

## Table of contents

A. Introduction .....	1
B. Transaction overview .....	1
C. Program importance .....	6
D. Required regulatory approvals and status.....	10
E. Progress of project development work.....	14
F. Summary.....	15

# I-495 & I-270 P3 Program Phase 1 Transaction Summary

## A. Introduction

The Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) are seeking to provide information that will enable investors to make an informed decision to participate in the solicitation for Phase 1 of the I-495 & I-270 Public-Private Partnership Program (the Program). This document describes essential aspects of Phase 1, which is a significant portion of Governor Larry Hogan's Traffic Relief Plan (TRP). The Program, upon completion, will be one of the largest managed lane systems in the United States, connecting with the existing Express Lanes system in Virginia and the Intercounty Connector in Maryland to create an integrated regional network of tolled facilities in one of the most congested regions of the country. Phase 1 is the logical first step to address a critical regional chokepoint in the system.

This document is organized as follows:

Parts B and E of this document describe the proposed Phase 1 transaction, including the solicitation process which was initiated on February 7, 2020 and the path to completing predevelopment work and delivering each section of the phase.

The essential need for the Program is described in Part C, providing information on existing and forecasted traffic and congestion, and its impact on the highway network and the regional economy. As described further herein, the corridor experiences extremely high travel demand with Average Annual Daily Traffic of 250,000 vehicles, resulting in severe congestion for seven to ten hours per day. These conditions are expected to deteriorate further throughout the 20-year planning horizon. Additional capacity is needed to address existing and future travel demand and to facilitate the continued economic growth of the region.

Part D provides current information on the status of prerequisite planning, environmental and regulatory approvals for the public-private partnership (P3) to proceed to financial close. Phase 1 is included in the Financially Constrained Long-Range Plan and the Maryland Statewide Transportation Improvement Program. Multiple planning studies are underway as part of the environmental review process for Phase 1. In January 2020, the Maryland Board of Public Works (BPW) designated the Program to advance as a P3, approving the proposed competitive solicitation method. The State's technical and commercial development work that has informed the solicitation and delivery processes is summarized in Part E.

## B. Transaction overview

On February 7, 2020, MDOT and MDTA released a Request for Qualifications (RFQ) for Phase 1 of the Program, seeking to shortlist teams of proposers to respond to a Request for Proposals (RFP) with the selected proposer becoming the Phase 1 Developer.

This multi-billion-dollar scope in Phase 1 will be developed via a Phase P3 Agreement, which will confer rights and obligations on the Phase 1 Developer to conduct predevelopment work and ultimately to provide **fixed-price proposals** for a series of

sections that make up the entirety of Phase 1. The Phase 1 Developer's compliant section proposals will be delivered with the execution and financing of long-term design-build-finance-operate-maintain (DBFOM) Section P3 Agreements between Section Developers (majority owned and controlled by the Phase 1 Developer), MDOT and MDTA. These Section P3 Agreements will not be signed until completion of all the requisite planning and studies for the relevant section have been completed, as described further below. MDOT and MDTA will seek and be required to obtain BPW approval of the P3 Agreement prior to execution.

## i. Goals

MDOT and MDTA are pursuing the Phase 1 solicitation based on the following **goals** for the Program:

- Reduce the severe I-495 and I-270 corridor traffic congestion;
- Minimize impacts beyond the existing roadway by prioritizing the reduction of any residential relocations;
- Deliver solutions that result in no net cost to the State;
- Accelerate overall program delivery by using a P3 delivery method; and
- Optimize opportunities for innovative approaches in addressing our other goals.

## ii. Phase 1 work

The intent of the Phase 1 solicitation<sup>1</sup> is to develop managed lanes and improvements to general purpose lanes along I-495 in the vicinity of the George Washington Memorial Parkway in Virginia, across and including the American Legion Bridge, up to the I-270 west spur and along I-270 from the interchange with I-495 to the interchange with I-70 (see Figure 1). The Section Developers will be responsible for maintenance and operation of the managed lanes over the term of the Section P3 Agreements. Following substantial completion of improvements, the general-purpose lanes located in the State will be transferred to MDOT to operate and maintain.

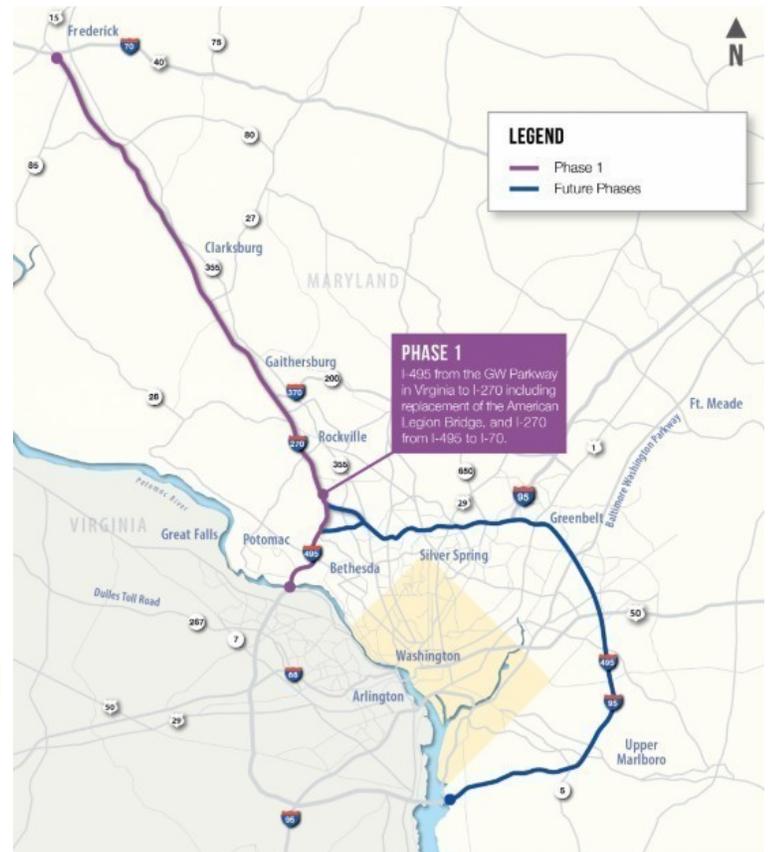
## iii. Solicitation approach

### 1. Understanding of current state of the market

In recent years, contractors have highlighted the significant challenges associated with successful delivery of large infrastructure projects, particularly those involving fixed-price design-build contracts. Their experiences with managing the inherent contractual risks has led **some contractors to limit their participation in such contracts, including for P3s which involved embedded fixed-price design-build contracts.** It is understood that the revenue-risk nature of the Program and the large scope and associated level of equity investment for Phase 1 presents additional considerations for prospective equity participants.

