



COMMONWEALTH of VIRGINIA

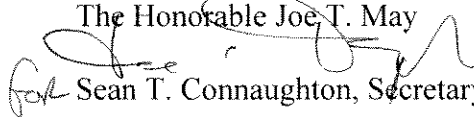
Office of the Governor

Sean T. Connaughton
Secretary of Transportation

July 30, 2010

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:  Sean T. Connaughton, Secretary of Transportation

SUBJECT: Report on the Transportation Partnership Opportunity Fund

Pursuant to Section 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 McDonnell for the period ending June 30, 2010.

Capitalization for the Fund came from monies designated in 2006 from the Toll Facility Revolving Fund (\$23,600,000) and from the Highway Construction Fund (\$26,400,000) and \$305,000,000 made available through Chapter 896 of the Acts of Assembly of 2007. 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 on the use of the \$305,000,000 to date.

For the period ending December 31, 2009, the eighth semiannual report was submitted outlining the activities of the Fund. At that time, fifteen applications, representing twelve (12) separate projects, had been submitted requesting a total of \$116,890,938 in assistance.

Awards for financial assistance have been made by the Governor for ten (10) of the 12 projects. Of the two remaining projects applying for assistance, one did not qualify for TPOF and the other was denied award as non TPOF monies were provided to another project in the County that applied. Six of the 10 projects awarded assistance have reached financial close. Of the four left, one is moving to financial close; one is awaiting a business agreement to be developed before financial close can occur; the award for another was rescinded as the project did not move forward; and, due to a conflict between TPOF statute and a business agreement with a potential loan recipient, the final project was approved for a State Infrastructure Bank loan in lieu of TPOF.

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

July 30, 2010

Page Two

Between that report and June 30, 2010, the following request, along with a brief description and its status, for assistance from the Fund was received.

- The County of Accomack (County) submitted an application on June 7, 2010 requesting \$593,292.08 in grant assistance to relocate utility lines and reconfigure signal lights inside of the Wallops Flight Facility. The project is needed to provide adequate clearance along public roads from assembly buildings to the launch area for the delivery of large payloads at the Mid-Atlantic Regional Spaceport (MARS). The TPOF Advisory Panel considered this application at a meeting on July 21, 2010 and will be recommending to the Secretaries of Commerce and Trade and Transportation, respectively, award by the Governor of these funds.

In addition to the application received from the County of Accomack, TPOF was also considered as a funding source to provide an additional incentive for the Polymer Group Incorporated's (PGI) economic development expansion project in the City of Waynesboro; and, to assist the City of Martinsville with needed transportation improvements associated with an economic development project tied to the Martinsville Speedway. While no application has been received from the City of Waynesboro, \$2,500,000 has been reserved for potential transportation improvements associated with the PGI economic development expansion project. The Virginia Department of Transportation (VDOT) was able to secure \$400,000 from other funding sources to assist the City of Martinsville.

Also during the reporting period, an existing award was increased by Governor McDonnell. In July 2009, the County of Loudoun was awarded a \$2,500,000 grant to assist in completing a financing package to develop a missing section of Pacific Boulevard. The project is needed to accommodate increased traffic in the area due to the Raytheon Company's economic development project. At that time, \$500,000 in Governor's Opportunity Fund (GOF) monies had been awarded to the project to assist with the traffic improvements. However, earlier this year, issues arose concerning the requirements for the \$500,000 in GOF funds. To substitute for the GOF monies, an additional \$500,000 in TPOF monies was requested and has been awarded, bringing the total to \$3,000,000 in TPOF assistance for the Loudoun project.

Finally, at the end of June 2010, to satisfy Paragraph F of Item 475.10 of Chapter 872 of the Act of Assembly of 2010, the Department of Planning and Budget reduced the Fund's balance by \$828,815.

