

# Holland+Knight

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## Financing for Transit and TOD Austin, Texas June 12, 2007

# Transit Capital Program

- New Starts
  - \$1.5 billion in funding for FY 2008
  - 80/20 match but most localities overmatch
  - FTA provides “low” rating to any financial plan that includes more than 60% New Starts funding
- Small Starts – takedown from New Starts
  - \$200 million annually in FY 2007-09
  - 80/20 match but FTA recently announced that it will provide “low” rating to any financial plan seeking more than 60% Small Starts funding
  - To date projects proposed for funding have been bus rapid transit projects, but streetcars in Portland and Tucson are moving forward

# Transit Capital Program

- New Starts Program

- Source of funding for past 25 years for numerous heavy rail , light rail, commuter rail, streetcar and bus rapid transit projects
- Mostly light rail, commuter rail and bus rapid transit projects being funded now
- Project review criteria make it very difficult to fund heavy rail (too expensive) or streetcars (process does not favor circulator projects)

# Transit Capital Program

- Small Starts

- Intended for cities that may not qualify for the New Starts program or that seek to build lower cost projects
- Streetcars, commuter rail and bus rapid transit projects likely to be funded
  - Corridor-based bus capital projects
  - Either operate in lane dedicated to transit use during peak hour or invest in stations, off-vehicle fare collection, traffic signalization, etc.

# Status of SAFETEA-LU Implementation

- Notice of Proposed Rulemaking
  - FTA developed proposed rule – February 2007
  - Review by Office of Secretary (OST) and Office of Management and Budget (OMB) – February-June 2007
  - Returned to FTA by OST/OMB- June 2007
  - FTA in process of making further revisions and requested expedited OST/OMB review
  - Hope to have proposed rule by Fall 2007
  - Final Rule - ?

# Status of SAFETEA-LU Implementation

- Interim Guidance for Small Starts
  - Proposed – published June 9, 2006
  - Final – July 26, 2006
  - Small Starts will proceed under this guidance until SAFETEA-LU Final Rule published
- FY 2009 New Starts Guidance – June 4, 2007
  - Information for projects seeking to enter preliminary engineering is due September 2007

## Project Eligibility

<b>Very Small Starts</b>	<ul style="list-style-type: none"><li>• Project cost less than \$50 million</li><li>• \$3 million/mile or less, exclusive of rolling stock</li></ul>
<b>Small Starts</b>	<ul style="list-style-type: none"><li>• Project cost &lt; \$250 million</li><li>• Section 5309 share &lt; \$75 million</li></ul>
<b>New Starts</b>	<ul style="list-style-type: none"><li>• Project cost &gt; \$250 million</li></ul>

