
# Hearts, Arteries and Nodes: Finding Transit Finance's Pulse

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# Challenge is to fund *all* parts of transit

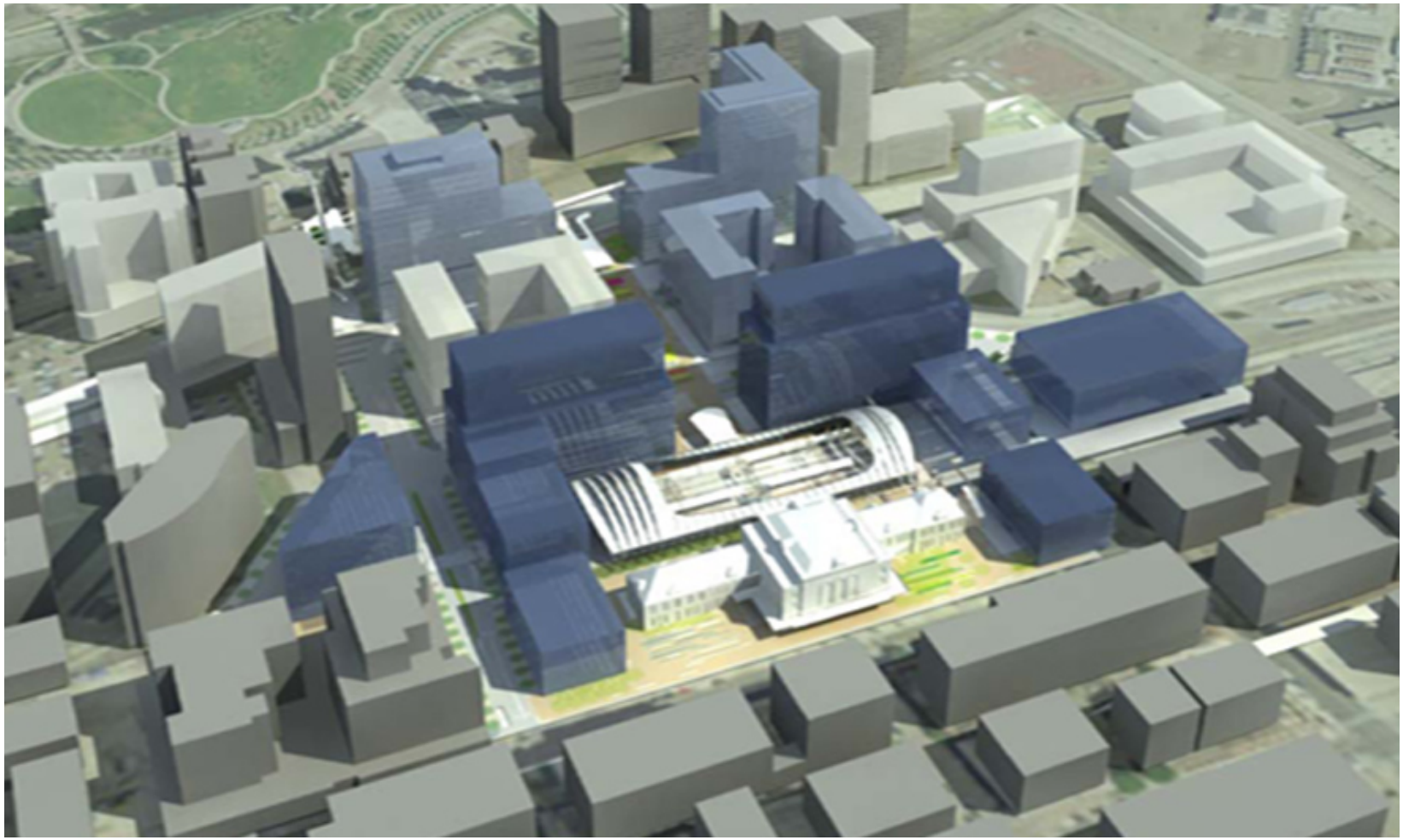
- Transit's appeal has increased
- Transit still struggles for O&M and expansion funding
- Innovative funding and finance have begun to meet these needs, especially for some systems' "hearts"
- The "arteries" in some places can get funding as well
- The challenge is to fund "nodes" and smaller parts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

