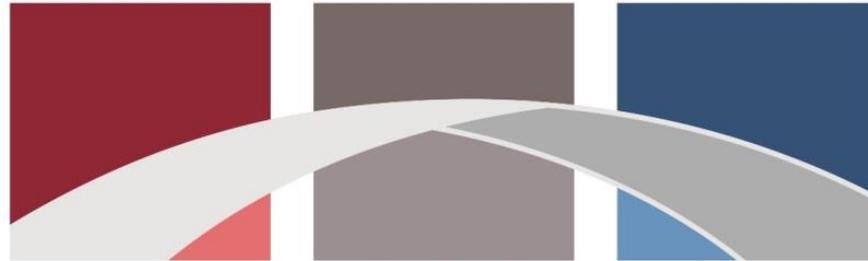


 U.S. DEPARTMENT OF TRANSPORTATION



BUILD AMERICA BUREAU

December 8, 2016

Duane Callender

Director, Credit Programs Office



About the Build America Bureau

The U.S. Department of Transportation established the Build America Bureau to drive transportation infrastructure development projects in the United States.



Bureau Objectives

- ❖ Provide assistance and communicate best practices and financing and funding opportunities to eligible entities for the credit programs
- ❖ Administer the application processes for the credit and grant programs (*TIFIA, RRIF, PABs, FASTLANE*)
- ❖ Promote innovative financing best practices
- ❖ Reduce uncertainty and delays with respect to environmental reviews and permitting
- ❖ Reduce costs and risk to taxpayers in project delivery and procurement
- ❖ Advance large, complex, multi-modal, multi-jurisdictional projects

Credit Review

- ❖ **Credit Review team – credit finance experts, policy, legal, budget, modal representatives (highway, rail, transit)**
 - ❖ Analyze credit requests, consider policy issues, make recommendations to departmental leadership

- ❖ **Council on Credit and Finance – Deputy Secretary, Chief Financial Officer, Executive Director, Administrators of Highway, Transit, Rail Agencies, General Counsel, Chief of Staff**
 - ❖ Make recommendations to Secretary for approval

Bureau Credit Programs

- ❖ **Transportation Infrastructure Finance and Innovation Act (TIFIA)**
 - Loans, loan guarantees, and lines of credit to finance surface transportation projects
- ❖ **Railroad Rehabilitation and Improvement Financing (RRIF)**
 - Loans and loan guarantees to finance railroad and intermodal equipment, and infrastructure that results in public benefits
- ❖ **Private Activity Bonds (PABs)**
 - Provides authorization for a State or local government to issue tax-exempt bonds on behalf of a private entity developing a qualified highway or surface freight transfer facility project

TIFIA Credit Program



Types of TIFIA Credit Assistance

❖ Secured (Direct) Loan

- Maximum term of 35 years from substantial completion
- Repayments must start within 5 years after substantial completion

❖ Loan Guarantee

- Guarantees a project sponsor's repayments to non-Federal lender
- Loan repayments to lender must commence within 5 years after substantial completion

❖ Line of Credit

- Contingent loan available for draws as needed up to 10 years after substantial completion of project

TIFIA Program Benefits

- ❖ Long term, fixed cost, permanent, up-front financing
- ❖ Borrower/Revenue source may be minimum investment grade
- ❖ Non recourse financing—project cash flow supported
- ❖ Funds drawn as needed
- ❖ Senior or Subordinate lien
- ❖ Flexible amortization
- ❖ No pre-payment penalty
- ❖ Low interest rates

**Low Interest Rate -
Interest rate on 12/2/2016
was 3.07% for
a 35-year loan**

TIFIA Changes Under the FAST Act

❖ Expanded Eligibilities

- Transit-Oriented Development Projects
- Rural Projects Fund within a State Infrastructure Bank

❖ Modified Rural Project Eligibility

❖ Streamlined Application Process

❖ Fee Relief for Small Projects (under \$75 million)

❖ Master Credit Agreement Authority Clarifications

Eligible Sponsors and Projects (TIFIA)

ELIGIBLE SPONSORS

- State Governments
- State Infrastructure Banks
- Local Governments
- Special Authorities
- Transportation Improvement Districts
- Private Firms

