

The Hills of Minneola: A 21st Century Public-Private Partnership Opportunity

Summary

As the State of Florida, under the guidance of Governor Rick Scott, navigates through the resulting debris of the Great Recession, economic realities necessitate a reassessment of the state government's role in projects and programs. One area in which Florida and the governor should feel exceptionally confident is the state government's ability to catalyze private investment through public investments in transportation infrastructure. Governor Scott has been immediately supportive of Florida Strategic Intermodal System projects like port expansions, freight rail upgrades and major highway improvements. As projects are evaluated, return on investment is paramount as evidenced by the governor's Office of Fiscal Accountability and Regulatory Reform. Florida is ready for innovative yet appropriate approaches to sparking job creation and investment in our state.

Lake County is in the center of the peninsula where Florida's Turnpike connects from Interstate 75 near The Villages to Orlando and beyond. The local economy of Lake County has been challenging to local leaders as a disproportionate number of homes to non-residential developments has tilted the economic balance of this county of nearly 300,000 residents. Solutions include the creation of employment centers within Lake County. Adjacent to the Turnpike, but without direct access to the facility, is the community of Minneola, a city on the verge of developing a much-needed regional employment center that would reverse a commuter trend that sends 25,000 workers each day from south Lake County to Orange County. The opportunity is to germinate that employment center by partnering on the needed regional transportation infrastructure.

While local partnerships already exist among land owners and local governments, the State of Florida would mobilize two transportation entities: the Florida Department of Transportation and Florida's Turnpike Enterprise. The partnership would specifically include the resources of the City of Minneola, the City of Clermont and the Lake County Board of County Commissioners, as well as the Lake~Sumter Metropolitan Planning Organization. Most importantly, the partnership would involve significant investments on behalf of private landowners and developers, led by Family Dynamics, Inc., the landowner of the Hills of Minneola, an approved Development of Regional Impact.

The Concept

The term Public-Private Partnership, or P3, is often touted in governmental circles as the answer to infrastructure woes. This financing concept involves private dollars invested into, for example, infrastructure of public benefit with certain or all aspects of investment borne by private investors. Study, design, construction, operation, maintenance and financing are optional components of P3s. Returns on such partnerships vary depending on the structure of each P3. In regional, statewide and national transportation, the investment must result in a facility of independent utility, one that provides a clear public benefit by expanding or improving the greater transportation network. Decision-makers may determine the creation of construction jobs to be of sufficient public benefit if the public investment is minimal. However, more substantial public investment would require the creation of permanent and sustainable jobs. The creation of long-term jobs is often dependent on an effective connection between transportation investments and land investments.

The State of Florida has the financial ability through the Florida Department of Transportation to catalyze private investment by directly investing in regional transportation facilities. Metropolitan Planning Organizations throughout Florida are tasked with the responsibility of prioritizing public transportation investments at the regional level. The State of Florida has an opportunity to assess those regional priorities for projects of optimal return on state investment. Of note is the often overlooked self-sustaining arm of FDOT, Florida's Turnpike Enterprise. FTE is in the fortuitous position of utilizing toll revenues from the 460-mile system to maintain and expand a network of massive benefit to Florida. A substantial portion of FTE's toll collections are expended on maintenance and preservation of the system. Opportunities are emerging throughout the state for FTE to partner with other entities to meet several dimensions of needs. The capital of FTE could in some cases be utilized to not only expand the network and catalyze private investment, but the leveraging power of FTE could also benefit the non-FTE network of the FDOT.

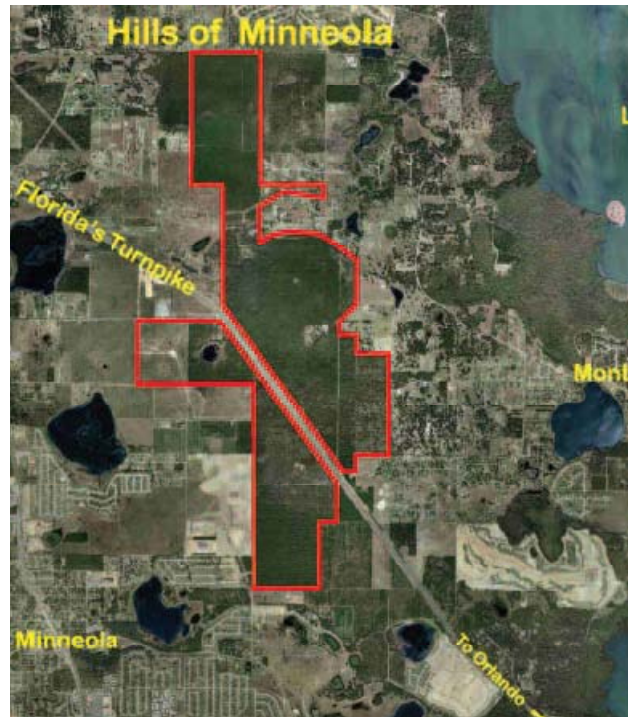
In the Appendix of this document are several case study briefs on various transportation P3s. Of particular note are the examples involving FTE. In addition, information is included on transportation corporations, a concept supported by law but not frequently utilized in Florida.

The overarching theme: utilize the financing capabilities of FTE to leverage private capital and to solve broad regional transportation needs of both FTE and the FDOT by partnering with local leadership and private investors to create a sustainable return on investment through job creation and enhanced property values.

The Public Need

An unusual opportunity exists in the Central Florida hills along the Lake Wales Ridge. The engineers that in the 1960s planned Florida's Turnpike strategically placed the toll road traversing the ridge and providing a unique view south and east toward Lake Apopka and Orlando. The result is a series of spectacular views from unexpected topography in the center of the peninsula. At Mile Marker 279, the Lake Wales Ridge runs north-south as the Turnpike extends northwest-southeast creating a crest on which the highway begins a gentle descent into Orange County. A proposed Turnpike interchange at this location would be 22 minutes from downtown Orlando.