With this solicitation, MDOT has developed an approach to deliver Phase 1 in a manner that best **allocates risks between the State, the contractor, and the equity investor market.** MDOT will work in partnership with the Phase 1 Developer during a predevelopment period to reduce risks and to develop a mitigation and management approach before contractors are asked to develop committed pricing for each section of Phase 1. MDOT believes that using the predevelopment period to work closely

Figure 1: I-495 & I-270 P3 Program - Phase 1



<sup>1</sup> This is based on the assumption that tolled managed lanes are selected as part of the current and future NEPA studies. Should tolled managed lanes not be selected, the solicitation process will end.

with the Phase 1 Developer will be an effective strategy that will stimulate market participation in Phase 1 and enable innovative solutions and informed, optimal risk management.

## 2. Proposed risk management approach and benefits of approach

The scale and complexity of Phase 1 requires an approach that enables MDOT and MDTA and the Phase 1 Developer to better understand the inherent opportunities and challenges before proceeding to fixed pricing and the execution of Section P3 Agreement(s). By working together at the early stages in the development process, MDOT and the Phase 1 Developer will be able to collaborate on activities such as feasibility studies, preliminary engineering, risk mitigation strategies, investigation of construction methodologies, permits and financing.

Key benefits of this approach include:

- Efficient utilization of resources for development activities;
- Optimization of public and private sector resources engaging in effective collaboration;
- Timely, relevant understanding of permit, third-party, environmental requirements, financing terms and other risks during predevelopment period;
- Enable MDOT and MDTA to engage the private sector developer to assist in coordinating effective community outreach and engagement in relation to Phase 1;
- Acceleration of financial close for the section after all financing agreements, including TIFIA are more fully negotiated during the predevelopment period; and
- Open-book or use of a competitive process to pricing design and construction, finance, operating costs, and lifecycle costs.

### iv. Solicitation process

MDOT and MDTA will use a multi-step solicitation process to select a single Phase 1 Developer, first shortlisting teams as described in the RFQ and then selecting a Phase 1 Developer from those shortlisted teams based on proposals submitted in response to a request for proposals (RFP).

As further clarified in the RFQ, shortlisted teams will be selected based on their experience delivering similar projects, their capability and resources to deliver Phase 1, their dedication of qualified personnel and their understanding of Phase 1.

MDOT and MDTA intend to shortlist three teams as Proposers, but reserve the right to shortlist up to five if supported by the evaluation of statements of qualifications and determined to be in the best interest of MDOT and MDTA.

MDOT and MDTA will invite the shortlisted Proposers to submit proposals in response to the RFP. Evaluation criteria set forth in the RFP will dictate the selection of a Proposer who will enter into the Phase P3 Agreement as the Phase 1 Developer. The Phase P3 Agreement will govern the predevelopment work and the process leading to execution of the Section P3 Agreement(s) in Phase 1.

MDOT and MDTA anticipate that the draft RFP will include both the form of the Phase P3 Agreement as well as the form of the Section P3 Agreement. MDOT and MDTA will be signatories to the Phase P3 Agreement and the Section P3 Agreement(s), each of which shall be approved by the MDTA Board and BPW prior to its execution.

### v. Solicitation schedule

The multi-step solicitation process for Phase 1 will be complete by spring 2021. A breakdown of key milestones is provided in Table 1. The schedule is subject to modification at the sole discretion of MDOT. MDOT will give notice of any change to the schedule by issuing an Addendum to the RFQ.

**Table 1: Phase 1 solicitation schedule**

Milestone	Timeline
RFQ Issuance	February 7, 2020
SOQ Due Date	April 22, 2020
Anticipated Notification of Shortlisted Proposers	June 5, 2020
First Draft of RFP to Shortlisted Proposers	July 2020
Issue Final RFP	December 2020
Proposals Due Date	February 2021
Selection of Selected Proposer	March 2021
BPW Approval of Phase P3 Agreement	May 2021
Award and Execution of Phase P3 Agreement	May 2021

## vi. Scope of work

The overall scope of work required from the Phase 1 Developer to successfully participate in the transaction occurs in three phases outlined below:

### 1. Work for solicitation process

As part of the RFP stage of the solicitation, the shortlisted Proposers may be required to prepare and submit documents outlining their approach, schedule and plan to complete predevelopment work in response to the RFP. The exact details and expected level of effort to complete this work will be further identified in the release of the draft RFP, but MDOT and MDTA expect this work to be comprehensive and to reflect an advanced and thorough understanding of how Proposers intend to successfully deliver Phase 1, including reaching **successful financial close on the first section, inclusive of the American Legion Bridge, by October 2022**. Throughout the RFP process, MDOT and MDTA expect to engage in dialog with Proposers to advance innovative approaches for delivery of Phase 1.

### 2. Scope of work under Phase P3 Agreement

The Phase P3 Agreement will obligate the Phase 1 Developer to conduct work to develop and submit fixed-price, committed proposals for each section, including committed equity and debt investments. This work will culminate in the advancement of each Section of Phase 1 to execution of a Section P3 Agreement and financial close in accordance with associated milestones on a schedule to be identified in the RFP.

The Phase 1 Developer will complete the full scope of work under the Phase P3 Agreement using its own funds and provide a letter of credit as performance security for the predevelopment work. MDOT may be required to reimburse the Phase 1 Developer for certain allowed costs if MDOT terminates the agreement for convenience or if MDOT breaches the agreement. The Phase P3 Agreement will include milestone deadlines for the delivery of the predevelopment work and provide schedule relief only in certain defined circumstances.

If the Phase 1 Developer is not able to meet the milestone schedule included in the Phase P3 Agreement, MDOT **may** have the right to call the performance security and terminate the Phase P3 Agreement.

