

2020 Guide to Rebuilding America's Infrastructure using Private Capital and Public Private Partnerships



Response, Recovery & Resilience with Public Private Partnerships

How America can better secure its future through innovation in infrastructure

Shorten Pre-Construction Timelines | Kick-Start Job Creation | Accelerate Infrastructure Delivery



Foreword

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During this time of crisis, it is imperative that public and private stakeholders come together to develop rapid solutions to help strengthen our Nation's economic recovery. One time-tested solution – infrastructure investment – offers a meaningful opportunity to create jobs and boost the economy in the midst and aftermath of the COVID-19 crisis. While immediately increasing public funding for infrastructure is critical, engaging the private sector by emphasizing alternative delivery options such as public private partnerships will unleash private sector innovation and investment, effectively transfer risk, ensure high levels of long-term performance, and leverage Federal funds to expand the amount of infrastructure that can be built and improved.

As the Nation's leading industry association for advancing public private partnerships, AlAl stands ready to help by supporting tools and measures that can be implemented quickly, and when deployed long term, can leverage a larger, multi-tiered recovery plan that includes new Federal investments. In support of the Federal role and in the spirit of public private partnerships, AlAl has embarked upon a program of educational opportunities and individual assistance to States and local governments as they prepare to implement infrastructure in their communities and put people back to work.

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April 29, 2020

The Honorable Nancy Pelosi Speaker U.S. House of Representatives Washington, DC 20515

The Honorable Charles E. Schumer Democratic Leader United States Senate Washington, DC 20510 The Honorable Mitch McConnell Majority Leader United States Senate Washington, DC 20510

The Honorable Kevin McCarthy Republican Leader U.S. House of Representatives Washington, DC 20515

Dear Speaker Pelosi, Majority Leader McConnell, Leader Schumer and Leader McCarthy,

As State and local governments struggle with severely declining revenues and drastic budget cuts as a result of the COVID-19 pandemic, I write to underscore that the private sector stands ready to assist in the economic recovery with private infrastructure investment and innovation to help our economy, and our workforce, recover from this crisis.

Private investment – leveraged through public private partnerships – supports two of the most pressing challenges of our time: creating jobs and improving our nation's infrastructure. With millions of Americans recently out of work, and the Nation facing both declining government revenues in the short term and uncertainty in the medium term, our communities must find ways to quickly retrain and re-employ those whose livelihoods have been lost.

Infrastructure can be that jobs engine. Nationally, infrastructure construction and maintenance employs millions of Americans. The U.S. Department of Transportation estimated that the economy could create 13,000 jobs for every \$1 billion spent on highways. To prevent potential projects from being derailed, and to provide budget flexibility, private infrastructure investment can be an important tool for State and local governments facing short-term funding challenges. Likewise, public private partnerships with private finance can help State and local governments accelerate delivery of new projects that are currently in the planning phase, such as surface transportation, rural and urban broadband infrastructure for underserved communities, and publicly owned buildings such as hospitals, schools, justice centers, and municipal facilities.

Over the long term, private finance can double or triple the leverage of any forthcoming Federal recovery investments passed by Congress – all while maintaining public control and ownership of the facility, and without privatization. Public private partnership delivery models are performance based with appropriate risk allocation and structured to provide transparency with taxpayer protections against default.

As the leading national industry organization, representing the top firms that design, build, finance, operate and maintain many of our Nation's most complex and important infrastructure facilities delivered with public private partnerships, AIAI believes that the time is now to leverage the job creation opportunity that infrastructure investment affords. To that end, we strongly advocate for additional Federal funding to be invested into a broad range of the Nation's infrastructure assets to provide a foundation for increased private sector financing as a means to get more work done, faster.

Now more than ever, a strong Federal role in rebuilding our infrastructure to strengthen our communities is needed. Thank you for your leadership at this important time and for your efforts to date to help our Nation respond to the pandemic. Should you have any questions or need additional information, please feel free to contact me directly at (516) 495-0560 or lbuglione@aiai-infra.org.

