ATTACHMENT B.

KABATA ANSWERS TO
SELKREGG/FLYNN AND EPSTEIN QUESTIONS REGARDING
KNIK ARM CROSSING PROJECT
August 7, 2008

I. INTRODUCTION:

At the AMATS Policy Committee meeting June 12, 2008 these questions were handed out and then retracted for the purpose of revisions and to incorporate other questions other Committee members may have had. It was KABATA's understanding that AMATS staff would compile the questions and forward them as a group to KABATA. KABATA informally received the questions via email July 14 and 15, 2008 from the AMATS TAC.

II. AMATS POLICY COMMITTEE QUESTIONS – S. SELKREGG/P. FLYNN

A. Financial Plan and Related Issues

Question II.A.1.

Please provide a detailed accounting of how the $41 Million Bridge related AMATS/State & federal expenses have been used to date.

ANSWER:

A detailed accounting of the expenditures through April 30, 2008 totaling $41.5 million was provided to the State on May 28, 2007, a copy of which is included as Exhibit I. KABATA also provided a pie chart of expenditures in the presentation made to the AMATS Policy Committee on June 12th.

KABATA provides expenditure data on at least a quarterly basis through its Board of Directors' meetings, which are open to the public. Information is also provided to the public annually in the form of the KABATA Comprehensive Annual Financial Report (CAFR), which is posted on the KABATA Web site and accessible to the public. KABATA has won the prestigious Government Finance Officers Association's Certificate of Excellence in Financial Reporting for its CAFR in each of the last two years it prepared one. The following link will access the KABATA CAFR for fiscal 2007: http://www.knikarmbridge.com/documents/2007CAFR.pdf

$34 million or 82% of KABATA expenditures have been invested in the required NEPA process for the project (including an allocation of ADOT&PF overhead and general and administrative costs). NEPA is nearing completion with a Record of Decision expected to be issued by FHWA in fall 2008. KABATA has been very efficient in its expenditures on NEPA, which are at approximately 50% of the national average for projects of similar size

Question II.A.2.

What is the guarantee that the Municipality will not be held responsible for expenses related to the Bridge if KABATA and its private partners are unable to secure the resources to complete the bridge?

ANSWER:

The Knik Arm Crossing Project (Project) is a State project on the National Highway System (NHS). It is not a local AMATS project and the Municipality of Anchorage will not be a party to the public private agreement or any financing instruments or design build contracts associated with the planned public-private partnership.

The Knik Arm Bridge and Toll Authority is a State of Alaska public corporation and instrumentality of the State exercising essential governmental functions of the State (AS 19.75.021). The Authority’s sole purpose is to develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems . . .with construction of a bridge to span Knik Arm (AS 19.75.011).

There is nothing that imposes on the Municipality of Anchorage any of the costs for the financing, design, construction, operation or maintenance of either the bridge or its western or eastern approach highways including its roadways within the Municipality and its Ingra/Gambell connection.

<u>Question</u> II.A.2.a.

What are the estimated costs, and identified funding sources, for each phase of the proposed KABATA Bridge and related highway systems?

<u>ANSWER</u>:

Detailed cost estimates for Phase 1 for an initial build-out by the developer based on 35% preliminary engineering are included in Exhibit I. The Phase 1 costs estimates are consistent with cost estimates used for Chapter 12 of the AMATS LRTP and the recently approved Amendment #17 to the State Transportation Improvement Plan (STIP). However the attached estimates also include Phase 2 costs for the eventual 4-lane build-out rather than the initial 2-lane build-out, do not include the future costs for the Ingra/Gambell connection, and unlike the LRTP's 2005 year for costs, are stated in Year-Of-Expenditure (YOE) dollars assuming four years of construction commencing in either of 2009, 2011, 2013 or 2015. A cost estimate for the Ingra/Gambell connection is included in Chapter 12 of the AMATS LRTP and is stated in 2005 dollars.

