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# **SH 99/Grand Parkway in Harris and Montgomery Counties Initial Project**

## **Initial SB 1420 Committee**

November 29, 2011  
Houston-Galveston Area Council  
Conference Room A, 2<sup>nd</sup> Floor  
3555 Timmons, Suite 120  
Houston, TX 77027

# Agenda

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- ❑ Welcome
- ❑ Committee Introductions
- ❑ Protocol and Purpose of Committee
- ❑ Presentation by the Texas Department of Transportation on the requirements of Section 228.013, Transportation Code, added by Senate Bill 1420, 82nd Legislature, Regular Session, 2011, and Title 43, Texas Administrative Code, Sections 27.90-27.92
- ❑ Election of committee chair and vice-chair - **ACTION ITEM**
- ❑ Discussion of issues to be addressed by the committee
- ❑ Set date for next meeting - **ACTION ITEM**
- ❑ Adjourn - **ACTION ITEM**

# Committee Introductions

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- ❑ Commissioner James Patterson – Houston-Galveston Area Council
- ❑ John C. Holzwarth, PE – Montgomery County Toll Road Authority
- ❑ Mike Alford, PE – TxDOT

# Protocol and Purpose of Committee

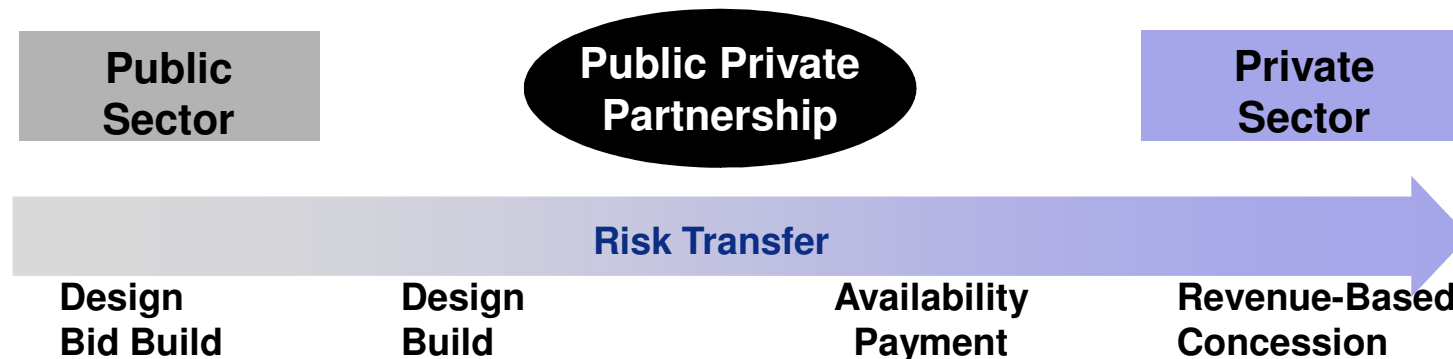
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- Protocol

- Purpose

- For a project in which a private entity has a financial interest in the project's performance: Committee will determine the distribution of the project's financial risk, the method of financing for the project, and the tolling structure and methodology
- Report to Executive Director of TxDOT (*Handout 3.1*)

