

Item #4:
Village President Rodriguez
A. IL Route 53 Extension - Update



ENVIRONMENTAL LAW & POLICY CENTER
Protecting the Midwest's Environment and Natural Heritage

MEMORANDUM

TO: Route 53/120 Lake County Extension
Blue Ribbon Advisory Council Members

FROM: Council Member Howard A. Learner, Environmental Law & Policy Center
Council Member Jacky Grimshaw, Center for Neighborhood Technology

RE: Comments on Proposed Draft Resolution and Summary Report

DATE: April 18, 2012

We appreciate the opportunity to provide comments on the Illinois Route 53/120 Draft Resolution and Summary Report. However, the extremely limited timeframe for requested comments – only two business days after dissemination of the draft document – does not allow sufficient time to provide detailed analysis and full comments. Accordingly, we will later supplement these initial comments, which address several fundamental challenges.

We respect the hard and thoughtful work of both Co-Chairs of the Blue Ribbon Advisory Council and their commitment to attempting to design an environmentally-sensitive road. We also appreciate the work of the Toll Highway Authority staff. However, there is not a consensus among the Blue Ribbon Advisory Council members, and the text stating a “consensus” in the Executive Summary at page 7 should be deleted. These comments identify some key challenges with the proposed tollway and the draft of the Illinois Route 53/120 Draft Resolution and Summary Report that must be addressed and solved, as follows:

1. This proposed new Lake County Route 53 tollway extension cannot be financially justified and the presently proposed funding plan and funding scenarios (pages 47 – 60) are neither realistic, nor reasonable. Unless and until there is a realistic, reasonable and responsible plan for financing this proposed new tollway, there is no purpose served by moving forward with the proposed next steps. Since the financing and funding plan is just now being presented to the full Council it is premature at the very least, to claim consensus.

According to the Toll Highway Authority's baseline IL Route 53/120 Funding and Financing Information, **the projected toll revenues from this proposed new tollway extension cover only 18% of the costs. The close to \$2 billion funding gap is a huge 82% of the costs.** (\$1.828 B - \$2.062 B funding gap as a percentage of \$2.228 B - \$2.502 B). When the Funding and Financing Information is corrected and adjusted for the reasons explained below, the funding gap is even larger, and the toll revenues cover an even smaller percentage (perhaps about 10% - 15%) of the tollway costs. Moreover, converting the proposed new Route 53 tollway extension from 4 lanes to 6 lanes actually widens the funding gap by \$151 million - \$249 million more

according to the Toll Highway Authority's Five Draft Funding Scenarios. That makes a very bad problem even worse.

The Illinois State Toll Highway Authority recently approved an 87% toll increase and authorized going forward with three major tollway projects including the Elgin-O'Hare, which will be a huge financial drain on the toll system. Not all members of the Toll Highway Authority Board nor tollway users agreed with the very large toll increases. The Toll Highway Authority chose to prioritize other tollway projects over the proposed new Lake County Route 53 extension. While some Lake County officials questioned the Toll Highway Authority's prioritization decisions during that process, what they are really doing now is asking for yet another system-wide toll hike for another new tollway that doesn't come within the proverbial country mile – indeed, more than \$2 billion miles – of paying for itself. That is called financial irresponsibility. We have seen the pension funding messes across our state. We should not repeat that here.

2. The financial shortfalls are actually even larger than identified in the Summary Report because the Toll Highway Authority's stated close to \$2 billion funding gap is greatly understated for multiple reasons:

- A. The baseline funding calculations (pages 48 - 50) apparently do not include right-of-way (ROW) acquisition costs, and thus treats them as \$0.** Why should the Illinois Department of Transportation – in these tight transportation project funding times – use public taxpayers' money to acquire ROW land in Lake County for the proposed new Route 53 tollroad extension and then give away that land for free to the Toll Highway Authority? That suggested Illinois taxpayer subsidy is wrong, unfair and potentially illegal. The ROW costs are at least \$200 million and, perhaps, as high as \$500 million. The real cost figures of this proposed new tollway extensions should be included in the financial modeling. This widens the funding gap.
- B. The baseline funding calculations (pages 48 - 50) apparently do not include funds for land protection and endowment, and thus treats them as \$0.** The land protection and endowment measures have been a key part of the recommendations by one of the three committees of the Advisory Committee and a necessary part of potentially advancing the proposed new Lake County tollroad extension. The real cost figures of this proposed new Lake County Route 53/120 tollroad extension must be included in the financial modeling. This, too, widens the overall funding gap.
- C. The baseline funding cost calculations (pages 48 - 50) apparently do not include the financing costs during the time period from when the bonds are issued (2016) to support the beginning of construction and when toll revenues begin to be received upon tollway completion (2022 – 2023).** If, for example, the Toll Highway Authority issues \$2 billion in bonds in 2016 at 5% interest rate, the financing costs will be about \$150 million per year, or about \$1 billion over the 6 to 7-year period between the start of construction and when toll revenues begin to be received upon completion. (The bond issuances could potentially be staggered, thus reducing the costs somewhat, but not fundamentally changing the overall problem.) This, too, widens the overall funding gap.

