



Transportation Public-Private Partnership Steering Committee Action Meeting

December 12, 2017

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Commissioner of Highways

Virginia Department of Transportation

Review of Progress to Date

- In December 2016, CTB issued resolution endorsing “Alternative A” as the Hampton Roads Crossing Study preferred alternative
- April 3, 2017 – VDOT conducts an Industry Forum to gauge private sector interest in the Project
- May 31, 2017 – VDOT conducts a Project Delivery Risk Workshop
- June 12, 2017 - FHWA has issued a Record of Decision, and VDOT has conducted extensive financial and technical analysis to refine preferred alternative
- July 18, 2017 – CTB briefed on inclusion of Project in regional 40-mile Express Lane Network.
- July 20, 2017 – HRTPO votes to include Project in Express Lane Network

Project Scope

- Between I-664 in Hampton (Exit 264) and I-564 in Norfolk (Exit 276)
- 12 miles of improvements in I-64 including the construction of a new HRBT tunnel
- The final lane configuration will include up to 2 Express Lanes in each direction.





Project Benefits

- ✓ **Person Throughput**: The Project will include HOT lanes along its full length, which will increase person-throughput along the corridor by promoting transit use and carpooling and maximizing the capacity of the HOV/HOT lanes.
- ✓ **Congestion Mitigation**: The Project could mitigate congestion by reducing traffic disruptions due to over-height vehicles at the westbound existing HRBT, which has substandard vertical clearance.
- ✓ **Safety**: I-64 (including HRBT) is one of seven roads that the Commonwealth has designated as evacuation routes from the Hampton Roads area in case of emergencies such as severe hurricanes.
- ✓ **Economic Development**: The Project will support the region's employment generators including the Port of Virginia, military installations, and tourism and recreation centers.
- ✓ **Environmental Quality**: FHWA determined this Project's scope to have the least impact on the biological, physical, and human environment.
- ✓ **Land Use**: The Project is not expected to change land use significantly in the Project corridor and is compatible with comprehensive land use plans.

Procurement Status

- Multiple project-delivery methods were evaluated:
 - Design-Build (DB)
 - Design-Build-Finance-Operate-Maintain (DBFOM)
- The “Public Sector Analysis and Competition” report identified the DB option as providing better value to the Commonwealth:
 - Under DBFOM, the projected revenue generation of the facility is insufficient for value-creating transfer of revenue risk to the private sector
 - Under DB, project will be supported fully by public funds, with no private financing

Financial assessment of DB vs. DBFOM delivery models

➤ DB assessment

- Project is expected to be fully funded through HRTAC and other public sources

➤ DBFOM assessment

- Project will be funded through Debt (private debt in the form of TIFIA funding) and Equity
- Assessment based on Level 1 Traffic and Revenue study, planning level cost estimates

Public Sector Analysis & Competition

	DBFOM (Million\$)	DB (Million \$)
Sources of Funding (During Construction)		
Debt (TIFIA)*	157 - 217	--
Equity	109 - 137	--
Public Funds	3,427 – 3,439	3,645
Total Estimated Sources of Funds (B)	3,701 - 3,704	3,645
Uses of Funds (During Construction)		
Construction Costs**	3,645	3,645
Reserve Accounts	48 - 51	-
Other financing costs	7 - 10	-
Total Estimated Uses of Funds (A)	3,701 - 3,704	3,645
Revenues	6,443 - 7,516	4,175
Debt Service	328-353	-
O&M	899 - 945	898
Major maintenance	332	332
Excess Cash after Debt Service, O&M and Major Maintenance (discounted at 6%)	0	(312)
Net Public Contribution	3,427 – 3,439	3,333

Note:

The above values have been escalated from 2016 dollars to year-of-expenditure dollars.

* Debt shown here is that backed by cash flows resulting from toll revenues

** These figures are preliminary, planning-level estimates, and were prepared based on FSEIS estimates.



Public Sector Analysis & Competition

- DB is the Public Sector Option, because it is funded entirely through Public Contribution (HRTAC Revenue Bonds, HRTAC Pay-as-you-go financing, and other public sources).
- DB preserves the flexibility to bundle O&M of the Project with the O&M of the regional Express Lane Network in the region.
- DBFOM is not an optimal delivery model. Under a DBFOM scenario, Public Contribution will still be needed to cover more than 90% of the Project construction cost.
- Under DB, the Commonwealth preserves the option to operate the facility as part of the Regional Express Lane Network. We have a strong belief that this larger network will be more attractive to the private sector, and would result in a higher payment from the HRBT portion as well.



Why a DB under PPTA vs VPPA?

- VDOT has the authority to pursue a DB procurement under both the PPTA or VPPA.
 - This project is large in terms of scope and very complicated in terms of design and construction.
 - There are two different construction methodologies that are simultaneously being considered for this project, Immersed Tube Tunnel (ITT) and Bored Tunnel.
 - Current procedures and documents developed for VDOT's Design-Build program are not suitable for this project.
 - PPTA could increase competition and deliver better value to the Commonwealth by
 - Providing contractual flexibility for complex risk profiles that could result in optimal risk transfer/sharing.
 - Providing iterative process that invites feedback and collaboration from the proposers in order to develop more responsive procurement documents.