# Transit funding and finance are different, although linked

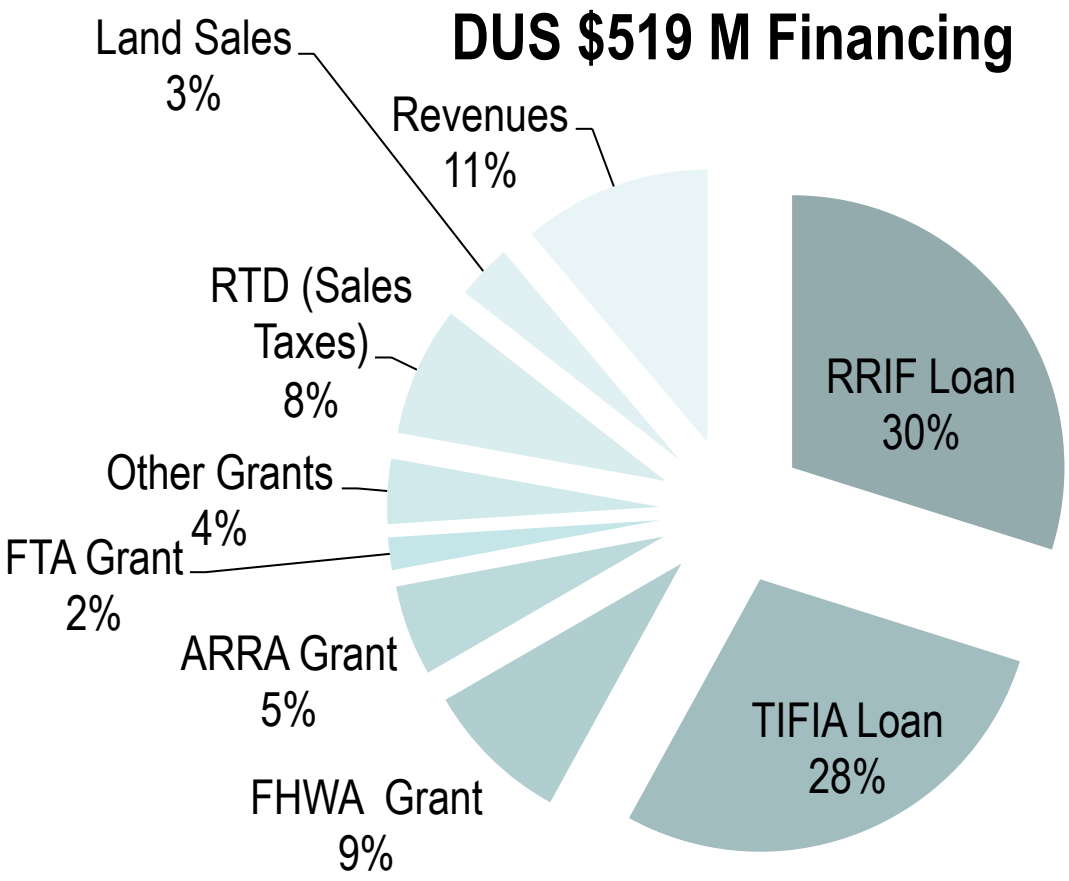
| | Direct System Revenues | Other Funding Sources | Funding Mechanisms |
|---|---|---|---|
| **Traditional** | • Fares | • Local sources, especially sales taxes<br>• State and federal grants | • Tax-exempt bonds<br>• Bank loans |
| **Innovative** | • Advertising<br>• Air rights<br>• Naming rights<br>• Station revenues (parking, concessions)<br>• Fare risk transfer | • TOD<br>• Assessment districts<br>• Tax increment financing<br>• Parking increment<br>• Toll revenues | • TIFIA<br>• RRIF<br>• Private activity bonds<br>• Private equity |

