# 🧾 Asset Transfer Term Sheet – Dulles Toll Road (VA-267)

## 📌 Executive Summary

This thesis outlines strategies for transferring operational control of the **Dulles Toll Road (VA‑267)** from the **Metropolitan Washington Airports Authority (MWAA)** to a more appropriate public or private entity. It integrates legal, financial, and credit analysis—including recent fiscal data, bond rating agency commentary, historical legal agreements, federal easement considerations, and the fallout from a pivotal 2005 privatization initiative.

## 🕰️ Historical Background

* **1962**: Dulles Access Road opens on federal land around Dulles Airport
* **1984**: VDOT constructs parallel Dulles Toll Road
* **2005**: VDOT solicits privatization bids to leverage toll assets; MWAA counters with a public-sector plan
* **2006–2008**: VDOT and MWAA enter the **Master Transfer Agreement (MTA)** and **Permit & Operating Agreement**, transferring operational control to MWAA
* **2009–2022**: MWAA delivers Silver Line Rail Phases 1 & 2, financed primarily by tolls

## 💥 Failed 2005 Privatization Attempt

In 2005, several private-sector groups launched bids under Virginia’s PPTA to privatize the Dulles Toll Road:

* **“Dulles Express” consortium** led by **Franklin L. Haney**, partnering with **Merrill Lynch**, **Clark Construction Group**, **Shirley Contracting**, and former governor **Gerald L. Baliles**. Their proposed 50-year lease offered **$700 million in upfront payment**, pledged **$717 million toward Metro rail**, and included significant roadway improvements.
* Entity representatives included **Curtis Coward** of Infrastructure Investment Group; the consortium claimed to rival Macquarie-led pitches, referencing comparable deals like the Chicago Skyway lease.

However, political resistance emerged regarding “selling off” a core public infrastructure asset. In March 2006, VDOT accepted MWAA’s public alternative, which ensured toll revenues would continue to fund Silver Line construction—marking a decisive shift from privatization to public stewardship.

## 🤝 Summary of Legal Agreements

### Master Transfer Agreement (2006)

* Grants MWAA **50-year operational control** of the Dulles Toll Road.
* MWAA assumes liabilities and control over toll-setting, maintenance, and improvements.
* Revenues restricted to toll operations, debt service, and corridor transit projects.
* VDOT retains limited oversight and reversion rights.

### Permit and Operating Agreement

* MWAA receives a **revocable license**, not title, to operate the facility.
* VDOT retains ownership of land and assets.
* MWAA must maintain and operate the facility and return it in good condition upon expiration.

## 🛣️ Federal Easement Summary

* The road corridor lies on **federally owned land** controlled by **USDOT/FAA**.
* The **federal government granted Virginia a perpetual easement** for transportation purposes.
* MWAA’s rights under the MTA and Permit are contingent on this easement.
* Any transfer of rights, particularly to a private entity, must honor federal usage intent.
* Violations could trigger **federal enforcement or reversion**.

## 💰 Financial Summary (2024 Annual Report + 2022 Rating Commentary)

### Revenues & Cash Flow (2023 Actuals)

* **Toll Revenue**: $176.0M
* **O&M Expenses**: $38.6M
* **Net Operating Income**: $137.4M
* **Senior Debt Service**: $80.8M
* **Coverage Ratio (Senior Bonds)**: 1.70x

### Debt Profile

* **Outstanding Bonds**: ~$3.38B
* Mix of Capital Appreciation Bonds, Convertible CABs, and Taxable/Tax-Exempt Current Interest Bonds
* **Final Maturity**: 2058
* Balloon payments begin after 2035; non-callable structure limits flexibility

### Rating Agency Commentary (2022)

**Moody’s (A2, Stable)**: - Highlights regional essentiality, liquidity, and strong governance - Concerns: single-asset risk, non-callable CABs, toll policy sensitivity

