

 U.S. DEPARTMENT OF TRANSPORTATION



BUILD AMERICA BUREAU

Overview of the Department of Transportation's Build America Bureau's Grant and Credit Programs

2018 AASHTO Joint Policy Conference



BUILD Grants

Better Utilizing Investments to Leverage Development Transportation Discretionary Grants Program

- BUILD replaces the pre-existing TIGER grants program
- \$1.5 billion available for surface transportation projects
- DOT intends to award a greater share of grants to projects in rural areas than in urban areas
- Applications are due by 8pm EST today (July 19, 2018)



BUILD Basics

- Eligible Applicants
 - State, local, and tribal governments, transit agencies, MPOs, and other public entities
- Eligible Projects
- Eligible Cost Share or Match
 - BUILD Transportation funds may cover up to 80 percent of project costs in urban areas and 100 percent of project costs in rural areas
- Maximum Award
 - \$25 million per project; \$150 million per State
- Minimum Awards
 - \$5 million for projects in urban areas
 - \$1 million for projects in rural areas
 - No minimum for planning grants



What Projects Compete Well

- Demonstrated strength in merit criteria
- Project that will enter construction within the period of obligation (Sept. 30, 2020)
- Project has specific timeline for completion
- Presents a clear story and project impact
- Emphasizes improved access to reliable, safe, and affordable transportation in rural areas
- Incorporates innovations in funding and finance
- New partnerships, multi-jurisdictional cooperation, including public-private partnerships



Infrastructure for Rebuilding America (INFRA)

- ❑ Discretionary grant program authorized under the FAST Act through 2020 - previously known as FASTLANE
- ❑ Approximately \$1.5 billion available for infrastructure grants for FY17 and FY18.
- ❑ INFRA program preserves statutory requirements and utilizes updated criteria to evaluate projects that align with national and regional economic vitality goals.
 - Leveraging increased investment by state, local, and private partners.
 - Promoting improved project performance and accountability.
 - Providing project sponsors maximum flexibility to propose innovative solutions to address specific, local needs.
- ❑ Next INFRA



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 Major Benefits

- Long-term repayment period
 - Up to 35 years
 - Deferred for 5 years following substantial completion
- No prepayment penalty
- Can be highly customized to meet borrower needs

**Low Interest Rate -
Interest rate on 7/09/2018
was 2.95% for
a 35-year loan**

TIFIA Major Requirements

- Minimum Anticipated Project Costs
 - \$10 million for Local and Rural Projects
 - \$15 million for Intelligent Transportation Projects
 - \$50 million for all other eligible Surface Transportation Projects
- Limited to 33% of reasonably anticipated eligible project costs (unless the sponsor provides a compelling justification for up to 49%)
- Investment Grade Rating
 - Senior debt must receive two investment grade ratings (BBB-/Baa3) from nationally recognized credit rating agencies
 - Only one investment grade rating is required from projects totaling \$75 million or less
- Dedicated Repayment Source
 - Pledged to secure both the TIFIA and senior debt financing
- Comply with Federal requirements
 - Including but not limited to NEPA, Buy America, Titles 23 and 49



Fee Assistance for Small Projects under TIFIA

- 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



Local Projects seeking TIFIA Financing

In order to receive the Local Project Designation:

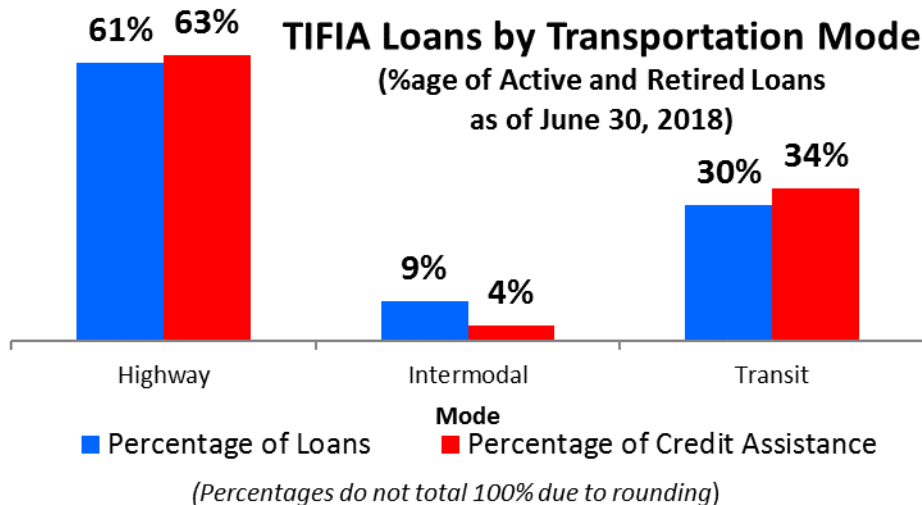
- The applicant for the project (or program of projects) must be a local government, public authority, or instrumentality of local government;
- The project (or program of projects) must be located on a facility owned by a local government; or
- The Secretary of Transportation determines that a local government is substantially involved in the development of the project (or program of projects).