Sincerely

Lisa Buglione Executive Director

Los Buglione



SECTION I

AIAI Federal Policy Recommendations to Accelerate Near-Term and Long-Term Recovery

AIAI recommends a two-phased approach for infrastructure investment: near-term economic stabilization and long-term capital investment.

Initial Phase: Near-Term Economic Stabilization

As the Administration and Congress contemplate an infrastructure package to accompany already-passed economic stabilization measures, such as the CARES Act, AlAI, in concert with industry partners such as AASHTO, the National Governors Association, and other associations, recommends an immediate cash infusion to State governments for crisis response and economic stabilization. In addition, as Congress and the Administration consider additional investments, AlAI recommends the following infrastructure-related policy proposals to accelerate and leverage infrastructure development with the support of private investment and innovation.

Core Recommendations for Near-Term Economic Relief

- Incentivize State and local governments to leverage new Federal investments with private sector capital to grow the size and number of jobs-creating infrastructure projects.
- Encourage and provide an incentive for State and local governments to incorporate private financing and overall private involvement in accelerating infrastructure projects impacted by COVID-19-related construction delays.
- Designate an increasing portion of new funding for workforce training to connect new jobs with those whose existing jobs have disappeared as a result of COVID-19, and to help address a shortage of skilled labor for infrastructure projects.
- Provide additional funding for new State and local COVID-19 safety initiatives to better protect workers.
- Provide the Secretary of Transportation with the authority, if deemed in the public
 interest, to strengthen affected transportation projects financed with TIFIA loans by
 designating a lower interest rate reflective of current TIFIA financing terms, and to
 designate any savings only towards new and improved transportation infrastructure
 within the corridors.



Phase Two: Long-Term Economic Growth: Transportation

Congress should act immediately to address pressing infrastructure investment and rehabilitation needs throughout the United States and provide much needed jobs in the infrastructure industry. This can be done quickly by Congressional leadership coming together to pass the surface transportation reauthorization bill now, when it is needed the most, to provide State and local agencies with financial security for transportation project funding and financing. The Federal government should also take this opportunity, in these unprecedented times, to provide State and local governments better access to innovative tools – including public private partnerships – with the incentive of greater support for those State and local governments that begin to embrace the leverage and innovation of long-term infrastructure solutions.

Transportation Funding and Finance

- Quickly reauthorize existing Surface Transportation programs for at least five years, and longer if possible, to provide States with long-term, stable sources of Federal funding for their transportation investment plans.
- Permanently fix the Highway Trust Fund, to ensure a long-term, sustainable and resilient infrastructure funding stream for State transportation infrastructure.
- Create a pool of pre-approved, private-sector advisors (InfraLABS*) legal, financial
 and technical contracted to, and managed by, USDOT's Build America Bureau.
 These advisors would help State and local governments perform project screenings
 and value-for-money analyses of projects, and determine the appropriate alternative
 delivery model for those projects.
- Continue TIFIA streamlining processes to create a more flexible and accelerated process to encourage greater program participation and expand the assets covered.
- Create a Federal airports infrastructure financing program, similar in structure to TIFIA, with its own dedicated funding for airports currently owned and operated by the public sector, with a special focus on rural airports that are the only air connection for a region.
- Encourage the Secretary of Transportation to utilize the existing TIFIA authority to enable infrastructure loans at the fullest statutory level of participation of 49%.



Private Activity Bonds (PABs)

- Eliminate the volume cap on current surface transportation Private Activity Bond allocations.
- Remove the current Alternative Minimum Tax (AMT) penalty on Private Activity Bonds.

Continue to Modernize the Environmental Review Process

Continue efforts to modernize the Federal permitting process by instituting best procurement practices, requiring better coordination of Federal agency reviews and accelerating final decisions. This modernization should focus on support needed to get early work packages complete for major projects being procured now, to maximize the benefit to the American economy.

