



**2023**



**pennsylvania**  
DEPARTMENT OF TRANSPORTATION

**MAJOR BRIDGE  
PUBLIC-PRIVATE PARTNERSHIP  
LESSONS LEARNED  
REPORT**



# Lessons Learned Report



## I. Introduction

The Major Bridge P3 (MBP3) pursues the replacement or rehabilitation of nine major interstate bridges through the Design-Build, Finance and Maintain (DBFM) method of public-private transportation partnership (P3) delivery.<sup>1</sup> The progressive approach using a predevelopment agreement (PDA) is intended to result in one or more P3 Project Agreements utilizing a DBFM delivery for one or more bridge packages. The six bridges in “Package One” of MBP3 are listed below and more details about each bridge are provided in the links:

- [I-80 Canoe Creek Bridges](#)
- [I-80 North Fork Bridges](#)
- [I-78 Lenhartsville Bridge](#)
- [I-80 Nescopeck Creek Bridges](#)
- [I-80 over Lehigh River Bridge Project](#)
- [I-81 Susquehanna Project](#)

When MBP3 was initially proposed, PennDOT planned to fund availability payments to the Development Entity by collecting user fees from drivers utilizing the bridges, as was permitted by the Pennsylvania P3 law at the time. Since that time, Act 84 of 2022 amended the P3 law to eliminate mandatory user fees. As a result, PennDOT amended the PDA to advance the bridge projects in the MBP3 forward without tolling, as provided for in Act 84 of 2022.

<sup>1</sup> The I-83 South Bridge was removed from the PDA on March 21, 2023. PennDOT terminated the PDA for the two remaining bridges on June 6, 2023.

## II. Purpose

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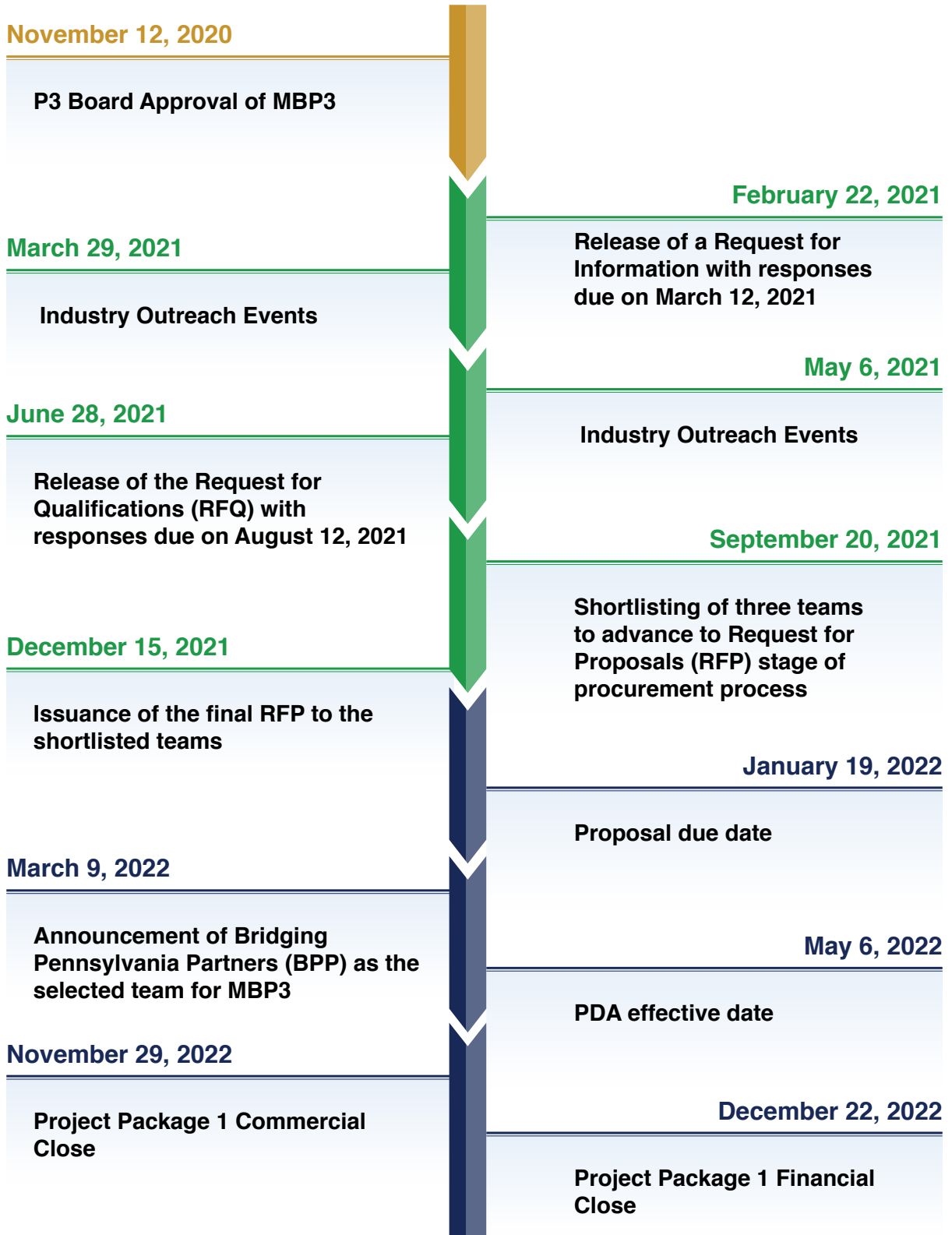
PennDOT prepared this report to document the MBP3 lessons learned during the pre-procurement, procurement, and initial PDA phases of the project.

