



November 25, 2013

Morteza Farajian  
Office of Transportation Public Private Partnerships  
600 E. Main Street, Suite 2120  
Richmond, Virginia 23219

RE: Response to Request for Information  
Interstate 66 Corridor Improvements

Dear Mr. Farajian:

In response to the Office of Transportation Public Private Partnerships Request for Information for the Interstate 66 Corridor Improvements Project, please find our response below. We hope that our responses will be helpful to the Office of Transportation Public Private Partnerships in further developing what will be a challenging and exciting project.

Our responses follow the format as provided in the Request for Information.

**a. General:**

*1. Please describe your firm, its experience in relation to public-private partnership projects, and its potential interest in relation to the Project (e.g., design/engineering firm, construction firm, operations and maintenance firm, lender, equity investor, etc.)?*

This response represents the collective thoughts of Edgemoor Infrastructure & Real Estate, LLC (Edgemoor), Shirley Contracting Company, LLC (Shirley), Clark Construction Group, LLC (Clark) and Dewberry Consultants, LLC (Dewberry). These firms have worked together to deliver the Route 28 Corridor Improvements in Northern Virginia under the PPTA and have been involved in other public-private partnership (P3) projects. Edgemoor has been a developer in the delivery of over \$1 billion of projects utilizing P3 delivery including, among others, Route 28, The Long and Kimmy Nguyen Engineering Building at George Mason University, Long Beach Court Building, and the Sandler Neurosciences Center at UCSF in San Francisco, CA. The Edgemoor, Clark, Shirley, Dewberry Team was also one of the three (3) shortlisted teams for the VDOT Route 460 PPTA project although our team was not successful in that pursuit.

To date, Shirley and Dewberry have teamed together on over 25 Design Build Projects valued at over \$ 2.5B. These include major projects such as Route 28 PPTA, the Intercounty Connector Contracts C, D & E, in Maryland, the I-66 Widening from Gainesville to Haymarket, and the Dulles Greenway Improvements project. The extensive experience that this Team has will be used to make the I-66 P3 a success.

We are looking at multiple possibilities regarding how we will participate in the project and the role we will take will be decided once the actual procurement is made public.



*2. Are there any particular concerns with any of the information that has been provided in this RFI, the Detail-Level Project Screening Report or the DEIS? Please explain any concerns and provide any proposed solutions or mitigations to address those concerns.*

One issue that our Team has identified is the potential replacement of pavement along I-66, from I-495 to Route 50. This pavement was recently overlaid by VDOT which appears to be a temporary solution. One question we have is whether the existing pavement would need to be completely replaced as part of this project.

Another key issue that needs to be identified in the FEIS is the dimensions required to be maintained in the median of I-66 to allow for future rail line and stations. Knowing the issues with the median widths retained for projects such as Rail to Dulles, there are additional widths required in and around the stations that should be properly identified now so that future impacts to the roadway and adjacent properties can be avoided.

Overall, what provisions will be required to preserve a rail corridor as part of the I-66 project? Allowing the teams as much flexibility as possible in reserving a future rail corridor would be important.

*3. What, if any, advantages will the Commonwealth potentially gain by entering into an agreement in which operations and maintenance, lifecycle responsibility, and/or traffic and revenue risk are transferred to the private sector? How do you assess the likely magnitude of such advantages? What are the potentially offsetting disadvantages?*

Experience in the US and abroad, including Canada and the UK, has demonstrated that the public sector benefits from bundling operations and maintenance, lifecycle responsibility and delivery risk into a single transaction structure. Savings quoted ranges from 5% on the low side to as high as 20% over the term of the concession agreements, typically a minimum of 30 years, for both Availability and At-Risk concession structures. Traffic and revenue risk transference to the private sector can work; however, in the current market environment, greater scrutiny is being placed on these type projects by lenders and rating agencies, making them more difficult to finance and with higher risk premiums than 5 or so years ago. In the case of I-66, there are demonstrated traffic volumes on which to base an analysis of demand capture for managed lanes; however, the market is still likely to heavily scrutinize projections, possibly discounting the advantages to the Commonwealth of this approach, as there will likely still be a need for significant public investment or subsidy to realize a financially feasible project.

**b. Procurement Process:**

*4. Do you have any particular concerns with or major observations about the milestone schedule provided in this RFI? Please provide your views on proposed solutions to address these concerns?*

The proposed schedule seems aggressive considering the timing of Tier 2 FEIS and all of the analysis that the Commonwealth needs to complete to fully vet a preferred option. Based on our



review, we do not think the RFQ needs to be issued until later in 2014. This would still leave adequate time to shortlist proposers and review draft RFP to issue a final RFP by February 2015. The time frame to respond to the final RFP should be a minimum of 6 months for a project with this complexity.

