



I-495/I-95 and I-270 Congestion Relief Improvements Projects

Request for Information
Macquarie Capital (USA) Inc.



December 20, 2017

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Jeffrey T. Folden, P.E., DBIA
Chief, Innovative Contracting
MDOT State Highway Administration

Dear Mr. Folden,

Macquarie Capital (USA) Inc. ("**Macquarie**") is pleased to submit this response to the Request for Information ("**RFI**") in connection with the I-495/I-95 (Capital Beltway) and the I-270 Congestion Relief Improvement Project (the "**Project**"). Macquarie is very interested in the opportunity to assist the Maryland Department of Transportation ("**MDOT**" or the "**Authority**") in the development of this important Project as a developer and equity sponsor should MDOT elect to procure this Project as a Public Private Partnership ("**P3**").

Regionally headquartered in New York City, Macquarie has a well-established presence in the Americas with more than 2,500 employees across 21 offices. Macquarie's experience with infrastructure projects is unique and unparalleled in its scale and diversity. Macquarie has experience across multiple asset categories, acting as developer, sponsor, and advisor to companies and governments in P3s. Macquarie is a world leader in P3s with 80+ infrastructure professionals in North America. Since 2009, Macquarie has participated in over \$20 billion P3 transportation projects that have closed in the US. Transactions that highlight Macquarie's P3 experience include:

1. Developer and Sponsor for the Goethals Bridge Replacement P3 Project;
2. Developer and Sponsor for the Downtown Tunnel / Midtown Tunnel / MLK Extension toll P3 Project;
3. Developer and Sponsor for the KentuckyWired, the first telecommunication P3 in the US;
4. Procurement Advisor to the Colorado Department of Transportation for the Central 70 P3 Project;
5. Developer for the Denver FasTracks Eagle P3, the first transit P3 in the US;
6. Procurement and Financial Advisor to Puerto Rico's P3 Authority and the Puerto Rico Highways and Transportation Authority on the creation of a toll road P3 program and the concession of the PR-22 and PR-5 toll roads, the first P3 concession in Puerto Rico;
7. Developer and Sponsor for the Mersey Gateway P3 Project in the UK;
8. Developer and Sponsor for the D4/R7 Highway P3 Project in Slovakia.

Macquarie has a deep understanding of the US P3 market and looks forward to working with MDOT in developing and successfully delivering this Project.

Yours faithfully,



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Response

a. General

1. Please describe your firm, its experience in relation to P3 projects, and its potential interest in relation to these potential congestion relief improvements.

Introduction

Macquarie Group Limited (together with its affiliates, "**Macquarie Group**"), headquartered in Australia, is a global provider of banking, development, financial, advisory, investment and funds management services. Founded in 1969, Macquarie Group operates offices in 27 countries and employs more than 2,500 people in the US, as part of a global staff of approximately 13,500. Businesses managed by Macquarie Group employ more than 63,000 individuals globally. Macquarie Group, together with its direct and indirect subsidiaries and funds owned or managed by the group, manages assets of approximately \$368 billion¹.

Macquarie Capital (USA) Inc. ("**Macquarie**") comprises Macquarie Group's corporate advisory, equity, debt and private capital markets businesses, and undertakes P3 project development and investment. Macquarie has a long history of participating in P3 projects in a number of different capacities including project developer, equity investor, financial advisor, asset manager and advisor to governments throughout all stages of project procurement. This gives Macquarie a thorough understanding of the motivations and concerns of all participants in the current infrastructure market, including owners, investors, contractors, developers, designers, rating agencies, and asset operators. Additionally, Macquarie is a global market leader in investing in infrastructure and infrastructure-like businesses around the world. Macquarie is well-established in North America with 80+ infrastructure professionals, providing a deep level of experience and diversity.

Macquarie Group by the numbers



Macquarie Capital by the numbers in FY2017



Experience

Macquarie is the largest infrastructure asset manager globally², and has been at the forefront of infrastructure investment, finance and management globally for more than 20 years and continues to invest in building dedicated industry knowledge within its various divisions, which have established extensive relationships with government, regulatory bodies and industry groups.