The Phase 1 Developer's detailed scope of work under the Phase P3 Agreement **may** include the following:

- Prepare the Phase 1 development plan in collaboration with MDOT and MDTA (identifying the sections including the sequence and schedule of sections, plans for the development of each section, and various other plans);
- Work in partnership with MDOT and MDTA to avoid or minimize the impacts of construction and operations on the environment, community, property, and utilities;
- Perform other predevelopment work to reduce risks and optimize pricing, and subsequently obtain final, fixed pricing for the work for each section,
- Prepare traffic and revenue studies for each section;

- Secure equity and debt financing for each section (including TIFIA and PABs application processes as necessary for the relevant section);
- Obtain any required permits and approvals and comply with all permits obtained by MDOT and MDTA, including National Environmental Policy Act (NEPA) commitments and mitigation;
- Coordinate work on each section and coordinate interfaces with other phases, and other projects in the State and the Commonwealth of Virginia, as applicable;
- Provide information for additional environmental documentation under Federal or State environmental laws, and, in particular, provide technical studies necessary to support the Federal and State environmental review processes for the northern portion of Phase 1 (I-270 from I-370 to I-70);
- Assist MDOT with the development of certain regional transit service improvements to be provided;
- Undertake a competitive process to secure third-party investors for a portion of the required equity; and
- Perform any other work and coordination necessary to achieve financial close for each section of Phase 1.

### 3. Scope of work for each section

The Phase 1 Developer will have majority interest of each Section Developer which will be obligated to design, construct, finance, operate, and maintain its relevant section under a long-term, revenue-risk Section P3 Agreement. **Each section must have logical termini and provide independent utility.**

The Section P3 Agreements will include: design, construction, and/or reconstruction/rehabilitation of the existing general purpose lanes, priced managed lanes and associated structures; acquisition and compliance with all permits and approvals required to complete the work (except MDOT-provided approvals), including NEPA commitments and mitigation; electronic toll and traffic management systems including both open road tolling (including video) roadside equipment and systems so that each vehicle can be accurately detected, identified and classified without stopping or slowing to do so; operations and maintenance of the priced managed lanes, and during construction, the routine O&M of the general purpose lanes in active construction areas; as well as related coordination, construction and collaboration necessary to provide and implement the section work.

MDTA will perform certain tolling services, including toll collection processing (based on information from each Section Developer's lane side systems), account administration, and toll violations processing pursuant to a Toll Services Agreement (TSA), the form of which will be included in the RFP.

Although the Section Developer will take traffic/revenue risk, the State will assume the risk associated with collection and enforcement of tolls. For each vehicle that uses the facility and for which valid transaction information and license plate images and identification information, as applicable, will be provided to MDTA, **MDTA will pay the Section Developer an amount equal to the E-ZPass® toll amount** that would be assessed to each vehicle less associated processing fees. The amount payable will be irrespective of whether the vehicle uses E-ZPass® or another toll collection method (e.g., video toll). MDTA E-ZPass® transaction fees calculated in accordance with the TSA will be deducted from the amount due and payable to the Section Developer prior to remittance. All fees related to video tolling and enforcement will be retained by MDTA. MDTA is a member of the E-ZPass® Interagency Group and is governed by its electronic toll payment protocols.

See Figure 2 for indicative typical sections along I-495 for Phase 1.

*Figure 2: Indicative typical section for the majority of I-495 - priced managed lanes in yellow (note that there are other alternatives under consideration in the NEPA process)*



Please refer to the RFQ for a more complete list of the anticipated scope of section work.

## 4. Local industry participation

The Phase 1 Developer will support MDOT in its commitment to include minority business enterprises (MBE) and disadvantaged business enterprises (DBE) and provide community benefits through workforce development programs and participation of a diverse labor market, including, but not limited to local contractors, labor unions, and the regional MBE/DBE community at large.

Opportunity MDOT – MDOT has established Opportunity MDOT, a program to strengthen and prepare Maryland’s businesses and workforce for potential opportunities on the Program, that will be part of the requirements in the Phase P3 Agreement and the Section P3 Agreement(s). Opportunity MDOT will include several components to engage the local workforce and establish relationships with the community to spearhead economic empowerment solutions. Specific commitments will be further identified as the solicitation progresses.

MBE/DBE goals – While MDOT has not yet established MBE/DBE goals for Phase 1, MDOT has established an agency aspirational DBE participation goal of 26.04% per year for federal fiscal years 2019 through 2021. In addition, the State has a current overall aspirational MBE participation goal of 29.00%.

MDOT anticipates that DBE goal(s) will apply to the design and construction work for Phase 1. MDOT is evaluating the applicability of MBE or DBE goal(s) to the predevelopment work for Phase 1, as well as the potential applicability of MBE or DBE goals to the operations and maintenance work in Phase 1.

## C. Program importance

The Program is essential to the efficient operation of the interstate network and is of the utmost importance to the regional economy. The region suffers from sustained, persistent daily congestion along the Program corridor. The Program is intended to provide capacity expansion and improved travel time reliability. Those immense benefits to commuters and businesses will enable people and goods and services to move freely, saving time and costs. The Program is a stated priority of Governor Hogan and his administration, and many public stakeholders and organizations across the region have expressed their support to address this urgent need for congestion relief. In addition to being a priority of Maryland, the Program is a priority of Virginia as demonstrated by Governor Hogan and Governor Ralph Northam of Virginia announcing the Capital Beltway Accord. **This historic accord includes agreement on principles** to share funding responsibility for the expansion and reconstruction of the American Legion Bridge, associated infrastructure and operational responsibility to provide a seamless customer experience.

### i. Regional and local economic importance

Residents, commuters and their employers place a high value on efficient and reliable transportation infrastructure in the National Capital Region (Region), which includes the District of Columbia and surrounding parts of Virginia and Maryland. High and increasing travel demand in the corridor results in severe congestion throughout the day making travel unreliable and inefficient. Commuter, business and recreational travelers currently experience significant delays during peak hours that are three to four times free-flowing travel times, adding hours to daily commutes. By 2040 these travel times are projected to increase another 25% without additional lane capacity, and congested lane miles across the Region are expected to increase by 66%. The estimated congestion costs to the region is increasing, reaching over \$1.7 billion in 2017, caused by car and truck delays, wasted fuel and extra emissions<sup>2</sup>. This situation is only expected to worsen as the Region’s population and economy grows.

Additional capacity is needed to address existing and future travel demand. Current commuter, business, and recreational trips result in severe congestion from seven to ten hours per day; congestion is expected to deteriorate further by the planning horizon year of 2040. The Region also is the main hub of government, military, and community installations related to homeland security. These agencies and installations rely on quick, unobstructed roadway access during a homeland security threat. Additional capacity would assist in timely responses to emergencies and national security events.

