Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

James T. Smith, Jr.
Secretary

December 30, 2014

The Honorable Edward J. Kasemeyer
Chair
Senate Budget and Taxation Committee
5205 East Drive, Suite H
Arbutus MD 21227

The Honorable Norman H. Conway
Chair
House Appropriations Committee
131 Lowe House Office Building
Annapolis MD 21401-1991

Dear Chair Kasemeyer and Chair Conway:

Please see the attached report concerning *Public-Private Partnerships* for the Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA). State Finance and Procurement Article, § 10A-104(a)(1)(I) and (II), Annotated Code of Maryland, direct:

> *"By January 1 of each year, each reporting agency shall submit to the budget committees, in accordance with § 2-1246 of the State Government Article:*
>
> > *(i) A report concerning each public-private partnership under consideration that has not been reviewed or approved previously by the General Assembly; and*
> >
> > *(ii) A status report concerning each existing public-private partnership in which the reporting agency is involved.*

If you have questions or concerns, please do not hesitate to contact Ms. Jodie Misiak, MDOT Director of Innovative Project Delivery, at 410-865-1050. Of course, you should always feel free to contact me directly.

Sincerely,

James T. Smith, Jr.
Secretary

cc: The Honorable Thomas V. "Mike" Miller, Jr., President, Maryland Senate
The Honorable Michael E. Busch, Speaker, Maryland House of Delegates
Members of the Senate Budget and Taxation Committee
Members of the House Appropriations Committee
Ms. Jodie Misiak, Director, Office of Innovative Project Delivery, MDOT

Annual Report to the Maryland General Assembly

Senate Budget and Taxation Committee
and
House Appropriations Committee

regarding

Public-Private Partnerships

(HB 560, Chapter 5, Acts of 2013; State Finance and Procurement Article, § 10A–104(a)(1)(I and II))

The Maryland Department of Transportation

and

The Maryland Transportation Authority

January 2015

Public-Private Partnerships
(HB 560, Chapter 5, Acts of 2013;
State Finance and Procurement Article, § 10A–102(a)(1)(I and II))

I. Introduction

The Maryland Department of Transportation (MDOT) and Maryland Transportation Authority (MDTA) hereby submit this *Annual Report to the Maryland General Assembly regarding Public-Private Partnerships* pursuant to House Bill 560, Chapter 5, Acts of 2013 (State Finance and Procurement Article § 10A–104 (a)(1)(I and II). This report is designed to ensure that the budget committees receive sufficient and timely information regarding the status of each public-private partnership in which MDOT and MDTA are either involved or considering. State Finance and Procurement Article § 10A-104(a)(1)(I) and (II) directs:

> *"By January 1 of each year, each reporting agency shall submit to the budget committees, in accordance with § 2–1246 of the State Government Article:*
>
> > *(i) A report concerning each public-private partnership under consideration that has not been reviewed or approved previously by the General Assembly; and*
> >
> > *(ii) A status report concerning each existing public-private partnership in which the reporting agency is involved."*

II. The Scope of the Report

The scope of this report includes status reports on MDOT's and MDTA's existing or contemplated projects that meet the following definition of a public-private partnership (P3) provided in State Finance and Procurement Article, § 10A-101(f):

> *"A method for delivering public infrastructure assets using a long-term, performance-based agreement between a reporting agency and a private entity where appropriate risks and benefits can be allocated in a cost-effective manner between the contractual partners in which:*
>
> > *(i) A private entity performs functions normally undertaken by the government, but the reporting agency remains ultimately accountable for the public infrastructure asset and its public function; and*

> *(ii) The State may retain ownership in the public infrastructure asset and the private entity may be given additional decision-making rights in determining how the asset is financed, developed, constructed, operated, and maintained over its life cycle."*

MDOT is involved in two existing P3s: the Seagirt Marine Terminal project and the Purple Line Light Rail Transit project. MDTA is involved in one existing P3: the I-95 Travel Plazas Redevelopment project. MDOT is currently assessing opportunities for a range of delivery approaches, including P3 options, for the Red Line Light Rail project, the Corridor Cities Transitway (CCT), and the Cox Creek Dredged Material Containment Facility (DMCF) Capacity Recovery. MDTA is currently evaluating several delivery options for the Governor Harry W. Nice Memorial Bridge Replacement Project, including an assessment of structuring it as a P3.

