



Red Line Regional Rail Project

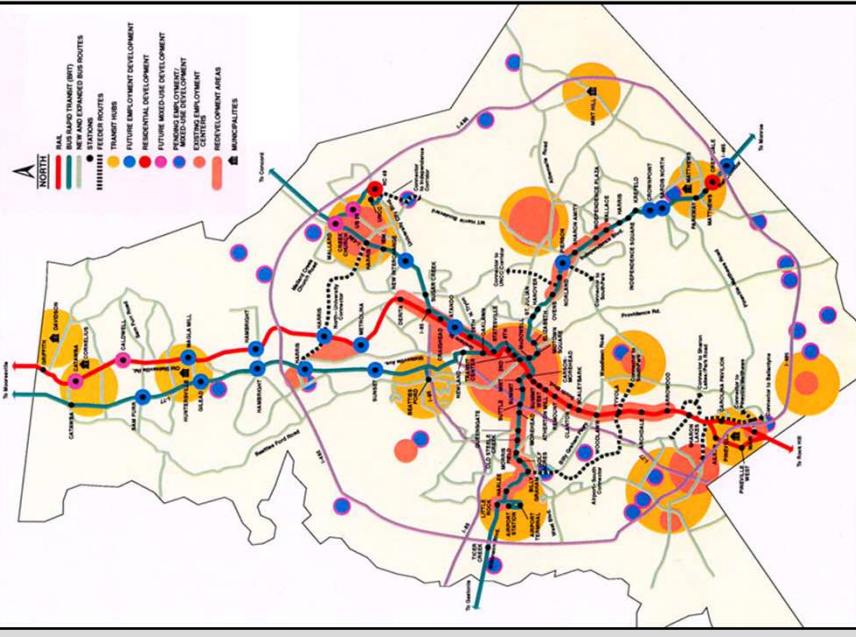
North Corridor: Mooresville to Charlotte

**Project Overview Presentation to NCDOT Board
Multimodal Committee
January 4, 2012**

**Paul F. Morris, FASLA
Deputy Secretary for Transit, NCDOT**



2025 Integrated Transit / Land Use Plan



2025 Integrated Transit/Land-Use Plan



For Charlotte-Mecklenburg
Final Report - October 1998

1998

- Based on Centers and Corridors Land Use Vision
- Led to voters approving transit sales tax



North Corridor Commuter Rail

Project Snapshot

- **Project**

- Upgrades existing tracks on existing right-of-way
- Connects: Charlotte, Huntersville, Cornelius, Davidson & Mooresville
- 10 stations

- **Service**

- 16-28 daily trains
- Top Speed: 60 mph
- 30-minute headway during rush
- Hourly service off-peak
- Daily Ridership: 4,000 – 5,000





Redefining the Red Line: 2010-2011

- Fall 2010: Greenleaf retained as NCDOT representative
- January 2011: Market study update (Noell report)
- Late Spring 2011: Formed Working Groups
 - Finance Working Group
 - Economic Development Working Group
- Late Spring 2011: PB and KKH join consultant team
 - Value capture
 - Freight-oriented development memo
 - Policy memo—framework approved by RLTF and MTC
 - Joint Powers Authority memo
 - Preliminary Business & Financial Plan



Project Costs (2018 dollars)

Project Component	Estimated Cost (millions)
Main Line Track	\$70.5
Grade Crossings	\$44.9
Vehicles	\$58.3
Stations	\$56.6
Charlotte Terminal Area & Vehicle Inspection Facility	\$66.0
Systems	\$25.8
Professional Services	\$40.9
NS Licensing Agreement	\$28.1
Freight Rail Rationalization	\$5.7
Project Reserve	\$11.6
Station Area Improvements	<u>\$43.6</u>
Total	\$452.0