The Program will help provide some of the following benefits:

- Accommodate existing traffic and long-term traffic growth;
- Enhance trip reliability;
- Provide additional roadway travel choices;

<sup>2</sup>MDOT SHA, “2018 Maryland State Highway Mobility Report,” 2018

- Accommodate homeland security mobility needs; and
- Improve movement of goods and services.

### ii. Current and projected levels of traffic and congestion

The need for the Program is clear. The Program Corridor includes the most heavily traveled highways in the Region with Average Annual Daily Traffic (AADT) volumes of over 250,000 vehicles. The Region's population is expected to grow by over 23% from 5.5 million people in 2017 to 6.7 million people by 2040. These additional 1.2 million people will increase trip demand across the already congested Region, especially as outer suburbs are expected to see the highest levels of population growth. This growth is anticipated to generate an additional 4 million trips per day, including nearly one million work trips per day by 2040. Commute times during peak rush hours are expected to lengthen and drivers will experience standstill traffic on significant portions of the Program Corridor as indicated in Table 2 and Figure 3.

Figure 3: No build speeds – 2040: 5PM

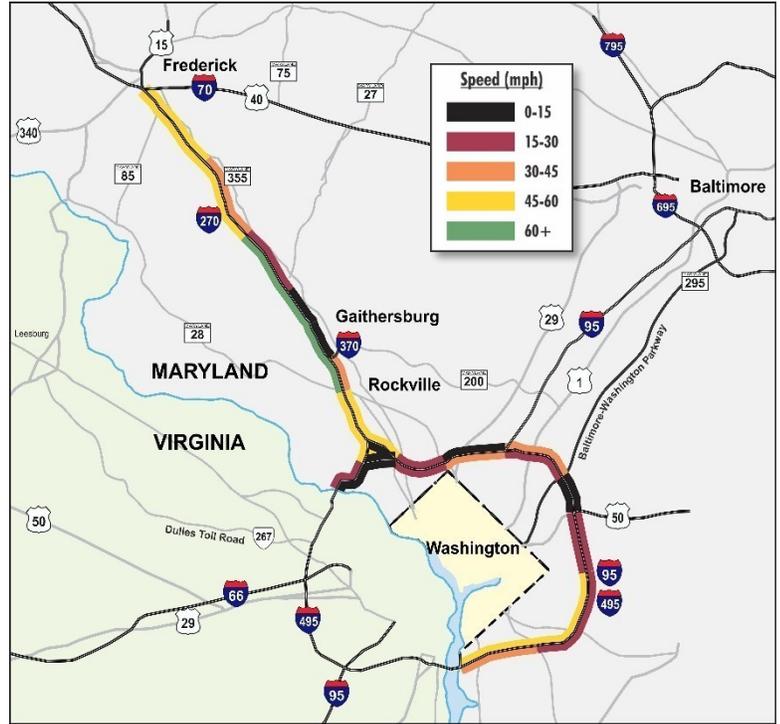


Table 2: Traffic growth 2018-2040

Average Annual Daily Traffic (AADT)		
Location	2018	2040
I-270: I-370 to I-495	259,000	299,000
I-495: VA Line to I-270	253,000	282,000
I-495: I-270 to I-95	235,000	252,000
I-495: I-95 to MD 4	230,000	245,000

### iii. Age of existing infrastructure and need for rehabilitation or replacement

Through its ongoing work to understand the technical risks for Phase 1, MDOT and MDTA have undertaken analysis to assess the condition of existing infrastructure. Numerous portions of Phase 1 were built many decades ago and will require significant major maintenance in the future. By delivering Phase 1 through this solicitation approach, significant portions of this work will be completed during construction by the Section Developers to accommodate the priced managed lanes.

The Section Developers will be required to adhere to specific performance and handback requirements to ensure the priced managed lane assets are maintained appropriately for the life of the Section P3 Agreements. Table 3 demonstrates the extent of the current need that can be addressed through the Phase 1 P3 Agreement and subsequent Section P3 Agreement(s):

Table 3: Summary of Phase 1 existing infrastructure condition

	I-495	I-270
Roadways	Based on as-builts, the average age of the concrete and w-beam barrier is approximately 40 years. Records show late 1960's to late 1980's construction dates for a large portion of I-495.	Based on as-builts, the average age of the concrete and w-beam barrier is approximately 30 years. Records show late 80' to early 90's construction.
Pavement	Most recent rehabilitation was in 2009 consisting of 3" of mill and overlay.  Based on 2017 data, I-495 from the VA line (MP 0.0) to MP 0.7 the average pavement quality rating is "acceptable".	Most recent rehabilitation was between 2010 and 2014 consisting primarily of either a 2" mill and overlay or a 2" overlay only.



