

Non-Fare Revenue Strategies



Finance Committee
April 21, 2025

Agenda

1. Background and Context
2. Developing a Roadmap for Non-Fare Revenue Strategies
3. Snapshot of Baseline Conditions
4. What are the Non-Fare Revenue Strategies?
5. What are the Priority Actions?
6. Questions and Discussion



Background and Context

Why are we investigating revenue strategies outside the farebox?

- Current ridership is **50% below pre-pandemic level** mostly due to continued hybrid work patterns in the region
- There is a **projected annual average deficit of \$75M** starting FY2027 through FY2034
- **FY2024 farebox recovery ratio was only 24.5%** and the new electrified service requires more resources to operate and maintain

How is the non-fare revenue strategy initiative responding to the “why”?



Diversifies revenue sources to allow greater fiscal resiliency



Introduces new ideas through risk-calculated experimentation aka “pilot projects”



Maintains record of excellence in safety while continuing to bring innovations

Background and Context

What do we understand in these uncharted times for Caltrain?

- **Diversified revenue sources and cost-saving initiatives** would enable more nimble response, staying more resilient and less affected by abrupt changes in ridership long term.
- Implementing non-fare revenue strategies **require careful prioritization of limited staff resources** allocated for maximum benefit of the railroad.
- Non-fare revenue **strategies will not fully solve Caltrain's financial challenges**, nor make major impacts in the near term.

How is the non-fare revenue strategy initiative responding to the “what”?



Diversifies revenue sources to allow greater fiscal resiliency



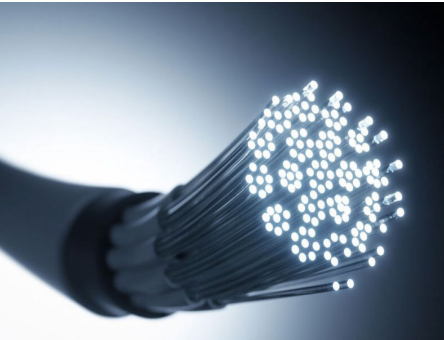
Introduces new ideas through risk-calculated experimentation aka “pilot projects”



Maintains record of excellence in safety while continuing to bring innovations

Developing a Roadmap for Non-Fare Revenue Strategies

There are five general categories of **Non-Fare Revenue Strategies** considered:



Fiber Optic Cable and Telecommunications Leasing



TOD and Commercial Leasing



Special Events



Advertising and Naming Rights



Solar, Energy Storage Systems, EV Charging Leasing



Developing a Roadmap for Non-Fare Revenue Strategies

The initiative is informed by:



Developing a Roadmap for Non-Fare Revenue Strategies

The initiative is informed by:

Internal stakeholder input

Caltrain Staff

- Commercial & Business Development
- Communications
- Planning, Real Estate
- Rail Operations & Maintenance
- Rail Design & Construction
- Strategy & Policy

Developing a Roadmap for Non-Fare Revenue Strategies

The initiative is informed by:

Review of policies, plans, & agreements

Policies

- Caltrain Charter Train, Bike Lockers, and Parking Fees
- Fare Structure and Fare Policy
- San Mateo County Transit District Advertisement Policy
- JPB Naming Rights Policy
- Real Estate: RCUP, TOD, Property Conveyance
- 2019 Adopted Service Vision

Plans and Strategic Documents

- 2022 Business Plan

Select Agreements

- Contract for Advertising Services Contractor: OUTFRONT
- SJ Earthquakes Charter Service Agreement
- Gilroy Garlic Festival Charter Service Agreement

Developing a Roadmap for Non-Fare Revenue Strategies

The initiative is informed by:

High-level market scan and research

Market and Local Context Research

- Benchmarking Advertisement and Naming Rights Policies
- Special events precedence including Caltrain's charter services and industry practices with other commuter train charter services
- TOD land use planning and policy, market activity, and recent developments, and potential for assembly of parcels
- Property conveyance at other transit agencies
- Electric vehicle charging infrastructure precedence as well as leasing options
- Fiber optic system and cell tower opportunity including fiber optic cables available for third party use as well as precedent fee schedules
- Battery energy storage system capacities (BESS), energy incentives