The approved Hills of Minneola DRI (Development of Regional Impact) was annexed and entitled by the City of Minneola after coordination with Lake County and the East Central Florida Regional Planning Council. Originally proposed as a developer-driven project, the proposed interchange has evolved through the planning process into a regional interchange to provide regional traffic relief. The DRI also evolved from a predominately residential development proposal into a proposed employment center with land designated for industry, offices, retail and public facilities, as well as residential uses.



Just south of the DRI is State Road 50, extending west from downtown Orlando into south Lake County. Throughout the last two decades, the corridor has been the focus of rapid development creating a sprawling pattern from the metropolitan center of Orlando through the communities of Pine Hills, Ocoee, Winter Garden, Oakland, Clermont, Minneola, Groveland and Mascotte. By 2005, four-lane SR 50 was so overloaded with traffic that the Metropolitan Planning Organizations for Lake and Orange counties raised the funding priorities of SR 50 segments resulting in today's ongoing construction of a six-lane facility.

Meanwhile, just west of the Hills of Minneola DRI extends US 27 north-to-south just two miles from the proposed Turnpike interchange. The federal highway part of Florida's Strategic Intermodal System transitions from a four-lane to six-lane facility in Minneola as it continues south crossing SR 50. Substantial investment by FDOT has occurred on the criss-crossing network of SR 50 and US 27. Now that the two facilities are nearing completion of upgrades to six lanes, it is imperative to have strategies to optimally



manage the new capacity. Strategies include investments in transit and into the local road network. Projected to be one of the more effective strategies is the provision of an alternative for commuters currently locked into SR 50 as their only option.

Motorists in the south Lake County sub-region including Clermont, Minneola and Montverde have only one east-west option in SR 50. The state road connects east just across the Orange County line with Florida's Turnpike. From the interchange of SR 50 and the Turnpike, it is 16 miles north to the next interchange. Like a pipeline ready to burst, the volume of traffic has reached capacity along SR 50. Today's traffic plus the traffic to be generated by

approved developments will cripple the corridor into gridlock. SR 50 is in need of a relief valve. The Minneola Interchange would provide that relief.

The Pieces of the Puzzle

The following are the components of the project:

- (1) The Minneola Interchange
- (2) The Local Network of Regional Roads
- (3) The Turnpike Mainline
- (4) The Preservation of SR 50 and US 27.

The total project involves multiple cogs working in unison to promote an effective transportation network. The salvation of SR 50 and US 27 is the creation of a new release valve for the traffic pressure plaguing the SR 50 corridor in Lake County. The interchange may provide relief for regional traffic, however, a local road network must be provided to the new interchange.

The Minneola Interchange

The interchange is proposed to be built upfront as a regional facility rather than being phased over time at a cumulatively higher cost. Because the interchange is meeting a regional need by providing a much-needed option to access the Turnpike, the facility should be approached comprehensively to meet that regional need while also providing access to the proposed employment center and surrounding residential developments.

The Local Network of Regional Roads

The local network consists of a regional spine road crossing the Turnpike that extends south to SR 50 as an extension of North Hancock Road. To the north, the spine road connects to a county road network of CR 561A and CR 561. To the west of the interchange is Citrus Grove Road connecting to US 27. As the interchange is developed, the local road facilities maintained by Lake County would be expanded to four lanes through public-private partnerships among Lake County, the City of Minneola and land developers. Priority is given to improving North Hancock Road and then Citrus Grove Road. Connection to the road network to the north is likely to be phased as the DRI expands beyond the employment center around the interchange.

The Turnpike Mainline

Also acknowledged is the pending expansion of the Turnpike Mainline. The Mainline has been expanded to eight lanes from Orlando north to the SR 50 interchange. A study is underway from SR 50 to I-75 in Sumter County to determine if six or eight lanes will be needed. Opening of the Minneola Interchange may expedite the need for the Turnpike to be widened to either six or eight lanes. However, the interchange also provides a direct benefit to FTE by relieving pressure on the SR 50 interchange and toll collection facilities. Furthermore, the construction of an interchange in Minneola does more than simply redirect existing toll-paying motorists, it also creates additional revenue through tolls by creating a node of land uses resulting in a net benefit to FTE.

The Preservation of SR 50 and US 27

An important financial factor of the Minneola Interchange is the positive effect the new access will have on existing state network facilities. With US 27 a Strategic Intermodal System facility and with the six-lane capacity complete from Minneola to SR 50, construction of the interchange and completion of local road network improvements will prolong the life of the finite capacity on the federal highway. This is significant to the state economy as US 27 is a critical corridor for statewide and regional goods movement with the highway running north-south connecting the Turnpike to Interstate 4 and SR 60, all Florida SIS facilities. Meanwhile, SR 50 nears completion as a six-lane facility throughout most of Orange County into Lake County to US 27. The state road crosses the county line on a land bridge between Lake Apopka and John's Lake, thus removing the option of a parallel road to relieve traffic congestion. The other significant parallel facility is the Turnpike, as SR 50 crosses under the Turnpike in Oakland in Orange County. Construction of the Minneola Interchange would remove a significant portion of the commuter traffic originating north of SR 50.

