FHWA Office of Tribal Transportation

Financial Administrative Technical Assistance

Doug Roberts
Financial Specialist

U.S. Department of Transportation
Federal Highway Administration

Financial Technical Assistance

- Financial Technical Advice and Strategy
  - ✓ Best Practices
- Policy & Regulation Implementation
  - ✓ 2 CFR 200
- Process & Procedure Evaluation
  - ✓ Courtesy Evaluation / Review

Financial Technical Assistance

- Financial Risk Assessment
- **Single Audit Preparation**
- Accounts Payables & Vendor Evaluation
- Accounting / Financial Systems
- Workflow Analysis, Segregation of Duties, etc.

Who do I contact for assistance?

Start developing, refining or updating your Financial processes and systems today!

Your direct point of contact for Financial Technical and Administrative Assistance is Doug Roberts in coordination with your Agency Point of Contact.

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Introduction to Innovative Finance




The Essentials of Innovative Finance for Tribal, State, and Local Governments

Peter Mancauskas

Innovative Finance Program Manager

AGENDA

Introduction

1. Value Capture
2. FHWA Revenue Bonds (GARVEEs)
3. State Infrastructure Banks (SIBs)
4. Private Activity Bonds (PABs)
5. TIFIA Loan Program
7. Combining SIB and TIFIA for a Rural Project
8. Leveraging multiple Federal Resources

Introduction

Who Am I?

- I am the Project Finance Program Manager for the Center for Innovative Finance Support (CIFS).
- CIFS provides program oversight for Tolling, GARVEEs, SIBs, and P3 transportation initiatives.
- CIFS is a part of the Office of Innovative Program Delivery (OIPD), which improves transportation performance by driving innovation into action through partnerships, technology deployment, and capacity building.

What Can We Do for You?

- CIFS can assist you and your infrastructure partners by facilitating relationships with State DOT, FHWA division offices, DOT program offices, and other Federal resources.
  - Identify innovative financing and funding solutions for your projects.
  - Assist with SIB applications.
  - Develop Public Private Partnerships (P3) strategies.
  - Provide in-depth innovative finance training.
  - Real-Time technical assistance.

What is Innovative Finance?

Innovative Project Finance Defined~

Specially designed techniques and tools that supplement traditional highway financing methods, improving governments' ability to deliver transportation projects.

Techniques

- Financing
  - Opportunity Zones
  - GARVEE Program
  - TIFIA
  - Joint Ventures
  - State Infrastructure Banks
  - FHWA Grant Programs
  - Other Federal Financing
- Funding
  - Tolling
  - Public Private Partnerships
  - Funds Leveraging
  - Special Assessments
  - Tax Increment Financing
  - Fees
  - Advertising and Naming Rights
  - Developer Contributions
  - Concessions
  - Joint Development
  - Toll Credits

Innovative Finance vs. Conventional Approaches

Conventional Transportation Funding

- Gas taxes
- Pay-as-you-go
- Issue State-backed bonds

Innovative Finance

- Use of project-based revenues (e.g., tolling, value capture)
- Debt Financing (Public or Private)
- Expanded private sector role in financing and delivering projects
- Value Capture leveraging
- Funds leveraging – identifying projects that have dual funds' eligibility across existing federal programs.

Why should innovative finance be considered in the planning process?

Advantages

- Maximize capital options and leverage existing funding
- Accelerate project delivery
- Increase stakeholder and public awareness
- Incorporate financing considerations to project selection criteria

U.S. Department of Transportation
Federal Highway Administration

OFFICE OF INNOVATIVE PROGRAM DELIVERY

Accelerate Your Transportation Program

Use innovative financing to complete your project faster and reduce costs.

- Access new sources of public and private funding
- More effectively use existing funds
- Avoid hidden costs associated with delayed construction

INNOVATIVE FINANCING vs. PAY-AS-YOU-GO

$5 Million Transportation Project

INNOVATIVE FINANCING	PAY-AS-YOU-GO
Start building **IMMEDIATELY**	Wait **5 YEARS** to start building due to budget restrictions
AND	OR
Build **WITHOUT DELAYS**	Build **IN PHASES** as funds become available
Incur interest at approx. **3.25%* OVER 10 YEARS**	See inflation rise at **4%** ANNUALLY,** raising construction costs
Project complete in **3-5 YEARS**	Project complete in **8–10 YEARS**

POTENTIAL SAVINGS USING INNOVATIVE FINANCING

UP TO $150K

Over the long term, interest payments may be **less expensive** than construction-cost inflation.

*Interest rate variable | **Estimated from FHWA data

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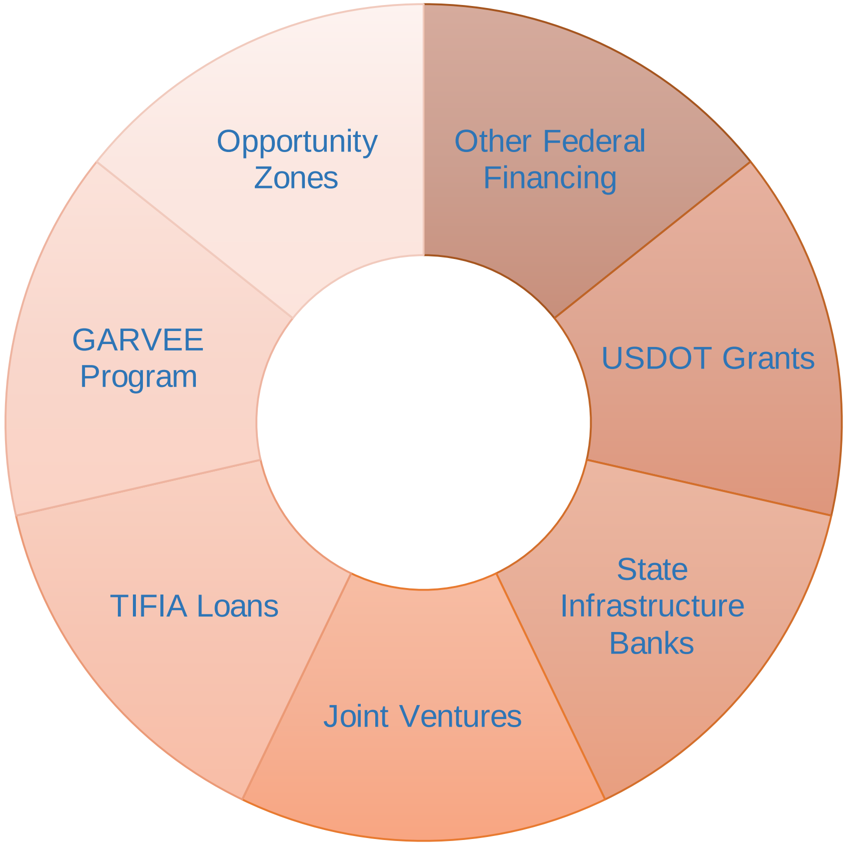
Expand Your TIP



