



Route 58 PPTA Project Hillsville to Stuart Corridor

Finance Plan Annual Update

November 30, 2022

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1.0 Project Background

In December 2003, the Virginia Department of Transportation (VDOT) signed a Comprehensive Agreement with Branch Highways Inc. (Developer), in accordance with the Public Private Transportation Act (PPTA), to develop and widen 36 miles of the Route 58 Corridor from Hillsville to Stuart as funding becomes available. The corridor begins southwest of Hillsville and continues east through Carroll, Floyd, and Patrick counties to approximately one mile west of Stuart.

The Route 58 Corridor from Hillsville to Stuart is the last remaining section to complete Route 58 from Virginia Beach to I-77. Once connected with I-77, the long-anticipated benefits of the 1989 General Assembly legislated “U.S. Route 58 Corridor Development Program” will greatly be enhanced throughout the entire region.

The first phase (Phase 1) of widening Route 58 under this agreement was a 2.7-mile new road construction and a new Blue Ridge Parkway bridge crossing at Meadows of Dan. Phase 1 was completed in May 2006.

The second phase (Phase 2) of this corridor known as the Hillsville Bypass was executed in the fall of 2007. This is a 5.2-mile four-lane divided limited access bypass facility with three full interchanges. The original scope of work included the Hillsville Bypass and Route 669; however, due to funding limitations, Route 669 was eliminated from Phase 2. The Hillsville Bypass was substantially complete on August 26, 2011.

The third phase (Phase 3), known as Laurel Fork, was executed in December of 2011 and encompasses the sections originally developed as Laurel Fork and Tri-County Connector sections for a combined length of 8.2 miles. Phase 3 was certified complete on October 10, 2016.

The Lovers Leap section (Phase 4) consists of 7.8 miles of four-lane divided highway in very mountainous terrain and was executed in November of 2020. Project completion is projected to be summer of 2026. It was determined that this would be the final project included within the Route 58 PPTA agreement with the Developer. The remaining phases of the original Comprehensive Agreement include Crooked Oak (7.2 miles), Vesta (4.0 miles) as well as Route 669. These will now be standalone projects and completed when funding becomes available.

Additional information can be found on the Project’s website.

http://www.virginiadot.org/projects/salem/route_58_widening.asp

The website provides additional links to the Route 58 Corridor Program and project specific sites sponsored by the Route 58 PPTA Contractor.

1.1 Project Procurement

As outlined in the Initial Financial Plan, initiation of the Route 58 PPTA Project (Project) began when VDOT received an unsolicited conceptual proposal in May 2001 in accordance with the Commonwealth's PPTA to design and construct a planned four-lane section of Route 58 between Stuart and Hillsville (36-mile segment). In accordance with VDOT's PPTA Implementation Guidelines, dated April 2001, a competition period with public notice was posted for forty-five days beginning May 25, 2001. The result of the competition period was that no other competing proposals were received.

Subsequent to the competitive public notice period, VDOT impaneled an Initial Review Committee (IRC) to determine if the conceptual proposal merited advancement to the Commonwealth Transportation Board (CTB) for review and recommendation. The IRC recommended advancement and at the October 17, 2001, public meeting of the CTB, the conceptual proposal was evaluated and recommended to be advanced to the Public-Private Transportation Advisory Panel for further consideration.

VDOT requested a detailed proposal, which was received in January 2002 and evaluated by the Route 58 Advisory Panel. After several supplemental submittals of information to the Advisory Panel, in July 2003, the Panel recommended to the Commissioner to advance the proposal and begin negotiation for a comprehensive agreement for the entire segment of Route 58 between Stuart and Hillsville. After negotiations related to the cost of Phase 1 and the roles, responsibilities, and risk assignments of the entire project were completed, the comprehensive agreement was executed on December 15, 2003.

VDOT and the Developer have negotiated the following phases of work.

