



Larry Hogan  
Governor  
Boyd K. Rutherford  
Lt. Governor  
Pete K. Rahn  
Secretary

Office of the Secretary

February 13, 2019

The Honorable Nancy J. King  
Chair  
Senate Budget and Taxation Committee  
3 West Miller Senate Office Building  
11 Bladen Street  
Annapolis MD 21401

The Honorable Maggie McIntosh  
Chair  
House Appropriations Committee  
121 House Office Building  
6 Bladen Street  
Annapolis MD 21401

The Honorable Kumar P. Barve  
Chair  
House Environment and Transportation Committee  
251 House Office Building  
6 Bladen Street  
Annapolis MD 21401

The Honorable Anne R. Kaiser  
Chair  
House Ways and Means Committee  
131 House Office Building  
6 Bladen Street  
Annapolis MD 21401

Dear Chairs King, Barve, McIntosh and Kaiser:

As members of the legislature have sought further information on the administration's Traffic Relief Plan, I submit this letter to offer further details on both the need for system-wide traffic relief, as well as the process the Maryland Department of Transportation (MDOT) will undertake to begin construction, while committing to keep stakeholders informed of the work and related solicitations.

As the Secretary of MDOT, Governor Hogan challenged me to deliver relief for Marylanders from the congestion that plagues our State through the implementation of the Traffic Relief Plan. The I-495 and I-270 Public-Private Partnership (P3) Program is the largest component of the Traffic Relief Plan and is being advanced to bring transformative relief to the growing congestion that cripples economic development and diminishes quality of life in the National Capital Region.

Multiple studies over the last decade have shown that the National Capital Region is one of the most congested in the nation, and Marylanders face the second highest commuting times in the country. Today on average, travelers experience 7 hours of congestion daily on I-270. The duration is even worse on I-495 with travelers experiencing 10 hours of congestion daily. With the projected population growth in the National Capital Region, Marylanders will continue to see those numbers grow every day.

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Congestion has a dramatic impact on quality of life, business efficiency, and community attractiveness. Being stuck in congestion increases aggravation and stress and keeps people away from their families and doing the things they enjoy most. A key indicator of economic growth is the movement of freight and goods. Movement of freight and goods depends on a system that provides mobility and reliability. Both I-495 and I-270 include many of the worst corridors for truck travel in Maryland. Congestion also reduces the attractiveness of communities. A 2017 Montgomery County Community Livability Report by the National Citizens Survey found that approximately three out of four residents believed traffic flow was a negative aspect of their community characteristics. Traffic applications such as Waze and Google divert traffic from congested roadways that are made for higher volumes and puts travelers onto roads through neighborhoods and in front of parks and schools, endangering the safety of children, walkers, and bicyclists.

It must also be recognized that I-495 and I-270 are not just local highways but are major corridors for the nation's capital and mid-Atlantic region. Corridor performance has significant influence on national security capabilities and national security facilities.

Both the Executive and Legislative branches of our state government as well as local jurisdictions have been studying I-495 and I-270 for nearly thirty years. These studies have found that both highway and transit improvements are needed to address the travel demand on I-495 and I-270. In fact, the Purple Line is only a portion of the overall transportation plan that was developed from an I-495 corridor study. That study concluded highway improvements would still be necessary even with the implementation of the Purple Line.

Even with the multitude of studies on I-495 and I-270 concluding that highway improvements are needed independent of transit improvements, no real progress has been made as the high cost made it impossible for MDOT to deliver improvements under our funding and debt limitations. Travelers on highways in the National Capital Region account for 81 percent of the trips. With our funding shortfalls and lack of debt capacity, we must look at new ways to fund and finance improvements to address the National Capital Region's congestion. The good news is the unrestricted free lanes will remain free while managed lanes will address the crippling congestion in the National Capital Region and are a proven solution in Maryland and across the world in reducing similar serious congestion issues. Two successful projects in the Washington region including managed lanes with congestion pricing are the I-95 express tolls lanes and the Intercounty Connector. The Federal Highway Administration in 2012 even notes that congestion pricing represents the single most viable and sustainable approach to reducing traffic congestion. Similar congestion reduction strategies have been successfully implemented on I-495 and I-95 in Virginia beginning just south of the Potomac River.

