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August 3, 2010

By Richard Williamson

DALLAS — After years of planning, Colorado's Regional Transportation District is preparing to issue \$404 million of tax-exempt private-activity bonds Wednesday to finance a 23-mile commuter line linking Denver International Airport to a new downtown transit hub at Union Station.

The RTD's contribution will pay for the design-build phase of the \$1.65 billion project, which is also being financed with private equity and federal loans.

The airport rail line to DIA, known as the Eagle P3 Project, is just one part of a massive, \$6.9 billion investment called FasTracks that will include redevelopment of Union Station in lower downtown Denver into a transportation hub linking the RTD's commuter and light-rail service to new bus service throughout the metro region.

At the airport, Denver is planning to build a \$1 billion South Terminal designed by Spanish architect Santiago Calatrava that will include the commuter rail station and hotel.

Kim Day, Denver's manager of aviation, said the city hopes to break ground on the hotel next year as part of the \$650 million first phase of the project. The second phase, estimated at \$250 million, would relocate security checkpoints from their current location in the main terminal, famous for its tent-roofed top.

While DIA is drafting its financial plan for the South Terminal, work will begin on redeveloping Union Station, a classic train station with vaulted roof that stands as a landmark in the trendy downtown section.

The Union Station project is a separate \$483 million P3 deal, operating under the name of the nonprofit Denver Union Station Project Authority. The authority recently closed on a \$146 million loan from the federal government that was structured like a long-term bond deal under the federal Transportation Infrastructure Finance and Innovation Act.

DUSPA includes the RTD, the Denver Regional Council of Governments, and the U.S. Department of Transportation. Additional funding for Union Station will include a \$155 million federal loan under the Railroad Rehabilitation and Improvement Financing Act, \$103 million in state and federal grants, and another \$79 million in cash.

The private-activity bonds for the Eagle P3, pricing through negotiation with Barclays Capital and Bank of America Merrill Lynch, are closing Aug. 12.

The credit's initial ratings — at the lowest rung of investment grade from Moody's Investors Service and Fitch Ratings — reflect the novelty and risks of the deal.

The RTD board resolution sets a maximum interest rate of 8%, anticipating mid-6% yields.

“To sell a \$404 million, triple-B rated bond issue, spreads will have to be in excess of 175 basis points over the” Municipal Market Data benchmark yield, said Josh Gonze, portfolio manager at Thornburg Investment Management.

In assigning a BBB-minus to the bonds, Fitch analyst Vanessa Roy noted that “primary concerns include high leverage with a debt-to-equity ratio of 88%-12%.”

Fitch said other factors include “relatively narrow debt-service coverage of total obligations if performance and availability deductions are not passed” to the operating and maintenance operator; a low debt-service reserve account, equal to six months principal and interest, given the level of completion risk; and a long construction period requiring interaction with two Class 1 railroads, integration with the RTD’s existing system, and ongoing work at Union Station.

Moody’s assigned a provisional rating of Baa3 to the bonds, citing similar concerns.

“The rating is constrained by construction risk,” wrote analyst Chee Mee Hu. “While the project is not overly complex and Moody’s views the probability of default during construction to be relatively limited for the rating category, loss given default could be high because of the project’s heavy reliance on grant funding arranged by the RTD.”

Standard & Poor’s, which does not rate the deal, in April revised its outlook to negative from stable on the A-plus for the district’s certificates of participation, citing pressure from the Eagle P3 project.

Another element of risk overhanging the project are two voter initiatives on Colorado’s November ballot that could curtail the RTD’s ability to issue debt and could affect the revenue stream for the issue, according to the preliminary official statement.

“No assurance can be given that the district’s sales taxes and agreements in connection with FasTracks, also approved by voters, will be exempt from any new limitations,” the POS reads.

One of the two ballot initiatives known as Proposition 101 would eliminate RTD’s sales and use tax on the first \$10,000 of vehicle sales prices, phased in over four years. Last year, the economic slowdown lowered RTD sales tax revenues by 10%.

According to the RTD’s bond counsel, Sherman & Howard, the Eagle P3’s lien on sales taxes should be protected from the limitations of Prop. 101 if it passes.

Another initiative known as Amendment 61 would require voter approval of all future bond issues and limit debt to 10% of assessed property tax value. The amendment would also limit future bonds to 10-year maturities.

“If Amendment 61 is adopted, the ability of the district to refinance any applicable termination amount as a lump sum or partial lump-sum amount would be significantly limited,” according to the POS.

Under the concession agreement, Fluor Enterprises Inc. and Balfour Beatty Rail Inc. will design and build the commuter rail line.

