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WIFIA round two with twice the money: Time to express your interest in federal water infrastructure loans

By Alison Torbitt, Libby Ford, and Scott Singer

While Congress and the Trump administration are still trying to shape a new nationwide infrastructure investment program, Congress opened up the federal purse strings, allowing the Environmental Protection Agency (“EPA”) to actively seek water-related infrastructure projects under the Water Infrastructure Finance and Innovation Act of 2014 (“WIFIA”). Selected, eligible projects can qualify for WIFIA loans that, similar to loans available pursuant to the Transportation Infrastructure Finance and Innovation Act (“TIFIA”), underwrite up to 49% of total eligible project costs at AAA Treasury rates with 35-year repayment terms and potentially, a five-year deferral before loan repayments begin. Eligible borrowers, defined to include public entities, private entities with demonstrated public support and tribal governments, are invited to submit a “Letter of Interest” in the 2018 WIFIA application process by July 6, 2018.

The 2018 WIFIA call for projects

The WIFIA program is a federal loan and loan guarantee program at EPA that aims to accelerate investment in the nation’s water infrastructure by providing long-term, low-cost funding for regionally and nationally significant water-related projects. In its April 4, 2018, [Notice of Funding Availability \(NOFA\)](#), EPA solicits Letters of Interest (LOIs) from prospective borrowers seeking credit assistance from EPA. The NOFA outlines the process that prospective borrowers must follow to be considered for WIFIA credit assistance and establishes relative weights for the selection criteria including project impact, project readiness and borrower creditworthiness. LOIs will be accepted until noon EDT on July 6, 2018. Additional program information is available in the recently published [WIFIA Handbook](#). WIFIA anticipates, based on past experience, that prospective borrowers will likely be seeking direct loans rather than loan guarantees; the remainder of this article will therefore focus upon only WIFIA loans. Selected projects are generally required to satisfy all relevant federal laws and regulations, including compliance with the American Iron and Steel Requirement and the Davis-Bacon Wage Requirement.

The WIFIA program is governed by The Federal Credit Reform Act of 1990, which requires that the EPA estimate the long-term credit subsidy cost of each WIFIA loan and reserve for this cost using funds specially appropriated by Congress. The 2018 Consolidated Appropriations Act, which

finalized the federal budget for Fiscal Year 2018, appropriated \$63 million in credit subsidy support for WIFIA loans to be made in 2018. This federal budget allocation more than doubles the amount of federal funding available under the WIFIA program and, by leveraging WIFIA loan's often lower and more elongated repayment terms with private capital and other funding sources, the WIFIA projects selected through 2018 could theoretically support \$11 billion in water infrastructure investment and create more than 170,000 jobs. Loans through the WIFIA program can be supplemented by other federal grants and loans, including through the State Revolving Funds (SRF) programs. Federal loans and grants can pay for up to 80% of a project's eligible cost, with the project host having to attract or raise the remainder of the money.

WIFIA credit assistance can be used for a wide range of projects, including:

- Drinking water treatment and distribution projects;
- Wastewater conveyance and treatment projects;
- Enhanced energy efficiency projects at drinking water and wastewater facilities;
- Desalination, aquifer recharge, alternative water supply and water recycling projects; and
- Drought prevention, reduction or mitigation projects.

The 2018 NOFA highlights the importance of protecting public health, including (1) providing for clean and safe drinking water, including reducing exposure to lead and other contaminants in drinking water systems and (2) updating the nation's aging water and wastewater infrastructure.

EPA will evaluate proposed projects described in the LOIs using WIFIA's statutory and regulatory criteria as described in the NOFA. Through this competitive process, EPA will select projects that EPA intends to fund and invite them to continue in the application process.

What types of projects are likely to get funded?

In 2017, for WIFIA's inaugural round, 43 project sponsors, largely municipalities and states, scrambled to submit timely LOIs. Out of those 43 LOIs, EPA invited 12 projects in nine states to apply for more than \$2 billion in WIFIA loans, as summarized in the attached table. The following categories and trends were identified:

- Private and public entities, including a State Revolving Fund (SRF) program, were selected for a wide range of projects including: wastewater collection and treatment, drinking water distribution and treatment, stormwater management and water recycling projects. Most of the projects expressed an interest in obtaining loans to cover the full 49% of their eligible costs.
- Project total costs were typically well above the \$20 million minimum cost size, although two of the invited projects were actually bundled combinations of projects (Indiana Finance Authority and Baltimore DPW).
- The lowest cost project (\$50 million—by the private Maine Water Company) has since withdrawn its application, although the reason for this withdrawal is not known.
- In total, the 2017 WIFIA projects were projected to:
 - lead to loans amounting to \$2.3 billion, ranging from \$22 to \$625 million each.
 - lead to \$5.1 billion in total investments for projects costing from \$45 million to \$1.3 billion each.
 - leverage an estimated \$1 billion in private investment in these projects.

- be coupled with an estimated investment in projects of \$700 million.

More information on WIFIA's inaugural round can be found [here](#).

How do I increase the likelihood of my project being selected?

