NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

CAPE FEAR MEMORIAL BRIDGE (CFB)

RESPONSE TO REQUEST FOR INFORMATION (RFI)

May 31, 2022

RESPONDENT

MERIDIAM INFRASTRUCTURE NORTH AMERICA CORPORATION ("MERIDIAM")

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QUESTIONS FROM RFI

NCDOT is seeking industry input regarding alternative delivery methods, pros and cons of each and recommendation(s) /justification(s) as to why a particular option may fit best for this project and conditions. Some factors may include but are not limited to:

- Buildability concepts
- Alternative financing and operations and maintenance models
- Project viability, including, but not limited to, the following considerations:
    - Technical
    - Environmental
    - Engineering
    - Legal
    - Financial

RESPONSE FROM MERIDIAM

Meridiam is an independent investment firm specialized in the development, financing and management of long-term and sustainable public-private partnership infrastructure projects in the transportation, social, energy and environmental sectors throughout North and South America, Eastern and Western Europe, and Africa. Founded in 2005, Meridiam currently manages $18 billion of assets under management for projects worth over $70 billion. To date, the firm's portfolio includes over 100 assets in development, construction or operations around the world and 15 projects located in North America.

Sustainability is part of the very fabric of Meridiam. Meridiam is a Benefit Corporation under French law which means that we have made a legal commitment to social and environmental sustainability, equal to our financial commitment. We have also made a commitment to making the UN Sustainable Development Goals a reality to ensure we are building resilient infrastructure, tackling climate change, investing in public transportation and protecting the environment.

We believe that the Cape Fear Memorial Bridge (CFB) project is a much-needed project for the greater Wilmington, NC area. Given funding constraints within the North Carolina Department of Transportation (NCDOT) budget a tolled design-build-finance-operate-maintain public private partnership delivery where full revenue risk is transferred to the private sector is the best model to deliver this project. Additionally, we believe that NCDOT and the Greater Wilmington MPO should consider a pre-development agreement (PDA) structure to accelerate the development of this project and increase collaboration between the private and public sectors.

The objective of a PDA is to improve a project's viability by having the public sector partner with a private developer early in the project development process.

What is a PDA?

- Private infrastructure developer firm/consortia compete for the right to develop a financially feasible project design in collaboration with the public sector.
- The PDA is awarded on a best value basis to the most qualified developer through a proposal (RFP) with the best project development and financial plans.
- Public sector off-ramps structured at various development (scope of work) stages.
- During the PDA phase, the owner retains full decision-making authority.

- Towards the end of the PDA process, the owner will decide on the project delivery method.
- If a P3 is selected as the preferred project delivery, PDA team has the right of first negotiation.
- PDA team's right to P3 contract is subject to a price reasonableness test (open book) by owner **or** construction contract(s) can be let on a competitive DB basis (fixed price-date certain contract P3 regime).
- If price agreement cannot be reached the project can be rebid and the PDA developer is paid a termination fee.

How is a PDA Structured?

1. Pre-Development Phase (may be several phases over 1 – 3 years)
    - Initial project feasibility
    - Federal/state environmental (NEPA) process [public sector led with PDA developer assistance]
    - Analysis of competing technologies
    - Design, utilities, ROW, site conditions etc.
    - Traffic and revenue analysis
    - Total lifecycle cost analysis, including O&M
    - Financial feasibility
    - Risk analysis, mitigation and recommended allocation
    - Community engagement

2. Delivery Phase (usually determined around 60% design stage)
    - P3 either DBFOM or DBFM (likely delivery)
    - Non P3 delivery (Design-Build / Progressive DB / DBF / DBB)
    - Terminate Project

PDA Compensation to developer

1) If P3 with agreement on price between PDA developer and owner
    a) Developer internal costs with no margin (costs can be built into P3 agreement)

b) Reimbursement of external consultant fees

2) Non-P3 delivery or project is terminated
   a) Developer internal costs (multiplied by a to be determined factor)
   b) Reimbursement of external consultant fees

   Please note that NCDOT or Greater Wilmington MPO will need to fund the pre-development expenses during the PDA period.

PDA Advantages vs. Traditional Procurement

- Enables the private sector to provide significant early input to the **definition of the project**, including logical termini, strategies to reduce risks, capital costs, schedule, operations and maintenance requirements, and funding and financing packages.
- Early involvement of the developer will ensure that the project is scoped in a manner that ensures the procurement of construction, operations, technology solutions and financing at the optimal time**. Early evaluation of project feasibility & cost certainty.**
- **Optimal Risk Allocation**: By working collaboratively, both parties can obtain a better understanding of the project's risk profile and allocate risks in a more collaborated manner which will result in fewer change orders/disputes.
- **Design Control:** Owner retains control until ˜60% design.
- **Increasing Innovation**: obtain the best ideas early in design phase from both the private and public sector focusing on long-term integrated approach to construction and O&M (whole of life solutions).
- **Early involvement of the community** and stakeholders to ensure alignment with the project.
- **Higher contractor interest** and competition.
- High degree of **pricing transparency/competition**.
- **Speed**: Financial close/design/construction completion can be years earlier vs. traditional procurement.

