THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 15 2006

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510

Dear Mr. President:

The enclosed report to Congress on the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) is submitted pursuant to the requirement of the Transportation Equity Act for the 21st Century, Section 1503(a), as amended by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Section 1601(h). The report summarizes the financial performance of projects assisted by TIFIA and discusses alternatives for achieving the program objectives in the future.

An identical letter has been sent to the Speaker of the House of Representatives.

Sincerely yours,

Maria Cino

Maria Cino
Acting Secretary

Enclosure

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

AUG 15 2006

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. ~~Speaker:~~ SPEAKER,

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TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT

REPORT TO CONGRESS

U.S. Department of Transportation
Federal Highway Administration
July 2006

Report to Congress
Transportation Infrastructure Finance and Innovation Act (TIFIA) Credit Program
US Department of Transportation

I. Introduction

As part of its enactment of the Safe, Accountable, Flexible, Efficient Transportation Equity Act, A Legacy for Users (SAFETEA-LU, Public Law 109-59), Congress directed the Secretary of Transportation to submit biannually a report summarizing the financial performance of the projects receiving assistance under the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program. The report must include a recommendation as to which governance structure best serves the objectives of TIFIA – continuing the program under the authority of the Secretary, establishing a government corporation or a government-sponsored enterprise to administer the program, or phasing out the program and relying on the capital markets to fund the types of infrastructure investments assisted by TIFIA without Federal participation.

Congress created TIFIA as part of its 1998 enactment of the Transportation Equity Act for the 21st Century (TEA-21, Public Law 105-78), as amended by the TEA-21 Restoration Act (Title IX of Public Law 105-206). Codified in sections 601 through 609 of title 23, United States Code (23 USC), the TIFIA program provides Federal credit assistance to construct surface transportation projects of national or regional significance.

This report briefly updates financial information originally presented in the Department's comprehensive June 2002 report to Congress (a copy of which can be found on the Internet at http://tifia.fhwa.dot.gov) and also addresses issues that have arisen in the ensuing 4 years. Background information regarding the TIFIA policy underpinnings, the Department's implementation of the program, and its benefits for borrowers can be found in the 2002 report.

II. Program Description and Funding

The TIFIA program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental capital to projects of national or regional significance. Through TIFIA, the Department provides Federal credit assistance to highway, transit, rail, and intermodal freight projects including seaports. The amount of TIFIA assistance may not exceed 33 percent of total project costs. The program targets only large projects: costs generally must exceed $50 million. For Intelligent Transportation System (ITS) projects, the minimum project cost is $15 million.

The TIFIA program offers three types of financial assistance. Secured loans are direct Federal loans to project sponsors offering flexible repayment terms and providing combined construction and permanent financing of capital costs. Loan guarantees provide full-faith-and-credit guarantees by the Federal Government to institutional investors that make loans for projects. Standby lines of credit represent secondary sources of funding in the form of contingent Federal loans that, if needed, supplement project revenues during the first 10 years of project operations.

Both public and private project sponsors may apply for TIFIA assistance, but all prospective borrowers must demonstrate that the proposed project is consistent with State and local transportation plans. The TIFIA statute identifies the following eight criteria by which the Department is to evaluate a project: national or regional significance, creditworthiness, private participation, project acceleration, use of new technology, consumption of budget authority, environmental impacts, and reduced Federal grant assistance. In addition, projects selected for assistance must receive an investment grade rating on their senior debt obligations from at least one nationally recognized credit rating agency.

To fund TIFIA, Congress in SAFETEA-LU provides $122 million in contract authority from the Highway Trust Fund for each of Fiscal Years 2005 through 2009 to pay the subsidy cost (and administrative expenses) of credit assistance. Since enactment of the Federal Credit Reform Act of 1990 (FCRA), Federal agencies must set aside capital reserves in advance to cover the expected long-term cost to the Government of providing credit assistance. Analogous to a private bank's loan reserve, the subsidy cost represents the Federal Government's estimate of expected loss associated with the provision of each TIFIA project's credit instrument. Any uncommitted contract authority remains available for obligation in subsequent years. Based on the experience of the program to date, the USDOT budget estimates as much as $2.6 billion in activity in Fiscal Year 2007.

III. Amendments in SAFETEA-LU

In section 1601 of SAFETEA-LU, Congress amended several significant features of TIFIA in order to make the program more accessible to prospective project sponsors. These changes are summarized below.

Expanded Project Eligibility

Language in SAFETEA-LU expands TIFIA eligibility to include public freight rail facilities, or private freight rail facilities providing public benefit for highway users, and intermodal freight transfer facilities. Freight projects may comprise a series of smaller projects with the common objective of improving the flow of goods. An eligible project may combine private and public funds, including investment of public funds in private sector facility improvements. When located in a port terminal, eligibility extends only to surface transportation improvements necessary to facilitate direct intermodal interchange, transfer, and access into and out of the port.

The new language extends TIFIA to a broad spectrum of surface transportation infrastructure projects. Facilities already eligible include any type of facility eligible for grant assistance under the Department's Federal Highway Administration (FHWA) programs (23 USC), such as interstate and State highways, bridges, and toll roads. Similarly, any type of project eligible for grant assistance under Department's Federal Transit Administration (FTA) programs (chapter 53 of 49 USC) such as transit vehicles, stations, track, and other transit-related infrastructure is eligible for TIFIA. Intercity passenger rail or bus projects (including Amtrak) are also eligible for TIFIA assistance, as are surface transportation projects principally involving the installation of ITS.

Lower Project Cost Thresholds

Language in SAFETEA-LU lowers the minimum size of a TIFIA-eligible project from \$100 million to \$50 million. Similarly, the minimum size of an ITS project is lowered from \$30 million to \$15 million. The alternative test for States receiving a relatively small amount of Federal-aid apportionments is also lowered, from one-half to one-third of the amount apportioned the previous year.

Improved Line of Credit

To date, no TIFIA borrower has executed a line of credit (LOC) agreement. As described in the June 2002 report, the original statutory language required all project reserve funds to be depleted before the borrower could draw down funds from the LOC. Language in SAFETEA-LU removes this restriction, allowing funds to be drawn in order to prevent draws on project reserves and thus avoid loan covenant defaults. In addition, language in SAFETEA-LU removes the 20 percent limit on the amount of the LOC available to be drawn in any year.

