

Appendix G

Funding Strategies

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Once a preferred alternative has been identified, a funding strategy must be developed. Due to the magnitude of this project, it is important that financing reflect the most effective use of federal, state, and local dollars. As documented in Chapter 4, there is a substantial cost associated with the relocation of the two railyards. Although it is too early in the planning process to identify a specific strategy, there are several traditional funding sources that should be evaluated. By understanding these sources and their limitations, a more comprehensive understanding of the overall project can be developed.

The following sections addresses potential funding sources. While a variety of potential sources are discussed, a specific approach to funding is not made at this time. A decision regarding the final relocation program will need to be made by the State of Vermont before the full financial plan can be developed. The information contained in this chapter should be used as a guide by the local decision makers as the relocation plan is reviewed.

Federal Sources

Flexible Funding Options

The two primary sources of flexible funds have been the Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP).

Congestion Mitigation and Air Quality (CMAQ)

CMAQ funding is targeted for projects that help alleviate existing or future projected highway congestion. In the past, CMAQ funds have been used to construct park and ride lots (both free-standing lots and lots for transit facilities) and purchase of transit vehicles (buses, passenger cars, and locomotives). This funding could be used to fund various aspects of each of the proposed options including the widening or construction of new roadways or the development of new interchanges to speed connections to various road connection sites.

Surface Transportation Program (STP)

Under TEA-21, the Surface Transportation Program (STP) was re-authorized for \$33.3 billion over the six year life of the legislation. These funds may be used by states to fund transportation related capital projects, public terminals and facilities, bridge projects on public roads, and any federal aid highway project. Ten percent of each state's allocation is set aside for safety enhancements including grade crossing improvements.

Railroad Rehabilitation and Improvement Financing Program (RRIF)

The RRIF is a new direct loan and loan guarantee program authorized but not yet appropriated under TEA-21. The program could provide up to \$3.5 billion in loans including up to \$1 billion for projects benefiting shortline and regional railroads. Given that the Vermont Railway (the owner of the track is the State of Vermont) falls into this category, the railyard relocation project may be able to take advantage of the RRIF program. The loans which may become available under the program are targeted at the freight railroad market and can be used for infrastructure improvements related to track, bridges, and facilities.

Alternative Funding Options

A variety of alternative funding options may be potentially available to supplement traditional mechanisms. The revenue sources include those directly under the control of the VTrans as well as strategies that could involve the private section. The following sections summarize these options.

Private/Public Joint Development

Recent efforts of public/private partnerships involve funding efforts which have focused on the projects which involve public infrastructure and its use by private companies. Many of these activities have leveraged private investment in locations around specialized infrastructure to fully exploit the market advantages provided by this infrastructure such as access to freight transportation. Opportunities for joint development exist at railyards and industrial park facilities through joint payments of shared infrastructure such as roads or utilities. Joint development projects are commercial, or mixed-use developments that are induced by or enhance the effectiveness of project. Joint development enables a public agency to produce revenue through its land holdings.

Linkage Fees

Conceptually, joint development has been hailed by many public agencies across the country in terms of its potential. In theory, it primarily includes private participation either in cash contribution through sale or lease arrangements, land donation, or development of facilities at or near specialized infrastructure such as a railyard.

Private Development Fees and Contributions

Developer fees have been implemented in instances where communities have concluded that the full extent of the transportation impact of new developments is not fully captured through conventional taxing mechanisms (i.e., property and business taxes). As a result, measures implemented to solve transportation problems are imposed on developers to help finance infrastructure improvements. This approach usually entails the donation of land or cash for infrastructure and rights of way. Access to rail infrastructure across private property or through office buildings has also been provided. In some cases, developers have been asked to provide cash to fund infrastructure near or under their properties. This option could potentially help fund the relocation of railyards in Burlington and Rutland City.