Constrained

Project A: Funded ✓

Project B: Funded ✓

Project C: Funded ✓

Project D: Funded ✓

Unconstrained

Project A: Funded ✓

Project B: Funding unclear

Project C: Funding unclear

Project D: Unfunded

Put Innovative Finance to work for you

- Learn how to introduce innovative finance earlier in the transportation planning process and how different financing tools could alter your funding projections and expand your programming options
- Consider how the transportation planning process could help assemble finance packages for projects
- Learn how to use innovative financing and funds leveraging to expand your options for program and project delivery
- Learn how to compare the comparative risks associated with different finance and leveraging options
- Gain a better understanding of policy constraints and obstacles that may restrict or prohibit innovative finance options at the State and local levels

Start the discussion early. We can help:

www.fhw.dot.gov/ipd

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Value Capture

Lead Program Office: Center for Innovative Finance Support, OIPD

Point of Contact:

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Value Capture Definition

Value Capture is defined as a revenue source (fee, tax, assessment, or other mechanisms) for capitalizing on the value created by transportation improvements and investments.

Examples of Transportation Improvements

- Roads and bridges.
- Transit improvements and expansion.
- Complete streets improvements.
- Bicycle and pedestrian connections.
- Street trees and landscaping.

Beneficiaries

- Developers.
- Property owners (residential, commercial, retail, industrial).
- Employers.
- Businesses.
- Transportation users.

Typical Value Capture Mechanisms

TECHNIQUES SUMMARY

DEVELOPER CONTRIBUTIONS
One-time charges collected by local governments from developers to offset the cost of infrastructure and services necessitated by new development.

SPECIAL ASSESSMENTS
An additional fee or tax assessed on businesses or residents in specified geographic areas benefitting proximity to a highway or other transportation facility or corridor.

FEES
Similar to a utility fee, transportation fees are assessed based on how individual businesses and households use transportation facilities.

INCREMENTAL GROWTH
A mechanism allocating back to infrastructure from some specified portion of increased property tax revenues fostered by new infrastructure—often for a specified period of time.

JOINT DEVELOPMENT
Sale or lease of land or air rights on or adjacent to transportation facilities. This can include donations of land or other in-kind resources from the private sector in ongoing commercial operations.

CONCESSIONS
Sale or lease of government-owned assets—such as toll roads or bridges—to private-sector investors/operators.

ADVERTISING AND NAMING RIGHTS
Sale of advertising space or naming rights on a transportation facility. Note: Commercial uses within Interstate Highway System right of way, including rest areas, is prohibited by law; however, they may be allowed on toll facilities and in transit stations.

Special Assessment Districts (SAD)

SAD captures the increase in property value due to public improvement based upon proximity.

- It's only levied against those parcels receiving a special benefit from improvement.
- Assessment amount is directly related to the value of the benefits the property received.
- Sales tax districts are a type of SAD that uses a sales tax rather than property tax.
- Examples:
  - ✓ SAD financing provides more than 9 percent of annual budgets of Montana's counties.
  - ✓ Atlanta's Peachtree Streetcar line.

Tax Increment Financing (TIF)

TIF is a value capture revenue tool that uses taxes on future gains in real estate values to pay for new infrastructure improvements.

- TIF uses these future increments in property taxes generated within a specified area to finance the initial costs of the public improvements.
- Offers a source of long-term revenues.
- Used in almost every State.
- Examples:
  - ✓ TIF is used in Oregon for Transit — $7.5 million for a portion of Central City Streetcar and $30 million for Interstate Avenue Light Rail.
  - ✓ San Francisco’s Transbay Terminal is being partially funded through tax increments.

Land Value Tax

Conventional property tax – same rate for land and buildings.

- Tax on land.
- Tax on buildings.
- Examples:
  - ✓ Pennsylvania has split rate tax over 100 years: 1913 Pittsburgh and Scranton, 1951 third-class cities, 1992 school districts, etc.
  - ✓ Maryland: Attorney General in 1995 ruled 1916 law allows cities.
  - ✓ New York: Only for the City of Amsterdam.
  - ✓ Virginia: 2002 for Fairfax County.

Joint Development (JD)

A formal public-private agreement that involves mutually beneficial investments.

- Private sector payments to the public entity and/or sharing of capital assets.
- Incentives for the public entity – Additional revenue for capital improvements.
- Incentives for the private sector – Enhanced real estate development potential.
- Examples:
  - ✓ Oregon: Bechtel Corporation and Trammell Crow Company build $28 million Red Line extension to airport in exchange for the development rights around a transit station.
  - ✓ Denver: FastTrack expansion.
  - ✓ Maryland: Midtown rail stations.
  - ✓ Washington, DC: WMATA rail stations.

Transportation Utility Fees

- Transportation network functions as a utility and a fee is charged. Known as:
  - ✓ Road utility fee.
  - ✓ Street maintenance fee.
  - ✓ Road user fee.
- Applies to all residents and businesses.
- Example:
  - ✓ Hillsboro, Oregon uses a transportation utility fee to pay for street repairs.

Development Impact Fees

Type of exaction collected with a building permit.

- Proportional to the impact caused by the development.
- Offset the impact of the development.
- Used in CA, FL, and TX.

Example

- ✓ Osceola County (Florida) Roadways & Bridges Program (impact fees).
- ✓ Mercer County, New Jersey’s transportation Development Districts (I-95/I-295).
- ✓ The State Route 4 Bypass is being partially funded by traffic mitigation fees from Eastern Contra Costa County, CA.

Air Rights

Development right to use or develop the space above one's property.

- Rights above or below a facility used to generate/capture an increment of land value.
- Type of joint development.
- One-time payment for sales; ongoing for leases.
- Very location-specific.
- ROW use agreements covered in 23 CFR 710.405.