Extended Use of TIFIA Proceeds: Project Refinancing

Language in SAFETEA-LU authorizes the use of TIFIA proceeds to refinance long-term project obligations or Federal credit instruments if such refinancing provides additional funding capacity for the completion, enhancement, or expansion of any project selected for TIFIA assistance or otherwise eligible for TIFIA. This allows TIFIA assistance to participate in refinancing for the purpose of obtaining new infrastructure investment. To implement this provision completely will require the Department to conduct a rule making to amend the current TIFIA regulation.

IV. Financial Performance of Projects Receiving TIFIA Credit Assistance

The 12 projects receiving commitments of TIFIA credit assistance represent more than \$13.2 billion of infrastructure investment in the United States. The 13 credit agreements (one project has multiple agreements) executed or under negotiation amount to almost \$3.2 billion in Federal credit assistance at a budget cost of less than \$190 million in contract authority. Borrowers have drawn about 20 percent of the TIFIA proceeds made available through these agreements.

No TIFIA borrower has defaulted on a loan repayment. Since June 2002, five borrowers have retired their TIFIA loans, either by early repayment or by refinancing the loan prior to draws. The table on the following page displays key information about the TIFIA projects.

Financial Performance of TIFIA-assisted Projects (as of July 15, 2006)

Credit Agreement	Location	Status	Project Cost	TIFIA Amount	Amount Disbursed	Percent Disbursed	Project Completion
Tren Urbano	Puerto Rico	Paid in Full	$2,250,000,000	$300,000,000	$300,000,000	100.00%	6/6/05
Miami Intermodal Center (a)	Florida	Paid in Full	1,349,700,000	269,076,000	15,000,000	5.57%	4/18/09
Cooper River Bridges	South Carolina	Refinanced	677,000,000	215,000,000	0	0.00%	7/9/05
Staten Island Ferries	New York	Paid in Full	482,200,000	159,225,300	159,161,429	99.96%	7/1/06
Reno ReTRAC	Nevada	Paid in Full	279,900,000	50,500,000	50,500,000	100.00%	11/18/05
Central Texas Turnpike (b)	Texas	Active	3,659,900,000	916,760,000	0	0.00%	12/1/07
WMATA Capital Program (c)	DC, VA, MD	Active	2,324,000,000	600,000,000	0	0.00%	6/30/09
Miami Intermodal Center (d)	Florida	Active	(e)	170,000,000	0	0.00%	6/30/07
SR 125 South Toll Road	California	Active	628,800,000	140,000,000	102,268,025	73.05%	12/1/07
183 A Toll Road (b)	Texas	Active	331,200,000	66,000,000	0	0.00%	3/1/07
LA -1 Project (b)	Louisiana	Active	247,300,000	66,000,000	0	0.00%	8/1/09
Warwick Intermodal Station	Rhode Island	Active	222,300,000	42,000,000	0	0.00%	10/1/09
Moynihan Station	New York	Term Sheet	795,000,000	160,000,000	0	0.00%	tbd
TOTAL			$13,247,300,000	$3,154,561,300	$626,929,454	19.87%	

(a) The first of two Miami Intermodal Center (MIC) loans helped finance roadway elements constructed by Florida DOT.
(b) Disbursements will occur near the project's completion date in order to refinance short-term Bond Anticipation Notes (BANs).
(c) The TIFIA assistance is a loan guarantee. Disbursements would only occur if the borrower is unable to repay its third-party loan.
(d) The second of two MIC loans helps finance construction of a consolidated rental car facility.
(e) The project cost is incorporated into the cost for the first MIC loan.

Summaries of each project in this table are provided at the end of this report. The table does not include the Tacoma Narrows Bridge and the San Francisco-Oakland Bay Bridge projects, each of which received TIFIA term sheet commitments but later withdrew from the program. The Tacoma Narrows Bridge withdrew after the Washington State Legislature voted to replace the public-private entity that had sought TIFIA and to finance the project through the State entirely with tax-exempt bonds. The Bay Bridge project withdrew after the California Legislature voted to substitute the financial role of the State, which had sought TIFIA, with the regional Metropolitan Transportation Commission.

Both the Tacoma and Bay Bridge projects exemplify cases where TIFIA assistance may not be the least expensive finance option. With strong credit ratings and access to inexpensive tax-exempt bonds, the projects' financial managers ultimately determined that the TIFIA advantage of flexible debt restructuring was outweighed by the cost of higher interest payments and compliance with Federal-aid requirements. The major components of both projects are under construction without Federal-aid grant or loan assistance.

The 14 projects that have received TIFIA commitments represent just 20 percent of the 62 projects that have submitted formal letters of interest indicating a desire to pursue TIFIA funding. This rate reflects not only changes in project finance plans – as potential borrowers identify the most cost-effective funding approaches, which may not include TIFIA – but also the reality that transportation infrastructure projects have long lead times before they reach financial close. The Department expects that many project sponsors with letters of interest currently on file will submit applications once engineering decisions have been made, environmental clearances have been achieved, and financial commitments from project partners have been obtained.

Prepayment and Early Retirement of TIFIA Loans

A notable development since the June 2002 report, reflected in the previous table, is the retirement of four TIFIA loan agreements. A fifth departmental agreement, the groundbreaking $400 million Alameda Corridor loan which helped establish the template for the TIFIA program, has also been retired.

The TIFIA statute permits pre-payment without penalty, and a borrower's decision to replace Federal funds with those from private investors achieves a major policy objective, as TIFIA does not seek to displace existing sources of project capital. These success stories highlight the opportunity given borrowers to improve a project's cost structure by replacing TIFIA with capital markets debt once unproven revenues demonstrate a few years of solid results. In addition, they demonstrate the positive role TIFIA can play in the formation of project capital, i.e., the acceleration of financial closing which enables construction to commence earlier than otherwise. Finally, pre-payment reduces the Government's overall credit risk.

The fact that interest rates generally declined between 2001 and 2004 helped motivate project sponsors to seek lower costs of funds. The Alameda Corridor, Tren Urbano, and Cooper River Bridges loans were refinanced with tax-exempt bonds at significantly lower interest rates than their previous Federal debt.

The Staten Island Ferries loan was issued under a trust indenture through which the City of New York secured multiple tax-exempt bond issues. The indenture had numerous restrictions reflecting credit uncertainties in the early years of tobacco settlement securitizations, and a ratings downgrade in 2004 required holding substantial amounts of revenues in reserve as additional security for debt service payments. As the tobacco settlement securitization market matured, however, the city created a more flexible trust indenture under which it issued new capital markets debt to refund all its outstanding tobacco bonds and to prepay the TIFIA loan.