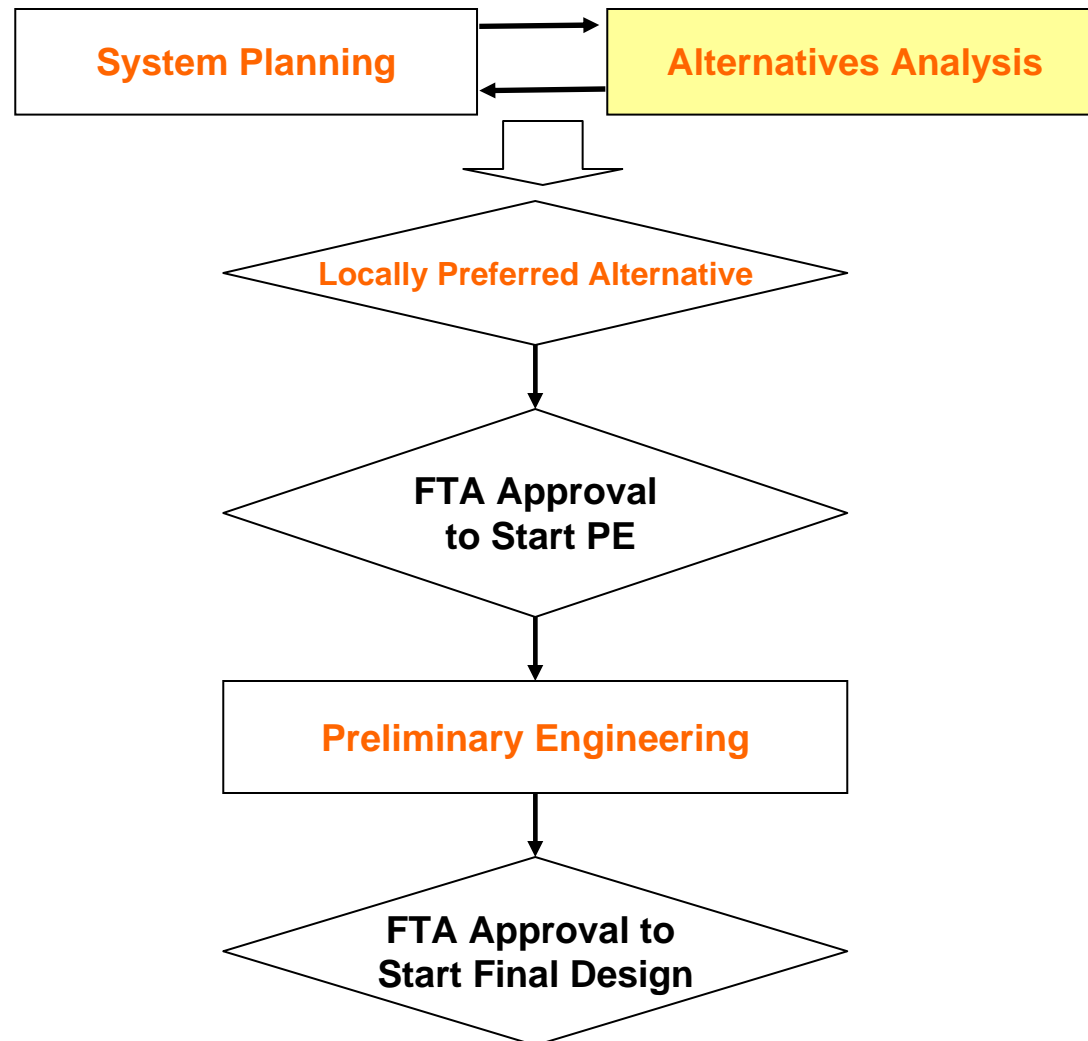
# Project Eligibility

<p><b>Very Small Starts</b></p>	<ul style="list-style-type: none"> <li>• Fixed Guideway – dedicated ROW, rail, overhead catenary wires</li> <li>• Corridor-based bus - &gt;50% dedicated ROW, or</li> <li>• Corridor-based bus – following elements             <ul style="list-style-type: none"> <li>–Substantial transit stations</li> <li>–Signal priority/preemption</li> <li>–Low floor vehicles/branding</li> <li>–10 min peak/15 min offpeak/14 hours/day</li> <li>–3,000 average weekday riders</li> </ul> </li> </ul>
<p><b>Small Starts</b></p>	<ul style="list-style-type: none"> <li>• Same as above, except no requirement for 3,000 weekday riders</li> </ul>
<p><b>New Starts</b></p>	<ul style="list-style-type: none"> <li>• Fixed Guideway – dedicated ROW, rail, overhead catenary wires</li> </ul>

