

RUTGERS

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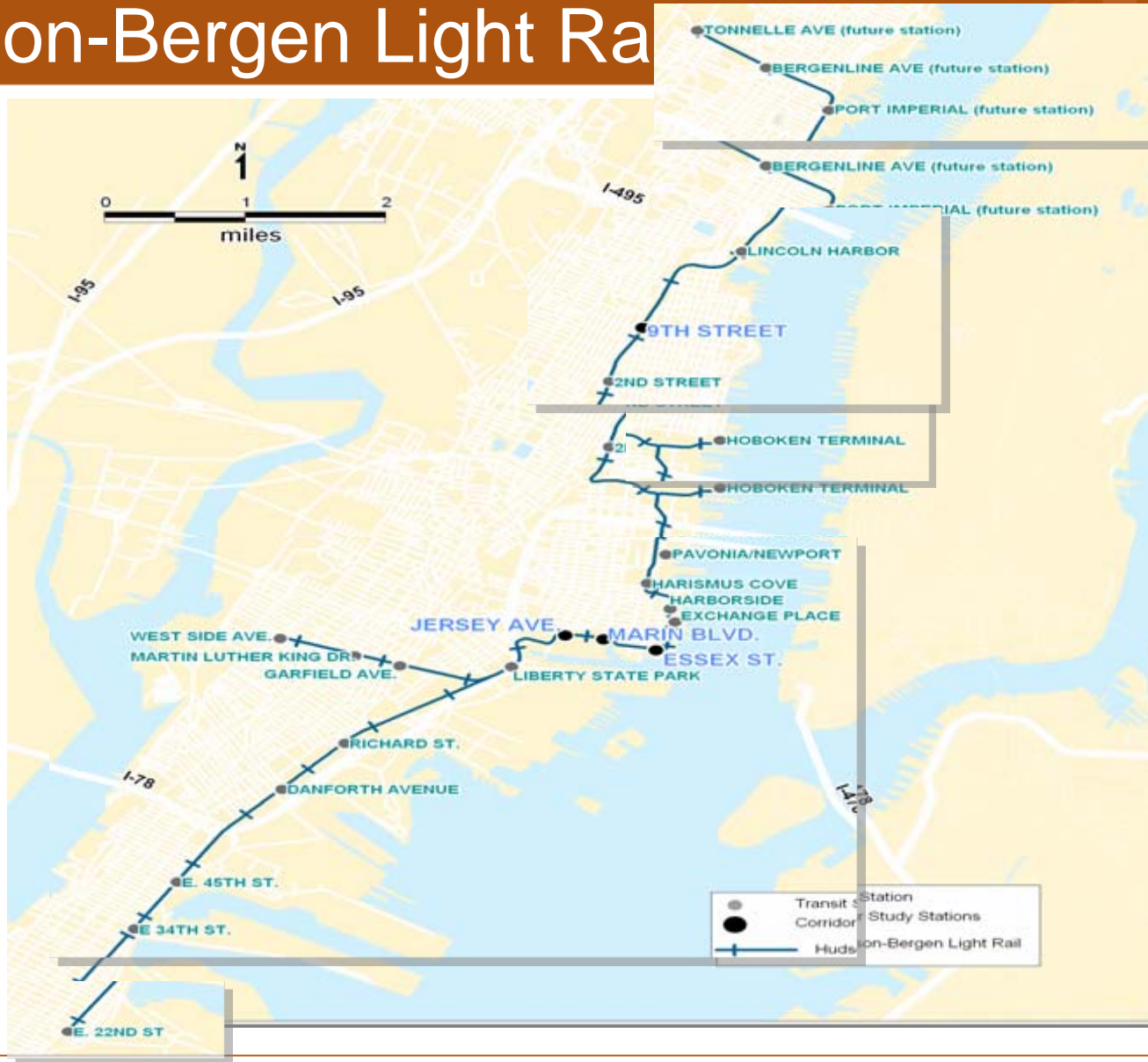
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Adding TOD to a DBOM is a Challenge: *Hudson-Bergen Light Rail*

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Rail~Volution
Miami Beach, FL

