

## APPENDIX D – FUNDING SPECIFICS

1. More information on specific funding strategies

## NEED FOR FREIGHT AND PORT ACTIVITY IMPROVEMENTS AND FUNDING

Petrochemical industries have been making significant investments in plant expansions along the Brazoria County Gulf Coast region over the last 10 years. The Port Freeport 2019 Economic Impact Analysis, prepared by Brett Huntsman, Brianne Glover, and Joshua Rebello of Texas A&M Transportation Institute, identified the importance of the overall Port Connectivity between all Texas Ports.

Industries located on Port Freeport property include Freeport LNG and Enterprise Seaway, Dow, BASF, and other industries related to waterway and harbor access. According to the US Census Bureau, the Texas ports system consistently ranks as the second-largest ports system in the United States. The primary commodities being moved domestically and internationally are related to energy and petrochemical industries with bulk cargo and agriculture being the balance of the tonnage.

At a recent Harris County Transportation Summit, plant executives outlined a call for action from and coordination between local County officials across the Port region. Plant executives requested a methodology to accelerate major thoroughfare construction and grade crossing improvements. Thoroughfares and railways accessing major port facilities between Port of Houston and Port Freeport are impacted by this expansion and heavy haul freight. The Plant Managers indicated that plant openings are impacted when the thoroughfare construction standards do not meet heavy haul standards and accommodate new truck traffic generated from the plant expansions.

Resin Boom II is already being discussed for the Gulf Coast Ports, amplifying the need to develop a concerted construction program that could accelerate the construction of the thoroughfares serving the petrochemical plants and providing access to rail yard terminals at Richmond/Rosenberg, Ports of Freeport, Houston, Texas City, and Galveston.

Two plant executives in Harris County indicated that they would be adding almost 500 additional truck trips per day each from their expanded plants. There are about 5 plant expansions along the Houston Ship Channel.

Texas freight hauling capacity is already limited but will worsen due to economic and population growth. Thoroughfare construction improvements typically have not kept pace with plant expansions along the Gulf Coast region. These thoroughfare corridors include County, City, and TxDOT facilities.

Freight capacity expansions in key locations are possible. However, conventional design bid-build delivery methods may also not be the fastest method to delivering new thoroughfare construction. Alternative delivery strategies are critical to meet the truck demands of not only the plant expansion but the organic growth of the region.

The Gulf Coast Ports continue to set records for tonnage handled including expanding the export tonnage. The confluence of the regional growth, Port growth, and petrochemical plant expansions will require extraordinary infrastructure improvements. Gulf Coast ports are important to the region as major job generators. Also, Gulf Coast ports reportedly provide over 35% of the world's oil and gas needs.

There are also consequences of growth for local communities and counties. The communities suffer congestion from inadequate thoroughfare and collector street connections to handle the increased traffic. The scale of the growth and increased truck traffic are beyond the budget and operational capacity of any single city or county. It will take a regional approach and solutions that can be financed in an efficient and orderly fashion in order to address the growth and its effects on the transportation network.

## **FREIGHT AND PORT ACTIVITY FUNDING OPTIONS**

New funding tools at the Federal level have been created to specifically help Texas ports implement improvements. The Maritime Division of TxDOT is promoting development and intermodal connectivity between Texas ports. Port Freeport is not alone in their need to connect a transportation network between the various counties within the Gulf Coast. This state and nationwide focus on connectivity impacts the Brazoria County Thoroughfare Plan directly.

The Maritime Division and the Port Authority Advisory Committee (PAAC) develop the Port Mission Plan (PMP) biennially to identify the funding needs of the Texas ports. As a component of the PMP, the Texas Port Capital Program outlines the goals and objectives of the Committee for financing and development of the port maritime facilities and intermodal connectivity. These funding sources can also be leveraged with other Federal, State and local funding programs to establish a CIP program to accelerate construction and implementation.

The PAAC, established in the Texas Transportation Code, Section 55.006, provides a direct line of communication between the Ports and Texas Transportation Commission. The PAAC is responsible for reviewing prospective projects for funding via the Port Access Account Fund. A copy of this thoroughfare plan should be presented to the PAAC to ensure that future plans are communicated to the funding body.

The Port Capital Program (PCP) also consults with the Texas Transportation Commission and recently recommended a request of \$125 million to assist in the development of priority projects for 2020-2021. The County and Port Freeport should be working with the Port Capital Program and leverage funding with other local programs to accelerate construction.

It is recommended that the Brazoria County and Port Freeport, working with HGAC and all Gulf Coast Ports/Counties, coordinate a region-wide approach for any funding requests. There are provisions within all Federal Legislation for "projects of regional, or national significance" when the projects transcend any

single jurisdiction boundaries. Brazoria County and Port Freeport define that project “of regional and national significance”.

Additionally, there are similar plant expansions for Resin Boom II for the Port Freeport region. Port Freeport has been working with Fort Bend and Brazoria County as well as their rail district on a 58-mile Highway 36 expansion north of the Katy Freeway and 2,000-acre UPRR/BNSF rail yard expansions. The Highway 36 corridor will be a multi-modal corridor providing partnerships between Port Freeport, MUDs, and Brazoria and Fort Bend Counties that will assist in accelerating construction. This alternative access to the Katy Freeway will improve direct access to the west coast, provide efficient access, and reduce congestion within Brazoria County and Houston. Port Freeport is working with local elected officials in both counties to create a joint funding approach across multiple boundaries and to be prepared for the next H-GAC Call for Projects.

