

**Transportation Infrastructure Finance and Innovation Act
2018 Report to Congress
Letters of Interest Submitted Under the
Fixing America's Surface Transportation Act**



U.S. Department
of Transportation

Introduction

Legislative History

Congress created the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program as part of its 1998 enactment of the Transportation Equity Act for the 21st Century (TEA 21) (Public Law 105-178, §§1501-04), as amended in 1998 by the TEA 21 Restoration Act (Title IX of Public Law 105-206), further amended in 2005 by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (Public Law 109-59), amended and restated in 2012 by the Moving Ahead for Progress in the 21st Century Act (MAP-21) (Public Law 112-141), and most recently, as amended in 2015 by the Fixing America's Surface Transportation Act (FAST) (Public Law 114-94). The TIFIA statute is codified within Sections 601 through 609 of Title 23 of the United States Code (U.S.C.), 23 U.S.C. §§601- 609, with supporting regulations appearing in part 80 of Title 49 of the Code of Federal Regulations (CFR), 49 CFR 80.

Section 609(b) of Title 23 U.S.C., as amended by Section 2002 of MAP-21, requires the Secretary of Transportation (the Secretary) to submit an application process report to the Senate Committee on Environment and Public Works and the House Committee on Transportation and Infrastructure that includes a list of all letters of interest and applications received from project sponsors during the preceding fiscal year.

Background on the TIFIA Credit Program

TIFIA established a Federal credit program for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation (DOT or the Department) may provide three forms of credit assistance featuring maturities up to 35 years after substantial completion of the project—secured (direct) loans, loan guarantees, and standby lines of credit. *Secured loans* are direct Federal loans providing long-term financing of capital costs with flexible repayment terms. *Loan guarantees* provide full-faith-and-credit guarantees by the Federal Government of a portion of project loans made by institutional investors. *Standby lines of credit* represent secondary sources of funding in the form of contingent Federal loans that can supplement project revenues during the first 10 years of project operations.

The TIFIA program is intended to fill market gaps and leverage substantial non-Federal public and private co-investment by providing flexible credit assistance to projects of national or regional significance to make critical improvements to the Nation's surface transportation system. Private investment can be in the form of debt or equity. Debt can be in the form of bonds, sold as taxable or tax-exempt investments in the United States (U.S.) capital markets, or private bank loans.

To be eligible for credit assistance, a project must have at least \$50 million in total costs (intelligent transportation systems may have total project costs of no less than \$15 million, while transit-oriented development, rural infrastructure, and local infrastructure projects may have total project costs of no less than \$10 million). Additionally, the senior debt must be rated investment grade by two rating agencies (unless the project cost is less than \$75 million), have dedicated revenues



for repayment, and meet all applicable Federal requirements. DOT awards credit assistance to eligible applicants, which include State departments of transportation, transit operators, special authorities, local governments, and private entities. Highway, transit, passenger rail, certain freight facilities, certain port projects, transit-oriented development, and rural infrastructure projects may receive credit assistance through the TIFIA program. Rural infrastructure projects may also be eligible for TIFIA direct loans at a discounted interest rate of one-half of the Treasury rate, providing a significant additional incentive to support infrastructure project delivery.

Identifying a constructive role for Federal credit assistance begins with the acknowledgement that, when compared to most investors, the Federal Government has a naturally longer-term investment horizon, which enables it to more readily absorb the relatively short-term risks of project financings. Absent typical capital market investor concerns regarding return horizons and financial liquidity, the Federal Government can become the “patient investor” whose long-term view of asset returns enables the project’s non-Federal financial partners to meet their investment goals, allowing the borrower to receive a more favorable financing package. The program demonstrates that the Federal Government can perform a constructive role in supplementing, but not supplanting, existing markets for financing transportation infrastructure projects.

FAST Act – Program Funding

The FAST Act authorizes \$1.435 billion in capital over five years for the TIFIA credit assistance program: \$275 million in FY 2016, \$275 million in FY 2017, \$285 million in FY 2018, \$300 million in FY 2019, and \$300 million in FY 2020 contract authority for the TIFIA program to cover the budgetary cost/subsidy cost of providing credit assistance. On average, TIFIA’s budget authority is a fraction of the total loan amount, only about 6 percent of the face value of the loan. In simple dollar terms, one dollar of TIFIA program funds can support a loan of approximately 15 dollars and result in infrastructure investment of up to 45 dollars. Historically, TIFIA has leveraged 3 to 4 times its loan amount.

