

**Commonwealth of Virginia**

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**Chief Deputy Commissioner**

**Virginia Department of Transportation**

# **U.S. ROUTE 460 CORRIDOR IMPROVEMENTS PROJECT**

## **MAJOR BUSINESS TERMS**

**October 17, 2012**



**OFFICE OF  
TRANSPORTATION  
PUBLIC-PRIVATE  
PARTNERSHIPS**



# Executive Summary

- Technical Proposals were received from all three Offerors in September
  - All three Offerors met the requirements of the RFDP and were determined to have passed all the Evaluation Criteria
- Financial Proposals were received from the following:
  - US 460 Mobility Partners (Previously called Cintra)
  - 460 Partners
  - MultiModal Solutions
- All three were deemed responsive and were evaluated to have passed all the financial evaluation criteria
- Based on the evaluation criteria the Successful Offeror is:
  - US 460 Mobility Partners

# Executive Summary

- The Route 460 Funding Corporation of Virginia (the “63-20 Corporation”) will commit at financial close to finance the Design-Build-Finance (DBF) project at a cost of \$1.396 billion
- The Commonwealth will provide a \$1.18 billion contribution during construction period
- The Funding Corporation will issue tax-exempt bonds, to be financed from projected toll revenues, to fund \$216 million of project costs.
- In August 2012, OTP3 requested \$422 million in a low-interest TIFIA Loan
- The Comprehensive Agreement is expected to be executed in December 2012
- Financial Close expected in December 2012
- Design, ROW Acquisition and Permitting to begin in 2013
- Construction is expected to begin in 2014

# Project Background

## Timeline to Date

- **February 2006** – VDOT issues a Solicitation for Proposals
- **May 2007** – Independent Review Panel approves the conceptual proposals for further consideration
- **July 2007** – CTB authorizes VDOT to proceed with the procurement
- **December 2008** – VDOT issues a Request for Detailed Proposals
- **October 2009** – VDOT announces the procurement would be suspended
- **May 2010** – VDOT initiates a new procurement
- **October 2010** – The Independent Review Panel recommends to shortlist three Offerors
- **July 2011** – RFDP released to three shortlisted Offerors
- **May 2012** – VDOT briefs CTB on Design-Build-Finance structure
- **July 2012** – CTB approved incorporation of Route 460 Funding Corporation of Virginia and the ability to issue bonds to develop project
- **August 2012** – VDOT issues a Request for Detailed Proposals
- **October 2012** – VDOT selects Successful Offeror

# Project Background

## Project Summary and Location



- Design and Construction of 55 mile four-lane divided, limited access highway from the City of Suffolk to Prince George County/Petersburg at I-295
- Links Route 58 in the City of Suffolk with the existing Route 460 near its interchange with Interstate 295 (I-295)
- Consists of seven interchanges at:
  - Route 156
  - Route 625
  - Route 602
  - Route 40
  - Route 620
  - Route 616
  - Route 258

# Project Background

## Critical Need

The Project will address needed improvements and current transportation challenges associated with the existing U.S. Route 460, including:

- **Improving safety** – reduce vehicular conflicts between local travel and heavy truck traffic by providing an alternative designed to VDOT standards;
- **Providing increased hurricane evacuation capability** – develop a safe and effective westbound emergency evacuation alternative to facilitate mobility out of affected coastal communities;
- **Accommodating increasing freight movements** – offer an alternative route to accommodate projected growth at the Port of Virginia and boost national trade activity by providing significant efficiencies and travel time savings for current traffic and projected increases in freight movements;
- **Improving military strategic connectivity** – support the deployment and preparedness needs of the Department of Defense by facilitating effective mobility and interconnectivity for the region’s military presence; and
- **Supporting economic development plans** – create opportunities for jobs and economic development over the short-and long-term for local communities in areas with high unemployment and under-employment rates.