## **BRAZORIA/FORT BEND COUNTY TRANSPORTATION PROGRAM**

A proposed Brazoria/Fort Bend County Transportation Program (BFBCTP) would assist in municipality/agency coordination. This concept would include the creation of a Transportation Construction Management Program funded through economic development special districts, such as Chapter 380/Chapter 381, as well as possible TIRZ creations, while leveraging the Maritime program funding outlined above. The proposed BFBCTP should also provide funding for local collectors and thoroughfares to provide alternate access for residential traffic that can avoid the truck traffic necessary to serve the ports.

The implementation strategy should also apply bike and pedestrian trails to better serve the region’s growing master-planned communities connecting schools, residential communities and employment centers. The creation of the BFBCTP would start with the creation of an Area 380/381 district in partnership with TIRZ zones and super MUD’s or Management Districts for both Brazoria and Fort Bend County as well as corresponding cities. This special district creation would capture all taxable value within the boundaries and allow for any increment generated by Resin Boom II or other new development to be and used to pay debt service for the corresponding cities, counties, MUD’s or other political subdivisions of the State.

The overall strategy is to leverage all funding sources available to the County, ports, cities, and adjacent Counties to accelerate the construction of thoroughfares on a regional basis, but also including a multi-modal approach to mobility improvements with corresponding drainage improvements in light of recent flooding.

One major change to Federal Program language that is critical to be corrected is the current prohibition to advance funding within FHWA funding. Advance funding for transit under FTA specifically allows

advance funding from multiple sources to be reimbursed from local sources once public funds are available. That funding option is not available under the current FHWA rules program. Should the Federal language be corrected, and this funding option be allowed, this unique source for thoroughfare funding could truly accelerate construction across Brazoria County. The key to this program is a partnership between the petrochemical industries and public agencies, in that the petrochemical industries can advance funding for thoroughfare construction, while the project is being managed by a public agency.

This concept could be expanded to a larger area than one plant. The area 380/381 district could be created in partnership with industrial plants within the Port Freeport area as well as in partnership with Brazoria County. The special district creation would provide a reimbursement mechanism to the petrochemical plants to be reimbursed for the funds that were advanced from new tax increment generated within the area boundaries of the 380/381 creations. The district boundaries could be several thousand acres in size and a concurrent Local Government Corporation could be created to allow for bond funding based on new increment generated within the boundaries. Local jurisdictions can define their participation levels based on the size of the program.

The program would involve the following: Petrochemical industries enter into a 3P development agreement with Brazoria and/or Fort Bend Counties, as well as cities within Brazoria County, to allow for reimbursement of the transportation funding based on new real property tax increment for real and sales tax generated from within the boundaries of the new special district creation. Due to the scale of the program, the term may need to be set up for a minimum of a 40-year period, with an emphasis on priorities over the next 15 years. The program could be limited purpose for the multi-mobility improvements needed for the industries and region. The petrochemical plants could enter into a 380/381 agreement to advance funding for the design and construction would be reimbursed out of the increment generated by the area property values located within the special districts.

The tools that could be leveraged include the new programs outlined above by the State of Texas as well as the Federal government. In addition, partnerships with other TIRZ projects and MUD's could be leveraged. The funds can also be leveraged with CBDG-DR funding where applicable as well as other programs such as HGAC TIP funding. The 2020 Brazoria County Thoroughfare Plan could be a basis for the study to determine the appropriate boundaries and financial projections to capture the value for the area. The combination of those tools will allow bond sales or as a pay as you go financing program to reimburse the petrochemical industries that participate. The cities and counties would agree by local ordinance to participate and outline a cost-sharing formula by a MUD, city, or other political subdivision of the State.

In addition, the funding could be used to leverage additional funding through H-GAC for the TxDOT match, which is particularly invaluable with the new transportation funding from the Federal government.

Therefore, the advance is not only building a specific infrastructure project, but becomes the match for a similar funding amount from H-GAC and the Federal government for all thoroughfares serving Port of Freeport and petrochemical industries.

This draft implementation program could allow the region and local city thoroughfares to be upgraded and expanded more quickly and as a part of an overall upgraded transportation network of local roads, bike trails and pedestrian networks connecting schools and communities without getting on the high capacity thoroughfares or freeways. The partnerships between the Port, Industries, cities and rail districts would require ongoing partnerships with the important stakeholders taking a leading role to develop the local support, economic interest participation, and possible state-level political support to work together for this aggressive but probable solution to this transportation improvement program.

#### *Potential Stakeholders for the Proposed Program Brazoria/Ft Bend County Transportation Program, BFBCTP*

- Local, State and Federal Offices – stakeholders should include representatives including elected and appointed officials
- Petrochemical industry – additional development of refineries will soon expand output but will encounter limited delivery capacity
- Texas ports – the increasing movement of international trade through Texas will require key roadway and freight rail connectivity improvements and multi-modal options

#### *Short Term Approach*

Assemble a small team of interested opinion leaders and key stakeholders to explore the potential for developing the BFBCTP as a strategic initiative to accelerate construction of Brazoria County thoroughfares including grade separations and enhanced construction for truck traffic and identify residential thoroughfares to be accelerated to avoid conflicts between truck traffic and residential master-planned communities. The team will draft a strategic approach outline and solicit the participation of others necessary to successfully focus on the initial targets of opportunity projects for Brazoria County.

The team would work on identified areas for 380/381 creation based on Resin Boom II projections. Proposed projects recently announced are listed below and could be the genesis of the 380/381 area district concept.

Coordination between Brazoria County, cities, Port Freeport and other industrial partners will be critical. Identify and confirm the necessary stakeholders from the region. The study should cover the financial impacts of the area creation, partners, and the industries that could be critical partners.