The Commonwealth of Virginia

Draft 2015 Virginia P3
Project Pipeline

October 26, 2015
INTRODUCTION

The Virginia Office of Public-Private Partnerships (VAP3; formerly the Virginia Office of Transportation Public-Private Partnerships – OTP3) was created in late 2010 as a separate office under the Commonwealth of Virginia’s Secretary of Transportation and works to advance public-private partnership (P3) projects across all modes of transportation. The VAP3 is comprised of a small focused group of professionals with diverse backgrounds in finance, project development, engineering, construction, and operations and maintenance assembled to deliver complex P3 projects.

The VAP3 has built on the foundation of Virginia’s robust Public-Private Transportation Act (PPTA) legislation enacted in 1995, strong bipartisan support, and a clear process for identifying, screening, developing and procuring P3 projects with the 2014 PPTA Implementation Manual and Guidelines (PPTA Manual and Guidelines). The VAP3 is currently updating the 2014 PPTA Manual and Guidelines to reflect new legislative requirements and best practices.

Maintaining an open exchange of ideas and information on projects and concepts of what may prove excellent P3 projects is a key to Virginia’s P3 success. Members of the General Assembly, local elected officials, Metropolitan Planning Organizations, transportation industry stakeholders and the travelling public all contribute to the formation of candidate P3 projects and concepts. The VAP3 also consult with Transportation Agency Administrators in developing this P3 Pipeline, including the Virginia Department of Transportation (VDOT), the Department of Rail and Public Transportation (DRPT), the Department of Motor Vehicles (DMV), the Commercials Space Flight Authority (CSFA), the Virginia Port Authority (VPA), the Department of Motor Vehicle Dealer Board (DMDB), and the Department of Aviation (DOAV).

THE DOCUMENT

The attached document contains updated information on P3 projects for the period of 2013 and 2015. This includes P3 projects where construction is completed, under construction, under development, under procurement and projects no longer under consideration.

Additionally, the document contains the draft 2015 Virginia P3 Project Pipeline (2015 P3 Pipeline). The contents of the P3 Pipeline are dynamic, as projects advance into new phases; are determined to be poor candidates for P3 delivery; or as new concepts of potential P3 projects are identified in accordance with Section 1.6 of the PPTA Manual and Guidelines. The VAP3 formally updates the P3 Pipeline on a bi-annual basis.

The P3 Pipeline contains candidate P3 projects (candidate projects have a scope) and conceptual P3 projects (conceptual projects need additional scope development) that may either be delivered under the PPTA or the Public-Private Educational Facilities and Infrastructure Act (PPEA). The PPEA procurement will be another tool used by the VAP3 to deliver projects. Revisions to the PPEA Manual and Guidelines, available to transportation agencies, are anticipated to be completed by the VAP3 in late 2015.
NEXT STEPS FORWARD

The draft 2015 P3 Pipeline contains 7 potential candidates for development as P3 projects. Those candidate P3 projects remaining in the P3 Pipeline (final version) will advance through a screening process facilitating an informed decision based on business and financial analyses.

In addition, 8 P3 conceptual projects have been identified by the VAP3, Secretary of Transportation, various Virginia transportation agencies, Metropolitan Planning Organizations or other stakeholders.

In the coming months, the VAP3 will develop the scope of P3 conceptual projects and potentially advance them as candidate P3 projects to conduct evaluations of business and financial feasibility. The P3 conceptual projects that do not demonstrate potential for P3 development will be dropped from further consideration by the VAP3. Those P3 conceptual projects that do demonstrate potential for P3 development will be advanced as candidate P3 projects.

Candidate P3 projects will have Screening Reports conducted and recommendations provided to leadership at the agency level giving guidance on whether to into P3 project development and potentially P3 procurement. Candidate P3 projects not recommended for advancement will no longer be under consideration as a P3 project.

The 2015 P3 Pipeline is not static. Instead, it represents a fluid and dynamic planning tool for the Commonwealth to identify and screen potential candidate P3 projects providing much needed infrastructure or social improvements in a safe, efficient, and cost effective manner.

