Maryland Department of Transportation
The Secretary's Office

Larry Hogan
Governor

Boyd K. Rutherford
Lt. Governor

Pete K. Rahn
Secretary

January 31, 2017

The Honorable Edward J. Kasemeyer
Chair
Budget and Taxation Committee
The Senate of Maryland
3 West Miller Senate Office Building
Annapolis MD 21401

The Honorable Maggie McIntosh
Chair
Appropriations Committee
The Maryland House of Delegates
House Office Building, Room 121
Annapolis MD 21401

Dear Chairs Kasemeyer and McIntosh:

Please find attached a report entitled *Public-Private Partnerships-Maryland Department of Transportation (MDOT)/Maryland Transportation Authority (MDTA) Consideration-Prior to MGA Approval* and a status report concerning each existing P3 in which the Report Agency is involved, pursuant to the State Finance and Procurement Article,§10A-104(a), that directs:

> *"(a) (1) 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 any questions, please contact Mr. Tom Halloran, MDOT Purple Line Program Control Manager, at 240-714-5427. Of course, you may always contact me directly.

Sincerely,

Pate K. Rahn
Secretary

My telephone number is 410-865-1000
Toll Free Number 1-888-713-1414 TTY Users Call Via MD Relay
7201 Corporate Center Drive, Hanover, Maryland 21076

cc: The Honorable Thomas V. Mike Miller, Jr., President, The Senate of Maryland
The Honorable Michael E. Busch, Speaker, The Maryland House of Delegates
Members of the Budget Committees
Mr. Kevin C. Reigrut, Executive Director, MDTA
Ms. Sarah Albert, Mandated Reports Specialist, DLS (MSAR 9952 & 9953)

Annual Report to the

Maryland General Assembly

regarding

Public-Private Partnerships
(State Finance and Procurement Article, § 10A–104(a))

The Maryland Department of Transportation
The Maryland Transportation Authority

January 1, 2017

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 State Finance and Procurement Article § 10A–104(a) 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 as required by the following statutory language from State Finance and Procurement Article § 10A-104(a)(1)(I) and (II):

(a) (1) 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:

> *1. 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*
>
> *2. 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 and MDTA will continue to evaluate and assess the best project delivery model for all major transportation and economic development projects, including P3 project delivery models. 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. MDOT Existing P3s (State Finance and Procurement Article, § 10A-104(a)(1)(II)):

1. Purple Line Light Rail: 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 solicitation 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 participated in a two-year long, competitive P3 solicitation process for the Purple Line. Technical Proposals were received from the four shortlisted proposer teams on November 17, 2015 followed by Financial Proposals on December 8, 2015. MDOT/MTA announced Purple Line Transit Partners (PLTP) as the preferred proposer in March 2016. Following a mandated 30-day review period by the Maryland General Assembly Budget Committees, Comptroller, and State Treasurer the Maryland BPW on April 6, 2016 voted unanimously in favor of the 36-year $5.59 billion dollar contract to build and operate the Purple Line. Following this milestone the State of Maryland and PLTP reached Financial Close on June 17, 2016.

2. Seagirt Marine Terminal: 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.

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

1. I-95 Travel Plazas Redevelopment: 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. Corridor Cities Transitway (CCT): MDOT/MTA is investigating key questions related to potential contract terms, financial structures, and risk transfer for the CCT.

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: On November 21, 2016, the MDTA Board selected a Design Build delivery method and approved construction funding for the Nice Bridge. The project will be funded with a combination of MDTA cash and bonds, as well as a potential Transportation Infrastructure Finance and Innovation Act loan. Construction will begin in fiscal year 2020 with completion by fiscal year 2023. Since this project is no longer under consideration for a public-private partnership, this project will not be included in future reports.

III. Report Details

A. Existing MDOT P3s: Project Status

1. Purple Line Light Rail Transit

Overview of Project

The Maryland Purple Line Light Rail Project (the Purple Line) is a 16.2-mile, 21-Station, east-west, light rail Transitway that will extend from its western terminus just west of Wisconsin Avenue and the Bethesda Metro Station in Montgomery County to its eastern terminus at the New Carrollton Metro Station in Prince George's County, located just inside the I-495/Capital Beltway in the Washington, D.C. metropolitan area.

