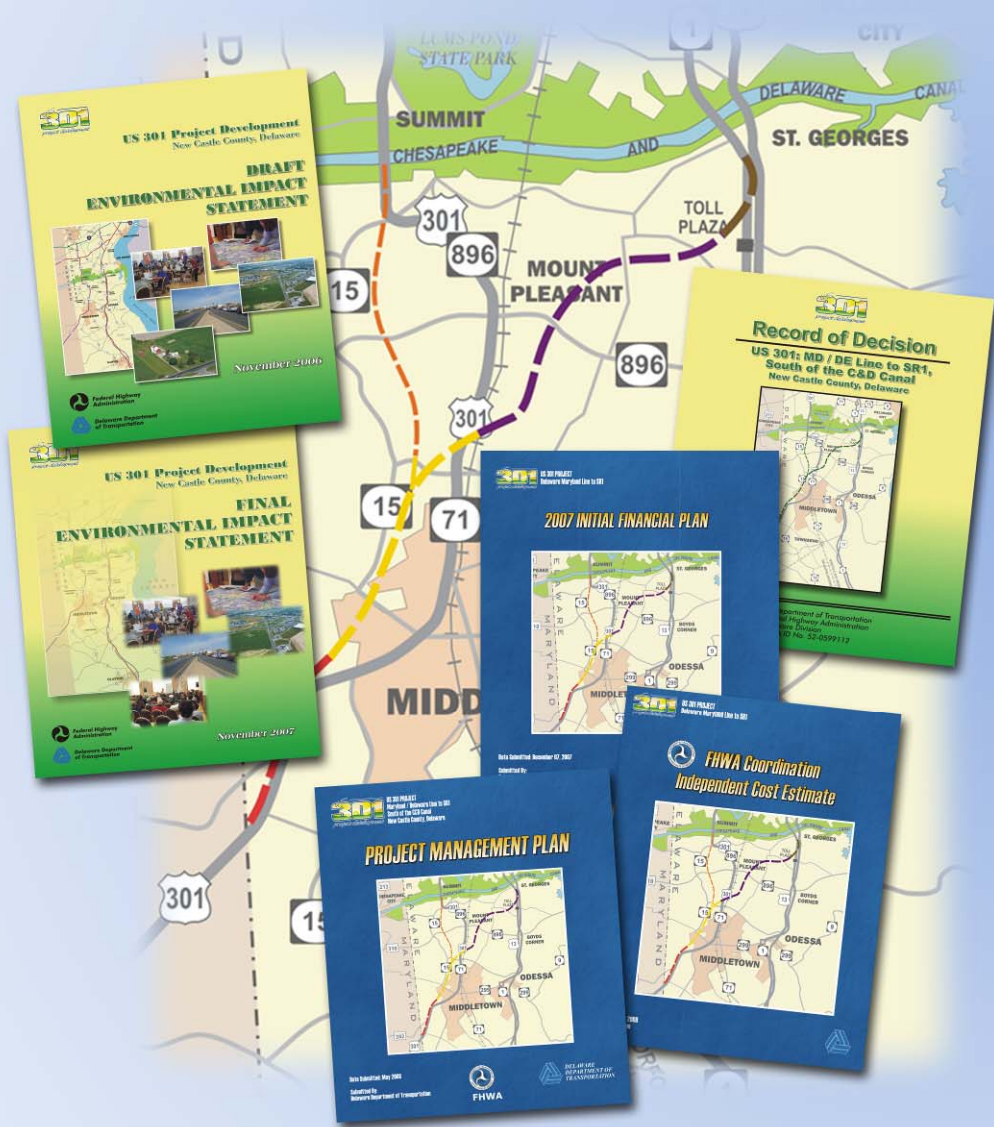


# US 301 PROJECT DEVELOPMENT



State Contract 25-113-01



Delaware Department  
of Transportation

## WILMAPCO COUNCIL PRESENTATION

January 14, 2010





# AGENDA



## ● US 301 Background Information

- Project History
- Project Improvements
- Purpose and Need
- Economic Development
- Creating Jobs
- Current Project Activities

## ● US 301 Project Funding

- Why Complete Final Design and Acquire Right-of-Way Now?
- Current Funding Need
- Funding Goals and Concept
- DelDOT Recommendation
- Why GARVEE Bonds Now
- Why NOT Toll Revenue Bonds Now
- Preliminary Cost Estimate (Current CTP)
- Next Steps

## ● Future Action: *Due Diligence - Funding Construction - Toll Revenue Bonds*

## ● Summary



# PROJECT HISTORY



- US 301 has undergone several planning efforts since the early 1960's.
- The most recent effort began in 2005, and included extensive public outreach and Environmental Resource Agency coordination.
- The effort concluded in April 2008, with Federal Highway Administration (FHWA) approval of the Selected Alternative, Green North + Spur Road [the Record of Decision (ROD)] .
- In 2008, FHWA also authorized right-of-way acquisition and final design (preparation of construction bid documents).
- Both activities are currently underway.
- The US Army Corps of Engineers has issued a provisional permit for the US 301 project.



