COMMONWEALTH *of* VIRGINIA
Office of the
SECRETARY *of* TRANSPORTATION

Route 460 Project

Secretary Layne
Commissioner Kilpatrick
April 23, 2014

Route 460 Corridor

US Route 460 Corridor Improvement Project Parties

Virginia Department of Transportation and OTP3

- Fiduciary:
  - Citizens
  - Administration
- Risk
  - Environmental
  - Guarantees (promises)
  - Funding risk

US 460 Mobility Partners

- Fiduciary
  - Owners
- Risk
  - Construction

Route 460 Corridor Funding Corporation of Virginia

- Fiduciary
  - Bondholders
- Risks
  - Toll revenues
  - Appropriation/allocation of funding

How We Got Here

- Early 2003: Legislature passes legislation requiring VDOT to solicit PPTA proposals at a certain stage in the environmental process
- February 2006: Released solicitation for conceptual proposals
- October 2009: Procurement postponed based on input from the Offerors that the Project was not financially feasible without a large public subsidy
- May 2010:
  - Initial procurement terminated
  - Project remained a high priority of the Administration
  - New procurement was initiated
  - Structured as a concession project including O&M with no public funding programmed for the Project

How We Got Here

- June 2010: Independent Review Panel found that the project could not be advanced without significant public funding
- 2011 GA: GARVEE bond authorization and acceleration of the CPR bond program was approved
- Summer 2011: $1.4 billion placed in holding account to support four major projects
- July 2011: Request for Detailed Proposals issued
  - Offerors indicated that additional public funding is needed
  - Virginia Port Authority commits to provide $250 million
- Concern expressed by Army Corp of Engineers regarding the impact of project (~130-213 acres)
  - Belief by Administration that wetlands can be addressed

How We Got Here

- Direction to VDOT was to consider all options to advance the Project
- July 2011: Issued request for Detailed proposals with Lowest Public Subsidy the evaluation criteria
- Late 2011-Early 2012: Administration and VDOT acknowledged that there was not a business case to support private equity investment in the project
- Structure was modified from a concession to a “design-build-finance” to keep the procurement moving forward
  – Incorporated 63-20 non-profit – 460 Funding Corporation – to provide between $200-300M in bond financing for project

Summer 2012 to December 2012

- Push to execute contract before the end of 2012
  - Virginia Transportation Infrastructure Bank provides $80M line-of-credit
  - Additional public funds are held for project
  - Focus remains on obtaining “lowest possible public subsidy”
  - Continued to believe that wetland risk could be addressed
  - CTB transferred $904M to the project in October, in addition to $250M from Port of Virginia
- Office of the Transportation Public-Private Partnerships, with consultant support and under the direction of the Office of the Secretary of Transportation, led negotiations under this framework

Contract Executed

- Comprehensive Agreement and Design-Build Contract were executed in December 2012
  - $904M in highway funding
  - $250M from Virginia Port Authority
  - Issued Corporation bonds; $240 million in net proceeds to support project
- Spring-Summer 2013: Design work commences, field wetlands survey undertaken, push by Administration to advance “work packages” in the contract
- September 2013: Preliminary permit application submitted to Army Corps with an impact of 486 acres of wetlands
  - Army Corps indicates that additional environmental reviews are necessary to achieve a permit

Contract Executed

- **Fall 2013: Administration presses VDOT to buy right-of-way and 'move dirt' in areas not subject to Army Corps permit**
- **Fall 2013: Environmental consultant brought in by the Administration and VDOT**
- **December 2013: VDOT, Army Corps, and FHWA negotiate scope of Supplemental Environmental Impact Statement (SEIS)**
- **December 2013: SEIS efforts begin**
  - **Requires review of alternatives to accomplish goals**
  - **While process is underway, federal funds cannot be used for construction in the corridor**

