

THE BOND BUYER

Build America Bureau touts ample pipeline for non-highway projects

By

[Caitlin Devitt](#)

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The U.S. Department of Transportation's Build America Bureau, which coordinates federal financing for state and local transportation projects, has a \$30 billion pipeline for the next two years, much of which is for non-highway projects.

"Over the last four years we've tried to diversify not only our products but our pipeline in terms of assets we're trying to finance," said Morteza Farajian, executive director of the Build America Bureau, who spoke Monday at the Bond Buyer's Infrastructure conference in Washington D.C.



"Over the last four years we've tried to diversify not only our products but our pipeline in terms of assets we're trying to finance," said Morteza Farajian, executive director of the Build America Bureau.

Highway-related projects have traditionally made up most of the bureau's financing, but now the majority is transit or transit-oriented development projects.

"That's the area where we see a massive growth in our pipeline," said Farajian, adding that one of his top priorities since joining the bureau four years ago has been to "educate public sponsors to think outside the box and get innovative" when it comes to project finance.

The comments come nearly one year to the day after President Joe Biden signed the Infrastructure Investment and Jobs Act into law. The law expands federal financing programs into new areas with more generous terms, and provides billions of discretionary grants directly to local governments for the first time.

Prior to 2020, the bureau floated roughly \$2.2 billion a year in financing, Farajian said. Last year, it closed \$11.3 billion. There's \$5 billion that will be closed in the next year, and \$30 billion that could be closed in the upcoming 12- to 24-month period.

The type of public officials tapping federal financing has also changed over the last few years, said Farajian, who used to run Virginia's DOT's P3 office.

"Before it was just state DOTs, but most of my time these days is meeting with mayors, with county officials, with [metropolitan planning organizations]," he said. "That tells you the dynamic has shifted a little bit."

Under new guidelines, the bureau can now finance "any type of public infrastructure," including civic buildings, libraries, mixed-use development – as long as they're within a half mile of transit, he said.

In addition to transit-oriented projects, the DOT now offers Transportation Infrastructure Finance and Innovation Act loans for certain airport projects and for matching funds for federal programs.

The IIJA also doubled the amount of private activity bond volume to \$30 billion from \$15 billion.

The DOT expects to post a notice of funding opportunity for the third round of the Regional Infrastructure Accelerators program before the end of the year, Farajian said, with the aim of creating another seven or eight areas on top of the 10 that have already been created.

Inflation, construction labor shortages and government capacity shortages are stymieing cities and states trying to advance projects, said Farajian.

"All of the projects we were working with before, all of a sudden they have a funding gap," he said, saying bids may come in as much as 50% over 2019 estimates.

Cities and states are "trying to figure out how to close that funding gap," he said. "And that's where we in the financing world can step in and help them to move their projects forward. Not just hit that brake too quickly and put a project on pause, but try to figure out other innovative approaches."

The bureau's products "can easily be mixed" with other financing from the bond market or even bank loans, he said.

The bureau is also hoping to compile a national database of local and state assets so that public officials better understand "what they have" and private companies who may be interested in the assets can more easily find the information.