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Knik bridge board says Government Hill businesses can stay for now

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A state agency trying to build a controversial and expensive bridge across Knik Arm says it will let two Government Hill businesses -- a Subway restaurant and a Tesoro gas station -- stay in operation until construction appears close.

The resolution by the Knik Arm Bridge and Toll Authority board, on Nov. 14, came in response to complaints from the businesses and the Government Hill Community Council about acquisitions of property in the project path, Michael Foster, chairman of the KABATA board, said this week.

Foster said the board action didn't direct a change in course but was to clear up confusion about the process.

"We will not require these businesses to leave or exit until we ... have a firm schedule when the project will begin," Foster said Monday. "If we get delayed a year or get delayed five years, the

businesses will continue to be able to operate, if they so choose."

Residents weren't confused, Government Hill Community Council president Stephanie Kesler said. The council was certain that KABATA intended to demolish the Subway and Tesoro stores far in advance of the bridge project, and no one corrected that, until now, she said. Subway franchise owner Steve Adams had said last month he had been asking for the sandwich shop to stay open unless and until the bridge became a reality but had been told no.

"There was never, ever, ever anything ever said certainly to the business owners that we've ever heard that 'we'll acquire it but we'll let you keep it,' " Kesler said this week. "This resolution was the first time they ever said anything about that."

However it came about, the resolution is good for the community, she said.

"We are happy that two of our keystone businesses get to stay," she said.

Messages left for Subway's Adams and a Tesoro representative this week were not returned.

The project, called the Knik Arm Crossing, involves a 1.7-mile-long toll bridge and access roads. It lacks the legislative financing framework and key federal permits needed for construction. Critics say it's expensive, disruptive and unnecessary. Backers say it will well serve the fast-growing Knik and Fairview areas of the Mat-Su, and that they are certain it will be built.

It is envisioned as a public-private partnership. KABATA is

seeking legislation to create a state reserve fund that would pay a private developer when toll revenues fell short. KABATA estimates construction costs at \$1.1 billion but that swells to \$1.6 billion once financing costs and \$150 million from the state to cover early-year shortfalls are added in.

The bridge's prospects were thrown into question earlier this year after a critical legislative audit found KABATA used "unreasonably optimistic" traffic and toll projections. The agency solicited its own independent review of traffic and revenue, which should be complete in mid-December, Foster said.

At the Nov. 14 board meeting, Foster said he was concerned about perceptions that KABATA was moving too aggressively to demolish buildings well in advance of the bridge. He said while the agency must buy land for the project, it's in no hurry to push out businesses.

"We're not the evil guy across the street trying to throw everybody out. We live in this community too and want to work for this community," Foster said, according to a recording of the meeting. "That said, we still need to acquire that right-of-way."

The Federal Highway Administration in 2011 authorized KABATA to begin acquiring the project right-of-way, including land needed for the access roads and a tunnel through Government Hill to move traffic on and off the bridge. Buildings must be demolished for the tunnel construction.

KABATA is working with the state Department of Transportation and Public Facilities, which Foster calls its sister agency, to solicit bids for a contract to demolish some of the Government

Hill property it already acquired: two duplexes and the old Sourdough Lodge.

So far, KABATA has spent \$3.3 million on right-of-way acquisitions, counting those two duplexes, the Sourdough Lodge, vacant Mat-Su land and its latest acquisition, a parcel on East Loop Road that has a piano store, another duplex and a Quonset hut, said Shannon McCarthy, the agency's spokeswoman. The agency has entered into a new lease for the piano store, and the tenants of the latest duplex moved out and became homeowners, she said.

The Subway and Tesoro right-of-way acquisitions are complex because the businesses sit on land subleased from the Alaska Railroad. KABATA is negotiating to lease that land, but first has to come to terms with the businesses, said Tim Sullivan, the railroad's manager of external affairs. The railroad initially asked for the first 20 years of payments up front on what could be a 95-year lease with KABATA, Sullivan said. It has been getting a \$37,761 a year in lease payments for the land at issue, he said.

The board, in its Nov. 14 resolution, directed KABATA executive director Andrew Niemiec to let the businesses stay on site "until such time as the Authority reasonably needs the parcels for construction activities."

Also "if construction of the Knik Arm Crossing project is indefinitely delayed, the subtenants of the Government Hill Parcels shall be offered the opportunity to remain in possession through the expiration of their current subleases," the resolution said.

The sublease for the Subway site extends to 2026 and Tesoro's runs to 2040.

For a business, the agency offers fair market value for buildings, moving costs, money for whatever can't be moved, and up to \$10,000 on top of everything else to reestablish in a new spot, McCarthy said.

The project's standing should be clear next year, Foster said. Backers expect legislators will approve the mechanism for project financing and federal agencies will issue key permits, he said. If those steps happen, construction should begin in 2015, Foster said. But the schedule could slip a year or longer, he said.

It can take a year to relocate a business like a gas station, so the businesses do need to think about moving out of the project's path, Foster said.

"They cannot stay in those businesses up until the day construction starts," he said. "We have to acquire and have the property ready for our contractor when we go to a design-build contract."

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