



COMMONWEALTH of VIRGINIA

Office of the Governor

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January 22, 2008

MEMORANDUM

TO: The Honorable Charles J. Colgan
The Honorable Yvonne B. Miller
The Honorable Lacey E. Putney
The Honorable Harry R. Purkey
The Honorable Joe T. May

FROM: Pierce R. Homer, Secretary of Transportation *PRH*

SUBJECT: Report on the Transportation Partnership Opportunity Fund

Pursuant to §33.1-221.1:8 of the Code of Virginia, the Governor is required to submit semiannual reports on the Transportation Partnership Opportunity Fund (TPOF or Fund). This memorandum will constitute that report on behalf of Governor Kaine.

Capitalization for the Fund has come through a FY 2006 general fund appropriation of \$50,000,000 and \$305,000,000 made available through Chapter 896 of the 2007 Acts of Assembly. The \$50,000,000 may be used for any eligible applicant and project, while the \$305,000,000 is exclusively targeted for specific projects. The remainder of this report focuses on the use of the initial \$50,000,000. Attachment #1 to the report will provide a brief summary and overview of the use of the \$305 million.

For the period ending June 30, 2007, I submitted the third semiannual report outlining the activities of the Fund. At that time, 6 applications had been submitted totaling \$64,800,000. One of the applications did not qualify for funding. Between that report and December 31, 2007, the following applications have been received and are currently under consideration.

- A request for up to \$10,000,000 in financial assistance for the U. S. Route 460 Coalfields Expressway and Coalfields Connector project for the Hawk's Nest section of the project. Currently the Virginia Department of Transportation (VDOT) is the applicant; however, activities are under way whereby Alpha Natural Resources, LLC, one of the private partners delivering the project, may ultimately be the applicant.

Several additional inquiries regarding potential funding were received; however, no further applications were submitted for consideration.

The Honorable Charles J. Colgan
 The Honorable Yvonne B. Miller
 The Honorable Lacey E. Putney
 The Honorable Harry R. Purkey
 The Honorable Joe T. May
 January 22, 2008
 Page Two

In November, Governor Kaine announced the location of Rolls Royce in Prince George, Virginia. During negotiations with the company, the Governor agreed to assist with the financing of the transportation improvements associated with the economic development project using the Fund. An application is expected in the near future from the County.

Since the end of the reporting period, an application has been received containing a request for up to \$10,000,000 in financial assistance for the Rockhouse section of the U. S. Route 460 Coalfields Expressway and Coalfields Connector project. VDOT has applied for the assistance, but as with the Hawk's Nest section mentioned above, negotiations are under way with the Pioneer Group, Inc., the second private partner delivering portions of the project, whereby they may end up being the applicant.

The table below summarizes the awards to date and the remaining balance from the initial capitalization.

Initial Capitalization	<u>\$50,000,000</u>		
Awards			
Rt. 28 HTIDC	\$ 5,000,000	Grant	PPTA Project
VDOT – CFX and Connector	\$ 2,000,000	Grant	PPTA Project
City of Newport News IDA	\$ 2,700,000	Grant	Economic Development Project
Town of Leesburg	<u>\$ 5,000,000</u>	Grant	Design-Build Project
Total Awards	<u>\$14,700,000</u>		
Balance	\$35,300,000		
Interest Earnings	<u>\$ 4,376,491</u>		
Available For Award	\$39,676,491		

The following identifies the recipients and the awards made from the initial TPOF capitalization, along with their current status:

- State Route 28 Highway Transportation Improvement District Commission (Commission) – completion of the 4 remaining interchanges associated with the Route 28 Corridor Improvements in Loudoun and Fairfax counties. Ultimately, the Commission was awarded a \$5 million grant and an interest-free loan in an amount of up to \$20 million. Financing agreements were executed with the Commission for both the grant and the loan. The entire \$5 million grant has been disbursed and expended. In

The Honorable Charles J. Colgan
The Honorable Yvonne B. Miller
The Honorable Lacey E. Putney
The Honorable Harry R. Purkey
The Honorable Joe T. May

January 22, 2008

Page Three

June 2007, the Commonwealth Transportation Board allocated an additional \$23,936,772 in various transportation funding to the project. Provisions included in the loan's financing agreement allowed future contributions made by or on behalf of the Commonwealth to be substituted for any TPOF loan commitment not requisitioned by the Commission. The loan has been rescinded and these monies are available for future applications.

