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Financing the Nation's Transportation Needs One Community at a Time

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Hello! Welcome to the webcast.



Cayla Matsumoto

Director, Education
Council of Development Finance Agencies
Columbus, OH

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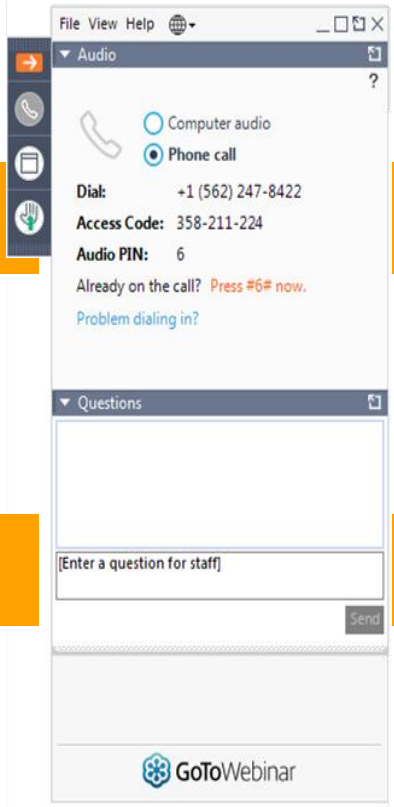
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Financing the Nation's Transportation Needs One Community at a Time

Panelists

Rena Nakashima, *Moderator*

Senior Product Manager
The Bank of New York Mellon

Michael Bonini

Director of Public-Private Partnerships
Pennsylvania Department of Transportation

Peter Ohlms

Research Scientist
Virginia Department of Transportation

Fran Rood

Senior Vice President
SB Friedman Development Advisors

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Senior Product Manager
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Peter Ohlms

Research Scientist
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Local Government Funding and Financing of Roads in Virginia: Lessons Learned

Peter Ohlms, AICP
Research Scientist

*CDFA Webcast: Financing the Nation's
Transportation Needs One Community at a Time
June 13, 2017*

Funding a Road: The Old Way



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Funding a Road: The DIY Way



Includes

- 100% locally funded
- Local funds “kick starting” a state or federal project
- Developer contributions (proffers)



Why do we care about this?

- Help other localities that seek to fund roads
- Inform future funding discussions

How do we know what localities have done?

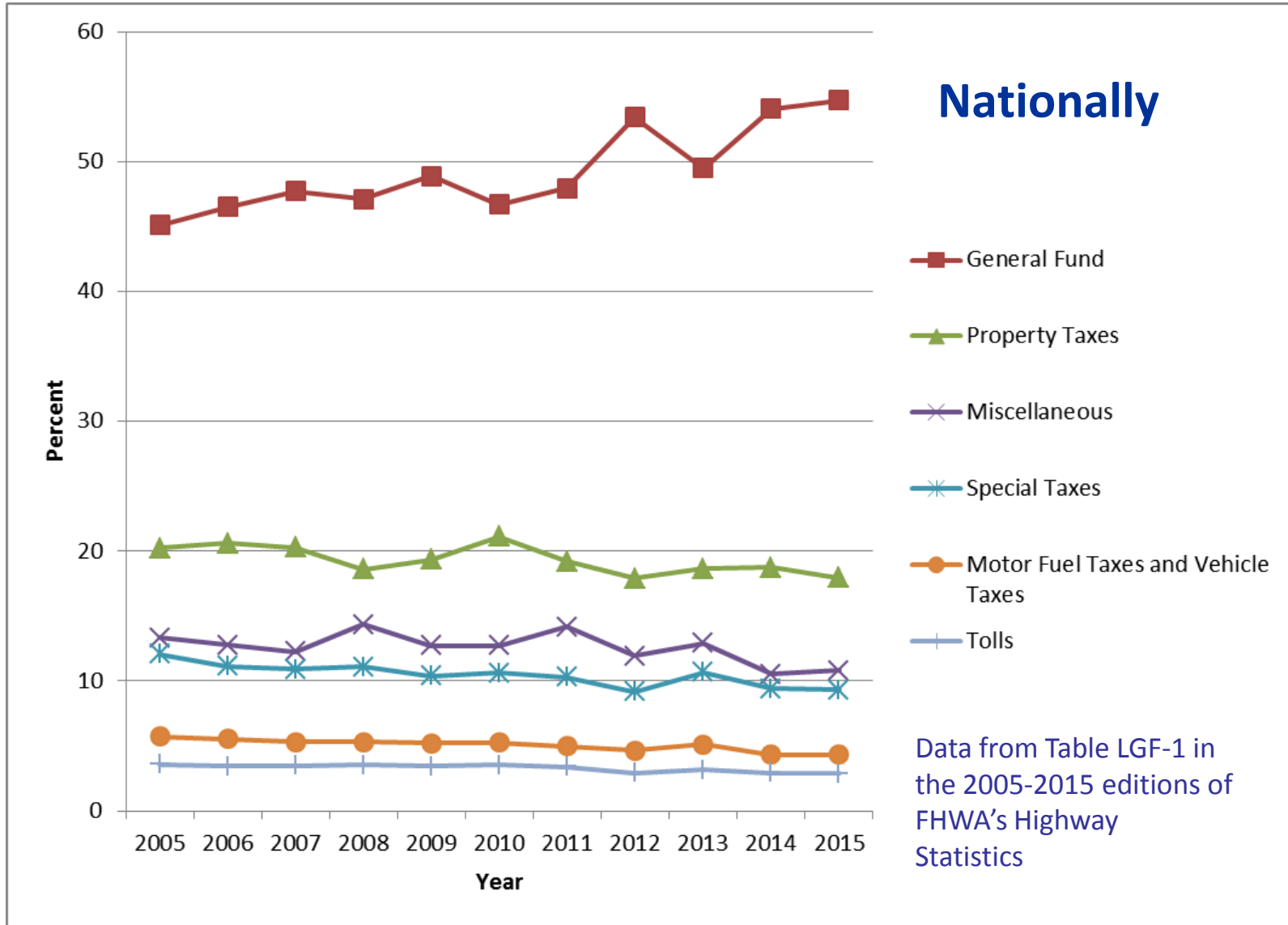
- Survey
 - 130 responses
 - Over \$500 million spent 2008-2012
- Follow-up meetings

How do localities do things now?

- General fund
- Financing
 - General Obligation Bonds
 - Revenue Bonds
 - Virginia Resources Authority bonds
 - Industrial/Community Development Authority borrowing
- Developer proffers
- Service districts
- Impact fees



How do localities do things now?