Example:

- ✓ Development over depressed freeways in Seattle; NYC; Columbus, OH; Duluth, MN; and Washington, DC.

Negotiated Exactions/Developer Contributions

Exactions are one-time, direct payment or in-kind contributions made by developers to local governments as part of agreement to grant development permit.

- Site-specific, case-by-case basis.
- Exactions applied locally to site-specific requirements.
- Covers costs that otherwise would be borne by public.
- Can be exacted before or after construction.

Example

- ✓ Eagle Road SH-55 Fairview Avenue Intersection (ID).
- ✓ The Potomac Yard (VA).

Benefits

Value Capture is mostly initiated by local governments.

- Facilitate access to ongoing revenue sources such as new property tax revenue to the City/County/State.
- Value Capture can be a valuable “gap funding” approach for highway improvements:
    - ✓ Sources of revenue.
    - ✓ Revenue = alternative financing.
- Raised capital/revenue helps secure funding from multiple Federal sources and/or Federal matching share: TIFIA, Section 129 Loans, SIBs, INFRA Grants.
- Part of an overall funding strategy.

Challenges

- May require statutory authority.
- Stakeholders coordination & involvement process can be lengthy:
  - ✓ Tribal Government, Local governments and State DOT.
  - ✓ Property owners and/or developers.
  - ✓ Private companies.
  - ✓ Transportation corporation.
  - ✓ Federal agencies.
- Transaction costs.
- Expertise.

Resources

- FHWA Center for Innovative Finance Support Resources:
  - ✓ https://www.fhwa.dot.gov/ipd/value_capture/.
  - ✓ https://www.fhwa.dot.gov/ipd/project_profiles/.
  - ✓ https://www.fhwa.dot.gov/ipd/fact_sheets/ .
- FHWA Right of Way Use Policy and Guidance:
  - ✓ https://www.fhwa.dot.gov/real_estate/right-of-way/policy_and_guidance/airguide.cfm.

Grant Anticipation Revenue Vehicles – GARVEE

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What are GARVEEs?

- **Definition:** Debt issued (usually bonds) by States, local governments, Tribal governments, and territories; backed by, and repaid with, specific Federal-aid funds.
- **Purpose:** Issued to provide new funding for eligible projects or to refinance existing GARVEE bonds.
- **Key Provisions:**
  - No Federal guarantee of repayment; any pledges or obligations must come from the issuer.
  - Non-Federal match is required with every debt service repayment.

Advantages of GARVEEs

- Accelerate construction of critical projects.
- Avoid costs of inflation.
- Facilitate large project financing.
- Promote efficient resource allocation by matching debt term with life of asset.
- Provide benefit of relatively low interest rates.

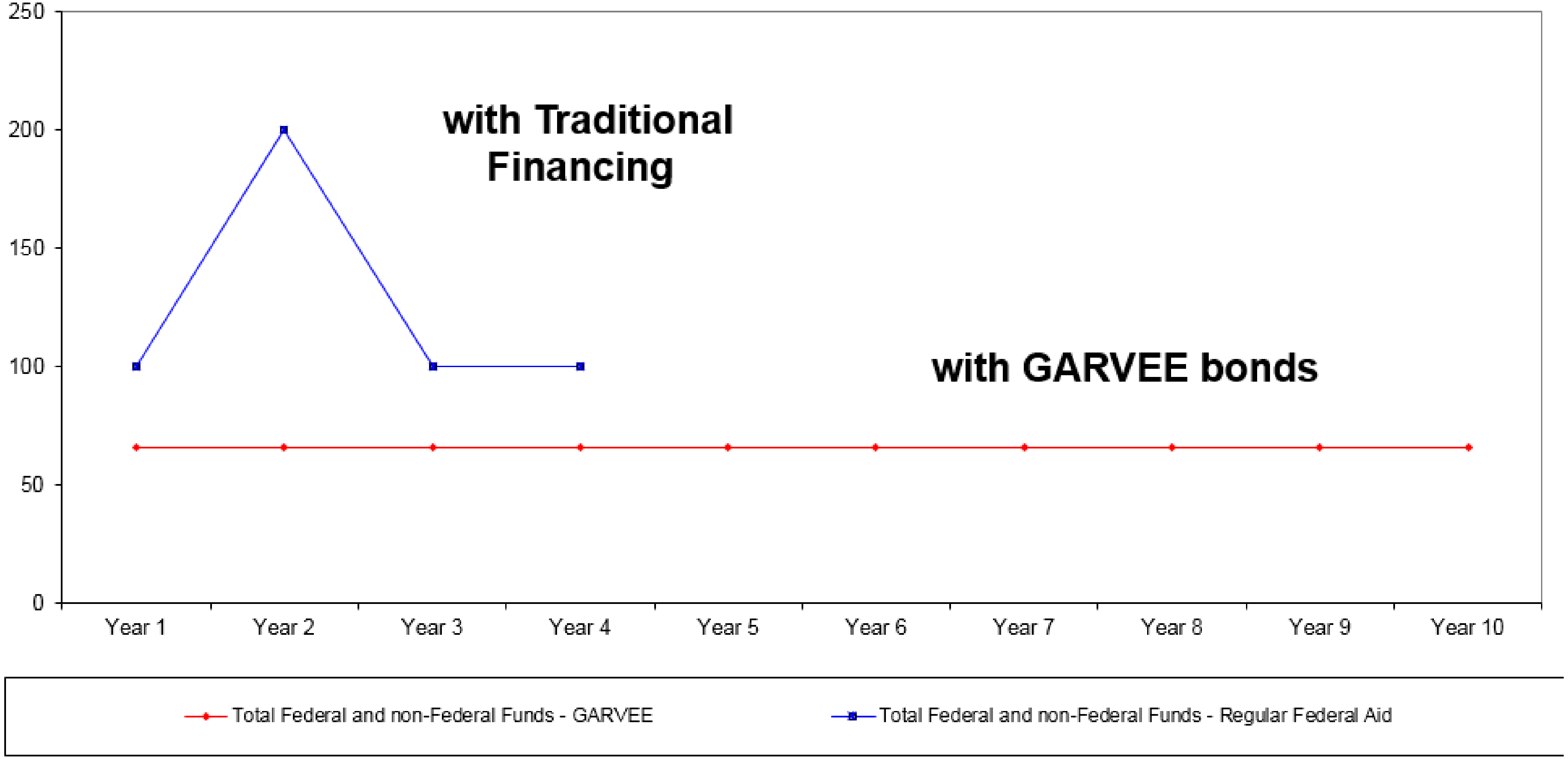
Advantages of GARVEEs (cont.)