A. <u>MDOT Existing P3s</u> (State Finance and Procurement Article, § 10A-104(a)(1)(II)):

1. <u>Seagirt Marine Terminal:</u> A private entity has assumed responsibility for the operation of Seagirt, including gate, terminal, and vessel activity. With construction completed in 2012, the new container berth is in place far ahead of both Ports America Chesapeake's (PAC) contractual commitment and the opening of the expanded Panama Canal.

2. <u>Purple Line Light Rail:</u> On November 6, 2013, the Board of Public Works (BPW) approved MDOT/ Maryland Transit Administration's (MTA) plan to deliver the Purple Line as a Design-Build-Finance-Operate-Maintain (DBFOM) P3, as well as the proposed competitive solicitation method for selecting a concessionaire. Subsequently, MDOT/ MTA issued a Request for Qualifications (RFQ) on November 8, 2013 for the P3 and shortlisted four private concessionaire teams on January 8, 2014. MDOT/MTA released a formal Request for Proposals (RFP) on July 28, 2014. The four shortlisted proposer teams have been participating in a year-long, competitive P3 solicitation process for the Purple Line, with proposals expected in 2015.

B. <u>MDTA Existing P3s</u> (State Finance and Procurement Article, § 10A-104(a)(1)(II)):

1. <u>I-95 Travel Plazas Redevelopment:</u> MDTA has entered into a Lease and Concession Agreement with Areas USA MDTP, LLC which has resulted in the redevelopment (including financing) of the plazas and long-term operations and maintenance of the plazas under the MDTA's oversight and specific service level requirements for a period of 35 years.

C. MDOT P3s under consideration not previously reviewed or approved by the General Assembly (State Finance and Procurement Article, § 10A-104(a)(1)(I)):

1. Baltimore Red Line Light Rail: MDOT/MTA is currently assessing options for a range of project delivery approaches for the Red Line, including various P3 structures.

2. Corridor Cities Transitway (CCT): MDOT/MTA is investigating key questions related to potential contract terms, financial structures, and risk transfer for the CCT.

3. Cox Creek Dredged Material Containment Facility (DMCF) Capacity Recovery: MDOT/Maryland Port Administration (MPA) has been conducting a more detailed evaluation of potential delivery methods for this project, including a P3 approach.

D. MDTA P3s under consideration not previously reviewed or approved by the General Assembly (State Finance and Procurement Article, § 10A-104(a)(1)(I)):

1. Governor Harry W. Nice Memorial Bridge Replacement Project: MDTA is investigating key project delivery questions related to potential contract terms, financial structures, and risk transfer for the project.

III. Report Details

A. Existing MDOT P3s: Project Status

1. Seagirt Marine Terminal

Ports America Chesapeake (PAC) assumed operational control of Seagirt Marine Terminal in January 2010 through a P3. The Maryland Port Administration (MPA) continually monitors Seagirt's key performance indicators, and since the transition, Seagirt's operational efficiency has remained high while cargo throughput has increased. In 2010, container cargo tonnage at Seagirt was up 17 percent compared to 2009, partly due to consolidation of containers from Dundalk to Seagirt. In 2011, container tonnage was up 5 percent over 2010, and the trend continued into 2012 and 2013 with an 8.5 and 3.0 percent increase respectively. For the first nine months of 2014, containerized cargo tonnage increased another 6.0 percent over the same period in 2013. Overall, since the end of 2010 to the end of 2013, the number of loaded containers increased 16 percent or slightly over 5 percent per year.