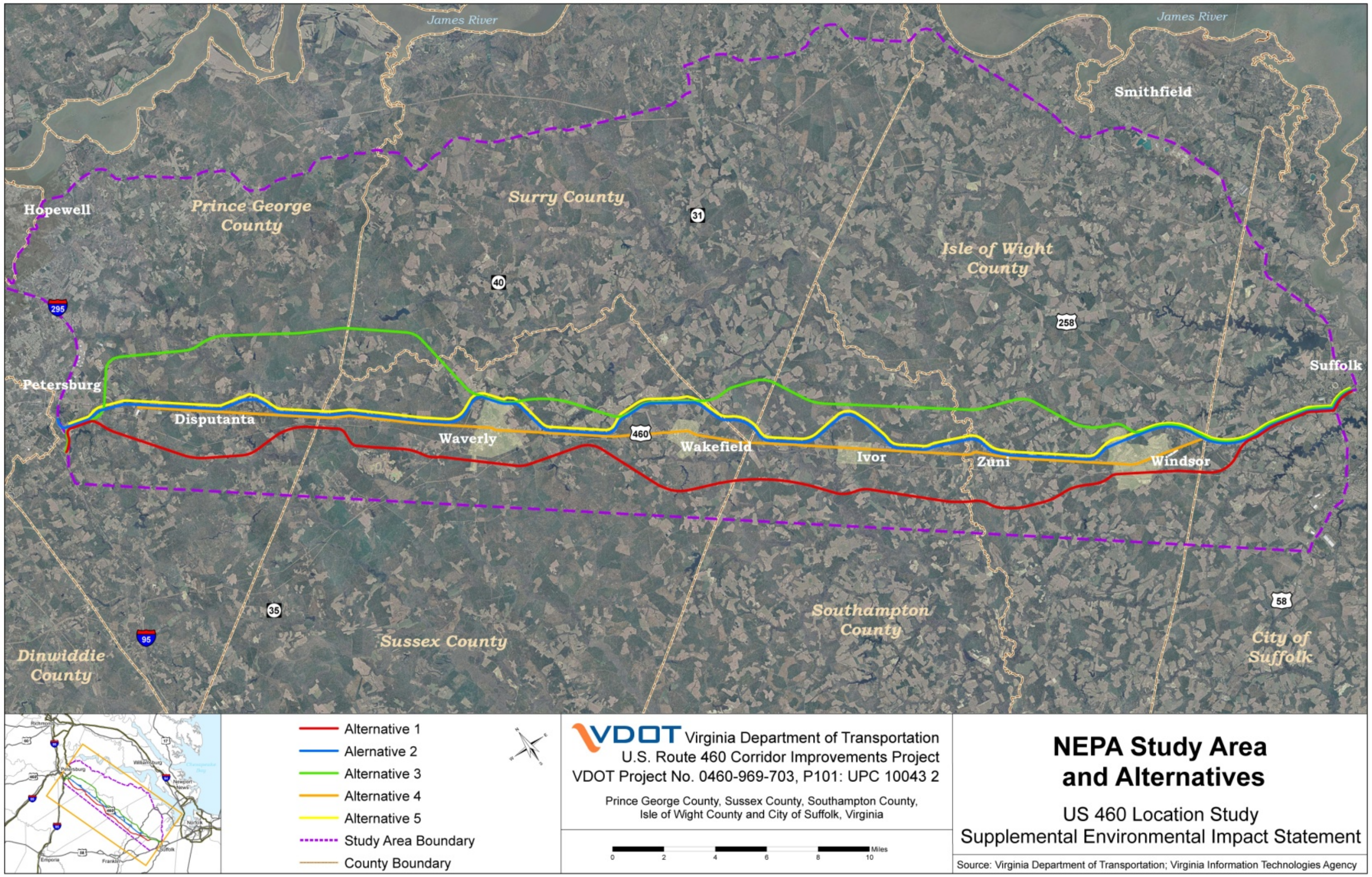
January 2014 to Today

- **January: Administration directs VDOT to limit work under contract to work related to the Army Corps permit**
- **Feb/March: Field work reveals that mitigation efforts on previously selected corridor will only provide minimal reductions to wetland impacts**
- **March: Administration stops work on the project**

Supplemental Environmental Impact Statement Purpose and Process

- VDOT is preparing a Draft Supplemental EIS (SEIS)
  - FHWA and the Army Corps are joint federal leads
  - The purpose is to evaluate alternatives for improvements in the Corridor and the potential impacts of those alternatives
  - Process involves providing information to the public, agencies and other interested parties for review and comment
  - A preferred alternative is identified following issuance of the Draft SEIS and the consideration of comments received
  - The preferred alternative is studied further in the Final SEIS document followed
  - Results in the issuance of a Record of Decision from each federal agency

Supplemental Environmental Impact Statement Alternatives



Supplemental Environmental Impact Statement Schedule

- Outreach to local communities regarding alternatives analysis
- Public hearings on draft SEIS (Third Quarter, 2014)
- Selection of preferred alternative (Fourth Quarter of 2014)
- Re-initiate permit work on preferred alternative (Fourth Quarter of 2014)
- Record of decision on SEIS & permit decision (TBD)

Financial Status

- Design-Build Expenditures through March 2014 totaled $239 million
  - Expenditures from bond proceeds to date ~ $108 million
  - Expenditures from Commonwealth funds to date ~ $131 million
  - $81 million less than maximum permitted by payout curve
- Expenditures relate to the following activities:
  - Pre-execution work $25 million
  - Engineering/permitting/etc. $70 million
  - Bonds/insurance $36 million
  - Mobilization/ Mgmt $93 million
  - Right-of-Way & utilities $15 million
- Additional VDOT costs to date for the Project totaled $43 million

Moving Forward

- **Focus is completing a SEIS to find an alternative that addresses the following:**
  - **Address roadway deficiencies**
  - **Improve safety**
  - **Accommodate increasing freight shipments**
  - **Reduce Travel Delay**
  - **Provide adequate emergency evacuation capability**
  - **Improve strategic military connectivity**
  - **Meet legislative mandate**
  - **Meet local economic development plans**

Moving Forward
Environmental Permit

- **December 2014 – If permit is not obtained prior to this date, the Design-Build Contractor will be entitled to request Design-Build Price adjustments and time extension**
- **June 2015 – If not obtained prior to this date, DBC will be entitled to terminate the DB Contract and be compensated as if the Corporation had exercised its right to terminate the DB Contract for failure to obtain permit or for convenience**
  - **If DB Contract is terminated Corporation has the right to pursue a termination payment from VDOT to pay all Corporation costs, and**
  - **Will trigger the Extraordinary Mandatory Redemption of the Corporation bonds**

McAuliffe Administration Reforms

- New leadership in the Office of Transportation Public-Private Partnerships (OTP3)
- Directed OTP3 to revise PPTA guidelines to:
  - Enhance transparency
  - Increase competition
  - Advice and notice of CTB and GA
- Revised process for wetlands delineation
- Establish new rules for ‘high-risk’ project contracts to protect taxpayers from undue exposure
- House Bill 2 – Statewide prioritization process