

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: APRIL 21, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 75 : LEVERAGING COMMERCIAL  
TRANSPORTATION ADD-ON TAX FUNDS

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In follow up to your question raised last Saturday about how Transportation Add-On Tax funds can be leveraged, the following response is provided.

The Transportation Add-On tax can potentially be leveraged with federal, State and private development funds, such as:

1. Federal New Start or Small Start transit funds from the Federal Transit Administration (FTA). Such funds have been available on a competitive basis to fund new high capacity transit programs such as streetcar systems. The federal match is fluid and can be up to 80%, but most grants by FTA to date have a lower federal match ratio. If the City were to pursue a streetcar option in any of its planned high capacity transit corridors, federal aid of this type would likely be needed given the initial capital cost of establishing a streetcar system. Given recent federal budget reductions (some of which was in these categories) and the ongoing attention in reducing the federal deficit in part (or in whole) by reducing spending, it would be speculative to assume that these two federal funding sources will remain viable over the next decade.
2. Federal SAFTELU authorization, which authorizes various federal transportation programs, including aid to states and localities, has expired and has been continually extended by Congress. At some point, this legislation will be reauthorized and either restructured or kept largely as is. There will certainly be federal transportation aid to states and localities in the new authorization. Most of those programs are likely to require a match.
3. Federal earmarks have been a prior source of funding and many have required a match. In the current climate earmarks have been eliminated; however, transportation funding has a long history of local and state projects being specifically identified in the appropriations or authorization bills. Funding the Woodrow Wilson Bridge

reconstruction is an example. These earmarks sometimes require a match and sometimes they do not.

4. The Commonwealth of Virginia allocates its State transit capital assistance through measuring local transit capital investment levels. The more a region or locality invests in transit, the more State funds become available. This would also hold for the expenditure of add-on tax transportation capital funds by the City on DASH transit (such as the purchase of DASH buses). The State match in this area for the City varies each year, and is less than 10% of the amount expended.
5. VDOT's revenue sharing program is a program which requires a local match. The program has historically required at least a 50% local match. The State plans to increase its funding of this program, and change its structure in the near future.
6. In the case of large scale redevelopment, developers may be providing transportation capital funding that, when added to City transportation projects, can enable a project to be constructed. The Beauregard Corridor high capacity transit project with the adjacent JBG redevelopment might be an example of a project able to be implemented only if the City has transportation monies that can be combined with developer monies to jointly fund a needed transportation project. Developers can also contribute right-of way for the transit corridors if the City then funds the transportation improvements along the developer's property.
7. The transportation add-on tax can also be leveraged through the issuance of general obligation bonds which would be repaid with add-on tax funds. This enables projects to proceed earlier than the add-on tax revenue stream otherwise would allow.

The above represent the prime examples of how the transportation add-on tax (or any other source of local transportation funding) can potentially be leveraged to gain other resources and thus enable projects to be implemented, or enable projects to be implemented earlier than otherwise would have been the case.