

Center for Accelerating Innovation



Assessing Value Capture Risks

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Introduction



External Market Risks



Legal and Political Risks



Economic and Fiscal Risks



Policy and Institutional Risks



VC Technique-Specific Risks







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Value Capture in Transportation



Introduction



Risk is defined as the possibility of deviation in the actual project outcome from the expected outcome (i.e., benefits/ costs to each project stakeholder), including:

- Unexpectedly good outcomes
- Unexpectedly bad outcomes

Source: Irwin, T. (2007). "Government Guarantees: Allocating and Valuing Risk in Privately Financed Infrastructure Projects." The World Bank. Washington DC..



Value capture, real estate and economic development, and risk are intrinsically intertwined, driven by a diverse range of factors.





The Value Capture Risk Assessment Primer



Assessing and managing risks associated with value capture in transportation funding is critical to project success.



The primer aims to increase the understanding of risks associated with value capture funding for transportation:

- What are typical risks associated with different value capture techniques?



- How to assess value capture risks to build resiliency into a project's funding strategy by incorporating means to <u>cost-effectively</u> deal with potential deviations in the ability to:
 - Generate the value expected;
 - Capture or use the value generated





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Risks related to shocks of economic growth and inflation at the national level that are generally outside the control of project stakeholders.



Economic Recessions

Interest Rate Changes





Geopolitical Conflicts

Catastrophic Events





Example 1: TIFs across the country before and after the subprime mortgage crisis



For example, TIF revenues in one Midwestern State increased by close to 382% between 2000 and 2007.



TIF revenues in the same State decreased more than 40% between 2009 and 2013.



Property tax rolls in other states across the country had large revenue swings as a result of the crisis.

Source: TIF Reform Task Force, Report of the TIF Reform Task Force, State of Illinois, 2018.



Example 2: Events of national or international scope that disrupt the balance between real estate demand and supply, with both short- and long-term effects



Demand for new homes increases as a result of private- and publicsector responses to mitigate the consequences of the event (e.g. a sudden shift to work-from-home or low interest rates).



Housing supply tightens due to economic uncertainty or increased construction costs caused by the disruptive event.



Higher housing prices increases residential property tax appraisal rolls, potentially benefitting VC techniques that rely on real property taxes in some areas.



Example 2: Events of national or international scope that disrupt the balance between real estate demand and supply, with short- and long-term effects.



An event that causes increased vacancy rate for retail and office space, as well as hotel occupancy.



This could have a negative impact on revenues generated by VC techniques that rely on commercial property or sales taxes.



Mitigation: Local governments could choose to extend deadlines and facilitate property tax payment plans.



Real Estate Market Risks

Regional or local real estate bubbles and boom-and-bust cycles that disrupt real estate development and other economic activity within the community.



- Property tax revenue
- Sales tax revenue



Real Estate Market Risks

Example 3: Commercial risk caused by uncertainty associated with a new development approach to connect a blighted neighborhood and a thriving business district.





Mitigation: Sponsor and developer conducted commercial and legal feasibility studies to assess scenarios and potential outcomes.



Other Local Economic and Demographic Risks

Risks that are regional or local in nature including shocks resulting from structural economic changes, natural disasters or other causes.



Structural economic shift away from manufacturing to services, causing unemployment in sectors of the workforce.



Natural or environmental disasters impacting local businesses.



Other Local Economic and Demographic Risks

Example 4: Unemployment and Migration at Rust Belt.



Outsourcing manufacturing jobs and automation has produced an industrial decline in the Rust Belt.



This translated into a decrease in economic activity in many communities, resulting in unemployment, out-migration, blight, and other signs of local economic contraction.



This can have a negative impact on revenues generated by VC techniques that rely on property or sales taxes



Mitigation: Rigorous feasibility studies based on short/long term trends and local/national economic trends for a resilient project.





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Legal Feasibility and Legislative Risks

Risks that may impact the ability of the local government to use a particular VC technique on a project or limit the ability to finance a particular type of project.



Lack of clarity in the State enabling legislation prior to project implementation.



Adverse changes in the State enabling legislation that take place prior to project implementation.



State or local legislative changes affecting business or incentives used to spur development.



