

**PNWER**



**Regional  
Infrastructure  
Accelerator**

# PNWER RIA Webinar

## Rehabilitated: RRIF Express

September 12, 2022

10 - 11:30 am Pacific

Zoom Webinar



# The PNWER RIA



Pacific NorthWest Economic Region (PNWER) is a non-partisan, non-profit organization bringing public and private sector stakeholders together from the U.S. and Canada to discuss regional issues & best practices.



Canada successfully delivers transportation infrastructure projects like the Asia Pacific Gateway using Public-Private Partnerships (P3s) and region-wide, corridor strategic investment.



PNWER has advocated for freight and passenger rail investments across the greater Pacific Northwest since 2004, including the Pacific Northwest Rail Forum in 2021.

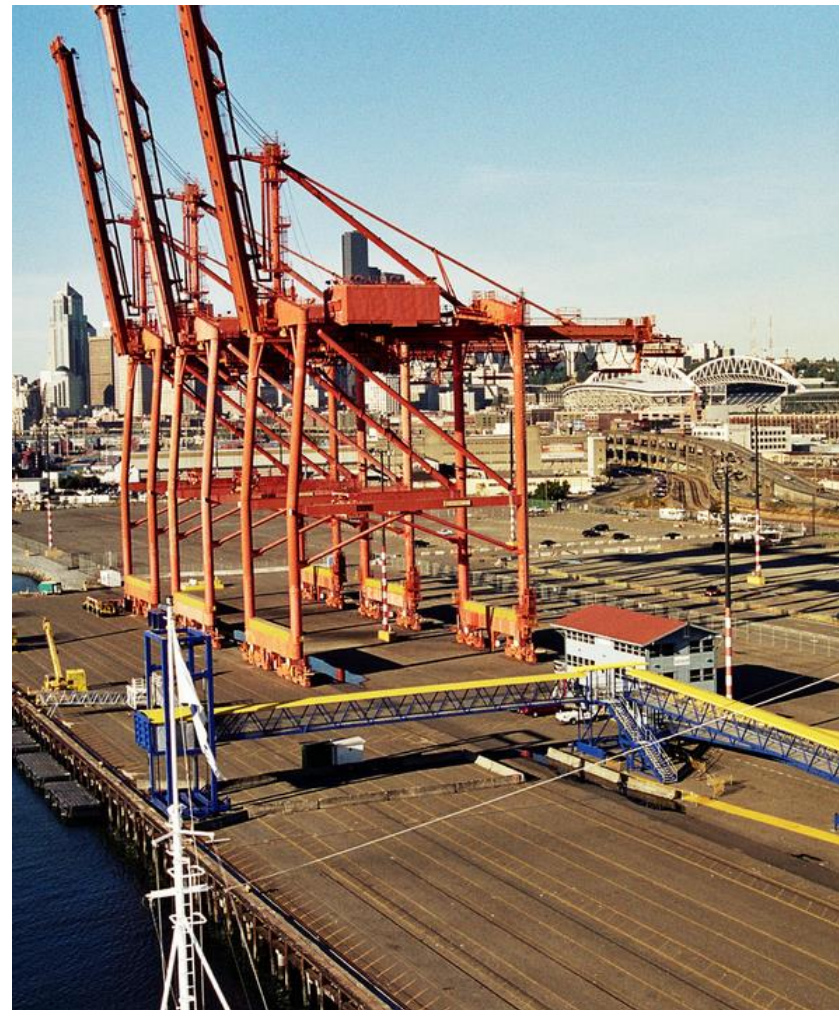


The PNWER RIA is 1 of 5 Regional Infrastructure Accelerator (RIA) demonstration programs funded by U.S. DOT's Build America Bureau.



