Public-Private Partnerships: TOD Supporting Transit - A Tale of Two Cities

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Transit PPPs

- Many cities have broad power to consider PPPs
- Federal grant funding is on the decline and strings attached can add 50% to $$ required.
- Cities need to form early alliances with communities and businesses that will benefit.
- Value capture from economic development can provide a major source of funding.
Realized Benefits of TODs

- **Increased Development Value and Potential**
  - Land Premiums near rail transit (15%, 25% and up)
  - Higher Density, feasible at TOD and Mixed Use Development

- **Lowers Parking Requirements**
  - Can Cap, Share and Consolidate Parking
  - Less Auto Ownership (higher density = lower autos)

- **Reduced Pollution and GHG with TOD**
  - Fewer Auto Trips (3.55 trips vs 6.67 trips)
  - Encourages walking and biking

- **Adds to Mobility Alternatives**
  - Design Complete Streets for Pedestrian, Bike, Bus, Rail, Auto
  - Middle Class Prefers to ride Rail over Buses
Innovative Finance
Potential Stakeholders

- Local Businesses
- New Developments
- Retail Malls
- Airports
- Regional Rail
- Neighborhoods
- Museums, Libraries
- Sport Facilities
- Federal and State
- Region, County
- Municipalities
- Convention Center
- Chamber of Commerce
- Economic Dev. Authority
- Air quality, Climate Change
- Affordable housing
Potential Funding Pledges

- Tax increment financing
- Special assessments
- Impact fees
- P.I.L.O.T.’s
- Joint development
- City Undeveloped Land
- Density Increases
- Airline/ Rail Tickets
- Hotel tax
- Rental car tax
- Parking preferences
- Parking revenues
- Sales tax
- Property sales
- Fare box revenues
- State and local grants
- City credit enhancements
- Emission Credits
- Transferable development rights
Strategic Development Analysis

1. Market Analysis & Scenarios
   - Existing Market Assessments
   - Development Scenarios
   - Development Potentials

2. Impacts analysis
   - Stakeholder Impacts
   - Economic Impacts

3. Financial Analysis
Economic Development Benefits

Case Study – Northeast U.S. city (120k=pop.)

- New streetcar project 3 miles, $150 million
- Strategic economic development study took 6 months and cost $50k
- Transit impact showed $12.7 million/yr additional tax revenues by 2020
- This will cover $3-4 million/yr for O&M and debt capacity over 30 yrs $100 mil.
Consensus Building Process
(Value Capture & Finance)

1) Recruit a “Public Champion”
2) Perform Economic Impact Analysis
3) Identify and understand All Stakeholders’ Interests
4) Conduct Funding Workshop
5) Obtain Commitments from Stakeholders
6) Advance to a Written Agreement
A Tale Of Two Cities
Jersey City and Tysons Corners
Hudson-Bergen Light Rail

Description:
- 20 miles double-track light rail transit with 23 stations
- Over $1 billion in Design-Build Construction
- 20-yr Operations & Maintenance contract
- Includes manufacture of 43 light rail vehicles

Achievements:
- Opened April 2000 for Phase 1 revenue service with 10 years of highly successful on time and safe operations
- First Phase Design Build Completion with no claims, on time and on budget
- Entire System now open and operating

Client: New Jersey Transit
Location: Hudson & Bergen Counties, NJ
Contract Value: $1.9 Billion
Contract Type: PPP Design-Build-Operate-Maintain

Performed as: 21st Century Rail Corp. (Washington Group, Kinkisharyo/Itochu)
Hudson Bergen LRT Alignment
Transit Oriented Development

(Untapped Financing Source)

Before Hudson Bergen LRT
(Photo taken in 2000)

After Hudson Bergen LRT
(Photo taken Mid 2004)
Voorhees Transportation Center studied sample of economic development
  • Examined only 5 out of 23 stations
  • Over 12,000 housing units, $5.9B built value

Essex St - Jersey Ave. Corridor Alone
  • 4265 residential units
  • Total estimated value $2.345 B

Jersey City Office Space Since
  • 1995 (5,724K SF), 1999 (8,203K SF)
  • 2006 (15,045K SF)
Hudson Bergen Value Added but not to fund transit

