



495 Express Lanes Northern Extension Project Financial Plan Annual Update

May 31, 2023

State Project Number(s): 0495-029-419

UPCs:

- **113414 I-495 EXPRESS LANES NORTHERN EXTENSION**
- **115401 I-495 EXPRESS LANES NORTHERN EXTENSION - PHASE 1**
- **116754 I-495 EXPRESS LANES NORTHERN EXT PH 1- VDOT OVERSIGHT & TMP**
- **120823 I-495 NEXT Transit Investment**

Table of Contents

EXECUTIVE SUMMARY	3
1. PROJECT DESCRIPTION.....	3
2. SCHEDULE.....	7
3. PROJECT COST	7
4. PROJECT FUNDS.....	8
5. FINANCING ISSUES.....	10
6. CASH FLOW	11
7. P3 ASSESSMENT.....	13
8. RISK AND RESPONSE STRATEGIES.....	15
9. ANNUAL UPDATE CYCLE.....	16
10. SUMMARY OF COST CHANGES	16
11. COST AND FUNDING TRENDS SINCE INITIAL FINANCIAL PLAN	16
12. SUMMARY OF SCHEDULE CHANGES SINCE LAST YEAR’S FINANCIAL PLAN	16
13. SCHEDULE TRENDS SINCE INITIAL FINANCIAL PLAN	16

EXECUTIVE SUMMARY

This document presents the Financial Plan Annual Update (FPAU) for the I-495 Express Lanes Northern Extension (495 NEXT) (the Project), prepared in accordance with the Federal Highway Administration's (the FHWA's) Major Project Financial Plan Guidance dated December 18, 2014 and in accordance with 23 USC §106(h).

The I-495 Express Lanes Northern Extension (495 NEXT) project is a public-private partnership between the Commonwealth of Virginia and Transurban to extend the 495 Express Lanes north by 2.5 miles from the Dulles Corridor to the George Washington Memorial Parkway interchanges near the American Legion Bridge. This important initiative will provide congestion relief, add travel choices, improve travel reliability and enhance safety on a vital corridor in Northern Virginia and the larger region. Additional benefits of the 495 NEXT project include four miles of new bicycle and pedestrian connections including a shared-use path parallel to I-495 from Lewinsville Road to near Live Oak Drive, replacement or rehabilitation of seven bridges with pedestrian accommodations, replacement of nine existing noise walls and construction of a new noise wall along Live Oak Drive in the vicinity of the George Washington Memorial Parkway interchange, environmental improvements introducing stormwater management facilities and funding restoration of the stream at Scotts Run, and dedicated funding to support transit improvements in the corridor including new bus service over the American Legion Bridge. 495 NEXT will also provide new and improved express lanes connections at the Dulles Corridor and George Washington Memorial Parkway interchanges.

Notice to Proceed was issued to the Design-Builder on March 1, 2022. The Project is well underway from a design perspective and Construction has commenced throughout the project corridor with bridge and roadway construction underway throughout the project corridor. The major design items underway include the Final Noise Abatement and Design Report, and finalization of multiple bridge and wall designs. Significant construction progress is planned for the 2023 construction season. The Virginia Department of Transportation (the Department) and the concessionaire are partnering to resolve open issues affecting the completion of the project.

