Innovation Profiles: TIFIA Rural Project Initiative (RPI)
Making TIFIA loans more accessible to smaller and rural communities

The U.S. DOT’s Build America Bureau has built on the success of the TIFIA loan program in a way that helps rural communities access the benefits of TIFIA. Under the TIFIA Rural Project Initiative (RPI), surface transportation projects in rural areas with total costs between $10 million and $100 million can receive loan assistance with special benefits. TIFIA RPI is specifically designed to help rural communities, which have transportation infrastructure challenges and fewer resources to draw on to help meet those challenges to finance and deliver critical projects. As planners strive to identify the range of funding possibilities for rural projects, TIFIA RPI can be a useful tool to complete a funding package.

Program Highlights

- Eligible projects include roads, bridges, tunnels, transit, intermodal connectors, pedestrian and bicycle infrastructure, freight transfer facilities, sea and inland waterway ports (land-side only), and airport terminals (land-side only).
- When developing a plan of finance for a project or program during the planning phase, staff will work to identify grants that can be used to show funding in planning documents at the Federal, State, or local level. Next, alternative funding options are assessed, which often involve borrowing funds to fill the remaining funding gaps. The Build America Bureau specifically developed the TIFIA RPI program to address funding shortfalls for rural projects. TIFIA RPI can provide loans up to 49% of a project’s eligible costs. This is compared to up to 33% for a traditional TIFIA loan.
- A major reason a planning agency should consider a TIFIA RPI loan is their relatively low rate of interest, which is fixed and equal to ½ the borrowing rate for U.S. Treasury bills of comparable maturity at the time of closing plus one basis point, which is half the interest rate of a traditional TIFIA loan. This is much lower than the typical interest rate that would be charged if the agency issued a municipal bond or other debt instrument.
- Another reason to consider a TIFIA RPI loan as a potential source of funding is that for projects under $75 million, the Bureau may waive all the upfront fees associated with closing a TIFIA loan that are typically charged to borrowers, which can save them a significant amount of money.

Project Financing

At a time when most other State and Federal grant funding programs are over-subscribed and sponsors may be forced to wait years for a grant award, the TIFIA program has funding available and provides loans to eligible, creditworthy projects on a rolling basis. Other benefits of TIFIA is that RPI allows rural areas to utilize include 5-year repayment deferrals, no pre-payment penalties, only paying interest on funds withdrawn and the Bureau’s ability to be in a subordinate position and to sculpt amortization profiles to match the borrower’s cash flows. As

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1 The TIFIA statute defines a “rural infrastructure project” as one that is “located in an area that is outside of an urbanized area with a population greater than 150,000 individuals, as determined by the Bureau of the Census.”
a first step, staff from the planning agency can reach out to the Build America Bureau at buildamerica@dot.gov. More information about the U.S. DOT’s TIFIA RPI program can be found at the Build America Bureau’s website: https://www.transportation.gov/buildamerica/financing/tifia/tifia-rural-project-initiative-rpi

Project example:
San Luis Obispo Regional Transit Authority (SLO RTA): In early September, 2020, SLO RTA closed the first TIFIA RPI loan. The TIFIA RPI loan in the amount of $13.08 million will help SLO RTA construct a new administrative, operational, and bus maintenance facility that is three times larger than their current facility. The new facility will accommodate SLO RTA’s future expansion plans; streamline its operations, maintenance, inspection, and storage functions, and allow for future inclusion of battery electric bus chargers and a solar canopy. To guarantee repayment of the TIFIA RPI loan, SLO RTA pledged a portion of its state allocated sales tax funds and farebox revenues. The total cost of the new facility is $26.7 million, consisting of $8 million in FTA and California state grants, $13.08 million in TIFIA-RPI funds and the remaining through a local loan.

The SLO RTA obtained the TIFIA RPI financing for a 35-year year term at a fixed rate of 0.7%, which was roughly equal to one-half of the borrowing rate of 30-year U.S. Treasury bills as the time of closing plus one basis point. If the agency had not secured the TIFIA RPI loan, it would have borrowed the funds through a municipal bond issuance. The agency estimated that the use of this TIFIA loan significantly reduced the annual loan payback amount compared to issuing municipal bonds. SLO RTA estimates the TIFIA RPI loan will save the agency an average of $200,000 per year compared to municipal bonds.

Challenges and Lessons Learned

- **Rural communities find it challenging to identify financial resources required to fund transportation projects.** It can be more difficult for rural communities to acquire all the funding necessary to undertake critical transportation infrastructure projects. The amount of funds needed, while large for rural agencies, are typically too small to utilize a traditional TIFIA loan. The recently created TIFIA RPI initiative is designed to provide rural communities with access to TIFIA credit assistance. The SLO RTA had onboard a financial consultant who was helping with the proposed project and identified TIFIA RPI as a possibility to help fund the project. The nearby Monterey-Salinas Transit agency (MST) closed a similar TIFIA RPI loan in October 2020 for $8.45 million also to finance a new bus operations and maintenance facility.

- **Planners should consider non-traditional financing/funding options when planning and programming projects in the long-range plan and TIP.** Typically, planners utilize traditional grant funding when developing a constrained transportation plan finance plan. As resources become harder to identify and secure, it is beneficial to planners to examine non-traditional sources, such as TIFIA RPI financing. This program should be one more tool in the toolbox for agencies to consider when developing financial plans. Because the SLO RTA and SLO COG, the regional MPO, share the same board of directors, the two agencies could work together to plan and program this innovative project.

- **Identifying and pledging the revenues needed to pay back a loan can be challenging.** TIFIA loans require a secure, dedicated revenue stream to pay back the loan. This can be difficult for a small transit agency like SLO RTA. To meet the pledge of future revenues, the SLO RTA pledged future local transportation
funds from the state sales tax that are allocated to the agency. Farebox revenues are pledged if the local transportation funds are ever insufficient to cover the debt service.

- **Utilizing loan assistance programs can require the use of legal, financial, and other specialized advisors to evaluate and execute a loan, which can increase the cost of a project.** As noted above, for projects less than $75 million, the Bureau can waive all the fees it typically charges borrowers, which will reduce the upfront costs associated with evaluating and executing a TIFIA RPI loan.