



All projects wishing to apply for Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance must first submit a Letter of Interest using this revised form. Pursuant to the recently enacted Moving Ahead for Progress in the 21st Century Act (MAP-21), the application process, which includes the submission of Letters of Interest, will now be conducted on a rolling basis by the Department of Transportation (DOT). Applicants for Federal credit assistance for Federal Fiscal Years 2013 and 2014 (or any other credit assistance which may be available through the TIFIA program during these two fiscal years) must complete an acceptable Letter of Interest and meet all eligibility criteria to be permitted to submit a formal application.

Projects that previously submitted Letters of Interest for a prior fiscal year's funding, but have not been asked by DOT to submit an application as of July 27, 2012, must submit a new Letter of Interest. In the context of a public-private partnership, where multiple bidders may be competing for a concession such that the obligor has not yet been identified, the procuring agency must submit the project's Letter of Interest on behalf of the eventual obligor. DOT will not consider Letters of Interest from entities that have not obtained the legal rights to develop the project.

This revised Letter of Interest form reflects changes made to the TIFIA program by MAP-21. To be considered for TIFIA assistance, projects must submit a Letter of Interest that: (i) describes the project and the location, purpose, and cost of the project, (ii) outlines the proposed financial plan, including the requested credit assistance and the proposed obligor, (iii) provides a status of environmental review, and (iv) provides information regarding satisfaction of other eligibility requirements of the TIFIA credit program. Please reference the Notice of Funding Availability posted in Summer 2012 in the Federal Register. At this time, the TIFIA Program Guide is being updated. Please check the TIFIA website regularly to identify updated program guidance, Letter of Interest, and application materials. Applicants should refer to the TIFIA website often to ensure that the most up-to-date Letter of Interest form is used (file date is included in the footer).

DOT will review each Letter of Interest and may contact project sponsors for clarification of specific information included in the Letter of Interest. DOT will notify project sponsors if DOT determines that their projects are not eligible, or if DOT will not be able to continue reviewing their Letter of Interest until eligibility requirements are addressed. If DOT does not determine a project to be ineligible based on its initial review, DOT will request additional information to supplement the Letter of Interest and complete its eligibility determination. This information may include, among other things, more detailed descriptions of the project, applicant and its organizational structure, the project's readiness to proceed, the project's financial plan (including financial model), revenue feasibility studies, and financial commitments to the project from sources other than TIFIA. DOT will also request that the applicant provide a preliminary rating opinion letter at this time and the project sponsor will be required to submit a fee to continue the evaluation process. Once the fees have been received, DOT will engage an independent financial advisor to prepare a report and recommendation acceptable in form and substance to DOT. DOT may also engage an independent legal advisor to help complete its evaluation of a project's eligibility.

The increased demand on TIFIA's resources has led to the discontinuation of the practice of advancing the entire cost of financial and legal advisors engaged to assist DOT in determining a project's creditworthiness and overall eligibility and having those costs reimbursed to DOT after execution of a credit agreement. As such, upon request, project sponsors must pay fees in the amount of \$100,000 before DOT hires financial and/or legal advisors as part of the Letter of Interest review process. These fees are due upon request. Additional fees will be charged after the credit instrument is executed, including additional amounts required to fully cover TIFIA's financial and legal advisory services costs in connection with the evaluation and negotiation of the terms of TIFIA credit assistance for the project. By submitting this Letter of Interest, the applicant certifies that it will pay all required fees.

After concluding its review of each Letter of Interest and related information submitted by the project, along with the independent financial analysis report from DOT's independent financial advisor, DOT will permit sponsors of eligible projects to submit complete applications. DOT will conduct a rolling application process where project sponsors may submit Letters of Interest at any time and DOT will permit project sponsors to apply once a favorable eligibility determination is made.

The boxes below expand as needed to facilitate provision of a sufficient amount of detail to demonstrate to DOT the project's satisfaction of all eligibility criteria. If you have questions regarding completing this form, please contact the TIFIA program office at (202)366-1059. Please complete all applicable information using this Letter of Interest form and attach this request via email to TIFIAcredit@dot.gov.

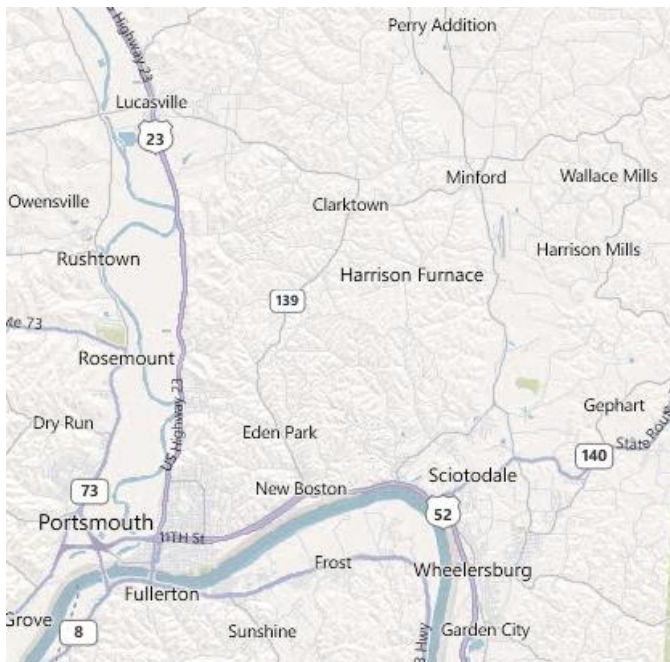


A) Describe the Project, Location, Purpose, and Cost of the Project.

1. Describe the project:

The project will involve two key elements: (1) the design-construction-financing-operations-and maintenance (DBFOM) of the Portsmouth Bypass; and (2) long-term responsibility for operations and maintenance of the surrounding Scioto County US and State road network.

The Portsmouth Bypass is part of the Appalachian Development Highway System (ADHS), a dedicated over 3,000 mile highway network stretching from New York State to Mississippi including Ohio. The ADHS has historically received funding allocated through the Appalachian Regional Commission (ARC) designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system, and provide access to areas within the Region as well as to the markets in the rest of the nation. The Portsmouth Bypass will form part of corridor C on the ADHS comprising 16 miles of four lane divided highway, bypassing approximately 26 miles of US 52 and US 23 through Portsmouth, Ohio as seen in the reference map below. The new roadway will include interchanges with US 52, SR 140, a relocated Shumway Hollow Road accessing the Greater Portsmouth Regional Airport, Lucasville-Minford Road, and US 23.



The project will improve travel and regional mobility, avoiding 30 traffic signals, 80 intersections, and 512 driveways over the current 26 mile route using US 52 and US 23. The 16-mile new route is estimated to provide travel time savings of up to 16 minutes per trip. The large number of access points and traffic signals currently compromise US 23/US 52's ability to safely and efficiently serve its intended function of a primary arterial. The goal of the Portsmouth Bypass is to close this gap in the multi-state corridor and thereby provide close to a full access-controlled alternative to I-77 and I-75 for reaching Columbus, Ohio from the south, saving over 70 miles on some trips. (See full size map attached as Exhibit 1)

The project has the potential to serve as a national demonstration for the use of a public-private partnership (PPP) and a TIFIA loan in a rural context – accelerating the completion of a missing link in the ADHS by up to eight and a half years, bringing competition to a county where there has been only one bidder for every asphalt contract let by ODOT in the past six years, creating jobs and stimulating the economy in a region with 50% higher

unemployment than the rest of Ohio, among other benefits.

The concept of a Portsmouth Bypass has been proposed since the creation of the ADHS in 1964. Various proposals have been presented since that time. The Portsmouth Transportation Study was initiated in 1999 with the development of the Southeast Ohio Plan. Various alternatives were investigated at that time and the Airport Bypass concept – a 16 mile freeway starting in the south at U.S. Route 52 east of new Boston continuing north to Minford near the Greater Portsmouth Regional Airport and carrying on further northwest to connect with U.S. Route 23 north of Lucasville – was recommended. (Please see full size maps of the region, State, and the Appalachian Development Highway System, attached as Exhibits 1, 2 and 3 respectively).

