ADVANCING THE VISION

TRANSIT FUNDING WORKING GROUP

Recommendations to the
Metropolitan Transit Commission

May 6, 2013

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Executive Summary

The Charlotte region is home to over 1.8 million people and over the past decade the region experienced an astonishing 64% growth in population while fueling growth in jobs, retail and housing. Even in the midst of the Great Recession Charlotte continued to attract businesses and people resulting in Charlotte being one of the top ten fastest growing cities in the country, according to the U.S. Census Bureau. Over the next eighteen years the region is expected to grow another 70% to more than 2.5 million people. However with growth come problems that result in an overall reduced quality of life:

- increased congestion
- longer commute times
- increased pollution and poor air quality
- increased sprawl and loss of green spaces
- increased business costs to deliver goods and services

To address these issues, leaders in the Charlotte region established a growth strategy, (the Centers and Corridor Plan-1994) and transit vision, *the 2025 Transit / Land-Use Plan-1998*, to aid in managing the growth of the Charlotte region. These plans called for providing more transportation choices through the investment of rapid transit services along the five major transportation corridors integrated with higher density, pedestrian-friendly, mixed use development and expanding the bus system between the corridors and across the region.

Since enacting that vision in 1998, funded through a voter approved local ½ cent sales tax, the Charlotte region's investments in public transit services have served as a key component in the balanced transportation system that has supported the regional economic engine and allowed Charlotte to grow. During that time significant progress has been achieved in expanding the transit system to provide better access and mobility options, more frequent service to move around the Charlotte region and the launch of a light rail service integrated with pedestrian-friendly, land-use policies. The region embraced this vision as more and more people chose to ride public transit resulting in annual customer trips more than doubling to over 26 million. The land-use policies established at LYNX light rail stations help spur over $1.4 billion in private residential, office and retail development

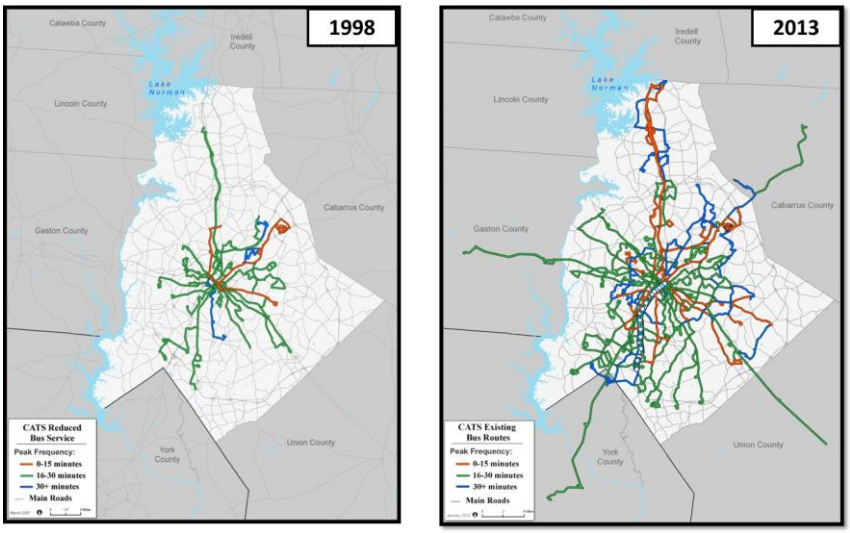


Figure 1: Service Expansion 1998 vs. 2013

that is a testament that the vision attracts the development businesses and citizens' desire to create a more sustainable region.

Even though the Charlotte region continued to grow during the Great Recession, consumer spending decreased resulting in a 22% drop in revenue from the local sales tax dedicated to funding public transit. The cumulative effect of this 22% reduction in sales tax revenue, when projected out over the next 25 years, means that the transit plan will have $2.3 billion less available to build out the remaining rapid transit corridors. There is only enough sales tax capacity over the next 25 years to complete the build out of the LYNX Blue Line Extension project and maintain, in a state of good repair, the investments in the existing bus and light rail services. CATS traditional funding partners, the state of North Carolina and the Federal Transit Administration (FTA), were not immune to the effects of the Great Recession resulting in reduced revenues from those partners in additional to enacting budgetary constraints.

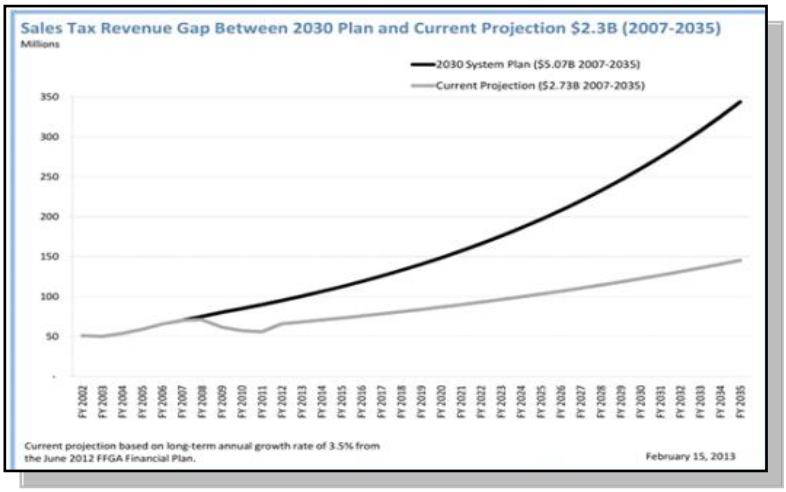


Figure 2: Sales Tax Revenue Gap

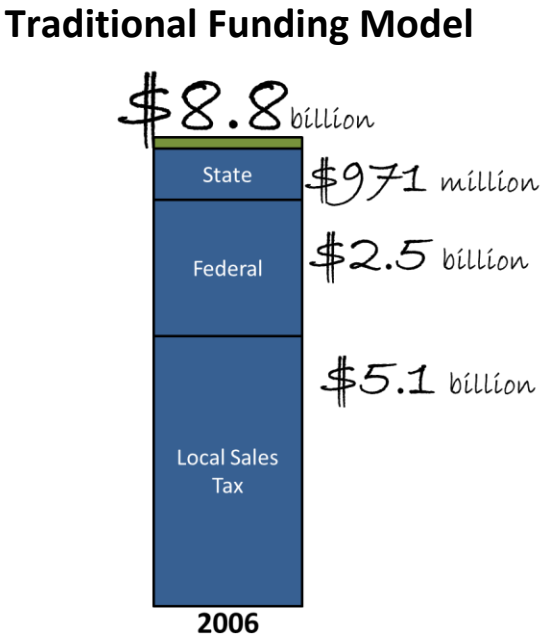


Figure 3: Traditional Funding Model

At the same time other transit systems nationally increased their application for funding assistance creating increased competition for the limited federal funds. The 2030 Transit Plan funding strategy was created to rely on three main sources: a local sales tax and State and Federal grants. That strategy although sound 6 years ago will not sustain the completion of the 2030 Transit Plan given the new economic realities after the Great Recession.

Transit Funding Working Group and Recommendation

In February 2013, the Chair of the Metropolitan Transit Commission (MTC), Mayor Anthony Foxx, with unanimous support of the MTC, formed the Transit Funding Working Group (TFWG) (Committee) with the purpose of:

- Identifying and building awareness of the funding challenges faced to complete the 2030 Transit Plan based on the new economic realities occurring at the local, state and federal levels and,
- Developing a set of funding and financing recommendations and tools for the MTC to advance the 2030 Transit Plan.

To achieve these goals a broad based committee of local business, elected and community leaders were assembled concentrating on developing solutions to advance Charlotte-Mecklenburg's long-range transit plan lead by Co-Chairs Mayor Jill Swain of Huntersville and City of Charlotte Councilmember David Howard. (Appendix A: Committee Members)

The TFWG committee met five times over a 65 day period reviewing the current progress achieved on the transit plan, learning how the Great Recession has affected CATS' traditional funding sources and partners, and the current status of the remaining rapid transit corridors. National experts from the Transit, Finance and Developer fields were assembled and presented the best practices on how other transit systems are advancing transit projects through non-traditional means including Public Private Partnerships (P3s), Infrastructure Banks, Transit-Oriented-Development policies, innovative grants and value capture methods.

The committee reviewed many different funding sources and financing mechanisms and conducted working sessions reviewing each corridor individually and the overall transit system plan. The committee discussed how funding and financing mechanisms could best be applied within each corridor and across all rapid transit corridors. It became clear that the traditional funding model will not be a reliable strategy to advance the remaining corridors in the future. Instead a more flexible and diverse set of funding and financing mechanisms is needed along with the ability to use different project delivery methods.

The result of the committee's work is the recommendation to use a funding model strategy that incorporates a collection of different funding and financing mechanisms unique to each corridor along with a set of tools that compliments that strategy. *Figure 4: Contrasting Funding Models*