Case Studies



- Augusta County
- City of Chesapeake
- City of Fredericksburg
- City of Harrisonburg
- City of Lynchburg
- Prince William County
- Stafford County
- City of Williamsburg

Image from <http://coolrain44.wordpress.com/2009/11/19/amusing-animal-antics>



Augusta County

- Road serving Augusta Medical Center
- Public-Private Transportation Act
- \$5 million, 15-year loan from Virginia Resources Authority
 - To be repaid with tax revenue from new business

Augusta County



- McDonald's with a lawn?
- Advance acquisition of right-of-way

Chesapeake

- City's success with

allowed it to obtain financing for the \$345 million Dominion Boulevard Improvements



Chesapeake

- Advance acquisition of right-of-way



Chesapeake

- Advance acquisition of right-of-way



Fredericksburg



- Cowan Boulevard
- Regional shopping center
- Service district to repay bonds

Harrisonburg

- Good debt capacity: bonds
- University-related revenue growth

- Collaboration

- VDOT
- James Madison University
- Rockingham County



Harrisonburg

- Concurrent phases
 - Right of way: purchase and demolish structures

Lynchburg

- Careful budgeting and saving
- \$3.6 million, all local funds



Lynchburg

- Collaboration with Liberty University
- 9 months

Prince William County

- Route 1 project
 - federal construction funds
 - \$10 million of \$68 million
 - Local bonds paid for right of way

- Big bonds, big growth



Prince William County

- Proffer guidelines
- Service districts
- Experienced staff



Route 15 Widening
Proudly Funded By
Toll Brothers
America's Luxury Homebuilder

Stafford County

- Prior to 2014: Transportation impact fees in certain areas of the county
- Countywide impact fees started May 2014
 - \$2,999 per dwelling unit
 - \$900 per 1,000 square feet of industrial use
 - \$7,450 per 1,000 square feet of retail use
 - \$2,800 per 1,000 square feet of office or other use
- Enabling legislation
 - *Code of Virginia* § 15.2-2317 through 2327



- Small population
- Tourism economy
- Sales taxes to CIP

Williamsburg



Enabling factors

	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	



Enabling factors	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
Regional medical centers	X		X	X				



Enabling factors	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
Regional medical centers	X		X	X				
Staff experienced with road construction projects	X					X		



Enabling factors

	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
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Staff experienced with road construction projects	X					X		
Forward-looking plans and negotiation during land development	X	X				X		



Enabling factors	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
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Forward-looking plans and negotiation during land development	X	X				X		
Record of success		X				X		



Enabling factors	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
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Forward-looking plans and negotiation during land development	X	X				X		
Record of success		X				X		
Collaboration				X	X			



Enabling factors	Augusta	Chesapeake	Fredericksburg	Harrisonburg	Lynchburg	Prince William	Stafford	Williamsburg
High growth rates			X	X		X	X	
Regional medical centers	X		X	X				
Staff experienced with road construction projects	X					X		
Forward-looking plans and negotiation during land development	X	X				X		
Record of success		X				X		
Collaboration				X	X			
History of careful budgeting					X			X



Virginia Road Funding: A Changing Landscape



Local Government Funding and Financing of Roads in Virginia: Lessons Learned

Peter Ohlms, AICP

Research Scientist

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<http://vtrc.virginiadot.org/ProjDetails.aspx?id=510>

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Financing the Nation's Transportation Needs One Community at a Time



Fran Rood

Senior Vice President
SB Friedman Development Advisors
Chicago, Illinois

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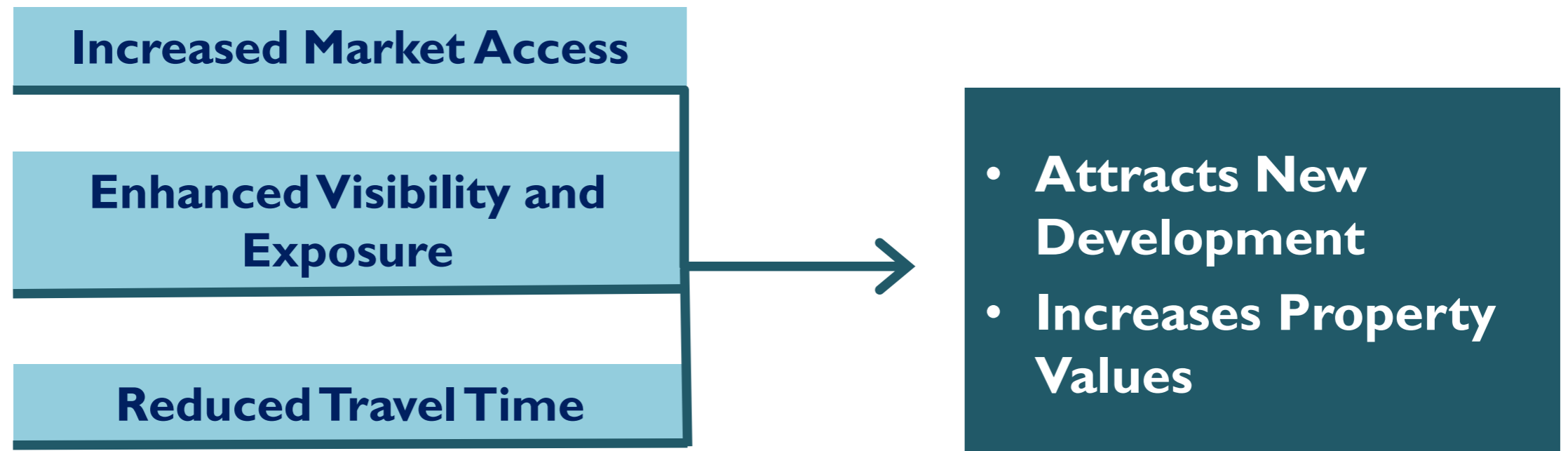
Value Capture for Transit in Illinois

Fran Lefor Rood, AICP
Senior Vice President, SB Friedman Development Advisors

June 13, 2017

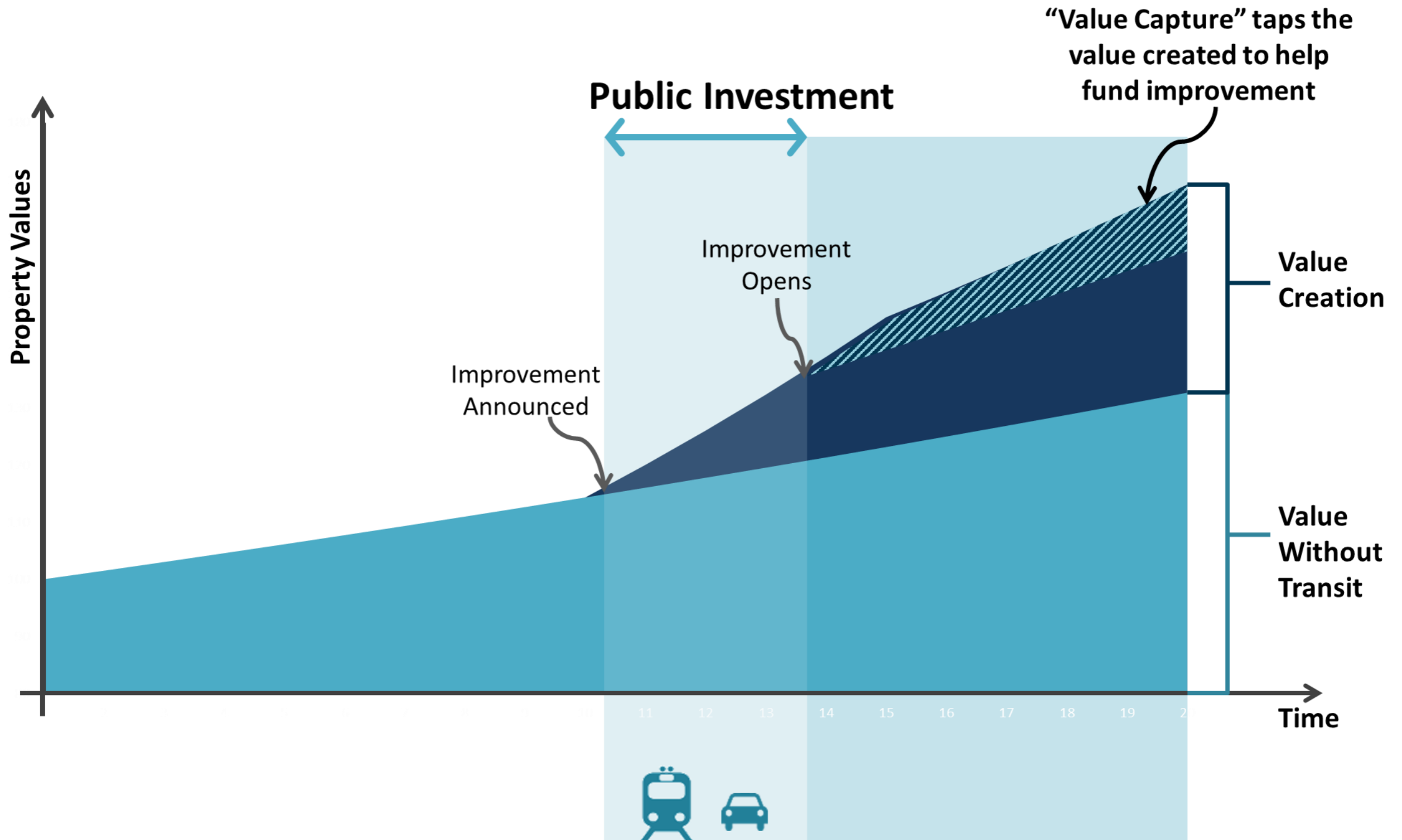
What is Value Capture?

