Partnership Strategies for Safety Roadside Rest Areas

Executive Summary

Because of funding limitations, the California Department of Transportation (Caltrans) has not constructed any new rest areas since 1984, although it has identified a need for as many as 75 new rest areas statewide. This project presents a strategic action plan and business plan for Caltrans to contract with private partners who would maintain and participate in, or fully fund, development of new rest areas in exchange for the rights to sell goods and services in those rest areas.

Federal and California State laws and regulations represent important barriers to certain project formulations and locations, but also offer clear opportunities. Stakeholders have demonstrated both opposition and support for such projects, both in California and in other states. In addition, interviews with key interested parties indicate that if conceived properly, California might expect to implement public/private commercial rest area partnerships, at little or even no cost to the State.

The following sites were identified which would fill important gaps in the California rest area system, demonstrated an ability to meet the legal requirements, would accommodate stakeholder concerns, and yield financially viable and even attractive projects.

- Merced and Stanislaus County, I-5 near Gustine
- Fresno County. I-5 near Three Rocks
- Kern County, I-5 near South Dome
- San Bernardino County, I-40 near Kelbaker
- San Bernardino County, I-15 near Victorville
- Imperial County, I-8 near Winterhaven
- Solano County, I-80 near Dixon
- San Joaquin County, I-5 near Thornton

The Strategic Action Plan recommends methods for taking advantage of the opportunities while working within the legal barriers. It addresses the trade-offs between seeking greater cost savings and partner contribution, considering length of Caltrans control of the partnership site, and the relative difficulty and speed of alternative implementation approaches.

The Business Plan presents recommendations for appropriate types of organizations with which to partner and a division of development and management responsibilities between Caltrans and the private partner. Also, it presents estimates of (1) Caltrans' cost savings associated with developing the requisite off-line commercial SRRAs, as compared with an on-line or off-line non-commercial SRRA at the candidate sites, and of (2) Caltrans' necessary financial contribution, if any, to implement the off-line commercial SRRA partnerships.

The report demonstrates that Caltrans might expect to achieve significant cost savings by developing new public/private commercial SRRAs instead of public SRRAs at the locations identified. Caltrans might expect even greater savings by partnering with existing or prospective

truck stop or travel plaza operators, whose marginal costs to expand their present or proposed facilities into commercial SRRAs would be less than to develop an entirely new facility. Indeed, at some locations, Caltrans may be able to avoid contributing any funds to project development, and even receive annual fees, in return for providing official rest area designation and interstate signing.

The future economic uncertainty and expected fuel price volatility will certainly reduce potential investors' and lenders' interest in assuming as much financial and operating risk as they would have before September 2008. Nevertheless, the potential rate of return that private partners might expect from the commercial SRRA investment was judged to be sufficiently high to justify Caltrans soliciting proposals from prospective partners even in the current economic climate.

Task A Report

BACKGROUND/HISTORY OF CALTRANS' ACTIVITIES TO DEVELOP PUBLIC/PRIVATE PARTNERSHIPS AT SRRAs IN CALIFORNIA

Contract No: 65A0240

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CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

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Table of Contents

	Page
I. Caltrans' Historical Efforts To Develop Public-Private Rest Area Partnerships - *Late 1980s to Early 1990s*	1
A. Background	1
B. Attempted Projects	7
1. Victorville Area (I-15) Traveler Services Rest Area (TSRA)	7
2. I-8 Imperial Traveler Services Rest Area	11
3. Redevelop Existing Rest Areas into TSRAs	17
a. Randolph Collier Rest Area	17
b. Buckman Springs Rest Area	19
c. Wiley's Well Rest Area	20
d. C.H. Warlow Rest Area	21
4. Route 120/108 Tuolumne County Traveler Services Rest Area	23
5. Cactus City (I-10) Replacement – Chiriaco Summit	24
6. Hickman Ranch - Route 50	26
II. Caltrans' Historical Efforts To Develop Public-Private Rest Area Partnerships - *Since the Mid-1990s*	29
A. Chowchilla Partnered Rest Area	29
B. Sacramento Auxiliary Truck Parking Facility	29

I. CALTRANS' HISTORICAL EFFORTS TO DEVELOP PUBLIC-PRIVATE REST AREA PARTNERSHIPS *LATE 1980s TO EARLY 1990s*

A. Background

Primarily as a reaction to the rising costs of constructing, operating, and maintaining a Safety Roadside Rest Area (SRRA), and the increasing difficulty of obtaining transportation tax dollars for SRRA development or maintenance, the California State Legislature initiated an effort in 1985 to generate funds from private partnerships. The initial effort was based on the "Revised Initial System" (SRRA) Master Plan in 1985. Caltrans had previous Master Plans in 1962, 1968, and 1974 and a subsequent plan in 2000. The early plan addressed 91 rest area units that existed at the time, plus 13 proposed units that would be built if significant economic partnerships could be found. More than a dozen major efforts were initiated since 1982 to obtain an economically feasible and politically acceptable partnership. All of the efforts were unsuccessful.[1]

In addition to economics, crime at SRRAs has been an additional, but less important, reason to seek partnerships. Despite the best efforts of the California Highway Patrol and local police departments, crimes in a number of rest areas, and particularly violent crimes, had caused many potential users to avoid SRRAs entirely.[2] Another secondary reason was that commercial services (such as food and beverages, vehicle repairs, and other goods and services) were being provided illegally adjacent to, and even within, a number of rest areas. Law enforcement authorities had limited abilities to control such commercial enterprises.[3]

In January 1985, the State Legislature authorized a rest area joint economic development demonstration project, in which Caltrans was empowered to "construct, operate and maintain a maximum of six new SRRA units as joint economic development demonstration projects." "Joint economic development" referred to joint financing and construction of both traditional rest area facilities and "traveler-related commercial services" by Caltrans together with private sector partners. The general objective was to minimize Caltrans' development and operating costs, while providing an attractive and well-maintained Traveler Services Rest Area . . . which would maximize safety to the motoring public.[4] It required that:

- Joint development contracts be awarded on the basis of competitive bidding
- The sale of alcoholic beverages be prohibited within the rest area
- There must be at least the opportunity for a public hearing for each new project
- Law enforcement responsibilities would be the same as on the highway system
- Revenue received by the State was to be deposited in the State Highway Account

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[1] http:// www.dot.ca.gov/hq/LandArch/rest-areas.htm

[2] In the mid-1980s, crime was considered a significant problem in 20 percent of the State's rest areas.

[3] Some vendors effectively used first amendment protection, offering their products for a fee that was termed a "contribution." They contended that rest areas were "public forums" and therefore should be open to anyone wishing to "express their beliefs." Legal precedents enabled non-profit organizations to care and feed travelers as an extension of their right to free speech.

[4] Roadside Rest Area Joint Development Study, 1-15 Corridor San Bernardino County, for the California Department of Transportation, by David M. Dornbusch & Company, Inc., March 1987.

- The Legislature was to be kept informed about the projects.

