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U.S. Transportation Secretary Mineta Cites Benefits Of Innovative Financing At Groundbreaking for SR 125 South Toll Road

U.S. Transportation Secretary Norman Y. Mineta today joined state and local officials at an historic groundbreaking ceremony for the southern-most segment of the SR 125 South Toll Road project, a key element in enhancing the surface transportation system in the growing San Diego area.

“The expansion of SR 125 is powerful testimony to the importance of innovative financing in the expansion of our transportation system,” Secretary Mineta said. “By working together creatively at the federal, state and community level, we have been able to harness the power of the private sector in support of new transportation infrastructure. As a result we will achieve a long-term goal to improve transportation in the San Diego area that also will reduce congestion, keep the air clean, strengthen the economy, and put new technology to work for us.”

Federal loan assistance was essential to the SR 125 South Toll Road financial plan, providing flexibility in the repayment structure during the project’s ramp-up period. The federal government executed a \$140 million loan for the project under an innovative financing program established by the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The borrower is the San Diego Expressway Limited Partnership, a private entity whose general partner is California Transportation Ventures, Inc. (CTV). CTV is a subsidiary of the Macquarie Infrastructure Group (MIG), an international fund investing approximately \$150 million to develop and operate the toll road.

A major objective of the TIFIA program is to enhance the credit quality of the senior financing, thereby facilitating access to private capital markets for the financing of new transportation projects. The terms negotiated for this loan provide the first example of a partnership acceptable to both TIFIA and a private sector investor.

“In addition to its other benefits, this project demonstrates how our innovative federal financing tools can attract private investment to critical transportation projects,” Secretary Mineta said. “TIFIA has provided an alternative to grants as a way of doing business, allowing private partners to share with the government the risk and rewards of infrastructure investment, thereby providing transportation, creating jobs and contributing to economic growth.”

In its recently released proposal to reauthorize federal surface transportation programs entitled the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA), the Bush Administration placed a significant emphasis on fostering similarly innovative public-private partnerships. Among other things, the proposal includes an expansion of the TIFIA program to include new kinds of freight projects and to lower the project threshold from \$100 million to \$50 million. In addition, tax-exempt financing treatment is being sought for privately managed and operated highways similar to what is currently available to public entities.

TIFIA authorizes innovative financing through which DOT provides credit assistance rather than grants to public and private sponsors of major surface transportation projects. Eleven projects worth more than \$15.4 billion have been selected to benefit from TIFIA with \$3.5 billion in credit assistance at a budgetary cost to the federal government of only \$174 million.

TIFIA is designed to provide federal credit assistance to major transportation infrastructure projects that address critical national needs, such as intermodal facilities, border crossing infrastructure, highway trade corridors, and transit and passenger rail facilities with regional and national benefits. Projects eligible for assistance under TIFIA include highways and bridges; transit facilities and vehicles; intercity passenger bus and rail facilities and vehicles, including Amtrak and components of magnetic levitation systems; and publicly owned intermodal surface freight transfer facilities on or adjacent to the National Highway System.

SR 125 South Toll Road was one of the first five projects selected for credit assistance through TIFIA, which was authorized under the 1998 Transportation Equity Act for the 21st Century (TEA-21). Other projects selected to receive support under TIFIA include Tren Urbano Transit System, San Juan, PR; Miami Intermodal Center; Farley-Pennsylvania Station redevelopment project, New York; Metrorail Capital Program, Washington, DC; Staten Island Ferries and Terminals, New York; Cooper River Bridge, Charleston, SC; Reno Transportation Rail Access Corridor, Reno, NV; Central Texas Turnpike, Austin-San Antonio, TX, corridor; the San Francisco/Oakland Bay Bridge; and the Warwick Train Station project, Warwick, RI.

The SR 125 South Toll Road will accommodate development and economic growth in southern San Diego County and will facilitate the increasing trade traffic across the U.S.-Mexico border crossing at Otay Mesa. The project is a key link in the regional transportation system and has the strong support of local, regional, and state governments.

The SR 125 South Toll Road project is a 9.2-mile toll road in San Diego County. It connects State Route 905 near the Otay Mesa port of entry from Mexico to the region's outer-loop freeway system about 1.5 miles south of State Route 54 in Spring Valley. The project, now budgeted at \$642 million, will open initially as a four-lane facility and is being designed so that it may be expanded in the future, based on transportation needs.

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