ASLRRRA RRIF Survey

Survey Monkey to ASLRRRA Railroad Members
Conducted December ‘17 – January ‘18
ASLRRA RRIF Survey

Survey was designed to determine:

1) if there were aspects of the current RRIF program that discouraged short lines from applying

2) which elements, if changed, would generate more interest/applications from short lines.
Results

87% of respondents were from Class IIIs

78% were privately owned

Evenly distributed between Line Haul & Switching Ops

25% had applied for a RRIF Loan in the past

$5M - $10M was the anticipated request

Loans would be primarily used for Track and Bridge Repair

Clear barriers identified

Identified changes to program that would enable more interest
Short Line Barriers to RRIF

**Significant Barriers**

- Application Processing Time – 54%
- Unclear Process or Requirements – 53%
- Credit Risk Premium Uncertainty – 51%
Short Line Barriers to RRIF

*Moderate - Significant*

- Application Processing Time – 85%
- Cost for Independent Appraisals – 80%
- Fees Charged to Railroad for Independent DOT Advisors – 80%
- Unclear Process or Requirements – 80%
- Credit Risk Premium Uncertainty – 66%
- Unencumbered Collateral – 60%
What Changes Would Move the Dial?

*Much More Likely to Apply*

- Reduced Length of Processing Time – 63%
- Clarity and Certainty of Processing Time – 58%
- Reduced Credit Risk Premium Costs – 45%
What Changes Would Move the Dial?

_Slightly_ - Much More Likely to Apply

- Reduced Length of Processing Time – 93%
- Clarity and Certainty of Processing Time – 93%
- Reduced Credit Risk Premium Costs – 93%
- Estimated CRP Cost early in process – 93%
- Reduced (Fees for DOT Consultants) – 90%
- Regular Communication on Process – 78%
- Standardized Loan Agreements – 83%
Summary

*Short line railroads want transparency.*

- Costs
- Time
- Process

*Short line railroads need costs that align with small businesses.*

- Credit risk premiums
- Specialized consultants
- Appraisers
The U.S. Department of Transportation established the Build America Bureau to drive transportation infrastructure development projects in the United States.
RRIF Portfolio Statistics

Since program inception, RRIF has approved 36 loans to finance $5.36 billion towards infrastructure investments in 27 states.
RRIF Program Benefits

- Long term, fixed cost, permanent, up-front financing
- Borrower/Revenue source may be minimum investment grade
- Non recourse financing—project cash flow supported
- Funds drawn as needed
- Flexible amortization
- No pre-payment penalty
- Low interest rates

Low Interest Rate - Interest rate on 2/14/2018 was 3.14% for a 35-year loan
Bureau Business Model Framework

Targeted Outreach

- Tailored
- Products
- And
- Services

Interest

- Customer Rel. Mgt.
  - Ongoing Bureau/Sponsor Dialogue to Identify Financing/P3 Opportunities

Intent

- Initial Engagement
  - "POC" Assigned
    - Reactive/Responsive

- Project Development
  - "PDL" Assigned
    - Active Involvement

Intake

- Creditworthiness
  - Underwriter Assigned
    - Plan of Finance Reviewed

Pre-Credit Application

- Financial Close
  - Portfolio Manager Assigned
    - Operating Admin. Oversees Construction

25 Freight Rail Projects

9 Freight Rail Projects $15M

2 Freight Rail Projects $245M

30 Freight Rail Projects $844M
Challenges & Opportunities to Consider for Optimizing RRIF

- Credit Risk Premium (CRP)
- NEPA and regulatory review
- Advisor fees and other costs
- Timeliness and communication between the Bureau/USDOT and the borrower
- Buy America
- Paperwork and application process
Bureau Activities Going Forward

• Increase diversity of projects in the pipeline by:
  • Geographic distribution
  • Rural/Urban
  • New borrowers
  • Project type
  • Innovation/transformative

• Improve access to RRIF credit – especially for short line and regional railroads.

• Streamline the application process for all credit programs.
President’s Infrastructure Initiative and Short Line and Regional Railroads

• RRIF subsidy for Credit Risk Premium

• Expand State Infrastructure Banks capabilities and support, loosen federal requirements

• Achieve two year timetable for permitting approval process

• 25% of total funding ($50 billion) dedicated to Rural Infrastructure Initiative
Questions?

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Build America Bureau Website:
http://www.transportation.gov/buildamerica
BATIC INSTITUTE ROUNDTABLE ON FUNDING & FINANCING

PUBLIC FUNDING CHALLENGES & STRATEGIES
Role of Public Investment Depends Upon Public Benefits and Private Financial Returns

Whether public sector involvement in a freight rail project is justified depends not only on the type of railroad and the type of project, also on public benefits and private financial returns.

- **High Public Benefits, Low Financial Returns or High Risk**
  - Public sector funding can be a means to (1) support financial viability, (2) reduce risk.

- **Low Public Benefits, Low Financial Returns**
  - Project not justified, should not move forward.

- **High Public Benefits, High Financial Returns**
  - Can be privately funded, but public support can (1) reduce risk, (2) accelerate public benefits, (3) lock-down public benefits.

- **Low Public Benefits, High Financial Returns**
  - Private sector funding.

*Modified from NCRRP Report 1*
Challenges with Railroad Partners

- Rail Infrastructure Privately Owned & Operated
- Railroads are market driven.
  - Must respond quickly to economic opportunities
  - Greatly impacted by market forces
- Railroad Planning has a much shorter time horizon than traditional public transportation projects
Challenges w/ Federal Funding

- Federal Funds are PROCESS Driven
- Processes are agency specific
- Rail Funding spread out among federal agencies
  - FHWA = Freight, Section 130, CMAQ
  - FRA = Grants (not consistent)
  - FTA, MARAD, EDA, ARC, ETC.

Can’t really advance multimodal projects until and unless funding is identified.
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