METROPOLITAN
TRANSPORTATION
COMMISSION

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
WEB www.mtc.ca.gov

Memorandum

TO: Commission | DATE: November 21, 2018

FR: Executive Director | W. I. 1152

RE: Regional Infrastructure Bank

This item provides a framework for an MTC-sponsored Regional Infrastructure Bank (RIB). The RIB would formalize a new financing tool to address funding challenges for infrastructure projects in the Bay Area.

Background
Staff provided an introduction to the concept of an infrastructure bank Fall 2016. At that time, the Commission had many questions and requested that staff pursue a peer review of the concept. Since that time, the following progress has been made:

- November 2016 – Initial discussion with State Treasurer John Chang and staff on conflicting peer review study
- March 2017 – Briefing with State Treasurer staff
- June 2017 – Appointment of the financial consulting firm of Montague DeRose to conduct peer review and feasibility study
- July 2018 – Completed Montague DeRose peer review and feasibility study presented to senior MTC staff

Montague DeRose was selected by the State Treasurer's office because they were local to the Bay Area and had the transportation expertise necessary to provide the Commission with knowledgeable and independent analysis of the Infrastructure Bank concept. The Montague DeRose report (Attachment A) covers: 1) legal authority; 2) recovery fund review; 3) staffing and administration; 4) needs assessment; 5) alternatives; and 6) risks and mitigations.

Peer Review Report Findings
The report provides a comprehensive analysis of the feasibility of MTC sponsoring an Infrastructure Bank operation. The findings in the report include:

- Legal Authority: MTC does not need any further statutory authority and can operate the I-Bank through BAIFA, although a reorganization of the BAIFA board is advisable.

- Capital Needs: The Infrastructure Bank can be funded through a contribution from BATA. The initial contribution would be $100 million and could increase as project demand warrants.
- Program Design: The Infrastructure Bank should be self-sustaining with a focus on smaller loans at favorable rates.
- Competing Programs: The State Infrastructure Bank and Federal TIFIA program can provide similar opportunities but have a different focus than a potential regional institution.

Policy Considerations
MTC has, on an ad-hoc basis, provided loans to transportation projects in the past. The RIB would formalize this tool and could accelerate project delivery and provide a source to spur transit-oriented housing construction, especially where infrastructure costs are a barrier to project feasibility. The attached presentation provides detail on governance, financial, and policy considerations related to establishing a RIB.

Next Steps
We look forward to your input on the RIB structure and policy goals and whether there is support by the Commission to establish a RIB in 2019.

Steve Heminger

SH:bm
Attachments

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ATTACHMENT A

MTC-Sponsored
Regional Transportation Infrastructure Bank

Program Concept Review and Analysis

Financial Advisor Evaluation

July 13, 2018

Prepared for the
Metropolitan Transportation Commission

MONTAGUE DEROSE
AND ASSOCIATES, LLC

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I. Executive Summary

Montague DeRose and Associates, LLC ("MDA") is pleased to present our transportation infrastructure bank ("IBank") program review and analysis as requested by the Metropolitan Transportation Commission ("MTC" or "Commission") and Bay Area Toll Authority ("BATA"). MDA was engaged by the MTC to provide a report which would review and analyze different aspects of an MTC-sponsored transportation infrastructure bank. Interest in the IBank concept resulted from the MTC's desire to address potential transportation infrastructure funding challenges being faced by Bay Area local and regional transportation agencies. These potential challenges include: inadequate levels of Federal and State funding, mismatches between optimal construction scheduling and the availability of funding, fragmented financing/funding processes, cross-jurisdictional projects, and others. It is our understanding that the goal of an MTC-sponsored IBank would be to provide additional financing resources for a wide range of Bay Area transportation project sponsors to facilitate and accelerate project development.

Legal Authority - MDA researched whether MTC has the legal authority to sponsor and fund the IBank as proposed. Our research indicates that the Bay Area Infrastructure Financing Authority (BAIFA) is authorized under the Marks-Roos Local Bond Pooling Act to form and operate an IBank as contemplated by MTC without new State legislation. It also appears that toll revenues can be used to capitalize the IBank, but that significant additional upfront and ongoing legal work is likely to be required to ensure that toll revenues are being used for the specific purposes and/or for the specific projects authorized under the California Streets and Highways Code Sections 30912 through 30914. Last, subject to the authorized uses issues mentioned above, there do not appear to be any obvious limitations on borrowers pledging their share of BATA's toll revenues as a source of security to repay IBank loans, which would enable these toll revenue streams to be capitalized.

National Program Survey - MDA also undertook a nationwide review of transportation IBank programs similar to the proposed MTC-sponsored IBank. After reviewing dozens of programs, we focused our analysis on eight transportation-related revolving fund and IBank programs with similar characteristics. We selected these programs based primarily on how the programs were capitalized, the types of eligible projects and the types of financial products offered.

We found that the programs evaluated varied significantly, but all were successful in providing a moderate amount of funding (i.e., significantly less than $100 million per year, on average) and other financial products to support transportation-related projects.

Needs Assessment – To help determine potential need for the IBank, MDA contacted local and regional Bay Area transportation entities to complete a needs assessment and took into account MTC's experience in working with Bay Area entities to facilitate regional transportation projects. MDA found that, generally speaking, there was more interest from smaller transportation entities than from larger ones, primarily because larger entities tended to have high credit ratings and thought an IBank wouldn't be able to provide cost-competitive loans when compared to other sources of funding available to them. Additionally, we found a consistent focus on the need for financing support for projects that were more difficult to finance such as energy efficiency projects (e.g. zero-emission buses and related infrastructure). However, we understand from MTC that there is potential need from major transportation operators for third party financing solutions. For example, MTC is currently working with Bay Area Rapid Transit ("BART") on a large Federal Transit Administration ("FTA") financing.

Alternatives - MDA also reviewed potential alternatives to an MTC-sponsored IBank program. The primary alternatives for California transportation entities were determined to be the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program and State of California IBank's Infrastructure State Revolving Fund (ISRF). Based on our research, it is our view that the proposed MTC IBank program would be significantly different from the TIFIA program and only overlap to a small degree with the CA IBank ISRF program. We believe there is an opportunity for an MTC IBank to offer new, incremental and differentiated financing solutions to Bay Area transportation agencies.

Risk Factors and Mitigants – MDA also considered the risk factors, and identified potential risk mitigants, associated with MTC's operation of the proposed IBank. While there are a variety of risks inherent in operating this type of program, we believe they can be significantly limited through careful program development and strong ongoing management.

Conclusions and Recommendations – Our evaluation of the MTC IBank concept has been focused on the traditional lending function found in other IBanks. Other more innovative approaches to the market such as credit enhancement or direct equity participation in projects have not been evaluated in this analysis.

Due to the fact that larger transportation entities in the Bay Area already have access to the capital markets and low-cost funding for most of their projects, we believe that the most productive initial focus for an MTC IBank would be to target smaller issuers with more challenging project delivery issues as well as projects that are focused on innovation, efficiency and technological advancement. However, some of the larger entities may have projects that could benefit from indirect financing through an IBank.

Because demand for an MTC IBank is difficult to assess, it is possible that loan originations could be significantly less than amount that could be supported by the capital the MTC has indicated it could make available. It is also possible that loan demand could vary dramatically from year to year. This being said, we believe that an MTC IBank has the potential to facilitate the development of innovative projects and generally accelerate transportation project delivery throughout the Bay Area.

II. Background

As noted above, the Metropolitan Transportation Commission has identified potential local and regional transportation project challenges, including insufficient levels of Federal and State funding, construction/funding mismatches, fragmented financing/funding processes and cross jurisdictional projects. The MTC is exploring funding alternatives that will create solutions that are self-sustaining and flexible in their ability to provide financial assistance to targeted local and regional Bay Area transportation agencies' projects. One of the financing concepts that appears to have promise is a self-sustaining regional infrastructure bank funded by MTC, which could potentially offer a variety of financial tools to Bay Area transportation entities.

As conceived, the IBank would create uniform processes and funding criteria to replace the ad hoc assistance the MTC has provided to local and regional partners in the past and would formalize a process for financing. It could provide borrowers with efficient access to capital at attractive terms, facilitate acceleration of design and construction of local projects, pool financings to improve market access for smaller borrowers and help to advance regional transportation policy objectives.