To deal with the Interstate restriction, siting criteria were adjusted by Caltrans to require the locations to be outside controlled access right-of-way.

Therefore, the incentive for the private sector to enter into such a partnership was that it would be allowed to profit from selling goods and services to people stopping at the rest area. The new partnership was first to be called a Traveler-Related Commercial Services Rest Area (TRCSRA), later shortened to Traveler Services Rest Area (TSRA).

In 1985, Caltrans contracted with David M. Dornbusch & Company, Inc. (later renamed Dornbusch Associates) to investigate the feasibility of entering into joint development partnership with a private entity to develop, operate and maintain a new TSRA at one or more of four demonstration project areas. The four demonstration areas included:

- Victorville area, between the Oak Hill and Bear Valley Interchanges on I-15, near Victorville in San Bernardino County
- Pollock Pines area, on Highway 50, El Dorado County
- Three Flags area, on I-5, San Joaquin County, and
- Rancho California area, on I-15, Riverside County

The four areas were selected for initial investigation, recognizing that Federal regulations would not allow commercial services to be provided within the right-of-way of a highway even partly funded with federal money.[5] Refer to Section B, "Attempted Projects" in this document, for more information.

Therefore, each of the four areas identified appeared to offer the opportunity to accommodate a TSRA that could be sited outside the right-of-way but near enough to an interchange to be easily accessed from the highway.

The principal objective was to maximize private partnership investment in the TSRA's construction and maintenance and thereby minimize public expenditures. Specifically:

- Financial Returns – Maximize private sector investment in construction and maintenance and therefore minimize state expenditures.

Other criteria were important, but were mainly to be in support of the primary objective. Accordingly, they were considered to be somewhat flexible guidelines that could be modified in the interest of minimizing state expenditures. The criteria included:

- Accessibility – The site should be identifiable and preferably visible and easily accessible from the interstate.

[5] Section 111, Title 23 ("Highways"), United States Code.

- Engineering Feasibility – The site should have good drainage, require minimal grading, have access to or be able to accommodate adequate sewage treatment facilities, and have access to potable water, telephone, and electrical services.[6]
- Adequate Size – Large enough to accommodate parking for all motorists expected to stop and use the rest area, as well as include the desired public and private commercial facilities.
- Property Availability – Caltrans should own, be able to acquire, or otherwise control the property.
- Safety – The location and design should encourage use, and thereby minimize driver fatigue. Provide for safe entry, exiting and circulation within the site. Vehicular and pedestrian circulation must be simple and obvious. Area should be well lit, easily monitored by California Highway Patrol and easily accessed by emergency vehicles.
- Motorist Satisfaction – Landscaping and facilities should be attractive, clean, and adequate to meet projected user needs. If possible, offer scenic views.
- Legal Feasibility – Site planning, development, design, construction, and operation should comply with federal, state, and local laws, regulations and standards. Where appropriate and possible, work with various entities having legal authority to amend those restrictions that are inhibiting the state's ability to meet its financial objective.
- Caltrans Resources – Develop, design, construct, and operate the facility without Caltrans having to add significantly more resources (staff or funding) than for a traditional roadside rest area.[7]
- Local Land Use Compatibility and Approvals – Should be compatible with local community, business, and government land use, economic, social, and environmental objectives, and therefore approved by the local community.
- Business Operation – Should operate in a safe and healthful manner. Goods and services should be of good quality and meet user needs. Prices should be comparable to similar goods and services sold in the vicinity.
- Site Maintenance – Buildings and facilities should present a well-kept and clear appearance. Grounds should be well maintained, walkways kept clear and repairs made quickly.

The sites were then evaluated with respect to their overall attractiveness to private commercial developer/operators, considering development costs, ability to generate commercial sales revenues, and whether their development might encounter environmental problems or community and therefore political resistance.

The analyses initially focused primarily on the demand for commercial services that were found in other commercial rest areas (i.e., along toll roads) to be the most suitable and financially rewarding for development in a TSRA, namely a fast-food restaurant, fuel service, and a convenience store. However, also analyzed were the potentials for providing special trucker, RV, and OHV operator-oriented services.

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[6] Good access was also somewhat arbitrarily defined as being one-quarter mile from an existing interchange.
[7] The CTC prescribed that Caltrans should contribute not more than 50% of the development funding and obtain an internal rate of return of at least 10% on that investment.

The federal regulation prohibited states from commercializing the right-of-way along the Interstate System. The prohibition was originally specified in 1956, when Congress enacted the legislation that launched the Interstate Highway Program. Congress considered applying the toll turnpike model, allowing motorists to access commercial facilities in the toll road's service areas, thereby avoiding having to leave the highway and pay a toll before continuing back on the toll road. However, Congress chose instead to avoid what it perceived as state-approved or supported commercial monopolies for traveler services. The federal concept was for rest areas to allow motorists to take a short rest from driving, use the rest rooms, and then move on. Unlike when traveling a toll road, motorists on the Interstate system would necessarily leave the highway to purchase food & beverages, fuel, lodging, or other commercial services.

The regulation states that, "Agreements relating to use of and access to rights-of-way" in the Interstate System specifically prohibits states from permitting "automotive service stations or other commercial establishments . . . to be constructed or located on the rights-of-way of the Interstate System."[8] The law is clear. Commercial services are specifically excluded from on-line rest areas located within an Interstate highway's right-of-way.

However, a commentary section of the California Senate Bill 468 introduced February 18, 2005 offered an interpretation of what is permissible regarding non-interstate highways. It said, "Federal law prohibits commercial activity within an interstate freeway right-of-way. The Federal Highway Administration has extended this ban through regulation to any non-interstate freeway. Essentially, the only areas where joint development can occur are on conventional highways that are not freeways, such as Highway 1 and Highway 395, and at interstate interchanges outside the right-of-way."[9] *(This policy might be very important in constraining the opportunities for future projects.)*

Conceptual site plans sought to achieve safe and efficient traffic and pedestrian flows, initially applying the following criteria:

- Cars to be separated from trucks/RV's at entrance
- Separate car and truck/RV fueling station areas with centrally located cashier
- Car parking to be perpendicular to facilities for enhanced pedestrian safety
- Bus drop-off to be at curbside adjacent to convenience store/restaurant
- Truck and RV parking to be separate from car parking
- One-way traffic flow for trucks and RV's
- Maximize car circulation options

For the alternative candidate sites identified, graphic illustrations of the alternative site plans were prepared and estimates of development and operating costs were to include:

- Land acquisition (if necessary)
- Site preparation/redevelopment
- Demolition/redevelopment/relocation of existing on-site improvements, including buildings, services, landscaping and other facilities

[8] Ibid. Paragraph (a)
[9] However, the commentary did not cite the specific regulation being referenced.

- Development of new on-site improvements
- Off-site improvements development/redevelopment
- Support costs, including planning, design, engineering, graphics, appraisal, conveyance documents, construction inspection, financing, environmental documents, and permits
- Maintenance, security, and insurance costs

Caltrans' expected investment, and its return on that investment, for each alternative development was estimated.