ODOT has engaged consultants to undertake detailed development of the project in preparation for a planned procurement commencing in early 2013.

2. Describe the project location:



The Portsmouth Bypass will be located in a rural community approximately 90 miles south of Columbus, Ohio and 45 miles northwest of Huntington, West Virginia. Other nearby towns include Wheelersburg and Ironton, Ohio, and Greenup, Kentucky. Existing transportation facilities in the region include US 23, US 52, SR 32, Kentucky's A-A Highway, Norfolk Southern Railway, CSX Railway, Amtrak Service (South Portsmouth-South Shore, KY), Greater Portsmouth Regional Airport, and Ohio River barge shipping lanes.

The State of Ohio is strategically located linking the Northeast to the Midwest with 68 percent of the U.S. population and up to 70 percent of the country's manufacturing capacity within a 500 mile radius, resulting in much cargo and business traffic passing through its borders. Additionally, Ohio has extensive maritime inland activity with over 300 miles of Lake Erie coastline in the North and over 450 miles of the Ohio River along the State border in the South. These logistical strengths make Ohio's international trade and movement of domestic goods highly competitive. In Portsmouth, Ohio the roadway system via U.S. Route 23 and waterway routes along the Ohio River serve as integral connectors in this infrastructure network and promote business development, not only for Ohio but for the surrounding states.

3. Describe the project's purpose, including quantitative and qualitative details on public benefits the project will achieve:

The purpose of the project is to address multiple documented needs, including those associated with construction of the Portsmouth Bypass and operations and maintenance of the surrounding Scioto County US and State road network:

- **Address Deficiencies of Existing System.** US 23/US 52 in the Scioto County area contains several physical limitations. The 26 miles of these roadways which the proposed project will bypass contain steep grades, excessive curves, 88 intersections and 512 driveways. At least 10.6 miles of these roads have a speed limit of less than 55 mph. Thirty of the intersections are signalized. Because of the large number of access points and traffic signals, the US 23/US 52 in Scioto County is restricted in its ability to serve the intended function of a primary arterial – movement of through traffic. Five other through routes in the county were examined and found to have similar deficiencies. Those with fewer conflict points possessed a greater degree of substandard design features, such as steep grades and excessive curves. There is no roadway through the study area that meets current design standards without numerous intersections, traffic signals and access points resulting in significant volumes of frequently stopping traffic which has associated environmental and congestion impacts on the local communities.

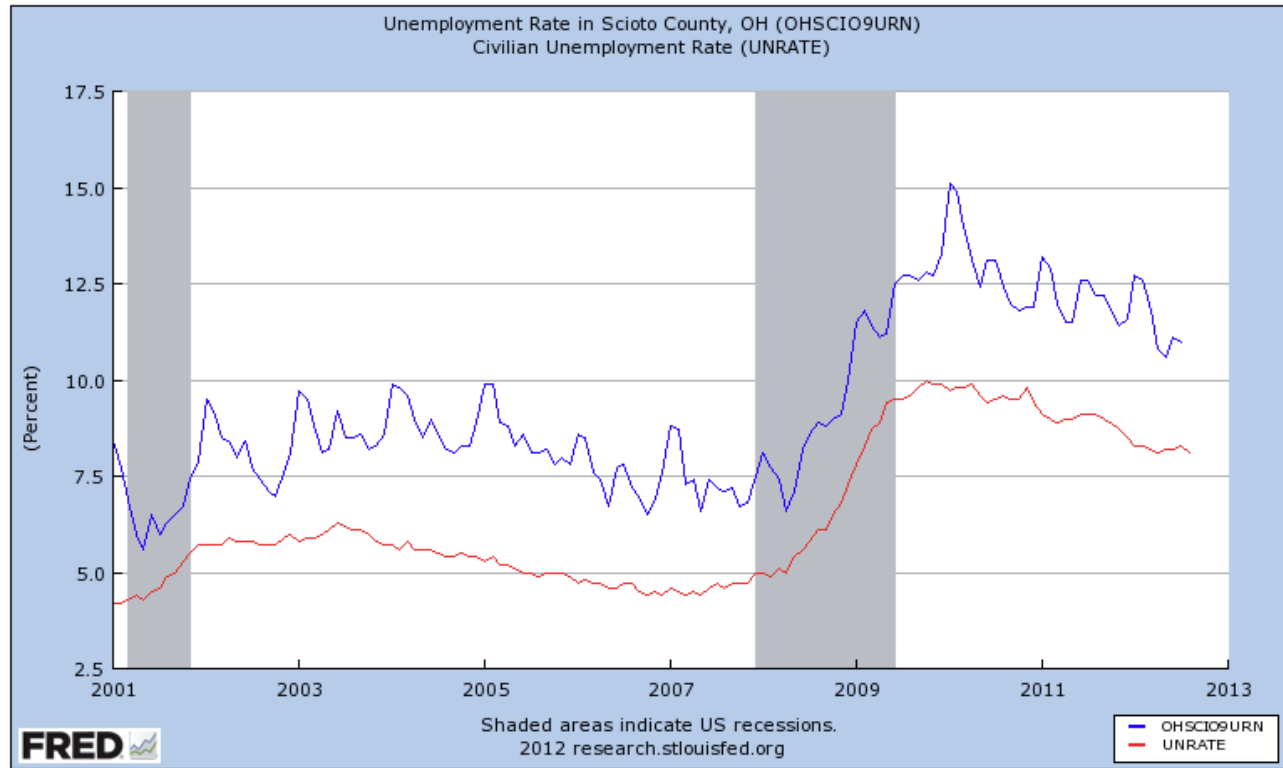
- **Improve Regional Mobility.** Appalachian Regional Commission funding of the ADHS has historically sought improvement of transportation infrastructure to impoverished areas. The Portsmouth Bypass comprises one of the only missing links in the ADHS. At the end of FY 2011 88 percent of the 3,090 miles authorized for the ADHS were open to traffic or under construction. *Access Ohio*, ODOT's long range plan, contains similar goals to improve mobility and foster economic development in rural Ohio/Appalachian economically depressed areas. Transportation's influence on economic development hinges on mobility. Poor regional mobility has been identified as a concern within the Study Area due to the "missing link" in the Appalachian Development Highway System.

- **Act as a Catalyst for Economic Development.** The FY 2013 *County Economic Status in Appalachia* classification system classified Scioto County as economically at-risk being between the worst 10 percent and worst 25 percent of the nation's counties. Scioto County has above average unemployment rates and below average per capita income compared to Ohio overall. In July 2012, unemployment in Scioto County was 11.0% (not seasonally adjusted), the third highest rate of the 88 counties in Ohio (Bureau of Labor Statistics, 2012). Given the rural nature of the county, the undertaking of this project and subsequent development could have a material impact on unemployment. Table 1 below shows the unemployment rate in Scioto County since 2001 compared to the national average.



Table 1

Unemployment in Scioto County vs. National Average (Data from the Federal Reserve Bank of St. Louis)



This condition results in part from a comparatively low share of manufacturing within the County. Citizens and local economic development officials, supported by surveys of site selection criteria, have found that inadequate transportation infrastructure impedes the area’s ability to attract industrial investment. The need for basic mobility and access is defined in one of the five major goals established by the Appalachian Regional Commission (ARC). It states, “Appalachian communities will have the physical infrastructure necessary for self-sustaining economic development and improved quality of life.” (Setting a Regional Agenda: ARC Strategic Plan).