The Partnership

The partnership would involve multiple entities both public and private, each with a specific role. Entities included in the proposed partnership are:

- (1) The City of Minneola
- (2) The State of Florida
 - A) The Florida Department of Transportation
 - B) Florida's Turnpike Enterprise
- (3) Private Landowners and Developers
 - A) Family Dynamics, Inc. – Hills of Minneola
 - B) Founders Ridge
 - C) Minneola Ridge
 - D) Sugarloaf Mountain DRI
 - E) Black West
 - F) Smoak Property
 - G) Additional approved/built developments that have committed or dedicated ROW
- (4) Lake County Board of County Commissioners
- (5) The City of Clermont
- (6) Lake-Sumter Metropolitan Planning Organization

The City of Minneola

The City of Minneola is the entity that annexed and entitled the approved DRI with land uses. A phasing plan for the DRI is monitored and enforced by the city. The landowner has the ability to develop a small Phase I without the interchange in place. However, economic realities have illuminated the need for the new access to the Turnpike, which would catalyze demand within the DRI. The municipality's responsibilities include spearheading the partnership by coordinating with the various partners and enforcing private-sector obligations tied to development approvals. The city has a direct role in securing right-of-way for the local road network through development agreements. For example, all of the land needed for right-of-way to accommodate the regional interchange is to be provided by Family Dynamics, Inc. Other developments have right-of-way pending for the regional road network leading to the interchange.

The State of Florida

The State of Florida would have a role through the Florida Department of Transportation and its subsidiary Florida's Turnpike Enterprise. FTE deals with the specifics of the proposed interchange while FDOT sees a benefit to the state network including US 27 and SR 50. FTE would continue to partner with Family Dynamics, Inc., the landowner managing the Hills of Minneola DRI. The private landowner has been working with FTE on a Planning Development and Environment Study, which is essentially complete, and on an Interchange Justification Report, a document prepared by FTE.

Private Landowners and Developers

The keystone landholding is the Hills of Minneola DRI, due largely to the proposed interchange and employment center. Surrounding entitled lands are designated for predominately residential uses. The City of Minneola and Lake County have been working for the last decade with multiple landowners on the future road network leading to the future interchange. As properties have been annexed by the city and as development approvals have been granted, right-of-way obligations have been memorialized. Landowners and developers have worked with the county and city governments on planning efforts and on design of the North Hancock Road extension, as well as Citrus Grove Road and Fosgate Road. In addition to right-of-way obligations, landowners/developers will be assisting in either the actual construction of or the funding of road improvements. At a minimum, impact fees are likely to be paid at the time of actual development. For the larger-scale developments, pay-as-you-go or developer construction will lead to the development of the local network of regional roads.

Lake County Board of County Commissioners

The Lake County Board of County Commissioners, through the BCC's Public Works Department, maintains a county road network that includes regional roads like North Hancock Road, Citrus Grove Road, CR 561A and CR 561, all of which are part of the future network to the Minneola Interchange. Lake County's role is to guide the funding, engineering and development of the local network of regional roads. The county will only be able to accomplish this only through partnerships with Minneola, Clermont and the MPO. In addition, the network of regional roads would serve as an ideal candidate for the State of Florida's Transportation Regional Incentive Program (TRIP) through the FDOT.

The City of Clermont

The City of Clermont is also a partner in the road network as the city has annexed land between Minneola and SR 50. The Black West landholding lies between the future interchange and an existing four-lane roadway, North Hancock Road. The city is working with the landowner on the dedication of needed right-of-way for the regional roadway extension.

Lake~Sumter Metropolitan Planning Organization

The Lake~Sumter Metropolitan Planning Organization works with all entities to accomplish transportation partnerships. The MPO, comprised of committees and a Governing Board representing Lake and Sumter counties and their 19 municipalities, plans and prioritizes regional transportation needs. The MPO has been a partner in planning and implementing improvements to US 27 and SR 50. The MPO is also in charge of the regional transportation plan for the two counties. The MPO's newest plan, *Transportation 2035*, identifies the interchange and local network of regional roads as cost-feasible projects, but only through public-private partnerships with approximately half the cost of the interchange and local network coming from private sources.

A Partnership of Funding Sources

Funding the Interchange

Initially, the interchange was conceived as a developer-driven, simplistic facility with capacity to handle traffic generated by the proposed development. However, as the concept was analyzed by various entities including FTE and the Lake~Sumter MPO, it became apparent that a regional opportunity exists. Fortunately, the landowner shared this vision and transformed what was originally conceptualized as a predominately residential development into a regional employment center complete with regional transportation facilities.

For this reason, the landowner/developer is very much at the table as a funding partner. However, a major obstacle blocks the genesis of this new regional center: sufficient financial capital to accomplish the regional need. The landowner could explore options to scale back improvements into a phasing plan that would ultimately result in greater long-term costs. However, with construction costs currently at an enticingly low level, the landowner, Family Dynamics, Inc., is prepared to mobilize approximately half the necessary capital to accomplish the regional interchange.

FTE staff negotiated terms with Family Dynamics, Inc., making an offer that would require the developer to build the regional interchange and then receive a slow payback from toll revenues of half the cost over a 30-year period. In the old economy, some developers may have found the offer sufficient to sustain a pro forma. However, the new economy has not left many land investors with excess capital to invest for such a lengthy duration.

In this new economy, Florida's Turnpike Enterprise must operate in a manner epitomizing an enterprise and symbolizing Governor Scott's mantra of getting Florida Back to Work. In the case of the Minneola Interchange, it should be the capital of the State of Florida through FTE investment providing the other half of needed capital to catalyze a much-needed and well-planned employment center.

Operating as an enterprise, FTE has the ability to allow the net toll revenue resulting from the new interchange and associated development to repay the initial investment over that same 30-year period, a concept appropriate for a stable governmental enterprise such as FTE and a role not feasible at this time for the private sector. In reality, the payback of the initial investment would occur much sooner based on traffic modeling and revenue forecasting conducted by FTE. However, the continued revenue from the new toll facilities, once the interchange investment is repaid to FTE, would contribute along with other funding sources to the future widening of the Turnpike Mainline.

Funding the Local Network

The local network of regional roads is primarily a partnership among the City of Minneola, Lake County and the development community. Planning of the network has already occurred and the spine of the network has already been designed. The city, county and MPO are actively working together to solidify right-of-way commitments and needs. Construction in phases can commence within the year.