The MTC has previously utilized creative approaches to provide access to capital for project development. For example, MTC has provided more than $390 million of financial support to regional projects on an ad hoc basis to agencies such as BART, the State of CA, the Transbay Joint Powers Authority ("TJPA") and others.

Furthermore, the MTC already has BAIFA, a joint powers authority that could serve as the legal entity responsible for the organization and development of the IBank. BAIFA has broad legal authority to perform a variety of public purpose functions. Using BAIFA, the MTC could access not only its own capital for loans but potentially leverage a variety of other financing sources to provide more loans, credit enhancement and other financing structures.

The current MTC IBank concept includes capitalization from MTC revenues of $100 million annually depending on demand. With many of the Bay Area transportation and transit operators and entities facing funding challenges that are likely to hamper project delivery, the IBank may be able to tailor financing tools to attract a wide range of borrowers resulting in a diversified IBank loan portfolio without undue risk concentration with any single entity.

III. Legal Authority

Based on conversations with BAIFA's bond counsel, Orrick, Herrington & Sutcliffe, LLP ("Orrick"), it is our understanding that BAIFA has the authority to create and administer an IBank program under the Marks-Roos Local Bond Pooling Act. The Marks-Roos Local Bond Pooling Act (California Government Code Section 6584-6599.1) gives joint powers authorities ("JPAs") formed under California law fairly broad authority to issue bonds to finance public capital improvements, to loan money to local agencies in connection with the financing of capital improvement projects, and to purchase the bonds of local agencies with the proceeds of Marks-Roos bond issues. Thus, the Marks-Roos Local Bond Pooling Act should give BAIFA the flexibility to provide the various financing options for regional projects contemplated by the MTC.

MTC intends to capitalize the IBank from reserves funded originally with BATA toll revenues. Thus, for statutory law purposes, projects funded with IBank loans will be viewed as being indirectly funded with toll revenues and therefore must fall within the permissible uses for BATA revenues set forth in the California Streets and Highways Code Sections 30912 through 30914. These code sections reference some more general authorized uses for a limited amount of the toll revenues and a significant number of specific, authorized projects.

The general uses for which a small portion of toll revenues may be used include transportation projects which are designed to reduce vehicular traffic congestion and improve bridge operations on any BATA bridge. Under this provision of the Code, IBank project eligibility is likely to require establishing a sufficient nexus between BATA bridge congestion and operations and the project in question.

There are also specific BART, rail, ferry and High-Occupancy Vehicle ("HOV") lane and other projects enumerated, many of which have specific dollar limits, which may require MTC to link specific revenue dollars to specific projects in the amounts authorized. Overall, it appears that significant additional upfront and ongoing legal work may be required to ensure that the toll revenues used to capitalize the IBank are ultimately used for purposes and projects authorized in the Code.

It is our understanding that the IBank does not intend to use its capital to directly fund authorized toll revenue expenditures through grants or similar outlays, but rather to be a self-sustaining, on-going concern. As such, the IBank's capital would not be drawn down for expenditures, but would rather be loaned out or otherwise conditionally applied to financings, and would remain available to function as reserves to Bay Area Toll Authority bondholders.

To better support the broad range of projects contemplated by MTC, MTC will likely need to expand the BAIFA Board to include members from the full MTC region and involve them in deliberations regarding financing programs relating to projects in the nine-county area.

IV. Transportation IBank / Revolving Fund Review

In order to understand the characteristics of similar programs initiated by other entities, MDA undertook a review of numerous large, state-level transportation Infrastructure Banks and revolving funds. To screen the programs, we used the following characteristics:

- First, we looked for IBanks or revolving funds that were transportation focused and locally capitalized and did not rely on nor utilize any Federal dollars, as MTC's proposed IBank would not rely on any Federal funds to capitalize the IBank.

- Second, given the planned $500 million equity contribution from MTC, we reviewed large, state-level programs for comparison purposes.

- Finally, we analyzed programs that are currently active and successful in providing financial products (loans, grants, conduit bond offerings, credit enhancements, etc.) through their transportation IBank or revolving fund.

Once the primary state-level infrastructure IBanks and revolving funds that best mirrored the goals of MTC's proposed program were identified, we analyzed the following factors determined to be most relevant to MTC's proposal:

- Capitalization
- Eligible projects
- Financial products provided
- Financial awards and project leverage
- Loan terms, and
- Application and credit review.

It is important to note that no two programs are exactly alike. Yet, they all managed to be moderately successful in providing their respective loans, grants, conduit bond offerings and/or credit enhancements on an on-going basis.

Capitalization

The common thread across the reviewed programs is that the IBanks and revolving funds were capitalized solely from local funds, with no Federal contributions to capitalization. While three of the programs had separate State and Federal IBank capitalized sub-funds, we focused only on those sub-funds that were State or locally funded. Research on transportation IBanks revealed that programs that were federally funded had limitations and restrictions on the use of monies and on the repayment of funds. This created the impetus for State and local municipalities to create their own programs in order to avoid federal limitations. Consequently, some programs have moved away from utilization of their federally funded program and shifted focus to their

State funded program.

The programs reviewed were capitalized with different combinations of State general fund revenues, bond issuances and/or specific transportation taxes and the frequency of recapitalization varied. For example, the Georgia Transportation Infrastructure Bank uses only State motor fuel taxes to capitalize its program and has done so with four rounds of funding: $43.1 million in 2010 initially, then recapitalizing rounds of $13.7 million in 2014, $12.9 million in 2015 and $12.9 million again in 2016. Another example is the Kansas Transportation Revolving Fund, which initially funded its program via $25 million of State monies in 2004 and then with three recapitalizing rounds of bond issuances ($32.6MM in 2005, $24.7MM in 2006 and $30.8MM in 2009). By comparison, the Washington Freight Rail Investment Bank (FRIB) uses State funds to recapitalize the program with $5 million every two years.

Eligible Projects

As the reviewed programs were independent of Federal oversight, the type of projects eligible for financing assistance ranged widely. Some programs were very specific, such as the Washington Freight Rail Investment Bank, which provides money to build new or improve existing rail infrastructure across the state. Other programs, like the New Hampshire State Infrastructure Bank, focuses on specific areas such as multi-modal and intermodal surface transportation projects. The Missouri State Transportation Assistance Revolving (STAR) Fund provides funding for non-highway projects, including facilities for transportation by air, water, rail or transit. The Virginia Transportation Infrastructure Bank (VTIB) is also varied in its project targets, offering financing for the design and construction of roads and highways, including toll facilities, mass transit, freight, passenger and commuter rail, including rolling stock, port and airport and other transportation facilities. Based on our review of comparable programs, there is certainly precedent for the potential range of projects contemplated by MTC.

Financial Products

	Florida SIB	Georgia TIB	Kansas TRF	Missouri STAR Fund	Ohio SIB	Pennsylvania IBank	Virginia TIB	Washington FRIB
Loans	✓	✓	✓	✓	✓	✓	✓	✓
Grants	X	✓	X	X	X	X	X	✓
Conduit Bond Issuances	X	X	X	X	✓	X	X	X
Credit Enhancements	✓	X	X	X	X	X	✓	X

As shown above, financial products provided by the programs surveyed included loans, grants, credit enhancements and conduit bond issuances, but loans are the most commonly used products by a significant margin. Some of the programs, like the Pennsylvania Infrastructure Bank and Kansas Transportation Revolving Fund (TRF), provide loans only. The Kansas TRF, which was capitalized via bond issuances, does not provide conduit bond issuances for borrowers. This is in contrast to the Ohio SIB which provides loans and conduit bond issuances for municipalities. The Georgia Transportation Infrastructure Bank, on the other hand, offers both loans and grants, but has committed over three times more in grants than loans to applicants. The Virginia TIB provides loans, credit enhancement and 'other financial assistance', but it no longer provides grants. The credit enhancement products offered by the different programs also varied. For example, Florida SIB provides credit enhancement for emergency loans only, while the Virginia TIB provides credit enhancements as a regular product.