Macquarie is a global leader in P3 development with over 90 successful projects across North America, Europe, Asia, Oceania, Africa and the Middle East. Macquarie has been active in the US for over a decade, and has developed a large North American infrastructure team of more than 80 dedicated professionals. In addition, Macquarie Capital can draw on its worldwide resources and expertise, and will bring in specialist resources and executives from our global offices to support the project as required to ensure the successful delivery of the Project.

The table below summarizes select US project experience.

¹ As at 31 Mar 17

² Willis Towers Watson 2016 Global Alternatives Survey

Select US Project Finance Experience

Project	Location	Closed	Project Size	Debt Package	Bonds	Bank	TIFIA
KentuckyWired	Kentucky	Sep 2015	\$0.3 billion	\$0.3 billion	✓		
Goethals Bridge Replacement	NY & NJ	Nov 2013	\$1.2 billion	\$0.9 billion	✓*		✓
Elizabeth River Crossings	Virginia	Apr 2012	\$2.1 billion	\$1.1 billion	✓*		✓
PR5 and PR22 Tollroads	Puerto Rico	Sep 2011	\$1.2 billion	\$0.8 billion		✓	
Denver FasTracks	Colorado	Aug 2010	\$1.6 billion	\$0.4 billion	✓*		
LBJ Express, Dallas	Texas	Jun 2010	\$2.8 billion	\$1.6 billion	✓*		✓
North Tarrant Express	Texas	Nov 2009	\$2.1 billion	\$1.1 billion	✓*		✓
Port of Miami Tunnel	Florida	Oct 2009	\$0.9 billion	\$0.7 billion		✓	✓
I-595 Express	Florida	Mar 2009	\$1.7 billion	\$1.5 billion		✓	✓
Total			\$14.2 billion	\$8.4 billion			

*Denotes PABs debt financing

Potential Interest

As previously mentioned, Macquarie has a long history of participating in P3 projects as project developer, equity investor, financial advisor, and asset manager. Macquarie would be interested in serving as:

- **Developer:** Macquarie has participated in P3 procurement processes through being a consortium member and committing equity, either directly or via a managed investment funds, in support of its bid. This role typically involves overseeing the formation of the consortium itself, negotiating the project documentation amongst the consortium members, procuring the committed financing and coordinating the bid to the procuring agency. Should its consortium be nominated the preferred bidder and the project achieve financial close, the developer role will evolve into the asset manager role as described below.
- **Equity Investor and Asset Manager:** Macquarie Capital commits and invests equity in P3 projects in the US and globally. As a principal we have developed best in class processes to execute cleanly, quickly and structure investments appropriately.
- **Financial Advisor:** Macquarie also acts as the financial advisor and debt arranger for P3 projects. In its capacity as financial advisor, Macquarie aids a consortium by raising committed debt financing in support of its bid and is involved in structuring transactions with an overall aim of minimizing execution risk while providing value for money to the procuring agency.

2. What would be the benefits and risks to MDOT entering a P3 agreement for congestion relief improvements? What risks do you believe would best be retained by MDOT and what risks would be best transferred to the private sector? Please explain your reasoning.

The aim in allocating risks is not to maximize the transfer of risks to the private sector, but to optimize the risk transfer, so that project risks are borne by the party best placed to manage and price them.

