A Report to the Maryland General Assembly

Senate Budget and Taxation Committee

and

House Appropriations Committee

Regarding

Public-Private Partnership for the I-95 Travel Plazas
Description of the Proposed Lease and Concession Agreement

January 2012

The Maryland Transportation Authority
The Maryland Department of Transportation

Background

The Maryland Transportation Authority ("MDTA") issued a Request for Proposals ("RFP") on June 27, 2011 to seek a public-private partnership ("P3") through the execution of a Lease and Concession Agreement with a single entity to undertake the redevelopment (including financing) and long-term operations and maintenance of the I-95 Travel Plazas, Chesapeake House and Maryland House. The RFP was for the redevelopment of the two Travel Plazas using only private funds with a 35-year revenue return (percent of gross operating proceeds) to the MDTA under a revenue-generating contract.

A P3 is approached and structured differently from traditional contractual arrangements, such as the current contract that governs the operations of the existing Travel Plazas. Specifically, a well-structured P3, requires a private entity to perform a variety of functions normally undertaken by the public sector, and should allow for cost-effective allocation of risks and benefits between the private and public sectors; a relationship defined by a long term, performance-based contract; and government retention of ownership and accountability for the asset and its ultimate service to the public. For these reasons, it is crucial to identify a private partner that genuinely understands the need for and is committed to a long-term, highly interactive working partnership with the public sector, going far beyond the standard expectations of traditional contractual arrangements.

P3s have the potential to provide a wide array of benefits, including faster project delivery, application of innovative construction techniques, operational efficiencies, access to an expanded set of financing resources, and risk sharing. The P3 approach was selected as the preferable delivery method for the Travel Plazas redevelopment for a variety of reasons. MDTA is committed to assuring that the redevelopment of the Travel Plazas results in the highest level of architectural quality and customer satisfaction, and believes that entering into a concession under which a private entity designs, builds, finances, operates and maintains the Travel Plazas is the optimal approach to do so. By assigning both the design and build responsibilities to one private partner, efficient delivery of the assets by the required September 2014 deadline can be contractually guaranteed. Since the private partner will also be responsible for long-term operations and maintenance of the facilities, the Travel Plazas will be designed and constructed to optimize operational efficiency, customer service, financial performance, and sustainability. Furthermore, a P3 structure enables the Travel Plazas to be redeveloped using only private funds, which frees up financial resources for MDTA to invest in its core program. Finally, as outlined in the risk transfer assessment later in this report, there are a number of ways in which a P3 structure will effectively allocate risks between MDTA and the private partner. All of these benefits of a P3 approach support the MDTA's core set of goals for the Travel Plaza redevelopment:

- Obtain new or like-new facilities to replace the current Chesapeake and Maryland Houses;

- Ensure that the facility design and operation will provide a positive customer experience; and

- Provide a fair return to the State, and provide for transfer of the facilities in satisfactory condition at the end of the term.

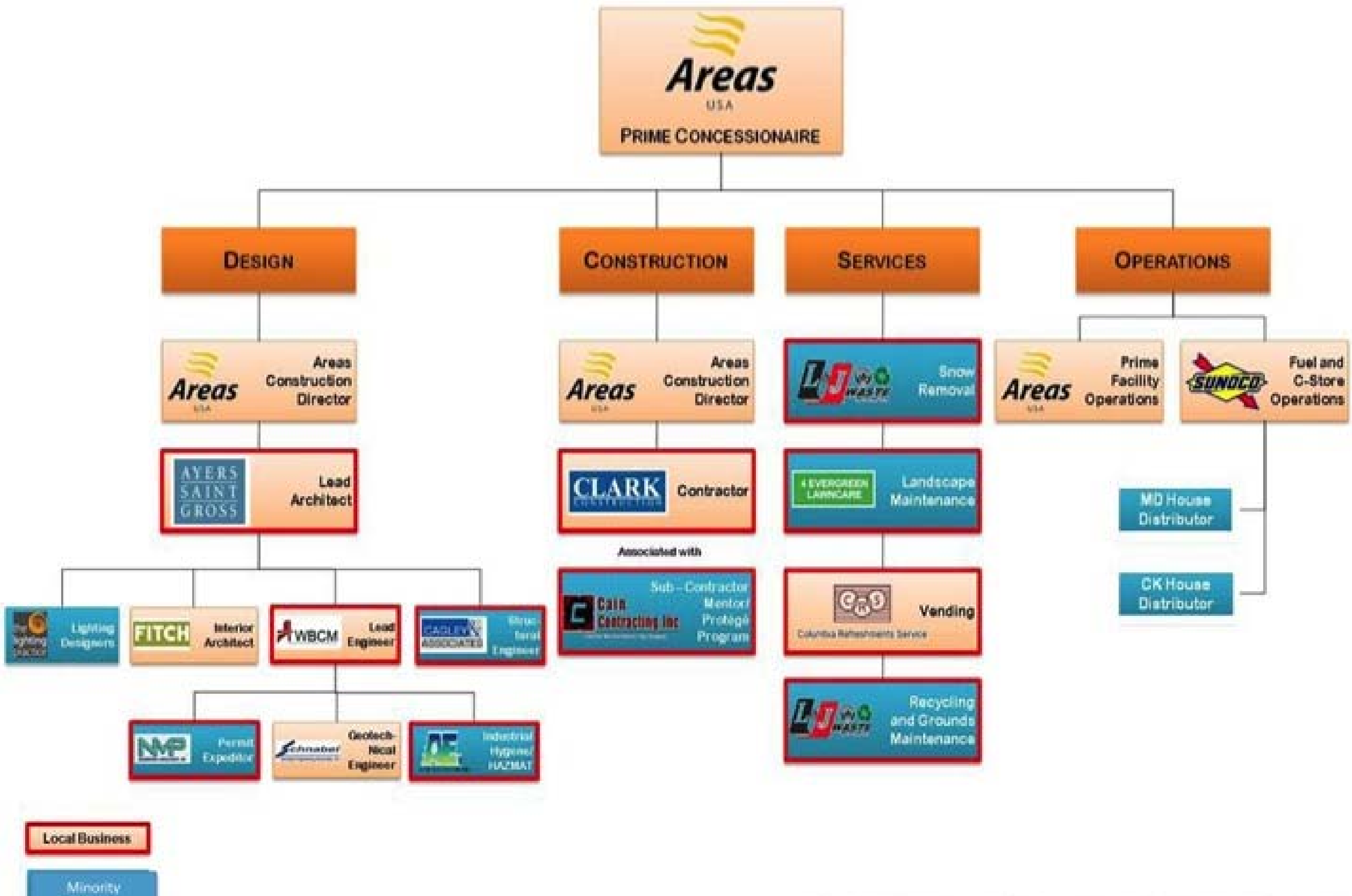
Our Partner

Areas USA MDTP, LLC ("Areas USA") is a newly created company formed for the purpose of engaging in the redevelopment of the I-95 Travel Plazas. Areas USA will be the prime concessionaire for the project.