- **Alignment of Interests**: PDA developer is aligned to quickly determine best path to a commercially viable project versus bill hours on a time and material basis. Consulting is not a PDA developer's main business.
- **Less Litigation**: since many of the project's risks are known and therefore properly allocated.

Public Sector PDA Considerations

- Enabling legislation to issue largely qualifications-based RFP with right of first negotiation for follow-on P3 contract.
- Creating the right environment which fosters strong leadership, communication and trust between the public and private sector to truly collaborate.
- A P3 as the ultimate delivery method is politically deemed the preferred delivery model for the project. The private sector will be unwilling to bid a PDA unless a P3 is the likely delivery model.
- Project must be financially viable.
- Preferable to have sub-consultant contracts issued under the PDA developer.
- Consider pushback to PDA from owner's existing consultants.
- Public sector client should have in-house and external advisory expertise to manage the PDA/P3 procurement and project.

Meridiam's Experience with Pre-Development Agreements

Meridiam is currently working on the Sepulveda Corridor PDA and the Miami Beach Monorail PDA. The project sheets for each of these PDAs are on the following pages.

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SEPULVEDA TRANSIT CORRIDOR

TRANSIT

Los Angeles, CA

PROJECT HIGHLIGHTS	
Owner	LA Metro
Meridiam's Role	Lead developer and equity investor (50%)
Construction Value	$10 billion (2021)
Key Dates	• Financial Close: 2026 • Construction completion: tbd
Delivery Model	Two stages: • Pre-Development Agreement followed by • DBFOM – AP (tbd-yr. concession)
Equity	$400 million

RELEVANCE TO CFB
• Pre-Development Agreement
• Transit project
• Major large hub greenfield transportation construction
• Complex construction and phasing
• Strong collaboration with multiple stakeholders

Project Description: The Project consists of the development and delivery of a metro-style transit service running between San Fernando Valley and Los Angeles International Airport to move transit from road to rail. The section of Interstate 405 is one of the most congested freeway corridors in the United States with 400k daily trips.

Diversity Goals and Achievements: LA Metro / City of LA diversity goals – we are seeking to not just meet but to exceed the targeted goals.

Role of Meridiam: Meridiam is the lead developer and co-lead equity investor.

Pre-Development Structure: LA Metro has awarded two PDA contracts in March 2021 1) Meridiam/Bechtel/ATI consortium to develop a heavy rail technology transit solution, fully automated, with a tunneling section under the Santa Monica Mountains. 2) Another team is proposing monorail technology with lower connectivity, capacity, speed and public preference. Meridiam to be fully reimbursed for all pre-development expense and will charge a fee for expenses during the pre-development and bid stage.

PDA phase is reimbursed by LA Metro up to a capped Lump Sum amount, apportioned through the PDA phases.

Payment Mechanism: The Owner will make Availability Payments to the Developer after substantial completion.

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MIAMI MONORAIL

TRANSIT
Miami, Florida

PROJECT HIGHLIGHTS	
Owner	Miami-Dade County
Meridiam's Role	Lead developer and equity investor (95%)
Construction Value	$1 billion (2021)
Key Dates	• Financial Close: 2023 • Construction completion: 2027
Delivery Model	Two stages: • Pre-Development Agreement followed by • DBFOM – AP (30-yr concession term)
DBE Requirements	Standard Miami-Dade DBE provisions
Equity	$100m Meridiam (95%)

RELEVANCE TO CFB
• PDA structure (managing process)
• Major transportation project
• Multiple stakeholders

Project Description: The Miami Beach Monorail is DBFOM of a mass transit solution that links downtown Miami to the City of Miami Beach. It is a 3.9-mile elevated transit connecting across Biscayne Bay.

Diversity Goals and Achievements: Standard Miami-Dade

Role of Meridiam: Meridiam was the lead developer and lead equity investor.

Pre-Development Structure: The Developer is to be reimbursed for all pre-development expenses based on progress payments. Stipend paid to PDA developer if it is not done as a Public Private Partnership or project is terminated in addition to the progress payments.

Payment Mechanism: The Owner will make Availability Payments to the Developer after substantial completion and FDOT completion payment.