The Staten Island Ferries loan demonstrates the impact of dynamic features, negotiated into long-term credit agreements, which affect the decision making of project sponsors who can claim secure repayment streams. In instances of highly successful project revenue performance, in fact, the Department believes that TIFIA assistance best meets interim, not long-term, financing needs. As a project passes through the various stages of development (e.g., construction and ramp-up) the risks to investors decline as actual costs and revenues become known. Should the project become attractive enough to enable it to obtain all financing from the existing capital markets, the Department would prefer that it do so. Since it is not possible to require project sponsors to replace TIFIA debt with capital market debt, the Department tries to structure TIFIA loans with features that make the Federal debt increasingly unattractive as project risks decline and project economics improve.

These features were incorporated into the TIFIA loan for the Reno Transportation Rail Corridor, a project that reached substantial completion November 18, 2005. The TIFIA loan was subordinate to tax-exempt senior bonds, and because the debt service schedules for both senior bonds and the TIFIA loan were heavily "back-loaded" (i.e., held low in early years and increasing over the life of the loan), the county sales tax and city hotel tax revenues pledged to repay the debt required steady and substantial growth. In return for accepting the risk of a constantly stressed credit, the Department required that revenue in excess of that needed for the combined scheduled debt service be used to prepay the TIFIA loan.

At the time of the project's financial close in 2002, Reno likely could not have obtained alternative financing comparable to what it received from TIFIA. Nevertheless, the long-term commitment of excess revenue to TIFIA prepayment constrained the borrower's flexibility. After the construction risk passed and the local taxes posted several years of strong performance, Reno was able to replace the TIFIA loan with bonds and thus transfer the credit risk from the Federal Government to the capital markets. The refinancing enabled Reno to restructure the debt in a more flexible way, while relieving Federal taxpayers of a loan the project no longer needed.

V. Financial Innovations Utilized by Borrowers Receiving TIFIA Credit Assistance

Another notable aspect of projects receiving TIFIA assistance is the frequency of innovative credit structures in their financial plans. The TIFIA statutory framework encourages innovation that, in helping to complete project financing, has received positive notice from capital market participants. As noted recently by Fitch Ratings, "the creativity of the capital markets has resulted in concepts developed in other [non-transportation] markets being applied to TIFIA loans to take advantage of the unique features of the program."[1] The *Bond Buyer* newspaper named both the Texas Route 183A and the Louisiana LA-1 project financings as "Regional Deals of the Year" for 2005.[2] Several of the most significant innovations, developed via negotiations between the Department and project sponsors, are described below.

Deferred Repayments (Capitalized Interest)

Under the TIFIA statute, borrowers can defer the start of their loan repayment up to 5 years following a project's substantial completion. Because interest accrues from the date the borrower draws loan proceeds, this feature is equivalent to the "capitalized interest" typically found in a project revenue bond issue, which borrows funds to pay interest costs during construction before the project can generate its own revenues. The TIFIA program goes further in that it allows loan repayments, once begun, to cover less than the periodic interest accrued and thus continue to capitalize interest for an extended period. The use of this approach in the SR-125 South Toll Road financing demonstrated the Department's willingness to provide needed flexibility to enhance a project's financial viability.

Another instance in which the Department tailored its TIFIA requirements to meet a project's needs occurred in the Louisiana LA-1 toll road financing. The unique risks of this new toll road necessitated that the TIFIA loan provide exceptional credit enhancement to the project's senior revenue bonds. The financial structure requires the accelerated payment of senior debt with surplus toll revenues while deferring repayment of much of the TIFIA loan's interest and principal.

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[1] <u>TIFIA: Growing Into Its Own</u>, Fitch Ratings Project Finance Special Report, page 1, October 17, 2005.
[2] "Regional Deals of the Year Announced," The Bond Buyer, page 1, November 9, 2005.

TIFIA Take-Out Option For Bond Anticipation Notes (BANs)

Because shorter-term interest rates are typically less than longer-term rates, issuers often use Bond Anticipation Notes (BANs) to lower their cost of capital during construction. These 3-year to 5-year term notes are paid off (or "taken-out") by long-term debt typically issued at substantial completion. Start-up projects, such as "green field" toll roads with uncertain future revenues and incomplete capital market access, have found substantial benefit in obtaining a TIFIA loan as the potential take-out source for the BANs. Additionally, since the TIFIA interest rate is established at financial closing, the project sponsor can "lock" the rate at the outset of construction even though it may draw down the funds years later. This take-out option has been used in the Central Texas Turnpike, 183A Toll Road, and LA-1 Project loans, enabling the subordinate BANs to achieve higher underlying credit ratings than the projects' senior debt. Thus, TIFIA offers the borrower protection against future interest rate increases and an assured source of capital for an uncertain revenue stream.

Alternative Amortization Schedules

The Department has the flexibility to structure alternative TIFIA repayment schedules to minimize the likelihood of payment default. One approach has been to establish two debt service profiles – a scheduled debt service due if revenues materialize as expected and a lower, mandatory debt service (with the unpaid balance re-amortized on the back end of the loan) if revenues fail to materialize. The mandatory debt service feature enhances the credit quality of a project's senior debt and still requires ultimate recovery of the Federal loan. Developed for low-income housing and tobacco securitizations, this concept has been applied in TIFIA loans for the Staten Island Ferries, the SR-125 South Toll Road, and the 183A Toll Road.

Flexible Amortization

Alternative amortization schedules address the vulnerability of project financings to uncertain activity and revenue performance and thus constitute an important tool for constructing a TIFIA loan. A flexible amortization structure, used in Florida DOT's TIFIA loan for the Miami Intermodal Center Rental Car Facility, takes this approach a step further. In this loan, repayments of principal are based on a percentage of funds available rather than a fixed schedule of amortization. To ensure the loan will be repaid within its 35-year maturity, the parties calculate annually a forward-looking project life coverage ratio (PLCR), defined as the net present value of project resources divided by project obligations, to determine whether rate increases or additional revenues are needed. The unique nature and strength of this structure obviates traditional minimum coverage requirements and thus the back loading of loan obligations. This represents an "ultimate recovery" loan structure, a departure from the traditional capital market standard of full and timely payment. By avoiding the back loading of debt, the project sponsor anticipates considerable interest expense savings while minimizing the risk of payment default. This approach may have broader application in the capital markets as a result of the TIFIA demonstration.

