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*Helping You Acquire the
Products and Services
Your Community Needs*

*"Without Transportation Lending Services'
low-interest financing, we would not have
been able to purchase the building we're in."*

*Rick Thoms
Souris Basin Transportation
Minot, North Dakota*

*"Transportation Lending Services'
financing was what really got our
company off the ground. There
were no other low-cost financing
alternatives."*

*Frank Harnishfeger
Buckeye Charter Services
Lima, Ohio*

THE
TRANSPORTATION
LENDING
SERVICES
CORPORATION



"Transportation Lending Services was the perfect solution for Wind River Transportation. It allowed us to purchase property and expand on our existing facility. The financing became our local match!"

**Sean Solan
Wind River Transportation
Riverton, Wyoming**

We have always been advocates for developing a broad base of financial support for community and public transportation. Our advocacy for public investment in transportation has included support for not just federal investment — but commitment by state and local government as well. We also believe that the private sector has a role to play in helping provide a range of investment for community and public transit, and that there is a need to utilize many of the finance mechanisms available in the private sector for community and public transit.

The recently published "Financing Capital Investment: A Primer for Transit Practitioners," Transit Cooperative Research Program Report 89¹ and the Federal Transit Administration's Innovative Financing Handbook² support the use of private funds through various forms of lending, and leasing as a way to make critical transit investments in community and public transit systems of all sizes and in all locations.

As part of its own commitment to diversifying funding for community and public transit, and to provide the most equitable way of assisting our industry with private sector and other forms of financing, the Community Transportation Association of America founded the Transportation Lending Services Corporation in 2000. Transportation Lending Services is a financial institution certified by the Community Development Financial Institution Fund of the United States Department of the Treasury.

How It Works

The Transportation Lending Services Corporation strives to simplify the process of transportation finance while using some of the more innovative financing mechanisms available to public and community transportation, mechanisms that are covered in both the TCRP and Federal Transit Administration resources referenced earlier in this section.

¹ Available at www.tcrponline.org/bin/publications.pl?mode=abstract&pub_id=1038

² Available at www.fta.dot.gov/transit_data_info/reports_publications/publications/innovative_financing/7655_ENG_HTML.htm (parts of which are excerpted in the grey boxes)

INNOVATIVE GOVERNMENT SOURCES OF CAPITAL

A great number of states operate financing programs targeted at infrastructure projects, of which transit capital investments are an eligible use. In addition to the state programs, the Community Transportation Association's Transportation Lending Services also targets these financing needs. While these programs may not necessarily be directed specifically at transit — or even at transportation more broadly — they may be available for use by transit systems as a lower-cost borrowing mechanism.

Transit system managers should explore the extent to which such programs exist in their own state and should work to take full advantage of low-cost loans, leasing services and mechanisms to issue debt on a pooled basis in the municipal market. This sometimes requires minor adjustments to program operations or acquisition plans but can often be the difference between acquiring an asset today or having to wait

many years to accumulate the needed funds or to amass enough capital need to justify issuing debt independently.

In addition to various state funding sources, transit agencies may be able to take advantage of other federal financing programs that can be used in conjunction with transit grant funds. Examples include Housing and Urban Development (HUD) grants and loans, and Environmental Protection Agency (EPA) brownfields grant and revolving loan fund programs. While these programs do not generally offer substantial sums for transit, they can help on a project basis including, in some instances, for funding of local matching requirements. Transit agencies also may be able to take advantage of economic development bonds on a limited basis.

Excerpted from the Transit Cooperative Research Program Report #89, Financing Capital Investment: A Primer for the Transit Practitioner.

There are four basic elements to any finance package, including any offered by Transportation Lending Services:

1. A source of capital;
2. A finance mechanism;
3. A repayment stream; and
4. Loan security or collateral.

Sources of Capital: The Transportation Lending Services Corporation has several sources of low-interest capital available for transit financing. Because it has both private and government funds, and the ability to create innovative partnerships, or provide local share or matching funds for grantees, the Corporation is in a positive position to assist in keeping costs down for any type of transportation project or need — large or small. Additionally, Transportation Lending Services can access funds from private investors, from several government agencies, from New Markets Tax Credits and from other nonprofit intermediaries.

Financing Mechanisms: These are the structures — or lending tools — used to complete a loan transaction. To accomplish a deal, Transportation Lending Services uses variations on five general types of financing mechanisms:

1. Long-Term Direct Loan: Usually for larger projects or facility/land purchases. Terms can vary but 15- to 20-year amortizations are common.
2. Short-Term Direct Loan: Generally to assist with operating expenses, vehicle purchases, insurance premiums and other similar needs.
3. Lease Purchase/Buyback Options: Transportation Lending Services can participate in various leasing approaches to the acquisition or long-term use of capital assets — particularly vehicles and facilities.
4. Equity and Partnership Financing: Used mainly for multi-funded projects or joint development of facilities. In this scenario, an applicant “buys” into a project as a percentage of equity to help secure additional financing.
5. Credit Enhancement Options: Transportation Lending Services cannot provide lines of credit, but we can accept credit enhancements, such as bank letters of credit or government guarantees to assist in securing a loan or putting together a financing package.