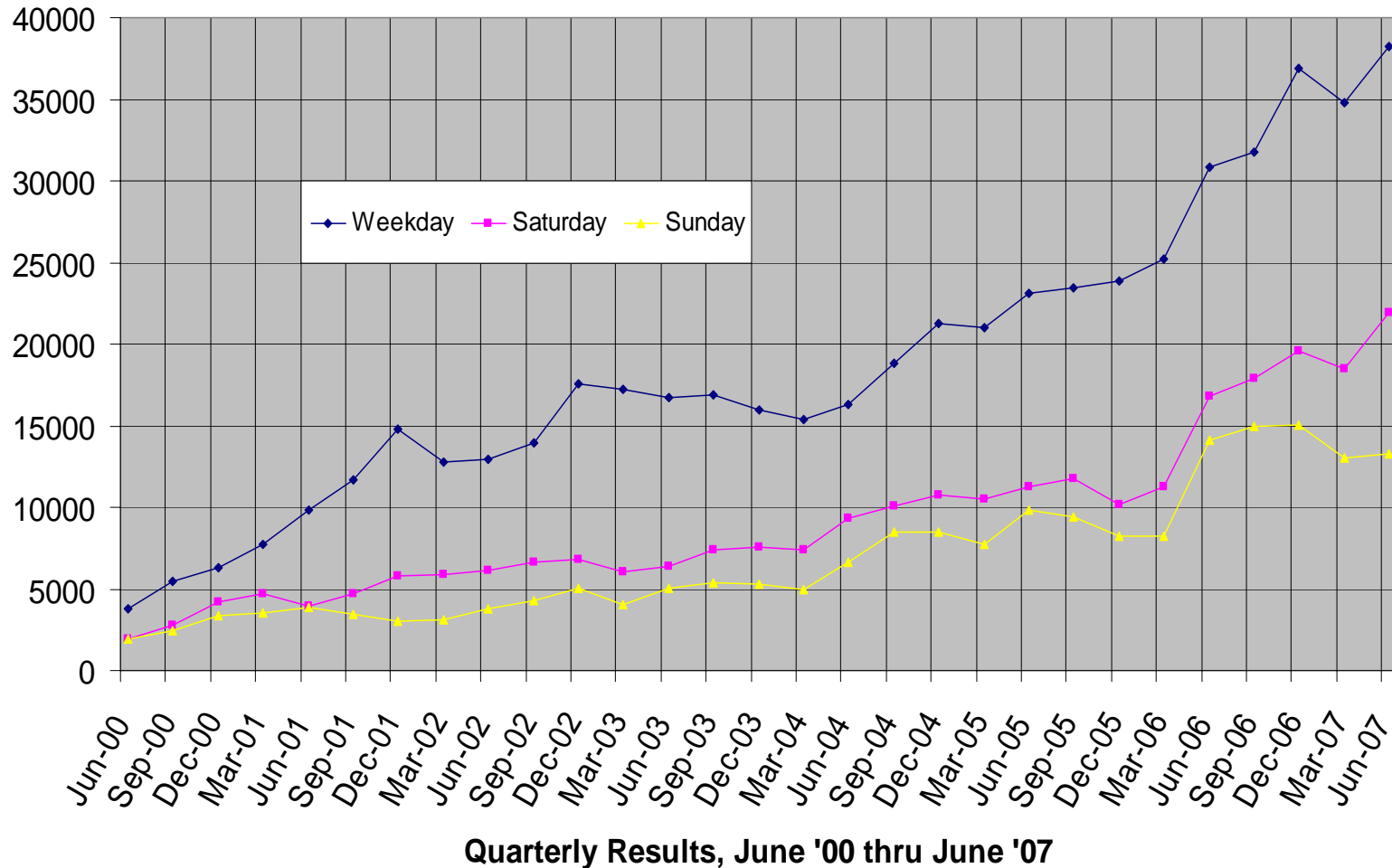
Hudson-Bergen Light Rail



HBLR Features

- 20-mile, 23 station system
- Completed between 2000 and 2006
- Cost: \$2 billion
- 40,000 riders a day (risen from 5,000 in 2000)

HBLR – Average Daily Ridership



Source: NJ TRANSIT

DBOM technique used by NJ TRANSIT

Twenty First Century Corp. (Washington Group)

- civil design and construction management operations

Kinkisharyo

- vehicle design manufacture
- vehicle maintenance

NJ TRANSIT not permitted to buy non-operating property

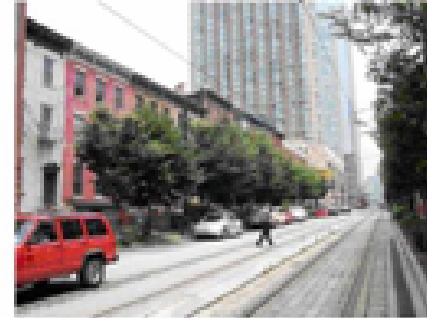
- Major operating properties
 - Maintenance facility and yards
 - Park-ridesNo joint development yet
- TOD not a part of DBOM
- LRT spurred massive economic development near many stations (documented by VTC)
 - Strong “home rule” approach to land use and development
 - Neither NJ TRANSIT nor DBOM have played a significant role

Example of TOD Development

New Housing along Essex St.
within walking distance of HBLR Station



Essex Street Station with Liberty Towers on Far Left



Source: Jan Wells



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DBOM is a challenging procurement concept without TOD

- Structural issues
 - Market of bidders was thin, ad hoc and unstable
 - Lack of integrated commitment: D/B lead didn't always continue a role into operations
 - Firms offered to perform O&M in bidding replaced later
 - Instability of corporate personnel and structure
- Functions at back-end of implementation (e.g. O&M) pose difficulties
 - risk that bidder will not seriously analyze function (e.g., load fees in this later element to make D/B bid attractive)
 - lack of owner's scrutiny to elements at back-end of DBOM
- Contribution to finance and assumption of ridership goals and revenue risk rare in US (**BUT** are concession durations too short?)

DBOM is Greater Challenge with Inclusion of TOD

- Theory supporting DBOM TOD
 - DBOM arrangement is stronger when DBOM contributes financial assistance and assumes ridership/revenue risk;
 - TOD opportunities and rewards may increase likelihood of DBOM undertaking those roles
(**BUT** is contract duration still a more influential factor?)
- Structural issues
 - Integration of D/B bidder into functional long-term commitment is desirable (**BUT** real estate development function is not usually integrated D/B firm)
 - DBOM brings expertise otherwise unavailable to transit agency
(**BUT** real estate development is a function almost always outsourced by transit agencies; better real estate developer may be obtained through single-purpose procurement.)

DBOM is a Greater Challenge with Inclusion of TOD

- DBOM arrangement more likely to succeed only where public agency has assembled necessary properties and secured municipal approvals
(**BUT** in case of TOD public agency sometimes cannot own non-operating properties and even if it can and does, it probably has not secured municipal agreements at the time of bidding)
- DBOM needs certainty to assess reward potential; necessity that preconditions to development can be met in a timely way
(**BUT** ability of DBOM to swiftly develop projects as a co-occupant of operating properties is suspect; co-occupancy complicates construction timetable, is likely to be deferred a far back-end activity, subjecting DBOM to more market cycles, clouding its risk/reward analysis)