One of the primary goals of the Seagirt P3 Agreement was to ensure the construction of a new 50-foot deep container berth prior to the completion of the Panama Canal expansion. At the time of the P3 Agreement, the Panama Canal expansion was scheduled for completion in 2014, but has since been delayed to 2016. PAC has performed better than its contractual commitment relative to the new berth. The berth construction was completed in the summer of 2012. Four new, state-of-the-art super Post-Panamax container cranes were purchased and delivered in early fall of 2012. Thus, the Port of Baltimore (POB) now has a deep, state-of-the-art container berth in place. This ensures a strong competitive position for the POB in the container market. MPA and PAC jointly market the container business and maintain a strong collaborative working relationship. The P3 Agreement is performing well by all measures. PAC has proven itself to be an excellent concessionaire, a successful local employer, and a strong community partner.

Anticipated Action in Calendar Year (CY) 2015: In 2015, MDOT anticipates that PAC will continue to successfully operate Seagirt.

2. Purple Line Light Rail Transit

The Purple Line is a 16.2-mile light rail transit line extending from Bethesda in Montgomery County to New Carrollton in Prince George's County. The project is intended to:

- improve connectivity and access to existing activity centers and planned developments;
- increase service for transit-dependent populations, connecting with Amtrak, Maryland Commuter Rail Passenger Service (MARC), and Washington Area Metropolitan Transit Authority;
- provide faster and more reliable transit for the region's east-west travel market;
- strengthen and revitalize communities in the corridor; and
- increase potential for Transit Oriented Development (TOD) at existing and proposed stations in the corridor as identified in local land use plans.

In accordance with HB 560, Chapter 5, Acts of 2013, MDOT adopted P3 regulations in 2013 that formally established an MDOT P3 program, as well as described the process for developing, soliciting, evaluating, awarding, and delivering P3s. Prior to and following the implementation of P3 regulations, MDOT/Maryland Transit Administration (MTA) conducted a series of analyses and outreach efforts to thoroughly consider project delivery options for the Purple Line, including risks and mitigation strategies. To further ensure due diligence, MDOT/MTA issued a Request for Information (RFI), as required by HB 1515, Chapter 429, Acts of 2013, on April 9, 2013 and hosted an Industry Forum on May 15, 2013. MDOT/MTA determined that delivering the Purple Line as a Design-Build Finance-Operate-Maintain (DBFOM) project offers potential for long-term efficiencies and savings over traditional project delivery approaches.

On November 6, 2013, the BPW approved MDOT/MTA's plan to deliver the Purple Line as a P3, as well as the proposed competitive solicitation method for selecting a private sector partner. MDOT/MTA issued a Request for Qualifications (RFQ) on November 2013 and announced the selection of four qualified proposers on January 8, 2014.

The four shortlisted proposer teams have been participating in a year-long, competitive P3 solicitation process for the Purple Line. Final Request for Proposals (RFP) documents, which outline key requirements and evaluation criteria, were released to the four teams on July 28, 2014 and have been posted on the Purple Line website (http://www.purplelinemd.com/en/p3). The U.S. Department of Transportation (USDOT) provisionally allocated $1.3 billion in Private

Activity Bonds (PABs) for the project. On behalf of the future Purple Line concessionaire, MDOT also requested a direct Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. The project was accepted for creditworthiness review by the TIFIA Joint Program Office (JPO) – a key step in the TIFIA approval process. On March 5, 2014 the Purple Line was recommended for a $900 million Full Funded Grant Agreement (FFGA) through Federal Transit Administration's (FTA) New Starts Program, with $100 million recommended in Fiscal Year 2015.

The DBFOM structure for the Purple Line will involve a long-term, performance-based agreement between MDOT/MTA and the preferred partner in which appropriate risks and benefits can be allocated in a cost-effective manner between the contractual partners. The private entity, also referred to as the concessionaire, will be responsible for key aspects of final design, construction, financing, operations, and maintenance of the Purple Line over an operating period of approximately 30 years. MDOT/MTA will retain ownership of the asset and remain ultimately accountable for the Purple Line and its public function, including setting fares. By holding the concessionaire responsible for long-term operations and maintenance, as well as the asset's handback condition at the end of the agreement term, the concessionaire has incentive to manage risks and design a project that is well-operated and maintained over the long-term.