	<p>Beyond MP 0.7, the average pavement quality rating is “good”.</p> <p>Based on this information, the portion of I-495 from the VA line to MP 0.7 is in need of pavement rehabilitation. All other sections of I-495 are primarily of good road quality and pavement rehabilitation is not anticipated in the next few years.</p>	<p>Based on this information, all sections of I-270 are primarily of good road quality and pavement rehabilitation is not anticipated in the next few years.</p>														
<p><b>Bridges</b></p>	<p>There are 21 mainline bridges and 18 overpass vehicular bridges, which are generally in fair to satisfactory condition. 56% of the existing bridge deck area is more than 45 years old.</p> <p>35% of the existing bridge deck area is more than 20 years old, but less than 45 years old.</p> <p>Anticipated rehabilitation over next 15-20 years would include:</p> <ul style="list-style-type: none"> <li>• deck rehabilitation/replacements</li> <li>• miscellaneous superstructure and substructure repairs</li> </ul>															
<p><b>Retaining Walls</b></p>	<p>There are approximately 41 existing retaining walls totaling approximately 432,000 square feet. The majority of the retaining walls were built approximately 40-50 years ago, at the same time as the roadway widening. They are in satisfactory condition. Minor rehabilitation work will be necessary on approximately 30% of the area consisting of primarily spall repairs. It can be assumed that approximately 10% of the area is in poor condition and will need replacement/significant rehabilitation.</p>															
<p><b>Sound barriers</b></p>	<p>There are approximately 22 existing sound barriers totaling approximately 537,000 square feet.</p> <p>All sound barriers average about 20 to 25 years of age. Approximately 10% of the area is in poor condition. The remaining area is in satisfactory condition. Over the next 25 years, 15% of the barriers will need panel replacement or rehabilitation of panel engagement.</p>															
<p><b>Box culverts</b></p>	<p>There are approximately 6 concrete box culverts totaling approximately 1,500 lineal feet (LF).</p> <p>Majority of the box culverts were built or lengthened as part of the original roadway construction or widening, approximately 40-50 years ago.</p> <p>90% are in satisfactory condition. The remaining 10% will need minor rehabilitation over the next 25 years.</p> <p>All box culverts will need to be evaluated for hydraulic capacity and most will need to be expanded.</p>															
<p><b>Small structures</b></p>	<p>There are approximately 35 small structures totaling approximately 15,900 LF.</p> <p>These structures have an average age of 56 years and 95% of the length are in fair to satisfactory condition.</p>															
<p><b>Drainage</b></p>	<p>According to the MDOT SHA National Pollutant Discharge Elimination System (NPDES) database, which is tracking the storm drain network, the Phase 1 area contains roughly 188,000 LF of storm drain pipe. The pipe is of unknown age and condition, but is believed to be of the following material breakdown:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Asphalt coated corrugated metal pipe</td> <td style="text-align: right;">2,340 LF</td> </tr> <tr> <td>Bituminous coated corrugated metal pipe</td> <td style="text-align: right;">1,000 LF</td> </tr> <tr> <td>Cast iron pipe</td> <td style="text-align: right;">30 LF</td> </tr> <tr> <td>Corrugated metal pipe</td> <td style="text-align: right;">6,800 LF</td> </tr> <tr> <td>Concrete</td> <td style="text-align: right;">450 LF</td> </tr> <tr> <td>High density polyethylene</td> <td style="text-align: right;">80 LF</td> </tr> <tr> <td>Polyvinyl chloride</td> <td style="text-align: right;">400 LF</td> </tr> </table>	Asphalt coated corrugated metal pipe	2,340 LF	Bituminous coated corrugated metal pipe	1,000 LF	Cast iron pipe	30 LF	Corrugated metal pipe	6,800 LF	Concrete	450 LF	High density polyethylene	80 LF	Polyvinyl chloride	400 LF	
Asphalt coated corrugated metal pipe	2,340 LF															
Bituminous coated corrugated metal pipe	1,000 LF															
Cast iron pipe	30 LF															
Corrugated metal pipe	6,800 LF															
Concrete	450 LF															
High density polyethylene	80 LF															
Polyvinyl chloride	400 LF															



Reinforced concrete pipe	167,660 LF
Structural plate pipe	3,080 LF
Unknown	5,885 LF
It is expected that most concrete pipe would need some form of rehabilitation in the next 10-15 years and all other pipe materials are likely in need of replacement or rehabilitation.	
All drainage assets will need to be evaluated for hydraulic capacity and most will need to be expanded.	

#### iv. Program support

There are numerous examples of support for the Program from across the Region. These include a range of recommendations, surveys, and letters of support from both public and private sector organizations. Key examples of political and community support are highlighted below.

- Recent community surveys conducted by MDOT, include the following findings:
  - 84% of respondents always or usually experience delays due to congestion when using I-495 and I-270;
  - 77% of respondents who reported taking an alternative route to avoid congestion on I-495 or I-270 stated their alternative route took them through or near residential neighborhoods;
  - 47% of respondents indicated that congestion causes extra costs in addition to time, such as extra fees at daycare, missed medical appointments, or reduced quality of life;
  - 43% of respondents who own or work for a business indicated they make fewer service calls or deliveries as a direct result of congestion on I-495 and I-270; and
  - 88% of respondents agree that addressing congestion on I-495 and I-270 in Maryland is an important priority.
- The Washington Post commissioned a survey of Washington-area residents in 2019, finding that:
  - 61% of respondents support the concept of adding tolled express lanes to I-270 and the I-495 in Maryland.
- The Suburban Maryland Transportation Alliance also commissioned a survey in 2016, finding that:
  - 70% of Maryland residents support the concept of adding new express lanes on I-270 from Montgomery County to Frederick County;
  - 71% of Maryland residents support widening the Maryland portion of the I-495; and
  - 64% of Maryland residents support the addition of express lanes to the American Legion Bridge.
- The Greater Washington Partnership, a civic alliance of the region’s leading employers and entrepreneurs, released the Capital Region Blueprint for Regional Mobility that includes a recommendation to expand the existing express lanes network including the Program’s facilities.
- The Suburban Maryland Transportation Alliance, the Mid-Atlantic American Automobile Association, the Association for the Improvement of American Infrastructure, the Maryland Transportation Builders and Materials Association, the Greater Washington Board of Trade, the Montgomery County Chamber of Commerce, and a coalition of thirty representatives of the vast majority of employers in the Greater Washington region have provided letters of support to MDOT for the Program.
- TRIP, a private nonprofit organization that researches, evaluates and distributes economic and technical data on surface transportation issues, recently released a report entitled Keeping Maryland Mobile: Accomplishments and Challenges in Improving Accessibility in Maryland to Support Quality of Life and a Strong Economy. This report highlighted the Program as an example of a critical investment that will help to address Maryland’s significant traffic congestion challenges.

- Montgomery County has advocated for additional HOV or HOT lane capacity on the American Legion Bridge, continuing along I-495 and on I-270 to Frederick County. Coupled with State investment in transit, such as the \$5.6 billion Purple Line Light Rail Transit Project currently under construction, these HOV or HOT lanes could provide meaningful congestion relief while also expanding the range of transportation options for those who travel these corridors.

## D. Required regulatory approvals and status

This section describes the overall planning and approval process and status, including legislative and environment approvals that will be necessary for Phase 1 to proceed to financial close.