# PROJECT IMPROVEMENTS



## The Selected Alternative, Green North+ Spur Road, provides:

### US 301:

- 4-lanes (2 lanes in each direction)
- Limited access toll road on new location
- Maryland Line to SR1, south of the C&D Canal
- 14 miles

### Spur Road:

- 2-lanes (1 lane in each direction)
- Limited access toll road on new location
- US301, in the vicinity of Armstrong Corner Road to Summit Bridge
- 3.5 miles
- Includes fixing sharp curve south of Summit Bridge.



★ Interchange Locations



# PURPOSE & NEED



- *Improve Safety*
- *Manage Truck Traffic*
- *Reduce Congestion*



US 301 Northbound at SR 299



Sharp Curve South of Summit Bridge



Westbound Boyds Corner Road at US 301



# PURPOSE & NEED — IMPROVING SAFETY



## Improving Safety:

### Crashes on Existing US 301 (2000 through 2008),

- Over 900 total crashes.
- Over 300 crashes resulted in injuries

### Total crashes continue to increase



### Fatalities/Rate

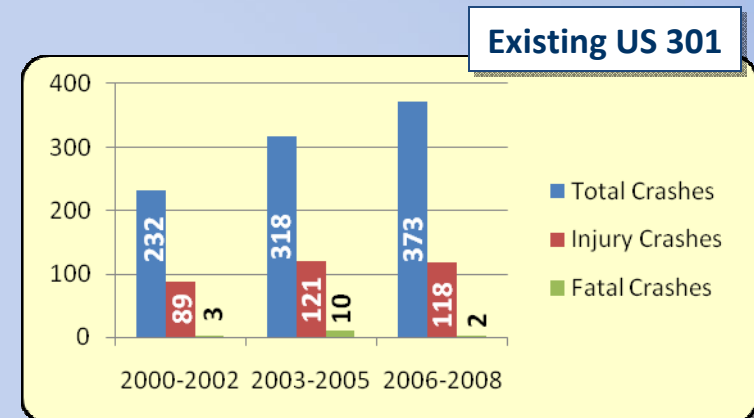
- 15 crashes resulted in 17 fatalities
- Fatality rate on existing US 301 is 60% higher than the Delaware state-wide average and 70% higher than the national average.

### Crashes involving heavy trucks are more severe

- 5 of the 15 fatal crashes on US 301 have involved a truck physically striking other vehicles or objects.
- In one of the other fatal crashes, a passenger car attempting to pass a truck struck another vehicle traveling in the opposite direction head-on.

## Addressing Safety:

- The message we heard from communities during the past 5 years – “Do something now, before more lives are lost.”

