

August 3, 2025

## RESOURCE

# Innovative Financing for Public Infrastructure: A Catalog of Potential Tools

## Alternatives to grants for advancing your infrastructure project

While questions abound regarding the future of discretionary grant funding for infrastructure projects, local leaders should begin considering how other forms of capital can be leveraged to support local infrastructure needs. Innovative finance has evolved to bridge investment gaps between available resources and needs and advance projects where traditional public funding sources may fall short. Innovative finance for infrastructure can include debt instruments, credit assistance and enhancement, contracting mechanisms, and value capture tools, like tax-increment financing. Strategic real estate development approaches, such as transit-oriented development, can also open doors for these and other financing options.

This resource focuses on these innovative finance mechanisms and strategies, providing practical definitions and showcasing how cities have leveraged them to meet local needs. Altogether, the catalog serves to inspire local leaders to consider how different financing tools can be used to advance their pipelines of infrastructure projects.

This resource highlights examples of how localities have leveraged the following tools to advance infrastructure projects:

- **Municipal bonds**
- **Build America Bureau programs**
- **Asset concessions**
- **Tax-increment financing**
- **Transit-oriented development (TOD) as a development strategy to unlock financing options, raise revenue, and support infrastructure development.**

## Municipal Bonds

Municipal bonds are debt instruments issued by local governments to finance capital projects, including infrastructure projects. They allow local governments to raise upfront capital from investors, with repayment made over time through tax revenues or project-generated income (e.g., see the TIF and asset concessions sections). Municipal bonds can offer favorable interest rates and are often tax-exempt, reducing borrowing costs.

Tempe, Arizona [issued \\$110.7 million in bonds](#) to finance infrastructure and public safety improvements, including water and sewer infrastructure upgrades. The bonds, issued in June 2024, mature between 2025 and 2044, yielding 3.2-4.25% percent. In November 2024, the residents [voted in favor of an additional bond issuance](#) of up to \$581.5 million for additional public safety and roadway improvements, as well as to increase the supply of affordable housing.

Availability of municipal bonds as a financing option will vary by locality and state. In some cases, municipal bonds may require public approval via a ballot measure. For more information on how to plan for a ballot measure, please review the Local Infrastructure Hub's resource, [Innovative Capital Stacks: Ballot Measures for Local Infrastructure Investment](#).

## Build America Bureau

The US Department of Transportation's (USDOT) Build America Bureau (The Bureau) is responsible for supporting transportation infrastructure development projects. By consolidating USDOT's financing programs under one office, the Bureau is intended to streamline federal credit opportunities, while also providing technical assistance and encouraging innovative best practices in project planning, financing, delivery, and monitoring. The Bureau coordinates with states, municipalities, and project sponsors seeking to utilize federal transportation expertise, apply for federal transportation credit programs, and explore ways to access private capital in public-private partnerships.

The Bureau combines USDOT's loan programs and technical assistance under one roof within the Office of the Undersecretary for Policy. Programs administered by the Bureau include Transportation Infrastructure Finance and Innovation Act (TIFIA) lending, Railroad Rehabilitation and Improvement Financing (RRIF), and Private Activity Bonds (PABs). These programs predate the 2021 Infrastructure Investment and Jobs Act (IIJA) and have remained stable through Administration changes.

### Transportation Infrastructure Finance and Innovation Act (TIFIA)

TIFIA provides credit assistance in the form of direct loans, loan guarantees, and standby lines of credit. Major requirements include minimum anticipated project costs based on project type (\$10-50 million), investment grade rating requirements, dedicated repayment sources for TIFIA and other debt, and a cap of 49% of total costs, per a [July 2025 announcement](#) from USDOT. Prior to the shift, TIFIA assistance was capped at 33% of total costs, with various exemptions that allowed for assistance to specific projects to be capped at 49%, now the TIFIA cap is uniform across all projects.

Eligible applicants, or "project sponsors" include state and local governments, as well as state infrastructure banks, private firms, special authorities, and transportation improvement districts. Given that it is repaid by the project sponsor or designated source, TIFIA loans can typically be counted towards the non-federal cost share for an infrastructure project.

In cases where a project is not large enough for TIFIA financing, project sponsors typically aggregate projects into a portfolio that is of sufficient scale to be financed by TIFIA. Notable projects supported by TIFIA include the [Dulles Corridor Metrorail Project](#), [Port of Miami Tunnel](#), and the Mt. Vernon Library Commons featured later in this catalog.

### Railroad Rehabilitation and Improvement Financing (RRIF)

USDOT is authorized to provide direct loans and loan guarantees under RRIF to finance the development of railroad infrastructure. According to a [Build America Bureau resource](#) on the program, RRIF can be used to finance transit-oriented development to: "finance economic development, including commercial and residential development, and related infrastructure and activities, that (i) incorporates private investment; (ii) is physically or functionally related to a passenger rail station or multimodal station that includes rail service." Under RRIF, direct loans can fund up to 100% of a railroad project with repayment periods up to 35 years and interest rates equal to the cost of borrowing to the government.