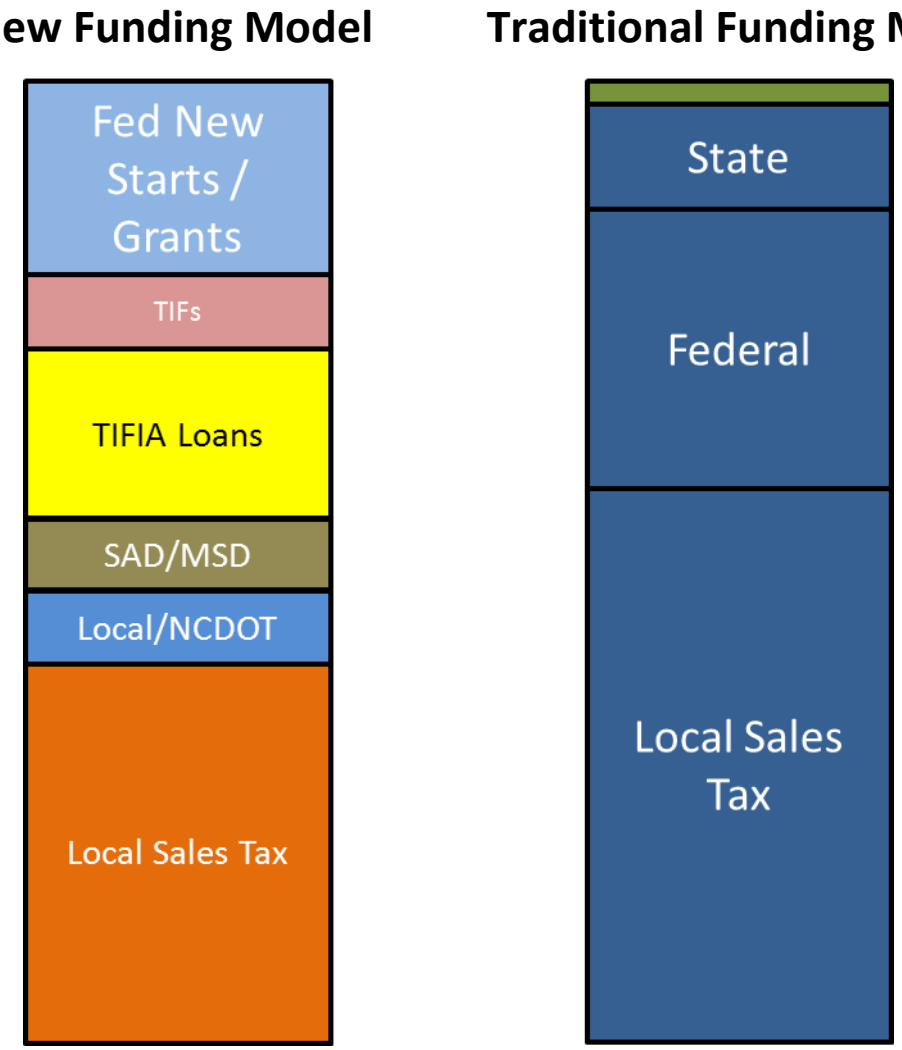


Figure 4: Contrasting Funding Models

Critical to this funding model strategy is the creation of a Toolbox incorporating many different tools needed to advance the remaining rapid transit corroding. This Toolbox includes:

- Ability to use of different project delivery methods (Public-Private Partnerships and Design-Build-Finance-Operate-Maintain) *(Appendix D: Project Delivery Methods)*
- Development and implementation of new and expanded land-use policies to foster private investments sooner
- Creation of value capture methods within each corridor and/or across all corridors
- Ability to leverage federal financing instruments *(Appendix C: Financing Options)*
- Implement zoning incentives to encourage private development along corridors
- Expand SAD and MSD abilities to allow use on capital and operating expenses
- Create a local infrastructure bank
- Seek expansion of products / services applicable to local sales tax

- Expand ancillary revenue sources leveraging transit assets
- Seek Carbon Emissions / Environmental credit markets

After much analysis and discussion the *Committee* determined that with this flexible funding model and the right toolbox in place that there could be more than one path available for each corridor and the overall 2030 Transit Plan to advance. It is the committee's belief that the Metropolitan Transit Commission, in collaboration with its partners: the towns and cities in Mecklenburg County and Mecklenburg County, can utilize this strategy and toolbox to advance the 2030 Transit Plan.

Figure 5: Toolbox Recommendation

Local Revenue Exploration
TIFIA Loan for BLE long-term financing
Define "System Plan" boundary for general TIF legislation
Enact TIF district along BLE Corridor
Develop local infrastructure bank
Assess impact of changes to base by the General Assembly on the current ½% sales tax
Establish zoning incentives along corridors to attract development
Explore menu of options for ancillary revenue:
o Advertising
o Air rights
o Naming rights
o Digital kiosks/boards
o Carbon tax
o VMT
o Parking
o Energy Related Revenue
o Debt Refunding
Coordination/financial cooperation from Airport on West Corridor Streetcar

Legislative
State authorizing legislation for all P3 methods
TIF and SAD legislation which makes revenue eligible for capital (and operating) costs of transit
Extend SAD Legislation Sunset
State legislative authority that may be needed to explore transit loan programs
Additional sales tax (including Pennies for Progress for capital)
Technical - Planning/Engineering
Combine Streetcar and West Corridors into one project
Define mode for the Southeast Corridor
Revisit project scopes and cost estimates
Outreach
Initiate and maintain contact with P3 market
Educate other stakeholders on P3 methods

Transit Plan Background

Transit/Land Use Integration Background

From the 1970's through the 1990's, the Charlotte region experienced tremendous population growth as it rose to become one of the Nation's banking and financial centers. The City of Charlotte and the surrounding Towns knew a strategy to ensure that this growth occurred in a way that enhanced the livability of the City and the greater Charlotte region would be necessary. The City adopted the Centers, Corridors and Wedges (CC&W, 1994) vision to map out how Charlotte should grow over time and to understand what infrastructure investments would be needed to support this growth, as well as future growth.

The Integrated Transit/Land Use Plan developed in 1998 built on the vision contained in CC&W and called for phased implementation of various transit technologies along five key corridors, integrated with transit oriented development in and around the rapid transit stations, along with expanding and enhancing the bus system. Also in 1998, the citizens of Mecklenburg County approved the levy of a half-cent sales tax dedicated to public transit based on the vision set forth in the Transit/Land-Use Plan.

The City of Charlotte and the Towns within Mecklenburg County have made a strong commitment to the integration of land use and transportation planning. This integration is evidenced by the actions taken from broad policy formulation to plan implementation, i.e., applying policy to specific transit station areas. To that end, additional major pieces adopted from 2003 to 2005 are the Transit Oriented Development (TOD) Zoning Districts, the General Development Policies (GDP) and the Transit Station Areas Joint Development Principles and Policy Guidelines (JDP's). These actions all sharpen the strategies and tools used for transit supportive development and direct higher density, more intense development to transit corridors and major activity centers/hubs, where it can be best accommodated by transportation infrastructure.

The region's forward-thinking vision and actions taken to implement that vision have laid the groundwork for the continued development of transit and complementary land use, while fostering economic growth throughout the region.

During that time, the public has embraced the expanded and new services by choosing to ride CATS resulting in ridership growing over 120% *(Figure 6: Ridership Growth)*since 1998 and with 70% of the citizens in Mecklenburg County reaffirming support for the local sales tax funding dedicated to public transit in a referendum in 2007. CATS has also been able to provide expanded service at a cost significantly below the national average for transit system with the same service types. Since the creation of CATS, the cost to transport a customer per mile has average 10-20% below the national average.

Figure 6: Ridership Growth

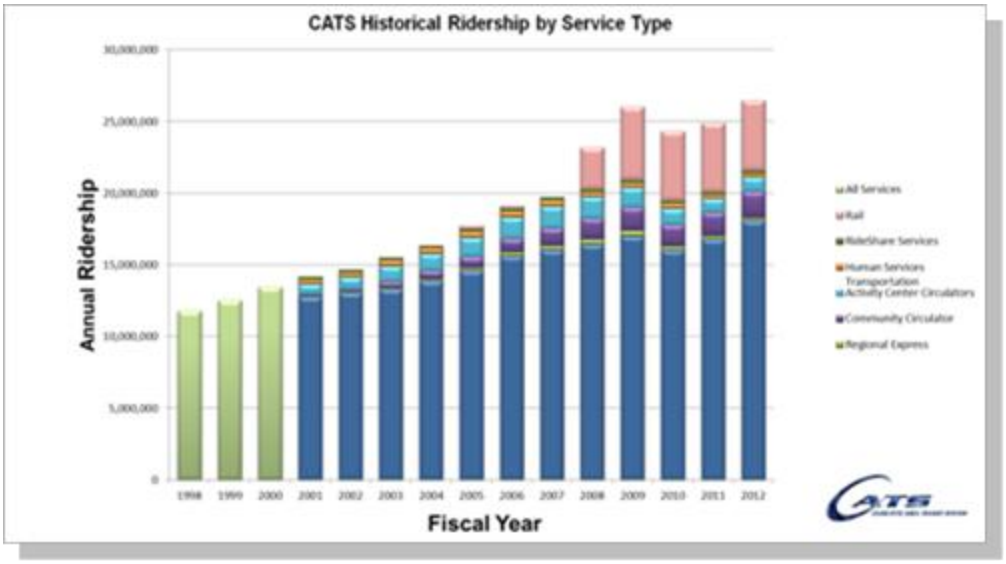
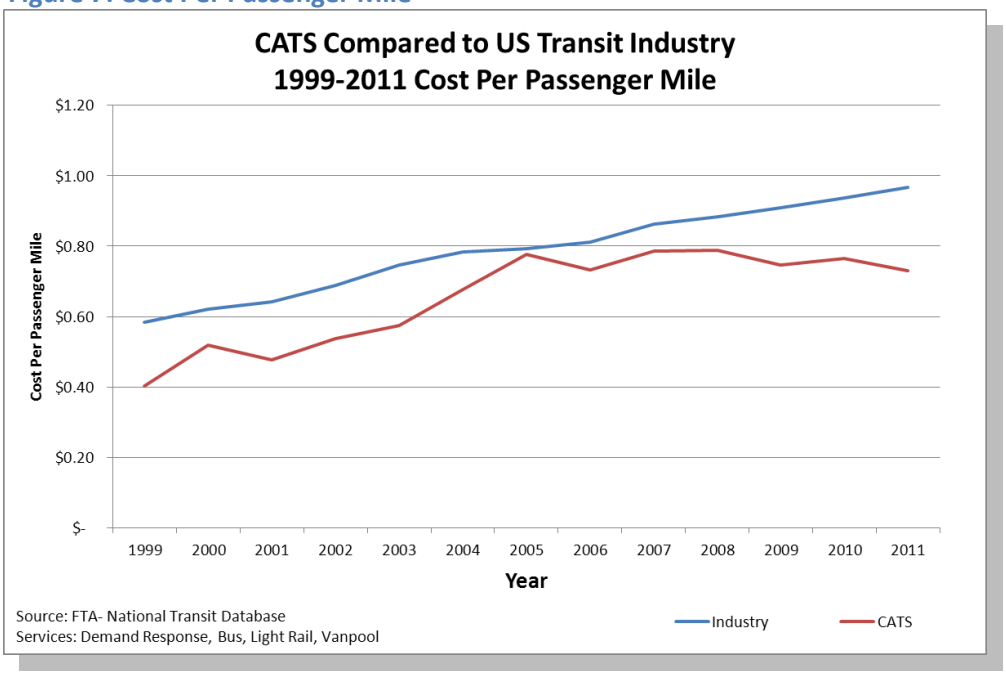


