



I-81 P3 Feasibility Summary of Market Soundings

October 2, 2023

Agenda

- I. **Market Sounding and Findings**
- II. **Policy Conclusion**

Market Sounding and Findings

Summary

- **In response to legislative requests, VDOT engaged an independent consultant to evaluate the potential benefits of a P3 to accelerate I-81 project delivery.**
 - Market sounding process initiated in January 2023.
 - Six P3 developers responded.
- **P3 developers assessed options for both the 102-mile Northern Segment and the entire 325-mile corridor.**
- **Five of six firms stated that P3 delivery was not a suitable solution.**
 - A single toll lane (managed lane) solution was not recommended.
 - All tolling solutions will require significant public contribution and face legal hurdles.
 - P3 delivery is not expected to accelerate the planned I-81 improvements.
- **Consultant assessment: market feedback, while informative, is preliminary and high-level. CapEx could be significantly higher, and revenues could be lower, leading to a larger public contribution.**

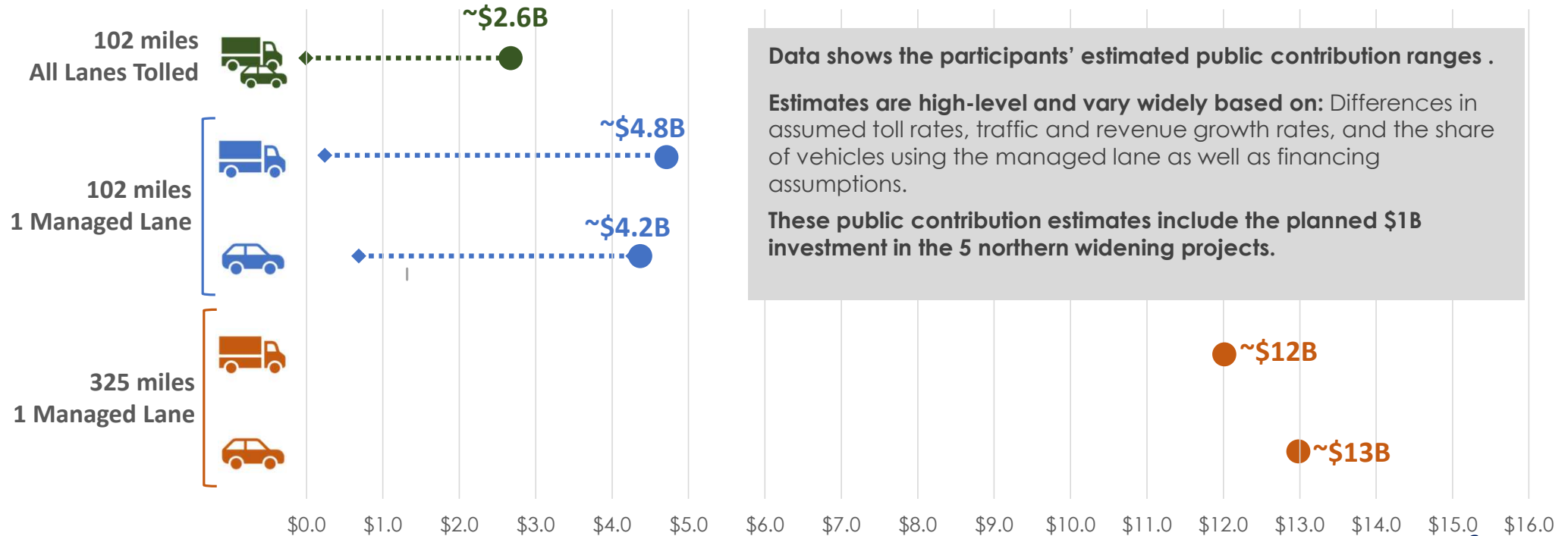
Market Sounding Background

- **“Market soundings” are a common tool used to assess market interest and project feasibility.**
 - Provide insights about vendor interest in a particular project and perceived financial viability.
- **Market soundings for I-81 were initiated in January 2023.**
- **The high-level market soundings sought to understand:**
 - Whether P3 delivery is feasible for the I-81 corridor; and
 - If P3 delivery is likely to better meet the Commonwealth's goals than the current plan.
- **Firms were asked to consider a variety of scenarios, including:**
 - Concept: Managed Lanes or All-Lane Tolling
 - If managed lanes, car-only or truck-only
 - Distance: 102-mile Northern Segment or entire 325-mile corridor
 - Configuration: 3 or 4 lanes
- **VDOT preliminary capital cost estimates were provided for reference only.**
 - VDOT provided a value of \$35 million per mile.
 - Four of the six respondents used the VDOT cost estimates.