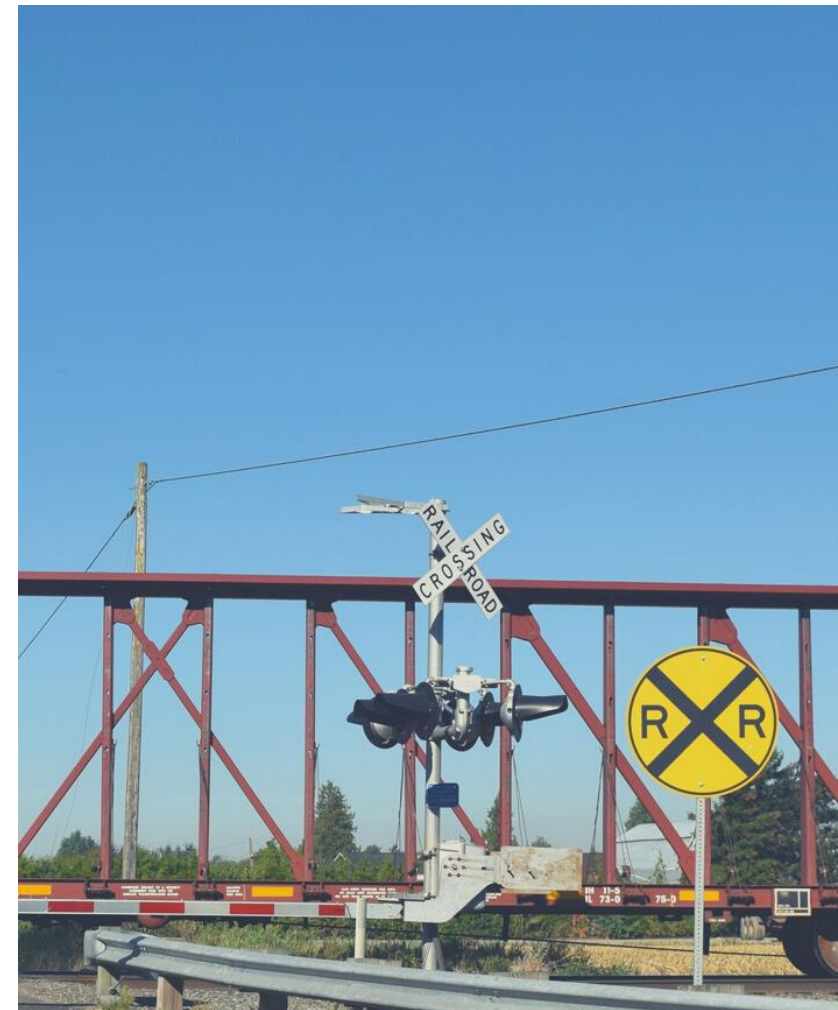
**Goal:** Championing the advancement of regionally important infrastructure projects by pursuing innovative financing options to close funding gaps, providing technical assistance, and through project advocacy.

# PNWER RIA Projects



## Seaport Emission Reduction

Establish a viable pathway for sustainable CO2 emission reduction in the Port areas of Seattle and Tacoma via drayage truck decarbonization



## Highway-Rail Grade Separation

Assist the community of Spokane Valley, WA to utilize TIFIA & other loan programs to address a passenger & freight mobility bottleneck at Pines Road



## Center of Excellence

Develop capacity within PNWER RIA states to help states better understand TIFIA, RRIF, PABs, and other loan programs, & how to navigate the new IIJA & IRA funding sources

# Agenda

- **Welcome & PNWER RIA Overview**
  - *Bruce Agnew*, Director | PNWER RIA
  - *Andrew Johnsen*, CEO | Columbia Strategic Consulting Group
- **RRIF & RRIF Express - Build America Bureau**
  - *Will Resch*, Project Development Lead, RRIF | US DOT Build America Bureau
    - Process improvements and streamlining
    - Program highlights and goals
    - RRIF vs. RRIF Express Explained
- **RRIF Recipient Testimonials**
  - *Eric Russell*, Chief Financial Officer | Port of Everett
    - Best Practices & Lessons Learned from a non-traditional RRIF recipient
  - *Daryl Ness*, Senior Advisor, Rail Issues | Columbia Strategic Consulting Group
  - *Tara Ashmore*, Director of Corporate Finance, Treasury | Amtrak
    - Best Practices & Lessons Learned from the largest RRIF recipient
- **Q&A - Open Discussion with Speakers**
  - Please submit comments into the Q&A box or into the chat
- **Closing Remarks**
  - Bruce Agnew, Director | PNWER RIA