Figure 7: Cost Per Passenger Mile



Every four years (2002 and 2006) the transit plan was updated based on the latest advanced engineering designs for the rapid transit corridors, expansion of the bus system and the overall economic climate. In 2006 the MTC approved an update to the 2030 Transit Plan that projected the growth of the local sales tax based on historical standards. In addition, the adopted plan included an implementation schedule and updated cost estimates through 2030 for the advancement of the remaining rapid transit corridors. *(Figure 8: 2030 Transit System Plan Map)*

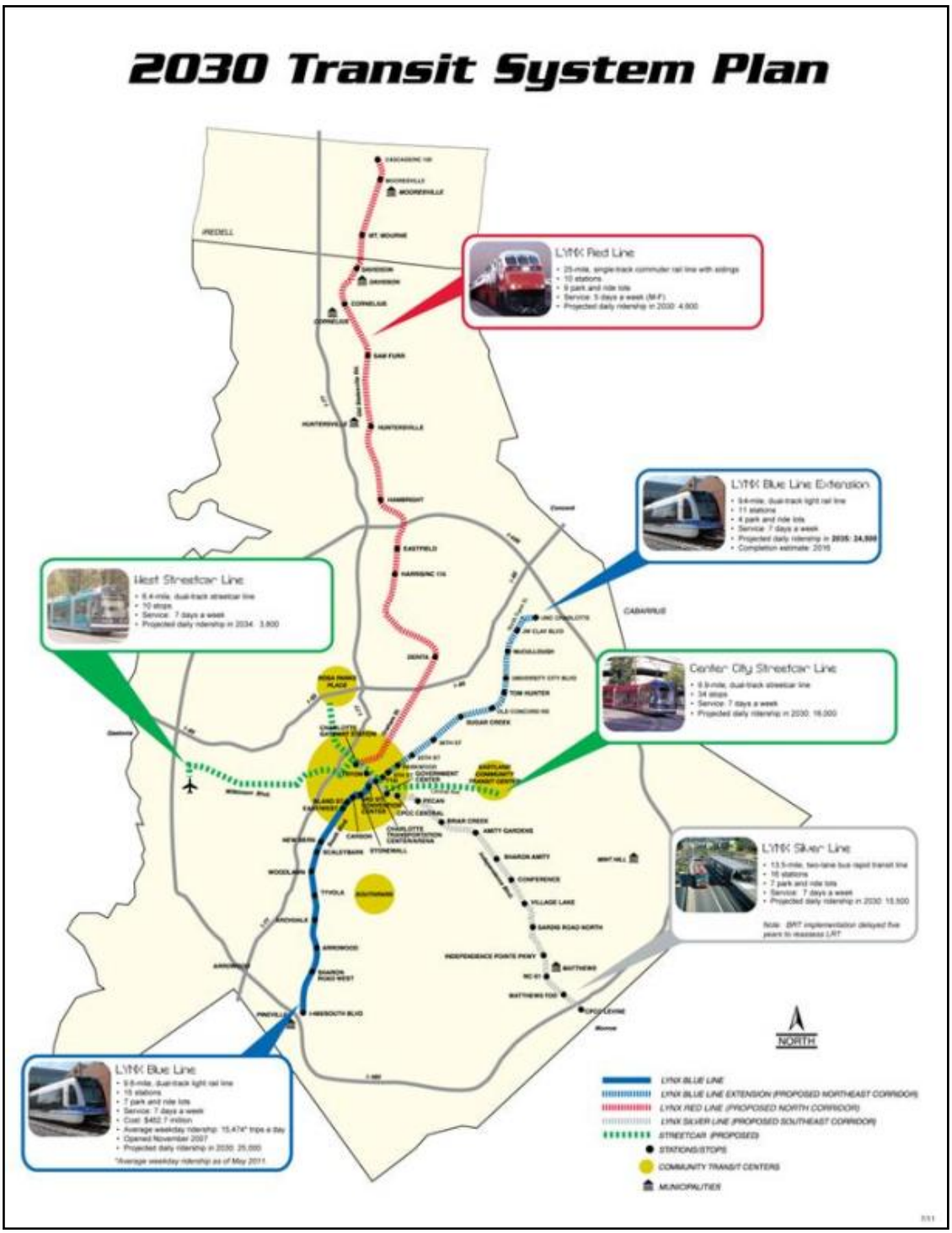
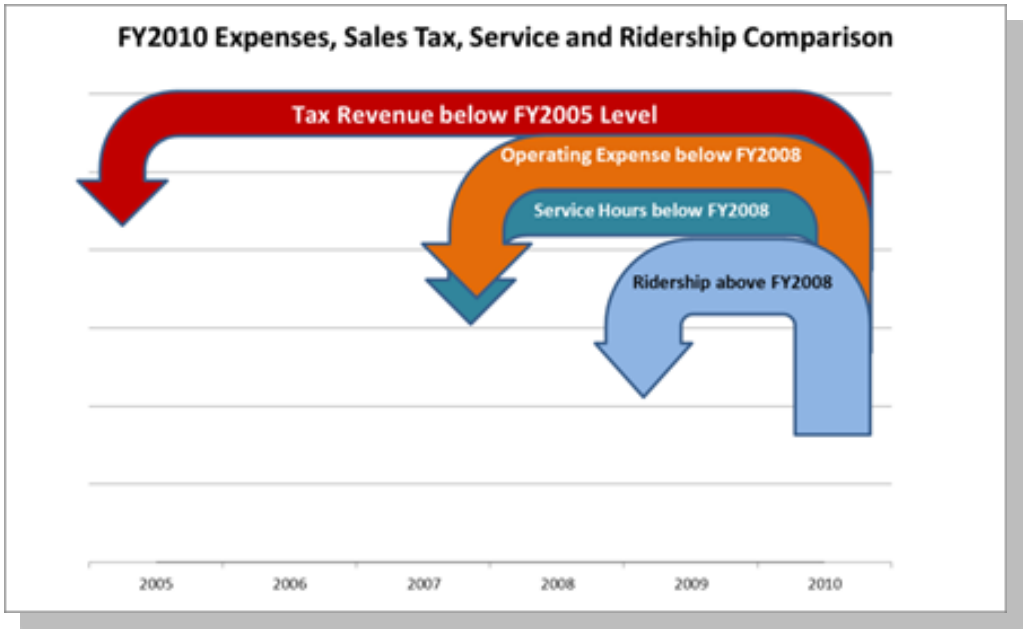


Figure 8: 2030 Transit System Plan

Effects of Great Recession

The Great Recession of 2007- 2009 affected every household, business and government entity; for CATS the local sales tax receipts dedicated to public transit remained flat in 2008 and dropped significantly starting in 2009. By 2011 the sales tax receipts had dropped 22% and were below the 2005 level as illustrated in *Figure 9: Recession Effects on Operations*. In response, CATS made adjustments in each fiscal year to expenses resulting in a reduction of over $25M in operating expenses and over $200M in reductions from the capital program. Although ridership declined in 2009 due to a regional-wide workforce reductions from the Great Recession customer demand for public transit service remained above the 2008 level and continued to grow while sales tax receipts continued to decline.

Figure 9: Recession Effects on Operations



By 2011, sales tax receipts had bottomed out to an annual amount of $55.9M. During the time of the Great Recession, similar situations were occurring to CATS traditional funding partners at the state and federal level. The effect was that the 2006 sales tax revenue projection was no longer valid; a new lower base had been established because of the Great Recession. The overall result of a lower sales tax base and more conservative growth rate in sales tax was a $2.3 billion reduction in the projected local sales tax revenue dedicated to public transit through 2035 *(Figure 2: Sales Tax Revenue Gap)* The loss of $2.3 billion in future local revenue streams along with reduced funding capacity at the state and federal level means that after completion of the LYNX Blue Line extension, the local sales tax dedicated to public transit will not have the capacity to advance other rapid transit corridors after accounting for the anticipated growth of existing operating services and maintaining existing assets/facilities in a state of good repair.

Presentations from National Experts

Denver Regional Transportation District (RTD) P3 Projects

Brian Middleton, Eagle P3 Project Director, RTD

On March 4, Brian Middleton, Project Director of the Denver Regional Transportation District (RTD) Eagle Project, presented a summary of projects that form part of the FasTracks Program. FasTracks is a multi-billion dollar comprehensive transit expansion plan to build 122 miles of new commuter rail and light rail, 18 miles of bus rapid transit service, and more than 21,000 new parking spaces at light rail and bus stations. The FasTracks program is financed in part through a 0.4% increase in the regional sales and use tax approved by voters in November of 2004 (bringing the total sales tax collected by RTD across an eight-county district to 1.0%).

Eagle Project. The Eagle Project is a 36-mile commuter rail project that consists of two lines: the East Corridor from Denver International Airport (DIA) to Downtown Denver at Denver Union Station (DUS) and the Gold Line from DUS westward to Ward Road in Wheat Ridge. The project scope includes 37 major bridge structures, 14 new stations plus the DUS hub, a Commuter Rail Maintenance Facility, 50 cars, and 29 at-grade crossings shared with Class 1 railroads.

The Eagle Project is a Public-Private Partnership (P3) between RTD and a "concessionaire" that was selected through a competitive proposal process. The selected Concessionaire is known as Denver Transit Partners (DTP), a special purpose company owned by Fluor Enterprises, Uberior Investments and Laing Investments. The concession agreement between RTD and DTP requires DTP to design, build, finance, operate, and maintain (DBFOM) the project under a single contract. In August 2010, DTP achieved financial close and RTD provided a notice to proceed. Start of revenue service is scheduled for August 2016.

Mr. Middleton offered several reasons for why RTD chose a P3 project delivery method. The Eagle Project is part of the Public Private Partnership Pilot Program (Penta P) of the Federal Transit Administration (FTA) which allowed accelerated FTA review. The Concessionaire arranged approximately $450 million of private financing for the project, and FTA did not count these private funds in the evaluation of the project's cost-effectiveness. The long-term concessionaire agreement allows RTD to spread out large upfront costs over approximately 35 years, thereby making the project more affordable. In return, RTD will make service payments to DTP based on DTP's performance in the operation and maintenance of the project. RTD will retain all assets while shifting much of the risk of designing and building the project to DTP. RTD was also able to keep in-house management oversight of the Concessionaire's performance.