Phase 1 (UPC 56352) consisted of a 2.7-mile section in Meadows of Dan. Phase 2 for the completion of the 5.7-mile section known as the Hillsville Bypass (UPC 17535) was signed on October 2, 2007 and the Bypass was completed in November 2011. Two offsite stream mitigation projects were completed to meet the regulatory permitting requirements for the Hillsville Bypass project in 2012 and 2015. These two sites were in addition to three other mitigation sites that were constructed in conjunction with the roadway project construction. Phase 3, known as Laurel Fork (UPC 17533) executed on December 6, 2011 for an additional 8.2 miles. Phase 4 (UPC 17536) is the Lovers Leap section which consists of 7.8 miles of four lane highway in mountainous terrain. This agreement was executed in November of 2020 and this will be the final project to be completed within the PPTA Comprehensive Agreement.

1.2 Environmental Documentation and Permitting

Federal approval of the procurement process for the PPTA Project was denied by the Federal Highway Administration (FHWA) in March 2009; therefore, it was not eligible for federal funding at that time. The individual projects comprising the Route 58 PPTA Project are federally eligible with exception. With the goal of potentially taking advantage of federal funding to advance future phases of the project, National Environmental Policy Act (NEPA) documentation in the form of Environmental

Assessments (EA) were completed and FHWA issued Findings of No Significant Impact (FONSI) in 2011. The EAs and FONSI covered the following segments: Crooked Oak (UPC 17534), Laurel Fork (UPC 17533), Tri-County (UPC 17538), Vesta (UPC 17537) and Lover's Leap (UPC 17536). All work done prior to and since issuance of the FONSI has been accomplished with state and local funding only. State and local funding (no federal funding) will continue to be utilized to advance the remaining phases of the PPTA project therefore eliminating the need for the prior federal action by FHWA.

In 2018 at the request of VDOT, FHWA rescinded the FONSI as well as the EAs that supported them. As with the previously completed phases of the project, the remaining phases will be coordinated through the federal permitting process. The U.S. Army Corps of Engineers (USACE) will be the NEPA lead due to absence of federal funding.

2.0 Project Description and Schedule

The Route 58 PPTA Project begins at a point just west of Little Reed Island Creek on the southwest side of the Town of Hillsville and continues generally east through Carroll, Floyd, and Patrick counties to approximately one mile west of the town limits of Stuart, at which point the project ties into four lanes of existing Route 58. The Project is intended to be designed and constructed in phases. Phase 1 was approximately three miles long, and is referred to as the Parkway Crossing in Meadows of Dan, in Patrick County. Phase 2 is approximately 5.2 miles long and is referred to as the Hillsville Bypass. Phase 3 combines the Laurel Fork and Tri-county sections totaling approximately 8.2 miles long and is referred to as the Laurel Fork section. The Lovers Leap section is a 7.8-mile project in very mountainous terrain and is currently under construction. The Vesta and Crooked Oak sections are remaining to complete the Route 58 Corridor program to I-77. Both projects are partially funded and a start date has not been established.

2.1 Phase I, Parkway Crossing at Meadows of Dan Project

The Parkway Crossing project was a 2.7-mile section of Route 58 along new alignment that bypassed the community of Meadows of Dan to the north and crossed the Blue Ridge Parkway. This is a four-lane divided limited access highway beginning approximately 0.3 miles west of the existing intersection of Route 58 and Route 600 and terminating less than 0.1 miles east of the existing intersection of Route 58 and Route 795.

The Parkway Bridge is an arched structure with an ornamental rock faced parapet that allows the Blue Ridge Parkway to cross over Route 58 with minimal impacts to the view shed. This phase was started on December 16, 2003 and completed on May 5, 2006.

2.2 Phase 2, Hillsville Bypass

The Phase 2 - Hillsville Bypass section is a new 5.2-mile section of limited access, four-lane divided highway built on new location in Carroll County around the Town of Hillsville. The new road improved the connection between Route 58 and Interstate 77.

Three new interchanges were constructed as part of the project: one at each end of the new bypass to connect to Route 58 Business and one at Route 52. The interchange with Route 52 is located just south of Hillsville provides a direct connection for commercial vehicles from Route 52 to I-77 to minimize current and future congestion in Hillsville. Phase 2 also includes eight new bridges including one carrying Route 780 (Howlett Street) over the new bypass and a pair to carry Route 58 over Route 670 (Snake Creek Road). Figure 2 shows the general geographic area of the project.

