

**Written Testimony of Leslie Jutzi, I-35 Advisory Committee
And Director of Governmental Affairs & Community Relations, The Allen Group
To the Legislative Study Committee on Private Participation in Toll Roads
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Senator Carona, esteemed members of the Study Committee and Legislature, distinguished public officials, and members of the public. I am honored to be here today to comment on Public Private Partnerships regarding toll roads, specifically CDAs. But, first I would like to thank you for your service to the great State of Texas. Thank you for accepting the duties of this Committee. We know that you have several other responsibilities with other committees, in your districts, in Austin, and we appreciate your attention to this most important issue.

I want to start my testimony by stating that The Allen Group appreciates Texas. We own a 6,000 acre, Master-Planned development in four cities in Southern Dallas County called the Dallas Logistics Hub. Our development is designed for 60 million sf of light industrial, commercial and retail development and is anticipated to have a \$68 billion impact to the North Texas Region's economy over the course of the next 25 years. The nation's two largest Class 1 rail carriers, Union Pacific and Burlington Northern Santa Fe, have significant positions at our development. In addition, and as you can imagine, we have several buildings in various stages of construction or lease. To us, our development and business are the manifestation of your vision of the opportunities that present themselves all over the state of Texas. We certainly saw the opportunities available in Southern Dallas County and acted upon them, and these same types of opportunities present themselves in your districts.

In order to continue to successfully promote the business opportunities in Texas, businesses must be assured of reasonable mobility within the state. That is why it is incumbent upon you to bring some sense and rationality to transportation funding mechanisms to ensure that the legitimate mobility needs of the state are funded well into the future. The public is insistent that improvements are made to the states roads, airports, and highway systems, but they are not trusting of a wholesale rush to toll roads and CDAs. So, it is important that you fund the system appropriately and ensure that it includes links to transit, aviation, and seaports. Texas is

experiencing an economic boom as a result of being at the crossroads of global trade, but that boom will not continue without adequate transportation funding. The remainder of my remarks will discuss the various problems and solutions that should be considered as you address this issue.

The public is looking for solutions. You have made the right interim decision to impose the moratorium on toll roads due to the perception that CDAs are a runaway train. It is important to the success of future CDAs that perceptions of over tolling, and tolling without appropriate oversight, are alleviated. There needs to be greater acceptance and understanding of CDAs. Just as one size does not fit all, CDAs are not right for every project, but they are a good option for several projects. There are other options that also must be considered. Your attention to: indexing the gas tax to the Consumer Price Index; segregating the State Highway Fund ("Fund 6") for true transportation projects; raising the gas tax; and to considering other revenue mechanisms to raise funds for transportation projects is essential to ensure that Texas has the appropriate funding for mobility in the future. You have been urged by various regional organizations to consider additional options, such as vehicle registration fees. No matter what variety of options you choose to pursue, the goal of toll roads needs to be the funding of legitimate, and reasonable, well-documented needs. Texas is on the verge of even greater economic growth. It should not sacrifice this growth due to unnecessary burdens placed upon the driving and commercial public as a result of over-tolling, but appropriate oversight of private tolling entities will help address this concern. We will be successful as a State so long as we do not over-toll and we balance tolling with other transportation funding options.

In Texas, we have a tripartite system with three partners responsible for delivering transportation systems: the Regional Transportation Council, the Texas Department of Transportation ("TxDOT"), and the North Texas Tollway Authority ("NTTA"). There have been concerns raised that because the Texas Legislature gave NTTA primacy in toll road funding negotiations; there has been a disruption to this partnership that makes the market valuation process untenable. Based upon recent experience in the North Texas region with the 121 process, it appears that there are opportunities for improvement in this process.