VI. Meeting the Objectives of TIFIA: Three Options

A conclusion stated in the June 2002 report seems to hold – in many ways the TIFIA credit program is still in its formative stages. Many State transportation departments still need authorizing legislation to borrow from the TIFIA program. Their projects require planning approvals, environmental clearances, engineering feasibility, and financial commitments that can take 5-10 years before beginning construction. Each of the four TIFIA-assisted projects reaching substantial completion has retired its Federal loan, and the program's first true project financings – Central Texas Turnpike, SR-125 South, and 183-A – will not open completely until 2007. Therefore, it is still true that several more years must pass before the Department can assess the program's actual long-term costs and benefits. For these reasons, the Department believes it is still too early to draw conclusions about the optimal long-term direction of the TIFIA program.

As stated, however, in the June 2002 report, the significance of reaching a conclusion remains. The 1998 Conference Report accompanying TEA-21 articulates the TIFIA objective to "help the financial markets develop the capability ultimately to supplant the role of the Federal Government in helping finance the costs of large projects of national significance."[3] As long as the Federal Government continues to provide credit assistance directly to such projects, it can choose different institutional approaches for administering the program. The discussion below follows much of the discussion from the June 2002 report.

Continuing the Program Under the Authority of the Secretary

The Department administers the TIFIA program under the policy guidance of the DOT Credit Council, chaired by the Assistant Secretary for Budget and Programs and consisting of the Administrators of FHWA, FTA, Federal Railroad Administration, Maritime Administration, and senior officials from the Office of the Secretary. The TIFIA Joint Program Office manages day-to-day operations. As a Federal agency program, TIFIA is subject to Executive and Congressional oversight.

The TIFIA program is subject to the provisions of FCRA. Congress directly controls the amount of credit assistance provided by determining the program's level of contract authority. Although the cost of individual credit facilities will vary, there is direct control over the aggregate cost to the Government. The FCRA provisions preclude establishment of a revolving loan fund, where repayments and fees would fund new credit instruments. Like other Federal agency credit programs, all loan repayments are remitted to the U.S. Treasury.

Subject to the authority of annual appropriations acts, Congress allows the Department to help offset the program's administrative cost (including staff salaries and benefits, financial and legal consultants, and loan servicing) by collecting application, processing, servicing and monitoring fees from TIFIA borrowers. Up to $2.2 million in annual administrative expenses can be funded with contract authority from the Highway Trust Fund. The ability to collect and

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[3] Transportation Equity Act for the 21st Century, Conference Report to Accompany H.R. 2400 (105-550), page 435, May 22, 1998.

spend program fees allows the Department to pay for costs in excess of this amount and provides an important tool for managing the program's work load.

Operating the TIFIA program within an agency subject to direct congressional and administrative oversight provides policymakers the greatest discretion to adapt Federal credit assistance to the demands of new and traditional transportation infrastructure investors.

Establishing a Government Corporation or a Government-Sponsored Enterprise to Administer the Program

A government corporation is a special entity chartered by Congress to perform business activities typically involving fees for service. The U.S. Treasury holds most or all the corporation's stock or equity. Analogous to a state or local public authority, each corporation is established under specific authorizing legislation with provisions that may vary considerably from case to case. A government corporation usually is capitalized via a Federal appropriation. A single administrator heads some government corporations, and others have federally appointed boards of directors.

Government corporations must submit annual budgets to Congress, but some have their own borrowing, receipts, and spending authority, making them largely independent of the Federal appropriations process. All such Federal credit programs, however, must follow the budgeting provisions of the FCRA. Examples include the Commodity Credit Corporation (agricultural product loans), the Government National Mortgage Association (residential mortgages), and the Export-Import Bank (trade finance).

A government sponsored enterprise (GSE) is generally a for-profit, shareholder-owned financial institution established under Federal charter, with nationwide lending authority. Although independent, a GSE enjoys special Federal status. A GSE has federally-appointed representation on its boards of directors, is exempt from State and local income taxes and from securities laws administered by the Securities and Exchange Commission, and often has access to a line of credit from the U.S. Treasury. Examples of GSEs are Fannie Mae and Freddie Mac (housing loans), the Farm Credit System (agricultural loans), and Sallie Mae (student loans).

There is not a clear reason to provide TIFIA assistance via a government corporation or a GSE. The TIFIA program serves a niche role, which does not argue for establishing a separate entity apart from the Department. Moreover, as part of the Federal-aid program, TIFIA is able to help fulfill departmental and governmental goals and objectives. Employing the corporation or GSE model means the Government would give up control and accountability over the program. There is not a public policy justification for providing such independence to an entity that ultimately is striving to have the private markets take over its very function.

Phasing out the Program and Relying on the Capital Markets

To phase out the TIFIA program would be to acknowledge either that its policy objectives have been achieved or eclipsed by other considerations. Reliance on the capital markets to finance these large and complex projects would reduce future Federal spending and liability in this area. It may, however, leave certain worthy projects unable to obtain project financing.

The TIFIA program especially benefits a clearly defined niche of project financings –user-backed start-up projects lacking prior market access, where investors must absorb construction risk, performance risk, and demand risk. For these projects, which under the best of circumstances would achieve a senior debt rating no better than the lowest investment grade category, the TIFIA program seems to be filling a market gap by offering attractively-priced subordinate and supplemental capital. The Department believes there is meaningful ongoing demand from these projects for TIFIA credit assistance.

This assistance exists within the context of a widely documented gap between the Nation's need for capital investment in transportation and the level of funding available. A recent internal departmental review of planned highway "mega" projects (those costing more than $500 million) indicates that the overwhelming majority will be developed as toll roads. For those major transportation projects that can leverage future revenues, the TIFIA program provides a consistent and transparent process for sponsors from around the country to obtain Federal credit assistance. In this respect, the program has helped obviate sponsors' pursuit of ad hoc legislation (e.g., the Alameda Corridor loan) to fund individual projects.

Sunset of the program would eliminate additional Federal spending and liability, but not necessarily the 35-year-plus relationships created by the initial TIFIA credit commitments. Unless the Department could sell such loans to other investors, the job of monitoring these credits and collecting repayments would require an ongoing commitment of organizational resources.

Since the June 2002 report, the character of private investment in transportation has begun to change with the entrance of overseas equity investors (e.g., Macquarie and Transurban from Australia, Cintra and Dragados from Spain, Skanska from Sweden) into the market for domestic infrastructure. These for-profit investors pursue a financial strategy of long-term equity returns, obtained via periodic refinancing, that differs from the traditional capital market approach of the United States, which relies almost exclusively on the formation and retirement of project debt. To date, the most significant instances of this type of private investment have been the long-term lease of existing assets such as the Chicago Skyway and the Indiana Toll Road. With States such as Texas, Virginia, and Oregon actively seeking private partners to build and operate new facilities, however, project financings such as the SR-125 South Toll Road – which combined private equity, commercial bank loans and TIFIA subordinate debt – are likely to increase. The Department expects this combination of private, for-profit investors and Federal credit assistance to account for much TIFIA activity in coming years.

