



April 2008

Federal Tools for Project Finance
Transportation Infrastructure Finance Workshop
U.S. DOT/AASHTO Center for Excellence
Chicago, IL

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FHWA/USDOT Role in Project Finance

EDUCATE

- Web page, publications on project finance and PPP
- R&D
- Sponsorship of Conferences/Meetings (TRB, ARTBA)
- Outreach to capital markets/project sponsors

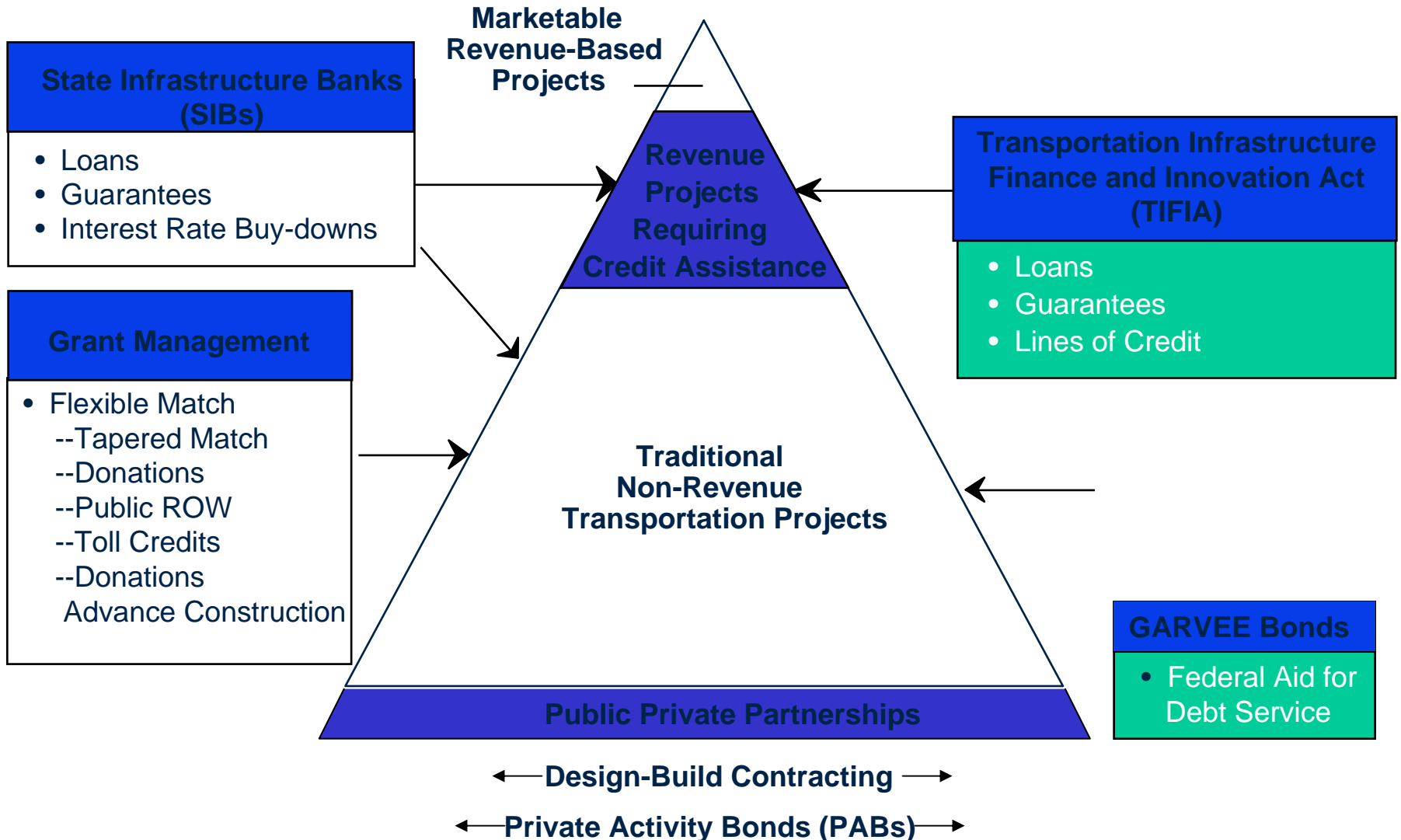
FACILITATE/HELP REMOVE BARRIERS

- New tolling authorities under SAFETEA-LU
- Lower cost financing with TIFIA and PABs
- SEP-15 flexibility