- D. The baseline funding cost calculations (pages 48 - 50) and Five Draft Funding Scenarios mostly assume 1.5 debt coverage ratio (much lower than the more normal 2.0 debt coverage ratio).** This will increase the financing costs because the bonds will be viewed as more risky by investors. On the other hand, using the 2.0 debt coverage ratio will reduce the bonding capacity as the Toll Highway Authority's Menu of Funding and Financing Options recognizes. Either way, this, too, widens the overall funding gap.
- E. There has not been an independent review of the construction cost calculations.** The Toll Highway Authority staff has worked hard in rushing to assemble the baseline funding cost calculations (pages 48 - 50) and Five Draft Funding Scenarios. This multi-billion dollar proposed project requires more careful and thorough analysis, and prudence warrants an independent, outside review.
- F. The traffic demand projections and modeling apparently used for the proposed baseline assessment of need and funding scenarios are, in turn, based on CMAP's 2007 Lake County and McHenry County population forecasts, which are outdated and overstated; they do not reflect the "burst of the housing bubble" and Great Recession.** As we are all painfully aware, these wrenching economic changes occurred in 2008 - 2010 and fundamentally affected the housing and development market in the CMAP region, including Lake and McHenry Counties, as well as the overall economy. In short, the population forecasts relied upon for the traffic demand projections exceed reality. (Please see the attached memo: "Comparing U.S. Census Bureau Actual Lake County and McHenry County Populations with CMAP Population Projections for Go To 2040 Transportation Modeling: Big Differences") Therefore, the projected traffic demand is overstated and the toll revenues are correspondingly overstated. This, too, widens the overall funding gap.
- G. The Five Draft Funding Scenarios (page 50) are based on a 600% - 700% increase over the 3 cents per mile toll charges that were in effect on the Tri-State Tollway in Lake County through 2011.** A key to-be-addressed question: how will most of the public regard these super-high tolls of 20 cents per mile on the proposed new Lake County Route 53 tollway extension, which is a 600% - 700% increase over last year's toll levels and a 300% - 400% increase over the newly-raised 5.6 cents per mile tolls on the Tri-State Tollway. Lake County residents recently voted down a referendum to increase the County's gas tax. Lake County public officials on the Blue Ribbon Advisory Council have expressed opposition to a proposed 0.25% increase in the County's sales tax.

Basic market economics indicate that such greatly increased tolls will also have some impact on drivers' choices to use the new tollway or bypass it by either driving on arterial roads or choosing other alternatives (trains, transit, ride-sharing or skipping the trip altogether.) Activity-based model runs would give greater insight on traveler choices. That will have an impact on traffic projections and toll revenues. Indeed, if it doesn't, then the Toll Highway Authority's suggestions of using congestion pricing to alter traffic demand are not realistic. Apparently, this kind of attrition has not been fully incorporated into the traffic demand projections and, therefore, the toll revenue projections in the Summary Report. This, too, widens the overall funding gap.

- H. This Lake County-focused Advisory Council should not recommend imposing tolls in Cook County and other counties that have not been specifically consulted and are not significantly participating in the process.** The Summary Report states (page 65): “The Council supports tolling existing Route 53 from Lake Cook Road to I-90 . . . [and] adding tolls to existing un-tolled access points.” That recommendation cannot and should not be made without full and fair consultations with Cook County public officials and interest groups.
- I. Local Lake County funding options should be more fully explored.** The Advisory Council’s guiding principles embrace environmental sensitivity and sustainability. These principles reflect local values, which many Lake County residents may deem worth paying for. The proposed design (45 mph and 4-lane parkway) would deliver much greater benefits to the sub-region than to the broader region. Economic benefits that would accrue sub-regionally are desirable and can potentially be captured. While not common practice in our region today, the deployment of congestion pricing and value capture tools have been and are being used elsewhere. There is much – some positive lessons, some cautionary – to be learned from these experiences.
- J. There is also a fair question as to extent of the recommendation (page 65) in the Summary Report “for the use of Tollway system generated revenues to enable this project . . .”.** The fact of the matter is that this proposed new Route 53 in Lake County is being designed more to serve local Lake County traffic than to meet regional transportation priorities. Proposing to rely on “other peoples’ money” by raising tolls in other counties who haven’t been consulted is just wrong and unfair.