The table on the next page lists projects that, since 2003, have indicated formal and ongoing interest in submitting an application for TIFIA assistance. In many of these projects, the proposed borrower would be a private entity.

Potential TIFIA Projects Submitting Letters of Interest ($ in millions)

Project	Private Sponsor?	Location	Est. Cost	Request	TIFIA %	Instrument
Advanced Truck Stop Electrification	Yes	22 states	tbd	tbd	tbd	Direct Loan
Capital Beltway HOT Lane Project	Yes	Virginia	$847	$246	29%	Direct Loan
Transbay Terminal/Caltrain Extension	No	California	$2,083	$690	33%	Direct Loan
Virginia I-81 Improvements	Yes	Virginia	$9,700	$1,300	13%	Direct Loan
Downtown Chicago Intermodal Terminal	No	Illinois	$213	$48	23%	Direct Loan
Dulles Corridor Metrorail Project	No	Virginia	$1,522	$145	10%	Direct Loan
SH 130 Segments 5 & 6	Yes	Texas	$1,000	$320	32%	Direct Loan
I-95 HOT Lanes	No	Florida	$377	$124	33%	Direct Loan
Knik Arm Crossing	Maybe	Alaska	$600	$100	17%	Direct Loan
Intercounty Connector	No	Maryland	$2,400	$800	33%	Direct Loan
SH-121	Yes	Texas	$443	tbd	tbd	tbd
I-635 (LBJ Freeway) Phase I	Yes	Texas	$1,000	tbd	tbd	tbd
SH-161	Yes	Texas	tbd	tbd	tbd	tbd
Central New York Regional Distribution Hub	Yes	New York	$104	$34	33%	Direct Loan + LOC

With the passage of SAFETEA-LU, Congress has provided another Federal tool likely to work in combination with TIFIA for the benefit of public-private partnerships. By adding highways and intermodal freight transfer facilities to the Internal Revenue Service (IRS) list of eligible exempt facility bonds, also known as private activity bonds, the legislation boosts opportunities for private investment in U.S. transportation infrastructure. The Department anticipates that potential borrowers will find the combination of TIFIA and private activity bonds attractive. Additionally, receipt of TIFIA assistance would meet the SAFETEA-LU requirement that the project financed with the bonds also receive Federal assistance under Title 23 or Title 49, United States Code.

Conclusion

The Department believes that user-fee-financed projects, whether developed and operated via public or private entities, will constitute a growing number of surface transportation investments. The TIFIA program provides a significant source of Federal assistance that can help these projects tap investors from domestic and overseas markets. As was true in 2002, project sponsors and departmental staff are still exploring options for best utilizing TIFIA credit assistance. The entrance into the U.S. of private for-profit entities, who have indicated strong interest in leveraging TIFIA, provides substantial new sources of investment capital for transportation infrastructure. As the Government, project sponsors and the financial markets gain more experience with public-private partnerships, law makers will have better information on which to determine the best approach for meeting the objectives of TIFIA.

Tren Urbano

San Juan, PR

Approved FY 1999

Retired: Paid in Full

Project Sponsor

http://www.dtop.gov.pr/

Puerto Rico Highway and Transportation Authority (PRHTA).

Description

This 17-kilometer rapid rail line serves metropolitan San Juan, home to 1.3 million residents representing 37 percent of Puerto Rico's total population. The system has 16 stations, closely integrated with the local bus system, and currently carries approximately 30,000 riders per day.

Project Status

The project is 100% complete. Revenue service began June 6, 2005.

Funding Sources

Funding sources are as follows (dollars in millions):

• Federal grants:	$828.8
• Bond proceeds:	637.8
• TIFIA loan:	300.0
• Other sources:	483.4
Total:	$2,250

TIFIA Credit Assistance

Direct loan: $300 million.

Date of credit agreement: August 4, 2000.

The TIFIA loan received a subordinate pledge of certain tax revenues (including the proceeds of motor fuel taxes, tire taxes, and vehicle registration fees) accruing to PRHTA.

TIFIA Financial Performance

The USDOT disbursed the $300 million loan in its entirety on August 7, 2000. Taking advantage of the low interest rate environment, PRHTA refinanced the loan with tax-exempt debt in April 2003, fully prepaying TIFIA in the amount of $305.6 million. In keeping with the TIFIA objective of encouraging prepayments when feasible, this loan was paid off 32 years earlier than its scheduled final maturity. The bonds issued to refund the TIFIA loan have an interest rate of 4.97 percent, slightly more than 75 basis points lower than the interest rate on the TIFIA loan. The authority expects to save $31.7 million, based on net present value, compared to keeping the TIFIA loan.

Miami Intermodal Center

Miami, FL

Approved FY 1999

Project Sponsor

http://www.micdot.com/

Florida Department of Transportation (FDOT) and Miami-Dade Aviation Department.

Description

The Miami Intermodal Center (MIC) comprises a multi-year program of ground access improvements to and within the Miami International Airport. Passenger traffic at the airport totaled 31 million in 2005.

Major project elements include construction of an intermodal center for transit, commuter rail, and intercity bus services; an automated airport people mover; and highway improvements. The MIC will also consolidate rental car operations at the airport, providing space for 10,000 cars at a new rental car facility.

Project Status

Although originally scheduled for completion in January 2008, the entire program was re-evaluated after the events of September 11, 2001, which led to steep drops in air travel and rental car activity. The MIC program is moving forward with an approximate 18-24 month delay in overall implementation.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Federal funds:	$106.7	
• State and local funds:	714.1	(see "TIFIA Financial Performance" below)
• TIFIA loan:	439.0	(" " " " ")
• Capitalized interest:	64.9	
• SIB loan:	25.0	
Total:	$1,349.7	

TIFIA Credit Assistance

The original TIFIA commitment amounted to up to $439 million, comprised of two separate obligations:

- FDOT Program Elements loan: $269 million; to be repaid from fuel tax revenues.
- Rental Car Facility loan: up to $170 million, to be repaid from fees levied on rental car customers.

The FDOT Program Elements loan closed June 9, 2000. The Rental Car Facility loan closed April 29, 2005.