A Value Creation and Capture Strategy

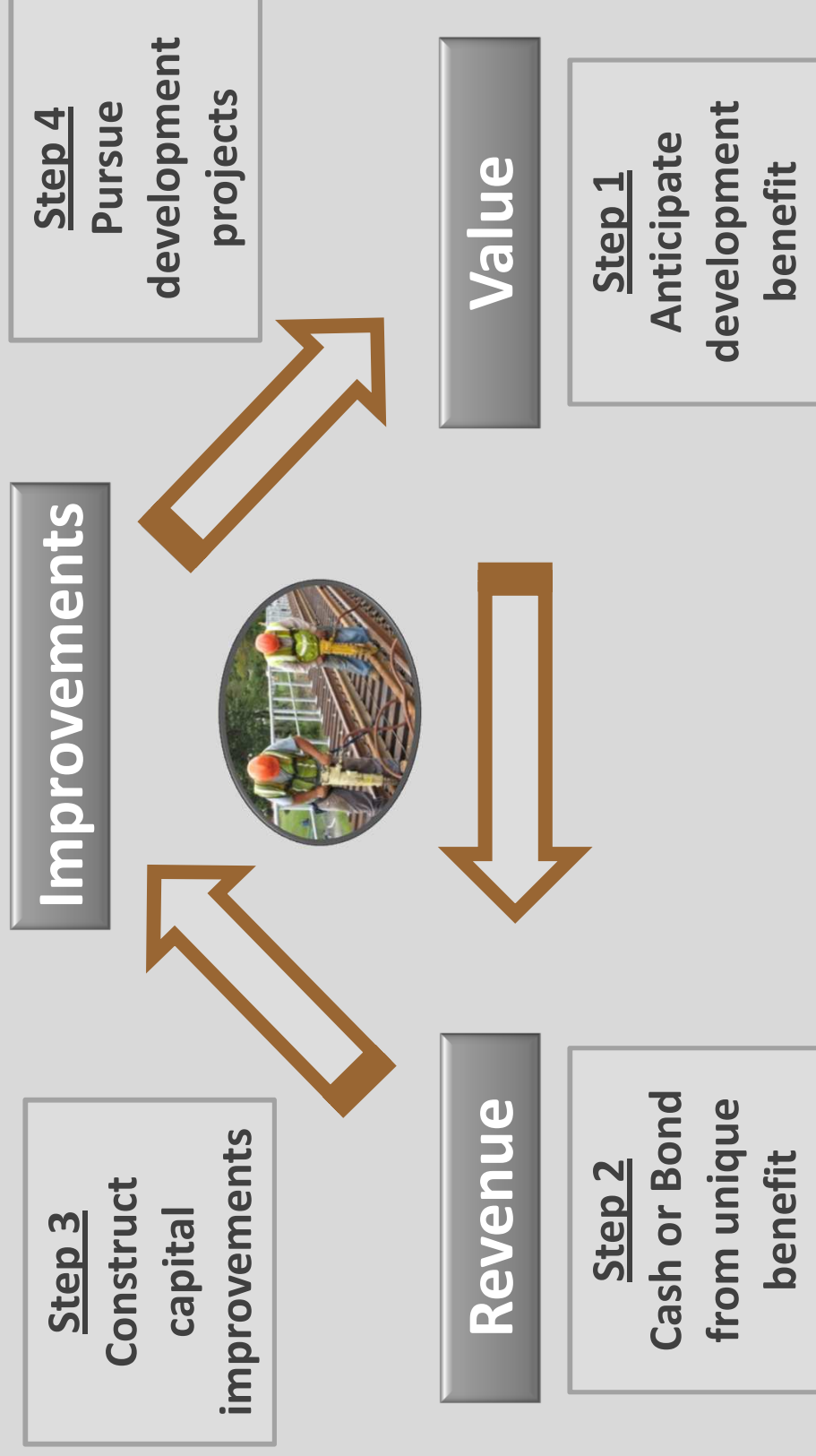
Value capture strategies are financial mechanisms that **harness and guide unique and extraordinary increases in economic value created by rail infrastructure investments** to help fund the public improvements the related infrastructure.

Both public and private sectors must benefit.
Only works if market demand for proximity exists.