### i. Planning process

As part of the planning process and a prerequisite for obtaining approvals, the Program has been included in the National Capital Region's Financially Constrained Long-Range Plan (CLRP) and Transportation Improvement Program (TIP) as follows:

- **CLRP (Visualize 2045):** Phase 1 was included as part of two financially constrained projects in Visualize 2045 on October 2018:
  - Element ID-3281: I-95/I-495 component of the Traffic Relief Plan to include two managed lanes in each direction between the Baltimore-Washington Parkway and the Virginia State Line/Potomac River at American Legion Bridge
  - Element ID-1186: I-270 component of the Traffic Relief Plan to include two managed lanes in each direction between I-495 and I-70/US 40
- **TIP (2019-2024):** The National Capital Region's latest TIP included the Program as TIP ID 6432: I-495 and I-270 P3 Project (Traffic Relief Plan) - Planning activities in support of Traffic Relief Plan Phase I, which will implement toll lanes along I-270, between I-495 and I-270 and I-495 between the American Legion and Woodrow Wilson bridges.

The CLRP and TIP will be updated over time as the Program and Phase 1 progress in alignment with the progression of the NEPA process.

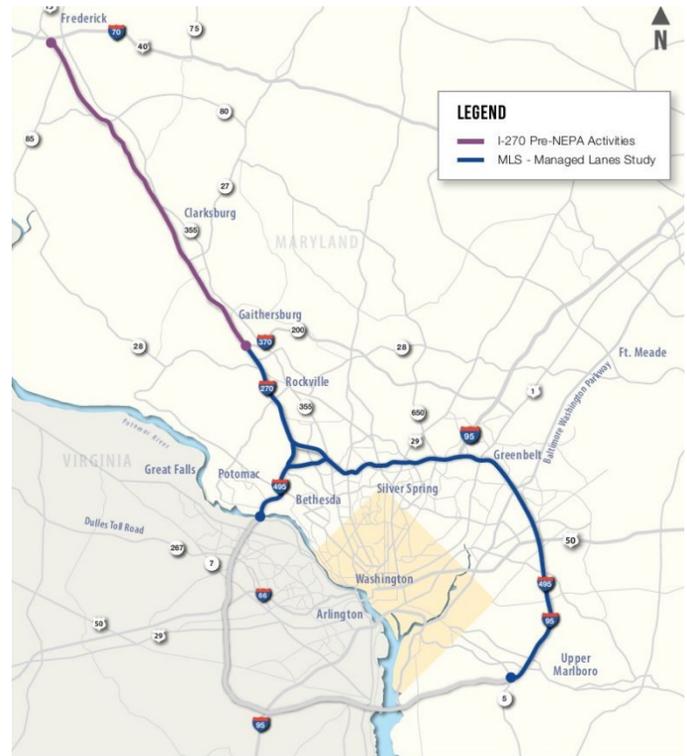
## ii. Environmental review process

The Federal Highway Administration (FHWA) and MDOT State Highway Administration are currently preparing an Environmental Impact Statement for the I-495 & I-270 Managed Lanes Study (MLS). This study covers the portion of Phase 1 along I-495 from south of the George Washington Memorial Parkway in Virginia, across the American Legion Bridge and along I-270 from the west spur to I-370. Outside of Phase 1, the MLS extends along I-495 from the I-270 west and east spurs to west of MD 5. MDOT is also conducting pre-NEPA activities for the remaining portion of I-270 from I-370 to I-70.

The solicitation scope and milestones under the Phase P3 Agreement will be aligned with the MLS outcomes and schedule. To the extent that the outcome of that NEPA process concludes that priced managed lanes are not the preferred alternative, the southern portion of Phase 1 will be removed from the scope of Phase 1.

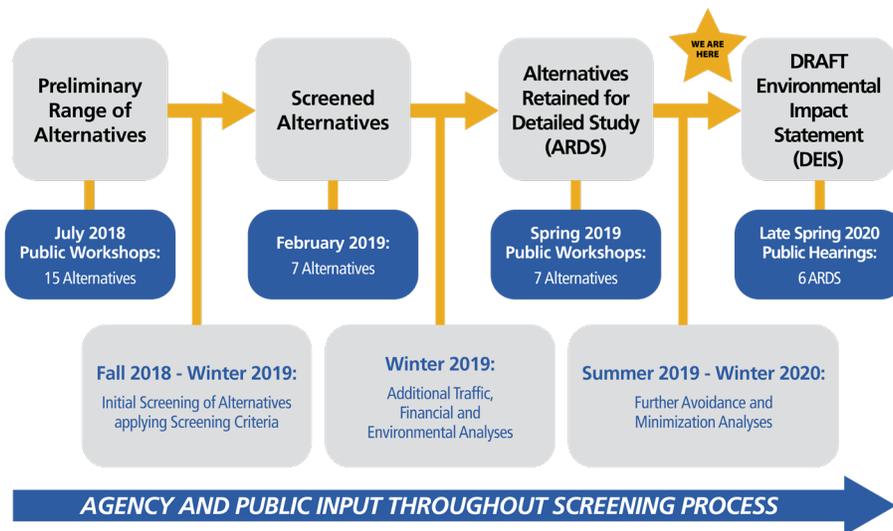
The development of the northern portion of Phase 1 is dependent on the advancement of the pre-NEPA activities and eventual NEPA study process. To the extent that the outcome of that NEPA process concludes that managed lanes are not the preferred alternative, the northern portion of Phase 1 will be removed from the scope of Phase 1.

Figure 4: Planning study map



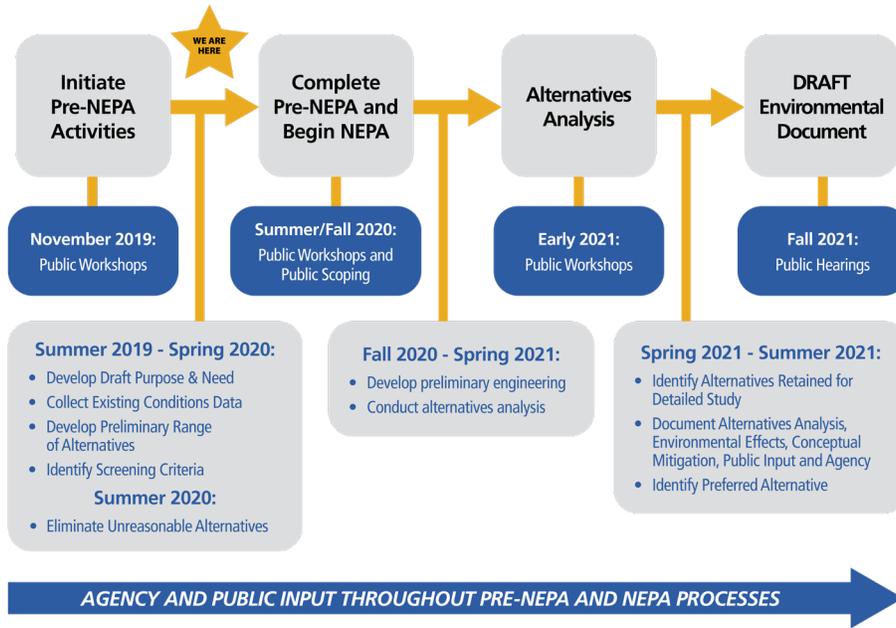
The current status of the NEPA activities for the MLS is summarized in Figure 5 below:

