



# Transit Finance

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## FINANCING MECHANISMS

### Grants

- Federal
  - 49 USC §5309 – fixed guideway capital investment grants for core capacity improvement projects, corridor based bus rapid transit, new fixed guideways, small start projects, and programs of interrelated projects
  - 49 USC §5307 – formula funds for capital projects, planning, job access and reverse commute, and in areas with population less than 200,000 or fewer than 100 buses for operating costs
  - 49 USC §§5310 & 5311 – formula grants for enhanced mobility for seniors, individuals with disabilities and rural areas
  - CMAQ and STP 23 USC §104, §149 and 23 USC §133
  - TIGER (discretionary program funded annually)
- State Grants
- Local Grants
  - May be for smaller projects and components- art, public space and station areas

### Debt Issuance

- Bonds
- Commercial Paper

## FINANCING MECHANISMS (CONT.)

### Loans

- Transportation Infrastructure Finance and Innovation Act (TIFIA) –can be used for any surface transportation project eligible under Title 23 or Chapter 53 of Title 49 923 U.S.C. §601(a)(12)
- Railroad Rehabilitation and Improvement Financing 45 USC §§821-823 and 49 CFR Part 260

### Asset Backed

- Lease - Purchase
- Mortgage

### Tax

- Sales, use, property direct levy or tax increment finance

### Commercial Transactions

- Naming rights, advertising leasing and licensing of property
  - air rights
  - buildings, fiber, pipelines, utilities

### Farebox & Parking

### Private Capital Investment

### Shared Infrastructure/Joint Development

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## COLORADO STRATEGIES

- **Regional Transportation Authorities (RTA's)**
- C.R.S. 43-4-601 et eq. Need a combination of at least one city or county and another city, county or special district authorized with street improvement, safety or transportation powers may enter into a contract to do so. The state may be a party to a contract but does not appear to be one of the parties necessary to form a combination. Contract must be submitted to a vote of the registered electors residing within the boundaries of the proposed authority. If the authority is within the RTD, RTD must be provided a copy of the contract prior to the enabling election. If based on that review RTD believes the authority will provide services that impact it, the authority shall at the request of RTD enter into an intergovernmental agreement regarding those services or eliminate the affecting services from the contract so as to avoid duplication of effort and to ensure coordinated transportation planning, efficient allocation of resources and equitable sharing of costs prior to the authorizing vote.

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## COLORADO STRATEGIES (CONT.)

- Can impose annual motor vehicle registration fees, visitor taxes on lodging, sales or use tax not to exceed one percent, and property tax. Can create enterprises and issue debt. Both the establishment of an RTA and its ability to levy taxes or debt are subject to voter approval. The tax and debt election may be held in combination with the formation election.
- The board of the RTA, or in the case of any RTA established within the boundaries of RTD, the board of RTD may establish local improvement districts for financing a portion of the transportation system where an area will be especially benefited by the financing, construction, operation or maintenance of a regional transportation system. Can only do so however if it receives a petition signed by the lesser of a majority of the registered electorate in the proposed district, or a thousand registered electors in the proposed district (C.R.S. 43-4-608). The method of creating a local improvement district, making improvements and assessing costs must be done pursuant to C.R.S. 30-20-101 et seq., which is an act governing county local improvement districts.

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## COUNTY LOCAL IMPROVEMENT DISTRICTS

- **C.R.S. 32-20-301 Public Projects** –land, buildings, improvements can be financed by revenue from a public project. City or County can issue warrants for cost of construction
- **C.R.S.30-20-501 et seq. County Public Improvements District** – for improvements on public streets or highways. Can charge tolls, rates or fees for revenue producing services or facilities. Can levy property tax and issue bonds. Tax and debt subject to election
- **C.R.S. 30-20-601 Local Improvement Districts** – Counties – can fund public improvements other than solid waste disposal facilities. Can levy sales tax. May levy special assessments. May issue debt. Tax and debt all subject to election