MDOT will be better placed to retain and manage certain risks that the private sector could not efficiently price or control, or that a government entity can manage more effectively. Typical risk allocation profile for projects procured as demand risk P3s and their respective mitigating factors are shown in the table below:

Key Risks	Private Sector	Public Authority	Factors
Design fitness for purpose	✓		
Construction/Rehabilitation fitness for purpose	✓		Private sector consortium assumes the risk and distributes them within the team – e.g. contractor assumes construction obligations under the Design-Build Agreement, supported by an appropriate security package including liquidated damages.
Construction/Rehabilitation delays	✓		
Construction/Rehabilitation cost overruns	✓		
Operations and Maintenance (“O&M”) performance	✓		
O&M cost overruns	✓		Private sector consortium assumes the risk and distributes them within the team – either through a subcontract or a self-perform O&M strategy.
Life-cycle performance	✓		Private sector will be incentivized to minimize cost overruns as they will apply life cycle costing to the construction standards used.
Life-cycle cost overruns	✓		
Financing risk	✓		Private sector developer will raise committed financing (with very limited ‘outs’) prior to bid, so as to have a fully financed proposal at bid date that can expeditiously be finalized and drawn at financial close.
Tolling / Revenue	✓		In a demand risk concession, the private sector assumes the revenue generation risk on the project, as well as the risk of tolling implementation and operations. Public authority primarily allows for appropriate tolling enforcement rights within legislation and in contract.
Right of way (“ROW”) availability		✓	Public sector is best placed to ensure appropriate land is available and appropriate for the use.
Certain permitting issues	✓	✓	Private sector retains responsibility for obtaining relevant permits and approvals. Public authority generally commits to use its authority to help the private sector to obtain permits and/or indemnifies the private sector for undue delays in obtaining permits. Public authority retains risk of key approvals such as NEPA; although changes necessitated by bidder’s specific design would be at private sector’s risk.
Certain environmental issues		✓	Public sector generally responsible for costs and consequences of existing environmental risk (e.g. contaminated soils, obtaining permits, etc.) but the private sector is responsible for its own contamination, if any. May be a risk sharing mechanism where private sector accepts this risk up to a cap.

As can be appreciated from the above table, under a P3 procurement the majority of risks throughout both the construction and operations phase are transferred to the private Concessionaire, which allows MDOT to focus its attention on overseeing the entire Congestion Relief Improvement Project.

3. What, if any, advantages will MDOT potentially gain by entering an agreement in which operations and maintenance and lifecycle responsibility and/or traffic and revenue risk are transferred to the private section? How do you assess the likely magnitude of such advantages? What are the potential offsetting disadvantages?

A P3 can result in several benefits including:

Advantages of a P3:

Risk Transfer	Under a P3, substantially all of the risks of design, construction, operations, maintenance, and rehabilitation and revenue generation, plus the risks of integration between the DB contractor operations, are borne by the concessionaire.
Lifecycle Responsibility	Transferring the responsibility for lifecycle costs to the private sector will incentivize bidders to design with future O&M work (and costs) in mind. A concessionaire with responsibility for future O&M work will focus during construction to strike the optimal balance between upfront costs and ongoing costs; whereas under a DB contract, the contractor is incentivized to minimize upfront costs, with the higher ongoing costs falling to MDOT. Additionally, a transfer of lifecycle responsibility will provide the public sector with a greater guarantee of the asset's quality, as the Concessionaire is responsible for asset quality over the full concession term.
Traffic and Revenue Risk	In a revenue risk transaction, the concessionaire and its lenders accept the patronage risk on the road – meaning that MDOT is not exposed to the risk of traffic being less than forecast. Transferring traffic and revenue risk to the private sector aligns the public and private sector as the concessionaire is incentivised to implement a tolling policy which maximizes traffic in the managed lanes which facilitates achieving MDOT's goals of alleviating congestion, providing additional transportation options for road users, and maintaining a safe traffic corridor. Depending on a project's economics, a P3 structure may also facilitate the payment of a capital grant paid by the concessionaire to the authority. In such instances the authority benefits from a one-off payment that can be used to pursue wider State funding objectives.
Innovation	The competitive procurement phase under a P3 allows for alternative technical concepts which can reduce the time and cost of construction and/or deliver other benefits over the authority's reference design.
Accelerated Project Delivery with Date-Certainty	Funding from the private sector is available in much shorter timeframes than public funding may be. With accelerated funding from the private sector, projects can be executed years ahead of when they might otherwise be, providing needed improvements sooner and reducing inflationary costs. Studies of P3s vs. traditional public delivery in Australia and the UK show that 25% and 70% (respectively) of public sector projects finished behind time, whereas only 1.4% and 24% of P3 projects finished experienced time overruns ¹ .
Fixed Price – Turnkey Solution for the authority	Under P3 procurement, the private sector bears all liability for any potential cost overruns (subject to some very limited exceptions such as the discovery of archaeological artifacts during construction – for which the authority would share the cost). This provides the authority with a high degree of certainty around project development costs.
Budget Certainty	Under a P3 structure, MDOT's funding requirements would be minimized.
Changing Industry Standards	Costs associated with changes to industry standards (e.g. AASHTO implements new guardrail specifications) will be borne by the private sector.
Development & job creation	A World Bank study estimates that under the right conditions, a 1% increase in a country's infrastructure stock is associated with a 1% increase in the level of GDP ² . USDOT believes US\$1 billion in road construction spending generates 34,000 new jobs ³ .

