



## Industry Forum: I-75 Modernization Project July 19, 2017 at 10:30am

The Michigan Department of Transportation (MDOT) is hosting an industry forum to discuss alternative project delivery options for the remaining 15 miles of freeway improvements to accelerate the project completion and reduce overall costs and impacts for users. This forum will be an opportunity for potential teams of Michigan-based contractors to learn about management objectives, project goals, federal requirements, procurement considerations and processes, as well as to solicit feedback from the industry.

An overview presentation will be followed by a general networking session. Optional, but encouraged, one-on-one meetings will cap off the event, where the potential teams will be able to discuss project details individually with MDOT management and/or national developers. These one-on-one meetings are designed to provide potential teams and those that have already formed teams, with an opportunity to gather and share information regarding the Project and delivery options.

**When:** July 19, 2017 at 10:30am until approximately 2:30 pm, depending on the number of individual, one-on-one meetings requested (lunch will be provided)

**Where:** MDOT DOSC Office, 1060 W. Fort St., Detroit, MI 48226

Select Michigan-based contractors and national developers are invited, on a non-binding basis, to participate in the forum based on the potential role your firms could play as a project lead, or as a team member in delivering the Project based on the options considered by MDOT. You are welcome to bring a representative from each of up to three additional





companies of your choosing as your potential team members for this large highway construction procurement.

**Note:** Participation in this Industry Forum and a one-on-one session will not provide a participant with any preference, special designation, advantage or disadvantage whatsoever in any subsequent procurement process related to the Project. No aspect of these sessions is intended to provide any attendee with access to information that is not similarly available to other potential respondents in any subsequent procurement, and no part of the evaluation of proposals in any subsequent procurement will be based on the conduct or discussions that occur during the sessions.

If you intend to bring additional potential team members, please indicate who will be attending when you RSVP, so we provide ample space and lunch accommodations.

Please RSVP at [dattaS@michigan.gov](mailto:dattaS@michigan.gov) by July 13<sup>th</sup> 12:00 noon. Additional information will be provided to registered participants prior to the forum.



# AGENDA

## Industry Forum I-75 Modernization Project Wednesday--July 19, 2017

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<b>Welcome &amp; Presentation</b>	<b>10:30am – 11:15am</b>
<b>Questions and Answers</b>	<b>11:15am – 11:30am</b>
<b>Lunch &amp; Networking</b>	<b>11:30am – 12:00pm</b>
<b>One-on-One Meetings</b>	<b>12:00pm – 2:35pm</b>

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# Participant List

## Industry Forum I-75 Modernization Project July 19, 2017

ORGANIZATION NAME	CONTRACTOR/FIRM/FINANCIAL DEVELOPER	ATTENDEE	E-MAIL
Angelo Iafrate Construction	Local Contractor	Bob Adcock Hal Howlett	<a href="mailto:badcock@iafrate.com">badcock@iafrate.com</a> <a href="mailto:hhowlett@iafrate.com">hhowlett@iafrate.com</a>
Dan's Excavating	Local Contractor	Jim Doescher	<a href="mailto:jdoescher@dansexc.com">jdoescher@dansexc.com</a>
Interstate Highway Construction	Local Contractor	Jeffrey Ardelean	<a href="mailto:ardeleanj@ihcquality.com">ardeleanj@ihcquality.com</a>
Ajax Paving Industries	Local Contractor	Christine Poe	<a href="mailto:cpoe@ajaxpaving.com">cpoe@ajaxpaving.com</a>
CA Hull	Local Contractor	Mike Malloure	<a href="mailto:mmalloure@cahull.com">mmalloure@cahull.com</a>
Jay Dee Contractors	Local Contractor	Tom DiPonio Rod Shoulders A.G. Mekkaoui Curtis Rozelle	<a href="mailto:tdiponio@jaydee.us">tdiponio@jaydee.us</a> <a href="mailto:RShoulders@jaydee.us">RShoulders@jaydee.us</a>
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Star America	Developer/Financial Investor	Jeff Cangemi	<a href="mailto:jcangemi@starinfrapartners.com">jcangemi@starinfrapartners.com</a>
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AECOM	Engineer/Developer	George Tapas Sean Kelsch John Payton	<a href="mailto:george.tapas@aecom.com">george.tapas@aecom.com</a> <a href="mailto:sean.kelsch@aecom.com">sean.kelsch@aecom.com</a> <a href="mailto:john.payton@aecom.com">john.payton@aecom.com</a>
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# Industry Forum

## MDOT I-75 Modernization Project

July 19, 2017



# Agenda

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Welcome

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Industry Forum Objectives

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Overview and Background

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Project Goals and Objectives