Snapshot of Baseline Conditions

	FIBER OPTIC SYSTEM LEASING	CELL TOWER LEASING	TRANSIT-ORIENTED DEVELOPMENT	RETAIL AND COMMERCIAL LEASING	SPECIAL EVENTS	ADVERTISING AND NAMING RIGHTS	EV CHARGING, SOLAR, AND ESS LEASING
Is it generating revenue today?	No	Yes	No	Yes	Yes	Yes	No
What is the revenue to-date?	\$0	\$4,000 per month per location	\$0	\$100,000 per month on average	\$5,600 per charter train service minimum	\$500,000 per year on average ¹	\$0
What JPB-owned assets are or can be involved?	Fiber optic Conduit; Operating and Non-Operating ROW	Operating and Non-Operating ROW	Operating and Non-Operating ROW, Stations	Operating and Non-Operating ROW including Parking Lots; Stations	EMUs (entire train sets or individual cars)	Interior and Exterior of EMUs, Stations, Operating and Non-Operating ROW, Webpage	Operating and Non-Operating ROW including Parking Lots; Stations
What are the associated JPB policies?	RCUP, Property Conveyance; Engineering Policy	RCUP, Property Conveyance; Engineering Policy	RCUP, TOD Policy, Property Conveyance, 2019 Adopted Service Vision (ASV)	RCUP, TOD Policy, Property Conveyance, 2019 ASV	Caltrain Charter Train, Bike Lockers, and Parking Fees; Fare Structure & Fare Policy	San Mateo County Transit District (SamTrans) Advertisement Policy, Naming Policy for JPB Assets	Rail Corridor Use Policy (RCUP), Property Conveyance
Is the strategy implementable?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is there commercial viability?	Yes	Yes	Yes, pending market conditions	Yes, pending market conditions	Yes	Yes, pending market conditions	No for EV Charging; Partial for Solar & ESS
Are there any known risks or conflicts?	Readiness of fiber optic conduit; Access to infrastructure and limitations of RCUP	Access to infrastructure and limitations of RCUP	Available properties limited by the Adopted Service Vision; Poor property condition ²	Available properties limited by the Adopted Service Vision; Poor property condition ²	Availability of vehicles; Fare evasion; Crowding	None	Requires closer review with safety & operations
Are there adequate FTEs for implementation?	Partial	Partial	Partial	Partial	Partial	Partial	Partial
Are there technical resources for this?	Partial	Partial	Partial	Partial	Yes	Yes	Partial

1 Over the past 10 years; 2 Site not suited for development due to shape, accessibility, and surrounding conditions

Non-Fare Revenue Strategies

Fiber Optic Leasing

What Exists Today?

Offered by Caltrain? No

Revenue: \$0

Condition of Assets:

- Fiber optic requires repair before marketable
- Additional cable available for third party use
- Fiber optic systems are used for JPB purposes
- Space for third party pull boxes may be available

Staff Involved Today:

- Rail Operations & Maintenance
- Rail Design & Construction

What are Potential Opportunities?

1 Lease fiber optic cable to support telecommunication Network

Rough Estimate of Revenue Potential:

~\$100,000 to \$200,000 annually per pair (*total 144 pairs*)¹

Potential Challenges?

- Portions of JPB fiber optic conduit not within JPB ROW
- Repair of fiber infrastructure housing spare cable needed
- Future capital projects may temporarily limit access to fiber (e.g., grade separation)
- Need for JPB-approved related policy and license agreement

1. Assuming leasing of fiber pair. Fee based on City of Palo Alto, Niagara Frontier Transportation Authority, other transportation entity rates for fiber leasing per mile per month

Non-Fare Revenue Strategies

Commercial Leasing: Property Conveyance Compliance

What Exists Today?

Offered by Caltrain? Fees are collected today

Revenue: Not less than \$1,500 annual payment per agreement

Relevant Policies: Property Conveyance Resolution; RCUP

Condition of Assets:

- JPB has old agreements, including those inherited from Southern Pacific Railroad at the time of the corridor's purchase, that require updates

Staff Involved Today:

- Planning, Real Estate
- Rail Operations & Maintenance

What are Potential Opportunities?

2 Ensure and collect market rate fees from property conveyance agreements

Rough Estimate of Revenue Potential:

~\$200,000 to \$400,000 annually¹

Potential Challenges?

- Needs thorough review and management of agreements, primarily stored in paper files
- Technical review of utility locations relative to JPB ROW
- Requires approval of fee schedule
- More efficient fee collection process

¹. Based on potential fees received by JPB from license and lease agreements that have potential for renegotiation

Non-Fare Revenue Strategies

Commercial Leasing: JPB Property for Commercial Uses

What Exists Today?