ELIGIBLE PROJECTS

Highways and Bridges

Intelligent Transportation Systems

Intermodal Connectors

Transit Vehicles and Facilities

Intercity Buses and Facilities

Freight Transfer Facilities

Pedestrian and Bicycle Infrastructure Networks

Transit-Oriented Development

Rural Infrastructure Projects

Passenger Rail Vehicles and Facilities

Surface Transportation Elements of Port Projects

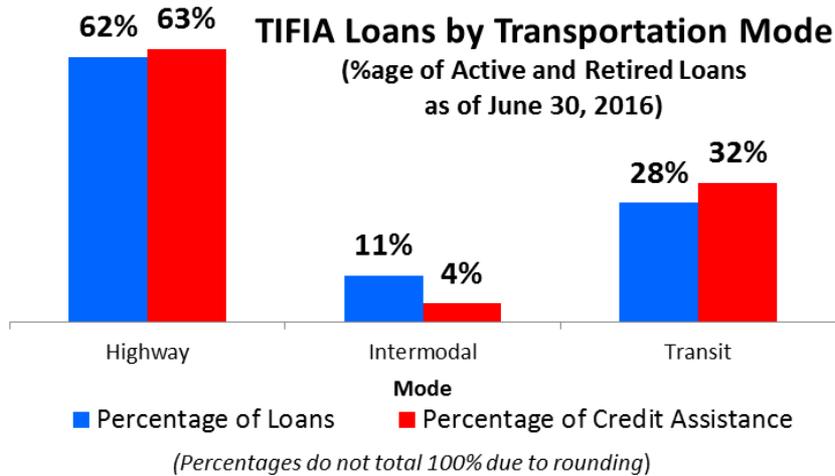


TIFIA Major Requirements

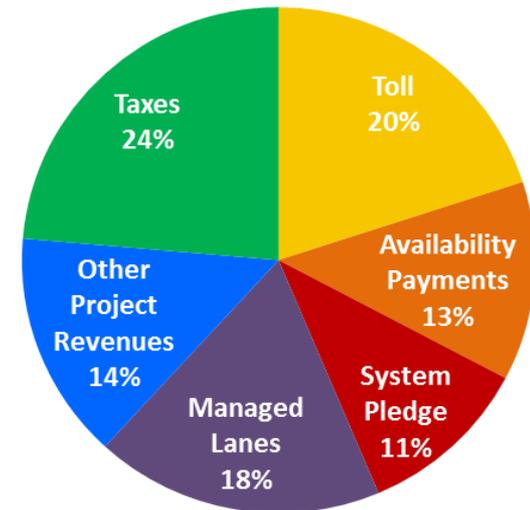
- ❖ **Minimum anticipated project costs exceeding \$10M**
- ❖ **Limited to 33% of reasonably anticipated eligible project costs unless the sponsor provides a compelling justification for up to 49%**
- ❖ **Senior debt must receive two investment grade ratings (BBB-/Baa3) from nationally recognized credit rating agencies**
- ❖ **The project must be included in the relevant State's transportation planning and programming cycle**
- ❖ **The project must have a dedicated revenue source, such as tolls or other user fees, that are pledged to secure debt service payments for both the TIFIA and senior debt financing**

TIFIA Portfolio Statistics

Since program inception, TIFIA has approved 65 loans totaling over \$24 billion to stimulate nearly \$88 billion of transportation infrastructure investments throughout the United States.



Proportion of TIFIA Loans By Revenue Pledge
(as of June 30, 2016)

