

Application Score Sheet

Proposed Project: Okaloosa Board of County Commission, Southwest Crestview Bypass (#46)

Proposed Project/Program County: Okaloosa

Board of County Commission Support: Yes

Total Projected Project Cost: 199,019,000.00

Match Provided: 68%

Triumph Funds Requested: \$64,100,000.00

Triumph Funds Recommended by Staff:

Score: B

ROI: Indeterminable

Triumph Board Approval: Yes/No

Triumph Funds Approved by Board:

Date:

Economic Analysis and Score

The Southwest Crestview Bypass (SCB) will provide roadway improvements to enhance vehicular access and lessen congestion in the problematic high-traffic areas surrounding I-10 and Highway 85 in Okaloosa County. It is the highest Triumph Gulf Coast (Triumph) funding priority of the Okaloosa County Board of County Commissioners.

The current application combines and updates two previous applications (applications 45 and 46) into an SCB application (46). The application identifies a total project cost of \$199,019,000 and the request for Triumph funding is \$64,100,000 or 32 percent of the total.

The application includes a document entitled “Economic Analysis Preliminary Estimates,” containing analysis that was sponsored by the Economic Development Council of Okaloosa County and produced by the Tri-County Community Partnership Initiative (TCPI)¹. The impact analysis contained in the report is conducted with the widely used IMPLAN software with the analysis conducted on an economic region of Santa Rosa, Okaloosa, and Walton counties.

Hypothetical scenarios presented in the application posit that Eglin and Hurlburt are at increased risk of loss of missions and associated staffing and contracting in the absence of the SCB and associated new I-10 interchange. An alternative hypothetical is that the presence of the SCB will induce the location of new facility development housing 400 net new weapons Research, Development, Test, & Evaluation (RDTE) workers. It is also assumed by the applicant that the

¹ The TCPI was established in 2013 to work under the DoD’s Community Partnership Program Initiatives program umbrella. The TCPI has representation from each of the three counties.

presence of the SCB will induce the construction, sale and use of 810 new dwelling units, along with 2.8 million square feet of commercial space.

There are several economic impact scenarios that are evaluated and then reported in the document, including:

- Hypothetical 5%, 10%, and 15% reductions in active duty and civilian compensation associated with active duty, civilian support, and Department of Defense (DoD) contracting activity at Eglin Air Force Base and Hurlburt Field,
- Hypothetical mission increase of 400 workers in weapons research, development, testing, and evaluation (RDTE),
- Hypothetical increase of 810 dwelling units with associated net new spending by households, evaluated at local income levels and standard spending patterns,
- Hypothetical increase of 2.8 million square feet of commercial space, with types of businesses and associated activities typical for the region.

Thus, the economic impact of each of six hypothetical scenarios is presented for the Triumph Board to consider.

Triumph staff will not evaluate and score the hypothesized housing and commercial impacts given that the Triumph Board has declined to provide funding for projects that enable baseline population, housing, and commercial growth that might normally be funded by revenue bonds or impact fees. Further, providing road infrastructure to support housing and commercial development likely supplants activities normally accomplished by government and/or private sector entities.

In examining the hypothetical 5%, 10%, and 15% staffing reductions or increase of 400 RDTE workers, the applicant has used appropriate economic impact assessment tools. The question instead is whether the hypothesized mission growth or shrinkage will occur, and if it were to occur, would it be attributable to the presence or absence of the SCB? These are in addition to the question as to whether the Triumph Board would be supplanting normal funding channels. Further, in hypothesizing the creation of 400 sustainable jobs due to construction of the SCB, the applicant has not identified a likely private sector job performance guarantor. If these were to be defense support jobs, they should be relatively immune to recessionary impacts and might not require the standard recession-related force majeure language that Triumph includes in its contracts.

A shorthand measure that the Triumph Board has found to be generally acceptable is the cost per project direct job. The hypothesized 5% shrinkage would result in approximately 1,570 fewer direct jobs. For the proposed Triumph cost of \$64,100,000, this implies a cost per direct job saved of \$40,828, if we impute certainty to the assertion that the mission would have vanished without the SCB but would have been preserved with the SCB. Such certainty is difficult to have given the necessarily private nature of Pentagon decision making and the weighting of Base Realignment and Closure (BRAC)-relevant variables. The Board may wish to have the applicant present testimony from individuals with direct knowledge of the BRAC process, including entities such as the Florida Defense Support Task Force, or others. Such testimony could be

solicited by the applicant to be presented to the Triumph Board to help address the substantial uncertainty associated with each of the six alternative outcomes.