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

July 30, 2010

Page Three

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

Awards/Projects with Financial Close

- 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's project was awarded and financing agreements were executed for a \$5,000,000 grant and an interest-free loan in an amount of up to \$20,000,000. In June 2007, the Commonwealth Transportation Board (CTB) 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 those monies returned for future applications. The entire \$5,000,000 grant has been disbursed and expended.
- Virginia Department of Transportation – U. S. Route 460 Coalfields Expressway (CFX) and Coalfields Connector projects in Buchanan, Dickenson and Wise counties. A \$2,000,000 grant was applied for and awarded for preliminary engineering activities in partnership with Pioneer Group, Inc. and Alpha Natural Resources LLC. Based on the work initially undertaken with this grant, two properties were identified for the National Register of Historic Places in accordance with the National Historic Preservation Act and the Code of Federal Register. Additional work is required to investigate possible modifications to the alignments for the avoidance of the two properties and to incorporate any changes into the original alignments. Without the additional work, the Department will not be able to proceed with approval of the alignment. An amendment to the grant agreement has been executed to allow full utilization of the unused grant funds remaining from the original award to accomplish the additional alignment work.
- Town of Leesburg (Town) – 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 provided relief in an area of the Town experiencing rapid growth and includes the Dulles Greenway, the Route 7/15 Bypass and Route 7. A grant agreement was executed with the Town and the \$5,000,000 has been fully disbursed.

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

July 30, 2010

Page Four

- Virginia Department of Transportation – U. S. Route 460 Coalfields Expressway Project in Buchanan, Dickenson and Wise counties. VDOT initially requested up to \$10,000,000 in financial assistance for the Hawks Nest section of the project. A \$5,000,000 grant for FY 2008 was awarded by the Governor for this segment. Consideration and action for a second, \$5,000,000 grant was conditioned upon certain provisions being met with the initial \$5,000,000 grant. A grant agreement has been executed for the \$5,000,000 in FY 2008 assistance for the Hawks Nest section and those funds are being disbursed.

VDOT submitted an application for the \$5,000,000, FY 2009 portion of the \$10,000,000 previously requested for the Hawks Nest section of the U. S. Route 460 Coalfields Expressway project. Due to circumstances arising since the award of the FY 2008 funds, the Panel recommended and the Governor awarded the grant for the FY 2009 portion of the project. A grant agreement has been executed for these monies as well and they are available for requisition based upon an agreed to schedule with the private partner. These monies are to be used with the previously awarded, \$5,000,000, FY 2008 grant, to complete improvements to this section.

- County of Prince George (County) – The County has been awarded two \$5,000,000 grants, one for the on-site transportation improvements and one for the off-site transportation improvements associated with the Rolls-Royce economic development project locating in the County. Separate grant agreements were entered into between the County and VDOT for the monies. The County has requisitioned and VDOT has disbursed the \$5,000,000 for the on-site improvements. The \$5,000,000 for the off-site work is scheduled for disbursement on or around August 1, 2010.
- City of Newport News (City) – transportation improvements associated with the Canon Virginia, Inc., economic development project within the City. The City submitted an application requesting \$5,000,000 in grant assistance to support transportation improvements associated with the economic development expansion project being undertaken by Canon Virginia, Inc. The Panel recommended and the Governor on February 25, 2009 awarded the \$5,000,000 grant to the City. VDOT and the City have entered into a grant agreement, dated May 1, 2009, for the funds. The funds are now being disbursed to the City as costs are incurred on 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
July 30, 2010
Page Five

Awards/Projects Pending Financial Close

- The County of Loudoun (County) submitted an application in March 2009 requesting \$2,500,000 in grant assistance to assist in completing a financing package to develop a missing section of Pacific Boulevard that links the existing termini of the road. The improvements are necessary to accommodate an expected increase in traffic due to the Raytheon Company's economic development project in the County. The Governor on July 1, 2009, awarded the \$2,500,000 to the County. As noted above, early this year issues arose concerning the requirements for the \$500,000 in GOF funds, awarded to assist with the traffic improvements. To substitute for the GOF monies, an additional \$500,000 in TPOF monies was requested and has been awarded, bringing the total to \$3,000,000 in TPOF assistance for the project. The project is being administered by VDOT through a design-build procurement and will continue to qualify for the TPOF funding under the Fund's eligibility criteria. Steps are underway to enter into a grant agreement between the VDOT and the County.
- Virginia Department of Transportation – U. S. Route 460 CFX Project in Buchanan, Dickenson and Wise counties. VDOT initially requested up to \$10,000,000 in grant assistance for the Rockhouse section of the CFX. A \$5,000,000 grant for FY 2008 was awarded by the Governor for this segment. Consideration and action for a second \$5,000,000 grant was conditioned upon certain provisions being met with the initial grant. VDOT is currently negotiating an amendment to an existing agreement with the private partner for the Rockhouse section. Following execution of the amendment, an agreement will be entered into for the \$5,000,000 in FY 2008 assistance for this section.