The Maryland Purple Line Light Rail Public-Private Partnership Agreement also includes certain other improvements as generally described in the Technical Provisions such as:

- Bethesda Red Line Metro Station South Entrance;
- Silver Spring Red Line Mezzanine Connection;
- College Park Metro Kiss-n-Ride and Bus Loop;
- Capital Crescent Trail;
- Silver Spring Green Trail; and
- University of Maryland Bicycle Path.

The Transitway will be largely at grade with one short tunnel section just east of Silver Spring, three sections elevated on structures, and several bridge structures. The Transitway will operate mainly in dedicated or exclusive lanes, serving five major activity centers just north of Washington, D.C.: Bethesda, Silver Spring, Takoma-Langley Park, College Park/University of Maryland, and New Carrollton. These activity centers are experiencing active development, and major commercial and residential projects are planned. The Purple Line will serve as a major connector to other transit in the region, including the Washington D.C. region's Metrorail system (Metrorail), operated by the Washington Metropolitan Area Transit Authority (WMATA) at four of these major activity centers, MARC, Maryland's commuter rail system at three of these major activity centers. Also, Amtrak services along its Northeast Corridor connect at New Carrollton. The Project will provide passenger transfer capability at each of the major activity centers; however, the Transitway is physically and operationally independent from the Metrorail and MARC operations, and there are no shared operations and no at grade crossings with these operations.

The transit services that connect at these major activity centers include:

- Bethesda – Metrorail Red Line (west leg), and major bus service hub for WMATA Metrobus and Montgomery County's Ride On services (generally the western terminus of the Project);
- Silver Spring – Metrorail Red Line (east leg), MARC Brunswick Line, as well as major bus hub at Silver Spring Transit Center for WMATA Metrobus and Montgomery County's Ride On services;
- Takoma-Langley Park – a transit center under construction as of the RFP date for WMATA Metrobus, Montgomery County's Ride On bus services, and Prince George's County TheBus services;
- College Park/University of Maryland – Metrorail Green Line, MARC Camden Line, and University of Maryland Shuttle bus system, as well as WMATA Metrobus and Prince George's County TheBus services; and
- New Carrollton – Metrorail Orange Line, MARC Penn Line, Amtrak Northeast Corridor services, and major bus hub for WMATA Metrobus and Prince George's County TheBus services (generally the eastern terminus of the Project).

In addition to these five centers, there are another 16 Stations serving the residential communities, commercial districts, and institutional establishments between the major activity centers, including three Stations serving the University of Maryland with its approximately 37,000 students (2013), 13,000 employees (2013), and visitors. The Purple Line is expected to attract 74,000 daily riders by 2040.

P3 Solicitation

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/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, 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) P3 project offers potential for long-term efficiencies and savings over traditional project delivery approaches.

On November 6, 2013, the BPW formally 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 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 two year-long, competitive P3 solicitation process for the Purple Line. Technical Proposals were received from the four shortlisted proposer teams on November 17, 2015 followed by Financial Proposals on December 8, 2015. MDOT/MTA announced a preferred proposer in March 2016, Following a mandated 30-day review period by the Maryland General Assembly Budget Committees, Comptroller, and State Treasurer the Maryland Board of Public Works (BPW) on April 6, 2016 voted unanimously in favor of the 36-year $5.59 billion dollar contract to build and operate the Purple Line. Following this milestone the State of Maryland and PLTP reach Financial Close on June 17, 2016.

PLTP's financing includes an $874.6 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan at a 2.41% interest rate from the United States Department of Transportation and $313 million in "Green Bonds" from Private Activity Bonds underwritten by JP Morgan and RBC Capital Markets. Supported by contracts backed by the investment grade credit ratings of the Maryland Transportation Trust Fund and Fluor Corporation, the bonds were sold at the lowest interest rates ever achieved in the U.S. P3 market, which generated significant savings for MTA.

