

Commonwealth of Virginia
Office of Transportation P3's
Dusty Holcombe, Deputy Director

ROUTE 460 CORRIDOR IMPROVEMENTS PROJECT

PROJECT BRIEF

May 16, 2012



**OFFICE OF
TRANSPORTATION
PUBLIC-PRIVATE
PARTNERSHIPS**

Procurement Background

Parties, Evaluation, Term and Cost

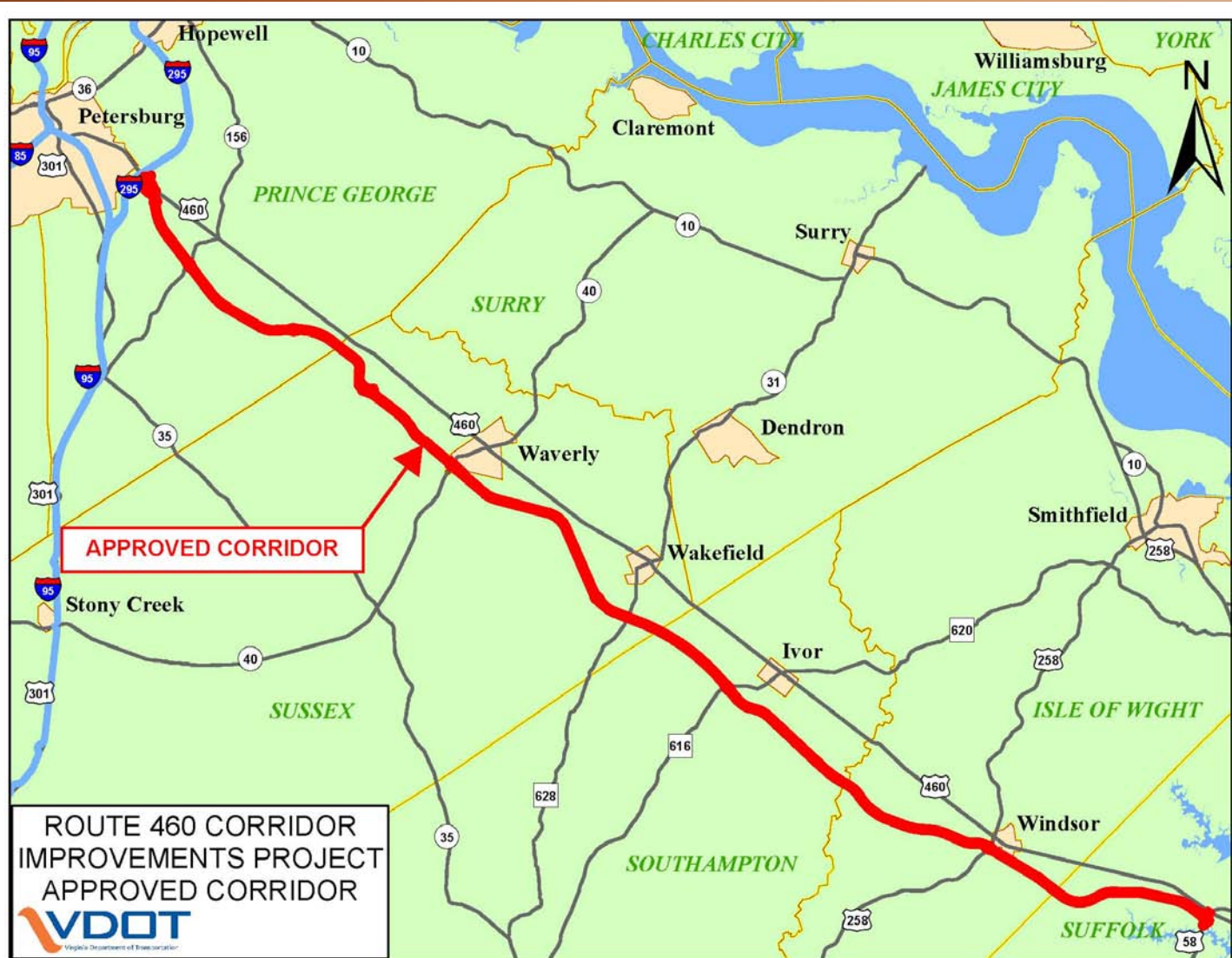
■ **Parties:** Three Offeror teams

- Cintra Infraestructuras S.A.U (Cintra Infraestructuras S.A., Ferrovial Agroman, S.A.)
- 460 Partners, Inc. (Moreland Property Group, Inc., Infrastructure Capital Partners, LLC, CGA Capital, Bank of America, Lane Construction Corporation, Skanska USA Civil Southeast, Inc.)
- MultiModal Solutions LLC (Edgemoor Real Estate Services, LLC, Clark Construction Group, LLC, Shirley Contracting Company, LLC)

■ **Competitive Procurement:** Award based on Offeror with lowest present value of the public subsidy. Offerors to deliver Financial Proposal which has received an investment grade rating.

■ **Cost:** Fixed price, design-build contract estimated at \$1.5 - \$2.0. Competitive procurement and successful Offeror's proposal will establish design-build contract price

Project Description



Setting the Stage

- This is a different approach (Design-Build-Finance (DBF)) than Midtown Tunnel or Capital Beltway (Concession Model)
- Reasons for Implementing DBF approach:
 - Toll revenue in the early years projected to be very low
 - Greenfield project with parallel free alternative considered to be high investment risk by private sector
 - Creating a financial structure with the cheapest debt that does not effect the Commonwealth's debt rating
 - VDOT wants to take a greater role with its increased contribution:
 - ✓ Setting tolls
 - ✓ Setting toll escalation parameters
 - ✓ Retaining risk/reward of traffic revenue
 - ✓ Shorter term