Caltrans judged that its airspace procedures and other related legal approaches could be applied to the prospective TSRA developments, even though they were originally designed to apply within the right-of-way where federal regulation prohibited commercial services.

The Victorville area was selected for the first focused investigation. It is discussed below as well as other TSRA projects attempted.

In 1999, still faced with an aging rest area system, used by more than 100 million people a year, and a legal requirement to comply with the Americans with Disabilities Act, the Department began planning the rehabilitation of its (at the time) 88-unit system. A "Rest Area System Improvement Team" was established to provide direction. Functional units from throughout the Department and from stakeholder agencies and organizations were represented on the team. In late 1999, the team's recommendations were adopted by Caltrans management and presented to the California Transportation Commission.[10] The recommendations included:

1. Raise the Priority of the Safety Rest Area System as Integral to Highway Safety
2. Develop an Updated Safety Roadside Rest Area System Master Plan
3. Rescind the Mandatory Privatization Policy
4. Expand and Formalize Public and Private Partnerships
5. Conduct Ongoing Evaluation of Rest Area System Performance
6. Investigate In-Route Truck Parking Capacity Issues
7. Maintain Ongoing Stakeholder Involvement
8. Update Safety Roadside Rest Area Design Standards and Guidelines

In 2000, the Department developed a new rest area system master plan, which was in effect at the time of this report. (It expects to complete a new SRRA System Master Plan by the end of 2008.) Based on recommendations from the Districts, the 2000 Master Plan includes 80 general locations where new rest areas are needed. However, the 2000 master plan does not specify a time frame for implementation or a funding plan. The Department's initial focus is on the development of three new rest areas on Interstate 5 between Kern and San Joaquin counties, Interstates 8, 15 and 40 in the southern California deserts. The California Transportation Commission has asked the Department to continue to seek joint economic development partnership for new rest areas.

In the mid-1980s and early 1990s, it was considered that the commercial references in the 1956 law might have pertained specifically and exclusively to the Interstate System. It was observed

[10] Ibid.

that the U.S. Code at the time was silent regarding commercial services along non-Interstate highways. And, normally, the U.S. Code is very specific in declaring its allowances and prohibitions on specific types of roadways. Therefore, it was thought possible to reasonably conclude that the 1956 Federal regulations did not prohibit automotive service stations or other commercial establishments within the rights-of-way of non-Interstate highways.

Commercial uses were not restricted outside of the right-of-way that may be accessible from the Interstate. Indeed, the Code specifically authorizes states to use the "airspace above and below the established grade line of the highway pavement for (commercial) purposes." But access to such uses is prohibited "directly from such established grade line of the highway." Therefore, it would not make sense to locate a commercialized rest area in the airspace in an attempt to escape the prohibition against commercial services, since the Code prohibits access to such a location directly from the Interstate. But that prohibition was not applied to commercial rest areas operated on land outside of interstate right-of-way that is accessible from an interchange, and is not above or below the Interstate right-of-way.

To summarize then, it appears that the Federal law in effect in the 1990s left the following possibilities for privatization/commercialization of rest areas. First, if a rest area were accessible from an interchange and not from its own dedicated on/off ramps, access restrictions would not apply. And, if the land that the rest area occupied was not within the Interstate right-of-way, or could be removed from the Interstate right-of-way, commercial services could be developed there. Therefore, rest areas accessible from an interchange and outside the Interstate right-of-way are candidates for commercialization.

The restrictions, however, did not apply to vending facilities that were allowed on Federal property, and with an interesting condition. Specifically, the U.S. Code at the time stated, "in authorizing the operation of vending facilities on Federal property, priority shall be given to blind persons licensed by a State agency . . . and the Secretary . . . shall . . . prescribe regulations designed to assure that . . . wherever feasible, one or more vending facilities are established on all Federal property . . . ."[11] Thus, the Federal Act provides for preferential contracting with, and hiring of, blind persons to operate vending facilities in rest areas. Congress clarified the commercial restriction in 1982, permitting vending machines in rest areas constructed or located on the Interstate right-of-way.[12]

The Federal Act defined vending facilities as "automatic vending machines, cafeterias, snack bars, cart services, shelters, counters and such other appropriate auxiliary equipment as the Secretary may by regulation prescribe as being necessary for the sale of articles or services described in section 107a(a)(5) of this title and which may be operated by blind licensees . . . ." Therefore, the Federal Act did not limit vending "facilities" only to vending "machines," and a broader variety of food services were evidently allowed under the Randolph-Sheppard Act, if not also by Title 23, Section 111.

Moreover, the new SAFETEA-LU legislation does not explicitly define vending machines/facilities. Therefore, it appears that by not defining vending facilities, the new

[11] Randolph-Sheppard Act, 20 U.S.C., Section 107, enacted in 1936 and amended in 1954 and 1974.
[12] The "Surface Transportation Assistance Act of 1982."

legislation might be presumed to accept the definition of vending facilities in Title 23 Section 111 and the Randolph-Sheppard Act.

B. Attempted Projects

1. Victorville Area (I-15) Traveler Services Rest Area (TSRA)

Five site areas were identified which met the primary and general criteria for a feasible TSRA described above. Prospective private interest was evaluated by interviewing representative prospective partners. The key informants included owners and operators of the types of businesses being considered for the TSRA, including those currently operating such businesses near the prospective sites. Informants were presented with site maps, aerial photographs of the sites, preliminary site plans, traffic counts, and estimates of the expected number of visitors. They were asked for their expectations as to development and operating potentials and problems, costs, target rates of return, etc. to obtain their impression of the sites' commercial viability and their particular interest in participation.

A range of project implementation approaches was considered, from "turnkey," where the private partner would assume primary responsibility for project implementation tasks (including land acquisition, site design, project construction, operation and maintenance) to "project packaging," where Caltrans would have primary implementation responsibility.

Dornbusch prepared conceptual site plans and estimated the cost of land acquisition, site improvements, operations and maintenance. Income was estimated from projections of revenues and operating costs for each of the commercial enterprise departments. Political and other implementation constraints and opportunities were evaluated.

Based on a comparative analysis of the five candidate areas, Caltrans chose to focus on the Victorville area, between the Oak Hill and Bear Valley Interchanges on 1-15, San Bernardino County. The next phase of the study investigated sites around four interchanges in the region that appeared to offer potential for development. They included:

- Oak Hill Interchange
  - Southwest of the Interchange
  - Southeast of the Interchange
- U.S. 395 Interchange
  - North of I-15, South of the crossroad, between Route 395 and I-15
  - Northwest of Route 395, North of the crossroad
- Phelan Road Interchange
  - Adjacent to and North of Phelan Road, East of I-15
  - Adjacent to and South of Phelan Road, East of I-15
  - Adjacent and South of Phelan Road, West of I-15
- Bear Valley Interchange
  - Various parcels

The preferred site, and the one chosen by the California Transportation Commission, was near the Interstate 15 and Route 395 interchange and on land almost entirely owned by Caltrans north of I-15, south of the crossroad and between Route 395 and I-15. Using land already owned by the state, and for which only a low value alternative purpose was envisioned, the "opportunity" cost of land was very low.[13] An existing road, with minimal improvements and turning movements, could be used for access from the interchange. The site was very visible from both directions of I-15. The TSRA would conform to local zoning and development regulations.