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## MUNICIPAL PUBLIC IMPROVEMENTS

- **C.R.S. Title 31 Part 25**
  - Includes Urban Renewal Districts, Special Improvement Districts, Downtown Development Authorities, and Business Improvement Districts
  - May be used to remedy blight, construct local improvements, construct public facilities and provide services
  - Formation, governance, use of funds, duration of debt and types of taxes authorized including property, or sales, and the power to levy fees varies
  - All tax and debt are subject to election

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## FINANCING CONSIDERATIONS

	RISK	BENEFIT
<b>GRANTS</b>	<ul style="list-style-type: none"> <li>• Limited Availability</li> </ul>	<ul style="list-style-type: none"> <li>• No Repayment Needed</li> </ul>
<u>NEW STARTS</u>	<ul style="list-style-type: none"> <li>• Phased Project Development</li> <li>• Need FTA authorization to advance to each phase</li> <li>• Each phase is time limited</li> <li>• Need about 50% match</li> <li>• Highly Competitive</li> </ul>	<ul style="list-style-type: none"> <li>• Significant funding source for large projects – greater than \$250 million capital cost</li> </ul>
<u>SMALL STARTS</u>	<ul style="list-style-type: none"> <li>• Small projects up to \$250 million with federal share up to \$75 million</li> <li>• Phased project development</li> <li>• Each phase is time limited</li> <li>• Need FTA approval for each phase</li> <li>• Limited Availability</li> <li>• Local agency needs to raise majority of project cost</li> </ul>	<ul style="list-style-type: none"> <li>• Faster process – fewer phases than New Starts</li> <li>• No Repayment Needed</li> </ul>

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## FINANCING CONSIDERATIONS (CONT.)

	RISK	BENEFIT
<b>CORE CAPACITY IMPROVEMENT PROJECTS</b>	<ul style="list-style-type: none"> <li>• Projects must increase existing capacity by at least 10% – not for state of good repair</li> <li>• Phases and approvals are similar to new starts – multi-year requiring approval at each phase</li> </ul>	<ul style="list-style-type: none"> <li>• Funds expansion of existing systems</li> </ul>
<b>TIGER GRANTS</b>	<ul style="list-style-type: none"> <li>• Discretionary program</li> <li>• Funded annually</li> <li>• Limited funds for distribution (\$500 million in 2015)</li> <li>• Each year's funding may focus on a particular type of project or project benefit</li> <li>• Highly Competitive</li> </ul>	<ul style="list-style-type: none"> <li>• May fund projects that do not qualify well under other capital grant programs</li> </ul>
<b>FORMULA FUNDS</b>	<ul style="list-style-type: none"> <li>• Periodically Available</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution formulas and project eligibility may change</li> </ul>
<b>STATE GRANTS</b>	<ul style="list-style-type: none"> <li>• Requirements defined by State Legislature</li> </ul>	<ul style="list-style-type: none"> <li>• May have fewer administrative requirements than federal grants</li> </ul>

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## FINANCING CONSIDERATIONS (CONT.)

	RISK	BENEFIT
<b>LOANS/ DEBT FINANCING</b>	<ul style="list-style-type: none"> <li>• May need voter approval for any type of indebtedness</li> <li>• May put public property at risk if asset backed</li> <li>• All loans need identified and credit-worthy repayment stream</li> <li>• TIFIA limited to a percentage of project cost</li> <li>• TIFIA and RRIF need to meet most grant eligibility requirements (NEPA, TIP &amp; long range plan inclusion, federal procurements processes)</li> <li>• Debt pre-payment/refinancing ability may be limited</li> <li>• Debt service may constrain operations, especially in economic downturns</li> <li>• Cost may be adversely affected by market events, changes in tax code or other market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Loans may be at low rates with flexible repayment terms</li> <li>• Sales tax, short-term bridge financing or other debt issuance with reliable payment stream may be at low rates</li> <li>• Municipal bond debt may be at favorable rates due to tax benefits</li> <li>• Repayment can be sculpted to match cash flow needs</li> </ul>

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## FINANCING CONSIDERATIONS (CONT.)

