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

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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

Quarterly Results, June ’00 thru June ’07

Source: NJ TRANSIT

Alan M. Voorhees Transportation Center
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-rides
No 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

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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)