One mechanism that the City of Minneola and Lake County may explore is the establishment of a Municipal Service Benefit Unit (MSBU) for a district that would contain the various landholdings to benefit from the enhanced access. An MSBU could provide a financing mechanism to assist in amassing the capital to build phases of the local network of regional roadways. However, the MSBU should be restricted to cover only the cost of the developments' impacts within the MSBU district.

In addition to the partnership between local governments and developers, the State of Florida has a potential role. In light of the benefits to the FDOT network including US 27 and SR 50, the extension of North Hancock Road would be an ideal candidate for the FDOT grant incentive program, TRIP (Transportation Regional Incentive Program). The state program incentivizes regional partnerships by offering state grants to regionally significant projects that benefit the state network. In this case, a grant could easily be justified for a local regional roadway already designated by the Lake~Sumter MPO as "regionally significant." In addition, the grant would aid a public-private partnership consisting of multiple entities. A state grant could aid in up to half the cost of right-of-way and construction. Should TRIP be insufficiently funded, perhaps another state grant program could meet the regional transportation and economic development needs.

Funding New Capacity for the Turnpike Mainline

Once FTE funding is committed to provide half the capital for the Minneola Interchange, toll revenues from the interchange will pay back the initial investment. After payoff occurs, toll revenues will be available to assist in paying for the inevitable widening of the Turnpike Mainline (SR 91). However, the widening of the segment between SR 50 and the future Minneola Interchange is not dependent solely on the tolls from the new interchange. Toll collections from the entire 460-mile Turnpike system cover the costs

of maintenance, planning, engineering, right-of-way, new capital projects and debt service. The construction of the interchange alone does not necessitate the Mainline widening; the widening need is necessitated by growth of traffic onto the Mainline, I-75 to Miami, with the interchange serving only as a minor contributing factor.

Value of Preserving Network Capacity

Again, FTE is in essence a district of the FDOT. As an enterprise, the opportunity to benefit the greater network within a region should be heavily considered as FTE investments are made. FTE is well-known as a highly-professional efficient operation. However, FTE is often viewed as an entity independent from the FDOT. The Minneola Interchange provides a model opportunity to demonstrate FTE's ability to aid the FDOT mission of preserving and enhancing the state transportation network. The quantifiable benefits to US 27 and SR 50 have a financial value to the State of Florida. Better managed capacity will result in lower maintenance costs and the elimination of strategies with low cost-to-benefit ratios, such as widening to eight lanes.

The Payoff

Under the leadership of Governor Rick Scott, the Florida Department of Transportation in unison with Florida's Turnpike Enterprise have an opportunity to engage in an ideal demonstration project of a 21st century public-private partnership. The investment in transportation infrastructure will catalyze the private investment into a much-needed employment center in Lake County. The Hills of Minneola is at an ideal location along the Turnpike Mainline for a new center of activity to reverse a non-sustainable commuter pattern of Lake County residents to Orange County jobs.

The solution is simple: mobilize FTE capital matched with private capital from the development consortium located around the interchange. Private investors pay for the impact of private developments while FTE covers the remaining cost of a regional interchange benefiting a far greater region beyond the interchange area. FTE investment is paid back through toll revenues from the interchange while the FDOT benefits from the ease of pressure on US 27 and SR 50.

The cities of Minneola and Clermont will work with Lake County and developers to accomplish construction of a road network to the future interchange. The local partnership will result in a request for state grant funding for the regional transportation and economic development project. Due to multiple partners, public and private, and due to the regional context of the network, the request should qualify for the state's Transportation Regional Incentive Program (TRIP).

A payoff is a model demonstration project to show that innovative partnerships can be forged involving private investment coupled with multiple public entities investing in infrastructure that truly enhances the greater network. The real payoff is the creation of short-term and long-term jobs and a sustainable community complete with a desperately needed employment center. Jobs located close to where people live, shop and play is the key to quality of life. The Hills of Minneola provides an opportunity for the State of Florida to invest in a quality-of-life project with a substantial return on investment.

APPENDIX: Relevant P3 Case Studies

FLORIDA CASE STUDIES

Polk Parkway/Pace Road Interchange: The Polk Parkway/Pace Road Interchange is being constructed as the result of a public-private partnership between the Florida Department of Transportation-Florida's Turnpike Enterprise, USF Polytechnic, the City of Lakeland, the Polk County Board of County Commissioners and The Williams Company. The partnership emerged when the interchange was recognized as the keystone piece of infrastructure necessary to bring about positive economic impacts to the region. This recognition came with the understanding that economic development opportunities and job creation will not come without an investment in infrastructure.



The interchange is located about one mile south of I-4 on the Polk Parkway. It will cost about \$40 million and is scheduled to open in the fall of 2011. It is part of a larger project that will add two lanes to the Parkway from the interchange north to Interstate 4.

The idea of the interchange was brought forward in 1998 by The Williams Company who owns the parcel of land occupying a large area of the southwest quadrant of the intersection of Interstate 4 and the Polk Parkway. The Williams Company wanted access to its property from the Parkway to accommodate its future development plans, so it donated the property necessary for construction of the Pace Road Interchange. Williams also agreed to fund a portion of the construction as part of an agreement with Florida's Turnpike Enterprise.

The need and benefits of an interchange at Pace Road became apparent as Polk County moved forward with its plans for the Polk Commerce Centre DRI located across the Polk Parkway from The Williams Company property, which by this time had become an approved DRI. Then in 2004, The Williams Company agreed to donate land to USF for a new campus on its property located on the south side of its property. The Pace Road interchange would be critical for access to the campus.

The need and benefits of an interchange at Pace Road became

Other development approvals in the general area such as the Lake Myrtle Sports Complex in Auburndale and Merlin Entertainment's LegoLand theme park in Winter Haven have created the

need for more infrastructure projects, including the Polk Parkway widening, a “ring” road on the USF campus site, the new east-west connector highway from SR 33 to the Pace Road interchange, construction of a four-lane Pace Road from Berkley Road to the interchange and the extension of Berkley Road to the Polk Commerce Centre.