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Alternative Delivery Options Considered

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Questions and Answers

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Lunch Break & Networking

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One-on-One Meetings

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# Industry Forum Objectives



# Objectives

MDOT is considering various procurement options for the I-75 Modernization Project (“Project”) and organized this forum to achieve the following objectives:

- Inform the local bidding community of MDOT’s goals and objectives for the Project;
- Expand the understanding of the alternative Project delivery methods considered and why;
- Solicit and share feedback on structuring ideas and suggestions; and
- Facilitate discussions between industry parties, including financiers for partnering considerations

In case of a procurement of the Project under an alternative delivery method, any project information released by MDOT as part of this forum will be made publicly available.

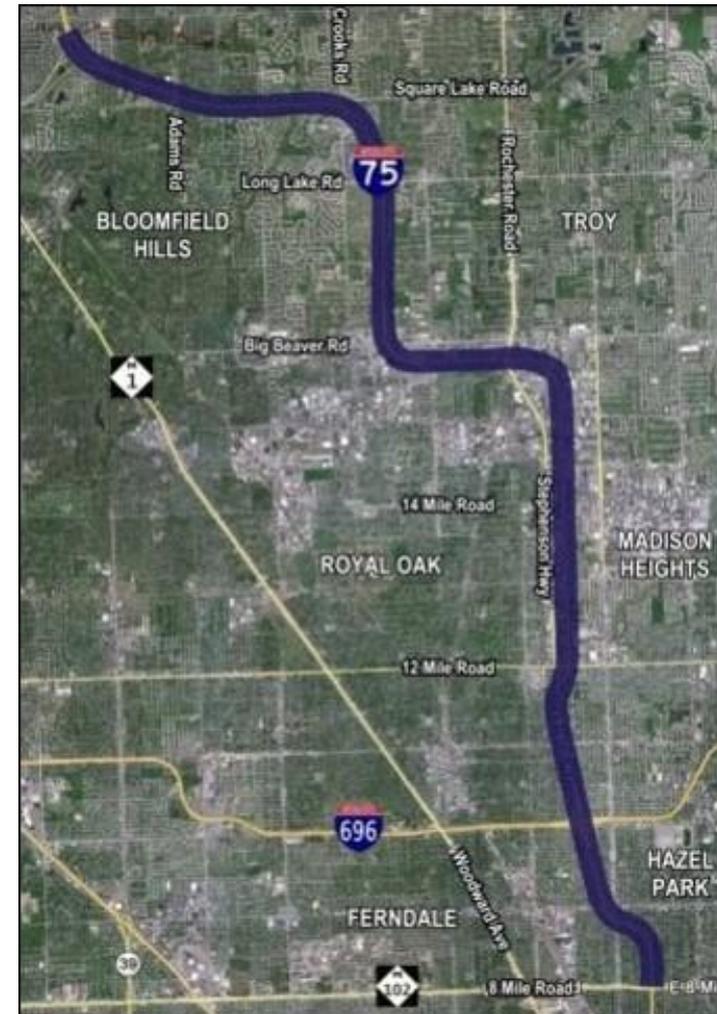
Individual firms or teams that are not part of this forum shall not be precluded from participating in any future discussions or qualification processes in relation to the project.



# Overview and Background

# Overview and Background

- No major improvements since it was built in the 1960s
- Expected increase by 10% in 2035 to 112,000 to 193,000 vehicles
- Segment 1 (north of Coolidge Highway to north of South Boulevard) under construction
- Current schedule for delivery: 9 segments, over 17 years, in the even years, to be completed by 2034
- Current estimates of projected year-of-expenditure ("YOE") costs of \$1.3 billion from 2016-2034



## Roadway & Bridge Improvements:

- Reconstruct remaining 15 miles of I-75 from M-102 to north of Coolidge Highway;
- Replace 40+ bridges;
- Addition of a peak hour HOV lane in each direction;
- Interchange improvements that will update & modernize; and
- Provide new signing, aesthetics and noise walls, and install ITS improvements



## Drainage System Improvement:

- New drainage tunnel proposed (northbound service drive from M-102 to 12 Mile Road) to separate MDOT's storm water and reduce flow during peak events at the current discharge point near 12 Mile;
- Must be completed before the southern segments are finished,
- With no freeway impacts due to the tunnel construction, some segments can be constructed concurrently

