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Public Works Financing Exclusive: Colorado Banks on Large P3 Savings for I-70.

Colorado DOT (CDOT) has decided to proceed with a DBFOM procurement for its underfunded I-70 East express lanes project in Denver based on Macquarie Capital's prediction of large design-build savings on availability payment P3s.

CDOT is counting on \$270 million in innovation savings from P3 delivery to build a \$1.4-billion project with \$1.17 billion in public funds, says Ben Stein, Director of CDOT's Office of Major Project Development. That's a 16.5% capital cost savings, "and we're expecting to get more than that," he says, which will allow CDOT to add scope.

Based on Macquarie's value for money analysis of the I-70 East project, the difference between capital cost estimates by government and bid costs for six availability payment P3s financed since I-595 in 2009 range from 12 percent to 20 percent.

"We're counting on Macquarie," says Stein. "Their reputation is on the line. . . We didn't hire them to be wrong."

Stein says CDOT would cancel the procurement if the projected savings do not allow the scope additions it wants.

In July, CDOT will ask the Colorado Transportation Commission to refer the I-70 East project to the High Performance Transportation Enterprise to begin a P3 procurement for a 35-year DBFOM project. Legal advisors are being sought now to work with Macquarie, and technical advisors will follow.

CDOT is proposing to sink two miles of I-70 East in cuts as deep as 40 ft, cover a part of the highway where it passes an elementary school, and add 2x2 tolled express lanes to connect the viaduct to I-270. The existing 60-year-old elevated portion of I-70 East would be removed.

Express lanes, initially striped for one lane in each direction, will be operated to allow maximum flow rather than to optimize revenues.

Public Works Financing is a monthly newsletter covering P3s in all infrastructure markets, since 1988. It is widely read and cited in the media, academic research, federal reports and congressional testimony.

By Editor July 24, 2014