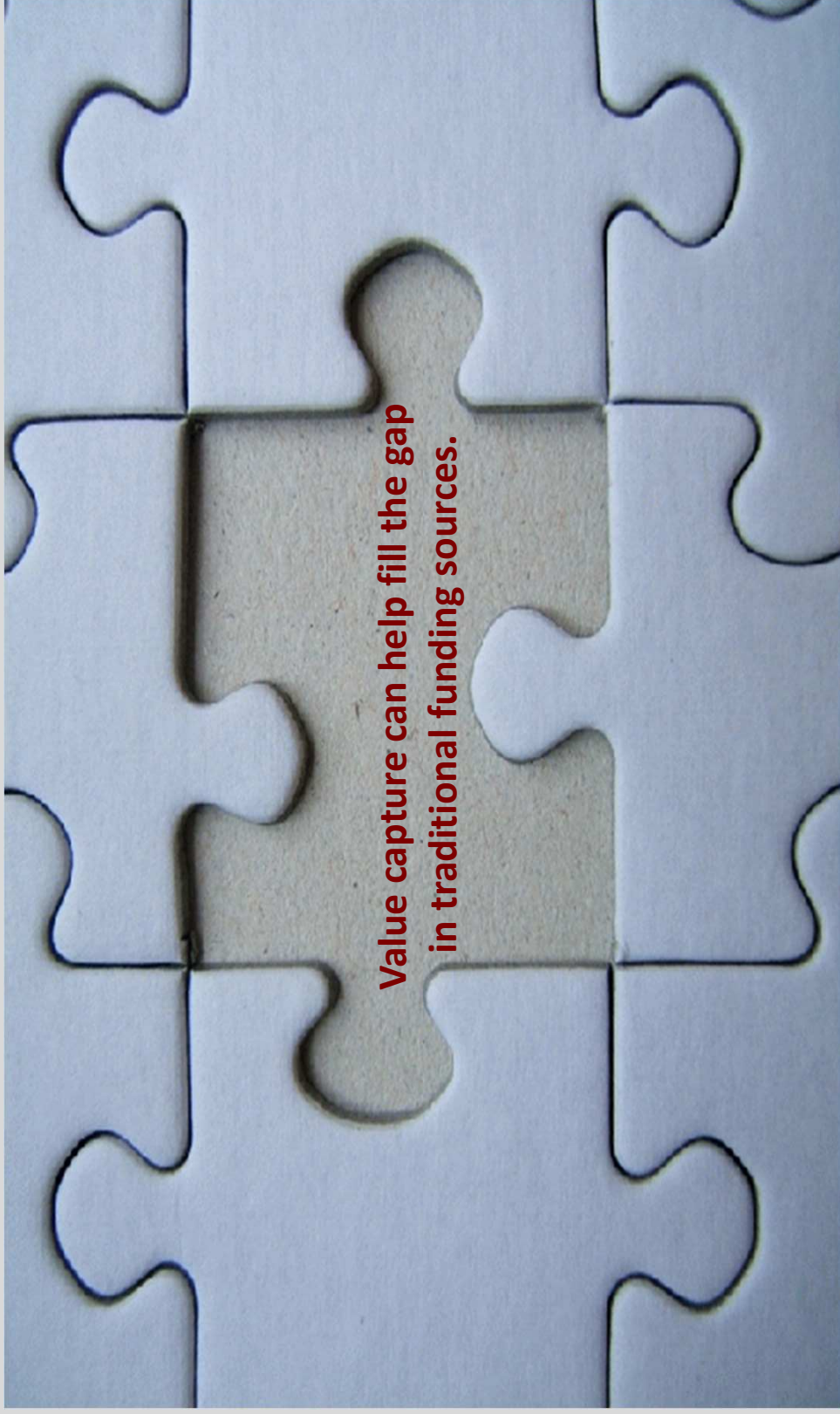


Value Capture: How it Works





The Bottom Line



**Value capture can help fill the gap
in traditional funding sources.**



Task Force Policy Recommendations

1. ECONOMIC DEVELOPMENT FOCUS. The Red Line is an **essential part of the region's economic competitiveness.** This rail investment will attract new residents, employment and private business, strengthening the North Corridor as a focal point for the regional economy. Regional collaborations across the country (including Minneapolis, MN; Southern California; Portland, OR; and South Florida) have been the most successful, leveraging transit service delivery to stimulate economic growth. In addition, the NCRL Rail Project will focus new development in a pattern that will **achieve efficiencies allowing local governments to provide high-quality public services at lower cost.**



Task Force Policy Recommendations

2. DUAL BENEFIT STRATEGY. The RLRR must advance a **dual-benefit strategy that integrates the efficient movement of both goods (freight) and people (transit)**. Pursuing a dual-benefiting strategy is essential to achieving corridor-wide economic development potential and supporting traffic mitigation objectives on I-77.



An Economic Development Strategy

Via a Dual Benefit Corridor, the Red Line can :

- Be an attractive alternative location to I-77
- Enhance long-term logistics opportunities
- Help generate more jobs for the region
- Leverage revenues to support Red Line capital costs and operations

...over time, enhancing the North Corridor's **regional economic development** leadership position.



Dual Benefit Precedents: Passenger Rail

Recent studies indicate strong support for the Red Line project approach:

- 30 commuter rail operations in U.S.
- 24 contract out their operations
- State or local jurisdictions own most
- **Many operate on rights-of-way belonging to other freight or passenger rail carriers**
- **Most commuter operations advocate using freight railroad ROW**





Balancing Freight/Passenger Tensions

- Competition for limited track space
- Parking shortages
- Liability issues
- Congestion and public safety
- Access rights
- Length of shared use agreements
- Responsibility for dispatching, capital investments, maintenance
- Local land use conflicts
- Noise, air quality, congestion, vibration and safety impacts





Toward a Win-Win Shared Use Agreement

- Establish a trusting relationship
 - Involve high-level legislators or elected officials to facilitate agreements and secure public support
 - Focus on shared goals: increasing capacity; increasing speed and reducing travel time; improving reliability; optimizing maintenance costs; and improving ROW
- Goal: a unique shared use agreement that suits the specific situation and respects individual interests



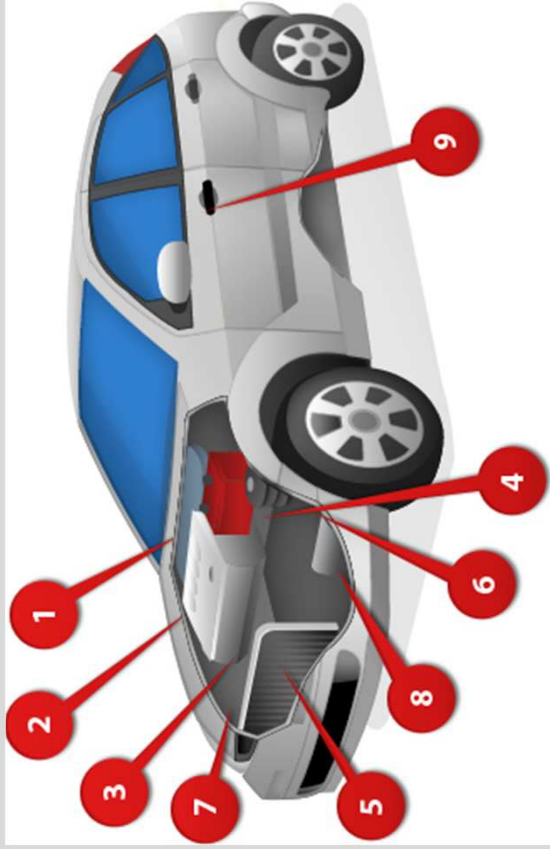


Task Force Policy Recommendations

3. UNIFIED BENEFITS APPROACH. A unified benefits approach must be established to **maximize regional value creation, value capture and value distribution.** Establishing a unified benefit district for the RLRR Project will streamline the development process and make for an investment that is more attractive to potential project financiers. This type of unified district approach is often administered via a **Joint Powers Authorities (JPA)**, which is an entity allowing two or more local jurisdictions to operate collectively on projects determined to be of regional need and significance.