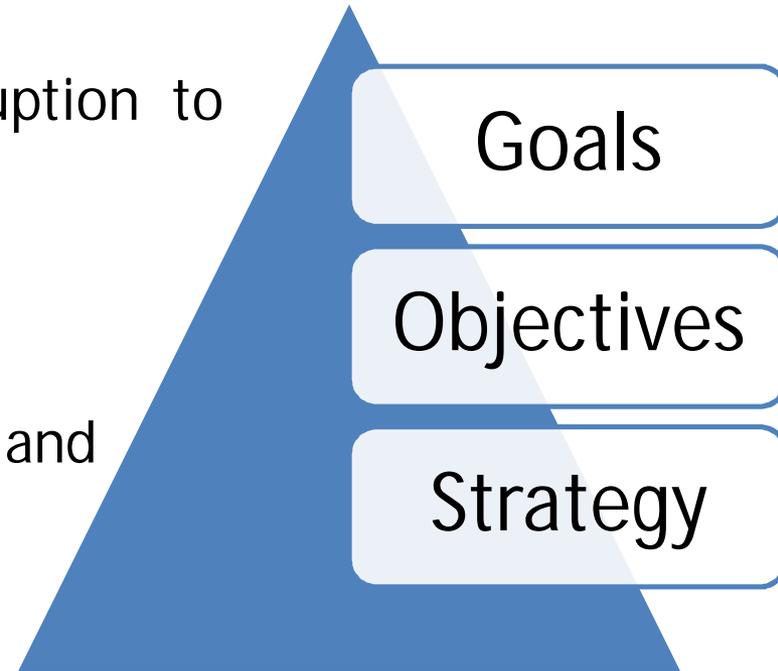




# Project Goals and Objectives

# Goals and Objectives

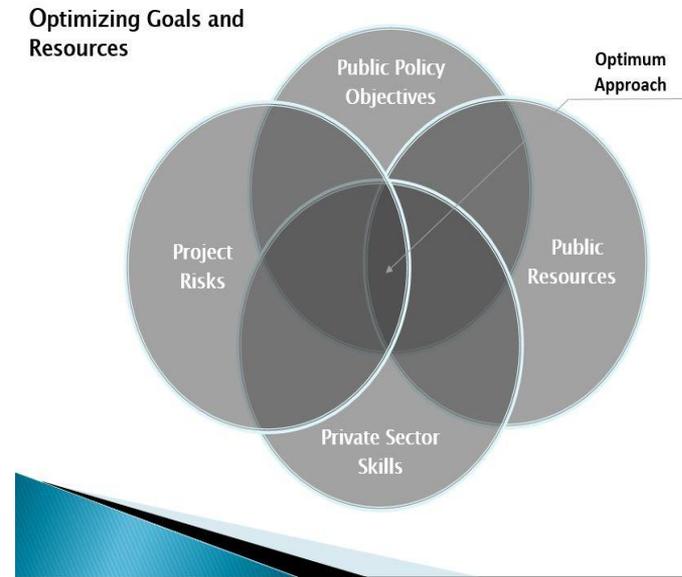
- Accelerate Project completion;
- Reduce user delay and minimize disruption to stakeholders;
- Leverage the most innovation locally and nationally;
- Adhere to FHWA's important review of alternative delivery for major projects;



# Goals and Objectives

- Make the best and most efficient use of funding and financing including federal funds;
- Minimize and allocate risk to those that are best able to manage them;
- Spreading project repayment over a longer period of time; and

Make the Project a national example of outstanding innovation, partnership, & performance excellence, while delivering a high quality freeway corridor to the citizens of Michigan.





# Alternative Delivery Options Considered



# Alternative Delivery Options

DBB Design-Bid-Build: NOT ALTERNATIVE DELIVERY	DBF Design-Build-Finance	DBFM Design-Build-Finance-Maintain
Pay-As-You-Go Funding	Private Financing	Private Financing
<ul style="list-style-type: none"> <li>• A traditional delivery model under which separate contracts are procured by the public sector owner to design and separately construct.</li> <li>• All project segments will also be procured separately under this delivery approach.</li> <li>• Method involves three basic participants: 1) public sector owner, 2) a design firm(s), and 3) one or more general contractors.</li> <li>• Public sector owner retains responsibility for the funding and long-term project operations and maintenance (O&amp;M) and major maintenance after the project has been constructed.</li> </ul>	<ul style="list-style-type: none"> <li>• A delivery model in which the private partner (i.e. Contractor/Developer) is responsible for designing, building and financing of the project procured through a single contract.</li> <li>• Private partner is responsible for constructing project for a fixed price and agreed upon schedule, as well as financing at least portion of the construction costs for the project.</li> <li>• Typically contracting is under a non-recourse special purpose vehicle (SPV) established by the DB JV and there are flow down agreements with subcontractors and financing agreements with lenders.</li> <li>• Financing will be raised by the private partner against future payments by the public sector owner.</li> <li>• Public sector owner retains responsibility for funding the project (during construction and/or after completion of construction) as well as delivering the long-term project O&amp;M and major maintenance after the project has been constructed.</li> </ul>	<ul style="list-style-type: none"> <li>• A delivery model in which the design, build, financing, and maintenance of a project are procured together and contracted to a Developer through a single contract.</li> <li>• In a DBFM model, a consortium of multiple parties (contractor, maintenance provider, financiers, etc.) is put together and responsible for delivering the project according to a fixed price and schedule.</li> <li>• Private partners will form a non-recourse special purpose vehicle (SPV), which will contract with the public sector owner and will be linked with the other members of the consortium through flow down agreements (DB contractor, maintenance contractor) and/or financing agreements (lenders, equity investors).</li> <li>• Financing will be raised by the private partner from lenders and equity investors against future payments by the public sector owner.</li> <li>• Public sector owner retains ownership of the project (as in all other models shown to the left of this model) and responsibility for operations and routine maintenance.</li> </ul>