Offered by Caltrain? Commercial leasing: Yes; Vending, pop-ups, and interim programming: Some

Revenue: \$100,000 per month from rents

Relevant Policies: Property Conveyance Resolution; RCUP; Currently drafting a Commercial Lease Strategy

Condition of Assets:

- There are vacant or underutilized commercial spaces in stations or along the ROW

Staff Involved Today:

- Planning, Real Estate
- Rail Operations & Maintenance

What are Potential Opportunities?

- 3 Pilot commercial strategy complemented by pop-up retail use and special events**

Rough Estimate of Revenue Potential:

~\$75,000 to \$250,000¹

Potential Challenges?

- Commercial asking rates are down with pandemic-induced hybrid work patterns and drop in foot-traffic
- Near-term market conditions may affect attracting tenants
- Property characteristics may deter tenants seeking “Class A”
- Any commercial use will need to comply with local regulations

1. Additional commercial rents based on the average rent of Caltrain commercial leases today applied to six additional retail or commercial spaces.

Non-Fare Revenue Strategies

TOD

What Exists Today?

Offered by Caltrain? No, but one agreement is in place

Revenue: \$0

Relevant Policies: RCUP, TOD Policy, Adopted 2019 Service Vision, Surplus Land Act (SLA), Local Land Use Regulations

Condition of Assets:

- JPB has a limited number of properties suitable for TOD, around 17-acres total excluding SF Railyards
- Five key TOD sites from 2019 Service Vision

Staff Involved Today:

- Planning, Real estate
- Rail Operations & Maintenance

1. Based on previous estimates by staff of net present value of ground leases.

What are Potential Opportunities?

4 Expand Caltrain's TOD Program

Rough Estimate of Revenue Potential:

~\$4.0 to \$8.0M Per Year Portfolio-Wide Depending on the Number Sites¹

Potential Challenges?

- Local and statewide affordable housing requirements could exceed JPB's TOD Policy requirements
- Complex regulatory and entitlement processes
- Cost of replacement transit parking cost prohibitive, if required
- Some TOD properties identified are in poor condition
- Two of the five sites require partnerships to advance

Non-Fare Revenue Strategies

Special Events

What Exists Today?

Offered by Caltrain? Yes, Caltrain offers Charter Train Service

Revenue: ~\$5,600 per round trip day of charter train service

Relevant Policies: Charter Train, Bike Lockers, and Parking Fees; Fare Structure & Fare Policy

Condition of Assets:

- Stations and EMUs are in good condition to facilitate special events

Staff Involved Today:

- Communications
- Rail Operations & Maintenance

What are Potential Opportunities?

5 Introduce “dedicated, private car” service using existing Charter Train Service program

6 Partner with sports and event centers for charter train service and tailored pricing

Rough Estimate of Revenue Potential:

~\$5,000 to \$15,000 per event per car¹

Potential Challenges?

- Limitations on crews and adding operators during peak
- Excessive use of event trains could overburden regular staff
- Unclear accountability for lost revenue and extra services for special events without partnerships
- Federal funding complicate securing "spare" vehicles

1. Based on comparison of fare revenues, cost of operations, and train mile distance plus profit.

Non-Fare Revenue Strategies

Ads and Naming Rights

What Exists Today?

Offered by Caltrain? Ads, Yes; Naming Rights, No

Revenue: \$500,000 on average per year

Relevant Policies: SamTrans Advertising Policy; 2024 Amended Naming Rights

Condition of Assets:

- Stations and EMUs are in good condition to facilitate advertising and naming rights.

Staff Involved Today:

- Communications
- Government & Community Affairs
- Rail Operations & Maintenance

What are Potential Opportunities?

- 7 **Negotiate advertising agreement and expand media packages on rolling stock and stations**
- 8 **Update policy and implement strategy for naming rights**

Rough Estimate of Revenue Potential:

~\$120,000 to \$500,000 from ads per year and naming rights up to ~\$1M per year¹

Potential Challenges?

- Expanding media package involve additional technical and logistical coordination
- Ads are highly dependent on return to foot traffic
- Naming rights revenues are likely lower than they were pre-pandemic, making it difficult to assess without additional market sounding

1. Ads and media package potential revenue is based on draft proposal for full train brand cars. Does not include additional revenues from expanded media packages; Naming rights based on other transit agency examples.

