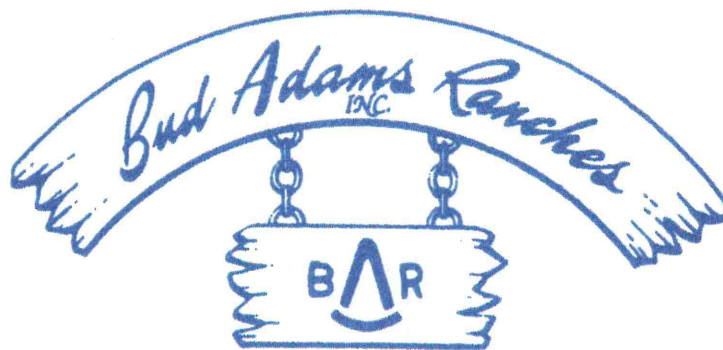


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Mr. Brendon Wheeler
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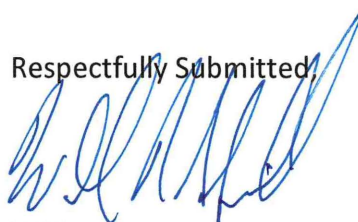
Members of the North Central Texas Council of Governments,

I sent you a letter on March 8 detailing information about Texas Central Partners (TCP) and its significant financial problems (see copy attached). Attached to this letter is an article by Dug Begley of the Houston Chronicle documenting some of the issues I raised in my March 8th letter and disclosing that TC has not even paid its property taxes to various Texas taxing authorities for 2021. TCP refused to comment on its failure to pay these taxes. I watched, on your website, the November 11, 2021, Michael Morris' presentation recommending the NCTCOG make a loan of \$800,000 to TCP to fund its share of the engineering cost study for a Floodway extension project that would impact TCP's designated Dallas terminus site. It is alarming that NCTCOG would under any circumstances, consider lending TCP funds to contribute towards this drainage project. Of even greater concern is that Mr. Morris seems to be recommending the loan so engineering on the City of Dallas floodway extension project will not be delayed. TCP is in a precarious financial position. TCP has known since July 16, 2020, it must file a complete application to STB to build its proposed high-speed rail (and has failed to do so), and TCP has shareholders that could have easily made a loan to TCP if they had any confidence in their project ever moving forward. So why did Mr. Morris make his November 11 presentation and the NCTCOG vote to act upon it?

I would respectfully remind the NCTCOG and its directors they have a fiduciary responsibility to protect the region they serve and the taxpayers and other funds they receive to operate. NCTCOG also has a fiduciary responsibility to not impede or delay projects that will protect the citizens of their region from flood hazards. The request to lend funds to TCP was inappropriate and possibly a serious breach of NCTCOG fiduciary responsibilities.

Why does NCTCOG continue to spend time and money, on the TCP project without asking the question raised in the Houston Chronicle article: "If (Texas Central) cannot afford to pay less than \$1 million in property taxes, how will it ever be able to raise the \$30-plus billion it needs?". I believe NCTCOG must seriously discuss TCP's problems and table any discussion of issues concerning planning or funding related to TCP until it files an application and receives approval for the project from STB.

Respectfully Submitted,



William R. Scofield
President

Cc: Mr. Dan Lamers, Senior Program Manager, NCTCOG
Mr. Michael Morris, Director of Transportation, NCTCOG
Mr. James Powell, Deputy Counsel for Transportation, NCTCOG
Ms. Kate Zielke, Principal Transportation Planner, NCTCOG
Mr. Taylor Benjamin, Transportation Planner I, NCTCOG
Surface Transportation Board
All Parties of Record

Texas Central, company behind Houston-Dallas bullet train plan, owes \$623K in delinquent property taxes

Dug Begley, Staff writer April 12, 2022



Texas Central plans to use Japanese style Shinkansen bullet trains, which have been used in Japan for a half-century. Texas Central Partners / Texas Central Partners

A planned high-speed train between Houston and Dallas, backers say, would allow travelers to avoid costly and time-consuming freeway traffic.

Before it can deliver that relief, however, the company behind the high-speed rail project will have to stop avoiding its own costly property tax bills for dozens of properties across Texas.

At least \$623,000 in property taxes owed by Texas Central Railroad are delinquent, according to a brief filed with the Texas Supreme Court in an ongoing condemnation lawsuit, filed by county attorneys from nine of the 11 counties through which the train is planned to run.

"If (Texas Central) cannot afford to pay less than \$1 million in property taxes, how will it ever be able to raise the \$30-plus billion it needs?" the

brief states, referencing what some claim will be the total cost of the project.

Texas Central officials did not respond to a request for comment.