Areas USA's parent company is Areas S.A. ("Areas"). Areas has been providing food, beverage and retail services to the travel industry for more than 40 years and currently maintains a presence in over 70 airports and 160 service plazas around the world encompassing 1,700 locations with 12,000 employees. Areas began operations in the United States in 2006 and is now servicing 11 airports (including Boston, Atlanta, and Los Angeles) and the Florida Turnpike (Design/Build/Operate 8 service plazas).

Areas is financially capable to deliver the project as proposed and carry-out the operations over the 35-year life of the agreement. Its annual operating revenue exceeds $900 million. While Areas maintains credit lines of $120 million, it currently has virtually no outstanding debt. Areas plans to fund the I-95 Travel Plazas completely with internal resources.

Areas USA has assembled a great team to deliver the Travel Plazas project. The team consists of nationally-known companies and Maryland-based businesses that have proven track records in their industries.



* The Lighting Practice is currently a WBENC firm in Pennsylvania and will apply to obtain the certification in MD

The design element of the project includes Ayers Saint Gross as the lead Architect – Baltimore's largest architectural firm, which is internationally recognized for excellence in architecture. Ayers Saint Gross has practiced its trade in Maryland since 1915 and currently has 130 employees. Other firms involved with design aspects of the project include:

- Whitney Bailey Cox and Magnani (WBCM), a Baltimore based company with 157 employees, which will serve as lead engineer;

- FITCH, which will be responsible for the interior architecture of the facilities;

- Cagley and Associates, a certified MBE firm headquartered in Rockville, Maryland, which will handle structural engineering aspects of the project;

- Aria Environmental, a small woman-owned Maryland firm, which will lead efforts to address environmental, health, and safety issues on the project;

- Schnabel Engineering, which will provide geotechnical services;

- Lighting Practice, a woman-owned company, which will handle lighting aspects of the project; and

- NMP Engineering Consultants, Inc., a certified MBE headquartered in Hunt Valley, Maryland and specializing in the field of water resources engineering.

The construction element of the project has Clark Construction Group, headquartered in Bethesda, Maryland, as the construction contractor. Clark is one of the largest general contractors in the United States with over $4.8 billion in annual revenue. Participating in the project, as part of the Sub-Contractor Mentor/Protégé Program, will be Cain Contracting, Inc. Cain Contracting, winner of the Maryland Washington Minority Contractors' Association's "2010 Minority Business Enterprise of the Year" Award, is also a federal Service Disabled Veteran Owned Small Business.

Operation of the facilities will be supported by services from:

- L&J Waste Recycling/Construction – an MBE Baltimore firm with 15 years' experience in waste management and snow/ice removal;

- 4 Evergreen Lawncare – an MBE certified and family-owned Baltimore company – for landscaping services;

- Columbia Refreshments– a family-owned Maryland business with 60 years of experience in maintenance of vending services; and

- Sysco, for food services.

Fuel sales and convenience store operations will be franchised by Sunoco. Sunoco is a nationally known brand that has been in business for over 125 years, selling 5 billion gallons of fuel through 4,900 service stations across the country. Sunoco has a presence on nine toll roads throughout the United States with 77 plaza locations and is actively participating in $55 million worth of redevelopment projects.

Finally, Areas USA has assembled a portfolio of food/beverage and retail concepts that will offer travelers diverse, high-quality, and healthy opportunities.

The food and beverage concepts for the Maryland House include:

- Wendy's,
- Cosi,
- Dunkin' Donuts,
- Nathan's Famous,
- Jamba Juice,
- Pizza Hut and
- Baskin Robbins.

Food and beverage concepts for the Chesapeake House include:

- Wendy's,
- Qdoba Mexican Grill,
- Caribou Coffee,
- Jerry's Subs & Pizza,
- Wetzel's Pretzels and
- Earl of Sandwich.

The Areas USA commitment to local businesses and minority business enterprises (MBE) goes beyond the boundaries of the team organizational structure. Areas USA has made a self-imposed commitment to achieve 27 percent participation in design and construction work by MBEs. In addition to the design and construction work, the fuel station and convenience store operations will be run directly by two separate franchisees that will be Maryland certified MBEs at the time those stores open for business. Using reasonable revenue projections, including inflation assumptions and growth in traffic, we estimate gross revenues (non-fuel) for these franchisees, over the 35-year term of the agreement, to be in excess of $300 million.