1. PROJECT DESCRIPTION

1.1. SCOPE OF PROJECT

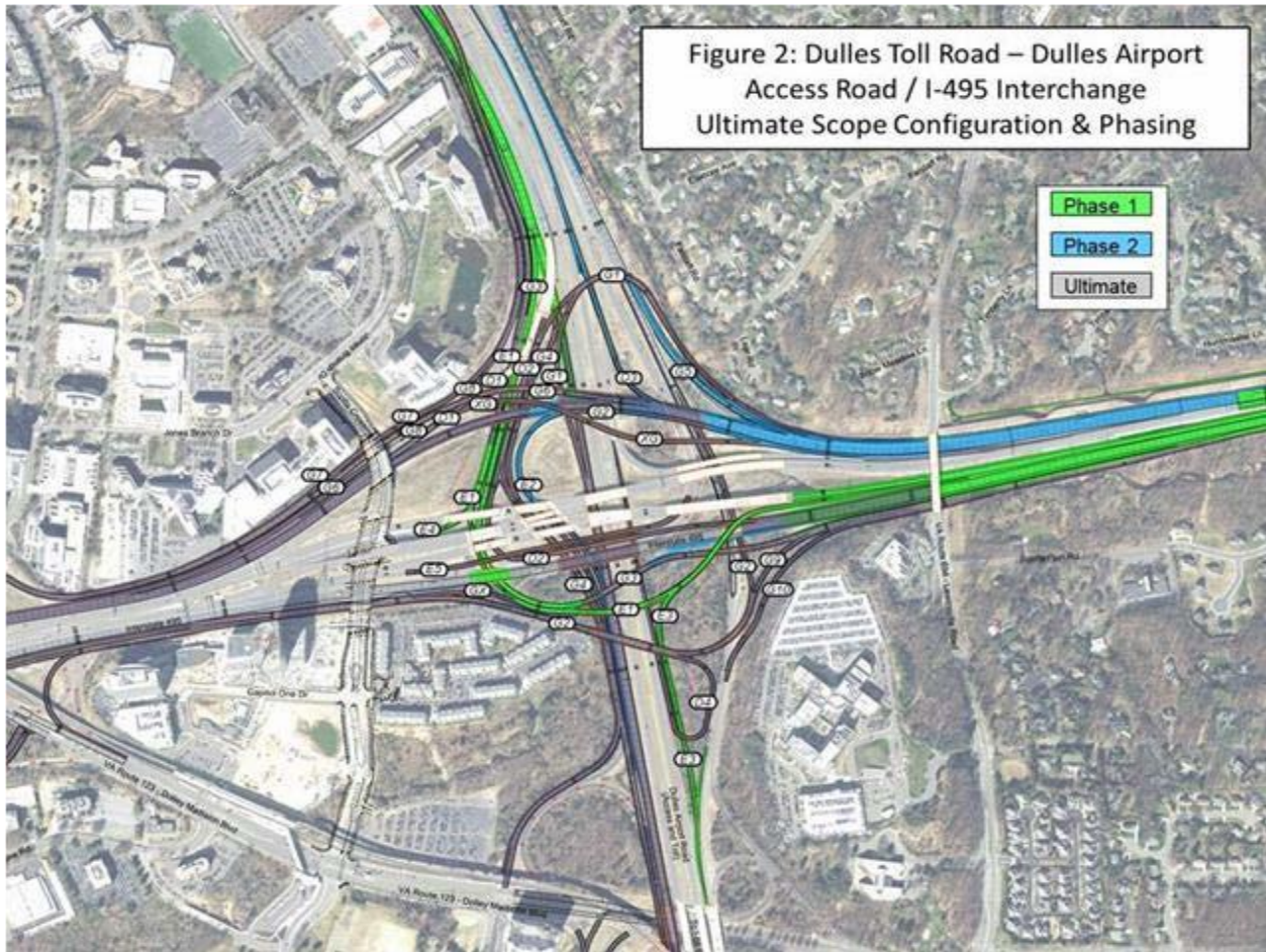
The 495 Express Lanes Northern Extension Project (the NEXT Project) is an approximately 2.5 miles extension of the 495 HOV/HOT Lanes (495 Express Lanes) in Fairfax County, Virginia. As shown in Figure 1.1 below, the Project will extend along Interstate 495 (I-495) from the current northern terminus of the 495 Express Lanes near Lewinsville Road, Route 694, to the vicinity of the George Washington Memorial Parkway (GWMP). I-495 currently operates with four general-purpose lanes in each direction along the Project corridor.



Figure 1.1 Project Map

The Preferred Alternative identified in the Environmental Assessment (EA) and Interchange Justification Report (IJR) and selected in Federal Highway Administration’s (FHWA) Finding of No Significant Impact (FONSI), includes a program of improvements. It was determined that the project should be developed in different phases to provide the most value. Therefore, the Virginia Department of Transportation (the Department) requested an *Operationally Independent and Non-Concurrent Construction* (OINCC) Determination from FHWA, which was approved on September 24, 2020.

A subset of the Preferred Alternative was developed and identified in the IJR as “Phase 1” to provide for a phased approach to delivering the Preferred Alternative, focused on continuous express lanes for the entirety of the Project’s approximately 2.5 miles length, as well as ramps connecting both directions of the Dulles Toll Road (DTR) to the northbound 495 Express Lanes, and ramps connecting the GWMP with the 495 Express Lanes to the south. Phase 2 includes additional future access ramps at the DTR interchange, as well as the interchanges of I-495 / Route 123 and Dulles Connector Road / Route 123, as shown in Figure 2 below. This proposed phasing was coordinated with FHWA and is documented in an OINCC Determination executed by FHWA on September 24, 2020. As a result, this Financial Plan update is limited to the 495 NEXT Phase 1 cost and financial resources.



