

Innovative Finance: Who's Got the Money

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Overview

- Project History
- Partners
- Deal: Original & Current
- Key Issues
 - Ridership & Parking Revenues
 - Private Development
 - Construction Costs
 - Debt Structure & Interest Rate Risk
 - Tax Assumptions & Revenues
- Conservative/Best Case Cash Flows
- Remaining Schedule
- Lessons Learned

BART System Map



BART System Map



New Station

History

- 2/99 – Authorization to Negotiate (Infrastructure Financing Act)
- 10/99 – Master Developer Selected
- 11/99 – Board approval of overall project
- 6/00 – Tax sharing agreements by cities
- 1/01 – Alameda CMA Authorizes Grant Funds- \$10 M
- 1/01 – Master Agreement Executed with Developer
- 4/01 – BART Supplemental EIR certification
- 6/03 – Station Design/Build Team selected (Walsh Pacific)
- 10/03 – Tri-Valley TC Authorizes Grant Funds - \$4 M
- 7/04 – Garage Design/Build Team selected (Overaa)
- 2/05 – Bond Underwriting Team selected (UBS)
- 6/05 – BART Board Support
- 8/05 – City Review of Design & Financing Approach

Partners

- BART
- Ampelon/Jones Lang LaSalle
 - Walsh Pacific - station construction
 - VBN – architecture
 - Jacobs - engineering
 - Overaa - garage construction
 - IPD - garage design
- Cities of Dublin and Pleasanton
- County of Alameda/Surplus Property Authority
- Alameda Congestion Management Authority
- Tri-Valley Transportation Commission
- California Department of Transportation

Original Deal

- Leverage private development on BART land to assist in building infill station
- Use Master Developer approach
 - Developer – Public & Private Improvements
- Use pre-paid lease revenues, not annual revenue
- Farebox & Parking Revenues (exceed costs)
- Secure tax revenues from BART land only
- Issue bonds off balance sheet, through JPA

Current Deal

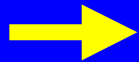
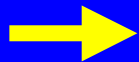
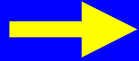
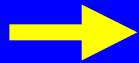
- Leverage private development on BART land to assist in building infill station
- Use pre-paid lease revenues, not annual revenue
- Farebox & Parking Revenues (exceed costs)

#####

- Modify Master Developer approach
 - Master Developer – Public Improvements/Interface
 - Additional Developer – Private Improvements
- Pre-Paid Tax Revenues from Cities/County
- Issue Sales Tax bonds – On Balance Sheet

Project Component Changes

Topic	Original	Current	Comment
Station Opening	2002	4Q - 2007	
Daily Ridership - BART Forecast (stablized)	Stablized Year = 2005	Stablized Year = 2011	3-year ramp up
Line Segment Increment	4,076	5,828	3-station increment
WD/P Only	5,708	8,381	
One-Way Fare - WD/P	\$2.91	\$4.04	Adopted fare increases included
One-Way Fare - ED/P	\$3.09	\$4.04	
Parking Revenue	50% of W & E spaces	50% @ W; 25% @ E	Introduction of monthly reserve program
Private Development	Housing, Office, Hotel	Housing, Office, Hotel	Residential at bond issue Office + Hotel 2 years later
PrePaid Lease	\$9.6 M	\$15.5 M	
Tax Revenues	Dublin, Pleasanton	Dublin, Pleasanton, County	w/o Office, Hotel - Revenues decreased; County added to compensate
Public Improvements: Station, Bridges, Garages	\$60.5 M (2001)	\$71.5 M (2005)	Capital Cost Increase
Operating Costs	\$1.8 M/year	\$2.1 M/year	Increased due to staff cost increases
Interest Rates	6.80%	5.20%	