# BUILD AMERICA BUREAU

 U.S. DEPARTMENT OF TRANSPORTATION

**RRIF and RRIF Express Program Updates**

Prepared for:  
Pacific Northwest Region (PNWR) – Regional Infrastructure Accelerator (RIA)

# About the Bureau

U.S. DOT's "go-to-shop" for Federal transportation finance programs and technical assistance

Delivering More Good Projects Faster  
Low-interest, long-term loans for transportation infrastructure

## Outreach

\$110 Billion to lend

Non-traditional and  
Underserved Borrowers

## Advocacy

Clearing roadblocks

Streamlining processes

## Technical Assistance

Training  
Education  
Information  
Best practices

# Build America Bureau

## Advancing investment in America's transportation infrastructure

- Lending Federal funds to qualified borrowers
- Clearing roadblocks for credit worthy projects
- Encouraging best practices in project planning, financing, and delivery
- Fully using available lending capacity while protecting taxpayer resources

## U.S. Department of Transportation

### Office of the Secretary of Transportation

- **Build America Bureau**

- Outreach
- Risk Management
- Technical Assistance
- Underwriting
- Project Development
- Portfolio Management

### Operating Administrations

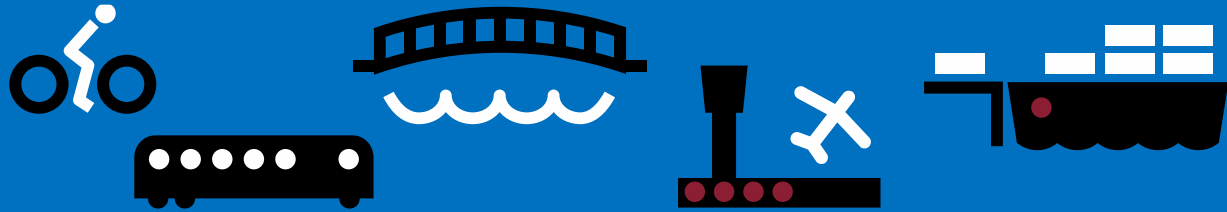
- Federal Highway Administration
- Federal Aviation Administration
- Federal Transit Administration
- Maritime Administration
- Federal Railroad Administration