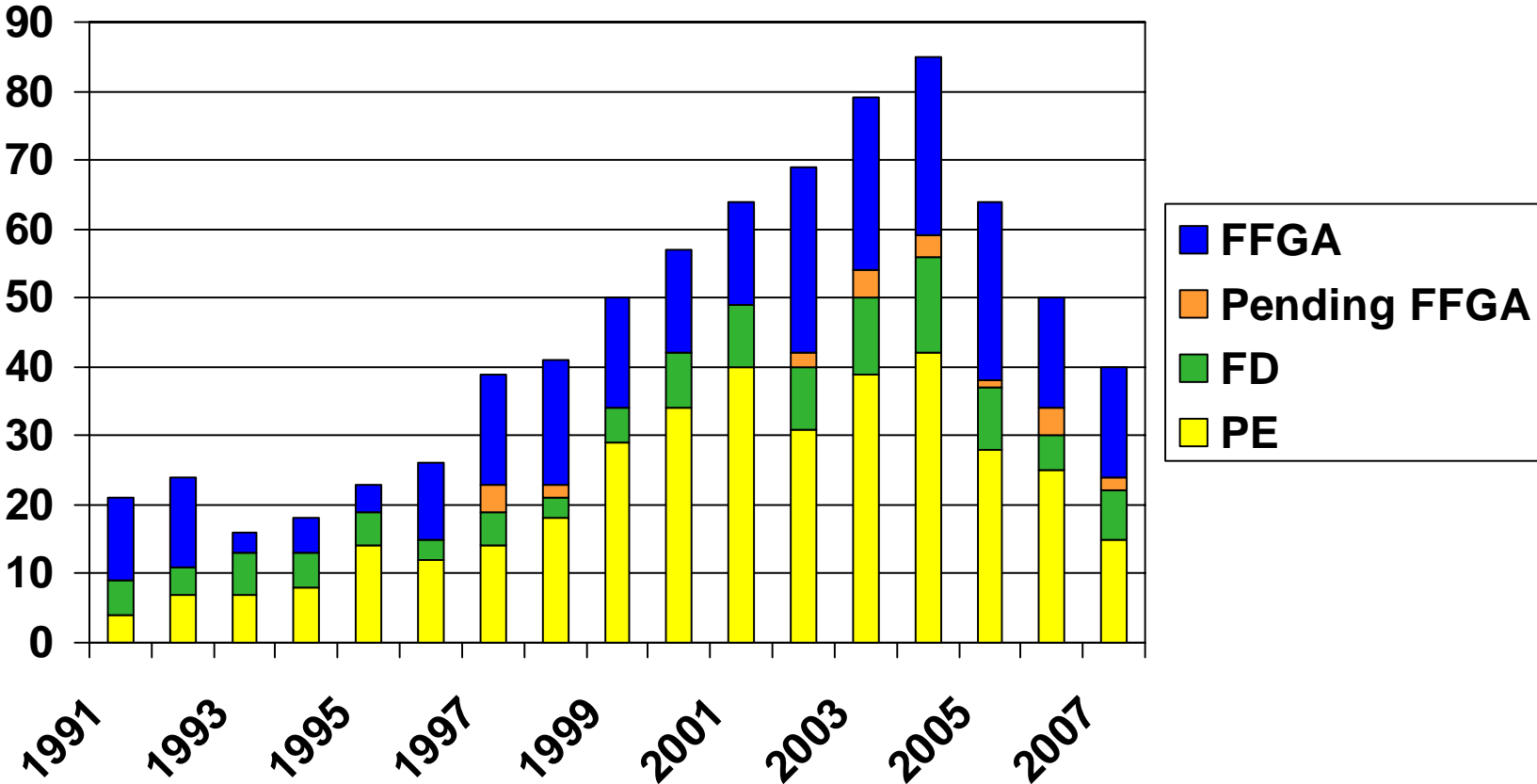
# Project Approval Steps

<b>Very Small Starts</b>	<ul style="list-style-type: none"><li>• Alternatives Analysis</li><li>• Project development</li><li>• Project Construction Grant Agreement</li></ul>
<b>Small Starts</b>	<ul style="list-style-type: none"><li>• Alternatives Analysis</li><li>• Project development</li><li>• Project Construction Grant Agreement</li></ul>
<b>New Starts</b>	<ul style="list-style-type: none"><li>• Alternatives Analysis</li><li>• Preliminary Engineering</li><li>• Final Design</li><li>• Full Funding Grant Agreement</li></ul>