In this P3 model, the concessionaire will be paid using an availability payment structure in which the public agency pays the concessionaire milestone or construction progress payments during the construction period and regularly-scheduled availability payments during the operating period of the P3 agreement. MDOT/MTA will make deductions from these payments if the concessionaire does not meet predetermined performance targets. These payments to the concessionaire will be paid from a combination of sources including Maryland's Transportation Trust Fund (TTF) appropriations, federal grants, and local government contributions. Based on the preliminary concept for the Purple Line P3 financial structure and preliminary financial analyses performed by MDOT/MTA, there is a strong rationale to expect the Purple Line P3 transaction will not affect the State's capital debt affordability. MDOT/MTA has pursued a determination on this issue from the State's Capital Debt Affordability Committee (CDAC). In response, the CDAC offered preliminary guidance regarding the elements of a financial structure that would exhibit characteristics of non-tax-supported debt.

MDOT/MTA's assessment of the policy, operational, and financial factors support the P3 delivery method for the Purple Line. MDOT/MTA conducted a Value for Money analysis, which compared the risk-adjusted costs to the State over a 35-year period under traditional Design-Bid-Build contract with the expected costs of a DBFOM approach and found that financial value could be derived from operational benefits, risk transfer efficiencies, lifecycle planning, schedule discipline, and innovative opportunities. Moreover, as a stand-alone operation, the use of single contract accountability will increase the likelihood of consistently excellent, highly responsive service, including reliable on-time performance, safe and clean vehicles and stations, and improved customer service.

While a P3 has potential for Purple Line delivery benefits relative to more traditional delivery methods, the P3 approach cannot eliminate all risks from a project. MDOT/MTA is actively managing risks through the use of risk management plans and mitigation measures. Planned risk mitigation measures include incorporating the use of performance criteria focused on outcomes instead of prescriptive design specifications that limit the ability of private partners to innovate, partnering with the concessionaire to establish responsibilities consistent with market and industry standards so as to minimize excessive contractual burdens, minimizing delay and undue cost by developing a right-of-way acquisition plan, addressing stakeholder requests and concerns early, and addressing key policy issues upfront in the solicitation process.

The proposed Purple Line DBFOM P3 approach will seek to achieve specific project delivery goals in a more timely and cost-effective manner than traditional project delivery options. Through the implementation of the proposed P3 approach for the Purple Line, MDOT/MTA intend to demonstrate their commitment to efficiently using limited public resources and will be a national leader in innovative project delivery.

<u>Anticipated Action in CY2015</u>: MDOT/MTA plan to select a preferred partner by mid-2015, with the intent of reaching financial and commercial close by fall 2015. Construction is anticipated to begin by late 2015.

B. Existing MDTA P3s: Project Status

1. I-95 Travel Plazas Redevelopment

This P3 involves the completed redevelopment and subsequent operation and maintenance of the two travel plazas located on I-95 (the Maryland House and Chesapeake House Travel Plazas in Harford County and Cecil County, respectively). MDTA entered into a Lease and Concession Agreement (Agreement) with Areas USA MDTP, LLC (Areas USA) to undertake the redevelopment (including financing) and long-term operations and maintenance under MDTA's oversight and specific service level requirements for a period of 35 years. The revenue generating agreement was approved by the BPW on March 7, 2012.

The original John F. Kennedy Memorial Highway (I-95) included the Maryland House service area in Harford County, which provided a restaurant and two automotive service stations for highway travelers at its opening in 1963. The second service area, the Chesapeake House, opened in 1975 north of the Susquehanna River in Cecil County. Engineering studies conducted in 2004 and 2005 identified issues that warranted full redevelopment of both locations. Traffic volumes had increased significantly since the original design concept was developed and overcrowding was a problem during peak interstate travel periods, especially on holidays and summer weekends. The facilities were at the end of their design life and the changing nature of highway-oriented food and beverage business required an updated interior and site layout. Since the opening of the Travel Plazas in 1963 and 1975, these facilities have been operated by third-party vendors under revenue-generating contracts.