Funding sources consist of a combination of Federal and State grants and toll revenue-backed financing (some combination of debt and equity) as identified in the AMATS LRTP Chapter 12. A reasonable expectation that the funding will be available can be based on the traffic and revenue studies performed by Wilbur Smith Associates, traffic and revenue consultant, and on the financial modeling prepared by Citi, KABATA's financial advisor. Additionally, the USDOT TIFIA program, after conducting an extensive risk assessment, has advised it is prepared to conditionally provide up to $261 million of low interest, subordinated (junior) debt for the Project. The USDOT has also allocated $600 million of low interest, tax-exempt private activity bond (PABs) capacity to the Project. Either or both TIFIA and PABs are likely to be used by the selected private partner to finance the Project. The private partner will be the borrower in each case. KABATA has prequalified two private-partner consortia to compete for the concession. Both prospective private partners continue to express interest in investing equity in and submitting proposals for the financing, design, construction of the Project and the operation and maintenance of the toll facilities.

KABATA would share in toll revenue and expects to receive a financial offer from the successful private-partner sufficient to fund the Ingra/Gambell connection when it is required by traffic volumes.

Because the Knik Arm Crossing will be substantially funded with committed financing backed by tolls, the certainty of funding is substantially greater than funding for most other projects in the AMATS LRTP.

23 CFR 450 as amended in July 2007 requires that the MPO LRTP and TIP be stated in YOE dollars effective December 2007. In early 2006 KABATA provided its fiscally constrained plan of finance for the Knik Arm Crossing to the AMATS TAC in YOE dollars. A request was made then by AMATS to KABATA to resubmit the Project cost in 2005 dollars to be consistent with the rest of the AMATS LRTP (which was then compliant with 23 CFR 450); KABATA quickly complied. The plan of finance for the Knik Arm Crossing is fiscally constrained in YOE dollars as required by 23 CFR 450 as amended.

See also Exhibit II – excerpts from the STIP.

[pp. Intro 20-21, Intro 41, Intro 49, 16-19, 120]

See also Exhibit III – excerpts from the AMATS LRTP.

[Chapter 12]

Question II.A.2.b.

To what degree has funding been secured for each phase?

ANSWER:

Please see the answer to II.A.2.a. above regarding funding. The qualified private partners will be required to submit proposals that include binding and committed financing in the form of debt and equity for the Project. They will be risking their own equity investment and they will be the borrower of any Project debt.

Question II.A.2.c.

In light of the escalating fuel and construction costs, what are the anticipated inflationary impacts on the estimated costs each phase?

ANSWER:

See response to question II.A.2.a. above.

Question II.A.2.d.

How will KABATA address risks such as project construction delays and low traffic counts after construction?

ANSWER:

Under a public-private partnership, the majority – but not all – project risk is transferred to the private partner. You specifically asked about project delays and low traffic. Project delays (other than major permits) are a developer risk, as they are the party to the design-build contract – not KABATA or the State. The private partner will also take on substantially all traffic related risk. Previously anticipated retained risks and their expected values are discussed in more detail in the letter response dated May 28, 2008 submitted as Exhibit I. KABATA's current project development plan will significantly reduce the risk to the State, particularly with respect to permitting risk.

Revenue sharing with the developer, binding financial offers, and the ability to leverage future revenue streams will be used to cover contingent risks retained by KABATA and the State.

Question II.A.2.e.

Is there a financial contingency plan that insures that the project revenues off set risk related liabilities that addressed potential risk and inflationary cost for both phases of this project?

ANSWER:

See Answer to II.A.2.d. above.

Question II.A.3.

What is the timing for Phase 2 (the connection from the Ingra/Gamble couplet to the Bridge)?

ANSWER:

As indicated in Chapter 12 of the LRTP (Exhibit III), the traffic forecast predicts that the Ingra/Gambell connection would be needed in 2023. As already indicated in Chapter 12, KABATA is prepared to deliver the Ingra/Gambell connection earlier if traffic requires it.

Recognizing that Anchorage's Highway-to-Highway Project and the Knik Arm Crossing Project are critical complementary projects, KABATA's Executive Director has initiated direct consultations with Anchorage's Municipal Manager and Planning Director for the purpose of determining means to accelerate the Ingra/Gambell connection to earlier in the Project.

Question II.A.3.a.

Why isn't Phase 2 included in the current negotiations with potential private partners?

