Overview

• Innovative financing tools
• Case studies of innovative funding sources & financing approaches
• Some observations
## Financing Tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
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</table>
| **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 |
| **TIFIA**            | - Up to 35-yr debt w/ very flexible terms for up to 33% of capital project cost  
                          - e.g., WMATA $600M CIP Loan Guarantee |
| **Grant Anticipation Notes** | - Debt secured by anticipated future federal grants  
                                - e.g., CTA $250M GANs backed by 5307 funds |
Financing Tools cont.
Qualified Tax Credit Bonds (TCBs)

- Two new tools, not yet utilized by transit agencies

**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
  - Currently in between solicitations

- Primary limitation: program size and issuances still very small
- But...if annual cost savings generated by the investment is ~1/20th the upfront cost, then the project might be self-financing
### Station Retail
NY MTA (New York, NY)

<table>
<thead>
<tr>
<th>Example</th>
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<tbody>
<tr>
<td>Grand Central Terminal Redevelopment (1995)</td>
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<table>
<thead>
<tr>
<th>Revenue Source</th>
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<tbody>
<tr>
<td>Additional leasing and concession revenues resulting from redevelopment</td>
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<tr>
<td>- 105K GSF $\rightarrow$ 170K GSF leasable space</td>
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<table>
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<tr>
<td>$93M in new (subordinated) MTA revenue bonds</td>
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<th>Other Examples</th>
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<td>Denver Union Station, Washington Union Station</td>
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</table>
**Historic Preservation Tax Credits**
Moynihan Station Development Corp. (New York, NY)

- **Example**
  - NY Penn Station / Farley Redevelopment (Planned)

- **Revenue Source**
  - ~$200M from private joint development partner resulting from 20% tax credit

- **Financing**
  - Private debt & equity

- **Other Examples**
  - Memphis Central Station
**Tax Increment Financing**

**CTA (Chicago, IL)**

<table>
<thead>
<tr>
<th>Example Project</th>
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<tr>
<td>Rehabilitation of Red Line’s Wilson Station (2010)</td>
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<table>
<thead>
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<th>Revenue Source</th>
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<tbody>
<tr>
<td>$3M from Wilson Yards TIF district</td>
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<tr>
<td>TIF financing earmarks future increases in property tax revenues; proceeds reinvested within TIF district</td>
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<tr>
<td>CTA Berwyn Station / Edgewater TIF (2010)</td>
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</table>
# In-Kind Private Sector Contributions

**CTA (Chicago, IL)**

<table>
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<th>Example Project</th>
<th>Revenue Source</th>
<th>Reason</th>
<th>Other Examples</th>
</tr>
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<tr>
<td>Renovation of CTA North/Clybourn Station (2010)</td>
<td>$4M from Apple Inc.</td>
<td>New store across street, Apple receives advertising right of first refusal</td>
<td>Various NY MTA stations, SEPTA</td>
</tr>
</tbody>
</table>
Naming Rights
MTA (New York, NY)

Example Project
- Sale of the Brooklyn’s Atlantic Ave.-Pacific Street subway station’s naming rights to Barclays (2009)

Revenue
- $4M total over 20 years

Noteworthy Features
- One of busiest MTA subway stations
- Barclays also purchased naming rights to nearby Atlantic Yards sports arena

Other Examples
- Las Vegas Monorail, MBTA stations, Dubai Metro
## Energy Savings Investments
### MTA (New York, NY)

<table>
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<th>Example Project</th>
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<th>Other Projects</th>
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<tr>
<td>- Replacement of inefficient water heater and lighting equipment at MTA’s Coney Island maintenance facility (2010)</td>
<td>- Energy cost savings</td>
<td>- NYPA finances upfront cost of new assets</td>
<td>- 85 MTA-NYPA projects since 1980s, saving MTA the upfront cost of asset replacements and $5.7M / year in energy bill</td>
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<tr>
<td></td>
<td>- Returns investment after 5 years</td>
<td>- Savings passed on once system pays for itself</td>
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FTA Second State of Good Repair Roundtable
July 23, 2010
Station Fare Surcharge
WMATA / DDOT (Washington, DC)

Example Project
- Washington Union Station Metrorail (Board Finance Cmte. approved concept June 2010)

Revenue
- 5-cents / trip → ~$400K / year
- Dedicated to station capital improvements
Long-term Concession Agreements
Denver RTD (Denver, CO)

- **Eagle P3 (2010)**
  - Commuter rail lines and maintenance facility

- Procurement:
  - Design-Build-Finance-Operate-Maintain
  - ~46-year single contract
    - Encourages lowest life-cycle (rather than lowest upfront) costs

- RTD to pay private concessionaire annual availability payments linked to operating performance
- Concessionaire hands over system in SGR at end of concession
Observations

• Relatively few examples of innovative funding for SGR
  – Most likely for stations or energy projects
  – More support when assets replaced with upgrades

• Debt can help address near-term SGR needs when cash is tight
  – But interest costs reduce future funds available for SGR

• Long-term PPP concessions can help ensure assets stay in SGR
  – But Value for Money (VfM) analysis needed to assess whether PPP is best option
Thank You

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