MDTA cancelled the original Request for Proposal (RFP) on November 8, 2010. On March 11, 2011, MDTA submitted a letter to the Budget Committees notifying them of the intent to issue another public notice of solicitation for a P3, as required under Transportation Article, § 4-406 (c) (1), (Annotated Code of Maryland). The MDTA then re-issued a RFP on June 27, 2011. Briefings were provided on the project details to the Budget Committees on November 7, 2011 and November 10, 2011.

The proposals for the I-95 Travel Plazas P3 Redevelopment project were due on November 10, 2011. The MDTA received three proposals in response to the RFP. The evaluation of the proposals was completed by a team of senior level MDTA and MDOT staff. The team evaluating the proposals was assisted by advisors and other State agency personnel knowledgeable with P3 projects. Evaluation of proposals was based on the project's three goals:

- To obtain new or like-new facilities using a public-private partnership;
- To ensure that the facility design and operations will provide a positive customer experience; and
- To provide a fair return to the State and to provide for transfer of the facilities in satisfactory condition at the end of the term.

A report of the impact of the partnership Agreement was sent to the General Assembly budget committees on January 23, 2012. The report provided details of the Agreement. In summary, the Agreement provides for the:

- Complete replacement of the existing Maryland House and Chesapeake House at a combined cost of $56 million;
- Estimated revenue payments to MDTA exceeding $400 million;
- Capital reinvestment in the travel plazas in the range of $44 - 48 million; and
- Operation and maintenance of the travel plazas in a manner that provides a positive customer experience and protects valuable State assets for the next 35 years.

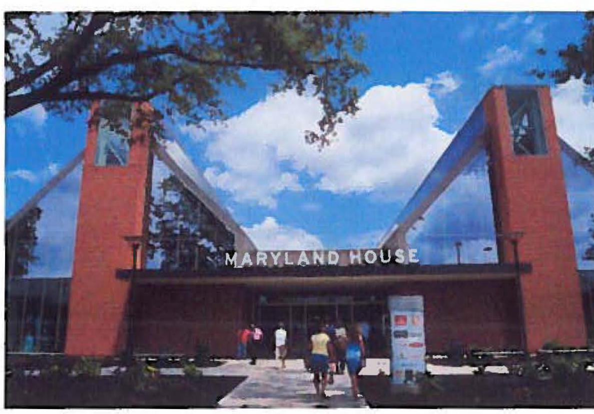
MDTA's P3 partner, Areas USA, is the prime concessionaire for the project. Areas USA began operations at the Chesapeake House on September 16, 2012. The Maryland House was closed for renovations as of midnight on September 15, 2012 and reopened January 20, 2014. The original Chesapeake House closed at that time, and the new Chesapeake House reopened on August 5, 2014. At the Chesapeake House, Areas USA also funded the design, construction, and installation of the Maryland Women in Military Service Monument, which was unveiled on Veterans Day, November 11, 2014.

The redevelopment of the Travel Plazas has resulted in appropriately sized primary service facilities accommodating all functional requirements; a separate fuel service station with a canopy and an adequate number of fueling positions and a convenience store at each location. The primary service facility includes spacious modern restrooms, food service facilities, indoor and outdoor seating, retail space, tourism information, and administrative offices.

Areas USA assembled a team to redevelop and operate the Travel Plazas consisting of nationally-known companies and Maryland-based businesses including Minority Business Enterprise (MBE)/Disadvantaged Business Enterprise (DBE) firms. Areas USA's parent company, Areas S.A., has been providing food, beverage, and retail services to the travel industry for more than 40 years and currently maintains a presence in over 70 airports and 160 service plazas around the world encompassing 1,700 locations with 12,000 employees. Areas USA began operations in the United States in 2006 and is now servicing 11 airports (including Boston, Atlanta, and Los Angeles) and the Florida Turnpike (Design/Build/Operate 8 service plazas).