Public Infrastructure Improvements benefit Private Property Owners



- Capture a portion of increased property values to fund infrastructure
- Increasingly important as federal, state and local resources are limited
 - ▶ Federal dollars require greater local match
 - ▶ No State of Illinois capital bill
 - ▶ Limited appetite for local tax increases

How does Value Capture Work?

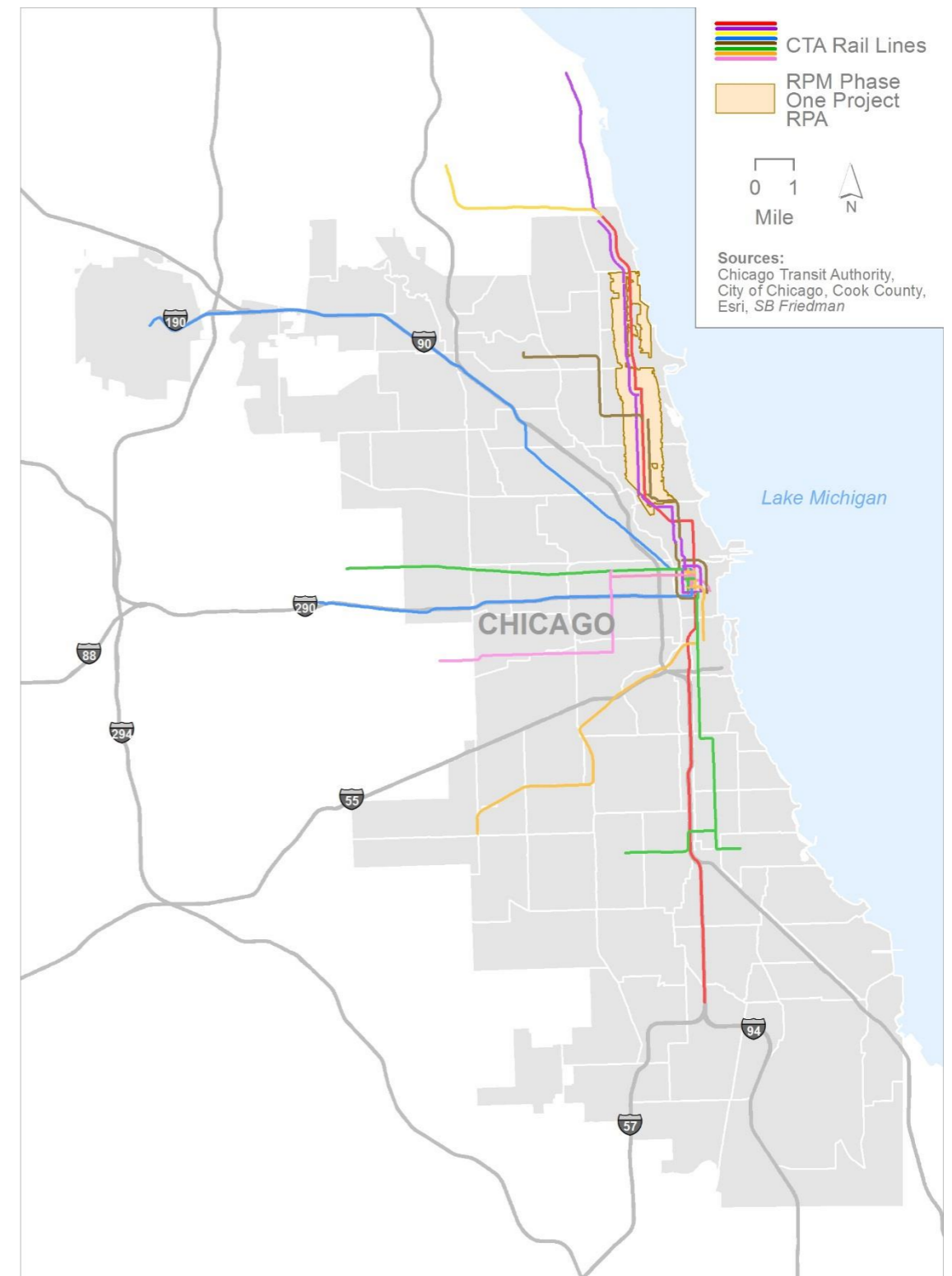


Chicago Transit Authority (CTA) Red Line North in Need of Modernization

- Backbone of transit system
- Infrastructure aging/beyond useful life
 - ▶ Track structure/some stations up to 100 years old
 - ▶ Large gap in ADA station accessibility
 - ▶ Aging signal system from the 1970s
- Growing ridership demand



Source: Chicago Transit Authority



Red-Purple Modernization (RPM) Project

- One component of broader 2012 Red Ahead initiative
- Rebuild Red and Purple Lines from Belmont north to Linden
- Phase One of RPM:
 - ▶ Red-Purple Bypass Project
 - ▶ Corridor signal improvements from Belmont to Howard
 - ▶ Lawrence to Bryn Mawr Modernization Project