## General Characteristics

### Description

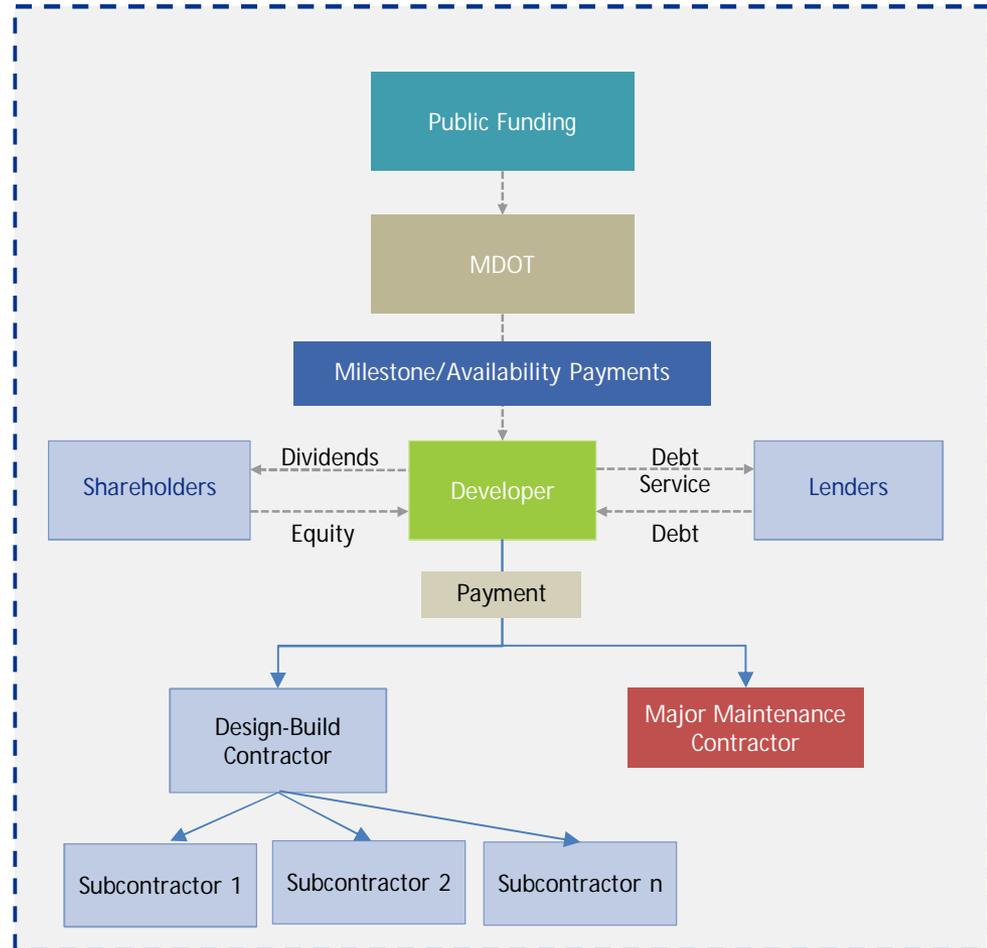
- MDOT pays milestone payments during construction based on progress and subject to performance deductions
- MDOT makes periodic payments after construction completion based on availability and subject to performance deductions

### Financing

- Developer responsible for raising financing
- Lenders provide financing against payment stream
- No demand risk of revenues to repay lenders
- MDOT's total payment obligation is capped with a pre-established long-term profile (e.g. 30 years)