Asset Recycling

Clarify IRS Rev. Proc. 2018-26 Guidance to ensure that the outstanding tax-exempt bonds for "recycled" assets can either remain outstanding or be refinanced in a like amount with PABs (no volume cap required).



Public Buildings & Social Infrastructure

The vast majority of public facilities in the United States are owned by State and local governments. Unfortunately, long-term funding constraints have resulted in many of these facilities falling into disrepair, resulting in a massive maintenance backlog liability and higher energy costs. In this economic crisis, the Federal Government can lead the way in addressing this nationwide need, improve working environments for millions of hardworking civil employees, and lower energy usage. The Federal Government has an opportunity to help State and local governments by providing needed funding, as well as providing incentives to encourage private sector participation. New Federal funding for facilities, leveraged through private participation with long-term maintenance agreements, will achieve policy goals today and into the future. Investment in this much-needed infrastructure through the right partnerships will also get Americans back to work sooner.

Infrastructure Policy & Finance: AIAI Recommendations to Congress

Federal Budget Scoring: Encourage the Federal Government to revise and strengthen its budget scoring rules to better reflect the importance of long-term commitment to proper maintenance and investment. These revised scoring provisions should apply to the entire Federal real estate portfolio.

Improving Veterans Administration Healthcare Facilities: Expand leasing authority for the Department of Veterans Affairs (VA) to address the agency's capital backlog of deferred maintenance. A VA P3 Infrastructure Pilot would create a unique opportunity to test the efficacy of using public private partnerships to address the healthcare infrastructure needs of the VA, in a more cost-effective, efficient manner.

Modernize Federal Buildings: Pass H.R. 4485, the Public Private Partnership for Prosperity Act of 2019, to create measured P3 opportunities for the broader Federal real estate portfolio to better resolve construction and maintenance backlogs, developing a means for cost savings to the taxpayer and improved use of Government resources.



Social Infrastructure Incentive Pilot Program for States, Cities and Municipalities (InfraLABS): Broaden AlAI advisors' recommendation to include social infrastructure owned by State and local governments (state medical facilities, state office buildings, public institutions of higher education, schools, state justice centers and facilities). Under this Federal program, alternative delivery expertise would be provided to the States through a pool of advisors hired, managed, and paid by the Federal Government. This guidance would also come with financial support for pre-development costs in the hopes of accelerating projects into the construction phase. The goal of this program would be two-fold: accelerate job creation through the deployment of private capital into public buildings projects, and long-term cost savings generated from the proper maintenance of public facilities through the P3 model.

Expand the Use of PABs: Allow for the use of PABs to encourage private sector participation in public infrastructure investment beyond transportation, to include environmental, broadband, renewable energy and public facilities projects.

PABs for Social Infrastructure: Pass S.932 & H.R. 1251, the Public Buildings Renewal Act of 2019. This will increase the availability of financing dedicated to the development or re-development of needed energy-efficient public facilities across the United States.

Broadband - Urban and Rural Accessibility through Infrastructure: Create a Pilot Program to accelerate broadband infrastructure deployment to underserved urban and rural areas using a combination of public and private investment. To accelerate broadband deployment, the Secretary of Transportation should be given authority to waive federal requirements that impair accelerated delivery.



SECTION II

How Private Industry is Contributing to Recovery Efforts: Creating Jobs and Accelerating State and Local Infrastructure Projects

Education | Private Investment | Project Acceleration | Pipeline Development

Infrastructure is a proven avenue to reinvigorate the economy and get it back on track, provide jobs quickly and, if focused on procurement of sustainable and resilient infrastructure, can provide lasting value to the public through improved public facilities. In support of funding increases from the Federal Government, AIAI has adopted several initiatives at the State and local level to promote economic heath and leverage job creation using private capital for public infrastructure.