- Regional staff
- Grant money
- Planning, environment, construction experts

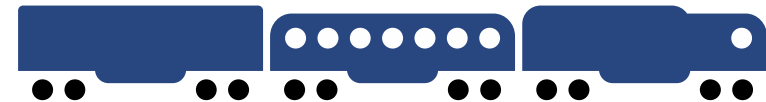


# Lending Capacity

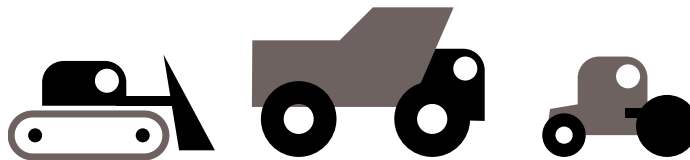
TIFIA  
\$70 billion



RRIF  
\$35 billion

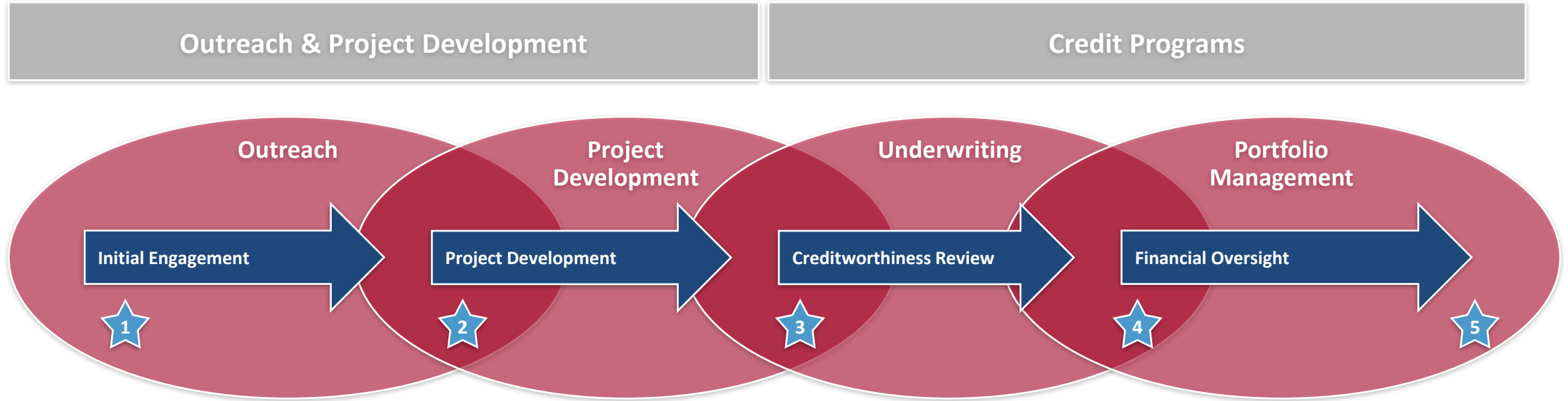


PABs  
\$15 billion





# Bureau Credit Assistance Process



Multistage review process with designated staff to assist at each stage

*\*Spacing of the milestones is not to time-scale*

**KEY**

- ☐ = Offices
- ➡ = Pipeline Phases
- = Teams
- ★ = Major Milestones\*

# Major Bureau Programs

## TIFIA

### Transportation Infrastructure Finance & Innovation Act of 1998

- Surface transportation and public infrastructure
- Finance up to 33% of eligible project costs

## RRIF

### Railroad Rehabilitation & Improvement Financing

- Passenger, freight, and commuter rail and transit-oriented development (TOD)
- Finance up to 100% of eligible project costs

## Private Activity Bonds

- State/local governments issue tax-exempt bonds
- Private entity responsible for debt service
- Can be used alone or in combination with TIFIA and RRIF

## Key Features

- Long-term repayment period
  - Up to 35 years (some 75!)
  - Optional five-year deferral following completion
  - No pre-payment penalty
- Highly customizable to meet borrower needs
- Also offer loan guarantees and lines of credit

## LOW INTEREST RATE

**3.40%**

for 35-year loan as of 09/22



# Eligible Projects and Borrowers

## TIFIA

### Eligible Projects

- Roadways and bridges
- Transit vehicles & facilities
- Bicycle & pedestrian infrastructure
- Intelligent transportation systems
- Transit-oriented development
- Intermodal connectors
- Intercity rail/bus vehicles & facilities
- Commercial seaports
- Airports (New)

### Eligible Borrowers

- State, tribal, county, municipal governments
- State Infrastructure Banks
- Private entities/developers
- Special authorities
- Transportation improvement districts

## RRIF

### Eligible Projects

- Acquisition of railroad equipment/facilities
- Freight rail facilities
- Freight transfer facilities
- Landside port infrastructure
- Passenger rail vehicles, stations & equipment
- Transit-oriented development
- Intermodal rail equipment or facilities

### Eligible Borrowers

- Railroads
- State and local governments
- Government-sponsored authorities and corporations
- Port Authorities
- Interstate compacts
- Joint ventures



# Program Highlight - RRIF Express

## Benefits

- Streamlined application process & reduced fees for smaller projects
- DOT pays Credit Risk Premium (up to 10% loan value)
- Expedited Processing
- Advisory fee assistance
- Up to 35-year term (some up to 75)