Network Benefit: Building One Car



Each jurisdiction purchases a part of the car. The car only runs when everyone has contributed their part.

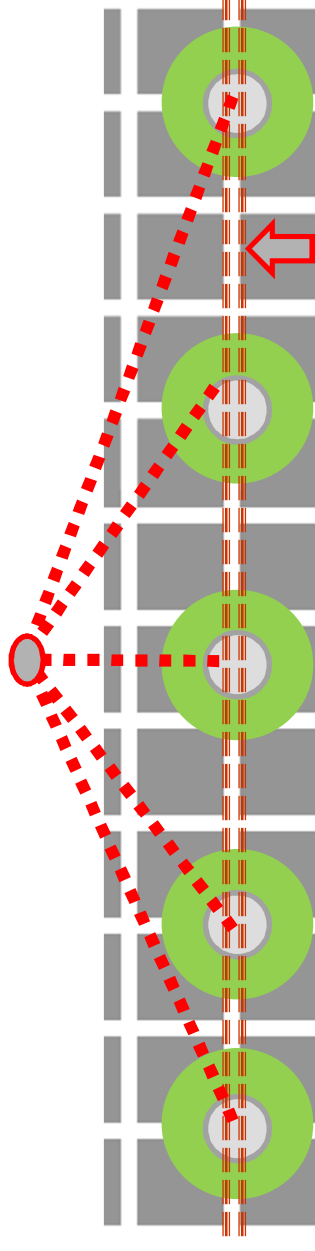
Each car part is different, and part each is essential.

Together, we achieve a network benefit through regional participation.