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This approach has provided a guaranteed reliable and free flow travel experience for those who choose to pay and reductions in travel time for those who continue to use the free lanes. Everyone benefits!

The I-495 and I-270 P3 Program is looking to catch up with our neighbors across the Potomac by removing the serious regional bottleneck at the American Legion Bridge and provide new managed lanes along the full limits of I-495 and I-270 in Maryland. As you know, the Commonwealth of Virginia just announced a continuation of their successful managed lanes up to the American Legion Bridge, it would be devastating to the entire region if we are not able to continue this progress on our side of the Potomac River. The P3 Program will be delivered at no cost to the State through multiple P3 agreements. As envisioned, the combined P3 agreements will be no cost to the State as some phases produce a concession fee to MDOT at financial close to enable MDOT to provide gap funding in other phases as needed. The total of all concession fees for gap funding will be aggregated to zero net cost. The way it is designed, the benefit is to Marylanders and the risk of financing, design, construction and operation is on the private sector. This is known as a "revenue at risk P3". All debt issued by the developer is non-recourse to the State of Maryland. As demonstrated by the very few P3 transportation failures, bondholders step in and operate the facility with no financial exposure to the owner and no interruption of services to travelers.

Not only will these P3 agreements provide new, free-flow capacity and reduced travel times for the free lanes, they will provide new bridges and smoother pavement for Marylanders to enjoy for years. It is expected the developer will fully reconstruct existing free lanes when the managed lanes are being built. This Program will also allow MDOT to address increasing needs on I-495 and I-270, such as the improvement and added capacity on the American Legion Bridge, at no impact to the Transportation Trust Fund. In fact, this P3 will have no negative impact to the rest of the State's transportation capital program. The P3 delivery will allow funding that would have been required to address the growing needs on I-495 and I-270 to be allocated for other vital transportation improvements. The P3 agreements will also provide a guarantee for long-term operations and maintenance of the managed lanes, this ensures funding will not be needed from the Transportation Trust Fund for future maintenance on the managed lanes, further freeing up future funding for other vital transportation improvements across Maryland. Utilizing a P3 delivery will allow MDOT to harness innovation from around the globe to address the significant challenges surrounding the I-495 and I-270 corridors. Innovative methods from around the world will be sought to limit impacts to adjoining properties and deliver a system with a focus on regional congestion relief.

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MDOT is developing the first of three environmental studies for the I-495 and I-270 P3 Program concurrently while seeking the designation as a P3 from the Board of Public Works to deliver meaningful congestion relief to the National Capital Region in the most efficient manner possible. Concurrent development of the National Environmental Policy Act (NEPA) environmental study and the solicitation process is allowable under federal regulations. Multiple states including Alabama, Colorado, New York, Texas, and Virginia have solicited P3 or Design-Build projects each exceeding \$500 million concurrently with the development of the environmental study to ensure efficient delivery of needed improvements. This is precisely what MDOT is doing with the I-495 and I-270 P3 Program to ensure maximum value to Marylanders and congestion relief as quickly as possible.

The purpose of the improvements is to provide a solution that improves congestion, improves trip reliability, and enhances existing and planned multimodal mobility and connectivity. MDOT presented a preliminary range of alternatives in Summer 2018, which has been reduced to seven recommended screened alternatives. This initial screening was completed considering how each alternative would address existing and long-term traffic growth and provide for trip reliability, improve the movement of goods and services, provide for homeland security, and provide multimodal connectivity. Environmental effects and financial viability were also considered in the initial screening. Any solution must be self-funded.