“Moody’s views the operations of the project to be somewhat more complex than for the typical P3 project [because] the concessionaire is not just responsible for maintaining physical infrastructure but for maintaining a significant amount of mechanical and electrical equipment,” the analysts wrote.

They noted that another nonprofit, Denver Transit Partners, also is responsible for the actual operations of the rolling stock and other related systems.

At financial close, DTP is expected to be 45% owned by Uberior Infrastructure Investments (No. 4) Ltd., an affiliate of Lloyds Banking Group, and 45% by an affiliate of John Laing Investments Ltd. Fluor will have a 10% stake.

The Eagle P3 is known under the -FasTracks plan as the East Corridor and will include stops in Aurora, Denver’s largest suburb. The East Corridor is expected to begin service in 2016 and serve as many as 20,100 riders per weekday by 2030.

The FasTracks plan calls for construction of 122 miles of light-rail line, along with the DIA commuter line, 18 miles of bus rapid transit routes, 57 rapid transit stations, and more than 21,000 parking spaces over 12 years.

To complete the project on time, the RTD will need to double the current sales tax with voter approval after cost estimates soared from the original \$4.7 billion to the current \$6.9 billion. Fearing voter rejection in an anti-tax -atmosphere, the RTD board earlier this year -decided against putting the proposal on the -November ballot. The tax increase could appear as late as 2012, officials have said.

August 3, 2010

By Rick Anstey, Denver Infill Blog

This Union Station update is about rebar and concrete. Plenty of both. Construction of the bus terminal floor is in full swing.

Multiple flatbed tractor trailers show up each day with loads of rebar. Much of it is 60-foot long #10. At 1.25 inches in diameter and 4.3 pounds per foot, each piece weighs 258 pounds. Now I know why it takes three guys to carry one piece.

After the rebar is unloaded and staged, the crane “flies” it into the specific work spot at a rate of 2.5 tons per flight. The base level of rebar is the typical steel color. Vertical pieces of green rebar are shaped like an upside-down V. Straight, green pieces are tied to the top of the vertical pieces to form a giant three-dimensional grid. The sheets of membrane that are being installed over the mud slab and under the rebar will adhere to the bottom of the new concrete floor making the terminal water proof. Here are a couple of photos.



Starting as early as next week, concrete will be poured in 15 sections of varying lengths and widths. Each of the 15 sections will require 100-140 truck loads of concrete to fill it to its full depth of four feet. That's about 2,000 trucks of concrete! The floor needs to be four feet thick so it can bear the weight of the buses and the structure above, and so the bus terminal won't float once the dewatering system is dismantled and the water table resumes its normal level. (I guess if you can float an aircraft carrier, you can float a bus terminal.) Roadways in and around the

construction site are being beefed up and dressed, presumably in anticipation of heavy concrete truck traffic.

Construction of the bus terminal walls is expected to start this month. In fact, in the upper left corner of the close-up photo above, you can see vertical rebar rising above the floor level.

Remember, this is only half of the eventual bus terminal. Excavation has not yet started on the Union Station side of Wewatta Street.

If you want to express your opinion of the bridge formerly known at Kinetic Plaza, you should attend the Planning Board meeting tomorrow (August 4) at 3:00pm at the Webb Municipal Office Building, Room 4.F.6. Here is a link to my blog and your comments on the topic.

August 4, 2010

By Dan Boniface, KUSA-TV

DENVER - The latest snapshot on the local economy shows the recovery is still on track in the Mile High City.

"Last year at this time, only three of our indicators were headed in positive directions," Tom Clark of the Metro Denver Economic Development Corporation said. "This August, 16 of those 18 are headed in positive direction. That's a really significant turnaround for us locally." Included in those indicators, the Metro Denver Economic Development Corporation says were positive signs in residential and commercial real estate, retail sales, and passenger traffic at Denver International Airport.

Clark says also among the encouraging signs are the relocation of a number of corporate headquarters to Colorado - including DaVita, which is moving its headquarters to Denver's Union Station area. Clark also points to the improvement projects at both Union Station and especially at DIA.

"Great statement for us," Clark said. "An exciting piece of architecture that will define the way the world looks at us."

Clark says connecting the two travel hubs will be key for Colorado. However, he says there's still some concern over consumer confidence.

"We're always worried about the fact that consumer confidence is down and people are still holding onto their money," Clark said. "While retail sales are up, 4 percent for the year, better than last year when we were down 11 [percent], you have to have people spending."

Additionally, Clark says the cycling stage race announced by Lance Armstrong and Quiznos on Wednesday could have a \$30 million impact on the metro area.

"What a great opportunity for us to showcase all about Colorado that's a part of the brand: health, outdoors, great active community, active people and of course, very productive employees," Clark said.