Sources: 1. University of Melbourne, UK National Audit Office 2. Building America's 21st Century Infrastructure, Progressive Policy Institute 3. Nevada DOT, About PPPs

Disadvantages of a P3:

Longer bid period	Generally a longer bid period required than for a Design-Bid-Build process, as bidding teams require time to conduct their own design work, conduct traffic and revenue analysis, and arrange financing.
Advisors	In addition to legal advisors, the authority will need to hire a financial/commercial advisor.
Resources	The authority will need to dedicate resources to managing the bid process, including a series of “one-on-one” meetings with each team to review and discuss project specific issues. However, the trade-off for this is that the Authority will not need to dedicate as many resources during the construction and operation periods, because construction and operations risk will have been transferred to the Concessionaire.

4. Would it be advantageous for MDOT to transfer the operations and maintenance and lifecycle responsibility for the entire freeway or just the added congestion relief improvements? What would be the advantages and disadvantages of transferring the operations and maintenance and lifecycle responsibility for the entire freeway?

The private sector is typically prepared to manage any level of O&M scope, with the exception of certain functions that might be better left with the authority.

Transferring existing operations to the private sector may have certain advantages, including reducing interface issues between parties operating simultaneously on the road, more efficient management of the overall corridor by reducing the need for numerous parties to be independently managing the project, and allowing any rehabilitation needs can be undertaken simultaneously to works performed on the express lanes. In order to effectively transfer operations of existing assets, the private sector would typically require details on existing asset condition so as to effectively price any upfront rehabilitation requirements, as well as ongoing operations and asset maintenance.

However, transferring existing operations will have an adverse impact to the financing capacity for the project by increasing operating leverage and operating risk, thereby reducing the amount of upfront payments available to MDOT or reducing the scope of the project that can be funded by the private sector. In addition, this can result in a less efficient result if the existing assets have significant deferred maintenance.

5. Would it be feasible to have a single solicitation for both corridors? If not, would you recommend any specific phasing for the solicitations including the corridor(s) and limits and why? What would your recommendation be for staggering multiple solicitations and why?

We believe it would be most feasible to procure I-495 and I-270 as two separate projects due to the following considerations:

- Two projects should result in the optimal balance in terms of a manageable project size from a design-build perspective, and the availability of required debt and equity financing for the project;
- Allows project delivery for each of the two projects to be staggered;
- Allows for quick delivery of a congestion relief solution to the entirety of each corridor;
- Allows for a complete corridor solution, accounting for differing economics of different segments of a particular corridor in a single procurement;
- The traffic dynamics and demand drivers for the I-495 and I-270 are likely to be best assessed separately.

Given the capacity in the debt and equity financing markets, we do not see a need to further segment the project procurement, with the additional potential adverse impact to the competitive dynamics of awarding segments in phases as well as the slower build out of a congestion relief solution in each corridor.

b. Project Development

1. Do you believe your firm would be interested in submitting a detailed proposal for the development of any of the congestion relief improvements? Are there any particular concerns that may prevent your firm from getting engaged in the project development? How might these concerns be resolved?

