

Application & Handbook

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Arizona Department of Transportation

revised as of May 2000

BACKGROUND

Enacted into law on August 21, 1998, HB 2488 established a comprehensive loan and financial assistance program for eligible highway projects in Arizona. The *Highway Expansion and Extension Loan Program* or *HELP* provides the state and communities in Arizona with a financing mechanism to accelerate transportation construction projects.

This new funding mechanism, commonly referred to as a State Infrastructure Bank (SIB), was initially authorized by Congress under the provisions of the National Highway System Designation Act of 1995.

Arizona was one of the first to take advantage of the program. SIBs operate much like a bank, providing financial assistance in the form of loans or credit enhancement for eligible projects. As borrowers repay principal and interest on loans, the bank is replenished and monies can be re-loaned so that the SIB becomes a self-sustaining mechanism to fund critical transportation projects. The *Highway Expansion and Extension Loan Program* serves as Arizona's State Infrastructure Bank.

PROGRAM GOALS & OBJECTIVES

A comprehensive statewide needs study in 1995 identified an \$8.8 billion funding shortfall for state highways, county roads, and city streets over the ten year period from 1995-2005. Given the significant level of unmet needs within Arizona, it is critical that more innovative approaches to financing transportation improvements be pursued. The *HELP* funding mechanism enables the state to more effectively finance highway projects by maximizing the use of federal and state funds. The goal of the *Highway Expansion and Extension Loan Program* is to accelerate highway construction through low cost loans and other forms of financial assistance. This new mechanism enhances funding for transportation in Arizona and enables the state to better meet its critical infrastructure needs.

The *HELP* program has five primary objectives:

- *Accelerate completion of highway/road projects.*
- *Bring new resources to fund transportation infrastructure.*
- *Generate economic benefits for the state.*
- *Promote the equitable allocation of resources.*

- *Support state and local Transportation Improvement Plans.*

The Arizona State Transportation Board will make loans or provide other forms of financial assistance to advance national highway system projects, state highway system projects, state route projects, or locally sponsored federal aid projects. The Department of Transportation will work in partnership with local sponsors, if they seek to advance state highway system projects with *HELP* loans through joint financing arrangements.

PROGRAM AUTHORITY & ADMINISTRATION

Pursuant to Section 350 of the National Highway System Designation Act of 1995, the Arizona Department of Transportation is authorized to administer a State Infrastructure Bank program under a cooperative agreement with the Federal Highway Administration, dated September 24, 1996.

Arizona Revised Statutes, Title 28, Article 5 authorizes the establishment of the *Highway Expansion and Extension Loan Program* which serves as Arizona's State Infrastructure Bank (SIB) and meets all federal SIB requirements. The *Highway Extension and Expansion Loan Program* is under the authority of the State Transportation Board. The State Transportation Board has the following major responsibilities pursuant to this legislation:

- *Make loans or provide financial assistance for eligible projects.*
- *Enter into loan repayment agreements.*
- *Approve application form/guidelines and prescribe application procedures.*
- *Enter into contracts and agreements to carry out the program.*

In addition, the legislation establishes a seven-member Highway Expansion and Extension Loan Program Advisory Committee. The advisory committee has the following major responsibilities:

- *Develop the application form and guidelines for State Transportation Board approval.*
- *Review loan and other financial assistance requests.*
- *Make recommendations to the State Transportation Board on loans and financial assistance requests.*

The Arizona Department of Transportation provides staff for the advisory committee and administers the *HELP* program.

The State Transportation Board and the *HELP* Advisory Committee have designed this program to enhance the ability of the state and its communities to finance needed highway infrastructure. It is their intent to ensure maximum access to the program and maintain a simplified and flexible program application process. The loan application and loan guidelines will be reviewed periodically for refinement and improvement.

PROJECT SELECTION & LOAN APPROVAL PROCESS

The Highway Expansion and Extension Loan Program Advisory Committee will actively solicit applications for *HELP* financial assistance on a semi-annual basis. Requests for financial assistance will be evaluated at least quarterly or at other times as deemed appropriate by the committee.

Requests for loans and financial assistance are submitted to ADOT. The first phase of the selection process focuses on determining whether applications for financial assistance meet program eligibility requirements. The second phase includes a comprehensive technical evaluation of applications, based on established quantitative and qualitative criteria. A technical review team comprised of ADOT and external subject matter experts will assist in the evaluation process.