1.2. PROJECT OBJECTIVE

The primary objective of the Project is to extend the 495 Express Lanes further north to provide additional capacity in the corridor, which will be available at no charge to HOV 3+ vehicles, and open to other authorized vehicles paying a toll. The Project will be subject to the same operating rules and regulations as the existing 495 Express Lanes, and when completed, will operate together with the 495 Express Lanes as a single, fully integrated express lanes facility between the Springfield Interchange and the GWMP.

The Project has been developed as a Concessionaire Project Enhancement in accordance with *Amended and Restated Comprehensive Agreement (ARCA) Relating to the Route 495 HOT Lanes in Virginia Project, dated December 27, 2021*. The Capital Beltway Express LLC (the Concessionaire) is responsible for the design, construction, financing and ongoing operations and maintenance of the Project in accordance with the terms of the Second Amended and Restated Comprehensive Agreement relating to the Route 495 HOT Lanes in Virginia Project.

1.3. PROJECT DESIGN FEATURES

The scope of the NEXT Project Phase 1 includes the design and construction (or installation) of the following:

- 2.5 miles of new two-lane HOT lanes in each direction (with full shoulders) from the existing northern terminus near Lewinsville Road, Route 694, to the George Washington Memorial Parkway and associated signage, lighting, sound walls, and traffic and tolling management systems.
- Northbound 495 general purpose (GP) Auxiliary Lane between DTR and Georgetown Pike (Route 193)
- New HOT Lanes (Express Lanes) access points with adequate merge lengths as follows:
 - Dulles Toll Road EB to 495 Express Lanes NB
 - Dulles Toll Road EB to 495 Express Lanes SB
 - Dulles Toll Road WB to 495 Express Lanes NB
 - GW Parkway WB to 495 Express Lanes SB
 - 495 Express Lanes NB to GW Parkway EB
- Parallel shared-use path along I-495 and improved bike and pedestrian facilities on three new bridges:
 - Live Oak Drive over the Beltway
 - Georgetown Pike over the Beltway
- Demolition and replacement of four existing bridges:
 - Live Oak Drive over the Beltway
 - Georgetown Pike over the Beltway
 - Old Dominion Drive over the Beltway
 - 495 GP NB over DTR EB to 495 NB Express Lanes (EL) & GP Lanes
- Four new Express Lane - Ramps bridge structures:
 - GW Parkway WB to 495 Express Lanes SB
 - 495 Express Lanes NB to GW Parkway EB
 - Dulles Toll Road (DTR) EB to 495 Express Lanes NB over Dulles Airport Road (DAR)
 - Dulles Toll Road EB to 495 Express Lanes NB over DTR/495 GP NB
- Modification of three existing bridges:
 - Lewinsville Road Bridge – reconfiguration of cross-section to provide enhanced pedestrian facilities
 - 495 over Scott’s Run Creek (widening)
 - George Washington Memorial Parkway over the Beltway (rehabilitation)

1.4. NATIONAL ENVIRONMENTAL POLICY ACT (NEPA) DECISION DOCUMENTS

In collaboration with the FHWA and the National Park Service (NPS), the Department prepared an EA for the proposed 2.0-mile extension of the 495 Express Lanes, in order to comply with the requirements of the National Environmental Policy Act of 1969 (NEPA), as amended, and its implementing regulations (40 Code of Federal Regulations [CFR] 1500-1508.9); the US Department of Transportation NEPA regulations (23 CFR Part 771); and the US Department of Interior NEPA regulations (43 CFR Part 46), NPS Director’s Order 12: Conservation Planning, Environmental Impact Analysis, and Decision making (2011) and its

accompanying handbook (2015). The Department began this EA in April 2018 when FHWA provided NEPA Concurrence for the EA and held public hearings in October 2020. A Finding of No Significant Impact (FONSI) for the NEXT Project was signed and received from FHWA on June 29, 2021. A FONSI was also signed and received from NPS on June 7, 2021.

1.5. PROJECT WEBSITE

Please visit following websites for the Project updates.