TIFIA Program Administration

Implementation of the TIFIA program is the responsibility of the Secretary of Transportation. The DOT administers the TIFIA program through the National Surface Transportation and Innovative Finance Bureau (known as the Build America Bureau, or the Bureau) under the Office of the Under Secretary for Policy. The Secretary of Transportation established the Bureau on July 18, 2016, in accordance with the FAST Act. The FAST Act also established the DOT Council on Credit and Finance (CCF) to provide policy direction and make recommendations to the Secretary regarding the selection of projects for credit assistance. The DOT CCF members include five representatives from the Office of the Secretary of Transportation (OST): the Deputy Secretary of Transportation (Chair), the Chief Financial Officer and Assistant Secretary for Budget and Programs (Vice-Chair), the Under Secretary of Transportation for Policy, the General Counsel, and the Assistant Secretary for Transportation Policy. The Administrators of the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), and the Federal Railroad Administration (FRA) also sit on the DOT CCF. Additionally, the Secretary may designate up to three DOT officials to serve as at-large members of the DOT CCF.



The Bureau's Credit Programs Office is organized by three key program areas: loan underwriting, portfolio management, and risk management. In addition, the Bureau is supported by counsel in the Office of the General Counsel, and Bureau leadership, which is headed by an Executive Director, pursuant to the FAST Act.

TIFIA Review Process

At the core of the Bureau's Outreach functions, Project Development Leads (PDLs) are Bureau team members that conduct proactive outreach and education activities. This includes direct engagement with project sponsors; organization of and participation in industry events; development and dissemination of educational materials; and regular communications with DOT field offices and modal regional offices. As the initial point of contact for Bureau engagement, PDLs work with project sponsors to determine project needs and the specific ways in which the Bureau can provide TIFIA and other DOT credit assistance.

Based on the specific questions, challenges, opportunities, and information needs related to a particular project, appropriate Bureau expertise is assigned and brought to bear for projects. This may require the assignment of more specialized PDL assistance for projects that involve greater complexity in terms of such factors as scope, modal elements, regulatory requirements, private-sector involvement, and financing plan. This approach helps ensure that the project has followed statutory and regulatory requirements and that it appears to be eligible. The intent of this process is to identify major hurdles that might delay a project early in the process. A customized project development team works closely with the project sponsor to navigate relevant Federal processes and to ensure that key program requirements are satisfied.

Although letters of interest (LOI) may be submitted on a rolling basis (i.e., at any time), the Bureau recommends that project sponsors consult the Bureau before submitting LOIs to ensure that the relevant programmatic requirements are met and initial risk assessments are completed. This ensures that all key project elements are in place for an efficient underwriting process. Once these milestones are complete, the DOT can expeditiously accept the LOI, and formally move the project into the credit underwriting process.

The Bureau then performs a creditworthiness review, and upon a positive evaluation, issues a formal invitation to apply for credit assistance. A decision on the assistance is rendered by the Secretary within 60 days after the DOT notifies a project sponsor of application completeness.

It is important to note that the speed by which projects advance through the TIFIA credit assistance process is dependent, in part, on the ability of project sponsors to provide required financial information and utilize TIFIA's standard loan terms. The Department works closely with project sponsors to ensure that the requirements of each phase can be met in a timely and thorough manner, while balancing the burden on project sponsors with the need to safeguard Federal resources.

The Bureau has worked to improve the expediency and clarity of the review process by making template documents available on the TIFIA website, including: (1) a program guide, updated to reflect changes under the FAST Act, that provides information about eligibility, credit terms, the application and selection process, and typical monitoring and oversight requirements; and (2) a

TIFIA Loan Agreement template that provides TIFIA's standard loan terms, gives project sponsors a clear idea of DOT's requirements, and provides an opportunity for sponsors who wish to move through the TIFIA process quickly the ability to streamline negotiations.

By providing this information in advance and better informing project sponsors about DOT's expectations and requirements, projects move more quickly through the review process. The DOT works closely with project sponsors to ensure that the requirements of each phase can be met in a timely and thorough manner while balancing the burden on project sponsors with the need to safeguard Federal resources.