Sunoco is the fuel concessionaire with an adjacent A-Plus Convenience Store at both travel plazas. At Maryland House, Areas USA features food and beverages from Wendy's, Phillips Seafood, Dunkin' Donuts, Jerry's Subs & Pizza, Currito, Nathan's Famous, Auntie Anne's and Carvel inside the main facility and Elevation Burger inside the A-Plus store, with retail opportunities from Orange Optix and Bijoux Terner. Chesapeake House's food options include Earl of Sandwich, Pizza Hut, Kentucky Fried Chicken, Wendy's, Peet's Coffee and Tea and Auntie Anne's with similar retail options as Maryland House.

<u>Anticipated Action in CY 2015</u>: In 2015, MDTA anticipates that Areas USA will continue to successfully operate both Travel Plazas, providing motorists with a welcome oasis that offers rest and refreshment, while providing MDTA with a steady, reliable revenue stream.



C. MDOT P3s under consideration not previously reviewed or approved by the General Assembly

1. Red Line Light Rail

The Red Line is a proposed 14-mile east-west light rail line in the Baltimore region. Project construction is planned to begin in 2015 with revenue service scheduled for late 2021 or early 2022. MTA has prepared financial plans for the Red Line as part of the Federal Transit Administration's (FTA) New Starts process. A Record of Decision (ROD) was issued on February 28, 2013 for the Red Line by the Federal Transit Administration (FTA). By issuance of the ROD, the FTA has determined that the requirements of the National Environmental Policy Act (NEPA) have been satisfied.

MDOT/MTA is currently assessing options for a range of project delivery approaches for the Red Line. MDOT/MTA is planning to advance the downtown tunnel and a track bed needed for vehicle testing with a traditional design-bid-build approach. Remaining project elements (track, power, stations, ventilation buildings, railcar maintenance facility, and railcars) could be delivered most effectively through a P3. The design-bid-build elements would be completed first and handed over to the P3 concessionaire in an unfinished form. P3 delivery options include design-build-finance (DBF), design-build-finance-maintain (DBFM), and design-build-finance-operate-maintain (DBFOM) delivery methods, the primary difference being whether to operate the system with State employees or the concessionaire's employees. Similar to the Purple Line, a P3 on the Red Line would be a performance-based agreement between MDOT/MTA and a private entity in which appropriate risks and benefits will be allocated in a cost-effective manner between contractual partners. On March 5, 2014 the Red Line was recommended for a $900 million Fully Funded Grant Agreement through Federal Transit Administration's New Starts Program, with $100 million in Fiscal Year 2015.

Anticipated Action in CY 2015: In 2015, MDOT/MTA anticipates to advance the downtown tunnel and track bed needed for vehicle testing with a traditional design-bid-build approach. It is prepared to release a Request for Qualifications (RFQ) in early to mid-2015 for this contract. If a P3 project delivery approach is determined to be appropriate for certain elements of the Red Line, MDOT/MTA could seek P3 approval from the Board of Public Works in mid-2015 and issue an RFP in fall 2015.

2. Corridor Cities Transitway (CCT)

The CCT is a 15-mile bus rapid transit (BRT) line in Montgomery County that would extend from the Shady Grove Metrorail Station in Rockville to COMSAT, a former communications satellite industrial site located just south of Clarksburg. Phase I includes the nine-mile segment from Shady Grove to Metropolitan Grove. Phase II will extend six miles from Metropolitan Grove to COMSAT. The construction timeline for Phase I would run from 2018 to 2020, with operations commencing in 2020. An implementation schedule has not been developed for Phase II.

Based on a preliminary understanding of the proposed project, P3 or other alternative delivery methods could also be appropriate for the CCT. Some key factors include:

- CCT could operate independently of existing networks, with a fully dedicated running way and bus fleet. This will make the operation relatively simple and minimize the challenge of coordinating with other operators.
- The civil design features (2-lane concrete roadway, 14 at-grade stations, bridges) are well understood by a large community of builders and should attract competition.
- There are many experienced bus operators in the region likely to be interested in providing this type of service.
- Environmental impacts and community requirements are expected to be minimal, providing latitude for a design-builder.MTA has limited organizational capacity and resources to operate the CCT, and the geography does not overlap with any existing or proposed MTA service. MTA has no experience operating BRT on a dedicated running way.
- There are notable opportunities for coordination with private property owners (King Farm, Crown Farm, DANAC, Belward, and MedImmune) where a concessionaire could negotiate agreements to construct features in exchange for contributions to the capital and operating costs.
- Some significant share of the CCT could be funded by private property owners either though a special tax district, Tax Increment Financing, or negotiated contributions. This revenue would flow directly to the concessionaire.
- The lifecycle of a bus is short compared to a rail car, providing an opportunity for a concessionaire to weigh investments in overhauls versus replacement.
- The capital cost ($500-600 million) should be financeable by a wide-range of proposers. The differential between the cost of public and private debt would be less than for a larger project.

