



**TEXAS DEPARTMENT OF TRANSPORTATION
SH 288 TOLL LANES PROJECT IN HARRIS COUNTY
DISCLOSURE OF FINANCIAL INFORMATION**

Disclosure of Financial Information: Pursuant to the authority granted under Texas Transportation Code, Chapter 223, Subchapter E, the Texas Department of Transportation (“TxDOT”) has solicited proposals and recommended selection of a proposer for award of a comprehensive development agreement (the “CDA”) to finance, develop, design, construct, maintain and operate a 10.3-mile segment of State Highway (SH) 288 from US 59 in Harris County to a terminus in Brazoria County approximately 200 feet south of the county line between Harris and Brazoria Counties at Clear Creek (the “SH 288 Toll Lanes Project” or the “Project”). The Project includes adding four tolled lanes (two tolled lanes in each direction) within the existing median, adding eight new tolled direct connectors at Beltway 8, new tolled direct connectors connecting SH 288 to Holcombe Boulevard near the Texas Medical Center, the reconstruction of all eight direct connectors at IH 610, and operation and maintenance of the existing lanes within the right of way of the current SH 288 corridor. On February 26, 2015, in Minute Order 114205, the Texas Transportation Commission determined that the proposal submitted by Blueridge Transportation Group (the “Developer”) provides the apparent best value to TxDOT and authorized TxDOT to commence and complete negotiations necessary to finalize the CDA, subject to certain conditions.

Under the CDA, the Developer is expected to commence construction work in late 2015 or early 2016. Construction is scheduled to be completed in late 2018. The term of the CDA is 52 years, including the construction and operations periods, and the CDA will provide the Developer with a lease of the facilities. TxDOT owns and will continue to own the Project.

Pursuant to Transportation Code, Chapter 371, subchapter D, TxDOT is publishing financial information regarding the Project and providing notice of public hearings that will be held regarding the financial disclosure.

Project Financing. The Project will be financed by the Developer, who will pay for the design, construction, operation and maintenance of the Project during the CDA term. The total amount of debt that has been and/or will be assumed by the Developer to acquire, design, construct, operate and maintain the Project is projected to be approximately \$670 million. Under the Developer’s plan of finance, the debt will be repaid through toll revenues generated from the operation of the toll lanes in the Project. The debt will be repaid over a minimum 25-year term from the beginning of construction (excluding any refinancing). The projected amount of the interest that will be paid by the Developer on the debt is around \$1.1 billion over the term of the CDA, including interest on refinancing. TxDOT will not assume any toll revenue debt in connection with the design, construction, operation and maintenance of the Project.

Duration of Tolling. The tolled lanes will continue to be tolled after the debt is repaid.

Method for Setting Toll Rates. The CDA authorizes the Developer to set tolls at a rate at or below \$0.75 per mile on toll segments that are not direct connectors and at or below \$1.50 per segment on direct connectors (2012 \$). These toll rate caps will be increased annually at the rate that is the greater of 3% or the percentage increase in the Gross State Product Per Capita for the State of Texas (“GSP Per Capita”). Tolls may be set at different rates for each half-hour of each day, except that toll rates for the Beltway 8 direct connectors may not vary by time or day. Toll rates exceeding these caps will only be permitted if certain traffic performance measures set forth in the CDA cannot be met. In such cases, the toll rate will be adjusted in order to maintain minimum average travel speeds in the tolled lanes. The minimum speed is the slower of 45 miles per hour, or the speed equal to 15 miles per hour slower than the speed limit. The Developer must provide traffic data to support toll rates in excess of the cap. Toll rates will be set consistent with the SH 288 Tolled Lanes Initial Projects Corridor Tolling Policy, as approved by the SB 1420 Committee on April 19, 2013, which provides for time-of-day pricing.