VALIDATE

- Continuous oversight of projects with Federal funds or credit

Federal Finance Tools for Surface Transportation Projects



Barriers to Project Finance

Lack of state enabling legislation for PPPs/tolling/user fees

Lack of authority to toll Federal-aid routes, or other Federal laws, regulations, or guidance that impede project finance

Gap between public and private financing costs/high cost of standalone project finance

Unreliability of toll road feasibility studies & other user-fee based projections

Knowledge gap/Uncertainty

Overcoming Barriers to Project Finance – USDOT Tools

Lack of state enabling legislation – ✓ **Model PPP legislation**

Lack of authority to toll Federal-aid routes or other Federal impediments–
✓ **Tolling pilots, Special Experimental Project #15**

Gap between public and private financing costs/high cost of standalone project financing – ✓ **PABs and TIFIA financing programs**

Unreliability of toll road feasibility studies & other user-fee based projections – ✓ **TIFIA credit features**

Knowledge gap/Uncertainty – ✓ **Research, Education, and Outreach (e.g., PPP toolkit, ACTT workshops)**

PPP Legislation: The State is in the Driver's Seat...

PPP contract structure/maximum returns are generally established by state law & contract negotiation

State chooses projects & whether to accept unsolicited proposals

State frames concession terms and compensation:

- Up-Front Fee (Chicago Skyway, Canadian Highway 407)
- Long-Term Concession with Revenue Sharing (Pocahontas Parkway)
- Availability Payments (Miami Port Tunnel)

Special Experimental Project #15 (SEP-15)

Allows waivers of Title 23 statute, regulation, or policy to facilitate innovative project delivery

Allows experimentation in four areas:

- Contracting
- Right-of-way Acquisition
- Project finance
- NEPA Compliance (Title 23 only)

Six Tolling Programs under SAFETEA-LU

- Express Lanes Demonstration Program
- High Occupancy Vehicle Facilities
- Value Pricing Pilot Program
- Interstate System Construction Toll Pilot Program
- Interstate System Reconstruction & Rehabilitation Pilot Program
- Section 129 Toll Agreements

Each program has different requirements, restrictions, etc.

If you are considering a project that involves tolling on a Federal-aid route, FHWA Tolling and Pricing Team will match your project to the right tolling program/authority

Project Financing Available from USDOT

Transportation Infrastructure Financing and Innovation Act (TIFIA)
Credit Assistance

Private Activity Bonds (PABs)

Transportation Infrastructure Finance and Innovation Act (TIFIA) Credit

Federal credit assistance at treasury rates for public and private project sponsors

