



**Downtown Tunnel/Midtown Tunnel/MLK Extension
PPTA Project**

Recommendations to the Commonwealth Transportation Board

May 19, 2010

Acting Commissioner Greg Whirley

Virginia Department of Transportation

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Innovative Project Delivery Division

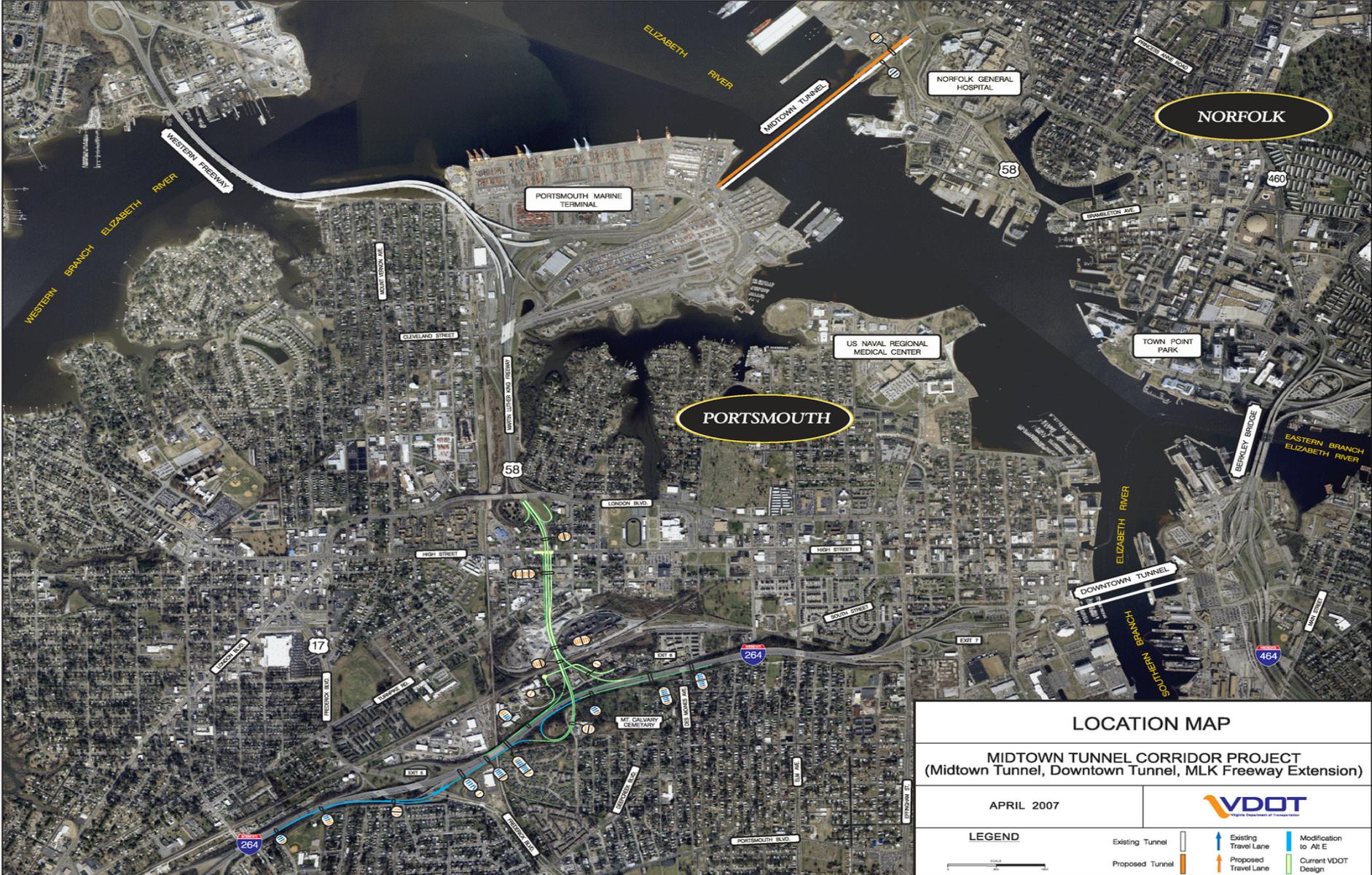
Presentation Agenda

- **Project Description**
- **Status of CTB Recommendations**
- **Interim Agreement**
- **Phase 1 Project Deliverables**
- **VDOT Comments & Recommendations**

