

Commonwealth of Virginia

Office of Transportation P3's

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DOWNTOWN TUNNEL / MIDTOWN TUNNEL / MLK EXTENSION PROJECT

MAJOR BUSINESS TERMS

July 20, 2011



**OFFICE OF
TRANSPORTATION
PUBLIC-PRIVATE
PARTNERSHIPS**

Executive Summary

- VDOT and ERC have reached in-principle agreement on major business terms
- The private sector responsible to fund:
 - \$1.2 billion of construction and financing related costs at Financial Close; and
 - \$1.3 billion of O&M costs to be performed by ERC over the 58 year concession
- The Commonwealth is providing a \$395 million contribution
- Comprehensive agreement is expected to be signed by Q3 2011
- Financial close expected in Q4 2011
- Construction expected to begin in 2012

Project Background

Major Business Terms

- Parties, Term and Cost
- Tolling and Toll Rate History
- Term and Toll Comparison
- Private and Public Funding
- Risk Allocation

Project Benefits

Next Steps

Project Background

Timeline to Date

- **May 2008** – VDOT solicits conceptual proposals
- **September 2008** – Elizabeth River Crossings, LLC (ERC) submits proposal and VDOT posts proposal for public review
- **February - June 2009** – Independent Review Panel (IRP) meetings held
- **July 2009** – IRP recommends to CTB to further develop the conceptual proposal for the project
- **January 2010** – VDOT and ERC execute Interim Agreement to further develop the project
 - Phase 1 – Feasibility (CTB presentation)
 - Phase 2 – Project development
- **January 2011** – Comprehensive Agreement negotiations begin

Negotiating team: VDOT, OTP3, OAG, consultants (Capital Project Strategies, C&M Associates, Halcrow, KPMG, Nossaman, STP)
- **July 2011** – Parties reach agreement on major business terms

Project Background

Location



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Major Business Terms

Parties, Term and Cost

- **Parties:** Elizabeth River Crossings (Skanska Infrastructure Development, Macquarie Group Limited)
- **Term:** 58 years from financial close
- **Cost:** Fixed price, design-build contract of \$1.45 billion

- **Tunnel Tolls:**
 - Off-peak auto \$1.59; peak auto \$1.84
 - Off-peak truck \$4.77; peak truck \$7.36
- **MLK Tolls:**
 - \$0.50 for tunnel users; \$1.00 for non-tunnel users
- **Tolling commencement:** Q3/Q4 2012
- **Tolling escalation commencement:** Post substantial completion of the new Midtown tunnel (expected 2016)
- **Toll escalation:** Limited to greater of 3.5% or CPI
- **Tolling Operations:** All electronic tolling via E-ZPass and video

Major Business Terms

Toll Rate History

	Off-Peak Auto	Peak Auto
Conceptual Proposal (Sept-08)	\$2.00 - \$3.00	
Feasibility Analysis (Mar-10)	\$2.17	\$2.89
TIFIA Letter of Intent (Mar-11)*	\$1.50	\$1.75
Agreed Toll Rate (July-11)**	\$1.59	\$1.84

Notes: * Includes assumption of \$586 million of TIFIA funding available

** Includes assumption of \$422 million of TIFIA funding available

Major Business Terms

Term and Toll Comparison

	Term of Agreement (years)	Average Auto Peak Toll Rate
MTT / DTT / MLK Extension	58 years*	\$1.84
Chicago Skyway (existing roll road)	99 years**	\$2.50
Indiana Toll Road (existing toll road)	75 years**	\$4.15
SR 91 (HOT Lanes, California)	N/A***	\$9.50
SR 125 (California)	35 years**	\$3.50
I-25 Denver	N/A***	\$3.25

Notes: * Includes construction term

** Term starts at tolling commencement

*** Operated by public sector, not under concession agreement

Major Business Terms

Private and Public Funding

- **Private Funding:** Over \$1.2 billion in privately-raised funding committed
 - Equity: \$318 million
 - Debt: \$495 million
 - TIFIA: \$422 million
 - Total: \$1,235 million
- Financial close expected in Q4 2011
- **Public Funding:** The Commonwealth is contributing \$395 million to the project
- Commonwealth contribution provided specifically to reduce the toll rate

- Through the PPTA process the Commonwealth transfers and/or shares risks that it would traditionally retain:
 - Design
 - Construction schedule and budget
 - Financing and insurance
 - Operation & maintenance
 - Traffic & revenue
 - Termination

- Rights retained by the Commonwealth include:
 - Ownership
 - Oversight and audit
 - Sharing in the financial upside of the project
 - Limit on toll escalation
 - Making improvements to transportation network
 - Receiving the facility at the end of the concession in an appropriate condition
 - Terminating the CA under certain instances
 - Suspending tolling for emergencies
 - Requiring a good faith effort from ERC in meeting DBE/SWAM goals

- Concessionaire rights include:
 - Collect tolls for the length of the concession
 - Receiving payment under certain termination events
 - Developing project enhancements
 - Delay events
 - Compensation events (including compensation for certain termination events)

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- A \$395 million up-front Commonwealth contribution in conjunction with a \$1.2 billion private investment is expected to result in:
 - Accelerated development
 - Reduced congestion
 - Increased capacity
 - Enhanced economic efficiency
 - Cost savings
 - Safety enhancements

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Next Steps

- **Ongoing** - Finalize comprehensive agreement and exhibits
- **Q3 2011** - Complete FHWA review and approval
- **Q3 2011** - Comprehensive Agreement signed (commercial close)
- **Q4 2011** - Receive TIFIA Credit Committee approval
- **Q4 2011** - Target financial close by the end of the year
- **Q1 2012** - Construction begins
- **Q3/Q4 2012** - Tolling begins
- **2017** - Construction complete