

## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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SACRAMENTO 95814



December 21, 1982

Honorable Edmund G. Brown, Jr.  
Governor

Honorable David A. Roberti  
President pro Tempore of the Senate

Honorable Willie L. Brown, Jr.  
Speaker of the Assembly

Dear Governor Brown, Senator Roberti and Assemblyman Brown:

Our Commission is currently conducting a study of the Department of Transportation's (Caltrans) management of the state highway development process. During our review, we have discovered that the Century Freeway project may be in jeopardy because Caltrans is following a policy for constructing the freeway which the federal government believes is unacceptable. Consequently, the federal government is unwilling to authorize the expenditure of approximately \$299 million intended for Interstate highway construction. The state may lose these federal funds if Caltrans fails to change the disputed policy in sufficient time to commit the funds by the September 30, 1983 deadline established in federal law. The loss of federal funds would substantially endanger the completion of the Century Freeway, as well as the millions of taxpayer dollars already invested in this important project. Therefore, the purpose of this letter report is to request that the resolution of this policy dispute be given the highest priority during the transition to the new Administration.

#### Background

The Century Freeway has an extremely long and complex history. Originally included in California's Freeway and Expressway System by the Legislature in 1958, it did not become a segment of the Federal Interstate system until ten years later in 1968. The purpose of the freeway is to provide an east-west connection to Los Angeles International Airport. After the Century Freeway became part of the Interstate system, work began in earnest on the project. In 1972, a court action halted right-of-way acquisition and other work on the project until Caltrans complied with the National Environmental Policy Act and the California Environmental Quality Act. During the time work on the Century Freeway was enjoined, highway construction costs increased substantially, averaging 18 percent annually between 1975 and 1980. The cost of the Century Freeway has risen from an original estimate of \$250 million to between \$1.6 and \$2 billion. The injunction was lifted in September 1981 when all parties to the suit agreed to the terms and conditions of the consent decree. In part,

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the consent decree stipulated the development of a housing plan and an employment action plan and a transit way in the medium.

This Commission has been concerned in the past with the development of the Century Freeway. In 1981, we conducted a public hearing and subsequently reported to you our concern regarding the project based on anticipated cost, the excessive delays, and the chaotic economic and social effect on the communities, as well as the hundreds of thousands of citizens living within the freeway corridor. Since our work in 1981, we have been encouraged by decisions and recent action to move forward on this freeway project. However, certain state policies may once again threaten federal funds necessary for the completion of the freeway.

#### The State May Lose Federal Funds

The State of California is eligible for receiving funds from the federal government for completing the Interstate highway system. To receive these funds, the state must meet various requirements relating to the use of the money and the provision for matching funds. In 1978, the federal government established a requirement that substantial construction must be underway on all segments of the Interstate system by 1986. Another federal law enacted in 1981 set a September 30, 1983 deadline for committing federal funds. At that time, Caltrans will have had two years to identify eligible projects and receive federal concurrence for committing approximately \$299 million in Interstate highway funds. Although the state may use these funds for various purposes related to the construction of several Interstate highway projects, the controversial Century Freeway in Los Angeles is the only eligible project on which a substantial amount of the funds can be spent.

The most expeditious way for the state to commit the funds would be to begin right-of-way acquisition on the entire corridor designated for highway construction. Specifically, this would require Caltrans to initiate residential right-of-way acquisition in the western one-third of the route in the area of Hawthorne and accelerate commercial right-of-way acquisition along Imperial Boulevard between the San Diego Freeway and Sepulveda Boulevard, the termination of the freeway.

However, Caltrans' policy for constructing the Century Freeway does not provide for right-of-way acquisition along the entire corridor at this time. Rather, Caltrans is following a policy of constructing the Century Freeway from east to west. This policy is reflected in the State Transportation Improvement Program, California's five-year capital expenditure program for transportation projects. The present program does not yet display proposed expenditures for the west end of the Century Freeway. Moreover, Caltrans is not even ready to initiate physical construction in the cleared right-of-way area on the eastern side of the route.

As a result of Caltrans' east to west construction policy, the Federal Highway Administration states that they will not authorize the commitment of funds for acquiring the remaining right-of-way because, under current state

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policy, the acquisition will not occur for several years. The Federal Highway Administration believes that the funds could be put to more timely use on other projects in California or other states.

Although there exist alternative uses for the funds in California, we do not believe they would maximize the use of the money. Specifically, some of the funds could be committed to the development of 3,700 units of replacement housing mandated by the Court in a consent decree. However, the performance of the housing development program to date is extremely discouraging, and relying on the program to use substantial amounts of Interstate funds is unwise. Last year, it was expected that the housing program would commit \$64 million. As it turned out, only \$34 million was committed (the remaining \$30 million was nearly lost but there were enough small projects on incomplete segments of Interstate highways to absorb the money). Moreover, the Federal Highway Administration and the State Department of Housing and Community Development have not yet reached final agreement over the adequacy of the state's construction management system governing the management of the \$34 million. Estimates for the amount of funds which the Department of Housing and Community Development can commit this year range from \$60 million to \$110 million. On the basis of past performance the lower estimate is probably more realistic.

Caltrans could also commit some funds to right-of-way acquisition on other Interstate projects such as Interstate 15 in Norco. However, this project could not absorb the available Interstate revenues. Additionally, there does not appear to be enough other projects to collectively use all the funds.

In the final analysis, the bulk of the \$299 million, approximately \$200 million, could be committed most expediently on the Century Freeway if only the east to west construction policy was abandoned for a policy designed to take advantage of right-of-way and construction opportunities along the entire corridor as they occur. Historically, this has been the more common practice in highway development.

Because these matters are complex, extensive lead times are necessary to successfully conclude all negotiations with the Federal Highway Administration. Consequently, this Commission is extremely concerned that the necessary changes in policy will not occur and the issue will "fall between the cracks" during the transition from the Brown to the Deukmejian Administration.

Finally, it is important to recognize that the potential loss of revenue facing California today could happen again even if the actions suggested above are taken. The consent decree which ended the litigation over the Century Freeway linked the actual construction of the freeway to meeting certain housing construction objectives. Consequently, successful construction of the freeway also rests with a well managed housing program, as well as the commitment of federal funds. For example, should Caltrans obtain Federal Highway Administration approval for acquiring residential housing when relocation of residents actually occurs, new housing units will have to be available for occupancy. If housing were unavailable, the funding could again be jeopardized.

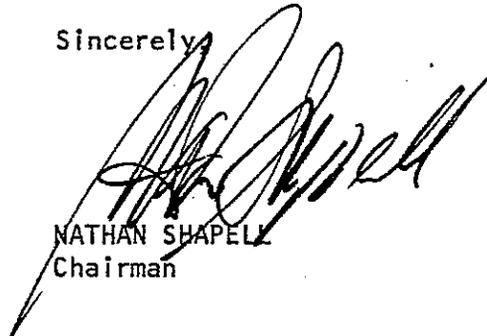
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We bring these matters to your attention in order that action will be taken to avoid the loss of revenues this year and that attention will be given to the long-term problems that we have found existing with the Century Freeway project.

Sincerely,



NATHAN SHAPELL  
Chairman

cc: Honorable George Deukmejian, Governor-elect  
Lynn A. Schenk, Secretary, Business, Transportation & Housing  
Adriana Gianturco, Director, Dept. of Transportation  
Dr. Ivan Hinderaker, Chairman, California Transportation Commission  
Donald Turner, Director, Dept. of Housing & Community Development  
Honorable John Foran, Chairman, Senate Transportation Committee  
Honorable Bruce Young, Chairman, Assembly Transportation Committee  
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