Project Description

- **New Midtown Tunnel**
- **Existing Midtown Tunnel Rehabilitation**
- **Existing Downtown Tunnel Rehabilitation**
- **Extension of Martin Luther King Freeway (Route 58)**

Project Overview - Project Location



Key Project Milestones

- **VDOT Solicited Project** **May 2008**
- **One Submittal Received** **Sept. 2008**
- **Independent Review Panel Meetings** **Feb – June 2009**
- **CTB Recommendation and Resolution** **July 2009**
- **Execution of Interim Agreement** **Jan. 2010**
- **Submittal of Phase 1 Deliverables** **April 2010***
- **Decision to advance to Phase 2** **July 2010***

If advanced to Phase 2

- **Commercial/Financial Close** **Summer 2011**
- **Construction Period** **2011-2015**

* Per Interim Agreement

Status of CTB Recommendations

- 16 recommendations were developed by CTB

Selected Recommendations

- Pursue public/private sector funding to:

- locate additional contributions
- stabilize and/or reduce toll rates

PROGRESS:

- TIGER Fund Application, TIGER II Discretionary Grants
- Letter of Interest – TIFIA
- Other ERC Recommendations

- Work with the cities to:

- lessen impacts to properties
- identify opportunities to advance context sensitive solutions

PROGRESS:

- City of Portsmouth, City of Norfolk
- Developing Communications and Public Outreach Plan

Status of CTB Recommendations (con't)

- **Form Collaborative Working Groups:**

- Evaluate financial and technical scope issues

PROGRESS:

- Established Communication, Technical, Environmental, Financial, O&M and Commercial Working Groups
- Each group is coordinating with ERC representatives

- **Accelerate Project Procurement Process:**

- Interim Agreement (IA)

PROGRESS:

- IA signed January 7, 2010

Interim Agreement Overview

- **Interim Agreement employs a phased approach to determine project feasibility and development:**
 - **Phase 1 – Feasibility Determination**
 - **Phase 2 – Project Development to Comprehensive Agreement**
 - Fixed Cost
 - Fixed Schedule
 - Risk Sharing provisions
- **Phase 1 Project Deliverables:**
 - **Scope of Work**
 - **Work Plan**
 - **Risk Matrix**
 - **Project Feasibility Assessment Report**

Phase 1 Deliverables – Scope of Work

CONTENT:

- Defines the scope of services to be provided by ERC
- Services include the financing, design, construction, operations, and maintenance, security of the Project
- Communication and outreach with the community
- Describes key Project components (proposed):
 - tunnel cross section
 - tunnel ventilation system
 - maintenance boundaries

EVALUATION:

- Adequately identifies scope of services
- Defines the O&M, Snow/Ice Removal, Incident Management Boundaries
- Final version to become an Exhibit to the CA

Phase 1 Deliverables – Work Plan

CONTENT:

- Includes Phase 2 Schedule
- Includes 188 Phase 2 Project Work Packages
- Major dates included in ERC's Work Plan:
 - Date of Commencement June 2, 2010
 - Initiate CA negotiations August 10, 2010
 - Execute CA May 27, 2011
 - Financial Close June 5, 2011

EVALUATION:

- Adequately defines path to development of CA, cost estimate and financial closure
- Allows coordination of resources to expedite project delivery
- Early Start Activities

Phase 1 Deliverables – Risk Matrix

CONTENT:

- VDOT & ERC held joint risk workshops in February 2010 to discuss major commercial and technical risks
- Risk Matrix identified ERC view on risk allocation
- ERC identified several key risks which they expect schedule relief and/or compensation, including:
 - permits
 - differing site conditions
 - right of way acquisition
 - latent defects in existing facilities
 - changes in law
 - competing facilities

EVALUATION:

- Final allocations of risk will be reflected in the CA
- Allows VDOT and ERC to focus on key mitigation strategies and activities in Phase 2

Phase 1 Deliverables – Project Feasibility Assessment Report

Development of ERC Base Case Model

- **Key Assumptions in Base Case:**
 - **NO upfront public subsidy to ERC**
 - **NO annual O&M subsidy for duration of concession**
 - **tolling to begin nine months after financial close (during construction)**
 - **post-tax equity IRR of 14%**
 - **tolls to escalate annually using CPI**
 - **all electronic tolling technology (no toll booths)**
 - **financing package using both TIFIA and PABs**
 - **risk allocation consistent with ERC's Risk Matrix**
 - **50 year concession term**

ERC Estimated Project Costs

- Preliminary Estimated Cost
- Updated to 2010 Dollars

<u>ERC Cost Estimate:</u>	<u>\$ Millions</u>
– Construction	\$1,393
– Tolling Systems	\$ 17
– SPV Rehabilitation Costs	\$ 41
– Operating Costs	\$ 158
– Transaction Costs	\$ 55
– Interest Expense	\$ 174
– Funding of Reserves	\$ 36
– TIFIA Subsidy	<u>\$ 32</u>
– Total Est. Costs	\$1,906

ERC Base Case Toll Rates

Facility	Base Toll Cars	Peak Toll Cars	Base Toll Trucks	Peak Toll Trucks
Downtown/Midtown Tunnel	\$2.17 [\$4.34]	\$2.89 [\$5.06]	\$6.52 [\$8.69]	\$8.67 [\$10.84]
MLK Extension (tunnel users)	\$0.53	\$0.71	\$1.60	\$2.13
MLK Extension (non-tunnel users)	\$1.07 [\$3.20]	\$1.42 [\$3.55]	\$3.21 [\$5.34]	\$4.26 [\$6.39]

** Base Case Toll Rate developed with preliminary information*

** Tolls shown in 2012 dollars and escalated at CPI*

** Non-transponder users shown in Brackets [\$0.00]*

** Peak Periods are 6am to 9am and 3pm to 7pm (All Facilities)*

ERC Proposed Items that Impact Toll Rate

<u>Decreases</u>	<u>Estimated Base Toll Change</u>
• VDOT O&M Subsidy (escalated)	- \$0.14
• Collection Charges Savings	- \$0.04
• Norfolk Portal Integration	- \$0.18
• \$100M Risk Allocation/Constr. Phase Opportunities	- \$0.13
<u>Increases</u>	
• No Construction Tolling	+\$0.34
• No TIFIA Funding	+\$0.38
• Decrease Video Surcharge to \$1.00	+\$0.19
• MLK @ \$0.50 for non-Tunnel Users & Free for Tunnel users (cars)	+\$0.11
• Other options presented by ERC	

VDOT Comments and Recommendations

Acting Commissioner Whirley

VDOT Comments

- **Project is Technically and Operationally Feasible**
- **Project Costs Appear Reasonable at this Stage of Development**
- **Final Toll will result from negotiations and the elimination of uncertainties**
- **Goal for toll of \$1.50**
- **ERC Project Costs do not include VDOT's Oversight and Contingency Costs**

VDOT Recommendations

- **Advance the Project to Phase 2 of the Interim Agreement so that:**
 - **VDOT can negotiate a Comprehensive Agreement**
 - **Continue to develop strategy to mitigate and reduce project risk**
 - **Advance project development to create a fixed price commitment and date-certain construction schedule**
 - **Identify additional options to reach goal on Base Case toll rate**

Questions?





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