



COMMONWEALTH of VIRGINIA

Office of the

SECRETARY of TRANSPORTATION

**Virginia Transportation Infrastructure Bank
Advisory Panel Recommendation
Capital Beltway Express, LLC
I-495 Express Lanes Northern Extension**

Commonwealth Transportation Board
Deputy Secretary Donohue
October 19, 2021



Virginia Transportation Infrastructure Bank

- Established in 2011 to provide loans to finance transportation projects
- Purpose is to encourage public and private investment in transportation infrastructure
- Guidelines are established by the Board. The most recent update to the guidelines were approved on September 21, 2016
- Eligible projects including all forms of surface transportation
- Eligible applicants include localities, transit agencies, regional entities, private entities

VTIB Activity to Date

\$332 million in loans closed since creation

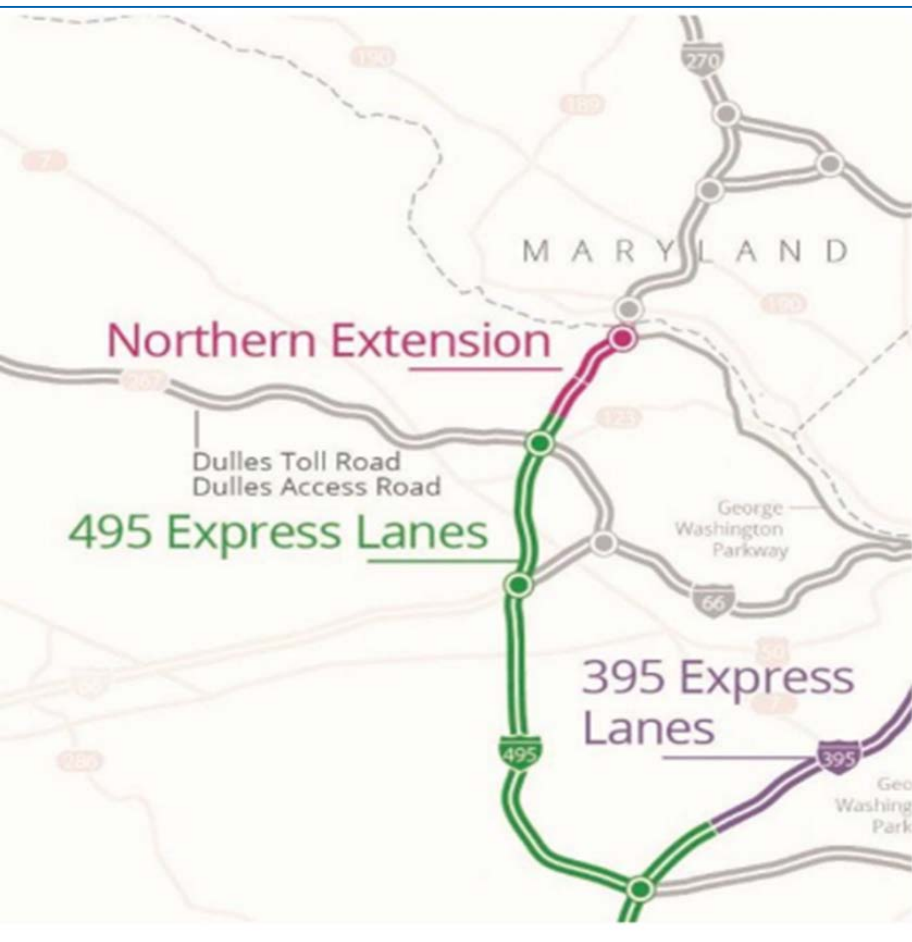
- **City of Chesapeake (Dominion Boulevard) - \$151M loan closed in November 2012**
- **Loudoun County IDA (Pacific Boulevard Extension Project) - \$36M loan closed in December 2013**
- **Chesapeake Bay Bridge Tunnel District (Parallel Thimble Shoal Tunnel) - \$50M loan closed in November 2016**
- **City of Alexandria (Potomac Yard Metrorail Station) - \$50M loan closed in December 2016**
- **95 Express Lanes LLC (I-395 Express Lanes) - \$45M loan closed in July 2017**

VTIB Balance

- **Total capitalization to date of \$311.4M**
 - \$32.7 million General Fund from FY 2010 surplus
 - \$250.0 million from Commonwealth Transportation Fund
 - \$28.7 million General Fund from FY 2011 surplus
- **\$70.7M in interest earnings on the fund, the HMOF and the Construction Fund**
- **Repayments to date of \$50.3M** (as of September 30, 2021)
- **Total funding available for loans is ~\$133M**
- **Anticipated principal and interest repayments for the next 6 years total \$39.3M** (Fiscal Year 2022 through Fiscal Year 2027)

I-495 Express Lanes Northern Extension

“Project NEXT”



Capital Beltway Express, LLC has requested a loan of up to \$49M plus capitalized interest for up to 5 years