ANSWER:

The Ingra/Gambell connection is the primary financial responsibility of KABATA (with some minor contribution from the State). Since the prospective private partners cannot reasonably predict construction costs 15 years in the future given the uncertainties of construction, inflation, and permitting risk, they would price the future Ingra/Gambell connection at a very high premium to insure themselves that those contingent costs are covered.

If KABATA required the Ingra/Gambell connection to be built up front by the private partner, it would not appreciably add to the revenue producing traffic volume on the crossing, but would have to be financed and maintained while traffic volumes and the ability to service debt are low.

By procuring the Ingra/Gambell connection when it is needed based on traffic demand it will be affordable and acquired at the best value for the State. If there is a strong desire to build the Ingra/Gambell connection before it is required by traffic and can be financed, the Project will almost certainly require additional public investment up front, rather than being self-funding from tolls. KABATA stands ready to deliver the Ingra/Gamble connection before it is required by traffic if public funding for this Project component is made available.

Question II.A.4.

What are the costs and funding sources for the operation and maintenance of the new Bridge road system?

ANSWER:

Year-of-expenditure operating costs over the expected 60-year term of the concession have been estimated for the financial model at $1.7 billion. This includes $517 million for bridge operations and maintenance, $284 million for tolling operations, $564 million for renewal capital expenditures, and $382 million for KABATA oversight cost for the public-private partnership. Unlike other projects in the LRTP, the Knik Arm Crossing operations, maintenance and ongoing capital costs will be paid for by tolls and are included in the test of fiscal constraint.

The private partner will be responsible for these operations and maintenance costs for the concession sections of the Project over the term of the agreement. They will cover these costs from toll revenue proceeds and will be contractually obligated under the terms of the public-private agreement to maintain the Project to a high standard and hand it back to KABATA at the end of the term in near new condition. If they fail to do so, they will incur escalating contract penalties. If the default remains persistent they will lose their equity and their lenders are likely to lose all or a part of their then unpaid debt.

For the Project sections that are to be handed over to ADOT&PF for operations and maintenance, the costs will be funded the same way that other sections of NHS roads are handled today.

<u>Question</u> II.A.4.a.
To what degree are the commitments in place to ensure those funds will be available?

<u>ANSWER</u>:
See Answer to question II.A.4 above.

<u>Question</u> II.A.5.
How can the Municipality and the public access to the RFP and have a clear understanding of KABATA's deliberation criteria and selection process?

<u>ANSWER</u>:
When the RFP, public-private agreement and associated documents are ready and KABATA is prepared to solicit binding offers from the developers, the documents will be made available to the public. The State will be a party to determining that the documents are ready to be released. Deliberation criteria and the selection process will be clearly delineated within the RFP consistent with procurement regulations and current ADOT&PF procurement practices used for other State transportation projects.

<u>II.</u>

<u>B. Assessment of Impact</u>

<u>Question</u> II.B.1.
How do the current and future costs of the Bridge impact AMATS capacity to design and construct other needed transportation projects?

ANSWER:

They have no impact.

Question II.B.2.

How will the Bridge support the Anchorage 2020 Comprehensive Plan goals, including land use?

ANSWER:

The Knik Arm Crossing Project is a State of Alaska NHS project designated by Congress to be of regional and national significance. The Anchorage 2020 Comprehensive Plan is a comprehensive plan only for the Anchorage Bowl and does not include the comprehensive plans for Eagle River, Chugiak, Girdwood, the Mat-Su Borough or the rest of Alaska.

In terms of Anchorage 2020, the Bridge will help solve the Anchorage Bowl's most important planning issue by making land available for expected growth. The Anchorage 2020 Plan states on the first page of its Chapter 4:

> "The most important land use planning issue for the Anchorage Bowl is room to grow – not only for homes, but for business, industry and public uses. * * * There has been a longstanding recognition that growth within the Anchorage Bowl is physically limited. . . . As the city builds out to its natural limits, more development is taking place outside the Bowl in nearby Chugiak-Eagle River and in the Palmer-Wasilla area. A connection across Knik Arm between Point MacKenzie and Anchorage, which would open thousands of acres to development, remains under discussion.* * * However . . . these possibilities are speculative and largely outside municipal control.
>
> * * *   * * *   * * *
>
> It would be unwise to base this Comprehensive Plan on the chance that . . . these options might become reality during the next twenty years. If such an opportunity for expansion does arise, Anchorage's growth

> options will be reassessed, and the Comprehensive Plan will be revised to reflect those changes."