Florida’s Turnpike Enterprise, Polk County, and the City of Lakeland have all made generous financial commitments to the project. The Turnpike funded the design and construction of the interchange along with widening the Polk Parkway. Through a CRA for the area the county put in place in 1992, the county was able to fund both the Pace Road and Berkley Road projects. The Williams Company has contributed \$9.5 million to cover the interchange funding “shortfall” – the amount the Turnpike cannot fund due to legislative restrictions on its ability to bond projects. Additionally, Williams has donated the property for the interchange, the school, and right-of-way for the east-west connector road.

All project partners believe USF Polytechnic campus will catalyze economic development and opportunity in Polk County by attracting more jobs and businesses from the technology sector. An Economic Impact Analysis conducted for the school determined that the direct employment at USF Polytechnic will be more than 1,000 jobs at build out and that the planned research park and retail development on The Williams Company’s adjoining property along Interstate 4 will generate an additional 24,000 jobs. The estimated property taxes generated by the development for the Polk County School System are \$43.7 million annually and \$39.7 million for Polk County Government. The infrastructure projects will create an additional 6,600 jobs in the local economy with an estimated \$163 million impact on earnings, according to the Economic Impact Analysis.

The Kissimmee Park Road/Turnpike Interchange –The Kissimmee Park Road Interchange is an example of how a collaborative effort between three agencies can bring a vision to resolve a transportation need to reality. The project came about as the City of St. Cloud desired to provide a different housing product and a corporate park product within their city. Part of their goal was to provide additional housing, more upscale from what presently was being offered within St. Cloud and to change the city’s image with an upscale business park resulting in a greater property tax base for their city. City officials first discussed the idea about ten years ago. But it wasn’t until plans for the expansion of Kissimmee Park Road began to solidify that serious talks began and the city decided to move forward on the Stevens Plantation development.



The Stevens Plantation was designed by the city to create a variety of economic opportunities and transportation enhancements for all the citizens of St. Cloud. The centerpiece of the development is the 100-acre Corporate Campus business park, a key ingredient in the city’s efforts to expand the base of higher-paying jobs within the city.

The interchange is a half-diamond configuration interchange on Florida's Turnpike at Kissimmee Park Road in Osceola County. This \$18.9 million project included the construction of SunPass-only ramps, the reconstruction and realignment of the Kissimmee Park Road Bridge over Florida's Turnpike and reconstruction of Kissimmee Park Road. Additionally, the existing overpass was replaced to accommodate the future widening of the Turnpike mainline. Construction was completed in January 2007.

In 2002, Osceola County and the City of St. Cloud passed resolutions of local support for a proposed interchange on Florida's Turnpike at Kissimmee Park Road. The interchange was viewed as a vital component of an expanded transportation plan and economic development package for St. Cloud and Osceola County. On June 12, 2003, Florida's Turnpike Enterprise (Turnpike) agreed to enter into a joint partnership agreement with the city and county to design and construct the interchange. The Turnpike committed to have the interchange substantially complete and open to traffic by December 2006, allowing just 42 months for a process that normally takes between 7 and 10 years.



In the same agreement, the City of St. Cloud committed \$3 million in capital towards the construction of the interchange, \$1.5 million for the county plans to widen Kissimmee Park Road and supplemental improvements to the intersection of Kissimmee Park Road and Old Canoe Creek Road. By doing so, the city could ensure that the county work to Kissimmee Park Road and improvements to Canoe Creek Road would be done in time for the Turnpike work. The county agreed to conduct the drainage calculations and provide drainage plans for Kissimmee Park Road to the Turnpike for incorporation into the interchange design.

Becker Road/Turnpike Interchange - The Becker Road Interchange with Florida's Turnpike (SR 91) was 100% funded by developers through a Special Assessment District administered by the City of Port St. Lucie. It is the first interchange totally funded by developers on Florida's Turnpike. The interchange is located almost midway along a nine-mile stretch of the Turnpike between the exits of FL 714 Stuart and the Port St. Lucie Blvd interchange.

Funding for the Becker Road project came from the Tesoro Special Assessment District named after the nearby high-end Tesoro development that was being built by the Ginn Company. The District put up \$20 million for the interchange and a similar amount of money for other roads in the area including upgrades to Becker Road. For the interchange the Ginn Company fronted \$3.9 million as did another big local developer, Huizenga Holdings, for a total of \$7.8 million. About \$12 million of borrowed funds were spent by the Assessment District but were repaid from a fee or levy on the sale of each unit in the Ginn and Huizenga developments.



The developer financed district is administered by the City of Port St. Lucie, which managed construction of the interchange, assembling land, hiring engineers, getting bids and managing construction. The interchange could not have been justified by the extra toll revenue alone and so could not be financed by the Turnpike Enterprise. It is a direct result of the partnership between the City of Port St. Lucie, Florida's Turnpike Enterprise and private developers.

NATIONAL CASE STUDIES

Transportation Corporations

A few states, such as Texas, Missouri and Florida, allow private individuals and local governments to form non-profit corporations for the planning and development of transportation projects. These corporations primarily focus on achieving or expediting major transportation projects and are governed by a board of directors, under the oversight of a state transportation commission.

Transportation Corporations are not only innovative, but also interesting in their design - members of the general public form a non-profit corporation that in turn serves as a quasi-governmental agency. Further, it partners and shares roles with a public agency (the state Department of Transportation) and contracts services with a private firm to perform certain governmental (public) roles, such as construction management. While the arrangement may sound complicated, it actually brings more resources to a project, and allows each partner to focus on their area of responsibility. The result is increased speed in bringing a project to fruition through direct and efficient funding, project management, and construction.