	RISK	BENEFIT
<u>TAX</u>	<ul style="list-style-type: none"> <li>• Generally subject to Voter Approval</li> <li>• Limited appetite for Increased Taxes</li> <li>• May be only for Particular Projects</li> <li>• Competing with many other Public needs</li> </ul>	<ul style="list-style-type: none"> <li>• Generally Reliable</li> <li>• No Repayment Required</li> </ul>
<u>COMMERCIAL TRANSACTIONS</u>	<ul style="list-style-type: none"> <li>• Need to be responsive to Customer Sentiment</li> <li>• Creation of real property rights above or below ground may affect future transit use</li> </ul>	<ul style="list-style-type: none"> <li>• Visibility for Public Transit Assets</li> <li>• First Amendment considerations for Public Entities</li> </ul>

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## FINANCING CONSIDERATIONS (CONT.)

	RISK	BENEFIT
<u>FAREBOX &amp; PARKING</u>	<ul style="list-style-type: none"> <li>• May affect Ridership</li> <li>• Transit Mission may be to service routes that are most price sensitive</li> </ul>	<ul style="list-style-type: none"> <li>• Farebox &amp; Parking may be seen as a unified cost of transit access</li> <li>• May be adjusted as needs or Policy considerations require</li> </ul>
<u>PRIVATE CAPITAL INVESTMENT</u>	<ul style="list-style-type: none"> <li>• Investor may want significant control</li> <li>• Generally more expensive than Public Debt Issuance</li> <li>• May require Legislative and/or Voter Approval</li> </ul>	<ul style="list-style-type: none"> <li>• May introduce commercial rigor into Project Development</li> <li>• May introduce ability to incorporate significant Private Expertise</li> <li>• May provide Project Efficiencies, resulting in lowered costs</li> <li>• Allows for risk transfer</li> </ul>

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## FINANCING CONSIDERATIONS (CONT.)

RISK	BENEFIT
<p><u>SHARED INFRASTRUCTURE/ JOINT DEVELOPMENT</u></p> <ul style="list-style-type: none"> <li>• Timing and need of Public and Private development may vary</li> <li>• Public financing may restrict ability for Private use</li> <li>• Need FTA approval for federally funded property</li> </ul>	<ul style="list-style-type: none"> <li>• May be able to share cost and use of property for roads, green space, pedestrian and bike access, parking, utilities, security and maintenance</li> <li>• May increase Ridership</li> <li>• May result in enhanced Rider Experience</li> </ul>

