Promotional feature

The road to prosperity: how managed lanes are combining strong returns with societal benefits

The US managed lanes market is seeing strong performance and a growing pipeline, presenting attractive opportunities for investors and state transportation departments, while also easing congestion for road users.

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The way managed lanes are financed in the US may be about to shift. Of the $30bn the US Department of Transportation is authorised to allocate in Private Activity Bonds (PABs), only $500 million remains available for future projects.

“This is insufficient to finance the current pipeline of projects,” says Casey Bush, director of infrastructure and public-private partnerships at KeyBanc Capital Markets (KBCM). “If the federal government doesn’t authorise additional funding, project sponsors will be required to seek alternative financing solutions such as taxable municipal bonds, private placements, or bank debt to deliver the highest value to project owners.”

Historically, managed lane projects have relied on a capital stack consisting of a combination of:

* Private Activity Bonds (PABs)

* TIFIA loans

* Private equity

“To date, these projects have delivered strong returns to both debt and equity investors, as well as state transport departments,” says Casey.

One example is Texas’s recent decision to exercise its right to terminate the SH288 project. “The contracted termination value of the project was lower than the current fair market value due to how significantly the project was overperforming,” he notes. “While this may not have been an ideal outcome on its face, it does serve as evidence of how well these assets are performing.”

With PABs running low, the financing model may need to evolve. That shift is happening just as the market enters a new phase of growth.

Track record of success

Managed lanes – where drivers pay to use a dedicated lane or stick with slower general-purpose lanes – have become a proven model across the US. Pricing is dynamic, adjusting to traffic levels in real time to manage demand and maintain reliable journey times.

Early projects laid the groundwork:

> * Capital Beltway, Virginia (opened 2012): 14 miles of new lanes added to the I-495 around Washington, D.C.
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> * North Tarrant Express, Texas: a multi-phase, 36-mile corridor connecting Fort Worth to DFW airport.
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> * I-77, North Carolina: 26 miles of variably priced lanes in the Charlotte area.
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> * I-66, Virginia: 36km outside the Capital Beltway, opened in November 2022.
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> * LBJ Freeway, Texas: currently adding three new lanes in each direction to address rising congestion and population growth.

Each has outperformed traffic projections. Compared to conventional toll roads, managed lanes generally offer a better risk-return profile and face fewer risks from new competing routes.

Public acceptance has also shifted. “After years of use, public support has grown, and with it, a desire to see the model replicated nationally,” says Casey.

Next wave of projects

The SR400 project in Georgia, expected to reach financial close this summer, is another major milestone. It has attracted a substantial concession fee and could reignite both investor and sponsor interest nationwide.

The market outlook is strong. “Alongside SR400, two more projects in Georgia and Tennessee are in procurement with shortlisted bidders,” says Casey. “Numerous others are advancing in Tennessee, Georgia, North Carolina and Virginia. The pipeline for managed lanes projects in the US is stronger than ever.”

Role of advisors

These projects require close alignment between the public and private sectors and the right advisory support.

“Managed lane projects can be successful when they focus on existing corridors with known traffic conditions and the proper risk alignment between public and private partners,” says Casey.

KeyBanc Capital Markets positions itself as a trusted partner in this space. “Key’s platform straddles both the commercial and investment banks, which makes us solution-driven and product-agnostic,” says Tom Mulvihill, group head of infrastructure at KBCM. “Our ability to provide unbiased advice across financing structures, combined with our track record advising both public and private sector clients, sets us apart.”

Learn more about how KeyBanc Capital Markets can help you invest in managed lanes projects.

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