Lease Agreement

The term of the proposed Lease and Concession Agreement will begin with the effective date and shall continue for 35 years after Areas USA assumes operations (currently assumed to occur on September 15, 2012), during which time Areas USA is to finance, design, build, operate and maintain the Travel Plazas. Key components of the Lease and Concession Agreement are summarized in the table below:

1. Lessor	The Maryland Transportation Authority (MDTA) owns all of the land and improvements on the Premises described below. As Lessor, MDTA will retain ownership of the real property during the term of the public private partnership. Upon expiration or earlier termination of the Lease and Concession Agreement, the Concessionaire will be required to surrender the Premises to MDTA in good repair and working condition with at least 5 years of useful life remaining for the buildings.
2. Premises	The Maryland House at I-95 mile post 82 in Harford County; the Chesapeake House at I-95 mile post 97 in Cecil County, also called the Travel Plazas.
3. Obligations of the Concessionaire	The Concessionaire will be required to finance, design, construct, operate and maintain the Premises, including their fueling stations and food concessions, according to the terms in the Lease and Concessions Agreement, Request for Proposals dated June 27, 2011 (the RFP) and the Proposal from the Concessionaire, to the extent accepted by the MDTA.
4. Term	The term of the Lease and Concession Agreement will run from the Effective Date for a period of 35 years after the Concessionaire assumes operations.
5. Financial Expectations	The Concessionaire will be required to a.) Provide all funding and financing for the reconstruction of the Premises and the Mandatory Site and Utility Work (together, the Work) to be completed no later than September 15, 2014; b.) Bear the full costs of operating and maintaining the Premises for the term of the Lease and Concession Agreement; c.) Pay an annual rent to the MDTA for the term of the Lease and Concession Agreement based on gross sales revenues and gasoline and fuel products quantities, and structured to increase over time in proportion to the overall profitability of the Lease and Concession Agreement.
6. Design Build Requirements	The Concessionaire will a.) Be responsible to perform all Work necessary to replace or fully rehabilitate all of the structures and site elements at both Travel Plazas, including design, permitting, financing, provision of utilities, construction, construction supervision, environmental compliance, safety and security, maintenance of traffic, and the Mandatory Site and Utility work; b.) Retain a Designer and Contractor licensed to do business in Maryland to perform all Work; c.) Provide or arrange for the Contractor to provide the required bonds and insurances, each naming the MDTA as an additional insured or beneficiary, as appropriate. d.) Coordinate with the MDTA throughout the design

	and construction periods, as set forth in the RFP.
7.Operations Requirements	The Concessionaire will be required to operate both Travel Plazas on a 24/7/365 basis, to include restrooms, food and beverage service, fueling and retail offerings. The Concessionaire will be responsible for all maintenance of the buildings and grounds, including periodic capital investments to ensure a positive customer experience. The Concessionaire will be required to achieve agreed upon performance standards.
8. Non-discrimination	The Concessionaire shall not discriminate in any manner against a prospective contractor or subcontractor because of the race, color, religion, creed, age, sex, marital status, national origin, ancestry, or physical or mental handicap of its principals or employees. MDTA encourages the Concessionaire to provide maximum practicable opportunities to MBEs to participate in performing on contracts in connection with this Lease and Concession Agreement. The Concessionaire is expected to establish a new or implement an existing program that will provide all enterprises, including MBEs and small businesses (SBRs), an equal opportunity to bid for work to be performed in connection with the Lease and Concession Agreement, including implementing an outreach program to timely inform MBEs and SBRs of contracting and subcontracting opportunities starting during design and extending through operations.
9. Prevailing Wage	Concessionaire shall pay not less than the applicable prevailing wage rates for the construction work on the primary service facilities, as established by Maryland's Department of Labor Licensing and Regulation.
10. Environmental	The Concessionaire shall provide for sufficient LEED elements in the planning, design, construction, and operations of each Travel Plaza such that the Travel Plazas shall result in a silver LEED certification under the most current LEED standards. The Concessionaire must operate the Travel Plazas in full compliance with all applicable environmental laws and regulations, and will strive to operate with no or minimal environmental impact. The Concessionaire will be responsible for the complete removal of four existing gas stations, including the removal of all underground fuel storage tanks.

11. Indemnification of State Parties	MDTA has certain rights regarding tolls including the right to periodically adjust toll rates, impose new tolls and to alter the method of toll collection. Concessionaire shall indemnify and hold harmless MDTA from any damages or expenses to Concessionaire or its agents, employees, subconcessionaires, partners, Equity Owners, contractors, licensees, or invitees that result from MDTA's toll collection, including loss of business.
12. Reassignment	The Concessionaire may not assign this Lease and Concession Agreement in whole or in part without the consent of the MDTA and the concurrence of the Maryland Board of Public Works.
13. Right of First Refusal	In the event that Concessionaire or the Equity Owner(s) of Concessionaire shall receive a bona fide offer from a non-affiliated third party to purchase all, but not less than all, of the equity or assets of Concessionaire or any of Concessionaire's right, title and interest in operating under this Lease and Concession Agreement, which offer Concessionaire wishes to entertain, MDTA may elect to acquire such stock or assets by matching the Offer.
14. Facility Reinvestment	Concessionaire shall establish and maintain an Annual Maintenance Escrow Account in which the Concessionaire shall deposit monthly an amount equal to (i) one percent (1%) of Gross Revenues for the preceding month and (ii) $.0075 per gallon of Fuel sold for the preceding month. Any remaining balance at the end of the Agreement shall be payable to MDTA. In addition to the Annual Maintenance Escrow Account, Concessionaire shall further reinvest in the facilities in accordance with a committed capital upgrade schedule outlined in the Agreement. Any committed capital not spent on a timely basis in accordance with the capital upgrade schedule shall be payable to MDTA.
15. Hand-back Provisions	The Concessionaire shall transfer the facilities in satisfactory condition and shall peaceably vacate the Leased Premises at the expiration of the term or termination of the Lease and Concession Agreement.

Financial Offer

The MDTA will receive $442 - $488 million in revenue payments over a 35-year period (i.e. lease term). Areas USA improved its initial financial terms following negotiations which translated to more than $65 million in additional revenue payments to the MDTA. The table below outlines the initial and final terms:

Primary Facilities		
Areas USA Financial Offer	**Initial (November 2011)**	**Final (January 2012)**
% of gross sales from **Primary Facilities**	10% - Year 1–10 12% - Year 11– 35	**10%** - up to $45 MM **11%** - $45+ - $52 MM **12%** - $52+ - $59 MM **13%** - $59+ - $66 MM **14%** - $66+ - $75 MM **15%** - $75+ MM (the MDTA realizes the higher percentage for the full amount when revenues exceed the corresponding tier)
Fuel Stations		
Areas USA Financial Offer	**Initial (November 2011)**	**Final (January 2012)**
$ amount for **fuel sales** for each gallon sold	**Chesapeake Gas** up to 9 MM gallons - $.05 9 - 11 MM gallons - $.06 11 - 13 MM gallons - $.07 13 - 15 MM gallons - $.08 15+ MM gallons - $.09 **Maryland Gas** up to 17 MM gallons - $.07 17 - 19 MM gallons - $.08 19 - 21 MM gallons - $.09 21 - 23 MM gallons - $.10 23+ MM gallons - $.11 **Chesapeake Diesel** up to 7 MM gallons - $.05 7 - 8 MM gallons - $.06 8 - 9 MM gallons - $.07 9 - 10 MM gallons - $.08 10+ MM gallons - $.09 **Maryland Diesel** up to 7 MM gallons - $.07 7 - 8 MM gallons - $.08 8 - 9 MM gallons - $.09 9 - 10 MM gallons - $.10 10+ MM gallons - $.11	**Chesapeake Gas** up to **8.5 MM** gallons - $.05 **8.5 - 10.5 MM** gallons - $.06 **10.5-12.5 MM** gallons - $.07 **12.5-14.5 MM** gallons - $.08 **14.5+ MM** gallons - $.09 **Maryland Gas** up to **15 MM** gallons - $.07 **15 - 17 MM** gallons - $.08 **17 - 19 MM** gallons - $.09 **19 - 21 MM** gallons - $.10 **21+ MM** gallons - $.11 **Chesapeake Diesel** up to **6 MM** gallons - $.05 **6 - 7 MM** gallons - $.06 **7 - 8 MM** gallons - $.07 **8 - 9 MM** gallons - $.08 **9+ MM** gallons - $.09 **Maryland Diesel** up to 7 MM gallons - $.07 7 - 8 MM gallons - $.08 8 - 9 MM gallons - $.09 9 - 10 MM gallons - $.10 10+ MM gallons - $.11
Convenience Stores (C-Stores)		
Areas USA Financial Offer	**Initial (November 2011)**	**Final (January 2012)**
% of gross sales from **Convenience Store**	**Chesapeake House** up to $6 MM - 9% $6 - $7 MM - 9.5% $7 -$8 MM - 10% $8 - $9 MM - 10.5% $9+ MM -11% Tobacco Sales - 2% **Maryland House** up to $7 MM - 9% $7 - $8 MM - 9.5% $8 - $9 MM - 10% $9 - $10 MM - 10.5% $10+ MM - 11%	**Chesapeake House** up to **$5 MM** - 9% **$5 - $6 MM** - 9.5% **$6 - $7 MM** - 10% **$7 - $8 MM** - 10.5% **$8+ MM** -11% Tobacco Sales - 2% **Maryland House** up to **$6 MM** - 9% **$6 - $7 MM** - 9.5% **$7 -$8 MM** - 10% **$8 - $9 MM** - 10.5% **$9+ MM** - 11%

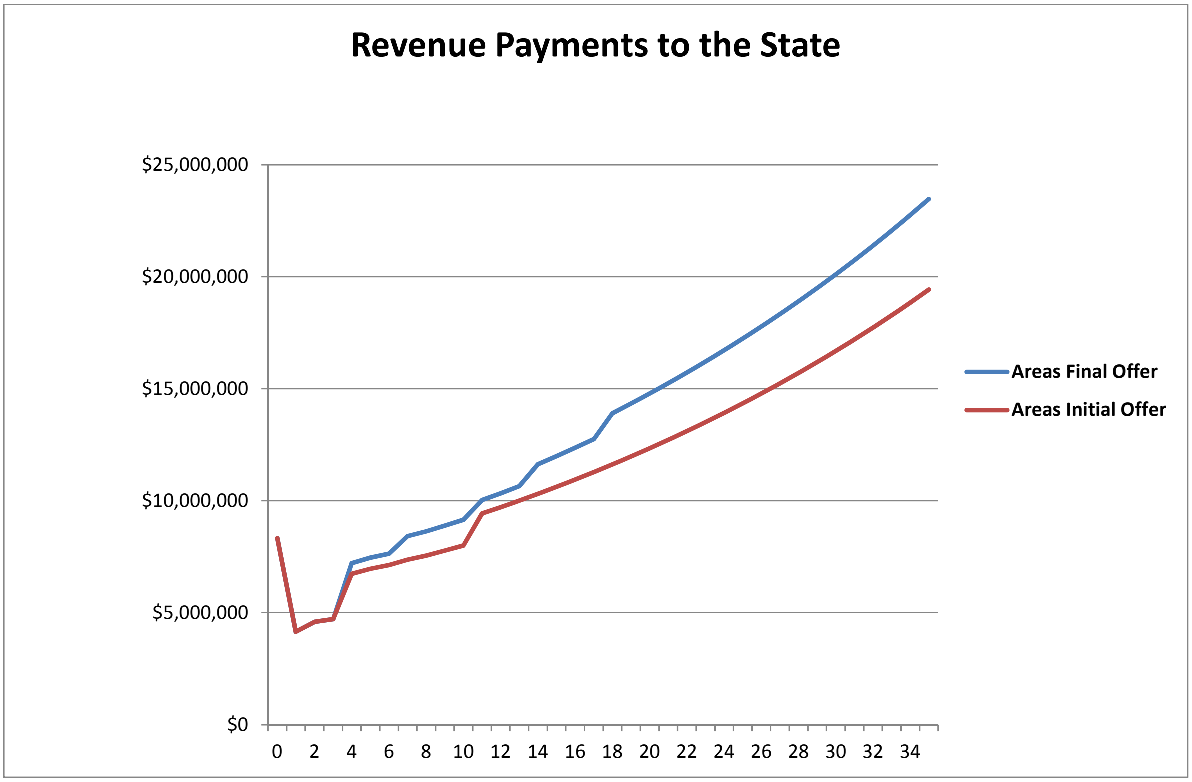
	Tobacco Sales - 2%	Tobacco Sales - 2%

Areas USA's final offer improved the MDTA's deal by allowing the MDTA to realize a higher percentage of gross revenues for the Travel Plazas than what was initially offered. The final offer allows the MDTA to realize up to 15% on gross revenues when revenues exceed $75 million. Furthermore, the MDTA does not have to wait 10 years until it realizes a higher return on gross sales, assuming revenues exceed $45 million, which it is projected to achieve in Year 6. In addition, Areas USA lowered the thresholds for gallons sold and gross sales for the convenience store for the various tiers. This allows the MDTA to begin to realize higher payments from the Concessionaire at lower thresholds. The table below shows how the MDTA's economic value improved between Areas USA's initial offer and its final offer:

Areas USA's Proposal	Initial Offer – Value	Final Offer – Value
Total Net Present Value (NPV) to the State	$161 - $174 MM	$180 - $198 MM
Total Value to the State	$383 - $419 MM	$442 - $488 MM
Total Net Present Value (NPV) to the Concessionaire	$118 - $198 MM	$108 - $185 MM
Total Value to the Concessionaire	$362 - $603 MM	$314 - $547 MM

Furthermore, Areas USA guarantees $2.5 million in transition upgrades which will assist in its transition of redeveloping and operating the Travel Plazas, $34 - $38 million for capital repairs throughout the term of the lease to be placed in an annual maintenance escrow account and $7.4 million for refurbishment (i.e. to include scheduled capital upgrades to the restrooms, C-Store, dispensers, HVAC). Any remaining balance in the annual maintenance escrow account at the end of 35 years will revert back to the MDTA. If Areas USA does not spend all of the funds for the refurbishment, those funds, too, will revert back to the MDTA. The annual maintenance escrow account and refurbishment funds will assist in Areas USA maintaining the Travel Plazas in good order throughout the life of the lease.

The following graph shows how Areas USA's offer improved between its initial offer and its final offer, expressed in terms of annual revenue payments to MDTA over the entire 35-year Agreement:



The table below provides an overview of the State's total value through its partnership with Areas USA:

Component of Offer	Value to the State (MM)	Assumptions
Upfront Capital Investment in Two Facilities	$56	• Ground-up redevelopment of the Travel Plazas financed by private developer
Revenue Payments to the State	$442 - $488*	• State's % of gross revenues as payment increases as thresholds are met • Upon exceeding $75 MM in gross revenues, State receives 15% of gross revenues from facilities • In addition to % of gross revenues, Concessionaire shall pay a $3 MM one-time payment to the State within one year of lease execution
Transition Investment (Year 1)	$2.5	• Funds not spent below $2.5 MM for transition period shall be paid to the State
Long-run Capital Reinvestment in Facilities	$41.5 - $45.5*	• Funds held in a separate escrow account • Funds not spent in the escrow account

		shall be paid back to the State in year 35 • Calculated as a percentage of gross revenue sales and gallons of fuel sold • Includes set aside for special scheduled upgrades and refurbishment in years 8-10, 15, 16 and 20
Maintenance of Facilities no longer the State's responsibility	$35 - $70*	• Cost savings associated with elimination of exterior maintenance responsibilities (i.e. landscaping, pavement, snow removal etc.)
Total Value to the State	**$577 - $662**	

*Sum of Future Dollars over 35 years

The following table shows both total payments to the MDTA and the net present value to the MDTA.

Present Value of Areas USA's Financial Offer for the Travel Plazas

Component of Offer	Total Payments (MM)	Net Present Value (MM)
Upfront Capital Investment in Two Facilities	$56	$56
Revenue Payments to the State	$442 - $488	$180 - $198
Transition Investment	$2.5	$2.5
Long-Run Capital Re-Investment	$41.5 - $45.5	$18.5 - $20.0
Maintenance Cost Avoidance	$35 - $70	$15 - $31
Total Value to the State	**$577 - $662**	**$272 - $308**

Based on reasonable revenue projections, it is estimated that Areas USA's unleveraged internal rate of return (IRR) could vary between 14.6% - 17.5%. The range is due to variability of revenues and costs over the 35-year period. Using those same revenues, the post-tax IRR for the entire project is estimated to be 12.5 percent. Both IRRs are exposed to the financial risks outlined in the table below under Risk Transfer Assessment.

Risk Transfer Assessment

In this partnership, the MDTA shifts most of its risk associated with developing, financing, operating and maintaining the travel plazas to Areas USA. The MDTA benefits from the private sector's expertise, efficiencies, economies of scales and financing capabilities in the redevelopment, operations and maintenance of the Travel Plazas.

State of Maryland Receives		Areas USA Receives
Initial capital investment of $56 MM by Areas USA requires no public subsidy or debt *Benefit: Frees up financial resources for MDTA to invest in core program*	⇨	Right to operate and maintain the Maryland and Chesapeake Houses above current standards for 35 years *Risk: Areas USA accepts operational and sales risk*
Firm commitment to complete and open two brand-new Travel Plazas by September 2014 *Benefit: Relieves MDTA of capital cost, schedule risk, cost overruns*	⇨	Obligation to design and build the facilities within the MDTA's required standards *Risk: Areas USA accepts design and construction risk*
Remediation of existing soils contamination *Benefit: Anticipates it will bring closure to open MDE environmental clean-up cases*	⇨	Commitment from MDTA to contribute funds if the clean-up exceeds 10,000 cubic yards of material *Risk: Areas USA accepts responsibility for environmental compliance of future facility operations*
Annual payments for the life of the contract, totaling $442-488 MM in cash *Benefit: Enhanced revenue stream which grows over time*	⇨	Opportunity to provide retail services within one of the country's most heavily-traveled corridors; all net revenues resulting from facility operations; partnership structure with MDTA that encourages optimal use of the Maryland and Chesapeake Houses *Risk: Areas USA accepts full revenue and cost risk*
Lease terms give MDTA the right to cancel the agreement if Areas USA fails to perform *Benefit: MDTA can enforce its high standards of performance without additional cost*	⇨	Full control over operations and work practices as long as in contract compliance *Risk: Areas USA accepts operational risk*
Relief from future maintenance expenditures required for lifecycle asset management *Benefit: Estimated $35-70 MM in projected expenses which would have been MDTA responsibility freed up for other uses*	⇨	Control over timing and nature of system preservation costs so long as standards are met *Risk: Areas USA accepts risk that estimated costs are too low or do not reflect actual need*

