CENTER FOR
INNOVATIVE
FINANCE SUPPORT

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OFFICE OF PERFORMANCE AND
INNOVATIVE FINANCE

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Center for Innovative Finance Support: Expanding Project Finance Options

QUICK LOOK Fall 2023

- EV Charging Infrastructure using P3's
- BIL Launchpad
- Value Capture Webinars
- Project Profile Spotlight

WHAT'S NEW IN INNOVATIVE PROJECT FINANCE?

FHWA Developing Resources to Assist State and Local Agencies in Contracting for Electric Vehicle Charging Infrastructure using Public-Private Partnerships

The Bipartisan Infrastructure Law (BIL) encourages state and local governments to use Public-Private Partnership (P3) contracting approaches for deployment of Electric Vehicle (EV) charging infrastructure with National Electric Vehicle Infrastructure (NEVI) funds authorized by the BIL. The BIL allocates a total of $7.5 billion in grant assistance to support state and local efforts to deploy EV and other alternative fuel infrastructure along highway corridors and within communities. To assist states who would like to use P3s to deliver EV charging infrastructure, FHWA recently developed a draft discussion paper entitled "Structuring Options for Performance-Based Contracts under the NEVI Program." An overview of the paper was provided to state officials at a webinar on May 11, 2023. The paper is currently available to state officials for review and comment. After receiving comments, we expect to finalize the paper and make it available on the FHWA P3 Toolkit website.

FHWA is continuing its efforts to develop a more comprehensive set of resources for delivering EV charging infrastructure using P3s, including guidebooks and analytical tools, as well as training. Over the next year we will disseminate these resources through webinars, peer exchange groups, and training courses. These efforts will provide practitioners with practical decision-making tools and develop their expertise to select, develop and implement effective public-private partnership approaches for delivery of EV charging infrastructure. The tools and resources will be added to the FHWA P3 Toolkit. FHWA has, over the past few years, developed the P3 Toolkit to assist public agencies in evaluating the suitability of P3s for highway project delivery and in developing, procuring, and implementing P3s. The toolkit and resources are available on FHWA's website at: https://www.fhwa.dot.gov/ipd/p3/toolkit/.

U.S. Department of Transportation
Federal Highway Administration

Build America Center Providing Technical Assistance to Public Agencies in Financing and Delivering Projects

The Build America Center, under a cooperative agreement with FHWA, operates the Center for Excellence in Project Finance (CEPF) following up on a prior cooperative agreement with the American Association of State Highway and Transportation Officials (AASHTO) under which CEPF was branded as the BATIC Institute. The Build America Center is a consortium led by the Maryland Transportation Institute at the University of Maryland. The Build America Center collaborates with FHWA and USDOT's Build America Bureau to offer public sector transportation agencies a program of training, sharing of best practices, and technical assistance regarding project finance opportunities. It also performs objective research on critical topics.

To assist agencies in finding funding opportunities that are best suited for their organizations and projects through the Bipartisan Infrastructure Law (BIL), BAC has developed the new BIL Launchpad (https://billaunchpad.com/) The Launchpad also provides information on successful grant applications that organizations can learn from. The BIL Launchpad will assist a broader range of agencies in accessing BIL funding. To sign up for updates on the technical assistance, training, and capacity building programs offered by the Build America Center, visit its website at: https:// bac. umd.edu/.

Value Capture: Capitalizing on the Value Created by Transportation Improvements

Value Capture is a set of powerful techniques that recover a portion of revenues created by public infrastructure investments and can:

- Address funding gaps,
- Leverage and optimize Federal and State resources,
- Accelerate project delivery using bridge/project bundling contracts,
- Help achieve system performance goals,
- Generate seed funding to get the project off the ground,
- Maintain transportation infrastructure assets in good repair, and save time and money.

FHWA launched its latest webinar series on Value Capture strategies beginning in January 2023. The webinar series spotlights the Value Capture techniques promoted by the Federal Highway Administration's (FHWA's) Everyday Counts (EDC) initiative. This year's series focuses on Value Capture strategies to leverage Federal and state grants including the intersection of Federal innovative finance and innovative project delivery tools. These webinars will detail Value Capture best practices collected from across the nation and will re-introduce the series of Value Capture primers that FHWA published from 2021 to 2022. To date, FHWA has conducted 11 webinars.

Value Capture techniques can generate sustainable, long-term revenue streams that can support debt issued to build highway interchanges, corridor improvements, transit stations, and other infrastructure. Value Capture techniques can also be used to leverage Federal and State grants, attract private capital, provide access to Federal low-interest-rate loans, and seed funding to get projects off the ground. Revenue from Value Capture techniques can also be used to fund ongoing operations and maintenance costs for highways, which are generally not eligible for Federal-aid funding.

PROJECT PROFILE SPOTLIGHT:

People traveling along Oklahoma's rural roads will be pleased to know that safety improvements are moving forward thanks to the Oklahoma Department of Transportation (ODOT) and The U.S. Department of Transportation's Build America Bureau (the Bureau). Through a $45 million low-interest loan to the Oklahoma Capital Improvement Authority (OCIA), ODOT is reconstructing 29 miles of rural roads by adding eight-foot shoulders, rehabilitating and resurfacing roads, and extending and widening bridges through the Rural Two-Lane Advancement and Management Plan (RAAMP) Phase 2 Project. The projects are in Atoka, Cherokee, Grady, Lincoln, Major, Pottawatomie, and Washita counties in Oklahoma.

