

August 22, 2025

Via Electronic Mail

Monica Tibbits-Nutt
Secretary of Transportation and Chief Executive Officer
Massachusetts Department of Transportation
10 Park Plaza
Boston, MA 02116
m.tibbits.nutt@dot.state.ma.us

**Re: Highway Service Plazas Lease and Concessions Agreement -
Key Aspects for Final Agreement**

Dear Secretary Tibbits-Nutt,

The Massachusetts Department of Transportation (MassDOT) Board of Directors recently voted to approve the award and execution of the Transition Agreement and Lease and Concessions Agreement (agreement) with Applegreen MA Investments, LLC (Applegreen), effective January 1, 2026. The new agreement will create a partnership between MassDOT and Applegreen for 35 years to revitalize, operate, and maintain service plazas along Massachusetts roadways. At present, the unsuccessful bidder is challenging the award. This letter contains no findings related to MassDOT's procurement, evaluation or operator selection processes.

In light of past performance issues with long-term lease management, I write with observations and recommendations for you as you commit the Commonwealth to a new long-term agreement for the service plazas. State-owned property is a public asset, and leasing it generates revenue that should benefit the public. MassDOT, like other state agencies, must negotiate leases for public property that include well-drafted provisions for fair market rent, clear-cut revenue-sharing provisions, escalation clauses, late fees and penalties, and explicit triggers for payment and reporting obligations for noncompliance. To accurately carry out the provisions, MassDOT must ensure internal processes and personnel are in place to monitor payments received for timeliness and accuracy and to take prompt action for non-compliance. The OIG has reviewed many prior public leases, including leases between MassDOT and private entities, where imprecise, vague or hard-to-enforce provisions result in direct financial losses that constitute a waste of public assets.

In addition to drafting clear provisions and monitoring payments, MassDOT must review, approve, and track construction and revitalization efforts. Each service plaza must have a detailed written construction and maintenance contract with enforceable action for noncompliance. The OIG has reviewed Commonwealth leases – both as lessee and lessor – that have resulted in the waste of public funds because the property, including betterments, has not been adequately constructed or maintained.

The OIG's Internal Special Audit Unit for transportation (ISAU) has examined MassDOT leases and lease management practices and rent collection efforts, as well as MassDOT's draft lease and concessions agreement for this partnership. As MassDOT proceeds with finalizing the concession agreement, best practices and lessons learned can inform MassDOT of key aspects to include in the final agreement.

Rent and Revenue-Sharing Provisions

1. Include clear rent and revenue-sharing terms and implement consistent rent calculations.

The final agreement must include firm, legally sound, well-defined provisions detailing how revenue-sharing amounts are calculated and by whom for accuracy of rent collection. MassDOT must consistently ensure that rent increases are implemented timely and accurately and that revenue-sharing reports are clear and timely received. MassDOT must include clear conditions under which late fees, penalties, and noncompliance with requirements will apply. Additionally, MassDOT must establish a process to track and monitor upcoming and overdue rental statement reports to ensure they are accurate, submitted timely, and fees are applied in the event of noncompliance.

MassDOT has a significant portion of the state's most valuable asset – land – under its control. MassDOT must track and continuously monitor revenue-sharing amounts and the schedule of increases, especially during federal economic and budget uncertainty. Creating clear payment terms that include defined payment due dates with late fee penalties for noncompliance is the foundation of any lease agreement. Penalties and late fee provisions for non-compliance should be direct, proportionate, and not-overly complicated to apply or calculate for either party.

Relatedly, MassDOT must be prepared to hold the lessee accountable to the terms and conditions, including imposing fees and penalties when applicable. It is not enough for MassDOT to write such terms and conditions into the agreement – it must also be committed to exercising its full rights in the event of non-performance by the lessee.

Construction and Revitalization Commitments

2. Develop clear construction and revitalization commitments and terms that account for non-performance.

A well-defined scope of work with clearly articulated performance standards, a system for monitoring progress, and a schedule for regular inspections must be thoughtfully developed before construction begins. MassDOT must establish monetary fines and corrective action procedures in the event of a default with the agreed-upon construction milestones or performance standards and specifications. By developing strong construction metrics, MassDOT can define exactly what is expected, ensure quality and timelines are met, and may avoid unnecessary or additional future revitalization efforts.