# Planning and Decision-making



# New Starts "Pipeline" Since FY 91



# Flexible Highway Programs

- Congestion Mitigation and Air Quality
  - Apportioned based on population and severity of non-attainment for air quality standards
    - Administered by MPO
  - Public transit, limitation of roads or lanes to HOV or transit, fringe parking facilities, bicycle or pedestrian facilities
- Surface Transportation Program
  - Apportioned based on land miles, vehicle miles traveled and population
  - Eligible activities include federal aid highways, public transit and transportation enhancement activities

## State Monies

- Gasoline tax monies if allowed by state statute or Constitution
- General obligation bonds backed by General Funds
- Vehicle registration fees, license fees or state property taxes
- Tolls or toll credits (used as match for federal dollars)

## Local Sources

- Local option sales tax
  - Most jurisdictions require voter approval
- Property tax
  - Most jurisdictions require voter approval
- Employment tax
- General funds
- Parking fees
- Success rate for local referendum to raise monies for transit is at 70% since 2003

# Private Funding

- Tax increment financing
  - Dedication of property tax dollars to a dedicated purposes based on the incremental increase in value of the property due to the investment
- Benefit Assessment District
  - Businesses in a defined district voluntarily agree to assessment for a defined purpose
- Capital contributions to construct station on property
- Dedication of real property for station adjacent to planned development
- Private developer make up-front capital contribution for right serve as master developer for right to develop at proposed stations
- Naming rights for whole alignment, stations, and vehicles

# Transit Oriented Development

- Property Acquisition

- Identify parcels for station areas and construction staging areas
  - Every surface parking lot is a future development opportunity
- Moreover, cooperation with local governments needed to assemble parcels adjacent to stations to provide opportunity for TOD
- Pedestrian access is crucial to successful TOD

# Transit Oriented Development

- Planning for TOD

- Begin in alternatives analysis with selection of alignment and station location
- Continue in preliminary engineering and final design with station design
  - CAUTION – vigilance is necessary to prevent pedestrian access from being engineered out of station
  - CAUTION – avoid placing stations where there are impediments to access, i.e. having to cross major roads or having stations face back of major developments

# Transit Oriented Development

- Master Developer
  - Past two years have seen major developers exploring providing upfront capital support for right to develop property adjacent to station areas
  - Approach used for Airport MAX in Portland
    - Design-Build Project where Bechtel provided upfront capital for right to develop property on airport property under 99 year lease
  - Cherokee Partners is involved in discussions with both Triangle Transit and Charlotte Area Transit for commuter rail projects
  - Leverage property to generate capital revenues to build project

# Transit Oriented Development

- Financing - Federal
  - Project budget can cover cost of station design and pedestrian access
  - Areas have used CMAQ funds to establish “revolving fund” to pay for pedestrian improvements, lighting, street improvements
  - Developers repay funds into fund and the monies are rolled over to the next station area
- Financing – State and Local
  - Many tax credits and programs available based on type of project being undertaken
  - States have program to encourage workforce or affordable housing, tax credits are available, transfer of development rights, etc.

# Transit Oriented Development

- Financing – Crystal Ball
  - Well planned TOD offers significant reduction in length and number of automobile trips and more walking trips
  - Due to increased densities and pedestrian accessibility to transit
  - Focus of climate change is on reducing emissions of greenhouse gases (GHG)
  - Areas that can quantify reduction in GHG through changing trip patterns and pedestrian trips (“trip not taken”) have “credits” that will have value in a future trading program

# Transit Oriented Development

- Joint Development

- Use federal transit and flexible highway funds for development at or near transit station/facility
- Funds can be used for all project work, except build out of commercial revenue producing space
- Physically or functionally related to transit and enhances transit investment
  - Add value to publicly or privately funded activity
  - Demonstrate increased ridership, lessened or deferred operating or capital costs
  - Built within or adjacent to transit facility or enhances the use or connectivity to a transit facility (radius of 1,500 feet)

# Transit Oriented Development

- Joint Development

- Property is owned by transit authority or designated grant recipient
- Fair share of revenue generated from development
- Revenues generated from development can be used for capital and/or operating support
- Can't begin work on site until NEPA process is complete