- Provide economic and fiscal stimulus.
- Leverage Federal funds.
- Reduce use of General Obligation (GO) Bonds.
- Possibly avoid GO Bond debt limits and bond referenda.
- Preserve general credit rating.
- Allow claim of interest and issuance costs as eligible Federal-aid costs.

Disadvantages of GARVEEs

- Debt service reduces future financial, programmatic, and political flexibility.
- May lead to debt capacity constraints.
- Federal aid used for interest and issuance costs rather than construction costs.
- May require enabling legislation and policy.
- Periodic reauthorization risk.
- Significant stewardship, oversight and reporting responsibilities for FHWA.

Traditional Financing vs. GARVEE Bonds Cash Flows

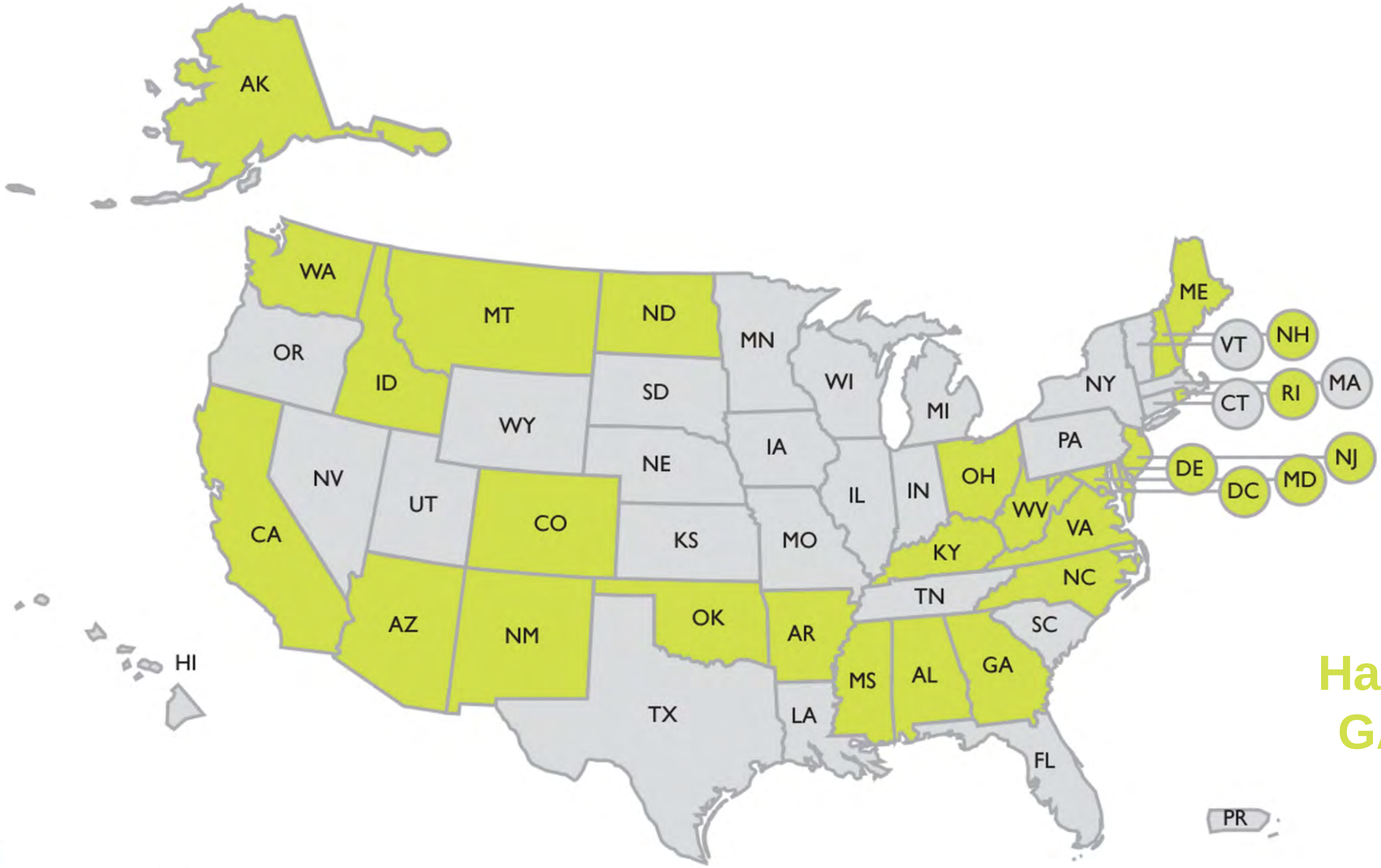


Candidate Projects

- Large-scale capital projects with economic life lasting longer than the debt.
- Projects whose costs of delay outweigh the costs of financing.
- Projects with significant economic development potential.
- Projects that are eligible for Federal-aid funding.
- **Borrowers have dedicated source of Federal-aid funds**.

