TOD: TIFIA and RRIF

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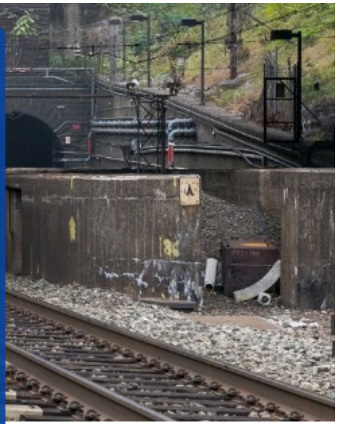

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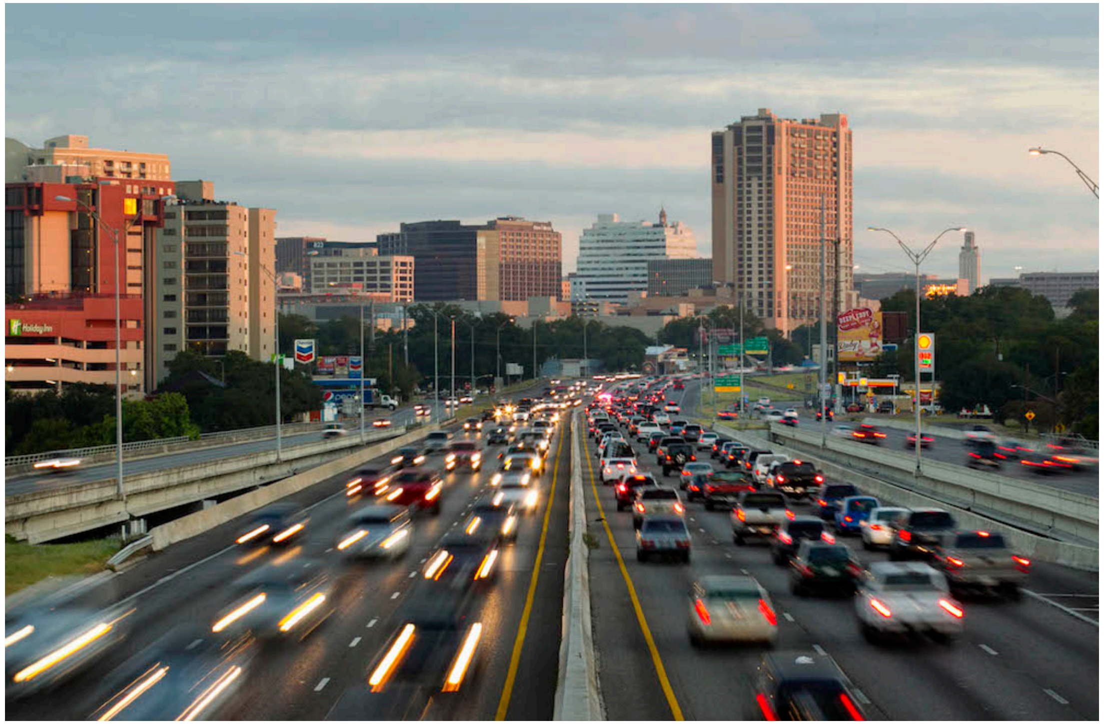
FAST Act - TIFIA Changes

- Other Federal funds can now be used to supplement TIFIA funds to pay subsidy and administrative costs
- Broadened eligibility for projects as small as $10M, including *TOD public infrastructure* and projects sponsored by local agencies
- New expedited application process
- Authorization reduced from $1B to $275M in FY 16; increases to $300M for final two years
    - But prior requirement that unused funds be turned back is repealed



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FAST Act - RRIF Changes

- Directs acceleration of USDOT's approval processes
- Maximum term of 35 years <u>from substantial completion</u>
  - Previously 35 years from date of loan execution
- Principal and interest can be deferred for up to 5 years <u>from substantial completion</u>
  - Previously 6 years from date of loan execution
- Credit risk premium no longer subject to rebate, except outstanding loans
- Made explicit that pledged cash flows as well as collateral may be used to evaluate credit-worthiness
- Master credit agreement provision allows RRIF to support a program of projects, and advance loan commitments
- Provides authority for direct loans to include at least one of the eligible applicants in a joint venture
- May not be subordinated to other project obligations – springing lien

FAST Act Expands RRIF to Include TOD

Eligibility now includes commercial and residential development that:

- incorporates *private investment*;
- is *physically or functionally related to a passenger rail station* or multimodal station that includes rail service;
- has a high probability of the applicant *commencing the contracting process for construction not later than 90 days after the date on which the direct loan or loan guarantee is obligated for the project*; and
- has a high probability of reducing the need for financial assistance under any other Federal program for the relevant passenger rail station or service by *increasing ridership, tenant lease payments, or other activities that generate revenue exceeding costs.*
- Financed projects require a *25% non-federal match.*
- TOD Program sunsets December 2019

List of priority purposes for making such loans now states: *“improve railroad stations and passenger facilities and increase transit-oriented development.”*

RRIF v RIFIA – Comparison of Key Commercial Terms

Program Funding

TERM	RRIF	TIFIA
Authorized Funding	• RRIF continues to have zero Congressional funding for credit risk premiums	• Authorization reduced from $1B to $275M in FY 16; increases to $300M for final two years • Total of $1.435 billion over 5 years
Authorized Loan Amounts	• Up to $35 billion of loans outstanding is authorized $7 billion reserved for non-Class I rail carriers, defined as those with operating revenue less than $272 million	• No explicit Loan Limit ceiling

RRIF v RIFIA – Comparison of Key Commercial Terms

Financing Terms

TERM	RRIF	TIFIA
Maximum Loan Amount	• Authorized to provide funding of up to 100% of eligible project costs • TOD capped at 75%	• Principal amounts of credit assistance provided by TIFIA are generally limited to 33% of eligible project costs • MAP-21 allows for a project loan size of up to 49% of eligible project costs but this is seldom done in practice
Benchmark Rate	• Comparable term • U.S. Treasury rate	• Comparable term • U.S. Treasury rate
Credit Risk Premium	• Credit risk premium is paid by the borrower	• Credit subsidy is covered by the TIFIA program

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RRIF v RIFIA – Comparison of Key Commercial Terms

Financing Terms – Loan Maturity Date (Tenor) and Principal Deferral

TERM	RRIF	TIFIA
Loan Repayment Term	Maximum term of lesser of: (A) 35 years from the date of substantial completion; or '(B) the estimated useful life of the rail equipment or facilities to be acquired, rehabilitated, improved, developed, or established	• Same as RRIF
Principal and Interest Deferral	• Repayments may be deferred for up to five years from Substantial Completion	• Same as RRIF

Financing Terms – Subordination

TERM	RRIF	TIFIA
Springing Lien Provision	• In the case of bankruptcy, insolvency, or liquidation of the borrower, RRIF's lien becomes on par with the other senior creditors	• In the case of bankruptcy, insolvency, or liquidation of the borrower, TIFIA's lien becomes on par with the other senior creditors
	• (2) PREEXISTING INDENTURES.— (A) IN GENERAL.—The Secretary may waive the requirement under paragraph (1) for a public agency borrower that is financing ongoing capital programs and has outstanding senior bonds under a preexisting indenture if— (i) the direct loan is rated in the A category or higher; (ii) the direct loan is secured and payable from pledged revenues not affected by project performance, such as a tax-based revenue pledge or a system-backed pledge of project revenues; and (iii) the program share, under this title, of eligible project costs is 50 percent or less.	• Same as RRIF, except the program share is capped at 33 percent, not 50 percent of eligible project costs.