VDOT submitted an application for the \$5,000,000, FY 2009 portion of the \$10,000,000 previously requested for the Rockhouse section of the U. S. Route 460 Coalfields Expressway project. The Panel recommended and the Governor awarded the FY 2009 grant for the FY 2009 portion of the project. These monies are to be used with the \$5,000,000, FY 2008 grant previously awarded to complete the improvements to this section. As with the FY 2008 funds, once VDOT has executed an amendment with the private partner for the work on this section, grant agreements will be entered into for the monies.

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
July 30, 2010
Page Six

Awards/Projects Unable to Reach Financial Close

- 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 \$20,000,000 loan for certain activities associated with the project. A \$10,000,000, 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 CTB approved a \$10,000,000 loan from the State Infrastructure Bank. The TPOF monies have been freed up and returned for future applications.
- City of Newport News (City) – transportation improvements associated with the Wolseley North America Headquarters economic development project within the City. The City applied for and was awarded a \$2,700,000 grant to undertake transportation improvements to accommodate the increase in traffic expected as a result of the economic development project. However, due to the decline in the national and global economies, Wolseley North America suspended plans for the expansion project in Newport News. As a result, the City requested that the grant award be rescinded. The Governor approved the rescission of these monies on March 16, 2009 and these funds have been freed up and returned for future applications.

Application/Project Not Receiving Award

- County of Rockingham (County) – The County submitted an application for \$4,980,938 in grant assistance to complete a financing package for the Southeast Connector. The Panel considered the application and had recommended award of the grant. Subsequent to the Panel's action, the Port Republic Road project in the County was identified for funding with the stimulus monies. As a result, the funding for the Southeast Connector project was denied.

Application/Project Not TPOF Eligible

- The Virginia Port Authority submitted an application requested \$4,800,000 in grant assistance for preliminary project development activities for the Western Freeway Rail Relocation project. The project did not meet the Transportation or Economic Development Evaluation Criteria to qualify for TPOF funding 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
 July 30, 2010
 Page Seven

The table below summarizes the awards to date and the remaining balance from the initial capitalization and interest earnings on the Fund, as of June 30, 2010.

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
Town of Leesburg	\$ 5,000,000	Grant Design-Build Project
VDOT – CFX - Hawks Nest	\$10,000,000	Grants PPTA Project
VDOT – CFX – Rockhouse	\$10,000,000	Grants PPTA Project
County of Prince George	\$10,000,000	Grants Design-Build & Economic Development Project
City of Newport News EDA	\$ 5,000,000	Grant Economic Development Project
County of Loudoun	<u>\$ 3,000,000</u>	Grant Design-Build & Economic Development Project
Total Awards	\$50,000,000	
Balance	\$ 0	
Interest Earnings	<u>\$ 8,911,723</u>	
Reductions	\$ 832,706	
Funds Reserved (Waynesboro)	<u>\$ 2,500,000</u>	
Available For Award	\$ 5,579,017	

As pointed out previously and evidenced by this and the earlier reports, the Fund continues to be one of many tools available to market the Commonwealth of Virginia to prospective economic development clients and to assist in developing important public-private partnerships to advance much needed transportation improvements. In order for TPOF to remain a viable source of financial assistance for these types of projects, 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.