However, the kinds of freight and population pressures that gave rise to the Trans-Texas Corridor initiative have not gone away, rather they have intensified, and there will always be a need for innovative solutions, such as CDAs. Half of the NAFTA traffic through the United States traverses one road: I-35. The solution that TxDOT agreed to on I-69, i.e. expand the route, will be challenging on sections of I-35 due to the density of businesses along certain parts of the I-35 route. Many of the members of this Committee and your colleagues from this area know all too well what kind of congestion exists on I-35 today. As a result, open and transparent processes must be developed in relation to the selection of toll routes, and the involvement of private concessions. For example, it was gratifying to see the region unite behind TxDOT's "Donut Plan," and we appreciate that many of you sitting here today were part of that positive solution to address the congestion in the region. We also need quick completion of South Loop 9 as part of the "Donut Plan." This is the type of leadership and cooperation that will continue to be needed to develop processes that will ensure that CDAs are successful.

By making sure that all attempts are made to obtain the best deal possible concerning a toll project, and by making sure that the public understands the process and how the decision was reached, there will be more confidence in decisions made that affect the region. For example, during the recent testimony in San Antonio, members of this Committee heard that the 161 project is worth \$500 million more than the current offer from NTTA which is \$1.2 billion. If 121 was worth \$3.3 billion, and 161 has similar traffic counts but half the length of 121, there are those that would argue that it stands to reason that 161 should be worth at least half of that price, or \$1.7 billion. While these arguments appear to have merit, there are surely persuasive reasons for accepting the lower valuation and decision makers must take into account this current experience in order to improve support of future projects.

Once a decision is made to pursue a CDA, the decision should not be revisited beyond a certain point. For example, during the negotiations on the 121 project, we can all agree that at some point, there was decision making fatigue as a result of the revisiting of several components of that particular deal on numerous occasions by all parties.

In the past, most of the transportation funding emphasis has been on projects in North Dallas and Southern Denton and Collin Counties in North Texas. This focus needs to expand because Southern Dallas County is now a rapidly developing part of the region. The Southern Dallas County Developers represent roughly 20% of all land South of I-20 to the Dallas County line between I-35 and the Trinity River. The Developers at full build out have the ability to add more than 100 million sf of development space in this area. This is equal to \$3.5 billion of private investment in 2008 dollars. The volume of this development space is more square footage than the entire Tarrant County Industrial Market, including Alliance. It is also 25% of the total Dallas County Industrial Market. If it was its own market, it would be ranked 38th in the nation right now in terms of square footage. The major thoroughfare through this region is I-20. I-20 is an important freeway for freight and hazardous material coming from and going to the 25 states east of the Mississippi. As a result, we need to ensure that I-20 is designated as a Corridor of the Future and expand our attention to this growing region of our state.

I have been told that the Texas population was 10 million in 1960, which was a lot of people then, but not a lot of people now. Steven Murdock, the former Texas demographer, projects that our population will reach approximately 51.7 million by 2040. The industrial and commercial developers are willing to pay their fair share to fund future reasonable transportation solutions, but such funding needs to be equitably divided and appropriately implemented with a view towards both current needs and areas that are not overly developed now but will become so quickly.

We are blessed in Texas with a number of great minds and organizations that are focused on transportation solutions. We have the finest Transportation Dept. that I have ever worked with. We have excellent MPOs throughout the state and their only limit is the tools and direction that you give them. However, transportation funding is not a problem that is going to be solved within two years, and CDAs must be an important part of the solution. Because of the importance of this funding mechanism for our State, we suggest that the Legislature have a continuing oversight role. This is helpful to TxDOT and other agencies. The situation that you currently find yourselves in where you Study policy for two years, and then the Agency must interpret what you have done is challenging and unworkable in these quickly changing times. The current situation, and the

importance of Texas as the center for global trade in the United States, makes the justification for this Committee's continuous oversight while addressing this problem.

We pledge our support to assist you in addressing these transportation funding problems and to recommend solutions to enhance the CDA process to ensure its success. We must all work together to address these issues for the future of the citizens of this State and for our Country. Thank you.