- MDOT/MTA is continuing to investigate the P3 potential for delivery at least some component of the CCT.

Anticipated Action in CY 2015: In 2015, MDOT anticipates continuing due diligence regarding the applicability of P3 delivery methods to the CCT.

3. Cox Creek Dredged Material Containment Facility (DMCF) Capacity Recovery

A proposed P3 concept involves the recovery of approximately 5 million cubic yards (mcy) of dredged material placement capacity in the MPA-owned DMCF Cox Creek, Anne Arundel County, Maryland. A private partner would facilitate this capacity recovery by removing Baltimore Harbor dredged material from the Cox Creek DMCF and converting the material into lightweight aggregate (LWA) in a cost-effective and environmentally responsible manner.

Ensuring safe, reliable channels for the POB requires MPA to dredge approximately 1.5 mcy of material from Baltimore Harbor. Maryland law requires that dredged material from the Baltimore Harbor be re-deposited only in a confined area permitted by the Maryland Department of the Environment (MDE), thereby limiting dredged material management options. The Cox Creek DMCF is currently one of these permitted locations and has limited capacity.

Dredged material management has traditionally been a government function, and when new capacity has been required for Baltimore Harbor material, MPA has sought and developed new DMCFs in new locations. However, as large tracts of land (100 to 300 acres or more) around the Harbor become scarce, alternative methods for managing dredged material are needed. Finding acceptable locations for confined disposal facilities is a process that is not only lengthy but also increasingly uncertain due to both environmental and community concerns. MPA believes it is prudent to search in advance for potential alternative solutions in the event that DMCFs are no longer an available solution for the management of dredged material. While MPA has been investigating innovative ways to reuse dredged material for many years, it does not have the direct expertise to design a large-scale facility and process for converting dredged material into a commercially viable product.

MDOT/MPA has been conducting a more detailed evaluation of a P3 approach for dredged material placement capacity recovery, including the issuance of an RFI in December 2013. More information about this due diligence process is included in the response to the 2014 Joint Chairmen's Report (pages 59 & 60), Committee Narrative, J00D00.02 Port Facilities and Capital Equipment. The results of the RFI suggested that further due diligence is necessary before making a final decision about a project delivery approach.

Anticipated Action in CY 2015: In 2015, MDOT anticipates completing any additional due diligence needed to make a decision regarding the applicability of innovative project delivery approaches, including P3s, to Cox Creek DMCF Capacity Recovery.

D. **MDOT P3s under consideration not previously reviewed or approved by the General Assembly**

1. Harry W. Nice Memorial Bridge Replacement Project

The 1.7-mile long Governor Harry W. Nice Memorial Bridge (Nice Bridge), located on US 301, is the southernmost vehicular crossing of the Potomac River between Charles County, Maryland and King George County, Virginia. The bridge consists of one eleven-foot travel lane in each direction, no median separation and a one-foot offset to the bridge parapet from each travel lane. The US 301 approach roadways to the Nice Bridge consist of a four-lane median divided roadway with twelve-foot travel lanes and up to ten foot outside shoulders.

US 301 and the Nice Bridge are part of the National Highway System (NHS). In addition, these facilities are part of the Strategic Highway Network (STRAHNET). STRAHNET is a system of roads deemed necessary for emergency mobilization and peacetime movement of heavy armor, fuel, ammunition, food and other commodities to support US military operations. Both of these designations indicate the federal importance of this transportation element. The Nice Bridge links the outer reaches of Washington, DC metropolitan areas and is a critical link on an evacuation route in the event of a national disaster or national security alerts. The Nice Bridge also enhances road links with the region's military facilities, contractors and suppliers.