Competing Facilities. TxDOT has the right to build any facilities at any time. TxDOT will not be required to compensate the Developer if TxDOT builds any facilities outside the right of way of the Project or if it builds any other mode of transportation (such as rail) within the right of way of the Project. If TxDOT builds additional limited access main lanes within the right of way of the Project (such as on an elevated structure above or in a tunnel below the Project) that increase the Developer’s revenues, the Developer will be required to compensate TxDOT for the increase in revenues, net of increases in operating and maintenance costs. Subject to certain exclusions, if TxDOT builds any such additional main lanes that decrease the Developer’s revenues, TxDOT will be required under the CDA to compensate the Developer for loss of revenues due to the additional main lanes, net of savings in operating and maintenance costs.

Termination for Convenience. TxDOT has the right to terminate the CDA at any time without cause. If TxDOT elects to use this right, TxDOT must compensate the Developer. Compensation following construction completion will equal to the greater of fair market value of the Developer’s interest in the Project or the amount of outstanding senior debt, but not to exceed a specified cap included with the Developer’s proposal (as required by statute). The fair market value of the Developer’s interest will be determined by a third-party appraiser on the basis of the assumptions and criteria set forth in the CDA.

Toll Rates. Based on demand projections it is estimated that the toll rates charged will be as follows:

Price per Mile	2018 (in today’s \$)	2067 (in today’s \$)
High	0.81 ⁽¹⁾	\$1.55
Low	0.06	\$0.06

⁽¹⁾ Rates may exceed the maximum for peak periods when a higher rate is required to maintain minimum travel speeds in the toll lanes, as described above.

Methodology for Increasing Toll Rates. The CDA permits the Developer to change toll rates (including increasing or decreasing toll rates) weekly during the first 90 days and monthly thereafter, except toll rates for the Beltway 8 direct connectors may be changed only once per year. Any toll change is subject to advance publication requirements. If TxDOT permits dynamic tolling during the term of the CDA, toll rates cannot change more frequently than every 5 minutes, and typical toll rates will be posted publicly and displayed on toll signage for the Project. Any toll rates imposed must be rates permitted by the “Method for Setting Toll Rates” described above.

Concession Payment. A concession payment from the Developer to TxDOT of approximately \$27.6 million is anticipated under the CDA.

Public Hearings. TxDOT will hold two public hearings concerning this disclosure of financial information for the Project. A hearing will be held on Tuesday, May 5, 2015 from 5:30 p.m. – 7:30 p.m. at the TxDOT Houston District, Ned Holmes Auditorium, located at 7600 Washington Avenue, Houston, Texas 77007. A second hearing will be held on Wednesday, May 6, 2015 from 5:30 p.m. – 7:30 p.m. at the Angleton Recreation Center, 1601 N. Valderas, Angleton, TX 77515. Questions and comments concerning the financial information will be accepted by TxDOT at the public hearing.

Questions and comments may also be submitted to the department by U.S. mail addressed to Quincy Allen, P.E., Texas Department of Transportation, 7600 Washington Avenue, Houston, Texas 77007; or e-mailed to HOU-PIOWebMail@txdot.gov. These comments will be accepted until 5 p.m., May 8, 2015. Copies of the proposed CDA will be made available for viewing at the public hearings and at TxDOT’s Houston District office located at 7600 Washington Avenue, Houston, Texas 77007, and can be accessed on TxDOT’s website at <https://www.txdot.gov/business/partnerships/current-cda/sh288-toll-lanes/sh288-rfp.html>. Copies of the proposed CDA also may be purchased from TxDOT’s Houston District office at the cost of reproduction. TxDOT will consider all properly submitted questions and comments and will prepare a summary and analysis of the comments received. The summary and analysis will be posted on TxDOT’s website and made available upon request. Persons interested in attending the hearing who have special communication or accommodation needs are encouraged to contact Elizabeth Halliburton-Riddick at the Houston Strategic Project Office at (713) 866-7037. Requests should be made at least 72 hours prior to the public hearing. Because the public hearing will be conducted in English, any requests for language interpreters or other special communication needs should also be made at least 72 hours prior to the public hearing. TxDOT will make every reasonable effort to accommodate these needs.