

## MEMORANDUM

**TO:** The Joint Transportation Oversight Committee

**FROM:** Michael J. Obuchowski, Commissioner of Buildings and General Services

**SUBJECT:** Public-Private Partnership for the establishment of a privately operated State sanctioned Visitor Center at Exit 4 off Interstate 89 in Randolph, Vermont

**DATE:** August 17, 2012

We have asked the members of the Joint Transportation Oversight Committee to convene to hear testimony and request your support for a proposal to establish a privately operated visitor center at Exit 4 off Interstate 89 in Randolph that the Administration believes has merit.

This proposal, if authorized, will enhance visitor services to the travelling public, preclude the need for public funding of services in this section of the interstate corridor in the future, and have ancillary benefits by providing employment and serving as a promotional opportunity to showcase Vermont products, attractions and institutions to those visiting the State.

The genesis for this project began two years ago during the Douglas Administration. The Department of Buildings and General Services, with jurisdiction for operating the State network of visitor centers, identified a service void that existed in this section of the interstate corridor. This service void was an outcome of the closing of the Randolph Northbound facility in 2009; the loss of that facility created a distance -- between services available to the travelling public --which exceeded federal guidelines.

To address this service void, discussions were initiated with a Randolph developer, Mr. Sam Sammis who was in the process of securing permits for a development he was proposing at the intersection of Route 66 and Interstate 89, adjacent to the interstate corridor. The developer was asked if he would entertain hosting a visitor center at that location. Subsequent conversations resulted in the developer conceptualizing a Vermont Products Showcase facility that would promote Vermont products in a building where a State-sanctioned visitor center would be co-located. Mr. Sammis continued these discussions with the Shumlin Administration, and subsequently it was decided that the potential for the development of a privately-operated visitor center at this location had merit and is why today we are presenting this possibility to the Committee.

Since May, a work group comprised of the Secretary of Administration, the Secretary of Transportation, the Commissioner of Buildings and General Services (BGS) and the Director of Government Business Services for BGS has negotiated a Term Sheet with the developer that identifies the conditions under which a privately operated visitor center that is State sanctioned could be established at this site, subject to legislative review.

The location in Randolph controlled by Mr. Sammis was selected for the following reasons:

The Randolph Southbound Rest Area, built in 1970, has been identified in a number of studies as one of our more popular and deficient State-operated visitor centers. It was built at the time the interstate was constructed, and its useful life expectancy has declined due to the significant increase in traffic it is experiencing, an aging infrastructure, and a building that cannot keep pace with demands -- in particular the need for an adequate number of rest rooms. It is at the top of the list of facilities that would be replaced if public funding were available.

However, as the State began closing visitor centers and reducing hours due to budget constraints in 2009 the strategy for addressing service voids was agreed by the

administration and the legislature to be one of creating public-private partnerships that precluded the need for State or federal funding. Language addressing this strategy is contained in a number of recently published documents including the 2012 Report to the General Assembly (Future Diagram for Travel Information Services and Promotion of Vermont Businesses and Products to the Motoring Public) identifying the State's strategy for the operation of State rest areas moving forward that has been provided in your briefing materials. Salient excerpts from the recommendations made in this report are highlighted below.

**Recommendation #1: Define the inventory of visitor centers necessary to both serve the traveling public and promote Vermont's attractions and businesses**

In 1993, the State of Vermont operated 24 staffed rest areas along the interstate corridors. That number was reduced over the years -- in 2009 four centers were closed - to the current total of 15 centers (and one center supported by a grant).

A review of the existing network of State-funded visitor centers indicates while there could always be more, currently our network conforms with the American Association of State Highway & Transportation Officials (AASHTO) standard for the spacing of visitor centers (approximately 60 miles apart). In those areas where the 60 mile standard is exceeded, there are signed services available to the traveling public at exits along the interstate.

Additionally, while it is believed that visitor centers provide a critical function, it is recognized that the cost for providing these services by the State and its taxpayers is not insignificant (\$3.9 million in FY12). The Committee concurs with the legislative instructions it was given -- "*To the extent possible, the secretaries and the commissioner shall explore means that do not utilize new structures.*"-- and recommends that the State impose a moratorium on new construction of rest area facilities along the interstate corridor and on any state or federally-assisted highways.

It is further recommended that the State consider limiting the number of visitor centers the state will support to 16 once the Bennington Welcome Center comes on line in 2013. Establishing a target or maximum number of centers the State operates will allow for a program that is programmatically and fiscally more predictable and, as a result, perhaps more sustainable.

**Recommendation #2: Define the future blueprint for filling identified service voids along the interstate or State highways with the most economical approach**

In the future, if service voids are identified or it is deemed necessary to provide additional services to the travelling public, it is recommended that those services be provided through public-private partnerships (PPPs) with businesses or attractions located along the interstate corridor or on state highways. The strategy should encourage participation in the State's Ambassador Program hosted by the Department of Tourism. If the State chooses to embark on establishing additional PPPs, it is recommended that they preclude the need for public funding and that incentives be made available to interested private service providers by only providing directional signage on the interstate or State highways leading to the facility. The strategy suggested in this document encourages public-private partnerships that further the expansion of State-sanctioned Ambassador travel service centers on both State highways and on the interstate system

**Recommendation #3: Define the process for system preservation - Replacing Old Facilities with New Facilities or Public-Private Partnerships**

In the event the State chooses to maintain its inventory of visitor centers in its present configuration, Randolph and Derby Line will need to be programmed into future renovation/replacement plans. Randolph and Derby Line were built in 1970 and 1968, respectively. Both are approaching the end of their viable life cycle. A replacement for these two facilities should be considered in a 5- or 10-year systems preservation plan as required to use FHWA funds for system preservation.

It should be noted that the alternative to rebuilding at an existing site could be to examine locating a new center(s) off the interstate or other major traffic route that could serve the needs of both south and northbound travelers. Interest in providing visitor center services privately has been expressed by various developers. The Committee believes the concept has merit worth exploring as long as it precludes the need for public funding and allows for recapture of the facility in some manner if the developer were to abandon interest in providing these services in the future.

In closing, it is our opinion that the basis for the agreement contemplated with the developer is consistent with the tenets outlined in the above cited report.

Key points we would like to make, in addition to the information contained in the briefing documents, is as follows:

1. If the Randolph facility reaches a crisis point necessitating the closing of this facility, new construction is estimated to cost between \$3-5 million dollars depending on design, and whether or not water and sewer lines would need to be extended from the Randolph Exit 4. Additionally, legacy costs for the operation of this facility have been estimated to average \$250,000 per year without factoring in inflation.
2. The terms we have agreed upon with the developer preclude any public funding but do require we amend the State highway signage rules we have adopted governing signage on the interstate. Providing signage is considered an essential element required of the State by the developer and again is consistent with our adopted strategy to create public-private partnerships to address service voids and to avoid the need to build State operated facilities.
3. Additionally, while the administration is supportive of this concept, it is important to recognize that the permit process will ultimately decide if and what is developed at this site. Contained in the Term Sheet and to avoid any potential conflict of interest, is a clause that stipulates that the State will not be a party to the permit process and the success of obtaining permits will be borne by the developer and subject to all of the review processes required by the State and local jurisdictions that will ultimately grant or deny the construction of this project.

We look forward to meeting with you on Tuesday. Please feel free to call either of us if any questions arise prior to Tuesday that you would like to discuss.