Letter of Interest

Each potential applicant must submit a detailed Letter of Interest (LOI) when the project is ready to proceed. The LOI form allows potential applicants to describe the project (including location, purpose, and cost), demonstrate the project sponsor's ability to meet the requirements related to satisfying the project fundamentals, detail how the TIFIA statutory eligibility requirements are met, and outline the proposed financial plan, including the requested TIFIA credit assistance. The DOT will review this submission to determine whether the project meets the requirements for TIFIA participation and will contact the potential applicant subsequently to review the project's eligibility and readiness to apply for program assistance. The initial eligibility review of an LOI is intended to identify any major statutory, regulatory, financing, or timing issues that would prevent the project from receiving TIFIA credit assistance.

Creditworthiness Review

After determining that the project is reasonably likely to satisfy all of the eligibility, creditworthiness, and readiness requirements of the TIFIA Program, the DOT will accept the LOI and conducts an in-depth creditworthiness review of the project sponsor and the proposed revenue stream proposed as the source for loan repayment. The creditworthiness review involves evaluation of the plan of finance, financial model, and feasibility of the anticipated pledged revenue. Associated with this review, the DOT will ask project sponsors to provide any additional materials necessary to facilitate its review of the project's creditworthiness. The DOT will ask a project sponsor to provide an indicative rating opinion letter from at least one nationally recognized statistical rating organization and submit an advisors' fees upfront payment to the DOT to reimburse it for the costs incurred for services provided by its outside financial and legal advisors in connection with the review of the TIFIA LOI and application and the negotiation of the TIFIA transaction documents.

Following completion of the DOT's in-depth review of the LOI and receipt of an indicative rating opinion letter and the advisors' fees upfront payment, the DOT will request that the potential applicant give an oral presentation on the project and its plan of finance to the DOT, followed by a question and answer session.

Application

Potential applicants will be invited to submit a formal application with all required materials once the DOT has satisfactorily completed its review of a project's eligibility, including a satisfactory review of the creditworthiness of the project. This includes a demonstrated capacity to repay the



Federal credit assistance, as well as a determination that the project has appropriate security features, such as appropriate coverage ratios, rate covenants and reserves, as applicable. The DOT will not review incomplete applications or applications for projects that do not fully satisfy TIFIA requirements.

As an integral part of the project review and selection process, DOT also relies on external financial and legal professionals to help DOT evaluate the proposed credit assistance terms and creditworthiness of the borrower. The Bureau's legal and financial advisors ensure that the office can perform needed reviews in a timely and thorough manner.

In order to increase transparency to stakeholders throughout the project review stage, DOT has posted a tracking chart for the projects that have submitted letters of interest under the FAST Act on the TIFIA website explaining each phase of the TIFIA review process and providing indicative time frames for completing each step. The information is available publicly on the TIFIA website at: <http://www.transportation.gov/tifia/financing-requests>.

FAST Act Letters of Interest

This report includes a summary of activity on the letters of interest and applications received from project sponsors during the 2018 Fiscal Year.

Details on FAST Act Projects Submitting Letters of Interest

The Department received seven letters of interest from project sponsors seeking approximately \$2.4 billion in TIFIA credit assistance during FY 2018. DOT has seen growing interest in credit assistance from States that had not previously used TIFIA credit assistance, including Alabama and Oklahoma, for an array of projects across urban, suburban, and rural communities. Of the seven projects seeking assistance during FY 2018, six LOIs were submitted for highway projects, and one was submitted for a port/intermodal project.

As a part of the LOI review process, during FY 2018, the Department has obligated or committed, but not disbursed, \$234 million in carried over MAP-21 and FAST Act contract authority for 10 projects that have reached financial close or are reasonably expected to meet creditworthiness and eligibility rules. After accounting for these commitments, the Department has approximately \$1.7 billion¹ in budget authority remaining to cover the cost of extending new loans for TIFIA eligible projects. The progress of these projects can be tracked on the TIFIA website at: <http://www.transportation.gov/tifia/projects-financed>.

Details on FAST Act Projects Submitting Formal Applications

During FY 2018, the Department invited one project to formally submit an application and approved that application requesting \$416 million in TIFIA credit assistance. However, during late FY 2017, the Department had invited two other projects to apply, and the resulting applications

¹ This figure accounts for the reduction of TIFIA FAST authorized contract authority to match available annual obligation limitations and fund program administrative expenses.



were approved in early FY 2018. The Department executed loan agreements for all three of those projects in November and December 2017.

