Hearts, Arteries and Nodes: Finding Transit Finance’s Pulse

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Challenge is to fund all parts of transit

- Transit’s appeal has increased
- Transit still struggles for O&M and expansion funding
- Innovative funding and finance have begun to meet these needs, especially for some systems’ “hearts”
- The “arteries” in some places can get funding as well
- The challenge is to fund “nodes” and smaller parts of systems
Transit funding and finance are different, although linked

<table>
<thead>
<tr>
<th></th>
<th>Direct System Revenues</th>
<th>Other Funding Sources</th>
<th>Funding Mechanisms</th>
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<tbody>
<tr>
<td>Traditional</td>
<td>• Fares</td>
<td>• Local sources, especially sales taxes</td>
<td>• Tax-exempt bonds</td>
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<tr>
<td></td>
<td></td>
<td>• State and federal grants</td>
<td>• Bank loans</td>
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<td>Innovative</td>
<td>• Advertising</td>
<td>• TOD</td>
<td>• TIFIA</td>
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<td>• Air rights</td>
<td>• Assessment districts</td>
<td>• RRIF</td>
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<td></td>
<td>• Naming rights</td>
<td>• Tax increment financing</td>
<td>• Private activity bonds</td>
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<tr>
<td></td>
<td>• Station revenues</td>
<td>• Parking increment</td>
<td>• Private equity</td>
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<td></td>
<td>(parking, concessions)</td>
<td>• Toll revenues</td>
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<td>• Fare risk transfer</td>
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An intermodal hub, Denver Union Station (DUS) represents a new wave of transit innovative finance
Federal loans and a variety of grants primarily financed DUS

DUS $519 M Financing

- RRIF Loan 30%
- TIFIA Loan 28%
- Land Sales 3%
- Revenues 11%
- RTD (Sales Taxes) 8%
- Other Grants 4%
- FTA Grant 2%
- ARRA Grant 5%
- FHWA Grant 9%
A “double barrel” of existing and speculative funding sources secured the TIFIA and RRIF credits

**Speculative**
- Tax increment Revenues

**Existing**
- Sales Taxes
- Levy on Property Tax
- Lodging Tax

DUSPA Financing
TIFIA and other innovative finance help mitigate project start-up period risks

![Graph showing TIFIA Principal, TIFIA Interest Payable, Senior DS, and Net Cash Flow Available for DS over time.](Image)
ARTERIES
Dulles Metrorail demonstrates how toll revenues and assessments can fund major corridor projects.
Toll revenues make up majority of Metrorail’s Phase 1 and likely Phase 2 funding

Dulles Metrorail Phase 1 $2.76 B Financing

- Toll Revenues (Dulles Toll Road): 44%
- FTA Grants: 33%
- Property Assessments (Fairfax Co.): 14%
- Virginia Grants: 9%
Sharing revenues from nearby toll corridors/bridges has long tradition on which transit can build

<table>
<thead>
<tr>
<th>Older Systems</th>
<th>Newer Systems</th>
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<tr>
<td>• New York’s Triborough and Bridge Authority/MTA</td>
<td>• North Texas Toll Authority/Denton County’s “A-Train”</td>
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<tr>
<td>subway</td>
<td>• Miami-Dade (MD) Expressway Authority/ South MD Busway (planned)</td>
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<tr>
<td>• San Francisco’s Bay Area Toll Authority/BART</td>
<td>• Colorado DOT US 36 Managed Lanes/BRT</td>
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![Bridge Image]
Denver Eagle P3 shows financing & project delivery benefits of availability payments

- Denver RTD established 34 year DBOMF, with detailed set of “availability” and “performance” deductions to annual “service payment”
- Portion of service payments subject to maximum deductions:

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<tr>
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<th>75% - None</th>
<th>20% - Service Payments</th>
<th>5% - Performance</th>
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<tbody>
<tr>
<td></td>
<td>None</td>
<td>On-time train service</td>
<td>Waste management</td>
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<td></td>
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<td>Station availability</td>
<td>Snow and ice removal</td>
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<td>Rolling stock availability</td>
<td>Fare enforcement</td>
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<td>Preventative maintenance</td>
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<td>Life safety systems</td>
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- Essentially penalized sponsor’s dividends not debt repayments
- Made $398M 30-year Private Activity bond possible
One of US’ largest corridors projects, LA’s 30/10 marries sales taxes with federal leveraging mechanisms

- Measure R, new 0.5% sales tax approved by LA County voters in 2008 (in addition to previous 1.0% of transportation-dedicated sales taxes), will fund $40 B in next 30 years
- 30/10 plan also requires:
  - Transit improvement bonds (TIBs), tax-preferred bonding
  - More TIFA monies
NODES
Future funding needs to focus on nodes—smaller rail and bus hubs—with just as large financing challenges

- Proposed Dallas Cotton Belt Rail line may link northern Dallas suburbs to DFW Airport, Fort Worth and suburbs
- 60+ mile line on existing freight ROW may serve business centers as well less dense stops, such as University of Texas at Dallas
- For this and similar commuter rail projects, good intermodal and TOD planning needs to occur
Going further, strengthening “pulse” bus/bike/ped hubs leads to funding entire transit system
Naming rights and property covenants may be future node funding sources

Naming Rights

- Cleveland Clinic & University Hospitals will pay $6.25 M over 25 year period to name 9-mile route “HealthLine”
- Logo will appear on route’s 21 vehicles, 62 stations, schedules & promotions

Transit Benefit Covenant (TBC)

- TBC was proposed to capture long term revenues from sale of condos around MacArthur BART Station in Bay Area, CA
- BART would receive fee (paid by developer) upon initial sale and subsequent sales (paid by future buyer or seller) of condos, equal to % of sale price
Once markets gain confidence in ridership, fare risk transfer can help fund transit hearts, arteries & nodes

- In São Paulo Metrô Line 4 is 12.8 km project Concessionaire accepts some ridership risk within pre-defined “cap and collar”
- Internationally, finance markets taking on some ridership risk
- This can help leverage new finance—yet not funding—sources
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