

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM

March 20, 2006

5:09 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative John Coghill
Representative Bob Lynn
Representative Nancy Dahlstrom (via teleconference)
Representative Harry Crawford

MEMBERS ABSENT

Representative Jay Ramras, Co-Chair
Representative Beth Kerttula

OTHER LEGISLATORS PRESENT

Representative Bill Stoltze
Representative Berta Gardner

COMMITTEE CALENDAR

PRESENTATION: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

GEORGE WUERCH, Chair
Knik Arm Bridge and Toll Authority (KABATA)
Anchorage, Alaska
POSITION STATEMENT: Provided a presentation on KABATA.

HENRY SPRINGER, Executive Director
Knik Arm Bridge and Toll Authority (KABATA)
Anchorage, Alaska
POSITION STATEMENT: Provided a presentation on KABATA

ACTION NARRATIVE

CO-CHAIR MARK NEUMAN called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [5:09:01 PM](#). Representatives Neuman, Coghill, Lynn, Dahlstrom (via teleconference), and Crawford were present at the call to order. Representatives Stoltze and Gardner were also in attendance.

PRESENTATION: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA)

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CO-CHAIR NEUMAN announced that the only order of business would be a presentation from the Knik Arm Bridge and Toll Authority (KABATA).

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GEORGE WUERCH, Chair, Knik Arm Bridge and Toll Authority (KABATA), referred to Alaska Statute 19.75, which specifies that the purpose of KABATA is as follows:

... to develop, stimulate, and advance the economic welfare of the state and further the development of public transportation systems in the vicinity of the Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage and the Matanuska-Susitna Borough.

MR. WUERCH directed the committee's attention to a map of the vicinity of the Knik Arm Crossing as illustrated in the PowerPoint presentation. He also presented a photo of the congestion on the Glenn Highway during a recent morning commute. The Knik Arm Crossing would provide the ability to handle a substantial amount of traffic via an alternative route that would lighten the impacts of the future population on the Glenn Highway. The aforementioned may reduce the demand for highway funds for public infrastructure.

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MR. WUERCH, in response to Co-Chair Neuman, related that the Glenn Highway currently handles about 50,000 vehicles per day, which is increasing annually. The Glenn Highway will be maxed out within 10 years and the prospect of adding lanes will arise. However, the problem is that additional lanes would traverse from Anchorage to the intersection of the Parks and the Glenn

Highway to Palmer, which is about 40 miles in each direction. Estimates for such are about \$300 million, which would be public money, and the result is the same corridor with no other alternatives. He mentioned the possibility of tolling new lanes.

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MR. WUERCH continued with a slide of two graphs that relate the historic growth from 1980-2003 and the projected population from 2004-2050. The graphs illustrate that the Matanuska-Susitna Valley is growing much more rapidly than Anchorage. He then directed attention to the slide entitled "2030 ISER [Institute of Social and Economic Research] Population & Employment." He explained that the Federal Highway Administration requires a capacity that would be sufficient for 20-25 years and thus the [proposal] is to open the bridge by 2010 and have 20 years in use by 2030. The graph illustrates that with or without a bridge, the population of Anchorage grows. However, without the bridge Anchorage grows a little less because more people will choose to live in the Mat-Su Valley. Therefore, the question is in regard to the quality of life in Anchorage and the Mat-Su Valley by not building the bridge.

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CO-CHAIR NEUMAN asked if Mr. Wuerch, as the former mayor of Anchorage, could inform the committee as to how much area is available for further expansion.

MR. WUERCH informed the committee that in Anchorage there is about 7,000 acres of undeveloped land, although 6,000 of those acres are located on the Hillside where there is no water and sewer. Therefore, Anchorage really doesn't have much building capacity land left. However, in the Mat-Su Valley there is 77,000 acres of privately-held land, most of which is buildable. He specified that there are 9,000 private owners of this 77,000 acres. Additionally, the Mat-Su Borough has 10,000 acres in the port district and there's a substantial amount of land for various uses. He then turned attention to the slide relating that about 2,500 new single family houses per year are built [in the Anchorage, Eagle River, and Mat-Su Valley areas]. The expectation is that the construction is going to continue because the population will continue to grow. He predicted that the opening of the bridge would result in more new homes in the Point MacKenzie area.

