



TESTIMONY

Regional Implementation: Houston

**Testimony Before the
Legislative Study Committee on Private Participation in Toll Projects**

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The Texas Department of Transportation (TxDOT) includes 25 districts which oversee the construction and maintenance of the state highways within their jurisdictions. District staff members are familiar with local projects and with needs of local customers, and the TxDOT Houston District is no exception.

Composed of six counties in southeast Texas – Brazoria, Fort Bend, Galveston, Harris, Montgomery and Waller – the Houston District is home to the largest city in Texas and has the most vehicle miles traveled of any district in the state. We have the largest roadway maintenance budget in the state as well as one of the largest freeway traffic managements systems in the United States: Houston TranStar.

Houston is also the fourth largest city in the United States, and with all of these factors pulled together it requires a large amount of coordination and cooperation between TxDOT staff and our local partners. We established productive working relationships with the Houston-Galveston Area Council (H-GAC), local county toll road authorities and the ports. These relationships are pivotal to a successful transportation system for such a dynamic region of the state.

SB 792 from the 80th Legislative Session further requires TxDOT to maintain and cultivate these relationships. Our continued communications with the county toll road authorities have helped our region to explore opportunities which will further improve upon our existing transportation system.

Regional Implementation

There are several exemptions from the moratorium placed on comprehensive development agreements (CDA) in SB 792, including the opportunity for Houston area county toll road authorities to have the first right to develop certain projects. By virtue of the law, the Harris County, Montgomery County and Fort Bend County Toll Road Authorities have the ability to develop the following projects within their jurisdiction without carrying out the market valuation process. Also included is a status of the projects for additional reference:

- Beltway 8 Tollway East (between US 59 North and US 90 East): A revised environmental document was resubmitted to the Federal Highway Administration (FHWA) by TxDOT for approval; anticipate release of approval for the public hearing process soon.
- Hardy Downtown Connector (consisting of the proposed direct connection from the Hardy Toll Road southern terminus at Loop 610 to downtown Houston): Harris County Toll Road Authority (HCTRA) is proceeding with development of this project and it is anticipated they will go to contract to begin construction in 2009.
- SH 288 (between US 59 and Grand Parkway South - SH 99): The draft environmental impact statement is currently in the review process. It is expected the department will

begin the process of submitting the document to FHWA within the next couple of weeks.

- US 290 Toll Lanes (between IH 610 West and the Grand Parkway West - SH 99): The Final Environmental Impact Statement is being reviewed by FHWA and TxDOT anticipates environmental clearance by the summer of 2008.
- Fairmont Parkway East (between Beltway 8 East and Grand Parkway East - SH 99): This project is being developed by HCTRA with no activity on TxDOT's behalf required.
- South Post Oak Road Extension (between IH 610 South and near the intersection of Beltway 8 and Hillcroft in the vicinity of the Fort Bend Parkway Tollway): This project is being developed by HCTRA with no activity on TxDOT's behalf required.
- Westpark Toll Road Phase II (between Grand Parkway - SH 99 - and FM 1463): This project is being developed by HCTRA. TxDOT will be working with the Fort Bend Toll Road Authority (FBTRA) on design details as this project parallels FM 1093.
- Fort Bend Parkway (between SH 6 and the Brazos River): This project is being developed by FBTRA with no activity on TxDOT's behalf required.
- Montgomery County Parkway (between SH 242 and the Grand Parkway West - SH 99, and if the Grand Parkway project has not begun construction, a non-tolled extension of the Montgomery County Parkway to allow a connection to IH 45): Montgomery County has hired a contractor to do a feasibility study. The county has submitted a request for a State Infrastructure Bank loan for this study. It is currently being reviewed in Austin.

SB 792 establishes the county toll road authority as the primary entity responsible for building toll projects located within the county. The county may use existing state right-of-way for these projects, but must reimburse TxDOT for the cost the state originally paid for the land. They must also enter into an agreement that includes reasonable terms to accommodate the use of the right-of-way and protects the interest of the state, including the interest of public safety and congestion mitigation. If the project is to remain on the state highway system, department design and construction standards must be followed.

County toll road authorities are also given the first option to develop any proposed toll project within their jurisdiction, a right which is effective for six months after first proposal for the project. If the county elects to develop the project, it must enter into a contract for the financing construction or operation of the toll project within two years after the date all environmental requirements have been fulfilled. If these timelines are not met or the county elects not to develop the project, TxDOT may develop the proposed toll road.

Grand Parkway Market Valuation Progress

The Grand Parkway is a proposed 180+ mile project surrounding the Houston area which has been of tremendous statewide and local interest for several years. It has been shown on governmental planning documents since the early 1960's but has lacked necessary funding to fully develop.

Since the enactment of SB 792 exempting the Grand Parkway from the CDA moratorium, we have been involved in several discussions and workgroup meetings which include H-GAC and HCTRA on how to work through the market valuation process. Although the project will cover seven counties, they have all designated HCTRA by resolution as their negotiator for this process. An Advance Funding Agreement between HCTRA and TxDOT is being negotiated with both entities to share the cost of the Traffic and Revenue Study to be used in the market valuation process. The study, performed by Wilbur Smith and URS, is expected to be ready in draft form with three scenarios by June 20, 2008.

The initial scope of the project, for the purposes of preliminary financial reviews, has been agreed upon by the involved parties. It is subject to change based upon on-going environmental studies. In addition, the workgroup is reviewing preliminary total cost estimates of the project and expects to have a single value shortly.

Once the Traffic and Revenue Study is completed and estimated value is determined, all involved parties will begin the selection process for a market valuator. We will also determine the annual roadway operations and maintenance terms, including costs and life cycle of the facility. The life cycle costs will include rehabilitation to the existing infrastructure as well as expansions to the facility based on the Traffic and Revenue Study estimates.

The workgroup will also discuss future considerations to determine toll operations. This will include the scope of toll operations as well and the toll rates and escalation methodology. It is expected that both parties will agree to HCTRA's existing toll rate structure and their previous approval by Harris County Commissioner's Court for the escalation method. Knowing the market valuation process can be long and arduous, all parties have worked together to be sure all interests are well represented and keep the negotiations process to a limited level. As everyone around the state is still learning how to handle the market valuation process for their respective projects, we are hopeful to create a model that can be efficient and effective without being overbearing. While this has not been an easy task, cooperation from all parties involved has been a key component to our successful negotiations thus far.

Conclusion

Houston and the surrounding areas are certainly facing transportation challenges which require collaboration and discussion efforts from all transportation entities in the region. The exemption of area projects from the provisions of SB 792 will assist this region in meeting those challenges and providing desperately needed infrastructure to our citizens in a timely manner. As a State and as a region, we must continue to find a mechanism that increases our financial resources, imposes a manageable level of risk, and maintains control of future revenue streams for the benefit of the people of Texas.

The moratorium on the funding mechanism known as Comprehensive Development Agreements put in place by SB 792, 80th Legislature expires on September 1, 2009 by the terms of the legislation. CDAs can only help further Texas in realizing our true and evident potential as a leader in this global economy as experienced through previous agreements and negotiations. Removing the possibility for public-private partnerships removes a valuable tool from our ability to meet the transportation demands of our State.

The members of the Texas Transportation Commission, the Texas Department of Transportation and the TxDOT Houston District look forward to working with the Legislature to ensure all available methods of procurement are utilized. Along with a tremendously forward thinking body of law, we can continue to maintain and improve upon our transportation assets in the coming decades.