It is worth noting that Triumph has received applications from both Santa Rosa and Walton Counties that rely on expected growth of area military missions and support functions. The Walton proposal anticipates location of new missions utilizing the Eglin Gulf Range complex, while the Triumph Board has funded infrastructure for a planned Santa Rosa helicopter Maintenance Repair Overhaul (MRO) park with through-the-fence access to Whiting Field. Okaloosa gained substantial DoD staffing during the most recent BRAC round.

If the applicant were to receive guidance from its consultant, upon receipt of credible evidence from BRAC experts, to apply a for example 50% chance of mission and staffing loss attributable to SCB, then an approximately 10% loss in Okaloosa military staffing would be necessary to generate the \$40,828 cost per job saved. In contrast, establishment of a 400-worker facility as a result of a 100% certainty of mission gain in the presence of the SCB would imply a cost of \$160,250 per new job. This is more than three times the cost of the most expensive jobs that Triumph has funded to date.

One way to mitigate risk for Triumph of possible changes in Florida Department of Transportation or Federal Highway Administration funding plans described in the Okaloosa BOCC's May 22, 2018 letter to Triumph would be for Triumph dollars to be made contingent on firm commitment of other identified funding sources. The Board has previously required that applicants have other funding sources fully committed before Triumph dollars would be considered to be committed and has required a time-certain date of commitment of all needed funds. Such an approach might be considered here if the Board were to find the applicant's funding arguments persuasive.

The phased development of the project as presented in the project budget document show the Triumph financial contribution occurring in the final stage of the project, following the construction of the I-10 interchange. If the Board were to approve an award (presumably contingent upon funding partner participation) of some amount, then the question of timing of the distribution of such funds would arise. It seems that the project phasing would allow Triumph dollars to be the last dollars in. This would allow Triumph funds to be protected if other funding fails to materialize, or the applicant is unable to secure necessary right of way to construct the bypass or is unable to surmount applicable regulatory hurdles.

It is clearly important to protect and enhance our Northwest Florida military missions, but the application discusses outcomes that are speculative and has not identified job guarantors. For these reasons, staff score this application as a "B."

It is not possible to construct a more refined measure of ROI until we have in hand more definitive information from the applicant regarding funding sources, and the probability of SCB driving expansion or contraction decisions.

Return on Investment

Staff suggest that the Triumph Board adopt an ROI metric that is based on increased personal incomes in the region that are expected to result from Triumph funding expended in support of a given project. Specifically, staff propose that our measure of ROI be constructed as the ratio of gains in personal income to Triumph cost. The numerator would be the appropriately discounted value of the increment to inflation-adjusted personal income due to the project (including direct, indirect, and induced increases in personal income) measured over a 20-year period, while the denominator would be the appropriately discounted value of Triumph costs for the project over the period of expenditure.

For this project, the gain in projected discounted personal income over the 2019 - 2038 period cannot yet be calculated due to lack of data about likely increases (or avoidance of decreases) in personal income. Until such time as the applicant is able to provide information acceptable to the Triumph Board regarding probabilities of the six possible outcomes cited in the proposal, and the likelihood that presence or absence of the Southern Crestview Bypass is responsible for that outcome, staff are unable to compute a ratio of gains in personal income to Triumph cost.

Project Summary (based on information provided by the applicant)

The Okaloosa Board of County Commissioners is requesting \$64,100,00 of Triumph Gulf Coast grant funds for the development of the Southwest Crestview Bypass (SCB) including the development of the Raspberry Road Connector with access to a new Interstate 10 interchange. The construction of these projects would increase the capacity of the region's transportation network.

The bypass project is requested to offer an alternative to congested SR 85 through Crestview and a new access point to Interstate 10. The new proposed alternative route would help reduce travel time along the SR 85 corridor, which is the primary access point to Eglin AFB from Crestview. Reduction of delays along the corridor would benefit those commuting to work including those commuting to Niceville, Shalimar, Fort Walton Beach and other communities.

In addition to being the primary north-south access route through Okaloosa County, SR 85 is the access point for Duke Field, 7th Special Forces Group, and Eglin Main West Gate. Currently, afternoon traffic congestion along SR 85 inhibits access to Duke Field and the 7th Special Forces Group operations center.

With an annual average daily traffic (AADT) count of 52,000 vehicles on this segment of SR 85 improvements to traffic flow will impact a large number of people by reducing delays and mission/operational impacts.

In the most recent BRAC Eglin AFB enhanced its mission in large part due to the cooperative relationship with the community, specialized assets of the Eglin Gulf Range, and the vast amount of land available for military activities. However, should BRAC return unfavorable results to the area, the impact of mission loss on the regional economy is a concern.