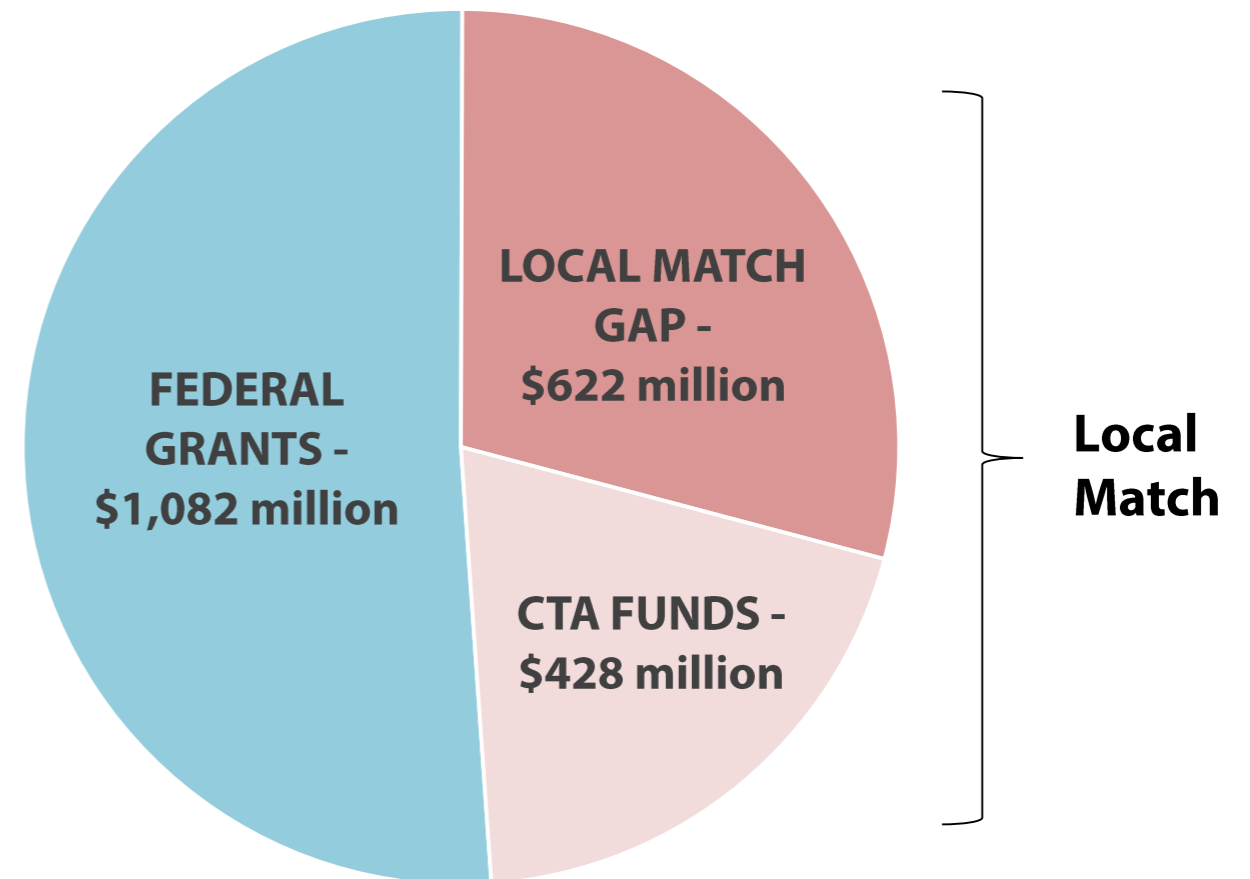


Conceptual renderings of new Bryn Mawr Station

Source: Chicago Transit Authority

How to Fund Local Match for \$2.1B Project?

- \$1.1B in federal funds available
 - ▶ FTA Core Capacity grant
 - ▶ CTA first in line – must move now
- CTA seeking TIFIA loan to bridge substantial local match
 - ▶ CTA to provide over \$400M
 - ▶ No State of Illinois capital bill
 - ▶ \$622M gap in funding – what revenue stream is available?



Transit TIF Used with TIFIA for Major Projects



Source: Transbay Joint Powers Authority via transbaycenter.org



Source: Denver Regional Transit District via rtd-denver.com

■ San Francisco – Transbay Transit Center

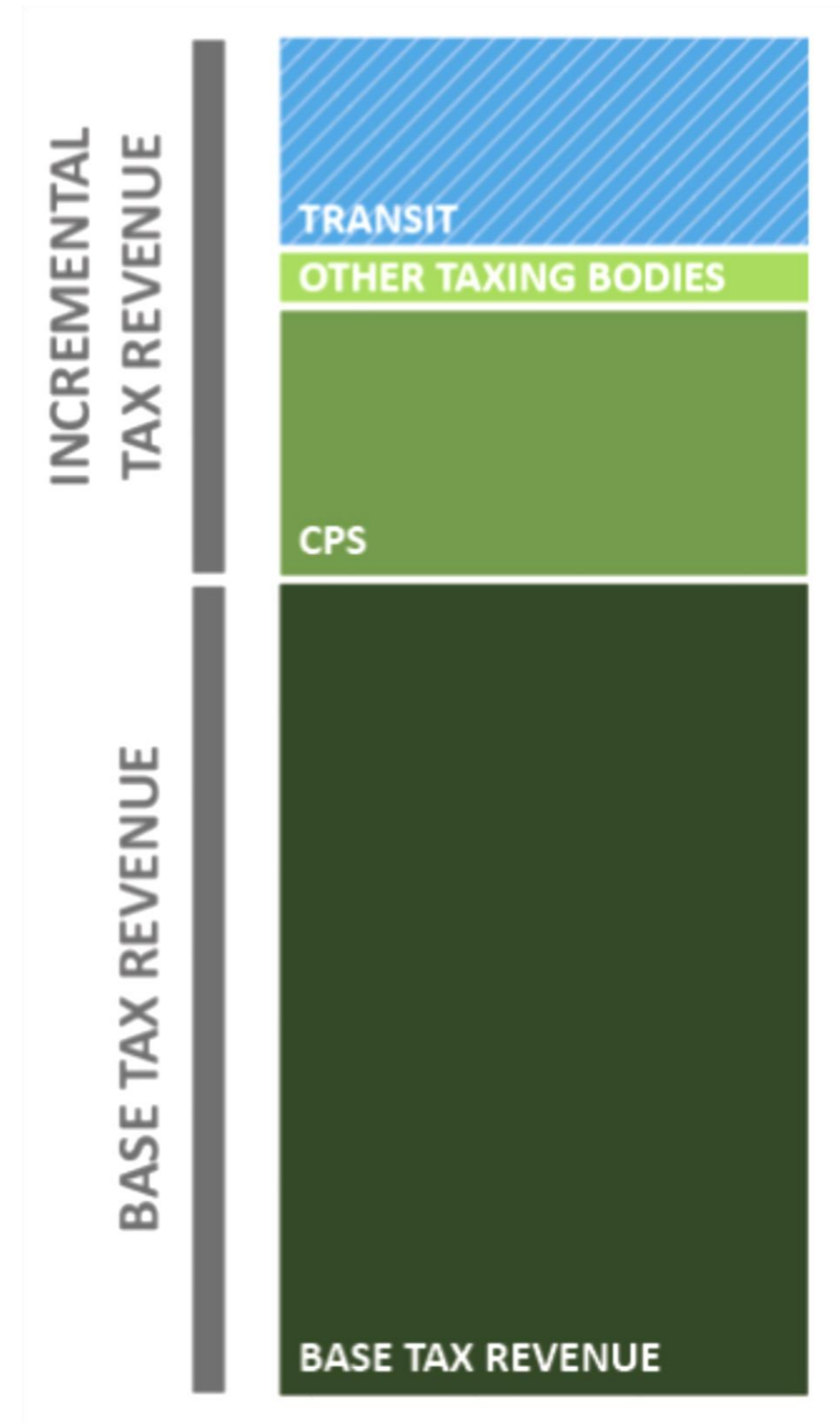
- ▶ TIF expected to capture \$1.4B over 45 years – approximately 33% of total project cost
- ▶ Portion of TIF to repay TIFIA loan

■ Denver – Union Station

- ▶ Approximately \$500M project
- ▶ TIF used in combination with sales tax proceeds to back TIFIA and RRIF loans