Comparative Project Budget Fund Uses

	2001 Budget	Current Budget
Project Costs		
Design Build Costs	48,512,000	52,782,000
Soft Costs	5,168,000	10,612,000
Other Costs	1,670,000	1,670,000
Contingency	5,103,000	6,436,000
Total Budget	60,453,000	71,500,000

Project Budget Fund Sources

Prepaid Ground Leases	
Subtotal	15,500,000
Grant Funds	
Subtotal	14,000,000
Bond Proceeds	42,000,000
Total Sources	71,500,000

Key Issues

- Ridership & Parking Assumptions/Revenues
- Private Development
- Construction Costs
- Debt Structure and Interest Rate Risk
- Tax Assumptions & Revenues
- Conservative & Best Cases – Cash Flows

Risk Mitigation

Ridership/Parking Revenues

Issue	Mitigation
Accuracy of ridership/parking projections	<ul style="list-style-type: none">•Conservative ramp-up of ridership•Projection independently validated•Analyzed Worst Case of 50% drop off in ridership projections and 10 year ramp up of use

Private Development

- Ampelon: 40 investors contacted 2004
 - Two investors responded with offers only on office and residential
 - One investor responded on all parcels, LOI executed 8-15-05
- \$15.5 prepaid ground rent
- 60 day contingency period
- Closing and pre-payment 11-15-05

Risk Mitigation

Private Development

Issue	Mitigation
Need \$15.5 M for station financing	Defer building Pleasanton garage (\$7.4 M)
Current office/hotel values depressed	Defer ground leases until market improves (\$7.0M)
Secure needed funds	Complete private transaction



Risk Mitigation

Construction Costs

Issue	Mitigations
Construction cost control	<ul style="list-style-type: none">•Currently have over \$9M in value engineering.•Negotiate GMP contract•12% contingency in budget.





Risk Mitigation

Revenue/Interest Rates

Issue	Mitigation
Station/garage revenue not sufficient to service debt	<ul style="list-style-type: none">• Include debt service reserve• Include 3rd party funded reserve account
Increase in interest rates	<ul style="list-style-type: none">• Budget includes 50 basis point increase in rates• Complete transaction before costs and interest rates rise

Debt Structure

Bond Issue – Net \$42 million in proceeds

- 30 year fixed rate bonds – Sales Tax
- Capitalized interest for 3 years
- Secured with bond insurance (3 competitors)
- Principal amortization deferred 3 years after completion; then steps up annually

Risk Mitigation

City Agreements

Issue	Mitigation
City contributions (Existing MOU)	<ul style="list-style-type: none">•Cities pledge of all project tax revenues•Lease, lease-back structure•Minimum 12 years, maximum 17 years•All net revenue reserved by BART

Risk Mitigation

City/County Agreements

Issue	Mitigation
Cities and County tax agreements (Proposed Agreements)	Cities + County up front funding of tax revenue (\$8-10 M) –Fund \$8 M Reserve Account –Use Interest from \$8 M to secure up to \$10 M Reserve