Legal Feasibility and Legislative Risks

Example 5: Legal Challenges Implementing Transportation Reinvestment Zones (TRZs) for Counties in Texas.



TRZ Legislation in Texas allows counties to establish a TRZ.

However, the Texas Constitution has been interpreted as not allowing counties to pledge incremental tax revenue to repay debt issued for a project.

Authority of a county to form a transportation reinvestment zone, collect an ad valorem tax increment, and pledge and assign all or part of the increment to secure bonds or pay the cost of a transportation project. Tx. Att'y Gen. Op. GA-0981 (2012)



A constitutional amendment proposal to address the issue was defeated by voters in 2011.

A new amendment was approved by voters on in November 2021, but has not been implemented because of litigation filed by opponents.

The constitutional amendment authorizing a county to finance the development or redevelopment of transportation or infrastructure in unproductive, underdeveloped, or blighted areas in the county." Texas Proposition 2 (HJR 99) (2021).



Mitigation: When dealing with a newly created local funding mechanism, conduct a thorough legal feasibility assessment.

Legal Feasibility and Legislative Risks

Example 6: Legal Challenges of Using Naming Rights



There are regulations that restrict naming rights, such as the 1965 Highway Beautification Act or the 14th Amendment of the U.S. Constitution

Pub. L. 89–285, Oct. 22, 1965



Portland, ME's bus service faced controversy over ads promoting a marijuana ballot initiative on its buses.



Los Angeles Metro canceled its plan to sell station and other naming rights due to concerns about legal risk exposure.



Mitigation: When dealing with a new funding mechanism, conduct a thorough legal feasibility assessment early on.

Local Political Climate and Political Feasibility Risks

Risks that may affect the ability of a local government to use a VC Technique due to changes in political climate or public support.



Elections



Changes in Enabling Legislation



Public Support Prolonged Civil Unrest



Local Political Climate and Political Feasibility Risks

Example 7: Resistance to TIDs for the Dulles Corridor Metrorail Project

Landowners and developers resisted the creation of Transportation Improvement Districts (TIDs), a new tax.

There were concerns that landowners/developers outside the TIDs and/or future residents were not asked to pay, despite benefiting from the improvements.



The Landowners Economic Alliance for the Dulles Extension of Rail (LEADER) gathered support from at least 51 percent of landowners to establish the TID.



Mitigation: Conducting effective outreach and identifying champions in the developer community to generate awareness of the project's value generation benefits.



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Economic Growth Impact and Related Risks

Risks resulting in the generation of less revenue that expected or inability to secure financing to fund the project.





Feasibility Studies



Project Choice



Economic Growth Impact and Related Risks

Example 8: Lack of experience with transit joint development (TJD) – early years of the Dallas Area Rapid Transit (DART) LRT stations



In the 1990's, DART struggled to generate TJD along its new LRT system. Expected developer contributions to the City Place station failed to materialize when the real estate market softened.

Other transit agencies across the country had similar experiences.

The main problem in these early cases was the lack of appreciation for the complexity of TJD rather than a misreading of the market.



Mitigation: Ensure that the local government is knowledgeable of and fully invested in the TJD concept. Work with developers with a successful track record in TJD.

Sources:

- Cervero, R., Ferrell, C., & Murphy, S. (2002). Transit-oriented development and joint development in the United States: A literature review. TCRP research results digest, (52). http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rrd_52.pdf
- https://www.aiadallas.org/v/columns-detail/Unbuilt-Dallas/qj/



Fiscal Impact and Risks

Risks affecting the local government's ability to sustain basic government services as a result of the commitments made to the project.



Overcommitting Future Tax Revenues



Hampering the Ability to Sustain other Essential Services

Too Many Tax Increment Financing Districts



Fiscal Impact and Risks

Example 9: TIF projects not spurring the expected economic development

One study found that there are instances when TIF projects do not generate the economic development expected in the "But-For" test.



In practice, this means that the TIF projects end up being subsidized rather than creating additional revenue.



Mitigation: Rigorous "But-For" test feasibility studies that are based on realistic expectations and that stress-test developers' assumptions.