Financial Awards, Matching and Leverage

Program (Year Est.)	Florida SIB (2000)	Georgia TIB (2010)	Kansas TRF (1999)	Missouri STAR Fund (1997)	Ohio SIB (1996)	Pennsylvania IBank (1998)	Virginia TIB (2011)	Washington FRIB (2006)
Total Loans	$1.1 bn	$20 MM	$141.7 MM	$272.4 MM	$92.5 MM	$178.1 MM	$332.9 MM	$17.3 MM
Total Related Project Costs	$10.1 bn	No Data	No Data	No Data	No Data	$398.2 MM	$1.78 bn	No Data
Average Total Annual Loans Made	$72.0 MM	$3.3 MM	$8.3 MM	$14.3 MM	$4.4 MM	$11.5 MM	$66.5 MM	$1.73 MM
Matching	N	N	N	N	N	N	N	Y (20%)

As the table above displays, the funding experience across the different reviewed programs varies significantly. For most of the programs, the funding provided covers only a portion of the total project cost. Matching is only explicitly required for the Washington FRIB, but only two programs (Ohio and Virginia) are willing to fully finance some projects. Note that on average, the larger programs (e.g., Florida and Virginia) that might be considered most analogous to the IBank have committed significantly less than $100 million per year of funding since their inception.

Additionally, it is important to note that not all programs provide detailed program information, so a detailed comparison of all programs is not possible. For example, the Pennsylvania Infrastructure Bank (PIB) publishes a detailed list of funds provided and projects financed, though the latest dataset available is as of September 30, 2014. Based on that data for the State funded IBank, through September 30, 2014, 264 loans had been provided totaling $178.1 million dollars, helping finance project costs totaling $398.2 million. The PIB states that $220.1 million constituted leveraged funds.

The Florida State Infrastructure Bank (FSIB), which provides loans only and credit enhancements for emergency loans, provides aggregate data on both their Federal and State funded IBanks. For their State funded program, as of September 30, 2016, the FSIB had approved 52 loans, totaling $1.1 billion, supporting $10.1 billion of project costs. The Georgia Transportation IBank (TIB) on the other hand, states that through FY2017 they have provided approximately $84 million in grants compared to only $20 million in loans. The Georgia TIB does not require matching, but gives priority to applicants that provide matching funds.

Loan Terms

Each of the IBanks and revolving funds provided loans through their programs, though they varied widely on the terms (interest rate, loan amount limits and term length). While the different programs reviewed determined loan rates in different ways, the primary objective of the transportation IBanks and revolving funds is to provide loans at 'better-than-market' interest rates, together with other favorable terms, to agencies that would otherwise not be able to obtain funding or would not receive such attractive terms.

Some of the programs provide specific information regarding how they determine interest rates. For example, the Georgia TIB bases their rates on the Merrill Lynch US Municipal Securities Index and then makes adjustments based on the term of the loan. The Kansas TRF calculates the interest rate they charge by taking 80% of the previous three months' average of the Bond Buyer 20-Bond Index, while the Pennsylvania IB uses one-half the prime lending rate and the Washington FRIB uses a 1% simple interest rate. Other programs' rate setting methods are more general, such as the Ohio SIB where the rates are set by the SIB committee with the directive that they 'must be at or below the market rate'. The Virginia TIB combines a Risk Assessment scoring system with a matrix whereby the resulting rate is ultimately equal to either the AAA MMD yield for the relevant maturity or the relevant AAA MMD yield minus 50 basis points, depending on the result of the risk assessment.

Loan length and amounts varied as well. Loan terms ranged from a maximum of 10 years – though some programs required pre-application approval if requesting longer than 10 years – to a maximum of 35 years following substantial project completion. The Georgia TIB was unique in being the only program that set an explicit minimum loan term (five years with a maximum term of 25 years or the useful life of the project).

Loan amount limits for each program were generally described as "subject to available funds", but not all programs had specific limits. The Florida SIB had no explicit cap, while the Georgia TIB set only a minimum of $25,000. The Kansas TRF sets an upper limit of $6 million to any one borrower while the Washington FRIB states a loan may be no larger than $250,000, but could be higher depending on the number of applications and the quality of applications. The latest round of funding for the Washington FRIB shows that one applicant received a loan for $5 million for a $44 million project.

Application and Credit Review

Application submission and project and credit review were required of all of the programs surveyed, although the process differed for each of them. For instance, some programs had annual application and funding deadlines, while others had an ongoing application submission process. Also, some programs, like the Florida SIB, required a Letter of Interest (prior to an invitation to apply) to ensure the potential SIB project met eligibility, financial and production (i.e., public benefit) criteria.

Generally, applications request the same types of information, such as whether the borrower was a public or private entity, term of the loan, credit quality of the applicant, security pledged, dedicated revenue sources, borrower's repayment ability, project type, cost estimate of the project and estimated project completion date. Washington's FRIB was unique in requiring a Benefit Cost Analysis worksheet to be completed demonstrating that the benefit was greater than the cost to the locality and/or the State. Some programs charge an application fee while others do not. For example, the Georgia TIB requires a $250 application fee while the Pennsylvania IBank has no application fees.

The programs differed in the types of security structures and pledges permitted. Some programs such as the Florida IBank, allow subordinate loans, as long as the rating is BBB or higher. Certain programs allow for a wide range of sources of repayment, but will adjust the interest rate or terms accordingly. The Missouri STAR Fund allows gross or net revenue pledges and includes toll fees as a security option under net revenue pledge structures. Of note, most of the IBank programs had never experienced bad loans or any loan defaults. A strong credit review process prior to lending was identified as a contributing factor to the strong loan portfolio performance.

V. Staffing and Program Administration Requirements

If MTC establishes a regional transportation IBank, there are several functions that MTC staff will need to perform. An application process will need to be created, refined and managed. Applications must be evaluated for creditworthiness and value proposition. Loan documents and terms will need to be created and negotiated, including establishment of the appropriate borrowing rate(s) and guidelines for coverage and lien level. Additionally, loans will need to be administered on an on-going basis.

Most of the existing programs surveyed tended to have two to three full-time equivalent staff members working on the program, assisted by external and internal professional expertise. For example, internal staff worked on evaluating the creditworthiness of applicants in conjunction with outside financial advisors. When creating loan documents, external and internal legal counsel typically work together to draft the documents. Depending on the size and complexity of MTC's program, and the interest from potential borrowers, staffing needs could vary from these levels.

Once financial commitments are made, there will be ongoing administrative work to send loan payment invoices, collect payments and keep track of the payments due and received. None of the existing programs surveyed used an outside trustee, but that is a function that could potentially be filled by a third party. Setting up the application process, establishing loan guidelines and putting program management systems in place will naturally require more upfront work and expertise than the ongoing credit evaluation, negotiation and administration of existing loans.

One common theme when speaking with existing IBanks was that there were not typically many rejected applications. Most of the IBanks were familiar with their borrowers and worked with them prior to the application process to confirm in advance that the borrowers and projects would be appropriate for their programs.

VI. Needs Assessment

MDA conducted a needs analysis to determine interest in a local infrastructure bank. There are nearly 30 transit entities/operators in the nine-county region that could potentially benefit from the creation of a BAIFA IBank. A BAIFA IBank could assist transportation and transit operators and entities facing funding shortfalls, enabling them to complete priority projects in a timely manner. MDA attempted to contact the entities/operators included below and obtained responses from about half of them.