The DBFOM structure for the Purple Line involves a 36-year, performance-based agreement between MDOT/MTA and Purple Line Transit Partners (PLTP) in which appropriate risks and benefits are allocated in a cost-effective manner between the contractual partners. The private entity, PLTP, will be responsible for key aspects of final design, construction, financing, operations, and maintenance of the Purple Line over a 6 year design and construction period and an operating period of 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 and policing. The P3 Agreement signed by the State of Maryland and PLTP includes Key Performance Indexes that PLTP must adhere or else face financial and other penalties ensure high quality long-term operations and maintenance standards are met.

<u>Our Partner</u>

The Maryland Department of Transportation (MDOT) and the Maryland Transit Administration (MTA) have selected Purple Line Transit Partners (PLTP) as the concessionaire to design, build, finance, operate, and maintain the Purple Line over a 36 year term. PLTP is a special purpose vehicle (SPV) consortium comprised of three equity partners:

1. Meridiam Infrastructure Purple Line (70%)
2. Fluor Enterprises, Inc. (15%)
3. Star America Fund GP LLC (15%)

PLTP has committed to holding equity and being a part of the project for the full 36 year P3 term, which creates a true partnership between the Owner and PLTP and promotes efficiencies, long-term life-cycle planning, and accountability.

PLTP has partnered with CAF USA as its vehicle supplier for the Purple Line. CAF operates a full-service assembly and manufacturing plant in Elmira, NY where the company will manufacture and assemble the vehicles for the Purple Line. In addition to manufacturing the vehicles, CAF USA will also maintain the vehicles over the course of the 30 year operations and maintenance term at the Glenridge operations and maintenance facility in Prince George's County. By having the LRV provider assemble and manufacture the LRVs as well as being the LRV maintenance provider it helps to ensure that in manufacturing the vehicle, CAF is incentivized to ensure that its vehicles are of the highest quality. In addition, as the manufacturer of the vehicles they bring significant knowledge and expertise of the vehicle, efficiencies, and risk reduction over the course of the P3 contract.

The construction team is comprised of Fluor, The Lane Construction Corporation (Lane), and Traylor Brothers, Inc. (Traylor). Fluor is a leading global construction company and ranked as the number two design-build contractor in the country by Engineering News Record (ENR) and the number one most respected engineering and construction firm by Fortune Magazine. Fluor is also an equity partner and also responsible for design and construction. In addition to design and construction Fluor will oversee the maintenance of the tracks and rail facilities over the course of the 30 year operations and maintenance term. Lane has been ranked the number one Highway Contractor in the country by Engineering News-Record (ENR) for the past three years–this experience is valuable considering the complex roadwork that will be performed.

PLTP has innovative approaches to address the local road impacts, and is very conscientious and considerate of community impacts, including noise and pedestrian and bicyclist safety. Traylor Bros. is an Evansville, Indiana firm that specializes in bridge and underground work (the Purple Line has a 1,000 ft. tunnel). All three lead construction firms have extensive national and regional experience having worked on many mega-projects including:

- $3.0 billion Eagle P3 Project, a light rail P3 transit project in Denver, which will be opening for passenger service in 2016
- $1.48 billion 495 Express Lanes, Northern Virginia
- $456 million 95 Express Lanes, Northern Virginia
- $331 million WMATA Metro Largo Blue Line Extension, Maryland
- $330 million Blue Plains Water Tunnel, Washington, D.C.

The Engineering Design Team lead is Atkins, one of the world's leading design, engineering and project management firms. Other engineering firms on the team include Hensel Phelps, MC Dean and Hatch Mott McDonald.

Rail operations will be managed by Alternate Concepts, Inc. (ACI). The firm, founded by former executives from the Massachusetts Bay Transportation Authority, has over 25 years of experience operating and maintaining transit services throughout North America. They have extensive experience with activating new rail services in the United States.

Disadvantaged Business Enterprises, Workforce Goals and Compliance

The MTA's Purple Line project team has created a Disadvantaged Business Enterprise (DBE) and Nationally Targeted Workers program that has the opportunity to exceed the project goals. The Concessionaire (PLTP) has prioritized maximizing opportunities for DBE firms and people of socially and economically disadvantaged backgrounds.