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Policy and Institutional Risks – Social Equity

Risks generated by the VC technique/project that has a disproportionate impact on low-income or other disadvantaged communities.





Loss of Cultural or Historical Sites



Diversion of Public School Funding



Excess Noise





Policy and Institutional Risks – Social Equity

Example 10: When development or re-development associated with a TIF district project affects low-income/minority residents.



TIF districts are used to pay for projects that spur development or redevelopment in blighted neighborhoods, sometimes disproportionally affecting low-income residents through gentrification and displacement.

Existing low-cost housing units are cleared and replaced with higher income units or commercial development, forcing the migration of lower income and minority residents.



Mitigation: Utah requires the development of affordable housing in Housing and Transit Reinvestment Zones. California and Portland, Oregon have similar requirements for TIF districts.

Utah: U.C.A. 63N-3-603; Portland HOU-1.06; California HSC Division 24 (33000 – 37964)



Policy and Institutional Risks – Administration and Transparency

Risks arising from limited transparency or communication of risk cost, risk allocation rationale, and the risk-return decision-making including the non-disclosure of unknown project risks.



Feasibility Studies Risk Assessments



Public Information



Policy and Institutional Risks – Administration and Transparency

Example 11: Lack of transparency in the distribution of funds in TIF districts



One study found that in some instances, TIF district project funds were redistributed without informing the public in a way that could be easily understood:

- How funds were distributed between projects in low-income areas vs. projects in higher-income areas.
- How much property tax revenue was diverted away from public schools.

Potential mitigation measures:



- Develop a TIF district master plan
- TIF district capital budget to allocate district resources
- TIF performance monitoring





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VC Technique-Specific Risks

Technique	External Market	Legal and Political	Economic and Fiscal	Policy/ Institutional/ Equity
Impact Fees				
Negotiated Exactions				
Transportation Utility Fees				
Special Assessment Districts				
Business Improvement Districts				
Land Value Taxes				
Sales Tax Districts				
Tax Increment Financing				
At-Grade Joint Development				
Above-Grade Joint Development				
Naming Rights				





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Building Resiliency into a VC Strategy



Building resiliency is key to maximizing the value generated by the transportation investment and the long-term success of value capture as a funding source.



Building resiliency is about incorporating means to <u>cost-effectively</u> deal with potential deviations in actual project outcomes that may affect:

- The ability of the project to generate the value expected
- The ability to capture or use the value generated

This is accomplished through a "Risk-Adjusted Value Capture Strategy."



A Risk-Adjusted VC Strategy through Integration and Phasing

Transportation Project Development Process Phases




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Options For Funding Transportation Projects S&P Global Ratings Perspective

FHWA Webinar: Assessing Value Capture Risks

Aug. 16, 2023



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Key Takeaways

- > What are the funding options for transportation projects?
- How do these funding options differ?
- > How can issuers mitigate risks for each option?
- Ultimately how to decide among the options?

Project Approval

There are multiple methods for transportation project approval and the method may underscore the funding option.



Authorizer

Local Government, like a city council

Transportation agency

Metropolitan Planning Organization

Federal government



Dedicated sales tax levy

Tolls levied for certain facility

Typically a regional funding solution, like a tax increment or special assessment district

TIFIA Loans



Dedicated Sales Tax Revenue

- A local government may leverage a dedicated sales tax for infrastructure or transportation to fund a major project.
 - ✤ A dedicated levy may be approved through a voter referendum.

Opportunities

- Allocated specifically for infrastructure
- Accounted for separately from general operating funds
- In growing communities or regions, collections increase year over year

Risks

- Levy may sunset after a particular period of time
- Subject to economic growth conditions
- Shocks like an extreme weather event could materially disrupt collections, if even for a short period of time
- We would evaluate a sales tax funding option through our Priority Lien revenue bond criteria.