- VDOT 495 NEXT Project website: <http://www.495northernextension.org/>
- VDOT P3 Office project website: <https://p3.virginia.gov/projects/>
- Concessionaires website : <https://www.expresslanes.com/current-projects>

2. SCHEDULE

The baseline schedule dated May 20, 2022, reflects a commitment to a NEXT Project Service Commencement Date based on the Design-Build Extended Limited Notice to Proceed (ELNTP), and the NEXT Project Final Completion Date no later than 180 days following the Service Commencement Date.

As of February 28, 2023, the Design-Build Contractor is reporting a delayed completion of the Project of November 24, 2026. This is an approximate 178-day delay. It should be noted that the Department and the concessionaire are currently working with the Design-Build Contractor to implement corrective measures to the Design-Build Contractor’s schedule in order to achieve an on-time Project Completion.

Task	Start	Finish	Year 1		Year 2		Year 3		Year 4		Year 5		Year 6	
			2021		2022		2023		2024		2025		2026	
Limited Notice to Proceed	9/21	9/21			◆									
Notice to Proceed	3/22	3/22				◆								
Design	7/21	7/25												
RW/Utilities	8/21	7/25												
Construction	1/22	11/26												
Service Commencement	May-26													◆
Final Completion	Nov-26													◆

Figure 2.1 General Schedule Overview

3. PROJECT COST

The current base cost of the Project is \$641,723,921 in year-of-expenditure dollars. This cost includes all costs necessary to perform the preliminary engineering (including the cost of NEPA and other environmental documentation), traffic analysis (Interstate Access Report – IAR – addendums), right-of-way, environmental mitigation, construction, project management, public outreach, traffic management system improvements, congestion management plans, and costs of external third-party work.

Table 3.1 Concessionaire’s cost of \$559,323,951, which does not include financing costs to the Department.

Table 3.1 Concessionaire’s Capital Expenditures by Phase

UPC No.	Description	Phase	Estimate
115401	I-495 Express Lanes Northern Extension – Phase 1	PE	\$0
		RW	\$0
		CN	\$559,323,951
Total			\$559,323,951

Table 3.2 details the Department’s development and oversight costs of \$82.4million associated with the Project.

Table 3.2 Department’s Capital Expenditures by Phase

UPC No.	Description	Phase	Initial Financial Plan	Current Estimate	Current Expenditures as of 02/28/2023	Balance to Complete
113414	I-495 Express Lanes Northern	PE	\$19,799,970	\$19,799,970	\$18,412,855	\$1,387,115
116754	I-495 NEXT Ext Ph 1 VDOT Oversight &	RW ⁽¹⁾	\$5,000,000*	\$5,000,000*	\$0	\$5,000,000
		CN	\$52,400,000	\$52,400,000	\$0	\$52,400,000
120823	I-495 NEXT Transit	CN	\$5,200,000	\$5,200,000	\$0	\$5,200,000
Total			\$82,399,970	\$82,399,970	\$18,412,855	\$63,987,115

⁽¹⁾UPC 116754: RW cost is currently estimated as \$10,000,000 and will be funded by Transurban (TU); \$5,000,000 provided at the Financial Close. Should RW cost increase TU will provide additional \$5,000,000 at VDOT request at later time as outlined in Section 7.08(d) 495NEXT Project ROW Cost of the Second ARCA. Note that RW will remain open during construction.

4. PROJECT FUNDS

4.1. DEPARTMENT PROJECT FUNDING SOURCES

Project funding is demonstrated in the Metropolitan Washington Council of Governments’ (MWCOC) Constrained Long-Range Transportation Plan (CLRP) and Transportation Improvement Program (TIP), as well as the Commonwealth’s Statewide Transportation Program (STIP). The MWCOC amended its TIP on 4/3/2020 to include \$19,800,000 and associated funding for the preliminary engineering phase of this project. FFY20 STIP Amendment #11 was subsequently approved by FHWA on 4/30/2020, adding the preliminary engineering phase and associated funding to the Commonwealth’s STIP.

Due to the increase in the Total Estimated Cost at financial close, a FY22-02 STIP amendment was approved on 11/19/2021. Table 4.1 reflects the summary of funding by sources of the Project.