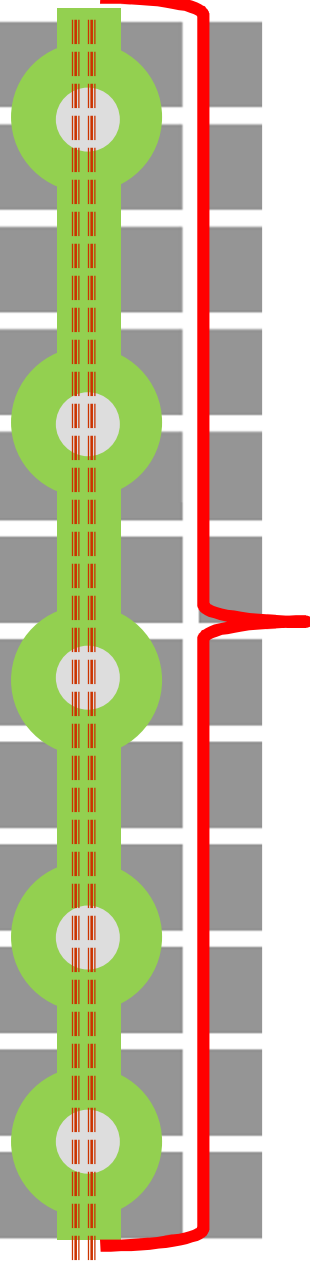
Project Delivery: Unified vs. Segmented

SEGMENTED APPROACH *(Independent Parties)*

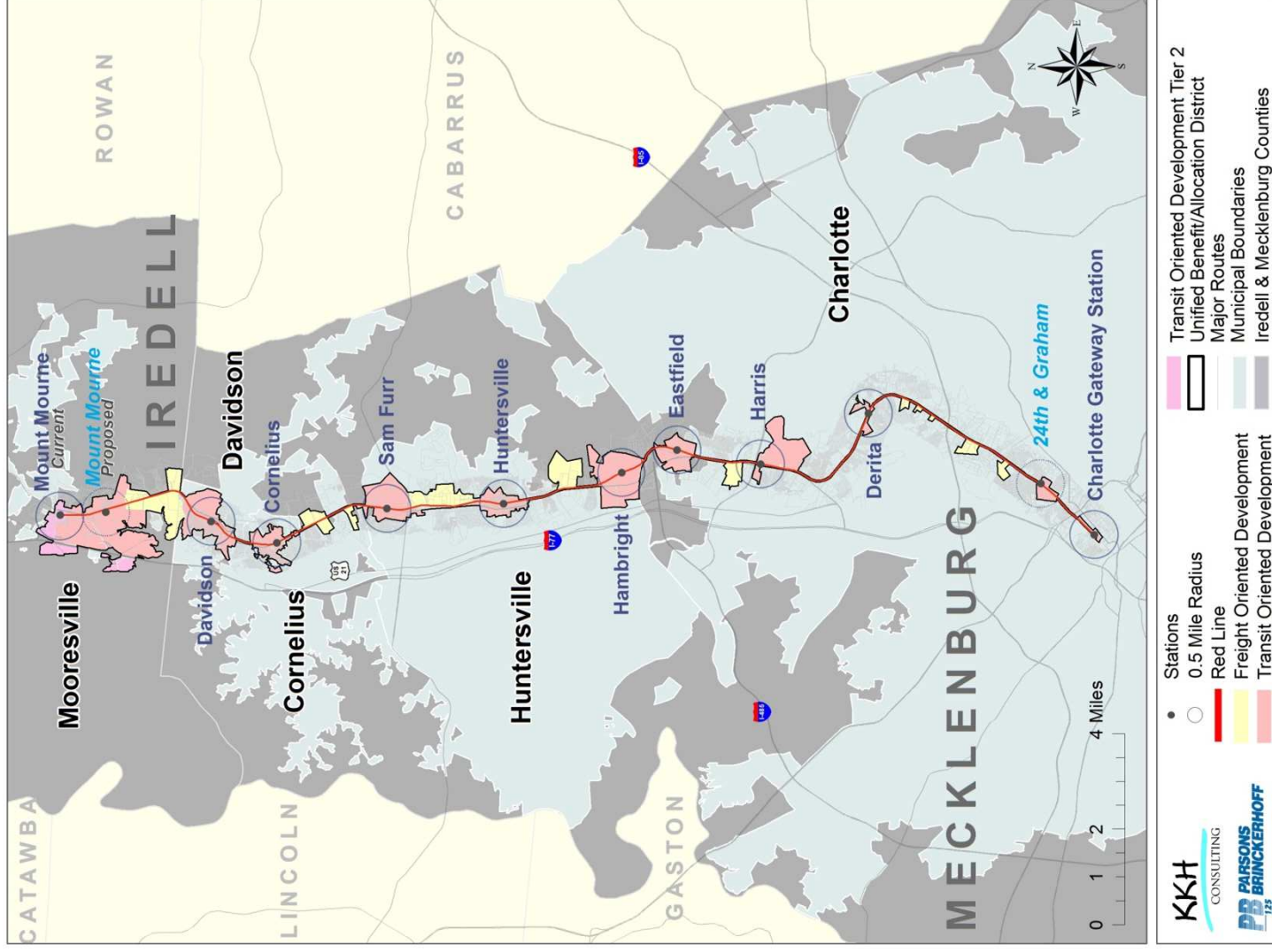


By others!

UNIFIED APPROACH *(Dependent Partners)*

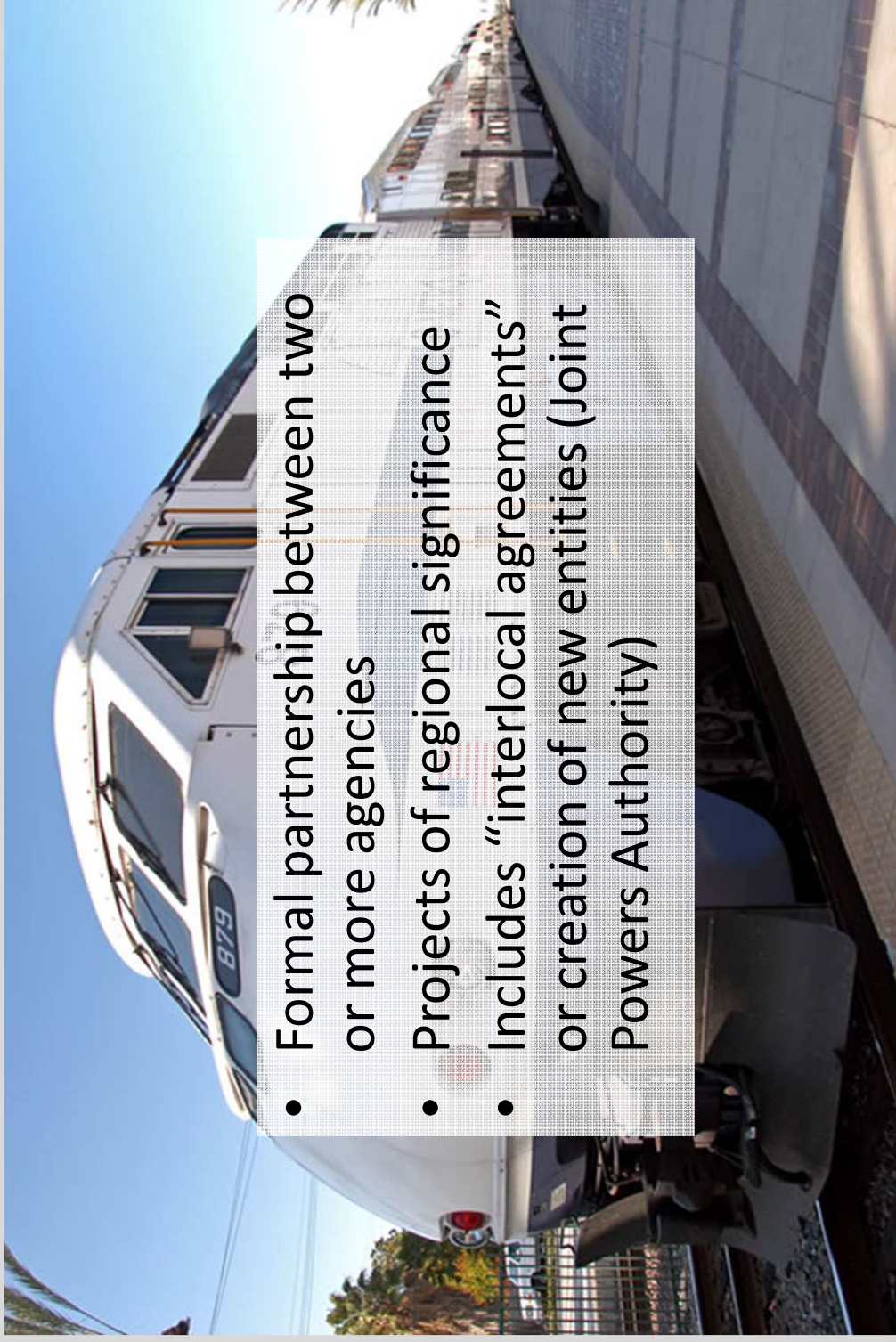


Red Line Regional Rail Unified Benefit District (UBD)





Joint Powers Defined





North Carolina JPA Enabling Legislation

160A-462. Joint agencies.