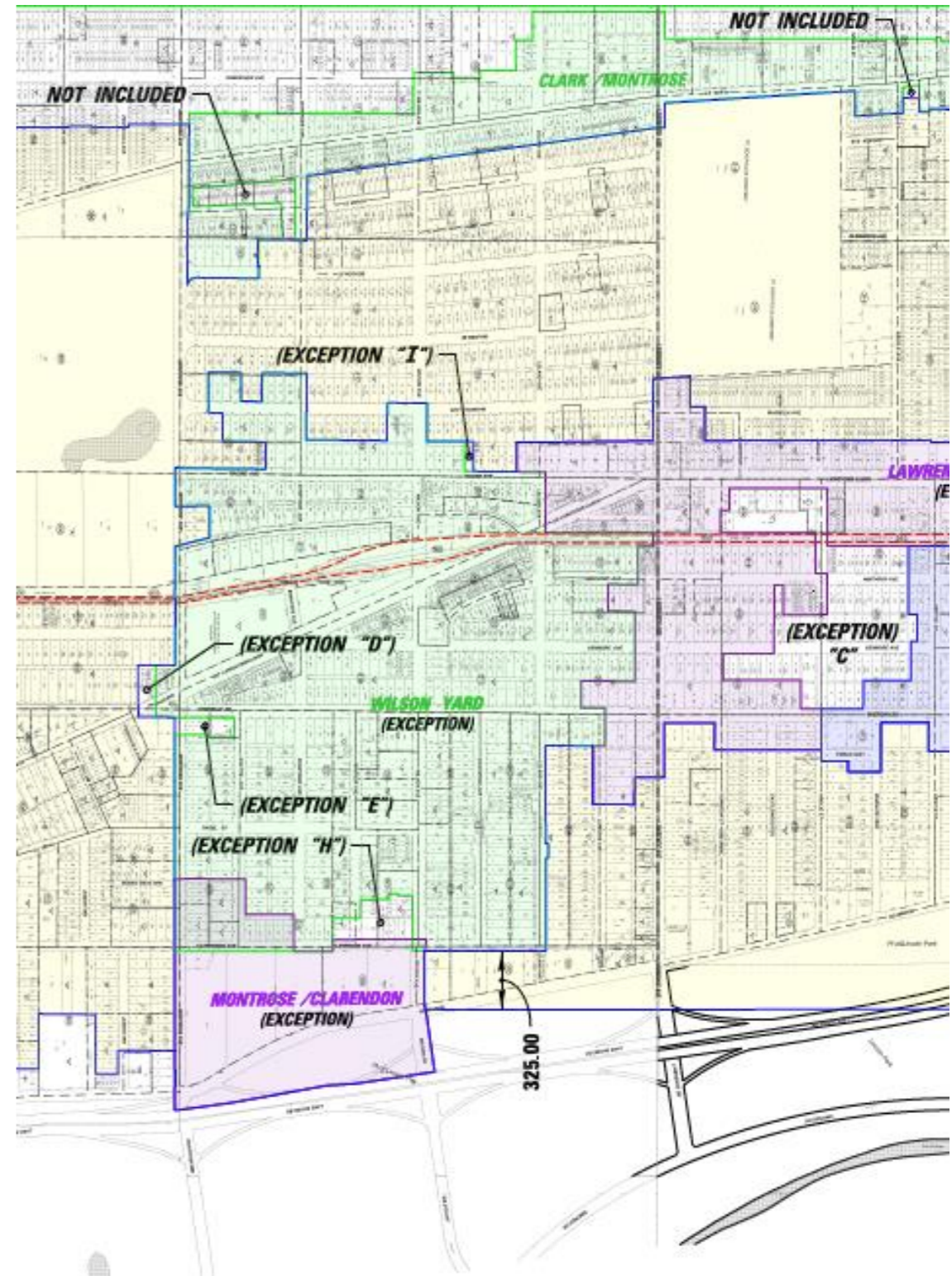
Illinois Version of Transit TIF

- Authorized by State in August 2016
- Based on traditional IL TIF with several key differences
 - ▶ Boundaries limited to ½ mile from specific transit facilities
 - ▶ 35-year term
 - ▶ Use restricted to transit improvements
 - ▶ Increment allocated differently – taxing districts share in growth
 - ▶ Designation process is streamlined



Designation Process Streamlined (but Complicated)

- Simpler approval process
 - ▶ No blight/conservation area eligibility requirements
 - ▶ No traditional “but for”
 - ▶ No Housing Impact Study
 - ▶ No mailing of public hearing notices
- Timeframe and scale challenging
 - ▶ Less than five months to complete designation
 - ▶ Large geographic area
 - ▶ 11 existing TIF districts; many SSAs
 - Can Transit TIFs overlap traditional TIFs?
 - De-TIF parcels from two adjacent TIFs
 - ▶ Over 400,000 notices
 - ▶ Public education

