

# Feasibility Study: Toll Road from Wagon Wheel at 1103 to IH 10

## 1. What is a Feasibility Study?

- 1.1. A feasibility study is an analysis of the viability of a project, and focuses on helping answer the essential question of “should we proceed with the proposed project?” All activities of the study are directed toward helping answer this question. Determining early that a project will not work saves time, money, and heartache later. A feasible project is one where the road will generate adequate cash-flow, withstand the risks it could potentially encounter, remain viable in the long-term and meet the goals of Cibolo residents. The study helps to frame and flesh-out specific scenarios so they can be studied in-depth. During this process the number of alternatives under consideration is quickly reduced. It’s like an exploratory journey and you may take several paths before you reach your final destination.
- 1.2. Who will be involved? There are several highly regarded transportation firms that would participate in the study. Both Stantec and Huitt-Zollars provide engineering, design, construction management, and consulting services; KPMG provides accounting and auditing services; and ACI provides environmental consulting services.
- 1.3. What are the deliverables? A “proforma,” the initial feasibility study. (See attached exhibit.)
- 1.4. What happens when it is complete? The City Council will review the reports and make a determination if they would like to proceed with the project. If the consensus is to move forward, the city will enter into a Development Agreement with the Texas Turnpike Corporation for the financing and construction of the project.
- 1.5. When will it be complete? The initial feasibility report will be ready in advance of city council action.

## 2. Who is Public Werks? Bio – See [www.publicwerks.com](http://www.publicwerks.com) for more information.

Public Werks, Inc. is a corporation that specializes in partnering with governmental entities to pursue infrastructure improvement.

John Crew, President of Public Werks, Inc., a Texas corporation specializing in public and private partnerships and public finance. In addition to directing the operations of Public Werks, Mr. Crew currently serves on the Investment Committee of Republic Holdings Texas, LP, and Republic Holdings Texas II, LP, Texas Certified Capital Companies providing equity and debt capital to early stage companies with operations in Texas. Mr. Crew began his investment banking career in 1979 with First Southwest Company in Dallas. In 1983, he joined Dillon, Read & Co. Inc., one of the nation’s leading investment banking firms, in its New York office. In 1991, he was named a Member of Dillon, Read & Co. Inc.’s Board of Directors and held the position of Managing Director until the company was sold in 1997. While at Dillon Read, Mr. Crew was involved in the issuance of over \$8 billion of governmental and municipal bonds. Mr. Crew has undergraduate and graduate degrees from Texas A&M University.

The TTC is a Texas private, for-profit toll road corporation that was formed in 1991 under the now-repealed Texas Civil States Title 32, Article 1448-1465. Private toll road corporations incorporated prior to the repeal date were grandfathered in and continue to have legal authority to finance, design, construct, build, operate, and maintain private toll roads and toll tunnels. However, in order to connect to the State Highway System, certain governmental approvals and studies are required as outlined in the Texas Administrative Code and Texas Transportation Code. The TTC does not have eminent domain authority but may partner with a local governmental entity, tolling authority, or TxDOT.

3. **Financial Review** – Prior to entering into any development agreement and before a final decision is made on the proposed Cibolo Parkway Project, the City will ask its auditor, financial advisors, and Finance Director to perform a thorough review of Public Werks, Inc.’s financials. Additionally, the City will evaluate Public Werks Inc.’s ability to secure investment capital from others to construct the project.
4. **Why do we need connectivity from 78 to IH 10 when we already have several country roads?**
  - **Alleviate some traffic from the 1103 to IH 35 corridor**
  - **Accommodate future growth in the sector between 78 and IH 10**
  - **Attract Business and employers to the sector between 78 and IH 10**
  - **Be proactive and eliminate future traffic congestion BEFORE it happens**
  - **Public Safety Response Times**
  - **Mobility** – More than 30 trains per day traverse Cibolo many blocking all access across the tracks. Union Pacific has announced plans for an additional rail which will increase rail capacity and the frequency that access is blocked.
5. **What are the options to a Toll Road?**
  - 5.1. **Use State Funds.** TXDOT acknowledges the need, based on a study they did about 10 years ago, however it is not on their funding horizon for 25 or more years.
  - 5.2. **Bonds.** This would increase property tax drastically and limit or eliminate the city from using Bonds for future needs like maintaining existing streets, water upgrades and sewer upgrades.
6. **What is the Proposed Route?** Connects to 1103 at Wagon Wheel, goes behind Steele High School and connects to IH 10.
  - 6.1. **Do I have to take the Toll Road?**

Absolutely not. Currently there are free roads, and there will continue to be free roads/alternatives. See the City’s Major Thoroughfare Plan.
  - 6.2. **How does this impact the TxDOT expansion of 1103?**

Should enhance the planned expansion and can provide for additional lanes and capital.
  - 6.3. **What is the impact to the current land owners?**

Published outcomes of impacts relating to tollroads indicate overwhelmingly that the land will increase in value.

    - 6.3.1. **How will the land be acquired?**

Acquisition will be negotiated at fair market value.

**7. What is a TIRZ?**

**7.1. Definition** – A Tax Increment Reinvestment Zone (TIRZ) is an economic development tool that captures the projected increment increase in tax revenue that is created by development within a defined area and reinvests those funds into public improvements and development projects that benefit the zone.

**7.2.** A TIRZ will provide for infrastructure improvements such as water, wastewater and communications. Interconnecting roadways and other public improvements with the TIRZ can be funded by revenues generated by the program.

