

Grand Parkway Meeting

7/2/2008

Summary of Discussions

1. Introductions; Summary of Meeting.

After brief introductions, the group deferred approval of the summary document of the May 22, 2008 meeting until the next meeting.

2. Subcommittee Reports:

Traffic and Revenue Study:

WSA presented to the group a power point presentation summarizing Scenarios A and B of the Traffic and Revenue Study. Certain assumptions may be drawn from the study, including which portions of the project may be more feasible than other portions. As part of its presentation, WSA reviewed a location map showing the project and its various segments. Each scenario (referred to generally as Scenario A – or the TxDOT Scenario -- and Scenario B – or the Harris County Scenario) is based on particular timelines for the development and opening of the various segments. Generally speaking, Scenario A is based on an accelerated development schedule and Scenario B is based on a less accelerated timeline. In most cases Scenario A is more aggressive than Scenario B. This represents a wide range of scenarios by design, the most aggressive scenario would have more upfront development costs than the less accelerated scenario. WSA's contract provides for up to six scenarios and alternate scenarios to be reviewed and analyzed may be combinations of Scenarios A and B.

The Traffic and Revenue Study was based on certain major project assumptions, including as follows:

- An initial four lane configuration that could be widened as necessary to meet level of service (LOS) C driving conditions;
- All new segments would open on January 1 of the first year of operations;
- Future interchanges (to roads that do not currently exist) would be added as provided in a schedule furnished by the Grand Parkway Association, with direct connectors added as provided in TxDOT planning documents;
- All other transportation improvements would be implemented as provided on the 2035 regional plan;
- Planned toll facilities in HCTRA's jurisdiction would be completed under HCTRA guidance; and

- All cashless collection is assumed for both scenarios - ETC and video tolling from 2012 through 2023 and ETC only from 2025 onward.

WSA provided a recap of rate assumptions, including per mile rates based on current HCTRA rates (excluding the Westpark Tollway segment of HCTRA's system). All rates are assumed to be adjusted annually for inflation. Video rates are set at 33% higher than ETC rates. The minimum ETC at any location is set at \$0.35 for passenger cars, with truck rates assumed at 3 times the passenger car rate at all locations. Video tolling has a minimum differential of \$0.20 in order to recapture costs associated with video tolling.

Economic growth estimates are based on the original base forecast from HGAC. HGAC has updated economics growth forecasts that if included in the study would produce different results. Depending on the preferences of the group, WSA can run future scenarios using the updated economic forecast data, but that would not produce "apple to apple" comparisons with the work already done for Scenarios A and B unless those scenarios were modified to include the updated forecasts. WSA noted that some traffic zones are disaggregated, with the economics proportioned based on the grid level provided by HGAC.

WSA reviewed household estimates and indicated that the base case forecast anticipates an additional 2 million people in the vicinity of the project. Assumptions about the timing of the development of the project, including assuming certain segments of the project are delayed or not built, could help to show the impact of housing and economic development in the vicinity of the project.

WSA acknowledged interest in whether the project will accommodate or induce development. The current assumptions have an econometric model with a sub-model looking at growth at the county level. WSA looked at specific transportation characteristics to project where growth is expected to happen. WSA ran the model with and without the county level targets to get a range of projections about the expected impact of Grand Parkway. WSA reviewed the projections of housing and economic growth along certain portions of the project.

Additional information is available in the WSA study which shows the distribution of housing and economic growth along the corridor.

The growth models were re-run by HGAC because of changes in growth patterns associated with alignment modifications of the Grand Parkway project.

The WSA study factored in data provided by HGAC, including trip tables and economic forecasts. HGAC provided separate trip tables for Scenario A and B, but the same underlying economic data was used for each scenario. The trip tables were disaggregated into electronic and non-electronic tolls, and four vehicle classes were assumed. Different tolling rates were assigned to each vehicle class, and over 30 diversion equilibrium assignment runs were produced for each scenario, and different levels of congestion based on time of day were considered, as well as various other factors. Toll rates were inflated by 2.75% per year as previously discussed among the group. The value of time was factored in based on assumed zone income levels. On a regional basis, peak hours were assumed at \$15/hour and off peak hours were assumed at \$13/hour. Several manual

post-model adjustments were made. A manual analysis was also done to calculate the potential impact of the bypass of the bridge on Segment D.

After the review and presentation of the study in a power point presentation, WSA and members of the group discussed various questions and issues relating to the presentation.

