INTRODUCTION

Innovative Financing has been a necessity since the inception of the Federal transit program. Since 1974, transit operators have used Joint Development to increase their local sources of revenue. In the early 1980s, Safe-Harbor Leases were common for the larger transit agencies. Then, in the early 1990s, Cross-border Leases became attractive.

All of these transaction types had one end in view - to leverage private capital through the use of federally funded (tax-exempt) assets. The techniques were able, in the aggregate, to add about five percent to the capital budgets of the transit operators who used them. However, this merely generated "found money", and it seemed to serve mostly large transit operations. This was because the transactions generally involved assets valued in the tens of millions of dollars. It did not necessarily make the transit capital programs more efficient, nor did it address the funding needs of major capital projects.

The techniques outlined in this handbook may help transit operators to better manage their long-term capital needs, through a combination of lease, debt, and cash flow management. While previous techniques relied upon existing assets and cash expenditures, the newer techniques in this booklet rely on Guaranteed Funding levels in TEA-21, use of private capital markets, and closer links between a transit operator's ongoing capital flows and its ever-growing capital needs.

TECHNIQUES

This handbook will address the following financing mechanisms:

- State Revolving Loan Funds
- Joint Development
- Bonds and Certificates of Participation
- Delayed Local Match
- Super Turnkey
- Lease with Maintenance
- Cross-Border Lease
- Domestic Leasehold
- Grant Anticipation Financing
- TIFIA

This handbook presumes a somewhat different perspective - rather than benefiting from found opportunities, transit systems should prepare themselves to take full advantage of the transaction types available to them. This should occur, not when the facility or asset is being delivered, but well beforehand, when the planning is undertaken. When this is done correctly, joint development can be accelerated, thus leading to faster increases in ridership and more certain revenues from property near the transit facility. Grant anticipation debt can be used to minimize project delays, to the same end. Or, Certificates of Participation and pooled procurements can be used to reduce acquisition costs. The advanced planning can ensure that multiple techniques can be used within a single project, such as Turnkey, delayed local match and joint development, for example.

Transit operators are encouraged to view these techniques as beginning points - ideas - and to develop their own ways of applying or enhancing these techniques. After all, most of the techniques included in this booklet were first proposed by transit operators.

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