US-DOT

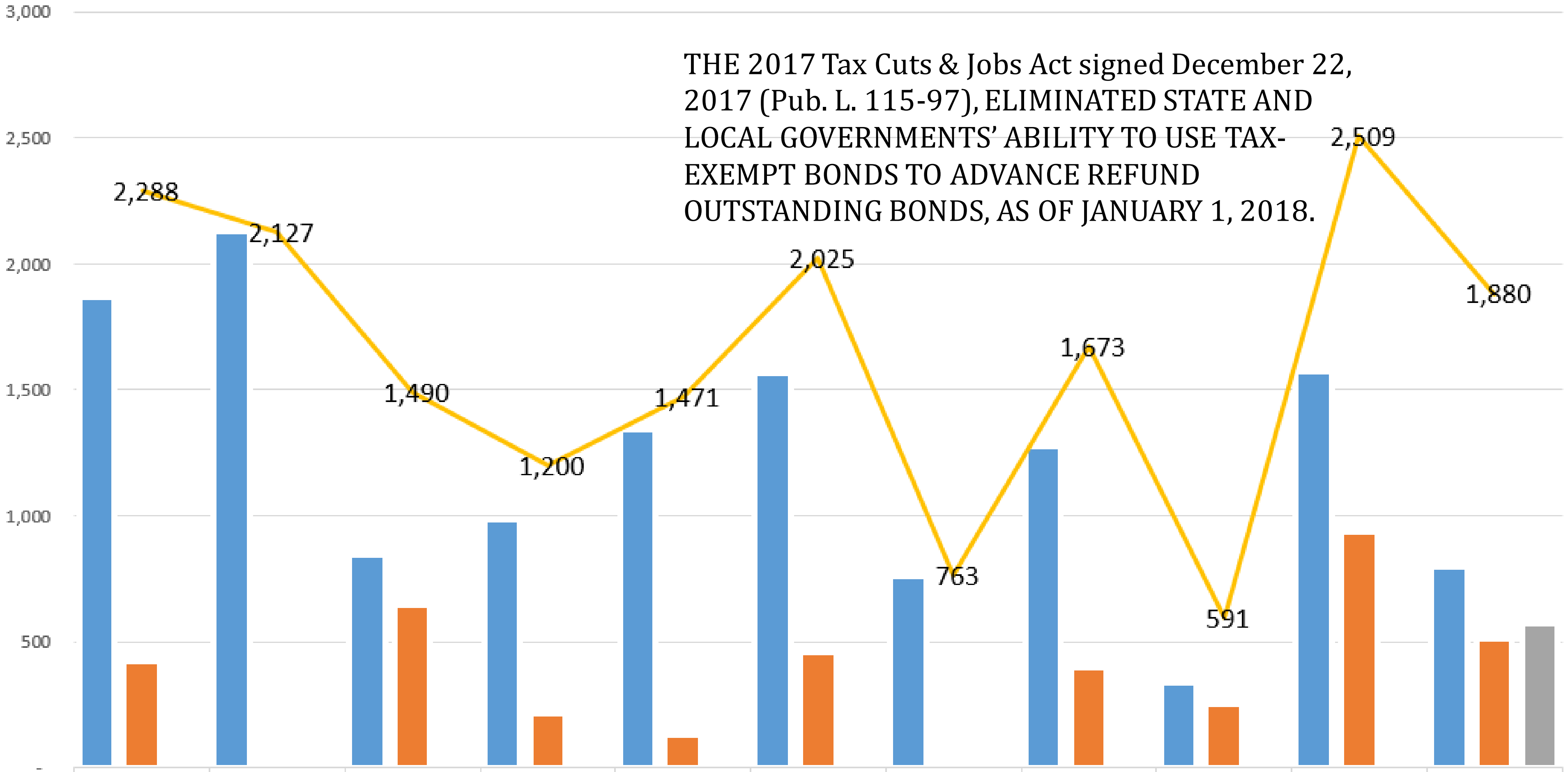
States that use GARVEEs



Have used GARVEE

GARVEE Issuances by Type - From 2008 to 2018 (in millions of $)

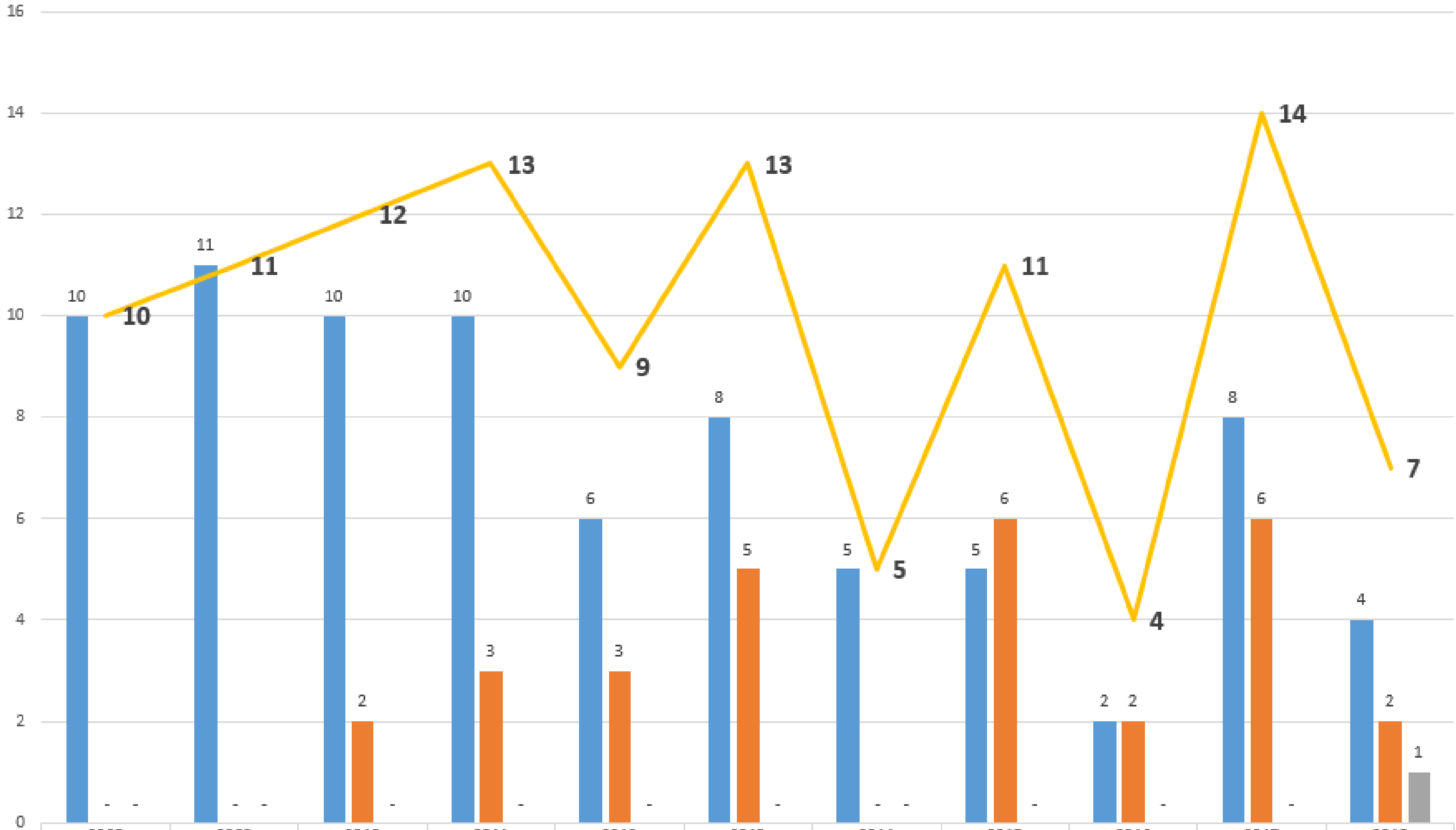
THE 2017 Tax Cuts & Jobs Act signed December 22, 2017 (Pub. L. 115-97), ELIMINATED STATE AND LOCAL GOVERNMENTS' ABILITY TO USE TAX-EXEMPT BONDS TO ADVANCE REFUND OUTSTANDING BONDS, AS OF JANUARY 1, 2018.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
New	1,868	2,127	847	987	1,342	1,565	763	1,274	338	1,570	794
Refunding	420	-	643	213	129	460		399	253	939	511
Combination	-	-	-	-	-	-	-	-	-	-	575
Total	2,288	2,127	1,490	1,200	1,471	2,025	763	1,673	591	2,509	1,880