The enclosed summary table provides each project's name, modal type, sponsor, location, LOI receipt date, application submission date, application completeness notification date, and application approval date.

Program Benefits

Overview

As part of the TIFIA LOI and application process, project sponsors are required to demonstrate the anticipated benefits that their project will generate locally, regionally and/or nationally. Project benefits vary widely, but generally include the following: economic development, job creation, transportation safety, environmental improvement, traffic congestion reduction, among others.

The TIFIA program has played a significant role in delivering infrastructure projects. Since its launch in 1998 through the end of FY 2018, the TIFIA program had financed 75 diverse projects across the U.S., including 5 intermodal projects, 48 highway projects, and 22 transit projects. As of September 30, 2018, the TIFIA program's portfolio represents \$108 billion in infrastructure investment spread across the country. The Bureau continues to increase its investment and expand its TIFIA portfolio into new states and municipalities. The TIFIA program's portfolio spans all regions in the country, covering a total of 22 states, plus the District of Columbia and Puerto Rico.

The TIFIA program accelerates delivery of significant transportation projects throughout the United States. It facilitates projects that would otherwise be delayed or deferred because of lack of funding. By stimulating investment in the country's transportation infrastructure, the TIFIA program improves the economy – creating jobs, improving mobility and enhancing transportation options, helping American businesses improve productivity and competitiveness, and improving access to opportunities in local communities.

Benefits of Recent Projects

Fiscal Year 2018

In FY 2018, the Department extended \$1.8 billion in credit assistance for three loans that will help finance \$5.5 billion in transportation infrastructure investment across the U.S. The Central 70 Project is one example.

The Central 70 Project: The Department approved a \$416 million loan to help fund a \$1.27 billion project sponsored by the Colorado Department of Transportation (CDOT) to redesign a 10-mile portion of I-70 East highway in Denver, Colorado. The Project scope includes addition of one express toll lane in each direction, the removal of the aging 53-year-old viaduct between Brighton and Colorado boulevards, the lowering of this section of the interstate below grade, and the placement of a 4-acre park over a portion of the lowered interstate. The Project, more than 14 years in the making, will be Colorado's largest-ever transportation project. The Project is designed



to reduce travel time through the corridor by one-third to one-half by 2035, accommodate the needs for growing population, improve safety standards by redesigning shoulders and interchanges that will reduce crashes and to unite the Swansea and Elyria neighborhoods which are currently split on the two sides of the corridor. Substantial project completion is expected by 2022.

Fiscal Years 2019 and 2020 Pipeline

The Department has a robust and active pipeline of eight projects from around the country in various stages of the creditworthiness review process. The Department is actively reviewing these projects, estimated to add \$9.4 billion in infrastructure investment when constructed. Like the TIFIA portfolio itself, the pipeline of projects includes a diverse mix of rural and urban, public private partnerships (P3) and public projects, as well as projects in States using TIFIA for the first time.

Beneficial Impacts on the American Public

The TIFIA program will accelerate delivery of significant transportation projects throughout the U.S. By stimulating investment in the country's transportation infrastructure, the TIFIA program will improve the economy, create jobs, and improve access to opportunities.

Stimulating Significant Economic Benefits, including Job Creation

TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and more favorable interest rates than can be found in private capital markets for similar instruments. In this way, the TIFIA Program can help accelerate delivery of qualified projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues.

Accelerating Project Delivery

Ultimately, the most beneficial impact of TIFIA may be its ability to accelerate delivery of transportation infrastructure. TIFIA can expedite the financing and accelerate the delivery of a project which may otherwise not be built until years into the future. In some cases, TIFIA assistance is essential to the viability of a project's financial plan. For example, without the interest cost savings or flexible repayment terms of a TIFIA loan, a given revenue stream may be insufficient to support a given project. In other cases, a public project sponsor may have access to adequate revenue and private capital markets to finance the project, but TIFIA assistance helps advance the project more quickly and at a lower cost, freeing up resources to tackle other infrastructure projects.