Tax Revenues

Tax Revenue: Current Projection									
		2006	2007	2008	2009	2010	2011	2012	2013
Development Projects (Valuation)									
Residential West		7,800,000	7,956,000	42,411,600	43,259,832	44,125,029	45,007,529	45,907,680	46,825,833
Residential East		24,000,000	24,480,000	120,000,000	122,400,000	124,848,000	127,344,960	129,891,859	132,489,696
Hotel		2,000,000	2,040,000	2,080,800	2,122,416	22,500,000	22,950,000	23,409,000	23,877,180
Retail		1,000,000	1,020,000	2,500,000	2,550,000	2,601,000	2,653,020	2,706,080	2,760,202
Office		5,000,000	5,100,000	5,202,000	5,306,040	33,281,000	33,946,620	34,625,552	35,318,063
Total Valuation		39,800,000	40,596,000	172,194,400	175,638,288	227,355,029	231,902,129	236,540,172	241,270,975
City of Dublin Ad Valorem Taxes									
Residential West	0.280430%	21,874	22,311	118,935	121,314	123,740	126,215	128,739	131,314
Hotel	0.280430%	5,609	5,721	5,835	5,952	63,097	64,359	65,646	66,959
Retail	0.280430%	2,804	2,860	7,011	7,151	7,294	7,440	7,589	7,740
Total R.E. Tax Revenue		30,286	30,892	131,781	134,416	194,131	198,013	201,973	206,013
City Transit Occupancy Tax		0	0	0	0	0	0	0	0
City Sales Tax		0	0	15,000	15,450	15,914	16,391	16,883	17,389
Total Dublin Tax Revenue		30,286	30,892	146,781	149,866	210,044	214,404	218,856	223,402
City of Pleasanton Ad Valorem Taxes									
Office	0.246590%	12,330	12,576	12,828	13,084	82,068	83,709	85,383	87,091
Total Pleasanton Tax Revenue		12,330	12,576	12,828	13,084	82,068	83,709	85,383	87,091
County Ad Valorem Taxes									
Residential West	0.160300%	12,503	12,753	67,986	69,346	70,732	72,147	73,590	75,062
Residential East	0.146790%	35,230	35,934	176,148	179,671	183,264	186,930	190,668	194,482
Hotel	0.160300%	3,206	3,270	3,336	3,402	36,068	36,789	37,525	38,275
Retail	0.160300%	1,603	1,635	4,008	4,088	4,169	4,253	4,338	4,425
Office	0.186650%	9,333	9,519	9,710	9,904	62,119	63,361	64,629	65,921
Total County Tax Revenue		61,875	63,112	261,186	266,410	356,353	363,480	370,749	378,164
Combined Tax Revenue		\$104,490	\$106,580	\$420,795	\$429,361	\$648,464	\$661,593	\$674,989	\$688,657

Present Value Tax Revenues

BART West Dublin/Pleasanton Station Project			
		<i>Comparison of Tax Revenues</i>	
	Summary of Results		
		Present Value @ 3.88% to 11/1/05	
	City of Dublin		2,636,516
	City of Pleasanton		947,255
	County		4,494,394
	Total		8,078,165

Term Sheet – Cities/County

- Shifted from Tax Receipts to Pre-Paid Reserve
 - Dublin: \$ 2.5 M
 - Pleasanton: \$ 1.0 M
 - County: \$ 4.5 M

} \$ 8.0 M
- 50% at Bond Issuance; 50% at Service Opening
- Returned (End of 5th Operating Year) if Not Used
- Jurisdictions Keep Tax Revenues

Project Cash Flows Conservative Case

Conservative Case: Initial Ridership = 50% of Projections								
	2005	2006	2007	2008	2009	2010	2011	2012
Revenue Forecast								
Station Revenue				4,724,129	5,626,497	6,937,435	7,479,044	8,144,057
Parking Revenue				265,277	315,625	368,589	397,250	397,250
Total Project Revenue			0	4,989,406	5,942,122	7,306,024	7,876,294	8,541,307
Percentage of Forecast				50%	55%	60%	65%	70%
Actual BART Revenue				2,494,703	3,268,167	4,383,614	5,119,591	5,978,915
Earnings on Capitalized Interest Reserves		209,005	238,107	71,432	0	0	0	0
Cash Available for Debt Service	-	209,005	238,107	2,566,135	3,268,167	4,383,614	5,119,591	5,978,915
Debt Service		Capitalized	Capitalized	Capitalized	(2,582,350)	(2,582,350)	(2,652,350)	(2,869,900)
Surplus Cash		209,005	238,107	2,566,135	685,817	1,801,264	2,467,241	3,109,015
Debt Service Coverage					127%	170%	193%	208%
Station and Parking Expenses				(2,115,405)	(2,178,867)	(2,244,233)	(2,311,560)	(2,380,907)
Net Project Cash Flow	-	209,005	238,107	450,730	(1,493,050)	(442,969)	155,681	728,108
Expense Coverage				121%	31%	80%	107%	131%
City County Reserve Fund Deposit	4,000,000			4,000,000				
Withdrawals to Cover Shortfalls					(1,493,050)	(442,969)	155,681	
Cumulative Reserve Account Balance	4,000,000	4,000,000	4,000,000	8,000,000	6,506,950	6,063,981	6,219,663	6,219,663
City County Tax Revenue		104,490	106,580	420,795	429,361	648,464	661,593	674,989
Cumulative Tax Revenue		104,490	211,071	631,865	1,061,226	1,709,690	2,371,283	3,046,272
PV of City County Tax Revenue (3.88%)	8,078,165							
City County Cash Flow	(4,000,000)	104,490	106,580	(3,579,205)	429,361	648,464	661,593	674,989
City County IRR (through 2013)	4.00%							
Interest on Reserve Fund Account Balance		152,000	152,000	152,000	304,000	247,264	230,431	236,347
Positive Project Cash Flow to BART		209,005	238,107	450,730	0	0	155,681	728,108
Cumulative Cash Flow to BART		361,005	751,112	1,353,842	1,657,842	1,905,106	2,291,218	3,255,673