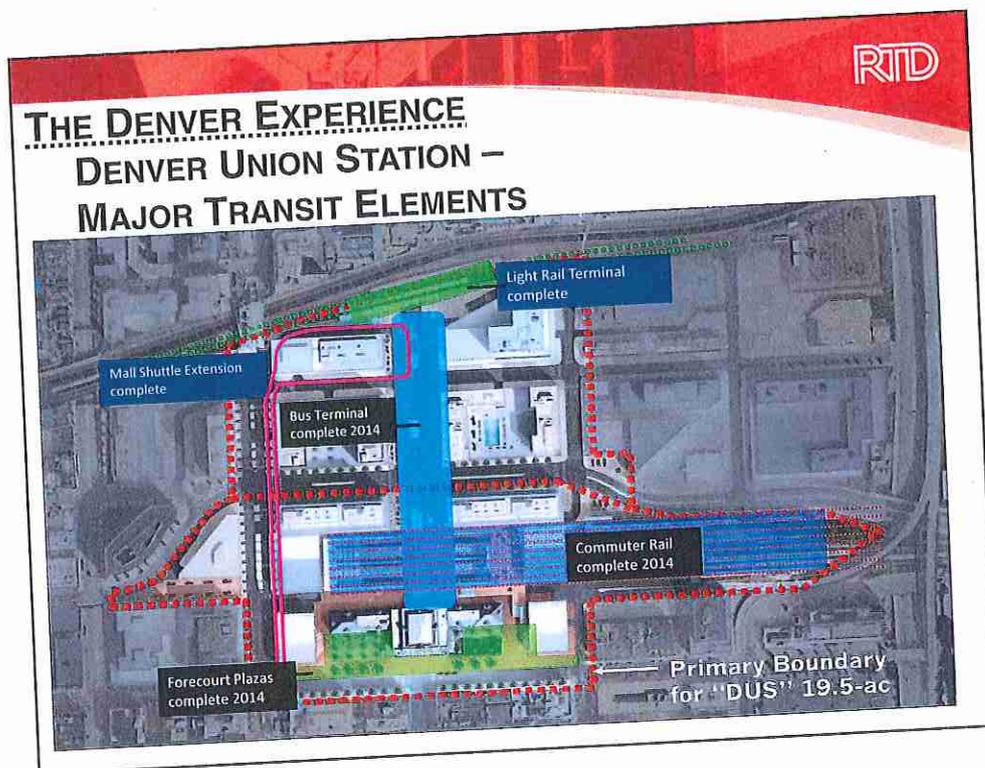
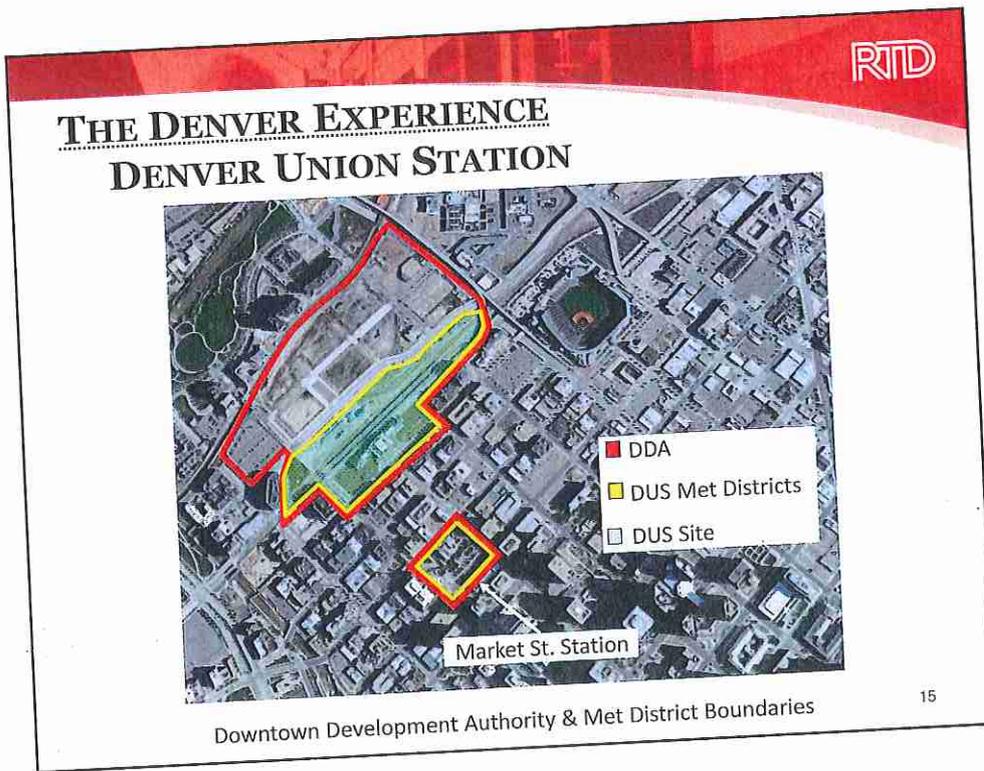
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## THE DENVER EXPERIENCE DENVER UNION STATION

