LOCUS | Smart Growth America
Making Neighborhoods Great Together

NATIONAL LEADERSHIP SUMMIT 2016
Creating Communities for the Next American Century
FAST ACT: New Financing Opportunities For Walkable Communities and TOD
FAST Act: Overview

- Fixing America’s Surface Transportation (FAST) Act
- Passed on December 3, 2015

<table>
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<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
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$305 billion

- 5-year authorization for federal surface transportation program passenger rail program
- Establishes new transit-oriented development financing for the first time
Is your project near....

TIFIA Eligible TOD Financing

RRIF Eligible TOD FINANCING

- Bus/Bike-Ped
- Bus Rapid Transit
- Street Car/Light Rail
- Subway
- Commuter Rail
- High Speed Rail
- Amtrak/Intercity

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Making Neighborhoods Great Together
• Program #1: Railroad Rehabilitation Improvement Financing Act (RRIF)

• Program #2: Transportation Infrastructure Finance and Innovation Act (TIFIA)

• What does it mean for your TOD project?
Is your project near….

Examples of RRIF Eligible Rail Stations:

- Commuter: MARC (DC), NJ Transit, LIRR, MBTA, PATH
- High Speed Rail: Cali High Speed Rail or NE Corridor
- Amtrak: Newark Penn Station or NYC Penn Station
**RRIF Financing: Purpose and Benefits**

<table>
<thead>
<tr>
<th><strong>Purpose</strong></th>
<th>• Direct Loans and loan guarantees for development of railroad infrastructure</th>
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</table>
| **Risk**    | • Federal Government takes on lending risk  
|             | • Provides same low interest rate to all projects |
| **Cost**    | • Low interest rate offered when RRIF loan is subordinate |
| **Flexibility** | • Loans are repaid once construction is completed  
|             | • Repayment may be delay for additional 5 years following construction  
|             | • Loan payments sculpted to match project revenues |
RRIF Credit Assistance Offerings

**Direct Loan**
- Low-cost, flexible financing covering both development and construction activities
- Repayment must occur within 35 years of completion

**Loan Guarantee**
- Obligation of the Federal Government to repay private lender in case of bankruptcy or insolvency by project sponsor
- Loan guarantee terms must be consistent with those of a direct loan

**RRIF Capacity:** RRIF is a $35 billion loan program
Eligible Applicants

- States and Local Governments
- Amtrak
- Railroads
- Government-sponsored Authorities and Corporations
- Limited Option Freight Shippers
- Joint Ventures that includes one of the abovementioned

Credit Risk Premium

- RRIF calculates a credit risk premium for the loan based on the creditworthiness of the borrower
- Creditworthiness can now be determined by cash flows generate from the project or through dedicated revenue sources such as tolls, other user fees or payments owing to the obligor under a public-private partnership

Application Fee and Process

- Applicants required to pay an application fee and an investigation charge of up to one-half of one percent of the principal amount of the direct loan or portion of the loan guaranteed under RRIF
- Completed applications are required to receive notification of loan approval or disapproval within 60 days of submission

NEPA Compliant

- A project must be compliant under the National Environmental Policy Act and related laws, regulations, and orders
RRIF New Program Eligibility

Eligible TOD Projects

Commercial Development

Residential Development

TOD Related Infrastructure

Loan Limit

A RRIF loan may not exceed the following share of total project costs:

- **100% of the project cost** (Rail Infrastructure Only)
- **75% percent** of the total project cost for TOD projects. TOD projects must have a 25% non-federal match

TOD Requirement

RRIF loan can be used to finance development that can:

1. incorporate private investment,
2. is located near (or functionally related) to a passenger rail station or multimodal station that includes rail service, and
3. is able to start no later than 90 days after the loan is obligated,
4. demonstrate new sources of revenue for the passenger rail station or service by increasing ridership, tenant lease payments or other activities that generate revenue exceeding cost

Note: The TOD provision will sunset in 4 years
“Sculpting” Repayment to Meet Project Revenues

- **Standard TIF Revenue Curve**: Economic development around stations and within a transit corridor take time to build up. Property tax revenues from a TIF district are heavily back-loaded.