The group discussed the impact on the study of radial components, which could help growth and use of the project to the extent the Grand Parkway can serve as a bypass of certain routes. However, there could be a limiting impact on economic growth as the residential growth is still oriented to the downtown Houston area. HGAC indicated that it could provide some analysis relating to radials outside the major loops to give a sense of what might be expected.

In the current study, WSA indicated that consideration has not been given to the potential impact of TxDOT's I-69 project. HGAC is in the process of revising an analysis of freight forecasts, and based on available data, it is expected that this project will result in an increase in projected traffic numbers.

A risk analysis has not yet been done and is expected to be completed at a later date after a particular scenario has been chosen. The biggest uncertainty on a facility such as this is always the economic growth forecast. The group discussed the usefulness of looking at alternative growth scenarios.

In response to a question, WSA noted that the projected revenue numbers are gross numbers that do not include operating and maintenance costs, which when factored in could help show which segments are more feasible than other segments.

HGAC indicated that based on an analysis of the data and the model runs, accelerated development of some segments of the project will likely accelerate land use development near those segments.

The group commented on the demographics and land use data provided by HGAC. There was some discussion among the group about whether some of the HGAC figures used in the WSA study were conservative, particularly with respect to population and job growth expectations and whether the updated HGAC economic and demographic forecasts should be used in alternative scenarios. The group discussed having population and employment estimates and associated land use impacts reviewed further by a subcommittee. The group then discussed the results of the peer review study, including issues relating to the data collection process and the calibration of data.

The group discussed having some specifics of the model refined and agreed to discuss the results at the next meeting.

3. Terms, Conditions and Assumptions.

The group then discussed proposed terms and conditions for the development of the Grand Parkway project. TxDOT proposed 3 terms and conditions for the group to consider: the scope of the project scope, the initial tolling rate and the toll rate escalation methodology. The group reviewed a handout that contained an eleven page document describing the project scope. This is

the same document that was distributed last meeting, with a few minor updates and revisions, which were discussed among the group. The group then discussed the procedures for getting approval by the governing bodies of the various Grand Parkway counties, TxDOT and the Transportation Policy Council (TPC) of HGAC.

The group then discussed the ability to modify terms and conditions. For instance, what if HCTRA wants to use a more aggressive toll regime, such as rounding up tolls, in order to increase the feasibility of the project? Are we locked into the proposed rate schedule? TxDOT indicated a desire to get the process moving forward and that the current proposal represents a reasonable basis for moving forward at this time, but noted that changed economic conditions could lead to a situation where issues may need to be revisited but that there were limitations that had to be considered under SB 792 regarding whether terms and conditions and conditions could be modified after they have been approved.

TxDOT wants to move forward on the proposal (the three terms and conditions) and have the Transportation Policy Council consider and approval that proposal. HCTRA agreed that the proposed scope, the initial toll rate and the escalation methodology was a reasonable starting point for submittal to the TPC. The group discussed reviewing the current rate structure and whether modifications should be considered at a later time. As long as we all observe that this might happen, HCTRA can agree to those three basic things for submittal to TPC.

TxDOT proposed proceeding with an assumed figure of \$5.1 billion for construction costs (in 2008 dollars). The group noted that this too is just a starting point, but TxDOT proposed submitting the three terms and conditions and this one assumption to TPC for consideration and approval. Bob Collie, representing HCTRA, observed that HCTRA's delegation authority from the other Grand Parkway counties is subject to approval by each county of the final terms and conditions agreed to with TxDOT and HGAC and will report back to the other counties (some of which were represented at the meeting) with respect to the proposal for moving forward.

4. Market Valuation.

The group then discussed the possible waiver of the market valuation process under the provisions of SB 792. TxDOT was going to propose at this meeting that the group agree to waive market valuation, but has certain internal procedures that must be completed before it can agree to waive the MV process. The meeting packet included a minute order adopted by TxDOT's governing body relating to the procedures for waiving the market valuation process. TxDOT indicated that it intends to do the necessary things to get approval for the waiver of the market valuation process.

HCTRA indicated that a waiver of the market valuation process was not a determination as to who would build and finance the project.

5. The ability of CRA International to conduct a market valuation study.

Given the conversation regarding the possible waiver of the MV process, this item was tabled for possible consideration at a later date.

6. Summary of meeting.

Today the group discussed market valuation and terms and conditions. There has been some agreement, although others need to be consulted to formalize the agreement. The next scheduled meeting is July 31 in conference room A. The traffic and revenue committee will reconvene at 11:30 to discuss alternative study scenarios.