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Cotton Belt Corridor Innovative Finance Initiative

NCTCOG Public Meetings
December 2011

www.nctcog.org/ifi





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Project Development 101

- Step 1: Show Me The Money!
- Step 2: Mother May I?
- Step 3: Grow Baby Grow!
- Step 4: Ride Sally Ride!

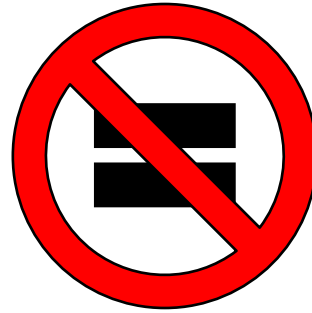




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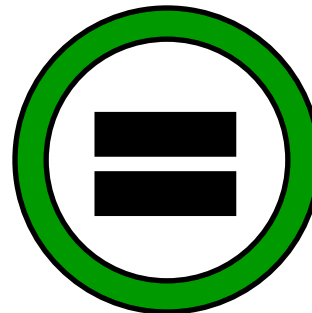
Innovative Finance 101

Funding



Financing

Funding

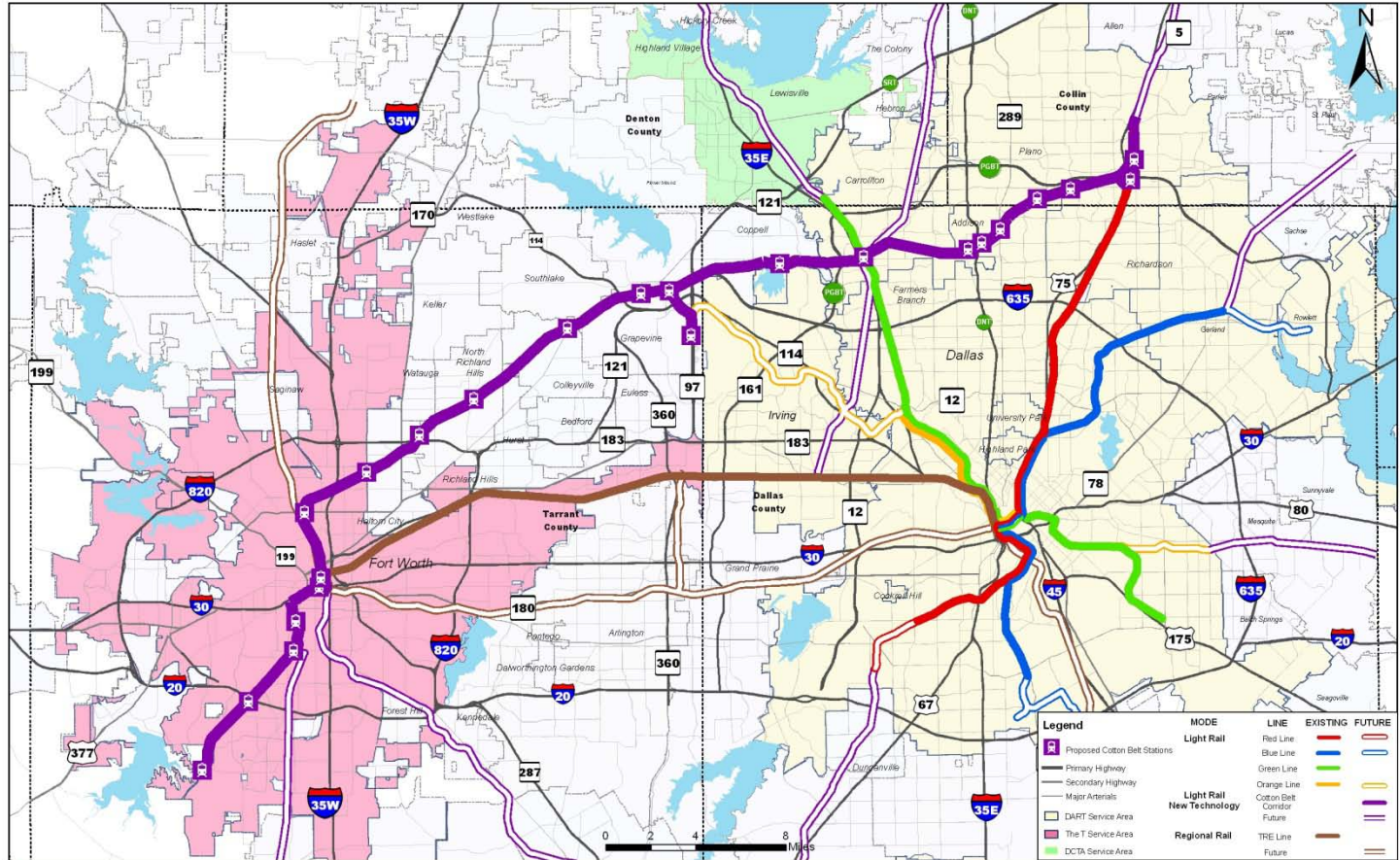


Revenue



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Cotton Belt Corridor



RAIL NORTH TEXAS
Existing and Proposed Passenger Rail Lines





Corridor Information

- 27 potential station locations
- System connections
 - Red, Blue, Green, Orange light rail lines
 - A Train, TRE commuter rail lines
- 450,000+ population in corridor
- Many stakeholders
 - 13 Cities, 3 Counties, 2 transit agencies
 - Other government entities



What Is iFi?

- Pronounced 'eye•fi'
- Innovative Finance Initiative (iFi)
- Primary concepts
 - Grow the pie
 - Back to the future
 - Phased approach



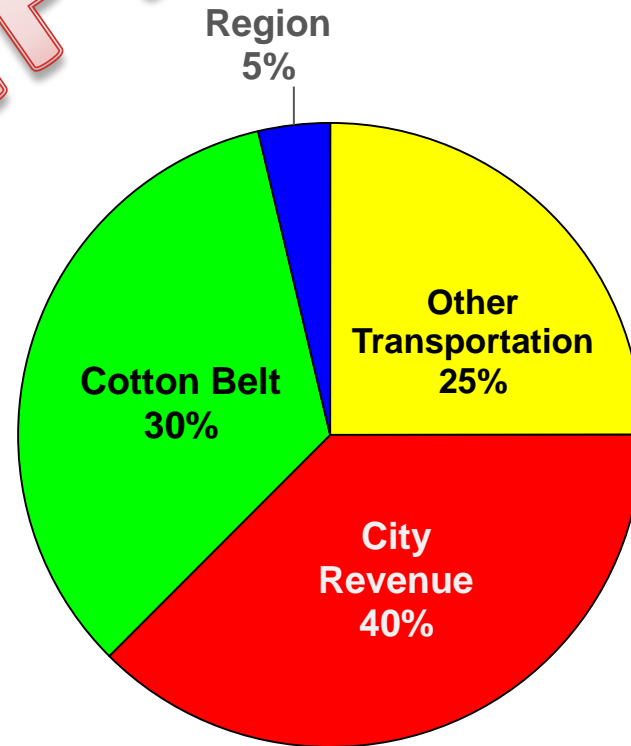
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Grow the Pie

EXAMPLE



Current



Future

Back to the Future