The Eagle Project's $2.2 billion capital budget comprises the following sources:

- FTA New Starts Full Funding Grant Agreement - $1.03 billion
- Private Activity Bonds - $396.1 million
- Concessionaire equity - $54.3 million

- Federal Highway Administration (FHWA) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan - $280.0 million
- Other federal grants - $57.1million
- RTD local funding - $379.5 million
- Local, Colorado Department of Transportation, and other contributions - $75.3 million

Denver Union Station. The FasTracks Program also includes redevelopment of Denver Union Station, a multimodal hub integrating light rail, commuter rail, Amtrak, buses, shuttles, taxis, and bikes. The redevelopment is a cooperative effort between RTD, the Colorado Department of Transportation, the City and County of Denver, and the Denver Regional Council of Governments. It is expected to be completed in the summer of 2014.

Mr. Middleton's presentation cited the following sources for the $484 million project budget:

- Railroad Rehabilitation & Improvement Financing (RRIF) credit programs – 31%
- TIFIA - 29%
- RTD contribution – 10%
- Land sales – 8%
- American Recovery and Reinvestment Act (ARRA) Stimulus Grants – 6%
- FTA Grant – 2%
- Other state and local funds - 14%

Sources of funds cited for the repayment of the $300.6 million in TIFIA and RRIF loans include annual payments of $12 million from the RTD sales and use tax, special tax-increment revenues from the DUS area, and a separate tax imposed by the City and County of Denver on temporary lodging, such as hotel rooms, within the project area. The DUS tax increment district captures increased property and sales tax revenue created from development within the 19.5-acre DUS area, including an anticipated one or two hotels. Development of the area around the transit facilities is crucial to repayment, and is currently well ahead of forecasts.

Forest City Real Estate Services

Emerick Corsi, President, Forest City Real Estate Services

On March 4, Emerick Corsi presented from a perspective of working over 30 years in real estate development. Forest City has worked on many large-scale development projects in urban areas including Barclays Arena and Atlantic Station in New York, Stapleton Airport redevelopment in Denver, and planning for the Multi-modal Passenger Terminal (MMPT) in Atlanta. Forest City has specialized in implementing real estate development in conjunction with transportation assets and encouraged Charlotte to have a vision of various levels of development radiating out of transit stations operating as nodes along a corridor. Mr. Corsi also stressed the project development time savings they were experiencing on the MMPT in Atlanta by having a concurrent planning process between the public sponsor, a Master Developer with limited real estate holdings in the project site (a no-stake developer), and the team working to fulfill the requirements of the National Environmental Policy Act (NEPA).

Mr. Corsi discussed familiarity with various forms of gap funding and financing including naming rights, advertising, tax-increment financing (TIF), and federal grants and loans, including TIFIA and RRIF. For the TIFIA and RRIF loans, Mr. Corsi reminded the working group that a solid repayment plan must be in place before application, and he also recommended that TIF districts should be implemented as soon as possible to secure a low starting tax level for higher growth once a project progresses.

Ernst & Young Infrastructure Advisors, LLC (EYIA)

Mary DiCarlantonio and Robert Bannister, EYIA

On March 4, EYIA provided a status update on the major capital investments included in the 2030 System Plan approved in 2006, including cost estimates provided by CATS to build and operate the remaining transit corridors based on industry average costs. EYIA also summarized developments on the funding side since 2006, including challenges to the original 50/25/25 (federal, state, and local) capital funding assumptions and the impact of the Great Recession on the transit-dedicated ½% sales tax collections, both actual and forecasted.
EYIA summarized innovative financing options, including:

- TIFIA and RRIF federal loan programs;
- Tax-exempt Private Activity Bonds (PABs) issued as part of a P3;
- EB-5 Immigrant Investor Program;
- New Markets Tax Credits; and
- Others proposed by the Obama Administration, including a variation of Build America Bonds for infrastructure.

A discussion followed of project delivery methods which vary depending on the amount of private sector risk and responsibility. EYIA provided more detail on design-build-finance-operate-maintain (DBFOM) contracts, commonly known as concessions, as well as the "availability payment" payment mechanism which may be well-suited for transit concessions. EYIA presented a list of potential regional and corridor-specific funding sources for evaluation.

The presentation ended with a list of questions for the working group to help stimulate discussion. For example, the potential for a new implementation framework was discussed whereby future corridors could be advanced independently as corridor-specific funding sources are identified, rather than the current structure whereby CATS advances corridors in the order originally envisioned in the 2030 System Plan and only as regional sources of revenue (i.e., ½% sales tax) become available. Delivery of the North Corridor and streetcar projects through a P3 was also discussed.

Chicago Infrastructure Bank

Lois Scott, Chief Financial Officer for the City of Chicago

On April 8, Lois Scott, Chief Financial Officer for the City of Chicago, delivered a presentation on innovative funding and financing mechanisms pursued in that city. Sample projects include:

- *Street furniture.* The City entered into a long-term contract with JC Decaux, a French firm that will construct, install and maintain more than 2,000 bus stop shelters and other street furniture

(e.g., kiosks, newsstands, etc.) in the downtown area at no cost to the City. Moreover, the City will receive $17.5 million per year during the next five years and $30 million per year at the end of the contract. In return, JC Decaux will keep revenues from advertisements placed on the street furniture.

- *Chicago Skyway*. The City conducted a competitive bidding process for the right to own (for tax purposes) and operate this 7.4 mile-bridge from Indiana into Chicago. The winning bidder paid the City an upfront payment of $1.83 billion under the 99-year contract, and the quality of the infrastructure stands much improved since the City holds the private concessionaire to a higher standard than it was able to deliver itself.
- *Parking meters.* In exchange for an upfront payment of $1.15 billion, the City granted a private partner the right to profits from city parking meters and the responsibility to operate and maintain the meters throughout the life of the 75-year contract. The deal also requires the operator to overhaul the system and replace coin-based meters with a meter system that will facilitate payment via cash, credit and debit cards and potentially other pay systems. Ms. Scott acknowledged that the transaction was not popular with the community and remains a contentious issue.
- *Digital Billboards.* The City is partnering with a private entity to install 34 digital billboards on municipal property along highways in a deal that is generating a minimum of $15 million per year in advertising revenue. This compares to $1 million in annual revenue that the City receives for 1,300 existing billboards. The digital network also provides the City a means to deliver 18 million public service announcements annually. The City also can take over the network during an emergency as a communications tool.

Ms. Scott shared some common criticisms of P3s, such as the overly long duration of some contracts, a lack of transparency, and increases in fees. She also shared several "lessons learned" and best practices based on these partnerships:

- P3s are best for creating assets and increasing capacity. They run into trouble when the focus is generating cash. For example, while the operation of the parking meters now goes smoothly, cash from the transaction was consumed over a couple of the City's operating budget cycles.
- Clear policies at the outset are essential. P3s can be threatening to labor, for example, so understanding the goals for the community as they relate to labor practices and explaining them clearly up front is an important factor in the success of these projects.
- Competition and transparency in the process used is important, as is adequate time for public deliberation and participation.
- When and how cash transfers between entities needs to be thought through so as not to put future political leaders in difficult situations.
- Regulating the contract is often ignored. Sufficient staff and recognition of the different regulatory role on the public side is needed. The framing of the transactions needs to anticipate the need for audits and to establish consequences for failure of the private partner to perform.

- A communications implementation strategy is critical. The inclination of the press to take interest only in the problems must be counteracted with efforts to ensure that the successes are made known.
- Risk transfer must be analyzed to ensure that the public side understands what risks it is assuming and what risks are being transferred to the private partners.

Next, Ms. Scott explained the Chicago Infrastructure Trust, a 501(c)(3) tax-exempt nonprofit organization created to leverage private investment in order to advance innovative, transformative infrastructure projects that might not otherwise get done. The Trust will seek to expand the universe of investors beyond the tax-exempt bond market to, for example, private investors and philanthropic organizations and to transfer risk to third-party investors. One of its policy objectives is to lower project costs by looking at both upfront and life cycle costs and by creating efficient capital structures by aggregating different governmental agencies within a common plan of finance. The Trust strives to achieve the highest level of transparency and accountability.

Retrofit Chicago, the Trust's first project, is a cross-agency, cross-department financing project that will retrofit hundreds of public buildings to be more energy efficient. The upfront investment will be financed with debt by the private sector and repaid with the energy savings with no net cost to the City. This project, like all Trust projects, will have its own plan of finance based on its own revenue stream, not just tax dollars.

Ms. Scott closed by suggesting some implications for Charlotte. These included:

- the framing of the problem as a funding problem, not a financing problem;
- keeping the entire universe of sources of capital in play, not just tax-exempt bonds and government grants;
- taking advantage of TIFIA loans;
- transferring risk and achieving faster completion times;
- opening up government processes; and
- securing public buy-in and support for new revenue sources.

Corridors Summary Discussion (April 8, 2013)

Introduction

Since the 2030 System Plan was adopted in 2006, light rail transit began operations along the South Corridor and is currently under construction along the Northeast Corridor. Four other rapid transit corridors from the 2030 System Plan have yet to be built: the North Corridor, Center City Streetcar, Southeast Corridor and West Corridor. The schedule for the MTC Transit Funding Working Group meetings did not allow for a full, detailed study of these four rapid transit corridors. Based on available order-of-magnitude cost estimates provided by CATS, a summary was provided of escalated costs for these corridors, an estimated funding gap, potential flexibility possible through federal financing, options for closing the funding gap, and further considerations and next steps to pursue for each corridor.

Cost Estimates

Without new engineering studies of each corridor, CATS produced cost estimates in 2013 dollars based on industry averages, summarized in *Table 1: Industry Average Cost.* These costs provide the basis for development of funding and implementation scenarios. The estimated schedule for design and construction for each of the corridors was based on moving out the construction schedules from the 2030 System Plan and eliminating phasing assumptions originally envisioned in 2006. The revised construction schedules and the cost inflation rates assumed in the CATS Blue Extension (BLE) Financial Plan were used to escalate CATS' capital and operations and maintenance (O&M) cost estimates for each corridor from base year dollars to year-of-expenditure (YOE) dollars, as summarized in the last two columns of *Table 1*. Capital and O&M costs were escalated at 4.0% and 3.6%, respectively, per year.