Service Area	Entity	Services	Outstanding Debt	Responded Y/N
Regional	AC Transit	Bus services in Alameda and Contra Costa counties	Yes, bonds	Y
	Bay Area Rapid Transit (BART)	Rapid transit throughout Bay Area	Yes, bonds	N
	Golden Gate Bridge Highway and Transit District (GGBHTD)	Regional bus and ferry transit service through Golden Gate corridor	Yes, commercial paper	N
	Golden Gate Transit	Bus service throughout Bay Area	Part of GGBHTD	N
	Cal Train	Commuter rail throughout Bay Area	Yes, bonds	N
	Sonoma-Marin Area Rail Transit (SMART)	Commuter rail in Sonoma and Marin counties	Yes, bonds	N
Alameda County	Alameda County Transportation Commission	Self-help entity in Alameda County	Yes, bonds	Y
	Livermore Amador Valley Transit Authority	Bus service in tri-valley region	n/a	N
Contra Costa County	County Connection	Bus service and paratransit in Contra Costa County	Part of CCTA	Y
	Contra Costa Transportation Authority (CCTA)	Self-help entity in Contra Costa County	Yes, bonds	Y

Service Area	Entity	Services	Outstanding Debt	Responded Y/N
	Tri Delta Transit	Bus service and paratransit in East Contra Costa County	n/a	N
	West CAT	Bus service and paratransit in West Contra Costa County	n/a	N
Marin County	Golden Gate Ferry	Ferry services in San Francisco and Marin Counties	Part of GGBHTD	N
Napa County	Vine Transit	Bus service and paratransit in Napa County	n/a	Y
	City Coach	Bus service in Vacaville	n/a	N
San Francisco County	San Francisco Municipal Transportation Agency (SFMTA)	Bus, trolley, light rail, streetcar, cable cars in San Francisco	Yes, bonds	Y
	Water Emergency Transportation Authority (WETA)	Passenger Ferry service in Bay Area	n/a	Y
	Transbay Joint Powers Authority (TJPA)	Transit station and neighborhood development projects	n/a	Y
	San Francisco County Transportation Authority (SFCTA)	Self-help entity in San Francisco County	Yes, commercial paper	N
San Mateo County	SamTrans	Self-help entity in San Mateo County	Yes, bonds	N
Santa Clara County	Santa Clara Valley Transportation Authority (SCVTA)	Self-help entity in Santa Clara County	Yes, bonds	Y
	Altamont Corridor Express (ACE)	Commuter rail between San Jose and Stockton	n/a	Y
Solano County	Solano County Transit	Bus service and paratransit in Solano and Contra Costa counties	n/a	Y
	Fairfield and Suisun Transit (FAST)	Bus service in Solano County	n/a	N
	Rio Vista Delta Breeze	Transit service in Rio Vista	n/a	N

Service Area	Entity	Services	Outstanding Debt	Responded Y/N
Sonoma County	Sonoma County Transportation Authority	Self-help entity in Sonoma County	Yes, bonds	Y
	Santa Rosa City Bus	Bus service in Santa Rosa	n/a	Y
	Sonoma County Transit	Bus service and paratransit in Sonoma County	n/a	Y
	Petaluma Transit	Bus service and paratransit in Petaluma	n/a	Y

The Entities/Operators surveyed were asked the following questions:

1. Do you have priority projects that are unable to be constructed because of lack of financing? If so, what types, and approximately how many and total value?

2. Do you have priority projects that will be delayed due to the projected timing of available revenues? If so, approximately what types of projects and how many and total value?

3. Would you be likely to apply for a loan from the MTC Infrastructure Bank if such a loan program were available?

Summary of Responses:

MDA received responses from 15 of the 29 issuers listed above. The responses to questions 1 and 2 have been combined, due to their similarities. A summary of our findings follows.

Do you have priority projects that are unable to be constructed because of lack of financing? If so, what types, and approximately how many and total value?

Do you have priority projects that will be delayed due to the projected timing of available revenues? If so, approximately what types of projects and how many and total value?

Based on the responses, it appears that most of the larger transportation entities with identifiable revenue streams (i.e. sales taxes, toll revenues, etc.) believe they can access the capital markets for their own project funding. However, MTC's experience indicates that larger entities do at times seek funding alternatives to the public capital markets and it is MDA's view that , certain larger multi-jurisdictional projects could potentially benefit from cost-effective non-public market financing. .

However, smaller agencies with limited access to the capital markets tend to rely more heavily on grants and other federal funding sources and often have difficultly identifying cost effective "gap" financing for their priority projects.

For example, Tri Delta Transit has procured two vacant lots to construct park and ride facilities. Unfortunately, the federal funding awarded was only sufficient to purchase the land and complete design and environmental work. Tri Delta Transit is ready to construct the facilities but is unable to identify a funding source for the $6.4 million construction cost.

In addition, Napa Valley Transportation Authority is planning to construct a new maintenance and operations facility for the Vine public transit system operating in Napa County on land the Authority purchased in 2016. The total project budget is estimated at $36 million with $17.6 million funding pending from the Federal Transit Administration and the Transportation Development Act. They hope to receive a CIEDB loan of $18.4 million, however the financing cost of the proposed CIEDB loan is $9.7 million.

The Transbay Joint Powers Authority is tasked with financing the construction of the $4 billion Phase 2 Downtown rail extension (DTX) project, which would connect CalTrain and high-speed rail to the almost completed Salesforce Transit Center. Their difficulty is obtaining sufficient committed upfront financing to secure federal grants and other funding sources which are dependent on the occurrence of "milestone" events.

IBank loans could assist with securing full funding commitments. Also, loans such as grant anticipation loans could assist in bridging the gap between design and construction cash flow demands and scheduled revenue availability. Upfront funding from an IBank, if such financing could be committed without some of the conditions required by traditional lenders, could accelerate or make available other funding sources for projects.

Additionally, several bus operators - County Connection, Solano Express and Santa Rose City Bus, identified other outstanding unfunded needs, such as solar projects, park and ride facilities, purchasing buses, replacing diesel vehicles with electric vehicles – one common theme here being environmental friendly or "green" projects. It appears that these types of projects would be good candidates for transportation IBank financing, given their relatively small dollar amount and small scope.

Contra Costa Transportation Authority, while they do not have any unfunded capital needs, suggested an IBank could assist smaller cities which typically receive a percentage of CCTA's toll revenues for local street maintenance. These cities could potentially secure IBank loans using their revenue allocation as security. This financing structure could assist smaller cities that cannot easily access the capital markets. Needs identified in our survey include items such as street lights, energy efficiency projects, autonomous cars, and local city buses.

Would you be likely to apply for a loan from the MTC Infrastructure Bank if such a loan program were available?

Some issuers did not appear to be interested in incurring debt, have limited large funding needs or do not have the means to repay such loans. One entity/issuer stressed a concern that they wouldn't want money taken away from the operating income they receive from BATA/MTC to be used to capitalize the IBank. In addition, two of the entities reached simply do not have a need for borrowing money and generally fund their capital needs on a pay-as-you-go basis. However, all entities/operators with debt funding needs stated that they would consider the IBank program if it were established. These entities/operators stressed the following as important factors in the decision making process:

- Competitive rates would be key, especially for those that can access the capital markets at relatively low rates already
- For self-help county transportation entities, use of alternative sources of revenue for loan repayment, (e.g., toll revenues, tax increment) would be more desirable than using their own sales tax revenue stream
- The loans would generally be less desirable if matching funds are required
- Short-term bridge or gap financing would be helpful in completing larger projects in a timely manner
- Loans that could be made available early on in a project's life cycle would be beneficial
- Terms, policies and procedures of loans would be important

VII. Alternatives to an MTC IBank

One of the key issues to address is whether MTC IBank's target borrower group already have access to existing funding sources for the types of potential needs identified by MTC. Our research indicates that besides accessing the capital markets or securing bank lending directly for their capital financing needs, there are very limited borrowing alternatives for local California transportation agencies comparable to what the proposed MTC IBank can potentially provide. Listed below are two of the public loan alternatives most commonly used by California transportation entities:

TIFIA

The Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans from the federal government for transportation infrastructure projects "of national or regional significance." The minimum anticipated project cost must be $10 million or more, and TIFIA credit assistance is limited to 33% of those costs. The application process is lengthy and arduous; at a minimum both senior debt and the TIFIA loan must receive one or more investment grade ratings, and both must be secured with a dedicated repayment source. Projects receiving TIFIA assistance must comply with numerous Federal requirements including Civil Rights, NEPA, Uniform Relocation, Buy America, and Titles 23 and 49.

Borrower Pros: Can fund large projects; considers itself "a long-term patient lender," willing to be flexible in repayment terms if a project runs into trouble; attractive interest rate (1 basis point) above comparable Treasury Rate); will provide subordinate debt; can accommodate long repayment terms.

Borrower Cons: Extensive, expensive, sometimes arduous loan approval and documentation process; requires deep Federal involvement in project procurement, construction and operations; does not always mesh well with other creditors; generally, will only fund 33% of eligible project costs; smaller projects requiring less than $10 million wouldn't qualify.