Anchorage has grown since adoption on February 20, 2001 of the Anchorage Bowl 2020 Comprehensive Plan and will continue to grow based on all known population forecasts. Between 1960 and 2005 Anchorage grew by 236 percent, or an annual average of 2.8 percent. That growth rate has declined in part due to the reduced land area available for new and redeveloping residential and commercial development.

At present zoning and density patterns, the Municipality of Anchorage calculated (in *Anchorage 2020*) that remaining vacant and underdeveloped residential land could support approximately 20,700 additional dwelling units. The forecasts for growth in the Anchorage Bowl by 2020, based on *Anchorage 2020,* indicate a need to accommodate 31,600 more households and 39,600 more employees.

Question II.B.3.

What is the economic impact of the potential movement of industrial and warehousing land use out of Anchorage and into the Mat-Su Borough?

ANSWER:

Based on *Anchorage 2020,* 73 percent of the remaining developable vacant land in the Anchorage Bowl is zoned for residential use, 8 percent for industrial use, 7 percent for public lands and institutions, 4 percent for commercial use, and 8 percent for other uses. In a recent Anchorage Daily News article published on June 27, 2008 (Exhibit IV), realtor Chris Stephens wrote about the shortage of warehouse space in Anchorage and the relatively high cost per square foot and very low vacancy rate relative to other markets. The article implies that Anchorage has an increasing shortage of aging warehouse space and that new warehouse space is not coming online because of the prohibitively high cost of construction relative to market lease rates for the space. Presumably the cited high cost is due at least in part to limited and high- priced suitably located land within the Anchorage bowl.

The Port of Anchorage (POA) is well established as the primary container-handling port in the State and is currently expanding its capabilities to more efficiently handle container traffic. Eighty percent of the state's consumer goods are imported through the POA. However, the POA has limited space to handle bulk commodities such as timber, wood chips, sand and gravel, and coal, or to expand its current fuel storage capacity, which serves much of Southcentral Alaska and the Ted Stevens Anchorage International Airport. Limited truck access into and out of the POA hinders efficient transport of freight. This access problem has increased with additional truck traffic and limited capacity of roads in the POA/Ship Creek industrial areas.

Anchorage 2020 indicated that Anchorage has adequate supplies of undeveloped industrial and commercial land, although little of it is in the immediate vicinity of the waterfront. Mat-Su Borough currently is developing its Port MacKenzie in ways that are largely complementary to the POA/Ship Creek industrial areas.

The Mat-Su Borough is making use of its relative abundance of developable land for bulk commodities and facility fabrication, without competing with the POA's efficient container handling facilities. The Mat-Su Borough has plans for the adjacent 9,000-acre Port MacKenzie District to provide services for bulk commodity storage, such as fuel, timber, sand and gravel, peat, and grain, and for industrial development. Without the direct road connection to the Anchorage Bowl, the opportunity to offer these services is limited because individuals and companies based in Anchorage do not have ready access to the Port MacKenzie District, and companies that locate operations at Port MacKenzie find it difficult to attract employees from the large employee pool in Anchorage. Lack of a direct surface connection to Anchorage also limits the utility of expanded fuel storage at Port MacKenzie to meet the needs of the Ted Stevens Anchorage International Airport and other industrial users in Anchorage.

Question II.B.4.

What is being done to mitigate the impact of the bridge on Government Hill neighborhood?

ANSWER:

The Project scope includes a cut and cover tunnel under Government Hill to avoid bisecting the neighborhood with a surface highway and to reduce noise and maintain air quality. At an estimated cost of $50-$60 million, this represents a mitigation investment of approximately $40,000 per resident of Government Hill and reflects approximately $0.50 of the projected passenger vehicle toll for using the crossing (or $1.00 per round trip). Additionally, under the requirements of NEPA, KABATA and its selected private partner will engage the Government Hill Community in context sensitive design prior to commencing construction to minimize the impacts of construction and plan further potential mitigation for the neighborhood.