All of the above-mentioned mechanisms can be used as instruments to obtain local share or grant matches.

Repayment Stream and Loan Collateral: Transportation Lending Services develops a repayment schedule and collateral needs that are based on the type of each individual project, the applicant’s financial and business profile and the financing mechanism used on the project. For example, a direct loan for a transit facility would be for a fixed term with a fixed monthly payment. Generally, much like buying a house, the loan security would be a mortgage on the facility. However, if it were a multi-funded loan, or a participation loan, separate repayment documents would be drawn up for each funding participant and collateral could be shared or split to secure each party.

Innovative Finance Case Studies

Stagecoach Transportation Services

In rural central Vermont, the Town of Randolph’s historic rail station stood vacant for a number of years. Stagecoach Transportation Services secured the state investment to rehabilitate the structure to house not only the transit services, but to attract passenger rail service to also stop in Randolph. The Community Transportation Association’s Transportation Lending Services provided innovative financing for the local share and was the last element of the plan to come together.

Wind River Transit Authority

In 1999, the Wind River Transit Authority in Riverton, Wyoming celebrated the grand opening of a new 6,000-square foot facility, built to house its vehicles, maintenance and operations. The Community Transportation Association’s Transportation Lending Services provided Wind River with financing for the local share of the facility project. In 2002, Wind River Transit Authority was named the Transit System of the Year by the Wyoming Public Transit Association.

Buckeye Charter

The Community Transportation Association’s Transportation Lending Services provided the financing that helped Buckeye Charter in Lima, Ohio, purchase the buses it needed in both 1995 and 1997. Today the agency has more than 40 employees, 12 large charter buses, two 15-passenger vans and three school buses, as well as a new office/maintenance facility. In 1998, Buckeye won the Allen County (Ohio) Chamber of Commerce’s Small Business of the Year Award.



INNOVATIONS IN TRANSIT FINANCING

Partially in response to barriers and partially in spite of them, there have been a number of innovations that have served to expand the transit industry's use of financing approaches beyond traditional pay-as-you-go techniques. Following are a few examples:

- **Leveraging Market Access through Interagency Partnering and Pooled Financing:** Smaller agencies seeking debt finance are discovering opportunities to partner together for greater leverage in the markets. State and local agencies are taking steps to support such pooling. There are, of course, challenges to partnering, including limiting tax laws, financial liability concerns and timing issues.
- **State Revolving Funds and State Infrastructure Banks:** State operating revolving funds are an obvious way to help transit agencies secure capital funding for smaller agencies on a pooled basis while also taking advantage of the greater leveraging power of the state. Revolving loan funds have been in use for some time to meet a wide range of infrastructure needs, but they are just recently being applied to transit investments and face some limitations.
- **Alternative Revenue Sources:** Transit sponsors are experimenting with alternative revenue sources that go beyond traditional farebox and ancillary revenue sources. Some sponsors, for instance, have discovered the potential application of tax increment financing for transit investments. While the direct link between development and transit makes a strong argument for the imposition of fees to support transit, cities typically control tax increment financing programs and have not been willing to give up control.
- **Multi-Modal Planning and Funding:** Some agencies are discovering the advantages of multi-modal approaches for so called mega-projects that involve more than one mode. Through multi-modal approaches, transit can be incorporated into a larger project with other potential revenue sources such as tolls or surcharges and can benefit from legislative initiatives aimed at the entire project.
- **Federally Supported Innovations:** Debt financing backed by federal funds (grant anticipation notes) and, in particular, Full Funding Grant Agreements, has been identified as the preeminent recent advance in debt financing for transit capital investments. As with many financing techniques, this will continue to have limited direct applicability to smaller systems and investments but is helping to change the mindset of the transit industry as a whole regarding the appropriateness of debt financing.

Excerpted from the Transit Cooperative Research Program Report #89, Financing Capital Investment: A Primer for the Transit Practitioner.



Our Products

Transportation Lending Services offers financing through two special product lines — the Capital Fund and the Business Operating Fund. Please note, if you have unique, special financing needs that you don't see represented here, please contact us, as our Transportation Lending Services staff may be able to develop a financing program to meet your needs.

The Capital Fund includes financing for:

- Transportation and Railway Facilities Financing;
- Multi-modal Facilities Financing;
- Community Centers, Health and Human Services Centers and Co-Location Financing;
- Vehicle Financing; and
- Local Share Financing for Federal Grants and Contracts.

The Business Operating Fund includes financing for:

- Transit Small Business Fund;
- Micro-loans for Transit Software and Hardware Financing;
- Working Capital Loans;
- Insurance and Self-Insurance Financing; and
- Gap Financing.

For More Information

For more information on Transportation Lending Service programs, other innovative finance programs, or to simply discuss your capital and/or operating challenges, go to www.ctaa.org/transitfunding or:

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