Copy: The Honorable Jim Cheng

Attachment

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

Through Item 449.10 of Chapter 847 of the Acts of Assembly of 2007, \$305,000,000 was allotted to TPOF out of the \$500,000,000 for the 2007 Transportation Initiative (Initiative).

In 2008, the General Assembly, through Item 462 of Chapter 879 of the Acts of Assembly of 2008, reappropriated \$180,000,000 of the \$500,000,000 back to the Commonwealth of Virginia's General Fund. To substitute for these monies, Item 459.H. of Chapter 879 of the Acts of Assembly of 2008 authorized the issuance of \$180,000,000 of Capital Project Revenue (CPR) bonds.

Due to the significant transportation revenue reductions that have occurred as a result of the downturn in the economy, the first sale of the CPR bonds had to be postponed until May 2010. These circumstances have led to insufficient funds being available, impacting four of the projects identified for funding with those monies that have existing awards.

The following five projects previously received awards.

- 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.
- 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 TPOF monies is ongoing.
- Route 50 Widening (Poland Road to Lee Road) - \$14,721,767 in grant monies. These monies will assist in completing funding for the widening of U. S. Route 50 in Fairfax County. The grant monies have been allocated in the Six Year Improvement Program.
- The City of Virginia Beach (City) was awarded a grant of up to \$20,000,000 to serve as the Commonwealth's contribution towards the purchase of the Norfolk and Southern Corporation's (NSC) Right-of-Way located between Newtown Road and the oceanfront. The City initially requested \$15,000,000 to assist in the purchase of the NSC Right-of-Way. However, due to issues with negotiating a sale price and other matters that had arisen, the application could not be considered. In February 2009, the City resubmitted an application requesting \$20,000,000 in grant funds which reflected events transpiring since their initial application. The Panel recommended and the Governor, on July 1, 2009, approved a conditional award of a grant of up to \$20,000,000 to the City. Based on information provided by the City, the Secretary of Transportation has determined the final amount to be 50% of the cost of the property as negotiated by the City and NSC, not to exceed \$20,000,000. CPR bond proceeds, along with the satisfaction of other conditions are required before an agreement can be entered into for the monies. The City, during the 2010 session of the General Assembly had legislation approved that exempts the project from having to be undertaken as a design-build or PPTA project.

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

- The County of Chesterfield (County) was awarded a grant of \$5,000,000 to assist with the construction of the I-295/Meadowville interchange. The County initially submitted an application requesting consideration for funding from these and other monies to assist with the construction of the interchange. Due to a funding gap that remained, following the potential use of the TPOF monies, and no likely sources of monies to fill the gap, the TPOF Advisory Panel could not recommend award. In January 2009, the County resubmitted an application for \$5,000,000 in grant assistance for a reduced scope project to fit within the funding available. The Panel recommended and the Governor, on July 1, 2009, approved a conditional award of a \$5,000,000 grant to the County. VDOT and the County, at the end of the reporting period, were negotiating the grant agreement for the grant monies. Subsequent to the reporting period, the agreement has been executed and CPR bond proceeds must be transferred to TPOF to cover those project expenditures.

The remaining projects identified for funding through the 2007 Initiative and their respective status follows.

- Environmental Impact Statement for Route 37 – Eastern Bypass in Frederick County - The project was initially targeted for a portion of the \$305,000,000; however, it was determined not to qualify for the TPOF funds. Instead, other state funds, sufficient to complete the work, were allocated to the project in the state’s Six-Year Improvement Program.
- I-64/I-264 Interchange in Virginia Beach – Due to the amount of monies requested by the City of Virginia Beach for the NSC Right-of-Way, a mutual agreement was reached between the Secretary of Transportation’s office and the City of Virginia Beach that the I-64/I-264 Interchange project would not receive any funding from the Fund’s Initiative monies.

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
U. S. Route 50 – Fairfax County	\$ 14,721,767	Grant	Design-Build Project
City of Virginia Beach	\$ 20,000,000	Grant	Per FTA Requirements
County of Chesterfield	<u>\$ 5,000,000</u>	Grant	Design-Build Project
Total Awards	\$ 273,939,353		
Balance	\$ 31,070,647		