A National Tour of Innovative Passenger Rail Finance

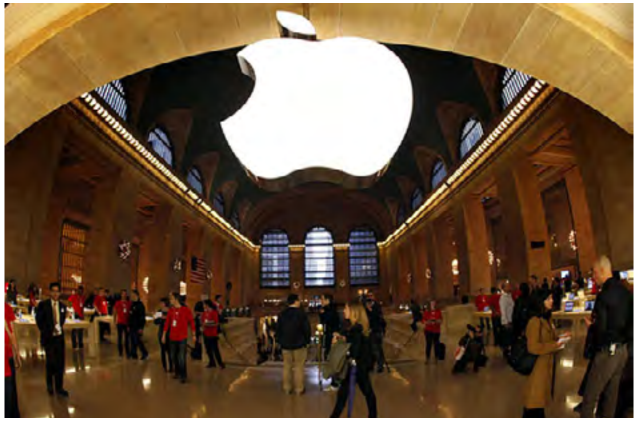
By Scott Bogren

In a RAIL Magazine edition dedicated to innovative strategies for passenger rail investment, what follows are a series of capsules highlighting how such tactics have been deployed at the local level to build and finance passenger rail systems.

Tampa, Fla.: Tampa's TECO Streetcar – a 2.9-mile tourism-based line that served more than 400,000 riders in 2010 – enjoys a unique public-private endowment that is the line's single greatest source of revenue. Generating over $600,000 in revenue in Fiscal Year 2010, the endowment is funded by private sector contributions for TECO's naming rights. TECO Energy is a S&P 500 company that includes, among its holdings, Tampa Electric, the power company serving the greater Tampa area.

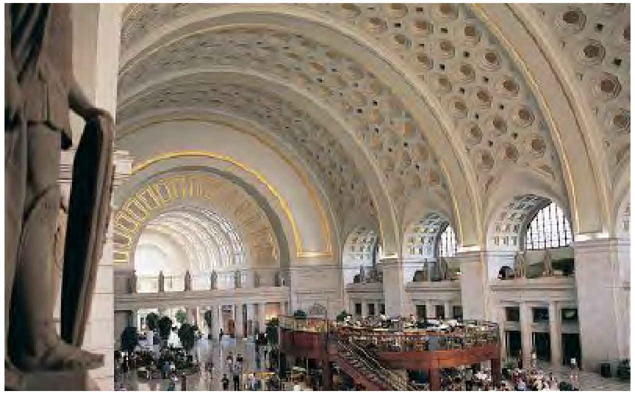
Portland, Ore.: Airport MAX Light-Rail Line – Inaugurated in 2001, Portland's Airport MAX line was built without any new local taxes or federal appropriations. The innovative public-private finance plan emerged from an agreement between Tri-Met, the City of Portland, the Port of Portland, the Portland Development Corporation and the Bechtel Corporation's financing and development arm, Bechtel Enterprises. Bechtel contributed nearly $30 million to the project in exchange for the rights to develop a business, shopping and hotel complex on 120 acres of land adjacent to Portland International Airport (and along the Airport MAX line).

New York City: Grand Central Terminal's new Apple Store – Opened to considerable fanfare in December, Apple's 23,000-square foot retail space in Grand Central Terminal not only generates more than $1.1 million annually for the

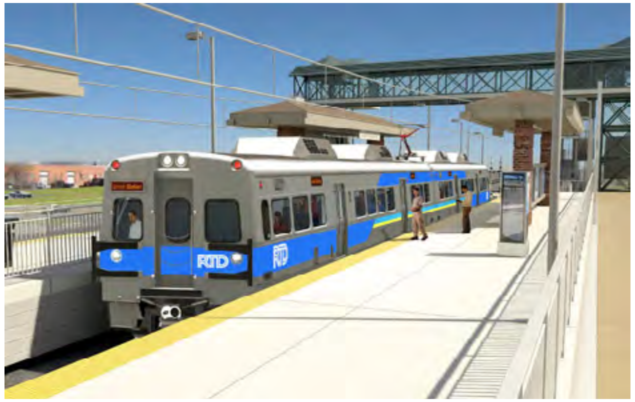


New York City Metropolitan Transit Authority, it also greatly increases foot traffic and retail sales throughout one of the nation's foremost passenger rail shrines. Apple paid $5 million to a local restaurant to vacate its space in Grand Central.