Eligible borrowers include railroads, state and local governments, government-sponsored authorities and corporations, limited option freight shippers, and joint ventures that include at least one of the preceding. Notable projects supported by RRIF include the [Hudson River Tunnel Project](#) and the Dallas Area Rapid Transit (DART) [Silver Line Regional Rail project](#).

### Private Activity Bonds

Private Activity Bonds (PABs) offer a financing option for transportation projects that are privately developed, built, financed, operated, and/or maintained utilizing P3 project delivery methods; PABs come with a lower cost than comparable taxable bonds. Denver's [Eagle Public-Private Partnership \(P3\) Project](#) includes the development of new rail transit along three corridors in the City, leveraging an innovative capital stack that includes \$398 million in PABs, a \$280 million TIFIA loan, and a \$1 billion FTA New Starts Full Funding Grant Agreement (awarded in 2011), in addition to private equity contributions, local tax revenues, revenue bonds, and additional federal grants to cover the \$2 billion project. The PABs were awarded to Denver Transit Partners – a consortium of more than ten private entity partners contracted by the Denver Regional Transit Department to design, build, finance, operate and maintain the project until 2044. The project was complete and operational in 2019, connecting the three new commuter rail corridors from Denver's Union Station with Denver International Airport, the City of Wheat Ridge, and South Westminster.

## State Infrastructure Banks (SIBs)

Several states have infrastructure banks, which can offer a range of credit assistance to advance eligible projects, much like a private bank. These State Infrastructure Banks (SIBs) are revolving loan funds capitalized with federal and/or state dollars to support eligible transportation and infrastructure projects.

SIBs help stretch public dollars by recycling repayments into new investments and offering flexible terms to meet local project needs. Financing tools offered by SIBs include, but are not limited to, low-interest loans, credit assistance, or loan guarantees.

The [Ohio State Infrastructure Bank](#) is one example. Ohio's SIB can provide direct loan and bond financing for capital projects to improve highway, transit, rail, and intermodal facilities. MPOs in Ohio can pledge future formula allocations as repayment sources for SIB loans.

The [SMART2 Network Project](#) in Youngstown, Ohio is one project advanced by a loan from the SIB. The Eastgate Regional Council of Governments (COG), the MPO for the Youngstown Metropolitan Area, used a SIB loan for the project, which included roadway resurfacing, bicycle facilities, reconfiguration and reconstruction of streets, pedestrian lighting, and more. Alongside the City of Youngstown, the COG developed a \$5 million SIB loan proposal, which pledged future STBG Program funds to repay the loan. The \$5 million loan helped the COG to secure the full \$32 million budget to finance the entire project, which also included a 2018 BUILD Grant for \$10.8 million.

The first step for a locality considering this form of innovative finance for an infrastructure project, or set of projects, should be to reach out to the State DOT to determine (a) if this is an option and (b) understand eligibility requirements.

Through the Center for Innovative Finance Support, the FHWA tracks [SIBs](#) capitalized by two federal pilot programs authorized by the National Highway System Designation Act of 1995 and the Transportation Equity Act for the 21st Century. In 2005, Congress authorized a [permanent SIB program](#) although no states have created SIBs under this program.

## Asset Concessions

Asset concessions are a means by which infrastructure asset owners can monetize a public asset to raise revenue for debt repayment or future investment. Technically speaking, they are long-term agreements where a public entity grants a private partner the right to finance, build, operate, and maintain a public asset in exchange for assuming risk and recouping investments through user fees or public payments, while the public sector maintains ownership.

The asset concession model enables governments to unlock the value of existing public assets without selling them, generating funds for community priorities like infrastructure or other needs. Asset concessions can be structured to protect public interests, maintain public ownership, and ensure accountability while drawing on private sector expertise and capital to modernize and maximize the use of underutilized or aging assets and infrastructure. For example, where cities have invested in fiber networks to support smart city operations, excess fiber capacity can be leased to internet providers to enhance broadband access, increase competition, and generate public revenue.

Frequently, these are used by municipalities to enable publicly owned rights of way to be leased out to utility providers to enable the development and operation of water, electricity, and broadband utilities. Parking garages and/or parking meters can be leased out to private operators as a means of monetizing public parking assets. Street light upgrades, like those in [Chicago](#), have also been financed by asset concession models.

In Mesa, as profiled in a [Transformative Projects Case Story](#), the City is using innovative Fiber License Agreements to allow internet providers to build, maintain, lease, and operate the fiber network along and across public roads – fostering competition, affordable internet access, and fiber access for city services. Additionally, licensees either pay an annual fee of approximately \$22-25 million per year or can opt to pay 2% of their gross revenue from the network they provide and operate, providing additional revenue for the city.