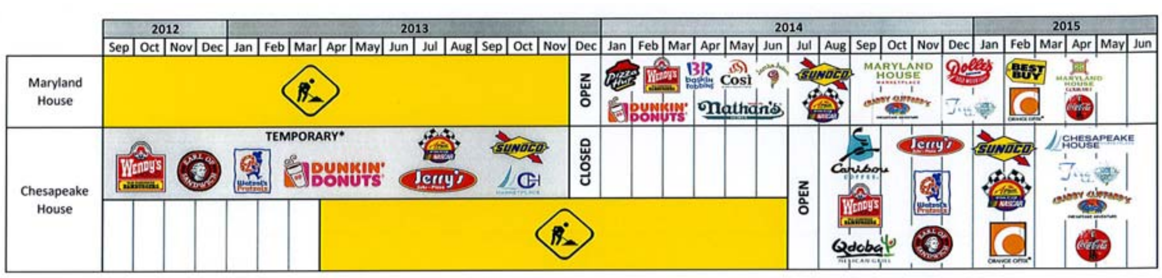
Economic benefit of new investment, new capacity *Benefit: Approximately 400 total construction jobs created in the next two years*	⇨	Travel demand created by growth in Maryland's tourism industry, recreational activity and business dynamism *Risk: Areas USA accepts risk of long term economic growth*
Achieves second major P3 transportation project *Benefit: Sends clear message that Maryland is open for business*	⇨	Enters into a long-term agreement to operate destinations with high customer visibility *Risk: Areas USA accepts risk of shift in customer preferences*

<u>Transition Phasing Schedule</u>

In September 2012, the Maryland House will shut down immediately for construction while the Chesapeake House is transitioned to Areas USA operations, including the introduction of new brands. The opening of the new Maryland House is expected to take place by December 2013.

The new Chesapeake House will begin construction in spring 2013 – current target being April 2013. The existing Chesapeake House will remain open for business until such time as the new Maryland House is open. The new Chesapeake House will open for service no later than September 2014 and possibly sooner in an effort to serve 2014 summer travel.

Below is a graphic depicting the transition schedule along the timing and location of specific food, retail and fuel offerings at each facility.



* Temporary concepts are subject to change

<u>Customer Amenities</u>

Areas USA will provide optimal use of space within the Travel Plazas. The proposed use of space includes: (i) greater square feet dedicated to restroom with more fixtures, (ii) most favorable utilization for public spaces, and (iii) optimized space design for back of the house.

Areas USA acknowledges restrooms are an essential function of the Travel Plazas and will increase the current square feet proportioned to the restroom facilities to accommodate the current and future demand. Because the Travel Plazas remain open around the clock, Areas USA has designed the restrooms to reduce service interruption during facility maintenance and routine cleaning. The restroom design allows for half the space to temporarily close during cleaning while the other half remains in service, eliminating interruption to customers while the restrooms are cleaned. In addition, the layouts have been optimized to increase the amount of fixtures to accommodate the customers, reducing the wait time.

Areas USA's extensive experience operating Travel Plazas has provided it with insight into the best use of public spaces. As such, Areas USA has designed a public space which significantly reduces the current inefficient use of space, including eliminating inefficient walls, stairs and corridors within the structure. Areas USA will implement a centralized food court to provide the most favorable utilization of the public space. The central public space at the Travel Plazas are designed to improve the flow and access to restrooms and stores, allowing guests to view all offerings from any part of the building. To accommodate the current and future demand, the Travel Plazas public spaces include expanded dining spaces, seating capacity, as well as a children's area. Areas USA will accomplish this improvement and create more space for the guests, while maintaining the same amount and variety of offerings currently available.

The back of the house has been efficiently designed, with shared spaces for vendors to eliminate the need for separated and multiple storage units.

The site design will increase the current parking space to improve the flow of the vehicles. Truck and bus parking have been designed to provide guests easy and safe access from the buses into the Travel Plazas. At the Chesapeake House, the site design will eliminate the current confusion and dangers in accessing the Travel Plaza. The current north and south lot will be replaced with a shared parking lot and all customers can access a core walkway, providing a clear route to the entrance.

Maryland House Component	Existing	Proposed (Near Term)	Expansion (Long Term)
Primary Building Sq. Footage [1]	33,500	39,225	47,925
Concepts (Food / Retail)	7 / 5	6 / 8	NA
Seating (Indoor / Outdoor)	409 / 50	756 / 160	NA
Restrooms (Stall / Urinal / Sink) [2]	62 / 20 / 26	68 / 28 / 46	NA
Parking (Car / Truck / Bus)	509 / 56/ 24	515 / 60 / 30	575 / 71 / 38
Fuel & Convenience Store Sq. Footage [3]	960	5,700	NA
Fueling Positions (Car / Truck) [4]	48 / 8	40 / 4	50 / 6

Chesapeake House Component	Existing	Proposed (Near Term)	Expansion (Long Term)
Primary Building Sq. Footage [1]	28,000	29,845	39,395
Concepts (Food / Retail)	6 / 4	6 / 5	NA
Seating (Indoor / Outdoor)	303 / 40	325 / 80	NA
Restrooms (Stall / Urinal / Sink) [2]	37 / 14 / 23	56 / 20 / 36	NA
Parking (Car / Truck / Bus)	352 / 98 / 16	360 / 78 / 30	420 / 100 / 34
Fuel & Convenience Store Sq. Footage [3]	1,484	4,300	NA
Fueling Positions (Car / Truck) [4]	48 / 8	24/4	32 / 6

[1] Usable Space
[2] Includes Family Restrooms
[3] Existing c-store sq. ft include both existing buildings, new sq. ft is for one new building with more amenities
[4] Installation of high speed fueling equipment will require fewer fueling positions

Capital Investment in Facilities, Life Cycle Assessment, and Asset Refurbishment

The existing facilities have reached the end of their service life in terms of physical condition and serviceability. The first goal of the P3 is to obtain new or like new facilities, without an investment of MDTA dollars. Areas USA has proposed complete replacement of all components of the Travel Plazas with new facilities, entirely financed using only private equity. This will include the complete removal of all existing buildings and all underground fuel systems and replacement with state-of-the-art, environmentally responsible facilities. The facilities will be designed to a minimum of LEED silver standard and will provide such essential services as fueling, rest rooms, vehicle parking, food services, customer seating areas, retail options, a convenience store, wireless internet, and traveler’s and tourism information.

