

Partnerships in Transit—Meeting Summaries
Dallas, Texas
October 22-23, 2008

Welcome Keynote (James Simpson introduced by Gary Thomas)

Although the United States is the richest nation in the world, its infrastructure is in a poor state of repair. An estimated two and a half times the current level of investment in transit infrastructure is necessary just to maintain the current system. The 18.5 cents gas tax is used to fund transportation infrastructure, but it has not been adjusted since the early 1990s and in September there was an \$8 billion shortfall. With high gas prices, vehicle miles decreasing for the first time in twenty years and transit ridership drastically increasing, the current system is not sufficient to meet the nation's transportation needs. While there should always be a role for the federal government in transit, alternatives must be explored and the private sector must be involved in the process. Public-private partnerships (PPP) are an old idea gaining momentum for infrastructure development, including transit. Agencies need to look to PPPs and the private sector as an innovative way to fund some projects. PPPs are only one option and if they are used for at least 10 percent of transit projects, many of our infrastructure needs could be met. The United States needs to follow the example of the rest of the world and decide to invest in its future by investing in its infrastructure. It's time to rebuild America.

Fundamentals and Issues

Despite the recent attention given to PPPs, they are not a new concept; the first PPP in the United States was the Lancaster Turnpike in 1792 and since then the private sector has been involved in the development of transportation. When putting together a PPP, it is important to develop a strong partnership where the strengths of each sector are utilized. Even amidst the current economic crisis, many PPP projects are still being completed because they are a valuable tool. There are six keys to keep in mind when contemplating a PPP: (1) statutory and political environment, (2) public sector's organized structure, (3) detailed business plan, i.e. a contract, (4) guaranteed revenue stream, (5) stakeholder support, and (6) pick your partner carefully.

Local, National, and International Statutory Perspective

One of the challenges to PPPs in the United States is the lack of uniform legislation and state statutes; doing business in one state is not the same as doing business in another state. It is imperative to know whether the state has enabling legislation and the ways to work around this stumbling block. The public sector sponsor can petition for legislation enabling PPPs or Home Rule can be applied for municipalities under it. Pilot programs are also a useful way to demonstrate the abilities of PPPs because it does not change the law, which is something many states are loath to do.

Case Studies

Case Studies of Dallas and Atlanta highlighted projects where PPPs are used for the transit systems. The Dallas transit authority has witnessed rising ridership numbers, like many transit

authorities across the country, even after gas prices began to fall. Once people switch to transit, they continue to return because they see the benefits of transit to their quality of life. Transit agencies are emphasizing the use of transit oriented development (TOD) because TOD can have a huge economic impact to the areas surrounding transit stations. The panelists presented ambitious 25-30 year plans to expand their service areas, add new lines, and use TOD. They are planning what they want to city to look like in the future, not just where transit lines can be put because transit does more than moving people from one place to another. Agencies should be flexible and open to different ideas about how to shape the space and use their resources. Due to increasing construction costs, agencies are looking for creative ways to cut costs and reduce the overall price tag of their projects. They are exploring ways to use the transit corridors to move and store fiber, water, or gas, as well as exploring how to lease air rights above the lines. To meet the demands for service, agencies need to expand; to expand, agencies need to think creatively.

Luncheon Keynote (Mayor Tom Leppert)

In today's globalized world, it can be very difficult to distinguish between the public and private sectors; as a result, everyone should look for new ways to work together. Many of the same challenges faced by cities across the county are seen in Dallas, Texas. Congestion and air quality are major problems that affect not only the quality of life, but also a city's ability to attract new businesses. The average person spends an estimated 58 hours a year waiting in traffic. With the expansion of suburbs, many cities must work together with other area governments and take a regional approach for problem-solving. The Dallas-Fort Worth region gains about one million people every seven years and must be able to grow to accommodate everyone. It is difficult to keep up with people's needs when the population is constantly increasing. A new, innovative approach is needed to fund the transportation needs of the region because traditional tax methods will not sustain the necessary growth. Involving the private sector early in the process and working with them will generate new transit ideas to meet constituents' needs.

Generating Private Sector Financing

PPPs encompass a wide range of project design, which with a different combination of costs and benefits. When considering a PPP, the financial situation for the whole transit system should be considered, not just for the project because the project will impact other parts of the system. The debt repayment structure should be discussed as well because typically there is a drawdown period, followed by a ramp up period and future revenues should be managed correctly from the beginning. There are many innovative financing options that work well in conjunction with PPPs: state infrastructure bank funding, Private Activity Bonds, TIFIA loans, RRIF loans, and municipal bonds. Different taxing methods, such as increasing the sales tax, tax districts for businesses benefiting from the project, Tax Increment Financing, and Tax Increment Reinvestment Zones, should also be considered for PPP projects. Despite the downturn in the economy, a large amount of equity is available, especially from pension funds, which are looking to invest in stable, long-term, infrastructure projects.

Transit Oriented Development and Joint Development

The panelists highlighted the efforts their transit agencies are making to utilize Transit Oriented Development (TOD). TOD is an excellent way to capture the added value from transit, while at the same time creating communities. In many cities, the number one issue is congestion; to avoid the headaches of traffic, people are electing to live in mixed-use neighborhoods near transit stations. As the area surrounding a transit station becomes more desirable, property values increase, which leads to higher tax revenues for the city. TOD helps cities capture the increases in value as a result of transit. To decide where to use TOD, agencies should evaluate their underutilized assets, as well as housing and retail location trends. The return on investment needs to be discussed before TOD should be used because not every station and every line is a good candidate for TOD.

Roundtable

PPPs are complicated projects that require careful planning and can take a long time to complete. To reduce the length of time, people should attempt to solve any possible problems ahead of time. The goals, customers, and expectations must be thought out, so that a strategic vision is made. Creating a dedicated unit, with design, financing, management, and legal skills, is the first step a transit agency must make. If an in-house team cannot be assembled, consultants should be hired; the process is shortened when the people involved know what they are doing. PPPs are an emerging market and the best way to find out what private companies are doing PPPs is to ask other transit agencies that have already done PPPs. Trade-offs between cost and risk will need to be negotiated, so it is important for the transit agency to know what it wants. FTA should be involved in the process because their job is to ensure that policies and regulations are followed; having them on board from the beginning will save time and money. PPPs are about developing relationships because the project is long term; the partners are involved with each other well past the initial construction period.