# HEARTS

# 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



# A "double barrel" of existing and speculative funding sources secured the TIFIA and RRIF credits

***Speculative***

Tax increment Revenues

***Existing***

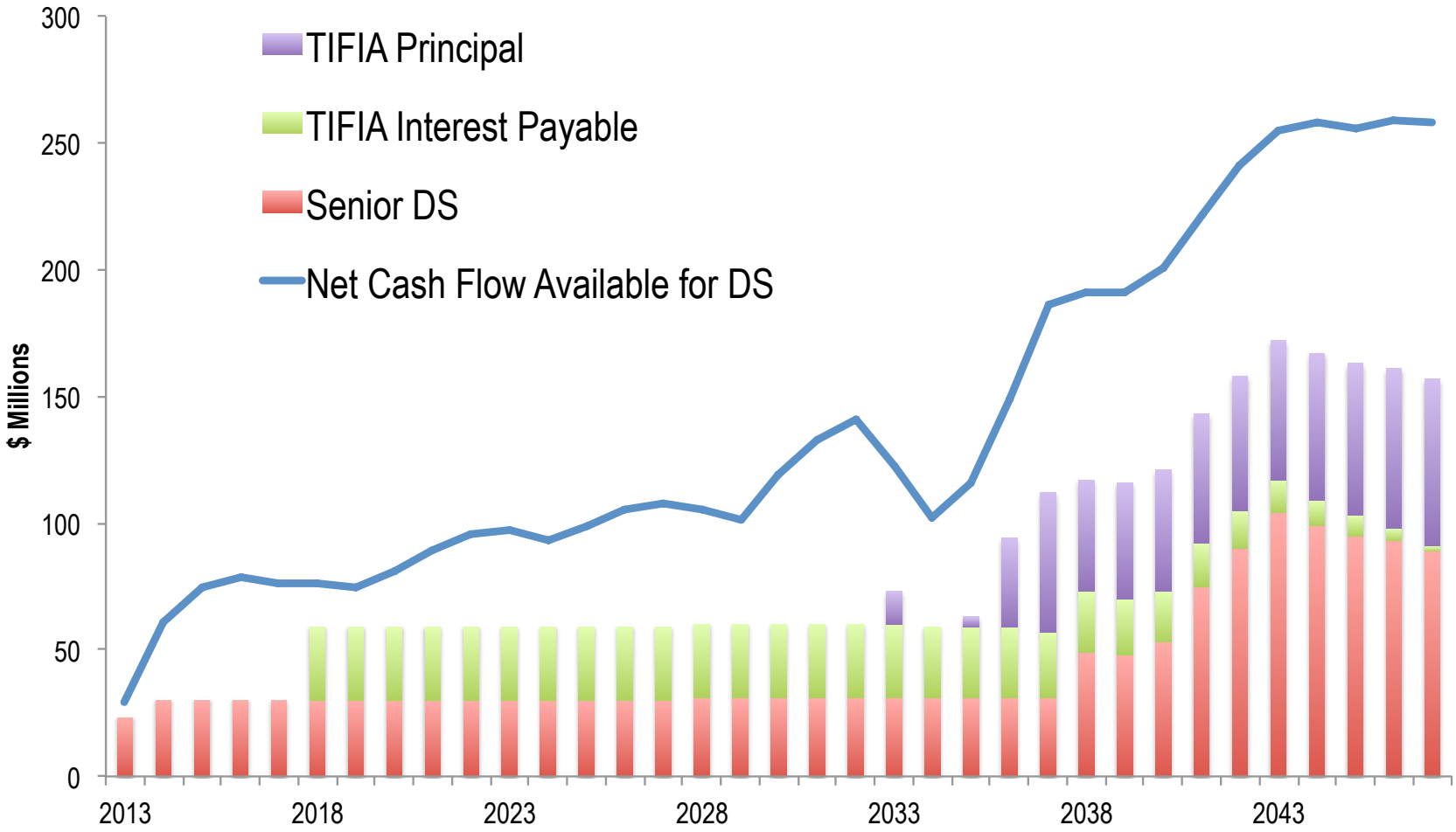
Sales Taxes

Levy on Property Tax

Lodging Tax

