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Knik Arm Crossing work gets go-ahead, disappointing critics

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JUNEAU -- Gov. Bill Walker has given the go-ahead for the Knik Arm bridge project to resume work, but that doesn't yet mean final approval for the controversial project.

"We were on hold for any type of discretionary spending, and the administration has decided now that it makes financial sense to move this project forward to the next logical step," said Judy Dougherty, project manager for the state Department of Transportation and Public Facilities.

Less than a month after taking office last year, and facing dramatically falling oil revenues, Gov. Walker included the bridge project in a list of several megaprojects [for which he ordered a moratorium on new work](#). Some ongoing work on the project, formally called the Knik Arm Crossing, was allowed to continue.

But new Anchorage Mayor Ethan Berkowitz said that's not where

the state should be spending its money in times of big budget deficits.

"We live in very fiscally constrained times, and we should not be spending government money on a speculative project," he said.

"What is the first rule of holes? When you are in one, stop digging," Berkowitz said.

The lifting of the moratorium, announced in a memo from Walker's Budget Director Pat Pitney to Transportation Commissioner Marc Luiken this week, now allows for significant new work, such as applying for federal funds and acquiring right of way.

After Walker issued the moratorium last December, then-DOT Commissioner Pat Kemp warned that abandoning the project midway through the analysis could place the state at risk for having to pay back as much as \$72.9 million in federal money it had already spent on the Environmental Impact Statement and other preliminary work.

Kemp was [fired](#) by Walker shortly after that.

Pitney's memo said part of the reason for moving forward with the Knik Arm Crossing was to complete the preliminary work, after which they'd be able to spend years deciding whether or not to actually build the project.

"These activities ensure the state will have 20 years to address the project and will not have to repay the federal investment," Pitney wrote.

But Government Hill bridge opponent Bob French said he

doubted the state would have to pay back anything if it ended the project now, because federal highway officials won't require an uneconomic project be built just because planning money was spent.

"The feds have some leeway in being able to say it's not required to be repaid, and that certainly was the case with the south Coastal Trail extension and several other projects," French said.

The unusual Knik Arm Crossing would be a rare project supported by bridge tolls, and would be partially funded with federal Transportation Infrastructure Financing and Innovation Act bonds. It was sponsored by the state-created, independently operated Knik Arm Bridge and Toll Authority, which would have used toll revenue to pay off the TIFIA loan.

Dougherty also serves as KABATA's executive director.

After the project struggled for years to find private financing, former Gov. Sean Parnell [brought it back](#) into the Department of Transportation, saying that was the best strategy for seeing it built.

Project advocates and members of KABATA's board said that because the crossing would rely on private financing it wouldn't compete with other Alaska projects for funding. That made it popular with legislators.

Berkowitz said that funding struggle shows the project's weakness.

"They've put it out to the private sector for bonding, and the private sector was unwilling to fund it, the federal government was unwilling to fund it, the state government is unwilling to fund

it, and there are huge associated costs that have been camouflaged," Berkowitz said.

Berkowitz said Anchorage would have to pick up many of those costs.

The bridge's cost is estimated at nearly \$1 billion, though that number includes financing costs and possible cost overruns. But critics say that figure is too low because it doesn't include the requisite associated road improvements.

Dougherty said the TIFIA loan that the department is now free to apply for doesn't obligate the state, but is one of a two-part application process that had been suspended by Walker's order.

Now, they'll begin work on the first stage in the process, a letter of interest, in which Federal Highway Administration officials will determine whether the Knik Arm financing plan makes sense, and will enable the bonds to be repaid with tolls.

"We are authorized to learn whether or not we meet the criteria to formally apply for the loan," she said.

Dougherty said DOT will also be able to continue work on a Marine Mammal Protection Act permit, something that the National Marine Fisheries Service had put on the back burner during the moratorium.

The lifting of the moratorium also allows the state to go forward with seeking right of way from Joint Base Elmendorf-Richardson.

That's a lengthy process that goes all the way to the Secretary of Defense for approval, and may cost \$1 million to purchase the needed easements, she said.

But Dougherty said state money wouldn't be used for that purchase.

"These are Federal Highway Administration dollars, they are not state dollars," she said.

Walker's new order allows only the military property to be acquired, she said.

"There are a few other pieces of property that we don't own yet, but we aren't going to be moving forward with those," she said.

French said he was disappointed to see any work continuing with the Knik Arm Crossing. Given the state's current financial situation, it means the project could threaten not only Government Hill residents but other Alaskans as well, he said.

"It would have a tremendous effect not just on the neighborhood, but certainly the entire state," he said.

Berkowitz said he hasn't seen the analysis that led Walker to allow the project to go forward, but said he'd like it stopped.

"I've got a neighborhood that would be absolutely gutted, and just initially they've been tearing down buildings up on Government Hill without knowing how they are going to finish funding this project and to me that makes no sense at all," he said.

Pitney's memo to Luiken makes it clear that the activities just approved don't give the Knik Arm Crossing final approval.

"Once these activities are complete, we will revisit the project within the context of the fiscal environment and other competing major capital projects," Pitney wrote.

Correction: An earlier version of this story listed the wrong agency from which the Marine Mammal Protection Act permit would be sought. The correct agency is the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration, not the U.S. Fish and Wildlife Service.

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