The congestion relief improvements Project is consistent with our investment model and is well suited to our skills and expertise. As such, it is a Project that we are very interested in pursuing. Macquarie will evaluate the underlying commercial terms and financial logic for the proposed transaction. We will carry out a detailed analysis of the project corridors, identifying the key aspects of the transaction where we can provide significant value based on our prior experience and comprehensive track record. Additionally, we will look for strong political support for the transaction and a procurement process which is clear, transparent and effective.

Through our experience developing P3 projects, we have found that the following factors contribute to the attractiveness of a project, leading to increased competition and value for the MDOT:

- **Procurement process** – MDOT should establish a clear procurement process, including customary timing of RFQ and RFP phases to provide bidders with sufficient time to form teams, develop their technical solutions, complete traffic and revenue analysis, and raise committed financing.
- **Project Tolling & Revenue parameters** – MDOT will be required to establish the parameters for tolling, and any restrictions on tolling (eg. categories of exempted vehicles, provision for suspension of tolls in emergencies, and requirements for uniform tolling of persons under 'like conditions') so as to enable bidders to properly determine the potential revenues.
- **Clear Risk Identification and Allocation** – MDOT should ensure that the project agreement clearly identifies all major risks in the Project and assumes a reasonable starting position with relation to risk transfer and retention. As mentioned earlier, the benefits of a P3 are not achieved through maximizing risk transfer to the private sector but through an optimal allocation of risks based on what each partner is able to manage effectively.
- **Environmental Studies** – MDOT should have sufficiently advanced environmental approvals to provide bidders with certainty around the permitted design parameters and alignment, and also to prevent delays in reaching close.

2. At what stage of the NEPA and project development process would it be most beneficial to issue a RFQ: after establishment of the purpose and need, after determination of alternatives retained for detailed study, after selection of an MDOT preferred alternative, or after approval of the environmental document? At what stage would it be most beneficial to issue a RFP? Please discuss your reasoning.

The NEPA status should be sufficiently progressed to provide confidence in MDOT that it would not hinder or delay the solicitation process.

3. What are the critical path items for the solicitation for these improvements and why?

Some of the critical path items we foresee are listed below:

- Environmental approvals / NEPA as noted above;
- Obtaining any legislative amendments or approvals required to deliver the Project under the chosen risk transfer mechanism;
- Details on the availability of a TIFIA Loan / PABs allocation for the project;

4. What is the minimum amount of time that your firm would require to develop and submit a response after the issuance of a potential RFQ?

Macquarie generally feels that 6 weeks is adequate time to prepare a response to a Request for Qualifications.

5. What is the minimum amount of time that your firm would require to develop and submit a detailed proposal after the issuance of a potential RFP?

Macquarie generally feels that 6 to 8 months is adequate timing to prepare a Response for Proposals depending on the level of reference material provided. In our experience, issuance of the RFP and commencement of the process should proceed at an advanced stage of readiness. Some items that generally need to be worked through prior to issuance of an RFP include: right of way plan and acquisition schedule, environmental permitting, development of technical and performance specifications, among others.

The market is well accustomed to responding to complex procurements over this time frame.

6. What information would your firm need in order to prepare a response to a potential RFP? What information should MDOT, the offeror, or others provide?

As mentioned above, some items that generally need to be worked through prior to issuance of an RFP include: ROW acquisition schedule, environmental permitting, available traffic count data, a well-defined schedule and process for ATC proposals and reviews, among others.

7. What would you consider a reasonable stipend payment for unsuccessful proposers responding to a potential RFP? Please discuss how the stage of project development (purpose and need, alternatives retained for detailed study, preferred alternative, final environmental document, etc.) completed prior to RFP issuance would impact the stipend payment amount.

Given the scale of the project and the significant expenditures that would be necessary to bid the project, Macquarie would recommend a \$2.5 million stipend for an integrated P3 procurement towards bid costs, scaled based on the advancement of the procurement timeline.