The VAP3 will continue to work with Virginia transportation agencies, local and state elected officials, our planning partners, local governments, and other transportation stakeholders to refine the 2015 P3 Pipeline. Whether projects ultimately move forward as P3s, Design-Build, or through traditional procurement methods, the identification and screening process defined in the PPTA and PPEA Manuals and Guidelines allows the Commonwealth to make informed decisions on optimal delivery methods.

OPPORTUNITIES FOR STAKEHOLDER INPUT

Please take some time to review the document and provide your feedback to Ms. Jacqueline Cromwell at P3Pipeline@p3.virginia.gov.

We have established a 30-day public comment period (Monday October 26, 2015 to Monday November 30, 2015) within which we will receive, formally review, and respond to comments. These are invaluable in shaping the content of the final version of the 2015 P3 Pipeline. Suggestions, questions and observations are welcome at any time through the VAP3 website “Contact Us” button.

Additionally, the VAP3 will host a webinar/meeting on Friday November 20, 2015 to discuss the draft 2015 Virginia P3 Project Pipeline. Questions are welcome during the webinar or as written comments by November 30, 2015.
Once the public comment period has closed, the VAP3 will update the 2015 Virginia P3 Project Pipeline and post it on our website at www.P3virginia.org. The availability of the document will also be noted on VAP3’s Twitter and LinkedIn pages.

I would like to personally thank you for your time, interest and commitment to moving Virginia’s transportation forward.

J. Douglas Koelemay
Director
Virginia Office of Public-Private Partnerships
2013 - 2015 PUBLIC-PRIVATE PROJECTS IN REVIEW

The following section provides an update on P3 projects from the 2013 P3 Pipeline to 2015. Some P3 projects are open to traffic and have more detailed information about the technical and commercial terms, as well as economic and social benefits.

Other P3 projects are under construction and contain information regarding what has been completed and what sections remain to be completed. There are also P3 projects under development, in which information is provided on the status of various aspects of technical analyses and the progress towards a decision on whether the projects will ultimately be procured under the PPTA or PPEA.

The remaining projects listed below are ones under active procurement or projects no longer under consideration for procurement under PPTA or PPEA.

These projects can be reviewed at www.p3virginia.org/p3-projects/.

A. P3 projects completed 2013-2015:

1. **I-95 Express Lanes** (VDOT; Northern Virginia & Fredericksburg Districts) – working with private sector partners Transurban/Fluor, this project opened to traffic in December 2014. It added 29 miles of new high occupancy toll lanes, with open road tolling and congestion pricing, including nine additional miles of HOV lanes into Stafford County. A state contribution of $71M leveraged a total project valued at $925M. The project supported over 12,600 local jobs, infused $1.54B in economic activity, and achieved an actual $217M in business with small and disadvantaged businesses.

B. P3 projects under construction 2013-2015:

1. **Elizabeth River Crossing Project** (VDOT/VDRPT; Hampton Roads District) - working with private sector partners Macquarie/Skanska ID, this P3 transaction reached financial close in April 2012. The new Midtown Tunnel is expected to be completed by the end of December 2016 with the overall project achieving substantial completion in May 2018. A state contribution of $581M, combined with private sector investment, leveraged a total project valued at $2.1B. This includes a new immersed tube tunnel facility at the Midtown crossing, tunnel rehabilitation at the existing Midtown Tunnel and two Downtown Tunnels, as well as the Martin Luther King Boulevard Extension to I-264. The project supports approximately $300M in work awarded to small and disadvantaged businesses. Overall, the project will generate an estimated annual increase in gross regional productivity of $170-$254M for the Hampton Roads area of Virginia.

2. **Coalfields Expressway** (VDOT; Bristol District) - working with private sector partners Alpha Natural Resources and Bizzack, Inc., this P3 project agreement was executed in September 2002. The project has continued into 2015 advancing planned sections of new roadway using coal synergy and large-scale earth-moving techniques in southwestern Virginia. This
innovative partnering with coal companies will allow Virginia to save an estimated 48% over traditional construction methods.

3. **Route 58** (VDOT; Salem District) – work continues with private sector partners Branch Highways on Phase 3 of Route 58, referred to as the Laurel Fork/Tri-County sections in Carroll, Floyd and Patrick Counties (8 miles). Work on these sections is expected to be completed by December 2015. Work on the remaining twenty-miles of improvements between Hillsville and Stuart awaits funding approval.

