

Using Refinancing of Federal Loans to Support Transportation Infrastructure: Lessons from the Covid-19 Pandemic

BACKGROUND

- Financing options for surface infrastructure typically involve public borrowing, private borrowing, or private (equity) investment.
- Less than one-fifth of surface infrastructure projects secure financing.
- TIFIA Program provides long-term, low-interest loans and other types of credit assistance for the construction of surface transportation projects.
- Refinancing is the process of revising and replacing the terms of an existing credit agreement to get better terms.

PURPOSE AND SCOPE

- The USDOT saw more borrowers requesting loan refinancing in 2021 to ease pandemic revenue loss and benefit from low-interest rates.
- This raised questions about using refinancing to address pandemic-related budget issues in transportation projects.
- Although there is extensive literature on infrastructure project financing, the literature on COVID-19 pandemic and refinancing is still evolving due to the current time period.

METHODS

- ◆ Literature Review
- ◆ Database Development
- ◆ Interviews
- ◆ Three Case Studies

DATABASE FINDINGS

The research team has identified 20 projects had a TIFIA loan refinancing between 2020 and 2022

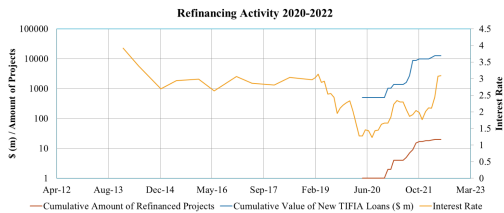


FIGURE 1 – REFINANCING ACTIVITY BETWEEN 2020 AND 2022

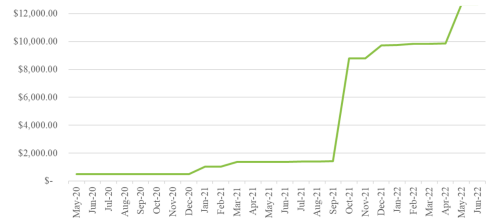


FIGURE 2 – CUMULATIVE DOLLAR VALUE OF REFINANCED TIFIA LOANS IN MILLIONS

CASE STUDY FINDINGS

1 Purple Line Project



PICTURE 1 – Purple Line (Source: MDOT)

Purple Line Project	
State	Maryland
Project Type	Light Rail Transit
Delivery Model	DBFOM - P3
Original Loan (\$ m)	\$874.60
Original Loan Rate (%)	2.41%
Original Loan Date	2016
New Loan (millions)	\$1,760.23
New Loan Rate (%)	2.79%
Refinance Date	Apr-22

TABLE 1 – Refinancing Data for the Purple Line Project

2 Sound Transit Projects



PICTURE 2 – Sound Transit in Operation (Source: Soundtransit.org)

Project Name	Original Loan (\$ M)	Original Interest Rate	New Loan (\$ M)	New Interest Rate
Northgate Link Extension	\$615.27	3.13%	\$615.27	1.91%
East Link Extension	\$1,330.00	2.38%	\$1,330.00	1.91%
Lynnwood Link Extension	\$657.86	3.06%	\$657.86	1.91%
Sound Transit Operations and Maintenance Facility East	\$87.66	2.73%	\$87.66	1.91%
Federal Way Link Extension	\$629.47	2.36%	\$629.47	1.91%

TABLE 2 – Refinancing Data for the Sound Transit Projects

3 Hampton Roads Regional Priority Projects



PICTURE 3 – Construction of the High-Rise Bridge for the HRBT Projects. (Source: VDOT)

Hampton Roads Regional Priority Projects	
State	Virginia
Project Type	Bridge
Delivery Model	Design-Build
Original Loan (\$ m)	\$501.00
Original Loan Rate (%)	2.25%
Original Loan Date	2019
New Loan (millions)	\$1,660.00
New Loan Rate (%)	1.86%
Refinancing Date	Sep-21
Savings (m)	\$50
Refinanced on	Construction Stage

TABLE 3 – Refinancing Data for the HRBT Projects

CONCLUSIONS

Project Name	Stage of project	LOI Received by the Bureau
Central 70 Project	Construction	10/26/2020
Hampton Roads Regional Priority Projects	Construction	4/9/2020
I-405 Improvement Project	Construction	8/31/2020
Grand Parkway Segments H & I	Construction	4/16/2021
Complete 540 Phase 1	Construction	10/22/2020
I-10 Corridor Express Lanes	Construction	11/4/2020
Mid-Coast Corridor Transit Project	Construction	9/4/2020
Parallel Thimble Shoal Tunnel project	Construction	2/3/2021
Bellfed Street Network	Construction	2/3/2021
Capital Beltway Express Lanes	Construction	1/30/2020
Purple Line Project	Construction	5/4/2021
Gerald Desmond Bridge	Construction	4/10/2019
CTRMA 183-S	Construction	2/27/2020
CTRMA 290E Phase III	Construction	2/27/2020
Northgate Link Extension	Construction	11/6/2020
East Link Extension	Construction	11/6/2020
Lynnwood Link Extension	Construction	11/6/2020
Sound Transit Operations and Maintenance Facility East	Construction	11/6/2020
Federal Way Link Extension	Construction	11/6/2020
Moynhain Hall Project	Construction	2/19/2021

TABLE 4 – LOI DATES OF IDENTIFIED PROJECTS

- Initially, pandemic-related measures led to a rise in refinancing activities, but the crucial need was driven by factors such as low-interest rates and continuous construction projects.

- Examination reveals that TIFIA loan refinancing has predominantly been utilized for the completion, improvement, or expansion of construction projects.

Utilization of Additional Funding Capacity	Frequency	Project Name
Completion of the project	12/20	Central 70 Project, I-405 Improvement Project, Northgate Link Extension, East Link Extension, Lynnwood Link Extension, Sound Transit Operations and Maintenance Facility East, Federal Way Link Extension, I-10 Corridor Express Lanes, Bellfed Street Network, CTRMA 183-S, CTRMA 290E Phase III, Moynhain Train Hall
Enhancement of the project	2/20	Gerald Desmond Bridge & Bellfed Street Network
Expansion of the project	11/20	Northgate Link Extension, East Link Extension, Lynnwood Link Extension, Sound Transit Operations and Maintenance Facility East, Federal Way Link Extension, Complete 540 Phase 1, Mid-Coast Corridor Transit Project, Capital Beltway Express Lanes, CTRMA 183-S, CTRMA 290E Phase III, Hampton Roads Regional Priority Projects
Mitigation of COVID-19's impact	2/20	I-10 Corridor Express Lanes & Parallel Thimble Shoal Tunnel project
No savings	1/20	Purple Line Project
Unstated	1/20	Grand Parkway Segments H & I

TABLE 5 – FREQUENCY OF ADDITIONAL FUNDING CAPACITY UTILIZATION FROM TIFIA REFINANCINGS

RECOMMENDATIONS

- Our inquiry underscores the necessity of amending FAST ACT Sec. 603 to broaden the qualifying criteria for TIFIA loan refinancing.
- Expanding the eligibility for refinancing to include operational transportation projects could yield additional advantages and increase the Bureau's flexibility in utilizing TIFIA loans.
- Adjusting the restrictions on refinancing eligibility is in line with the goals of addressing market deficiencies and encouraging private co-investment in infrastructure projects.