State Outreach for Procurement Readiness

One strategic AIAI goal is to identify markets and agencies that have the necessary legislation in place and explore opportunities to promote the P3 model to support their infrastructure needs through enhanced delivery, using private investment when addressing their capital project plans. The larger result is the ability to develop a strong pipeline of projects across the Nation, further accelerating economic recovery.

Project Identification and Private Financing

Critical public transportation and social infrastructure projects throughout the nation have been delayed or shelved due to the current economic and healthcare crisis. Many of these infrastructure projects would move forward if a source of capital were available – a source that the State or local public owner may not be able to provide at this time. The members of AIAI stand ready to work with both private and public sector partners to identify key projects that have stalled due to the current crisis, which can benefit from the immediate deployment of private capital to get the project moving forward.

The private sector can work closely with public owners to help them accelerate procurement to move projects forward. This greater coordination of infrastructure investment discussions would help get projects moving, create jobs and deliver sustainable infrastructure to stabilize and keep the American economy growing.



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Anthony Phillips

Regional Managing Director North America John Laing *Director* April 29, 2020

The Honorable Larry Hogan Governor of the State of Maryland 100 State Circle Annapolis, MD 21401

Chair, National Governors Association 444 N. Capitol Street, NW, Ste. 267 Washington, DC 20001

Dear Governor Hogan,

Thank you for your leadership during this difficult period in our history. While the economic challenges facing Maryland, as well as all other States, may be daunting, there is a path to short-term recovery and long-term economic stabilization and growth.

As you well know, infrastructure investment is a proven solution to help get the economy back on track. Investment in our infrastructure provides good paying jobs quickly, providing lasting value to the public through improved public facilities and sparking future innovation through initiatives like rural broadband and environmentally advanced buildings. In the current economic environment, we believe it is this sort of investment that is needed to create the capacity and jobs to help our communities recover from the economic shutdown resulting from the COVID-19 epidemic. Like you, it is our hope that Congress will provide much-needed short-term liquidity for States facing rapidly declining revenues, as well as new Federal infrastructure dollars that can be leveraged by private sector capital.

Understanding that Maryland has embraced the benefits of private investment to deliver upon a quality infrastructure program, we encourage you to continue to use your position to inform your counterparts across the Nation about tools such as public private partnerships, so that they, too, can maximize the impact of any forthcoming Federal investments.

As you continue your important work to lead your state during this pandemic, AIAI stands ready to assist you and your colleagues as you address the crisis COVID-19 has brought to your communities. Please feel free to contact me directly at (516) 495-0560 or lbuglione@aiai-infra.org.

Sincerely,

Lisa Buglione Executive Director

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Regional Managing Director North America John Laing *Director*

DATE

NAME ADDRESS LINE 1 ADDRESS LINE 2 ADDRESS LINE 3

Dear [NAME],

Thank you for your leadership during this difficult period in our history. While the economic challenges facing [STATE] may be daunting, there is no doubt a path to short-term recovery and long-term economic stabilization and growth.

Historically, infrastructure programs have been a vital component of stimulus efforts in times of economic stress in this country. The impact of these programs, given the vast number of projects needed at all levels of government, the sizable impact on the work force in terms of immediate job creation, and the overall economic enhancement opportunity that improved infrastructure can bring to communities, cannot be overstated.

There is much conversation at the Federal level regarding potential funding programs to assist State and local governments given the current economic situation. This much-needed funding is critical to help State and local governments work their way through these difficult times.

We want you to know that we, as private industry, are working to help ensure that this funding is provided as rapidly as possible and with maximum flexibility to the recipients. We also would like to make sure that you are aware that we are anxious to provide any assistance we possibly can to help you leverage these funds to the greatest extent possible. To that end, we would like to highlight that important tools such as public private partnerships and private infrastructure finance are available and may be applicable to your projects/programs to ensure that you create the maximum impact of any forthcoming federal investments for your State.