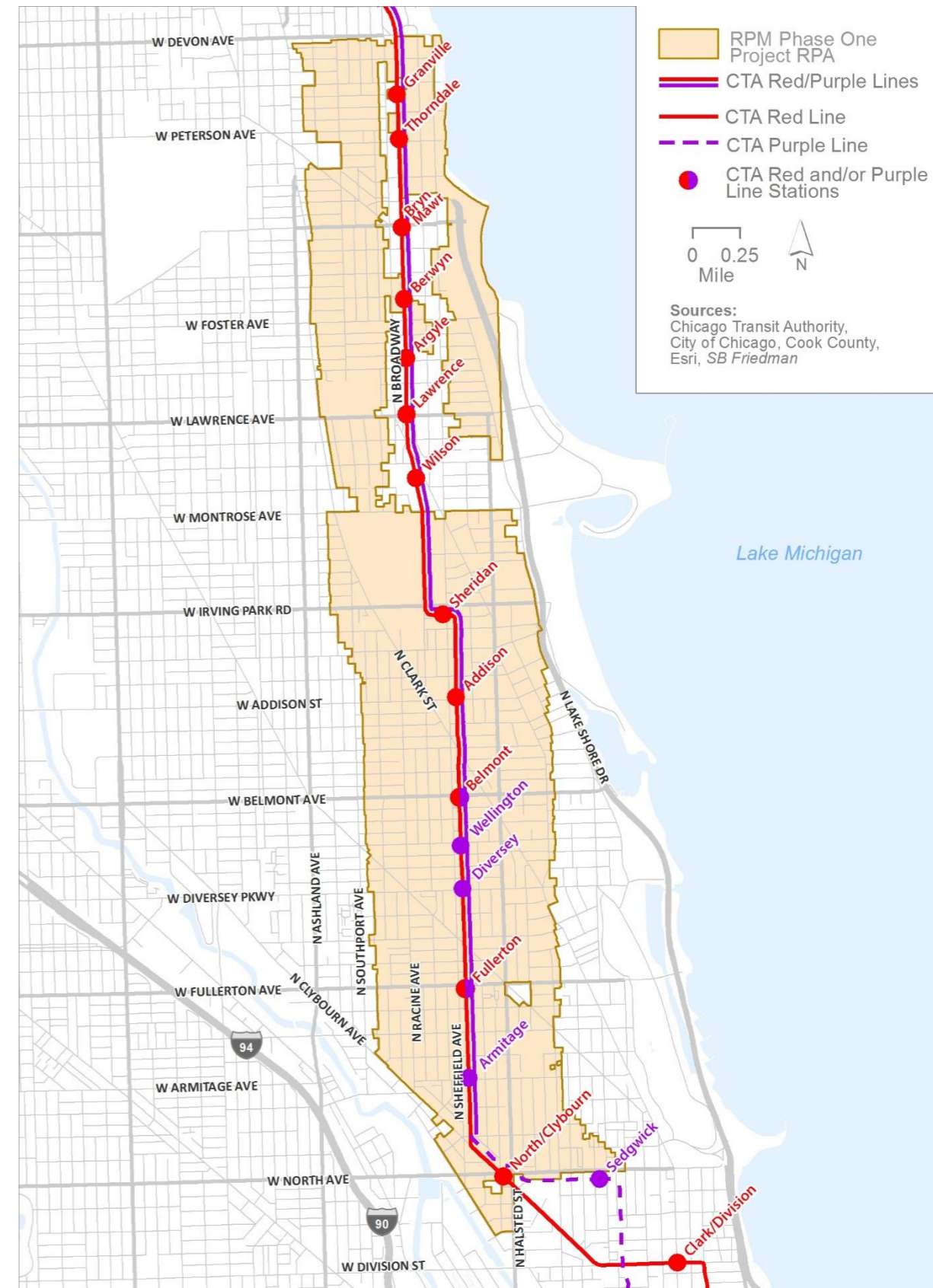


Preliminary Boundary

Source: Christopher B. Burke Engineering Ltd.

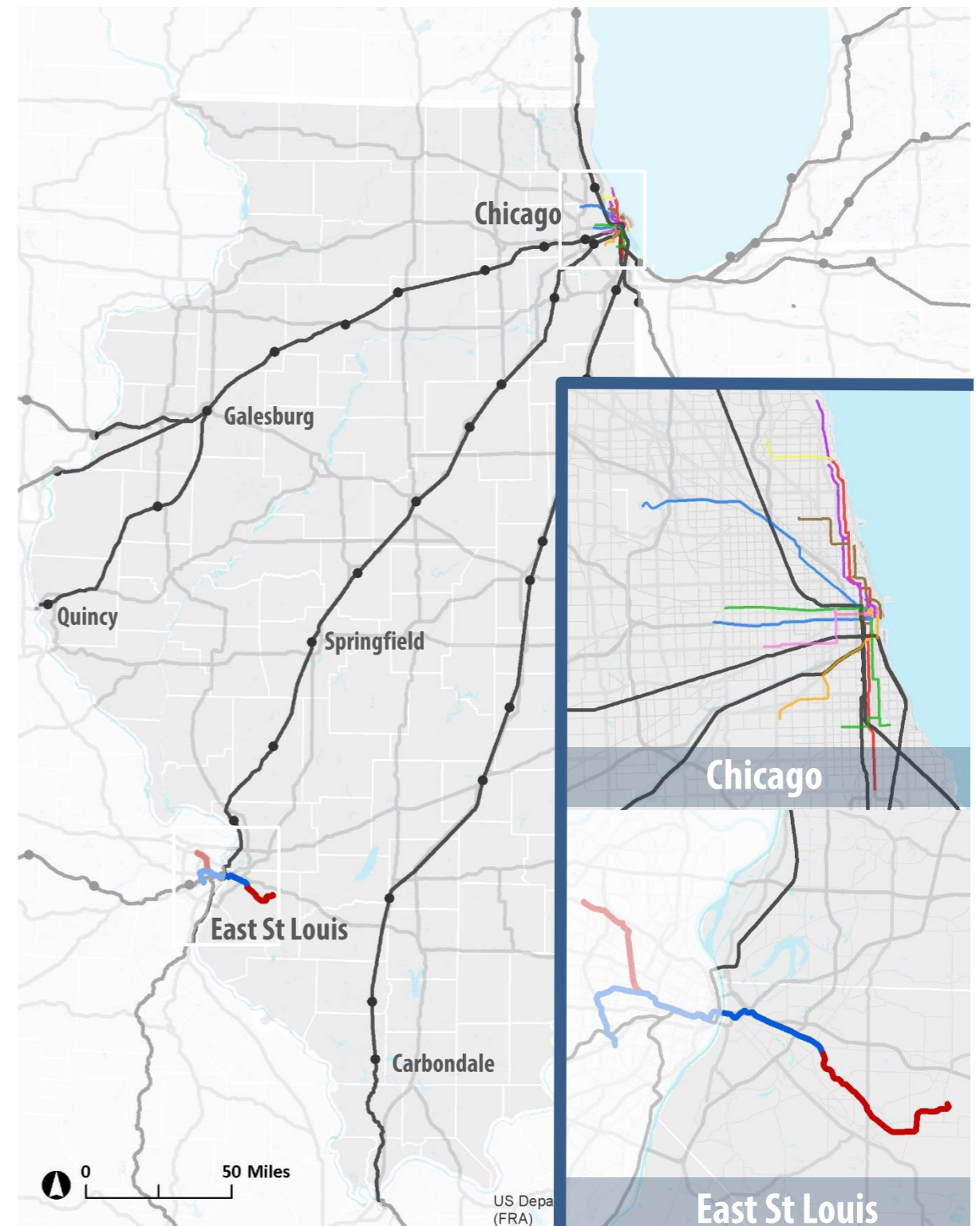
RPM Phase One Transit TIF

- Final boundary includes:
 - ▶ Approximately 16,700 parcels with 53,700 PINs
 - ▶ 3,100 acres of dense Chicago neighborhoods
 - ▶ **\$5.8B** base EAV
 - ▶ **\$20.5B** anticipated final EAV
- Will fund \$622M in principal + interest and costs of issuance
- RPM Phase One moving forward
 - ▶ City Council approved Transit TIF 11/30/16
 - ▶ \$1.1B FTA grant approved 1/9/17



How to Replicate RPM Phase One Transit TIF?

- Critical transit infrastructure in disrepair and/or over capacity
- Limited capital funds available
 - ▶ State capital bill?
 - ▶ Federal funding?
 - ▶ Transit TIF?
- Potential challenges
 - ▶ Statutory amendments may be required
 - ▶ Multi-jurisdictional transit projects
 - ▶ Mechanism needs to accommodate 30-40 year transportation financing
 - ▶ Certain density/property values needed to generate revenue
 - ▶ Reliance on speculative development



Source: ESRI; SB Friedman; US Bureau of Transportation Statistics; US Department of Transportation, Federal Railroad Administration

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P3 PennDOT P3 Office

June 13, 2017




What is a P3 Project?