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MR. WUERCH then turned to the conceptual designs of the bridge. Due to the air traffic in the area, the bridge design isn't a suspension bridge but rather the design discussions are focusing on a traditional piling-supported bridge. He noted that borings have been done in the bridge area and have proven to be of substantial material, although not bedrock.

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HENRY SPRINGER, Executive Director, Knik Arm Bridge and Toll Authority (KABATA), reiterated that the bridge isn't in the design stage. However, the perimeter had to be specified under the environmental impact statement (EIS) process in order to determine the real challenges. By far, the most influential factor of this bridge is seismic design and fortunately, there is lots of data on the earthquakes in the area. He explained that the earthquakes in the Anchorage Bowl are quite different than those elsewhere as the fault plates are somewhat skewed. A symposium has been put together of most of the North American experts in order to provide guidance. The aforementioned has resulted in a formula that will be incorporated in the design standards, no matter the design of the bridge. [The experts] agreed that the seismic aspect can be addressed, although it will cost because more steel will be required.

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MR. WUERCH then presented a rendition of what the bridge may look like.

REPRESENTATIVE LYNN inquired as to the difference in cost and ease of building between concrete and steel.

MR. SPRINGER noted that one unknown is in regard to what the Chinese are going to do with steel in the next few years. However, he said that the cost of the bridge, whether concrete or steel, is similar because in order to make the bridge earthquake proof, steel has to be put in the concrete. He opined that the difference will come from the location at which it will be manufactured and the shipping costs that will result. In further response to Representative Lynn, Mr. Springer informed the committee that construction of the bridge will take about three to three-and-a-half years. If the concrete components are made locally, then a bit more lead time will be required.

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MR. WUERCH continued his presentation by addressing the issue of travel time and distance. He presented a computerized rendering of the area that has to be driven without the bridge and informed the committee that with the bridge a commuter saves 80 minutes and 68 miles, which is substantial. Furthermore, at today's gas prices if the miles traveled without the bridge were rounded to 60 miles, the bridge would save commuters \$7.50, which is the upper limit of the toll. The lower limit of the toll is about \$3.00. He explained that since more private funding than public funding is being sought for the bridge, the toll will likely be more than \$3.00. Mr. Wuerch pointed out that a price higher than the alternative can't be charged.

CO-CHAIR NEUMAN requested an outline of a situation in which the road would be extended to mile 73, just north of Willow, and a new north-south corridor that traverses around Wasilla would be constructed.

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MR. WUERCH clarified that the route presented on the computer rendering is that road. Such a corridor would be excellent for the Alaska Railroad so that cargo could be loaded directly from the ship. If a rail corridor is built there is the potential for a highway corridor along side it as well as power, gas, and utility lines. However, he mentioned that the implications for freight service to the Interior are measurable.

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REPRESENTATIVE GARDNER expressed her interest in the Alaska Railroad and related her understanding that there are technical reasons to not have the bridge also accommodate railroad traffic. She posed a situation in which the highway bridge was built first and the railroad bridge second, and asked whether there would be a cost savings to the railroad in that scenario because KABATA has performed all the studies.

MR. WUERCH said there would be a cost savings because KABATA would've processed the EIS and the permits and [a railroad bridge] would merely be an amendment. Mr. Wuerch then informed the committee that KABATA is committed to building a highway bridge that's railroad compatible and thus the road approaches and elevation changes will be designed to railroad grade

standards. Furthermore, KABATA is actively talking with the Alaska Railroad leadership regarding whether the gravel for the roadbed and the railroad can be laid at the same time. Mr. Wuerch said that the biggest hurdle for the railroad is acquiring and clearing the right-of-way for permits, which he estimated will take probably five years or so.

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CO-CHAIR NEUMAN highlighted that the railroad is also considering upgrades on the road from Anchorage through Wasilla at a cost of \$150-\$200 million. The railroad is also looking at another way around Wasilla.

