

To: Administration and Finance Committee

Date: March 26, 2014

From: Anne Muzzini, Director of Planning & Marketing

Reviewed by:

Subject: Creation of an Eco Pass

Summary:

The concept of creating an Eco Pass has been reviewed by the MP&L Committee where they determined that it was a good idea and worth pursuing from a marketing perspective. At the Board review in February many members expressed support because the Eco Pass could help Cities and developers meet their requirement to have traffic mitigation strategies. The A&F Committee has been asked to review the concept in terms of its financial viability. One issue that staff was asked to address was fraudulent use of eco passes.

What is an Eco Pass?

Many transit agencies offer bulk discount passes that enable employers, developers, and neighborhoods to purchase large quantities of an annual transit pass. AC Transit has an "Easy Pass" that costs \$121 per year if you buy at least 100 passes. In Santa Clara, the Valley Transportation Authority (VTA) sells their "Residential Eco Pass" for \$120 a year with a minimum of 25 passes. In Boulder Colorado they have a neighborhood pricing and an employer pricing for an annual pass that ranges between \$80 and \$146 depending on the volume.

In Boulder the Eco Pass program has evolved to include neighborhood associations as well as employers. A group of neighbors can go in together to purchase bulk volume of the annual passes and get the discount. In Salt Lake City, residents will be able to purchase an annual bus pass and have the cost spread out monthly and included in their utility bill.

Viability of Steep Discount

Eco passes offered by others are priced around \$100 a year which is significantly less than if a person purchased 12 monthly passes which in our case go for \$60 each. The reason this steep discount makes financial sense is that when an employer or residential developer purchases passes for everyone only a percentage (10 – 16%) take advantage of the benefit and use the bus. The programs are structured so that all

employees or residents count toward the bulk purchase, not just those who want the pass. If there are 110 units the developer would need to purchase passes for all units.

Does it work?

When Cambridge Systematics studied the AC Transit pilot program in 2008 they found that when 1,500 residents the transit oriented development were given transit passes, 23% tried using AC Transit for the first time and 50% of them used transit more.

A Nelson/Nygaard evaluation of the VTA program in 2006 found that when a pass was provided by the employer or home owner association there was a 16% decrease in the number of people who drove and a 16% increase in use of transit for work trips.

In 2012 VTA analyzed their Eco Pass program to determine how well it was working and found that 13% of all bus boardings were with the pass and 16% of all revenue was generated through the pass program. The average fare revenue per passenger trip \$0.67 was lower than the Board goal for the program set at \$1.57 per passenger trip.

Examples

One example where extensive traffic reduction strategies are being employed is Green Village in Berkeley. Transit passes (AC's Easy Pass), bike link cards, car share memberships will be given to new residents and there is zero car parking.

3800 San Pablo in Emeryville is another project that has been "green trip" certified by Transform. The project completed last year provides transit passes (AC's Easy Pass), car sharing, and bike sharing on site.

Fourth Street Family Apartments in San Jose is a 100 unit apartment complex that gives transit passes (VTA's Eco Pass) to all the residents.

A developer in Contra Costa, RCD (Resources for Community Development) is interested in offering transit passes to the future residents of Riviera Family Apartments north of the WC BART station.

A full list of projects in the Bay Area that have been certified as Green Trip projects can be found at: <http://www.transformca.org/GreenTRIP/certified-projects>

Fraud

One way to eliminate fraud is to create an eco pass that has a photo on it. In Denver they require photos and have the following process established to reduce fraud.

Before heading down to one of our photo locations, employees must arrive with a driver's license or a Colorado state I.D. The employee must also present a completed, signed and dated official RTD authorization form from the employer on company letterhead. Authorization forms must be dated within 30 days of the photo appointment. The EcoPass photo I.D. will not be valid until a current decal is placed on the EcoPass. Decals must be applied by an authorized employer representative or by RTD staff.

VTA in Santa Clara has worked out a system where the photo ID is on the back of the Clipper card and employers are able to activate and deactivate cards.



Why create a County Connection Eco Pass now?

Cities and developers are focused on including trip reduction strategies in their plans to comply with the new transit oriented development requirements, and to qualify for low interest loan programs through the California Dept. of Housing and Community Development. For example, for Prop 1C Transit Oriented Development Funds you can score extra points if you offer transit passes for each unit. Transform, an organization that supports "green" development and is partially funded by the Bay Area Air Quality Management District (BAAQMD) has developed a Green Trip certification program in

the Bay Area that rewards multi-family and mixed use projects that have traffic reduction strategies; one of these being a requirement that each unit gets 2 transit passes for a 40 year period of time.