In [Indianapolis](#), the City leased nearly 3,700 city parking meters through a 50-year concession. The transaction provided the city \$20 million upfront, as well as an estimated \$300-600 million share of ongoing revenues over the course of the 50-year lease term. The benefits became apparent quickly as the privately operated and maintained parking system provided more payment options for motorists, pay-by-phone functionality, and higher quality equipment within the metered parking system.

Asset concessions are also a common tool used for large surface transportation investments whereby the new asset is leased to a private entity to operate and manage in return for concessions by way of user fees. Here, the private entity makes an upfront payment to the project sponsor for the rights to the asset.

For example, a State DOT can contract with a toll road development company to design, build, finance, operate, and maintain a tolled managed lane project. Airports also enter into concessionary agreements to enhance and manage terminal operations. Asset concessions work when there is a user fee or revenue stream naturally produced by the asset like those mentioned above or a water or sewer utility; an asset concession will not work on a collective good where the public is used to receiving those benefits through regular tax dollars such as a community park or neighborhood library.

## Tax Increment Financing

Tax increment financing (TIF) is one of the most common tools used by local governments to generate revenue for public infrastructure projects. TIF is a public finance tool which uses the future increase in property tax revenues generated by a development project to pay for the upfront costs of that project. TIF is especially useful for longer-term projects, or for unlocking complex and high-cost sites to develop, like those requiring major infrastructure upgrades or site remediation as the property tax revenue increase goes to reimburse these costs. TIF revenues are often used to secure debt and pay off that debt over a multi-year period. TIF revenues can be used exclusively for public costs associated with a project, or they can be used to subsidize costs incurred by a private development partner. TIF is a form of value capture, but not the only form of it, other forms of value capture include special assessments, taxes, and air rights.

The Atlanta Beltline (see below for more details) used TIF, enabling the city to fund the trails, transit, and park infrastructure upfront and repay the costs over time by using the increase in property tax revenues associated with rising property values along the Beltline Corridor.

### Atlanta Beltline

The [Atlanta Beltline](#) is a planned 6,500-acre development looping around downtown Atlanta, expected to spur 15,000 acres in development beyond the immediate area. It has been under construction since 2006, opening in phases since then, with completion expected by 2030. The project connects 45 neighborhoods through 45 miles of streetscape alterations, 33 miles of trails, 22 miles of streetcars, and 2,000 acres of parks.

The Atlanta Beltline is funded by the Beltline Tax Allocation District (TAD)\* and the Beltline's Special Service District (SSD)\*\*, in addition to grants and philanthropic sources. While the TAD is an example of TIF, the SSD covers a more limited geography and is an additional property tax millage with funding going more towards operations and maintenance.

The Beltline's FY 2026 budget was approved in June 2025, with the Beltline TAD providing for about 75% of the \$242 million budget.

*\*TIFs may have a different name, like Tax Allocation District, depending on the jurisdiction and state/local naming practices based on the authorizing statutes.*

*\*\*SSDs are often also known as Business Improvement Districts (BIDs) or other names defining a specific area that has chosen to tax itself at a higher rate in return for additional services.*



On a smaller scale, [Hartford, VT](#), is an example of TIF in practice and delivering results. In 2011, the town of just about 10,000 residents established a TIF District around White River Junction Village. White River Junction Village is a village within the town of Hartford, VT and is a historic transportation hub.

Since then, Hartford has completed a number of infrastructure projects to upgrade and enhance the area. As of 2018, the city had invested roughly \$13 million in infrastructure, spurring \$60 million in private investment. The district's base property value is expected to grow from \$32 million at the start to \$79 million at full buildout. With organic private development now, the TIF district may soon become self-sustaining, generating sufficient tax revenue annually to cover the costs associated with infrastructure development projects without depending on additional bonds or subsidies without depending on additional bonds or subsidies.

## Organizing a TIF District

Before establishing or planning for a TIF District, local leaders need to understand their state statutes that authorize TIF, which define eligibility, formation requirements, duration of the TIF, eligible funding uses, and revenue sources. The Council of Development Finance Agencies [lists the enabling legislation](#) in 49 states and the District of Columbia. Once legal authority is established then a locality can move forward.

The first step of the process is to conduct necessary planning and feasibility studies to assess the potential for property value growth and accompanying tax revenue increases, catalog infrastructure needs, define district boundaries, identify baseline assessed values, and inventory potential projects. Public outreach is also important, as it is for any infrastructure project, to ensure transparency with the community, build political support, and ensure that the planned investments and value capture mechanisms are responsive to the community needs. Lastly, the requisite governing body, usually your city council or county commission, must pass an ordinance or resolution to create the district, approve the plan, set the base year (i.e., what is the baseline assessed value), and define how incremental revenue will be spent. The requirements, eligibility, and opportunity within a TIF law can vary significantly by state.

