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TO:

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Response to Request for Information

I-495/I-95 (Capital Beltway) Congestion Relief Improvements from the American Legion Bridge to the Woodrow Wilson Bridge and the I-270 Congestion Relief Improvements from I-495 to I-70

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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.

S&B is a leading construction and real estate group, headquartered in Israel and active in 20 countries globally, including the United States. S&B has more than 90 years of experience in the construction of large scale, complex heavy civil infrastructure projects, including numerous roads, bridges and highway projects.

S&B is publicly-traded on the Tel Aviv Stock Exchange with revenues in fiscal year 2016 of approximately US\$ 1.5 billion. It employs more than 8,000 employees worldwide.

S&B has more than 18 years of experience in developing, financing, building, operating and maintaining privately-financed and privately-developed projects. To date, S&B has reached financial close on more than 15 such projects, with a total value of more than \$ 5 billion, including 5 transportation projects, of which 4 are real toll concessions. S&B has invested (or committed) equity for such projects in a total amount of approx. US\$ 475 million.

S&B's project portfolio includes (amongst others): the SH-288 Toll Lanes Project in Harris County, Texas, the Cross-Israel Highway (Road 6) (the first and largest toll road ever built in Israel), and the Carmel Toll Tunnels (the first toll tunnels in Israel which were built in a dense urban area in Haifa, the 3rd largest city in Israel).

S&B is strategically involved in the development, investment, construction, operation and maintenance of each project, and – through said involvement – has developed in-house expertise and capabilities in each area. S&B also provides long-term, turn-key operation and maintenance solutions for toll roads, bridges and tunnels, including toll operations and back-office functions.

S&B is active in the U.S. since 2012 through its infrastructure development subsidiary (Shikun & Binui Concessions USA, Inc.) and its construction subsidiary (Shikun & Binui – America, Inc.), operating out of their respective head offices in Plano and Houston, Texas. In addition to the SH-288 Toll Lanes project in Texas (that reached financial close in May 2016 and is currently under construction), S&B is actively pursuing additional toll roads and bridges in the U.S. (including the I-10 Mobile River Bridge in Alabama), as well as other P3 projects in Chicago (including the Joint Public Safety Training Academy in response to RFQ issued by the Chicago Infrastructure Trust).

S&B would potentially be interested in acting as a developer, equity investor, member of the lead contractor and operations and maintenance provider on the I-495/I-95 (Capital Beltway) and I-270 Congestion Relief Improvement Projects (collectively, the "Projects").

S&B's project development team in the U.S. is highly experienced with development of revenue-risk toll roads in the U.S. and globally. The team members that were personally involved in the development, financing and execution of such projects, including the SH-288 Toll Lanes in Texas, will work with MDOT on the development of the Projects. Our approach is nimble, innovative and capitalizes on streamlined decision-making process and full access to in-house development, financing and O&M expertise, to bring innovative, effective and timely solutions to MDOT.

A sample of relevant P3 projects experience for S&B is included below:

State Highway 288 Toll Lanes Project, Harris County, Texas

- Client: Texas Department of Transportation
- Project Type: toll (managed) lane
- Delivery model: DBFOM, revenue-risk
- Term: 52 years
- Project size: approx. \$1.1 billion
- Financial Close: 2016
- Status: under construction (approx. 40% complete by September 2017)
- Financing: TIFIA, Private Activity Bonds (PABs)
- S&B's roles: Equity Member (21.62% equally largest share as any other equity member) and lead contractor member (50% JV participation). The operation and maintenance, including toll operations, will be self-performed by the developer.
- Project Scope: the project comprises the construction of 10.3 miles of 4 new toll (managed) lanes in the median of the existing SH 288 roadway, the reconstruction of IH-610 interchange, and the construction of the BW 8 and Texas Medical Center direct connectors, as well as the operations and maintenance of existing and new infrastructure within the project limits.
- Innovation: S&B developed several Alternative Technical Concepts (ATCs) for this project. The most important ATC was eliminating the fifth-level flyover above the IH 610 interchange, which was initially designed for the toll lanes, and reconfiguring the interchange to bring the general purpose lanes at-grade and create direct connectivity between the IH-610 and the SH288 toll lanes. This major design change improved connectivity and revenue generation and resulted in significant maintenance cost savings.