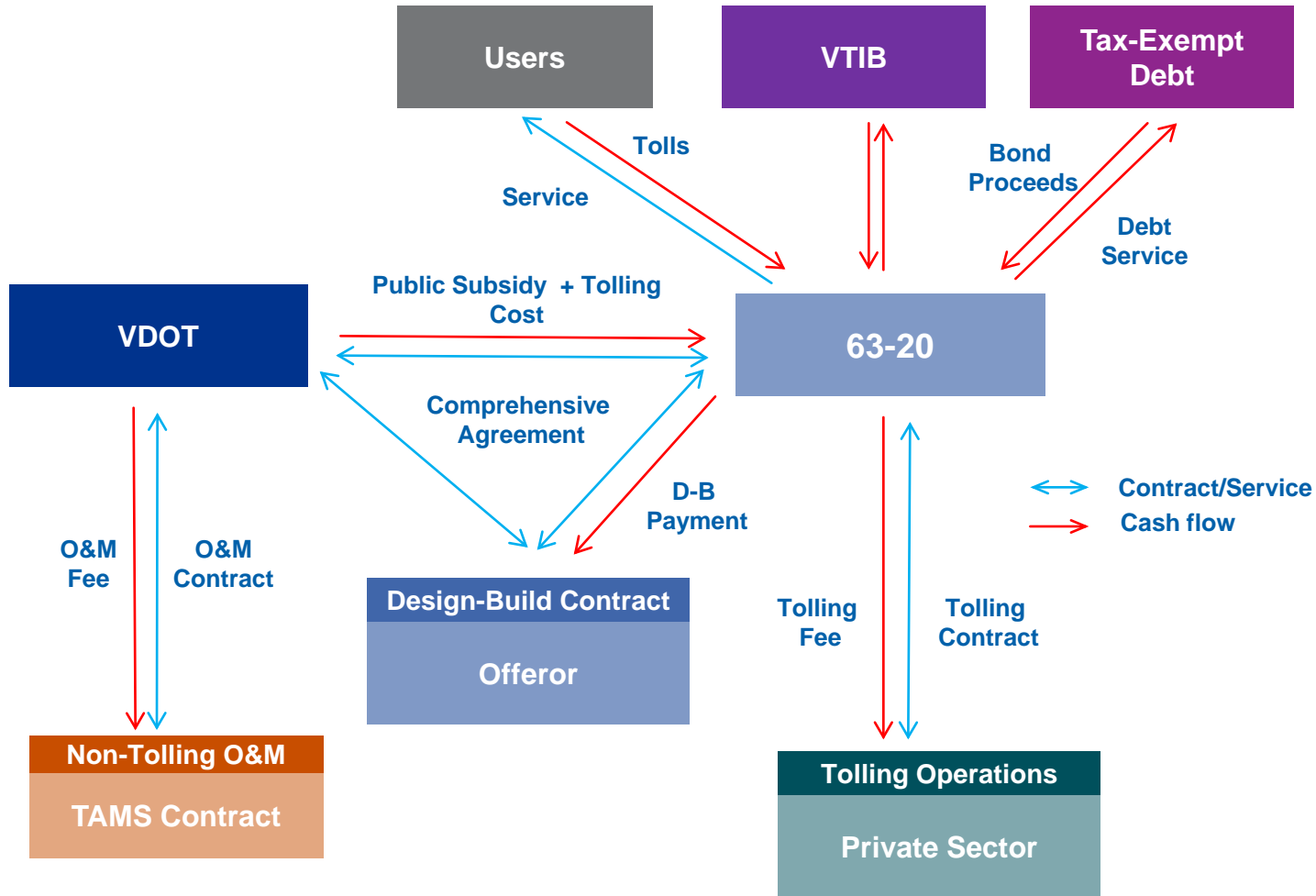
Setting the Stage

- Looking for the least expensive method to build full scope project (reducing total cost)
 - Tax Exempt Debt (63-20 non-profit corporation)
 - No equity (reduced cost of capital)
 - Using a combination of public subsidy and Tax Exempt Debt
 - VDOT taking on long-term operation of facility
- New financial model developed based on new approach
- Financial and legal due diligence completed with new financial model and includes:
 - Formation of 63-20 Non-profit Corporation to develop and finance the project
 - Provide a line of credit through a VTIB loan to provide credit support in early years

- **Benefits** – Successfully utilized on other projects in Virginia
 - Delivery of full scope project
 - Construction to start in early 2013
 - Reduced Project term (~40 years)
 - Access to the lowest cost of capital
 - No high profit on equity
 - Potential up-side in the event of project success
 - Commonwealth controls toll rates
 - No impact to debt capacity

- **Approval** – Request CTB Resolution in June with approvals needed under Revenue Ruling 63-20

63-20 Non-Profit Corporation



Business Terms

- **Financing** – 63-20 Corporation issues tax-exempt bonds
- **Debt Service Reserve Account** – Financial proposals will include a debt service reserve account to enable proposal to receive an indicative investment grade rating.
- **Ramp-up Reserve Account** – Offerors may use a portion of the VDOT public subsidy to fund an account to support the payment of interest during the early years of the operating phase.
