San Francisco
County Transportation
Authority

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Memorandum

AGENDA ITEM 10

DATE: July 16, 2020

TO: Transportation Authority Board

FROM: Anna LaForte – Deputy Director for Policy and Programming

SUBJECT: 07/28/20 Board Meeting: Traffic Congestion Mitigation Tax (TNC Tax) Program Guidelines

RECOMMENDATION ☒ Information ☐ Action

None. This is an information item.

SUMMARY

The Proposition D Traffic Congestion Mitigation Tax passed by San Francisco voters in November 2019, imposes a per-ride fee on TNC (e.g. Uber and Lyft) trips originating in San Francisco. Revenues must be used to improve transportation and are split evenly between the San Francisco Municipal Transportation Agency (SFMTA) and Transportation Authority, with our 50% share designated for pedestrian and bicycle safety improvements. Revenue collection began in January. Since then, we have been coordinating with partners and stakeholders to develop guidelines for this new fund program. Based on feedback received and our experience with managing other programs, we propose administering the TNC Tax in a manner similar to the Prop K sales tax and Prop AA vehicle registration fee, with Board approval of program guidelines, fund programming and project funding requests. We propose establishing four programmatic categories: Quick Builds, Safe Streets, Signals, and Maintenance. Given the steep decline in revenues due the COVID-19 pandemic, we recommend prioritizing Quick Build projects for Fiscal Year 2020/21 and 2021/22 funds (estimated at $2 million and $3.9 million respectively). We are seeking feedback on this overall approach, and plan to present the program guidelines, fund programming and inaugural allocation to the Board for approval this fall.

☐ Fund Allocation
☒ Fund Programming
☐ Policy/Legislation
☐ Plan/Study
☐ Capital Project Oversight/Delivery
☐ Budget/Finance
☐ Contract/Agreement
☐ Other: ____

BACKGROUND

In 2017, San Francisco's Transportation Task Force 2045 published a final report recommending a tax on ride-hail trips as one mechanism to help close the identified $22 billion funding gap for San Francisco's transportation systems from 2019-2045. That same year, the Transportation Authority published TNCs Today, a report finding that 50% of the increase in traffic congestion in San Francisco from 2010 to 2016 was attributable to TNC trips.

With this data and recommendation, Assemblymember Phil Ting authored Assembly Bill 1184 (2018), which authorized the City and County of San Francisco (CCSF) to tax ride-hail trips originating in San Francisco. Transportation Authority Board Chair Aaron Peskin worked with Mayor London Breed and TNC companies to develop the Traffic Congestion Mitigation Tax (also referred to as the TNC Tax), which was approved by voters last November.

The TNC Tax imposes a surcharge on TNC trips that originate in San Francisco, for the portion of the trip within the city. The tax also applies to private transit companies and rides given by autonomous vehicles commercially. Single occupant trips are taxed at 3.25%, with electric vehicle trips receiving a discount to 1.5% through 2024. Shared trips are taxed at 1.5%. The tax went into effect on January 1, 2020 and sunsets in November 2045.

DISCUSSION

When the measure was approved in 2019, the tax was estimated to generate about $30 million annually. After a 2% set aside for administration by CCSF, 50% of the revenues go to SFMTA for transit operations and improvements, and 50% comes to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, signals, and maintenance.

Stakeholder Feedback. Between December 2019 and March 2020, staff went on a listening tour to collect feedback from stakeholders and partners as we were developing the TNC Tax program guidelines, including the Pedestrian Safety Advisory Committee, Bicycle Advisory Committee, Vision Zero Task Force, Walk San Francisco, San Francisco Bicycle Coalition, Youth Commission Housing and Land Use Committee, Department of Public Health, and the SFMTA. We have also provided regular updates and sought input from our Technical Working Group which includes representatives from the SFMTA, other city agencies such as SF Environment and SF Public Works, regional transit operators serving San Francisco, and others.

We heard consistent feedback that the program should:

- Include steady funding for quick-build projects
- Utilize an equity lens in decision-making, with investment made in projects that benefit Communities of Concern and address community-specific needs

- Fund multiple projects, rather than an investment in one large project
- Prioritize projects on the Vision Zero High Injury Network
- Fund projects that are ready to go
- Establish systematic data collection and oversight

Programmatic Categories. Based on the eligibility language in the TNC Tax ordinance, stakeholder feedback, and our experience with Prop K and other fund programs, we are considering four programmatic categories to guide the allocation of funds:

1. **Quick Build** projects include reversible or adjustable traffic control, such as roadway and curb paint, signs, traffic signal timing updates, transit boarding islands, and parking and loading changes. These projects allow for quick implementation and evaluation of safety improvements while longer-term improvements are designed. While the materials and methods used to install improvements makes reversal possible, it is not necessarily the intent that treatments will be reversed. (We received feedback from the Technical Working Group earlier this week seeking clarification of the definition of Quick Builds, which we are following up on with the SFMTA.)
2. **Safe Streets** projects include long-term safety improvements, such as protected bike lanes, midblock crossings, and traffic calming measures. This category provides opportunity for larger-cost projects that typically rely on multiple funding sources.
3. **Signals** projects include new signals, upgraded signals, and signal retiming.
4. **Maintenance** includes paint, safe hit posts, signs, and other low-cost maintenance needs.

