

# INFRASTRUCTURE CASE STUDY:

## *Northwest Corridor*

### SUMMARY

PROJECT TYPE	YEAR	DEAL STRUCTURE
Highway managed lanes	2018	Design-build-finance agreement

#### TOTAL COST

\$900.6 million for construction

#### FINANCING

TIFIA loan and developer financing

#### FUNDING

User-paid toll and state motor fuel taxes

#### PUBLIC BENEFIT

Improved traffic flow and reduced congestion

# Background

The Northwest Corridor project will expand 29.7 miles of I-75 in the Atlanta region to improve traffic flow along the highway. This is Georgia's first public-private partnership (P3) and the most expensive highway project in the state's history, at \$900.6 million.<sup>1</sup> The high cost is due both to the length of highway construction and the 39 bridges along the way.<sup>2</sup> Construction is ongoing after beginning in 2014, with a projected opening date in spring/summer 2018. The project is being constructed under a design-build-finance (DBF) agreement facilitated by Georgia's P3 Program. The Northwest Corridor roadway will remain owned and operated by the State of Georgia. This project leans heavily toward the public partner (the State of Georgia) with the private partner (Northwest Express Roadbuilders) fulfilling design, construction, and limited financing.

## Project Description

In 2013, the Georgia Department of Transportation (GDOT) partnered with the private partner for the project, Northwest Express Roadbuilders (NWER). The State Board of Transportation voted to approve the partnership, selecting NWER as the best value proposer.<sup>3</sup> The agreement followed a DBF structure. Under the set terms of the agreement, the selected private partner would provide 10 percent of the project's design-build costs (\$59.8 million), which are to be repaid using toll revenues after the project's completion.<sup>4</sup> In a sense, it was as if the State of Georgia was able to take an interest-free \$59.8 million loan from Northwest Express Roadbuilders in exchange for granting them the design-build contract. After construction is complete and the \$59.8 million is repaid, the private partner's role in the project will be complete. Further toll revenues will fund the operation and maintenance of the Northwest Corridor, and surplus will be used for additional transportation projects in the state.<sup>5</sup> The complete project will have added 29.7 miles of three reversible toll lanes, as well as the extension of existing managed lanes.<sup>6</sup> The reversible toll lanes will travel one way in the morning, and reverse in the evening to match traffic patterns. The conceptual idea is that drivers will pay a toll at times of high traffic to reduce congestion.

The State of Georgia made use of a TIFIA loan and the innovative DBF agreement to fund 37 percent of the project, with the rest coming from federal and state funds and state motor fuel funds (see Figure 1).

## Benefits and Criticisms

The State of Georgia benefitted in two ways from using a DBF approach. First, they obtained \$59.8 million in additional financing from the private partner, which will be repaid using funds generated by the project. Second, they significantly reduced construction time. According to project materials, a traditional construction model (contracting design and construction separately) would have had a 10 to 15 year time frame.<sup>7</sup> Under the current schedule, construction will have a four-year timeline.

Some criticism has been directed at the project. The public comments make evident that toll roads remain an unpopular concept.<sup>8</sup> While heavy traffic on numerous toll roads across the country show that people will use them and pay tolls for the benefit of convenience, public comments suggest that they may do so begrudgingly. However, it is unlikely that adding additional lanes would have been financially feasible without tolls, and the solution is not unprecedented. In fact, Georgia transportation officials have formally stated that there will be no new interstate lanes in metropolitan Atlanta unless the lanes are tolled.<sup>9</sup> Further, some concerns have also been raised about the concept and hazards of reversible lanes, but GDOT has plans to prevent any wrong-way traffic.<sup>10</sup>

Figure 1. **Specific Breakdown of Funds (amount in millions)**

Source of Funds	Type	Amount (in millions)	Percent
State Transportation Improvement Program (STIP) <sup>11</sup>	Federal and State Funds	\$265.8	29.51%
Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan	Federal Loan	\$275	30.54%
State Motor Fuel Funds	State Funds	\$300	33.31%
Private Partner Financing	Private	\$59.8	6.64%
<b>Total</b>		<b>\$900.6 million</b>	<b>100%</b>

## *Takeaways*

The Georgia Northwest Corridor project displays how a design-build agreement can dramatically hasten construction. It also shows how the DBF model can secure additional funding for large, expensive projects. This project would not have been financially feasible were it not for private equity and federal programs such as TIFIA. However, this project also highlights that the construction of new toll roads remains an unpopular notion for the public.

## Endnotes

1. “Northwest Corridor Project Makes History in Georgia,” *Construction Equipment Guide*, June 10, 2015. <http://www.constructionequipmentguide.com/Northwest-Corridor-Project-Makes-History-in-Georgia/25511/>.
2. Andria Simmons, “Giant toll lane project ramps up — and up — on I-75 and I-575 in Cobb and Cherokee,” *Atlanta Journal Constitution*, July 10, 2015. <http://www.myajc.com/news/news/local/giant-toll-lane-project-ramps-up-and-up-on-i-75-in/nmw4P/>.
3. Georgia Department of Transportation, “Northwest Corridor Express Lanes.” <http://www.dot.ga.gov/DS/GEL/NWC#tab-4>.
4. Georgia Department of Transportation, “Frequently Asked Questions.” <http://www.dot.ga.gov/DS/GEL/NWC#tab-3>.
5. Ibid.
6. Federal Highway Administration, “Project Profiles — Georgia Northwest Corridor.” [https://www.fhwa.dot.gov/ipd/project\\_profiles/ga\\_northwest\\_corridor\\_project.aspx](https://www.fhwa.dot.gov/ipd/project_profiles/ga_northwest_corridor_project.aspx).
7. Northwest Corridor Project, “Frequently Asked Questions.” <http://www.nwcproject.com/Pages/FAQs.htm>.
8. Northwest Corridor Project, “Re: Comments Regarding Executive Summary.” [http://www.nwcproject.com/media/pdfs/NWCP\\_PubCmts\\_ExSmry.pdf](http://www.nwcproject.com/media/pdfs/NWCP_PubCmts_ExSmry.pdf).
9. Ibid.
10. Ibid.
11. Georgia Department of Transportation, “Statewide Transportation Improvement Program.” <http://www.dot.ga.gov/IS/STIP>.



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