BATIC Institute
Roundtable on Passenger Rail-Oriented Development

September 11, 2018
• 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
• 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!
Since program inception, RRIF has approved 37 loans in 27 states totaling over $5 billion.
RRIF – Program Priorities

- Enhance public safety
- **Promote economic development***
- Enhance the environment
- Improve competitiveness of U.S companies in international markets
- Endorsed in State planning documents
- **Improve railroad stations and passenger facilities and increase TOD***
- Preserve or enhance rail or intermodal service to small communities/rural areas
- **Enhance service and capacity in the national rail system***
- Materially alleviate rail capacity problems....
TIFIA 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) from nationally recognized credit rating agencies
- Project must be in State’s transportation planning and programming cycle
- Project must have a dedicated revenue source, such as tolls or other user fees, that are pledged to secure debt service payments
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!*
Since program inception, TIFIA has approved 80 loans in 22 states (plus D.C. & Puerto Rico) totaling over $30 billion.
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)
- RRIF can finance 100% of project costs
- TIFIA Borrower/Revenue source may be min. investment grade

Low Interest Rate - Interest rate on 9/6/2018 was 2.98% 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 or local government issues tax-exempt bonds on behalf of a private entity.
- Private entity/developer responsible for all PABs debt service.
- To date, over $11 billion of PABs have issued or allocated:
  - Over $8.2 billion of PABs issued for 19 projects
  - Additional $2.8 billion of PABs allocated for eight projects
- Can be used in combination with TIFIA or RRIF.
FAST Act expanded the TIFIA program by making TOD projects eligible 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 expanded the RRIF program by making economic development (TOD) projects eligible for RRIF credit assistance

• **Economic Development** – 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 the Applicant commencing the construction contracting process not later than ninety (90) days after the date on which the loan or loan guarantee is obligated, and
  – have a high probability of reducing the need for financial assistance under any other Federal program by increasing ridership, tenant lease payments, or other activities that generate revenue exceeding costs

• **Caveats and Conditions**
  – Authority for funding TOD sunsets in December 2019
  – Non-Federal match of not less than 25% required
INFRA Program

- Discretionary grant program focusing on nationally significant freight and highway projects
- $4.5 billion over 5 years

Build Program (formerly TIGER)

- Discretionary grant program focusing on surface transportation infrastructure, including roads, bridges, transit, rail, ports or intermodal transportation.
- $1.5 billion available in 2018
- At least 30% of funds for projects in rural areas.

National Highway Freight Program (NHFP)

- $6.3 billion to states over 5 years; up to 10 percent for non-highway freight modes
Consolidated Rail Infrastructure & Safety Improvements (CRISI) Program

• Discretionary grant program focusing projects that improve safety, efficiency, and reliability of passenger and freight rail

• Eligible projects include track, station and equipment improvements, Positive Train Control, congestion mitigation, grade crossings, and rail line relocation

• $318 million available in 2018

Federal-State Partnership for State of Good Repair

• Grant program to fund capital projects to reduce the State of Good Repair backlog on certain publicly owned railroad assets

• Eligible projects include capital projects to repair, replace, or rehabilitate publicly owned railroad assets
New Administration Focus

• Increase diversity of projects:
  - Geographic distribution
  - Rural/urban mix
  - New project types and financial structures
  - Innovation/transformative projects

• Streamline and harmonize applications

• Provide fee relief where possible

• Streamline review processes where possible

• Streamline environmental review process
New Administration Focus

• TIFIA Rural Projects Initiative
  - Project located in area with population less than 150,000 and outside Census-defined urbanized area
  - Total project cost of $10 – 75 million
  - Fees may be covered by DOT
  - TIFIA can finance up to 49% of eligible project costs
  - Fixed interest at ½ the U.S. Treasury rate (1.49% on 9/6/18)
  - Other TIFIA Program requirements apply

• Short Line and Regional Freight Rail Initiative
  - Possible reduced fees
  - Expedited processing
  - Be on the lookout for an announcement!
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