Conclusion: TIFIA does not address the needs MTC anticipates meeting through creation of an IBank.

California IBank

The Infrastructure State Revolving Fund ('ISRF') is California IBank's ('CA IBank') key program supporting transportation and other infrastructure projects. Based on a review of the ISRF loan portfolio and discussions with IBank staff, it appears that transportation related funding is a moderate but important component of the ISRF program. Staff indicated that about 12.5% of their portfolio is related to city street improvements and repairs and about 12.5% is related to public transit. Our research indicates that the CA IBank has made six ISRF loans totaling about $32 million that can be clearly identified as related to transportation, including a $6.0 million loan for a new terminal at the San Luis Obispo County Regional Airport and a $1.8 million loan for the Southwest Transportation JPA Transportation Center. Four of the loans are to municipalities for street repairs, one of which appears to be secured by sales tax revenues.

Assistance under the ISRF program ranges from $50,000 to $25 million or more and may fund all or part of project costs. The application for ISRF assistance is less onerous than the TIFIA application process. Projects must demonstrate readiness and feasibility to complete construction within two years of CA IBank approval. CA IBank must approve all additional project funding sources, which must be identified and committed prior to applying for ISRF assistance. Projects must comply with state labor laws.

Below is a table of the California IBank loans identified as being specifically for transportation-related projects:

Borrower	Date	Security	Structure	Project	Amount	Maturity
City of Ukiah	5/23/2017	N/A	N/A	Traffic and Pedestrian Improvements	$ 4,000,000	N/A
City of Redlands	5/24/2016	N/A	N/A	Pavement Accelerated Repair Implementation Strategy	$ 3,030,000	N/A
San Luis Obispo County	4/26/2016	N/A	N/A	SLO County Regional Airport Terminal Project	$ 6,000,000	N/A
City of Santa Cruz	11/18/2014	N/A	N/A	Road Improvements Project	$ 14,130,000	N/A
City of San Gabriel	9/23/2014	Measure R	Installment Sale	Accelerated Great Streets Program	$ 3,800,000	8/1/2029
City of Redlands	5/20/2014	N/A	N/A	Pavement Accelerated Repair Implementation Strategy	$ 3,050,000	N/A
Southwest Transportation JPA	N/A	General Fund	Lease/Sub-Lease	Transportation Center	$ 1,830,331	2/1/2022
				Total:	**$ 31,840,331**	

Borrower Pros: Easier, less expensive to apply and access funds than TIFIA; attractive, below market interest rates; no matching funds needed; no competitive rating or ranking.

Borrower Cons: Only funds small and medium size projects; sometimes arduous loan approval and documentation process; limited pool of funding available; projects must meet State wage and procurement regulations.

Conclusion: There may be a small degree of overlap between the types of borrowers and projects targeted by the MTC and those already served in part by the CA IBank. However, it does not appear that CA IBank has historically provided significant financing support to transportation agencies but has focused its transportation related funding to municipal road improvements and repairs.

VIII. Risk Factors and Mitigants

Following are some of the potential considerations and risk factors associated with the implementation of an IBank by the MTC and possible mitigants that we have identified as we have conducted our research and analysis.

Program Design

Risk: MDA's survey of local and regional transportation entities that are candidates for IBank participation identified several concerns regarding program structure and capitalization. Some borrowers are concerned that their share of BATA toll revenues will be reduced to fund the IBank and that this may adversely impact the funding of some of their future project. Some borrowers also expressed concern that toll revenues will be intercepted to pay debt service on IBank loans. Unless these concerns are addressed in the design of the IBank, support for the IBank concept and demand for loans from the IBank could be reduced.

Mitigant: A strong outreach and educational effort for area transportation entities and MTC members could help the MTC design an IBank program that is responsive to their concerns while building support for the IBank by giving potential borrowers "ownership" in the design and structuring of the program.

Program Documentation

Risk: Given that an MTC IBank will essentially be "cut from whole cloth", it will be important that program documentation contemplates all necessary loan security options, all required legal remedies and other key program parameters to make the IBank's planned programs and offerings viable. If program alternatives, security features and remedies are not carefully conceived and accurately documented, it may be difficult to originate loans and loans that are originated could become problematic from a credit or administrative standpoint.

Mitigant: Careful review and evaluation of existing IBank programs that may serve as templates for key aspects of the MTC IBank may provide useful guidance in the structuring and documentation of the MTC program. Conversations with the administrators of other IBank programs may also prove useful.

BATA/MTC Credit Ratings

Risk: If the MTC proceeds with the development of an IBank, it is likely to be capitalized initially from reserves. As funds are committed to the IBank, the MTC and BATA will have less liquid reserves for their ongoing operations. If the rating agencies were to determine that the reduced liquidity adversely affected the BATA/MTC credit ratings or rating outlook, it could result in higher future borrowing costs for BATA.

Mitigant: BATA and the MTC could mitigate this risk by briefing the rating agencies prior to providing the IBank with additional capital from BATA/MTC reserves. This periodic feedback from the rating agencies would give the MTC advance warning if reducing reserves would result in adverse rating agency action and the Commission could make an informed decision regarding additional IBank capitalization.

Minimal Loan Origination

Risk: The development and implementation of an IBank by the MTC will require a significant commitment of staff as well as outside professional resources. Beyond the initial resource and financial commitment, the on-going management of the program will also require significant staff

and professional resources.
Most IBank programs we reviewed have two or three full-time staff assigned to on-going program administration and use internal legal staff to assist with the origination of new loans. Some also use external legal and financial advisors to assist with on-going program management. If the transportation community response to the MTC IBank program is tepid, the IBank may originate only a few loans and then decide to discontinue the program. Even if very few loans are made, the IBank infrastructure must still remain in place as long as loans are outstanding. If existing MTC staff is not administering the IBank as an additional responsibility and new staff has been hired to run the program, the incremental program administration costs could be significant relative to the volume of loans originated.

Mitigant: Since the program is likely to be ramped up over a number of years, staffing is likely to grow incrementally as well. If insufficient loans are originated to expand the program beyond its initial size and capitalization, ongoing costs could be reduced by reducing or reassigning staff or giving them responsibilities in addition to IBank program administration. Additionally, current MTC staff may be able to undertake the initial workload to get the program started and if the program continues to expand in the future, expanding FTEs could be discussed then.

Revolving Fund Sustainability

Risk: Several of state level IBank programs, as well as some general literature regarding IBanks, highlighted the difficulty in maintaining the viability of programs that make loans at interest rates lower than the programs' cost of capital. A concern is that if a revolving fund is lending at rates that are lower than its cost of funds, program costs could potentially escalate beyond initial expectations. Worse yet, without the infusion of additional capital, the program may become insolvent.

Mitigant: This concern tended to focus on programs that utilize bond proceeds to capitalize their program. Therefore, if the MTC IBank was capitalized from funds already on hand or from revenues that are already being received (e.g., some State IBank programs are capitalized from gas taxes), this risk would be reduced or averted. Additionally, careful management of the cost of funds to capitalize the program and the interest rate charged to borrowers would help mitigate this risk.

IX. Conclusions and Recommendations

After completing the research required to complete this analysis, we have a number of observations that we hope will prove useful. We make these observations and recommendations with the understanding that the Commission may have program policy objectives of which we are unaware or may be privy to additional information regarding the capital financing needs of its members, other regional transportation entities or inter-jurisdictional projects that would change our conclusions.

Legal Authority

We are comfortable that BAIFA is legally authorized to perform the functions outlined by MTC and that the IBank can be capitalized with BATA-generated revenues. However, some additional legal work may be required to ensure that the contemplated capital projects would be qualified projects under BATA's existing statutory authority. For example, additional legal work may be required to confirm sufficient nexus between projects and bridge congestion and operation or to confirm that a project falls within the project descriptions set forth in the statute. Loans for projects that would not qualify under BATA's existing statutory authority would require additional State legislation or would need to be funded from a source other than BATA toll revenues.