The preferred option needs to be identified, as noted above, so the shortlisted teams may specifically identify alternatives during either Proprietary Meetings (PM) or Alternative Technical Concept (ATC) phase that brings OP3 the most cost effective solutions as possible. The size and complexity of the widening and reconstruction efforts are such that the PM or ATC process should be a series of meetings (not just one meeting), thus the minimum 6 month RFP timeline.

*5. What are the critical path items for the procurement of this Project and why?*

Tier 2 FEIS is a critical path item as it will define the project and is the hurdle to clear before meaningful proposals can be created by the private sector. We also view the internal financial analysis of the Commonwealth to be critical to determining the preferred alternative, its financial feasibility and the concession model to be applied. We encourage the Commonwealth to invest in this analysis to the detail required to feel confident in its decision making. Design-Build cost and schedule analysis, traffic and revenue studies and operations & maintenance and life cycle cost projections should be part of this analysis.

*6. Looking ahead over the next two to three years, do you believe your firm will be interested in submitting a committed proposal for the development of the Project (any or all of the build concepts)? Are there any particular concerns that may prevent your firm from getting engaged in the project development? How might those concerns be resolved?*

We fully intend to be a part of a team that will submit a committed proposal for the development of the Project. Currently, we are in discussions with numerous entities looking at the Project; however, we will not make any teaming decisions until it is more clear what the preferred concept will be and what concession structure will be applied. The exact roles and level of participation of the firms comprising this response team will also be determined after the Project is more fully defined.

*7. What is the minimum amount of time that your firm requires to develop and submit a committed detailed proposal for the Project after issuance of potential RFP?*

As referenced in the response to No. 4 above, we believe a minimum of six months should be set aside for proposers to respond to a potential RFP on this Project. While it may be possible to respond in a shorter time period, if a revenue risk model is used, even six months will be tight to generate investment grade traffic & revenue studies and to navigate rating agency and financing processes. This also allows more time for design to support design-build cost estimation for better value to the Commonwealth.



### **c. Technical Challenges and Alternative Solutions**

*8. Based on your experience in the development of similar projects and characteristics of the I-66 corridor, please explain the technical challenges that may be encountered with the highway and transit improvement concepts described in the Tier 1 DEIS. Please provide recommendations for mitigating or overcoming those challenges.*

As noted above, the widths that need to be retained in the median for future rail and associated stations needs to be properly established.

Replacement of existing concrete pavement from I495 to Route 50 needs to be considered.

Reconstruction requirements at Nutley Street and the surrounding Metro station (retaining walls, parking structures, pedestrian walkways over I-66) need to be studied in the FEIS.

SWM requirements and associated R/W impacts need to be identified in FEIS.

Noise wall requirements and replacements need to be considered as part of FEIS so that P3 process is defined and not open to interpretation.

Impacts to Manassas National Battlefield and Bull Run Regional Park need to be considered and identified as part of FEIS.

Potential alternatives of taking rail outside of existing I-66 footprint need to be considered during FEIS, including impacts (physical and noise) to determine if it's a viable alternative.

Impacts to or improvements on adjacent secondary roads should be considered.

*9. Do you believe a bifurcated highway system along the I-66 corridor is technically feasible? Please provide any experience and supportive information that you may be able to share from similar projects.*

A multiple barrel facility (such as 4-2-2-4) could be viable, but consideration of full width shoulders and access points would need to be fully considered. Reduction in number of general purpose lanes should not be considered.

*10. What are the most significant cost drivers in the development and operation of the ML and BRT concepts along the I-66 corridor? How can these concepts be implemented in such a way as to preserve the potential for rail extension?*

A phased approach to construct BRT and transition to Metro rail could be considered. Cost per person to move through the corridor should be considered when identifying the preferred alternative.



*11. What, if any interoperability issues do you foresee with the current tolling system on I-495 Express Lanes.*

Mechanism to identify HOV vs. Single occupant vehicles still an issue. Not convinced the existing system is operating effectively. Ability to separate these out using technology is not there, as previously promised by the P3 provider.

*12. What suggestions do you have for better coordination between this Project and other projects currently under design or construction along the I-66 corridor?*

While we are aware of some of the projects currently under construction or design we may not know all of the potentials for coordination. Shirley is completing the Route 29 Linton hall Interchange just south of I-66 in Gainesville and will be starting construction in the spring of 2014 on the I-66 Widening Design-Build Project from Route 29 west towards Route 15. In addition the Shirley/Dewberry Team is competing for the I-66/Route 15 Interchange design-Build project which will also be underway in 2014. The other major project underway in the corridor is the I-66 Active Traffic Management Project and VDOT is also in the procurement process to select a designer for the I-66/Route 28 Interchange Project. Depending on the procurement schedule for the Interstate 66 Corridor Improvements Project some of the listed existing projects will likely be completed or nearing completion prior to the start of the Interstate 66 project. Knowing which projects have the potential to be impacted and providing the opportunity to coordinate early in the procurement process with ongoing projects will likely result in improved coordination during the life of the project.