S&P Priority Lien Revenue Bond Analysis: 4 Key Factors

Linkage to the Economic Revenue Coverage and Obligor's **Fundamentals** Volatility Liquidity Creditworthiness Demonstrated Historical debt service Our priority lien rating ٠ Size of the economic is partially informed historical volatility coverage: annual and base from which the MADS by the obligor's over multiple tax is collected Covenants that creditworthiness economic cycles and • Economic decades require certain Operational concentration Sales tax is deemed coverage thresholds commitments by the elements (tourism or 'Low' in our criteria to issue additional obligor could lead to oil and gas) based on durability bonds recapturing priority Wealth and incomes and stability over time Requirements for a lien taxes across the economic Adjustments can be debt service reserve Our priority lien ٠ base made for analytical ratings could be 0 to 4 fund and at what level Metropolitan ٠ flexibility if issuer's its funded (annual notches higher than statistical area or taxes exhibit different debt service, MADS, the obligor population hub trends from initial 10% of par) view of volatility

Dedicated Toll Revenue

- > Transportation agencies can fund new and existing infrastructure with tolls paid by users.
 - Tolls may be dynamic or fixed by number of axles.



- Operations and maintenance costs are paid by users
- Tolls can be structured dynamically to account for periods of increased traffic (like rush hour)
- Debt issuance can be sized to meet demand and toll revenue expectations



- Risks
- Demand is variable and could be uncertain
- Alternate 'free' transportation routes can compete with toll facilities
- Shocks like an extreme weather event could materially disrupt collections, if even for a short period of time
- We would evaluate a toll facility through our Transportation Infrastructure Enterprises criteria.

S&P Transportation Infrastructure Enterprise Analysis: 6 Key Factors

Economic Fundamentals	Market Position	Management and Governance	Financial Performance	Debt and Liabilities	Liquidity and Financial Flexibility
 Size of the economic base of the service area in which the toll facility operates Wealth and incomes as well as population trends compared to the U.S. across the economic base 	 System versus single asset Essentially of the road/system in a state or major metropolitan area reflected in sustained transaction levels Toll setting flexibility 	 Management's ability to prioritize and achieve financial and operation goals Risk management identified through long term financial and capital planning Management expertise and record of success 	 Maintenance of debt service coverage reflected in a 3-year average We may also take into consideration proforma information like additional debt plans, or toll increases 	 Analysis of a toll facility's debt burden by considering the ratio of debt to net revenue May consider the age of facilities (which could approximate the amount of debt needed for deferred maintenance) Single asset rather than multi-asset system that can spread costs 	 Level of liquidity as measured by number of days of cash on hand Contingent liquidity risks such as lawsuits or variable rate debt Reliance on lines of credit

Dedicated Tax Increment Revenue

- > Tax increment districts can span across multiple service areas or cover only a portion of the service area.
 - Tax increment districts typically consider incremental value in the project area compared to an initial, 'frozen' value



- Increment taxes are only levied within the specific project area
- Revenue is dedicated to funding infrastructure within the project area
- Undeveloped property in the project area is beneficial as incremental value increases more quickly



- Risks
- Pace of development may change and not meet forecast
- Changes in state statutes or assessment practices may influence revenue from tax increment values
- Economic shocks could dampen development making it unlikely to generate increment revenue sufficient to meet debt service
- ✤ We would evaluate a tax increment district with our Special Purpose District criteria.

S&P Special Purpose District Criteria: 8 Key Factors

	Project Area Analysis	C	Taxpayer oncentration		Historical Assessed Valuation Growth	Å	Future Assessment Growth	Ma	anagement	С	Legal Considerations	(Cumulative Tax Limits
•	General economic factors that affect economic growth Building permits can indicate overal construction trends Review district's plan including historical economic conditions and project objectives	• I c	Concentration is analyzed by comparing AV of the top taxpayers to project area incremental value Taxpayers may be analyzed as concentrated based on an individual company (ex: shopping mall) or a particular type of property (ex: aircraft)	•	Examine at least 4 years of project area assessed values (AV) when available Use total project area assessed valuation, rather than incremental AV	•	Future assessment growth is one indicator to inform potential new development A fully developed area limits the possibility of future AV growth Construction strikes, changes in market conditions, or higher interest rates can cancel or delay development	•	Executive director oversees tax increment district Broad authority to acquire and develop project area including eminent domain powers Management may discuss additional debt plans, features of the tax increment plan, and final land use plan	• • • • • •	Security pledge Flow of funds Debt service reserve fund Additional bonds test (ABT) Lower ABT can be mitigated by lower volatility ratio and less taxpayer concentration Tax increment authorization laws and litigation	•	Some states (like CA) caps tax increment revenue collected from a project area Could result in reaching the cap before the final bond maturity

