Value Capture and
U.S. DOT Financing Programs

October 21, 2018
Build America Bureau – Background

• Established by the Fixing America’s Surface Transportation (FAST) Act.
• Consolidates TIFIA and RRIF loan programs and Private Activity Bonds (PABs) program under one roof.
• Serves as the single point of contact for project sponsors, provides technical assistance, communicates best practices, and develops new products and services.
• Organized into two offices:
  – Outreach and Project Development
  – Credit Programs
98 projects in Pre-Credit Pipeline valued at $79 Billion
TIFIA Loan Program – Background

• Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA)
• Minimum anticipated project costs exceeding $10 million
• Limited to 33% of reasonably anticipated eligible project costs
• Senior debt must receive two investment grade ratings (BBB-/Baa3)
• Project must be in State’s transportation planning and programming cycle
• Project must have a dedicated revenue source (e.g., tolls, TIF, special assessment, etc.) that is pledged to secure debt service payments
• Under TIFIA Rural Projects Initiative, sponsors can finance up to 49% of eligible project costs at ½ the U.S. Treasury rate (1.71% on 10/11/18)
TIFIA – Eligible Borrowers & Projects

**BORROWERS**

- State Governments
- State Infrastructure Banks
- Local Governments
- Special Authorities
- Transportation
- Improvement Districts
- Private Companies (with public planning sponsor)

**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

NO OPERATIONS!
RRIF Loan Program – Background

• Railroad Rehabilitation & Improvement Financing (RRIF) program
• Direct loans for up to 100% of eligible project costs
• $35 billion available ($7 billion reserved for short lines and regional railroads)
• Cost to government of providing financial assistance borne by the applicant through payment of Credit Risk Premium (CRP)
• Collateral not required, but CRP is affected by collateral pledged
• Project required to comply with various Federal and modal requirements, including NEPA and Buy America
RRIF – Eligible Borrowers & Projects

BORROWERS
- Railroads
- State and Local Govs
- Government sponsored authorities and corporations
- Interstate compacts (410(a)) Amtrak Reform and Acc. Act of 1997
- Limited option freight shippers
- Joint Ventures

PROJECTS
- Design/planning
- Freight Rail Facilities
- Freight Transfer Facilities
- FRA-Regulated Commuter Rail Facilities
- Passenger Rail Vehicles and Equipment

**Transit-Oriented Development**
- “Intermodal” or Rail Equipment or Facilities
- Refinance of above

**NO OPERATIONS!**
TIFIA and RRIF – Program Benefits

- Low fixed interest rates
- Long terms available (up to 35 years)
- Flexible amortization schedules
- Funds drawn as needed
- No pre-payment penalty
- Non recourse financing (project cash flow supported) permitted

Low Interest Rate -
Interest rate on 10/11/2018 was 3.41% for a 35-year loan
Private Activity Bonds (PABs)

- DOT authorized to allocate $15 billion in PABs for qualified highway or surface freight transfer facilities.
- State/local government issues tax-exempt bonds on behalf of private entity
- Private entity/developer responsible for all PABs debt service
- To date, over $11 billion of PABs have issued or allocated
  - $8.2 billion issued for 19 projects
  - Additional $2.8 billion allocated for eight projects
- Can be used in combination with TIFIA or RRIF
FAST Act expanded TIFIA by making public infrastructure elements of TOD projects eligible for TIFIA financing

- **Eligibility** – TIFIA must ascertain the TOD Project’s relationship to a transportation facility, including:
  - The TOD Project’s distance from the transportation facility
  - The nexus between the TOD Project and the transportation facility

- **Eligible Project Elements** – Subject to TOD project-specific review, a variety of elements could be eligible including the following, among others:
  - Property acquisition
  - Site preparation
  - Walkways
  - Pedestrian and bicycle access to a public transportation facility
  - Demolition of existing structures
FAST Act expanded RRIF by making economic development (TOD) projects eligible for RRIF financing

- **Economic Development** defined as commercial and residential development, and related infrastructure and activities that:
  - incorporate private investment
  - are physically or functionally related to a passenger rail station or multimodal station that includes rail service
  - have a high probability of reducing the need for financial assistance under Federal programs by increasing ridership, tenant lease payments, or other activities that generate revenue

- **Caveats and Conditions**
  - Authority sunsets in December 2019
  - Non-Federal match of at least 25% required
Projects Financed Through Value Capture

Transbay Transit Center
• Total Project Cost (Phase 1): $1.19 billion (TIFIA Loan: $171 million)
• First TIFIA loan secured by value capture revenues from TOD

Denver Union Station Project
• Total Project Cost: $518.6 million (TIFIA Loan: $145.6M, RRIF Loan: $155M)
• First time TIFIA and RRIF combined
• TIFIA loan partially secured by Tax Increment Financing

Moynihan Train Hall Project
• Total Project Cost: $1.95 billion (TIFIA Loan: $526.1 million)
• TIFIA loan secured by Payments in Lieu of Taxes (PILOT) generated by the commercial development within building
Questions?

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