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MR. WUERCH directed attention to the Burma Road connection that's just a bit higher grade than an all-terrain vehicle (ATV) trail. The governor's budget includes funds to start the EIS, which will probably take a couple of years. If the aforementioned occurred, northbound traffic could move in a different direction such that traffic follows the Big Lake Road to the Big Lake intersection and head north, which would be a savings of 30 miles or so.

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REPRESENTATIVE CRAWFORD recalled two-three years ago hearing about an interim ferry in order to get people accustomed to the location of the crossing and living in the area. He inquired as to what has happened with that idea.

MR. WUERCH said that the Mat-Su Borough has worked with the U.S. Navy Research and Development Center, which is designing and building a ferry with attributes that are good for water [such as found in the Knik Arm] as an experiment to determine whether it can be used for landing military troops across hostile shores. That ferry is due to be in service in 2007, he surmised. Mr. Wuerch opined that such a ferry is a good thing because it will help people become accustom to commuting that direction and will transport those working on the bridge.

CO-CHAIR NEUMAN added that industry is already moving to the Point MacKenize side.

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MR. WUERCH informed the committee that during the development of the EIS, KABATA has performed a land use and transportation forecast. The forecast reviews the development suitability of land using a variety of sources. In fact, an economic working group convened and interviewed no less than 50 business executives and government officials in the North Cook Inlet area. It was determined that there is quite a bit of land with little development opportunity because it's a game refuge. The triangular area from Wasilla past Big Lake to the Nancy Lakes area is the growth area for economic development.

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MR. WUERCH then moved on to the highway called Port MacKenzie Road, which needs to be a four-lane road in order to meet capacity. The computer program that reviews the improvement tests was financed by KABATA and is now in use by the Mat-Su Borough, the Municipality of Anchorage, the Department of Transportation & Public Facilities, and the Federal Highway Administration for regional transportation planning.

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REPRESENTATIVE LYNN asked if it has been settled that the Anchorage connection will be through Government Hill or is there the possibility of going through the military base.

MR. WUERCH specified that the approach on the Anchorage side hasn't been decided as the Federal Highway Administration has yet to issue that draft EIS. However, the Federal Highway Administration did issue its scoping report, which specifies that there are two feasible [approaches], both of which would tunnel under Government Hill and would initially use the C Street viaduct since it has capacity to do so. Still, between 2020-2025, it appears that another crossing of Ship Creek with a viaduct/bridge will have to be built if the City of Anchorage is successful in building the highway-to-highway connection, which connects the Glenn Highway to the new Seward Highway by separating it from street traffic, which is a \$600-\$800 million project. In further response to Representative Lynn, Mr. Wuerch predicted that in late summer or early fall, the Federal Highway Administration will issue the final decision. In the meantime, KABATA is hopeful that within the next two weeks, the draft EIS will be released for public comment and agency review. There will be more public hearings. Mr. Wuerch noted that currently there are no proposals on the table to go through the military base.

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REPRESENTATIVE DAHLSTROM confirmed that currently there are no proposals to go through either of the bases, although the base personnel and those in Washington, D.C., continue to be very involved because they will need to transport their vehicles to the port.

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MR. WUERCH continued his presentation with regard to the reasonably foreseeable events between now and 2030: railroad spur to Port MacKenzie; industrial development in both the Anchorage and MacKenzie ports and cruise ship traffic into Cook Inlet; 200 megawatts gas fired generator, gas liquids spur line and a water line to the Mat-Su Valley. He noted that when he was mayor [the Municipality of Anchorage] had a 40 million gallon a day surplus of water that could be piped across the bridge to serve the new housing areas in the Mat-Su and Point MacKenzie area. In response to Representative Gardner, Mr. Wuerch clarified that there's no water system in Point MacKenzie and thus everyone must have wells.

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MR. WUERCH continued with the reasonably foreseeable events, which include the ferry to Kenai, the commuter rail, the Willow connector, the Wasilla bypass; Hatcher Pass ski area, increased military presence, small plane base; and more connectivity. However, an airport in Point MacKenzie isn't envisioned nor is a capitol move, or construction of any new bridges over the Susitna River.