Cross-Israel Highway (Central and Northern Extension), Israel

- Client: The State of Israel
- Project Type: limited access toll highway
- Delivery model: DBFOM, revenue-risk (with a guaranteed minimum revenue stream)
- Term: 30 years
- Project size: approx. \$1.5 billion
- Financial Close: 1999 (Central Section); 2007 (Northern extension)
- Status: in operation (full operations since 2004)
- Financing: long-term bank debt, investment grade project bonds
- S&B's roles: Equity Member (33% at financial close), lead contractor member (33% JV participation for central section, 50% JV participation on the northern extension) and shareholder of the operator (approx. 35% share)
- Project Scope: The project is Israel's first and largest toll road to-date. The project includes the design, construction, financing, operations and maintenance of approximately 87 miles (560 lane miles) of new free-flow all electronic toll highway. The project's operation phase began in 2002 (when certain sections of the project were opened to the public), and will continue until 2029. Current AAWDT (Average Annual Weekday Daily Traffic) is approximately 240,000. The project includes a sophisticated tolling system, which



allows users to travel freely and uninterrupted by toll collection points (“barrier-free”), utilizing transponders and license plate readers.

- Innovation: the project was one of the first all-electronic free-flow toll highways procured under a P3 scheme in the world. The operator was responsible for the system integration and currently undertakes the technical and commercial operation of the toll collection systems (including all traffic control, customer care and back office functions). The toll collection rate for the project as of 2016 stands at over 99%.
- Sustainability: S&B has a vision of suitability, delivering eco-friendly projects which aim to co-exist in their natural surroundings or limit the effect on existing eco-systems. This approach was implemented on the project through design, construction and operation. A few examples include the design of animal underpasses for various kinds of species along the road, the use of natural flora and innovative irrigation systems to ensure an economic water-regime, etc..

Carmel Tunnels, Israel

- Client: the State of Israel
- Project Type: urban toll tunnels with complex bridge interchanges
- Delivery model: DBFOM, revenue-risk (with a guaranteed ‘safety net’ for senior debt)
- Term: 35 years
- Project size: approx. \$335 million
- Financial Close: 2006
- Status: in operation (since 2010)
- Financing: long-term bank debt
- S&B’s roles: Equity Member (50%) and lead contractor JV member (50%). The operation and maintenance, including toll operations, is performed by the operator of the Cross-Israel Highway (S&B is a 35% shareholder of the operator)
- Project Scope: The project includes the design, construction, financing, operations and maintenance of two twin tunnels (with each pair carrying 4 lanes), a 1,400 ft-long bridge with connecting ramps to a midway interchange, and 2 additional interchanges at each project terminus. The project’s overall length is about 4 miles. The project was built in a densely-populated and environmentally-sensitive area. The project’s O&M responsibilities include routine and life cycle maintenance, traffic management, incident response, tunnel operations, and a full, turn-key toll operation solution, including toll collection, customer service, back-office services and toll enforcement. The project features two toll plazas, with 12 electronic (free-flow) and assisted-manual toll collection lanes in each plaza. The tolling system processes over 78,000 transactions per weekday, 80% of which are of registered customers (transponder or video subscriptions). The overall collection rate (including collection from violators) is about 99%.



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.

Based on the information made available at this stage, we believe that a revenue-risk DBFOM delivery method is appropriate for the Project and would bring best value to MDOT. Specifically, DBFOM delivery would:

- free-up budget for other mission-critical infrastructure needs;

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- facilitate the expedited delivery of this critical congestion relief improvement project;
 - benefit MDOT through private sector's innovation to help generate additional revenues, reduce construction costs and shorten delivery schedule;
 - capture life-cycle cost efficiencies by engineering long term value (in terms of quality, durability and maintainability of components, materials and equipment) into the project design and specifications;
 - enable best management practices in terms of quality, mobility and customer service;
 - provide an effective mechanism to address public sector preference in terms of revenue risk allocation, including the payment of possible upfront cash or periodic variable amounts under a revenue-sharing mechanism to the public sector (if the project is well structured and financially feasible); and
 - Limit coordination interfaces and improve safety during construction through the management of the complete Project scope by a single or only a very few experienced developer(s), which of the utmost importance on (a) major, heavily-congested corridor(s), such as this Project(s).