## III. Project Successes and Accomplishments

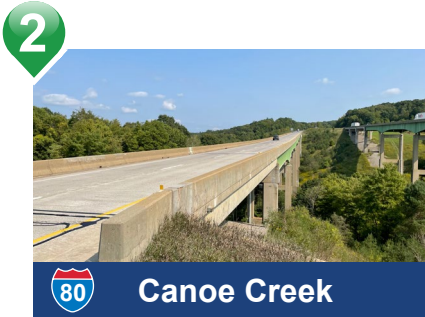
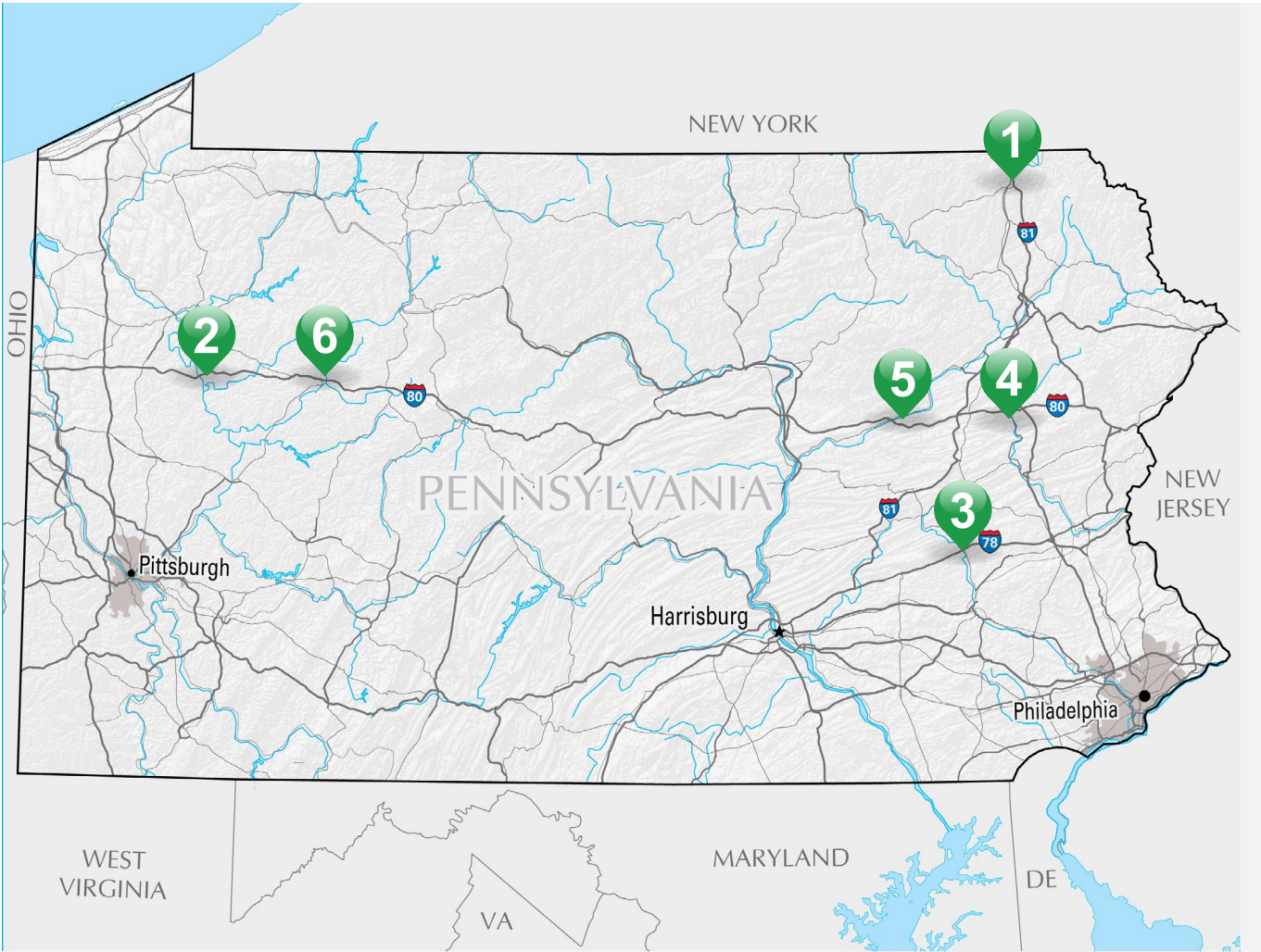
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- MBP3 achieved a series of first notable accomplishments:
  - first PDA P3 in the Commonwealth;
  - first PDA P3 in the United States used specifically for the replacement and rehabilitation of a bundle of major Interstate bridges; and
  - first PDA in the United States in which the assets were not geolocated in the same corridor.
- The MBP3 team expedited the procurement and contracting process to accelerate the delivery of these critical infrastructure projects for the Commonwealth:
  - the Request for Qualifications was released on June 28, 2021;
  - Bridging Pennsylvania Partners LLC (BPP), as the PDA Entity, entered into a contract with PennDOT on May 6, 2022; and
  - PennDOT project team worked collaboratively with BPP to achieve commercial close (November 29, 2022) and financial close (December 22, 2022) on Package One.
- The PDA approach enabled PennDOT to:
  - conduct a reasonableness review of the Package One proposal;
  - negotiate a range of proposal aspects with BPP to a reduced, affordable package cost; and
  - successfully reach final agreement amid challenging capital market conditions due to increasing interest rates and significant material and labor cost escalation.
- The MBP3 team collaborated with the United States Department of Transportation (USDOT) Build America Bureau to obtain an allocation of tax-exempt Private Activity Bonds (PABs) thus facilitating lower overall financing cost for Package One:
  - Package One was one of the first two PAB allocations and issuances under the increased \$30B PABs authorization in the Infrastructure Investment and Jobs Act (IIJA); and
  - there was unprecedented demand from investors on the sale of the MBP3 PABs—more than six times oversubscription (\$11 billion of demand vs. \$1.8 billion of bonds sold).