New Refunding Combination Total

Number of GARVEE Issuances Per Year - 2008 - 2018 (Total of 109 GARVEEs)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
New	10	11	10	10	6	8	5	5	2	8	4
Refunding	-	-	2	3	3	5	-	6	2	6	2
Combination	-	-	-	-	-	-	-	-	-	-	1
	10	11	12	13	9	13	5	11	4	14	7

New Refunding Combination

Idaho

- GARVEE Program launched by legislation in 2005
- Legislation identified 13 corridors statewide for possible use of GARVEE proceeds
- Seven series of bonds were issued, totaling $858 million
- Maturity (length) is 10-18 years, with an average interest rate of 4.1%
- Currently 59 projects are underway in six corridors

Innovative GARVEE Usage
(Not your father's GARVEE…)

GARVEEs are not just for Bond Issuances…..

- Other types of debt can be repaid using GARVEE, Commercial loans, Government loans, and SIB loans are all ***potentially*** eligible under the GARVEE program.

Example: FHWA and USDA-Rural Development are collaborating on an explorative effort allowing the Territory of Guam to borrow from the Capital Facilities Program and repay the loan using the GARVEE program. The target project is an essential highway connector and is Federal-aid eligible.

State Infrastructure Banks

Lead Program Office: Center for Innovative Finance Support, OIPD-FHWA

Point of Contact:

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What Are SIBs?

State Infrastructure Banks (SIBs) are revolving loan funds for highway, transit, and rail projects. Usually administered by a State DOT, a SIB can offer a range of loans and credit enhancement products. The typical SIB borrower is a local public agency (LPA), but the program allows a State to lend to a variety of public and private entities including Tribal Governments.

Types of Assistance

- Fund short-term construction or long-term debt financing.
- Fund all or part of a project's cost.
- Offer flexible repayment terms at below-market interest rates.
- Can be subordinated to other lenders.

Current SIB Status

- Number of available SIBs (federally capitalized): 28.
- Total Federal capitalization: $661 million.
- Number of loans executed to date: 1,192.
- Value of loans executed to date: $3.1 billion.
- Estimated SIB funds currently available for lending: $775 million.

Current Status: Active Federal SIB

Alaska
Arkansas
California
Colorado
Florida
Indiana
Iowa
Michigan
Minnesota
Missouri

Nebraska
New Mexico
North Carolina
North Dakota
Ohio
Oregon
Pennsylvania
Puerto Rico
Rhode Island
South Dakota

Tennessee
Texas
Vermont
Virginia
Washington
Wisconsin
Wyoming

Innovative Examples of SIB Usage by States for Local Projects

- Usage of Tax Increment Financing (TIF) as a source of repayment, depending on governing laws and regulations.
- Defer short-term transportation investment costs with very low interest loan to offset budget shortfalls.
- SIBs can be used to accelerate a local government's transportation program, similar to bonding.
- Can be utilized by private and quasi-private project sponsors.
- Assist Public-Private Partnerships to upgrade facilities to aid economic development.
- May offer key "bridge financing" to complete a financial plan.

Project Spotlight, Ohio

State Route 310

Borrower: Licking County Transportation Improvement District

- Public Obligors
  - Etna Township
  - Licking County
  - Southwest Licking School District
  - JEDD Board

US-DOT

- Pledged Repayment Sources
  - Tax increment financing revenues from Amazon site
  - Two separate JEDDs
  - General Revenue

State Route 310

Project Funding

SIB Bond Issuance	$4,745,000
Jobs Ohio 629	$1,900,000
ODOT Jobs & Commerce	$500,000
ODOT	$500,000
Etna Community Improvement Corp	$75,000
Total	$7,720,000

Created 1,500 Full Time Jobs and 4,000 seasonal jobs
TIF revenues are exceeding initial project estimates.

SIB Federal Match Assistance

- Funding for federal-eligible projects requires a match of state or local funds.

  - Match requirement of between 20% and 50% on sliding scale depending on the federal program

  - Match required for project elements must be repaid through non-federal funds

SIB Federal Match Assistance

- For smaller communities, this can be a major burden to provide the required match in a short period from existing budgetary resources.
- Using a SIB loan allows these communities to spread the impact of the match requirement over multiple years and reduce the cash flow impact and credit impact to their existing budgets.

Reducing Budgetary Constraints

- Using a SIB loan allows communities to spread the impact of the match requirement over multiple years and reduce the cash flow impact and credit impact to their existing budgets.

- For communities that already have the cash on hand or plan to use pay-as-you-go for new projects, SIBs allow these communities to use the cash on hand for additional projects, work programs, or other community needs.