S&P Global Ratings

Financial Operations and Volatility Ratio

- > Financial operations of the tax increment district could be affected by:
 - Fluctuating tax rates and/or delinquent collection rates
- Historical debt service coverage
 - No specific level of coverage leads to a particular rating
 - S&P uses the lower of the ABT or MADS for analysis
- S&P uses a revenue volatility ratio as a proxy for the speed at which revenues can rise or fall in the event of fluctuations in assessed value (AV). The ratio consists of the project area's base assessment to total assessment.
- S&P expresses the volatility ratio as a decimal fraction between 1.0 and 0.0. A higher number represents more volatility.
- > The volatility ratio is specific to each project area and is independent of the amount of debt issued by a project area.
- An alternative way to look at the volatility ratio is to examine its inverse. The inverse represents the % that total project area AV must fall to produce zero incremental revenues. Thus, a high volatility ratio of 0.8 means total AV would have to fall 20% before there would be no more tax increment revenues.

TIFIA Loans

- The federal government provides TIFIA loans for transportation projects through an application and review process administered by the U.S. Department of Transportation.
 - TIFIA loans can be used for a variety of infrastructure projects that have regional or national significance. Recipients include state and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities.

Opportunities

- Low cost capital compared to bond market
- Flexible draw down schedule to match liquidity with project timeline and costs
- Only repay the proceeds used and interest does not accrue until drawn down



- Application and project review by the US DOT can require a long lead time
- Project may have to adhere to federal procurement requirements
- Documentation for US DOT could be more time intensive than other types of loans/debt obligations

So...how to decide on funding mechanism and mitigate risks?

Decision considerations	Risk management
Local or regional support for the project	Community education and benefits of the project
State statutes that could limit revenue raising flexibility to support debt service costs	Risk transfer to a private partner through the procurement process; debt service reserve funds
Project planning time horizon	Long-term capital planning and prioritization
Demographic composition of the service area	User-based taxes or fees



Questions?

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Reno Transportation Rail Access Corridor (ReTRAC) A Case Study in Project Financing August 16, 2023

EVANS A



John Flansberg, PE Regional Infrastructure Administrator



Union Pacific Rail Transportation Routes



Reno is situated on a major rail corridor linking west coast ports to inland destinations



Need for ReTRAC

- Discussion of undergrounding the train tracks began as early as 1938
- The existing train tracks ran through a 2.25 mile stretch of downtown Reno creating 15 minute traffic delays, emergency vehicle delays, pedestrian safety issues, & noise
- 1996 merger of Union Pacific and Southern Pacific which would result in a doubling or tripling of rail traffic through Reno



2/11/98. Traffic on North Virginia Street waits for a train to pass in downtown Reno. David B. Parker photo. DAVID B. PARKER





Project Benefits

- Less traffic and pedestrian conflicts
- Improved emergency vehicle access throughout downtown
- Reduction in noise and train whistle
- Increased property tax revenues due to increased residential, commercial, and industrial property values along the corridor
- 120 acres of new, developable real estate



10/3/97. Pedestrians wait for a Union Pacific to pass by in downtown Reno. David B. Parker photo. published cutline DAVID B. PARKER

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In 2000: A man with a walker slowly makes his way across the tracks in downtown Reno. RGJ FILE

Project Plans

- Trench would allow for train maximum speeds of 60 MPH
- First design-build project for City of Reno shaving off 18 months of construction time

Citizens for a Public Train Trench Vote v. City of Reno

Trench in the balance

Can your vote this election kill Project ReTRAC? Maybe

This article was published on 08.29.02

Mayor Jeff Griffin signs the city of Reno's historic trench contract with Granite Construction. PHOTO BY ZACH LYON

NEWS

Hey, buddy, wanna buy a bond?

Picking up the trench tab

The financial wheels of Reno's \$264 million trench project are finally chugging down the track.