8. Would it be more beneficial for right-of-way acquisition activities to be transferred to the developer or should MDOT retain that risk? Please discuss your reasoning.

ROW acquisition is best retained by MDOT due to the government's ability to commence ROW acquisition prior to and during the procurement process, its eminent domain rights and its position as the ultimate beneficiary. On a value-for-money basis, the cost associated with the transfer of ROW purchase risk to the developer adds limited, if any, value to MDOT. In addition, transferring ROW acquisition responsibility to the developer could complicate the financing process if lenders are not willing to accept that risk, and could cost MDOT more money if their lending terms become less attractive because of it. In order to minimize additional ROW requirements, MDOT can consider disincentives through commercial terms or the evaluation criteria to dissuade bidders for seeking to significantly expand the project footprint.

c. Technical Challenges

- 1. Based on your experience in the development of similar projects and characteristics of the I-495/I-95 and I-270 corridors, please explain the technical challenges, including minimization of right-of-way impacts, to providing congestion relief improvements. Please provide any recommendations for mitigating or overcoming those challenges that you would be willing to share.**

One of the most significant technical challenges encountered in projects such as this is the maintenance of traffic during construction. The I-495/I-95 and I-270 all experience substantial traffic volumes that will need to be maintained while the Project is built. Recommendations for mitigating these challenges include limited lane closures during peak hours, appropriate road geometry during temporary lane shifts to maintain travel speeds, and innovative phasing of construction to provide no less than the same number of lanes as currently provided, throughout construction.

- 2. Are there recommendations that you may be willing to share concerning the project scope or development strategies to reduce the upfront capital costs and/or the lifecycle costs of potential corridor congestion relief improvements?**

Macquarie is not in a position to provide a response to this question based on the available information.

- 3. Please explain any technical solutions that you may be willing to share that may enhance the development of the potential congestion relief improvements. Identify risks associated with the solutions and, if possible, discuss estimated cost of the solutions.**

Macquarie is not in a position to provide a response to this question based on the available information.

d. Contract Structure

1. What is your recommended approach for financing the capital cost of potential congestion relief improvements?

The Project's financing approach should seek to achieve two key objectives:

1. Make most efficient use of private finance; and
2. Maximize certainty of financial close.

We understand that MDOT is considering applying for a Private Activity Bond allocation and a TIFIA Loan, which provide additional options to optimize project debt financing costs.

TIFIA financing is the cheapest form of debt available for infrastructure projects, and, if available, bidders will seek to maximize the amount of TIFIA in the structure. Managing the TIFIA program during the bid process will be an important element in obtaining full value. We suggest MDOT negotiate a base term sheet with the TIFIA Program that is made available to all bidders, allowing bidders to interact with the TIFIA Program to ensure that the TIFIA Loan can be seamlessly incorporated into each bidders' financing plan.

The remainder of the debt for this project will customarily be provided by the bond market (through either Private Activity Bonds or a taxable private placement to debt investors), and we may also consider accessing the bank market or mezzanine financing market.

Finally, equity contributions will provide the balance of the required capital for the project. Macquarie is confident that debt and equity financing would be available for this Project, assuming that the transaction and the procurement are appropriately structured.

In order to minimize debt financing costs and maximize certainty of financial close, Macquarie typically competes multiple debt financing solutions and negotiates binding commitments prior to bid which can quickly be translated into full documentation post award.

2. Should MDOT set a concession term or allow proposers to establish a concession term as part of the response to a potential RFP? If MDOT were to set the concession term, what is a reasonable concession term and why?

We would recommend minimizing the number of variables for the bid; and believe MDOT should set the concession term and require all bidders to assume the same term. This ensures that MDOT receives the concession term that it desires, and achieves a 'level playing field' for bidders.

Customarily, the concession length for a project such as the Congestion Relief Improvements project would be in the vicinity of 50-60 years which typically allows for optimal debt and equity sizing and pricing.