Originally, we were considering establishing annual funding levels for each programmatic category and conducting periodic competitive calls for projects for the Safe Streets category, while SFMTA would be the primary sponsor for projects in the other three categories. The Board would approve allocations for specific projects for all four categories. With the steep decline in TNC Tax revenues due to the COVID-19 pandemic, and in consultation with SFMTA staff, we now recommend giving priority to funding Quick Build projects only over the next two years, as discussed in the Quick Build Project Priority for FY 2020/21 – 2021/22 section below.

Prioritization. We are focusing on advancing equity by investing in projects that benefit Communities of Concern, improve safety for vulnerable populations, have demonstrated community support, and are on the High Injury Network. We have identified 11 potential prioritization criteria, which may be combined or reduced in the program guidelines, as shown below.

- Benefits Communities of Concern
- High Injury Network
- Improves safety for vulnerable
- Fund leveraging
- Limited other funding options
- Geographic equity

populations
- Community engagement/support
- Project readiness
- Project sponsor priority
- Project delivery track record
- Time sensitivity

Program Administration. We recommend that the TNC Tax fund source be administered in a similar manner as Prop K and Prop AA, with allocation requests presented to the Board when projects are ready to go. We do not anticipate borrowing or financing to fund projects, and plan to administer this as a "pay as you go" program. Consistent with Transportation Authority policies, we will establish a capital program reserve equal to 10% of annual revenues.

Building off data collection and analysis efforts that led to development of the TNC Tax and feedback we have received, we anticipate recommending appropriation of 1% of revenues for systematic data collection and analysis of TNC trips in San Francisco and, consistent with CCSF, appropriating 2% of revenues for program administration and oversight.

Revenues. Revenue projections published in July 2019 by CCSF's Office of the Controller and Office of Economic Analysis indicated approximately $30 million annually from the TNC Tax. After the 2% administration fee to CCSF, and subsequent 50/50 split between the Transportation Authority and the SFMTA, approximately $14.7 million annually was projected to come to the Transportation Authority. However, the COVID-19 pandemic has severely impacted revenues, as shown in Table 1. In May, revenues were 96% lower than the original projections.

Table 1. Projected and Actual TNC Tax Revenues

Month (2020)		Original Total Revenue Projections	Actual Total Revenue Collections	Transportation Authority 50% Share*
January		$2,500,000	$1,842,117	$902,637
February		$2,500,000	$1,863,898	$913,310
March		$2,500,000	$825,459	$404,475
April		$2,500,000	$164,791	$80,748
May		$2,500,000	$101,212	$49,594
Total		**$12,500,000**	**$4,797,477**	**$2,350,764**

*Transportation Authority share is 50% of collections, less 2% to CCSF for administration

For annual budgeting purposes, we continue to align with the Controller's Office revenue projections, currently estimated at $700,000 per month and subject to change as we complete the FY2020/21 preliminary budget next month. Given the current uncertainty about revenue projections, we are taking a conservative approach and plan to recommend allocation of funds only after they have been collected.

Quick Build Project Priority for FY 2020/21 – 2021/22. After netting out the proposed 10% capital reserve and 3% for data collection and program administration, and assuming June collections are similar to May, we estimate that we will have just under $2.1 million to program and allocate by Fall 2020. We are considering recommending allocation of this $2.1 million to the FY 2020/21 Quick Build program this fall, following adoption of the TNC Tax program guidelines. At this time, we anticipate collection of an additional $3.6 million over the next 12 months that would be available for a FY 2021/22 Quick Build program allocation.

Prioritizing the Quick Build program given current low revenue projections would be consistent with stakeholder feedback supporting quick builds and would support SFMTA's need to demonstrate secure funding in order to hire additional (temporary for now) staff to deliver more quick builds. If revenues look like they will come in substantially higher than this, we would return to the Board and present options for programming and allocating funds to projects in the other three programmatic categories.

Next Steps. We are monitoring revenues closely and continue to develop program guidelines. We anticipate returning to the CAC and Board in September for adoption of the program guidelines, followed by programming and allocation of funds for the FY 2020/21 Quick Build program.

FINANCIAL IMPACT

None. This is an information item.

CAC POSITION

The CAC will consider this item at its July 22, 2020 meeting.

SUPPLEMENTAL MATERIALS

- Attachment 1 – TNC Tax Program Guidelines Presentation