ODOT hires concession finance advisor for Newberg-Dundee Bypass Project

SALEM – The Oregon Department of Transportation has hired a concession finance advisor to provide advice on a wide variety of issues in the structuring, analysis and evaluation of any proposed concession agreement that will be used in funding the construction and operation of the Newberg-Dundee Bypass Project.

Bear, Stearns & Co., Inc. has been tasked to provide an analysis of the recent Milestone One Report by the Oregon Transportation Improvement Group (OTIG). The report outlined a menu of funding options, cost reductions and tolling concepts that state and local decision makers can consider for constructing the Newberg-Dundee Bypass Project. The report was submitted to the Oregon Transportation Commission late last year.

“The Milestone One Report provided us with the groundwork for finding a solution to fund this important project,” said Jim Whitty, manager of ODOT’s Oregon Innovative Partnerships Program (OIPP). “Bear, Stearns has the expertise to take a critical eye to OTIG’s assumptions and conclusions, and to make sure the public will get the best financial deal possible for the project.”

The analysis will examine OTIG’s concession structure, proposed financing, range of return, toll rates and other terms of a concession agreement. In addition, the New York firm has been asked to develop a baseline concession model, and public sector comparator model.

“The public sector comparator will examine the feasibility of the state financing and operating a toll facility, rather than through a private sector approach,” Whitty said. “This comparison should provide us with the very best information to understand the advantages and disadvantages of both.”

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Bear, Stearns will also analyze the potential financial contribution of non-toll based revenues to help fill the project “revenue gap.”

“This is critical because according OTIG’s report, no matter which tolling alternative is ultimately chosen, there is a strong likelihood that there will be a sizeable funding gap between what can be raised by tolling and by what can be raised from other revenue sources,” Whitty explained.

The Milestone One Report suggested that the project may be financially feasible with a combination of private equity financing and some public sector participation. Also, it estimated that initial construction costs for the project are from $374 to $493 million, including right of way costs. The report examined tolling as the primary source of funding and considered various tolling options.

In a private concession agreement, the state would still own the highway while the private partner has a lease or right to operate it, which expires at the end of the contract agreement or concession. The length of time for the concession is determined based on the total cost of the project, length of time it will take to pay back OTIG for its investment, plus a fair return on its investment.

Whitty said that Bear, Stearns should have the work completed within 90 days.

The Newberg-Dundee Bypass is approximately 11 miles long, and lies along the south sides of Newberg and Dundee. The Bypass would provide an alternative route to the heavily congested OR99W highway that passes through the downtown cores of Newberg and Dundee. ODOT is already more than halfway finished with the environmental process that would receive federal approval to begin construction of the Bypass sometime in 2008.