Table 1: Industry Average Cost

	Mode	Design	Construction	Capital Cost (2013)	Annual O&M Cost (2013)	Capital Cost (YOE $)	Annual O&M Cost (2035)
North Corridor	Commuter Rail	2015-2017	2018-2020	$658	$15	$813	$33
Center City Streetcar	Streetcar	2015-2018	2019-2023	$447	$30	$586	$50
Southeast Corridor	LRT	2017-2022	2023-2028	$1,512	$16	$2,345	$34
West Corridor	Streetcar	2023-2028	2029-2033	$414	$9	$801	$19
Total				**$3,031**	**$70**	**$4,545**	**$136**
Dollars in Millions							

Source: Charlotte Area Transit System (CATS)

Defining the Funding Gap

The cost assumptions described above were the sole inputs on the expense side for defining the funding gap to complete the corridors.[1] On the revenue side, the following assumptions were used:

- Existing ½% sales tax and other current funding sources are pledged to the BLE Financial Plan and not available for future fixed guideway investments;
- NCDOT would no longer provide a state grant match to construction or Federal Transit Administration (FTA) annual formula funds and other federal discretionary grants.
- The Center City Streetcar could receive $75m in FTA Small Starts grant funding for construction;
- The Southeast Corridor could receive a 50% FTA New Starts grant match ($1.2 billion in total) for construction;
- All corridors would receive FTA annual formula funding, estimated based on assumptions similar to those used in the BLE Financial Plan, from the §5307 Urbanized Area and §5337 State of Good Repair programs for preventative maintenance, vehicle overhauls and replacements and other capital investment; and
- All corridors would generate fare revenue to help cover O&M costs based on the assumptions from CATS which are summarized under each Corridor Scenarios.

Table 2: Ridership and Fare Estimates

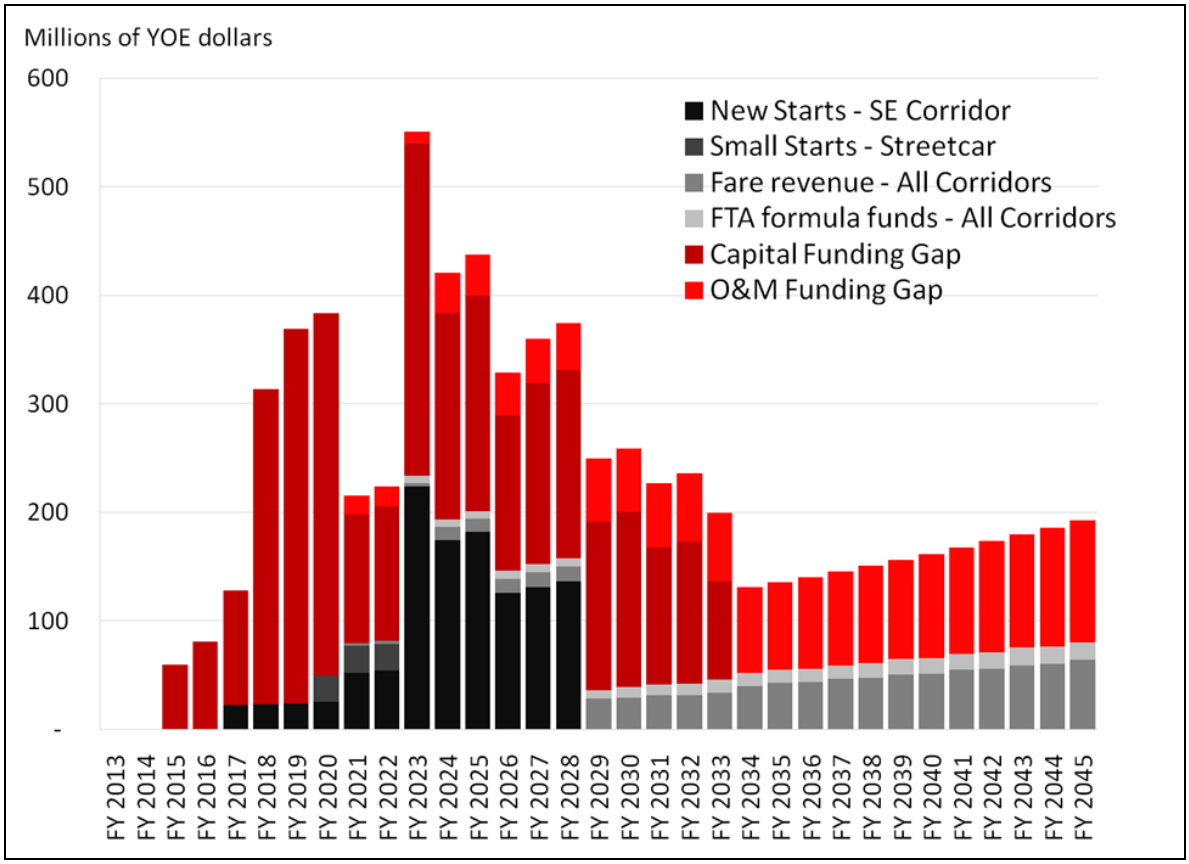
Corridor	Operating Start Year Ridership	2035 Ridership	Average Fare as compared to existing CATS base fare bus and LRT
North Corridor	838,058 (2021)	1,105,800	2x
Center City Streetcar	4,885,820 (2024)	6,074,903	1x
Southeast Corridor	6,291,899 (2029)	7,085,700	1x
West Corridor	2,235,294 (2034)	2,280,000	1x

Source: Charlotte Area Transit System (CATS)

As *Figure 10: Funding Gap After Federal Funds and Fare* Revenue indicates by the portions of the capital and O&M costs shown in red, even with the potential federal grants and farebox revenue, there is still a large funding gap to close with local funds. To build all four corridors, another $3.3 billion would need to be identified in capital funding and an additional $1.7 billion would need to be identified for O&M costs through 2045, for a total of $5 billion.

[1] Given the limited time and data, future vehicle mid-life overhauls and eventual asset replacements are not included in this analysis.

Figure 10: Funding Gap After Federal Funds and Fare Revenue



Closing the Funding Gap

Several options were presented to close the funding gaps.

- ***Federal Financing Options.*** TIFIA and RRIF loans could be pursued to offset the capital funding gap during the construction period. These long-term loans offer low, fixed interest rates equivalent to Treasury rates with the ability to capitalize interest during construction and potentially during the early years of operations. A RRIF loan could be available to finance 100% of the North Corridor's eligible capital costs due to freight operations in the corridor, and a TIFIA loan was assumed to be available for up to 33%[2] of the eligible capital costs of the Center City and West Corridor streetcar projects. A TIFIA loan was assumed to be available for up to 30% of the Southeast Corridor eligible capital costs, since the 50% New Starts grant assumed would bring the federal participation up to the maximum 80% level allowed. However, the use of financing only shifts the timing of the funding gap to the operating period when debt service payments would be due.

[2] 49% of eligible costs are the maximum under MAP-21; however, 33% was assumed in order to be conservative since no applicant has yet been awarded a TIFIA loan at the 49% level.

- ***Sales tax increase.*** As a frame of reference, given the existing ½% sales tax is one source of revenue with readily available data, an estimate was prepared of the size of the required sales tax increase needed to eliminate the capital funding gap during construction that remains after applying loan proceeds and to offset the funding gap during the operating period that results from operating deficits and debt service payments. A new, incremental sales tax of an estimated 0.78% would be required if a new sales tax were the only tool available to close the funding gap on all corridors.

- ***Combination of sales tax increase with other funding options.*** The analysis included a scenario in which a new, incremental sales tax were limited to a ½% and evenly allocated among the four remaining corridors. The following sources, unquantifiable at this time, could supplement (and potentially reduce) the new sales tax required in order to fill the remaining funding gap:
    - Expansion of the goods and services to which the sales tax is applied;
    - Reduction in the funding requirement and acceleration of project delivery by revisiting project scopes, cost estimates, and schedules;
    - Pursuit of Design-Build, Design-Build-Operate-Maintain, Design-Build-Finance, and Design-Build-Finance-Operate-Maintain (P3) enabling legislation to improve leverage options, cost and schedule certainty, and access to private capital;
    - Improvement in TIF legislation and consideration of a "System Plan" boundary to pool the benefits of the network;
    - Reinvestment of savings from existing transit service; and
    - Packaging multi-corridor benefits from ancillary revenues such as advertising, naming rights, sponsorships, energy-related revenues and financing vehicles, parking and future road / vehicle miles traveled (VMT) pricing mechanisms, and air rights.

Corridor Scenarios

Given the compressed schedule of the TFWG meetings, cost estimates individualized to each corridor were unavailable. CATS produced capital and O & M cost estimates based on industry averages to give order-of-magnitude costs to the preliminary analysis presented in this report. Further technical study is continuing on each corridor and future analysis will refine costs and other assumptions.

North Corridor: *Table 3: North Corridor Funding Gap Scenarios* displays various scenarios for the funding gaps for the North Corridor based on different levels of annual funding from a new, transit-dedicated source of pay-go revenue to be determined. Sources of corridor-specific revenue may result from exploration with NCDOT of the economic benefits of congestion relief and potential maintenance-of-traffic savings during construction on I-77 that would result from the commuter rail service; exploration of participation from the State; and exploration of partnership and P3 possibilities with Norfolk Southern and other sources of private financing.

Table 3: North Corridor Funding Gap Scenarios

(millions of YOE dollars)	New Pay-Go Funding Source Scenarios			
	None	**A**	**B**	**C**
Capital Cost	$ 813	$ 813	$ 813	$ 813
Total uses	$ 813	$ 813	$ 813	$ 813
Pay-go funding source TBD *	$ -	$ 60	$ 120	$ 233
RRIF loan draws	$ 813	$ 753	$ 693	$ 580
Total sources	$ 813	$ 813	$ 813	$ 813
**Construction Period Funding Gap ** **	**$ -**	**$ -**	**$ -**	**$ -**
O&M Cost	$ 33	$ 33	$ 33	$ 33
RRIF debt service	$ 51	$ 47	$ 43	$ 37
Total uses	$ 84	$ 80	$ 76	$ 70
Farebox	$ 5	$ 5	$ 5	$ 5
FTA Formula Funds	$ 8	$ 8	$ 8	$ 8
Pay-go funding source TBD *	$ -	$ 18	$ 36	$ 57
Total sources	$ 13	$ 31	$ 49	$ 70
**Annual Operating Period Funding Gap (FY 2035) ** **	**$ 71**	**$ 49**	**$ 27**	**$ -**

* The pay-go funding in Scenarios A and B is the amount equivalent to the proceeds from a one fourth share of a new, incremental 0.25% and 0.50% transit-dedicated sales tax, respectively. The pay-go funding in Scenario C is the amount equivalent of the proceeds from a new, incremental 0.24% transit-dedicated sales tax (all of which is allocated to the North Corridor).