Figure 5: NEPA MLS Activities



The pre-NEPA activities for the remaining section of I-270 began in Summer 2019 and are expected to end in Fall 2020 with the publication of a pre-NEPA report detailing the activities conducted during this time period. Currently, MDOT is conducting activities such as identifying existing conditions, developing a Draft Purpose and Need, and identifying reasonable alternatives. In Fall 2020, the effort is anticipated to advance into a NEPA study which is expected to take approximately two years to complete as specified in Figure 6.

Figure 6: Pre-NEPA I-270 Activities



### iii. Legislative approval process

#### 1. P3 legislative authority and requirements

In accordance with State Finance and Procurement Article Title 10A of the Annotated Code of Maryland, Chapter 6 of Subtitle 7 of Title 11 of the Code of Maryland Regulations and Chapter 17 of Subtitle 1 of Title 11 of the Code of Maryland Regulations, MDTA and MDOT have been identified as the Reporting Agencies for the solicitation of Program agreements and conducted their high-level and detailed level screening processes for the Program.

In December 2018, MDOT and MDTA completed the screening process for the Program and submitted the Pre-solicitation Report to the required Maryland legislative committees, the Department of Legislative Services, the Comptroller and the State Treasurer for review, initiating the process to seek BPW approvals.

#### 2. BPW approvals

On June 5, 2019, the BPW designated the Program to advance as a P3 and approved the proposed competitive solicitation method. On January 8, 2020, the BPW approved an amendment to the designation of the Program as a P3 and the solicitation method<sup>3</sup>. The BPW approval included the following conditions:

- No property acquisitions related to the TRP may take place before BPW final approval of the P3 Agreement;
- Mass transit buses will be able to access the managed lanes at zero cost;
- MDOT and MDTA will develop memoranda of understanding with the affected Counties defining regional transit service improvements to be included in the P3 agreements. MDOT and MDTA will develop the transit services improvements collaboratively with the affected Counties. Specific transit investment will be provided as part of the P3 agreements to ensure that regional transit service improvements are provided at defined and predictable times;
- MDOT is to undertake an initial feasibility study of monorail in the I-270 corridor; and

<sup>3</sup> <https://bpw.maryland.gov/MeetingDocs/2020-Jan-8-Agenda.pdf>

- The Program will be delivered through solicitation of one or more phase developers. The first solicitation, Phase 1, will include the bi-state Capital Beltway Accord partnership for the American Legion Bridge, which will include I-495 from the vicinity of the George Washington Parkway in Virginia to I-270, and I-270 from I-495 to I-70. The first section delivered under Phase 1 will include replacement of the American Legion Bridge. The portion of I-270 from I-370 to I-70 will be delivered as part of future sections, provided the required environmental approvals are in place. The remaining portion of I-495 from I-270 to the Woodrow Wilson Bridge, would be solicited as part of a future Phase at a later date and subject to BPW approval prior to proceeding.

The Phase P3 Agreement and each Section P3 Agreement are subject to a legislative review and comment period and approval by the MDTA Board and BPW.

### 3. MDTA bond issuance

For each section of Phase 1, MDTA will issue bonds (MDTA Phase 1 Bonds) in a private placement to the Section Developer. Repayment of the bonds will be solely from revenue generated from the relevant section and will be non-recourse to the State or MDOT. The residual revenues generated by each section (after payment of principal and interest on the corresponding MDTA bonds and certain fees due to MDTA) will be paid to the Section Developer in accordance with the applicable trust indenture. The proceeds of the bonds will be used to fund certain costs incurred in connection with the Program. Those bonds will be issued pursuant to one or more new indentures entered into between MDTA and a trustee in accordance with its statutory authority. Revenues from MDTA's existing facilities will not be pledged to these bonds and their issuance will not impact coverage ratios of MDTA's existing bonds. While the MDTA Phase 1 Bonds will count towards MDTA's \$3.0 billion statutory debt limit, it is not expected to impact the MDTA's ability to deliver other critical infrastructure projects in the State including replacement of the Nice/Middleton Bridge and I-95 Express Toll Lanes.

### 4. Toll rate setting authority and process

Pursuant to Section 4-312 of the Transportation Article of the Annotated Code of Maryland, MDTA is the only entity with the authority to set and fix tolls for State transportation facilities.

On November 29, 2018, the MDTA Board adopted Resolution 18-04, the I-495 & I-270 P3 Program Pre-Solicitation Report and conditional designation of the P3 Program as a "transportation facilities project". On April 25, 2019, the MDTA Board approved the Inter-Agency Agreement with MDOT, which can be found on eMaryland Marketplace Advantage<sup>4</sup>. The MDTA Board will set and fix the parameters for charging tolls applicable to Phase 1 prior to the submission of proposals for Phase 1. The tolls charged to certain users of the priced managed lanes will be variable and calculated dynamically by the relevant Section Developer in accordance with the parameters set by the MDTA Board.

## iv. Executive support

In pursuing these environmental and legislative approvals, the Program has benefited from the clear and consistent support of the executive leadership of the State of Maryland, including Governor Hogan and the Secretary of Transportation, Greg Slater. Since its inception in November 2017, Governor Hogan's administration has provided significant resources and public support for the development of the Program. With the recent BPW approval, Governor Hogan made the following statement:

"At a time when many of America's roads and bridges are crumbling, and at a time of divisiveness and dysfunction in our politics today, this project is a testament to the balanced, all-inclusive approach Maryland is taking to improving and modernizing our infrastructure. This is truly a monumental and historic achievement, not just for Maryland but for the entire Capital Region. I think it is very fitting that on this first day of the legislative session, we are beginning by advancing a major, bipartisan, common sense agreement that will dramatically improve the quality of life every single day for hundreds of thousands of area residents and commuters for decades to come."<sup>5</sup>

<sup>4</sup> [https://emma.maryland.gov/page.aspx/en/bpm/process\\_manage\\_extranet/22017](https://emma.maryland.gov/page.aspx/en/bpm/process_manage_extranet/22017)

<sup>5</sup> [http://www.mdot.maryland.gov/News/Releases2020/2020\\_January\\_8\\_BPW\\_Advances\\_Traffic\\_Relief\\_Plan.html](http://www.mdot.maryland.gov/News/Releases2020/2020_January_8_BPW_Advances_Traffic_Relief_Plan.html)

## v. MD – VA Capital Beltway Accord<sup>6</sup>

In addition to public statements and resource allocation, Governor Hogan has worked diligently to advance a bi-state agreement with Virginia to develop the interface where I-495 crosses into Virginia at the American Legion Bridge and meets Virginia's planned 495 Northern Extension (NEXT) managed lanes project.