To ensure participation goals are in alignment with expectations for this unique mega-project, the public-private partnership agreement established a goal of 26% for the Design Services and 22% for Construction Services for the Design-Build period. The P3 Concessionaire (PLTP) has committed 26.4% to DBE firms exceeding the DBE participation goal of 26% for Design Services. The value of the work performed will represent $27 million dollars in spending with DBE-certified firms. To date, the participating DBE design firms have received $477,000 in payments for their contributions to the design phase of the Project. To assist you, listed below are the DBE firms for which the PLTP has entered into a contractual arrangement for the project:

PLTP plans to establish a working relationship with the surrounding community to implement their Nationally Targeted Workers program (NTW). The NTW Program is an ongoing effort to cultivate a viable, robust, and diverse construction workforce through the identification, training, and sustained employment of persons significantly affected by poverty and/or social barriers. To achieve compliance with the established goal, participants of the NTW program must perform 33% of all construction work hours.

The MTA has begun verifying compliance with the local Prevailing Wage requirements by monitoring and interviewing field workers who are performing under classifications covered during the design phase. In order to ensure that all applicable resources are being applied, the MTA's DBE/Civil Rights team and PLTP's Civil Rights compliance team have formed a Task Force meeting monthly to discuss challenges as they arise, the project's progress, and ongoing compliance efforts.

To monitor full DBE Program and Plan execution, formal reporting requirements are as follows:
Reporting

• Subcontract Report/Goal Achievement	Monthly
• DBE Payment Compliance	Monthly
• Good-Faith Efforts	Quarterly

MTA aggressive oversight and post-award compliance monitoring will also include convening an orientation (kick off) meeting with PLTP and DBE firms that are performing design activities geared towards achieving the DBE Goal. Once the NTP for construction is approved, the MTA anticipates reviewing the PLTP's DBE Participation Schedule for construction services to confirm it will achieve the Construction Goal of DBE Goal of 22%.

The P3 Concessionaire also plans to participate in and host job fairs, partner with local government agencies on targeted hiring, conduct roundtable discussions with local training providers and regional workforce development thought leaders, identify community workforce training, and establish a job center for the Purple Line project at the Project Management Office site, 6811 Kenilworth Avenue, Riverdale, MD. The job center will be fully staffed, open 30 hours per week, provide job placement and offer bilingual services.

Highlights of Current and Ongoing Activities

Art in Transit

Early in the development of the Purple Line program, the MTA made a commitment to include public art enhancements. The Purple Line assembled an Art-in-Transit team that included an art-in-transit manager, public art consultants, transit architects and engineers, and transit program managers.

The first analysis of public art opportunities occurred in early 2013, when the project was in the early design phases. The team began by thoroughly studying the design of stations and associated infrastructure. The team also considered both the overall visual environment of the Purple Line, as well as specific physical and visual conditions of each station area. This step of the process took into account the team's knowledge of the surrounding visual context and the adjacent community, with the expectation that thorough community engagement would take place when work on the projects began. The methodology carefully followed the principles below, as well as the guidance of FTA's Circular 9400.1A and of MAP-21.

The following principles for identifying public art enhancement projects were adopted:

- The overall Public Art Allocation shall be divided equally between Montgomery and Prince George's Counties.
- Each station shall include artwork.
- For serial projects, each station identified in the master plan for that artwork shall include that artwork.

The MTA issued a national call for artists in September 2014, 730 submissions were received representing local, national, and international artists. From these responses a short list was developed of 95 artists. Between three to five artists have been assigned to each art opportunity along the alignment. In early December, 2016 the shortlisted artists visited the project corridor and met local residents to learn more about the communities through which the Purple Line will run. The public will have the opportunity to tell the artists what is important about their community and what they would like the art to reflect. After presenting the proposals to the public, and getting their input, the Selection committee, which includes state and county arts professionals, and community representatives, will select the artists for the project in 2017.