In order to enhance the region’s competitive advantage for new and expanding businesses, one of the goals of the project is to provide improved highway access within the region. While the construction of a new roadway does not guarantee that this business investment will occur, the goal is to meet the intent of the ADHS by providing Scioto County with the necessary transportation infrastructure to achieve development. In the FEIS for the project, it was identified that Portsmouth, is one of only two cities along the entire 930-mile US-23 Appalachian Corridor (between Asheville, North Carolina and Columbus, Ohio) which does not have a bypass or controlled access facility through the town.

- **Address Traffic Volumes and Levels of Service.** If all the trips through Portsmouth were concentrated on US 23, it would function at Level of Service F, with frequent traffic jams. This situation is avoided because traffic distributes itself over a six route network, including substandard county and state routes. Six poorly functioning intersections are on US 23. Based upon observed travel times for alternative through routes and results of the origin-destination survey at Rosemount Road, drivers will not divert to US 23 (or another route) unless it is improved to provide a travel time savings over their present route. The goal of the project is to provide a shorter travel time for through traffic, provide an acceptable level of service on the new facility and draw traffic from existing congested routes. By introducing the new, 16 mile Portsmouth bypass, travel times along the current 26 mile route will be reduced by 16 minutes. The Portsmouth Bypass will improve the quality of life on the many routes where through traffic was being diverted – including reducing traffic on major routes such as US 23 and US 52 in and around Portsmouth as well as minor routes such as SR 139 (Harrisonville Ave), SR 728 (Lucasville-Minford Rd), SR 355, and CR 377 (Rosemount Rd).



- **Improve Safety.** Safety problems appear to be widespread within the study area. All six of the through routes experience higher than average crash rates in at least one link. The rates in some of these links are more than twice the statewide average for similar facilities. These include US 23 and US 52 in Portsmouth and several rural routes with poor alignments including CR 377 and portions of SR 104, CR 28, SR 728 and SR 335. There are many existing county routes and state routes containing substandard features which have shorter travel times than the currently signed US 23 to US 52 route. The goal of the project is to decrease the crash rate of the overall system. This will be accomplished by diverting traffic from the local roads to the new bypass. Inherently, four lane divided limited access facilities are safer than two lane highways. The decrease in volume on the high crash routes will decrease the likelihood of collisions on the existing routes. Therefore, ODOT expects that the crash rate of the system overall is likely to decrease.

- **Increase Competition and Environmentally Friendly Options for Asphalt.** Vendor competition in South-Central Ohio as it relates to asphalt projects is limited. In the nine counties which constitute South-Central Ohio, there are only 10 asphalt plants operated by five unique operators. According to 2010 record, none of these plants were environmentally-friendly, warm mix plants. As shown in Table 2 below, in Scioto County and several other counties ODOT has routinely received an average of one bid on asphalt work procurements over the past six years. In addition, other nearby counties have received only two bids on average. One purpose of the project is to use the more intense competitive interest a larger scale project will generate to: (1) ensure competition on the long-term state route paving work included in the PPP; (2) lock-in this long-term paving at a competitive price; and (3) potentially attract the construction of an additional, environmentally-friendly asphalt plant that would bid on other work in the region outside of that included in the PPP. Several aggregate pits in the region could but presently do not host an asphalt plant. Increasing competition from one vendor to two vendors could have a very significant impact on reducing awarded bid prices. Even if the existing vendor were to participate in this project, it would do so in the context of competitive selection. ODOT's use of a PPP to address these issues could provide an important model for other rural regions.

Table 2
Competition for ODOT Asphalt Work In South-Central Ohio (2006-2012)

Average Annual Number of Bids by Calendar Year
Total Projects: 124

County	2006	2007	2008	2009	2010	2011	2012
Adams	1.00	2.00	2.00	2.00	3.00	2.00	3.00
Athens			1.33	1.00			
Gallia	2.00	1.00	1.00	1.00	2.50	1.00	1.00
Hocking	2.00						
Jackson	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Lawrence	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Meigs	1.00	1.00		1.00	1.00	1.00	1.00
Pike	2.00			2.20	2.33	2.00	2.00
Ross	2.75	3.00	2.00	2.67	3.00	3.00	2.00
Scioto	1.00		1.00		1.00	1.00	1.00
Vinton	2.00			2.00	2.00	2.00	3.00

- **Acceleration of public benefits.** The availability of a TIFIA loan will facilitate significant acceleration of this project, creating job and delivering benefits years sooner than otherwise would be possible. A traditional approach to procurement of the project was estimated to take approximately 13 years of construction from Phase 1 to Phase 3. This timeframe was based in part on ODOT acquiring limited Appalachian Development Highway Funds over a prolonged timeframe. However, it is anticipated that access to TIFIA funds will leverage private sector finance and competitive interest in the project enabling an accelerated schedule that could reduce the construction duration to five years with completion by 2019, without excessive financing costs.

4. Provide the estimated capital cost of the project:



Federal Highway Administration (FHWA) Cost Estimate Review (CER) workshop was conducted in March 2011 to review the cost and schedule estimates for the SCI- 823, Portsmouth Bypass project using a traditional design-bid-build project delivery method. The workshop was held in Columbus, Ohio from March 14 through March 17, 2011.

The objective of the review was to verify the accuracy and reasonableness of the current project total cost estimate and schedule to develop a probability range for the cost estimate that represents the project’s current stage of development. However, the CER workshop did not assume an accelerated PPP schedule and delivery alternative. For the purposes of this LOI, ODOT has escalated all construction period costs to year of expenditure dollars, based on an s-curve for a 60-month construction period and ODOT’s five year construction cost inflation forecast (“*Ohio DOT – July 2012 Construction Cost Outlook and Forecast*”)

([http://www.dot.state.oh.us/Divisions/Planning/Estimating/TrendsAndForecasts/Inflation%20Forecast%20\(Construction%20Cost%20Outlook-July%202012\).pdf](http://www.dot.state.oh.us/Divisions/Planning/Estimating/TrendsAndForecasts/Inflation%20Forecast%20(Construction%20Cost%20Outlook-July%202012).pdf).)

In addition a recent update to the CER cost estimate has been developed for ODOT using current year unit costs as many of the previous rates had been based on 2008 prices which were influenced by the recessionary national economy at that time. These assumptions and cost updates result in total capital costs of approximately \$684 million in year-of-expenditure dollars, excluding interest, financing costs, and non-capital O&M costs (See Section B).

Right of way acquisition is expected to be completed by ODOT in 2012 and 2013.

5. Provide the design features, development schedule, and other relevant descriptions of the project:

Design Features

The Portsmouth Bypass will connect US 23 at Lucasville to US 52 east of Portsmouth. The roadway will be 16 miles of limited access, four-lane divided highway. There will be interchanges at US 52/SR 140, Airport Road, CR 28, and US 23. The roadway will have a 60-foot median for 12.8 miles and a 15-foot wide barrier for 3.3 miles. There will be 21 bridges and 27 major culverts. There will be grade-separated railroad crossings with both CSX and Norfolk Southern railroads.

Development Schedule

The Record of Decision for the project was approved in June 2006. The Portsmouth Bypass was previously envisioned as consisting of three construction phases using a traditional design-bid-build approach, with the three phases estimated to take approximately 13 years of construction. Under a PPP procurement, the entire project will be completed within five years of financial close. The Development Schedule envisioned is as follows:

ACTIVITY	ESTIMATED DATE
Industry Forum	Jan 2013
Issue RFQ	Feb 2013
SOQs Due	Mar 2013
Shortlist Proposers	Mar 2013
Industry Review of RFP	Mar – May 2013
Issue Final RFP Addendum	May 2013
Proposals Due	Aug 2013
Award	Sep 2013
Clarification/Final Negotiations	Oct 2013
Commercial/Financial Close	Nov – Dec 2013
Construction	2014 – 2019

Should the project be invited to apply for a TIFIA Loan, ODOT would work with the TIFIA Joint Program Office staff to ensure that the procurement schedule and process mesh with required TIFIA activities and practices.



B) Outline the Proposed Financial Plan, including the Requested Credit Assistance.