While the awarding of grants would potentially be an authorized use of funds, provided the funds were used for eligible toll revenue projects, this would quickly deplete the IBank's capital and would drawdown monies BATA expects to conditionally apply to its toll revenue bond program. Our understanding is that the purpose of the IBank is to be a self-sustaining on-going resource for the region. As such, the IBank would only offer products and credit support that would not deplete the resources of the IBank.

Capital Needs and Program Demand

After evaluating other similar programs nationally and surveying potential MTC IBank borrowers to assess their capital needs, we have several observations:

- Most similar IBank or revolving loan programs across the country are relatively small with the largest programs generating new loans totaling approximately $50-75 million annually. Average loan sizes are also small. This appears to be the case because most of the larger transportation issuers have access to the public capital markets and can borrow on their own at attractive rates.
- Our survey of potential Bay Area borrowers yielded the same results. Larger transportation issuers have relatively strong financial positions and ready access to the capital markets. It is the smaller entities that expressed the greatest need and strongest interest in the IBank concept.
- Based on these findings, we believe that demand for the IBank loans may fall short of the planned $100 million annual capital commitment from the MTC.
- We acknowledge that there may be larger, inter-jurisdictional projects that may be able to benefit from MTC IBank support, but this need was not identified in our survey

Program Design

Because larger issuers generally have access to capital on favorable borrowing terms, we believe targeting smaller issuers and their need for early project financing, gap financing and long-term financing at favorable rates will fill a need that cannot be filled readily by other lenders. Based on our survey, there are few direct available alternatives to the MTC IBank for smaller Bay Area transportation entities. Further, we believe that there is an unmet need for small to medium environmentally or technologically innovative projects that currently seem to fall outside the parameters of existing lenders. While remaining open to financing projects for larger entities, for the best receptivity, we recommend that the MTC IBank incorporate the following characteristics into its program:

- Focus on smaller, targeted loans for projects without ready access to the capital markets
- Focus on grant anticipation and other "early stage" loans
- Offer flexible repayment terms
- If possible, offer low interest rates compared to the long-term, tax-exempt public financing option
- Consider using innovation or technological advancement as a key credit approval criteria as projects with these less tangible characteristics have value but tend to be more difficult to finance
- Design a borrower-friendly application and credit approval process
- Design simple, standardized loan documentation

A self-sustaining IBank could offer several different products and services such as revolving loans, securitizations of federal grant money, equity investments, credit support and availability as a conduit issuer. In addition to loaning out its own capital, the IBank could also issue revenue bonds that would either be secured by its capital or secured by loan agreements with regional borrowers.

Competing Programs

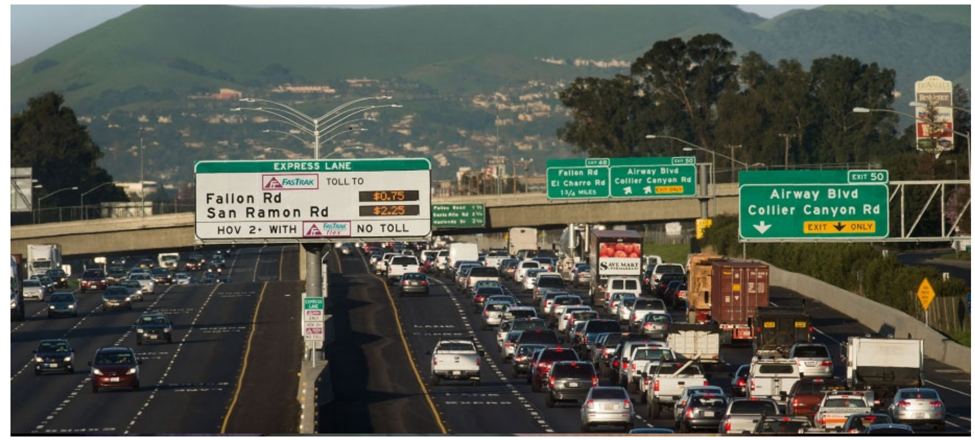
We have identified two primary alternatives or competitors to an MTC IBank - TIFIA loans and the CA IBank. As we discussed, the TIFIA loan process is both expensive, complex and time-consuming and not well-suited for projects in urban areas under $30 million. In our opinion, only the CA IBank will compete with an MTC IBank for small to medium-sized transportation borrowers. Historically, the CA IBank has made very few loans to transportation agencies and authorities. Without some change in circumstances, we expect this to continue in the foreseeable future. Therefore, a well-structured and marketed MTC IBank addressing the needs of its local constituents should be able to capture the demand for loans in its target market.

Conclusion

We have primarily evaluated the MTC IBank concept based on the traditional lending function found in other IBanks. We understand that the MTC may wish to consider other more innovative approaches to the market such as credit enhancement or direct equity participation in projects. We concluded that these other potential approaches would be difficult to evaluate and therefore, have not attempted to address them in this analysis.

We believe that the most prudent approach for an MTC IBank would be to target smaller issuers with more challenging project delivery issues, as well as projects that are focused on innovation, efficiency and technological advancement. While demand for an MTC IBank is difficult to assess, if the Commission proceeds with the development of the IBank, we believe it has the potential to facilitate the development of innovative projects and generally accelerate transportation project delivery throughout the Bay Area.

Regional Infrastructure Bank



Presentation to MTC/BATA Board – November 28-29, 2018

Background

Development

- Initial discussion – September 2016
- Follow up discussion – October 2016
  - Direction to retain outside expertise to conduct peer review
- Meeting with State Treasurer's Office – November 2016
  - Work with STO do develop peer review
  - Firm of Montague DeRose selected to conduct peer review
  - Initial meeting with Montague DeRose on IBANK - March 2017
- Peer Review Completed – July 2018
  - Presentation of findings – Montague DeRose
- Process and Procedures – PFM
- Housing Implications

The original RIB concept - formalize our current ad hoc lending process

	Project	Transaction	Initial Amount	Status
BART	Airport Connector	Loan	$60 million	Paid
State of CA (G.O.)	Highway projects	Loan	$190 million	Paid
WETA	WETA infrastructure	Loan	$10 million	Paid
Air District	Office Purchase	Loan	$30 million	$19.3 million outstanding
TJPA	Transbay Terminal	Loan	$100 million	Committed
Total			**$390 million**	

- MTC has utilized creative approaches to provide access to capital for project development
- MTC received appropriate return and operators below market funding

An MTC-Sponsored Regional Infrastructure Bank ("RIB") both addresses funding challenges and the lack of a mechanism for financing local projects

Challenges in Funding Infrastructure

- Federal and State funding reliability
- Construction/funding timing mismatches
- Fragmented financing/funding process
- Cross jurisdictional projects

An Alternative to Address these Challenges

A self-sustaining
Regional Infrastructure Bank
with a variety of tools

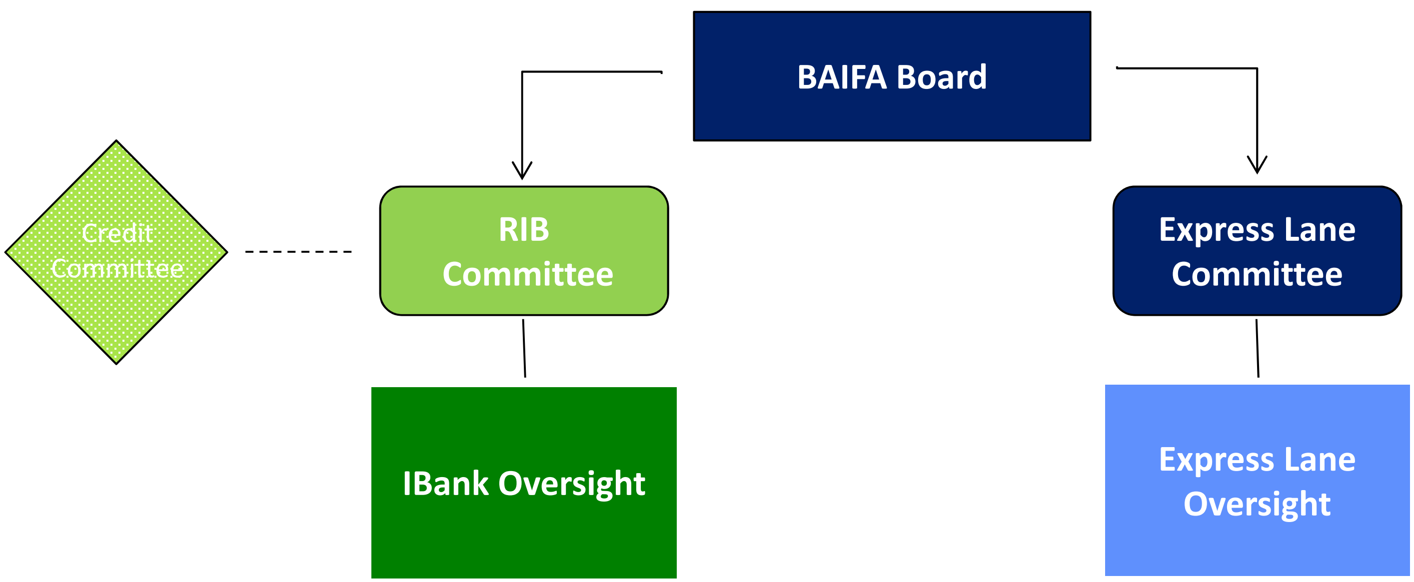
An MTC-sponsored Regional Infrastructure Bank will

