



# NAFTANEXT: ENERGIZING SUSTAINABLE TRADE CORRIDORS ACROSS NORTH AMERICA



North America Infrastructure Development –  
Innovative Financing Solutions

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MAYER • BROWN

# FEDERAL ROLE IN INFRASTRUCTURE DEVELOPMENT

- **Financing as opposed to Ownership/Operations;**
- **15 years of innovative federal financing solutions -- TIFIA + RRIF + PABS;**
- **Encourages infrastructure PPPs through reduced cost of capital — “equivalent” to tax-exempt rates;**
- **Current version of National Infra Bank—together with TIGER grants and Title 11 credit support for ship financing;**

# INNOVATIVE FEDERAL FINANCING SOLUTIONS—TIFIA

- **Public or private highway, transit, rail and port projects;**
- **Interest rates are equivalent to Treasury rates – fixed rate for up to 35 years;**
- **FY 2014 (MAP-21) appropriation of \$1B—allows for approx. \$10BB in project assistance—significant increase from earlier appropriations;**
- **Loan amount historically 33 percent or less of eligible costs--up to 49 percent permitted by statute;**
- **Financings closed to date = 41 projects + \$16BB;**

## INNOVATIVE FEDERAL FINANCING SOLUTIONS—TIFIA (cont.)

- **Senior debt must be rated investment grade;**
- **May not be subordinated to other debt in the event of bankruptcy except if public agency has outstanding senior bonds under a preexisting indenture;**
- **Credit risk covered by annual appropriation;**
- **Applicable Federal requirements, including but not limited to Civil Rights, DBE, NEPA, Uniform Relocation;**

# INNOVATIVE FEDERAL FINANCING SOLUTIONS—RRIF

- **\$35BB to finance rail infrastructure--up to \$7BB reserved for projects benefiting freight railroads other than Class I carriers;**
- **Eligible Costs:**
  - **Acquire, improve, develop or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops;**
  - **Refinance outstanding debt incurred for same purposes;**

## INNOVATIVE FEDERAL FINANCING SOLUTIONS—RRIF (cont.)

- **Direct loans can fund up to 100% of a railroad project with repayment periods of up to 35 years and interest rate equal long term treasury rate—same as TIFIA;**
- **“Credit risk premium” – think “points on a mortgage” -  
- cannot be financed with RRIF loan proceeds;**
- **Eligible borrowers include railroads, state and local governments, joint ventures that include at least one railroad, and limited option freight shippers who intend to construct a new rail connection;**
- **Financings closed = approx. \$2BB; Remaining authorization = \$33BB;**

# INNOVATIVE FEDERAL FINANCING SOLUTIONS—PABS

- **National tax-exempt bond authorization of \$15 billion-- not subject to state volume caps;**
- **Eligible projects = roads, bridges, tunnels, mass transit, freight-rail transfer;**
- **Provides private developers and operators with access to tax-exempt interest rates;**
- **Bonds issued = \$4.6BB;**  
**Additional allocations = \$4.7BB;**  
**Remaining authorization = \$5.7BB;**

# JOLIET/ELWOOD INTERMODAL CENTERS



- **America’s “Inland Port”, located SW of Downtown Chicago in Will County;**
- **First use of PABS (\$375MM) for long-term financing of intermodal/freight-rail-transfer capex;**



# ILLIANA EXPRESSWAY



- **Connecting Illinois I-55 to Indiana I-65, bypassing congested metro area highways;**
- **Immediate access to Joliet/Elwood Intermodal Centers;**
- **Four development teams short-listed, PPP procurement process underway;**
- **Financing solution expected to include both PABS and TIFIA;**

# OHIO RIVER BRIDGES



- **Critical link in I-65 National Freight Corridor;**
- **Indiana-Kentucky Bi-State Collaboration;**
- **New Downtown Crossing -- \$452MM TIFIA Loan;**
- **East End Crossing-- \$676MM PABS financing;**

# ALAMEDA CORRIDOR



- Special purpose “joint powers authority” under CA statute;
- Dedicated freight way to Ports of LA/Long Beach;
- Recent refinancing of outstanding debt with \$83.7MM RRIF loan to lower overall cost of capital;

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