Rural Projects seeking TIFIA Financing

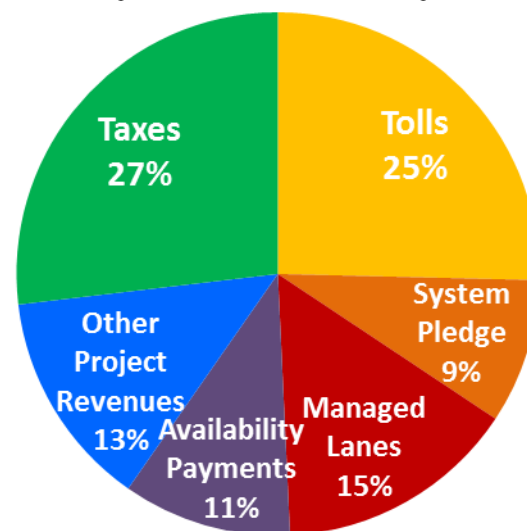
- ❑ **Rural project:** Project located in an area that is outside of an urbanized area with a population greater than 150,000 individuals
- ❑ **Project size:** Total project cost of \$10-75M
- ❑ **DOT fee coverage:** Borrower fees may be covered by DOT
- ❑ **Loan size:** TIFIA can finance up to 49% of eligible project costs
- ❑ **Interest rate:** Fixed rate of $\frac{1}{2}$ Treasury rate; on 6/6/18, 35-year rural rate was 1.56%
- ❑ **Loan term:** Up to 35 years with potential for deferred repayment (up to five years after substantial completion)

TIFIA Portfolio Statistics

Since program inception, TIFIA has approved 80 loans totaling over \$30 billion to stimulate over \$108 billion of transportation infrastructure investments in 22 states (plus the District of Columbia and Puerto Rico).



Proportion of TIFIA Loans By Revenue Pledge
(as of June 30, 2018)



About RRIF

The Railroad Rehabilitation & Improvement Financing (RRIF) program was established by the Transportation Equity Act for the 21st Century (TEA-21) and amended by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) to provide direct loans and loan guarantees totaling up to \$35 billion to finance development of railroad infrastructure.

RRIF Program Benefits

- Long term, fixed interest, permanent, up-front financing
- Funds are drawn as needed
- Flexible amortization
- No pre-payment penalty
- Uses Treasury Rate
 - Current interest rate would depend on the term of the loan
 - Rates available at [treasury.gov](https://www.treasury.gov) website

**Low Interest Rate -
Interest rate on 7/11/2018
was 2.95% for
a 30-year loan**

RRIF Major Requirements

- No minimum project size requirements (we've closed RRIF loans from \$55,000 to \$2.5 billion)
- Can finance up to 100% of reasonably anticipated eligible project costs
- Borrower pays Credit Risk Premium
- Borrower can often reduce costs by offering collateral
- Terms can extend up to 35 years from substantial completion
- Must comply with Federal requirements (NEPA, Buy America, etc.)
- Project must have a dedicated revenue source, such as tolls or other user fees, that are pledged to secure debt service payments for RRIF financing