As noted above, S&B is well positioned and may be very interested in pursuing the Projects on the aforementioned basis; as an equity investor, provider of construction services and provider of operation and maintenance services for the Project.

S&B (as 50% Construction JV member) is currently performing construction and O&M of the existing general purpose lanes on a segment of SH-288, in one of the most congested areas in Texas today (with currently approximately 150,000 vehicles per day).

We would like to point out a few additional considerations, which are also key factors in determining S&B's interest to pursue the Project, as follows:

- **Certainty of execution:** the pursuit of any DBFOM project, especially revenue-risk projects, requires significant time and costs allocation from both the procuring authority and the private-sector proposer teams. As a consequence, certainty of execution is sought after by both the public and private sector participants. This will help to ensure that such extensive resources are spent wisely.
- **Legal or Legislative challenges:** at this early stage of planning and procurement, it would be most helpful to know whether there are any legal or legislative impediments or pre-conditions to the delivery of the Projects under a DBFOM delivery method. We would expect that any impediments or pre-conditions will be substantially cleared prior to commencement of the RFP process, to the extent possible.
- **Project Feasibility:** Based on our experience with similar pursuits in other jurisdictions, we would encourage MDOT to carefully consider the financial feasibility of the Project early on in the process and scope each project to comfortably align with available funding anticipated for that project, in order to ensure certainty of execution and avoid any unnecessary delays to the procurement process.
- **In terms of risk allocation considerations:**
 - We encourage MDOT to incorporate a well-structured and customary risk allocation in the project agreement that is consistent with market-vetted terms on similar P3 projects successfully delivered in other jurisdictions. This will greatly reduce the number of

iterations in negotiating definite project delivery agreements during the procurement process and will save both time and money for all parties involved.

- Environmental, Pre-existing conditions and Local Support: the public sector is best positioned to manage the environmental clearance and permitting, including NEPA process, assessment and evaluation of pre-existing conditions along the corridor and securing the support of local communities and other stakeholders during the initial phases of project's development.
- Right-of-Way Acquisition: we encourage MDOT to retain this responsibility and secure the necessary right-of-way as early in the development as possible. Transferring the risk to the private sector who can only start managing this task after project award might cause significant delays and cost overruns; while the private sector is bound to publicly-dictated processes and ultimately eminent-domain rights that vest with the public sector. Likewise, advancing arrangements with third-party entities such as railroad companies and utilities would greatly expedite delivery and reduce costly contingencies.

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 sector? How do you assess the likely magnitude of such advantages? What are the potential offsetting disadvantages?

Please refer to our response to point (2) above.

Transferring revenue risk to the private sector would benefit MDOT through exploiting the expertise of the private sector in forecasting traffic and revenue on similar projects, and through the private sector's innovation and value engineering aiming to generate additional revenues that would exceed additional costs (such as our aforementioned ATC on the SH288 toll lanes project in Texas). Additionally, the risk transfer might benefit MDOT in the event of an erroneous overestimating of projected revenues from the project, in which case the private sector might lose its investment (as was the case on the SH-130 toll road in Austin, TX) or be required to inject additional equity to restructure the project's financing (as was the case on the I-495 project in the DC area), while the public sector and the users continue to benefit uninterruptedly from a high-quality infrastructure and kept financially whole. The potential downside of this risk transfer from a public sector's perspective is the higher returns on investment required by the private sector on demand-risk deals; however, we have seen in recent years a narrowing gap between the required returns on different types of risk profiles, as the market's understanding of the risks involved in demand-risk deals is improving, through data analysis on completed projects, and an increasingly larger pool of investors is attracted to such investments. The magnitude of these potential advantages could be deducted from comparing actual bids to public sector's estimates on some the most recent toll-lanes demand-risk projects that were procured in the U.S. (e.g. Texas and Virginia).

Likewise, experienced private developers would seek to optimize the life-cycle costs of the project (as opposed to only design-build costs) under a DBFOM procurement model, and has the expertise and extensive experience in managing operation and maintenance, including toll operations, on similar projects. The public sector would benefit from both the private sector's efficiencies managing these responsibilities (in compliance with predefined performance requirements) as well as the lessons learned from other similar projects.

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?