GOLDMAN SACHS THE COMPANY'S MANAGERS RAISED FUNDS AND HELPED THE CITY

SAVE MONEY ON RETRAC

We told you so

Predictions of calamity was not enough to derail Reno's runaway train trench. Now what?

By Willie Albright This article was published on 07.14.11

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e Pike July 7, 2005

Public Opposition to ReTRAC Project

- "City Council was acting unilaterally"
- "ReTRAC project should go to a vote of the citizens"
- "Project will bankrupt the City"
- "Trench will become a floodway"
- Downtown business impacts due to construction
- Public petitions started and a lawsuit went to the Nevada Supreme Court to try to stop the City from issuing bonds to fund the project
- November 2002 Washoe County Advisory question showed only 37% of voters approved of the project; however, 3 pro ReTRAC candidates elected to Reno City Council

Revenue Sources for ReTRAC Project

- The Nevada Legislature approved a 1/8¢ Washoe County sales tax increase for railroad grade separation project (April 1,1999)
- The Nevada Legislature imposed a 1% room tax for a railroad grade separation project (May 30, 1999)
- Creation of Special Assessment District
- Lease revenues from former and existing railroad properties

Lease Income

- UP transferred all property between Keystone Ave. and Galletti Way to the City (Lease revenues approximately \$1.5M annually)
- UP assigned all property lease income from Keystone Ave. to Woodland Ave. to the City for 30 years (approximately \$170,000 annually)

Financing Mechanisms for ReTRAC

Finance Instrument	Amount	Funding Source
City of Reno bonds	\$111.5M	Sales and room tax
TIFIA Loan	\$50.5M	Sales and room tax
Union Pacific Railroad	\$17.0M	For rail supplies
Special Assessment District (SAD) Bond	\$14.9M	
Cash and Interest	\$64.7M	
Grand Total:	\$279.9	

TIFIA Loan Financing

- First TIFIA loan
- Comprised of 3 separate obligations
 - \$50.5M secured by sales tax and room tax
 - \$5M secured by lease income from property contributed by Union Pacific
 - \$18.8M secured by tax assessments on real property in the downtown business district
 - City chose not to proceed with the 2 smaller loan options
 - 5.66% fixed interest rate
- Secured loan in 2002

Federal Grants

- •5/18/1999 City and NDOT fund the environmental impact statement through \$2.25M in federal funding
- •TEA 21 Grant of \$15.845M for construction

Initial Financing of ReTRAC

Date	Source	Amount	Interest Rate
1998	Sales and Room Tax Revenue Bonds	\$6,000,000	
2002	Senior Lien Sales Tax and Room Tax	\$114,245,000	5-5.5%
2002	Subordinate Lien TIFIA Loan Backed by Sales and Room Tax	\$50,500,000	5.66%

Project completion

The project was completed on time in 2005.

 First train passed through the trench on November 18, 2005

Received 2007 APWA Project of the Year for transportation project over \$100M

Post ReTRAC Enhancements

- Add a "Lid" over two sections for special events
- Screening of trench from downtown bridges
- Refinanced to a better overall rate and generated \$24M for enhancements

Benefits of Refinancing the ReTRAC and Events Center Bonds

- Reduced borrowing costs
- Funding for Capital Improvements:
 - Reno Ballroom
 - National Bowling Stadium improvements
 - Virginia Street Narrowing
 - Virginia Street Beautification
 - \$3.3M for future post office plaza project
 - First installment payment for Regional Transportation Commission site
 - ReTRAC cover project
 - \$2M for the Community Assistance Center
 - Title for the National Bowling Stadium and land
 - \$3M for General Fund for Redevelopment Agency for repayment of outstanding loans
- Set up \$5M Stabilization Fund

Refinancing ReTRAC for Additional Revenue

Date	Source	Amount	Interest Rate
2006	2006A Tax Exempt Sales Tax Bonds (Pay off TIFIA Ioan) - ARS	\$137,425,000	3.78%
2006	2006B Tax Exempt Sales Tax Bonds - ARS	\$51,248,693	6-6.875%
2006	2006C Taxable Senior Lien Room Tax Bonds	\$8,720,000	5.91%
2006	2006 ReTRAC Lease Revenue (taxable) secured by lease revenues from UPRR acquired properties	\$14,295,000	5.71%
2006	2006 Taxable SAD Bonds	\$13,905,000	6.08-7.28%