1. Detail the plan of finance in sufficient detail to assist the DOT in its creditworthiness assessment:

ODOT anticipates that the project will be delivered using an availability payment based PPP structure. Under this approach, the private partner will design, build, finance, operate and maintain Portsmouth Bypass, as well as upgrading, operating and maintaining an existing network of roads in Scioto County, for a concession period of up to 35 years from substantial completion. There is significant global and growing domestic experience with this type of PPP arrangement. At a project level, availability payment structures are more creditworthy than other forms of PPPs which include exposure to demand risk. An availability payment project's creditworthiness depends on the underlying profile of the public partner. For this project, the availability payments and milestone payments will be credit-worthy commitments from ODOT in accordance with formally established and publically disclosed finance, PPP and debt management policies. Milestone payments will be made using ADHS funds that have already been received and cannot be readily used for other projects in the state.

The ultimate borrower of the TIFIA loan, will be identified through a procurement process and will be required to commit equity and arrange for senior debt (along with TIFIA financing) to finance the construction of the project. The actual plan of finance will be reflected in the financial proposal of the winning proposer for the project. This plan will need to be sufficiently creditworthy to meet the requirements of each capital provider (including TIFIA), as well as meeting credit rating requirements. The cost of such creditworthy financing will be incorporated into the proposed availability payment price. ODOT recognizes that it will need to pay availability payments and milestone payments that are sufficient to achieve the necessary credit profile. The procurement for the project will be conducted to result in both a creditworthy and cost-efficient (as well as technically superior) outcome. This will include the vetting of the creditworthiness of key subcontractors during the request for qualifications phase.

N.B. Please also see discussion in D(1) below.

2. Detail the sources and uses of funds:

As noted above, under the proposed PPP approach, ODOT will make availability payments to the Concessionaire following substantial completion and will also make milestone payment(s) from \$120m of accumulated Appalachian Development funds reserved within its Work Program for this project. The estimated sources and uses of funds for the Concessionaire are shown in Table 3 below.

Table 3.
Estimated Sources and Uses of Funds
(Millions of Year of Expenditure Dollars)

Sources of Funds	Totals	2014	2015	2016	2017	2018
Senior Debt	\$ 344.5	\$ 344.5	-	-	-	-
TIFIA	\$ 344.5	\$ 61.9	\$ 95.2	\$ 39.3	\$ 61.4	\$ 86.6
Equity	\$ 76.5	-	-	-	-	\$ 76.5
ODOT Work Program Funds	\$ 47.5	-	-	\$ 47.5	-	-
Interest Earnings During Construction	\$ 5.8	\$ 1.1	\$ 1.6	\$ 1.5	\$ 1.5	\$ 0.2
Total Sources	\$ 818.8	\$ 407.5	\$ 96.8	\$ 88.3	\$ 62.9	\$ 163.4
Uses of Funds						
Construction and Capital Works	\$ 568.0	\$ 88.2	\$ 179.9	\$ 83.6	\$ 122.1	\$ 94.3
Design Costs	\$ 13.1	\$ 2.7	\$ 2.6	\$ 2.6	\$ 2.8	\$ 2.5
Insurance during Construction	\$ 23.6	\$ 4.5	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0
Non-capital O&M during Construction	\$ 53.3	\$ 10.5	\$ 9.9	\$ 10.9	\$ 10.6	\$ 11.3
Other Project Costs	\$ 15.1	\$ 15.1	-	-	-	-
Funding of Reserves	\$ 63.7	-	-	-	-	\$ 63.7
Interest and Finance Costs	\$ 82.0	\$ 17.8	\$ 16.1	\$ 16.1	\$ 16.1	\$ 15.9
Total Uses	\$ 818.8	\$ 138.7	\$ 213.1	\$ 117.9	\$ 156.4	\$ 192.7

ODOT estimates that it will also directly incur approximately \$25 million of further eligible project costs for right of way and real estate acquisition, utilities diversion and engineering. ODOT will fund these direct project costs using from the \$120m Appalachian monies accumulated in prior years, with the remaining approximate \$95 million used as milestone payments to the Concessionaire. The milestone structure may be refined, but is currently assumed to be two equal



payments of \$47.5m, the first during construction in 2016 and the second upon final acceptance. Note that final acceptance payment is assumed to be paid at the start of 2019 and therefore does not appear in the ODOT Work Program Funds line of the construction period sources and uses table above.

3. Type of credit assistance:

ODOT is requesting a secured (direct) loan.

4. Amount of credit assistance sought from DOT:

ODOT is requesting \$345M (representing 41% of Eligible Project Costs)

5. Provide a rationale for the amount of TIFIA credit assistance requested, as a percentage of reasonably anticipated eligible project costs (e.g., a project sponsor can demonstrate that traditional sources of financing are not available at feasible rates without the TIFIA assistance, or that the costs of traditional financing options would constrain the sponsor's ability to deliver the project, or that delivery of the project through traditional financing approaches would constrain the sponsor's ability to deliver a group of related projects, or a full capital program):

While the amount of TIFIA credit assistance sought is higher in this Letter of Interest than the December 2011 Letter of Interest submitted by ODOT for the project, the *total* amount of federal funding anticipated for the project (grant and credit subsidy) will be lower, better leveraging federal funding within the state. ODOT had previously anticipated committing its annual dedicated ADHS fund allocation to fund a portion of future availability payments. Such amounts would not have been able to be pledged to repay a TIFIA loan. However, as a result of recent changes to the ADHS program, ODOT no longer has a *dedicated* Appalachian funding stream for the project, but instead a Surface Transportation Program grant for which work on the ADHS will be a permissible activity. With a larger TIFIA loan, ODOT anticipates funding the availability payments with a commensurately larger portion of state (rather than federal) funds.

ODOT has a large and constrained work program with a significant proportion of backlog projects. Given the change in the APD program, there are many critical projects in the state now eligible for federal funds which have high levels of benefit/cost. By maximizing the amount of TIFIA credit assistance and minimizing the financing cost of the Portsmouth Bypass, ODOT can make the case to continue to advance what is a development project for an under-served region, preserving to the greatest possible extent ODOT's capacity to deliver other projects with a high level of public benefit.

6. Explain the flexibility in the financial plan to finance the project with a reduced percentage of TIFIA credit assistance:

As the project is not yet in the procurement phase, ODOT's financial plan for Portsmouth Bypass is presently being refined. Therefore, ODOT has flexibility to amend the financial plan to address a reduced percentage of TIFIA credit assistance. Likewise, future proposers for a PPP would be informed of the appropriate percentage of TIFIA to assume.

However, as discussed above, state and federal funds for ODOT's work program are constrained and a reduction in the percentage of TIFIA credit assistance would likely require ODOT to defer other projects in its work program, if not this one.

7. Description of revenue source(s) pledged to repayment:

The revenue source pledged to repayment will be availability payments from ODOT to the private partner (any milestone payment(s) is not anticipated to be used to repay the TIFIA loan because they will be paid using federal funds). The availability payments will commence upon substantial completion of the construction project, subject to deductions for failure to achieve performance standards. The portion of the availability payment which will be used to repay the TIFIA loan will be funded from State Motor Fuel Tax Revenue and other state revenues.



MAP-21 no longer provides dedicated ADHS funds which ODOT previously planned on using as a source of funding for availability payments (although, as a federal funding source, not for repayment of TIFIA). However, the replacement grant program can be used for Portsmouth Bypass and increases the federal funding share from 80% to 100% of funds used on ADHS roads, and ODOT may use this as a further source of funds for availability payments (albeit this source will not be an eligible pledge for repayment of the TIFIA loan).

8. *Address the status of any revenue feasibility studies:*

The project will not be tolled and, as such, no revenue feasibility studies have been undertaken by ODOT.

C) Status of Environmental Review.