The study estimated the sales and profits that might be expected from operation of a restaurant, fuel service and convenience store together with a rest area's usual public facilities. These were based upon:

- Estimates of additional stopping traffic attracted by the prospective commercial services
- Estimates of personal expenditures at each prospective commercial enterprise

The estimates recognized:

- The type and nature of the new facilities provided (both private commercial and non-commercial),
- The extent to which competing facilities were available or expected to be developed,
- Site and regional characteristics relevant to commercial development potential,
- The volume of mainline and secondary route traffic and significant local traffic that could access the TSRA,
- Relevant traveler surveys which were performed for the test rest areas or related rest areas,
- Available studies of commercial activity in the regions of the test rest areas, and
- Information obtained from interviews with people familiar with traveler behavior, commercial activity, and development plans in the study regions.

The returns from the commercial enterprises were estimated to be sufficiently large to enable the private developer/operator to fund more than half of the project's development and operating costs while achieving a reasonable return commensurate with its financial and operating risks.

Surveys of toll road rest area users in other states yielded similar results and drew similar conclusions. They also revealed that fast food restaurants were considerably more popular and more profitable than table service restaurants.[14] That fast food restaurant, gas stations, and convenience stores are the most frequently installed facilities in new and remodeled rest areas was corroborated by new contracts in Florida, Oklahoma as well as the proposed operations for the Victorville TSRA.[15]

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[13] The only public use alternative considered for the land was a maintenance storage facility. Certainly, selling the land was an option. But, use for a TSRA was determined to be a more cost-effective alternative.

[14] Market Survey Study: Connecticut Turnpike Service Areas, for the Connecticut Department of Transportation, Wilbur Smith & Associates, January 1984.

[15] The Florida Turnpike Authority signed a contract with Marriott Corporation on December 15, 1988 to renovate all of their food and fuel service plazas and convert them to more lucrative operations. Oklahoma contracted with McDonalds, Texaco, Phillips 66, and EZ Go to replace and develop new restaurants, gas stations, and convenience stores at 13 rest areas.

Signing was an important issue. All prospective developer/operators felt that at least one sign was necessary in both directions of I-15, between 0.5 and 5.0 miles of the exit, announcing both the presence of the official Caltrans rest area and the nature of the area's commercial enterprises, preferably also including the business names and logos. And, most also wanted at least two or three additional signs in both directions as far as 60 miles from the TSRA.

There were three obstacles to such signing – California law, Caltrans policy, and the San Bernardino County Code. California law prohibited off-site advertising within 660 feet of a freeway and within 500 feet of a roadside rest area.[16] However, signs were allowed at the location where they advertise the business conducted or services rendered. Dornbusch recommended that Caltrans, the California Transportation Commission (CTC), and if necessary, the state legislature consider a special signing program to accommodate the needs of the TSRAs while being sensitive to the objections of local area businesses.

A rationale offered for a change in state policy and law was the improved effect that TSRAs would have on motorist safety. Added opportunities for motorists to rest and obtain food and beverages would produce more rested drivers and therefore fewer accidents.

Public perceptions and concerns were considered and found to be important. Local businesses were sensitive to additional competition, especially competition having the support of special state agency funding and signing policy. And, strong opposition was found to locating the TSRA within the Victorville city limits. However, there was also local support for commercial development, especially if it would help alleviate truck traffic through Victorville, Hesperia and Adelanto. There was a general feeling by local residents that businesses within the TSRA would be acceptable as long as they were selected in an open and fair manner and Caltrans' expenditures for the TSRA were "not excessive."

During implementation approval, Caltrans received guidance from the California Transportation Commission (CTS) and its Airspace Advisory Committee (AAC) regarding the financial objectives. Specifically, Caltrans was directed to require the private developer to contribute at least half of the investment capital and that Caltrans' internal rate of return on its own invested capital should be at least 10%.

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[16] California Business and Professions Code, Sections 5200 to 5486. The single exception, at the time, was the special logo sign program that allowed limited commercial advertising on I-5. That program was authorized in 1978 for a two-year test period and made permanent in 1982 (AB 198 and Section 101.7 of the California Streets and Highways Code). It exempted the interstate signs from local controls and followed nationwide FHWA guidelines, permitting a limited number of traveler-related businesses to display blue directional signs, maintained by Caltrans, of up to 3 by 4 feet for gas stations and 3 by 5 feet for food, lodging, and camping enterprises. They may include the business name, brand name, logo symbol or trademark and be located approximately 0.25 and 1.5 miles before the exit accessing the business. Supplemental directional signs are located at or near the end of the off-ramp and serve to direct the motorist to the business, if it is not visible from the off-ramp. The supplemental signs are limited to 1 by 1.5 feet for gas stations and 1 by 2 feet for food, lodging, and camping. Although a report recommended extension of the program to include other interstate routes, the state legislature rejected the recommendation. Where more firms apply than sign spaces are available, the firms located nearest the exit are given priority. Each business paid $600 a year for the signs.

Dornbusch recommended two approaches for soliciting proposals from prospective business partners for the TSRA. In one, Caltrans would specify all of the precise terms of the development and operation, thereby making it easier for Caltrans to compare competing proposals. In the other, Caltrans would be more flexible, allowing prospective partners to be creative in conceiving methods for designing, developing, operating and maintaining the facility, but within necessary prescribed guidelines, requirements and restrictions. The latter would make it more difficult to judge competing proposals, but it had the advantage of attracting more interest and yielding the greatest financial benefits to the state. Caltrans chose the latter and Dornbusch prepared a prospectus that included:

- A description of the project;
- Acceptable divisions of responsibility between Caltrans and the private partner - regarding land ownership, construction responsibilities and standards, provision and operation of services, maintenance, repair and replacement of facilities;
- Identification of required, authorized, and prohibited services;[17]
- Extent and limitation of Caltrans responsibilities;
- Structure of private partner's financial contribution (that is, in terms of an initial dollar contribution to the development and an annual fee according to a percentage of gross revenues);
- The partner's accounting and reporting requirements;
- Term of the agreement;
- Operating and maintenance (including employee training) requirements;
- Insurance requirements;
- Requirement for performance bonds;
- Non-performance, amendment, and dispute resolution provisions; and
- Responsibilities of the parties upon expiration of the agreement.

Dornbusch recommended the method for Caltrans to screen and evaluate proposals, negotiate a contract, monitor the contractor's performance and prepare for contract and project implementation.[18]

In November 1990, Caltrans signed an agreement with the winning private partnership to develop and operate the first roadside rest area in the state to include private commercial services. The winning proposal actually offered Caltrans a somewhat better financial arrangement than anticipated in the Dornbusch study.