The opportunities to develop and accelerate projects through alternative delivery approaches like public private partnerships are numerous. Benefits from the use of the model include moving projects forward more quickly; greater innovation; appropriate risk allocation; additional environmental enhancements; better overall life cycle solutions; and more efficient performance over the project's life – all of these features can be the result of delivering projects with a long-term private partner.

The Association for the Improvement of American Infrastructure ("AIAI") would like to offer the assistance of our members to you to see if there are ways that public private partnerships might help you as you move forward. We believe we can be particularly helpful if you have projects that have completed or nearly completed their planning phases. There may be opportunities for you to rapidly advance these projects with private capital partners. Private investment can be utilized to cover funding shortfalls as owners wait for promised federal support to arrive. Please find attached to this letter AIAI's State Recovery Guidance. This outline provides the beginning steps that your agency may want to use to engage with the private sector in public private partnerships to see if this approach can work for you and help get people back to work in your community.

We very much look forward to the opportunity to discuss your projects and/or programs with you to see if public private partnerships might be the solution you need. Please feel free to contact me directly at (516) 495-0560 or lbuglione@aiai-infra.org.

Sincerely,

Lisa Buglione Executive Director

Lisa Buglione



CONTACT US: 202.836.8820

GUIDE TO STATE RECOVERY

State and local communities have been severely impacted by the COVID-19 crisis. Congress is working on a public infrastructure recovery plan across all sectors. State and local governments should be prepared, further arming themselves with the knowledge and resources to get the maximum benefit from the Federal support package. Implementation of a local infrastructure development plan is a proven path to economic resilience. The following steps assist in creating a plan to develop a robust infrastructure program using tools such as private capital and public private partnerships.

Steps to Project Identification and Acceleration

- 1. Identify those projects within the CIP (or other planning documents) that could be moved into procurement quickly or (and maybe even better) identify those projects/programs suffering from maintenance backlogs.
- 2. Select from those projects, those most likely to be successful as a public private partnership or some style of alternative procurement method.
- Analyze this smaller list of projects to determine which projects will achieve:
 - Maximum job creation and job training opportunities;
 - Maximum utilization of federal funding through leveraging of private financing.
- Select those projects that can achieve:
 - Faster delivery through the involvement of private capital;
 - Lower long-term cost of ownership through enhanced maintenance;
 - Long-term revenue generation.

How can Public Private Partnerships help get Americans back to work?

Address current shortfalls through innovative project financing options.

Put Federal funds to work faster through private financing tools.

Protect taxpayers through increased and appropriate risk transfer to the private sector and long-term O&M contracts.

