

Commonwealth of Virginia

Office of Transportation P3's

Tony Kinn, Director

**Downtown Tunnel
Midtown Tunnel
MLK Extension Project**

Project Briefing

April 18, 2012



**OFFICE OF
TRANSPORTATION
PUBLIC-PRIVATE
PARTNERSHIPS**

Project Scope



Project Scope (continued)

- Existing Midtown Tunnel most heavily traveled two lane road east of Mississippi River
- Existing Midtown and Downtown Tunnels to receive upgraded ventilation systems, structural repairs, and new ITS systems to allow the crossings to be operated as a regional network
- MLK Extension will enhance connectivity between Midtown and Downtown Tunnels, thereby better enabling the crossings to function as a network
- MLK Extension will offer improved access to port facilities and reduce heavy truck traffic from Portsmouth city streets – heavy truck traffic currently exceeds 25% of peak hour traffic at some locations

Project Need

- Project repeatedly endorsed as top priority in Hampton Roads
- Included in HRTPO long range plan since 2001
- Project included in 2002 transportation referendum
- Project included in 2007 Hampton Roads Transportation Authority package of projects
- Ranked top priority for bridge-tunnel improvements by HRTPO in 2011

Project History

- VDOT issued solicitation for conceptual PPTA proposals in May 2008
- ERC submitted proposal in September 2008
- VDOT Commissioner accepted ERC proposal for review in October 2008
- Independent Review Panel (“IRP”) held five public meetings to consider ERC’s proposal in early 2009
- IRP recommended that procurement process be accelerated and that ERC proposal be further developed
- CTB adopted resolution consistent with IRP recommendations on July 16, 2009

Project History (continued)

- VDOT and ERC entered into interim agreement on January 7, 2010
- Interim agreement scope of work included analysis needed to assess financial feasibility of project
- Following feasibility assessment presented to CTB in May 2010, VDOT and ERC proceeded with development work, including negotiation of comprehensive agreement and creation of finance plan
- In July 2011, VDOT presented major business points to CTB, including base case toll rates and amount of public contribution
- VDOT and ERC entered into comprehensive agreement on December 5, 2011
- VDOT and ERC achieved financial close in early April 2012

Summary of Key Business Terms

- ERC to operate and maintain project for 58 year concession term
- Total project costs of approximately \$2.1 billion
- ERC arranging approximately \$1.4 billion in financing
- VDOT contributing approximately \$308 million to buy down tolls
- Base case tunnel toll rates for cars are \$1.59 (off peak) and \$1.84 (peak)
- ERC to deliver construction work via a lump sum, date-certain design-build contract
- ERC to pay liquidated damages for late completion
- ERC financing (including PABs, TIFIA, and equity) is non-recourse to Commonwealth

Summary of Key Business Terms (continued)

- ERC is not guaranteed any profit or return on investment
- Tolls to escalate annually following substantial completion of the new Midtown Tunnel (scheduled for 2016)
- Toll escalation limited to the greater of 3.5% or changes to CPI
- VDOT can suspend tolling for emergencies
- Tolling scheduled to begin later this year; VDOT has right to delay tolling.
- Modifications to toll points along MLK Extension will provide relief from tolls for certain trips along the MLK Extension
- VDOT shares in gross revenues above specified thresholds

Summary of Key Business Terms (continued)

- Business terms and toll rates are interrelated:
 - Tolling during construction reduced the amount of financing needed by over \$350 million
 - Shifting all risk to ERC related to alternative facilities would have impacted the amount of financing ERC could raise, thereby increases base case toll rates and/or the amount of public contribution
 - Compensation event regime reflects market-based risk allocation that allowed ERC to reduce design and construction contingencies
 - Toll escalation methodology geared to reduce initial toll rates
- VDOT able to reduce its estimated public contribution from \$395 million in July 2011 to approximately \$308 million at financial close via well-structured contract terms

Term and Toll Comparison

	Term of Agreement (years)	Auto Toll Rate (Peak)
MTT / DTT / MLK Extension	58 years*	\$1.84
Pocahontas Parkway	99 years	\$3.00
Dulles Greenway	61 years	\$5.55
Chicago Skyway (existing roll road)	99 years**	\$3.50
Indiana Toll Road (existing toll road)	75 years**	\$4.15
SR 91 (HOT Lanes, California)	N/A***	\$6.48****
SR 125 (California)	35 years**	\$3.85*****
I-25 Denver	N/A***	\$3.25

- Notes:
- * From financial close
 - ** Term starts at tolling commencement
 - *** Operated by public sector, not under concession agreement
 - **** Average one-way toll traveling eastbound during weekday afternoon
 - ***** Transponder rate for one-way trip along the entire nine mile roadway

Project Benefits

- Reduce congestion that now causes back-ups stretching over two miles at the tunnels during peak periods – will lower fuel consumption and emissions
- Commuters to save an average of 30 minutes per day
- Reduce heavy truck traffic on city streets in Portsmouth
- Over 500 jobs expected to be created to support construction
- Over 1,000 jobs expected to be created in other sectors
- ERC to spend over \$550 million on construction materials
- Over \$350 million in opportunities for DBE and SWaM firms
- ERC to provide approximately \$2 million per year to improve transit

www.midtowntunnel.org

www.erc-info.com

Commonwealth of Virginia

Office of Transportation P3's

Tony Kinn, Director

**Downtown Tunnel
Midtown Tunnel
MLK Extension Project**

Project Briefing

April 18, 2012



**OFFICE OF
TRANSPORTATION
PUBLIC-PRIVATE
PARTNERSHIPS**