During construction, safe access to schools will be maintained for neighborhood children. Architectural details, including vegetation, lighting, and signs, will be designed to maintain the appearance of the neighborhood. Adversely affected and appropriately qualified property owners will be assured of fair compensation, as provided by the Uniform Relocation Assistance and Real Property Acquisition Act and the Alaska Relocation Assistance and Real Property Acquisition Practices.

In addition, a Programmatic Agreement is currently being developed with the Municipality of Anchorage and the Government Hill Community Council to comprehensively mitigate impacts to the community, historic properties, parks, and the commercial business district on Government Hill.

Question II.B.5.

What are the air quality and land use impacts of using the A/C Couplet as a primary connection route to the Bridge?

ANSWER:

There are no adverse air quality impacts of using the A/C Couplet as a primary connection route to the Bridge beyond those for which the A/C Couplet was designed and will be well within the air quality budget for Anchorage. Anchorage is now considered a

CO maintenance area; an area that has attained compliance with the NAAQS.

The Knik Arm Crossing Project in the AMATS LRTP has been determined to be in conformity with the Federal Clean Air Act by the air quality conformity determination required for adoption by the LRTP and it has been determined that the LRTP will not undermine the ability of the Municipality of Anchorage to maintain compliance with EPA carbon monoxide standards.

In the LRTP Chapter 12, KABATA committed to fund the installation and operation of an air quality monitoring site to assess impacts in the vicinity of where the Knik Arm Bridge traffic will combine with other A/C couplet traffic in downtown Anchorage. The monitoring project will begin in advance of the bridge completion to assess before and after conditions for air pollutants of coarse and fine particulate matter and carbon monoxide.

Traffic from the KAC has been planned to be incorporated into the Anchorage transportation network to avoid traffic related impacts. The existing roadway facilities where the project ties in have the capacity to accommodate the anticipated increase in traffic and have been planned by DOT&PF and MOA since they were built to function for the traffic levels we anticipate. For that reason land use would not be materially affected.

<u>Question</u> II.B.6.
Have alternative bridge connection routes through the Military land been consider and fully vetted (e.g., Boniface link)?

<u>ANSWER</u>:
Yes. They have been extensively considered and intensely vetted throughout the NEPA process. Details regarding the alternatives evaluated are described in Chapter 2 of the FEIS and in the FHWA's *Scoping Summary Report: Comments, Issues, and Alternatives*, available on KABATA's website at http://www.knikarmbridge.com/.

<u>Question</u> II.B.7.

What is the impact of the increased cost of gas on the assumptions used to evaluate the social and economic impacts of the Bridge? (See Assumptions in Memorandum on the Economic and Demographic Impacts of a Knik Arm Bridge below)

<u>ANSWER</u>:

Generally, the increased cost of gasoline will make using the bridge more attractive because higher priced fuel moves the economic point of indifference for using the bridge north and east relative to lower priced fuel, increasing the catchment area for potential patrons. Higher priced fuel also makes housing on the Point MacKenzie side of the crossing more attractive than homes in Palmer, Wasilla, Birchwood and many parts of South Anchorage and the hillside because they can be constructed closer to jobs and commerce in Anchorage. Some of this benefit would be offset by reduced discretionary trips in the near term.

As a result of high fuel prices and a faltering U.S. economy, Vehicle Miles Travelled (VMT) declined 3.7 percent nationally in May 2008. The recent trend represents the first reduction in VMT since the early 1980s, and is primarily the result of higher fuel prices. Historically, any effects of higher gasoline prices have been present only as long the real price remains high. Past volatility in gas prices have been cyclical and it is difficult to predict future prices. The previous declines in VMT experienced in the early 1980s and the mid 1970s were also the result of high fuel prices and/or insufficient supply. After the last large spike in gasoline prices in the early 1980's the real price fell almost 40 percent in a subsequent 4-year period. Oil prices recently dropped over $25 per barrel between July 11, when oil hit $147.27 per barrel, and July 29, 2008 and today is under $120 per barrel. Lower 48 gasoline prices are again averaging below $4.00 per gallon as a result (See MSNBC articles of July 29, 2008 included as Exhibit IV). Market analysts are forecasting oil prices to drop further in the coming weeks and months as demand declines and support for opening up more domestic production increases.