Table 4.1 Summary of Project Funding by Source

	Funding Source	Previous	FY	FY	FY	FY	TOTAL
		FY 2022	2023	2024	2025	2026	
113414	Federal						
	Interstate NHS	\$4,800,000					\$4,800,000
	Interstate NHS Soft match	\$1,200,000					\$1,200,000
	Subtotal	\$6,000,000					\$6,000,000
	State						
	SIB Release	\$2,000,000					\$2,000,000
	Subtotal	\$2,000,000					\$2,000,000
	Other						
	TBD ⁽¹⁾	\$8,683,596					\$8,683,596
	Concession Funds	\$3,116,374					\$3,116,374
Subtotal	\$11,799,970					\$11,799,970	
TOTAL	\$19,799,970					\$19,799,970	
116754	Federal						
	Corridor Funds NHPP Federal	\$30,843,341					\$30,843,341
	Corridor Funds - NHPP Softmatch	\$ 7,710,837					\$ 7,710,837
	Corridor Funds - NHPP Exempt	\$ 2,887,312					\$ 2,887,312
	Corridor Funds - NHPP Exempt Softmatch	\$ 721,828					\$ 721,828
	Subtotal:	\$42,163,318					\$42,163,318
	State						
	Interstate Corridor Funds	\$ 8,849,682					\$ 8,849,682
	Subtotal:	\$ 8,849,682					\$ 8,849,682
	Other						
Concession Funds	\$ 6,387,000					\$ 6,387,000	
Subtotal	\$ 6,387,000					\$ 6,387,000	
TOTAL:	\$57,400,000					\$57,400,000	
120823	State						
	Other Interstate Corridor Funds	\$5,200,000					\$5,200,000
	Subtotal	\$5,200,000					\$5,200,000
	TOTAL	\$5,200,000					\$5,200,000
	GRAND TOTAL:	\$82,399,970					\$82,399,970

Table 4.2 lists the associated Federal Projects that make up the Project contract.

Table 4.2 Summary of Project Federal Authorization (As of February 28, 2023)

Federal Project No.	UPC	Phase	Cost	Federal Funds	Advance Construction
NHPP-495-5(095)	113414	PE	\$19,799,970	\$6,000,000	\$0
NHPP-5B01(270)	116754	CN	\$52,400,000	\$42,163,318	\$52,400,000
		RW	\$5,000,000	\$0	\$0
NHPP-495-5(097)	120823	CN	\$5,200,000	\$0	\$0
TOTAL			\$82,399,970	\$48,163,318	\$52,400,000

4.2. CONCESSIONAIRE PROJECT FUNDING SOURCES

Table 4.3 reflects the Concessionaire’s funding sources.

Table 4.3 Summary of Project Financing by Source during Construction (as of February 28, 2023,)

Type of Financing	Nominal (\$ million)	% of Total	Benchmark Interest Rate if applicable
NEXT PABs	\$133.0	18.08%	Tax-exempt MMD
NEXT TIFIA Loan	\$212.0	28.83%	SLGS
NEXT VTIB Loan	\$49.0	6.66%	Taxable MMD
Equity (including Contingency)	\$316.7	42.95%	N/A
Capitalized Interest on TIFIA Loan	\$13.7	1.86%	N/A
Capitalized Interest on VTIB Loan	\$2.9	0.39%	N/A
Release from CBE PABs DSRA	\$9.0	1.23%	N/A
Total Sources	\$ 735.4	100.00%	

5. FINANCING ISSUES

Financing for the Concessionaire’s contribution to the total costs are the responsibility of the Concessionaire. Financing sources are listed in Table 5.1.

Table 5.1 Financing Costs through Construction Period (as of February 28, 2023)

Type of Financing	Nominal (\$ million)
PABs Interest During Construction	\$21.5
TIFIA Loan Interest Capitalized During Construction	\$13.7
VTIB Loan Interest Capitalized During Construction	\$2.9
PABs Upfront Fee	\$0.5
PABs Ongoing Fees	\$0.8
Costs of Issuance	\$10.6
TIFIA Loan Servicing Fees	\$0.1
VTIB Loan Servicing Fees	--
LC Costs Payable at Financial Close	\$0.1
Ongoing LC Costs (DB and TMS)	\$1.5
Equity Guarantee Fee	\$8.7
Refinancing Upfront Fee (CBE PABs)	\$5.3
Total	\$68.4

6. CASH FLOW

Table 6.1 shows the Department’s cash flow analysis.