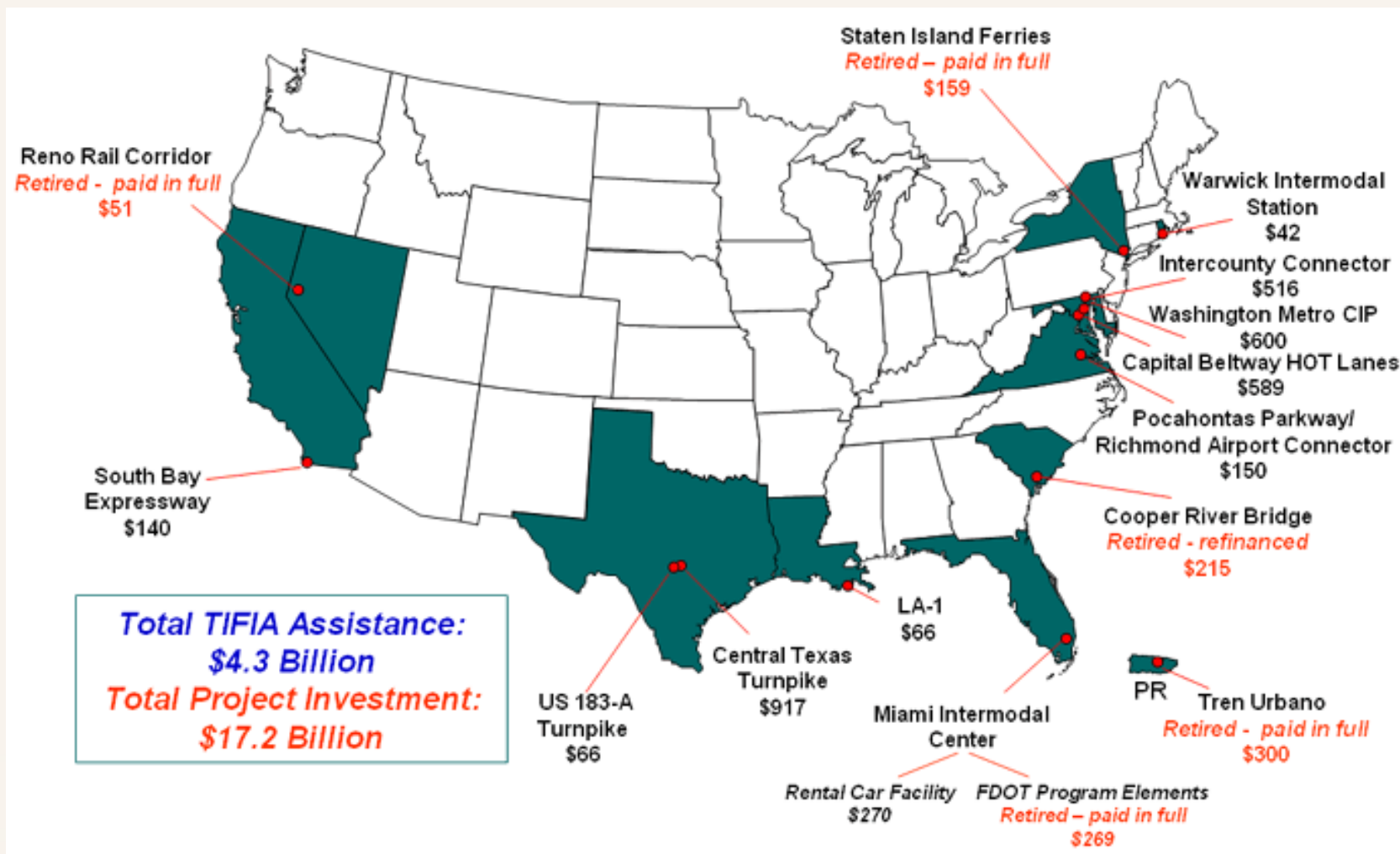
Subordinated, junior lien with flexible features (including refinancing)

\$4.3 billion in face amount of assistance provided (mostly loans)

Total project investment: \$17.2 billion

Approximately \$2.5 B available annually

TIFIA Projects



Why Look for the TIFIA Label?