1. *Summarize the status of the project's environmental review:*

The Record of Decision for the three Phases of the SCI-823 project was approved June 2006. The Notice of Availability of the FEIS was published in the Federal Register on August 19, 2005. The Record of Decision (ROD) complies with NEPA, regulations implementing NEPA (40 CFR 1505.2), and FHWA requirements (23 CFR 771).

2. *Discuss whether the project has received a Categorical Exclusion, Finding of No Significant Impact, or Record of Decision or whether a draft Environmental Impact Statement has been circulated:*

As stated above, the ROD was issued in June 2006 and elected that the environmentally preferred alternative, the Hill Alternative, for the project. In so doing, FHWA concluded that the project was in compliance with all applicable NEPA provisions.

D) Information Regarding Satisfaction of TIFIA Eligibility Requirements.

Please demonstrate the following:

1. *Creditworthiness:*

a. *Ability to satisfy applicable creditworthiness standards:*

Please see B(1) above. The project will be creditworthy, particularly because it will be availability payment-based and thus the borrower will not be subject to demand risk. ODOT will be using a two-step RFQ/RFP process to ensure that all responsive proposers include the financial capacity and experience to undertake and guarantee the delivery on the project.

Further, ODOT has established a formal PPP Policy (“*Public Private Initiatives Policy*”) which has been published on the ODOT website at:

[http://www.dot.state.oh.us/Divisions/InnovativeDelivery/DID%20Policy/ODOT%20PPP%20Policy%2010-26-2012%20\(703457999_1\).pdf](http://www.dot.state.oh.us/Divisions/InnovativeDelivery/DID%20Policy/ODOT%20PPP%20Policy%2010-26-2012%20(703457999_1).pdf)

The PPP Policy provides a clear basis for the relationship between public private initiatives and the general planning and finance process, including priority of the PPP payments. In addition, ODOT has also published a formal policy document summarizing the treatment of availability payment transactions, at:

[http://www.dot.state.oh.us/Divisions/InnovativeDelivery/DID%20Policy/ODOT%20Financial%20Structuring%20Issues%2009-25-2012%20\(703458061_1\).pdf](http://www.dot.state.oh.us/Divisions/InnovativeDelivery/DID%20Policy/ODOT%20Financial%20Structuring%20Issues%2009-25-2012%20(703458061_1).pdf).

These ODOT policy documents establish internal limits for PPP obligations that take into consideration the Department's outstanding debt, ensuring that the capital portion of the state's PPP Payment obligations in any year and ODOT's debt service requirements will not exceed:



- (i) for those amounts to be satisfied from state funds, 20% of ODOT's share of annual state funds dedicated to highways, and
- (ii) for those funds to be satisfied from federal funds, 20% of the average annual amount of federal highways receipts received by the Department in the three previous state fiscal years.

Like Florida DOT, in whose availability-payment based projects TIFIA has participated, Ohio has pre-existing appropriation-risk debt for its State and Federal Bond ratings. The debt pledge is a proxy for the anticipated availability payment pledge from ODOT and carries the following ratings:

Federal GARVEE Bonds:

Moody's: Aa1
S & P: AA
Fitch: AA-

State Bonds:

Moody's: Aa1
S & P: AAA
Fitch: AA+

b. Rate covenant, if applicable:

Not applicable.

c. Adequate coverage requirements to ensure repayment:

At the project level, the financial plan for Portsmouth Bypass is based upon an availability payment structure. As such, the financial plan will be subject to review by underwriters and lenders, including TIFIA, as well as rating agencies to ensure that adequate coverage is available for repayment.

At the sponsoring Authority level, ODOT has implemented a formal, published PPP policy as outlined in D(1)(a) above, to ensure that the State will have sufficient revenues to meet its PPP payment obligations.

d. Ability to obtain two investment grade ratings on senior debt: two ratings on the TIFIA debt (investment grade if senior); if project costs are less than \$75 million only one rating on the senior debt and the TIFIA debt are needed):

ODOT is confident that the Portsmouth Bypass project will be able to meet TIFIA's rating requirements. As noted above, ODOT will use a competitive procurement process to identify a private partner, including a two stage RFQ/ RFP process to ensure the financial stability, ability to perform contract obligations and creditworthiness of the private partners. ODOT will also develop a Concession Agreement for the Portsmouth Bypass project that reflects risk allocations developed in precedent US availability payment transactions which have achieved investment grade ratings.

2. Foster partnerships that attract public and private investment for the project:

The Portsmouth Bypass project represents a key milestone in ODOT's efforts to leverage public funds to develop new and innovative approaches to maintaining, operating and building the state's infrastructure. It will be the first DBFOM PPP project undertaken since the state passed its PPP legislation in 2011, and since ODOT established its Division of Innovative Delivery. The project is anticipated at this time to be competitively procured as an availability-payment based contract including private design-build-finance-operation-maintenance responsibilities, accelerating completion by up to eight and a half years. In addition, the private partner's maintenance responsibilities will encompass certain responsibilities for state roads outside of the project's initial construction limits, particularly for paving.

ODOT has reserved approximately \$120m from ADHS grants awarded over a number of years in anticipation of advancing the Portsmouth Bypass on a phased basis. The impact of these funds will be magnified because they will support the delivery of the entire project. The ADHS grant money will be used to acquire limited outstanding Right of Way, cover



ODOT costs of managing the accelerated project, and to fund milestone payments under the PPP structure (in turn also making private investment more attractive).

The project could become an important national model for the use of public-private partnerships and TIFIA loans in a rural context. Initial market soundings have indicated a high level of private sector interest in the project and enthusiasm for the availability payment structure.

The project incorporates a number of key features that will be important in encouraging private investment in the project, including:

- **Availability Payment-based PPP in a Rural Context.** The PPP and TIFIA loan will allow the Department to leverage a relatively small but consistent stream of annual funding from state and federal sources to deliver a large program on an accelerated basis. As discussed throughout this LOI, this in turn will provide for accelerated completion of the program by almost a decade, gaining economies of scale and scope at a time of favorable pricing while amplifying economic impact, minimizing prolonged maintenance of traffic, delivering all benefits sooner and creating jobs at a time of very high rural unemployment. ODOT will be able to commit to this approach in part because it will be using a project delivery method that includes a guaranteed fixed price for construction, operations and maintenance and thus can be assured from the outset that the project can be realized within the limited envelope of funding. (A TIFIA loan is a key to staying within this cost envelope so that ODOT will not face a financing cost “penalty” for using a PPP.)

- **Using a PPP to Attract Increased Competition for Rural Paving.** On many asphalt work procurements over the past six years in the counties near the project, ODOT has received only one bid. In several additional counties there have been only two or at most three bids on average. Of 124 asphalt work procurements in total, there was an average of less than two bids between 2006 and 2012 (see Table 2 above). The PPP will include responsibility for a significant portion of the regional paving work, leveraging the intense competitive interest in the PPP to (1) ensure competition on the paving work included in the PPP; (2) lock-in long-term paving at an attractive price; and (3) potentially attract the construction of an additional asphalt plant that would bid on other work in the region outside of that included in the PPP. This would create greater value for future public funds.

- **Encouraging Innovation and Providing for Benchmarking of PPP Lifecycle Maintenance versus Traditional Approaches in a Rural Context.** By including responsibility for certain lifecycle maintenance aspects of a number of regional facilities as well as the newly constructed project in the PPP contract, there will be important opportunities for ODOT and national researchers to benchmark the costs, practices and performance of a private partner against rural facilities maintained using traditional contracting methods. In addition, the facility constructed by the private partner can be benchmarked against the facilities maintained but not constructed by the private partner. Because of the scale of the project, breadth of activities, long-term duration of the contract, and competitive process, there will be significant incentives for them to bring innovation, management, construction and/or maintenance approaches to bear.

