



COMMONWEALTH of VIRGINIA

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Pierce R. Homer
Secretary of Transportation

January 13, 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: Pierce R. Homer, Secretary of Transportation *PH*

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 Kaine for the period ending December 31, 2009.

Capitalization for the Fund has come through a Fiscal Year (FY) 2006 General Fund appropriation of \$50,000,000 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.

For the period ending June 30, 2009, I submitted the seventh semi-annual report outlining the activities of the Fund. At that time, 15 applications had been submitted, requesting a total of \$116,890,938 in assistance. One of those applications did not qualify for funding. Between that report and December 31, 2009, no requests for assistance from the Fund were received.

One award was made by Governor Kaine during the reporting period. The County of Loudoun's \$2,500,000 application to assist in completing a financing package to develop a missing section of Pacific Boulevard was recommended by the TPOF Advisory Panel and the Governor, on July 1, 2009, awarded the \$2,500,000 to the County.

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

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- State Route 28 Highway Transportation Improvement District Commission (HTIDC or Commission) – completion of the four 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 (VDOT) – 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. Most of the activity associated with this grant is now complete.
- 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.

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- 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.
- Virginia Department of Transportation – U. S. Route 460 Coalfields Expressway Project (CFX) 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 has awarded the FY 2009 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.

- 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 has 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

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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.

- 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.
- 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.
- 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 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. Steps are under way to enter into a grant agreement between the Virginia Department of Transportation and the County.

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The table below summarizes the awards to date and the remaining balance from the initial capitalization, as of June 30, 2009.

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 #2	\$20,000,000	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>\$ 2,500,000</u>	Grant	Design-Build & Economic Development Project
Total Awards	\$49,500,000		
Balance	\$ 500,000		
Interest Earnings	<u>\$ 8,125,969</u>		
Available For Award	\$ 8,625,969		

As I have pointed out previously and evidenced by this and the previous reports, 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. 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.

Attachment
 Copy: The Honorable Patrick O. Gottschalk

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 is not expected to occur until July 2010. These circumstances have led to insufficient funds being presently available, impacting four of the projects identified for funding with those monies that have existing awards.

Awards were made by Governor Kaine from the \$305,000,000 made available to TPOF during this reporting period to the City of Virginia Beach and the County of Chesterfield.

- 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, from the \$305,000,000 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 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. CPR bond proceeds are required before an agreement can be entered into for the monies.

Attachment #1
 Report on the Transportation Partnership Opportunity Fund
 Chapter 896 of the 2007 Acts of Assembly
 Item 449.10 - \$305,000,000 Appropriation
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The following three projects previously received awards by Governor Kaine.

- 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 has begun.
- 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 remaining projects identified for funding through the 2007 Initiative and their respective status follows.

- Environmental Impact Statement for Route 17 – 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	Design-Build or PPTA Required
County of Chesterfield	<u>\$ 5,000,000</u>	Grant	Design-Build Project
Total Awards	<u>\$ 273,939,353</u>		
Balance	\$ 31,070,647		