On November 12, 2019, Governor Hogan and Governor Northam of Virginia announced a shared solution to I-495 managed lanes extension at the American Legion Bridge to address regional congestion and an intention to enter into a bi-state, bipartisan accord regarding the coordination of these works within Virginia - 'the Capital Beltway Accord'.

The states have agreed to a bi-state funding plan to accelerate the delivery of these critical improvements, including all of the infrastructure needed for connections between George Washington Memorial Parkway (Virginia) and MD-190/River Road, which will form part of the first section to be developed. It is anticipated that toll revenues will fully fund the capital costs of the improvements.

Discussion and coordination with VDOT are ongoing regarding the design and construction, and operation and maintenance of the American Legion Bridge.

## E. Progress of project development work

MDOT and MDTA have hired an advisor team comprised of individuals and firms experienced in the development and delivery of projects of a similar scope and size. The team, led by MDOT and MDTA staff, has been performing technical, financial and legal analysis to support the development of Phase 1. This section provides a brief overview of the work performed to prepare for the solicitation of the Phase P3 Agreement.

### i. MDOT / MDTA work to date

#### 1. Engineering work to support TRP P3 and NEPA

MDOT and MDTA continue to perform technical work in support of Phase 1. This work has helped MDOT and MDTA better understand key risks and ways to mitigate these risks through the solicitation process. Work underway includes, but is not limited to: LIDAR and supplemental field run topographic survey; property survey and right of way work map development; utility historical record collection, field designating, and test hole data collection; historical soil boring data collection and soil boring sampling; historical pavement data collection and pavement testing; as-built plan and asset data collection; hazardous materials investigations and evaluations; existing and design year traffic model development and traffic analyses; concept roadway alignment development; existing structure evaluations and concept structure layout development; cross culvert hydrologic and hydraulic evaluations; stream channel assessments; stormwater management needs assessment; environmental studies; air and noise studies; environmental resource and property impact assessments; constructability evaluations; and transit opportunities evaluation.

#### 2. Traffic and revenue studies completed and underway

MDOT has completed traffic and revenue studies at varying levels of detail, including for the southern portion of Phase 1. These studies have involved stated preference surveys, actual traffic counts and a detailed socioeconomic study. Following award, it is expected that the Phase 1 Developer will undertake its own investment grade traffic and revenue study to support the development and financing of a committed proposal for each section.

### ii. Legal and financial analyses to support solicitation, contracting, and phasing approach

**Solicitation approach** – The solicitation approach has been developed by MDOT and MDTA staff and their technical, legal and financial advisors in the two years after Governor Hogan announced the Program. The work included industry engagement to obtain additional perspectives of the feasibility of various approaches. The extensive dialog process included requests for information, industry forums and one-on-one meetings with industry participants. The current approach resulted from this dialog process and ongoing detailed analysis of the risks and benefits of each option.

**Financial analysis** – MDOT and MDTA have developed preliminary cost estimates and traffic and revenue forecasts for a variety of phasing and configuration options. These estimates have been used to conduct detailed financial modeling of various delivery

<sup>6</sup> [http://www.mdot.maryland.gov/News/Releases2019/2019\\_November\\_12\\_Capital\\_Beltway\\_Accord\\_Release.html](http://www.mdot.maryland.gov/News/Releases2019/2019_November_12_Capital_Beltway_Accord_Release.html)

approaches, policy decisions and phasing plans to determine how to deliver the Program at no net cost to the State. Based on the current studies and capital market assumptions, it is anticipated that project economics will support delivery at no net cost.

### iii. Coordination with existing VA Express Lanes network and subsequent Phases of P3 Program

The Phase 1 Developer will be responsible for coordination with Virginia's Express Lane Network to ensure continuity and to enable a seamless Region-wide highway experience for the users of the broader system in both Virginia and Maryland. The American Legion Bridge, one of the country's worst traffic chokepoints and the only highway link between Fairfax and Montgomery counties, carries over 35% of the region's travelers. When complete, the Program is expected to cut commuting time in half for many travelers moving between the two states, reduce congestion in the general purpose lanes by 25%, provide 40% more lane capacity over the American Legion Bridge, and will add a bicycle and pedestrian path across the Potomac River to ensure multi-modal expansion and connectivity.

## F. Summary

This document provides information for prospective investors, as well as for key stakeholders. The essential aspects of Phase 1 of the I-495 & I-270 Public-Private Partnership Program, have been described herein. The Program, upon completion, will be one of the largest managed lane systems in the United States, connecting to Virginia's existing Express Lanes facilities and Maryland's Intercounty Connector and integrating a regional network of tolled facilities in one of the most congested regions of the country. Phase 1 is the logical first step to address a critical regional chokepoint in the system.

MDOT and MDTA initiated solicitation of the proposed transaction for Phase 1 on February 7, 2020 with the issuance of an RFQ for development of Phase 1. As described in prior sections, the fundamentals for Phase 1 are sound. High travel demand (AADT > 250,000), results in severe congestion for seven to ten hours per day and additional capacity is urgently needed to address existing and future travel demand and to facilitate the continued economic growth of the region.

The independent planning and environmental review processes are under way. Phase 1 is included in the National Capital Region's Financially Constrained Long-Range Plan and the Transportation Improvement Program. Multiple planning studies are underway as part of the environmental review process for Phase 1. The Board of Public Works designated the Program to advance as a public-private partnership and approved the proposed competitive solicitation method. The State has completed separate technical and commercial project due diligence that has informed the solicitation and delivery processes for these essential improvements to the regional transportation network.