Low origination and servicing costs

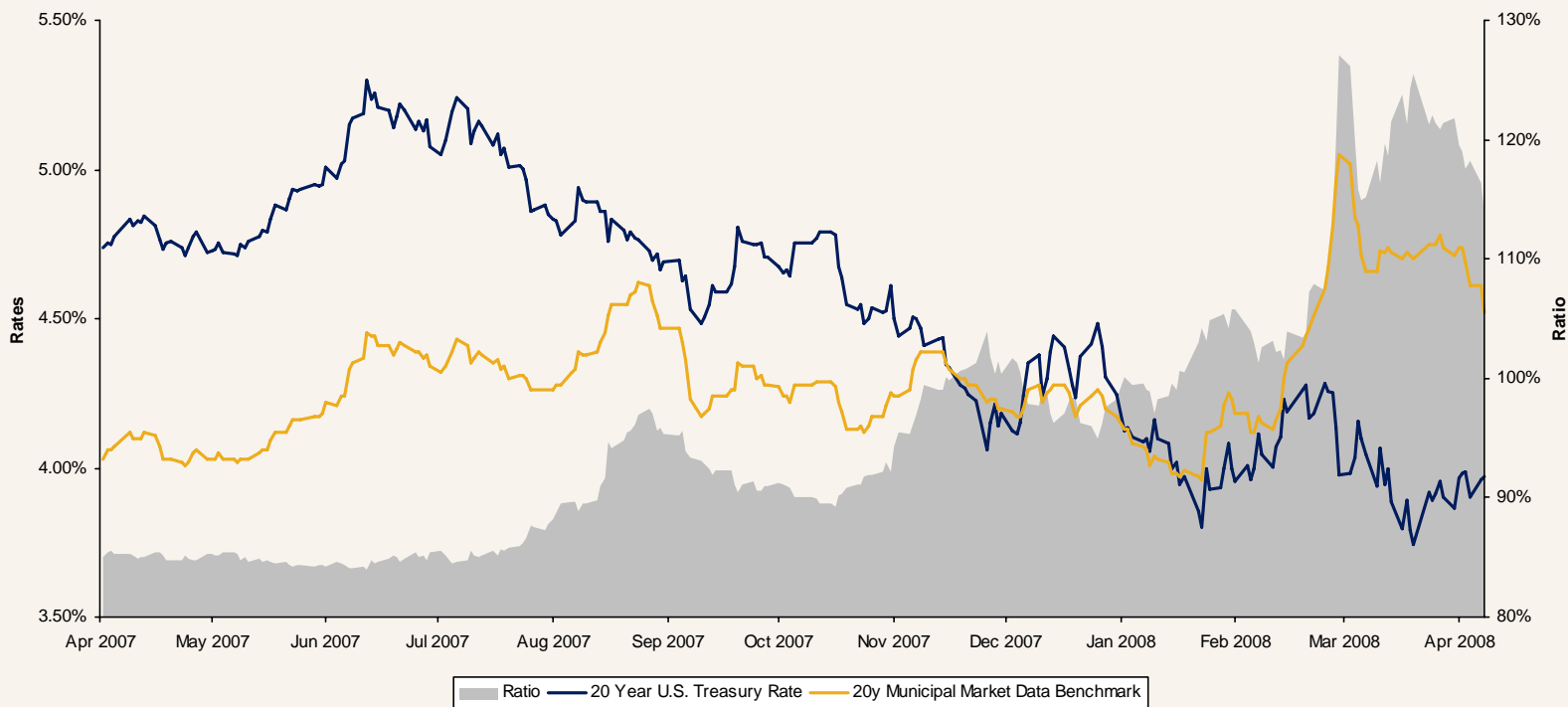
Up to 5 years of payment deferral post-construction

Maximum 35 year term

Flexible amortization

Fixed low interest rate (does not increase based on higher risks, as long as project meets minimum requirements)

TIFIA (Treasury) Rate vs. Municipal Bond Market Benchmarks: Why is TIFIA Especially Appealing Now?



Graphic Courtesy of Merrill Lynch Public Finance

Private Activity Bonds (PABs)

Last transportation bill established a new category of PABs for surface transportation projects

Allows issuance of tax-exempt bonds, despite private involvement that would ordinarily prohibit it

Decreases cost of financing for PPP-procured projects

Allocations made by USDOT, not by states (i.e., above and beyond state volume caps)

\$15 billion total available

PABs - Status

\$5.2 billion in allocations distributed to various projects

\$4 billion pending approval

\$9 billion in applications anticipated by end of FY

$\$5.2 + 4 + 9 =$ **You do the math:**

Entire allocation may be consumed before end of calendar year

Private Activity Bond Allocations (in millions of \$)

PA – Multiple Allocations to PA Turnpike Bidders	\$2,000
FL - Port of Miami Tunnel (availability payment concession)	\$900
MO - Safe & Sound Bridge Improvement Program (availability payment)	\$700
AK - Knik Arms Crossing (toll bridge)	\$600
VA - I-495 Capital Beltway (HOT lane concession)	\$800
TX - IH-635 (LBJ-Freeway – HOT lane concession)	\$288



FHWA Resource: PPP Toolkit - www.ppptoolkit.fhwa.dot.gov

Tools and Resources

Library of PPP documents:

- RFPs, Concession agreements, guidelines, policies, etc.

Your State's Story:

State-Specific Info

Learn with Others:

Training Opportunities

A PPP Illustrated:

Case Study in Detail



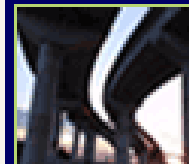
Tools & Resources



Your State's Story



Learn With Others



A PPP Illustrated

Other Resources

FHWA PPP Website

(www.fhwa.dot.gov/ppp)

Innovative Finance Technical Service Team

Provides one-on-one advice and workshops on a variety of issues including:

- Concession Structures
- SIBs/Section 129
- TIFIA
- PABs
- SEP-15

For more information, contact Jennifer Mayer (jennifer.mayer@dot.gov) or Jim Hatter (jim.hatter@dot.gov) or see the RC website:

<https://www.fhwa.dot.gov/resourcecenter/teams/finance/index.cfm>