TOD: TIFIA and RRIF

Karen Hedlund
Vice President, US Advisory Services
WSP|Parsons Brinckerhoff

Presentation to SCORT
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• Other Federal funds can now be used to supplement TIFIA funds to pay subsidy and administrative costs

• Broadened eligibility for projects as small as $10M, including TOD public infrastructure and projects sponsored by local agencies

• New expedited application process

• Authorization reduced from $1B to $275M in FY 16; increases to $300M for final two years
  • But prior requirement that unused funds be turned back is repealed
FAST Act - RRIF Changes

• Directs acceleration of USDOT’s approval processes
• Maximum term of 35 years from substantial completion
  • Previously 35 years from date of loan execution
• Principal and interest can be deferred for up to 5 years from substantial completion
  • Previously 6 years from date of loan execution
• Credit risk premium no longer subject to rebate, except outstanding loans

• Made explicit that pledged cash flows as well as collateral may be used to evaluate credit-worthiness
• Master credit agreement provision allows RRIF to support a program of projects, and advance loan commitments
• Provides authority for direct loans to include at least one of the eligible applicants in a joint venture
• May not be subordinated to other project obligations – springing lien
FAST Act Expands RRIF to Include TOD

Eligibility now includes commercial and residential development that:

- incorporates private investment;
- is physically or functionally related to a passenger rail station or multimodal station that includes rail service;
- has a high probability of the applicant commencing the contracting process for construction not later than 90 days after the date on which the direct loan or loan guarantee is obligated for the project; and
- has a high probability of reducing the need for financial assistance under any other Federal program for the relevant passenger rail station or service by increasing ridership, tenant lease payments, or other activities that generate revenue exceeding costs.

- Financed projects require a 25% non-federal match.
- TOD Program sunsets December 2019

List of priority purposes for making such loans now states: “improve railroad stations, facilities and increase transit-oriented development.”
### RRIF v RIFIA – Comparison of Key Commercial Terms

#### Program Funding

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<th>TIFIA</th>
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<td>Authorized Funding</td>
<td>• RRIF continues to have zero Congressional funding for credit risk premiums</td>
<td>• Authorization reduced from $1B to $275M in FY 16; increases to $300M for final two years</td>
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<td>• Total of $1.435 billion over 5 years</td>
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<td>Authorized Loan Amounts</td>
<td>• Up to $35 billion of loans outstanding is authorized $7 billion reserved for non-Class I rail carriers, defined as those with operating revenue less than $272 million</td>
<td>• No explicit Loan Limit ceiling</td>
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**Note:**
- RRIF: Railroad Revolving Fund
- TIFIA: Transportation Infrastructure Finance Authority

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**Source:** WSP Parsons Brinckerhoff
## RRIF v RIFIA – Comparison of Key Commercial Terms
### Financing Terms

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| **Maximum Loan Amount**   | • Authorized to provide funding of up to 100% of eligible project costs  
                           | • TOD capped at 75%                                                 | • Principal amounts of credit assistance provided by TIFIA are generally limited to 33% of eligible project costs  
                           |                                                                     | • MAP-21 allows for a project loan size of up to 49% of eligible project costs but this is seldom done in practice |
| **Benchmark Rate**        | • Comparable term  
                           | • U.S. Treasury rate                                              | • Comparable term  
                           |                                                                     | • U.S. Treasury rate                                              |
| **Credit Risk Premium**   | • Credit risk premium is paid by the borrower                       | • Credit subsidy is covered by the TIFIA program                   |
### RRIF v RIFIA – Comparison of Key Commercial Terms

**Financing Terms – Loan Maturity Date (Tenor) and Principal Deferral**

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<td>Loan Repayment Term</td>
<td>Maximum term of lesser of: (A) 35 years from the date of substantial completion; or (B) the estimated useful life of the rail equipment or facilities to be acquired, rehabilitated, improved, developed, or established</td>
<td>• Same as RRIF</td>
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<tr>
<td>Principal and Interest Deferral</td>
<td>• Repayments may be deferred for up to five years from Substantial Completion</td>
<td>• Same as RRIF</td>
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## Springing Lien Provision

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<td></td>
<td>In the case of bankruptcy, insolvency, or liquidation of the borrower, RRIF’s lien becomes on par with the other senior creditors.</td>
<td>In the case of bankruptcy, insolvency, or liquidation of the borrower, TIFIA’s lien becomes on par with the other senior creditors.</td>
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<td>(2) PREEXISTING INDENTURES.</td>
<td>(A) IN GENERAL.—The Secretary may waive the requirement under paragraph (1) for a public agency borrower that is financing ongoing capital programs and has outstanding senior bonds under a preexisting indenture if— (i) the direct loan is rated in the A category or higher; (ii) the direct loan is secured and payable from pledged revenues not affected by project performance, such as a tax-based revenue pledge or a system-backed pledge of project revenues; and (iii) the program share, under this title, of eligible project costs is 50 percent or less.</td>
<td>Same as RRIF, except the program share is capped at 33 percent, not 50 percent of eligible project costs.</td>
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