- (a) *Units agreeing to an undertaking may establish a joint agency charged with any or all of the responsibility for the undertaking. **The units may confer on the joint agency any power, duty, right, or function needed for the execution of the undertaking, except that legal title to all real property necessary to the undertaking shall be held by the participating units individually, or jointly as tenants in common, in such manner and proportion as they may determine.***
- (b) *The participating units may appropriate funds to the joint agency on the basis of an annual budget recommended by the agency and submitted to the governing board of each unit for approval.*



North Carolina Revenue Bond Act

Article 5 of Chapter 159; 159-80 and following:

- Permits revenue bonds to be issued for a public transportation system and for economic development
- **Specifically authorizes the use of the Revenue Bond Act by Joint Agencies** by defining the term “Municipality” to include joint agencies under Article 20 of Chapter 160A
- Revenues that JPA can pledge toward revenue bond include :
 - TIF
 - Special Assessment District
 - Revenues from a contract with the State

→ **Express statutory authorization in North Carolina for issuance of revenue bonds by a joint agency as envisioned for Red Line**



Red Line Regional Rail: JPA Overview

- Limited-power regional entity formed for the single purpose of executing the Red Line Regional Rail (Phases I and II)
- Created by mutual consent of the seven North Corridor local governments
- Closely related to and controlled by its member agencies, including CATS and the State, through Board representation





JPA Case Study: Capitol Corridor (CA)

- Service characteristics
 - Passenger service along 170-mile UPRR corridor
 - Dual benefit corridor, UPRR handles dispatching
- CCJPA
 - 6 transit agencies in 8 counties (16 board members)
 - Internal functions: oversight, management, administration
 - Contract functions: train/station O&M to Amtrak
 - All staffing provided by BART (23.5 FTE)





JPA Case Study: Capitol Corridor (Cont)

Former CCJPA Executive Director Eugene Skoropowski:

*“This all sounds complex, but it actually is a **simple concept that works**....This structure, combined with state capital funds, allowed the Capitol Corridor to grow from a brand new intercity passenger rail corridor with six trains a day in 1991 to the **nation’s third-busiest route with some 32 trains a day**, and pushing the share of costs paid by passengers to 50-55% (up from 29.8% in 1998). **It is judged as a success by users, legislators, state administrators and transportation officials of both political parties. Yes, even in California, the automobile capitol of the planet, Americans will ride trains if they are safe, frequent, reliable, modern, comfortable, and reasonably time competitive.**”*