In an effort to expedite the start of construction, VDOT retained permitting responsibilities for the Hillsville Bypass with plans to renew existing permits at the end of 2007. Upon submittal of the renewal application, the USACE required the expiring Letter of Permission (LOP-1) permit to be replaced with an Individual Section 404 permit. The new permit was received and signed in February 2008. As a requirement of the new USACE 404 permit, VDOT was required to provide an additional 9,505 stream credits beyond the stream and wetland compensation required by the original permit. Because of this new requirement, VDOT developed plans for two stream mitigation sites, the Pine Run site and the Hillsville Elementary site. This resulted in five stream and wetland mitigation sites for the project: Pine Run, Hillsville Elementary, Webb, Beaverdam and Little Reed Island). The Pine Run site was completed in the fall of 2012 and the Hillsville Elementary site was completed in the spring of 2015. The remaining three sites were completed in conjunction with roadway project construction. The USACE and Virginia Department of Environmental Quality (VDEQ) agreed on July 29, 2020 that the Pine Run, Beaverdam and Little Reed Island sites had met their success criteria and no additional monitoring or actions were required, effectively closing out those sites. The Hillsville Elementary and Webb mitigation sites completed the final mitigation survey in 2021 and deemed successful and complete by the required agencies in early summer of 2022. The Hillsville Bypass was open to traffic on schedule and certified Substantially Complete on August 26, 2011 and Final Completion was met on March 31, 2015 with the completion of the Hillsville Elementary mitigation site.

2.3 Phase 3, Laurel Fork

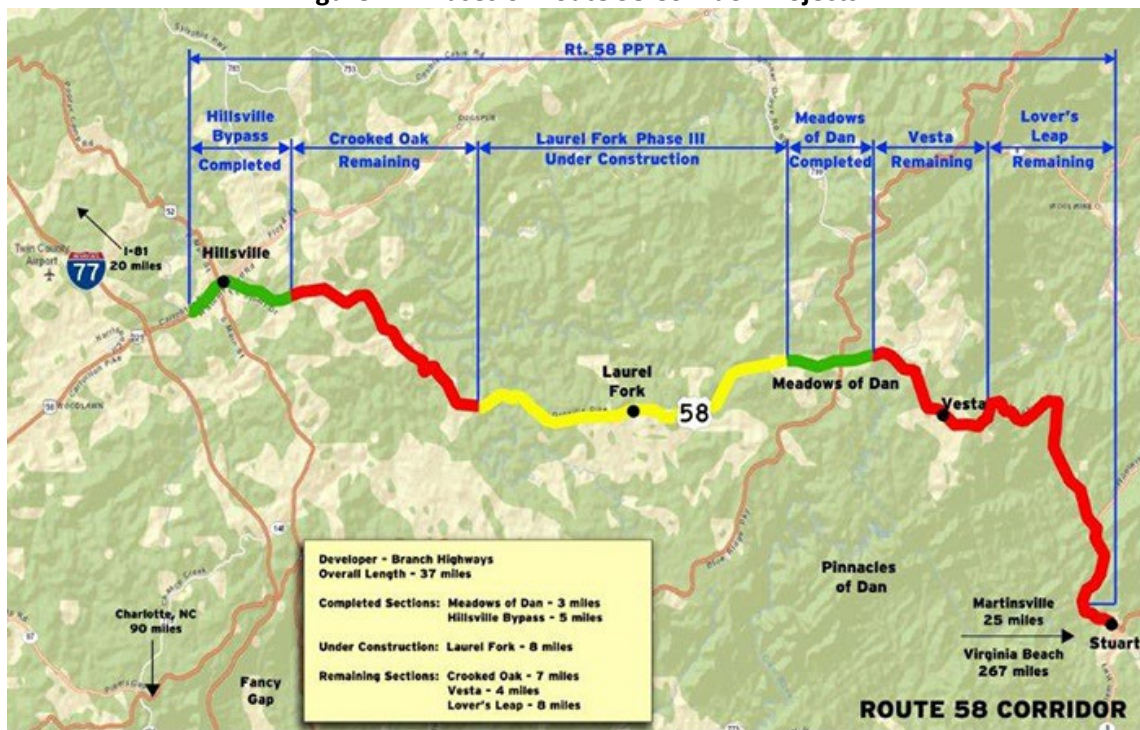
The Phase 3 - Laurel Fork project combines Tri-County and Laurel Fork sections for a total of 8.2 miles extending from the west limits of the Meadows of Dan project (Phase 1) through Patrick, Floyd and Carroll Counties. The project reconstructs the original two lanes and adds an additional two lanes along the alignment to provide a four-lane divided facility. Work on Phase 3 commenced on December 6, 2011 and was completed October 10, 2016. The Bentley Branch Mitigation Site was developed in conjunction with this project to satisfy permit-required mitigation. The Bentley Branch site remains in monitoring status at this time. At such point that the USACE and VDEQ agree the site has met its success criteria then this site will transition into a long-term management (LTM) plan in accordance with the Memorandum of Agreement Between the Norfolk District Corps of Engineers and the Virginia Department of Transportation to Document Actions Followed on VDOT Compensatory Mitigation Sites to Comply with Long Term Management Requirements, executed August 3, 2015. Funds for the initial monitoring and maintenance of the Bentley Branch site as well as the site's LTM are currently set