4. **Route 28** (VDOT; Northern Virginia District) – working with private sector partners Clark/Shirley, the Route 28 project scope currently includes widening Route 28 to eight (8) lanes (partially funded with $43.5M) and constructing secondary road improvements at Atlantic Boulevard.

C. **P3 projects under procurement:**

1. **Transform66 Corridor Improvements** (VDOT/VDRPT; Northern Virginia District) – in cooperation with VDOT and the VDRPT, VAP3 is advancing a combination of multimodal improvements that include 2 managed lanes in each direction, 3 general purpose lanes in each direction with auxiliary lanes where needed, enhanced bus service, park and ride lots with direct connections to managed lanes, and operational improvements to the general purpose lanes.

   The candidate project **High-Level Screening Report** (May 3, 2013) and **Detail-Level Screening Report** (June 21, 2013) were accepted by VDOT to advance the project into the development phase. On August 14, 2015, the Initial **Finding of Public Interest** was signed by the Commissioner of Highways and presented to the Transportation Public-Private Partnership Advisory Committee on August 17, 2015 for a resolution that proceeding via PPTA procurement is in the public’s best interest. The project will be presented to the Commonwealth Transportation Board in the fall of 2015 for direction regarding procurement as a P3.

D. **P3 projects under Development:**

1. **Air Rights** (VDOT; Northern Virginia District & statewide) - in collaboration with VDOT and Arlington County, the VAP3 has completed a **High-Level Screening** on August 27, 2012 and a **Detail-Level Screening** on June 7, 2013 that considered the desirability and feasibility of this project for possible procurement as a P3 project.

   Air Rights development can benefit local communities with new jobs and increased tax revenues, support transit-oriented development, and generate revenue to fund future transportation improvements. VAP3, in coordination with the VDOT, is exploring ways to maximize the value of existing public assets by making selected Air Rights available for development in and around transportation facilities in the Commonwealth. By leasing Air Rights to private developers, the Commonwealth may establish a revenue stream to fund future transportation projects or generate value for transportation improvements.
A Request for Information (RFI) was released to seek private sector input to confirm the development communities’ interest and feasibility. Respondents indicated significant interest, with potential value returned to the Commonwealth.

2. Solar Energy Development (VDOT & DMME; Statewide locations) – in cooperation with VDOT and the Department of Mines, Minerals, and Energy (DMME), the VAP3 has developed this conceptual P3 project into the Solar Energy Development project. The candidate P3 project presents an opportunity to optimize the use of state-owned property, raise additional monies and become more environmentally responsible. Potential land lease collections, electricity savings and/or revenue sharing provisions are possible sources of value that can be captured from the project.

VDOT, as well as other Virginia agencies, administer a variety of state-owned properties and real estate parcels (sites) across Virginia. Solar energy systems can be placed on a variety of sites. VDOT sites could include, but are not limited to: rooftop solar systems; ground mounted solar systems on underutilized space; solar canopies over park and ride lots; and solar sound barrier walls.

The High-Level Screening Report was completed by VAP3 and accepted by VDOT on July 18, 2014. VAP3 issued a Request for Information (RFI) on January 15, 2015 to determine private sector interest in the project. The Detail-Level Screening Report was completed by VAP3 and accepted by VDOT on June 1, 2015.

E. P3 Projects undergoing Screening for Development as P3s:

1. Broadband within Right of Way (VDOT; Statewide) - Virginia operates the third largest state maintained highway system in the country. The ROW associated with the highway system presents opportunities for the location of communication infrastructure to provide enhanced capabilities in the operation of highway networks and to provide additional communications connectivity. Advances in communications technology has seen greater demand and use made of both cabled (fiber optic) and wireless forms of communication. The High-Level Screening Report was accepted by VDOT on September 3, 2014 and the Detail-Level Screening will be completed in the fall 2015.

2. Increased Cell Tower coverage (VDOT; statewide) – VAP3 is exploring the feasibility of expanding the cell tower program on VDOT right of way. Effectively expanding the current VDOT-administered Shared Resources Communications Facility arrangements for the deployment of cell towers on VDOT right of way under a P3 delivery model, has the potential to serve the public need and provide public benefits.