# Presentation - Project Delivery



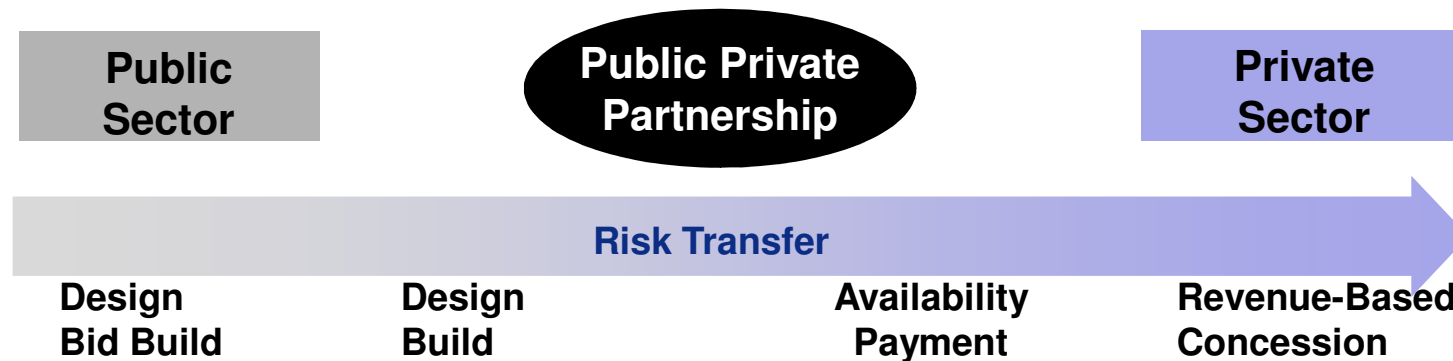
## ❑ Design-Bid-Build (DBB)

Public sector (or its consultants) prepare PS&Es and letting packages for multiple project segments which are awarded to multiple contractors on a low-bid basis. Public sector takes many construction related risks including: construction prices, integration, defects in design, latent construction defects risk, and cost-overruns due to change orders. Public sector retains financing risk through the issuance of toll revenue bonds; revenue risk and responsibility for operating and maintaining the project through contractors or its own forces.

## ❑ Design-Build (DB)

Public sector selects a design-build team to design and construct the project on a best-value basis. Private sector designs and builds the project, takes integration, design and patent construction defect and construction price risk. With a long-term maintenance contract, private sector also takes latent defect risk and maintains the project for up to 15 years. Public sector retains financing risk through the issuance of toll revenue bonds; revenue risk and operations and maintenance responsibilities.

# Presentation - Project Delivery



- ❑ **Design-Build (DB/TELA)**

Same as Design-Build, however the public sector provides financing consisting of toll revenue bonds backed by a Toll Equity Loan agreement to enhance credit

- ❑ **Availability Payment (Design/Build/Finance/Operate/Maintain DBFOM)**

Public sector selects, on a best value basis, a private sector concessionaire and its team to design, build, finance, operate and maintain the project. Public sector makes payments to the private sector concessionaire up to a maximum amount, which may be reduced based on the performance of the project. Public sector takes the risk that tolls may not be sufficient to make the payment and also reaps the benefits if toll revenues exceed projections.

- ❑ **Revenue-Based Concession**

Private sector designs, builds, finances, operates and maintains the project and collects the revenue from users of the project. Private sector effectively takes all project-related risks including traffic and revenue, and operating and maintenance risk.