S&B has assumed O&M and life-cycle responsibilities on P3 projects under both proposed approaches. The transfer of operations and maintenance and life-cycle risk for the entire Project corridor has significant benefits, including:

- Limiting potential conflicting interfaces between the developer's and MDOT's O&M and life-cycle activities
- Maintaining consistent performance standards throughout the contract term; and
- Achieving operational efficiencies.

On the other hand, evaluating the current asset condition of existing-to-remain infrastructure by the proposer teams during the procurement process is very challenging, especially because of the possible existence of unknown structural deficiencies (especially in the sub-surface or bridge structures) that might only be revealed after procurement and later on during the project term. The additional costs of a full O&M and life cycle risk transfer should also be considered when assessing the overall financial feasibility. To the extent that MDOT preference lies in transferring the operations and maintenance and lifecycle responsibility for the entire freeway, the following aspects should be addressed prior to procurement commencement to avoid any unnecessary delays in procurement:

- Sufficient data on the current conditions of the existing-to-remain infrastructure should be collected by MDOT and made available to the proposers. This will enable proposers to evaluate and adequately price required O&M and life cycle interventions. Proposers will especially benefit from the data related to the existing pavement conditions (including, e.g. original as-made plans, up-to-date GPR testing and detailed reports on most recent interventions), as well as data on the existing bridge conditions (including inspection reports for each one of the bridges and complete maintenance logs);
- Maintenance-related performance requirements with respect to existing-to-remain infrastructure should only require preservation of the existing conditions. If rehabilitation is intended by MDOT, the costs of such rehabilitation should be included in the Project's capital improvement budget and evaluated as part of the project's financial feasibility assessment.
- No material residual life requirements at the end of the project's term should include existing-to-remain infrastructure.

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 understand from the Industry Day held for the Projects on December 13, 2017 that the total capital cost of both projects is estimated at approx. \$7.6 billion. Due to this sheer size a single solicitation process for the implementation of the entire projects scope would not be adequate to support strong competition through the procurement process and might test the limits of market investment capacity and appetite for a single asset with such a risk profile (e.g. assuming a capex of \$7.6 billion and no

significant public subsidy, the potential total equity requirement alone, based on a precedent 30-70/35-65 equity to debt ratio on similar projects, might reach an overwhelming \$2.5-3.0 billion).

We would therefore suggest to MDOT to consider pursuing the development of this critical congestion relief improvements by breaking out each project into operationally independent segments and procuring each operationally independent segment sequentially under separate P3 agreements / solicitations. Further details and analysis will need to be performed in order to define an optimal project breakout approach. Interoperability requirements among each project segment and projects would need to be defined and detailed within the solicitation documents. In order to increase incremental delivery funding opportunities, and value capture techniques, we encourage MDOT to consider using a portion or the totality of any (i) potential net upfront concession payments, and/or (ii) amounts of funds generated by revenue-sharing agreements, as dedicated investment sources to support the delivery of any deferred project components, project extensions or mobility enhancements (such as funding for transit improvements).

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?

Please refer to our response to points (1) and (2) of the General section above. Should MDOT decide to procure the project as a revenue-risk DBFOM, we would want to see sufficient evidence upfront that the financial plan is feasible from a revenue perspective and get comfortable with respect to any underlying political, legal, environmental and commercial risks or challenges prior to the start of the RFP procurement phase.

A collaborative process whereby information is openly shared in advance as it becomes available would facilitate continued private sector engagement in the development process, that will provide real-time, valuable feedback to MDOT and enable the private sector to get comfortable with the project's fundamentals and its feasibility assessment. Traffic and Revenue data would be a critical component of the feasibility analysis and should be shared as soon as possible.

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.

Developing and obtaining a significant level of progress on the NEPA and project development process is a lengthy process that often takes multiple years. While non-quantifiable, a key universal benefit of timing the issuance of the RFQ and RFP to the later developmental milestones on the NEPA and development process is the increased levels of predictability that they provide for both MDOT and the proposer teams. This predictability is valuable as it improves certainty of delivery, encourages competition and provides the required level of comfort to get the private sector fully engaged. We believe that a formal procurement process should be launched ideally after a Draft Environmental Impact Statement is complete and a preferred alternative is identified. Similarly, we would encourage MDOT to issue an RFP for the project only after the environmental approval process is complete and secured.