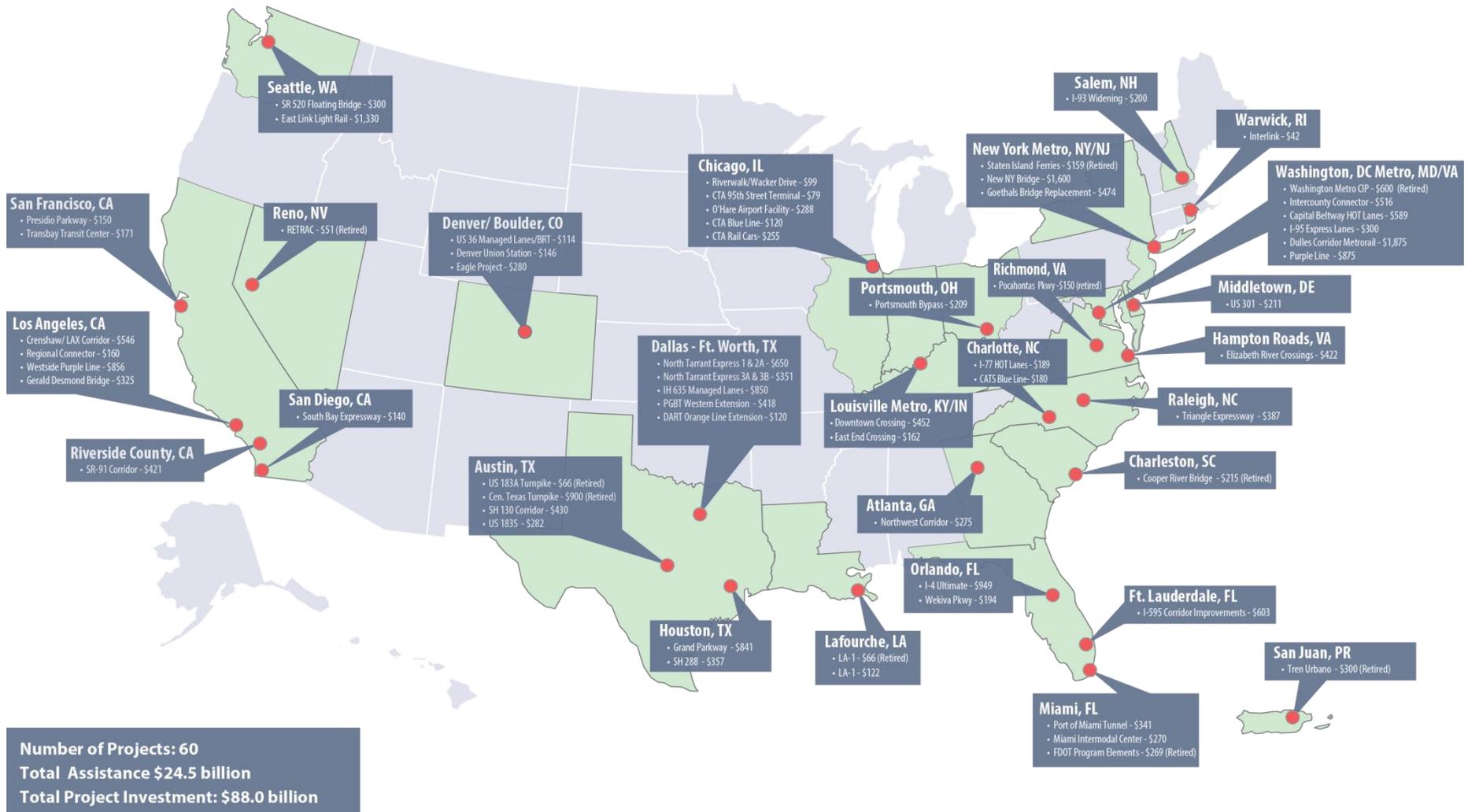


TIFIA Revenue Pledges

| User-backed Financings | Pledged Revenues |
|-------------------------------------|--|
| South Bay Expressway | Facility Tolls |
| Central Texas Turnpike | |
| Pocahontas Parkway | |
| I-495 Capital Beltway/HOT Lanes | |
| Intercounty Connector | |
| Triangle Expressway | |
| North Tarrant Express | |
| Miami Intermodal Center RCF | Rental car customer facility charges |
| Warwick Intermodal Station | |
| Tax-backed Financings | Pledged Taxes |
| Miami Intermodal Center GP | State fuels excise taxes |
| Washington Metro CIP | Local government contributions |
| Cooper River Bridge | State and county contributions |
| Transbay Transit Center | Tax increment financing |
| Denver Union Station | Local sales taxes and tax increment financing |
| Other | Pledged Payments |
| Port of Miami Tunnel | Availability payments |
| I-595 Corridor Roadway Improvements | |
| Staten Island Ferries and Terminals | Tobacco settlement payments |



States with Executed TIFIA Credit Agreements (TIFIA Instruments in \$ millions as of August 2016)