The market is also responding to high prices as evidenced by increasing demand for high mileage and alternative fuel vehicles. It is unlikely that much of the existing inefficient fossil fuel burning vehicle fleet will still be in use in ten years from now as newer technologies, like hybrid, fuel cell, flex-fuel, electric, and more efficient conventional vehicles replace them. The Knik Arm Crossing is a 75-100 year infrastructure asset and it will likely see many technological transportation innovations cross it during that time frame. As more efficient vehicles replace the existing fleet, the cost of travel will decline and the demand for travel will once again increase.

Historically Alaskans and their families have aspired to own their own single family home on a piece of private property. Higher gas prices point toward more people wanting to own a home on a piece of property located as close to Anchorage as possible, yet the availability of land in the Anchorage bowl is increasingly constrained. The Knik Arm Bridge places vacant land within 2.5 miles of Anchorage. A family can have a home along the Point MacKenzie Road and still be closer to downtown Anchorage than someone living in Palmer, Wasilla, Birchwood and many parts of South Anchorage and the hillside.

III. AMATS POLICY COMMITTEE QUESTIONS – L. EPSTEIN, AMATS TAC.

A. Public involvement

Question III.A.1.

Will KABATA hold public meetings to review the terms of the RFP as DOT/PF Deputy Commissioner Frank Richards recommended in his 4/22/08 letter to KABATA and as is the case with AGIA (a similar, large-scale project with private sector lead)?

ANSWER:

See answer to Selkregg question II.A.5. above.

Question III.A.1.a.

We’re concerned about the revenue guarantees KABATA is contemplating should traffic not meet the forecasted levels, and who would fund such guarantees since the LRTP states (p. 9, Chapter 12) that no additional federal or state funds would be used.

<u>ANSWER</u>:

See answer to Selkregg question II.A.5. above.

The question’s statement: “that no additional federal or state funds would be used” must be read in the total context of the LRTP provision referenced in the question in order that the quoted statement does not mislead. According to Chapter 12 of the LRTP, if additional public funding for the Knik Arm Crossing Project is provided by the State for any purpose and that action does not reduce the SAFETEA-LU formula funds or other flexible funds that has already been assumed for other existing projects within the LRTP, financial constraint is not violated. Funding for the Knik Arm Crossing from sources which are outside of the funding plan assumed for existing LRTP projects would not require an amendment to the Plan. The whole LRTP provision states:

> “In order to make a finding of financial constraint for the Knik Arm Crossing, it is necessary to impose the following condition: that no additional state funds and no additional federal transportation funds beyond which is currently authorized in Tables 12-2 and 12-4 will be used to finance the project including both initial construction and future expansion costs as identified in Tables 12.1 and 12.3. This is interpreted to mean that the financial constraint funding for the amendment would no longer be valid if additional state or federal transportation money is needed on the KAC project that reduces the SAFETEA-LU formula funds or other flexible funds that has already been assumed and is needed by the other projects within the LRTP for financial constraint. Federal loan programs, grants, tolls, concessions, etc., which are outside of the funding plan assumed for existing LRTP projects would not require an amendment to the Plan, but would be processed through the

STIP/TIP appropriations process. If state or federal funds are proposed to be added to the KAC project, which are also needed to show financial constraint for other LRTP projects, an amendment would be required to reassess and demonstrate financial constraint for all projects in the LRTP."

III.

B. KABATA's 6/12/08 AMATS presentation

Question III.B.2.

Given rising fuel costs, why did Wilbur Smith in its very recent (May 30, 2008) analysis of travel savings assume no changes in driving habits including no combining of trips, no increase in telecommuting, no elimination of discretionary trips, and no increased use of transit?

ANSWER:

See answer to Selkregg question II.B.7. above.

Question III.B.2.a.

Given the recent formation of an Anchorage-MatSu Regional Transit Authority, shouldn't this analysis be redone?

ANSWER:

No. A future sustained significant use of any such transit system has not been proven. Additionally, no such transit system has been incorporated into the AMATS LRTP and no funding source has been identified to demonstrate financial feasibility and fiscal constraint.

