

P3 Program Status

- **Since 2002, 4 projects which were being pursued as a P3 have stopped**
 - I-81 Corridor – private sector withdrew; will pursue design-build
 - Western Transportation Corridor; no private interest
 - Hampton Roads Third Crossing; funding concerns
 - Powhite Parkway Western Extension; private sector did not recognize responsible public entity
- **Two projects are under active P3 procurement - \$3 billion in construction**
 - Route 460
 - Downtown/Midtown Tunnels/Martin Luther King Freeway Extension

P3 Lessons Learned

- **Engineering is easy part – financing and operations critical pieces**
- **Need private partner who assumes some risk for “after its built”**
- **Make solid decisions each time – they do come back**
- **Public sector expertise and support including lawyers and financial advisors**
- **Significant time commitments by both public and private partners – senior staff**
- **Federal involvement critical but complicates process**

**Highlights of the Pocahontas Parkway
And
Capital Beltway HOT Lanes P3 Agreements**

Office of the **SECRETARY of TRANSPORTATION**

Pocahontas Parkway

- First construction PPTA in Virginia
 - Originally financed using tax-exempt bonds (IRS Rule 63-20) - \$346 million
 - Traffic and revenue projections did not materialize
 - Bonds downgraded; VDOT issued subordinate debt for O&M
- Amended and re-assigned PPTA agreement to Transurban (T895) as a 99-year concession in June 2006 – paid off all outstanding debt/loans and required to build direct connection into Richmond International Airport
- Approach to risk was “who is in best position to manage?”
 - Revenue Sharing – based on a series of calculations tied to **real net cash** flow and internal rate of return
 - Termination - VDOT has the right to terminate for convenience after 40 years – at a cost
 - Forty years was the estimated time it would have taken the prior operator to pay off all liabilities

Pocahontas Parkway Risk Sharing

Risk	assumed by VDOT	assumed by T895
Financing	None	Yes
Traffic and Revenue	None	Yes
O&M and Major Maintenance	Oversight	Yes
Operating Standards	Oversight	Yes
Toll Rate Setting		Based on a toll escalation formula
Environmental	Shared	Shared
Construction of the Richmond Airport Connector	Oversight & Excess of cap	Yes -- if TIFIA loan
Force Majeure	Shared for uninsurable events (bridge)	Shared
Revenue over an agreed return on total investment	Shared	Shared

Capital Beltway HOT Lanes

- The Capital Beltway High Occupancy Toll PPTA Project will add two new HOV lanes in each direction between the Springfield Interchange to just north of the Dulles Toll Road (a total of 56 lane miles). The project includes:
 - HOV-3 lanes in which passenger cars with 3 or more passengers, vans, motorcycles, buses and emergency vehicles will be free
 - Construction of Phase VIII of the Springfield Interchange – a HOV to HOV/HOT lane connection between the Beltway and I-395/I-95
 - Three new entrances from the Beltway into Tyson’s Corner – the region’s employment hub
 - Significant reconstruction or upgrading of interchanges, bridges, and existing pavement along the Corridor, substantially extending their service lives

Capital Beltway Risk and Reward Sharing

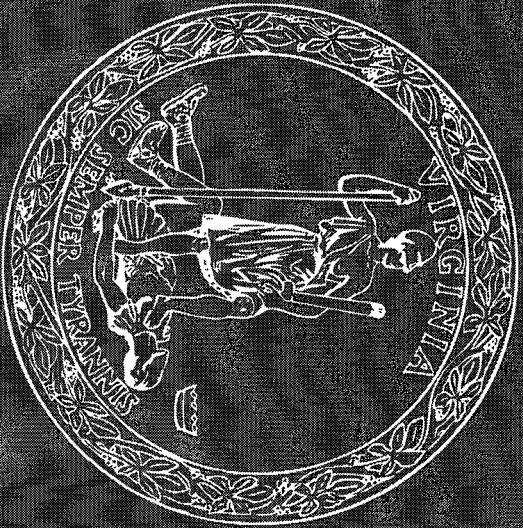
Risk	assumed by Virginia Department of Transportation (VDOT)	assumed by Capital Beltway Express LLC
Term		80 years beginning at notice to proceed for right of way and construction
Financing	\$409 million grant	All remaining financing
Traffic and Revenue	None	All
HOV Risk	None up to 24% of HOV traffic, then 70% of revenue impact for first 40 years	Yes, up to the 24% traffic level, then 30% of revenue impact for first 40 years; 100% after 40 years
Toll Rate Setting	None (Tolling based on level of congestion)	Based on level of congestion – average is \$5 - \$6 during peak; lanes must allow free flow
Refinancing	Share in Refinancing Gain	Allowed with certain controls

Capital Beltway Risk and Reward Sharing, cont'd

Risk	assumed by Virginia Department of Transportation	assumed by Capital Beltway Express LLC
Revenue over an agreed return on total investment	Shared	Shared
Right of Way Acquisition	Risk taken on costs above estimate	Risk taken on operations center property cost above estimate
Construction Cost and Schedule	Oversight during design and construction; ability to terminate if schedule not met	Fixed price, turnkey design build contract; all costs and must meet schedule; Liability for damages or termination for late delivery
Construction of Project Enhancements	Yes	Yes
O&M and Major Maintenance	Oversight and audit rights	Yes
Change in Control		Allowed after 10 years

Capital Beltway Risk and Reward Sharing, cont'd

Risk	assumed by VDOT	assumed by Capital Beltway Express LLC
Environmental	Limited to pre-existing hazardous materials on existing right of way	All environmental risk including differing site conditions except for pre-existing hazardous materials on existing right of way
Change in Law	None, other than a state discriminatory change	All, except for state discriminatory change
Force Majeure	Shared	Shared, must restore before end of term
Insurance	None	Yes
SAFETEA-LU Requirements	Annual certification	Yes



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Office of the

SECRETARY of TRANSPORTATION

Virginia's Public-Private Partnership

Program

Barbara W. Reese, Deputy Secretary of Transportation

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