Table 6.1 Department’s Anticipated Expenditures by Year (\$million)

Expenditures			Thru FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL
UPC	Description	Phase							
113414	I-495 Express Lanes Northern Extension	PE	\$19.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$19.8
116754 ⁽²⁾	I-495 Express Lanes Northern Ext Ph 1 – VDOT Oversight & TMP	RW	\$1.0	\$9.0	\$0.0	\$0.0	\$0.0	\$0.0	\$10.0
		CN	\$2.2	\$13.0	\$13.0	\$12.0	\$8.0	\$2.0	\$52.4
120823	I-495 NEXT Transit Investment	CN	\$0.0	\$5.2	\$0.0	\$0.0	\$0.0	\$0.0	\$5.2
Cumulative Expenditures			\$23.0	\$52.4	\$65.4	\$77.4	\$85.4	\$87.4	\$87.4
Total Annual Allocations			\$8.8	\$12.9	\$13.3	\$5.2	\$6.3	\$5.9	\$52.4
Cumulative Allocations			\$8.8	\$21.7	\$35.0	\$40.1	\$46.5	\$52.4	\$104.8
Cash Flow per Year			\$23.0	\$27.2	\$13.0	\$12.0	\$8.0	\$2.0	\$87.4

495 Express Lanes Northern Extension – Financial Plan Annual Update
May 31, 2023

⁽²⁾UPC 116754 : RW cost is currently estimated as \$10,000,000 and will be funded by Transurban (TU); \$5,000,000 provided at the Financial Close. Should RW cost increase TU will provide additional \$5,000,000 at VDOT request at later time as outlined in Section 7.08(d) **NEXT Project ROW Cost of the Second ARCA**. Note that RW will remain open during construction.

Table 6.2 reflects a summary of the sources and uses of funds during construction for the Developer. This summary reflects the Developer’s own plan of finance.

Table 6.2 Concessionaire’s Sources and Uses during Construction (\$million; as of February 28, 2023)

STIP Year	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Sources						
NEXT PABs	\$106.3	\$12.9	\$5.4	\$5.6	\$2.8	\$133.0
NEXT TIFIA Loan	\$38.6	\$1173.4	-	-	-	\$212.0
VTIB Loan	-	\$22.6	\$26.4	-	-	\$49.0
Capitalized Interest on NEXT TIFIA Loan	\$0.2	\$1.4	\$4.7	\$4.9	\$2.5	\$13.7
Capitalized Interest on VTIB Loan	-	-	\$0.9	\$1.3	\$0.7	\$2.9
Equity	\$64.9	\$3.9	\$133.2	\$88.8	\$25.1	\$315.9
Release from CBE PABs DSRA	\$9.0	-	-	-	-	\$9.0
Total Sources of Funds	\$219.0	\$214.2	\$170.6	\$100.6	\$31.1	\$735.4
Uses						
Project NEXT Design Build Costs - excluding TMS	\$62.0	\$164.4	\$119.5	\$60.6	\$11.0	\$417.6
Project NEXT TMS Costs	-	\$13.1	\$7.3	\$6.4	\$0.4	\$27.2
TU Capex Costs - excluding ROW	\$2.4	-	-	-	-	\$2.4
TU Capex Costs - ROW	\$5.0	\$5.0	-	-	-	\$10.0
TU Non-DB Capex	\$30.7	\$8.6	\$9.2	\$9.4	\$6.7	\$64.6
Concessionaire-Supplied SPV Contingency Amount	-	\$22.3	\$17.0	\$9.0	\$1.5	\$49.9
NEXT Department Development Recoupment Amount	\$2.1	\$4.2	\$2.4	\$1.7	\$0.2	\$10.7
Contingent Department Contribution to SPV Contingency Costs	-	-	-	(\$2.6)	(\$1.1)	(\$3.7)
Capitalized Interest on NEXT TIFIA Loan	\$0.2	\$1.4	\$4.7	\$4.9	\$2.5	\$15.7
Capitalized Interest on VTIB Loan	-	-	\$0.9	\$1.3	\$0.7	\$2.9
Interest during Construction	\$1.9	\$5.6	\$5.6	\$5.6	\$2.8	\$21.5
Initial Transit and Corridor Investment	-	-	-	\$2.2	-	\$2.2
Costs of Issuance and Other Fees	\$17.0	\$6.8	\$3.9	\$2.1	\$0.7	\$30.5
Reserve Account Funding / (Releases)	\$56.3	(\$17.3)	-	-	\$5.6	\$44.6
Interest on Existing Debt	\$6.2	-	-	-	-	\$6.2
Swap Termination Payments	\$35.2	-	-	-	-	\$35.2
Total Uses of Funds	\$219.0	\$214.2	\$170.6	\$100.6	\$31.1	\$735.4