# Major Business Terms

## Parties, Term and Cost

- **Comprehensive Agreement Parties:**
  - **Virginia Department of Transportation**
  - **Route 460 Funding Corporation of Virginia (Funding Corporation)**
  - **Design-Build Contractor:** Ferrovial Agroman & American Infrastructures Inc.
- **Term:** Up to 40 years from financial close, including 5 years construction
- **Cost:** Fixed price, design-build contract of \$1.396 billion

- **Opening year toll rate in 2018 per mile is:**
  - Auto: \$0.067/mile; \$3.69 for full 55 miles
  - Truck: \$0.213/mile; \$11.72 for full 55 miles
  
- **Toll Commencement in 2018:**
  - **Toll Escalation:** Annual toll rate increase will be 3.5% per year (including inflation)
  - **Toll Rate Covenant Test:** To the extent projected net revenues do not exceed pre-defined debt service coverage requirements, toll rates will be amended to reflect the recommendations of an independent traffic consultant
  - **Project Outperforms:** If the project outperforms the base case by ~10-20% over a three year period, toll rates may be held constant
  
- **Tolling Operations:** Open Road - All electronic tolling via E-ZPass and license plate detection (NO Manual Toll Collection)
  
- **Existing Route 460:** No Toll – Free Alternative



# Major Business Terms

## Private and Public Funding

Funding Source	Financial Model at Close w/o TIFIA Loan	Potential Financial Model with TIFIA Loan
Public Funding – VDOT	\$930 Million	\$753 - \$826 Million
Public Funding - VPA	\$250 Million	\$202 - \$222Million
Net Private Sector Tax-Exempt Bonds	\$216 Million	\$100 Million
TIFIA Loan	\$0	\$341- \$248 Million
Net Funding (D-B Price)	\$1,396 Million	\$1,396 Million

- Note 1: As noted in December 2011 presentation to the CTB, VDOT is awaiting final close of the TIFIA Loan for I-95 Express Lanes Project to release funds for the Route 460 Project. VDOT anticipates closing TIFIA for I-95 within 2 Weeks.
- Note 2: TIFIA Loan Letter of Interest submitted in August 2012
- Note 3: Range in TIFIA Loan amount relates to rural vs. standard TIFIA Interest Rate

- Through the PPTA process the Commonwealth transfers significant risk to the private sector (Funding Corporation, Design-Build Contractor) :
  - Design (cost overruns, schedule delay and errors & omissions)
  - Tolling infrastructure implementation
  - Construction (cost overruns and schedule delays)
  - Financing

# Major Business Terms

## Rights and Obligations

- Rights and obligations retained by the Commonwealth include:
  - Ownership
  - Oversight and audit
  - Making improvements to transportation network
  - Initially setting toll rates
  - Terminating the Comprehensive Agreement under certain instances
  - Suspending tolling for emergencies
  - Requiring a good faith effort from the Design-Build contractor in meeting DBE/SWAM goals
  - Operate/maintain facility
  - Financial upside of the project
  - Developing Department Project Enhancements

# Major Business Terms

## Rights and Obligations

- Funding Corporation rights and obligations include:
  - Collecting tolls & managing toll collection system for the term of the agreement
  - Insurance
  - Termination for Department Default
  - Delay and Compensation events (i.e.: alternative facilities, change in law, physical destruction of the project, etc.)
  
- Design-Build Contractor rights and obligations include:
  - Design and construct facility at fixed price and fixed date
  - Performance Security & Parent Guarantee
  - Insurance
  - Dispute Resolution
  - Delay and Compensation events (i.e.: Department caused delay, unknown hazmat, Governmental approvals (permitting), differing site conditions, etc.)

# Major Business Terms

## Corridor Benefits

- The Project is expected to result in:
  - Safety enhancements
  - Significant job creation
    - 4,000 construction jobs
    - 14,000 long-term jobs
  - Economic development
  - Accelerated project development
  - Increased capacity