Project Cash Flows

Best Case

Best Case: Initial Ridership = 100% of Projections								
	2005	2006	2007	2008	2009	2010	2011	2012
Revenue Forecast								
Station Revenue				4,724,129	5,626,497	6,937,435	7,479,044	8,144,057
Parking Revenue				265,277	315,625	368,589	397,250	397,250
Total Project Revenue			0	4,989,406	5,942,122	7,306,024	7,876,294	8,541,307
Percentage of Forecast				100%	100%	100%	100%	100%
Actual BART Revenue				4,989,406	5,942,122	7,306,024	7,876,294	8,541,307
Earnings on Capitalized Interest Reserves		209,005	238,107	71,432	0	0	0	0
Cash Available for Debt Service	-	209,005	238,107	5,060,838	5,942,122	7,306,024	7,876,294	8,541,307
Debt Service		Capitalized	Capitalized	Capitalized	(2,582,350)	(2,582,350)	(2,652,350)	(2,869,900)
Surplus Cash		209,005	238,107	5,060,838	3,359,772	4,723,674	5,223,944	5,671,407
Debt Service Coverage					230%	283%	297%	298%
Station Expenses				(2,115,405)	(2,178,867)	(2,244,233)	(2,311,560)	(2,380,907)
Net Project Cash Flow	-	209,005	238,107	2,945,433	1,180,905	2,479,441	2,912,384	3,290,500
Expense Coverage				239%	154%	210%	226%	238%
City County Reserve Fund Deposit	4,000,000			4,000,000				
Withdrawals to Cover Shortfalls								
Cumulative Reserve Account Balance	4,000,000	4,000,000	4,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
City County Tax Revenue		104,490	106,580	420,795	429,361	648,464	661,593	674,989
Cumulative Tax Revenue		104,490	211,071	631,865	1,061,226	1,709,690	2,371,283	3,046,272
PV of City County Tax Revenue (3.88%)	8,078,165							
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City County IRR (through 2013)	6.94%							
Interest on Reserve Fund Account Balance		152,000	152,000	152,000	304,000	304,000	304,000	304,000
Positive Project Cash Flow to BART		209,005	238,107	2,945,433	1,180,905	2,479,441	2,912,384	3,290,500
Cumulative Cash Flow to BART		361,005	751,112	3,848,545	5,333,449	8,116,890	11,333,274	14,927,774

Lessons Learned

- Transit Project, not Real Estate Transaction
- Assessment District, not Just Transit Property
- Adjust to Changing Conditions
 - Lead Developer Changed
 - Finance Structure Changed
 - Components Changed (farebox, parking, taxes)