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Transportation Trust examining alternate funding for projects

BY RISA POLANSKY

With Miami-Dade Transit facing tens of millions in annual budget shortfalls in less than five years, the county's Citizens' Independent Transportation Trust is exploring alternative funding ideas in hopes of getting new transit projects rolling.

Tax increment financing, public-private partnerships and subsidized loans are all in the mix.

To pay down existing and future debt for near-term projects – only one of them a major expansion – the county transit agency faces a projected nearly $59 million annual shortfall beginning in 2014, potentially requiring higher gas taxes or more county funds for the department.

An ongoing Metrorail extension from the Earlington Heights station to the new Miami Intermodal Center is the only major system expansion included in the short-term capital program that's driving up debt service costs.

But the county has long considered – and promised residents – major system expansions, such as a North Corridor Metrorail leg.

Now, the transportation trust – created to oversee the voter-approved half-percent sales surtax for transit projects – is looking for a way to get some of those initiatives moving in some capacity, even through smaller-scale projects.

"One of the major projects that we've undertaken is an innovative financing study," Executive Director Charles Scurr told commissioners and residents at the county's second annual transit summit last month.

The result: "We see innovative financing as a very useful funding opportunity," said Sasha Page of Maryland-based consultant Infrastructure Management Group. "It's not a silver bullet, but it can help the county realize some of these capital projects as it goes forward."

The report looks at strategies already in play in other parts of the nation.

It lists examples of alternative funding mechanisms used in other areas, as well as advantages and disadvantages of each.

'One of the major projects that we've undertaken is an innovative financing study.'

Charles Scurr

To pay for transit along the north corridor, the report suggests exploring tax increment financing, which calls for creating a district that captures increases in tax revenue as property values rise.

Mr. Page noted that because values are depressed in today's recessionary realty market, now is an opportune time to take advantage of such a financing scheme, as values are apt to rise in the coming years, generating revenue for the district.

Such districts are appropriate in "economically disadvantaged" neighborhoods, the report notes.

"Many North Corridor stations, where new transit service will be a component of a larger neighborhood revitalization, may be appropriate for TIF [tax increment financing] districts," it says.

'It's not a silver bullet, but it can help the county realize some of these capital projects as it goes forward.'

Sasha Page

For a planned East-West transit line, a benefit assessment district could prove a boon, the report says.

To create what's known as a BAD, the county would designate a zone around a transit station, and businesses within it would pay a tax based on their property's value per square foot.

In Seattle, such an assessment district paid for half the capital costs for a streetcar project, and in Portland, 17% for a similar project, the report says.

"The East-West corridor, with its higher-value real estate, is the most likely area for a benefit assessment district."

But, the report notes, special assessment districts "require an expanding economy and active real estate market to be successful, and can take many years to develop even in the best of circumstances."

In the short term, such financing would support only smaller projects, it says.

But the study suggests also other ways to pay for transit expansion and improvement.

Using the existing system as a revenue generator through advertising, naming rights, concessions and parking charges can supplement fare income and other traditional revenue streams, it says.

Miami-Dade Transit already uses some of those tools, and "we would applaud and encourage more of that activity," Mr. Page said.

The report also considers subsidized loans from the Florida State Infrastructure Bank and the federal Transportation Infrastructure Finance and Innovation Act, which is helping make possible twin underwater tunnels to the Port of Miami.

The tunnel project is also a public-private partnership, something else the study recommends.

County Commissioner Barbara Jordan, chair of the Transit, Infrastructure and Roads Committee and a vocal advocate for transit along the North Corridor, has said she's also exploring such innovative financing schemes.

She plans trips to other cities to evaluate other systems firsthand.

A second phase of the transportation trust's study "would examine the potential revenue that could be generated through innovative techniques for each [local] project, and the financing mechanisms most appropriate to leverage traditional and innovate funding sources to deliver the projects as quickly as possible," it says. "This analysis will enable decision makers to focus on innovative finance opportunities that have the maximum potential to enable projects to be completed ahead of schedule."

The report notes, though, that creative financing isn't a cure-all.

"A focus on reducing [transit] operating costs and keeping the existing system in a state of good repair will provide financial flexibility for future capital expansion."

Said Mr. Page: the financing mechanisms "can help perhaps 10% or 20% of paying for some of these major capital projects. They don't necessarily cover all the [operations and maintenance] costs, but they do help move some of these major projects forward."

Photo by Maxine Usdan

The Metrorail extension from the MIC to the Earlington Heights station is the only major expansion in the short-term capital program.