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

Further due diligence will be required in order to identify any critical path items for the solicitation. However, key areas of major concern that we have identified at this stage include:

- Completion of NEPA process: We understand MDOT intends is to award the project prior to securing a final Record of Decision under NEPA. This approach would add uncertainty related to project's scope and timing of delivery, which naturally would be compounded into the project's cost as well and would not bring value to MDOT.
- Purchase of Right of Way by public entity. The lack of NEPA clearance early in the process will limit the possibility of acquiring critical right of way parcels by the public entity ahead of project award and add uncertainty and risk to the project.
- Traffic and Revenue Studies: It would be helpful and necessary for MDOT to procure and share with proponents an investment grade Traffic and Revenue Study for the project prior to the start of the RFP procurement.

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?

Based on our experience, the minimum period of time required for the development of a well-prepared statement of qualification for a project of similar scope and complexity procured under a P3 agreement is 6-8 weeks from when the RFQ document and relevant supporting project information is made available, assuming MDOT will provide preliminary information prior to RFQ release through an industry day and one-on-one meetings. The final scope of the project (or each segment thereof) might also impact teaming arrangements and retainage of key advisors, a process which by itself requires a few weeks and should preferably take place before RFQ release.

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?

Based on our experience, the minimum period of time required for the development of a competitive proposal for a revenue-risk DBFOM project is 9-10 months from when RFP is released and the data related to existing conditions and traffic and revenue forecast models are made available to the proposer teams (assuming that at the time of RFP release, the project is well structured and financially feasible).

To the extent that the RFP allows for the incorporation of alternative technical concepts (ATCs), an additional period of time for the preparation of proposals may be very valuable to facilitate the development of ATCs, facilitate their discussion (with MDOT) and support their incorporation of approved ATCs in the proposals (including completion of necessary due diligence by lender advisors prior to bid submission), which may bring additional value to MDOT.

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?

The type of data on existing traffic conditions listed below will be necessary for the development of an investment grade traffic and revenue study by proposer teams during the procurement process:

- The latest available regional transportation model (i.e. the full operating model, as opposed to only model inputs or outputs);
- Current and historical traffic counts (including vehicle classification and vehicle occupancy data, to the extent available) along the corridors, existing egresses and ingresses to/from the Project corridor, directly competing routes and adjacent tolled facilities;
- Interoperability: current operation and maintenance performed on MDOT and Washington D.C road systems, current technology basis for both onsite collection and back office operations of existing tolled highways or managed-lanes that may have relevance to the project.
- Travel speeds and travel delay data on the Project and competing routes during peak and off-peak time period and throughout the year;
- State and/or declared preference surveys (assuming such surveys were conducted for the purposes of developing traffic and revenue forecasts for the Project);
- Origin-destination analysis, including any related data collection;
- Most recent and historical traffic and revenue figures for tolled and other express or managed lanes facilities in the region;
- Any available supporting demographic or socio-economic data, including population, employment, income and historical growth data, on both regional and project-area bases.
- Description of current and future planned transportation improvements, including alternative transportation means, light rails, customer related - price driven incentives (such as carpooling, time-of day discounts), tax related benefits (such as to electric vehicles owners) or other components that may have a future impact on both traffic volume and price.

Additionally, as stated above, information related to the current conditions of existing-to-remain infrastructure would be critical in estimating the O&M and life cycle costs of such assets.

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.

We would need a better understanding of the intended project scope and timing of RFP (relative to the timing of environmental process) before we can propose a specific stipend amount. It is obvious however that should the RFP be issued when there is still uncertainty as to the final alternative, configuration or scope, the stipend would need to compensate the proposers for the additional risk and efforts which may result in changes to the project during the RFP stage.

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.

please see our response to section 2 above. This risk should remain with MDOT.

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.

We will be happy to provide recommendation on strategies designed to address or overcome the project's technical and right of way strategies at a later stage during a one-on-one setting.

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?

Large, complex projects seeking to address crippling congestion challenges in urban settings often require the investment of significant financial resources over multiple years. This includes prioritizing the operationally independent portions of an overall project to address the most critical short term needs first, with other portions of the project to be delivered incrementally (in successive years) as worsening traffic volumes, and congestion dictate, and not before.