The new TSRA was to be located on 14 acres of land entirely owned by Caltrans in the northwest quadrant of the I-15 and Route 395 intersection. It was designed to include a 16,400 square foot restaurant, convenience store, and information center. It was to include a fuel service facility (selling both gas and diesel fuel), as well as public rest rooms, landscaped areas for picnics and relaxation, parking areas for 275 cars, trucks and buses, and drinking fountains. No

[17] Prohibited the sale of alcohol, and required posting of fuel prices, acceptance of credit cards, ability for service station to make certain emergency vehicle repairs, hours of operation, provision of public telephones and rest rooms, and number of vehicle, RV and truck parking spaces.
[18] For the recommended TSRA site, implementation did not require either land acquisition or rezoning application.

alcoholic beverages were to be allowed sold in the TSRA. A uniformed security guard was to patrol the picnic area, and call buttons located throughout the site would allow motorists to summon emergency help.

Caltrans agreed to contribute the land and $500 thousand in cash to develop the TSRA. In exchange, the private developer/operator (TSRA operator) will build, operate, maintain, and be responsible for security of the entire facility for 35 years, at which time all of the improvements will become property of the State. In addition, the developer/operator agreed to pay Caltrans an annual rent based upon a percentage of the sales of all goods and services at the rest area, which is estimated to amount to at least $9 million over the life of the agreement.

The State also agreed to erect standard highway signs along I-15 and Route 395 to indicate the location of the TSRA. The design of the signs was to conform to rest area signs used elsewhere in the state, including the symbols to indicate the sale of food and fuel.

The project progressed through completion of construction plans, acquisition of building permits and ground breaking. However, the project stalled when the developer reported having difficulty obtaining construction financing. The developer sought to renegotiate the contract, but was unsuccessful in reaching a new agreement with Caltrans. Caltrans abandoned the project around February 1994.

In 1996, the original developer contacted Caltrans, expressing renewed interest in the project. Direction from the CTC at the time was to continue with rest area joint development efforts. Accordingly, the Chief of the Office of State Landscape Architecture requested advice from the State's Chief Counsel as to whether it would be possible to reactivate the project, and if so, what process would be necessary.[19] Evidently, the reply was negative, since the project was abandoned.

2. I-8 Imperial Traveler Services Rest Area

In 1987, California State Senator Bergson, from Imperial County, included language in the 1987/1988 California State Budget Bill directing Caltrans to study the feasibility of incorporating private commercial services into a rest area in Imperial County under the auspices of the joint economic development Demonstration Program. In 1990, Caltrans engaged David M. Dornbusch & Company, Inc. (later Dornbusch Associates) to investigate the feasibility of a TSRA project on Interstate 8, east of El Centro in Imperial County. The TSRA was to be a replacement for the existing Sand Hills Rest Area, which had been determined to be operationally unsafe.

As for the I-15 TSRA, the general objective was "to minimize Caltrans' development and operating costs, while providing an attractive and well-maintained Traveler Services Rest Area . .

[19] Letter to William M. McMillan, Chief Counsel, Legal Service Center, State of California from Gary W. Bush, Chief Office of State Landscape Architecture, October 10, 1996.

. which would maximize safety to the motoring public."[20] Specific objectives were to benefit both the public and private sectors from a jointly developed rest area project by:

- Replacing rather than simple closing an unsafe facility.
- Creating new development opportunities for the private sector.
- Providing basic services, such as food, fuel and tourist information in close proximity to a major interchange for the convenience and safety of the traveling public.
- Generating new revenues to support transportation facility maintenance and improvements through careful management of state-owned assets.
- Enhancing local commercial activity, resulting in expansion of the local tax base.

Dornbusch was engaged to determine the level of private sector interest in the concept and to "identify particular site locations, facilities and services, and participation arrangements which would attract the most private funding."[21]

Based on the experience in proceeding to implement the I-15 TSRA, Caltrans received guidance from the California Transportation Commission (CTS) and its Airspace Advisory Committee (AAC) regarding the financial objectives, namely that the private developer would be expected to contribute at least half of the investment capital and that Caltrans' internal rate of return on its invested capital should be at least 10%.

As for the I-15 project, a TSRA was defined as "a roadside facility where travelers may safely stop for short periods of time to relax and rest at no charge and to purchase available goods and services." Facilities allowed included the usual SRRA facilities as well as tourist information facilities and privately operated "traveler-related businesses."[22]

Twelve sites were identified for evaluation according to the criteria for a feasible TSRA described above. They were located between I-8 Post Mile 65 (at the junction of State Route 98 and I-8 and approximately 28 miles east of El Centro) and the Arizona border. The new replacement rest area would be called the Imperial Rest Area.

Of the twelve, only five sites were determined to be suitable for development, two at the Ogilby Interchange and three at the Sidewinder Interchange. However, the Ogilby sites were on federal land, where the BLM indicated its opposition to the inclusion of commercial services, and where a TSRA might create some environmental problems. Therefore, acquisition and potential environmental problems were perceived to entail significant implementation time, effort and ultimately uncertainty that the site could be acquired or approved for development.

On the other hand, the three Sidewinder Interchange sites were on private land, where a TSRA would be compatible with local land uses, would not be in environmentally sensitive areas, and where the cost to acquire the land was relatively low (at $2,000 to $4,000 per acre at the time of

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[20] Imperial County Traveler Services Rest Area Feasibility Study, for the California Department of Transportation, by David M. Dornbusch & Company, Inc., November 1989, p. i.
[21] Ibid. p. i.
[22] Ibid. p. 4.

the report)."[23] Moreover, water was evidently available in this otherwise relatively remote and arid area, and demand for commercial services was judged adequate to enable the project to meet the state's financial criteria. None of the three Sidewinder Interchange sites were considered to be superior to the others. And, it was not considered to be in Caltrans' best interest to identify a particular site, and thereby signal Caltrans' possible intention to acquire the land in advance.

The analysis also revealed that federal regulations concerning rest area design are fairly broad and conform to California guidelines. Although federal regulations presumably would not apply outside of the federal right-of-way, where the TSRA would be located, it would not be difficult to meet those guidelines and preclude any potential objection by the FHWA.

At the time of the report, the California requirements and methods for determining the nature and size of rest area facilities were specified in the State Highway Design Manual, Section 2-20, Article 7 of the Streets and Highways Code and the Caltrans "Policy and Procedure Memo on the Safety Roadside Rest Area System."[24]

Based upon those guidelines, it was determined that, at a minimum, the TSRA should include restrooms, drinking water, parking for automobiles, trucks and buses, picnic tables and benches, telephones, landscaped area, trash disposal facilities, and that all facilities should be accessible to the handicapped.[25]

In addition to those services, the public indicated a desire for traveler information.[26] [27] At the time of the Dornbusch study, Caltrans was successfully operating information centers at two rest areas, Randolph E. Collier (on I-5, 2.5 miles north of Route 96 near Yreka) and Moon Lim Lee (on Route 299, 5 miles east of Weaverville, near Douglas City). (Further discussion of the Collier SRRA is presented below.) Both were being operated by volunteer staff organized by local chambers of commerce and were not supported by revenue-generating commercial enterprises.[28] (Although not to be operated as information centers, the Turlock and Tipton SRRAs are expected to soon provide free Wi-Fi service.)