** Remaining funding gap to be closed with other sources of funds or through innovative financing tools to be determined (see Appendix B & C for list of potential sources).

Center City Streetcar: *Table 4: Center City Streetcar Funding Gap Scenarios* displays various scenarios for the funding gaps for the Streetcar based on different levels of annual funding from a new, transit-dedicated source of pay-go revenue to be determined. Sources of corridor-specific revenue may include zoning incentives to attract development, savings from the integration of future street and utility work with fixed right-of-way facilities and on-street and off-street parking fees. While viable possibilities, these options were unquantifiable within the time allowed for this preliminary review. The Streetcar is also a prime project to use innovative project delivery methods to accelerate completion, lock in pricing for capital and operating costs, and address system integration and technology risks. The potential for a PPP to help close funding gaps on the Streetcar through possible efficiencies is still to be determined with more advanced study.

Table 4: Center City Streetcar Funding Gap Scenarios

(millions of YOE dollars)	New Pay-Go Funding Source Scenarios			
	None	**A**	**B**	**C**
Capital Cost	$ 586	$ 586	$ 586	$ 586
Total uses	$ 586	$ 586	$ 586	$ 586
FTA Small Starts	$ 75	$ 75	$ 75	$ 75
Pay-go funding source TBD *	$ -	$ 95	$ 190	$ 318
TIFIA loan draws	$ 194	$ 194	$ 194	$ 193
Total sources	$ 269	$ 364	$ 459	$ 586
**Construction Period Funding Gap ** **	**$ 317**	**$ 222**	**$ 127**	**$ -**
O&M Cost	$ 50	$ 50	$ 50	$ 50
TIFIA debt service	$ 12	$ 12	$ 12	$ 15
Total uses	$ 62	$ 62	$ 62	$ 65
Farebox	$ 15	$ 15	$ 15	$ 15
FTA Formula Funds	$ 2	$ 2	$ 2	$ 2
Pay-go funding source TBD *	$ -	$ 18	$ 36	$ 48
Total sources	$ 17	$ 35	$ 53	$ 65
**Annual Operating Period Funding Gap (FY 2035) ** **	**$ 45**	**$ 27**	**$ 9**	**$ -**

* The pay-go funding in Scenarios A and B is the amount equivalent to the proceeds from a one fourth share of a new, incremental 0.25% and 0.50% transit-dedicated sales tax, respectively. The pay-go funding in Scenario C is the amount equivalent of the proceeds from a new, incremental 0.21% transit-dedicated sales tax (all of which is allocated to the Center City Streetcar).

** Remaining funding gap to be closed with other sources of funds or through innovative financing tools to be determined (see Appendix B & C for list of potential sources).

Southeast Corridor: *Table 5: Southeast Corridor Funding Gap Scenarios* displays various scenarios for the funding gaps for the Southeast Corridor based on different levels of annual funding from a new, transit-dedicated source of pay-go revenue to be determined. Sources of corridor-specific revenue may include revenue sharing from high occupancy/toll (HOT) lanes, revenue from Park and Ride lots, and savings from joint highway and transit improvements to complete US-74.

The feasibility of these assumptions rests almost exclusively on the 50% federal funding assumption for capital costs. Competition for such grants is intense and planning horizons are extended, with a high degree of risk that the anticipated funding not be realized.

Table 5: Southeast Corridor Funding Gap Scenarios

(millions of YOE dollars)	**New Pay-Go Funding Source Scenarios**			
	None	**A**	**B**	**C**
Capital Cost	$ 2,345	$ 2,345	$ 2,345	$ 2,345
Total uses	$ 2,345	$ 2,345	$ 2,345	$ 2,345
FTA New Starts	$1,172	$1,172	$ 1,172	$ 1,172
Pay-go funding source TBD *	$ -	$ 161	$ 323	$ 478
TIFIA loan draws	$ 703	$ 703	$ 703	$ 695
Total sources	$1,875	$2,036	$ 2,198	$ 2,345
**Construction Period Funding Gap ** **	**$ 470**	**$ 309**	**$ 147**	**$ -**
O&M Cost	$ 34	$ 34	$ 34	$ 34
TIFIA debt service	$ 44	$ 44	$ 43	$ 55
Total uses	$ 78	$ 78	$ 77	$ 89
Farebox	$ 17	$ 17	$ 17	$ 17
FTA Formula Funds	$ 2	$ 2	$ 2	$ 2
Pay-go funding source TBD *	$ -	$ 18	$ 36	$ 70
Total sources	$ 19	$ 37	$ 55	$ 89
**Annual Operating Period Funding Gap (FY 2035) ** **	**$ 59**	**$ 41**	**$ 22**	**$ -**

* The pay-go funding in Scenarios A and B is the amount equivalent to the proceeds from a one fourth share of a new, incremental 0.25% and 0.50% transit-dedicated sales tax, respectively. The pay-go funding in Scenario C is the amount equivalent of the proceeds from a new, incremental 0.19% transit-dedicated sales tax (all of which is allocated to the Southeast Corridor).

** Remaining funding gap to be closed with other sources of funds or through innovative financing tools to be determined (see Appendix B & C for list of potential sources).

West Corridor: *Table 6: West Corridor Funding Gap Scenarios* displays scenarios for the funding gaps for the West Corridor based on different levels of annual funding from a new, transit-dedicated source of pay-go revenue to be determined. Sources of corridor-specific revenue may include an acceleration of project delivery to reduce capital cost escalation impacts and improve the pricing for the complete streetcar network (including the Center City Streetcar), and P3 and other innovative project delivery options.

Table 6: West Corridor Funding Gap Scenarios

(millions of YOE dollars)	**New Pay-Go Funding Source Scenarios**			
	None	**A**	**B**	**C**
Capital Cost	$ 801	$ 801	$ 801	$ 801
Total uses	$ 801	$ 801	$ 801	$ 801
Pay-go funding source TBD *	$ -	$ 241	$ 482	$ 539
TIFIA loan draws	$ 264	$ 264	$ 264	$ 262
Total sources	$ 264	$ 505	$ 746	$ 586
**Construction Period Funding Gap ** **	**$ 537**	**$ 296**	**$ 55**	**$ -**
O&M Cost	$ 19	$ 19	$ 19	$ 19
TIFIA debt service	$ 16	$ 16	$ 15	$ 15
Total uses	$ 35	$ 35	$ 34	$ 34
Farebox	$ 5	$ 5	$ 5	$ 5
FTA Formula Funds	$ -	$ -	$ -	$ -
Pay-go funding source TBD *	$ -	$ 18	$ 28	$ 29
Total sources	$ 5	$ 23	$ 33	$ 34
**Annual Operating Period Funding Gap (FY 2035) ** **	**$ 30**	**$ 12**	**$ 1**	**$ -**

* The pay-go funding in Scenarios A and B is the amount equivalent to the proceeds from a one fourth share of a new, incremental 0.25% and 0.50% transit-dedicated sales tax, respectively. The pay-go funding in Scenario C is the amount equivalent of the proceeds from a new, incremental 0.14% transit-dedicated sales tax (all of which is allocated to the West Corridor).

** Remaining funding gap to be closed with other sources of funds or through innovative financing tools to be determined (see Appendix B & C for list of potential sources).

The following summary *Table 7: Combined Corridor Funding Gap Scenarios* combines the corridor-specific results from Tables 4-7.

Table 7: Combined Corridor Funding Gap Scenarios

(millions of YOE dollars)	**New Pay-Go Funding Source Scenarios**			
	None	**A**	**B**	**C**
Capital Cost	$ 4,545	$ 4,545	$ 4,545	$ 4,545
Total uses	$ 4,545	$ 4,545	$ 4,545	$ 4,545
FTA New Starts – SE Corridor	$1,172	$1,172	$ 1,172	$ 1,172
FTA Small Starts – Center City Streetcar	$ 75	$ 75	$ 75	$ 75
Pay-go funding source TBD *	$ -	$ 557	$ 1,114	$ 1,569
TIFIA/RRIF loan draws	$ 1,975	$ 1,915	$ 1,855	$ 1,729
Total sources	$ 3,222	$ 3,719	$ 4,216	$ 4,545
**Construction Period Funding Gap ** **	**$ 1,323**	**$ 826**	**$ 329**	**$ -**
O&M Cost	$ 136	$ 136	$ 136	$ 136
TIFIA/RRIF debt service	$ 123	$ 118	$ 113	$ 122
Total uses	$ 259	$ 254	$ 249	$ 258
Farebox	$ 43	$ 43	$ 43	$ 43
FTA Formula Funds	$ 12	$ 12	$ 12	$ 12
Pay-go funding source TBD *	$ -	$ 73	$ 137	$ 203
Total sources	$ 55	$ 128	$ 192	$ 258
**Annual Operating Period Funding Gap (FY 2035) ** **	**$ 204**	**$ 126**	**$ 57**	**$ -**

* The pay-go funding in Scenarios A, B, and C is the amount equivalent to the proceeds from a new, incremental 0.25%, 0.50%, and 0.78% transit-dedicated sales tax, respectively.

* Remaining funding gap to be closed with other sources of funds or through innovative financing tools to be determined (see Appendix B & C for list of potential sources).

MTC Transit Working Group Deliberations

March 22, 2013

On March 22, 2013, the MTC Transit Working Group conducted a work session wherein they formed four smaller groups. Each group was tasked to review one of the remaining corridors in the 2030 Transit Corridor System Plan and to recommend innovative options for advancing the project in that corridor. The groups utilized maps of project alignments and station locations; descriptions of funding, financing and project delivery options being utilized in the country; and information on current State authorizations for alternative delivery methods to assist in their discussions.

