



Dulles Greenway

History

The Dulles Greenway is a 14-mile, limited-access highway extending from the State-owned Dulles Toll Road, which carries traffic between Washington's Capital Beltway and Dulles Airport, to Leesburg. The two roads connect at a toll plaza. Drivers pay one toll, which the operators of the two facilities divide. Vehicles equipped with prepaid electronic tags may drive through "Fastoll" lanes without having to stop at a toll booth since the toll machine reads their tags and debits their accounts automatically.

The Greenway is a real toll Design Build and Finance Operate (DBFO) project, with operational responsibilities reverting to the Commonwealth of Virginia after 42.5 years. The developers receive the profits (assuming that the market eventually provides profits) for a long enough period to recoup their investment. Virginia's State Corporation Commission limits the rate of return on the project to 18 percent, but profits appear unlikely to approach that level anytime soon.

To finance the Greenway, Toll Road Investors Partnership II, L.P. (TRIP II) put up \$40 million in equity, and secured \$310 million in privately placed taxable debt. Ten institutional investors led by CIGNA Investments, Prudential Power Funding Associates, and John Hancock Mutual Life Insurance Company provided \$258 million in long-term, fixed-rate notes (due in 2022 and 2026). Three banks (Barclays, NationsBank, and Deutsche Bank AG) agreed to provide part of the construction funding and \$40 million in revolving credit. Repayment of loans will come from toll revenues, and the financing security is a first mortgage and security interest in the developer's right, title, and interest in the facility.

When the Greenway opened to traffic in September 1995, tolls were \$1.75 each way, but when traffic fell short of projected levels, there was a toll reduction to \$1.00. This reduction attracted more users but did not increase revenues. In July 1997, tolls increased again to \$1.15 and the Virginia General Assembly allowed the speed limit on the facility to increase from 55 to 65 miles per hour.

Still facing financial challenges, TRIP II restructured its debt in 1999 and agreed to an extension of the project. In 2001 the Virginia State Corporation Commission extended TRIP II's concession period for an additional 20 years to 2056. A toll increase in September 2004 also featured varied peak and discounted off-peak point-to-point rates.

In August 2005 Macquarie Infrastructure Group (MIG) agreed to purchase TRIP II for \$617.5 million. This purchase included a payment of \$84.5 million to Kellogg Brown & Root

for its 13.3% share of the company, and \$535 million to the Shenandoah Group, the family held company that had bought out Autostrade's former 30% share to hold 86.5% of TRIPP II's stock.

In September 2007, the State Corporation Commission approved with some modification TRIP II's new toll rates on the Greenway, proposing variably priced tolls with ceilings of \$4.00, \$4.50 and \$4.80 during peak weekday periods in the peak direction in 2009, 2010 and 2012, respectively. Macquarie is also contemplating widening the facility to as many as 12 travel lanes.

Comprehensive Agreement

There is a Comprehensive Agreement between the Virginia Department of Transportation and the TRIP II for the design-engineering, construction, operations, maintenance and expansion of the Dulles Toll Road Extension otherwise known as the Dulles Greenway. The agreement documents the Commonwealth's interest in this project and the oversight anticipated by the Virginia Department of Transportation.

Enabling Legislation

The Virginia Highway Corporation Act of 1988 is legislation under which TRIP II financed and constructed the Dulles Greenway project. The Virginia Highway Corporation Act vests the oversight of a project operator in the State Corporation Commission which has the powers for toll setting and other review and approval of certain financial transactions. The Act also provides that the Commonwealth shall not obligate its full faith and credit on any project financing. Assumption of operation of the project shall not obligate the Commonwealth to pay any obligation whether secured or otherwise, from sources other than toll revenue.

Greenway Financing

Under the original financing agreement, TRIP II put up \$40 million in equity, and secured \$310 million in privately placed taxable debt of which \$258 million was in long-term, fixed-rate notes due in 2022 and 2026. Loan security was a first mortgage and security interest in the developer's right, title, and interest in the facility.

In 1999, TRIP II did a refinancing which involved bonds that replaced all other outstanding agreements. The bond issue was \$332 million in AAA Bonds insured by MBIA and included:

- \$35 million of current pay interest only bonds
- \$297 million zero coupon bonds maturing in 2003, 2005 with blended interest rate of approximately 7%

Macquarie financed its investment in TRIP II through the placement of private stock in Australia. Macquarie also raised funds in New York through the sale of \$425 million worth of shares in the closed-end Macquarie Global Infrastructure Total Return Fund. Macquarie used the monies generated from these sales to make multiple purchases.

Private Operator

Autostrade International of Virginia O&M, Inc. currently has a contract to operate the Dulles Greenway and has provided these services since the roads opening in 1995. The company is a subsidiary of Italian-based Autostrade S.p.A, the largest toll road operator in the world.

Other Matters

It is our understanding that the Office of the Attorney General is reviewing operations of the Dulles Greenway and we are unaware of the status of this review.

Source of Information

The staff of the Auditor of Public Accounts compiled this information from source materials at the Virginia Department of Transportation, U.S. Department of Transportation – Federal Highway Administration and other available public sources.

Should you have any questions about this material, please contact me.

Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218
Phone 804.225.3350
Fax 804.225.3357
walter.kucharski@apa.virginia.gov