### Maintenance

- MDOT retains responsibility for routine O&M work along the entire corridor
- Developer would subcontract to either an affiliate or another contractor major maintenance responsibilities
- Whole-life considerations in setting price
- Transfers risk to the private sector
- Payment reductions if not meeting requirements
- Handback requirements ensure high quality asset at end of term

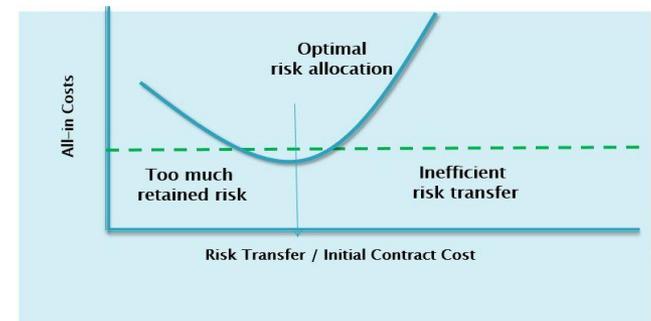


- Developer takes a "whole life" approach
- Optimizes life cycle costs since responsibility is for design, construction & maintenance
  - Could make decisions such as selecting materials that might increase design/build costs because long term maintenance costs are reduced



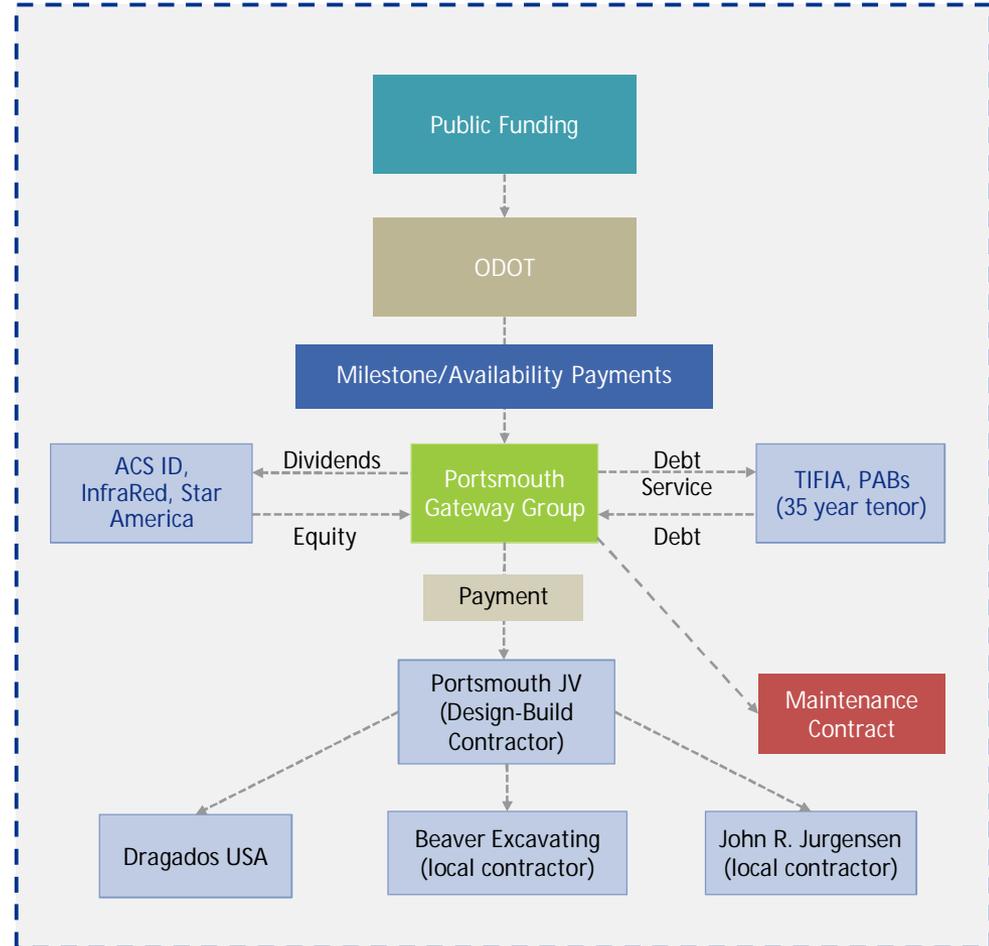
- By integrating maintenance, Developer understands maintenance needs, plans & conducts from beginning to end/hand back requirements & end of the term
  - Therefore it will remain in good condition throughout term & maintenance will not be deferred and maintenance budgets will not be starved
- Risk transfer is optimized & integration risks are minimized