Question III.B.3.

What kind of sensitivity analysis has been done on Wilbur Smith's 8,400 trips per day during opening year 2012?

ANSWER:

A probable, low, high, and reduced value of time sensitivity analysis was prepared by Wilbur Smith Associates and is included in their draft Final Traffic and Toll Revenue Forecast available on the KABATA website. The USDOT TIFIA program and their consultants utilized this information in determining a recommendation to conditionally approve up to $261 million of subordinated TIFIA credit for the Project.

Question III.B.4.

The regional population numbers presented to AMATS on 6/12 are very different than the numbers in Table 12-5 of Chapter 12 of the LRTP. Additionally, the LRTP says the MOA will lose 4,900 households or 12,900 people, and 5,800 jobs to the Mat-Su by 2027 as a result of the bridge. How many people do KABATA's current consultants expect to live at Point MacKenzie in 2012, 2020, 2030, if the bridge is and is not built? Where would these people live if the bridge is not built?

ANSWER:

Independent economists will differ on exact numbers, but they agree with the Anchorage 2020 Comprehensive Plan that both population and jobs are going to grow significantly in Anchorage. Both ISER and Insight Research Corporation (IRC) have predicted that Anchorage will grow in terms of households, population, and employment between now and 2027 whether or not the bridge is built. The ISER population projections are within 10 percent of the IRC numbers at the year 2030 and statistically the same at 2015. Please refer to the *Knik Arm Toll Bridge Anchorage Alaska MSA Traffic and Toll Revenue Investment Grade Study - Independent Economic Overview and Development Forecast* prepared for Wilbur Smith Associates by IRC for a comparison of the projections for population and employment made by both independent economists. The report is available on the KABATA website at http://www.knikarmbridge.com/.

Question III.B.5.

The recent Wilbur Smith analysis assumes that tolls won't go up beyond $5 passenger car toll each way. Shouldn't these cost savings numbers be redone using a variety of toll values?

<u>ANSWER</u>:

No. Although toll rates could be increased several dollars above the planned tolls and the travelling public would continue to enjoy travel savings with no adverse impacts on project revenue, the purpose of the report was to estimate the savings for using the bridge given the expected toll rate at opening and different fuel prices given the recent run up in gasoline.

<u>Question</u> III.B.6.

HDR Alaska showed increased fuel use and vehicle hours travelled regionally with the bridge (as in the LRTP on p. 10 of Chapter 12), in contrast to KABATA's presentation on these issues at the last AMATS Policy Committee meeting. Did the KABATA presentation only focus on bridge users rather than regional totals?

<u>ANSWER</u>:

The recent Wilbur Smith Associates' analysis summarized in KABATA's June 12, 2008 presentation to the AMATS Policy Committee was limited to the reduced vehicle miles travelled and travel time for predicted bridge patrons assuming the probable traffic forecast for the first year of bridge operations and an opening date of January 1, 2012.

<u>Question</u> III.B.7.

According to the Final EIS, there will be 231,800 wage and salary employees in 2030 with or without the bridge in Anchorage and the MatSu (Table 4-24 from HDR Alaska and Northern Economics). The employment slide from the 6/12 presentation only shows employment with the bridge. Can you provide employment data without the bridge and explain why these numbers differ from those in the Final EIS?

<u>ANSWER</u>:

Please refer to the *Knik Arm Toll Bridge Anchorage Alaska MSA Traffic and Toll Revenue Investment Grade Study - Independent Economic Overview and Development Forecast* prepared for Wilbur Smith Associates by IRC for a comparison of the employment projections made by both independent economists ISER and IRC. The report is available on the KABATA website at http://www.knikarmbridge.com/.

See also the answer to question III.B.4 above.

III.

C. Financial

Question III.C.8.

According to the LRTP (p. 8, Chapter 12), "The KABATA financial feasibility model shows that all potential future expansion requirements can be paid for from a combination of accumulated surplus toll revenues and toll revenue-backed financing if these additional improvements are completed in 2023." Expansion requirements include the Ingra/Gambell connection and additional lanes on the bridge. Is this statement still true?

ANSWER:

Yes. See answer to Selkregg question II.A.2.a above.