Engaging a private sector partner to finance, install, market, manage, operate and maintain cell towers has the potential to generate substantial additional revenue for VDOT, increase the value and maximize the use of state-owned property, increase connectivity, and expand wireless communications capacity throughout the Commonwealth. A High-Level Screening was completed on August 22, 2015, with the Detail-Level Screening which was concurred with by VDOT leadership.
F. Projects no longer under consideration for delivery via P3:

1. **I-73 Corridor** (VDOT; Southwest Virginia) – The May 27, 2014 High-Level Screening Report recommendation completed by the VAP3 and provided to VDOT was to advance the candidate project to the Detail-Level Screening so that additional information regarding P3 suitability and desirability could be compiled. However, VDOT at that time, decided not to advance the project to the Detail-Level Screening.

   While this concludes the VAP3’s efforts on the I-73 project, it may still be advanced using other traditional methods. Or, if business conditions change, if requested by VDOT, the VAP3 can reassess the viability of advancing the project via P3 procurement.

2. **Odd Fellow Road Interchange** (VDOT; Lynchburg District) - The Odd Fellows Road Interchange at U.S. Route 29/460 and Roadway Improvements Project, including the widening of Greenview Drive, was evaluated from an unsolicited proposal submitted by a private contractor to the VDOT in July 2013.

   A Policy Review was completed for the Project on July 17, 2013 and a briefing presented to the PPTA Steering Committee. On May 16, 2014, VDOT, in coordination with the VAP3, determined that Design-Build (DB) procurement would offer better value to the Commonwealth than PPTA procurement. The Project was transitioned to DB procurement and awarded on January 15, 2015, by the Commonwealth Transportation Board (CTB) as separate contracts.

3. **Commuter Fast Ferry Service** (NOVA) - The Commuter Fast Ferry Service scope included service on the Potomac River from Woodbridge, Virginia to Southeast/Southwest area of Washington, D.C. and from Alexandria, Virginia to Joint Base Anacostia-Bolling (JBAB).

   The March 24, 2014 High-Level Screening Report determined that while a fast ferry service would add another commuter option, it was not likely to be a cost effective solution. The project would require significant capital improvements to infrastructure facilities including docking facilities, vessel purchases and possible bus purchases for connection to other transportation operators as none are in place today. The VAP3 recommended the project not advance into a Detail-Level Screening for procurement as a P3 project. VDOT concurred with the recommendation on May 5, 2014.

4. **I-95 Corridor Improvements** (VDOT; Richmond & Fredericksburg Districts) – VDOT withdrew the plan in 2013 to impose new tolls on I-95, the main north-south highway between New England and Florida. Virginia was one of three states that received federal permission for a pilot project under the auspices of the Federal Highway Administration to add tolls to existing interstates.
Identifying Candidate P3 Projects

The PPTA Implementation Manual and Guidelines contains two levels of screening to identify potential P3 projects, the High-Level and the Detail-Level Screening Reports. The High-Level Screening criteria demonstrates whether a project is of sufficient complexity, has the potential to accelerate project development, will advance overall transportation priorities, can foster efficiencies, has the potential to transfer risk and future responsibilities to the private sector, the ability to generate revenue or otherwise meet funding requirement, and the ability to raise capital.

Candidate P3 projects that meet the High-Level Screening criteria for advancement via the P3 delivery method may be advanced to a Detail-Level Screening. A Candidate P3 project that advances into the Development phase will complete the Detail-Level Screening (see page 6).

The 2015 P3 Pipeline contains 7 candidate projects for P3 development (see Section A below). These candidate projects will be advanced through feasibility and desirability assessments so that informed development decisions based on business and financial analyses can be made. Section A (below) contains projects that have been identified to have purpose, need, and scope to evaluate their potential for development as a P3. Where available, hyperlinks to project websites are provided; also hyperlinks are provided to reports released by the VAP3.

Identifying Conceptual P3 Projects

The 2015 P3 Pipeline also contains 8 P3 conceptual projects. Unlike the P3 candidate projects, the P3 conceptual projects will require further research and scope development before they could advance as candidate P3 projects (see Section B below).

Maps

Once public comments on the draft 2015 P3 Pipeline are compiled and the final P3 candidate projects and P3 conceptual projects are known, maps will be included in the final version of the 2015 P3 Pipeline.