<ul style="list-style-type: none"> <li>• Approximately 22 acres publicly owned at start of project</li> <li>• 2 light rail tracks, 8 commuter rail tracks, 22 bus bays - multi-modal regional hub</li> <li>• Multi- agency, MPO, City and County of Denver Colorado Department of Transportation, RTD</li> <li>• Amtrak is long term user of facility</li> <li>• RTD sales tax pledged</li> <li>• 5 development parcels sold and land sale proceeds used</li> </ul>	<ul style="list-style-type: none"> <li>• Development Authority and tax increment finance district formed (with voter approval)</li> <li>• TIFIA and RRIF loans</li> <li>• State and federal formula and capital grants</li> <li>• FHWA grant - Project of National and Regional significance</li> <li>• RTD has entered into long term lease with hotel developer for historic station building - building renovation, maintenance and long term income stream</li> </ul>
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## THE DENVER EXPERIENCE EAGLE P3 PROJECT

- 35 mile Commuter Rail Project on separate track
- Public Private Partnership – Design-Build finance operate maintain
- 34 year term for Public Private Partnership
- Sales Tax Revenue Bonds - land acquisition, other local match
- Private Activity Bonds under US DOT allocation (26 USC §142(m))
- TIFIA loan for local match
- Full Funding Grant Agreement
- Commercial Paper for bridge financing due to reduced annual FFGA payments
- Surface Transportation Grants
- Naming Rights under consideration
- Partnership with City and County of Denver Airport Authority for construction of Airport Station; partnership with City of Westminster for parking garage at Westminster Station

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## THE DENVER EXPERIENCE EAGLE P3 PROJECT

- **East Corridor**
  - 22.8 miles of commuter rail between Denver Union Station and Denver International Airport
- **Gold Line and Northwest Electrified Segment**
  - 12.5-mile rail commuter rail line running from Denver Union Station to Wheat Ridge and South Westminster
- **Commuter Rail Maintenance Facility**
  - Facility to repair, maintain, clean, fuel and store transit vehicles and two miles of access track
- **Denver Union Station Infrastructure**
  - Denver Union Station is the major hub for rail and bus transportation in the Denver metro area

The map illustrates the Denver Commuter Rail network. Key features include:
 

- East Corridor:** A red line connecting Denver Union Station to Denver International Airport (DIA).
- Gold Line:** A yellow line connecting Union Station to Wheat Ridge and South Westminster.
- Northwest Electrified Segment:** A red line connecting Union Station to Arvada and South Westminster.
- Union Station:** The central hub in Denver.
- Other locations:** Federal Heights, Commerce City, Aurora, Edgewater, Mountain View, Lakeside, and Ward Road are also marked.
- Highways:** I-25, I-70, I-76, and E-470 are shown.

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Source: Denver Transit Partners EAGLE P3 Project, Series 2010 Official Statement

The site plan illustrates the layout of Depot Square at Boulder Junction. Key features include a large 'PARKING GARAGE' at the top, a 'DEPOT' building on the left, a 'DEPOT PLAZA' in the center, an 'RTD PLAZA' at the bottom left, and a 'HOTEL' building at the bottom right. The plan also shows streets, utility lines, and other smaller structures within the development area.

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## Depot Square at Boulder Junction

**Project Elements:**

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- 6 Bay Below Grade Bus Transfer Facility owned by RTD
- 75 RTD spaces - owned by RTD
  - cost of RTD owned improvements \$9 million paid by RTD
  - Other Public and Private
- 5 story, 360 space shared parking structure;
- Public Plaza
- Renovated historic train depot (future restaurant or brew pub)
- 150 room hotel
- New dedicated R.O.W. Junction Place - cost approximately \$4 million
- None of above paid by RTD