As Cities make plans for their Priority Development Areas (PDA's) there is an opportunity to include traffic reduction strategies such as a transit pass program. Creating an Eco Pass gives us something to offer Cities, developers, and employers who are looking for traffic reduction options.

As a result of SB1339 the BAAQMD and MTC are able to require employers with more than 50 employees to provide a commute benefit. An Eco Pass program would be an option for employers who want a tax deductible commuter benefit.

Pass Use Estimates and Impact on Pricing

Determining an Eco Pass price that is revenue neutral depends upon the amount of transit trips taken by Eco Pass holders. It is difficult to know in advance what this will be and it is likely to vary depending on the employer, neighborhood, or residential development that is making the bulk purchase.

Bishop Ranch Experience

We can look to Bishop Ranch to see how the pass benefit translates into bus rides. They have approximately 30,000 employees that are offered the transit pass; but only 3,500 (12%) pick one up. We track the trips taken by Bishop Ranch pass holders and know that they equaled 203,528 last year (FY2012-13); an average of 58 trips a year for each pass holder. This is low use on average however we know that a share of the pass holders use it every day to commute. Therefore many are keeping in their pocket and not using it regularly.

If we look at it from a different angle there were 844 weekday trips in October paid for with the Bishop Ranch pass. If these represent a worker going to and from the office, then we're seeing 422 individuals taking a round trip. We can estimate that of the 3,500 pass holders only 422 (12%) use it for their commute.

The share of pass use and transit ridership is confirmed by the Boulder statistics that have found that there is approximately 10% of transit use when all employees and neighbors are given the pass.

Pricing and Ridership Math

Current Monthly Pass

Cost = \$60/month

Estimated Trips/Month = 42 (21 weekdays x 2 trips per day)

Fare Revenue per Trip = \$1.43

The following examples illustrate what the fare revenue per trip would be given various assumptions. All use the example of a 55 unit complex purchasing 2 passes per unit for a total of 110 passes. If pass use is low then the fare revenue per trip is high and if pass use is high then fare revenue per trip is low.

Eco Pass Scenario 1

(100% use the pass; current profile of ridership frequency – 60% use it 5 days a week)

Cost per Pass = \$140

Total Passes = 110

Total Cost = \$15,400

Trips per Year = 43,542

Fare Revenue per Trip = \$0.35

Eco Pass Scenario 2

(20% use the pass; current profile of ridership frequency)

Total Cost = \$15,400

Trips per Year = 8,708

Fare Revenue per Trip = \$1.77

Eco Pass Scenario 3

(Bishop Ranch profile: 12% use the pass; 12% of them use it often)

Total Cost = \$13,200

Trips per Year = 765

Fare Revenue per Trip = \$17.25

Other Issues – Title 6 and Clipper

Title 6 - There is no way to know the impact of an Eco Pass on minority and low income riders until after the program is implemented. This fare structure change is unlike a service change where we know who will be impacted. It is unlike the midday free fare change because we can't use the onboard survey demographic data. The best way to comply with Title 6 would be to adopt the program on a demonstration basis, then analyze the use patterns and demographics of the riders using the pass.

Clipper - The clipper card has been combined with the Eco pass at VTA and with the Bishop Ranch employer pass. In VTA's case it tracks use and in Bishop Ranch's case the card is personalized to be used as a flash pass as well as a stored value card.

Implementation

In all cases a contract is executed between the Eco pass purchaser and the transit agency. Often there is a sliding scale pricing for volume and length of contract. Sometimes there are minimums set for volume and contract length. To start with staff recommends that the program be made as simple as possible with one price, a minimum volume of 50 passes, and a contract term of one year. The price for the pass can be adjusted each year as ridership patterns become available. The price would need to be adjusted if the average fare per passenger dropped below a goal of meeting the average fare per passenger received from monthly pass purchasers, which is currently \$1.43/trip.

To implement the plan it will be necessary to create marketing materials, develop a boilerplate contract, set up procedures for photo taking and pass distribution, and establish a performance measurement system.

Recommendation:

Staff recommends that the A&F Committee discuss and review the Eco Pass program and develop recommendations for the Board.