- Formalize Ad Hoc MTC Assistance to Local Partners
- Develop a Process for Funding/Financing
- Provide Efficient Access to Capital and Accelerate Projects
- Pool Financings to Improve Market Access for Smaller Borrowers
- Facilitate Regional Transportation Policy Objectives

MTC Goal: To provide financing tools to a wide range of Bay Area transportation project sponsors in order to facilitate and accelerate project development

Bay Area Infrastructure Financing Authority ("BAIFA") structure can be easily adapted to function as a RIB

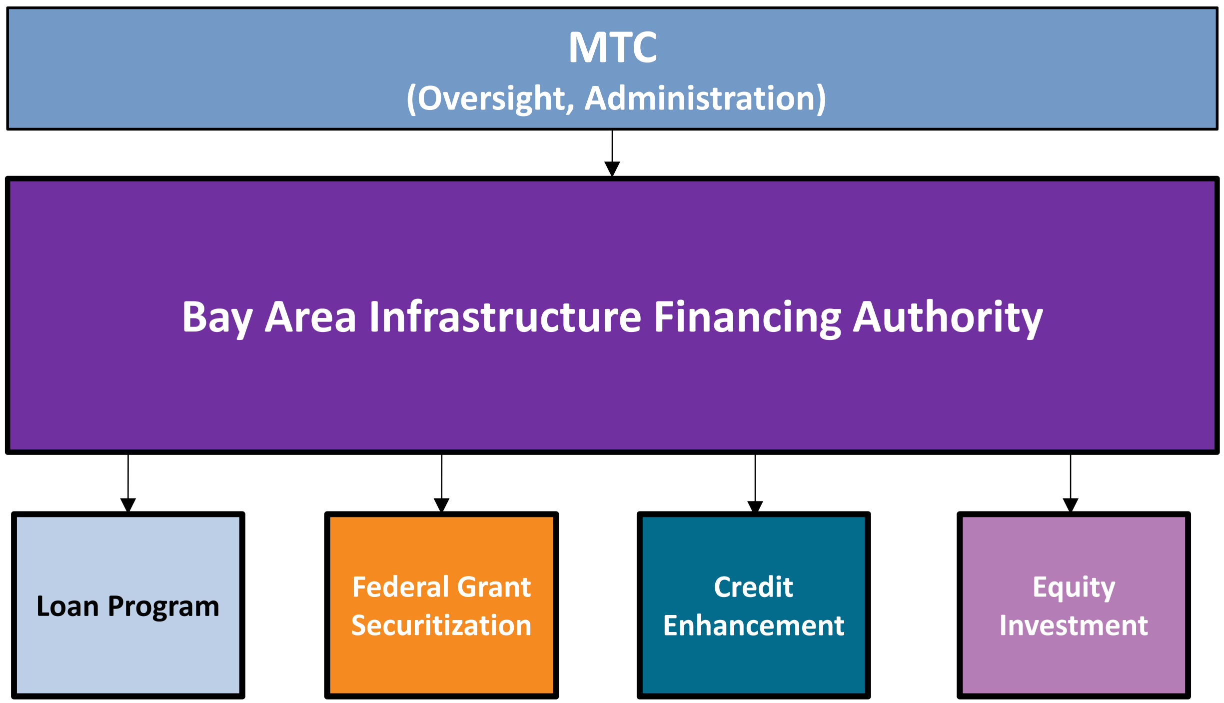
- Expand BAIFA responsibilities to include RIB operations
  - BAIFA will continue to utilize MTC/BATA staff
- Place RIB oversight responsibility with the BAIFA Board similar to Express Lanes
  - Establish RIB Committee which reports to the full BAIFA Board
    - ✓ Recommends approval/denial of project applications
    - ✓ Regularly reports RIB status (loan performance, leveraging, cash position, ratings, pipeline etc.)
  - Express Lane Committee will continue to administer Express Lane operations



The RIB will be set up to support a variety of financing options

- *Loans and Credit Enhancement will comprise the bulk of the RIB program*
  - Loans can be repaid from a variety of sources such as sales taxes, user fees, farebox revenues, federal and state dollars, among others
  - Interest on loans creates additional equity and with repaid principal can be recycled into new loans
  - Recycling funds becomes the foundation of a sustainable RIB

- Federal Transportation Grant Funding will also be eligible for Securitization
- As the RIB grows, equity investment in projects might be possible
- Key will be providing several financing options to match participant needs



Credit Quality will be important in managing RIB risk exposure

Loans

Federal Grant Securitization

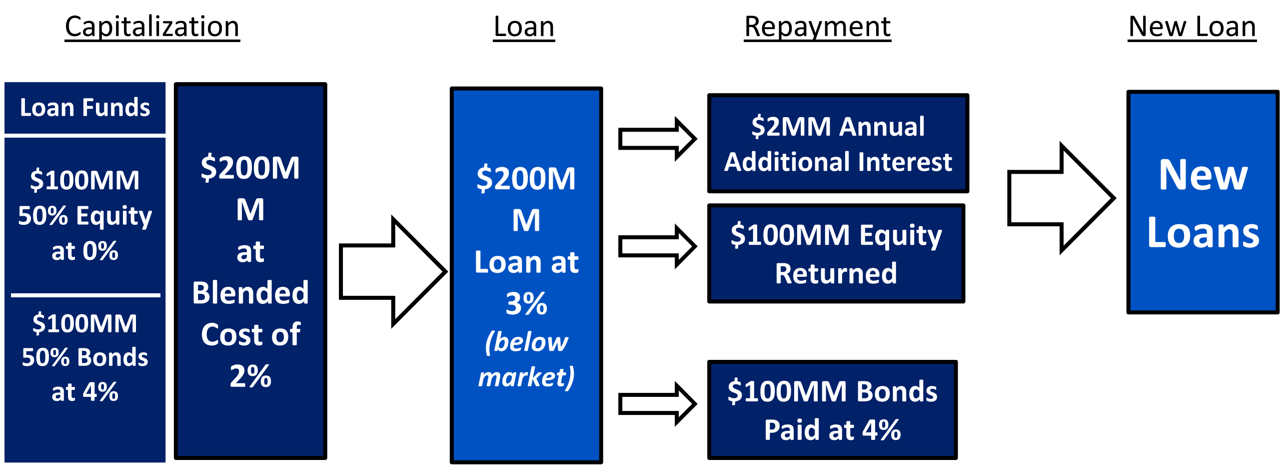
Credit Enhancement

Equity Investment

- All Loans, Securitizations, Credit Enhancements, and Equity Investments expose the RIB to credit risk
- RIB will establish a Credit Team consisting of MTC staff and consultants to review individual applications
- Standard credit criteria such as loan size, ratings, security pledge, reserve levels and covenants will be considered
  - Participation by both large and small borrowers will add portfolio diversity and strengthen credit quality
- Mitigations, such as revenue intercepts, additional security or third-party guarantees may be suggested to offset weaker proposals
- Credit quality of applicant will be a key criteria for RIB Committee in making recommendations to the Board