Risk is Transferred where it Makes Economic Sense



# Portsmouth Bypass (Ohio DOT)

	Description
Project Sponsor	<ul style="list-style-type: none"> <li>Ohio Department of Transportation</li> </ul>
Developer	<ul style="list-style-type: none"> <li>Portsmouth Gateway Group</li> </ul>
Equity Members	<ul style="list-style-type: none"> <li>ACS Infrastructure Development</li> <li>InfraRed</li> <li>Star America</li> </ul>
Financing Sources	<ul style="list-style-type: none"> <li>Equity, TIFIA Loan, Private Activity Bonds</li> </ul>
Contract Term	<ul style="list-style-type: none"> <li>44 months construction + 35 years operations</li> <li>35 year debt tenor</li> </ul>
Design-Build Team	<ul style="list-style-type: none"> <li>Dragados USA</li> <li>Beaver Excavating (local contractor)</li> <li>John R. Jurgensen (local contractor)</li> </ul>
Operations Phase	<ul style="list-style-type: none"> <li>Portsmouth Gateway Group is responsible for minor O&amp;M work and all major maintenance</li> <li>ODOT is retaining a significant portion of O&amp;M responsibilities including winter maintenance</li> </ul>



## General Characteristics

### Description

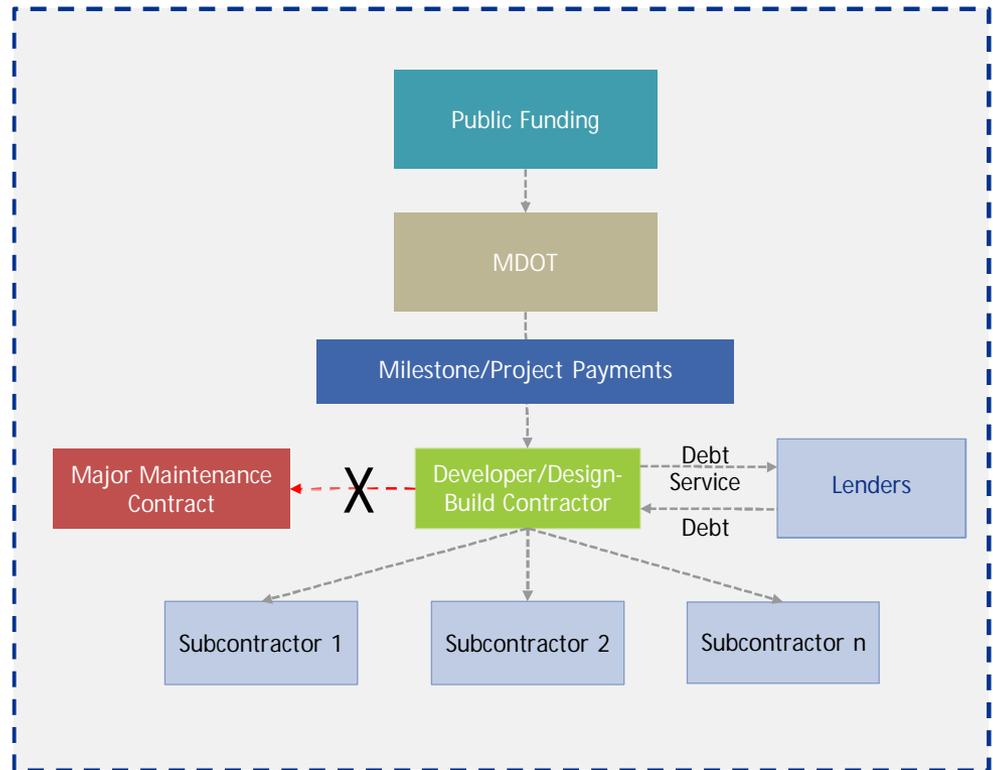
- MDOT pays milestone and project payments to the developer
- Project payments are not performance-based and are paid on a fixed schedule in line with debt service obligations

### Financing

- Developer responsible for raising financing
- No developer equity "at risk"
- Lenders provide financing against payment stream
- Payments to lenders not subject to completion or demand risk
- MDOT's total payment obligation is capped with a pre-established medium-term profile (typically 5-10 year financing)