The screened alternatives include the no-build, as a baseline, and six alternatives that all include managed lanes using congestion pricing. Information on the screening process and the alternatives is being distributed publicly through newsletters, emails, and the P3 Program website. Public workshops are planned in early Spring 2019 to present the traffic and environmental effects of the screened alternatives and to present recommended alternatives to be studied and presented in the Draft Environmental Impact Statement (DEIS). MDOT recommended preferred alternative will be identified by Summer 2019 and included in the DEIS, which will be released by the end of 2019 with formal public hearings in early 2020. This first of three NEPA based environmental studies will include input on the continuing collaboration which involves local and regional stakeholders including all three benefiting counties of Frederick, Montgomery and Prince George's. They along with many other stakeholders are or will be involved in our process for these environmental studies and part of our official inter-agency working group.

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Continuing down a concurrent development of the first environmental study and the solicitation of the first P3 agreement is critical to bringing meaningful congestion relief to the National Capital Region. Doing otherwise would result in a significant cost of delay to both travelers in the region and to the cost of the P3 Program. The cost of congestion in National Capital Region in Maryland alone was \$1.3 billion in 2016, which is a 33 percent increase from just 2013. This cost of congestion considers delay costs to automobiles and trucks, wasted fuel costs, and the cost of air emissions. A one-year delay would have significant capital cost increases to the I-495 and I-270 P3 Program. Based on the 2018 Engineering News Record construction cost index of three percent, the cost of the P3 Program will increase by approximately \$300 million. Considering a possible one-quarter percent interest rate increase, the P3 Program's costs will increase by \$350 million. A one-year delay with a potential rise in interest rates could erode \$650 million in value from the I-495 and I-270 P3 Program, reducing its ability to be self-sufficient and to provide other improvements within the I-495 and I-270 corridors.

Moving forward with the I-495 and I-270 P3 Program as currently envisioned by MDOT will maximize flexibility for developers to provide the greatest value and return to the State. It will accelerate delivery of the P3 Program, bringing meaningful congestion relief to the National Capital Region decades sooner than a traditional project delivery. Running the environmental and solicitation processes concurrently will strengthen the results of the environmental document while reducing future delays of the implementation of improvements by a developer. MDOT will also utilize a selection process that will create a fair playing field for proposers, and to reach beyond the typical MDOT solicitation process, we will incorporate an outside independent transportation expert and a local stakeholder into the actual solicitation process. Participation of the members will ensure the evaluation of the final proposers is sensitive to local concerns and are appropriate solutions to the corridor conditions.

We recognize the concerns raised by the General Assembly and are committed to a phased implementation of the P3 program. Once we receive Board of Public Works approval for the P3 designation, MDOT will report to the Board of Public Works and the General Assembly the details of the first phase of the program along I-495 from the George Washington Parkway in Virginia to I-95, including improvement and additional capacity for the American Legion Bridge, before seeking approval of the P3 agreement for the first phase. Furthermore, MDOT will report to the Board of Public Works and the General Assembly the details of each individual subsequent phase before seeking approval of each individual P3 agreement. We are also committing to provide a "value for money" analysis, comparing any private sector proposals for delivery to a public sector option, prior to seeking approval of a P3 agreement. This analysis will give the Department, Governor, Board of Public Works, and the Maryland General Assembly a thorough financial cost/benefit analysis.



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MDOT is also committed to further and continuing engagement with the public above what was previously outlined in this letter. Over the course of the last week or so, we have contacted over 700 community and civic associations in the Maryland-National Capital Region and are actively confirming meetings to present this transformative program and hear support and concerns from citizens over the next several months. We will also provide updates to the General Assembly at critical junctures in the NEPA process for each study (alternatives retained for detailed study, draft environmental document with a preferred alternative, and record of decision) as well as the solicitation process for each phase (request for qualifications, short listing, request for proposal and selection) and submittal to the Board of Public Works for contract approval. Per our instructions from the Governor, MDOT will continue to strive to avoid displacing any residence. We have begun this analysis in the environmental study, going into greater detail than typical environmental impact statements, and will continue to look at innovative methods of avoidance, including incentivizing the potential P3 developers to avoid displacement of any residence in its proposals and its design.