Because this agreement extends for 35 years, operations and maintenance monitoring are equally important to construction monitoring. MassDOT should ensure that it is capable of monitoring the operation and maintenance of each service plaza by tracking repairs, completing inspections, and applying penalties and fees for noncompliance.

MassDOT can further its stewardship of its public assets by ensuring that construction and maintenance are viewed as long term investments with value beyond the contemplated long-term lease agreement if done correctly and with deliberate intentionality.

Records Retention and Access Requirements

3. Adhere to strong recordkeeping requirements to document and define project milestones, key decisions, and project developments.

The agreement must include details of what records must be kept, who is responsible for maintaining them, and how long they should be kept. MassDOT can define the types of records to be retained, the duration of their retention, and the procedures for inspection or audit (discussed further below). The purpose of centralized, systemic recordkeeping ensures transparency, accountability, and ease of verification of contract compliance. Particular to this agreement, revenue records will be especially important over the length of the contract period because they determine monies owed to MassDOT, and in essence the public whom it serves.

In addition to requiring the vendor to maintain records throughout this agreement, MassDOT must establish and maintain a centralized repository for the lease agreement, amendments, correspondence, payment records, and all required reports outlined in the final agreement. The OIG has conducted reviews that found poor records retention practices, indicating insufficient oversight, improper payments, and potentially inadequate service delivery. By maintaining an internal tracking system with organized rent and revenue-sharing records, construction records, operations and maintenance records, MassDOT reduces the risk of noncompliance with oversight requirements. This also ensures business continuity, so information is not lost, destroyed, or unattainable due to staff turnover, which is inevitable over the course of the 35-year life of this lease agreement.

4. Audit clauses that define clear audit and investigative rights.

Include an audit clause in the final lease agreement which allows access by state and federal oversight agencies, and those working on behalf of an oversight agency. With recordkeeping requirements, audit and records access clauses are critical for a large-scale contract like this and general vendor management.

Strong audit clauses foster transparency and accountability, and provide oversight agencies with direct access to a vendor's records, employees, and activities when needed. Such audit and records access clauses should include access to the vendor's subcontractors and suppliers.

Continuity Planning

5. Develop a resilient contract management team that endures through the end of the agreement.

It is critical that MassDOT builds a strong contract administration team, having such a team is as important as having a solid procurement team, to ensure it receives all the promised services outlined in the contract. The team should include MassDOT staff from all relevant

disciplines and divisions that may be involved in service plaza operations and maintenance. This includes staff with expertise in construction management, revenue and rent collection, performance metrics and vendor accountability, among other areas.

Over 35 years, personnel will change, systems will improve, and business demands may shift. Succession planning should be a top priority. MassDOT must have and maintain a staff of qualified and experienced professionals to manage the vendor and monitor lease compliance, internal systems and processes to track financial and operational obligations, and oversight mechanisms to promptly address violations or disputes. Rather than rely upon outside experts and counsel after a violation has occurred, MassDOT must build and maintain its internal capacity at the start of the agreement.

MassDOT must commit to unparalleled excellence in the management of this long-term lease over the next three decades. The service plaza agreement will impact the traveling public and commuters, commercial transportation and tourists for the foreseeable future. At the heart of its experience is MassDOT's commitment to ensuring that the lease and concession agreement it enters now fulfills its promise of delivering a dramatic improvement of the service plazas with a significant investment of capital to create best in class service plazas that reflect the character and values of Massachusetts.

The OIG's goal is to ensure all agreements involving public assets and funds reflect the highest standards of accountability and value for taxpayers. If this office can provide further assistance by reviewing best practices with MassDOT or other such matters, please contact the Director of the ISAU, Ms. Emily Pedersen at Emily.Pedersen@mass.gov.

Thank you for your attention to this matter.

Sincerely,



Jeffrey S. Shapiro, Esq., CIG
Inspector General

cc (by email):

The Hon. Kim Driscoll, Lieutenant Governor of Massachusetts
Kate Cook, Chief of Staff, Office of the Governor
Carrie Wicker, MassDOT/MBTA General Counsel
Meghan Haggerty, Chief Operating Officer, MassDOT
Scott Bosworth, Chief of Transit Oriented Development, MBTA
Gregory Rooney, Executive Director for Property – Leasing & Real Estate Management, MassDOT
Susanne M. O'Neil, Deputy Inspector General, OIG
Emily Pedersen, Director, Internal Special Audit Unit, OIG
Nataliya Urciuoli, Senior Executive Assistant, OIG