A full cost benefit analysis for SIB use is critical in the decision-making process

- As in any financial decision process, it is important to compare the SIB to traditional borrowing approaches and perform a cost benefit analysis. Key elements to consider should include:
  - Costs to Borrow – fully loaded including any advisory fees
  - Time to Market – a full time line to actual funds delivered to the project
  - Benefit of Loan Terms – how do the loan terms benefit the borrower
  - Economic Impact of Advanced Delivery – what benefit does the community derive from advancement of the project schedule as compared to pay-as-you-go or traditional borrowing time lines

Key Comparators for SIB Consideration

Pay-As-You-Go	Traditional Bonds	SIB Loan
10-year project delay required to save enough money to pay in cash resulting in higher capital costs due to inflation	Known Process	SIB Benefits
	-Transaction costs	-Minimal if any transaction costs
	-Legal fees	-Minimal legal and advisory costs; can and often are handled in-house
	-Advisor/consultant fees	
	-Rating fee	-Does not require a rating
	-Interest Expense	-Reduced interest expense
	Strict payment terms	Flexible loan terms
	Generally longer time to delivery	Shorter time to delivery

Project Example

Project Example – Required Local Match

- Project assumption:
  - Project Type – Bridge Replacement
  - Project Costs – $25 million
  - Local Match Required - $5 million
  - Community Size – 20,000
  - Annual Budget Available for Matching Purposes- $500,000
- Under normal pay-as-you-go approach:
  - Takes 10 years to save the $5 million match requirement
  - Project cost would increase further delaying the time period for the project.

Project Example – Required Local Match

- Project moves forward now
- Use SIB loan for local match - $5 million
- Key loan terms:
  - Deferral of payments - 1-Year
  - Loan term - 15-Years
  - Interest rate - 3.08% (market rate for U.S. Treasury, State and Local Government Series, November 30, 2018)
  - Annual Debt Service Payment - $445,282
  - Coverage of 1.12 times
    - Available annual amount of $500,000 compared to annual payment

Project Example – Required Local Match

- Costs benefits and savings
  - Project delivered now - 10 years in advance of saving for matching
  - Economic benefits of project accrued to community 10 years earlier
    - Jobs to deliver the project
    - Commuters and visitors use of the project
    - Safety improvements
    - Private development supported by the project
  - Inflationary savings of $8.5 million due to advanced delivery assuming an annual inflation rate of 3.0% for 10 years

Actual Project

- Dublin Ohio
  - SIB Loan from Ohio DOT (borrower Mid-Ohio Regional Planning Commission (MORPC) and the City of Dublin)
  - Project - US33/I-270 Interchange - $10,010,000
  - Benefits:
    - Project a priority by both the City of Dublin and several board members at MORPC, but the project had no local funds identified.
    - The city's portion of the construction costs could be financed in any manner deemed most financially appropriate. Staff evaluated using the SIB loan versus traditional financing methods and determined that using the SIB would result in savings of approximately $446,600 versus issuing tradition general obligation debt.
    - The term of the loan is 20 years with no interest assessed on the loan for the first 12 months. From the 13th month through final maturity, the interest rate will be 3.0%. To use the SIB, there is a $10,000 fee, which is incorporated in the loan amount.
    - Project would not have been completed without the use of the SIB loan.
    - Assume an advance for the project of 10 years with inflation rate of 3% on the project amount of $10,010,000, the SIB loan saved a total of $3 million in reduce project costs.

TIFIA Credit Program

Regional Program Office: Build America Bureau, U.S. DOT

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Build America Bureau, USDOT

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About TIFIA

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a Federal credit program under the U.S. Department of Transportation (DOT) for eligible transportation projects.

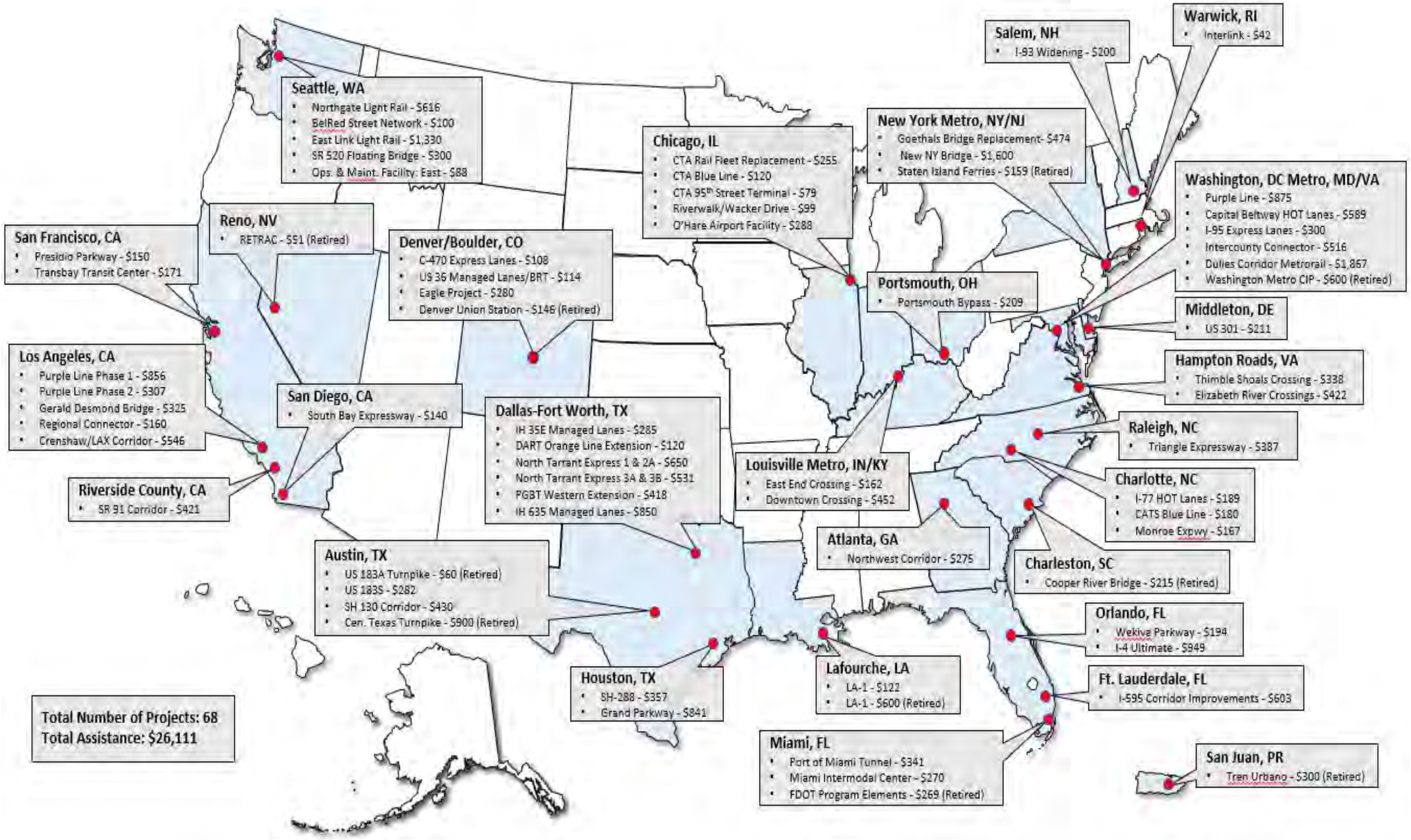
TIFIA Program Objectives

- Leverage limited Federal resources and stimulate capital market investment.
- Facilitate projects with significant public benefits.
- Encourage new revenue streams and private participation.
- Fill capital market gaps for secondary/subordinate capital.
- Be a flexible, “patient” investor willing to take on investor concerns about investment horizon, liquidity, predictability, and risk.
- Limit Federal exposure by relying on market discipline.