Question III.C.9.

The current LRTP says that no additional state or federal transportation funds will be used (p. 9, Chapter 12), but the last slide from the 6/12 presentation lists state loans and GO bonds as possible resources, as well as possible Ingra/Gambell tolls (please explain) to build the Ingra-Gambell connection. Can you explain this?

ANSWER:

As noted above in response to question III.A.1.a, the statement: "that no additional federal or state funds would be used" must be read in the total context of the LRTP provision referenced by the questions in order that the quoted statement does not mislead. According to Chapter 12 of the LRTP, if additional public funding for the Knik Arm Crossing Project is provided by the State for any purpose and that action does not reduce the SAFETEA-LU formula funds or other flexible funds that has already been assumed for other existing projects within the LRTP, financial constraint is not violated. Funding for the Knik Arm Crossing from sources which are outside of the funding plan assumed for existing LRTP projects would not require an amendment to the Plan. The whole LRTP provision states:

> "In order to make a finding of financial constraint for the Knik Arm Crossing, it is necessary to impose the following condition: that no additional state funds and no additional federal transportation funds beyond which is currently authorized in Tables 12-2 and 12-4 will be used to finance the project including both initial construction and future expansion costs as identified in Tables 12.1 and 12.3. This is interpreted to mean that the financial constraint funding for the amendment would no longer be valid if additional state or federal transportation money is needed on the KAC project that reduces the SAFETEA-LU formula funds or other flexible funds that has already been assumed and is needed by the other projects within the LRTP for financial constraint. Federal loan programs, grants, tolls, concessions, etc., which are outside of the funding plan assumed for existing LRTP projects would not require an amendment to the Plan, but would be processed through the STIP/TIP appropriations process. If state or federal funds are proposed to be added to the KAC project, which are also needed to show financial constraint for other LRTP projects, an amendment would be required to reassess and demonstrate financial constraint for all projects in the LRTP."

The Municipality of Anchorage and the Mayor have expressed the desire to accelerate the delivery of the Ingra/Gambell connection on numerous occasions – regardless of whether traffic volumes are sufficient to require it or to finance its construction cost. The final slide of the KABATA presentation delivered to the AMATS Policy Committee on June 12, 2008 was presented in reference to possible financial means that could potentially be used to fund the accelerated delivery of the Ingra/Gambell connection in order to open up dialogue on the subject with the Municipality.

You specifically asked for an explanation of the phrase “Ingra/Gambell tolls.” This refers to possibly implementing an incremental toll for use of the Ingra/Gambell connection as one potential means to help fund its early delivery.

Please see also answers to Selkregg questions II.A.2.a, II.A.3 and II.A.3.a and Epstein question III.C.8 for further perspective.

Question III.C.10.
Have the state and federal governments agreed to provide a “revenue guarantee” to the private investors if traffic forecasts are not met (as discussed in DOT/PF Deputy Commissioner Frank Richards’ 4/22/08 letter to KABATA)?

ANSWER:
The State has not made a determination whether it would agree to a traffic floor guarantee. The federal government does not provide such guarantees.

Question III.C.11.
How much federal transportation money for this project remains? How much state money previously dedicated to KABATA remains?

ANSWER:
Remaining unobligated funds appropriated directly to the Project by the Alaska Legislature are estimated to be approximately $63.6 million of SAFETEA-LU Federal aid funds and $6.3 million of State matching funds.

III.

D. P3 Process

Question III.D.12.

Which of the two potential investors did you meet with in person in the past six months? Where did you meet with them? What were the follow-up steps from those meetings?

ANSWER:

KABATA has met with both prospective private partners in person and by telephone within the last six months. The content of discussions included the following:

- Update of Project activities and status.
- Status of NEPA, Section 106 and steps required to obtain a Record of Decision.
- Status of the procurement.
- Status of TIFIA application and SEP-15 process.
- Status of Private Activity Bond allocation and steps to issuance.
- Capital and credit market conditions and potential impacts on the Project.
- Developer questions and issues.

Both prospective private partner consortia continue to express interest in competing for the Project and are looking forward to KABATA obtaining a ROD and completing other steps necessary to finish and release the RFP.