# Project Delivery

## Allocation of Risk based on Project Delivery Models

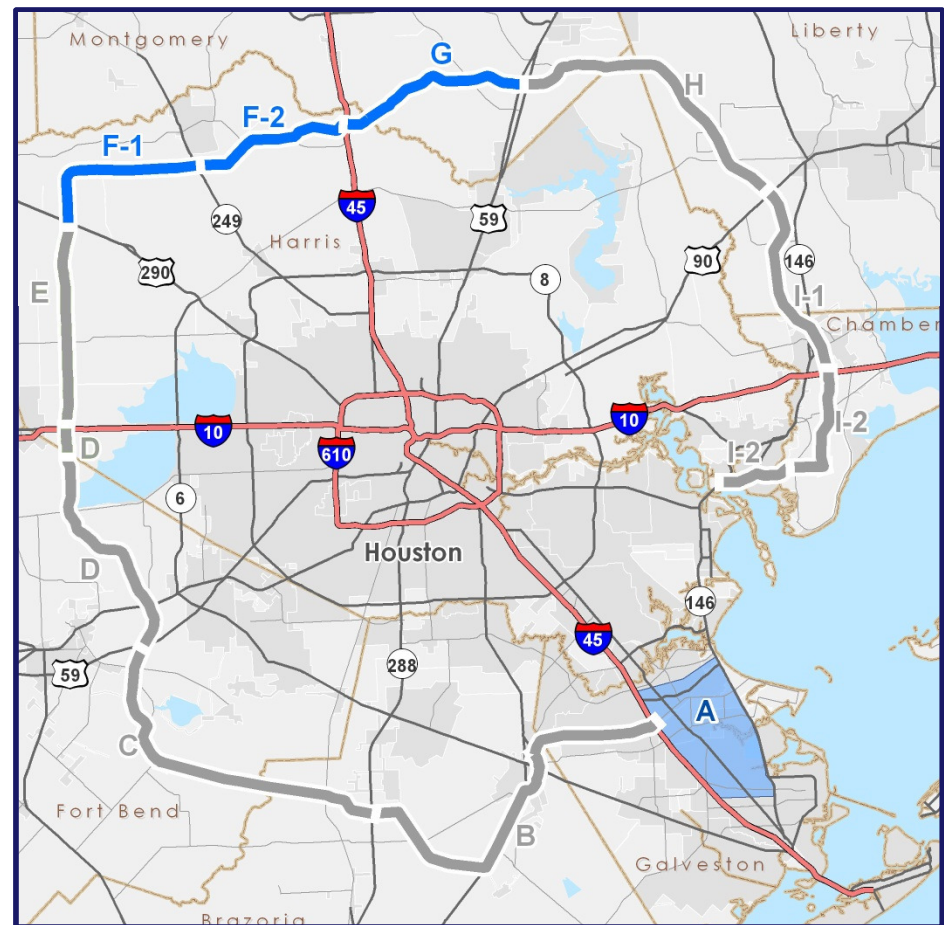
	Design	Construction	Operations/ maintenance	Financing	Revenue
Design bid build	○	●	○	○	○
Design build	●	●	○	○	○
Design build finance operate/maintain (availability payment)	●	●	●	●	○
Design build finance operate/maintain (concession)	●	●	●	●	●

○ Risk retained by Public Sector   ● Risk transferred to Private Sector

# Project Description

## Design-Build Project Configuration (Segments F-1, F-2 and G in Harris and Montgomery Counties)

- ❑ Construction of 37.8 miles of 4-lane toll road with discontinuous frontage roads
- ❑ Direct connectors at:
  - US 290 (4)
  - IH 45 North (2)
  - US 59 North (2)