VTIB loan will be secured by a subordinate pledge of toll revenues from entire 495 Express Lane system

Project NEXT – Construction Status

- **Project has completed the NEPA Process**
- **Project to be constructed under \$441.7M design-build contract awarded in September 2021**
- **Construction expected to begin around December 2021/January 2022**
- **Completion is anticipated in mid-2026**

(Dates are subject to change)

VTIB Eligibility and Screening Criteria

- **Project meets the Bank's mandatory criteria**
 - Eligible borrower under the Act
 - Project is a local and regional transportation priority
- **Application scored 21 out of 30 possible points by VDOT and VRA Staff using VTIB scoring criteria**
 - Readiness and Acceleration – 5 out of 9 points
 - Impact on VTIB Lending Capacity – 6 out of 11 points
 - Benefits of Project – 10 out of 10 points

Project NEXT Sources of Funding

- **Senior Lien Revenue Bonds – Private Activity Bonds (PABs)**
 - \$137,474,000 for Project NEXT
 - \$224,660,000 to refund existing debt
- **Transportation Infrastructure Finance and Innovation (“TIFIA”) Loan**
 - \$227,866,000 for Project NEXT
 - \$828,708,000 to refund existing debt
 - Subordinate to senior obligations with springing lien provisions
- **VTIB Loan**
 - \$49,000,000 million plus capitalized interest
 - On parity with TIFIA, no springing lien provision
- **Equity**
 - \$327,459,000 million in Equity Funding
 - Will include a Letter of Credit

*Amounts are subject to change; Refunding amounts refinance outstanding project company debt

VTIB Loan Structuring

- **2.59% fixed interest rate**
- **2-year drawdown of funds starting in December 2021**
- **Capitalized Interest through December 2026**
- **Anticipated repayment** (Dates subject to change)
 - Interest payments begin June 2027
 - Minimal principal payments begin June 2030
 - Principal payment ramp-up period beginning in 2041
 - Level mandatory debt service beginning in 2051 through the of the life of the loan, ending in 2060
- **Assumed additional senior indebtedness and distribution requirements**
 - 1.45x senior debt service coverage
 - 1.35x total debt service coverage
 - 1.35x loan life coverage ratio (LLCR)
 - 2.30x project life coverage ratio (PLCR)
- **Additional leveraging for distributions requires partial prepayment**

Advisory Panel Recommendations

- **The Advisory Panel recommends the CTB approve the loan request**
- **VTIB Loan closing conditions**
 - **Subordinate Pledge of Total System Revenues**
 - Loan subordinate to Senior PABs but on parity with TIFIA
 - **Debt service coverage, LLCR, and PLCR Requirements Consistent with TIFIA**
 - **Funding of Debt Service, O&M, and Major Maintenance Reserves**
 - **Execution of Fixed-Price Design-Build Contract (Satisfied)**
 - **Execution of the Second ARCA**
 - **Independent Audit of the Transurban Financial Model**
 - **Completion of Lenders' T&R Report (Satisfied)**
 - **Completion of Lenders' Technical Advisor Report**
 - **Final Investment Grade Ratings, including rating for VTIB loan**
 - **VTIB Loan Closing Concurrent with Project NEXT and Existing CBE Refinance Closings**

Risk Considerations

- **Construction Risk**
 - Straight forward project with same parties as existing 495 Express Lanes and fixed-price, design-build contract
 - Payment and performance bonds, guarantee from Design-Build contractor
 - Equity contribution backed by acceptable letter of credit or guarantee
 - Design-build risk pool with VDOT
 - Independent Lenders' technical advisor review
- **Applicant Risk**
 - Managed lane expertise and commitment to region
 - Strong ownership group
 - Loan covenants provide protection against additional debt and distributions
- **Concession Agreement Risk**
 - Exclusive rights to assets and discretion over rate setting
 - Lender protections reflected in the Second ARCA

Risk Considerations

- **Interest Rate Risk**
 - Base Case projections assume debt at conservative interest rate levels
- **Revenue Risk**
 - Large metropolitan area with congestion and strong socio-economic trends
 - Could sustain significant decrease in total annual system revenues and still pay all debt service in each year
 - Resiliency to stress case scenarios (including extended COVID recovery period and increased work from home)
 - Revenue uplift from future managed lane projects would enhance revenues
- **Operations and Maintenance Risk**
 - Same operator as existing I-95, I-395, and I-495 Express Lanes
 - Independent Lenders' technical advisor review

I-495 Express Lanes Northern Extension Risk Considerations (Continued)

- **Debt and Refinance Risk**
 - TIFIA and VTIB scheduled debt provides flexibility in stress events without default
 - Refinance of existing CBE debt results in substantial interest rate savings; will be VTIB loan closing requirement

Project NEXT

- **Recommend Board approve VTIB loan**
- **VTIB will have borrowing capacity of \$84M if requested amount is approved**
- **Without approval Project NEXT will require restructure other debt and may impact timing USDOT approval of TIFIA loan**