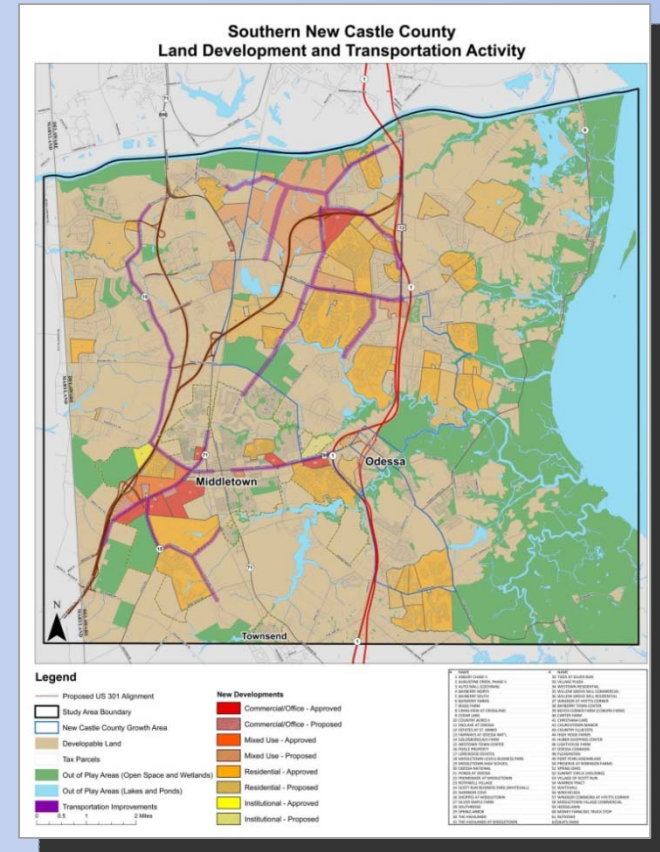




# ECONOMIC DEVELOPMENT



- The level of anticipated development over the next 20 years (approved and proposed) in southern New Castle County is extraordinary.
  - 85% of the projected population growth in New Castle County is projected for southern New Castle County.
  - Existing commercial/office development is projected to increase by 275% (7.9 million square feet total – 5.0 MSF approved and 2.9 MSF proposed).
  - Existing residential units are projected to increase by 143% (a total of 19,085 - 12,735 approved/6,350 proposed).
  - These figures only include a portion of the 1100 acre Whitehall development and do not include 52 acres of developable land in Westtown.
- New US 301, along with local road improvements, will accommodate the traffic resulting from the existing, approved and proposed development, along with the projected regional/interstate traffic.





# CREATING JOBS



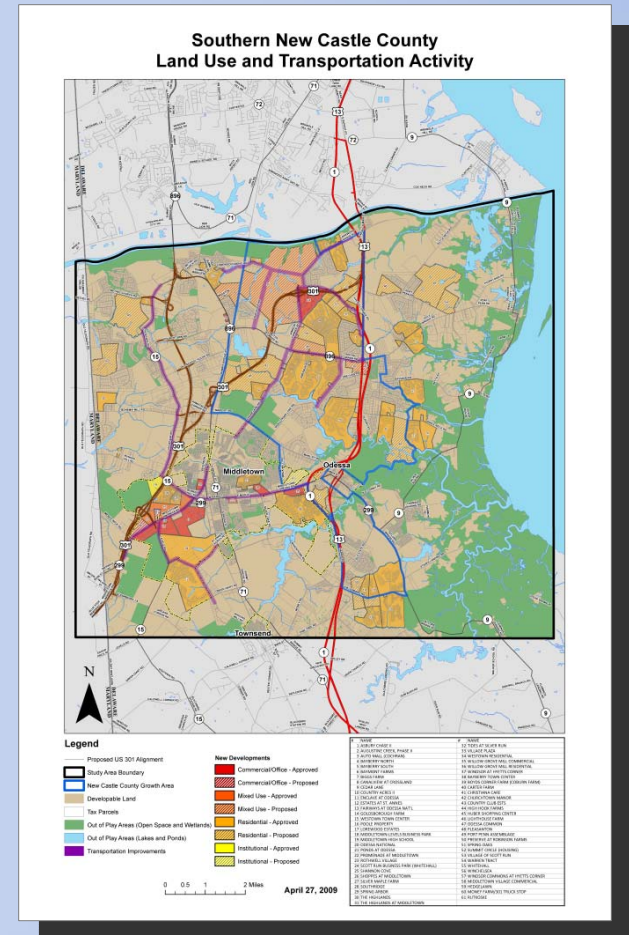
- Economic development in southern New Castle County is projected to generate a significant number of jobs.

- 14,400 total permanent jobs are projected to be created by the approved and proposed commercial/office development.
- 650 total temporary jobs per year are projected to be created by the approved/proposed residential development
- Approximately 60% are construction jobs.

- Constructing new US 301 will also generate jobs.

- 5,200 construction oriented jobs
- 2,400 supporting industries jobs
- 7,700 induced jobs\*

\* Jobs supported by consumer expenditures resulting from wages to “construction oriented” and “supporting industries” employment.





# CURRENT PROJECT ACTIVITIES



- Final design, determination of right-of-way needs and preparation of construction contract bid documents have been actively underway since September 2008.
- Initial right-of-way activities have been underway since June 2008; primarily entailing acquisitions that involve entire properties, based upon the request of the property owner and limited funding.
- Coordination with Environmental Resource Agencies is continuing, including field reviews to refine final design and further minimize impacts.