## Eligible Borrowers

- Class II & III Railroads
- Commuter Railroads
- Joint Ventures

## Eligible Projects

- Total project cost up to \$150 million
- Track improvement
- Bridge rehabilitation
- Rolling stock acquisition
- Planning and design
- Refinancing eligible debt (up to 75%)

## Other Features

- Repayment may not rely solely on project revenue
- Loan terms customizable to meet small business/small borrower needs
- Small business eligible borrowers may apply without audited financial statements



# RRIF Express Challenges

## Application

- Notice of Funding Opportunity
- Financial Model Development
- Loan Sizing
- Financial Structure
- Nature and Stability of Cash Flows

## Evaluation

- Time
- Cost
- National Environmental Policy Act (NEPA)
- Financial Model Review



# Bipartisan Infrastructure Law Changes

## TIFIA

- Loans for new types of projects including airports
- Expands transit-oriented development eligibility
- Relaxes the requirements for investment-grade ratings

## RRIF

- Credit Risk Premium to be repaid to the borrower with interest when the loan is repaid
- Discretionary credit assistance \$50 million per year for each fiscal year 2022 through 2026

### Streamlines processing and increases transparency

**Expands loan terms from 35 years to up to 75 years for projects with an estimated life of 50+ years**

- Lowering payments
- More than doubling loan length



# CONTACT US!

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<https://www.transportation.gov/BuildAmerica>



# TIFIA Rural Project Initiative (RPI)

Rural: Outside urbanized area of population  
> 150,000

Project costs between \$10 million and \$100 million

TIFIA can finance up to 49 percent of eligible project costs

Fixed rate at one-half Treasury rate

DOT can cover borrower fees



ONE-HALF THE U.S. TREASURY RATE

**1.7%**

as of 9/22





# Technical Assistance Programs

## Build America Center

\$5 Million Cooperative agreement with  
U of MD and four universities  
Training and support to project sponsors

## Regional Infrastructure Accelerators

\$10 million, two-year demonstration program  
Regional Bureau “field” offices  
5 Awarded  
5 More to be announced

## Rural & Tribal Assistance Pilot Program

\$10 million, five-year pilot program to  
provide rural state, local and tribal  
governments with technical assistance such  
as engineering, legal or financial expertise.

## Technical Assistance Grants for Asset Concession Projects

Total of \$100 million over five years to fund  
state and local government technical,  
financial, and legal advisory service costs for  
alternative project delivery





# **Our Experience** **Rail Rehabilitation** **Innovation Financing** **(RRIF)**

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**Eric Russell | Port of Everett CFO**

September 12, 2022



# Our Initial Project

**Project Budget:** \$11.2 million

**Loan Request:** \$8 million

- ✓ Add a 650-foot northern connector
- ✓ Rebuild a 1,100 LF rail spur
- ✓ Construct 3,600 LF of double rail siding
- ✓ Construction in 2015-2017



# What We Ended up Financing & Why

**Project Budget:** \$6.5 million

**Loan Request:** \$6.5 million

**Loan Amount:** \$5.5 million

- ✓ Construct 3,600 LF of double rail siding
- ✓ Relocate Cargo Transit shed to support covered rail loadouts
- ✓ Why? Loan reimbursements are only eligible after a NEPA is complete



