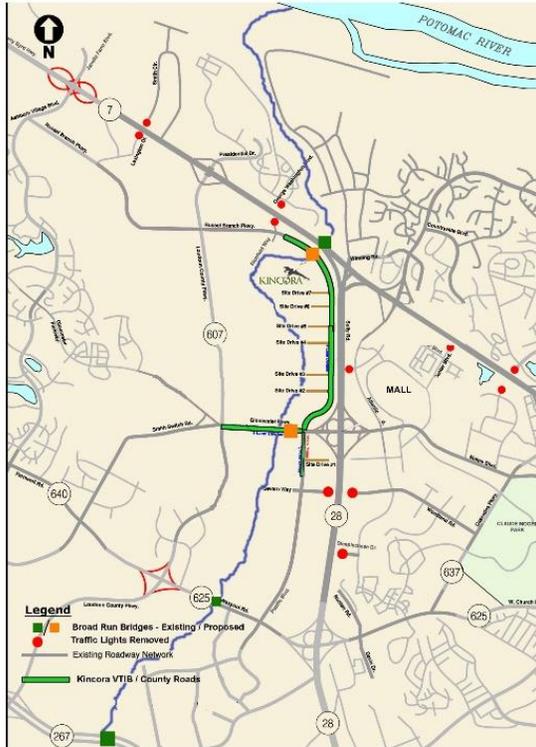


Case Study: Virginia Transportation Infrastructure Bank and Loudoun County – Public-Private Partnership for \$76 million Regional Road Project



Loudoun County's County-wide Transportation Plan has provided for the completion of the parallel road network in the Route 7 and Route 28 corridors since the mid 1990's. A significant and final uncompleted portion of that network flows through the 400-acre Kincora project at the southwest corner of Routes 28 and 7. The connector roads (Gloucester Parkway and Pacific Boulevard) are of strategic importance because they include two additional crossings of the Broad Run.

As a result of the enormous growth of Loudoun County population to the west of Route 28, traffic flow and safety are impaired because current traffic volumes and conditions have well exceeded those forecasted by planners in the initial phases of the expansion of Route 28. In 1988, when the initial widening of Route 28 from 2 to 6 lanes was completed, VDOT projected that by 2010,

the traffic volumes on Route 28 would be 51,840 ADT (Average Daily Trips). However, by 2009, the actual traffic volumes on Route 28 were 112,685 ADT, 217% of projected volumes. This caused severe congestion on Route 28 and Waxpool Road, particularly in the evening rush hour, with queuing of traffic exiting Waxpool Road from Route 28 resulting in daily back-ups onto Route 28. This condition led to the installation of a congestion warning sign to advise motorists of dangerous backups.

Further, seven of the ten most dangerous intersections in Loudoun County for 2010 were directly attributable to "funnel effect" congestion associated with the lack of east-west traffic corridors, all of which require expensive bridging of the Broad Run. Recent citizen-initiated studies list the completion of Pacific Blvd to Russell Branch Parkway as a top priority to alleviating congestion along Route 7.

The Kincora connections were critical to solving the problem, but the projected \$76 million price tag for the remaining road segments created a stumbling block to completion of the network. Such a financial burden would be untenable to advancing construction of the roads from the developer's perspective and neither the County nor State had funding for the project. While the rezoning of the property from industrial to mixed-use in 2010 created the long term value to support the cost of constructing the road segments through proffers over ten to twenty years, the County has a desperate need for them now. A ten to twenty year build out simply wouldn't do.

Solution appears on the Horizon:

Soon after the rezoning of Kincora in 2010 the development team and the County began meeting to determine whether a financing plan could be structured to accelerate the road construction. A community development authority (“CDA”) to finance the roads with special taxes had been considered, but without backing from the County, the prospects of issuing CDA bonds in the capital markets were dubious given the nascent stage of the land development.

The State was brought into the discussions as part of a search for a solution. The Governor’s Office was beginning to float the concept of a State-sponsored infrastructure bank to be initially funded from a portion of the \$1 billion of funds found by the administration in connection with a VDOT audit. The infrastructure bank would be structured as a revolving fund to jumpstart important transportation initiatives that could be repaid from an identified future cash flow associated with the project, such as tolls. Funding could be provided from the infrastructure bank at a below market interest rates. As the project obligation was repaid, the funds would be recycled into future projects.

Kincora’s proffer obligations were offered as a future cash stream that might support an infrastructure bank loan. Under the 2010 rezoning, these proffers included a \$24,500 fee for each multifamily unit built on the property. Norton Scott LLC, as co-developer of Kincora, recognized a novel approach to monetizing future proffer obligations to secure a loan from the Virginia Transportation Infrastructure Bank “VTIB” as it was being formed in the Spring of 2011. The enabling legislation for VTIB was enacted in April 2011 and the implementation guidelines were finalized in the following fall.

The VTIB loan application:

Norton Scott enlisted the Loudoun County Economic Development Authority (“EDA”) as the needed local government sponsor for its VTIB application. The application was submitted in December 2011. The Kincora application was among the first three applications considered by VTIB’s Advisory Panel. The 2010 rezoning cash proffers were insufficient to underwrite the entire project, so Kincora offered to enhance the multifamily proffer and to add a non-residential proffer for a specified dollar amount per foot of gross square foot built on the property. Together these residential and non-residential proffers would be sufficient to retire the loan over a twenty (20) year build-out period and would serve as collateral for the loan. The Commonwealth Transportation Board considered the application in June of 2011 at which time the VTIB was authorized to issue a term sheet for the project.

Under the term sheet the State would take a mortgage on the property, releasing parcels for applicable proffer payments as the land development progressed. The loan was conditioned on maintaining a specified loan-to-value ratio, giving the State a valuation cushion for the loan.

County joins in the solution:

To help induce the VTIB to make the loan, the County stepped in to co-invest in this important regional transportation infrastructure, by building the Gloucester Parkway extension portion of the project. The State would underwrite the completion of Pacific Boulevard segment. Together the

State and County would share in the collateral pool from the Kincora proffers to retire their respective investments in the road project.

During the spring of 2013, the County adopted necessary zoning modifications to reflect the State/County co-investment in the road project. From the State's perspective this transaction structure was preferable because the State's investment was being "leveraged" by the County's participation in the project. The County was comfortable that by retaining the bulk of the multifamily cash proffer, their investment would be quickly repaid.

Roads under the construction:

In December 2013 the VTIB transaction closed. The State immediately embarked on the construction of the Pacific Boulevard extension using its existing Public Private Transportation Agreement for the development of Route 28. The County appropriated the necessary funds to construct the Gloucester Parkway extension and is procuring a design-build contract with the assistance of VDOT. Both roads are expected to be completed in 2016. Opening up these important east-west corridors is expected to dramatically reduce congestion for County residents and enhance safety. The completion of the connector road network for Route 28 will also spur economic development opportunities in the corridor and lead to realization of the development potential originally envisioned for the corridor when Route 28 was merely a two lane road. This important public (State)-private (Kincora)-public (County) partnership represents a cutting edge response to resolving challenging transportation issues.

Kincora is a 400-acre mixed-use community located at routes 7 and 28 in Loudoun County, Va. In addition to office, hotels, supportive retail and apartments, the project includes a 160-acre park and nature preserve, trails, a heron rookery and performing arts center. Kincora is being developed through a partnership with Norton Scott, LLC and Tritec Development. Virginia-based, Norton Scott's principals have specialized in developing infrastructure and public facilities over 35 years in 46 states. Tritec is a family-owned, full-service real estate development firm based in New York. For more information, go to www.kincora-va.com.



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