The purpose of the Project is to provide:

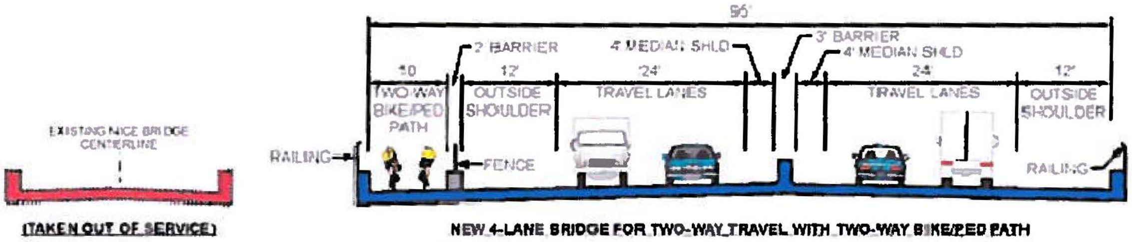
- a crossing of the Potomac that is geometrically compatible with the US 301 approach roadways;
- sufficient capacity for projected year 2030 vehicular traffic volumes;

- improved safety on the bridge and approaches; and
- the ability to maintain two-way traffic flow at the crossing.

An environmental review of the project has been completed by the Maryland Transportation Authority (MDTA) in accordance with NEPA. The project study has evaluated two major actions for the Nice Bridge: 1) Rehabilitation to keep the existing bridge in service; or, 2) Replacement of the existing bridge with two new parallel two-lane bridges or one new parallel four-lane bridge that includes bicycle/pedestrian provisions.

Selected Alternate

The final environmental document (Finding of No Significant Impact (FONSI)/Section 4(f) Evaluation was approved by the Federal Highway Administration (FHWA) on November 27, 2012. Modified Alternate 7 is the Selected Alternate (SA) for the Nice Bridge project. The SA consists of a new four-lane bridge installed parallel and north of the existing bridge, with a two-way bicycle/pedestrian path along the south side (see typical section below), and removal of the existing bridge. A designated path on each shore would guide bikers and pedestrians from the two-way path on the new bridge to the appropriate outside shoulder along the US 301 approach roadway.



ALTERNATE 7 MODIFIED

Modified Alternate 7 results in the installation of a solution that can be put into service in the shortest amount of time, which fully meets the purpose and need of the project. This alternate also avoids adverse impacts to critical missions at the Naval Support Facility Dahlgren (NSFD) base. It was the most frequently supported alternate identified in comments received by the study team during the public hearing comment period from the public, local elected officials and the Commanding Officer at NSFD.

With the completion of the Planning Study, Preliminary Engineering for the replacement of the Nice Bridge on US 301 over the Potomac River has started. Staff has developed a MDTA Board approved process to evaluate traditional and alternative project delivery methods and to prepare the Financial and Project Management plans for the project.

The delivery methods being considered include:

- Design Bid Build
- Design Build
- P3 (possibly including such variations as DBFOM, DBFM, DBOM, and DBM)
- Construction Management General Contractor (CMGC/CMAR)

Also as part of the financial analysis, MDTA is evaluating the affordability and system-wide tolling impacts related to constructing the complete Modified Alternate 7 typical section now versus achieving the project purpose and need with a phased approach.

MDTA has committed $56 million for Preliminary Engineering and right-of-way. The project is not funded for Construction; however, MDTA's current schedule reflects a projected 2020 start for Construction. The planning estimate for construction is $900 million to $1.0 billion. It is anticipated that a system-wide toll increase will be required to fund the project regardless of the delivery method that is chosen.

<u>Anticipated Actions in CY 2015</u>: In 2015, MDTA plans to complete a Traffic and Revenue Study, conduct financial and Value for Money analyses, hold a Delivery Method Workshop, and select a Delivery Method. Final recommendations will be documented for the required review and approvals processes, including approval by the Maryland Transportation Authority Board.