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[23] Ibid. p. 36.
[24] Caltrans "Policy and Procedure Memo on the Safety Roadside Rest Area System," July 30, 1981.
[25] Dornbusch 1989, Op. Cit., p. 38.
[26] Summary of the 1969 National Rest Area Usage Study and the 1970 Update of the Rest Area Inventory (60 Rest Areas), U.S. Department of Transportation, May 1971.
[27] A Research Study to Evaluate the Division of Highway's Safety Roadside Rest Program, (Survey of 1,000 California Motorists), State of California Department of Public Works, Opinion Research Corporation, December 1972.
[28] Traveler information is also currently provided at Welcome Centers. Generally, volunteers provide information to visitors' questions at an information desk. They provide information on local attractions, give directions (i.e., help travelers lookup directions via Internet), and recommend local restaurants, lodging, and retail enterprises. Caltrans provides road signage for the Welcome Centers, indicating the distance/location of the next Center. These signs do not bear any phone hotlines or Internet website information. Of the nine Welcome Centers contacted, only three (San Francisco, Los Angeles, and Merced) offer free Wi-Fi Internet, where travelers are able to browse for local lodging, restaurants, shopping, and other attractions. Generally, information is provided through brochures that advertise individual local attractions and businesses or a combined set of attractions and business through a published visitors guide. Most of the Welcome Centers contract with a private company for such visitor information, Certified Folder Display Service, Inc. This company provides brochure racks to the Welcome Center then charges local business to place advertising brochures in its rack. Certified also offers plasma screen advertising

The Dornbusch report suggested that, if the rest area was "located near the California-Arizona border, it would be a logical location for visitors traveling from one state to the other to stop and obtain information about the points of interest and traveler-related services that might be obtained further along their travel route."[29]

Caltrans reported that although the Sidewinder Interchange is considered to be a fine location for a Welcome Center, the District has decided not to pursue its development until the new rest area is constructed.[30]

Dornbusch reported that Caltrans and the CTC obtained comments from seven of 13 traveler-related organizations, in which 1,200 members completed questionnaires regarding rest areas.[31] 86% of the respondents favored commercial developments in rest areas. The most desired services were:[32]

	Percent of Respondents
Gasoline and automobile service stations	80%
Take-out restaurants	76%
Sit-down restaurants	66%
Vending machines	58%
Motels	30%
Gift shops	30%
Catering trucks	26%

A contemporary study by The Land Economics Group indicated similar motorist preferences for commercial enterprises.[33] It concluded that the following percentages of traffic would stop for the following services on an average day:

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at the Barstow, Santa Ana, and Oceanside Welcome Centers, brochure printing and design services. Certified pays the Welcome Center approximately 25% of gross advertising revenues in exchange for allowing the rack to be placed in the Welcome Center. None of the Welcome Centers have interactive kiosks; several have computer terminals where visitors can look for information on the web. Some California Welcome Centers use some combination of Certified services and their own advertising displays. For example, the Anderson Welcome Center does not use Certified but contracts with local businesses directly, providing its own advertising service. Therefore, local businesses pay the Welcome Center to advertise rather than paying Certified, which may be an opportunity for the Welcome Centers to capture more advertising revenue. Advertising revenues from local businesses are a primary revenue source.[28] The Merced Welcome Center offers both center-run advertising and Certified advertising for local businesses, and the center-run service generates far more revenue than the Certified service. [28] Most Centers indicated that local businesses are very willing to advertise at the Welcome Centers, and in some cases centers have waiting lists of prospective advertisers. The Welcome Centers are operated as non-profits that are partnered with and funded to varying degrees by counties, cities, local chambers of commerce, regional tourism bureaus, and economic development agencies.

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[29] Dornbusch 1989, p.41.

[30] Lori Butler, Caltrans Senior Landscape Architect and Roadside Facilities Coordinator, email 2-15-07.

[31] California Transportation Commission and Caltrans, Memo on Rest Area User Opinion Mail Survey, June 1984.

[32] Dornbusch 1989, p. 39.

[33] Feasibility Study: Winchester Interchange Roadside Rest Joint Development Strategy, for Kaiser Development Company, by The Land Economics Group, August 1985.

	Estimated Stopping Motorists
Coffee shop/restaurant	3%-6%
Fast food	4%-6%
Gasoline	1.4%-4%
Gift store	0.75%-1.5%
Convenience store	2%-4%

However, The Land Economics Group study concluded that the gift shop would not attract any additional motorists who would not otherwise stop for the restaurant. No conclusions were presented as to the percentage of motorists that would stop for combinations of services. For example, it was not clear that the percentages were additive for fast food, gasoline, and convenience store supplies.

The Dornbusch report recommended acquiring a privately owned parcel near Sidewinder Road, and making the acquisition prior to issuing the RFP for the TSRA development. The rationale for prior acquisition was that Caltrans' ownership of the site would remove any uncertainly about its ability to acquire a site, thereby increasing the response rate to the RFP and enhancing the attractiveness of the financial terms offered to Caltrans. It would also make it easier for Caltrans' evaluation panel to compare the competing proposals. On the other hand, such acquisition would run the risk that if the TSRA project were not ultimately implemented, Caltrans would own a parcel of land it did not need. However, the report concluded that the very low estimated cost of the land, and the benefits of early acquisition, justified the risk. Dornbusch recommended that 12 to 15 acres of land be acquired instead of the minimum of 8 acres judged necessary for the TSRA. The additional cost was so low as to have no significant impact on the project's overall feasibility. And, the additional land was thought to give Caltrans the flexibility to expand the project in the future, and to respond to higher-than-expected demand and/or the addition of facilities, such as a visitor center.

Moreover, the report noted that even if Caltrans did not develop the land for its own purposes, the land would presumably retain or increase its value, given its desirable location for commercial services. For example, at the time of the Dornbusch study, the McDonalds Corporation operated 10 restaurants at toll road plazas where the average annual daily traffic (AADT) counts were lower than the AADT's passing the Sidewinder I-8 sites. Those operations reflected recent McDonalds management thinking (at the time), since five of the contracts were signed in 1985 and 1986. Moreover, McDonalds management expressed an interest in locating a restaurant at the Imperial TSRA site. Also, both Phillips and Texaco had developed gas stations and convenience stores at 10 toll road plazas were the AADTs were similarly lower than passing the I-8 TSRA study area.