## Major Business Terms - Project Benefits

### Design-Build-Finance Structure

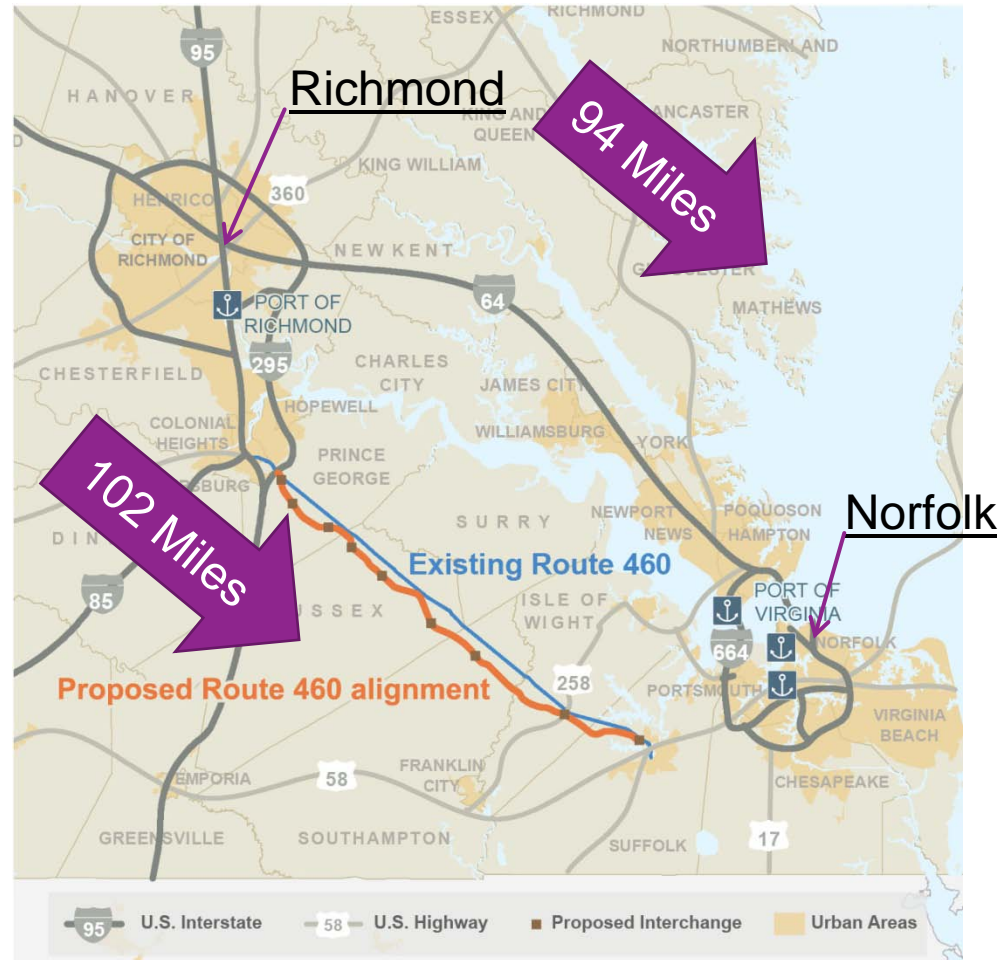
- Shorter Contract Term – 99 years to 40 years
- VDOT retains excess revenue – potentially \$600M (gross) over 40 year term
- Provides for access to a lower cost of capital
- Greater control by VDOT of facilities operation and maintenance
- Allows for development of the Full Project scope
- Project development/construction to begin immediately

# Major Business Terms – Project Benefits

## Travel Time Savings

### Average trip from Richmond to Norfolk

- Distance via **Interstate 64**:
  - 94 miles
  - Travel time: 1 hr 43 min
- Distance via **Route 460**:
  - 102 miles
  - Travel time: 2 hrs 5 min
- **Once completed:**
  - new Route 460 travel time: 1 hr 45 min
  - saving 20 minutes travel time
  - providing alternative to I-64



# Major Business Terms – Project Benefits Alternatives and Their Costs

## I-64 Peninsula (widening to 6 lanes from Richmond to Hampton) + Hampton Roads Bridge Tunnel

➤ Cost = \$9.6 B to \$10.7 B

## I-64 Peninsula (widening to 6 lanes from Richmond to Hampton) + Patriot's Crossing

➤ Cost = \$9.8 B to \$10.4 B

## US 460 Corridor Improvements

➤ Cost = \$1.396 B





## Next Steps

- **Ongoing** – Incorporate proposal into final Comprehensive Agreement and Exhibits
- **November 2012**
  - Complete FHWA review and approval
  - Affirm investment grade rating
- **December 2012**
  - Release Preliminary Official Statement (POS)
  - Price senior debt
  - Execute Comprehensive Agreement (Commercial Close) & Financial Close
- **January 2013** – Notice to proceed provided to Design-Build contractor
- **2018** – Construction complete
- **2018** – Road opens to the public and tolling begins