Non-Fare Revenue Strategies

Solar Land Leasing and Energy Storage Systems

What Exists Today?

Offered by Caltrain? No

Revenue: \$0

Relevant Policies: RCUP, TOD Policy, Property Conveyance, Adopted 2019 Service Vision

Condition of Assets:

- Communication Hill is suitable for solar but may require site preparation and levelling
- Many stations incompatible for solar as subject to restrictions to protect historical character

Staff Involved Today:

- Commercial & Business Development
- Planning, Real Estate

What are Potential Opportunities?

9 Determine feasibility of solar land leasing at Communication Hill

10 Implement ESS for traction power

Rough Estimate of Revenue Potential:

~\$7,500 to \$25,000 per year from solar land leasing per year with
~\$1.5M in annual energy bill savings¹

Potential Challenges?

- Community standards affect solar and ESS along the corridor
- Advanced technologies require extra staff and training
- Existing energy provider contracts complicate implementation
- ESS must meet strict fire safety standards during design and construction
- ESS delivery lead times are longer than industry average

1. Based on current market for solar land leasing throughout State of California; Annual energy bill savings based on peak demand charges and assumptions on peak, part peak, and off-peak use throughout a typical year.

Snapshot of Baseline Conditions: Takeaways

1. Minimal physical constraints for strategies that involve JPB property (i.e., property conditions are suitable)
2. All require testing including detailed feasibility studies and technical investigations
3. There is capacity to start initiatives but not to fully implement and operate
4. Full implementation will require work plan pivot
5. A cohesive strategy across all divisions needs to be in place for private partnerships that yield non-fare revenues
6. The potential non-fare revenues cannot singularly address the anticipated operational deficit

What are the Priority Actions?

Each of the potential opportunities – “actions” – are prioritized by considering:

Capital and Operational Expenditures

Rough order magnitude (ROM) based on precedence and previous Caltrain work plan

Estimated Revenue Start Date

Given current Caltrain work plans and available resources

Potential Return

Estimates based on past or current revenues and high-level market analyses

Political Complexity

Required support from local partners and stakeholders

Priority Recommendations

Strategy	Actions		Priority	Rough Order of Magnitude		Estimated Potential Return	Start to Revenue*	Political Complexity
				CapEx	OpEx			
Fiber Optic Leasing	1	Lease fiber optic cable to support telecommunications network	●	\$\$\$	●●	~\$100,000 to \$200,000 Per Year	Year 2	MED
	2	Ensure and collect market rate fees from property conveyance agreements	●	\$\$	●	~\$100,000 to \$400,000 Per Year	Year 2	MED
TOD and Commercial Leasing	3	Pilot commercial strategy complemented by pop-up retail use and special events	●	\$\$	●	~\$75,000 to \$250,000 Per Year	Year 2	LOW
	4	Expand Caltrain's TOD program	●	\$\$\$	●●	~\$4.0 to \$8.0M Per Year Portfolio-Wide; Varies by # of Sites	Varies	HIGH
Special Events	5	Introduce "dedicated, private car" service using existing Charter Train Service program	●	\$	●	~\$5,000 to \$15,000 Per Event Per Car	Varies	LOW
	6	Partner with sports and event centers for private train service and tailored pricing	●	\$	●	Varies	Varies	HIGH
Advertising and Naming Rights	7	Negotiate "full train brand cars" and expand media packages on all JPB-owned assets	●	\$	●	~\$120,000 to \$500,000 Per Year	Year 1	LOW
	8	Update policy and implement strategy for naming rights	●	\$\$	●●	~\$1.0M Per Year But Varies By Assets	Varies	HIGH
Solar & EV Charging Land Leasing and Energy Storage Systems (ESS)	9	Determine feasibility of solar land leasing at Communication Hill	●	\$	●	~\$7,500 to \$25,000 Per Acre Per Year	Varies	HIGH
	10	Implement Energy Storage Systems (ESS) for traction power	●	\$\$\$	●●	~Up to \$1.5M in Annual Energy Savings	Year 3	LOW

Questions/Discussion

1. Did we miss anything? Comments?
2. What other **ideas** could help enable the priority actions?
3. What are the **challenges** you foresee from pursuing the priority actions?