- Virginia Department of Transportation – U. S. Route 460 Coalfields Expressway and Coalfields Connector projects in Buchanan, Dickenson and Wise counties. A \$2 million grant was applied for and awarded for preliminary engineering activities in partnership with Pioneer Group, Inc. and Alpha Natural Resources LLC. The coal companies have met their third and final phase of deliverables for the project and grant monies are being disbursed based on their documented expenses.
- Fluor Virginia Inc. and Transurban (USA) Development Inc. – I-95/I-395 High Occupancy Toll Lanes in Spotsylvania, Stafford, Prince William, and Fairfax counties. The team requested a \$20 million loan for certain activities associated with the project. A \$10 million, interest-free loan was awarded to the team to be used for environmental, permitting and some preliminary engineering activities for the northern phase (Quantico Creek to 14th Street Bridge) of the project. However, due to TPOF's statutory requirements, the loan could not be executed in accordance with the business agreement between VDOT and Fluor-Transurban. In lieu of the TPOF loan, the Commonwealth Transportation Board approved a \$10,000,000 loan from the State Infrastructure Bank. The TPOF monies have been freed up and are available for future applications.
- City of Newport News – transportation improvements associated with the Wolseley North America Headquarters economic development project within the City. The City applied for and was awarded a \$2.7 million grant to undertake transportation improvements to accommodate the increase in traffic expected as a result of the economic development project. The project will also improve traffic flow and access in the general vicinity of the Newport News/Williamsburg International Airport. Execution of a financing agreement with the City is expected to occur once all details have been finalized between the state, the City and Wolseley.
- Town of Leesburg – a 0.7 mile segment of Battlefield Parkway connecting Route 7 to the north and Kincaid Boulevard to the south. The Town requested and was awarded a \$5,000,000 grant to eliminate a funding shortfall associated with the \$35,000,000 project and complete a financing package with other local, state and federal monies. The project

The Honorable Charles J. Colgan
The Honorable Yvonne B. Miller
The Honorable Lacey E. Putney
The Honorable Harry R. Purkey
The Honorable Joe T. May
January 22, 2008
Page Four

is providing relief in an area of the Town that includes the Dulles Greenway, the Route 7/15 Bypass and Route 7, and is experiencing rapid growth. A grant agreement has been executed with the Town for the monies and the project is under construction.

As I have pointed out previously, the Fund continues to be one of many tools available to market the Commonwealth to prospective economic development clients and to assist in developing important public-private partnerships to advance much needed transportation improvements. The \$10,000,000 that was returned from the I-95/I-395 HOT lanes project will permit the Fund to consider other eligible projects; however, a sustainable source of funding for TPOF's continuing capitalization is a critical need.

Please let me know if I can provide additional information regarding these projects or the use of the Fund.

PRH:es

Copy: The Honorable Patrick O. Gottschalk

Attachment

Attachment #1
 Report on the Transportation Partnership Opportunity Fund
 Chapter 896 of the 2007 Acts of Assembly
 Item 449.10 - \$305,000,000 Appropriation

The following awards have been made by Governor Kaine, during the past reporting period, from the \$305,000,000 made available to TPOF. A brief status is also included.

- I-495 Capital Beltway High Occupancy Toll Lanes - \$157,207,586 in grant monies. These funds constitute a part of the Commonwealth of Virginia's financial package to support construction of key components of the project. The entire amount has been disbursed to the project.
- Route 58 Hillsville Bypass - \$77,000,000 in grant monies. The monies will assist in completing a funding package for the construction of the project. The project is under construction and disbursement of the monies is expected to begin during the first quarter of Fiscal Year 2009.

The remaining projects identified for funding through the \$305 million follow.

- I-64/I-264 Interchange
- Route 50 widening in Loudoun and Fairfax Counties
- Norfolk and Southern Corporation Right-of-Way located between Newtown Road and the oceanfront

The City of Virginia Beach has requested \$15,000,000, from the \$305,000,000 to assist in the purchase of the Norfolk and Southern Corporation right-of-way located between Newtown Road and the oceanfront.

The Commonwealth will negotiate the individual funding support for these remaining projects as a part of the Public-Private Transportation Act or design-build contract negotiations.

The updated Environmental Impact Statement for Route 17 – Eastern Bypass in Frederick County, another project targeted for a portion of the \$305,000,000, has been determined not to qualify for the TPOF funds. However, other state funds, sufficient to complete the work, have been allocated in the state's Six-Year Improvement Plan.

The following table summarizes the awards from the \$305,000,000 appropriation

Initial Capitalization	<u>\$305,000,000</u>
Awards	
U.S. Route 58 – Hillsville Bypass	\$ 77,000,000 Grant PPTA Project
I-495 Capital Beltway HOT Lanes	\$157,207,586 Grant PPTA Project
 Total Awards	 <u>\$234,207,586</u>
 Balance	 \$ 70,792,414