aside in an escrow account governed by an Amended and Restated Escrow Agreement, dated August 12, 2016, between VDOT, Branch Highways, Inc. (now known as Branch Civil, Inc.) and SunTrust Bank.

2.4 Remaining Phases in the PPTA Corridor

There is approximately 19 miles of roadway left in the three remaining phases of this Project excluding the secondary connector, Route 669. The original plans developed prior to 2001 are at 40% to 60% complete. Work stopped in 2001 following receipt of the PPTA proposal. Environmental permitting activities with regulatory agencies are incomplete and significant work remains in this area. The final project to be constructed with the PPTA agreement is the Lovers Leap section. Figure 1 shows the geographic area of the original phases.

Figure 1 - Phases of Route 58 Corridor Projects



3.0 Cost Estimates

The PPTA Comprehensive Agreement for this project originally included six Route 58 mainline sections and the secondary connector, Route 669 completed in phases as funding became available. In June 2020, VDOT and Branch Civil, Inc. (BCI) executed Change Order No. 19 to the PPTA Comprehensive Agreement in order to extend the agreement expiration date until December 30, 2020. The Lovers Leap section will be the final project in the agreement. As indicated above, the remaining phases (Crooked Oak (7.2 miles), Vesta (4.0 miles) as well as Route 669) will now be standalone projects and completed when funding becomes available. The cost information for these has been removed from the plan.

3.1 Phase 1, Parkway Crossing at Meadows of Dan

The original cost estimate for Phase 1 was \$22,483,000. The contract obligation was for \$19,971,672 with the balance being used VDOT contract administration. The project was completed for \$20,381,931 as outlined in table 2 and the surplus funds were transferred to other phases.

Table 2 – Phase 1 Cost Estimate - UPC 56352

	Approved Estimate	Expenditures
PE	\$0	\$0
RW	\$0	\$0
CN	\$20,381,931	\$20,381,931
Total	\$20,381,931	\$20,381,931

3.2 Phase 2, Hillsville Bypass

The Hillsville Bypass original cost estimate was \$102,687,240. The original construction contract value was \$83M. Two additional offsite stream mitigation projects, Pine Run and Hillsville Elementary, were added for \$2,180,000 and \$1,700,000 respectively. Phase 2 cost estimate is shown in table 3 and the phase is expected to be completed under the current estimate. Post construction monitoring has been completed for the Pine Run site as well as two other mitigation sites (Beaverdam and Little Reed Island); and post construction monitoring for the Hillsville Elementary and Webb were completed in the summer of 2022. All post mitigation-monitoring requirements have been successfully met.