If a phasing plan is adopted or deemed admissible for the Project, then consideration should be given to the following items. These would play an important role in facilitating the implementation of a phased delivery approach:

- Mandatory (initial) project scope components completed under the P3 agreement should be considered as an individual DBFOM project and any direct user fees that may be generated by such project component should be made available to the private partner to pay for operations and maintenance work and any preservation, renewal, and/or replacement work being carried out under the contract.
- Initial design scope should be undertaken for all components that comprise the ultimate congestion relief project and be done in a way that optimizes compatibility / constructability of the proposed deferred improvements with the mandatory (initial) project scope delivered early under the DBFOM P3 agreement.
- Right of way needs shall be identified for all of the ultimate plan components through preliminary design efforts. In order to preserve right of way for future improvements, right of way acquisition limits on parcels needed for mandatory (initial) project scope construction shall relate to the design of the ultimate project. A configuration whereby the deferred improvements are built in the median of the initial phase should be considered, to facilitate the implementation of the ultimate configuration (i.e. avoid the need of future bridge expansions, additional right-of-way acquisitions and ease the maintenance of traffic on the existing operating road).

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.

We have not yet performed at this stage our technical due diligence on the project scope nor financial feasibility and therefore cannot address this question at this time. We note however the ATCs that were developed on other, similar projects as examples of potential such conceptual technical solutions.

d. Contract Structure

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

Based on our experience, the expected debt financing sources suitable for the Project include:

- TIFIA – an attractive funding option for the Project. Its low interest rate and flexible repayment schedule will be helpful in addressing the ramp up period in the early years of operation (critical in a demand risk project). We have successfully developed and implemented financial plans which include TIFIA funding.
- Private Activity Bonds (PABs) – The tax-exempt bond market represents a key source of debt financing. We anticipate such utilization and marketing of PABs would be successful based on recent investor appetite evidenced by competitive spread levels.
- Taxable Long-Term Bonds – Long term global taxable bond investors have increasingly become focused on the US P3 market, resulting in a tightening of spreads on taxable bonds and closing the cost differential between PABs and taxable bonds.
- Bank Debt – Bank financing has returned to highly competitive pricing levels, particularly for short-term funding. It is especially suitable to bridge-finance during the construction period against a public subsidy in the form of progress or milestone payments.

S&B has considerable experience in organizing and securing financing from sources commonly used in the United States P3 market for this type of infrastructure, including TIFIA, PABs and bank debt.

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 a contract term of 45 years or more for the Project. This term would enable the utilization of the full benefits offered by the TIFIA program and the bond maturities currently available in the capital market and would contribute to an optimal capital structure for the Project.

With regard to the option of a variable-length contract term; this may provide an important mitigation for investors, allowing for an additional “recovery” period to the extent that actual revenues are lower than forecasted; however, this would also introduce an additional level of complexity to the development of the proposals, it would require a well-developed mechanism to avoid undesired (e.g. targeted) impact on developer’s traffic and revenue forecast, and might also not fully translate into the best available financing terms for MDOT.

3. Are there any contract terms you would recommend, such as Alternative Technical Concepts, Alternative Financial Concepts, contract balancing, predevelopment 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.

A revenue risk DBFOM P3 delivery approach has the potential to yield significant innovation savings through superior Alternative Technical Concepts, an emphasis on performance specifications and a whole life costing approach. As noted in our response to b. (5) above, we strongly encourage MDOT to incorporate a process for presentation, discussion and acceptance of ATC concepts prior to proposal submission in the RFP documents and allow sufficient time to take full advantage of that process.

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.

We have not identified any concerns at this time.

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.

We would be happy to share with MDOT in the framework of the one-on-one setting our approach to MBE/DBE engagement on our current SH-288 project.

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

Implementing an open dialogue process with potential interested parties may take a number of forms, such as meetings with individual companies, general/industry meetings, or written communication (such as this RFI). In order to encourage dialogue and collection of expert opinions on market conditions, technical aspects of the project, and the allocation of risks, a project open-day and opportunities for one-on-one meetings should be provided. Companies (prospective bidders but also lenders and advisors) would then be encouraged to provide feedback following the release of a project summary or project information memorandum and other supporting project information (via a data-room) that describes the project details and clearly points to still uncertain aspects of the project plan or procurement process.

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

We have no additional comments or questions at this time