3. Enable the project to proceed at an earlier date or reduced lifecycle costs (including debt service costs):

Project acceleration - The availability of a TIFIA loan will facilitate significant acceleration of this project, creating job and delivering benefits years sooner than otherwise would be possible. A traditional design-bid-build approach to procurement of the project was estimated to take approximately 13 years of construction through three phases, based in part on ODOT acquiring limited Appalachian Development Highway Funds over a prolonged timeframe, based on the (pre MAP-21) dedicated regime. However, it is anticipated that access to TIFIA funds will leverage private sector finance and competitive interest in the project enabling an accelerated schedule that would integrate the three phases and could reduce the construction timeframe to under five years with completion by 2019 or sooner without excessive financing costs.

The project is ready for development with many activities already in progress or completed from before a PPP was contemplated.

In June 2006, ODOT selected a consultant to design Phase 1 and Phase 3 of the project. Final tracings for Phase 1 were delivered to ODOT in September 2011. ODOT’s consultants have prepared preliminary designs for Phases 2 and 3. The consultant has re-evaluated the vertical profile for Phases 2 and 3 based on recommendations from a preliminary Value



Engineering Study. Updates to the vertical profile are being incorporated into the preliminary designs for Phases 2 and 3 to establish construction limits. Design exceptions have been approved.

Right of way acquisition commenced in March 2005 and is primarily complete for Phase 1. Development of right of way plans is underway for Phases 2 and 3. Acquisition for Phase 2 and 3 is anticipated to be started in December 2012 and completed by December 2013. ODOT anticipates acquisition of 40 parcels for Phase 2 and 70 parcels for Phase 3. ODOT also completed building demolition on 15 properties in respect of Phase 1 in November 2008. Utility relocations will begin as soon as the properties become available.

As Phase 1 is ready for development, and it is anticipated that interest in a PPP procurement will be greatly enhanced as a result. The opportunity for a private sector partner to commence construction on the overall project upon award is considered an incentive that will attract significant market interest and lead to an accelerated procurement and project implementation.

Reduced lifecycle costs - The project will provide a precedent-setting approach to maintaining the state of good repair for a rural region. Availability payment projects by their nature encourage the optimization of design, construction and lifecycle costs—and provide strong incentives to maintain consistently high levels of service. However, the Portsmouth Bypass O&M scope alone might have been too small and remote to justify long-term O&M responsibilities. By combining it with responsibilities for paving and other O&M work on a number of other state and US routes throughout the region, the project will achieve economies of scale and scope for O&M – minimizing lifecycle costs throughout the region and improving performance of the asset.

Further, by attracting new competition to the region, the project will likely indirectly lower the lifecycle cost of paving state routes across the nine-county South-Central Ohio area (see Table 2). Likewise, the encouraged introduction of Warm Mix Asphalt (WMA) for this project will increase the use of environmentally sustainable practices and materials throughout the area as there is currently no source of WMA.

Finally, by providing an improved bypass the project will indirectly reduce the wear-and-tear arising from unnecessarily diverted truck and through traffic that currently uses other routes. Without the project it is anticipated that by design year 2025, two links in the study area will be operating below LOS C and one unsignalized and nine signalized intersections will operate at LOS D or worse

4. Reduce the Contribution of Federal Grant Assistance for the Project:

Please see B(5) above. The use of a TIFIA loan will likely reduce the amount of Federal Grant Assistance incorporated in the project, and significantly increase the impact of those funds that are included. ODOT has reserved annual ADHS grants from previous years, and ODOT will ensure a portion of state funds are used to make availability payments commensurate with the level of TIFIA funding available for the project (ensuring that the TIFIA loan is not repaid with federal dollars).

Further, through reduced financing costs and economies of scale and scope that result from acceleration, the TIFIA loan will reduce the overall cost of the project. If ODOT were to deliver the project on a phased basis, it is likely that there would be materially higher Federal Grant Assistance.

5. Construction contracting process can commence no more than 90 days from execution of a TIFIA credit instrument:

Under the PPP procurement method, the TIFIA credit instrument will be executed upon or after the overall contract for the project is executed between the Department and the private partner that will borrow the TIFIA loan. ODOT anticipates that the private partner will also have executed by that time a subcontract with a design-builder, consistent with market practice.



E) Project Participants.

1. Name of Applicant/Borrower:

Applicant: Ohio Department of Transportation (“ODOT”) on behalf of a private partner to be identified through a contemplated public-private partnership (“PPP”) procurement process (the identity of the applicant will depend on the timing of procurement and subsequent discussions with the TIFIA Joint Program Office).

Borrower: Anticipated at this time to be a private partner to ODOT, who will be identified through a PPP procurement for an availability payment-based design-build-finance-operate-maintain (“DBFOM”) contract.

2. Overall Organizational Structure:

ODOT, the State Transportation Agency, is the project owner. Under the contemplated PPP approach, ODOT will enter into a long-term DBFOM contract with a private partner who will be the end borrower of the TIFIA loan.

It is anticipated that the private partner will enter into back-to-back subcontracts with a design-builder and an operations and maintenance provider. Additional information about the legal structure of, subcontractors to, investors in and lenders to the selected private partner will be available as the procurement process advances.

Ohio has recently enacted PPP-enabling legislation and established related policies, procedures and management structures. Furthermore, ODOT has established a Division of Innovative Delivery to directly manage efforts as well as a related policy committee comprised of senior ODOT executives.

ODOT has retained a team of technical, legal and financial advisors to support its PPP program, including the advancement of this project. That team presently consists of the following firms: CH2M Hill (prime contractor) in association with Resource International, DLZ, Triple-E Strategies and Ernst & Young Infrastructure Advisors, LLC.

3. If applicable, detail how the project meets MAP-21’s definition of a rural infrastructure project (a surface transportation infrastructure project located in any area other than a city with a population of more than 250,000 inhabitants in the city limits):

According to the US Census Bureau, the city of Portsmouth has a total population of 20,226 people, and the wider Scioto County area for which O&M may be incorporated has a population of 79,499 (both figures recorded during the 2010 Census). These population figures indicate that the project meets MAP-21’s definition of a rural infrastructure project.

4. What entity (i.e., public-sector agency/authority or private-sector company) will serve as the applicant?

ODOT anticipates that it will serve as the applicant on behalf of a private sector borrower to be identified through the DBFOM procurement process.

5. Will the applicant and the borrower be the same entity? Who are the members of the project team?

No, ODOT anticipates that it will be the applicant on behalf of the borrower to be named later in order to accelerate the procurement process. The members of the project team will be determined through a competitive procurement to be undertaken during calendar year 2013.



6. Project Website or Applicant/Borrower Website:

Applicant website: www.dot.state.oh.us

Website for project: www.portsmouthbypass.com

Note that project website does not fully reflect the accelerated approach which will be enabled using a PPP process.

F) Other Information.

Briefly discuss any other issues that may affect the development and financing of the project, such as community support, pending legislation or litigation:

The Ohio Department of Transportation plans to award the project in 2014. The public is aware of ODOT's intent to build all of three phases of the project. The project team is currently conducting a delivery analysis for the project, including development of a public consultation plan.

The State of Ohio implemented PPP enabling legislation in 2011 and no additional legislation is pending or considered necessary.

G) Inclusion in Transportation Plans and Programs.

Is the project consistent with the State Transportation Plan and, if applicable, the metropolitan plan?

No

Yes

Not applicable

Please briefly elaborate: The Portsmouth Bypass is a Recommended Major Project included in the current Ohio Statewide Transportation Plan - Access Ohio 2004-2030, Chapter 12 Trade and Travel Corridors. Three Portsmouth Bypass project phases are also included on ODOT's Transportation Review Advisory Council Major New Projects List.

The Ohio 2014-2017 State Transportation Improvement Program (STIP) is currently under development, scheduled for a July 1, 2013 approval. The funding strategy for the overall Portsmouth Bypass project will be amended into the STIP as the financial package is finalized.

H) Readiness to Apply.

Is the project prepared to submit an application within a short timeframe after receiving an invitation from DOT?