Recent TIFIA P3 Projects

TIFIA has closed five loans for P3 projects within the last 18 months

| P3 Project | Location | TIFIA Loan Closed | TIFIA Loan Amount | Pledge |
|------------------------|-------------------------------------|-------------------|-------------------|-----------------------|
| Purple Line Light Rail | Maryland (DC area) | June 2016 | \$874.6 Million | Availability Payments |
| SH 288 Toll Lanes | Houston area | April 2016 | \$357 Million | Facility Tolls |
| I-77 HOT Lanes | Charlotte area | May 2015 | \$189 Million | Facility Tolls |
| East End Crossing | Louisville area (Ohio River Bridge) | April 2015 | \$162 Million | State Appropriations |
| Portsmouth Bypass | South Central Ohio | March 2015 | \$209.3 Million | Availability Payments |

TIFIA Letter of Interest (LOI) Review and P3 Projects

- ❖ **Public sponsor may submit a LOI on behalf of concessionaire and ultimate borrower**
- ❖ **TIFIA will:**
 - **Work with public sponsor upfront on indicative terms that can be provided to P3 bidders**
 - **Engage earlier in the project development cycle**
- ❖ **Concessionaire's plan of finance and application must still be evaluated before loan agreement can be negotiated**

RRIF Program

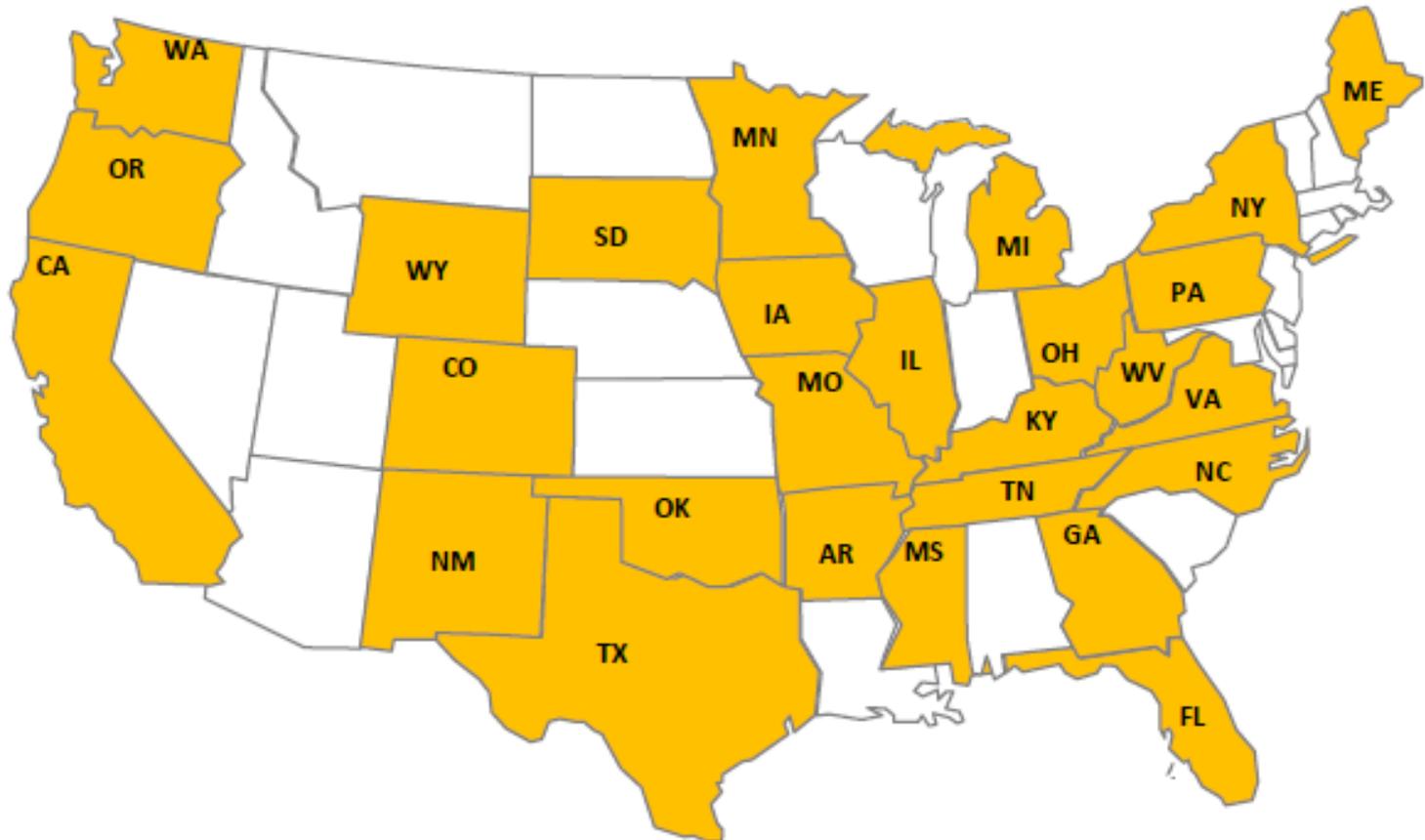


RRIF Overview

- ❖ **Program Goal – Provide loans and loan guarantees to finance railroad and intermodal equipment and infrastructure that results in public benefits:**
 - **Safety**
 - **Economic development**
 - **Environmental improvements**
 - **Service and capacity improvements**
- ❖ **Authorized to loan up to \$35 billion**
 - **\$7 billion reserved for freight railroads other than Class I**

RRIF Overview (continued)

To date, RRIF has approved 36 loans to fund over \$5 billion of infrastructure in 27 states.



Types of RRIF Credit Assistance

❖ Secured (Direct) Loan

- Maximum term of 35 years from substantial completion
- Repayments must start within 5 years after substantial completion

❖ Loan Guarantee

- Guarantees a project sponsor's repayments to non-Federal lender
- Interest rate on a guaranteed loan must be reasonable and based on prevailing private capital market rates for similar credits

RRIF Program Benefits

- ❖ No minimum project size or loan request
- ❖ Up to 100% of eligible project costs can be funded
- ❖ Funds drawn as needed
- ❖ Flexible amortization
- ❖ No pre-payment penalty
- ❖ Low interest rates