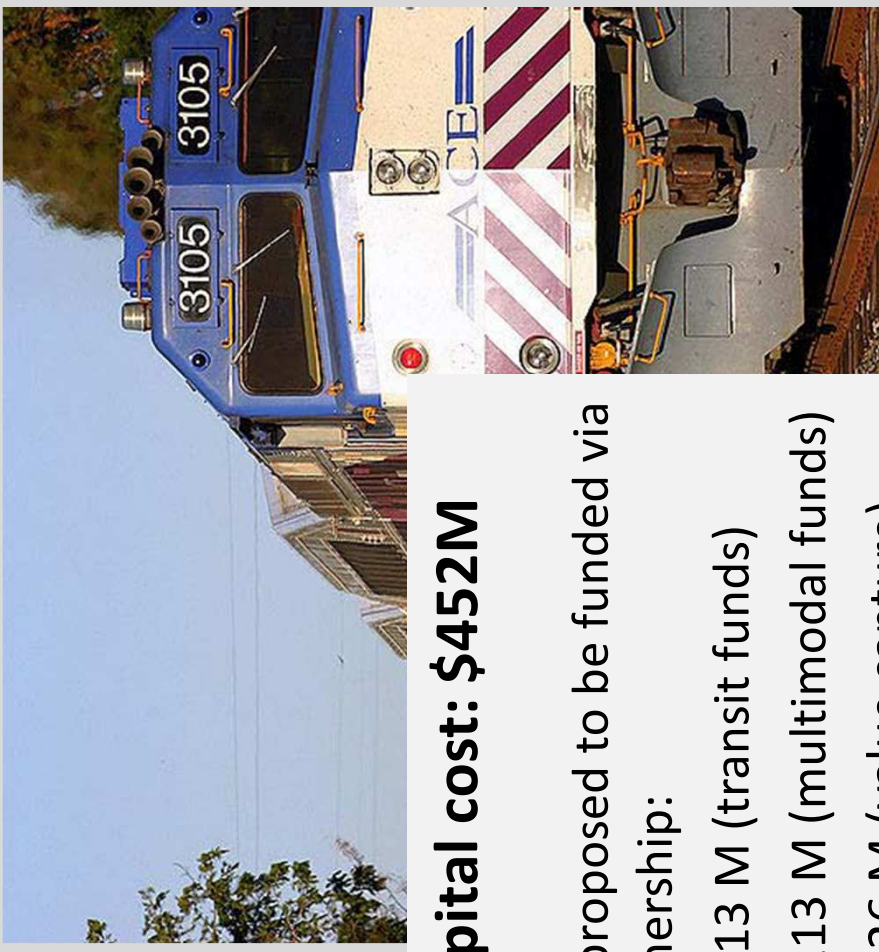
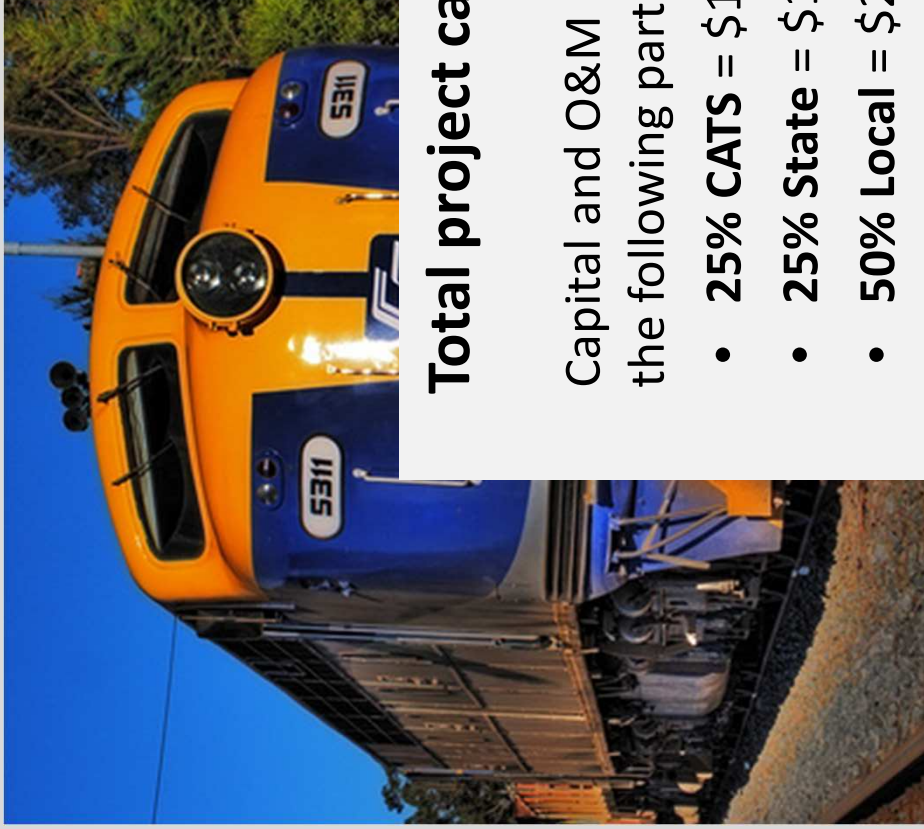


Task Force Policy Recommendations

4. STATE LEADERSHIP. The Red Line Task Force believes that the State of North Carolina playing a leadership role in the RLR project will be essential to realize project success. They also recognize that this effort has the potential to set an important precedent for implementation of rail projects elsewhere in the region and across the state. The state, through NCDOT, should take a **lead role in positioning the project for strategic statewide logistics inclusion, negotiating partnering agreements with Norfolk Southern, forming a JPA and providing specific financial incentives for regional cooperation.**



RLRR Finance Plan: Funding Partnership



Total project capital cost: \$452M

Capital and O&M proposed to be funded via the following partnership:

- **25% CATS** = \$113 M (transit funds)
- **25% State** = \$113 M (multimodal funds)
- **50% Local** = \$226 M (value capture)



Value Capture: Two Primary Sources

Funding local share via two primary mechanisms:

- Tax Increment District (TIF) Revenues
 - Mecklenburg and Iredell Counties, City of Charlotte, towns of Huntersville, Cornelius, Davidson and Mooresville
- Special Assessment District (SAD) Revenues
 - City of Charlotte, towns of Huntersville, Cornelius, Davidson and Mooresville



Unified Revenue Approach

- The TIF and Assessment District revenues are “rolled up” into the cumulative amounts
- The revenues are allocated by contract from the jurisdictions to the Joint Powers Authority (JPA)
- JPA will offer “Availability Payments” based on the combined TIF and Assessment District revenues
- The JPA secures the financing through the issuance of bonds or P3 approach





Financing Options: Bond Approach

- The importance of full participation in the Assessment District
- Provides early year revenues before the Tax increment Revenues are realized

RLRR Annual Tax Increment Revenues

RANGE	ANNUAL SNAPSHOT				
	2016	2021	2026	2031	2036
High	\$ 7,457,011	\$ 21,609,741	\$ 27,586,137	\$ 29,769,517	\$ 30,632,619
Medium	\$ 7,239,816	\$ 20,980,331	\$ 26,782,657	\$ 28,902,443	\$ 29,740,407
Low	\$ 7,022,622	\$ 20,350,921	\$ 25,979,177	\$ 28,035,370	\$ 28,848,195