Texas Transportation Corporations:

The Texas Transportation Corporation Act of 1995 authorized the creation of nonprofit entities with broad powers to plan, develop, and maintain transportation facilities that are part of the federal or state highway system. Stated purposes of transportation corporations in the State of Texas are:

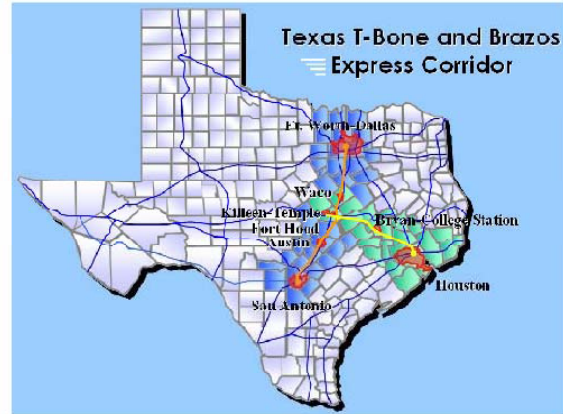
- 1. "the promotion and development of public transportation facilities and systems by new and alternative means;*
- 2. the expansion and improvement of transportation facilities and systems;*
- 3. the creation of corporations to secure and obtain rights-of-way for urgently needed transportation systems and to assist in the planning and design of those systems;*
- 4. the reduction of burdens and demands on the limited funds available to the commission and an increase in the effectiveness and efficiency of the commission;*
and,
- 5. the promotion and development of transportation facilities and systems that is public, not private, in nature, although these facilities and systems may benefit private interests as well as the public."*

A corporation may work directly with property owners, local and state governmental agencies, and elected officials to promote and develop a transportation facility or system. Corporations may accept donations, issue bonds or notes, and otherwise borrow money for operating or project-related expenses. The legislation specifically authorizes corporations to receive

contributions of real property for needed right-of-way and/or cash donations for purchase of right-of-way, and to establish a formula to determine the amount of cash donations from affected property owners and others necessary to cover the cost of services performed by the corporation or its consultants.

Texas High Speed Rail and Transportation Corporation - In 2002, a group of transportation experts and elected officials formed the Texas High Speed Rail and Transportation Corporation, hoping to spur the development of a high-speed rail passenger system and a multi-modal corridor named the "Texas T-Bone."

The Texas T-Bone area comprises nearly 78 percent of the state's population; so within its boundaries come many residential, commercial and industrial customers. One of the goals of the group is to change legislation to include the Brazos Express Corridor route as a nationally recognized high speed rail corridor. The group continues to search for multi-modal partnerships and funding and has discovered that commercial revenues alone from the state's numerous cargo shipments across the US and with Mexico could fund nearly 42 percent of the heavily traveled corridor



Fort Bend Parkway Association and Fort Bend County Toll Road Authority –

The Fort Bend Parkway Association consists of a five-member board and was formed as a transportation corporation in the early 1990s to address consistent delays in developing a toll road along the heavily traveled north-south corridor of State Highway 6 to U.S. 90A. The association conducts feasibility and alignment studies specifically for the Texas Department of Transportation. The costs of the association, such as consulting firm fees, are funded by Fort Bend County from a special fund. "The Fort Bend Parkway Association essentially oversees the efforts and makes recommendations to the county engineer, to the county attorney, and to the Commissioner's Court to pay the invoices of the consultants," according to board member Robert Randolph. With its toll road powers, the association supported the development of the Fort Bend Parkway. Separate from the association, is a similar local government corporation known as the Fort Bend County Toll Road Authority (FBCTRA). The Fort Bend County Commissioner's Court later created the FBCTRA with



powers to aid the county and act on its behalf as well as oversee its toll road projects. After citizens approved a \$140 million bond, the FBCTRA began construction on these two long-awaited toll road projects: the Fort Bend Parkway Toll Road and the Fort Bend Westpark, opening to the public in 2004 and 2005, respectively.

Missouri Transportation Corporations:

Growing traffic congestion, limited state funds, and limited availability of roadways in many areas of the state, led the Missouri legislature to authorize the formation of transportation corporations in August of 2005. This recent legislation builds on those laws enacted in Texas and Florida and as such provides a good model of how such legislation might be structured. Roles of transportation corporations noted in the legislation include (§238.305.1):

- *to secure and obtain rights-of-way for urgently needed transportation systems and to assist in the planning and design of such systems;*
- *to perform many functions normally undertaken by the state transportation commission and its staff, and thus reducing the burdens and demands on limited funds available to the commission; and,*
- *to promote and develop public transportation facilities and systems and thereby promoting economic development in the state.*

In addition to purchasing land or receiving contributions of land and cash for project right-of-way, transportation corporations may also be authorized to (§238.332):

- *limit and control access from adjacent property to a corporation project; and*
- *sell and convey excess right-of-way for fair market value to any person or entity.*

Highway 63 Widening Project in Kirksville, Missouri - For decades, north central Missouri residents wanted a 22-mile two-lane stretch of Highway 63 between Macon and Kirksville expanded to four lanes to improve safety and stimulate economic development. In 1992, the



Highway 63 project as well as several others across the state became part of a statewide improvement plan. However, in 1998 many of the projects in the improvement plan (including Highway 63) were deferred until 2020 or later, due to funding constraints.

Kirksville residents and business leaders decided to take action, and met with leaders from Missouri Department of Transportation (MoDOT) and Missouri Highway and Transportation Commission (MHTC). Even though the Highway 63 project had been stalled, MHTD was receptive to moving the project forward if supplemental funding from local sources could be found so the residents of Kirksville decided to form their own transportation corporation.