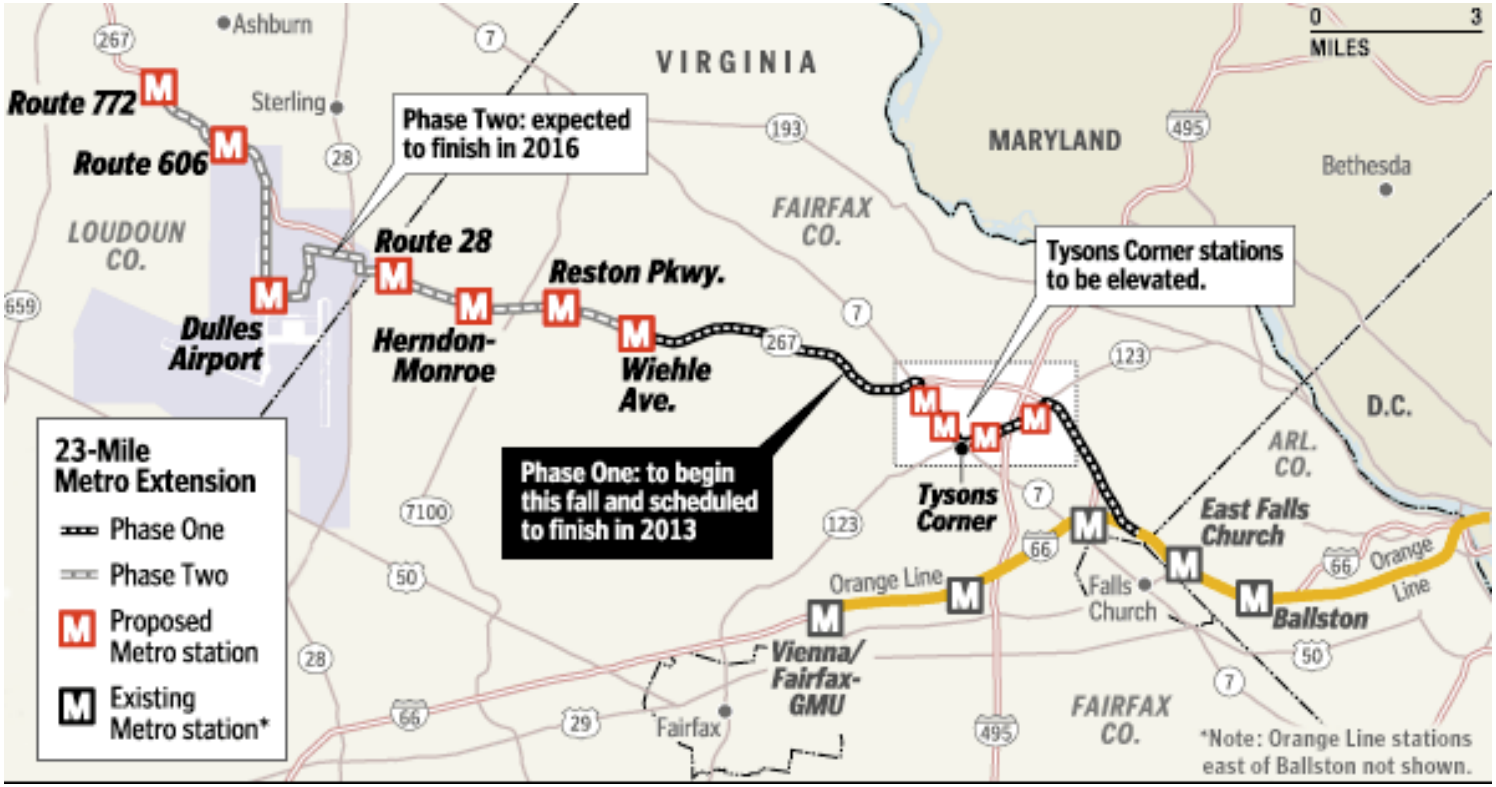
DUSPA Financing

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

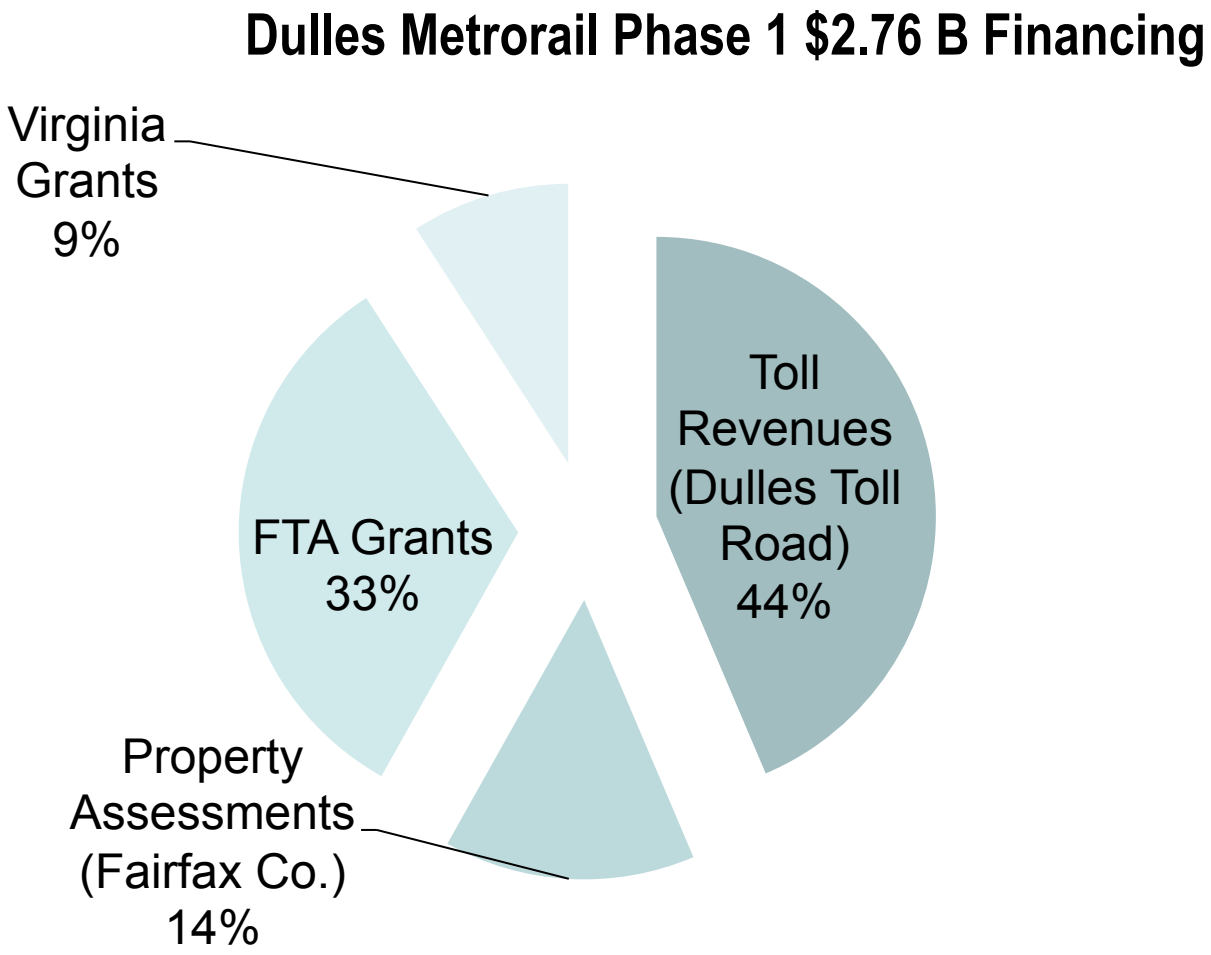


# ARTERIES

# 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



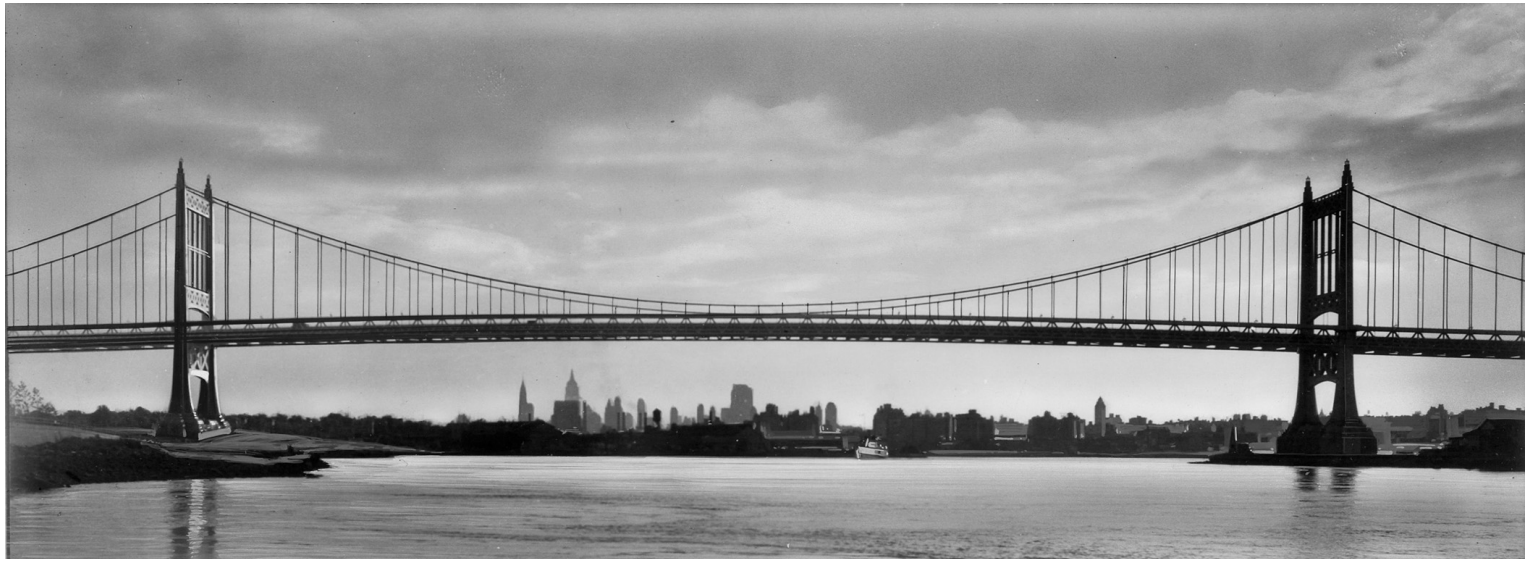
# Sharing revenues from nearby toll corridors/bridges has long tradition on which transit can build

**Older Systems**

- New York's Triborough and Bridge Authority/MTA subway
- San Francisco's Bay Area Toll Authority/BART

**Newer Systems**

- North Texas Toll Authority/Denton County's "A-Train"
- Miami-Dade (MD) Expressway Authority/ South MD Busway (planned)
- Colorado DOT US 36 Managed Lanes/BRT



# 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:


| 75% - None | 20% - Service Payments | 5% - Performance |
|---|---|---|
| | • On-time train service<br>• Station availability<br>• Rolling stock availability | • Waste management<br>• Snow and ice removal<br>• Fare enforcement<br>• Preventative maintenance<br>• Life safety systems |