No

Yes

Unsure

Yes, ODOT is prepared to submit an application within a short timeframe after receiving an invitation and will closely coordinate future PPP procurement actions and status with the TIFIA JPO.

What factors could impact this timetable or the applicant's ability to provide all required information?

ODOT has engaged a multidisciplinary consultant teams and is currently undertaking a series of development activities for the project. In addition, Phase 1 of the project is at an advanced stage of readiness, with significant design and planning activities underway for Phases 2 and 3 of the project. As such, ODOT anticipates being able to provide information for the application as required. ODOT would welcome the opportunity to further discuss with the TIFIA JPO the most appropriate and efficient way to provide the required information in a context where the ultimate borrower is not yet identified.

Factors which could impact the project timetable are considered to be:

- ROW acquisition for Phases 2 and 3 is not yet complete, and may involve a relatively high number of parcels. However, acquisition activities have commenced and this is not considered a high risk by ODOT.



- Some permits related to Phase 1 have not been obtained and the permits process for Phases 2 and 3 is at an early stage. These are not considered to be high risk by ODOT.

I) Additional Information.

Please provide any other additional information necessary:
Insert Text Here

J) Key Contact Person.

Identify a key contact person with whom all communication should flow:

Name: Jim Riley
Title: Deputy Director, Division of Innovative Delivery
Street Address: 1980 West Broad Street
City/State: Columbus, Ohio
Phone: 614-387-5183
Fax: 614-752-8646
E-mail: jriley5@dot.state.oh.us

K) Additional information requested.

DUNS: 809174402
Project Location:
State: Ohio *County:* Scioto *City:* Portsmouth
Congressional Districts Impacted by the Project: Ohio 6th District, Representative Bill Johnson
Type of Jurisdiction (e.g., rural, urban): Rural



Fiscal Years 2013 & 2014 Letter of Interest Form

Fees. The increased demand on TIFIA's resources has led to the discontinuation of the practice of advancing the entire cost of financial and legal advisors engaged to assist DOT in determining a project's creditworthiness and overall eligibility and having those costs reimbursed to DOT after execution of a credit agreement. As such, upon request, project sponsors must pay fees in the amount of \$100,000 before DOT hires financial and/or legal advisors as part of the Letter of Interest review process. These fees are due upon request. Additional fees will be charged after the credit instrument is executed, including additional amounts required to fully cover TIFIA's financial and legal advisory services costs in connection with the evaluation and negotiation of the terms of TIFIA credit assistance for the project. For projects that enter credit negotiations, the undersigned further certifies a transaction fee will be paid at closing or, in the event no final credit agreement is reached, upon invoicing by the DOT, in the amount equal to the actual costs incurred by the DOT in procuring the assistance of outside financial advisors and legal counsel. This fee is due whether or not the loan closes.

Debarment. The undersigned certifies that it is not currently, nor has it been in the preceding three years: 1) debarred, suspended or declared ineligible from participating in any Federal program; 2) formally proposed for debarment, with a final determination still pending; 3) voluntarily excluded from participation in a Federal transaction; or 4) indicted, convicted, or had a civil judgment rendered against it for any of the offenses listed in the Regulations Governing Debarment and Suspension (Governmentwide Nonprocurement Debarment & Suspension Regulations: 49 C.F.R. Part 29).

Default/Delinquency. The undersigned further certifies that neither it nor any of its subsidiaries or affiliates are currently in default or delinquent on any debt or loans provided or guaranteed by the Federal Government.

Signature: By submitting this Letter of Interest, the undersigned certifies that the facts stated herein are true, to the best of the applicant's knowledge and belief after due inquiry, and that the applicant has not omitted any material facts. The undersigned is an authorized representative of the applicant.

Submitted by: s/s Jim Riley

Applicant/Borrower Name Ohio Department of Transportation

Title Deputy Director, Division of Innovative Delivery

Organization Ohio Department of Transportation

Date 11/2/2012

Please attach any relevant documents (e.g., maps, organization charts, etc.).