While the WIFIA program is still in its infancy, making it difficult to identify success factors, the following elements are likely to contribute to strong LOIs and eventual invitations to continue:

- Drinking water and water infrastructure repair and replacement programs will likely be ranked higher, but those that incorporate green infrastructure and sustainability elements may stand out from the expected crowded pool of applicants. See, for instance, the Kings County Washington [wet weather treatment facility](#) that incorporates a green roof and other features that recently broke ground and was one of the 2017 WIFIA projects.
- Well-conceived projects supported by engineering studies with substantiated cost projections.
- A strong experienced team of engineering, legal and financial advisors. While WIFIA is still new, many aspects of it were derived from the TIFIA program, so working with advisors with TIFIA experience is likely to be extremely helpful. The negotiation of the final financing terms will be critical to minimizing the projects' eventual cost to ratepayers.
- A sound and convincing case documented as to how (and when) the loan will be repaid.
- EPA is very interested in seeing public-private partnerships apply, leveraging private investment in projects that contribute to the public good.
- Include estimates related to job creation and local economy support, especially if related to lower income neighborhoods.
- Include quantifiable public health and environmental benefits, with ongoing, long-term metrics for accountability where feasible.

For more information on the content of this alert, please contact your regular Nixon Peabody attorney or:

- Alison Torbitt at atorbitt@nixonpeabody.com or 415-984-5008
- Libby Ford at LFord@nixonpeabody.com or 585-263-1606
- Scott Singer at SSinger@nixonpeabody.com or 212-940-3182

Adapted and expanded from <https://www.epa.gov/wifa/wifa-financing-requests>

2017 Invited WIFIA Projects¹

Project Name	Borrower	Project Description	Requested Loan Amount (Million)	Total Project Cost (Million)	% of Total
Ocean Outfall Discharge Reduction and Resiliency Enhancement Project	Miami-Dade County	Construction of new wells at three wastewater treatment plants to allow for redirecting existing effluent discharges from the ocean outfalls to injection wells.	\$79	\$160	49%
Deer Creek Sanitary Tunnel and Sanitary Relief	Metropolitan St. Louis Sewer District	Construction of a pump station at the downstream end of a sanitary sewage storage tunnel and approximately 15,900 feet of 8-inch to 54-inch sanitary sewer and slip-line, 1,700 feet of sanitary sewer and appurtenances to address sanitary sewer overflows.	\$43	\$88	49%
Saddle Creek Combined Sewer Overflow Retention Treatment Basin	City of Omaha	Construction of a new retention treatment basin to address combined sewer overflows in the Saddle Creek Basin.	\$55	\$113	49%

¹ Adapted and expanded from <https://www.epa.gov/wifia/wifia-financing-requests>

Project Name	Borrower	Project Description	Requested Loan Amount (Million)	Total Project Cost (Million)	% of Total
Groundwater Replenishment System Final Expansion	Orange County, CA Water District	Expansion of the existing water recycling plant from 100 millions of gallons per day to 130 millions of gallons per day by using treated wastewater from the Orange County Sanitation District Plant #2.	\$124	\$253	49%
Pure Water San Diego	City of San Diego, CA	Construction of Phase 1-North City of San Diego's multi-year Pure Water program to achieve 30 millions of gallons per day of purified water production by 2021.	\$492	\$1,200.00	41%
Indiana Finance Authority FY 2017	Indiana Finance Authority	Expand the reach of its Clean Water and Drinking Water State Revolving Fund programs and fund dozens of additional projects in communities across the state.	\$436	\$890	49%
Georgetown Wet Weather Treatment Station	King County, WA	Construction of a new Wet Weather Treatment Station, conveyance pipelines and outfall structure to treat combined sewer overflows prior to discharge into the Lower Duwamish Waterway.	\$129	\$263	49%

Project Name	Borrower	Project Description	Requested Loan Amount (Million)	Total Project Cost (Million)	% of Total
Comprehensive Infrastructure Repair, Rehabilitation and Replacement Program	Baltimore City Department of Public Works	A bundled set of projects to repair, rehabilitate, replace, and upgrade the overall water system. Encompasses wastewater collection and treatment, water treatment and distribution and stormwater management throughout the City of Baltimore.	\$200	\$573	35%
Saco River Water Treatment Facility	Maine Water Company (application withdrawn)	Construction of a new 20 million gallons per day water treatment facility to replace the existing facility that has been providing service to the communities of Biddeford, Saco, Old Orchard Beach and Scarborough, Maine since 1884.	\$25	\$50	50%
Water Treatment Plant Design and Construction	City of Oak Ridge	Design and construction of a new 16 million gallons per day membrane treatment plant and associated assets to replace the existing 80-year old conventional treatment plant, which is currently at capacity and beyond its useful life.	\$22	\$45	49%

Project Name	Borrower	Project Description	Requested Loan Amount (Million)	Total Project Cost (Million)	% of Total
Water Reclamation Facility Project	City of Morro Bay	Replacement of the 62-year-old Morro Bay-Cayucos Wastewater Treatment Plant with a new water reclamation facility.	\$82	\$167	49%
Southeast Water Pollution Control Plant Biosolids Digester Facilities Project	San Francisco Public Utilities Commission	Replacement of the outdated existing 60-year-old solids treatment facilities with infrastructure that produces higher-quality Class A biosolids, captures and treats odors more effectively and maximizes biogas utilization and energy recovery.	\$625	\$1,300	48%