- 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

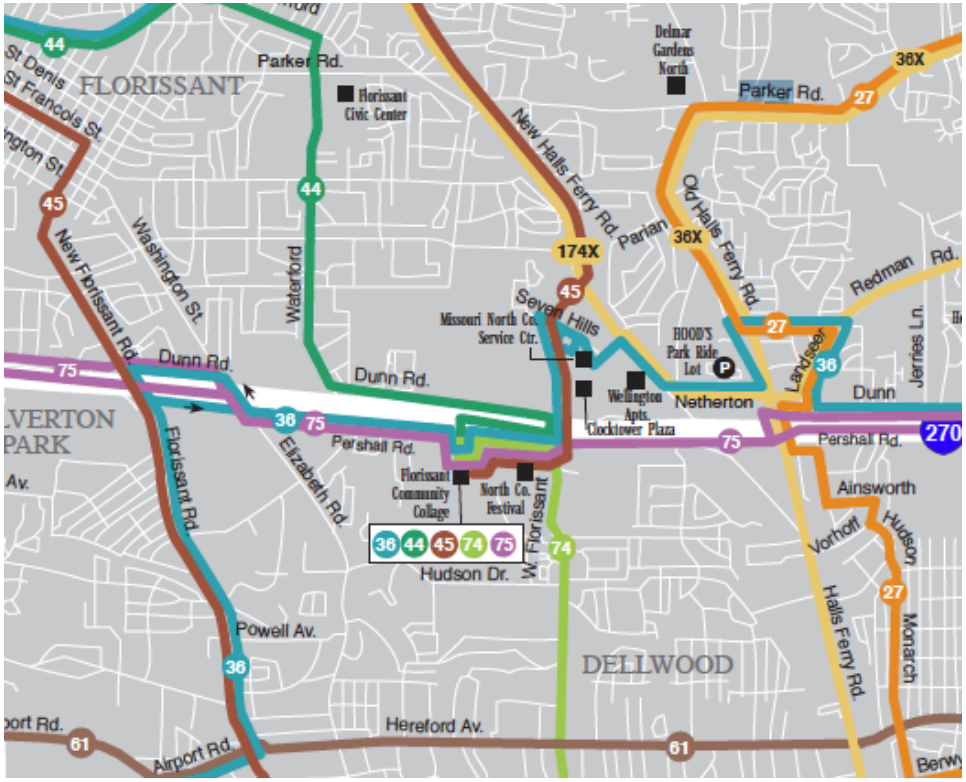
- Measure R, new 0.5% sales tax approved by LA County voters in 2008 (in addition to previous 1.0% of transportation-dedicated sales taxes), will fund $40 B in next 30 years
- 30/10 plan also requires:
  - Transit improvement bonds (TIBs), tax-preferred bonding
  - More TIFA monies

# 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

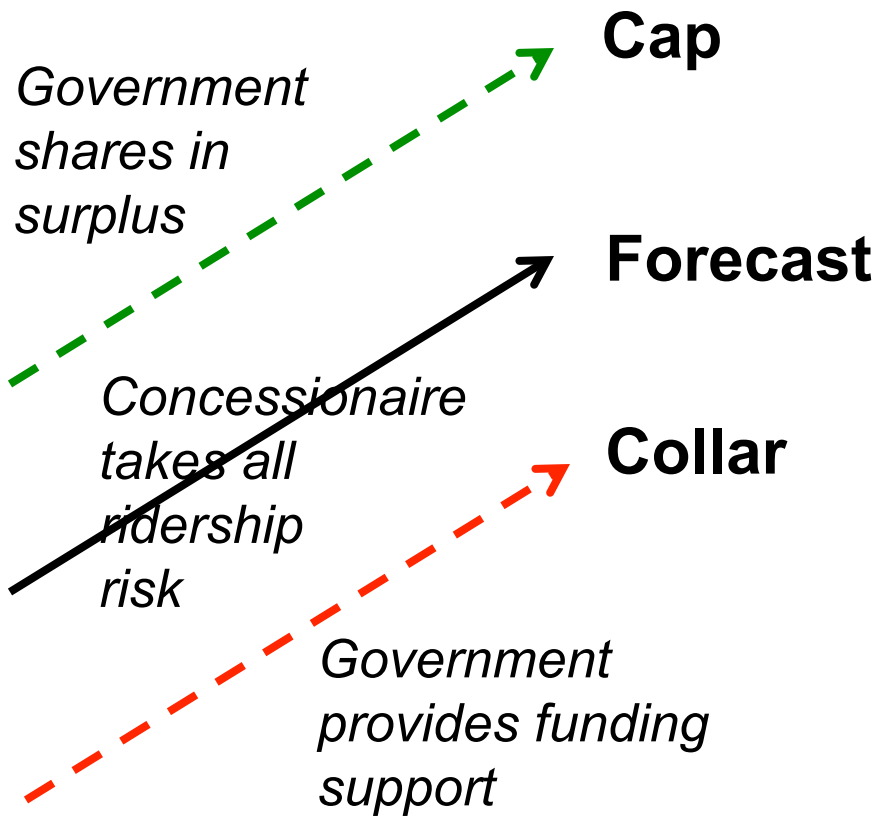
- Cleveland Clinic & University Hospitals will pay $6.25 M over 25 year period to name 9-mile route "HealthLine"
- Logo will appear on route's 21 vehicles, 62 stations, schedules & promotions


## 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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