## Project Timeline



### Project Locations



## IV. Lessons Learned

### Key lessons learned related to the pre-procurement period:

- Outreach to industry organizations and the local contracting community was critical for understanding questions and concerns about the proposed model and for incorporating key adjustments to the overall approach.
- Findings from the outreach activities helped to reassure PennDOT that there was significant market interest in the project and helped to refine the commercial terms to attract a competitive pool of proposer teams.
- Provide more details publicly earlier in the process could have been beneficial, as key stakeholders later raised major concerns about the tolling elements during 2021, just as PennDOT was poised to start the PDA process for Package One.
- There were unique complexities to the coordination of existing project expectations, roles, and responsibilities in the context of the new bundled program approach. A more streamlined and coordinated approach to integration could be beneficial for future projects.
- For future bundled projects, the final bundle composition may benefit from earlier consideration of programmatic goals in the candidate project selection process.
- Midway during procurement, IIJA became law and outlined more potential Value for Money (VfM) analysis requirements. While detailed federal guidance was not yet available, the project team worked to develop a VfM analysis to align with IIJA. For future projects, it could be helpful to develop a VfM earlier and regularly update that assessment.




### Key lessons learned related to the proposals period:


- Prior to the shortlist announcement, it is important to establish clear and user-friendly processes for efficient communication with the shortlisted teams, including a clear document management structure.
- The PDA approach required the development of legal documents that supported the multi-phase structure of the delivery method. These included the PDA technical provisions (also known as the “PDA Work Requirements”) and a draft term sheet for the future P3 DBFM Project Packages. Any underlying contracts that are applicable to the Project should be entered into and final before the drafting of PDA documents.
- The terms for a future DBFM agreement as a result of a successful PDA (a “P3 Project Agreement Term Sheet”) should provide an appropriately granular view of a select group of the most critical terms. It is important to adhere as firmly as possible to that core set of critical terms during the refinement of the P3 DBFM Agreement.
- For future projects that might require SEP-14, it is advised to seek a clear determination from FHWA prior to release of the draft Request for Proposals (RFP).
- Scheduling more than one round of one-on-one meetings is recommended. These should be scheduled far enough in advance of the proposal due date.
- For a time-constrained process, limits could be imposed on the number of requests for clarification that can be submitted by proposers during the RFP process.




**Key lessons learned related to the evaluation process and selection period:**

- An organized structure and process for evaluation of the proposals, including coordinated support from non-voting subject matter experts, was effective and viewed favorably by the evaluation participants. 
- PennDOT opted to require some pricing elements as part of the financial proposals. These financial elements were final when the PDA period started, which helped to set the stage for a more efficient and productive negotiation process for the First Package.

**Key lessons learned related to the development of Package One and DBFM Agreement:**

- An open book approach was utilized during the PDA negotiations process for Package One. The open book approach enabled a reasonableness review of the Package One submission and helped to make the PDA approach a viable alternative to a fixed price P3. Open book pricing also provided helpful cost validation, during a relatively volatile market period. 
- The specific schedule constraints for Package One became particularly challenging, partially due to legal issues that occurred shortly after PDA Entity selection. Proper timing of key PDA milestones and due dates would be recommended for future projects.
- The negotiations team would have benefitted from a clearer understanding of certain budget constraints. Furthermore, key changes were not always communicated in real-time resulting in some misalignment between documents during this critical process.
- For the rapid and clear decision-making required for negotiations meetings, it is best to invite just a set of core “leads” from each discipline to serve as the “deal decision team,” including technical, financial, legal, policy, and implementation.

**Key lessons learned related to the commercial and financial close for Package One:**

- Document management is a continuous challenge. One strategy is to establish a clear framework during the pre-procurement phase and create a clear escalation and communications process to elevate high level questions to the leadership team as efficiently as possible. 
- Coordination with the relevant District leadership and key staff could help mitigate challenges for future projects. It would be helpful to ensure that all key members are identified and involved from the very beginning of the process to ensure continuity.