A. The VAP3 has identified 7 Candidate P3 Projects to advance into P3 Development:

1. Hampton Roads Crossing Improvements (VDOT / VDRPT; Hampton Roads) - Comprised of improvements associated with the Third Crossing project, including the Third Crossing and the Hampton Roads Bridge Tunnel. Hampton Roads Transportation Accountability Commission assessment of their project priorities, as detailed in resolutions from their June 2013 Board meeting will be critical to determine appropriate focus of PPTA assessment. Currently completing a Congestion Pricing Study as well as advancing toward a National Environmental Policy Act (NEPA) approval by the Federal Highway Administration.
2. **Route 460 / 58/13 Connector** (VDOT; Hampton Roads) - Exploring the feasibility of upgrading the existing US Route 460/58/13 from Bowers Hill to the eastern end of Suffolk Bypass. Also to include consideration of improving the section to interstate standards, adding managed lanes and improving accessibility to/from SPSA Regional Landfill and Hampton Roads Executive Airport. The project is estimated to cost $150M and will improve safety along the corridor and an enhanced evacuation route for the area.

3. **Advertising Opportunities** (VDOT; statewide) - While there have been use of sponsored advertising at Rest Areas, there may be other opportunities with state owned vehicles, facilities and buildings to be explored that could provide potential sources of revenue.

4. **Interstate Lighting** (VDOT; statewide) - Many of the 36,000 of Virginia’s interstate lights are older, inefficient, and costly. P3 evaluation would seek to replace outdated lights with energy-efficient LED lights, as well as maintain those fixtures over a contract term.

5. **New Customer Service Facilities** (DMV; Statewide) - Seeking opportunities for additional DMV customer service facilities and commercial driver’s license and motorcycle testing facilities. Recent changes in federal requirements related to maximum hours driven and modifications to the actual testing will require larger facilities for commercial driver’s license testing.

6. **Toll Credits** (VDOT; statewide) - VAP3 is researching the toll credit marketplace pilot program implemented under the “Developing a Reliable and Innovative Vision for the Economy Act” (DRIVE Act), to reauthorize Federal-aid highway and highway safety constructions programs. The Drive Act provides for the establishment and implementation of a toll credit marketplace pilot program, which would allow transfer or sell toll credits among not more than 10 states pursuant to Section 120(i) of Title 23, USC. The program’s purpose would be to identify whether a monetary value can be assigned to toll credits and to determine if the purchase of toll credits provides flexibility to deal with funding challenges under the federal aids program.

A toll credit is a financing tool, approved by the Federal Highway Administration that allows states to use federal obligation authority without the requirement of non-federal matching dollars (state “soft match”). Credits are earned when the state, a toll authority, or a private entity funds a capital transportation investment with toll revenues earned on existing toll facilities, excluding revenues needed for debt service, returns to investors or the operation and maintenance of toll facilities. Virginia currently has a surplus of over $1.3 billion in toll credits.

7. **Regional Airport runway maintenance** (DOAV; statewide) - Runways throughout the Commonwealth of Virginia are typically milled and repaved utilizing limited funds from the Department of Aviation. The potential exists to work with the private sector to have the necessary maintenance completed, with repayment completed via short-term private financing taken out by the private sector utilizing a Design-Build Finance delivery model.
B. The VAP3 has identified 8 P3 Conceptual Projects which require further scope definition or additional financial program research to determine whether they should be moved forward as Candidate P3 projects:

Conceptual Projects – Scope Definition Development

1. **Port of Richmond and the Commerce Road Corridor** (VPA; Richmond): In an effort to restore economic vitality to the Commerce Road Corridor, The Port of Virginia seeks to leverage the Port of Richmond as a key economic engine and position the Commerce Road Corridor as a vital job creation resource. The objective is to create an environment to attract new companies to the area by promoting an inventory of site options for port-related businesses.

2. **Existing Parking Facilities Enhancements** (VDOT; statewide) - opportunities for retail component at existing park and ride facilities in return for maintenance of park and ride facilities.

3. **New Park and Ride Facilities** (VDOT; statewide) - creation of new park and ride facilities in areas with identified needs. Air Rights development may offer opportunities for such parking.