At present, this proposed new Route 53/120 tollway extension is financially irresponsible and also unjustified for “need,” as explained below. The Blue Ribbon Advisory Council should not commit and spend the taxpayers’ money in financially irresponsible ways and kick the can down the proverbial road. We have seen that on state governmental finances and on pension funds around the state. Those mistakes should not be repeated here.

The Blue Ribbon Advisory Council should get more accurate cost data, traffic demand estimates and financial projections on which to base its important, practical and thoughtful decisions. What is the real funding gap, and are there financially and politically realistic, practical and reasonable ways of addressing that gap? Unless and until there is a realistic, reasonable and responsible plan for financing the proposed new tollway, there is no purpose served by moving forward with the other proposed next steps.

3. The proposed stated “need” for the proposed Route 53 tollroad extension in Lake County (pages 1 – 2) is not supported, is not a consensus statement and should be deleted from the report. There is a “need” for better transportation management and land use solutions to reduce traffic congestion in the immediate Buffalo Grove area where Route 53 going north through Cook County ends at Lake Cook Road. There may also be other particular places in Central Lake County where there needs to be solutions to traffic congestion problems. **The**

preferred approach for the Blue Ribbon Advisory Council is to scale and right-size the solutions to the particular problems and to fully and fairly consider and evaluate a range of transportation and land use alternatives to address the particular problems. That evaluation should consider cost, congestion relief, environmental impacts and mobility pros and cons of reasonable alternative approaches available to solve the more focused problems.

The Blue Ribbon Advisory Council should fully and fairly examine alternative ways of addressing particular problems with right-sized solutions that may be less expensive, better faster and cheaper, and more environmentally sensible than building the proposed new tollway. Accordingly, the corridor planning and implementation steps described at pages 10 – 11, 61-67 and in other related pages of the report are premature and should be deleted from the report.

4. As explained above, the population forecasts relied upon for the traffic demand projections exceed reality, bringing into question whether the proposed new Route 53/120 tollroad extension is needed for this reason as well. Please see the attached memo: “Comparing U.S. Census Bureau Actual Lake County and McHenry County Populations with CMAP Population Projections for Go To 2040 Transportation Modeling: Big Differences.” Accordingly, the stated “Need for a New Road” (pages 1-2) “Advisory Council Consensus” paragraph in the Executive Summary (page 7) and the stated “consensus for the Tollway to move forward” (page 7) should be deleted. Likewise, the corridor planning and implementation steps described at pages 10 – 11, 61-67, and in other related pages of the report, are premature and should be changed or deleted from the report. Moreover, the baseline assessment of funding scenarios (pages 47 – 60) should be changed to reflect more realistic contemporary population forecast and traffic demand data.

5. Each of the elements in the “Secure State Legislature Authorization” section of the Summary Report (page 66) might be reasonable to discuss, but we do not support recommending them at this point. Many of the proposed federal and state legislative recommendations have widespread implications beyond Lake County and involve transfers of taxpayers’ funds from outside of Lake County to subsidize tollway construction and financing, and bondholders. This section should be deleted from the Summary Report at this time.

6. We support the Advisory Council’s guiding principles embracing environmental sensitivity and sustainability. Some elements of the Draft Resolution and Summary Report that seek to mitigate environmental impacts are commendable. **Lake County’s natural areas are of unusually high quality, and the Draft Resolution and Summary Report does not assure that adverse impacts will be avoided, rather than just mitigated.** The specifics of the road design, coupled with a 1:1 direct and indirect impact acreage mitigation strategy are good, but will not begin to mitigate the effects of this proposed new tollroad, as Openlands and other groups have been explaining. Moreover, these strategies can be costly, and we have seen in the past that when finances get tight, environmental pledges may sometimes be set aside. **There is a fair legal question of whether the Toll Highway Authority can, indeed, be firmly bound to environmental commitments made in this process.**

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We began this process with open minds, but the need for this road is unproven and alternatives were not explored, the funding gap is very large and the financing approaches raised thus far do not achieve responsibility. The commitment of the Co-Chairs and many others to environmental sensitivity and sustainability are sincere, but the adverse impacts of the proposed new Route 53/120 tollroad extension through high-quality natural areas in Central Lake County have not been avoided. Accordingly, we cannot support the Draft Resolution and Summary Report. We look forward to working with other members of the Blue Ribbon Advisory Council to constructively address the opportunities and challenges explained above.