Regional studies by the National Capital Region Transportation Planning Board have shown that citizens want solutions that yield both highway and transit improvements. Phase one of the I-495 and I-270 P3 Program will provide improvements and additional capacity on the American Legion Bridge, breaking this long-standing regional bottleneck and is expected to provide, at a minimum, cost recovery for upfront MDOT expenditures. Because this phase was originally linked to the Purple Line in previous studies, it has a tangible multi-modal connection. The second phase of the P3 Program (2a) will include I-270 from I-495 to I-370 and will anticipate an investment into the Corridor Cities Transit-way. Phase 2b will include I-495 from I-95 to west of MD 5 and include multimodal network connectivity and investment in direct access to Prince George's County Transit Oriented Development (TOD) sites such as Greenbelt, New Carrollton, Largo and Branch Avenue. These improvements will increase access to the Metro Orange Line and Maryland Area Regional Commuter (MARC) Camden Line in Greenbelt, Metro Orange Line, MARC Penn Line, and the Purple Line in New Carrollton, Metro Blue Line in Largo, and the Metro Green Line and future bus-rapid transit terminus at Branch Avenue. This creates a true foundation for sustainable transportation land use connections and expands opportunity within the capital region through multimodal connections and the free-flowing commerce needs that cannot be addressed by transit solutions. MDOT is continuing to implement smart traffic signal corridors to improve traffic flow on adjacent arterial roadways.

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Phase 3a of the I-495 and I-270 P3 Program will extend lanes from west of MD 5 and include high occupancy vehicle travel across the Woodrow Wilson Bridge and integration with the Virginia high occupancy toll lanes. Phase 3b will include the extension along I-270 from I-370 to I-70 including improvements to the I-70 interchange. Phases 2a and 2b will be solicited concurrently as will phases 3a and 3b. It is estimated 2a and 2b solicitation would proceed following a successful selection of a developer for phase 1.

We will commit to working with all developers on the usage scenarios of the new managed lanes by all public agency transit. This conforms with the National Capital Region Transportation Planning Board initiative to expand the region's express highway network to provide for a new network of express buses that would connect jobs and people who rely on transit throughout the region. This is also supported by the Greater Washington Partnership's Blueprint for Regional Mobility and the Suburban Maryland Transportation Alliance.

As outlined in this letter, the I-495 and I-270 P3 Program is more than simply highway improvements. It will provide significant multimodal improvement and opportunities for the Marylanders traveling around and living within the National Capital Region. This program will be truly transformative for the region and will change Maryland for the better.

If you have any questions or concerns, please contact me directly or contact Gregory Slater, MDOT SHA Administrator, at 410-545-0400 or via email at [gslater@sha.state.md.us](mailto:gslater@sha.state.md.us). We would be happy to discuss with you further at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Pete K. Rahn". The signature is written in a cursive style with a large initial "P" and "K".

Pete K. Rahn  
Secretary

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cc: The Honorable Peter Franchot, Comptroller, State of Maryland  
The Honorable Michael A. Jackson, House Chair, Prince George's County  
Delegation  
The Honorable Carol L. Krimm, House Chair, Frederick County Delegation  
The Honorable Nancy K. Kopp, Treasurer, State of Maryland  
The Honorable Marc Korman, House Chair, Montgomery County Delegation  
The Honorable Jim Rosapepe, Senate Chair, Prince George's County Delegation  
The Honorable Craig J. Zucker, Senate Chair, Montgomery County Delegation  
Ms. Alexandra Hughes, Chief of Staff, Speaker of the House  
Mr. Jake Weissmann, Chief of Staff, Office of the Senate President  
Mr. Gregory Slater, Administrator, MDOT SHA