Project loans can be recycled to grow loan capital

- Capitalization determines both the amount of and interest rate on RIB loans
  - Equity capital contributed as projects require – initial $100 million
- Equity combined with potential leverage through RIB bonds increases loan capacity and allows for blended loan rates below market



- Portfolio credit quality and diversity are key to providing attractive funding
  - Target rating for RIB bonds will be "single-A" supported by highly rated borrowers and a diverse portfolio
  - "Single-A" rating allows for meaningful RIB credit enhancement for borrowers rated below that level

The application and approval process will be formalized by Board direction

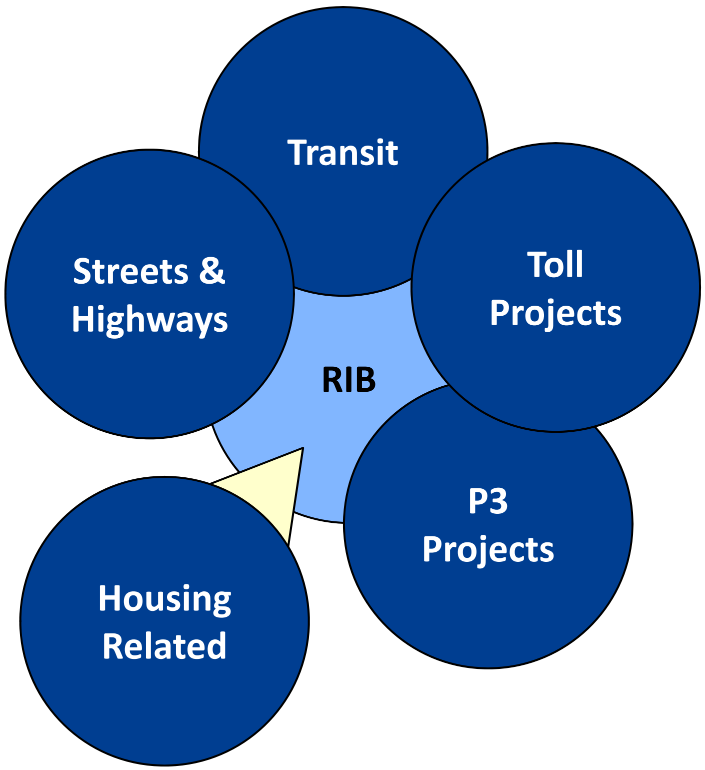
- A BAIFA Board/RIB Credit Committee will be formed for initial review of projects and staff recommendations
- Staff will develop project evaluation criteria for Board approval
- Standard application process (rolling deadlines) with project details, amount and security
- Staff will review all applications and make a recommendation based on approved criteria
- All projects (recommended and not recommended) will come before the BAIFA/RIB Committee with recommended projects moving to the full BAIFA Board for final approval

Using Board Approved Criteria

Formal Application Process → Staff Review of Application → Meeting with Project Sponsor → Staff Develops Project Recommendations → All Projects Presented to Ibank Committee → Committee Approved Projects Presented to Board for Final Approval

Approved projects will then move forward to documentation and financing

The Regional IBank can finance traditional sectors and take a more expansive view of transportation infrastructure



- Transportation-related infrastructure is the cornerstone of the RIB financing plan
- RIB could participate in traditional areas of transportation development at the State, Regional, County and Local level
  - As long as repayment mechanism can be established, RIB could lend across jurisdictional boundaries
- Transportation infrastructure related to housing could be prioritized within RIB financing criteria
  - RIB could provide a full range of financing options to eligible housing development infrastructure
  - Criteria will need to be developed in terms of affordability levels, regional significance, type of project, credit and other factors
- Marketing will be a key factor in attracting projects
- MTC is in a unique position to identify Bay Area projects that may need financing assistance

How a new Regional Infrastructure Bank can support the CASA housing agenda

RIB can invest in transportation-related infrastructure for Transit-Oriented Development ("TOD")

- Infrastructure costs can comprise 8-10% of total TOD development costs
- Eligible cost include streets and sidewalks, parking facilities and environmental mitigation.
- By lending low-cost capital to cover these costs, RIB can help support construction and preservation of affordable housing.

Policy considerations for TOD-related loans

- BART and VTA have adopted minimum affordability levels – should BAIFA?
- Should RIB loans focus on regionally significant projects – military base conversions, BART parking structures system wide?
- Should RIB investments prioritize PDA's and TPA's?
- Should eligible projects be required to have active displacement tenant protections?

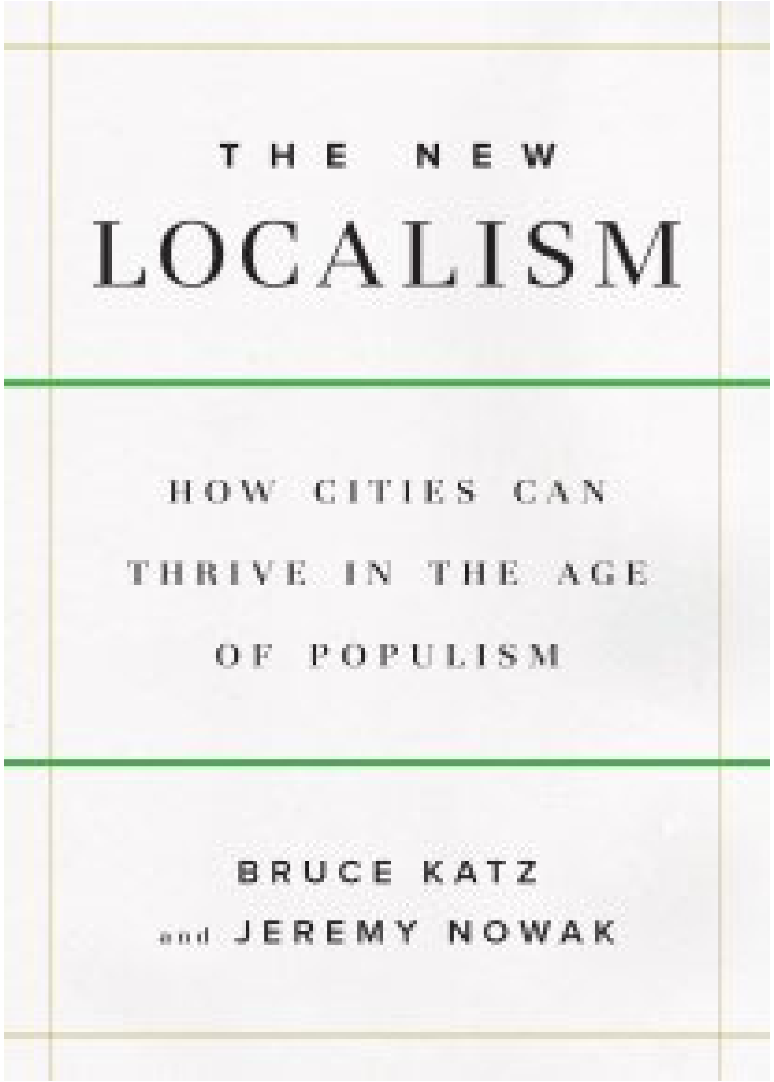
Financial considerations for TOD-related loans

- Charging too low an interest rate risks converting the RIB into a grant agency
- Charging too high an interest rate risks diminishing the value of RIB loans to affordable housing
- Striking the balance between too high and too low will be key to success

The New Localism – strong support for regional investment vehicles

Public Sector Investment needed in three areas:

- Innovation
- Infrastructure
- Inclusion



The New Localism – three ways of saying same thing

1. **Regional investment funds**: Institutional endowments impact investors, and public entities should capitalize regional investment funds at a significant level to promote business growth using a variety of equity and debt instruments and to function as sources of liquidity and investment for smaller metro finance business investor.

2. **Public asset corporations**: New public asset corporations must be organized to capture more public wealth and reinvest it into local infrastructure. All public authorities must be better aligned in the pursuit of long-term growth strategies.

3. **Local lenders of first resort**: Significant growth is required for public purpose banks and nondepository capital intermediaries, with the goals of bringing people into the financial services mainstream and increasing the supply of affordable housing.

Should MTC/BATA proceed to charter a Regional Infrastructure Bank?