Borings and Pre-Construction Work

PLTP has been focused on advancing the design of the project. To support this work, and to provide the detailed information necessary, teams have been out in the project corridor doing survey work and performing geotechnical borings. Geotechnical borings are currently being performed to verify the characteristics of the soils along the Purple Line alignment. The information obtained from this preliminary design activity is crucial to aid in determining final design for foundation types for bridges and walls, and depth structural strength required for pavement and track sections.

Right of Way Property Acquisition

Acquisition and relocation activities continue in to provide the property rights needed for Purple Line construction. As of November 1, 2016, possession of property rights, both private and public is 67.7% complete. Rights of entry by agreement for construction for the 149 public properties are nearing completion.

The appraisal effort for privately-owned properties is also nearing completion at 92% with offers made at 80%. The Office of the Attorney General has filed condemnation on 118 properties with an additional 42 in process for condemnation. In many instances State has reached settlements with property owners without having to go court. We continue to negotiate in good faith and are working with private property owners on issues related to the acquisition of their property.

Business Retention & Sustainment Efforts

In anticipation of construction disruptions, the MTA has met with and is actively exploring opportunities to partner with local community development and financing institutions that could provide "ready for rail" financial assistance in the form of loans and possible grant level support to minimize business disruption and construction impacts. These organizations could offer financial assistance that would allow for working capital, operational cash flow, storefront improvements, building modernization and renovation, and equipment and material purchases. Services to refinance a higher interest loan to one with lower interest and more favorable terms would also be made available, and could substantially reduce business debt and result in more working capital. This level of assistance will be necessary, because some small businesses have owners without formal training in business management and who may also lack the finances to absorb the potential impacts of project construction. Driving needed business support, during the construction phase, will secure the business retention rate and put the existing businesses in a stronger position to take advantage of the increased mobility and accessibility along the corridor and possible new customer base resulting from the completion of the Purple Line.

Fare Equipment

At the time MTA developed and awarded the P3 contract, WMATA was implementing a New Electronic Payments Program (NEPP) fare system. The NEPP was envisioned as an open-payment system that would replace the SmartTrip card with payment mechanisms such as smartphones and credit cards. MTA was going to implement the NEPP fare system for the Purple Line. In April 2016 (shortly after Commercial Close on the Purple Line P3 contract), WMATA cancelled its NEPP program and now may not procure a new system until after Purple Line begins revenue service. However, MTA remains committed to implementing a fare collection system for the Purple Line that will allow our customers to seamlessly pay their fares on WMATA's system.

MTA is currently working with our local transit partners in the DC area (e.g., Montgomery County, Prince George's County, Arlington County, Fairfax County, and the District of Columbia Department of Transportation) toward the goal of identifying and implementing an off-board fare system for light rail and bus rapid transit systems that will be compatible with the WMATA fare collection system. MTA and representatives of the local systems meet regularly with WMATA to ensure that our efforts to implement compatible fare systems remain coordinated and that any issues are discussed and addressed well in advance of implementation.

Anticipated Action in CY2017: PLTP with oversight and coordination from MDOT/MTA will continue design, acquire permits, and begin construction activities along the corridor of the Purple Line in 2017.

2. Seagirt Marine Terminal

Ports America Chesapeake (PAC) assumed operational control of Seagirt Marine Terminal in January 2010 through a P3. The 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. Between 2010 and 2015, Seagirt's containerized cargo tonnage increased 27.4% for an average of approximately 5% per year. For the first nine months of 2016 container tonnage increased 11.1%, total container counts were up 8%, and ship/barge calls were up 5% over the same period in 2015.

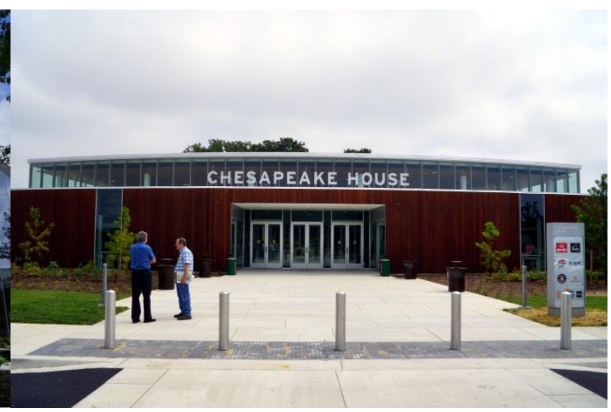
One of the primary goals of the Seagirt P3 Agreement was to ensure the construction of a new 50-foot deep container berth prior to the completion of the Panama Canal expansion.
At the time of the P3 Agreement, the Panama Canal expansion was scheduled for completion in 2014, but has since been delayed 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 tenant, a successful local employer and a strong community partner.