*13. What challenges are associated with managing the lifecycle costs for the improvement concepts as described in the Tier 1 DEIS? What measures would you suggest to mitigate these risks?*

The Tier 1 DEIS contained numerous “combinations” of improvement concepts. Determining the management lifecycle costs will be more readily determined after the Tier 2 FEIS has been released.

*14. What adjustments to the Project scope, or development strategies (including potential phasing of project elements) would you consider/recommend to reduce the upfront capital costs and/or the lifecycle costs of the overall project costs?*

Providing allowances for right of way and utilities may be the most cost effective way for the Department to work through this P3 project. In addition, ensuring any components related to the possibility of future rail should not be included in the project scope.

*15. Please explain in detail any alternative technical solutions that may enhance the development of the Project. Identify the risks associated with the alternative technical solutions and discuss the potential cost of each technical solution.*



We believe that our team should review the final FEIS in more detail in order to develop these alternative concepts.

**d. Commercial and Financial Structure:**

*16. Please explain your firm's interest in the improvement concepts discussed in the Tier 1 DEIS. What is your recommended approach for financing the capital cost of each concept?*

Generally, Edgemoor as a sponsor in concessions does not take revenue risk. As such, our position as investor is to seek Availability Payment transactions. That would be our preference here even with a Managed Lanes solution, under which, the Commonwealth could take revenue risk and stand to gain upside to offset Availability Payment cost. Capital cost will likely be financed through a combination of TIFIA, FTA funds, Commonwealth milestone payments (grants), private activity bonds and private equity.

*17. Please discuss your firm's interest in:*

*a. Accepting traffic and revenue risk in a toll concession*

As mentioned in No. 16 above, Edgemoor does not look to take on traffic and revenue risk. If that is the firm direction of the Commonwealth, we would team with a concessionaire that specializes in taking that risk and Edgemoor would not likely play a role in the sponsorship beyond delivery of the asset.

*b. Accepting performance risk in an availability structure*

Edgemoor, Shirley, Clark and Dewberry are quite comfortable taking on performance risk in an availability structure from a design-build standpoint. Edgemoor is comfortable taking performance risk on operations and maintenance and lifecycle costs as long as the consortium includes an experienced operator with a strong balance sheet.

*18. What is a reasonable concession term for a ML or a BRT concept? Why?*

United States managed lanes concession transactions have a range in term of at least 40 years to as long as 80 years. The length of term required by the private sector will be factored upon the level of potential revenues in relation to the magnitude of the private sector capitalization of the project. Longer term is required when there is a lower ratio of revenue to private sector capitalization as more time is needed to generate an appropriate return on private sector investment.

**e. Additional Considerations:**

*19. If your firm is a Disadvantaged Business Enterprise ("DBE") or a Small, Women-owned, and Minority-owned Business ("SWaM"), please provide any suggestions or comments on how OTP3, VDOT or DRPT can help to develop teaming opportunities with prime contractors.*



Our firm is not a DBE or SWaM firm.

*20. Based on characteristics of the I-66 corridor, suggest the number of persons per vehicle that should be required to qualify as a high-occupant vehicle. Explain why selecting this number may be in public interest and beneficial to comply with the federal Clean Air Act of 1990? Please provide quantitative and qualitative evidence to supports your arguments.*

We believe that the information the Department can pull from the use of the existing I-66 and I-95 HOV lanes, as well as the new I-495 Express lanes will be the best predictor of what the HOV number should be. Given the new connectivity of this “radial” route, to the new I-495 lanes as well as the inner core of Washington DC, we would believe HOV 3 would likely be appropriate.

*21. What additional challenges or risks should OTP3, VDOT, DRPT or CTB be aware of in regard to Project’s scope, procurement process, delivery method, term of contract, technical and financial feasibility, etc.?*

None at this time.

*22. Other than the answers that you have already provided, what information would help your firm to make the business decision to engage in the development of the Project?*

As local companies who travel the I-66 corridor in our daily lives, we are very interested in this project and are committed to assisting the Commonwealth in realizing a solution that improves the lives of stakeholders throughout the region. No matter the direction taken by the Commonwealth, we anticipate looking to participate in the project, at a minimum, as designers and builders. At this time, we require no additional information. We look forward to the next step in the process."

Thank you for the opportunity to share our thoughts for Interstate 66 Corridor Improvements Project and we look forward to the next stage of the procurement.

Please feel free to contact me at 301-272-2993 or [greg.derby@edgemoordevelopment.com](mailto:greg.derby@edgemoordevelopment.com) should you have any questions.

Sincerely,

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Managing Director  
Edgemoor Infrastructure & Real Estate