- Railroads were major land owners
- Primary “financing” through land grants
- Land acquisition ability
- 1867 Union Pacific began Land Office
 - Land sold for \$5 per acre
 - Same acre today = \$350
 - At ~ \$20 per *square foot*
 - ~ \$900,000 per acre



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iFi – 3 Phases

1. Find revenue sources

2. Form revenue sources

3. Fund revenue sources





iFi Purpose

- Enhance east-west mobility with a more sustainable economic development pattern
- Expedite implementation through innovative funding methods
- Dallas Area Rapid Transit (DART) and Fort Worth Transportation Authority (The T) request North Central Texas Council of Governments (NCTCOG) to:
 - Identify viable funding sources
 - Devise funding and revenue plan

iFi Tasks

- Develop comprehensive list
 - Started with 130 potential revenue sources
- Initial viability test
- Detailed viability test
- Include stakeholders
 - Team & individual meetings
- Interviewed potential investors
- Considered policy implications
- Develop recommendation



Potential Revenue Sources

- Non-geographic
 - Advertising
 - Naming rights
 - Fiber optic
 - Enhanced farebox recovery/rapid card
 - Parking
- Geographic
 - Public land development
 - Equity Payments
 - Value capture

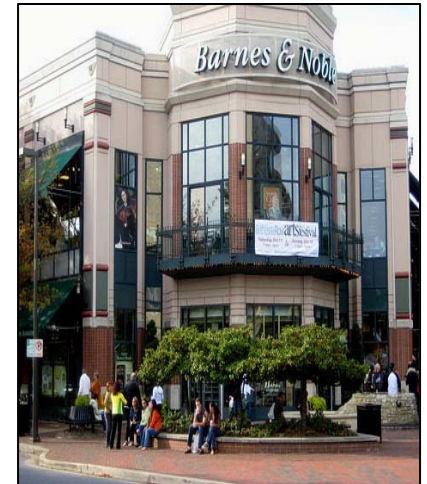
Why Value Capture?