Red Line: The **Red Line** Commuter Rail group spokesperson, Peter Pappas, provided a synopsis of his group's discussion and offered a summary of their recommendations:

- P3 and RRIF loan. The Red Line Commuter Rail project should have a primary two-step approach to move forward which includes (1) creating a Public Private Partnership (P3) with Norfolk Southern Railroad who are the owners of the right of way and (2) advancing the financing with a RRIF loan from the Federal Railroad Administration.
- Property-based value capture revenue. To establish a dedicated revenue stream to pledge toward repayment of the RRIF loan and payments to the private partner, the MTC should immediately seek revision of State legislation relative to Tax Increment Financing (TIF) districts and Special Assessment Districts. Both TIF district and SAD boundaries should be established as early as possible in order that the transit system be in position to negotiate with the private partners on the strength of future income from these sources
- Other new funding sources. Continue to seek alternative sources of funding, e.g., naming rights, energy-related revenue streams, industry concentration corridors, etc., and alternative sources of financing such as the EB-5 Immigrant Investor program.

Silver Line: The **Silver Line** Light Rail group reviewed issues associated with Independence Boulevard including recent information from NCDOT and the 2010 ULI Study. Spokesperson, Tracy Dodson, suggested that in addition to the proposed light rail line, they recommended the addition of a streetcar on Monroe Road. Ms. Dodson reported that her group focused on funding options and offered the following recommendations:

- Coordinate with NCDOT to share revenue from the proposed HOT lanes on Independence Boulevard with the transit system
- Expand the base of the current 1/2% sales tax to include services, currently excluded commodities and motor vehicles
- Increase the rate of sales tax for transit
- Introduce action for TIF districts which is similar to the legislation in Colorado
- Provide incremental operating revenue by charging for parking in transit parking decks

West Corridor: The **West Corridor** streetcar group offered recommendations for funding and alternative delivery methods. Bill Thunberg summarized the group's recommendations:

- Partnering with Charlotte-Douglas International Airport. Partner with Charlotte-Douglas International Airport when and if Airport Management desires rail service to the airport.
- Innovative project delivery. Expand the scope of current State authorization for Design-Build, and consider combining the West Corridor and Center City Streetcar into one project which would be potentially more attractive to a private partner and accelerate project delivery to reduce capital costs.
- Other. Establish Municipal Service Districts (MSD) to generate revenue from these specific districts and increase transit-dedicated sales tax revenue by expanding the base and/or increasing the current sales tax rate

Streetcar: Matt Gallagher reported on the **Center City Streetcar** group's recommendations:

- Increased funding through zoning incentives for developers; SADs that are timed with start of project construction; TIF districts that mirror the Denver experience
- Expansion of sales tax with options for sunset or reauthorization
- Utilization of all other funding options discussed at the April 8, 2013 meeting
- Communicate regional benefits of each corridor

The common options suggested by the groups fall into the following categories:

- Federal loans. Financing options should include Federal and other low cost commercial loan programs.
- Innovative funding sources. Funding should include property-based value capture revenue from sources such as TIF districts, SADs, and MSDs. Other innovative funding sources include revenues generated from energy savings and ancillary revenue sources such as naming rights and advertising.
- Public Private Partnerships. Local authorities plan to advocate for increased opportunities to leverage public private partnerships by authorizing all forms of alternative project delivery methods.
- Sales tax. Expand the number/type of goods and services to which the sales tax rate applies and/or increase the sales tax rate.
- Community Outreach plan. The groups emphasized the need to improve public communication regarding the nature of the funding need, the available options, and the regional benefits of each corridor.
- Other. Create one Streetcar project from the West Corridor and Center City Streetcar projects, and consider adding a Monroe Road streetcar in the Southeast Corridor.

April 22, 2013

On April 22, 2013, the MTC Transit Working Group reviewed recommendations which they had offered on March 22, 2013 and on information that was presented to them on April 8 from Lois Scott and Jeff

Parker. Lois Scott, Chicago's Chief Financial Officer, presented concepts which could be adopted in the Charlotte region. Jeff Parker from Ernst & Young Infrastructure Advisors, LLC, defined the funding gap and offered solutions for closing the gap. The agenda for this meeting was for the group to complete their assessment of all the information they had received, review options and conclude with an umbrella recommendation for the Metropolitan Transit Commission.

The overall assessment was that all options presented should be explored for all the corridors and option/s should be eliminated, by exception. The group was in agreement on finishing and funding the whole system with all available tools added to the toolbox.

Opinions expressed by the group fall into the following broad categories:

- **Sales Tax Increase; Pennies-For-Progress Program**
  - Currently there is no political appetite for a sales tax increase
  - Pennies-For-Progress is a more palatable option because it is a funding mechanism for transportation, not just transit. It has a 7-year sunset clause
  - The report should not include broad taxing type items
  - Pennies-For-Progress should be imbedded as part of an overall transportation solution, which included funding for transit, roads and land use
  - Taxes have to be raised somewhere to fund these projects
  - The program needs a champion similar to the people who championed the original ½% sales tax
  - If it is worth increasing taxes to improve the quality of life in this region, then why not do it
  - If the Charlotte region received an additional one (1) cent sales tax, it could be divided with 2/3rds dedicated to Transit and 1/3rd to Roads
- **Property Tax Increase**
  - Charlotte region could demonstrate its ability to solve its own problems by imposing a general property tax increase for transit.
  - A penny increase on property taxes in Charlotte would result in an additional $9 million in annual revenue; a Mecklenburg County increase would result in approximately $12-13 million/year.
  - Raleigh will not support giving local government the authority to increase taxes
  - Splitting an additional tax between schools and transportation may be a good solution
- **Infrastructure Trust Fund**
  - Long term loans from the City and Towns should be investigated
  - Loans could fund a Charlotte Regional Infrastructure Trust (similar to Chicago)
  - Trust could be managed by a neutral organization
- **Tax Increment Financing Districts (TIF)**
  - Tax Increment Financing (TIF) will need improved legislation
  - Promote the concept of a system-wide TIF to create a revolving fund which would be available for all the projects

- North Carolina is 39th in TIF utilization.
- Need to determine how to leverage TIFs against what the State is doing so the Charlotte system-wide TIF is comparable with Colorado
- TIF is form of property tax

- **Zoning and Other Short Term Financing Tools**
  - Zoning changes should be implemented to encourage job centers e.g. marketing along the lines (e.g. Streetcar)
  - The more certainty an area has, the higher the likelihood that developers will invest in such areas
  - Include EB-5 financing with the job centers discussion
  - EB-5 has a lot of interest in private equity funding in the Far East. Investors will be attracted if the plan is marketed correctly.
- **State Financial Participation**
  - The State's participation in projects should not be eliminated
  - New Strategic Mobility Fund (SMF) includes transit along with road projects
  - The majority of CATS projects would be eligible for funding within the local tier of the SMF except for the Red Line commuter rail project which could qualify under the regional tier
  - Any State support for CATS projects would greatly benefit advancement of the 2030 Plan
  - Project eligibility for State funding will be determined by cost benefit analysis, impact on mobility, jobs and economic development
- **Packaging Request For Additional Taxes**
  - A staged tax increase solution that rolls out in a specific way over a specific time
  - Bridged with other innovating funding and financing sources of revenue
  - Start with a small sales tax increase for a specific number of years stepped up to a full ½% increase.
  - A simple package i.e. extra ½% sales tax +P3 solution with a champion to make it politically palatable.
- **Communication Plan**
  - A simple and clear communication strategy to inform the public of the committee's recommendations.

In conclusion, it appeared that some form of tax increase, sales or property, were the only true "anchor" sources of income that could advance the 2030 Transit Corridor System Plan. The meeting concluded with the group's agreement on their recommendations to the Metropolitan Transit Commission. These recommendations are listed in the MTC TFWG recommendations of this document.

The MTC Transit Funding Working Group's Framework

The Working Group endorsed a framework which involves:

1. Identification of a new, system-wide primary source of funds to be divided among each of the remaining transit corridors in a manner that maintains regional equity;
2. Innovative, corridor-specific supplemental sources of revenue;
3. Corridor-specific project delivery methods that may improve cost and schedule certainty and access to private capital; and
4. Use of innovative federal credit programs.

This framework will help corridors to proceed independently as soon as the funding, financing, and project delivery strategies are in place.

This framework departs from the previous approach of:

- Focusing the entire primary source of transit funds (the existing ½% sales tax) on one corridor at a time;
- Advancing corridors in a pre-determined sequence;
- Limiting project delivery options to traditional finance and procurement strategy; and
- Relying on federal and state grants for 75% of capital funds.

The Working Group offers the following funding, financing and alternative project delivery methods for consideration by the Metropolitan Transit Commission.

Table 8: Possible Scenarios

Scenario	Funding	Financing	Alternate Delivery
A.	1) Increase existing sales tax by ½% and expand the goods and service to which it applies 2) Establish transit corridor system-wide Tax Increment Financing district and secure legislative authorization to spend incremental tax outside of collection areas. 3) Develop secondary sources of funding described in Appendix B	1) Pursue federal loan programs such as RRIF (North Corridor) and TIFIA (other corridors). Refer to Appendix C for details on these and other financing tools. 2) Access private financing (equity and private debt) through Public Private Partnerships.	1) Pursue innovative project delivery methods such as DB, DBOM, and DBFOM ("concession"). Refer to Appendix D for details on different approaches. 2) Pursue partnership with airport for West Corridor.
B.	1) Establish transit corridor system-wide Tax Increment Financing district and secure legislative authorization to spend incremental tax outside of collection areas. 2) Develop secondary sources of funding described in Appendix B	Same as above.	Same as above.
C.	1) Establish Infrastructure Trust Fund with contributions from both public and private revenue sources. Could be combined with A or B above	Same as above.	Same as above.