Table 3 – Phase 2 Cost Estimate - UPC 17535

	Approved Estimate	Expenditures
PE	\$5,567,795	\$5,567,795
RW	\$10,234,677	\$10,234,677
CN	\$90,764,768	\$90,645,626
Total	\$106,567,240	\$106,448,097

3.3 Phase 3, Laurel Fork

The cost estimate for Phase 3 was \$142,214,913. Phase 3 was originally developed as two projects, Tri-County (UPC 17538) and Laurel Fork (17533). Following the execution of the Laurel Fork work order, a separate UPC (102629) was created to track the construction and engineering contract costs. However, services provided by the Developer for right of way acquisition were funded using the original UPCs 17538 and 17533. The construction contract value for Phase 3 was \$119,750,000 and included allowances for right of way and stream/wetland mitigation. The phase cost estimates are included in tables 4, 5 and 6.

Table 4 – Phase 3 Cost Estimate - UPC 17538

	Approved Estimate	Expenditures
PE	\$4,768,294	\$4,768,294
RW	\$6,752,505	\$6,752,505
CN	\$0	\$0
Total	\$11,520,799	\$11,520,799

Table 5 – Phase 3 Cost Estimate - UPC 17533

	Approved Estimate	Expenditures
PE	\$2,783,458	\$2,783,458
RW	\$4,151,565	\$4,151,565
CN	\$0	\$0
Total	\$6,935,023	\$6,935,023

Table 6 - Phase 3 Cost Estimate - UPC 102629

	Approved Estimate	Expenditures
PE	\$0	\$0
RW	\$0	\$0
CN	\$120,136,752	\$120,136,752
Total	\$120,136,752	\$120,136,752

Total Costs for Phase 3

	Approved Estimate	Expenditures as of 8/31/2022
Preliminary Engineering	\$ 7,551,752	\$ 7,551,752
Right of Way	\$ 10,904,070	\$ 10,904,070
Construction	\$ 120,136,752	\$ 120,136,752
Total	\$ 138,592,574	\$ 138,592,574

3.4 Phase 4, Lovers Leap

The Lovers Leap section was legislated as the first priority of the remaining phases and is located at the eastern limits of the corridor, near Stuart. In November 2020, VDOT and the Developer reached a \$300,000,000 agreement for the design and construction of the Lovers Leap section. This project is 7.8 miles in length over mountainous terrain making it the most expensive and challenging to construct. The Developer has begun engineering design and construction of the project and we are anticipating completion in the summer of 2026. This will be the final phase of construction for the PPTA Comprehensive Agreement.

Table 7 – Lovers Leap Cost Estimate - UPC 17536

	Approved Estimate	Expenditures 8/31/2022
PE	\$8,050,460	\$8,052,010
RW	\$10,200,000	\$6,341,716
CN	\$334,124,486	\$64,424,895
Total	\$352,374,946	\$78,818,621

4.0 Financial Plan

The Virginia General Assembly established the Route 58 Corridor Development Program (Program) in 1989 to enhance economic development potential across this largely rural portion of the state. Work is now completed through to the Town of Stuart, County seat for Patrick County. The Program was initially funded through the sale of bonds through the early 2000s. Due to 2013 House Bill 1953 and 2313, bonds are anticipated to be a primary source of funding. As indicated previously, the remaining phases (Crooked Oak (7.2 miles), Vesta (4.0 miles) as well as Route 669) will be standalone projects and completed when funding becomes available.

4.1 Phase 1, Parkway Crossing at Meadows of Dan

The cost estimate was \$20,381,931 and was funded with various state and local sources as shown in table 8.

Table 8 - Funding sources for Parkway Crossing (UPC 56352)	
Revenue Sharing Funds: State Match	\$100,300
Revenue Sharing Funds: Local Match	\$100,300
FRAN Bond Proceeds: Primary FRANS	\$17,646,331
Priority Transportation Funds: Primary PTF	\$2,535,000
Formula - Primary: Primary Formula – State	\$0
Total	\$20,381,931

4.2 Phase 2, Hillsville Bypass

The Hillsville Bypass had an original construction contract was valued at \$83M. Two additional offsite stream mitigation projects, Pine Run and Hillsville Elementary, were added for \$2,180,000 and \$1,700,000 respectively. The project was funded with various state and local sources as shown in table 9. Carroll County contributed \$150,000 to the Revenue Sharing Program for an equal match.