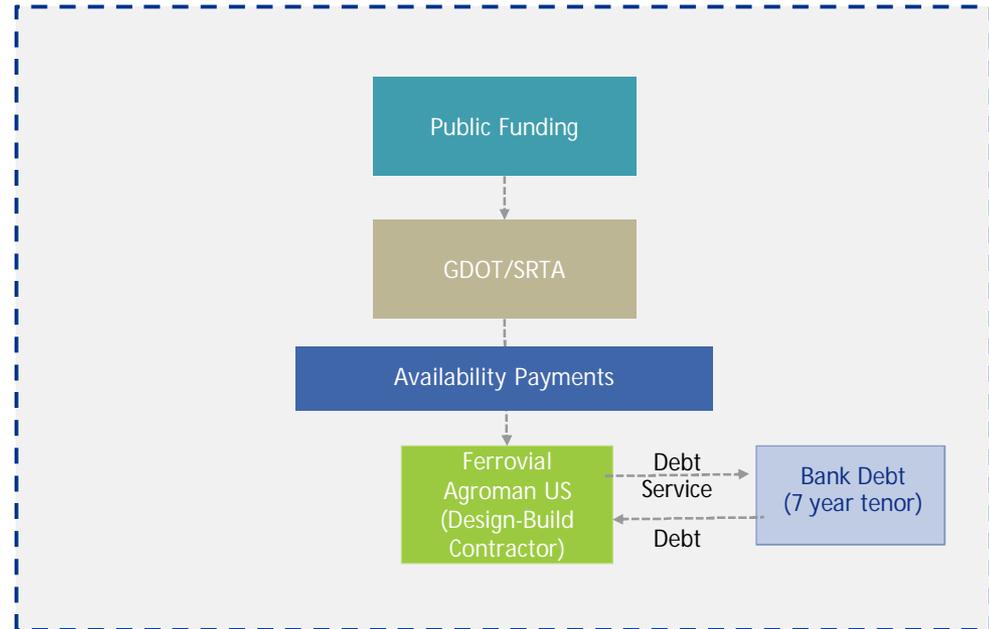
### Maintenance

- MDOT retains responsibility for routine O&M and major maintenance work along the entire corridor
- No post-construction activities are transferred to the private sector



# I-285 & SR-400 (Georgia)

Description	
Project Sponsor	<ul style="list-style-type: none"> <li>Georgia Department of Transportation</li> <li>Georgia State Road and Toll Authority</li> </ul>
Developer	<ul style="list-style-type: none"> <li>North Perimeter Contractors (subsidiary of Ferrovial Agroman US)</li> </ul>
Equity Members	<ul style="list-style-type: none"> <li>No equity</li> </ul>
Financing Sources	<ul style="list-style-type: none"> <li>Developer financed the project with tax exempt bank debt</li> <li>GDOT will make payments to the developer</li> </ul>
Contract Term	<ul style="list-style-type: none"> <li>4 years construction</li> <li>7 years bank debt tenor</li> </ul>
Design-Build Team	<ul style="list-style-type: none"> <li>Ferrovial Agroman US</li> </ul>
Operations Phase	<ul style="list-style-type: none"> <li>GDOT/SRTA retains all O&amp;M and major maintenance responsibilities</li> </ul>