The report estimated that traffic stopping at an "Imperial Rest Area without commercial services would be approximately 12%" of AADT. It also estimated that the "additional drawing power of commercial and informational services would be expected to increase the stopping rate to about 17% for most sites in the study area" and especially during late fall, winter, and early spring

when "large numbers of OHV recreationists (are) visiting the Imperial Sand Dunes," and there is a "temporary resident population of 'snowbirds' in the (nearby) RV parks."[34]

Dornbusch prepared conceptual site plans and estimated the cost of land acquisition, site improvements, operations and maintenance. Income was estimated from projections of revenues and operating costs for each of the commercial enterprise departments.[35] The economic impacts of the project's development and operation were evaluated.[36]

As for the Victorville I-15 (San Bernardino) TSRA, a range of project implementation approaches was considered. At one end of the range, the private partner might assume responsibility for most project implementation tasks. Except for land acquisition, which would be Caltrans responsibility, the private partner would perform the site planning, facility design, and construction management. Once operational, the private partner would assume all responsibilities for the public and private facilities' operation and maintenance. Presumably Caltrans and the developer/operator would share responsibility for community relations and obtaining the necessary entitlements. At the other end of the range, Caltrans would assume responsibility for site development, then either lease finished buildings to one or more commercial operators, or lease the land upon which private partners would build, while retaining the power to specify and approve design, operation and maintenance. Caltrans or the lessee might maintain the "public area."[37]

At the time of the I-8 analysis, the I-15 project was proceeding well and yielding a creative design and an expected development cost that was lower than Caltrans might expect. Primarily for that reason, the latter approach was recommended.[38]

Pending a decision to acquire the necessary land, Caltrans commissioned Dornbusch to design an implementation plan, including a solicitation/marketing plan and requests for developer/operator qualifications and proposals.

The implementation plan also included a community relations effort, consisting of on-going discussions with surrounding community representatives, such as appointed and elected government officials, and private commercial operators in the vicinity of the candidate site(s). The purpose was to mitigate opposition and, where possible, build active support for the project.[39] The plan included:

- Informing local jurisdictions and constituencies during all stages of implementation.
- Gathering information concerning local and regional planning and economic development goals, local market conditions and other considerations which might influence the scale and commercial elements included in the project.

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[34] Dornbusch 1989, p. 49.
[35] Ibid. pp. 50-64.
[36] Ibid. pp. 65-67.
[37] Ibid. p. 70.
[38] Ibid. p. 72.
[39] "Imperial TSRA Community Relations Plan," a memorandum to Duane Frink, etc. Caltrans, from David Dornbusch and Katherine Ogden, September 3, 1990.

- Soliciting community input regarding special project components, such as a tourist information center or other services which respond directly to local concerns.
- Identifying key areas of support and opposition within the community and seeking to reduce opposition and build support for the project.
- Exploring the possibilities for additional sources of public financial participation in the project, such as incorporating a joint Tourist Information Center with the State of Arizona.
- Presenting Caltrans and the CTC with information about community concerns in advance of their final decision regarding authorization of the Imperial TSRA.

3. Redevelop Existing Rest Areas into TSRAs

In 1990, encouraged by evident potential of the I-15/395 TSRA project, and before that project was discontinued, Caltrans engaged David M. Dornbusch & Company, Inc. (later Dornbusch Associates) to investigate the feasibility of generating revenues from one or more of its existing rest areas by including private commercial services.

Following a review of all the state's Safety Roadside Rest Areas (SRRAs), it was determined that four of the ninety existing rest areas potentially qualified. They were:

- Randolph Collier Rest Area - I-5 north of Yreka and south of the Oregon border
- Buckman Springs Rest Area - I-8 east of Pine Valley in San Diego County,
- Wiley's Well Rest Area - I-10 between Blythe and the Arizona border, and
- C.H. Warlow Rest Area - Route 99 south of Fresno.

The reason only these four rest areas potentially qualified is that they were the only rest areas that were outside the highway right-of-way, requiring the motorist to leave the roadway via an interchange, and thereby avoid the federal prohibition against including private commercial services within right-of-way that had been acquired, even in part, with federal money. However, significant obstacles were found to inhibit redevelopment of all of the SRRAs into TSRAs.

Dornbusch investigated the prospective demand for commercial services, estimated sales and income, site expansion and development potentials, requirements and costs, and evaluated the overall financial feasibility of redeveloping the sites to accommodate commercial services. Also investigated were community perceptions and concerns.

a. Randolph Collier Rest Area

This rest area is on a 15-20 acre site. Although expansion was restricted to only about 3 acres due to its being bounded by Interstate 5, the Klamath River, and Route 96 on three sides, the total available area was larger than the new I-15/395 TSRA site which was to accommodate a large restaurant and convenience store in a 14,400 square foot structure, as well as fuel service for both cars and trucks. The nearest population center is Yreka about 15-20 miles away, providing a pool of necessary workers. Caltrans' records at the time indicated an AADT of 10,000-11,000 and higher than the traffic passing any of the I-8 TSRA candidate sites, where a

new TSRA was determined to be feasible, and higher than AADT passing a number of toll road rest areas with evidently viable McDonald's restaurants and fuel services.

Dornbusch determined that the operations of the existing traveler information service in the Collier Rest Area might be feasibly expanded using a portion of the facilities and funds generated by the commercial services.

However, the primary obstacle to redeveloping the Collier Rest Area into a TSRA was that the Yreka and other Siskiyou County business communities opposed any commercial development that would compete with the existing local businesses. As a result, Dornbusch recommended, and Caltrans agreed, not to pursue a project that would be unacceptable to the local communities, but rather to attempt to structure a project that would meet the community's objectives.

The local community was represented by the Collier Interpretative and Information Center (CIIC), which received authority to participate in the project under a Joint Powers Agreement by the Siskiyou County Board of Supervisors and each of the City Councils of eight of the cities within Siskiyou County - Dorris, Dunsmuir, Etna, Fort Jones, Montague, Mt. Shasta, Week and Yreka.

An RFP was drafted, approved by Caltrans and the CIIC, the local community representative, and issued in January 1993. Only one proposal was received (July 1993), and from the CIIC. The proposal redevelopment was comprised of:

- An information center
- An interpretative natural and cultural history center
- An enclosed river profile chamber with a viewing platform
- Trails
- Archaeological, historical and cultural areas
- Rest room expansion
- Parking area expansion
- Signing for directional needs

However, the proposal did not offer any redevelopment funding. The CIIC would only provide maintenance of the TSRA. Caltrans agreed to the concept, and the CIIC then proceeded to seek the funds necessary to implement the project.

According to Don Humphries, who was instrumental in the information center's initial development, the center has been very successful. Although the most recent annual (2005 & 2006) visitor counts indicated that only 65-75 thousand people visited the center (of the more than 2 million people entering the rest area), Mr. Humphries reported the following:

> In 1998, "we were unable to operate our small kiosk, for reasons that were outside of our control. As a result, communities, particularly along the Klamath River (Highway 96), experienced an approximate 40% drop in business during this period. Phone surveys of businesses throughout the county indicated that they experienced a measurable increase in

business since our opening the new and expanded center. The (reported) increases (were) between 5%–15%, depending on the business."[40]

The center is fully staffed 7 days a week year round by 3 full-time and additional part-time volunteers. It is operated 8-10 hours a day during the summer months and 7 hours in the winter. It is one of eleven "Welcome Centers" currently being operated statewide.

b. Buckman Springs Rest Area

This rest area contains about 21 acres, with an additional 20 acres adjacent to the site toward the east and another 20 acres available across the access road. All of the land was controlled by Caltrans and represented more than enough area for commercial services to be added. The most recent AADT count at the time was 10,400 and above a level adequate to justify commercial services. It is located near large population centers able to provide the necessary workers.