Table 9 - Funding sources for Hillsville Bypass (UPC 17535)	
Revenue Sharing Funds: Local Match	\$150,000
Revenue Sharing Funds: State Match	\$150,000
Bond Proceeds: Route 58 Bond CDP Funds	\$14,199,712
Transportation Partnership Opportunity Fund: TPOF - FY08	\$77,000,000
Formula - Primary: Primary Formula - State	\$4,649,140
FRAN Bond Proceeds: Primary FRANS	\$3,804,968
Priority Transportation Funds: Primary PTF	\$6,613,420
Total	\$106,567,240

4.3 Phase 3, Laurel Fork

The cost estimate was \$142,214,913. The construction contract value for Phase 3 was \$119,750,000 that included allowances for right of way and stream/wetland mitigation. Phase 3 was funded with various state sources as shown in tables 10, 11 and 12.

Table 10 - Funding sources for Laurel Fork (UPC 17533)	
Bond Proceeds: Route 58 Bond CDP Funds	\$5,932,466
Bond Proceeds: Capital Projects Revenue	\$1,002,557
Total	\$6,935,023

Table 11 - Funding sources for Laurel Fork/Tri County (UPC 17538)	
Bond Proceeds: Route 58 Bond CDP Funds	\$10,723,244
Priority Transportation Funds: Primary PTF	\$797,555
Total	\$11,520,799

Table 12 - Funding sources for Laurel Fork (UPC 102629)	
Bond Proceeds: Bond Proceeds - Capital Projects Revenue	\$115,944,956
Bond Proceeds: Route 58 Bond CDP Funds	\$4,083,896
Residue Parcel Revenue: Residue Parcel - Salem	\$107,900
Total	\$120,136,752

4.4 Phase 4, Lovers Leap

The Lovers Leap section has a design and construction contract valued at \$300,000,000. The current estimated cost to complete for this project is \$352,374,946. As demonstrated in Table 16 below, this project is fully funded in the current Six Year Improvement Plan.

Table 16 - Funding sources for Lovers Leap (UPC 17536)

		2024					
Bond Proceeds: Route 58 Bond Proceeds							
Bond Proceeds: RT58 Corridor Funds							
FRAN Bond Proceeds: Primary FRANS							
Priority Transportation Funds: Primary PTF							
Total	\$ 284,305,611	\$0	\$ 68,060,518	\$ 8,817	\$0	\$	
						Remaining Balance after 2029	<u>0</u>

5.0 Project Cash Flow

The Comprehensive Agreement between the Developer and VDOT establishes the maximum allowable monthly draw for each phase in Exhibit D, Plan of Finance. The monthly draw requests for Phases 1 and 2 followed slightly behind Exhibit D during most of construction and accelerated in the final months to 100% paid.

5.1 Phase 4, Lovers Leap

Exhibit C to Comprehensive Agreement – Design-Build Contract establishes in Exhibit D the maximum monthly draws to ensure adequate available funding. The Developer has currently earned \$58,633,073.24 for Phase 4 with projected earnings of \$252,676,631.53 at the end of FY2025. Phase 4 continues to project progress within the available funding.

6.0 Involvement of Private Enterprise

As outlined above, VDOT signed a PPTA Comprehensive Agreement with the Developer in December of 2003 to design and construct a planned four-lane section of Route 58

between Stuart and Hillsville (36-mile segment). There is no private capital on this project at this time.

7.0 Risk and Mitigation Measures

Phase 2 was certified substantially complete on August 26, 2011 on time. As outlined above, a requirement of the new USCOE 404 permit, VDOT was required to provide an additional 9,505 stream credits. Because of this new requirement, VDOT developed plans for two stream mitigation sites under this phase, the Pine Run site and the Hillsville Elementary site. The Pine Run site was completed in the fall of 2012. The Hillsville Elementary Stream Mitigation site was completed in the spring of 2015. The cost of the mitigation sites was added for a total of \$3,880,000 and took four additional years to design and construct. Post-construction monitoring is complete for the Pine Run site as well as Beaverdam and Little Reed Island sites. Post-construction monitoring is also complete for the Hillsville Elementary and Webb sites and the USACE and VDEQ have agreed that the sites have met their success criteria.