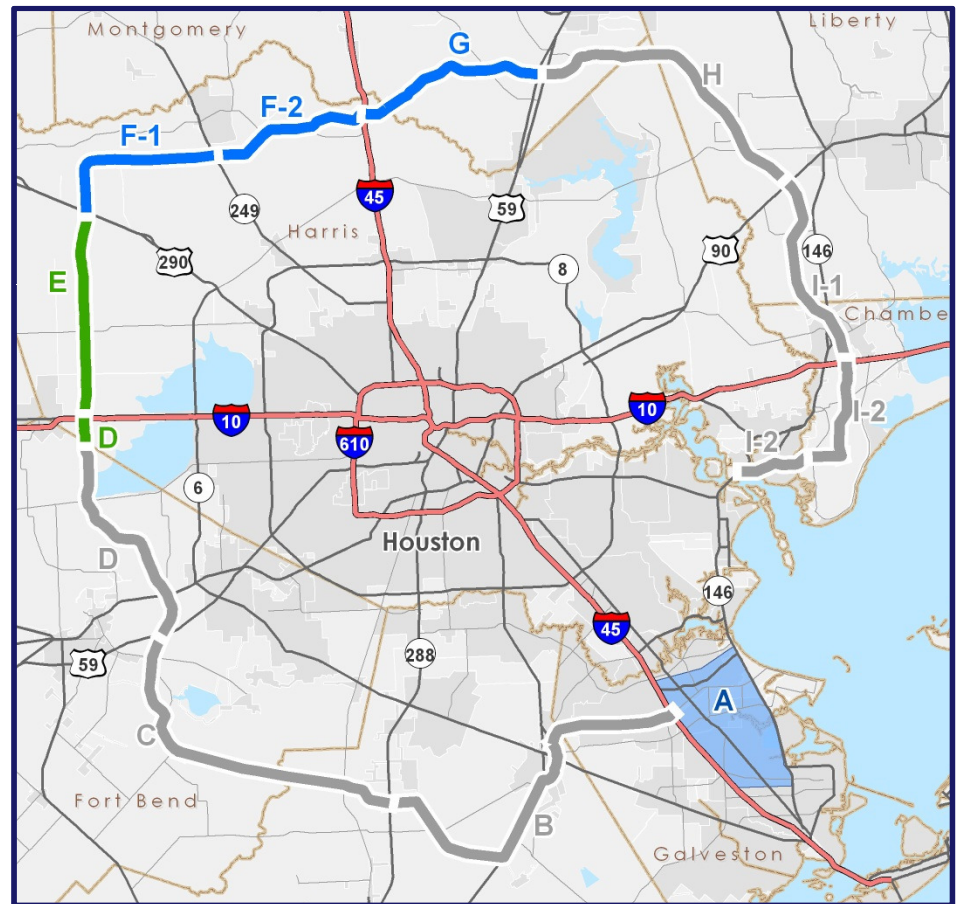




# Project Description

## Concession Project Configuration (Segments E, F-1, F-2 and G in Harris and Montgomery Counties)

- ❑ Construction of 37.8 miles of 4-lane toll road with discontinuous frontage roads (Segments F-1, F-2 and G)
- ❑ Direct connectors at:
  - IH 10 (2)
  - US 290 (4)
  - IH 45 North (2)
  - US 59 North (2)
- ❑ Operation and maintenance of full 53.1 miles (Segments E, F-1, F-2 and G) and new construction frontage roads



# Construction Project



## Segment F-1

- ❑ Construct 4-lane tollway w/discontinuous frontage roads between US 290 to SH 249
- ❑ Construct 4-DCs at US 290
- ❑ Construct 8,000' bridge over Willow Flats
- ❑ Acquire ultimate ROW footprint

## Segment F-2

- ❑ Construct 4-lane tollway w/discontinuous frontage roads between SH 249 to IH 45 North
- ❑ Construct 2-DCs at IH 45 North
- ❑ Acquire ultimate ROW footprint

## Segment G

- ❑ Construct 4-lane tollway w/discontinuous frontage roads between IH 45 to US 59 North
- ❑ Construct 2-DCs at US 59 North
- ❑ Acquire ultimate ROW footprint

# Project Description

<b>Grand Parkway (SH 99)</b>				
<b>TxDOT Summary of Total Cost Estimates (Initial Project)</b>				
<b>Segment</b>	<b>Limits</b>		<b>Project Length (Miles)</b>	<b>Total Project Cost</b>
<b>Segment F-1</b>	US 290	SH 249	12.1	\$343,000,000
<b>Segment F-2</b>	SH 249	IH 45	12.2	\$374,000,000
<b>Segment G</b>	IH 45	US 59	13.5	\$451,000,000
<b>Grand Total Seg. F-1, F-2, and G</b>			<b>37.8</b>	<b>\$1,168,000,000</b>

Total project cost includes approximately \$840 million of construction cost plus agency costs of approximately \$328 million. Agency costs consist of program management, environmental and engineering services, right of way and utilities.

# Request for Information (RFI)

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- ❑ Was developed primarily in order to solicit industry feedback on project delivery options
- ❑ Sent to industry on June 10, 2011
- ❑ Received 22 formal responses by July 6, 2011
- ❑ Held 17 one-on-one meetings in July 2011
- ❑ Industry feedback:
  - Confirmed there is a financial shortfall to deliver Grand Parkway Ultimate Scope
  - Confirmed that projects greater than \$2 billion attract fewer participants
  - Key messages:
    - Size of construction project is reasonable (F1, F2 and G)
    - Preferred delivery date of 2015 is achievable
    - Some form of TxDOT support would be required under any delivery model (e.g. direct subsidy, toll revenue bonds or Toll Equity Loan)
    - Most preferred delivery model was **Availability Payment**
    - A **Concession** could be used for construction of other Segments,
    - Least preferred delivery model was **Design-Build**