A P3 project is a contractual agreement between public and private entities to:

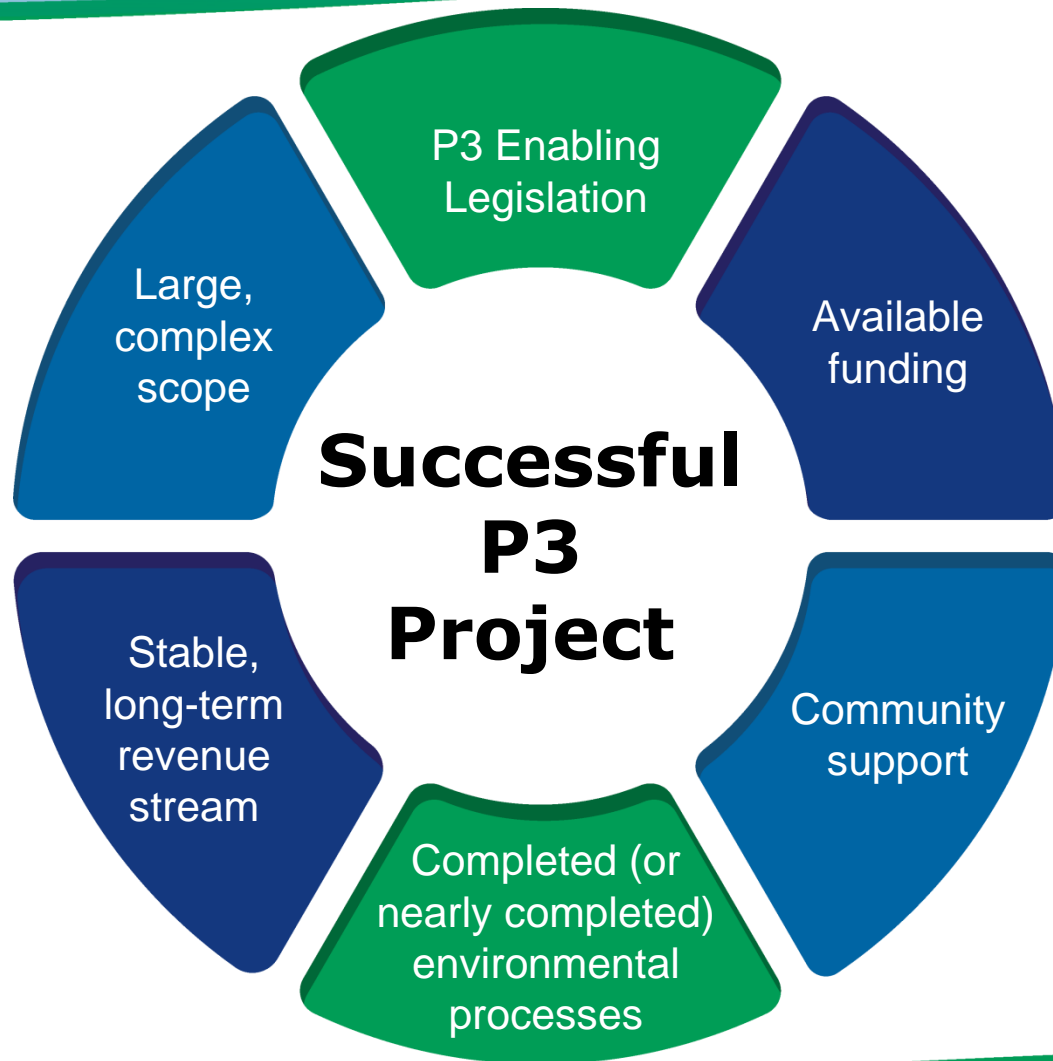


- Design, build, finance, operate and/or maintain transportation facilities
- Transfer responsibility to the private sector for a defined period of time
- Ensure the private partner receives payments

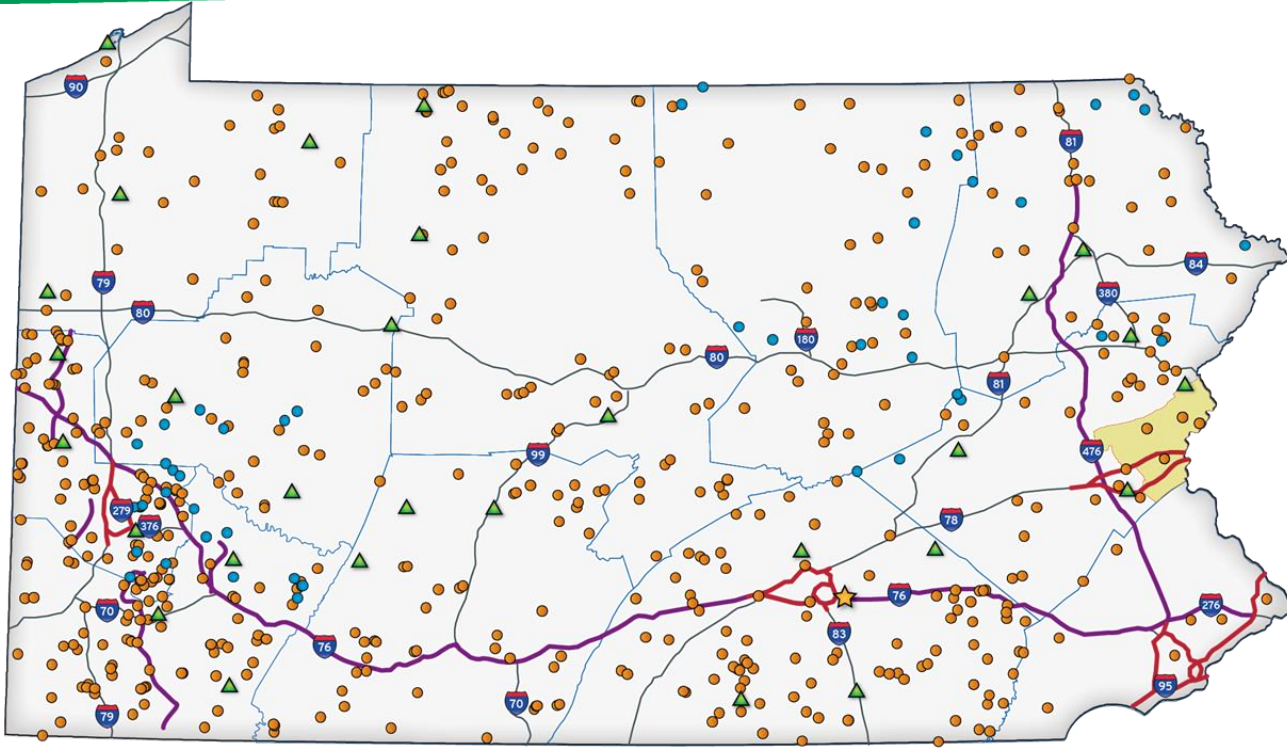
Benefits of Public-Private Partnerships

- 
- Accelerate*** the delivery of ***major transportation projects***
 - Access private sector skills*** and ***innovation***
 - Leverage private investment*** to enable ***major projects***
 - Shift key risks*** to private sector (away from taxpayers)