7. P3 ASSESSMENT

Existing P3 Legislative Authority

Virginia’s Public-Private Transportation Act of 1995 (the PPTA) allows private entities to seek authorization from the Department to develop and/or operate transportation facilities. As part of the process under the PPTA, the Department identifies projects appropriate for procurement under the PPTA and enters into a comprehensive agreement with a concessionaire. Such agreement may be modified to expand the obligations of the concessionaire, within the scope of the original agreement. The 495 NEXT project was developed as an enhancement to an existing PPTA project, and the comprehensive agreement has been modified to allow the enhancement.

Project P3 Background and Context

On April 28, 2005, the Department entered into a three-party agreement with Fluor Enterprises, Inc., a California corporation (Fluor Enterprises), and Transurban (USA), Inc., a Delaware corporation (Transurban) to Develop, Design, Finance, Construct, Maintain and Operate the Route 495 HOT Lanes in Virginia (the Original Comprehensive Agreement).

Pursuant to a Record of Decision dated June 29, 2006, a 4-2-2-4 HOT Lane alternative, as more fully described in such Record of Decision, was selected by the Department and approved by the FHWA in connection with the environmental review process for the Capital Beltway study, and the Department has determined that the NEXT Project is consistent with such selected NEPA alternative and has chosen to undertake improvements that include the NEXT Project. A re-evaluation of the Capital Beltway study was accepted by the Federal Highway Administration on May 9, 2007.

On December 19, 2007, the Department and the Concessionaire (Capital Beltway Express, LLC) agreed to the *Amended and Restated Comprehensive Agreement Relating to the Route 495 HOT Lanes in Virginia Project* (the First ARCA) to deliver what was then called the Capital Beltway HOT Lanes (now called the 495 Express Lanes). The 495 Express Lanes project was completed and fully opened to traffic in November 2012, with the Concessionaire having a contractual right to operate the facility until December 19, 2087.

On January 29, 2019, the Department and the Concessionaire signed the *Development Framework Agreement* (the DFA), establishing a process for the Concessionaire to submit to the Department a proposal (the Binding Proposal) to develop the Project as a Concessionaire Project Enhancement under the First ARCA. On June 11, 2021, the Concessionaire submitted its Binding Proposal and the Department accepted the Binding Proposal on July 8, 2021. On September 30, 2021, the Department and the Concessionaire entered into the *Second Amended and Restated Comprehensive Agreement Relating to the Route 495 HOT Lanes in Virginia Project* (the Second ARCA).

Project Sponsor’s Plan to Manage a P3

As noted above, the Project is not a stand-alone project. It is being developed as a Concessionaire Project Enhancement under the Second ARCA, and the Concessionaire is responsible for the design, construction, financing and ongoing operations and maintenance of the Project. The underlying procedural requirements of

the PPTA were satisfied when the Department and Concessionaire entered into the Second ARCA, which provides a mechanism by which the Department and the Concessionaire may agree mutually to extend or otherwise enhance the 495 Express Lanes network. Thus, the process for delivering the Project will be different from the process for delivering larger stand-alone projects, like the 495 Express Lanes network. As such, no formal value-for-money (VFM) analysis was completed. The NEXT Project delivers an alternative travel choice that provides travel time reliability for drivers along I-495 along with the benefit of reduced traffic demands on parallel roads, which experience cut-through traffic due to congestion along I-495. The terms of the Second ARCA govern the Project.

Comparison of Benefits and Challenges of Procuring Project as a P3 versus Traditional Procurement

After considering the benefits and challenges of developing and procuring the Project under a traditional procurement method versus a P3 project, the Department concluded that the Project would be most effectively and efficiently delivered as a Concessionaire Project Enhancement. This conclusion was based on a qualitative assessment of the Concessionaire's ability to introduce innovation to the project, manage the schedule more effectively, provide access to capital, and their ability to increase the likelihood of successful project delivery. Because the Project is being undertaken as a Concessionaire Project Enhancement, the project delivery schedule is minimized as a reflection of the Concessionaire's familiarity with the site conditions, cost and schedule impacts are minimized because the same entity is operating the existing HOT Lanes facility. Based on the previous P3 delivery of the original 495 Express Lanes project by the Concessionaire, and the current operations and maintenance of the facility by the Concessionaire, the Department is confident the workmanship, delivery, and operations of the Project will be of the same quality as the existing HOT lanes facility. Furthermore, efficiencies will be maximized by having only one concessionaire for the entire stretch of the combined existing and proposed HOT lanes facility.