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MR. WUERCH moved on to the slide entitled "Community Impacts." He highlighted the following impacts of the bridge: the linkage of critical port facilities, infrastructure to meet growth, emergency access and egress, commuter convenience, reduce transit pollution, save popular greenbelts, sustain business base, and provide access to recreational areas.

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MR. WUERCH then turned attention to the slide highlighting the March 16, 2006, Anchorage Daily News article entitled, "Fastest

growing counties are rural, suburban." In fact, the Mat-Su Borough ranks 31st nationally adding 3,800 residents or 5.3 percent of its population from July 2004 - July 2005. He indicated that when the long distances cause new population centers, good things happen in the way of new businesses. The slide entitled "Commercial Sector Population Thresholds" prepared by Northern Economics relates the population thresholds required to be profitable, which for a gas station is about 3,827. To be profitable with a grocery store, there has to be a population of about 6,949. With the increasing population in the Mat-Su Valley, an estimated 73,000 more people will live in the Mat-Su Valley over the next 20 years. Such an increase in population will provide the opportunity for many new businesses. Therefore, the population thresholds for the businesses listed on the slide will easily be met, he opined.

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MR. WUERCH continued the presentation by focusing on the preliminary cost estimate of the bridge and financing for it. The preliminary cost estimate of the bridge project is \$600 million. He explained that the governor's budget includes \$94 million in federal dollars that are backed with a small state match and ultimately provides \$100 million for the \$600 million project. The \$100 million should allow KABATA to complete permitting, develop a financing plan, and provide a package of work to be done in 2007. He specified that construction of the bridge will occur from 2007-2010. The remaining \$500 million in private sector investment will be paid back by the tolls. In January a group of bankers, investment counselors, Federal Highway Administration staff, state employees, and contractors who said that with \$100 million down payment, a \$500 million mortgage could be financed.

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CO-CHAIR NEUMAN requested that Mr. Wuerch discuss how the bridge financing might ultimately facilitate other transportation and infrastructure projects.

MR. WUERCH, in regard to federal funds for transportation projects, informed the committee that Alaska will receive about \$2.5 billion over the five years of the transportation legislation in Congress. The aforementioned is more money than Alaska has ever had in any transportation legislation. If the legislature approves HB 471/SB 303, KABATA is requesting some language changes to the statute that created KABATA in order to

clear up some ambiguities and establish a debt ceiling at \$500 billion. Therefore, there is \$2.5 billion in federal funds of which KABATA is asking for \$100 million and will borrow \$500 million. The result of the aforementioned would be that the entire state's transportation infrastructure, as an investment, would increase from \$2.5 billion to \$3 billion without an additional drain on the general fund.

CO-CHAIR NEUMAN recalled that there are concerns with regard to the STIP and whether the federal funds have to go toward federally funded state highways.

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MR. WUERCH agreed, and explained that the federal money once earmarked for bridges has had the earmarks removed, although the intended purpose hasn't been removed. The federal funds are intended to be used for the high priority projects listed by the state that fall under the National Highway System (NHS) category. Therefore, those federal funds for the bridges can't be applied to patching potholes on a neighborhood street. He explained that there are five categories for funding in Alaska, including the NHS. The NHS includes all the numbered highways in the state, some of the main arterials in Anchorage that were built prior to the consolidation of the Municipality of Anchorage, and roads to ports.

REPRESENTATIVE STOLTZE commented that he has seen very few projects that have this opportunity to have federal funds match private sector funds. He informed the committee that he is a non-voting member of KABATA. In regard to the economic benefits of this project, he highlighted that this project would benefit those in the Interior.

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CO-CHAIR NEUMAN mentioned that the toll authority will pay for the potholes on its road.

MR. WUERCH confirmed that tolls have to pay for the entire operation, maintenance, and debt retirement. He emphasized that the analysis specifies that KABATA will achieve the aforementioned and create a reserve for future expansions in order to add capacity for future populations. Such public/private partnerships are happening all over the world.

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REPRESENTATIVE STOLTZE opined that he would want the bridge to be built with as much steel and iron as possible.

CO-CHAIR NEUMAN noted that he is impressed with the economic development opportunities that can occur due to this project.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 6:01 p.m.