Key Ingredients to a Successful P3



Projects Across the State

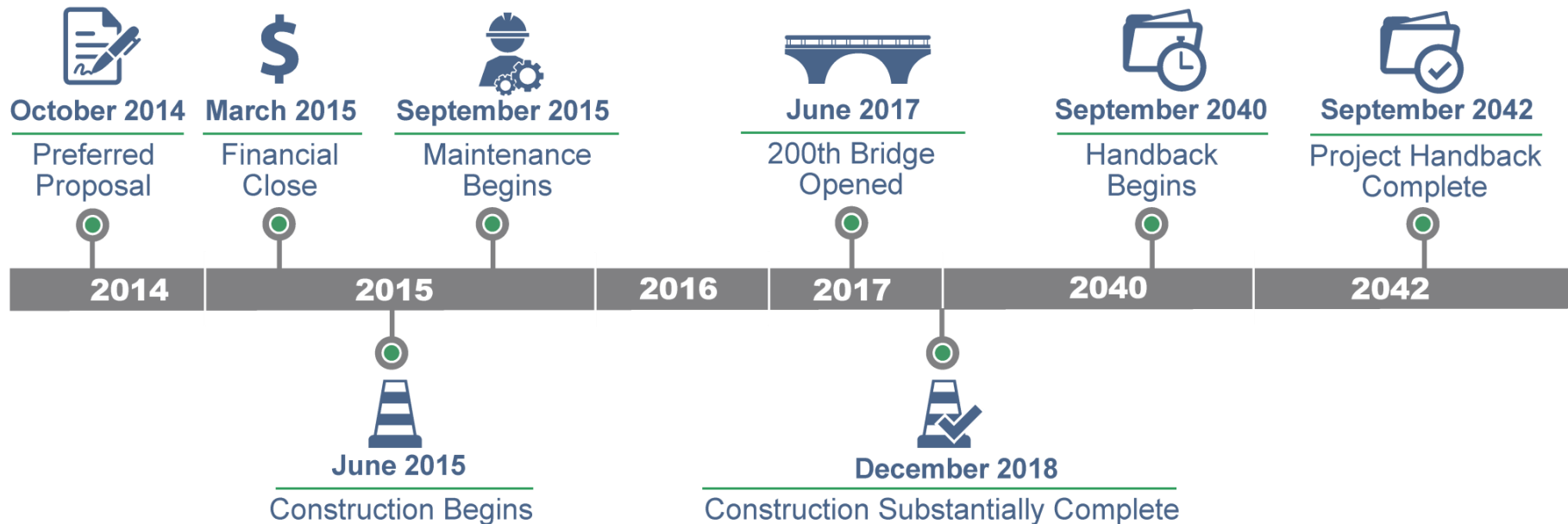


Lowest Number
of structurally deficient bridges
in 20 years



Project Highlights:

- Private Entity: Plenary Walsh Keystone Partners (PWKP)
- Total Design and Construction Cost: \$899 Million
- 1 Contract to Design, Build, Finance, Maintain 558 bridges
- PennDOT retains ownership throughout partnership



Transaction Details

DESIGN & CONSTRUCTION PHASE (4 years)

SHAREHOLDERS

Plenary Group (80%)
 Walsh Investors (20%)
\$58.5m

LENDERS

Private Activity Bonds
\$721.5m

PENNDOT

Milestone Payments:
\$224.8m
 Availability Payments:
\$35.2m

PWKP

DBJV

(Design and Construction Services)

Walsh Construction
 Granite Construction Comany

LENDERS

OPERATION PHASE (25 years)

PENNDOT

Availability Payments

PWKP

SHAREHOLDERS

Plenary Group (80%)
 Walsh Investors (20%)

LENDERS

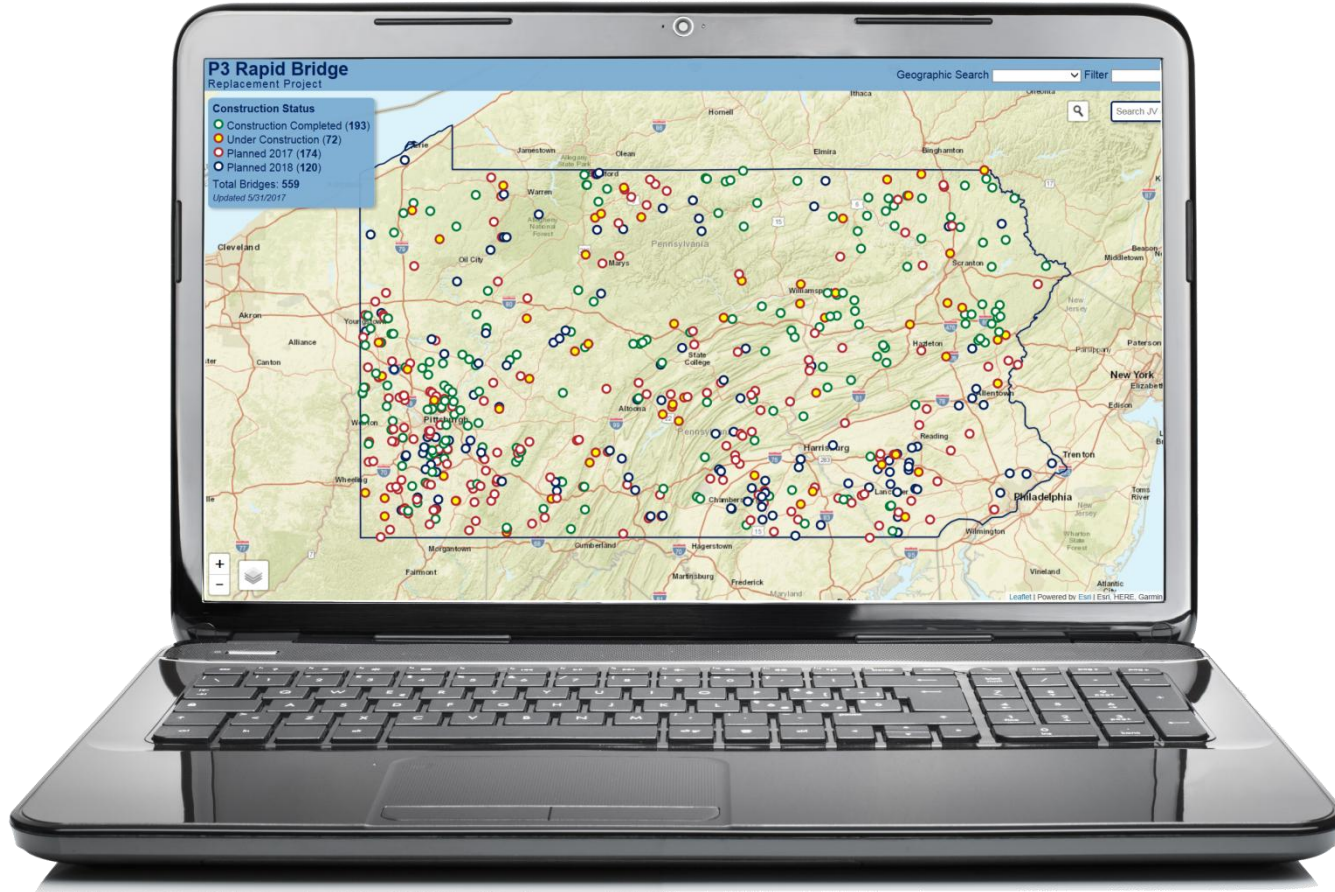
Private Activity Bonds
 Debt Service

MAINTENANCE

Walsh Infrastructure
 Management LLC

- Accelerate bridge replacement
- Maximize efficiencies to deliver more projects
- Minimize the impact to traveling public
- Allocate risks to the party best able to manage them
- Advance project to lessen future costs





Project Visualization and Webmaps

P3 in PA: More than Just Bridges



Compressed Natural Gas (CNG) Fueling Stations for Public Transit

- 29 Stations Statewide
- \$25 million in private investment
- \$46 million in savings anticipated



Amtrak Middletown Station Enhancements on Keystone Corridor

- Transit-oriented Development planned
- Fastest Growing Corridor, with 68,000 riders per year



PennDOT's State Farm Safety Patrol on Interstates

- Over 20,000 motorists assisted since 2015
- Increases safety and reduces congestion



Michael Bonini, Director
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Public-Private Transportation Partnerships Office

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Tuesday, July 18 @ 1:00 pm Eastern

Special Assessment Techniques for Transformative Community Improvements

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