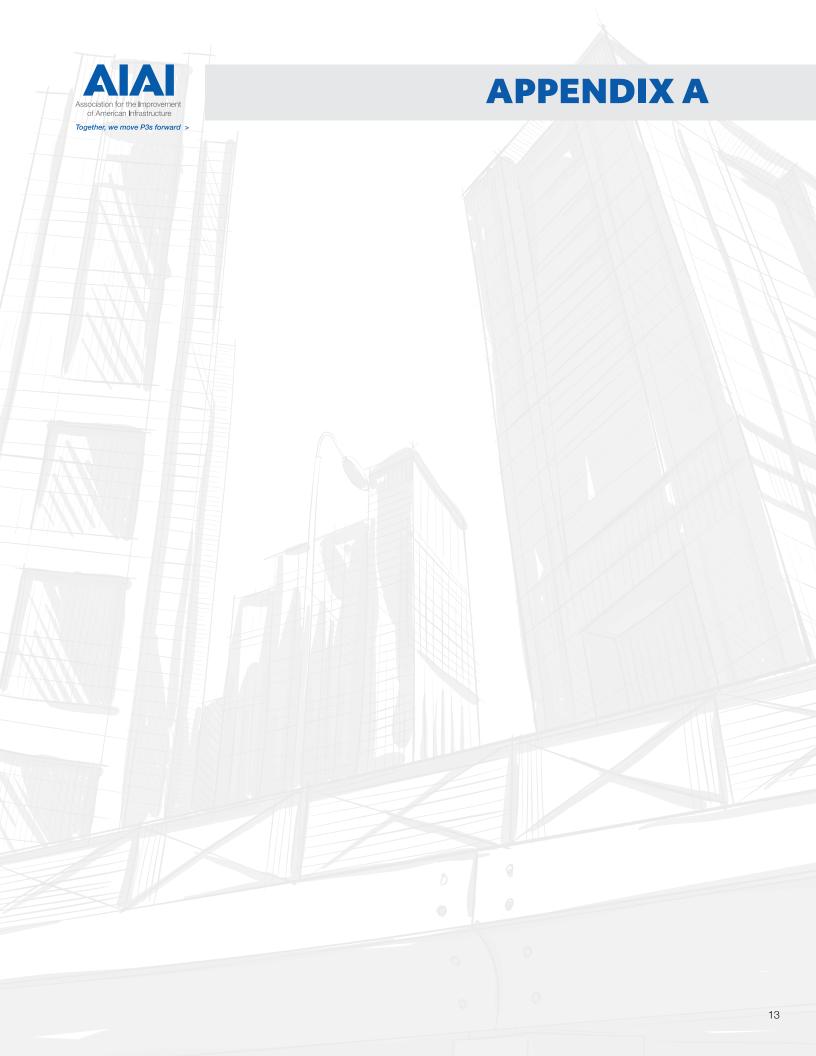
Invest in large-scale, resilient infrastructure that will generate thousands of jobs.

Sustain long-term job creation and robust economies.

Which types of projects can be Public Private Partnerships?

Many projects across various sectors have seen success with the P3 procurement model. Here are a few examples:

- Transportation: Surface Air Rail Marine
- Urban and Rural Broadband
- Schools & Courthouses
- Energy



Draft: July 11, 2019

Calendar No.

S. [•]

116th CONGRESS

1ST SESSION

To authorize programs and activities to support efficient delivery of infrastructure priorities at the local and State level.

IN THE SENATE OF THE UNITED STATES

August [●], 2019

[●] (for [herself][himself], [●], and [●]) introduced the following bill; which was referred to the Committee on Commerce, Science, and Transportation

A BILL

To authorize programs and activities to support efficient delivery of infrastructure priorities at the local and State level.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE

This Act may be cited as the INFRA LABS (Lifecycle Advisors for Building States) Act.

SEC 2. ADVISORY SERVICES BLOCK GRANT PILOT PROGRAM

Section 116 of title 49, United States Code, is amended by adding at the end of subclause (e)(2) and new subclause (f) as follows:

- (f) By administering the INFRA LABS Grant Pilot Program.
 - (1) **In General**. To support State and local government's assessment of the appropriateness of innovative and efficient procurement methods to deliver projects and otherwise carry out the Bureau's purposes set out under clause (b) of this Section 116, the Bureau shall establish the

Infra Lifecycle Advisors for Building States block grant pilot program (the "INFRA LABS grant program") to provide flexible funding for Federally-procured infrastructure advisors to help local and State government project sponsors analyze the feasibility of efficient and innovative delivery methods. The INFRA Labs grant program shall be implemented in accordance with any rules, regulations or policies established by the Bureau in its discretion, subject to the requirements in this Section 116(e)(2)(f).