Risk Allocation in DB under a PPTA

Public sector:

- Continued responsibility by VDOT for routine O&M on both the existing HRBT and newly-constructed bridge-tunnel and highway facilities
- Lifecycle management, and revenue risks/rewards will be retained by the public sector.

Private sector:

- Optimal risk transfer of design and construction risks



Next Steps for HRBT Procurement

- **Briefing to HRTAC (December 14, 2017)**
- **Finding of Public Interest (December 2017)**
 - Issuance Executed by Commissioner
 - Concurred by Secretary
- **Initiation of Procurement (December 2017)**
 - Issuance of Request for Qualifications for design-build delivery
- **Briefing to PPTA Steering Committee (Spring 2018)**
 - Short-listed teams
 - Resolution
- **Release of Draft Request for Proposals (Spring 2018)**
- **Contract award (Early 2019)**

Regional Express Lane Network

LEGEND

Approved

Segment 1

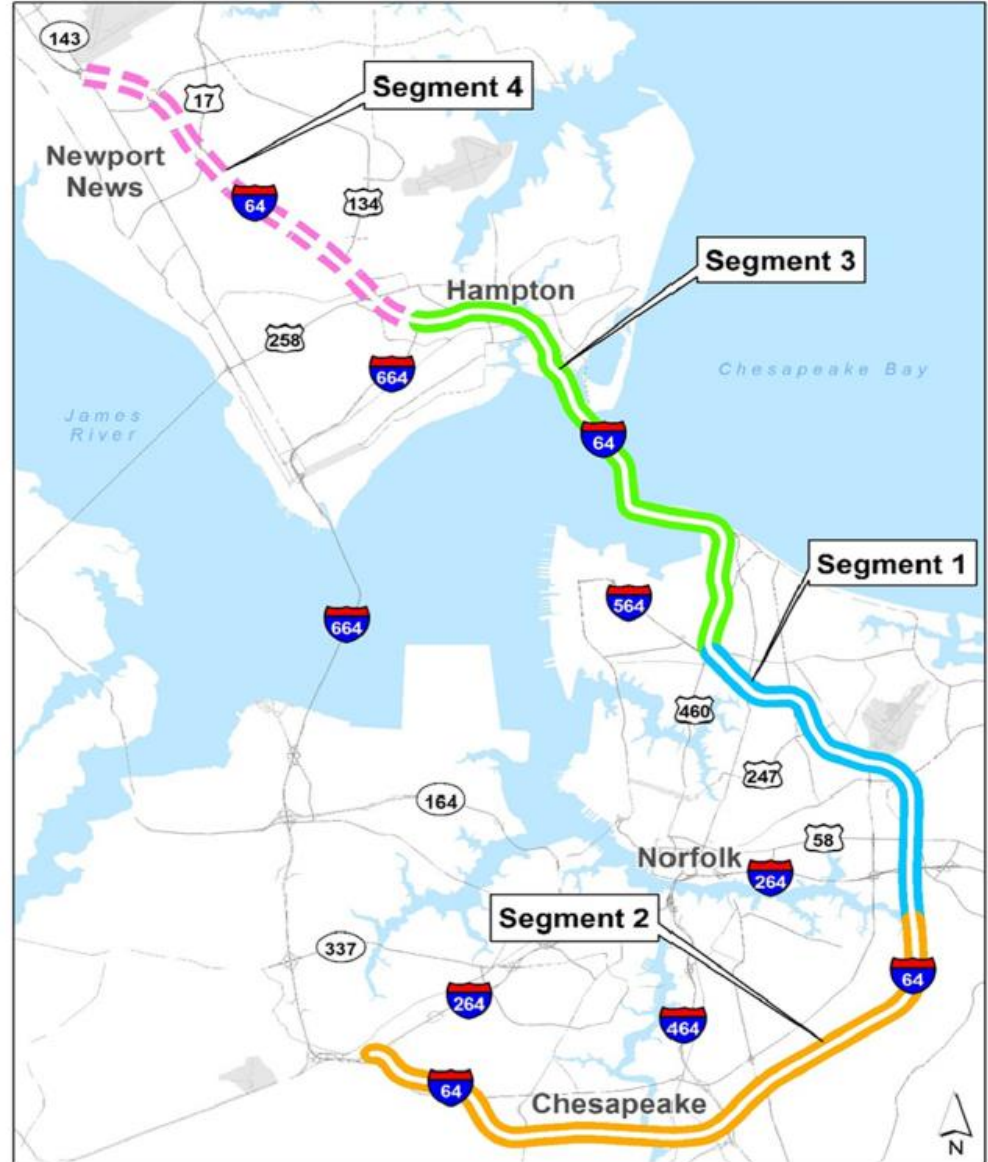
Proposed

Segment 2

Segment 3

Potential

Segment 4



Regional Express Lanes Network

Next Steps:

- Issuing Request for Information to receive feedback from industry (December 2017 / January 2018)
- PPTA Screening Report (Summer 2018)
- Briefing to CTB (Summer 2018)
- Briefing to PPTA Steering Committee (Fall 2018)