- **TIFIA Repayment Sculpting**: The RRIF program tailors repayment to match project revenues, allowing back-loaded payments.
Loan Requirements and Repayment Terms

- **Coverage Ratio**: USDOT may require a specific revenue projection over and above loan obligations prior to providing a loan.

- **Buy America Requirement**: Steel, iron, and manufactured goods used in projects funded must be produced in the U.S. *Waivers are available.*

- **Interest Rate**: Interest begins accruing on date of first disbursement; principal and interest amortized over life of loan.

- **Defer Payment**: Can request to defer repayment up to 5 years, from date of first disbursement; deferral does not affect maturity date.

- **Investigation Fees**: Applicant must pay independent financial advisor fee regardless if the loan is approved, and may be required to pay legal counsel fees.

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**Eligible Project Costs**

- **Development Phase Activities**:
  - Planning
  - Revenue forecasting
  - Environmental review
  - Permitting
  - Preliminary engineering
  - Design work

- **Construction Phase**:
  - Construction
  - Reconstruction,
  - Rehabilitation,
  - Replacement,
  - Acquisition of real property,
  - Environmental mitigation
  - Construction contingencies

- **Capitalized interest**

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**Current Interest Rate**

2.45%
# Loan Lifecycle

The basic loan lifecycle consists of the following phases and activities:

<table>
<thead>
<tr>
<th>Draft Application</th>
<th>Final Application</th>
<th>Loan Closing</th>
<th>Closeout</th>
</tr>
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<tbody>
<tr>
<td>• Information Session conducted</td>
<td>• FRA presents request to hire IFA at DOT Credit Council</td>
<td>• Funds obligated and apportioned</td>
<td>• Loan paid off</td>
</tr>
<tr>
<td>• Draft Application developed and technical assistance provided by FRA</td>
<td>• IFA hired</td>
<td>• Term Sheet signed</td>
<td>• Lien releases (if applicable)</td>
</tr>
<tr>
<td>• Draft Application Review Meeting(s) conducted</td>
<td>• IFA completes work</td>
<td>• Final terms negotiated and closing documents developed</td>
<td>• Final Inspection/Site Visit conducted</td>
</tr>
<tr>
<td>• Environmental, Engineering, Eligibility, and Safety Reviews completed</td>
<td>• FRA presents summary/voting presentations at DOT Credit Council</td>
<td>• Closing Documents signed</td>
<td>• Closeout documents completed</td>
</tr>
<tr>
<td>• Final Application developed</td>
<td>• Working Group and Credit Council</td>
<td>• Funds may disburse</td>
<td></td>
</tr>
<tr>
<td>• Application deemed accepted for review or returned for deficiencies</td>
<td>• FRA Administrator approves loan</td>
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<td>• OMB approves CRP</td>
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Is your project near…. 

**TIFIA Eligible TOD Financing**

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**Examples of TIFIA Eligible TOD/Local Projects:**

- Commuter: MARC (DC), NJ Transit, LIRR, MBTA, PATH
- High Speed Rail: Cali High Speed Rail or NE Corridor
- Amtrak: Newark Penn Station or NYC Penn Station
- Subway: WMATA, MTA
- Streetcar: New Orleans, Atlanta
- BRT: Cleveland
- Bike-Ped: Local sidewalks, bike lanes and trails
TIFIA Financing: Purpose and Benefits

**Purpose**
- Fill financing gaps left by private capital markets
- Leverage federal funds by attracting substantial private and other non-Federal co-investment

**Risk**
- Federal Government takes on lending risk
- Provides same low interest rate to all projects

**Cost**
- Low interest rate offered even when TIFIA loan is subordinate or senior debts receive a credit rating below AAA

**Flexibility**
- Loans are repaid once construction is completed
- Repayment may be delayed for additional 5 years following construction
- Loan payments sculpted to match project revenues
Eligible Applicants