Exterior Renderings

Maryland House **Chesapeake House**

Interior Renderings

Floorplans

Site Plans

Areas USA has proposed a complete life cycle management plan for the facilities. This will be accomplished through regular inspections for the condition of the assets, ensuring that both preventative and corrective maintenance is performed as required to maintain a first class facility. To ensure sufficient funds for ongoing capital repair work, Areas USA will fund an account with one percent of gross revenues and $.0075 per gallon of fuel sold. In addition to this annual capital repair work, the asset reinvestment plan includes major required refurbishments in year 8 and beyond, as outlined in the following table. In all, over the term of the Agreement, the total capital reinvestment is estimated at $41.5 to $45.5 million. These investments will ensure that adequate service life remains in the assets at the conclusion of the lease period.

Major Required Refurbishments

Year of Agreement	Concessionaire	Fuel Provider
Year 8		$1,100,000.00
Year 9		$850,000.00
Year 10	$1,500,000.00	
Year 15		$1,100,000.00
Year 16		$850,000.00
Year 20	$2,000,000.00	
Total	**$3,500,000.00**	**$3,900,000.00**

Ongoing Operation and Maintenance of Facility

Areas USA will be charged with complete operation on a 24/7/365 basis, starting from the day of initial transition from the existing vender through the end of the 35-year term. It is expected that Areas USA will provide top notch quality of service and amenities at all hours. Adequate staffing will be provided to meet the peaks in expected business. Routine maintenance will be performed by both Areas USA staff and qualified local subcontractors. This includes routine custodial work, waste management, grounds maintenance and snow and ice removal. A complete security plan will ensure safety of our patrons, security of our assets and loss prevention for the private partner.

Performance Measures/Actions if Performance Measures are Not Met

One of the goals of the I-95 Travel Plaza P3 is to ensure that the facility design and operation provides a positive customer experience. The MDTA and Areas USA will have regular review meetings to ensure an open dialog about expectations and measured performance. Failure to meet expected performance measures will constitute default of the agreement. A formal process for dispute resolution will be in place.

Providing a positive customer experience includes many aspects of the customer's visit, such as the atmosphere within the facilities, the ease of movement in and around the facilities, and the variety and quality of the food and retail options from which the customer can choose. One of the more significant influences upon the customer's experience is the condition of the facilities.

The I-95 Travel Plazas should provide a safe, fully operational and overall pleasing environment for the customer. The agreement with Areas USA includes provisions to ensure the construction of attractive buildings and aesthetically pleasing surroundings with properly functioning components and systems. These provisions will also guarantee the facilities are properly maintained, clean and safe.

The performance measures will address each of the different elements necessary to achieve the overall goal of providing a positive customer experience. These elements include:

Custodial:

- Cleanliness of the restrooms by providing toilet attendants from 6am to 10pm daily
- Fully stocked restroom supplies/dispensers (towels, paper and soap)
- Deep cleaning of the restrooms at least twice weekly
- Fully functional fixtures, including repair of disabled fixtures within 24 hours of reported issue when possible

Grounds Maintenance:

- Utilizing best practice protocols to prevent or minimize contaminates from stormwater runoff from building and grounds maintenance activities
- Following good landscape management practices, preventing and cleaning up spills immediately, keeping debris from entering the storm drains, and maintaining the stormwater collection system
- Reducing the potential for pollutant discharge through source control pollution prevention and implementation of best management practices
- Effectively training employees in best management practices and general pollution prevention strategies and objectives
- Maintaining litter bins less than 3/4 full and emptying them at least once every 3 hours
- Maintaining parking lots, driveways and sidewalks free of litter and debris
- Frequent and regular garbage pick up
- Recycling waste and proper separation in containers

Landscaping:

- Maintaining landscaping in a nice and attractive manner for the customers with the turf properly cut and the trees trimmed in a timely manner
- Maintenance of landscaping by a professional company
- Cleaning sidewalks and curbs of unwanted debris
- Properly using pesticides and fertilizers to improve the landscape
- Properly working and effective irrigation system

Snow and Ice Removal:

- Keeping driveways and parking lots clear of snow and ice to allow the safe flow of vehicles
- Dispatching trucks as soon as more than 1/2 " of snow accumulates
- Keeping primary sidewalks clear of snow and ice to let customers walk in and out of the Travel Plazas in a safe manner
- Monitoring roofs and roof drains for potential ice build-up to prevent accidents

Emergency Maintenance:

- Conducting daily, weekly and monthly inspections, in accordance with the established Maintenance Plan, to prevent issues that might compromise the safety of customers and the environment
- Completing minor repairs within 24 hours of reporting
- Completing major repairs with urgency in a timely manner with the least impact on our customers as possible
- Performing preventive maintenance of buildings and equipment in accordance with the established Maintenance Plan
- Hiring appropriate contractors to perform specialized work

Description of Land, Buildings or Other Assets to be Transferred or Exchanged

The structure of the agreement between MDTA and Areas USA is a long term lease and concession. The State retains ownership of the property and assets. Improvements include the main facility building, the convenience stores and gas stations, the parking lots and the landscaped areas. All property and improvements, with the exception of the fueling systems, are returned to MDTA full control at the end of the 35 year term. During the term of the lease, Areas USA will have full responsibility of all property and improvements within the lease limits, except for the cell tower site at the Chesapeake House. MDTA will retain review and approval authority for all proposed improvement changes to the leased areas.

Jobs and Economic Impacts

Based on an economic analysis completed by the Regional Economic Studies Institute (RESI) at Towson University, approximately 400 jobs will be supported by the construction activity associated with the Travel Plaza redevelopment project. In addition to the direct jobs, construction activities will generate approximately 300 indirect and induced jobs.

