



COMMONWEALTH of VIRGINIA

Office of the Governor

Sean T. Connaughton
Secretary of Transportation

July 28, 2011

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

*of Sean T. Connaughton
Deputy Secretary*

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, 2011.

To date, capitalization for the Fund has come from monies designated in 2006 from the Toll Facility Revolving Account (\$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, 2010, the tenth semiannual report was submitted outlining the activities of the Fund. At that time, eighteen applications, representing sixteen (16) separate projects, had been submitted requesting a total of \$125,618,350 in assistance.

At that time, awards for financial assistance had been made by the Governor for twelve (12) of the 16 projects totaling \$53,427,412. Of the four remaining projects applying for assistance, three 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. Seven of the 12 projects awarded assistance had reached financial close. Of the five left, two were moving to financial close; one was awaiting a business agreement to be developed before financial close can occur; the award for another was rescinded as the project did not move forward; and, due to a conflict between TPOF statute and a business agreement with a potential loan recipient, the final project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 the TPOF assistance.

As mentioned in previous reports, TPOF was also being 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 (City). Ultimately, the TPOF funds were not included in the final incentive package; however, the City continues to express interest in the program. While no application has been received from the City, \$2,500,000 has been reserved for potential transportation improvements associated with the PGI economic development expansion.

Between December 31, 2010 and June 30, 2011, the following activity has taken place:

During the 2011 General Assembly session, Governor McDonnell recommended and the General Assembly approved an additional capitalization of \$50,000,000 for the Fund in the amendments to the 2010-2012 Biennial Budget.

In January 2011, the Virginia Department of Transportation (Department or VDOT) and the County of Accomack (County) reached financial close by entering into a grant agreement for the \$3,427,412 in TPOF assistance. These funds are being used to finance the aspects of developing an unrestricted height transportation corridor along public roadways utilized by the Mid-Atlantic Regional Spaceport facility in the County.

On April 1, 2011, VDOT and the City of Newport News' Economic Development Authority completed a transaction that amended the initial \$5,000,000 grant agreement tied to the transportation improvements associated with the Canon Virginia, Inc. economic development project. Due to a favorable bidding climate and value engineering practices employed by the City, only \$3,300,000 million of the \$5,000,000 associated with the original TPOF scope of work was needed. The initial scope, based on estimates at that time, only included the 3 most critical interchange projects. The amendment allows a scope of work increase, with no change to the grant amount, to reinstate other previously planned and needed transportation improvements.

The Department's Bristol District, in April 2011, made a request to have the previous two, \$5,000,000 grant awards made for the Rockhouse section of the Coalfields Expressway rescinded and submitted two applications, each for a \$5,000,000 grant, to finance work associated with the interchange located at the junction of the Coalfields Expressway and the U. S. Route 460 Connector, Phase II, Corridor Q section. The TPOF Advisory Panel (Panel) met to consider the rescission request and the two applications and have recommended approval of these request. A package for the Governor's consideration has been drafted and is under internal review pending submittal to the Secretaries of Transportation and Commerce and Trade.

The County of Rockingham submitted an application, dated June 7, 2011, requesting a \$5,000,000 grant for the Southeast Connector project. This is one of the 4 projects referenced above that had applied earlier for TPOF assistance but did not receive an award due to non-TPOF monies being provided to another project in the County. The Panel will be considering this application in the near future.

Concluding the activity for the reporting period, the Virginia Commercial Space Flight Authority (VCSFA) and the Mid-Atlantic Regional Spaceport's (MARS) initial user, Orbital Sciences, have expressed interest in using TPOF to assist in financing certain aspects of the MARS

facility. While no application has been received, VDOT and VCSFA staff are investigating the potential use of TPOF funding for this space access transportation facility.

With the close of this reporting period, twenty-one applications, representing seventeen separate projects, have been submitted requesting a total of \$140,618,350 in TPOF assistance. Eight of the twelve awards have now reached financial close.

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 of Virginia (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.

