

**TEXAS TRANSPORTATION COMMISSION**

VARIOUS Counties

**MINUTE ORDER**

Page 1 of 4

HOUSTON District

The Texas Department of Transportation (department) and the seven counties in the Houston area in which SH 99 (Grand Parkway) is located have been proceeding with the development of the Grand Parkway from SH 146 in Galveston County to SH 146 in Chambers County.

In accordance with the requirements of Transportation Code §228.0111 and the policies included in Minute Order 111410, the department and the seven counties entered into a Market Valuation Waiver Agreement, effective March 25, 2009, in which the parties agreed on the terms and conditions for the development, construction, and operation of the Grand Parkway, agreed to waive the development of a market valuation of the Grand Parkway, and agreed to certain other provisions applicable to the development, construction, and operation of the Grand Parkway. Each of the counties subsequently elected to exercise its option to develop, construct, and operate the portion of the Grand Parkway located within the territory of the county.

By resolution and order adopted on July 13, 2010, Chambers County withdrew its previous election to exercise that option, effectively choosing to not exercise its option, and providing for the reversion to the department of the right to develop, construct, and operate that portion of the Grand Parkway. In Minute Order 112528, the Texas Transportation Commission (commission) approved the department's determination to exercise its option to develop, finance, construct, and operate the portion of the Grand Parkway in Chambers County.

On January 11, 2011, the Harris County Commissioners Court rescinded its September 15, 2009 action to exercise the county's option, effectively choosing to not exercise its option, and providing for the reversion to the department of the right to develop, construct, and operate that portion of the Grand Parkway. In Minute Order 112558, the commission approved the department's determination to exercise its option to develop, finance, construct, and operate the portion of the Grand Parkway in Harris County.

On June 20, 2011, the Montgomery County Commissioners Court rescinded its September 14, 2009, action to exercise the county's option, effectively choosing to not exercise its option, and providing for the reversion to the department of the right to develop, construct, and operate that portion of the Grand Parkway. In Minute Order 112725, the commission approved the department's determination to exercise its option to develop, finance, construct, and operate the portion of the Grand Parkway in Montgomery County.

In Harris and Montgomery counties, the department has been proceeding with the development of a toll project that will extend Grand Parkway from east of US 290 in Harris County to west of US 59 in Montgomery County, identified as Segments F1, F2, and G (2012 project), using a design-build comprehensive development agreement (CDA) in accordance with Subchapter E, Chapter 223, Transportation Code prescribing the process by which the department may enter into a CDA with a private entity that provides for the design, construction, maintenance or operation of a toll project on the state highway system.

The department has issued a request for proposals for the 2012 project and other facilities to the extent necessary for connectivity, mobility, safety, and financing from all private entities qualified for a short list, as authorized and directed by the commission on April 26, 2012, pursuant to Minute Order 113077.

**TEXAS TRANSPORTATION COMMISSION**

VARIOUS Counties

**MINUTE ORDER**

Page 2 of 4

HOUSTON District

In Minute Order 113046, dated March 29, 2012, the commission adopted a resolution creating the Grand Parkway Transportation Corporation (GPTC), approving its certificate of formation and bylaws and appointing the initial directors.

GPTC is authorized to assist and act on behalf of the commission in the development, financing, design, construction, reconstruction, expansion, operation and/or maintenance of the Grand Parkway toll project in fulfillment of the purposes of Chapter 431, including promoting and developing public transportation facilities and systems by new and alternative means, reducing burdens and demands on the limited funds available to the commission, and increasing the effectiveness and efficiency of the commission.

The department and the GPTC have been working together to identify an approach to provide for the funding and development of the 2012 project and other portions of the Grand Parkway that the commission is authorized to develop in Harris County (Segments D and E) and to provide funding for Grand Parkway pre-development costs of undeveloped segments in other counties.

The department and the GPTC are working to define (1) the responsibilities of GPTC to pay the costs of (a) operating and maintaining the Grand Parkway segments developed using the CDA and Segments D and E in Harris County and (b) funding certain pre-development costs of other portions of the Grand Parkway, and (2) the assistance to be provided to the GPTC by the department in the form of (a) personnel, consultant advice and contractual support, (b) assignment of revenues from completed segments of the Grand Parkway, and (c) financial assistance.

The allocation of responsibilities between GPTC and the department and the assistance to be provided to the GPTC by the department, other than financial assistance under Transportation Code, §222.103, will be reflected in a project agreement to be negotiated between the parties.

Transportation Code §222.103 authorizes the department to participate, by spending money from any available source in the acquisition, construction, maintenance, or operation of a toll facility of a public or private entity on terms and conditions established by the commission.

Pursuant to Transportation Code, §222.103, the commission adopted Title 43, Texas Administrative Code, §27.50 – 27.58 to prescribe conditions for the commission's financing of a public or private entity (toll equity rules).

On July 10, 2012, the GPTC's board of directors authorized the submission of an application for financial assistance under Transportation Code §222.103 and the toll equity rules for the costs of design, construction, acquisition of right of way, operation and maintenance and major maintenance of the 2012 project segments, costs of operation and maintenance of the portions of Segments D and E in Harris County, and pre-development costs of other portions of the Grand Parkway.

The GPTC plan of finance described in the application for financial assistance contemplates that the commission will assign to GPTC the toll revenues from operation of Segments F1, F2, and G of the Grand Parkway, and the portions of Segments D and E in Harris County, subject to satisfaction by the GPTC of all requirements for final approval of financial assistance by the commission and the project agreement having been executed by the parties.