The Highway Expansion and Extension Loan Program Advisory Committee reviews the technical team's evaluation, assesses the need for financial assistance based on the relative financing requirements of the project and available *HELP* funds, and makes recommendations regarding the award of financial assistance to the State Transportation Board.

The State Transportation Board will enter into loan repayment agreements with the successful applicant. In addition to the loan agreements, there will be separate Intergovernmental Agreements (IGAs) to include local or private participating costs.

APPLICATION GUIDELINES

Eligible borrowers

Qualified borrowers include any political subdivision, the state or its agencies or Indian Tribes. A political subdivision is a county, city, town or special taxing district authorized to construct an eligible project. Private companies and non-profit organizations are not eligible.

Eligible borrowers may submit a joint application for a project that involves multiple jurisdictions.

Eligible projects

Under the provisions of Title 28, Article 5, of the Arizona Revised Statutes, an eligible project is a highway project that meets the following two requirements

- *The project must be on the Federal Aid System, National Highway System, State Highway System, or be designated as a state route.*
- *The project must be included in either:*
 - a) The department's State Highway Construction Program or State Transportation Improvement Plan.*
 - b) The Transportation Improvement Plan of the Regional Association of Governments (i.e. Metropolitan Planning Organizations and Council of Governments).*

Construction projects, including design, right-of-way, and construction, are eligible for financial assistance. Studies will not be funded under this program.

In addition, projects that will be financed with federal funds must be eligible for federal aid and must comply with all applicable federal laws, rules and regulations.

Application requirements

Applications for funding non-ADOT projects must contain formal recognition of support from the appropriate governing body (e.g., city council or county board of supervisors, etc.).

Project funding applications must also identify proposed sources of repayment.

The sponsor of the project must demonstrate in its application that the project has a high probability of resulting in a completed facility.

Loan amount

The minimum amount of financial assistance that will be awarded for a project is \$250,000. A maximum loan amount has not been established for a project or for a recipient, although funds are limited and will be distributed in a competitive manner.

Interest rate

Loans will be made at an interest rate at or below comparable yields for municipal obligations with a maturity closest to the loan maturity, as determined by the board. The interest rate will be established on the day prior to the State Transportation Board approval of the loan.

Loan terms

The Department prefers a loan duration of five years or less. Time frames for payback of principal and interest will be negotiated between the applicant and ADOT. However, if the source of the repayment of the loan is monies other than that designated under the Federal SIB program, the term of the financing shall not be longer than five years after the date the project is open to traffic.

Project selection criteria

Assistance:

- *Economic benefit, mobility, air quality and safety.*
- *How quickly the applicant proposes to repay the loan.*
- *The ability of the applicant to repay a loan according to required terms and conditions.*

In the evaluation process, a preference of up to 20 percent will be given to projects that include local or private financial participation to accelerate the project. The greater the percentage of local or private financial participation in relation to the total project cost, the greater *the preference*. (See *evaluation criteria section for more information*.)

Other requirements

Approval of a loan is conditioned on a written commitment by the borrower to complete all applicable reviews and approvals and to secure all required permits in a timely manner.

The recipient of any loan retains sole responsibility to ensure that the eligible project is in compliance with any applicable federal, state, and local environmental or other laws, rules, or regulations.

The HELP Advisory Committee expects negotiations on the terms of a loan to be completed within three months after the receipt by the The HELP Advisory Committee of an application. Receipt of an application is evidenced by a formal action of the committee.

The HELP Advisory Committee will review progress on loan term negotiations after the initial three months to determine whether negotiations should continue.

EVALUATION CRITERIA

Once it has been determined that a HELP Loan application for a specific project, meets the eligibility requirements, a Technical Review Team will evaluate project applications based on the criteria below. The evaluation will use a 100 point system to facilitate a comparison of how all applications meet the objectives of the program. Project sponsors should designate whether they wish to have an application evaluated under criteria 3 for either "impact on air quality" or "impact on mobility" (only one may be selected).

