



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

State Infrastructure Bank Guidelines
October 2003
draft

INTRODUCTION

The Michigan Department of Transportation (MDOT) has established a State Infrastructure Bank (SIB) to provide loans for publicly-owned transportation infrastructure projects. MDOT established the SIB for the following purposes:

- To attract new public and private investment in transportation infrastructure.
- To increase the financial viability of transportation projects by reducing the borrowing costs for project sponsor.
- To accelerate the delivery of transportation projects by providing financial assistance that is otherwise unavailable in the short-term.

Under current federal law (Public Law 104-59), SIB assistance from the initial federal funds and funds repaid to the program from any federal source may be used for highway construction as defined in Title 23, U.S.C. or for transit capital projects as defined in Title 49, U.S.C. Projects may also be financed with state transportation funds as permitted in Michigan Public Act 51 of 1951, as amended. The SIB will not finance operating or administrative costs, nor will it provide grant funds for transportation projects.

TOPICS:

ELIGIBLE BORROWERS	Page 2
PROGRAM PRIORITIES	Page 2
LOAN AMOUNT	Page 2
INTEREST RATE	Page 2
REPAYMENT TERMS	Page 2
PROJECT EVALUATION PROCESS	Page 3
CRITERIA FOR EVALUATING APPLICATIONS.....	Page 3
SIB PROCESS DIAGRAM	Page 4
PROGRAM CONTACT	Page 4

ELIGIBLE BORROWERS

State Infrastructure Bank (SIB)-qualified borrowers include any public entities, such as, political subdivisions, state agencies, regional planning commissions, transit agencies, and economic development corporations. Private companies and non-profit organizations that are developing a publicly-owned facility are also eligible for SIB financing.

PROGRAM PRIORITIES

The SIB will take a multi-modal approach to financing transportation projects. Highway, transit, rail, and intermodal projects will be considered. MDOT has identified the following priorities for the SIB:

- Transportation projects that attract significant new public and/or private capital, but require additional financing to complete.
- Transportation projects that, with SIB support, can realize significant cost reductions.
- Transportation projects that either cannot be constructed or will be significantly delayed (two or more years) for lack of adequate capital.

LOAN AMOUNT

There is no minimum loan amount. Because of capital restrictions, SIB financing will generally not exceed \$2 million. MDOT will work with large project sponsors to identify other financing sources. The level of SIB participation in proposed projects will be determined on a case-by-case basis.

INTEREST RATE

The interest rate for SIB loans is currently set at 3%. The interest rate may vary, depending on the level of risk and repayment terms requested by the borrower and in cases of emergency.

REPAYMENT TERMS

The maximum term for a loan will be 25 years; there will be no minimum term. MDOT will base loan terms on the useful life of the asset and on the financing needs to the project sponsor. Because it is MDOT's priority to assist as many potential projects as possible, priority will be given to those projects that repay their loan within the shortest time period. Loan repayments must begin within two (2) years of project completion and/or opening to traffic.

Applicants must identify the revenue sources that will be used to repay a loan. Revenue sources may include future federal aid, future ACT 51 funds, local government general funds, tax increment financing revenue, assessment fees, impact fees, state revenue sharing, or other sources of income generated by the project or project sponsor.

PROJECT EVALUATION PROCESS

The project evaluation process will consist of two stages:

In stage one, applicants will complete a brief application. MDOT staff will evaluate the application to assess the proposed project's eligibility and feasibility, the project's level of public support, the applicant's technical capabilities, the borrower's credit worthiness, and the SIB's financial capability to participate in the proposed project. The applicant will be notified of the results of its evaluation as quickly as possible (usually within 30 days of submission of a complete application).

In stage two, if the proposed project is approved, MDOT will negotiate a SIB agreement with the applicant. MDOT/Local Agreements require State Transportation Commission and/or State Administrative Board approval. The time required to complete this stage of the process will depend on the complexity of the project and its financing needs (usually from 8 to 12 weeks).

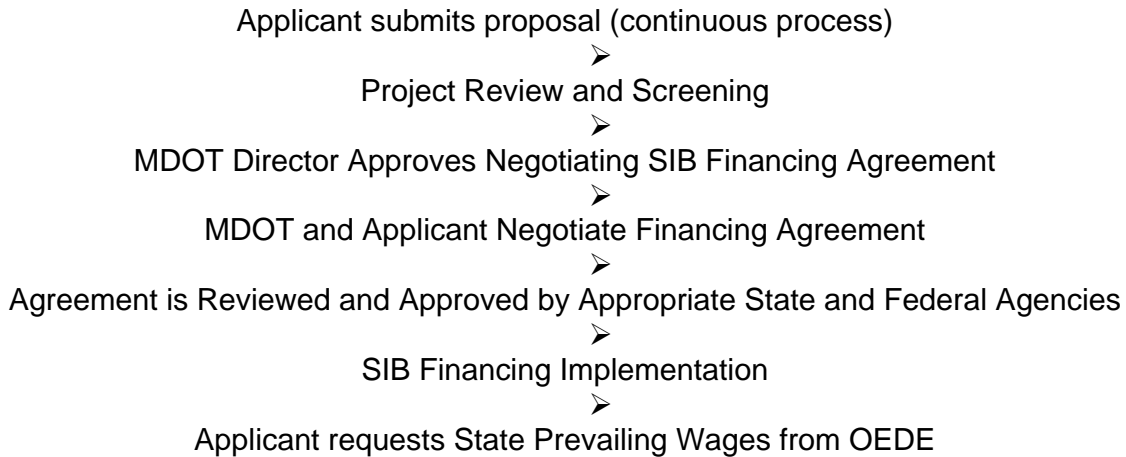
CRITERIA FOR EVALUATING APPLICATIONS

When evaluating SIB applications MDOT will consider the following factors:

- The extent to which the project fulfills the purposes of the program stated in the introduction on Page 1.
- The extent to which the project fulfills the program priorities stated on Page 2.
- The extent to which the project addresses one or more of MDOT's statewide transportation goals as described in the State Long-Range Plan.
- The project's consistency with applicable state, local, and regional transportation plans and programs.
- The extent to which non-transportation infrastructure and support services necessary to support the project are available, under construction, or committed.
- The level of local financial and public support (for non-MDOT projects).
- The financial and technical capabilities of the project sponsor(s).
- The security/collateral offered by the borrower.
- The strength of the proposed revenue stream or financial sources that will pay off the loan.

SIB PROJECT IDENTIFICATION, REVIEW, AND SELECTION PROCESSES

The following diagram illustrates how MDOT solicits, reviews, and selects projects financed by the SIB.



It is MDOT's goal to address customer financing needs in a timely and flexible fashion. Applications will be accepted at all times and will be evaluated by MDOT staff as quickly as possible. MDOT staff will be available to assist project sponsors with the application process. In negotiating financial agreements, MDOT will seek to accommodate the applicant's financing needs without jeopardizing the liquidity or stability of the SIB program.

MDOT will consider financing any stage of a proposed project, including, but not limited to, preconstruction, highway construction, or transit capital acquisition. Eligible activities include planning and cost estimation, feasibility studies, environmental and economic impact studies, project design, right-of-way acquisition, project engineering, construction, transit equipment purchase.

CONTACT

Requests for information and completed applications should be submitted to:

Deanna Finch, SIB Program Coordinator
Michigan Department of Transportation
Office of Economic Development and Enhancement
Van Wagoner Building
P.O. Box 30050
Lansing, Michigan 48909

517-241-4778 Phone

517-373-2687 Fax