- Major redevelopment focus
- Tax abatements offered to many developers
- Project Funding
  - 80% Federal FTA Grants
  - 20% State Grants
- Value-added benefits provided no funding support for the projects capital costs
Dulles Metrorail Project

**Description:**
- Heavy rail system extension
- 22 miles, 11 stations
- Largest US Transit DB ever undertaken

**Achievements:**
- Private development investment
  - *Over $10 million pre-contract investment*
  - *$15 million cost sharing during development phase*
- Early Value Planning efforts identified nearly $200M in savings
- Open Book Negotiated $1.7 billion Design-Build Contract

**Owner:** Metropolitan Wash. Airports Auth.
**Location:** Fairfax & Loudoun Counties, VA
**Project Value:** $5 Billion
**Contract Type:** Completed Development and PE; D/B Contract in process
**Performed as:** Dulles Transit Partners, LLC *(Washington Group, Bechtel Infrastructure)*
Dulles Corridor Value Capture

Landowners created funding contribution of $800 million based on increased land use
# Dulles Metrorail
## Potential Funding Sources - 2004

<table>
<thead>
<tr>
<th>Source</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax District</td>
<td>$488M</td>
</tr>
<tr>
<td>Station Area Development (memo only)</td>
<td>($182M)</td>
</tr>
<tr>
<td>Dulles Toll Road</td>
<td>$161M</td>
</tr>
<tr>
<td>MWAA (Dulles Airport)</td>
<td>$124M</td>
</tr>
<tr>
<td>Loudoun County</td>
<td>$93M</td>
</tr>
<tr>
<td>Privatization of Parking Structures</td>
<td>$0</td>
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<tr>
<td>Proposed Sales Tax</td>
<td>$300M</td>
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<tr>
<td>Total Potential Funding</td>
<td>$1,142M</td>
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</tbody>
</table>

*confidential and proprietary*
Dulles Metrorail
Station Area Development

- Total Debt Capacity: $182M
- Station Area Development Revenue potential derived from the long term lease of six under-developed, publicly controlled sites
  - Net Land Area: 4,131,800 sq ft
  - Annual Potential Land Rent: $14,620,000
- To achieve the highest potential debt capacity from Station Area Development revenues, these cash-flows can be added to the pledge of more predictable tax district revenue.
Dulles Metrorail Special Improvement Districts

- State statute allowed for a transportation improvement district if passed by 51% of the landowners
- County land use plan allowed for F.A.R.’s to double if within a perimeter of a new transit station
- Land owner group formed by Dulles Transit Partners (“LEADER”). Led by two former governors (one “R”, one “D”)
Dulles Metrorail (cont.)
Special Improvement District

- Vote approved two tax improvement districts in the Dulles Rail Corridor
- Special tax districts operate off a levy for Phase I of $0.22/$100 and for Phase II of $.10/$100
- Assessment only of commercial and industrial real estate
- Each phase is expected to raise $400 million for the project
- EDA bonds issued for Phase I with repayment from proceeds from the special tax assessment
# Dulles Metrorail Capital Funding Allocation – Ph I

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Funding Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Sources – FTA New Starts</td>
<td>36%</td>
</tr>
<tr>
<td>Non-Federal Sources</td>
<td>64%</td>
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<tr>
<td>Virginia Transportation Act of 2000</td>
<td>2.1%</td>
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<tr>
<td>Dulles Toll Road Revenues</td>
<td>36.9%</td>
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<tr>
<td>Fairfax County Dulles Tax Districts</td>
<td>16.1%</td>
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<tr>
<td>Loudon County Transportation Fund</td>
<td>0.1%</td>
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<tr>
<td>Loudon County License Fees</td>
<td>4.7%</td>
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<tr>
<td>MWAA Passenger Facility Charges</td>
<td>4.1%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
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</table>

Note: As of 2007, revised since
Value Capture Strategy

The value from the future economic development can be captured to support initial project financing.

Dulles Metrorail - $800 Million

Houston Metro - $2 Billion
Q &A – Discussion