In accordance with 43 TAC §27.53, the GPTC has submitted a request for financial assistance in an aggregate amount in nominal dollars no greater than the facility costs associated with

**TEXAS TRANSPORTATION COMMISSION**

VARIOUS Counties

**MINUTE ORDER**

Page 3 of 4

HOUSTON District

Segments F1, F2, and G of the Grand Parkway and the maintenance, operation and major maintenance costs of Segments F1, F2, and G of the Grand Parkway, together with operation and maintenance costs of Segments D and E in Harris County, incurred or reasonably expected to be incurred over 52 years, under mutually approved projections and including a commercially reasonable contingency for design and construction cost overruns, eligible to be paid from the State Highway Fund under applicable law, and which may only include costs for (1) design and construction, including costs of acquiring right of way, and the identified and permitted pre-development costs of other portions of the Grand Parkway, (2) operations and maintenance costs of the 2012 project segments and Segments D and E in Harris County, and (3) major maintenance. Based on estimates of facility costs, the maximum amount of the loan commitment could be up to approximately \$8,500,000,000.

Information and data required by Section 27.53(b) is contained in the request for financial assistance. Supplemental information and data required by Section 27.53(c) is contained in the request for financial assistance or has already been provided to the department.

Section 27.53(d) authorizes the executive director of the department to waive submission of individual items of information or data required by Section 27.53(c) if: (1) the information or data required by this section is not relevant to the project or the financial assistance requested; or (2) the department already possesses information or data in a format that may be substituted for the required information or data.

The department previously conducted environmental studies and analyses of the 2012 project, and has secured environmental clearance in the form of Re-evaluations of the Final Environmental Impact Statements for each of Segments F1, F2, and G, all of which were approved by the Federal Highway Administration on May 22, 2012. Information and data relating to any known environmental, social, economic, or cultural resource issue is contained in the environmental documents prepared by the department.

The timely extension of Segments F1, F2 and G of the Grand Parkway and other segments of the Grand Parkway is a crucial element in the development of Harris and Montgomery counties, and the surrounding region. Development of the Grand Parkway toll project will benefit the region by reducing congestion and improving air quality in those areas.

The financial assistance for the 2012 project and other segments of the Grand Parkway is critical to the GPTC's overall plan of finance. The successful funding of the Grand Parkway toll project will benefit the state and the traveling public and improve the efficiency of the state's transportation system by providing for the timely completion of the 2012 project and advancement of the development of other portions of the Grand Parkway, which will enhance mobility and operational efficiency, decrease congestion, increase safety, increase economic development opportunities, decrease travel time, decrease air pollution, and enhance quality of life in the Grand Parkway corridor. Without the department's assistance, the timeline to complete the 2012 project for the Grand Parkway and realize those benefits could be delayed.

The financial assistance for the 2012 project and other segments of the Grand Parkway should lower the GPTC's capital costs, which will increase the ability of GPTC to finance the entirety of the 2012 project and at a lower rate of interest and should eliminate the need for an upfront cash public subsidy. The Grand Parkway toll project will expand the availability of funding for

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

Page 4 of 4

HOUSTON District

to finance all project costs of Segments F1, F2 and G of the Grand Parkway and significant pre-development costs of other segments. The revenues anticipated to be assigned by the commission from Grand Parkway Segments F1, F2 and G, augmented by revenues from the Harris County portions of Segments D and E, are likely to be sufficient to assure repayment of any loan from the department.

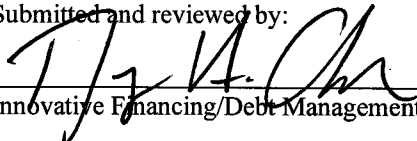
Segments F1, F2 and G of the Grand Parkway and Segments D and E in Harris County are consistent with the approved Statewide Transportation Plan, the approved metropolitan transportation plan, the 2013-2016 transportation improvement program and transportation conformity determination of the Houston-Galveston Area Council, the metropolitan planning organization for the Houston region, and will be consistent with the Statewide Transportation Improvement Program.

NOW, THEREFORE, IT IS DETERMINED that the request for financial assistance submitted by the Grand Parkway Transportation Corporation meets the requirements of 43 TAC §27.53 and §27.54(a) and, in accordance with those provisions, the commission grants preliminary approval of financial assistance composed of an aggregate amount in nominal dollars no greater than the facility costs associated with Segments F1, F2, and G of the Grand Parkway and the maintenance, operation and major maintenance costs of Segments F1, F2, and G of the Grand Parkway, together with operation and maintenance costs of Segments D and E in Harris County, incurred or reasonably expected to be incurred over 52 years, and identified and permitted pre-development costs of other portions of the Grand Parkway, under mutually approved projections and including a commercially reasonable contingency for design and construction cost overruns, eligible to be paid from the state highway fund under applicable law, and which may only include costs for (1) design and construction, including acquisition of right of way, (2) operations and maintenance, and (3) major maintenance. The executive director is directed to implement the actions authorized and required by 43 TAC §27.54.

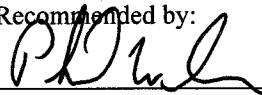
IT IS FURTHER ORDERED that the executive director of the department is authorized to negotiate the terms of a toll equity loan agreement with Grand Parkway Transportation Corporation.

IT IS FURTHER ORDERED by the commission that the executive director, on behalf of the commission, is authorized to negotiate and enter into a project agreement with the Grand Parkway Transportation Corporation for the Grand Parkway toll project.

Submitted and reviewed by:

  
Innovative Financing/Debt Management Officer

Recommended by:

  
Executive Director

**113202 JUL 26 12**

Minute Number Date Passed