

Wealth of Stations

Innovative Financing Tools for Renewal Projects

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Overview

Sources for State of Good Repair Investments

- Traditional funding sources
- Financing tools
- Innovative sources from stations
 - Value capture
 - Private sector
 - Qualified tax credit bonds

Traditional Funding Sources

For Rail State of Good Repair Investments

Federal Formula Grants

- FTA Section 5307 Urbanized Area Formula
- FTA Section 5309 Fixed Guideway Modernization
- FHWA Flexible Highway Funds

Competitive Federal Grants

- FTA TIGGER grants
- FRA HSIPR grants
- USDOT TIGER grants

State & Local

- Sales tax, property taxes, motor vehicle tax, gas tax, etc.

What Are Financing Tools?

- A. An innovative way for agencies to get free money
- B. A pyramid scheme created by this guy



- C. Something that bankers and overpriced consultants push so they can charge large fees
- D. Tools that can help you access additional funding in the near term, but requires the repayment of the borrowed amount plus interest at a later date

Financing Tools

Tax Exempt Borrowing

- Traditional method
- Debt repaid by dedicated revenue source or a General Obligation pledge of taxing entity

Build America Bonds

- Similar to tax exempt borrowing, but taxable and Treasury gives issuers 35% subsidy of interest costs
 - Generally lower interest costs for long-term issuances

Grant Anticipation Notes

- Debt secured by anticipated future federal grants

TIFIA Loan

- Up to 35-yr debt w/ very flexible terms for up to 33% of capital project cost

FRA RRIF Loan

- Up to 35-yr debt w/ flexible terms for up to 100% of rail rehabilitation project cost

Why Stations?



Willie Sutton

Innovative Sources from Stations

Value Capture

Special Assessment District

- Additional property tax fee

Station Fare Surcharge

- Additional fee above the base fare to help finance the cost of station improvements

Tax Increment Financing (TIF) District

- Debt financed by future increases in property taxes within a designated district
- Often require credit enhancement

“Net New Taxes”

- Similar idea to a TIF, but considers all taxes (e.g, sales, meals, hotel, etc.) and is used to justify city’s investment in station based on financial returns

Innovative Sources from Stations

Tools for Private-Sector Contributions

Historic Preservation Tax Credits

- 20% tax credit for rehab of historic buildings

Contributions via SAFETEA-LU Private Activity Bonds

- Upfront contribution from pvt. developers in return for interest cost savings they receive from tax-exempt PABs
- SAFETEA-LU PABs require Title 23 funds in project
- Limited to portion meeting joint development guidance

Joint Development Lease Payments

- Revenues from leasing station space, land, or air rights
- Great success stories at Washington Union Station and Grand Central Terminal

Naming Rights

- Advertising revenues

Innovative Sources from Stations

Qualified Tax Credit Bond (TCB) Financing Tools

Qualified Energy Conservation Bonds

- Eligible uses include “mass commuting facilities”
- ~0% effective interest for ~15-year debt
- Cap distributed to state & local gov’ts via formula

New Clean Renewable Energy Bonds

- Similar, but eligible uses limited to renewable energy investments (e.g., solar panels, wind turbines) and cap distributed via applications to IRS

- **Primary limitation:** program size and issuances still very small
- But...
 - If annual cost savings generated by the investment is $\sim 1/20^{\text{th}}$ the upfront cost, then the project might be self-financing

Just about the closest thing to free money there is!

Thank You

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