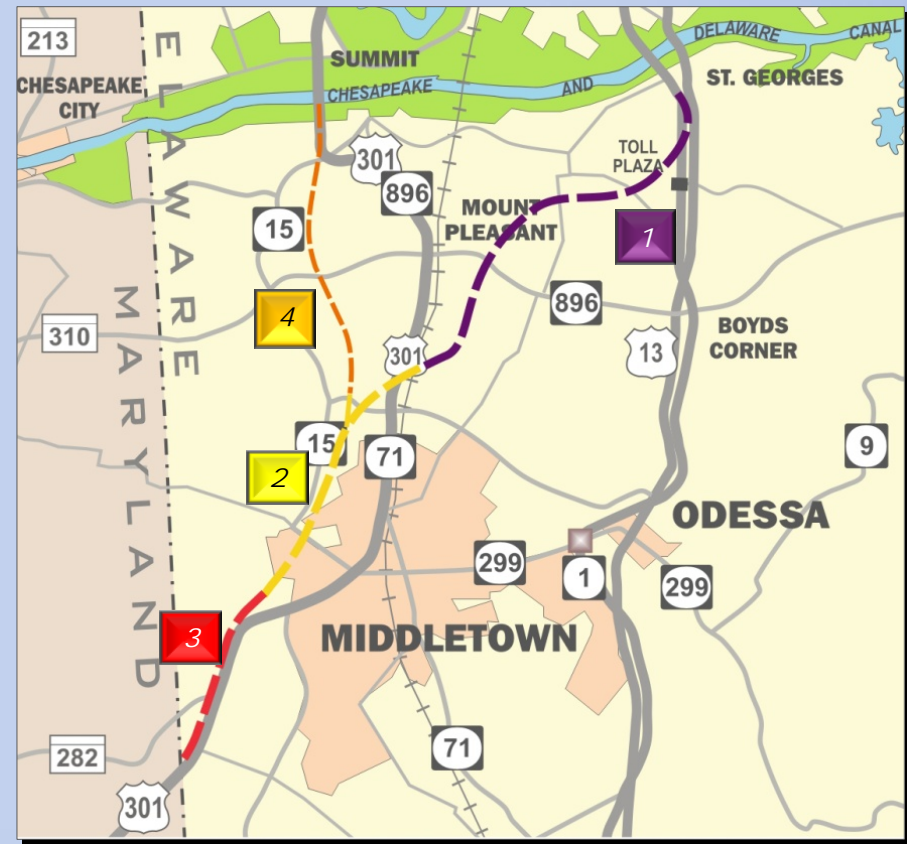
## Four Main Design Sections

**Section 1** -- US 301: SR 1 to E. of Norfolk Southern RR

**Section 2** -- US 301: E. of Norfolk Southern RR to Levels Road

**Section 3** -- Levels Road to S. of DE/MD Line

**Section 4** -- Spur Road: New US 301 to Summit Bridge





# WHY COMPLETE FINAL DESIGN AND ACQUIRE



## RIGHT OF WAY NOW?

- **Completing final design now assures that right-of-way needs are determined and construction bid documents are ready to go at the appropriate time.**
  
- **Completing right-of-way acquisition now (an opportune time)**
  - Removes the uncertainty and delay that property owners in the area have experienced over the past 40 years – a major complaint during the recent public outreach effort.
  
  - Protects the highway corridor from future development.
  
  - Provides clear direction and certainty for developers in working with New Castle County and the Town of Middletown.



# CURRENT FUNDING NEED

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- Funding will be needed beginning in 2010 to complete final design and right-of-way activities, currently underway.



# FUNDING GOALS AND CONCEPT



- **Minimize use of TTF revenues (our most flexible transportation revenue source).**
- **Maintain/preserve DelDOT's credit rating and capacity to sell TTF bonds to fund other CTP projects.**
- **Utilize federal funds in a creative manner to move the new US 301 project forward.**
- **Have those who use new US 301 pay for the construction.**
- **Provide “due diligence” with respect to funding options, before proceeding with construction.**
- **A funding concept that utilizes minimal TTF revenues, federal funds and two types of debt financing provides a cost effective approach to funding the US 301 project.**
  - **GARVEE bonds secured by federal reimbursements to fund the completion of remaining design and right-of-way activities.**
  - **Toll revenue bonds secured by US 301 toll revenues to fund construction.**



# DELDOT RECOMMENDATION



## *GRANT ANTICIPATED REVENUE VEHICLES (GARVEE BONDS)*

- Complete the final design and right-of-way acquisition activities through the sale of \$125 million in Grant Anticipation Revenue Vehicles (GARVEEs).
- A GARVEE bond is similar to a Transportation Revenue bond, except it is backed by DelDOT's future federal apportionments, NOT state TTF revenues.
- Although new to Delaware, 25 other states have funded transportation improvements through 81 prior GARVEE bond sales since 1998. Most of these sales were to fund major transportation projects, similar to US 301.
- 47 of the 81 sales have been backed solely by federal highway funds and have been well received by the rating agencies and bond market, typically rated in the A to AA range. This will also be our approach unless future discussions with the rating agencies advise differently.
- We will have discretion in determining the structure of the transaction, i.e. term, debt service coverage ratios, level of debt service reserve, interest rates, use of bond insurance, etc.