RLRR Annual Special Assessment Revenues

RANGE	ANNUAL SNAPSHOT				
	2016	2021	2026	2031	2036
High	\$ 16,283,498	\$ 25,156,079	\$ 29,305,518	\$ 30,819,182	\$ 31,749,826
Medium	\$ 15,809,221	\$ 24,423,377	\$ 28,451,959	\$ 29,921,536	\$ 30,825,074
Low	\$ 15,334,944	\$ 23,690,676	\$ 27,598,400	\$ 29,023,890	\$ 29,900,322



Independent National Bond Underwriters: Proposed Structures

- Stone & Youngberg proposes a structure utilizing the tax increment and assessment revenues as a single source for bond payments
- Guggenheim Securities proposes separate bond issues with early assessment bonds and later tax increment bonds
- Both approaches are viable



Excess Revenues

- Under either approach, there will be excess revenues beyond debt service and O&M costs
- At a pre-established threshold, the JPA will evaluate:
 - Reducing the 75/25 split of the tax increment revenues
 - Reducing the special assessment level from .75/\$100 of assessed values



Financing Options: P3 Approach

Assumptions – DBFOM Scenario

- Capital cost of \$452M
- CATS and NCDOT each contribute \$113M towards capital (interest and principal) through issuance of \$206M revenue anticipation notes (RANs)
 - 5 years @ 1.9 to 3.3%
- Special Assessment and Tax Increment Financing (SA/TIF) revenues PAYGO during construction (\$87M)
- Balance of construction costs financed by private partner
 - Debt/Equity: 80/20
 - Debt: Private Activity Bonds (PABs) @ 6.0%
 - Equity: 10.0% return required
 - Term: 30 years (2013 – 2043)



Conclusions for P3 Options

- Both DBFOM and DBOM scenarios appear financially feasible
- Both scenarios require a State backstop
- Anticipated revenues in the public finance scenario cover debt service and O&M and achieve high coverage
- DBFOM would bear a higher cost of capital but could lead to higher efficiencies through higher risk transfers
 - No cost/schedule efficiencies or risk transfers were assumed
- A comprehensive business case should also be developed to assess the tradeoffs between DBOM and DBFOM



NCDOT Perspective on Regionalization

“A geographical area consisting of **at least two contiguous counties** ... administered by a single entity.”

Benefits of regionalization include:

- Better and increased services crossing county lines
- Addressing regional problems (traffic, air quality)
- Greater opportunities for creation of local dedicated funding sources for transit
- Increasing capital, operating, and administrative economies
- NCDOT technical , operational and financial incentives

These benefits can only be obtained through transit consolidation under a single regional entity.



Relevance to Statewide Logistics Planning

NCDOT long-term transportation planning prioritizes:

- An integrated network of multimodal transportation systems and supporting logistics centers
- Clear links to jobs, economic opportunities, and environmental and financial sustainability.



STATEWIDE LOGISTICS PLAN FOR N.C.

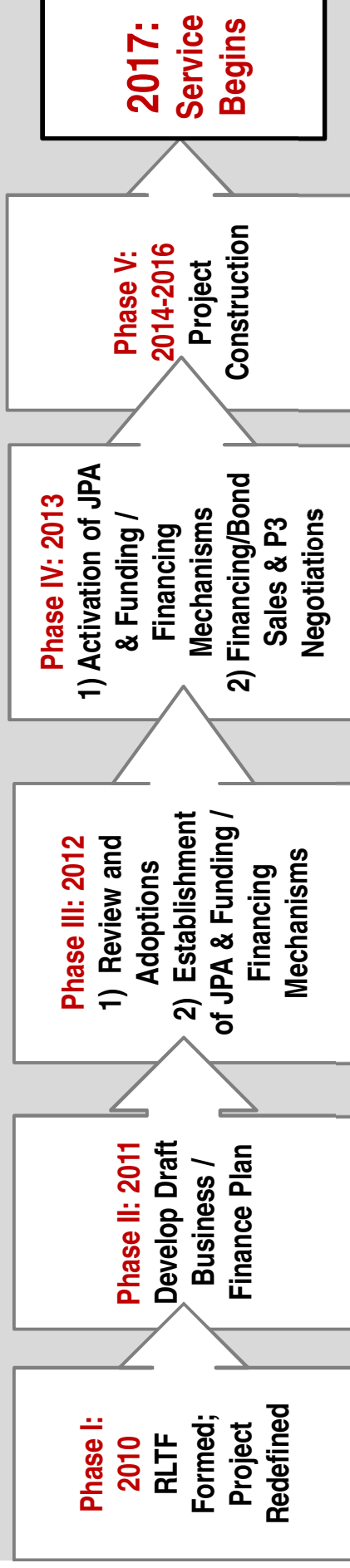


State Leadership and Support

- Project leadership role by NCDOT and consultants
 - Scoping, planning, review and adoption processes
- Strategic position and transportation experience
 - NCDOT rail knowledge and expertise
- History of State backing for infrastructure borrowing
- State will review plan, potentially commit to:
 - Fund 25 percent of the project capital construction costs
 - Fund 25 percent of ongoing O&M costs
 - Back the bond financing package



Ongoing Five-Phase Process



**Phase III
Begins with
Plan Referral**

Red Line Regional Rail Project

North Corridor: Mooresville to Charlotte

Thank You.

Paul F. Morris, FASLA
Deputy Secretary for Transit, NCDOT