TIFIA Financial Performance

On July 3, 2006, USDOT accepted $17.1 million as final payment with interest, in full, for the FDOT Program Elements Loan. The FDOT drew only $15 million of the $269 million loan facility, as it identified internal funds to replace the TIFIA assistance. Repayment came 24 years ahead of the originally scheduled final maturity.

The RCF loan has yet to disburse funds, as its final construction contracts are under negotiation.

Replacement of the Cooper River Bridges

Charleston, SC

Approved FY 2000

Retired: Refinanced

Project Sponsor

http://www.dot.state.sc.us

South Carolina Transportation Infrastructure Bank (SCTIB) and the South Carolina Department of Transportation.

Description

The Arthur Ravenel, Jr. bridge replaces two structurally deficient bridges on U.S. 17, a designated national defense highway, connecting the cities of Charleston and Mount Pleasant, South Carolina and permits modern cargo vessel passage to the Port of Charleston, the second largest container cargo port on the East Coast. The bridge crossing provides a vital link in the regional roadway network that provides access to major employment centers in North Charleston, commercial and industrial port facilities, and residential and recreational areas east of the Cooper River.

Project Status

The project opened to traffic on July 9, 2005.

Funding Sources

Funding sources are as follows (dollars in millions):

• Federal grants:	$127.5
• TIFIA direct loan:	215.0
• Bond proceeds:	334.5
Total:	$677.0

TIFIA Credit Assistance

Direct loan: $215 million.

Date of credit agreement: July 11, 2001.

The loan was secured by two primary sources: (i) payments from the South Carolina Department of Transportation ($8 million per year for 25 years) and (ii) certain revenues from hospitality fees levied by Horry County as well as an intercept of state funds collected by the County, if needed. (The hospitality fee comprises a 1.5 percent tax on sales of lodging, admissions, and restaurants.) In addition, certain reserve funds were available as a third source of repayment.

TIFIA Financial Performance

On July 6, 2004, the USDOT and the SCTIB terminated the loan agreement so the SCTIB could issue new tax-exempt bonds backed by the revenues pledged to the TIFIA loan. The new bonds carry a lower interest rate than the TIFIA loan, the proceeds of which the SCTIB had yet to draw. This retirement of a TIFIA loan marks a successful milestone, as the Federal credit commitment in 2001 enabled project construction to get underway, to be replaced entirely by private investment after only three years.

Staten Island Ferries and Ferry Terminals

New York, NY

Approved FY 2000

Retired: Paid in Full

Project Sponsor

http://www.ci.nyc.ny.us/html/dot/html/get_around/ferry/statfery.html

New York City Department of Transportation and TSASC, Inc., a special purpose not-for-profit state corporation authorized to issue bonds secured by tobacco settlement revenues.

Description

The Staten Island Ferries and Ferry Terminals project consisted of construction and acquisition of three ferry boats and redevelopment of two ferry terminals, the St. George Terminal in Staten Island and the Whitehall Terminal in lower Manhattan, including new traveler information systems and multi-modal connections to taxis and transit.

The ferry system operates an eight-vessel fleet, serving 70,000 passengers per day on the five-mile, 25-minute ride between Staten Island and Manhattan. The three new ferries accommodate 4,400 passengers each, 25 percent more than previous capacity.

Project Status

Renovation of the St. George Terminal and Whitehall Terminal is complete. All ferry vessels have been delivered and are in revenue service.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Bond proceeds:	$274.3
• TIFIA loan:	159.2
• Federal grants:	47.0
• State grants:	1.8
Total:	$482.2

TIFIA Credit Assistance

Direct loan: $159.2 million.

Date of credit agreement: December 19, 2001.

The TIFIA loan was secured by tobacco settlement revenues due to TSASC, Inc. under the Master Settlement Agreement with participating tobacco companies. This agreement requires participating companies to make annual payments to beneficiaries, including TSASC, in perpetuity. TIFIA held a parity lien, with senior bondholders, of $750 million in outstanding TSASC bonds, the proceeds of which were available for other purposes.

TIFIA Financial Performance

Using tax-exempt bonds, TSASC pre-paid the TIFIA loan with interest on February 8, 2006. The loan was repaid 27 years ahead of schedule, saving New York City about $152 million in interest payments. Prior to the loan pay-off, TSASC had made eight timely payments of interest and one of principal.

Reno Transportation Rail Access Corridor (ReTRAC)

Reno, NV

Approved FY 2001

Retired: Paid in Full

Project Sponsor

http://www.cityofreno.com/gov/retrac/

City of Reno, Nevada.

Description

This project involves a 2.25-mile below-grade rail freight corridor with two mainline tracks and an access road, replacement of 10 at-grade rail crossings with bridges, and construction of one new bridge. A "shoofly" track served as a temporary bypass route during construction.

Reno is situated in a major rail corridor linking west coast ports, especially the Port of Oakland, to inland destinations. The Union Pacific Railroad is expected to increase train traffic through central Reno from 14 trains to at least 24 trains per day. The project allows Union Pacific to improve freight capacity by increasing train lengths to 8,000 feet with double-stacked containers.

Project Status

The trench opened to train service on November 18, 2005. Using a design/build contractor, Reno completed the entire project in the spring of 2006.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Senior bond proceeds:	$111.5	(revenue bonds issued by City of Reno)
• TIFIA direct loan:	50.5	
• Federal grants:	21.3	
• Railroad payment:	17.0	
• Other:	79.6	(includes cash on hand and interest earnings)
Total:	$279.9	

TIFIA Credit Assistance

The original TIFIA commitment amounted to $73.5 million, comprised of three separate obligations:

- Sales and room tax loan: $50.5 million; secured by county sales and city hotel room taxes.
- Lease-backed loan: $5 million, secured by lease income from property contributed by Union Pacific.
- Assessment district loan: $18.5 million, secured by tax assessments on real property in a downtown business district. Adjoining the ReTRAC corridor

The sales and room tax loan closed in 2002 and was funded in 2004. Negotiations concluded in 2005 on the assessment district loan, although litigation prevented its closing. Recently, Reno indicated it will not proceed with either of the two smaller loans.

TIFIA Financial Performance

With revenues securing the $50.5 million sales and room tax loan performing as projected, the City repaid the original $50.5 million loan with interest in May 2006.

Central Texas Turnpike Project

Austin – San Antonio, TX

Approved FY 2001

Project Sponsor

http://www.dot.state.tx.us/

Texas Turnpike Authority (TTA), a division of the Texas Department of Transportation.