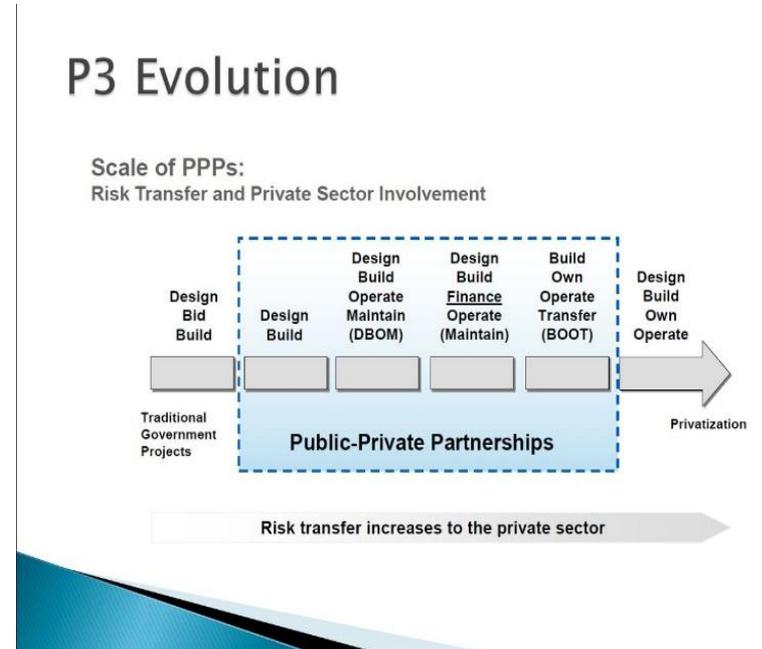




# Alternative Project Delivery Financing Options

Indicative Financing Sources	Description	Use for DBF	Use for DBFM
Equity	<ul style="list-style-type: none"> <li>Funds contributed by the shareholders of the development entity.</li> <li>Repayment after major maintenance and debt service and required by lenders to ensure capital risk.</li> <li>Ranges typically between 7-35% of private financing, depending on project risks.</li> </ul>		✓
TIFIA Loan	<ul style="list-style-type: none"> <li>US DOT program finances up to 33% of eligible project costs.</li> <li>Offers 35 years maximum final maturity date from substantial completion.</li> <li>Interest cost potentially equal to US Treasury rate of similar maturity at closing.</li> <li>Flexible repayment terms, principal repayment can start up to 5 years after substantial completion to allow time for facility construction and ramp-up.</li> </ul>		✓
Private Activity Bonds	<ul style="list-style-type: none"> <li>US DOT program that authorizes issuance of tax-exempt bonds for the financing of qualifying projects.</li> <li>Financing terms based on project economics, capital markets, credit rating and IRS rules.</li> </ul>	✓	✓
Private Placements	<ul style="list-style-type: none"> <li>Bonds placed directly with institutional investors (mainly insurance companies).</li> <li>Flexibility in structuring financing.</li> <li>Interest in longer maturities (tenors up to 40 years)</li> <li>Taxable or tax-exempt debt depending on structure</li> </ul>	✓	✓
Bank Loan	<ul style="list-style-type: none"> <li>Project finance loans provided by commercial banks</li> <li>Tenors range between 5-15 years.</li> <li>Refinancing risk for long-term contracts.</li> </ul>	✓	✓
Tax-Exempt Bank Funded Bond	<ul style="list-style-type: none"> <li>Public sector conduit issuer has bond issuances purchased by the bank</li> <li>Conduit issuer pledges security interest in the Trust to the bank. True sale of receivables by the developer to the Trust. Trust receives bond funds from conduit issuer.</li> <li>Tenors similar to a bank loan</li> <li>Principal amounts are hedged using individual forward starting swaps</li> </ul>	✓	

- Accelerate completion of construction to realize full positive economic benefits, decade sooner for the State;
- Excess funding would be used to fund other projects throughout the region and State;
- Leverage local knowledge & expertise of Michigan contractors in delivery and on-going maintenance while partnering with national developers and financial investors;
- Allocate project risks to the parties best able to manage them allowing for more cost effective, innovative and efficient design and construction;

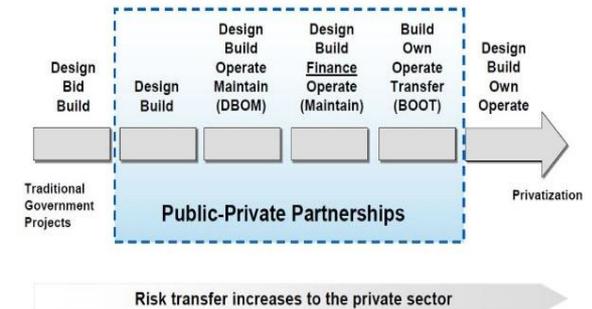


- Supports the new Federal Administration's Plan to Rebuild America's Infrastructure, attract private sector capital & expertise to spur job creation and economic growth;
- Size and scope consistent with US Department of Transportation's Build America Bureau's criteria for access to lower cost of financing tools within the TIFIA credit program: *bringing an additional stakeholder and advisor to the team;*

## P3 Evolution

Scale of PPPs:

Risk Transfer and Private Sector Involvement



- Significantly reduce disruption & negative economic impact to users and communities;
- Incentivize innovation to take advantage of Michigan experience and knowledge;
- Take advantage of historically low cost of financing available in the market; and
- Utilize efficiencies & reduce the inflation impact resulting from a longer construction schedule

## Safety – Michigan Street Lighting

### Project Details:

- 15,000 LED lighting fixtures
- 13 year O&M period
- \$45MM in capital costs financed entirely with private capital

### Project Benefits:

- +50% energy reduction over project life cycle, with energy savings guaranteed by Concessionaire
- Accelerated construction timeline with guaranteed completion date





# Questions and Answers



## Industry Day Forum Sign In Sheet I-75 Modernization Project

**Topic:** Industry Day Forum  
**Date:** July 19, 2017  
**Time:** 10:30 AM  
**Location:** DOSC

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**Industry Day Forum Sign In Sheet**  
**I-75 Modernization Project**

Topic: Industry Day Forum

Date: July 19, 2017

Time: 10:30 AM

Location: DOSC

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