4. **Rest Area Enhancements** (VDOT & DMV; statewide) - need for truck parking facilities at high-priority locations on Corridors of Statewide Significance.

5. **Farm to Fuel concept** (VDOT, DMME; statewide) - Native warm season grass (NWSG) has been successfully converted to a biofuel for use in a solid fuel fired boiler. The NWSG can be used as a biofuel in winter months to offset the cost of more expensive fuels such as gas. This concept can be looked at from both the supply and demand sides.

Conceptual Projects – Financial Programs requiring additional research

6. **Availability Payment concept for transportation projects** (VDOT; statewide) - Exploring viability of using Availability Payments with VDOT CFO and Virginia Department of Treasury. The Code of Virginia currently does not allow VDOT and VDRPT to utilize availability payments; however, other agencies are not prohibited from pursuing projects structured to utilize availability payments.

7. **Crowdfunding concept** (agency wide; statewide) - The Jumpstart Our Business Startups (JOBS) Act in 2012 has led to a rapidly changing legislative and regulatory environment, which provides for the ability of new ventures to raise money. Virginia now allows companies to raise money from equity investors through crowdfunding. This new form of investment has been successfully used in real estate development and can offer an opportunity to smaller investors to invest in P3 projects. This enhanced method can provide another level of competition for those who wish to invest in P3 projects at equity level, open the door for public involvement, especially local communities as an equity partner in the P3 model, and create opportunities for risk sharing, idea exchange, additional transparency, and enhanced public engagement.

8. **Design-Build Finance concept** (agency wide; statewide) – the DBF model has been successfully implemented in the transportation sector by public owners both nationally and
internationally, with projects in Ohio, North Carolina, Florida, and California. DBF is very similar to the design-build-model (DB) currently authorized by the Code of Virginia and utilized by VDOT. As in the DB model, the DBF model entails an agreement with a private sector contractor (Design-Builder) to design and construct the project for a fixed price by a fixed date.

The DBF model goes further to provide for financing of project costs by the Design-Builder. The public owner identified the level of funding it can provide and requires the Design-Builder to finance project costs in excess of the public funding over a specified period of time. The DBF agreement establishes a repayment schedule of the project’s costs to the Design-Builder in periodic payments during the term of construction period as well as for some established period after construction (usually no greater than 6 years from project completion date and in coordination with VDOT’s Six-Year Improvement Plan (SYIP)).

DBF delivery provides several advantages including advancing priority projects sooner, reducing project capital and life-cycle costs, and providing additional risk transfers. Risks and mitigation strategies have also been identified.

Implementing DBF would ultimately require submitting revised language for modification of the Code of Virginia.
1. **VAP3 to solicit input** - Comments on the Draft 2015 Virginia P3 Project Pipeline will be solicited from the general public, General Assembly members, Transportation Agencies, local jurisdictions, Metropolitan Planning Organizations, Planning District Commissions, private sector P3 industry, and other transportation stakeholders within Virginia.
   
   a. Draft 2015 P3 Pipeline will be posted to the VAP3 website on October 19, 2015 requesting public comment to Ms. Jacqueline Cromwell at P3Pipeline@p3.virginia.gov with the header “P3 Pipeline Comment.”
   
   b. Draft P3 Pipeline will be sent via email to stakeholders to solicit their comments on the P3 Pipeline.
      
      i. Public comment period (October 26, 2015 to November 30, 2015) within which to receive comments, suggestions for additional projects or deletion of projects.
      
      ii. Webinar will be hosted by VAP3 on November 20, 2015 to discuss the draft 2015 P3 Pipeline with interested stakeholders. Questions and comments are welcome during the webinar or as written comments by November 30, 2015.
      
      iii. Once the public comment period has closed, the VAP3 will update the final version of the 2015 P3 Pipeline and release it publicly on the website, as well as on VAP3’s Twitter and LinkedIn. Final version projected for late December 2015.
      
   c. Draft P3 Pipeline will be sent out on social media outlets as well.

For more information regarding P3 delivery models or the Virginia Office of Public-Private Partnerships is available at [www.P3virginia.org](http://www.P3virginia.org).

Questions related to Virginia’s P3 program please [Jackie.Cromwell@P3.virginia.gov](mailto:Jackie.Cromwell@P3.virginia.gov) directly.

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