- Typical scenario
 - Government builds infrastructure
 - Land owners reap benefits
 - Government builds more infrastructure
- Can government capture some benefit?
 - Land value increase
 - Tax increment



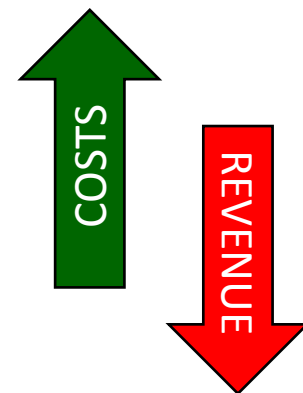
Value Capture Mechanisms

- Municipal Management Districts (MMD)
- Transportation Reinvestment Zone (TRIZ)
- Public Improvement District (PID)
- Tax Increment Financing (TIF)
- Special district
- Developer support
 - Sustainable development



iFi Analysis Parameters

- Very conservative approach
 - Capital costs – high
 - Operating costs – high
 - Fare structure revenues – low
 - Other revenue sources – low
- Overall assumptions
 - Integrated whole corridor operation
 - 40 year analysis
 - Inflation rate – 2.39 percent
(10-year consumer price index (CPI) average)
 - Five percent discount rate with 35 percent
Tax Increment Financing (TIF) share



Potential Revenue Sources

- Sales tax
 - Grapevine – 3/8 cent after 2015
 - 4A/4B – 10 percent from non-member cities
- Operations-related other sources
 - Advertising – 10 cents per rider
 - Naming rights
 - Fiber optic lease
- Farebox
 - Distance-based fares – 14 cents per mile

Potential Fare Structure

- Fair fare concept
- Smart card technology required

Partnership Payment	Lower Fare	Average Fare	Higher Fare	Partnership Payments
Student	Low Income	Average Fare	Peak User	Non-Member City User
Elderly	Frequent User		Special Destination	Special Functions
Unemployed	Off-Peak		Parking Space Use	Ozone Alert Response
Medical			Longer Distance	

Potential Revenue (2010\$)

Source	Amount (\$M)
Cash/Current Commitments	\$342.00
New Starts Funding (The T)	\$415.00
Sales Tax (Grapevine, 4B share & DART)	\$617.52
Farebox Revenue (@ 14 cents per mile)	\$280.40
Non-Geographic (Advertising, etc.)	\$148.88
Tax Base Value Capture	\$645.60
Land Value Capture	\$262.31
Total	\$2,711.71

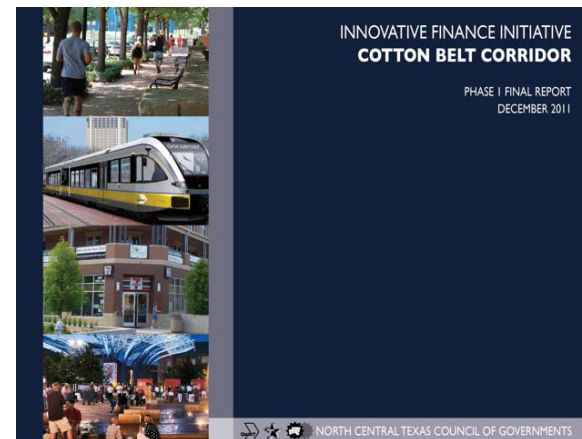
Assumptions: 2.39 percent inflation rate
 40 year analysis
 Five percent discount rate
 35 percent facility share of incremental value

Comparison to Cost

- Capital Cost – up to \$1.9B
 - Will vary with implementation method
- Cost/Revenue gap will vary based on:
 - Revenue assumptions chosen
 - Implementation method used

iFi Status

- Final Report released in December
 - www.nctcog.org/ifi
- Regional Transportation Council (RTC) acceptance
- Preparation for Phase II



Next Steps

- Begin Phase II
 - Find revenue sources
 - **Form revenue sources**
 - Fund revenue sources
- Phase II process scenarios
 - Public sector
 - Private sector



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