Market Sounding Findings: Public Contribution

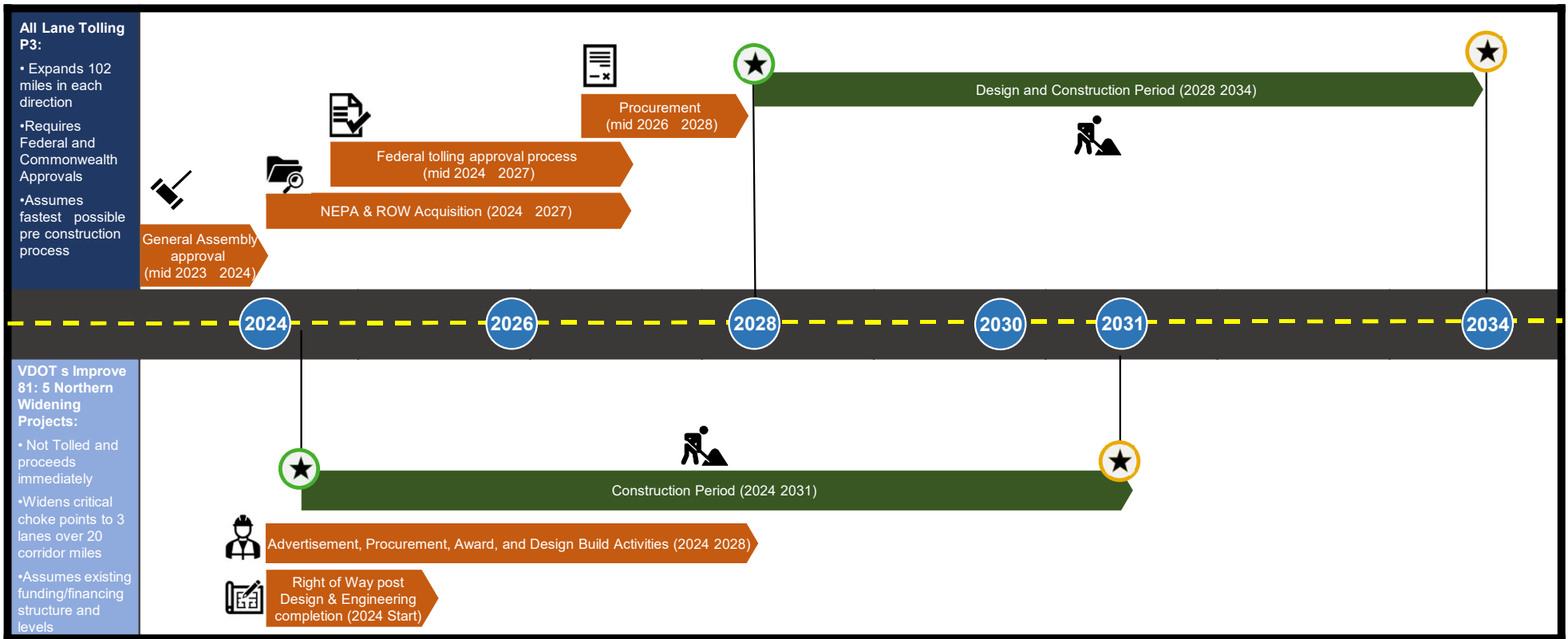
Participants' views varied, but they indicated that a substantial public contribution in addition to tolls would be required.

Market Sounding Participants' Estimated Ranges of Required Public Contribution for Key Scenarios



Projected Project Timeline

Even if a shorter construction period can be achieved, introducing a P3 approach would delay the beginning of construction by at least four years.



Caveats: Legal and Market Constraints

Any tolling solution will require state and federal approval, and timelines will be delayed by the environmental and procurement processes.

- **General Assembly approval** is required to toll I-81 (§ 33.2-119. Limitation on tolling.)
- **Federal law** restricts states from tolling interstate highways, meaning that the project must receive approval from one of the following federal tolling programs.
 - **23 U.S. Code § 129 – General Tolling Program:** the number of existing toll-free lanes cannot be reduced.
 - **Interstate System Reconstruction and Rehabilitation Pilot Program (ISRRPP):** toll revenues can only be used for the rehabilitation or reconstruction of the existing facility, new capacity may be ineligible.
 - **Value Pricing Pilot Program (VPPP):** tolling must be for the purpose of altering driver behavior to shift rush hour highway travel to off-peak periods or other transportation modes.
- In September 2022, the United States District Court for the District of Rhode Island ruled that **truck-only tolling violated the U.S. Constitution's Commerce Clause** and Rhode Island was required to halt truck-only tolling.
- **Use of a P3 approach would delay the beginning of construction by approximately four years.**
 - A procurement process to select concessionaire is required under Virginia law.
 - Introducing tolling concepts that were not part of the selected alternative in the environmental analysis would require additional NEPA review before procurement is initiated.

Caveats: Decision Tree for I-81 Tolling Solutions

- All options face state and federal tolling authorization challenges.
- Managed lane solutions were not recommended by market participants.
- The P3 procurement process, obtaining tolling authorizations, and additional NEPA work will delay project delivery.
- Tolling solutions will require additional public contribution and result in schedule delays.
- Given the above, a P3 option is not likely to accelerate I-81 improvements relative to VDOT's current plan.