Implementing Recommended Actions

Goals	Primary	Secondary	Timeline	Actions
Local Revenue Exploration				
TIFIA Loan for BLE long-term financing	CATS	City Finance	Immediate	City reviews TIFIA legislation and applicability to BLE long-term financing
			Within six months	CATS completes Letter of Interest (LOI) to TIFIA if deemed applicable
Define "System Plan" boundary for general TIF legislation	MTC/CATS	City Planning, Meck Co, Town's Planning	Within one year, aligned with new TIF/SAD legislation	CATS defines boundary in cooperation with Planning Departments in preparation for new TIF/SAD legislation and decisions to move forward with a TIF for the entire system plan
Enact TIF district along BLE Corridor	Charlotte City Council	City Planning, CATS	Immediate	City Planning & CATS prepare boundary for district and estimates of TIF revenue projections
			By December 2013	City Council vote on enacting district
Developing local infrastructure bank	Elected Officials	CATS	Immediate	CATS obtains further information from City of Chicago on their program
			Immediate	MTC/City/Towns review the necessity of legislative or other approvals
			Within one year	MTC/City/Towns decides whether to develop local infrastructure bank and proceeds forward City/Towns decide on sources of contribution to Infrastructure Bank
Assess impact of changes to base by the General Assembly on the current ½% sales tax	City Finance	CATS	On-Going	City Finance monitors and provides updates and estimates, including potential impact of internet sales on sales tax
Establishing zoning incentives along corridors to attract development	City & Town's Planning	CATS	Within one year, aligned with new TIF/SAD legislation	City & Town's Planning prepares draft zoning code changes in preparation for new TIF/SAD legislation
Explore menu of options for ancillary revenue: o Advertising o Air rights o Naming rights o Digital kiosks/boards o Carbon tax o VMT o Parking o Energy Related Revenue o Debt Refunding	MTC "Think Tank" Group	CATS	Within one year, aligned with technical studies defining corridors	Various studies and estimates can be divided among resources and prepared along with other planning work
Coordination/financial cooperation from Airport on West Corridor Streetcar	Aviation	CATS	Ongoing	Begin discussions with key contacts at the Airport who would be interested in partnering on the West Corridor

Goals	Primary	Secondary	Timeline	Actions
Legislative				
State authorizing legislation for all P3 methods	- Elected officials - Chamber		Within one year	Advocate for legislation
TIF and SAD legislation which makes revenue eligible for capital (and operating) costs of transit Extend SAD Legislation Sunset	- Elected officials - Chamber		Within one year	Advocate for legislation
State legislative authority that may be needed to explore transit loan programs	- City Finance - Elected officials		Immediate	Determine what steps are needed; can be in conjunction with investigation of TIFIA applicability for BLE
Additional sales tax (including Pennies for Progress for capital)	- Elected officials		Within one year	Advocate for legislation
Technical - Planning/Engineering				
Combine Streetcar and West Corridors into one project	MTC	CATS	Immediate	MTC vote to change system plan
Define mode for the Southeast Corridor	MTC	CATS	Immediate	MTC vote to begin studies by CATS
			Within one year	CATS produces study on mode/alignment options with recommendation on preferred presented to MTC
Revisit project scopes and cost estimates	MTC	CATS	Immediate	MTC vote to begin studies by CATS
			Within one year	CATS updates industry average cost estimates with corridor-specific estimates
Outreach				
Initiate and maintain contact with P3 market	- Elected officials - Community Advocates - MTC Working Group		Ongoing	Attend conferences
			Ongoing	Continue discussions with NS, NCDOT, NCRR on North Corridor
			Ongoing	Engage discussions with others interested in proposed corridor investments
Educate other stakeholders on P3 methods	- Elected officials - MTC Working Group		Ongoing	Designate leaders/champions on alternative project delivery methods that can engage community in dialogue on P3
			Within six months	Workshop with the MTC on Introduction to P3

Appendix A: Committee Members

MTC Transit Funding Working Group	
Member	Company
Hugh Allen	Wells Fargo
Jeff Brown	Moore & Van Allen
Jesse Cureton	
Ned Curran	The Bissell Companies, Inc.
Larry Dagenhart	McQuire Woods
Tracy Dodson	Cushman & Wakefield Thalhimer
Bobby Drakeford	The Drakeford Company
Natalie English	Charlotte Chamber of Commerce
Gerry Fox	Retired Mecklenburg County Manager
Matt Gallagher	Gandy Development
Harvey Gantt	Gantt Huberman
Manoj Govindan	Merrill Lynch
Malcolm Graham, Senator	Johnson C. Smith University / NCGA
Sammy Hicks III	Integrated Capital Strategies, LLC
Mary Hopper	University City Partners
David Howard, Councilmember –Committee Co-Chair	City of Charlotte
Torre Jessup	Office of Congressman Mel Watt – 6th District
Charlie Jeter, Representative	North Carolina General Assembly
Landra Johnson	
Anika Khan	Wells Fargo
Brandon Lofton	Robinson Bradshaw & Hinson
Lee Myers	Myers Law Firm
Dionne Nelson	Laurel Street Residential
Peter Pappas	Pappas Properties
Rick Sanderson	AECOM
Bertram Scott	CIGNA
Jill Swain, Mayor – Committee Co-Chair	Town of Huntersville
Bill Thunberg	Lake Norman Transportation Commission
Ron Tober – Retired CATS CEO	Parsons Brinkerhoff
Lynn Wheeler	Wheeler Communication Group LLC

Appendix B: Funding Sources

Local & Regional Public Transportation Funding Framework
Traditional Tax and Fee-Based Transit Funding Sources
• General Revenues
• Sales Taxes
• Property Taxes
• Contract or Purchase-of Service Revenues
• Lease Revenues
• Vehicle Fees
• Advertising Revenues
• Concessions revenues
Common Business Activity and Related Funding Sources
• Employer/Payroll Taxes
• Car Rental Fees
• Vehicles Lease Fees
• Parking Fees
• Realty Transfer Taxes / Mortgage Recording Fees
• Corporate Franchise Taxes
• Room / Occupancy Taxes
• Business License Fees
• Utility Fees
• Income Taxes
• Donations
• Other Business Taxes
Revenue Streams from Projects
• Transit-Oriented Development / Joint Development
• Value Capture/Beneficiary Charges
• Special Assessment Districts
• Community Improvement Districts / Community Facilities Districts
• Impact Fees
• Tax-Increment Financing
• Right-of-Way Leasing
New User or Market Based Funding Sources
• Tolling
• Congestion Pricing
• Emissions Fees
• VMT Fees

Appendix C: Financing Options

Program	Description	Range	Candidate Corridors
Transportation Infrastructure Finance and Innovation Act (TIFIA)	► Loan program to finance capital investment in surface transportation projects ► Low, fixed interest rates equivalent to Treasury rates ► Interest accrual during construction and first 5 years of operations ► Long-term debt with flexible repayment terms, subordinated position	► Standard is 33% of eligible project costs ► Could range up to 49% of eligible projects costs depending on project ► If used with New Starts grants, full federal participation will be limited to 80% of project	Any corridor meeting federal requirements if a long-term, non-federal repayment source is identified
Railroad Rehabilitation & Improvement Financing (RRIF)	► Loan program to finance capital investment in railroad infrastructure ► Low, fixed interest rates equivalent to Treasury rates ► Interest accrual during 6 years from first loan draw ► Long-term debt with flexible repayment terms, subordinated position	100% of eligible project costs	► North Corridor because involves freight rail corridor ► Specific elements of other projects may qualify if they involve interaction with railroad; for example, a grade separation with a rail line
EB-5 Visa Program	► Program whereby foreign nationals make investments that generate jobs for U.S. workers in exchange for U.S. residency visas ► Requires $1m investment ($500k in targeted employment area)	Depends on project	Any if a repayment source is identified
Private Activity Bonds (PABs)	► Tax-exempt bonds issued as part of a Public-Private Partnership	Up to 100% of debt requirement	Any project financed by a private partner subject to an allocation to the private partner of a portion of the $15 billion allocation available nationwide and identification of a repayment source
Program	**Description**	**Range**	**Candidate Corridors**

Federal Transit Administration (FTA) New Starts / Small Starts	Competitive Federal grant program which provides funding to match local resources up to an approved percentage of capital costs	► Generally, 30-50% of capital costs on BRT/LRT/commuter rail projects; higher local match makes project more competitive ► Up to $75m in Small Starts grants for projects with capital costs ≤$250m ► Streetcar projects attract lower federal participation, if any	► Ridership estimates on North Corridor do not currently make it competitive for New Starts ► Other corridors are possible candidates depending on how projects align with New Starts criteria ► Finance plan identifying local sources of funding to cover remaining capital costs, O&M expenses, and capital renewal and replacement costs is necessary to advance projects through program
Federal Transit Administration (FTA) Formula Funds	Current programs include Urbanized Area and State of Good Repair and allocate funds annually for maintenance of existing fixed guideway transit systems by statutory formulas based on service levels	Dependent on annual appropriations, formulas, and service provided; up to 80% of eligible costs	All rail and BRT projects that meet federal requirements if non-federal matching funds are identified
Federal Highway Administration (FHWA)	FHWA funds are available for streetscape, roadway, and utility relocation costs that may comprise part of a transit improvement project	Up to 80% of eligible capital costs	All rail and BRT projects that meet federal requirements if non-federal matching funds are identified

Appendix D: Project Delivery Methods

Option	Description	Available in Charlotte, North Carolina	Candidate Corridors
Design-Build (DB)	Design and contracting services are procured at the same time from one private sector team under one fixed-fee contract.	Yes this is traditional project delivery methodology.	All Corridors
Design-Build-Finance (DBF)	Similar to DB and in addition, the private sector team secures all or a portion of the financing for construction which is subsequently repaid by the public sector.	No	None currently without legislation
Design-Build-Operate-Maintain (DBOM)	Similar to DB and in addition, the private sector team provides a long-term contract for O&M services, typically up to 15 years, related to the DB project.	Yes, up to three public projects can use a form of Design, Build, Operate, or Maintain.[1] One slot has been claimed for a water treatment facility.	• North Corridor – current legislation allows for heavy rail only • Other corridors - None currently without legislation
Design-Build-Finance-Operate-Maintain (DBFOM)	► Private sector assumes responsibility for all DBFOM steps and payments from the public sector can be structured as Availability Payments.[3] ► Availability Payments are annual payments of a defined amount subject to performance deductions. ► Public sector does not have to pay Availability Payments until after the start of operations, but a reliable repayment stream needs to be determined during project development.	No	None currently without legislation

[3] For more information, please consult "Introduction to Public-Private Partnerships with Availability Payments," Ernst & Young Infrastructure Advisors, LLC (formerly known as Jeffrey A. Parker & Associates, Inc.), 2009, available in the informational binder handed out on February 20, 2013.