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Engineering News-Record

In California, New Lanes Favored Over New Roads

09/17/2010

Investment Dealers' Digest

By Rich Saskal

SAN DIEGO - The future of toll roads in California lies largely in managed lane projects, according to participants at a conference here this week.

The risks of financing a new "greenfield" toll road are so great that most toll development in the state will be in the form of "brownfield" projects that add toll lanes to boost capacity on existing freeways, according to Greg Hulsizer, chief executive officer of the South Bay Expressway. He spoke at a panel discussion at the annual meeting of the International Bridge, Tunnel and Turnpike Association.

"Clearly there's a difference and the primary difference is risk," he said. "Clearly the future's going to be in HOT lane and managed lane projects."

Hulsizer knows the risk well; the privately financed 10-mile toll highway he manages in San Diego County filed for Chapter 11 bankruptcy in March, a little more than two years after opening to traffic.

High-occupancy toll lanes, known as HOT lanes, are in development throughout urban California. Such lanes, built along existing freeways, allow carpools to travel for free while charging a toll to solo drivers.

The newest such project, on a 14-mile-long stretch of southbound Interstate 680 in Alameda and Santa Clara counties, opens Monday.

The organizations that build and operate the toll lanes have two fundamentally different financial approaches.

One approach is to think of tolls as a financing tool to deliver a project.

That's the background of the 91 Express Lanes in Orange County, which added two toll lanes to a free expressway. The lanes were built as a private project, and opened to traffic in 1995.

After a long political battle over the implementation of a non-compete clause on the adjoining free roadway, the public Orange County Transportation Authority purchased the toll lanes in 2003 in a transaction fully funded by toll revenue bonds.

The 91 tollway serves commuters from Riverside County who commute to Orange County. Officials in Riverside are now planning a $1.3 billion project to extend the toll lanes 20 miles into that county, while also adding new free lanes in each direction.

"Corridor demand is so great we feel we can do both effectively and successfully," said Michael Blomquist, toll program director for the Riverside County Transportation Commission.

He said the RCTC will use toll-revenue bonds to help finance the project, along with bonds backed by a voter-approved county sales tax for transportation and a loan from the federal Transportation Infrastructure Finance and Innovation Act program.

"We're very anxious to see what federal transportation reauthorization holds for TIFIA," Blomquist said.

The San Diego Association of Governments sees HOT lane tolls fundamentally as a tool to manage capacity and demand, according to Chris Burke, project manager for SANDAG's I-15 pricing program.

SANDAG built California's second managed-lane project, which opened in 1997 on Interstate 15 as an adaptation of existing high-occupancy vehicle lanes, and is now planning HOT lanes throughout the county.

"We are really an HOV facility that uses tolls to manage congestion," Burke said. "It's really a congestion-management tool."

Steve Heminger, executive director of the Metropolitan Transportation Commission, the San Francisco Bay Area's regional planning and financing organization, values the pricing power of tolling as a way to manage demand on highway capacity, which is a scarce resource.

"We need to spend a lot more time and attention on the demand side of the equation and that's where tolling is such a wonderful solution," he said.

On the other hand, finance is proving to be a big constraint to his agency's plans to build a network of high-occupancy toll lanes throughout the Bay Area. The MTC, facing obstacles in obtaining both financing and environmental approvals, recently scaled back the proposal to 480 miles from 800.

The MTC, and the affiliated Bay Area Toll Authority, were not able to obtain legislative authority to use toll revenue from BATA's seven bridges to help finance the commission's HOT lane program, said Andrew Fremier, MTC deputy executive director.

"The Legislature decided we couldn't handle our money - that's kind of ironic," he said, in a dig at state lawmakers' inability to adopt a budget.

There would be no physical barrier between the HOT lanes and free general-purpose lanes, raising doubts about toll enforcement from prospective financiers, according to Fremier. Technology may help answer some of those doubts, he added.

"We're counting on the industry to catch up with us," Fremier said.

Despite the focus on tolling as a demand-management tool, it was hard to escape talk of its use as a financing tool.

That's because there isn't really anywhere else to turn, panelists said.

The federal government provides far more red tape to local transportation planners than it does money, said SANDAG executive director Gary Gallegos.

"We get less than 20% of our money from the feds, but they make 80% of the rules," he said. "Those rules haven't always made it easy for us to move our projects forward. You ask yourself if it is really worth all the hoops that they're going to make us jump through."