# DELDOT RECOMMENDATION



## *GRANT ANTICIPATED REVENUE VEHICLES (GARVEE BONDS)*

- We are recommending a bond term of 15 years and a level annual debt service structure.
- The estimated annual debt service on a 15-year \$125 million GARVEE issue is about \$11 to \$12 million, or a total of \$165 to \$180 million.
- DelDOT receives approximately \$130 million annually in federal aid highway funds, of which \$106 million is available for GARVEE bond debt service. Thus, the annual federal reimbursements provide a debt service coverage factor of 900% or 9x.
- Our recommendation is conservative and will not adversely affect the credit ratings of the state and/or DelDOT.



# WHY GARVEE BONDS NOW?



- **The issuance of GARVEE bonds secured by future federal apportionments, instead of US 301 toll revenue bonds, to fund design and right-of-way acquisition will:**
  - Lower the Cost of Capital by:
    - Reducing the financing expenses ;
    - Reducing the interest rates; and
    - Providing a more cost effective alternative through shorter term bonds and elimination of capitalized interest expense.



# WHY NOT TOLL REVENUE BONDS NOW?



## ● Increased Cost of Capital

- Toll Revenue will not be available until the ribbon is cut and new US 301 is open for business (currently projected for 2015).
- Until then, the interest payments on Toll Revenue Bonds would be capitalized (borrowed), thus increasing the amount needed to be borrowed.
- Further, the current interest rate environment makes the reinvestment of these funds difficult.



# PRELIMINARY COST ESTIMATE *(CURRENT CTP)*



Item	Sources (millions \$'s) <sup>1</sup>				
	TTF	FHWA	GARVEE Bonds (Federal \$ Backing)	US 301 Toll Revenue Bonds	Total
Design	3	42	21	-	66
ROW	-	15	104	-	119
Construction	10 <sup>2</sup>	-	-	543	553
<b>Total</b>	<b>13</b>	<b>57</b>	<b>125</b>	<b>543</b>	<b>738</b>

<sup>1</sup> Year of Expenditure (YOE) \$'s

<sup>2</sup> Advance Utility Relocations

**TTF:** Transportation Trust Fund (most flexible revenue source)

**FHWA:** Federal Aid Highway Funds (restrictions on use)

**GARVEE:** Bonds supported by annual apportionment of federal aid highway funds

**Toll Revenue Bonds:** Bonds supported by US 301 toll revenues



# NEXT STEPS



## ● January - March:

- Present Funding Proposal to General Assembly and others and refine as appropriate.
- Present Proposal to amend 2010 TIP to WILMAPCO:
  - Council: January 14, 2010 @ 6:30 p.m. (Advance Briefing)
  - TAC: January 21, 2010 @ 10:00 a.m. (Advance Briefing)
  - TAC : February 18, 2010 @ 10:00 a.m. (Action Meeting)
  - PAC: February 22, 2010 @ 4:00 - 7:00 p.m. (Open House)  
7:00 p.m. (Meeting)
  - Council: March 11, 2010 @ 6:30 p.m. (Action Meeting)

## ● March - April:

- DeIDOT Issues GARVEE Bonds



# **FUTURE ACTION: *DUE DILIGENCE***



## ***FUNDING CONSTRUCTION – TOLL REVENUE BONDS***

- **As final design and ROW activities near completion on the US 301 mainline, and assuming the economy and bond market have stabilized, DeIDOT will undertake the necessary activities to determine the most cost effective long-term funding option to construct the US 301 project, including:**
  - Prepare an independent investment grade traffic and revenue (T&R) report;
  - Update project cost estimates (construction and operation and maintenance);
  - Conduct a final financial analysis of construction funding option(s);
  - Informally review the construction funding option(s) with bond rating agencies; and
  - Make a recommendation to the Governor and the General Assembly, regarding construction timing and funding for new US 301.



# SUMMARY



- **We believe our recommended approach:**
  - Is consistent with the stated funding goals;
  - Moves this important project forward, in a responsible and timely manner, by providing funding for the completion of the remaining final design & right-of-way activities; and
  - Assures “due diligence”, prior to proceeding with construction.