ReTRAC 2008 Refinancing Challenges

- In December of 2007, Goldman Sachs recognized there were going to be issues with auction rate securities (ARS) and recommended restructuring to variable rate demand obligation bonds (VRDO)
- City needed a letter of credit to refinance the ARS to VRDO
- City negotiated a letter of credit with the Bank of New York
- ARS were converted to VRDO in March of 2008, avoiding the 15% interest maximum rate that came in September 2008 on similar ARS

City leaders!

FROM LEFT, RENO MAYOR BOB CASHELL JOINS CITY COUNCIL MEMBERS DWIGHT DORTCH. DAVE AIAZZI, AND PIERRE HASCHEFF AT THE AMTRAK STATION DOWNTOWN.
1/8 Cent Sales Tax Revenues for ReTRAC Project from 2003-2008



1/8 Cent ReTRAC Sales Tax Revenues



Revenues from 1% Room Tax Increase for ReTRAC from 2003-2008



■1% Room Tax Increase Revenues



Financial Market Collapse – Crisis Averted for ReTRAC Debt

Date	Source	Amount	Interest Rate
2008	2008A Senior Lien ReTRAC Refunding Tax Exempt Sales Tax Bonds (variable rate)	\$143,210,000	3.32%
2008	2008B Subordinate Lien ReTRAC Refunding Tax Exempt Sales Tax Bonds (variable rate)	\$47,416,227	6.75-7.875%



2018 Refinancing Package

- The City did not have enough money to pay the 2008B bond, which had set payment guidelines. Goldman Sachs allowed the City to defer payments, but the debt balance continued to rise.
- Swap termination (\$8M) fee had to be incorporated
- Benefits: secured a fixed rate, eliminated the letter of credit fee and remarketing fees (\$2M/annually). \$2M used to pay down debt rather than fees.



1/8 Cent Sales Tax Revenues for ReTRAC Project from 2003-2018



Revenues from 1% Room Tax Increase for ReTRAC from 2003-2018





Refinancing ReTRAC to Fixed Rate

Date	Source	Amount	Interest Rate
2018	2018A 1 st Lien ReTRAC Refunding Bonds (fixed rate)	\$123,275,000	4-5%
2018	2018B 2 nd Lien ReTRAC Refunding Bonds (fixed rate)	\$32,680,000	4-5%
2018	2018C Subordinante Lien ReTRAC Refunding Bonds (fixed rate)	\$58,659,820	6.15%
2018	2018D 2 nd Subordinate Lien ReTRAC Refunding Bonds (fixed rate)	\$16,115,490	6.75%



2020 Pandemic

- Sales tax revenues increased
- Room tax revenues decreased for 2 years, but returned to pre-pandemic levels in 2022
- City never got into a situation to cover debt with other sources





1/8 Cent Sales Tax Revenues for ReTRAC Project from 2003-2022







Revenues from 1% Room Tax Increase for ReTRAC from 2003-2022





Special Assessment District Revenues from 2003-2022



5



ReTRAC today

- Redevelopment as a result of ReTRAC is 12 years behind where the City initially planned
- The City has activated the new developable space
 - Biggest Little Dog Park
 - 15,000 square foot mural
- Most people living/working/visiting Reno can't imagine downtown without the trench







Photos by Jen Schmidt

Reno Ace's Ballpark

Neon Line District









City of Reno's current Financial Picture

- •Balanced budget in FY23 and FY24
- Increased sales tax revenues resulted in \$12.8M additional pay down of 2018C bonds
- Lease revenue bonds paid off in 2022
- SAD will end in 2024 and debt will be paid in 2025
- Greater economic diversity away from entertainment to industry and distribution



ReTRAC in Retrospect

- Freight interface between rail and trucking
- Greater use of Port of Oakland resulting in increased trains passing through downtown Reno has had negligible impact to quality of life
- Downtown revitalization
- As a community, we have become more sophisticated in understanding the financing options and asking the tough questions.



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