Alternative Financing Options for Mature Transit Systems

New Partners for Smart Growth

January 31, 2015
Rebuilding the Foundation

Metro Forward: $5 billion, six-year investment program
What If We Do Nothing?

- More delays, service disruptions and crowded conditions
- More congested highways as regional growth will outpace Metro investment
- Reduced overall quality of life
- Harms region’s competitive advantage – talent, jobs, and investment dollars
What If We Do Nothing?

Metro is integral to the success of the region’s current transit investments.

If these projects get built and Metro cannot keep up with growth, do they deliver as promised?
Forecast Metrorail Crowding

AM Peak, 2014 - 2030
With Eight-Car Trains

Estimates for Crowding across All Lines with and without 100 Percent 8-car Trains

- RED
- YELLOW
- GREEN
- BLUE
- ORG+SIL

With Eight-Car Trains
Longest possible trains to provide more seats

More cars + power improvements and maintenance facilities to operate all 8-car trains during rush hours

Improved flow through major stations

More escalators, stairs and mezzanine space added at transfer stations to accommodate more riders more comfortably

More reliable, faster bus service

Bus-only lanes along major corridors, additional limited-stop and express service, and more buses will upgrade bus service
More timely, reliable customer information

Metro will provide a network for region-wide transit information and fare collection, giving customers information when and how they want it.

Improve reliability of rail system

New connections will allow trains to more easily be routed around delays and get back on-time more quickly.

Increase rush hour service on the Blue Line

New track connections or a new station at Rosslyn will allow for more frequent Blue Line service during rush hours.
How easy is it to apply alternative financing and funding mechanisms to existing systems?
Convened Thought Leaders Expertise

• Banking/Finance on public-private partnerships
• Academia on value capture and real estate economics
• Peer agencies on enhanced leverage
• Operators on previous experience/lessons learned
Summary of Panel Discussions

- Funding and financing not synonymous
- No “new money” via mechanisms
- Applying tools to existing integrated system poses challenges
- TIFIA becoming less and less attractive
- All mechanisms require recurring predictable revenue streams
- Metro’s cost inflation presents jurisdictional challenges
Alternative Mechanisms Explored

- Public-Private Partnerships (P3)
- Real Estate Value Capture
- Infrastructure Bank
- Station Adoption
- Regional Sales Tax
- Enhanced Debt Instruments
<table>
<thead>
<tr>
<th>Agency or Jurisdiction</th>
<th>Mechanism</th>
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<tbody>
<tr>
<td>NJ Transit’s Hudson-Bergen Light Rail Line</td>
<td>Public-Private Partnership</td>
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<td>Charlotte, NC Commuter Rail ‘Red Line’</td>
<td>Value Capture</td>
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<td>Fairfax County’s Dulles Rail Transportation Improvement District</td>
<td>Station Area Tax District</td>
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<td>California’s Infrastructure and Economic Development Bank</td>
<td>Infrastructure Bank</td>
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<td>Los Angeles County’s Measure R</td>
<td>Regional Sales Tax</td>
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</tbody>
</table>
Mechanisms’ Pros & Cons

Public Private Partnerships (P3)

+ Initial private capital equity to supplement public funds
+ Risk transfer to the private partner
+ Incentive for state of good repair by partner

- Requirement of a steady fund flow to repay partner

Metro 2025 Application: Red Line, Metrobus Priority Corridor Network
Mechanisms’ Pros & Cons

Value Capture or Property Tax within Station Areas

+ Strong relationship to certain Metro 2025 projects
+ Allows partners to invest in “local” projects

- Difficulty of capital financing based on TIF revenue
- Overlap of jurisdictions’ established value capture
- Less powerful in areas where land is already developed

Metro 2025 Application: Core Stations, Passageways
System-Wide Value Capture

Impact of a $0.03/$100 AV Property Tax (Hypothetical)
Properties within 1/2 Mile of Metrorail

0%: $2,717,848,191
2%: $2,031,315,249
5%: $1,340,265,268
10%: $706,428,421
Mechanisms’ Pros & Cons

Infrastructure Bank
+ Large-sum of upfront capital
+ Hybrid bank – Private sector contributions

- Requirement of a revenue base of taxes and/or fees
- Possibility of insufficient revenues
- Hybrid bank – Highly complex investment agreements

Metro 2025 Application: None
Mechanisms’ Pros & Cons

Station Adoption

+ Enhancements and improvements via local organization

- Constraints of Metro safety and security protocols
- Possible restrictions of Metro labor agreements
- Diversion of current advertising revenue to the partner

Metro 2025 Application: Core Stations
Station Area Value Capture

Present Value of Property Tax Surcharge, Various Rates
(1/4 Mile from Station, 20 Yrs, Assuming 5% Cost of Capital)

- Dupont Circle: $5,285,000
- Farragut North: $6,792,000
- Farragut West: $8,946,000
- Foggy Bottom GWU: $4,542,000
- Gallery Place-Chinatown: $6,220,000
- McPherson Sq: $8,838,000
- Metro Center: $10,556,000

Surcharge rates:
- $0.01
- $0.02
- $0.05
Mechanisms’ Pros & Cons

Regional Sales Tax
+ Ability to piggyback on existing mechanisms
+ Generation of significant revenues
+ Relative stability year-to-year, though subject to cycles

- Difficulty to revisit major transportation funding

Metro 2025 Application: All seven initiatives
## Potential Mechanisms for Metro 2025

<table>
<thead>
<tr>
<th>Metro 2025 Initiative</th>
<th>Public-Private Partnerships</th>
<th>Value Capture or Station-Area Tax Districts</th>
<th>Infrastructure Bank</th>
<th>Station Adoption Programs</th>
<th>Supplemental Regional Sales Tax</th>
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<tr>
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