3. Are there any contract terms you would recommend, such as Alternative Technical Concepts, Alternative Financial Concepts, contract balancing, pre-development agreements or progressive agreements, etc. to minimize risk to proposers, maximize opportunities for innovation, maximize a concession payment to MDOT, or are key to obtaining competition? Please discuss the benefit and risks of the recommended contract terms.

Alternative Technical Concepts and Alternative Financial Concepts

Macquarie would recommend the use of Alternative Technical Concepts ("ATCs") and Alternative Financial Concepts. Private partners are industry experts that bring best practices in financing, design, construction and maintenance of projects based upon their experience. These partners are innovative

and under P3 procurement may be encouraged to introduce new ideas and concepts to meet MDOT's specifications for the Project.

The Denver FasTracks Eagle P3, a concession of Denver's East Corridor & Gold light rail lines saved millions of dollars for the procuring authority, the Regional Transportation District ("RTD"). By coordinating across design, construction, financing, operations and maintenance capacities, the members of the winning consortium, Denver Transit Partners (Macquarie, Balfour Beatty and Fluor), incorporated 17 Alternative Technical Concepts into the project's scope that saved the RTD \$300 million and reduced overall operations and maintenance expenses.

To incorporate the use of ATC's into the procurement process, MDOT would need to define a set of performance based technical specifications that it requires while allowing respondents the flexibility to offer innovative ideas, approaches and concepts that enhance the revenue potential of the project and/or reduce the project delivery and operations costs. This could encourage innovation from the private sector, which could in turn lead to substantial cost savings for the Project.

Pre-Development Agreements

Macquarie has extensive experience pursuing priority infrastructure projects delivered through the pre-development agreement ("PDA") process. A PDA creates a multi-staged process allowing for the evaluation of multiple business models and an efficient progression from this analysis to financial close with specific milestones, and is an effective tool for progressing a P3 or infrastructure development where the procuring agency has already determined the private sector partner to deliver the development.

However PDAs – by their very nature – are not conducive to a competitive bid situation, as a PDA requires a partnership with a single developer from the early stages. It is through a competitive bid environment that MDOT can achieve the best value outcome by maintaining competitive tension between bidders for as long as possible.

e. Miscellaneous

1. Are there any particular concerns with the information provided in this RFI? Please explain any concerns and provide any proposed solutions or mitigation to address those concerns.

Based on the information provided, Macquarie does not have any concerns that would prevent our firm from participating as a developer and equity investor in a consortium to pursue the proposed DBFOM project. There is currently a strong appetite from equity investors, debt investors and construction firms to participate in P3 processes.

2. Please provide any suggestion or comments on how MDOT can encourage participation by Minority Business Enterprise/Disadvantaged Business Enterprise firms and local workforce in the development of the congestion relief improvements.

In our experience, a significant part of the work on P3 projects is usually subcontracted to local M/W/D/L/SBE firms for several reasons: cost competitiveness, access to resources (e.g. production facilities, equipment and human resources) and familiarity with the environment and local regulations. Discussions with the M/W/D/L/SBE firms occur during the pursuit phase, but the subcontracts are usually finalized between the DB contractor and the M/W/D/L/SBE firms after the project is awarded, in order to save time and efforts negotiating contracts when it is uncertain whether bidders will be awarded the project.

The project agreement should therefore leave room for the DB contractor to select subcontractors after the project is awarded. Requirements in the project agreement should be based on a good faith effort or other standard which acknowledges that market conditions and other external factors will impact the percentage of M/W/D/L/SBE participation which can be achieved.

In our experience, the market has accepted minimum requirements for the inclusion of M/W/D/L/SBE firms in projects, as long as they are based on an evaluation of availability of qualified firms in the market, so we believe this would work for this project as well.

3. What opportunities would you like to see for industry outreach related to these potential P3 opportunities?

We would like the opportunity to have a one-on-one meeting with MDOT in January 2018.

4. Please provide any additional comments or questions you may have related to the information in this RFI.

N/A