- 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 improvement project and one for the off-site transportation improvement project 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 and all funds (\$10,000,000) have been disbursed to the County.
- City of Newport News (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. Recently, the City requested the use of \$1,700,000 in unused grant monies resulting from only \$3,300,000 of the \$5,000,000 associated with the original TPOF scope of work being needed. The Panel concurred with the use of these funds within the existing grant and an amendment to the grant agreement, dated April 1, 2011 was executed with the City.
- The County of Accomack (County) – The County first applied on June 7, 2010 for \$593,292.08 in grant assistance to finance a short term solution 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. Following the Panel's initial consideration of this request, the County submitted a revised application requesting \$3,427,412 for the full scope project. The Panel recommended and the Governor, on September 30, 2010, awarded the grant to the County. VDOT and the County entered into a grant agreement, dated January 20, 2011, for the monies. The County has begun to drawdown the funds.

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. \$500,000 in Governor's Opportunity Fund (GOF) funds were also awarded to assist with the traffic improvements. However, issues arose concerning the requirements for the GOF monies and those funds were not able to be utilized. 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. A grant agreement has been drafted and is undergoing internal VDOT review and steps have begun to enter into the grant agreement with 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 had been negotiating an amendment to an existing agreement with the private partner for the Rockhouse section, however efforts to achieve the Federal Highway Administration's approval of a finance plan for this section of the project failed and VDOT, as noted above, has submitted a request to have these funds rescinded.

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 also a part of VDOT's request to have these and the FY 2008 monies rescinded.

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) – 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 Wolseley North America Headquarters economic development project within the City. 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.
- Holladay Properties applied on December 13, 2010 for a \$5,000,000 TPOF grant to develop a private commercial/retail center (Capital Region Center) that would combine a travel rest/safety area and visitor's center with shops, restaurants, hotels and entertainment venues. The development's location is off of I-95 near the Bass Pro Shop's store in Hanover County, with access from Exit 89 and Exit 86. Due to several statutory conflicts with the application and the project, this request could not be honored.
- The Olde Dominion Agriculture Foundation, Inc. applied on December 28, 2010 for a \$300,000 grant from the Fund to design and construct turning lanes and a slip ramp and remove a crossover on U.S. Rt. 29 at the entrance of their complex to enhance safety and alleviate potential congestion points during events. Due to several statutory conflicts with the application and the project, this request could not be honored. However, VDOT was able to identify funding through other sources to carry out the project and construction is slated to begin in July.

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, 2011.

Initial Capitalization	\$50,000,000	
Interest Earnings	<u>\$ 9,260,828</u>	
Total Available	<u>\$59,260,828</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	\$ 3,000,000	Grant Design-Build & Economic Development Project
County of Accomack	<u>\$ 3,427,412</u>	Grant Economic Development Project
Total Awards	<u>\$53,427,412</u>	
Balance	<u>\$ 5,833,416</u>	
Reductions	\$ 832,763*	
Funds Reserved (Waynesboro)	<u>\$ 2,500,000</u>	
Available For Award	\$ 2,500,653	

*- FY 09-11 Indirect Cost Charges of \$3,948 and \$828,815 from Governor’s Operational Efficiencies Reduction Plan (Item 475 – Chapter 872 of the 2010 Acts of Assembly).

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 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.

Cc: 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.

During this reporting period, there was no activity with the Initiative projects.

The following are TPOF's Initiative projects receiving awards and their status.

- 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 and the project was included in the second CPR bond issue to have proceeds available to provide the TPOF funding.
- The City of Virginia Beach (City) - \$20,000,000 in grant monies. The funds serve as the Commonwealth's contribution towards the purchase of the Norfolk Southern Corporation's right-of-way located between Newtown Road and the oceanfront. A grant agreement has been entered into and the grant monies fully disbursed to the City.
- The County of Chesterfield (County) - \$5,000,000 in grant funds. The grant will assist with the construction of the I-295/Meadowville interchange. The grant agreement has been executed for the grant monies and CPR bond proceeds have been made available to TPOF to fund the project. The project is underway and expenditures will be transferred to TPOF on a periodic basis.

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 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		