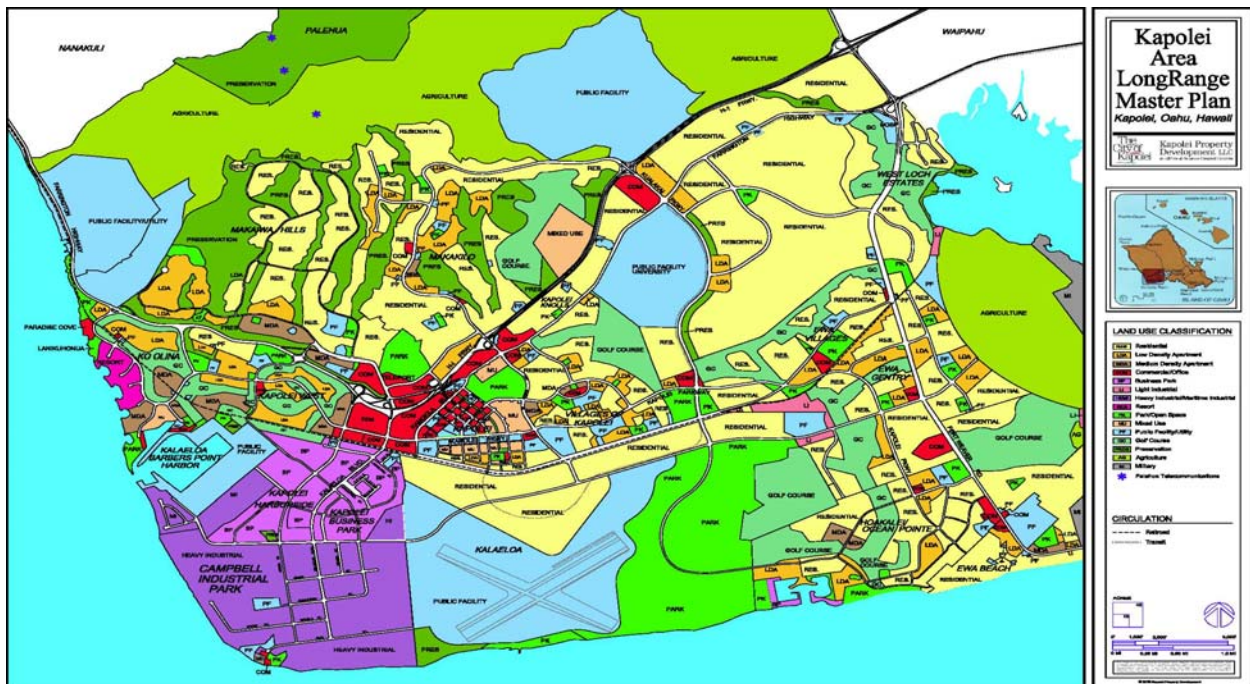
A task force was set up to find a way to acquire funding and develop the project. Ultimately, the task force recommended that the rights granted in the legislation be exercised and, with guidance from MoDOT's District 2 office in Macon, the Highway 63 Transportation Corporation was born in April 2000. Corporation membership included private residents from local communities, as well as Board representation from Adair, Macon, and Schuyler Counties; the Cities of Kirksville, Macon, LaPlata, and Atlanta; and the Kirksville Area Chamber of Commerce.

Once the Transportation Corporation was formed, a Request for Proposal was issued for the work that included a construction management plan to accelerate the expansion project, a site-specific pavement design, and a 15-year pavement rehabilitation and reconstruction contract to ensure quality and performance. To fund the project, the Highway 63 Transportation Corporation proposed to seek a one-half percent increase in sales tax from the citizens of Kirksville to provide up to 30 percent of the project's total cost.

The Transportation Corporation received the MHTC's endorsement, but they still needed voter approval. The Kirksville City Council placed the question of whether or not to increase their sales tax by one-half percent for 10 years to generate revenue for expanding the highway on an April 2, 2002 ballot. The tax passed by a margin of 78 percent in favor to 22 percent against.

According to funding predictions, MoDOT would not have been able to build the new lanes on Highway 63 until 2020 or later. Under the leadership of the Highway 63 Transportation Corporation, and guidance of MoDOT, the project came to fruition almost two decades sooner. Using a transportation corporation to advance transportation projects, taxpayers not only have more control over where and when their highway dollars are being spent, but they know that their sales taxes are being spent for the long-term betterment of the community through an improved infrastructure facility they voted to improve.

Kapolei Parkway (City of Kapolei) – The Kapolei Parkway is one of six needed major transportation improvements that have been identified by the local government for the region as part of the "Ewa Highways Master Plan." These six improvements were prioritized for funding to provide a solution to traffic congestion in the City of Kapolei. The Kapolei Parkway provides an alternate route through the City of Kapolei, greatly improving traffic flow conditions between the residential areas and the commercial areas of the city.



Kapolei is an unincorporated community in Honolulu County, Hawaii on the island of Oahu. Kapolei is a second urban center for Oahu. Popularly called the Second City of Kapolei, it is not a legal municipal corporation and thus not properly a city. Kapolei sits on former sugarcane and pineapple fields.

The Parkway project was financed by partnership of private sector developers, the City and County, and the State of Hawaii Department of Transportation. Developers with property in Kapolei paid impact fees and donated right-of-way. Additional funding came from appropriations from the public sector partners.

The city entered into an agreement with Kapolei Property Development to construct a mile-long section of Kapolei Parkway that was the responsibility of developer Kapolei Property Development. In exchange, Kapolei Property Development conveyed to the city 34 acres of prime land in in the core of downtown Kapolei. The city had the authority to create and implement a development plan for the property. It also had the option of selling or leasing the property valued at \$60 million. Factoring the value of the land and the cost of constructing the road, the city netted an estimated "positive benefit" of \$24.1 million. The city was able to speed up the construction of its portion of the roadway by using federal dollars while working through the public-private partnership agreement with the property owners.

D.R. Horton, one of the private developer partners, will invest a total of approximately \$10 million in area infrastructure. Kapolei Property Development, the largest private development partner, wanted construction of the projects to occur as quickly as possible. Coordinating with the city, Kapolei Property Development built a one-mile section of the Parkway at a cost of \$15 million and contributed an additional \$10.9 million needed for construction of four other projects, which the city fast-tracked through the permitting process.

