Connecticut General Assembly
Committee on Transportation
Testimony of Sasha N. Page, Infrastructure Management Group (IMG)
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Senate Committee Bill No. 237
AN ACT CONCERNING A FEASIBILITY STUDY OF LIGHT RAIL SERVICE IN CONNECTICUT.

Good morning. My name is Sasha Page. I am Vice President and Head of the Transportation Practice at Infrastructure Management Group, a financial and management advisory firm, based in Bethesda, MD. I am submitting testimony in favor of Senate Bill 237, an act concerning a feasibility study of light rail service in Connecticut as well as other related bills that encourage the improvement to or development of new transit, commuter, intercity passenger and freight railroad facilities.

For the past 15 years, Infrastructure Management Group has been working with infrastructure asset owners to maximize the performance of their facilities and help them develop new facilities with innovative and public-private partnership ("P3") funding sources and techniques. IMG is advising several regional, state and federal transportation entities on developing new transit and rail facilities, including a $200 million (M) commuter rail/future Amtrak Warwick Intermodal Facility at the T. F. Green Airport near Providence, RI, $100 M in improvements to Vermont's freight system, Miami-Dade County's $10 billion (B) transit and public work program, and the $33 B California High Speed Rail Authority San Francisco to Los Angles project.

We encourage the Connecticut Legislature to consider the proposed legislation that seeks to improve current transit and rail service throughout the state and build new facilities for a number of reasons, including that: 1) throughout the U.S. passengers have demonstrated increasing demand for these services, 2) greater transit and rail ridership relieves congestion on streets and highways—benefiting a large number of the traveling public, even if they do not use transit themselves, 3) reduced car usage has tremendous energy and energy-independence benefits, 4) transit and facilities can foster environmentally friendly land-use in cities and suburbs.

Furthermore, with transit and rail's rising profile, IMG's recent experience has been that the capital markets and private investors are increasingly interested in funding these projects and accepting certain development risks, in return for a portion of the long-term project benefits. This interest can be channeled in several ways, including: innovative finance techniques, availability payments, transit-oriented development and concession contracts. Let me briefly describe each of these:

Innovative Finance – A number of public programs such as the US DOT's Transportation Infrastructure Finance and Investment Act ("TIFIA") provide below-market funding for projects, including transit and rail that demonstrate clear public benefits and would be difficult to fund without such support. In the above-mentioned Warwick Intermodal Center in Rhode Island, a $40 M TIFIA loan will provide a crucial part of the financing for this innovative transit, future rail, rental car, parking, bus facility linked by moving sidewalk bridge to an airport. TIFIA has successfully been used to fund other transit projects, including those in Miami, FL; San Juan, PR; Reno, NV, and Washington, DC.

Availability Payments – Availability payment procurement and finance is a technique especially well-suited to transit and rail projects where significant benefits to the public can be achieved by shifting a large degree of construction and operation risk to private parties. Under an availability payment scheme, a government partner contracts to pay certain payments to a private entity over a 10 to 20 year period. The availability payment compensates the private partner for the cost of construction and the "availability" of the facility during the contract period, with appropriate penalties if availability criteria are not met, forcing them to have a true "life-cycle" approach to the delivery process. Availability payments have been used in transit and rail projects around the world, including the Dutch High Speed Line and the Gautrain, an intercity rail line in South Africa. In the US, availability payments are contemplated in transit and rail projects in Denver, San Juan and California.

Transit-Oriented Development ("TOD") – The development of property at, adjacent to, and nearby transit and rail stations and corridors both advances environmentally-friendly land use objectives and can be a mechanism to capture some of the value that these facilities create. TOD can come in many forms, including: 1) optimizing commercial and retail develop at train stations, 2) jointly developing parking facilities that benefit transit users and nearby commercial and residential facilities, 3) capturing current and future value from commercial developments near transit facilities through the creation of special assessment districts or tax-increment financing ("TIF") mechanisms. For instance, the Washington Metropolitan Area Transit Authority ("WMATA"), local governments and the Metropolitan Washington Airports Authority ("MWAA") are working together to construct a 23.1-mile transit system to Dulles International Airport. The Phase I $2.6 B funding will come from approximately $900 M in federal funds, up to $400 M from commercial property special tax districts (around 15%), and $75 M from the state and the remainder from Dulles Toll Road revenues. In Phase II of the project, a higher proportion of the funding will come from the special tax districts.

Concessions – Although still in its infancy, there are increasing examples of private parties willing to take on long-term concessions to design, build, operate, maintain and finance transit and rail facilities, as has occurred with private toll roads, airports and water facilities. The uncertainties about how ridership demand will unfold have hampered such concession contracts for rail and transit in the U.S. so far. Yet projects in Europe, such as the new Tours-Bordeaux TGV (high-speed rail) line, where an estimated 50% of the project risks, including ridership will be allocated to private parties, suggest that this may be a reality for U.S. transit and rail in the next decade.

My colleagues and I at Infrastructure Management Group applaud the Legislature's consideration of a variety of measures to improve and further develop transit and rail facilities within the State and linking to surrounding states. We believe that this fosters good public policy with long-term benefits. In addition, we believe that the State will find a ready group of highly-experienced private partners willing to share a number of development, operational and financial risks to make these projects a reality, under clear, balanced and transparent agreements.

My colleagues and I would be pleased to provide the Committee more detailed information on these comments if you desire.

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