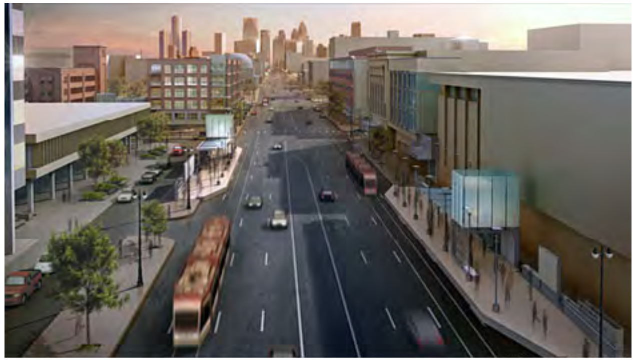
Washington, D.C.: Union Station – In danger of



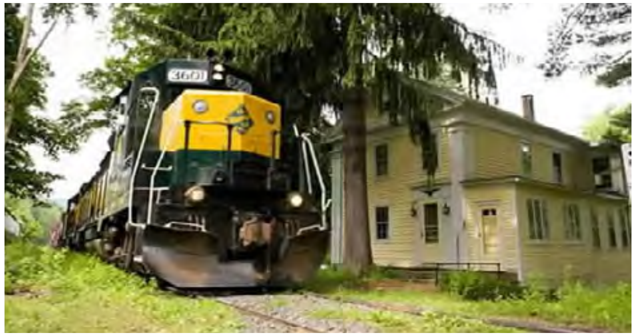
demolition in the late-1970s, Washington's Union Station was rehabilitated into its current state with a five-year, $160 million project that enjoyed public-private financing. The public entities were the District of Columbia, the U.S. Congress and Amtrak. The private-sector partners provided $50 million in equity financing, serviced through commercial rentals and sales in the stately facility's expanded retail areas. *(For more on Washington's Union Station, see RAIL #2 – ed)*



Denver, Colo.: Eagle P3 Project – In 2004, Denver area voters passed FasTracks, a multi-project regional transportation investment plan designed to build a number of surface transportation improvements. To complete FasTracks, the Denver Regional Transit District created Eagle P3, forming a concessionaire – Denver Transit Partners – that is required to design, build, operate, maintain and finance parts of the aggressive plan. Currently, Denver Transit Partners has arranged for $450 million of private financing. *(For more on Denver's FasTracks and Eagle P3 projects, see RAIL #28 – ed)*



Detroit, Mich.: M-1 Rail – A group of powerful business leaders and philanthropists in Detroit has banded together to provide part of the financial backing for a light-rail line along the city's Woodward Avenue. In December, the plans for a longer line seemed to take an abrupt turn when light rail was spurned in favor of bus rapid transit. With the New Year, however, the M-1 Rail group has received support for – both politically and financially – and is advocating a shorter-length light rail-line designed to work in concert with an expanded regional transit system.



Canaan, Ct.: Housatonic Railroad – The privately owned Housatonic Railroad is actively studying the potential of operating an intercity passenger rail line between the Berkshire region of Western Massachusetts and the New York City suburbs of Connecticut. The system's line – heretofore a freight line – connects Norwalk and the Metro-North commuter rail service with Danbury, Conn., Canaan, Conn., north to Pittsfield, Mass. Housatonic officials estimate a potential annual ridership of two million one-way riders and are seeking to develop the service's potential with a combination of public and private financing that would, "require little or no operating subsidy."

Seattle, Wash.: South Lake Union Streetcar – Last May, Seattle Mayor Mike McGinn announced that four of the city's biggest employers had agreed to contribute $65,000 to add a third streetcar to the South Lake Union line during peak service hours. Officials from the University of Washington, Amazon, the Fred Hutchinson Cancer Research Center and Group Health Cooperative acknowledged that the contribution came in response to "high employee demand." *(For more on the South Lake Union Streetcar, see RAIL #22 – ed)*

Queens, N.Y. : JFK Airtrain – Since it launched in December 2003, the JFK Airtrain has seen

steadily growing ridership on its 8.1 miles and three routes, peaking last year at 5.3 million passengers. Part of the financial package used to build the Airtrain comes from the Federal Passenger Facility Charge, a $4.50 per passenger fee on all airline flights. Interestingly, the use of this charge is strictly limited to a list of specific projects, including those that increase capacity at the airport.

San Francisco, Calif.: Transbay Transit Center – In September, San Francisco Mayor Ed Lee joined with other local officials in celebrating the completion of demolition and the beginning of foundation work on the city's new Transbay Terminal. The ambitious project, scheduled to be completed in 2017, is being partly financed by Transportation Infrastructure Finance and Innovation Act (TIFIA) money, which can be repaid with the increased taxes generated by escalating land values. *(For more on the Transbay Transit Center, see RAIL #18 – ed)*