Description

The Central Texas Turnpike Project, designated by TTA as the "2002 Project", will build 65 miles of contiguous turnpike facilities to improve regional mobility and increase connectivity in the Austin-San Antonio corridor, the third fastest growing area in the nation. The project consists of three distinct elements -- SH 130, SH 45 North, and Loop 1 -- each on the National Highway System. The project will support national and international commerce by relieving congestion and improving safety in the I-35 corridor, a freight route that serves most of Texas' share of NAFTA-related truck traffic.

Project Status

The project had been scheduled to open in phases beginning in September 2007, with all work complete by December 2007.

On June 8, 2006, however, Texas Governor Rick Perry announced that 40 miles of turnpike will open in Fall 2006, nearly one year ahead of schedule and more than $400 million under budget. The early opening will include 29 miles of SH 130, eight miles of SH 45 North, and the entire length of the Loop 1 extension. The revised cost estimate is $3.224 billion, $436 million less than the initial budget of $3.660 billion.

Funding Sources

Estimated funding sources, prior to Governor Perry's announcement, are as follows (dollars in millions):

• Senior bond proceeds:	$1,367.8	(revenue bonds issued by Texas Transportation Commission)
• TIFIA loan:	916.8	
• State funds:	700.0	
• Local grants:	511.7	
• Investment income:	163.6	
Total:	$3,659.9	

TIFIA Credit Assistance

Direct loan: $916.8 million.

Date of credit agreement: July 25, 2002.

DOT has a subordinate lien on gross revenues (i.e., prior to operations and maintenance costs) and the trust estate. Revenues are defined as all income and revenues derived from the operation of the system, including all tolls, any other sources of revenues or funds derived from or attributable to the system, and interest income.

TIFIA Financial Performance

Of the approximately $2.2 billion in capital market debt issued at financial close, $900 million were issued as low interest Bond Anticipation Notes (BANs) maturing in 2007 and 2008. As the BANs become due, the TTA can retire them by drawing down the TIFIA loan, by selling additional long-term bonds, or via any other available funds. Assuming TTA draws the TIFIA loan, payments of principal and interest would begin in 2010. The final maturity of the loan is scheduled for 2042.

Washington Metropolitan Area Transit Authority Capital Improvement Program

Washington DC Metropolitan Area, DC/MD/VA — Approved FY 1999

Project Sponsor

http://www.wmata.com/

Washington Metropolitan Area Transit Authority (WMATA).

Description

WMATA operates a rail and bus system serving the National Capital area. It is the fourth largest transit system in the U.S. and the "Metro" is the nation's second largest rail transit system, spanning 103 miles and incorporating 83 stations.

The WMATA capital improvement program (CIP) will replace vehicles and rehabilitate facilities and equipment on the rail and bus systems. Individual components of the CIP include procurement of new buses and rail cars; major maintenance and rehabilitation of electrical and mechanical systems, communications, and track and structures to improve system-wide performance; escalator and elevator rehabilitation and other station enhancements; parking lot improvements; and upgrades to several maintenance facilities.

Project Status

Construction is underway. Substantial completion of the CIP is anticipated for mid-2009.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Federal grant funds:	$1,547
• Local match:	560
• Grant anticipation bonds:	217
Total:	$2,324

In addition to the sources above, WMATA has a $600 million line of credit from Lehman Commercial Paper, Inc. which is guaranteed under TIFIA. This line of credit permits WMATA to demonstrate adequate fiscal capacity under the terms of its funding agreement with local jurisdictions.

TIFIA Credit Assistance

Loan guarantee: $600 million.

Date of credit agreement: January 28, 2001.

The TIFIA loan guarantee permitted WMATA to obtain the line of credit at no cost. The TIFIA guarantee backs repayments to Lehman Commercial Paper, Inc. should WMATA draw on the line of credit and be unable to repay. Revenues that would secure a line of credit draw, and thus the TIFIA guarantee, include the system's gross revenues as well as payments provided by local area governments to support the CIP.

TIFIA Financial Performance

WMATA has not drawn on the Lehman commitment, and thus there has been no possibility of a draw on the TIFIA loan guarantee.

State Route 125 South ("South Bay Expressway")

San Diego County, CA

Approved FY 1999

Project Sponsor

http://southbayexpressway.com/

California Transportation Ventures, Inc. (CTV), the sole general partner of San Diego Expressway, Ltd. Partnership (SDELP), the TIFIA borrower. Macquarie Infrastructure Group (MIG), through its US subsidiary Macquarie 125 Holdings, Inc., owns CTV and SDELP.

Description

The SR-125 South is a 9.2-mile toll road advanced as a public-private partnership between the California Department of Transportation and CTV. It will complete a missing link in the San Diego freeway network and provide access to the Otay Mesa international border crossing, a key port of entry between the US and Mexico. The toll road will be linked to a two-mile, locally funded, non-tolled segment known as the San Miguel Connector, under construction concurrently with SR-125.

The project will open initially as a four-lane facility with provisions for an ultimate facility of eight mixed-flow lanes and a median wide enough to accommodate two high occupancy vehicle (HOV) lanes.

In July 2005 CTV officially changed the toll road's name to the South Bay Expressway.

Project Status

The South Bay Expressway is more than 50 percent complete. Although CTV currently projects completion in July 2007, the lending banks believe December 2007 to be a more realistic date. Completion was originally scheduled for October 2006.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Senior bank loans:	$321.0
• TIFIA loan:	140.0
• Equity contribution:	120.0
• Donated right of way:	47.8
Total:	$628.8

TIFIA Credit Assistance

Direct loan: $140 million

Date of credit agreement: May 22, 2003.

The TIFIA loan is secured by a second priority security interest, subordinate to the lien of the Senior Loans, in the "Project Revenues" which means (a) all income, tolls, revenues, rates, fees, charges, rentals, or other receipts derived by or related to the operation or ownership of the Project including all amounts from joint development or leasing of air space lease rights, (b) any revenues assigned to the Borrower and proceeds of the sale or other disposition of all or any part of the Project and (c) all income derived from Permitted Investments.

TIFIA Financial Performance

As of July 15, 2006, $102,268,025 in TIFIA proceeds have been disbursed. Although the schedule has slipped, the project budget remains sufficient to cover the cost to complete. Scheduled TIFIA repayments begin in 2010. The final maturity of the loan is scheduled for 2040.

183-A Turnpike Project

Austin, TX — Approved FY 2005

Project Sponsor

http://www.ctrma.org/

Central Texas Regional Mobility Authority (CTRMA).