In Oklahoma, 38 percent of serious and fatal crashes occur on rural roads with no shoulders. "A disproportionate share of traffic crashes occurs on rural roads due to a lack of shoulders and outdated infrastructure, often resulting in severe injuries and loss of life," said Deputy Transportation Secretary Polly Trottenberg. "This project will invest $45 million to improve and update rural roads, making travel safer for communities across Oklahoma."

Oklahoma is taking advantage of the Bureau's Rural Project Initiative, which offers rural borrowers loans of up to 49 percent of eligible project costs (vs. the customary 33 percent), as well as locking in a low interest rate at half the Treasury rate. This is the second loan for RAAMP secured by ODOT, with the first $41.55 million financed in June for 27 miles of roadway improvements. By providing Transportation Infrastructure Finance and Innovation Act (TIFIA) loans and other financing, the Bureau helps communities expedite infrastructure projects and reduce project costs.

"The Rural Project Initiative is a great opportunity for rural communities like those in Oklahoma to improve their infrastructure," said Bureau Executive Director Morteza Farajian. "Oklahoma's innovative financing approach is helping to deliver these overdue improvements at a lower cost and most importantly, is saving lives through delivering safety enhancements years faster. Other communities can benefit from this approach as well." The use of the TIFIA loan in Oklahoma results in significant cost savings and safety benefits through accelerated project delivery. An independent analysis conducted by the Build America Center at the University of Maryland reveals that the shoulder improvement program, which traditionally would take 12 years to complete, will be shortened to just three years. This expedited delivery made possible by the TIFIA loan will yield substantial advantages, including a $44 million reduction in crash costs over a 10-year period and a remarkable reduction of $29 million in project costs. The findings underscore the tangible and transformative impact of TIFIA financing, not only in expediting project timelines but also in delivering substantial cost savings and ensuring enhanced safety outcomes for the state of Oklahoma.

The Build America Bureau advances investment in transportation infrastructure by lending Federal funds to qualified borrowers; clearing roadblocks for credit worthy projects; and encouraging best practices in project planning, financing, delivery, and operations. The Bureau draws on expertise across USDOT to serve as the point of coordination for states, municipalities, private partners, and other project sponsors seeking Federal financing.

To date, the DOT has closed more than $39 billion in TIFIA financings, supporting more than $133.8 billion in infrastructure investment across the country.

Increased Federal Share

§120(c)(3) title 23 U.S.C. provides the option of an increased Federal share for projects using innovative project delivery methods. This flexibility is traditionally used with construction or contracting innovations. This provision does not provide additional Federal Funding. Instead States use existing Federal-aid to obligate funds.

Any innovative finance tool that is new to your state is eligible. Eligible tools will vary by state, as an innovative finance tool may be standard in one state and new to another. Increases of federal share under 23 U.S.C. 120(c)(3) are approved at the state's FHWA division office.

https://www.fhwa.dot.gov/innovation/resources/increased_federal_share.cfm

Local Innovative Match Assistance

Local (LPA) sponsors of Federal-Aid projects are typically required to provide all or a portion of the non-federal match from their own budgetary sources.

For smaller communities, it can be a major burden to provide the required match in a short period from existing budgetary resources.

Using a SIB loan allows these communities to spread the impact of the match requirement over multiple years and reduce the cash flow impact and credit impact to their existing budgets.

To learn more about how a SIB can help with match assistance:

https://www.fhwa.dot.gov/ipd/finance/resources/federal_credit/

Current Federal SIBs (not shown, AK, PR)

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PROGRAM AREAS OF THE CENTER FOR INNOVATIVE FINANCE SUPPORT

The Center for Innovative Finance Support provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help transportation professionals deliver innovation.

Public—Private Partnerships

The Center for Innovative Finance Support's P3 program focuses on the potential of design–build–operate–finance–maintain (DBFOM) concessions funded through tolls or availability payments to reduce project cost, improve quality outcomes, and provide additional financing options.

Alternative Project Delivery

The Center for Innovative Finance Support's Alternative Project Delivery Program provides information on contractual arrangements that allow for greater private participation in infrastructure development by transferring risk and responsibility from public project sponsors to private sector engineers, contractors, and investors.

Project Finance

The Center for Innovative Finance Support's project finance program focuses on alternative financing, including state infrastructure banks (SIBs) and grant anticipation revenue vehicles (GARVEEs). SIBs are revolving infrastructure investment funds for surface transportation that are established and administered by states and can offer a range of loans and credit assistance enhancement products. GARVEE is a debt instrument that has a pledge of future Title 23 Federal-aid funding, and is authorized for Federal reimbursement of debt service and related financing costs.

Value Capture

The Center for Innovative Finance Support's Value Capture Strategies explores strategies for tapping into the added value the transportation improvements bring to nearby properties as a means to provide new funding for surface transportation improvements.

For additional information, please contact:

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