Route 29 Slip Ramp Project located in the municipalities of Charlestown Township, East Whiteland Township and Tredyffrin Township, Chester County, Pennsylvania:

The \$83 million Route 29 Slip Ramp Project has been on the boards since 1995 and construction is slated to be completed in spring 2012. The ramp will connect Route 29 to the Pennsylvania Turnpike and will provide access to and from such business parks as the Great Valley Corporate Center, the Commons at Great Valley, Atwater and business districts in Malvern and Paoli.

The Route 29 Slip Ramp is part of \$523 million worth of transportation projects in the region that are designed to ease traffic congestion and boost the local economy. In addition to the slip ramp, the Pennsylvania Turnpike Commission is scheduled to widen from two to three lanes the six miles of Turnpike within Tredyffrin Township.

The design work for the slip ramp project was initially begun in 2002. The construction area will cover one-half mile along the Turnpike in three separate Chester County municipalities: Charlestown Township, East Whiteland Township and Tredyffrin Township. The project has been enthusiastically supported by all three as well as the county.

The project attracted the attention of companies like Trammell Crow, the majority owner and developer of Atwater, a 388 acre infill Brownfield redevelopment located at the intersection of State Route 29 and the Pennsylvania Turnpike. Atwater is being transformed into a corporate office park that could generate up to 10,000 new jobs. Trammell Crow has invested over \$10 million in off-site highway and utility infrastructure improvements and worked closely with Penn DOT and the Turnpike Commission to improve regional transportation. Developers who have made large investments in area recognize the project will be invaluable for current and future employers that are looking for a convenient location that will attract the best employees and retain current ones.



Other large developments such as the Great Valley Corporate Center, the Commons at Great Valley have been counting on the project to reduce congestion and provide better access to the corporate centers nearby. The Route 29 Slip Ramp will cut the commute time of the average employee by over 30 minutes and do more for the economic development of the region than any investment made to date.

The project has encountered several setbacks over the last decade, the most recent occurring in March 2009, when the Turnpike Commission announced an inter-dependency between the Route 29 Slip Ramp Project and the Turnpike widening project between Mileposts 319 to 326 and put the Route 29 Slip Ramps on hold to resolve design issues with the widening project. The project remained on hold until the issues were resolved in August 2010.

The project finally began construction last year after the Turnpike Commission was made to fully understand how critical the slip ramp is for economic growth and job creation. Developers are certain infrastructure dollars will bring a \$1 billion investment from the private sector in construction of corporate and retail space in the region, creating 12,000 to 14,000 new jobs in the next decade. The Turnpike Commission, which first considered building a direct link with Route 29 utilizing E-ZPass approximately 12 years ago, has made a commitment to move expeditiously during construction; it anticipates the new junction will open to traffic in the fall of 2012.

The Route 29 interchange, the planned Turnpike widening and the section 300 Route 202 widening combined are a \$523 million transportation infrastructure investment in Chester County. The project will be funded by toll revenues without any state or federal tax dollars, however, this is a true private-public partnership as many of the companies that could have left Chester County have decided to stay because of the great opportunity the slip ramp will provide. Trammell Crow is committed to stay and has not only donated 9½ acres of its Atwater site to the Turnpike for the construction of the slip ramp, but has also installed a storm water culvert as part of a joint planning agreement with the Turnpike.

Virginia I-495 Capital Beltway HOT Lanes - This project will build fourteen miles of new HOT lanes (two in each direction) on I-495 between the Springfield Interchange and just north of the Dulles Toll Road. These HOT lanes will allow the Beltway to offer HOV-3 connections with I-95/395, I-66 and the Dulles Toll Road for the first time. When completed, buses, carpools and vanpools with three or more people, and motorcycles can ride in the new lanes for free. Vehicles carrying one or two people can either travel for free in the regular lanes, or pay a toll to ride in the HOT lanes. Tolls for the HOT lanes will change according to traffic conditions, which will regulate demand for the lanes and keep them congestion free - even during peak hours.

This project connects three of the most important travel corridors in the nation – I-95, I-66 and the Dulles Toll Road – that support our national security and nearly 30 percent of the Virginia's population.

In addition to the HOT lanes construction, 50 bridges and 10 interchanges will be rebuilt, and three new interchanges will be added at Jones Branch Drive, Westpark Drive and Route 29. The project will add new walking and bike paths, replace sound walls and build new sound walls to reduce noise impacts for surrounding neighborhoods. Construction is scheduled to last five years. The first outer two lanes were completed in 2010 and construction of the inner two lanes will take place from 2009-2012. Bridges and overpasses along the corridor will be rebuilt and lengthened. The HOT lanes will open to traffic in 2013.

The HOT lanes construction is a Commonwealth of Virginia project made possible through a public-private partnership with Virginia Department of Transportation as the lead agency in collaboration with the Federal Highway Administration and coordination with the Virginia Department of Rail and Public Transportation, Fairfax County and Capital Beltway Express, LLC, a joint venture between Fluor and Transurban. Partnering with the private sector allowed the project to capitalize on the best technology, financing methods, engineering and innovation, and as a result it moved forward much more quickly than would have been possible using traditional funding and construction methods.



The Beltway HOT lanes will be built under a \$2 billion private, federal and state funding partnership that includes:

- \$409 million from the Commonwealth
- \$349 million in private equity
- \$586 million in TIFIA Loan - *(backed by toll revenues)*
- \$586 million in Private Activity Bonds - *(backed by toll revenue)*
- \$69 million in interest income

Capital Beltway Express is investing funds to help pay for construction of the lanes. Under this partnership, VDOT will own and oversee the project. Capital Beltway Express will build, operate and maintain the HOT lanes, assume the debt, the construction risks and operations and maintenance costs.