The direct construction jobs will generate approximately $20 million in wages. Indirect and induced jobs will generate additional wages in the amount of $13 million for a grand total in wages of $33 million.

The Travel Plazas P3 will have no impact on State employees. It will enable MDTA to focus staffing resources more fully on other high priority core projects, like the soon to be completed I95/695 interchange and Express Toll Lanes.

Because of its experience, Areas USA's first source for recruiting will be the existing private sector employees of the Travel Plazas. However, there will be a period of time during the redevelopment of each plaza that current employees will be temporarily displaced. In anticipation of this, Areas USA has planned a number of strategies for outreach and job identification for displaced workers during the transition period. Primarily, Areas USA will consider all available options to employ as many existing employees as possible during the redevelopment phase. For instance, during the time in 2012-2013 that Maryland House is closed, Chesapeake House will be operating at an increased capacity to absorb the additional business. In its analysis, RESI of Towson University estimates that Chesapeake House operations will be able to absorb 20 percent of the current Maryland House employees. Similarly, upon completion in 2013, the new Maryland House will be operating at increased capacity to absorb additional business from the temporarily closed Chesapeake House. Beyond this temporary shift of worker capacity between Travel Plazas, Areas USA also plans to conduct private job fairs for all displaced workers to give them first choice and priority to other employment opportunities. Additionally, Areas USA will create a newsletter for all active and displaced workers to keep them informed of construction progress and any updates during transition time, as a means to maintain open lines of communication with them for future employment opportunities. Areas USA will also offer unemployment services to displaced workers by arranging on-site visits at the Travel Plazas from representatives of Bel Air Workforce Center, Cecil County Workforce Center and Aberdeen Workforce Center.

Construction of the new Travel Plaza facilities will have a positive impact on the State of Maryland and its economy. During the construction period, an estimated $3.8 million of tax revenue will be generated. Construction will also generate approximately $95 million in State GDP, $56 million directly from construction and $39 million in indirect and induced State GDP.

Impact of Agreement on MDTA

The MDTA will derive several financial benefits from the P3. The P3 allows the MDTA to reduce future operating and capital expenses, reserve its debt capacity for core business activities and generate revenue in excess of its original forecast.

The P3 would allow the MDTA to reduce certain operating expenses and future staffing needs. Under the existing contract, the MDTA is responsible for maintaining all exterior elements of the Travel Plazas and paying for major interior repairs. For example, from 2009 – 2011, the MDTA incurred costs totaling approximately $360,000 to repair mechanical systems (HVAC, Heating, Boiler), storm and sewer lines, water main breaks, and other exterior costs such as roofing. Furthermore, the P3 would allow the MDTA to reallocate staff and avoid hiring an additional 4 to 6full-time positions for new highway facilities that will open by late 2014, resulting in potential savings of $200,000 to $300,000 annually.

The Maryland and Chesapeake Houses are 48 and 37 years old, respectively. In many aspects, they have exceeded their life expectancy. The P3 allows the MDTA to reallocate the funds that would be required to reconstruct and/or rehabilitate the facilities for critical bridge, tunnel, and highway system preservation projects. As part of the P3, Areas USA will invest $56 million to construct new LEED silver facilities. Furthermore, Areas USA will invest an estimated $44 million to $48 million in future capital improvements.

The MDTA's aggregate outstanding and unpaid principal balance of revenue bonds secured by toll revenues cannot exceed $3.0 billion on June 30 of any year. The P3 allows the MDTA to avoid the aforementioned capital expenses and thereby also reserves its available debt capacity for its core business responsibilities, preserving and maintaining transportation facilities. MDTA's outstanding debt climbs to $2.5 billion in FY 2014 and then levels off for several years. The P3 allows the MDTA to remain well below its debt limit and in a better position to respond to emergency and/or unforeseen capital expenses.

There is a logical expectation that short-term revenues will be lower due to the fact that existing facilities must be closed while new facilities are being constructed. However, the overall financial impact is positive considering the fact that MDTA avoids the significant investment of building the new facilities.

The current financial plan for the MDTA was developed with an assumption that there would be a reduction in short-term revenues during the construction phase of the project. Concession revenues were expected to hover around $2.5 million annually. The agreement provides for revenues that start at approximately $5.0 million per year and are projected to increase steadily thereafter, thus exceeding the revenue levels assumed in MDTA's financial plan. Based on the final offer, MDTA is expecting to achieve pre-project revenue levels in year 7 of the Agreement.

Conclusion

The effort to secure a P3 arrangement for the I-95 Travel Plaza redevelopment was driven by three core goals.

> *Obtain new or like-new facilities to replace the current Chesapeake and Maryland Houses.*
>
> *Ensure that the facility design and operation will provide a positive customer experience.*
>
> *Provide a fair return to the State, and provide for transfer of the facilities in satisfactory condition at the end of the term.*

The end result of this effort is an Agreement with Areas USA that achieves the all the core goals of the project.

Areas USA and its parent company bring more than 40 years' experience to the project. Areas USA is now servicing 11 airports (including Boston, Atlanta, and Los Angeles) and the Florida Turnpike (Design/Build/Operate eight service plazas). This experience and their commitment to the customer will ensure visitors to our travel plazas have positive experiences to share with family and friends.

Areas USA has assembled a great team to deliver the I-95 project. The team consists of nationally known companies and Maryland based businesses. In addition, Areas has self-imposed a commitment to achieve 27 percent participation in design and construction work by MBEs. Furthermore, two Maryland certified MBE franchisees will provide the fuel and convenience store services generating over $300 million in gross revenues (non-fuel) over the 35-year term of the agreement.

The Agreement provides for complete replacement of the existing Maryland House and Chesapeake House at a combined cost of $56 million; revenue payments to MDTA of approximately $400 million; and capital reinvestment in the plazas in the range of $44-$48 million. The agreement also avoids the need for issuing additional MDTA debt to replace the plazas and saves MDTA operating funds that currently pay for exterior maintenance activities undertaken at the facilities. All told, the agreement represents a total projected value of somewhere between $577 million and $662 million.

This Agreement maximizes benefits to the State of Maryland and will make our State a true leader in using public-private partnerships to help address our growing infrastructure needs.