**8. Why has San Antonio not developed any Toll Roads? -** They have attempted several times, but have been unsuccessful due to a special-interest group’s opposition.

**8.1. Where has it been successful?**

All over America, but particularly the Dallas-Ft. Worth area (NTTA), the Houston Area (HCTRA) and the Austin Area (CTRMA)

**8.2. Where has it failed, and what was the outcome for the City?**

Most of the time historical tollroad defaults were not a partnership with a City. However, when tollroads have defaulted they have not ‘failed’, they simply have been refinanced.

**8.2.1. What will be the result of the SH130 bankruptcy?**

A financial reconfiguration or sale to other investors. It will be recast as to Revenues and Expenses so that Debt Service can be made. No governmental bailout will be necessary. There will be a number of suitors that will be interested in the refinancing of the bankruptcy.

**8.3. What happens if the Toll Road files for bankruptcy?** The investors lose any equity or ultimately any money loaned to the Project.

- **Investors pay for the loss, just like investing in stock**

**8.3.1. City maintains ownership of the physical roadway?**

The city will own the right of way in perpetuity. The investors own the leasehold improvements until the end of the lease with the city.

**9. How do the Investors get their money back?** Strictly from Toll Revenue.

**9.1. Terms?**

Initially, 75 years with additional options.

**9.2. Who are the targeted investors?** Private Wealth Individuals in Texas for the equity, and Institutional Debt from US institutions.

**9.3. Return on Investment?** Approximately 12-14% IRR.

**9.3.1. Toll Charges –**

Beginning at an estimated \$0.25 to \$0.30 per mile

**9.3.2. Property value increases as long term development occurs?**

Yes.

**10. What are the Costs to Cibolo?** - Once the Development Agreement is signed there will be no costs borne by the City. There are no costs other than the costs the City expends to vet the project and the proposal from Texas Turnpike Corporation. Once this is done, costs borne by the City will be reimbursed by TTC, assuming the project moves forward.

**11. How can this be no Risk to the City?** - Since the city is not providing for any of the financing, the city can't be obligated in any way. The Development Agreement and any other agreements will be written to relieve the City of risk.

**11.1. How do we plan on protecting the City?**

By partnering in the surplus revenues on an increasing basis, based on a formula agreed to in the Development Agreement and confirmed in the Lease Agreement for the Right of Way. The City will engage a legal team with expertise in toll roads and multi facet transportation projects to work with the City in developing an agreement to present to City Council.

**12. What do we expect to get out of the Public Hearings?** - A balance of hearing any concerns or desires... (e.g. better ingress and egress from the heart of the City).

**13. What will the City control?**

**13.1. Tolls** – No, the financial documents will control, just as the other tolling entities' documents in Texas do.

**13.1.1. Cost** – Texas Turnpike Corporation or its Assigns

**13.1.2. Who pays** – Only the people that use the Project, those that don't use it don't pay for it..

**13.2. General Operations through a Council appointed Board?** No, will be the complete responsibility of Texas Turnpike Corporation or its Assigns. This Project will need to be run as a business without political tampering. The City's interest will be defined clearly and completely in the Development Agreement and Lease Agreement.

**14. What are the Investment Groups Responsibilities?**

- **Funding**
- **Road Maintenance**
- **Costs of operation including Police, Fire, EMS** - Will be paid for out of revenues from the toll road.

**15. What will happen to Traffic on the existing 1103?** - Traffic will be enhanced through additional construction, both in speed and in capacity.

**16. What happens once the debt is repaid?** - The City will have the option to continue the operations of the toll road to fund the maintenance and operation of the road. Revenues could also be used to support other roadway projects and capital improvements.

# Cibolo Feasibility Assessment Outline

- I. Determination of Revenues
  - a. Introduction of Project Description
    - i. *Study Purpose, Methodology, and Scope*
    - ii. *Project History and Description*
    - iii. *Project Context and Objectives*
  - b. Regional Transportation Network
    - i. *Existing Roadway System (I-35 & I-10)*
    - ii. *Competing Surface Roadways*
    - iii. *Intersecting Roadways*
    - iv. *Other Area Tollroads*
    - v. *Proposed Improvements to the Existing System*
  - c. Existing Travel Patterns
    - i. *Traffic Conditions and Data Sources (TXDOT & AAMPO)*
    - ii. *Cibolo Area Traffic by Month and Day of Week*
    - iii. *Traffic Growth Trends*
    - iv. *Traffic on I-35 and I-10*
    - v. *Traffic on Other Parallel Routes*
    - vi. *Origin and Destination Patterns*
    - vii. *Travel Time Patterns*
  - d. Toll Collection
    - i. *Methods*
    - ii. *Policy Regarding Future Rates*
    - iii. *Toll Rates*
  - e. Socioeconomic and Land Use Review
    - i. *Forecast and Overview*
    - ii. *Historic Population and Employment Trends*
    - iii. *Trends Affecting Development*
      1. Water Infrastructure
      2. Energy Sector
      3. Available Housing
  - f. Model Validation and Refinement
    - i. *Methodology*
    - ii. *Sub-Area Diversion Model*
  - g. Traffic and Revenue Forecast
    - i. *Screenline Analysis and Model Results*
    - ii. *Schematic Diagrams*
  - h. Sensitivity Analysis

## II. Determination of Costs

- a. Design and Construction Cost Estimates
- b. Operation and Maintenance Estimation
- c. Debt Service Estimation
- d. Necessary Equity Return

## III. Valuation of Feasibility / Determination of Go-Forward

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