Financial considerations

1.1 Level of local government and/or private sector participation in funding project. Potential for receiving federal discretionary funding will also be considered. (For state projects, this can mean any local or private funds that would not normally be spent on state projects. For non-state projects, this can mean either funds that are from a completely new source or funds that would not normally go to transportation projects). Preference is given to projects with higher local, private or federal grant contribution. **(20 points)**

1.2 Credit strength of project and/or security of repayment stream. Preference is for lower risk. **(10 points)**

1.3 Project loan repayment plan. Preference given to loan repayment structures that optimize financial benefits to the HELP Program (i.e. how quickly an applicant proposes to repay the loan). **(10 points)**

Economic Benefits

2. Degree of economic benefits associated with constructing and or advancing a project, including the financial savings of accelerated project start and completion, and the public need served by the project. Preference is for projects that generate the greatest economic benefits for the required investment and would otherwise be delayed or not funded without HELP financial assistance. **(20 points)**

Mobility/Air Quality & Environmental Impacts

3. Impact on mobility, or air quality. Project applicants should designate whether a project is evaluated on either air quality or mobility or other favorable environmental impacts. Preference is for projects that improve mobility, level of service or have a positive impact on air quality attainment goals. **(20 points)**

Safety

4. Impact on safety. Preference is for projects with more substantial improvements towards safety. **(20 points)**

HOUSE BILL 2100 AMENDED

House bill 21 amended the definition of "Eligibility project" of Title 28, Article 5 of the Arizona Revised Statutes, and is effective July 18, 2000

28- 7671. Definitions

2. " Eligible projects" means a highway projects that is both:(a) On the federal aid system, national highway system or state route or state highway system.(b) Included in either:

(i) The department's state highway construction plan

(ii) The transportation improvement plan of a regional association of governments. ~~and the majority of the projects is funded by federal monies received by the the regional association of governments, a countywide transportation excise tax or monies received pursuant to section 28 6538, subsection B.~~

 **HELP Application in WORD**

 **HELP Application in PDF**

HIGHWAY EXPANSION AND EXTENSION LOAN PROGRAM

Application for financial assistance

Section III. FINANCIAL INFORMATION (continued)

Dedicated revenue stream(s) for HELP repayment:

Please note: the table may be modified to reflect specific project payback requirements and submitted as a spreadsheet attachment tailored to specific applicant requirements. (Possible 40 points)

Please describe the revenue source for repayment of the HELP loan:

General Funds HURF Revenues Excise [sales] Tax Private Contribution

Other _____

Principal repayment source	FY Year 1 Principal	FY Year 2 Principal	FY Year 3 Principal	FY Year 4 Principal	FY Year 5 Principal
1.					
2.					
3.					
Total principal repayment source	\$	\$	\$	\$	\$
Interest repayment source	FY Year 1 Interest	FY Year 2 Interest	FY Year 3 Interest	FY Year 4 Interest	FY Year 5 Interest
1.					
2.					
3.					
Total interest repayment source	\$	\$	\$	\$	\$

Additional requirements checklist:

(Please provide with the application.)

Formal Recognition of Project Support (as applicable) _____

Most Recent Financial Statement _____

HIGHWAY EXPANSION AND EXTENSION LOAN PROGRAM

Application for financial assistance

SECTION IV. SUBMITTAL REQUIREMENTS

An original and three copies of the HELP Financial Assistance Application, and all applicable attachments, may be submitted to the following for initiation of the evaluation process:

Highway Expansion and Extension Loan Program
Arizona Department of Transportation
Financial Management Services
206 S. 17th Avenue
Mail Drop 200B
Phoenix, Arizona 85007-3213

Attention:
Finance Administrator
Phone (602) 712-7441
Fax (602) 712-6672

Please note that applications may be submitted on a disk. Electronic versions of the application are available. Applications are public records under ARS 39-121.

The authorized person for the applicant must read, agree and sign the statement below for this to be considered an official application.

As the Applicant, or as an authorized representative of the Applicant, I hereby submit this Application for Financial Assistance and represent that the information and financial data contained herein are true and correct to the best of my knowledge. I understand that additional information may be requested and authorize the Arizona Department of Transportation to independently verify any information contained in this application. I also understand that the acceptance and consideration of this application does not constitute a commitment of funds by the State Transportation Board.

Signature

Typed or Printed Name

Signatory's Title

Date