- ❖ Limited waiver of RRIF nonsubordination requirement under certain conditions

RRIF Changes Under the FAST Act

- ❖ Expanded applicant and project eligibilities, including for Transit-Oriented Development projects
- ❖ Extended maximum loan maturity to 35 years after substantial completion
- ❖ Revamped and more transparent application process
- ❖ Clarified ability for applicants to pledge dedicated revenues as collateral
- ❖ Master Credit Agreement capability
- ❖ Required all applicants and borrowers to be responsible for all transaction costs and fees associated with application evaluation, independent financial and legal advisors, post-closing costs, etc...
- ❖ Removed cohort requirement as well as the requirement of RRIF to repay Credit Risk Premiums (CRPs)

Eligible RRIF Applicants

- ❖ Railroads
- ❖ State and local governments
- ❖ Government sponsored authorities and corporations
- ❖ Interstate compacts consented to by Congress under section 410(a) of the Amtrak Reform and Accountability Act of 1997
- ❖ Limited option freight shippers (solely for the purpose of constructing a rail connection between a plant or facility and a railroad)
- ❖ Joint ventures that include at least one of the above

Eligible RRIF Projects

- ❖ **Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings, shops, and costs related to these activities, including pre-construction costs**
- ❖ **Develop or establish new rail-related intermodal or railroad facilities**
- ❖ **Refinance outstanding debt incurred for the purposes listed above**
- ❖ **Reimburse planning and design expenses relating to activities listed above**
- ❖ **Transit-Oriented Development (December 2019 sunset)**

Private Activity Bonds



Private Activity Bonds (PABs)

- ❖ Secretary of Transportation is authorized to allocate \$15 billion of PABs for qualified highway or surface freight transfer facilities
- ❖ State or local governments issue tax-exempt bonds on behalf of a private entity
- ❖ Private entity/developer responsible for all PABs debt service (PABs are not a moral or legal obligation of a governmental issuer)
- ❖ To date, over \$11 billion of PABs have issued or allocated
 - Nearly \$6.5 billion of PABs issued for 17 projects
 - Over \$4.7 billion of PABs allocated for five projects
- ❖ Can be used in combination with TIFIA credit assistance

Contact Info

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