Types of 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 a 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 Approved Projects (in millions)



Eligible Sponsors and Projects

ELIGIBLE SPONSORS

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

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 Benefits

- Long term, fixed cost, permanent, upfront 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 prepayment penalty.
- Low interest rates.

Low Interest Rate -
Interest rate on 3/13/2020 was 1.57% for a 35-year loan

TIFIA Major Requirements

- **Minimum Anticipated Project Costs** – At least $10 million for transit-oriented development, local, and rural projects.

- **TIFIA Credit Assistance Limit** – Credit assistance limited to 33 percent of reasonably anticipated eligible project costs (unless the sponsor provides a compelling justification for up to 49 percent, the statutory maximum).

- **DOT Rural Initiative** – Rural projects are now eligible for credit assistance up to the statutory maximum of 49 percent.

FAST Act Changes: Small Projects

Relief from Fees for Small Projects

- Small projects are those with less than $75 million in reasonably anticipated eligible project costs.
- TIFIA will reserve at least $2 million each year to be used in lieu of the fees it charges to potential applicants as part of the TIFIA application process.
- Potential applicants interested in such fee relief must indicate such in their letter of interest.
- TIFIA cannot guarantee that funding will be available for all potential applicants requesting fee relief.

FAST Act Amendments: Rural Projects

- **Lower Rural Project Cost Thresholds** – Lowers the rural project cost threshold to $10 million (from $25 million) and sets a maximum of $100 million.
- **Modified Rural Area Eligibility** – A rural project is now defined as a “surface transportation infrastructure project located outside of an urbanized area with a population greater than 150,000 individuals, as determined by the Bureau of the Census.”
- **Rural Project Interest Rate –** A rural project is eligible to receive a TIFIA loan at the discounted rate of one-half Treasury rate.
- **SIB Rural Projects Fund –** TIFIA can now lend up to $100 million for rural projects, at discounted rate of one-half Treasury rate.

Rural Rate -
Interest **rate on 03/13/2020 was 0.79% for a 35-year loan**

FAST Act Changes: TOD Projects

- **Transit-Oriented Development (TOD) –** The FAST Act expands the TIFIA program by allowing TOD projects to be eligible to apply for TIFIA credit assistance.

- **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 Changes: Local Projects

- **Local Projects –** The FAST Act also expands the TIFIA program to consider infrastructure projects to be "local" if one of the following criteria are met:
  - The applicant for the project (or program of projects) is a local government, public authority, or instrumentality of local government;
  - The project (or program of projects) is located on a facility owned by a local government; or
  - The Secretary determines that a local government is substantially involved in the development of the project (or program of projects).

Combining TIFIA and a SIB for a Rural Project

Intentionally… or not!

TIFIA offers two pathways for credit assistance to a rural infrastructure project:

- Direct loan for a project with eligible costs between $10 million and $100 million.
- Direct loan to capitalize a Rural Projects Fund established by a SIB that offers loans to rural infrastructure projects.

Which approach maximizes TIFIA assistance?

Rural Project: $10M-$100M

Type of Assistance	Rural Interest Rate?	Maximum Loan Size	Discussion
Direct Loan from TIFIA	Yes	49% of eligible project costs	Statutory maximum available to rural projects.
Direct Loan from SIB Rural Projects Fund	Yes	80% of eligible project costs	SIB would “on-loan” to rural project at or below the TIFIA interest rate.

Rural Project: $50 Million

- Direct loan from TIFIA for up to $24.5 million.
- Direct loan from a SIB Rural Projects Fund for up to $40 million.
- Either could be made at one-half Treasury rate.
- The SIB could mirror its TIFIA loan terms in its "on-loan" to the project, retiring both loans simultaneously, or could establish a revolving loan fund with "on-loan" repayments, if that loan has a shorter maturity than the TIFIA capitalization loan.

Rural Project: $100M+

Type of Assistance	Discounted Interest Rate?	Maximum Loan Size	Discussion
Direct Loan from TIFIA	No	49% of eligible project costs	Project costs too large to qualify for discounted Treasury rate.
Direct Loan from SIB Rural Projects Fund	Yes	$100 million, subject to 80 percent limitation	$100 million cap applies to the amount loaned to the rural projects fund. The SIB could provide a discounted interest rate loan of up to $100 million to a rural infrastructure project of any size.

Rural Project: $150 Million

- Direct loan from TIFIA for up to **<u>$73.5 million at the Treasury Rate</u> (1.57 percent on 03/13/2020).**

- Direct loan from a SIB Rural Projects Fund for up to **<u>$100 million at one-half of the Treasury Rate</u> (0.79 percent on 03/13/2020).**

Conclusion, and Important Caveat

- Under the current authorization for the TIFIA program, a potential borrower for a rural infrastructure project has a greater opportunity to maximize Federal credit assistance **using a SIB as an intermediary** between TIFIA and the project itself.

- This conclusion applies only if TIFIA can obtain a **high-quality repayment pledge**, unrelated to project performance, on its loan.

Leveraging Federal Resources

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Transportation Infrastructure Is More than FHWA!

- Other Federal agencies offer both funding and financing for transportation projects.
- Under each agency's mission, rural, or economic development, certain transportation projects will be eligible for grant funding and financing.

- Financing can be integrated with FHWA innovative finance programs to create the most advantageous financing package.
- FHWA can help you connect to Federal agency partners.
- Project Example -
  - A local Public Agency borrows from USDA-Rural Development Community Facility Program for a Federal-aid-eligible project. The LPA also uses the GARVEE program to repay the USDA loan.

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