# Recent and On-going Activities

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- ❑ Harris County waiver of primacy on January 11, 2011 (*Handout 4.1*)
- ❑ Montgomery County waiver of primacy on June 20, 2011 (*Handout 4.2*)
- ❑ Cost, traffic and revenue analysis – Delivered October 2011
- ❑ Financial analysis – Delivered October 2011
- ❑ RFQ issued November 18, 2011

# Project Update

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- ❑ Environmental
  - Approval of FEIS re-evaluation anticipated by May 2012
- ❑ Permitting
  - USACE 404 Individual Permit anticipated by December 2012
- ❑ ROW Mapping
  - Completion scheduled for December 2011
- ❑ Design
  - 30% grade and drain scheduled for completion in April 2012
- ❑ Operation and Maintenance Data Re-evaluation
  - Under review with Ft. Bend, Harris and Montgomery Counties

# Preliminary Financial Results

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## □ Design Build

- Upfront public fund subsidy of approximately \$550 million required

## □ Design Build/TELA

- Upfront public fund subsidy of approximately \$50 million required

## □ Concession Option

- No upfront public fund subsidy required
- Concession fee of approximately \$1.1 billion to be received at financial close

# Project Schedule

Milestone	Date
Proposer submission of Qualification Statements in response to RFQ	January 2012
TxDOT issues short-list of proposers eligible to submit detailed proposals	February 2012
TxDOT issues draft RFP to short-listed proposers	February 2012
TxDOT issues final RFP to short-listed proposers	May 2012
Proposer submission of proposals in response to RFP	August 2012
TxDOT selection of preferred proposer/conditional award of contract	September 2012



# SB 1420 Committee

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- ❑ The presentation will focus on the committee requirements of Section 228.013, Transportation Code, added by Senate Bill 1420, 82nd Legislature, Regular Session, 2011, and Title 43, Texas Administrative Code, Sections 27.90-27.92
- ❑ Also, the rules are available for viewing at the following website: *(Handout 4.3)*  
[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac\\_view=5&ti=43&pt=1&ch=27&sch=H&rl=Y](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=5&ti=43&pt=1&ch=27&sch=H&rl=Y)

# SB 1420 Committee

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- ❑ Applicability of this Committee
  - For a TxDOT toll project in which a private entity has a financial interest in the project's performance (i.e., under a concession agreement)
  - Regional funding and/or county or municipal ROW or revenues will be provided to the project
  
- ❑ Formation and Membership of Committee: *(Handout 4.4)*
  - H-GAC (1 member)
  - HCTRA (1 member)
  - MCTRA (1 member)
  - County or Municipality (1 member each if applicable)
    - provided local funds to pay for right of way acquisition or other project costs or to acquire right of way for the project, or has provided property of the city or county for use as project right of way; or
    - submitted to the department an order or resolution adopted by the city council or county commissioners court committing local funds or property to the project; and
  - TxDOT (1 member)
  
- ❑ Officers
  - Committee will elect a chair and vice chair subject to Texas Transportation Commission concurrence

# SB 1420 Committee

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## ❑ Duties

- Submit a report to the Executive Director of TxDOT that shall contain the following determinations:
  - allocation of revenue risk
  - the method of financing for the project
  - the tolling structure and methodology (*Handout 4.5*)

## ❑ Failure to Submit Report by RFP date

- The department will use business terms adopted by the MPO that relate to the determinations to be included in the report

## ❑ Meetings

- Subject to Open Meetings requirements
- Committee members can suggest agenda items
- Quorum defined as one half or more of members appointed to the committee
- Only act on majority vote of members present

# SB 1420 Committee

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- ❑ Administrative Support
  - On November 2011, Executive Director of TxDOT authorized Houston Major Projects Office to act as administrative support for the committee
  
- ❑ Duration of Committee
  - Ceases to exist once report is issued to Executive Director of TxDOT
  - TxDOT can re-convene committee if changed circumstances may result in a change of the committee's determination

# Remainder of Agenda Items

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- ❑ Election of committee chair and vice-chair - **ACTION ITEM**
- ❑ Discussion of issues to be addressed by the committee
- ❑ Set date for next meeting - **ACTION ITEM**
- ❑ Adjourn - **ACTION ITEM**