*First public port to make use of this funding source*

# South Terminal - THEN



2011



2015



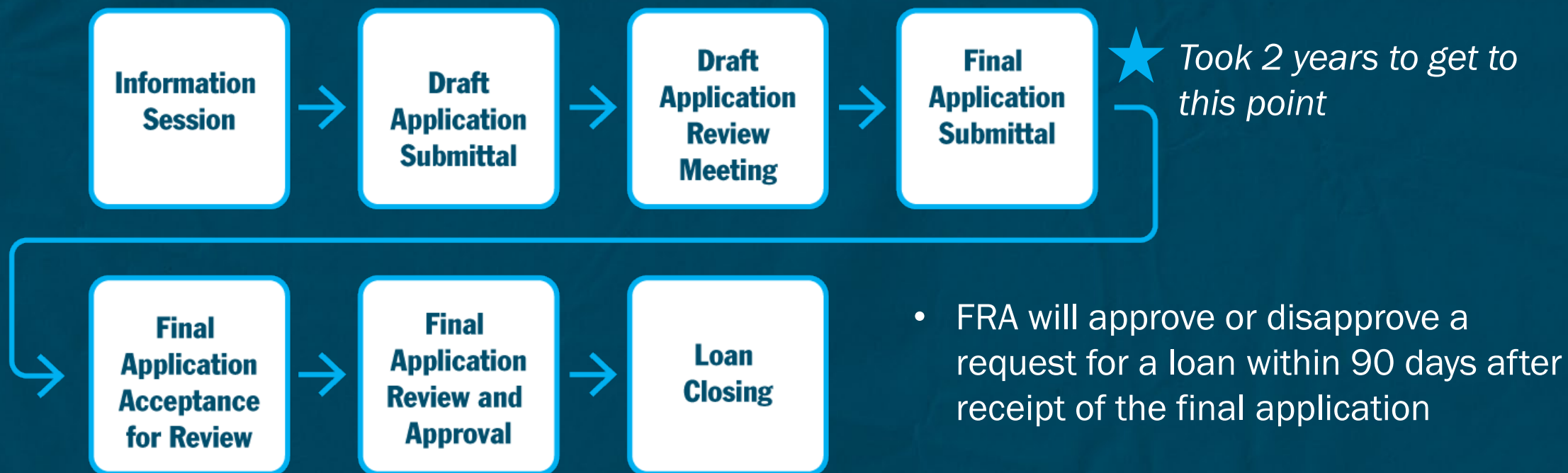
2018

# South Terminal - NOW



2022

# What is the Application Process Like?



- FRA will approve or disapprove a request for a loan within 90 days after receipt of the final application
- 16 page application with 25 attachment sections

# Suggestions for Ensuring Funding

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- ✔ Scope your project in partnership with the Build America Bureau EARLY – they are very helpful
- ✔ Once the scope is defined, prepare and finalize the NEPA in conjunction with the RRIF application – proceeds not eligible for any portion of the project that does not have a completed NEPA
- ✔ Ensure engineer estimates and bid documents comply with the Buy America provisions and federal contracting rules
- ✔ Agency/Applicant must have good financial standing and be willing to prove it
  - A credit risk premium is charged as a percentage of the total loan amount and varies based on the risk of the transaction



# Lessons Learned

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- ✔ Both MARAD and the Build America Bureau in the US Department of Transportation have been very responsive and helpful
  - Make sure you meet or have discussions with both these agencies in advance if you plan to pursue RRIF funding
- ✔ Be ready to go! Don't waste the agencies time on speculative projects, as environmental readiness is key to loan approvals
- ✔ Do a cost analysis to determine if this federal loan is worth 'federalizing' your entire project
  - Makes more sense if you already have federal funds or if the project is very large in scope

# Lessons Learned, Continued

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- ✔ Have a bridge financing plan in case the RRIF loan doesn't come through before you need to start your project
- ✔ If possible, plan ahead so that you can have your loan agreement executed before your project starts
  - RRIF program does allow for reimbursement if project starts before loan agreement is signed, assuming environmental review is met
- ✔ Update your bond rating in advance of applying for federal loans, it will help determine what your credit risk premium could be and a collateral description is required as part of the loan document

# Recommended Changes to Improve Use of Funding

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- ✔ Process for application, reimbursement of funds and reporting requirements needs SIGNIFICANT streamlining
- ✔ The federal loan funds should be allowed to be subordinate to the public agency's senior debt
- ✔ Fees for USDOT bond counsel and Financial advisor were exorbitant for this size loan
- ✔ Public agency's have a lower default risk, and that should be evaluated differently than a private company

# Thank You!

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# Want to learn more?

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VISIT US ONLINE

[www.rianorthwest.org](http://www.rianorthwest.org)



SEND US AN EMAIL!

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