Types of RRIF Credit Assistance

Secured (Direct) Loan

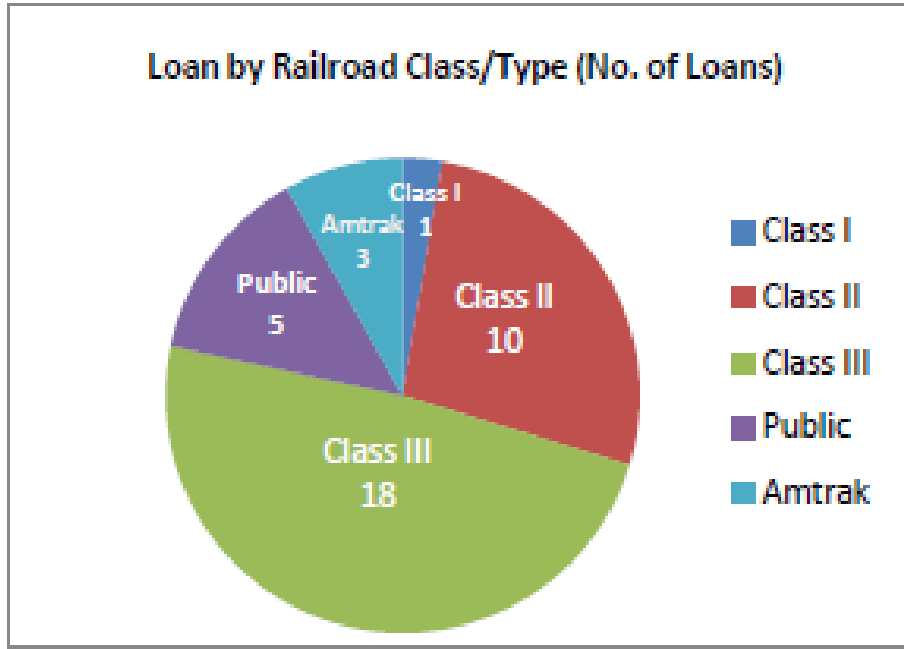
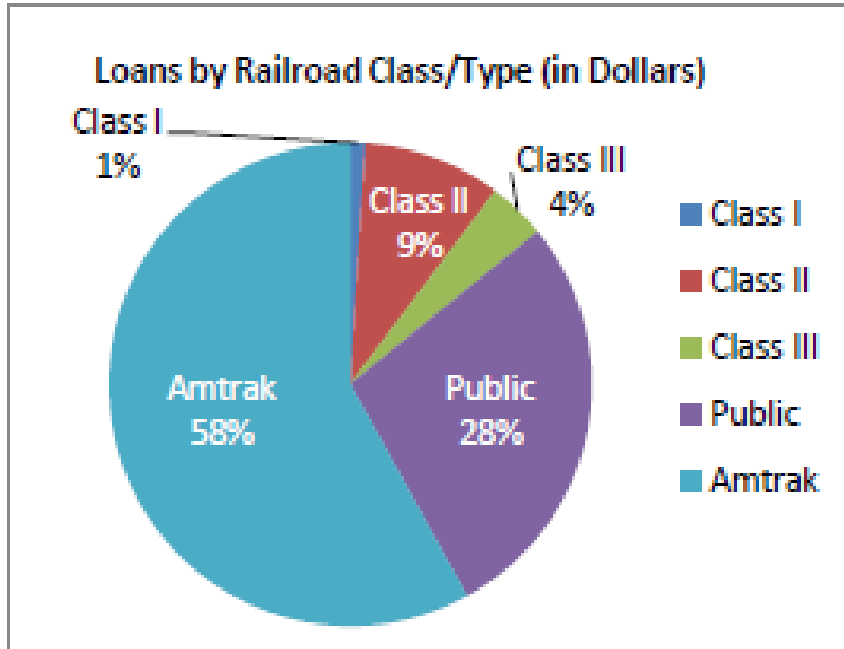
- Maximum term of 35 years from substantial completion
- Repayments must start within 5 years after substantial completion

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 Portfolio Statistics

Since program inception, RRIF has approved 37 loans to finance \$5.36 billion towards infrastructure investments in 27 states.



Bureau Activities Going Forward

- Streamline the application process for all credit programs
- Increase diversity of projects in the pipeline by:
 - Project type
 - Geographic distribution
 - Different/new borrowers
 - Rural/Urban
 - Innovation/transformational
- Enhance Bureau assistance (including projects that do not seek DOT funding/financing) and share best practices
- Offer new products and services tailored to borrower needs



Short Line and Regional Freight Rail

(Under Development)

For Projects that:

- Have a loan size \leq \$50 million
- Have a limited project scope
 - Track maintenance/improvement
 - Bridge rehabilitation
 - Rolling stock
 - Eligible refinancing*
- Are Buy America compliant
 - Or Buy America waiver granted (not pending)
- Qualify for NEPA Categorical Exclusion
 - FRA C.E. Worksheet must be complete at time of application
- Are prepared to initiate construction within 90 days of financial close

The Bureau may:

- Pay the application costs (IFA and Counsel)
- Offer expedited processing
- Seek to reduce or eliminate the Credit Risk Premium



Airport Infrastructure

To date, TIFIA and RRIF loans for airport projects have been limited to airport intermodal facilities and rail projects

The FAST Act expands the eligibility of TIFIA for Transit-Oriented Development (TOD) projects, including airport infrastructure projects that meet eligibility criteria.

This expanded eligibility includes projects to improve or construct public infrastructure that are located within walking distance of, and accessible to

- a fixed guideway transit facility
- passenger rail station
- intercity bus station
- intermodal facility

Eligible elements could include:

- Property Acquisition
- Demolition of existing structures
- Site Preparation
- Utilities
- Building Foundations
- Walkways
- Pedestrian and Bicycle access to a public transportation facility
- Construction, renovation, and improvement of intercity bus and intercity rail stations and terminals renovation and improvement of historic transportation facilities
- Open Space
- Safety and security equipment and facilities
- Facilities that incorporate community services such as daycare or health care
- A capital project for, and improving, equipment or a facility for an intermodal transfer facility or transportation mall
- Construction of space for Commercial Uses