The SCB is proposed to serve the existing needs of the County as well as support anticipated growth. The Bureau of Business and Economic Research (BEER) at the University of Florida

reports that Okaloosa County experienced growth of 17,330 residents between 2010 and 2018, or 9.6 percent, versus 10.8 percent for the State of Florida over the same period. BEBR projects that over the 2017 to 2030 period, Florida population will have grown by 18.9 percent, versus 10.9 percent for Okaloosa.

The current roadway network of Crestview encompasses a large area of undeveloped land bounded by SR 85, US Highway 90, Antioch Road, and Interstate 10. This area is largely inaccessible from the current roadway network, but the development of the SCB will make this area favorable for growth.

According to the applicant, potential development areas in the city of Crestview and unincorporated Okaloosa County include:

- 125 acres to 300 acres of commercial use
- 600 acres to 1,800 acres of residential use

Both jurisdictions have indicated support of land use amendments and rezonings to accommodate commercial and residential developments.

Providing an alternative route to SR 85 through downtown Crestview is also expected to alleviate pressure on access points to the targeted industrial centers of Bob Sikes Airport and the Shoal River Ranch area. The SCB will also create a new direct link between the primary north-south evacuation route for Okaloosa County (SR 85) to US 90, SR 189, and SR 4.

Historically during times of evacuation the greatest point of congestion for evacuees is attempting to gain access to the north. In 1995, when Hurricane Opal made landfall in Okaloosa County the congestion along SR 85 caused people trying to evacuate to be stranded on the roadway in their cars. Considering the growth of population since that date the need for additional access is necessary.

Okaloosa County and the City of Crestview have long been engaged in the effort to improve the SCB corridor. To date the local governments have expended or committed nearly \$38,000,000 toward the development of this project including the first phase of construction (widening the first portion of the SBC from two lanes to four) to begin in the summer of 2019.

The citizens of Okaloosa County have shown their support for this project by approving a ½ cent sales surtax in November of 2018 with nearly 2/3 of the vote in favor of the referendum. This sales tax is solely dedicated to infrastructure improvements – and the number one priority project identified is the Southwest Crestview Bypass.

The Florida Department of Transportation has committed to including a new interchange with Interstate 10 in the next five year work plan at an estimated cost of approximately \$100 million.

The overall project timeline is as proposed:

	Bypass Phases I-III	Bypass Phase IV	Bypass Phase V	Raspberry Phase V
Begin Design	Complete	Complete	2019	2018
ROW Acquisition	Complete	2018	2020	2019
Begin Construction	2018	2019	2022	2020
Complete Construction	2019	2020	2025	2021

Funding and Budget (as provided by the applicant)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

a. Project/Program Costs:

PD&E Study	\$2,849,000
Design & Engineering	\$19,145,000
Right-of-Way Acquisition	\$39,601,000
Construction	\$137,424,000
Total Project Costs:	\$199,019,000

b. Other Project Funding Sources:

Okaloosa County/City	\$37,966,000
FDOT/FHWA	\$96,953,000
Total Other Funding:	\$134,919,000

Total Amount Requested: \$64,100,000.00

c. Provide a detailed budget narrative, including the timing and steps necessary to obtain the funding and any other pertinent budget-related information.

The amount of funding sought from Triumph and the associated timeline are as follows:

- 2019 - \$8,000,000 for Construction of Phase IV
- 2019 - \$5,100,000 for Design of Phase V
- 2020 - \$7,000,000 for Construction of Phase V - Raspberry Road
- 2022 - \$44,000,000 for Construction of Phase V – Southwestern Bypass

Funding for the City/County and FDOT/FHWA portions are budgeted and planned through the Okaloosa-Walton Transportation Planning Organization (TPO). The Long-Range Transportation Plan only includes funding for the interchange sometime before the year 2040, with no definitive commitment date. In addition, the 2040 Long-Range Transportation Plan does not include any construction funding for Phase V of the Southwest Bypass and Raspberry Road.

The City and County intend to use funds from the sales tax ballot initiative in November 2018 to fund \$27,500,000 towards the design of and ROW acquisition for Phase V of the Southwestern Bypass and Raspberry Road.

Letters of Support

Okaloosa Board of County Commissioners
City Council of City of Crestview
City Council of the City of Destin
City Council of the City of Niceville
Economic Development Council of Okaloosa County
Greater Fort Walton Beach Chamber of Commerce Board of Directors
Congressman Matt Gaetz