Combined with a number of other developments — Texas Central shedding staff during the pandemic, state and federal lawmakers opposing its efforts to tap federal loan programs — opponents say it is less likely the project will proceed. Waller County Judge Trey Duhon, a vocal critic of the project who is active with the Texas Against High Speed Rail group formed to oppose the train, called it a “dead man walking.”

“They just don’t want to come out and say they are dead in the water,” Duhon said. “But look at what is happening, you have to be in financial straits to not pay your property taxes.”

Planned since 2013, the project, which has received some federal approvals but not final authorization to start construction, would build a 240-mile sealed railroad corridor mostly along an electrical transmission line easement between Houston and Dallas. The line would be built for Japanese Shinkansen trains, capable of speeding riders between the metro areas in 90 minutes, with a stop near College Station in Grimes County.

Houston and Dallas officials have been supportive of the project, now five years behind its initial schedule, citing the need for fast, efficient transportation between the two metro areas. Texas Central and Houston signed a cooperation agreement in 2015.

“I believe in technology,” Houston Mayor Sylvester Turner said during a May 27, 2021, speech on the region’s transportation future. “We need to regain that momentum and get that bullet train built.”

Asked Tuesday if the tax delinquency eroded that support, Turner spokeswoman Mary Benton said they mayor was unaware of the issue.

"The mayor is a proponent of high-speed rail and believes the project would positively impact the city and state once it is built," she said.

First, Texas Central will need to pay its taxes on numerous properties it purchased as it prepared for construction. Though it has yet to condemn a parcel, Texas Central has been aggressively buying properties it knows it will need for the current route.

More than one-third of the tax money is owed in Harris County, where the company owns nearly 50 parcels, many of them single-family homes near the convergence of U.S. 290 and Hempstead Road near Huffmeister.

In the filing with the Supreme Court, opponents of the bullet train estimate Texas Central owes almost \$217,000 to Harris County, but the figure totals \$248,590 when all of the various taxes, including municipal utility districts and community colleges, are included.

Property taxes in Texas typically are due at the end of January for the previous year. After that, taxes that remain unpaid accrue additional fees.

Outside Harris County, the amount of taxes owed varies widely, depending on the value of the property. In rural Leon County, for land mostly along the electric transmission line easement identified as the best route for the train, Texas Central owes less than \$4,000, less than the individual bill on many of the properties it owns in Houston. In Waller County, where the company owns homes in a subdivision close to the route, the bill totals almost \$112,000, according to the county.

While the delinquent payment will not break the bank for Waller County, which has a \$42 million annual budget, Duhon said it makes a difference.

"I look at \$100,000 and to me that is two deputies," Duhon said.

Much of the opposition to the rail project comes from rural communities between Dallas and Houston, where skeptics say it will mar farms and prairies.

As they have grown more skeptical, those who will lose land or live near the proposed line have questioned whether the trains will attract the riders Texas Central estimates and whether funding for the project will materialize. They also have expressed concerns about the project's environmental effects on drainage, sound pollution and the region's electric grid.

The recent filing is the latest salvo in an oft-contentious fight between supporters and opponents over plans for the train, centered on Texas Central's right to condemn land.

James and Barbara Miles, who own a Leon County farm between Houston and Dallas, have fought Texas Central's ability to survey their land, saying the company lacks eminent domain authority.

At issue is whether Texas Central — which does not operate trains and does not own an inch of railroad tracks in Texas capable of carrying people or goods — is a railroad in the eyes of the law. Opponents say because it is not operating as a railroad and shows no sign of operating anytime soon, Texas Central cannot condemn land using powers afforded to railroads. Lawyers for the company argue that it is incorporated and has federal approvals, and has a right to acquire land through eminent domain to build what officials propose.

Courts in Texas have ruled inconsistently regarding the case. A Leon County judge in 2019 sided with the Miles', but the company appealed and was granted condemnation authority by the 13th Texas Court of Appeals when the case was moved to Corpus Christi. The Texas Supreme Court at first declined to reconsider the case, then changed its mind. Oral arguments were heard in January.

The hearing capped nearly two years of struggles for Texas Central, which reduced its staff early in the pandemic in an effort, officials said, to streamline as it evaluated what the COVID-19-driven economic and travel downturn did to their business model. The company's website now lists two members of its executive leadership team - CEO Carlos Aguilar and CFO Lori Willox - compared to the more than 30 staffers it boasted four years ago.

Meanwhile the company announced agreements — many built on previous deals inked years ago — that it said showed progress.

As long as the project remains alive, critics said they plan to oppose it.

"When it comes to people's property and their land, we are not going to take it lightly," Duhon said.

He said opponents would happily stop fighting the company, as soon as it acknowledges where it stands.

"I wish they would come out and say 'We're done,'" Duhon said. "We have people here who have had this cloud hanging over them for eight years."

<https://www.houstonchronicle.com/news/houston-texas/transportation/article/Texas-Central-company-behind-Houston-Dallas-17075925.php>