Exhibit 1 – Portsmouth Bypass

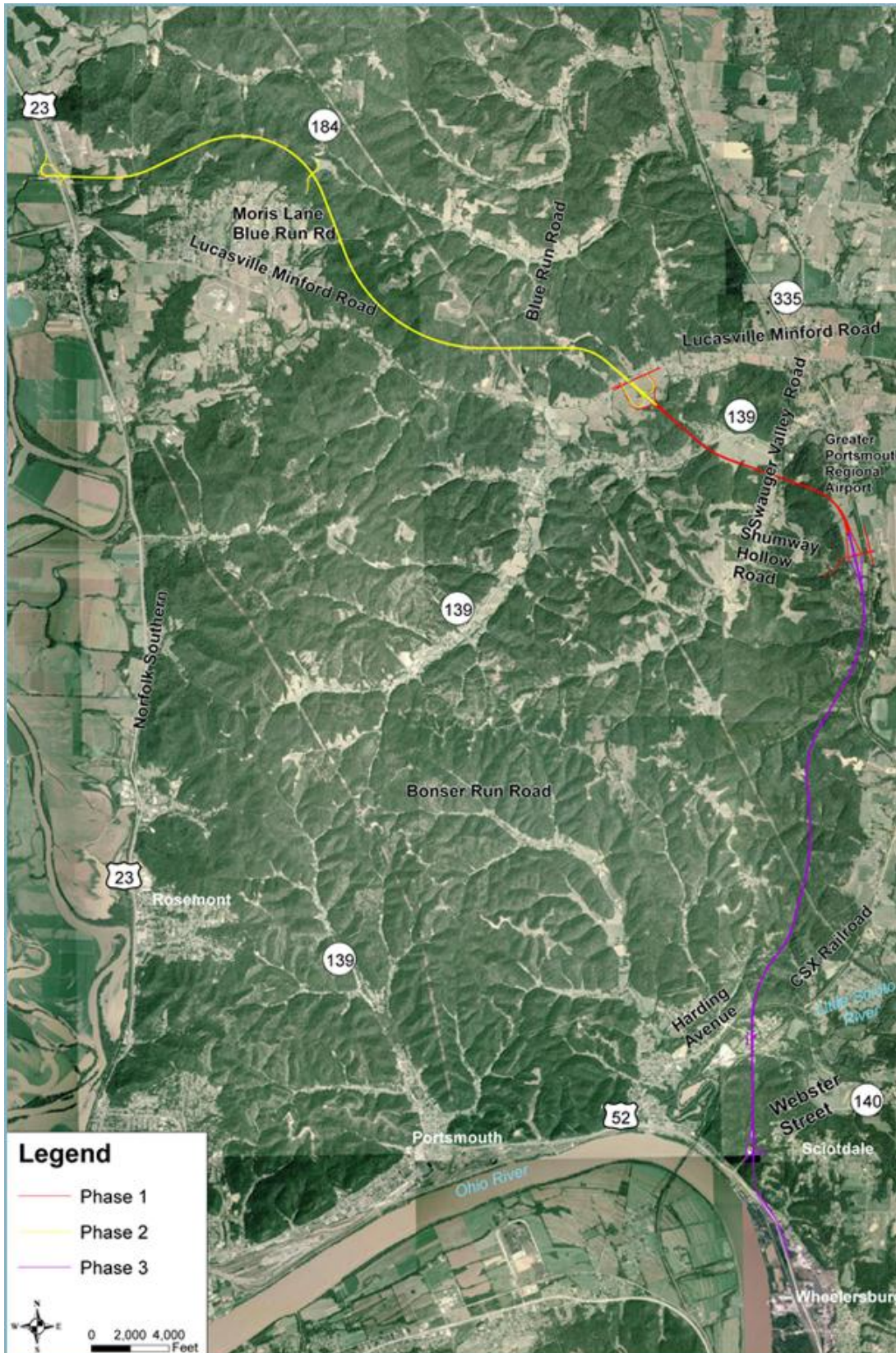




Exhibit 2 – Location of Scioto County within Ohio

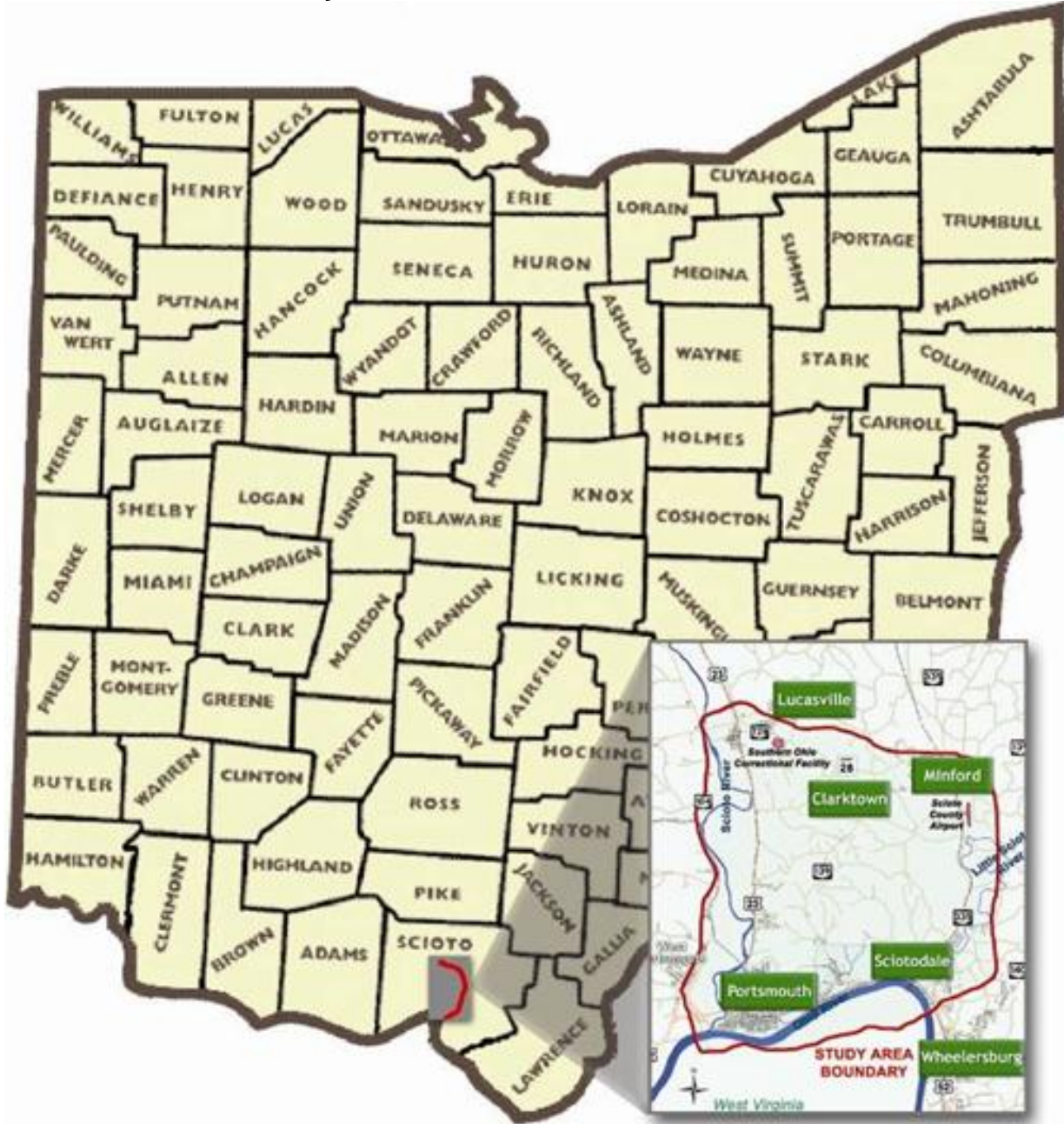
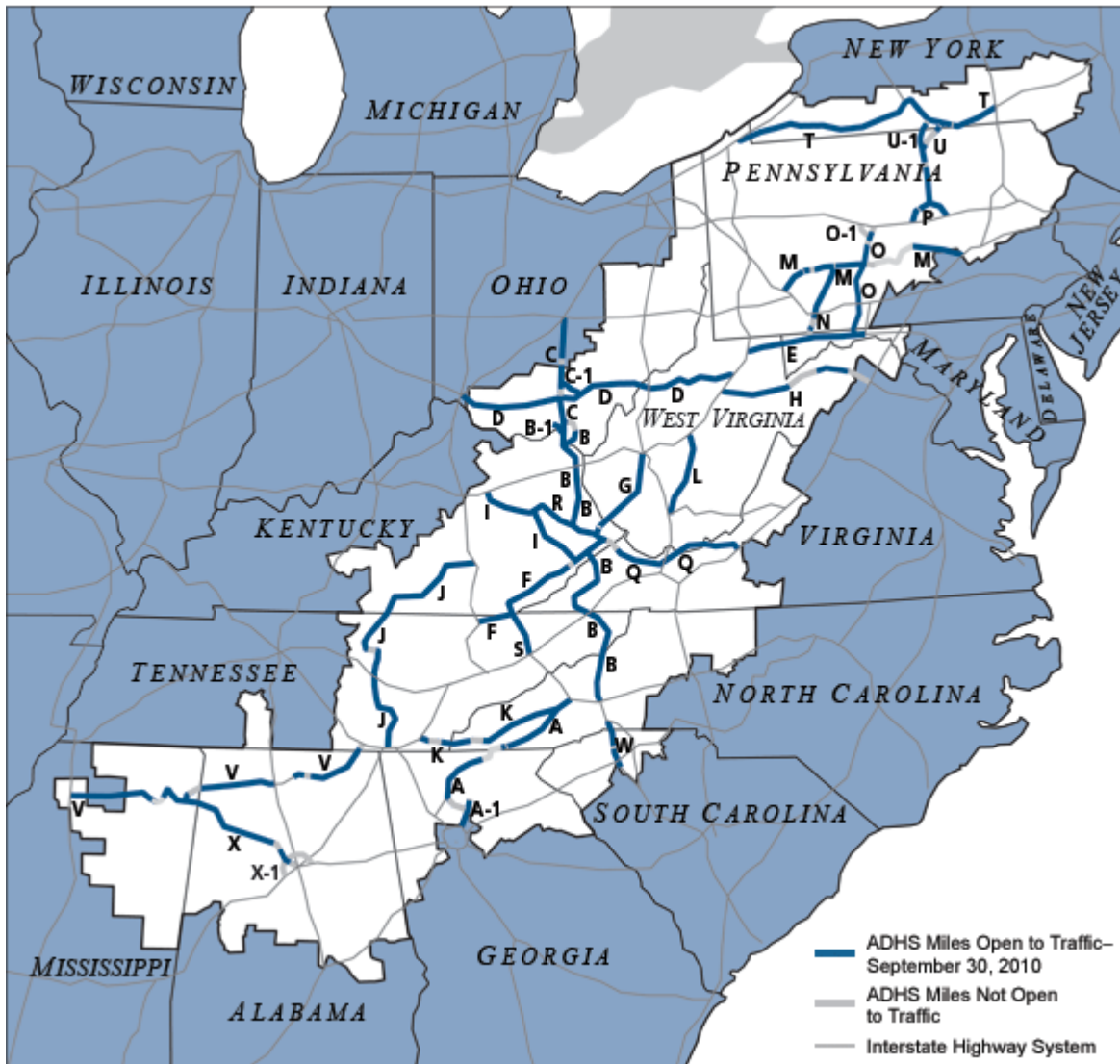




Exhibit 3 – Map of the Appalachian Development Highway System



Source: Appalachian Regional Commission