**Fitch (A, Stable)**: - Notes mature asset, rate-setting flexibility - Risks: rising debt service, operating inflation, elasticity to toll hikes

**S&P (A, Stable)**: - Adequate near-term flexibility, rigid long-term obligations - Toll increases politically sensitive but supported by transit improvements

### Debt Service Table (2024–2058)

*See attached table: “Debt Service Schedule” showing annual obligations for each instrument type (Current Interest Bonds, Capital Appreciation Bonds, Convertible CABs).*

### Debt Service Chart

*See included chart: “Dulles Toll Road Debt Service Schedule by Instrument (2024–2058)” showing visual stackplot of annual debt obligations.*

### Transfer Implications

* Public-to-public transfer could preserve rating and bond structure
* Private transfer would require full **defeasance of CABs**, likely costly
* Enterprise fund and covenant compliance must be preserved by any successor

## 🔄 Transfer Path Options

| Option | Mechanism | Strategic Notes |
| --- | --- | --- |
| **Agreement Termination** | MWAA exits; VDOT resumes control | Cleanest and fastest, with little federal friction; needs political support |
| **Public-to-Public Reassignment** | Transfer to regional authority (e.g., NVTA) | Preserves bond structure, federal compliance, and financial stability |
| **Public-to-Private Concession** | Long-term lease to private operator | Requires CAB defeasance, federal review, and public consent; politically sensitive |

## ⚠️ Constraints and Considerations

| Constraint | Impact |
| --- | --- |
| MTA Use Restrictions | Revenues limited to corridor-related uses |
| Permit Terms | MWAA operates under revocable license, not ownership |
| Federal Easement | Usage must remain for surface transportation to airport corridor |
| Debt Structure | CABs are long-dated, non-callable, creating major defeasance cost |
| Toll Setting Process | Subject to MWAA board approval and public comment |

## 📊 Updated Decision Matrix

| Option | Feasibility | Cost | Political Risk | Tax Status | Federal Risk | Financial Impact |
| --- | --- | --- | --- | --- | --- | --- |
| Agreement Termination | High | Low | Low–Medium | TE preserved | Low | Retains cash flow; no defeasance |
| Public Reassignment | Medium | Low–Medium | Medium | TE preserved | Low–Medium | Revenue continuity viable |
| Private Concession | Medium–Low | High | High | TE defeased | Medium–High | Requires full defeasance/refinancing |

## 📋 Next Steps

1. Model **CAB defeasance cost**
2. Evaluate **federal easement transferability**
3. Review MTA/Permit assignment and termination clauses
4. Engage VDOT/FAA on public vs private transfer scenarios
5. Explore regional public-governance alternatives (NVTA etc.)
6. Develop stakeholder communications, emphasizing public benefit and Silver Line legacy

## 📌 Conclusion

The Dulles Toll Road remains a vital, cash-generative corridor with strong financial performance and public benefit alignment. However, **transfer complexity arises from its legal structure, long-term debt profile, and federal land status**. MWAA’s exit is most viable through a **public-to-public solution** that maintains federal compliance, preserves tax-exempt debt, and supports long-term corridor management.

A private concession may offer value, but would require costly defeasance and political capital. A successor must demonstrate capacity to maintain operational performance, honor existing covenants, and sustain Silver Line connectivity.

### 🔗 Key Links

* [MWAA Credit Ratings & Investor Relations](https://www.mwaa.com/financial-statistics/investor-relations/credit-ratings)
* [Fitch 2022 MWAA Report](https://www.fitchratings.com/research/infrastructure-project-finance/fitch-rates-metro-washington-airports-auth-rev-bonds-aa-outlook-stable-21-05-2025)
* [Moody’s Report via MWAA](https://www.mwaa.com/investor-relations)
* [S&P Report Snapshot](https://msa.maryland.gov/megafile/msa/speccol/sc5300/sc5339/000113/025700/025732/20230123e.pdf)