Description

The 183-A Turnpike is a new 11.6-mile controlled access north-south tolled highway east of the existing US 183 in metropolitan Austin. This regionally significant project will connect to the Central Texas Turnpike System, previously funded in part with TIFIA credit assistance. The project will alleviate congestion and improve safety in a fast growing region that consistently ranks as one of the Nation's most congested.

The project will be constructed as a four-lane facility, but will accommodate expansion to six lanes.

Project Status

The project is on schedule for completion and opening to traffic in March 2007.

Funding Sources

The estimated funding sources for the project are as follows (dollars in millions):

• Senior bond proceeds:	$167.9
• BANs/TIFIA loan:	66.0
• State funds:	64.7
• Donated right of way:	14.1
• Other:	18.5
Total:	$331.2

TIFIA Credit Assistance

Direct loan: $66 million
Date of credit agreement: March 2, 2005.

Net toll revenues on the full 11.6-mile system secure the loan. The Federal Government has a subordinate lien on these revenues with respect to debt service due on senior lien bonds.

TIFIA Financial Performance

Along with $168 million in senior bonds issued at the time of financial closing, CTRMA issued $66 million of low interest Bond Anticipation Notes (BANs) with maturity in 2008. When the BANs come due, CTRMA has the option of retiring them with draws on the TIFIA loan, additional bonds, or any other funds available.

LA-1

Leeville, LA

Approved FY 2005

Project Sponsor

http://www.wilbursmith.com/la1project/

Louisiana Transportation Authority (LTA), a subsidiary of the Louisiana Department of Transportation and Development (LADOTD).

Description

The ultimate LA-1 Project will be a 16.3-mile, four-lane elevated toll highway between Golden Meadow and Port Fourchon. The project's first phase, which has received TIFIA assistance, is an eight-mile, two-lane elevated highway between Leeville and Port Fourchon including a new high-level bridge at Leeville with a southbound toll facility. The existing LA-1 suffers from subsidence, erosion, and frequent storm damage. In the event of hurricanes, this is the only highway evacuation route for Port Fourchon and Grande Isle, both of which suffered extensive damage from Katrina and Rita in 2005.

Project Status

Although the project has been delayed due to high bid prices resulting in part from last season's hurricanes, bids have been received and contracts awarded on two of the project's three construction phases. LADOTD expects to bid out the third contract in September 2006. The project is estimated to be complete by August 2009.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Senior bond proceeds:	$95.0
• TIFIA loan:	66.0
• LADOTD funds:	58.4
• State and Federal funds:	18.2
• Other:	9.7
Total:	$247.3

TIFIA Credit Assistance

Direct loans: $66 million

Date of credit agreement: May 2005

All project debt will be repaid from toll revenues. The financial plan shows TIFIA principal and interest payments beginning in 2013 with final payment in 2040.

TIFIA Financial Performance

Along with the $95 million in senior bonds issued at the time of the closing of the TIFIA loan, the LTA issued $66 million of low interest Bond Anticipation Notes (BANs) that mature in 2009. When the BANs become due, the LTA has the option of retiring them with draws on the TIFIA loan, additional bonds, or any other funds available.

Warwick Intermodal Station

Warwick, RI

Approved FY 2003

Project Sponsor

http://www.dot.state.ri.us/

The Rhode Island Economic Development Corporation (RIEDC), the Rhode Island Airport Corporation (RIAC), and the Rhode Island Department of Transportation (RIDOT).

Description

This intermodal transportation facility will include a commuter rail station, a bus terminal, a consolidated rental car facility, a 3,200 space parking garage, and a skywalk to T.F. Green Airport, which serves the Providence area and southern Massachusetts.

Project Status

Construction schedule is to be determined; bids for portions of the work will be accepted in August 2006. Substantial completion is expected by October 2009.

Funding Sources

Anticipated funding sources are as follows (dollars in millions):

• Federal grants:	$88.9
• State funds	22.2
• CFC:	33.1
• Senior bond proceeds:	36.1
• TIFIA loan:	42.0
Total:	$222.3

TIFIA Credit Assistance

Direct loan: $42 million.

The TIFIA loan will be secured by customer facility charges imposed by RIAC upon people renting cars at the airport as well as payments by the rental car companies for tenant improvements in the Intermodal Facility.

TIFIA Financial Performance

The TIFIA loan closed June 27, 2006. An initial draw is expected in August. Loan repayments are scheduled to begin in 2009 and conclude in 2042.

Moynihan Station

New York, NY | Approved FY 1999

Project Sponsor

http://www.dot.state.ny.us/progs/programs.html

Moynihan Station Development Corporation (MSDC), a subsidiary of New York State's Empire State Development Corporation (ESDC). The MSDC has selected the development team of the Related Companies and Vornado Realty Trust (Related/Vornado) to build and operate the facility.

Description

Penn Station is presently the nation's busiest transportation facility, handling more than 500,000 rail and transit passengers daily. This project will expand the underground Penn Station by refurbishing the adjacent James A. Farley Post Office Building and connecting it to the existing station, thereby increasing capacity by 30 percent and doubling passenger circulation space.

Project Status

Many Moynihan Station partners and plans have changed since the project first applied for a TIFIA loan commitment in 1999. The purchase by the ESDC of the entire Farley Building from the US Postal Service is scheduled for 2006, as are the execution of Related/Vornado's lease with the MSDC and the commencement of project construction. Work is proceeding on renovations to the Farley Building façade. New Jersey Transit has agreed to become the anchor transportation tenant of Moynihan Station, shifting operations from the existing station. Amtrak is participating in design efforts, with reimbursement by MSDC of Amtrak's costs in connection with this work.

Funding Sources

Anticipated funding sources for the project defined in 2000 are as follows (dollars in millions):

• Federal grants:	$247.3	
• State funds	190.2	
• Local matching funds:	60.0	
• Senior bond proceeds:	153.5	(revenue bonds to be issued by MSDC)
• TIFIA loan:	140.0	
• Developer equity:	4.0	
Total:	$795.0	

In addition, the project received a commitment for a $20 million TIFIA line of credit.

TIFIA Credit Assistance

Direct loan: $140 million.

Line of credit: $20 million.

Date of credit commitment: November 6, 2000.

Under the original agreement the TIFIA loan was to be secured by a subordinate lien on three revenue streams: lease payments from the Port Authority of New York and New Jersey, revenues from Amtrak, and rents paid from planned station retail facilities.

TIFIA Financial Performance

With substantial changes in the project's scope and financial structure since 2000, the agreement will need to be re-negotiated should the MSDC elect to utilize its TIFIA commitment.