



## Update

November 2005

### **OIPP recently accepted responses to its first RFP — the Newberg Dundee Bypass, the widening of South I-205, and the Sunrise Corridor. Where are we in that process?**

- The Oregon Department of Transportation's Office of Innovative Partnerships and Alternative Funding (OIPAF) presented its recommendation for a winning response to its first Request for Proposals to the Oregon Transportation Commission (OTC) on Oct. 18, 2005. The Commission approved the recommendation.
- The recommendation is for OIPAF to enter into negotiations for project pre-development contracts with an international consortium, headed by The Macquarie Infrastructure Group, called the Oregon Transportation Improvement Group (OTIG), for three major transportation projects:
  - Newberg-Dundee Transportation Improvement Project;
  - Sunrise Corridor, a new highway from Interstate 205 to Damascus in Clackamas County; and
  - the South I-205 Corridor Project.
- Pre-development negotiations are expected to conclude in early 2006.

### **Why was OTIG chosen?**

OTIG was chosen over the competition for several key reasons:

- OTIG offered, among other advantages, upfront capital, a competitive compensation plan, risk assumption, and a 30 percent reduction in cost if it was awarded all three projects. OTIG is particularly skilled in dealing successfully with financially challenging highway projects.
- In addition, the Macquarie Infrastructure Group is a worldwide leader in bringing major, unfunded transportation projects to successful completion. They have recently acquired the \$1.88 billion Chicago Skyway and the \$533 million Dulles Greenway, two existing projects in major metropolitan areas funded through tolling. They also are developing the Sea-to-Sky Project in British Columbia that will be built for the 2010 Winter Olympics. The \$462 million project will operate as a concession over 25 years.
- OTIG intends to conduct a subsequent competition for the actual design and construction of the projects, ensuring that Oregon will receive the highest value on its investment.

### **What does "pre-development negotiations" mean?**

- ODOT is negotiating with OTIG on the scope of work for the three projects identified above, including looking at financing mechanisms, project alignments and attributes, development schedules, public communications and more. A successful negotiation will result in OTIG moving forward

with traffic modeling work which will feed into each project's financial feasibility analysis. Tolling will be investigated as one potential method of funding the projects.

#### **Why is ODOT exploring tolling as a funding option?**

- The OTC has directed ODOT to explore all of the options available to fund projects throughout the state, understanding that the current gas tax is not sufficient to fund all the identified needs.
- The total estimated cost of all three of these major transportation projects at full-build out would be more than \$1 billion. None of the projects has currently identified funding from conventional sources.
- OTIG's proposal contains an element of tolling to help pay for construction, operation and maintenance of these projects; without this funding mechanism or some other innovative method, these projects are too expensive to be built any time in the near future — and they will only continue to increase in cost with delay.

#### **What are the next steps?**

- In early 2006, ODOT staff will return to the Commission with a recommendation regarding the pre-development negotiations.
- If the pre-development negotiations are successful and the Commission approves, pre-development work will begin. Pre-development work will take approximately 18 – 24 months to complete, and includes scoping studies, traffic and revenue modeling, feasibility analysis, evaluation of alternative alignments and other activities to advance the projects toward construction.

#### **What's in the future?**

- The OTC is taking a cautious approach as it learns more about tolling and other innovative financing methods. No agreements have been signed or plans made to implement tolling at this time. If other ways of funding these projects are identified and feasible, the OTC will consider them.
- Actual construction and operation of these facilities is at least several years away, even with funding sources identified.
- If/when pre-development work is completed, if a project shows financial feasibility, an implementation contract can then be negotiated.
- Any activities undertaken in this innovative approach are still required to follow all environmental, land use and transportation planning requirements and processes. These will be worked into future timeframes as appropriate.
- Public involvement will continue and grow as these projects move forward; watch for notices and visit the web site for updates.

#### **How can I learn more?**

Visit the OIPP web site at [www.oregon.gov/ODOT/HWY/OIPP](http://www.oregon.gov/ODOT/HWY/OIPP) or contact the office at 355 Capitol St. NE, Room 115, Salem OR 97301, (503) 986-3193.