Transportation Public-Private Partnership Steering Committee
Action Meeting

December 12, 2017
Charles Kilpatrick, P.E.
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

<table>
<thead>
<tr>
<th>Sources of Funding (During Construction)</th>
<th>DBFOM (Million$)</th>
<th>DB (Million $)</th>
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</thead>
<tbody>
<tr>
<td>Debt (TIFIA)*</td>
<td>157 - 217</td>
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</tr>
<tr>
<td>Equity</td>
<td>109 - 137</td>
<td>--</td>
</tr>
<tr>
<td>Public Funds</td>
<td>3,427 – 3,439</td>
<td>3,645</td>
</tr>
<tr>
<td><strong>Total Estimated Sources of Funds (B)</strong></td>
<td>3,701 - 3,704</td>
<td>3,645</td>
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<tr>
<th>Uses of Funds (During Construction)</th>
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<tbody>
<tr>
<td>Construction Costs**</td>
<td>3,645</td>
<td>3,645</td>
</tr>
<tr>
<td>Reserve Accounts</td>
<td>48 - 51</td>
<td>-</td>
</tr>
<tr>
<td>Other financing costs</td>
<td>7 - 10</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Estimated Uses of Funds (A)</strong></td>
<td>3,701 - 3,704</td>
<td>3,645</td>
</tr>
</tbody>
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| 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%)**

| 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.
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)