- States
- Local Governments
- Transit Authorities
- Private Firms
- Public-private partnership
- Special Authorities

Creditworthiness

- Senior project debts must receive an investment grade rating from two national rating agencies
- Investment grade is defined as “BBB(low)” or higher

Inclusion in Transportation Plans

- A project must be included in the transportation plan as well as the TIP/STIP
- Private entities are eligible to apply for a TIFIA loan provided their project is included in the statewide or metropolitan plan and TIP/STIP

Dedicated Revenue Source

TIFIA loan must have a dedicated source of revenue pledged as repayment, including:
- Tolls or other user fees
- Payments from a private entity through P#
- Tax such as sales, property, or income
TIFIA Program Basics

Eligible Projects

- Highways
- Bridges
- Passenger Rail Vehicles and Facilities
- Intelligent Transportation Systems
- Intermodal Connectors
- Intermodal Freight/Port Access
- Public Transportation
- Intercity Bus Facilities
- TOD Infrastructure

Loan Limit

A TIFIA loan may not exceed the following share of total project costs:

- 49 percent
- 33 percent for public sector project sponsors that take advantage of the “nonsubordination waiver” with a broad-based revenue source (e.g., sales, property, or income tax)

Minimum Project Costs

In order to qualify for a TIFIA loan, your project must meet the following cost threshold:

- $50 million in urban areas
- $25 million in rural areas
- $15 million for ITS projects
- $10 million for TOD and Local projects
Eligible TOD Infrastructure

- Property Acquisition
- Demolition of Existing Structures
- Site Preparation
- Utilities
- Transit Station Improvements
- Open Space
- Safety and Security Equipment
- Building Foundations
- Walkways
- Pedestrian and Bicycle Access
- TOD Related Infrastructure
  - Intermodal Transfer Facility
  - Facilitates that incorporate community services such as daycare or health care
  - Construction of space for Commercial Uses

Note: While TOD “related infrastructure” includes TOD infrastructure categories such as parking garages, these projects should (1) promote greater transit ridership, (2) walkability, or (3) increase private investment."
Loan Requirements and Repayment Terms

- **Credit Rating**: Senior debt must receive an investment grade rating (BBB low or higher) from two nationally recognized credit rating agency.

- **Rate Covenant**: USDOT may require a rate covenant, which is a guarantee pricing of tolls and property assessment charges.

- **Coverage Ratio**: USDOT may require a specific revenue projection over and above loan obligations prior to providing a loan.

- **Maximum Amortization**: Loans must be repaid within 35 years after construction completed.

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**Eligible Project Costs**

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• **Standard TIF Revenue Curve**: Economic development around stations and within a transit corridor take time to build up. Property tax revenues from a TIF district are heavily back-loaded.

• **TIFIA Repayment Sculpting**: The TIFIA program tailors repayment to match project revenues, allowing back-loaded payments.
Example: $200 Million Loan from TIFIA

**Loan Disbursement and Repayment Process**

- 10 percent of the loan amount comes from the TIFIA program
- Remaining 90 percent comes from the Treasury Department
- All funds are repaid to the Treasury Department

**TIFIA Authorization**

- $1 billion in FY2014
- $275 million in FY16-18
- $300 million in FY19

**Leveraging:** Ever TIFIA program dollar can support approximately ten dollars in direct loans.
TIFIA Project Financing Timeline

Application
1. Letter of interest
2. USDOT preliminary evaluation
3. Applicant invited to formally apply
4. Formal application submitted

Evaluation
5. TIFIA Office evaluates application
6. Recommendation to Credit Council
7. Recommendation to Secretary
8. Secretary authorizes project

Agreement
9. TIFIA Office negotiates agreement with sponsor
10. Credit agreement executed

Funding/Repayment
11. Funds obligated
12. Funds dispersed
13. Project completed
14. Repayment
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• What does it mean for your TOD project?
Interested in applying? Contact TOD Finance and Advisors today!

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