- **Operations and Maintenance** - VDOT will retain responsibilities for long term operations and maintenance to reduce overall upfront project costs
- **Tolling Operations** – 63-20 will be responsible for Tolling Operations to be paid by VDOT
- **Comprehensive Agreement** – three party agreement between VDOT, 63-20 Corporation and private partner
- **Project Term** - ~40 years

Virginia Transportation Infrastructure Bank

- An application is expected from the OTP3 for an \$80 million line of credit for the project.
- OTP3 will submit the application as a project sponsor, with intent of making the line of credit available to the Successful Offeror.
- Review of this application by staff, VRA and the VTIB Advisory Panel is expected to be completed to support CTB presentation and action in June.

■ Request for Detailed Proposals Addendum

- Public Notice/Press Release
- Targeted written notice to GA members, affected jurisdictions, and MPOs
- Public posting of documents
- CTB presentation

■ Selection of Successful Offeror

- Public Notice/Press Release
- Public posting of documents
- CTB presentation of major business points

■ Execution of Agreement

- Public Notice/Press Release
- Public posting of documents

Next Steps

- **Ongoing** – Issue RFDP in May 2012, initiate Public Outreach
- **June 2012** – Formation of 63-20 Non-Profit Corporation
- **June 2012** – VTIB Loan
- **September 2012** – Offerors submit Detailed Proposals
- **October 2012** – Evaluate proposals and select Successful Offeror
- **November 2012** – CTB presentation on major business points
- **December 2012** – Commercial and Financial close
- **2013** - Construction begins
- **2018** - Construction complete
- **2018** - Tolling begins