at the same level as when you bought it. So, someone buying a \$300,000 house will pay taxes on maybe \$40,000 that was the value in 1996. That is why your school taxes are so high.

This means that the average home owner in this area will get a significant bump in the values of their houses without having to pay more taxes. The people win! This becomes a publicly generated private equity transfer. It is like a Robin Hood program.

*Barry Cassidy is a freelance grant and economic development consultant. He can be reached at [barrycassidy@comcast.net](mailto:barrycassidy@comcast.net).*



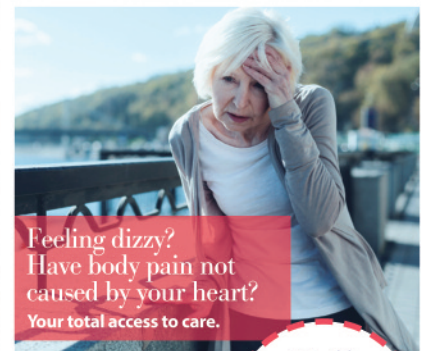
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