<u>Anticipated Action in CY2017</u>: MDOT does not anticipate any potential action in 2017.

B. <u>Existing MDTA P3s: Project Status</u>

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 as required by Transportation Article, § 4-406 (e) (Annotated Code of Maryland), was sent to the General Assembly budget committees on January 23, 2012. The language directs:

> "*(e) Not less than 30 days before entering into a public-private partnership agreement, the Authority shall submit to the budget committees, in accordance with § 2-1246 of the State Government Article, an analysis of the impact of the proposed public-private partnership agreement on the Authority's financing plan, including the Authority's operating and capital budgets and debt capacity.*"

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 already under construction new Chesapeake House opened 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 is Areas S.A. (Areas). Areas has been providing food, beverage, and retail services to the travel industry for more than 45 years and currently maintains a presence in over 70 airports and 160 service plazas around the world encompassing 2,200 locations in 12 countries in Europe as well as the US, Mexico, and Chile with 21,600 employees. Areas USA began operations in the United States in 2006 and is now servicing 9 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, Deli & Co., Auntie Anne's and Carvel and Elevation Burger inside the A-Plus store. 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 retail opportunity from Orange Optix.

The Maryland House and Chesapeake House Travel Plazas were awarded in 2015 with the Leadership in Energy & Environmental Design (LEED) "Silver" Certification Award from the U.S. Green Building Council (USGBC) and the Green Building Certification Institute (GBCI). Additionally, both travel plazas received The 2015 Maryland Excellence in Design Award from the American Institute of Architects (AIA).

During National Distracted Driving Awareness Month (April, 2016), officials with the Maryland Department of Transportation joined representatives from the Maryland State Police (MSP), Maryland Transportation Authority (MDTA) Police, AAA and AT&T to launch a coordinated statewide effort to save lives by unveiling new highway signs designating rest areas as safe texting and calling zones. The official unveiling of the "It Can Wait" highway signs took place at The Maryland House Travel Plaza. Both Maryland House and Chesapeake House Travel Plazas are designated areas for this important program in the Northern region of I-95.

Both Sunoco gas stations at the travel plazas received award during a Customer Service Contest in 2016. The award came from The Service Station & Automotive Repair Association in recognition of Excellence in the Area of Customer Needs and Appearance.

<u>Anticipated Action in CY2017</u>: In 2017, 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. <u>**MDOT P3s under consideration not previously reviewed or approved by the General Assembly**</u>

1. Corridor Cities Transitway (CCT)

The Corridor Cities Transitway (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 2021, with operations commencing in 2021. 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 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 where a concessionaire could negotiate agreements to construct features in exchange for contributions to the capital and operating costs. Development opportunities are partly linked to CCT funding, construction, and operations.
- 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 CY16: In 2017, MDOT anticipates continuing due diligence regarding the applicability of P3 delivery methods to the CCT.

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

1. Harry W. Nice Memorial Bridge Improvement Project

Over the last two years, the MDTA evaluated several available delivery options for replacing the Nice Bridge, including Design Bid Build, Design Build, Construction Manager At Risk (CMAR),and several variants of a Public-Private Partnership, including Design Build Operate Maintain and Design Build Finance Operate Maintain. On November 21, 2016, the MDTA Board selected a Design Build delivery method and approved construction funding for the Nice Bridge. The project will be funded with a combination of MDTA cash and bonds, as well as a potential Transportation Infrastructure Finance and Innovation Act loan. Construction will begin in fiscal year 2020 with completion by fiscal year 2023. Since this project is no longer under consideration for a public-private partnership, this project will not be included in future reports.