Throughout the process of establishing and managing a TIF district and associated revenue, local leaders must be sure to develop and adopt appropriate governance structures to handle reporting and administration requirements, as well as to oversee implementation of the district plan.

## Transit-Oriented Development

Transit-oriented development (TOD) is a form of development that emphasizes dense, walkable, mixed-use development around public transportation routes and hubs to build vibrant and connected communities. By clustering jobs, housing, services, and amenities around transit routes and hubs, local leaders can drive investment, sustainable economic growth, reduce congestion, and improve safety.

While not a means of financing itself, TOD can open paths to financing infrastructure development. TOD enables more concentrated infrastructure investments and increases property tax revenues, which can be captured via TIF or other value capture mechanisms. Generated revenue can then be used to repay debt taken for the initial development, or for future investments in infrastructure or other community needs. Additionally, publicly owned assets such as transit agency-owned properties, publicly owned land and properties, or even air rights can be leveraged to finance new infrastructure investment and encourage development around transit.

Under the Infrastructure Investment and Jobs Act (IIJA), TIFIA and RRIF financing is eligible for some TOD projects, providing a means for local leaders to connect developers to low cost financing for development. TIFIA and RRIF projects require a public sponsor or demonstration of strong public involvement, as indicated by inclusion in the regional or statewide Transportation Improvement Program (TIP). The appeal to both the city and local developers is clear: the city can support long-term, equitable development while the developers will be able to tap into lower-cost capital and both have a stake in the project.

In 2024, the Build America Bureau [approved its first TOD TIFIA loan](#) for up to \$26.8 million for the Mt. Vernon Library Commons Project in Washington state. Within walking distance of Skagit County's multimodal transportation center, the project includes a multi-use building with a public library, community center, meeting rooms, STEM Center, and more. The City of Mount Vernon submitted a letter of interest in January 2023 before formally applying in March of 2024. The credit agreement was then executed at the end of April 2024. The development's colocation with a critical transportation asset can generate additional ridership and utilization of the multimodal transportation center.

The Mt. Vernon Library Commons Project is a strong candidate for this loan product for a few reasons. First, Mt. Vernon pledged a limited tax general obligation to ensure a dedicated revenue stream for the Library Commons. The loan also enhances the impact of the project's awarded discretionary grants as well as its HUD Section 108 loan guarantees that make up the capital stack, demonstrating an innovative and replicable approach to financing that blends grants and low-cost loans to maximize investment impact. Lastly, a key goal of TIFIA is to foster partnerships that attract public and private investment for the project – the Library Commons achieves this by combining an array of community resources within the [Cascadia Innovation Corridor](#), enhancing the attractiveness for private investment. The library offers a place for seniors to gather, an early learning hub, access to digital literacy, new business incubation, and employee training. The facility was completed and formally opened at the end of September 2024.

## Innovative Finance and Asset Concession Grant Program

The IJA created a new grant program, the Innovative Finance and Asset Concession Grant (IFAC) Program, which provides funding to support public entities in exploring innovative financing and delivery opportunities. As a result of this legislation and challenges relating to high interest rates, public entities and developers alike have looked to innovative ways of financing and delivering infrastructure projects. One key goal with this program is to help steer project sponsors towards TIFIA and RRIF options, where revenue from asset concessions can be leveraged as the dedicated repayment source.

The Build America Bureau is expected to issue its next Notice of Funding Opportunity (NOFO) for the IFAC Program in the Summer of 2025 for new applicants.

Roanoke, VA was [awarded a \\$770,000 grant](#) from the Build America Bureau's Innovative Finance and Asset Concession Grant Program which the City will use to assess TOD opportunities. The grant will allow Roanoke to explore possibilities to leverage the property value of assets within a half mile of the City's Amtrak Station to develop a robust transit hub. By focusing on properties that can be repurposed within a half-mile radius, the City and developers will be able to pursue TOD-finance. Additionally, the use of publicly owned properties provides a path by which the City can shape the development – enabling the inclusion of new assets like affordable housing units.

## Conclusion

As the future of discretionary grant funding continues to take shape, local governments must take a proactive approach to exploring innovative financing tools that can help to bridge funding gaps and unlock new sources of capital. This resource has outlined a range of mechanisms that can be leveraged and tailored to local contexts, independently and together, to build robust capital stacks.

Local leaders are encouraged to assess their infrastructure needs and institutional capacity and engage with state and regional partners to understand what options are available, and how they can be leveraged. By understanding and leveraging the full array of financing options, localities can continue to meet local infrastructure needs.