Attracting Private Debt and Equity

In addition to stimulating new revenue streams, TIFIA credit assistance can help attract private debt and equity participation to transportation projects. Anecdotally, a majority of large-scale P3 highway and transit projects delivered in the U.S. have utilized TIFIA financing. TIFIA has been an integral part of P3s in the U.S., with approximately one-quarter of the TIFIA Program's portfolio funded as P3 projects. One such example is the Transform 66 – Outside the Beltway Project, which closed November 2017.



The Transform 66 – Outside the Beltway Project: This project involves a major interstate expansion and construction of approximately 22.5 miles of managed tolled lanes of Interstate 66 in Northern Virginia under a P3 with the Virginia Department of Transportation. The Department approved a \$1.2 billion loan to fund the project. The project's private sponsor also contributed approximately \$1.5 billion in equity to the project, and the balance of project funding comes from proceeds of private activity bonds and a state infrastructure bank loan.

The Transform 66 Project is just one of many TIFIA P3 projects. In total, there have been 23 projects financed with TIFIA loans that have advanced as P3s, and \$6 billion of private equity has been committed to these projects. On the debt side, TIFIA has been combined with other debt sources including Private Activity Bonds (PABs), bank debt, and Grant Anticipation Revenue Vehicle (GARVEE) Bonds, that total over \$12 billion in financing for surface transportation. Currently, over two-thirds of the entire portfolio has received a level of private participation in financing.

Enhancing Economic Competitiveness

By facilitating projects that would have been delayed or deferred, the TIFIA Program is helping to modernize our transportation system, thereby creating access to opportunities that will advance communities and help American businesses compete and grow in the global economy. The TIFIA program accelerates project delivery by stimulating new revenue streams for transportation projects and attracting private investment. Furthermore, TIFIA funding leverages limited Federal funds, so that a relatively small Federal commitment will stimulate a large amount of State, local, and private investment.

TIFIA Letters of Interest Received During FY 2018¹

Project Name	Project Type	Project Sponsor	Location	Requested Assistance (in MM) ²	LOI Received	Application Received	Notice of Application Completeness	Notice of Application Approval
I-10 Mobile River Bridge	Highway	Alabama Department of Transportation	Mobile, AL	\$740	11/17/2017	N/A	N/A	N/A
Complete 540	Highway	North Carolina Department of Transportation	Raleigh, NC	\$501	11/17/2017	N/A	N/A	N/A
Gerald Desmond Bridge Replacement	Highway	Port of Long Beach	Long Beach, CA	\$155	4/12/2018	N/A	N/A	N/A
Hampton Roads TAC Reg. Priority Projects	Highway	Hampton Roads Transportation Accountability Commission	Hampton Roads, Virginia	\$472	5/4/2018	N/A	N/A	N/A
Gilcrease Expressway West	Highway	Oklahoma Turnpike Authority	Tulsa, OK	\$109	6/4/2018	N/A	N/A	N/A
I-95 Fredericksburg Extension	Highway	Virginia Department of Transportation	Northern Virginia	\$260	6/15/2018	N/A	N/A	N/A
Port Everglades Intermodal	Inter-modal/Port	Port Everglades	Fort Lauderdale, FL	\$133	9/18/2018	N/A	N/A	N/A

TIFIA Applications Received and Approved During FY 2018

Project Name	Project Type	Project Sponsor	Location	Requested Assistance (in MM) ²	LOI Received	Application Received	Notice of Application Completeness	Notice of Application Approval
Transform 66 – Outside the Beltway	Highway	Virginia Department of Transportation	Northern Virginia	\$1,229	10/22/2015	9/5/2017	10/5/2017	10/17/2017
MBTA – Positive Train Control	Transit	Massachusetts Bay Transportation Authority	Eastern Massachusetts	\$162	2/4/2016	7/13/2017	8/11/2017	10/10/2017
Central 70	Highway	Colorado Department of Transportation	Denver, CO	\$416	3/24/2015	11/15/2017	11/27/2017	12/8/2017

¹ All TIFIA LOIs received by the Department during FY 2018 have since been invited to the Bureau's creditworthiness review phase. Upon a positive due diligence and creditworthiness evaluation, the Bureau may issue a formal invitation to apply for TIFIA credit assistance to the project's sponsor.

² Requested TIFIA credit assistance amounts are derived from original LOI requests. Project sponsors retain the flexibility to modify the requested amount of assistance throughout the review process, and project costs are subject to eligibility review. As such, final loan amounts may vary from the amount of the original request.