- (2) **Administration**. Grants administered by the Bureau under this Section 116(e)(2)(f) will fund Predevelopment Costs in an amount not to exceed \$1,000,000 per Eligible Project requested by an Eligible Applicant complying with the requirements under this Section 116(e)(2)(f) and any other requirements established by the Bureau and shall be disbursed in accordance with the following:
- (A) up to the first \$500,000 of Predevelopment Costs for any Eligible Project may be funded 100% by the INFRA Labs grant program;
- (B) up to the next incremental \$1,000,000 of Predevelopment Costs for any Eligible Project may only be funded on a 50/50 ratio between the INFRA Labs grant program and the Eligible Applicant; and
- (C) each State and collectively with all Eligible Applicants within a State, shall not receive more than \$1,000,000 in the aggregate of funding for the first three (3) years of the INFRA Labs grant program.
- (3) **Predevelopment Costs**. "**Predevelopment Costs**" are costs arising from the following with respect to any Eligible Project prior to initiation of any procurement:
 - (A) project planning, feasibility studies, revenue forecasting, economic assessments and costbenefit analyses, public benefit studies, value-for-money analyses, business case development, lifecycle cost analysis, risk assessment, financing and funding options analysis, procurement alternatives analysis, statutory and regulatory framework analysis and other preprocurement and pre-construction activities;
 - (B) preliminary design and engineering necessary to the extent necessary to support any feasibility studies or analysis;
 - (C) financial and legal planning (including the identification of statutory authorization, funding and financing options);
 - (D) early assessment of permitting, environmental review and regulatory processes and costs; and

- (E) the services of external financial, technical and legal advisors made available under this Section 116(e)(2)(f) in connection with clauses (A),(B),(C), and (D) of this definition and other related legal costs that may be incurred.
- (4) **Award**. The INFRA Labs grant program will be awarded on a competitive basis in accordance with, and implemented in a manner that, except as otherwise determined by the Bureau, is consistent with the surface transportation block grant program under 23 USC Section 133 (excluding Sections 133(d)(3), 133(f) 133(i)) and must apportion, at least 25% of annual funding to areas in a State which are areas other than urban areas with a population greater than 25,000. The limitations and requirements of 23 U.S.C. Section 603(9) and 23 U.S.C. 117(j)(2) shall not apply to funds received under the INFRA Labs grant program.
- (5) **Advisors**. The Bureau shall establish a pre-qualified pool of private sector financial, legal and technical advisors. These advisors must be experienced in providing advisory services that will enable Eligible Applicants to assess the appropriateness of innovative and efficient procurement methods to deliver Eligible Projects and otherwise comply with the intent of this Section 116. This pre-qualified pool of advisors will be competitively procured at least once every 5 years. Any advisor procured under the INFRA Labs grant program must comply with the applicable rules of professional responsibility governing conflicts of interest in any jurisdiction, (federal, state or local) where such advisor is providing advisory services in connection with the INFRA Labs grant program. The INFRA Labs grant program shall enable Eligible Applicants to engage these advisors either:
 - (A) directly and seek reimbursement from the Bureau for eligible Predevelopment Costs; or
 - (B) through the Bureau directly,

each in accordance the rules established by the Bureau.

- (6) **Repayment**. Any INFRA Labs grant received by an Eligible Applicant shall be refunded to the Bureau where the Eligible Applicant implements an Eligible Project as described in the Eligible Applicant's application and as otherwise determined by the Bureau.
- (7) Eligible Applicant and Eligible Project.
 - (A) an "Eligible Applicant" means (i) a State or group of States; (ii) a metropolitan planning organization that serves an Urbanized Area (as defined by the Bureau of the Census) with a population of more than 200,000 individuals; (iii) a unit of local government or group of local governments (including rural governments); (iv) a political subdivision of a State or local government; (v) a special purpose district or public

authority with a transportation function, including a port authority; (vi) a Federal land management agency that applies jointly with a State or group of States; (vii) a tribal government or a consortium of tribal governments; (viii) a multi-State or multijurisdictional group of public entities or (ix) any territory under the sovereign jurisdiction of the Federal government.

(B) an "Eligible Project" means those individual projects that are eligible for financing or funding under any of the financing or grant programs that the Bureau administers under clause (d) of this Section 116.