Risk Allocation Analysis

Risk allocation analysis was conducted in parallel with project development and procurement activities, and the Department, in coordination with stakeholder groups, conducted risk workshops in multiple stages to identify and allocate risks to the party that can best manage them. The first risk workshop was conducted on November 19, 2019 to identify risks that could potentially impact the project costs and schedule, as well as whether the risks were associated with specific project components. Risks were also evaluated per the different delivery options in consideration. The second workshop was conducted on April 30, 2021, to update the draft risk register created during the first risk workshop given the project scope refinements over the past months. Mitigation strategies were reevaluated, discussed, and documented for each risk event.

The third and final risk workshop was conducted on May 25-26, 2021 in conjunction with the Cost Estimate Review workshop. Section 8 discusses findings of the Cost Estimate review in details.

Table 7.1 below shows the P3 Key Milestones.

Table 7.1 P3 Key Milestones

Key Milestones	Date
Development Framework Agreement	January 29, 2019
DB Request for Qualifications (RFQ)	January 7, 2020
DB Request for Proposal (RFP)	October 8, 2020
Notice of Award Letter to successful DB Offeror	May 26, 2021
Concessionaire’s Binding Proposal Submission	June 11, 2021
Final Interchange Justification Report (IJR)	June 11, 2021
EA FONSI Approval	June 29, 2021
Concessionaire’s Binding Proposal Acceptance	July 8, 2021
Commercial Close	September 30, 2021
Limited Notice to Proceed	September 30, 2021
Extended Limited Notice to Proceed	January 19, 2022
Financial Close	February 28, 2022
Construction NTP	March 1, 2022
Target Service Commencement	<i>May 2026 December 2025</i>
Target Final Completion	<i>November 2026 June 2026</i>

8. RISK AND RESPONSE STRATEGIES

During this construction period, below major risk items has been identified by the Department. The Department is diligently working with the Concessionaire and Design-Builder to resolve these items.

Table 8.1 Department’s Risk Factors

Risk Description	Cost ⁽³⁾	Description
Unknown Unknowns	\$3.6M	Unknown unknowns
Fairfax Sanitary Sewer Relocation	\$2.5M	Potential cost increases due to conflict with the Ramp E3 bridge (B633) abutment and betterment disagreement with the Fairfax County
Verizon Lawsuit regarding payment/reimbursement for utility relocation costs	TBD	Potential schedule delay and cost increase due to pending Verizon lawsuit against the Design-Builder and Concessionaire regarding reimbursement for utility relocations.

⁽³⁾ Cost associated with each risk represents the likeliest cost.

9. ANNUAL UPDATE CYCLE

Because this project has a TIFIA loan, the Initial Financial Plan is to be submitted 60 days after the TIFIA loan closing date of February 28, 2022. The submission date of the Initial Financial Plan is April 30, 2022. The first annual update will be submitted by May 31, 2023, 3 months after a "data as of" date of February 28, 2023. Future annual updates will be submitted by May 31st of that year, with a "data as of" date of February 28th of that year

10. SUMMARY OF COST CHANGES

No significant cost changes have occurred since last year's financial plan.

11. COST AND FUNDING TRENDS SINCE INITIAL FINANCIAL PLAN

No significant cost changes have occurred since last year's financial plan

12. SUMMARY OF SCHEDULE CHANGES SINCE LAST YEAR'S FINANCIAL PLAN

As outlined in Section 2, as of February 28, 2023, the Design-Build Contractor is reporting a delayed completion of the Project of November 24, 2026. This is an approximate 178-day delay. The delay is driven by negotiations for ROW acquisition of parcels along Live Oak Drive. The delay in acquisition has caused the clearing and grubbing to be adversely impacted by its bat time of year restriction calendar. It should be noted that the Department and the concessionaire are currently working with the Design-Build Contractor to implement corrective measures to the Design-Build Contractor's schedule in order to achieve an on-time Project Completion.

13. SCHEDULE TRENDS SINCE INITIAL FINANCIAL PLAN

Other than items noted in Section 12 above, no trends have been identified that are currently impacting the project schedule.