The Buckman Springs Rest Area was determined to be a feasible candidate for a TSRA. However, it had two significant obstacles to development as a TSRA. The first was that, as for the prospective Collier TSRA, there was significant local opposition in the Pine Valley community to developing commercial services that would compete with existing local businesses. Moreover, another group opposing the project wanted fewer visitors to the area. Consequently, the second group perceived no benefit to an information center in the TSRA that might attract more traffic to local businesses. Indeed, any additional business activity was considered a negative impact. Clearly, the interests of the two groups could not be reconciled.

While the local Pine Valley opposition was not initially as strong as at Collier, it gathered strength during an attempt to assuage community concerns. Ultimately, it became as effective as the Collier opposition in blocking the Buckman Springs project.

An additional problem was that the existing rest area is entirely on land owned by the U.S. Government and administered by the U.S. Forest Service who indicated they would not accept commercial enterprises on their land. Caltrans did own land about a half-mile from the rest area. But a site that far from the highway would not be practical for a TSRA, let alone an SRRA.

Ironically, the nearby community of Boulevard strongly supported the project and wanted the TSRA to be located as close to their community as possible. However, the Pine Valley community opposed the TSRA project even that far away, perceiving that it might negatively impact local commercial services. No TSRA plan of any kind could be identified that would be acceptable to the Pine Valley community. Ultimately, Dornbusch recommended, and Caltrans agreed, to withdraw the site from further consideration.

[40] Don Humphries, in an email to Ron Flory, Senior Landscape Architect, Caltrans North Region Engineering Services Branch, 6-30-06.

c. Wiley's Well Rest Area

This rest area is on a small site of about 5.5 acres, not enough by itself to accommodate commercial services. The most recent AADT reported was 10,400. Therefore, it appeared that although the traffic would justify commercial services, redesign of the site was problematic. The site is 15 miles from Blythe and easily served by its workforce.

Wiley's Well was judged to be potentially feasible for TSRA redevelopment. The principal problem was that a private company owned the areas adjacent to the site. The Newport Harbor Development Company (Newport Harbor) had acquired the land from the U.S. Bureau of Land Management (BLM) without the State's knowledge. As a result, Caltrans operated the rest area (and even a portion of I-10) under a "map filing" (easement agreement) for highway purposes, whose restrictions presumably passed from the BLM to Newport Harbor with title to the property.

Newport Harbor also owned all of the land in the other three quadrants of the interchange where a TSRA might be developed. And, the company indicated it had plans to develop a portion of that land with the same kinds of commercial services being considered for the TSRA, namely fuel service, a restaurant, and convenience store. Newport Harbor offered Caltrans ownership of land for a rest area just outside and the existing rest area (in the northeast quadrant) in exchange for a parcel which Caltrans controlled in the northwest quadrant of the interchange and presumably which Newport wanted for development.

Therefore, before Caltrans could proceed with a TSRA development strategy, it was necessary to clearly establish what, if any, rights the State had to add commercial services to the rest area. It was possible that under the terms of the easement agreement, Newport Harbor could deny Caltrans permission for such a development. Therefore, the first step was for Caltrans' legal staff to investigate the State's rights to develop the site. Specifically, the question was whether Caltrans had a right to add commercial services to the rest area, without permission from the owner of the land under the rest area.

Caltrans' legal staff concluded that Newport Harbor could <u>not</u> deny Caltrans the right to develop commercial services in a TSRA. Following Caltrans' instructions, Dornbusch prepared a Request For Qualifications and a Request For Proposals to engage a TSRA developer at the site. The RFQ was issued on October 4, 1991 and the RFP on December 20, 1991.

A successful proposer was selected, California Journey Rest Stops, Inc. (also called Pacific Rest Stops). However, Newport Harbor's opposition to the project was so aggressive that Caltrans elected not to proceed with the TSRA development, despite the opinion from Caltrans attorneys that it had a legal right to implement the project. Caltrans then requested that California Journey Rest Stops (Journey) attempt to reach an agreement with Newport Harbor. They did, and then proposed the following terms:

- Newport Development would deed 12 acres of its land to Caltrans. The land would include all of the present Wiley's Well SRRA site, plus additional land needed for the TSRA's commercial development.

- Newport Development would receive the same amount of cash as Caltrans would receive each year, in exchange for deeding its property to Caltrans.
- Caltrans would contribute $1.2 million to develop the project and lease the 12 acres to Journey for 40 years to operate the TSRA.

Under the new proposal, Dornbusch estimated that Caltrans would obtain $136 thousand in the first year, representing an 11.3% return on Caltrans' $1.2 million investment in the first year, and presumably increasing each year thereafter as I-10 traffic, TSRA visitation and commercial sales were expected to grow. The benefits to Caltrans would actually be higher, because the private operator would agree to perform all maintenance and future capital replacements in the TSRA, yielding substantial annual savings to Caltrans by avoiding those costs at the existing SRRA.

Dornbusch concluded that Journey's proposal was a good deal for Caltrans and recommended its acceptance. However, Newport evidently reneged on its agreement with Journey and sought much more money for its participation than Caltrans was willing to provide. Caltrans ultimately decided not to proceed with the project.

Interestingly, it was discovered too late that Newport Harbor had filed for bankruptcy protection under Chapter 11 during the negotiation process, and therefore might have been persuaded to negotiate a satisfactory arrangement.

d. C.H. Warlow Rest Area

Although expansion of the site was severely constrained, its size of about 20 acres was considered sufficient for the addition of significant commercial services. Its high use intensity by cars, trucks and RV's indicated a promising demand for commercial services. The most recent AADT reported at the time was 19,000, more than adequate to justify a variety of commercial services. The site is about 20 miles south of Fresno and close enough to attract needed workers.

Since this rest area shared an access road from the interchange with commercial services similar to those that might be included in the TSRA (including a fuel service, mini market, two restaurants, and a motel), Caltrans determined that it did not wish to develop a TSRA in direct competition with identical adjacent services. However, on Dornbusch's recommendation, Caltrans agreed to consider two options:

- Seek to jointly develop the existing Warlow SRRA together with the owners/operators of the land and commercial services across the access road, or
- Investigate alternative sites for the TSRA nearby, and seek to jointly develop such a site either with commercial owners/operators at or near the site, or acquire nearby land and jointly developing a TSRA through an open competitive process.

Caltrans elected the second option, and Dornbusch prepared a Request for Qualifications that was issued in February 1991. Caltrans determined that five organizations presented acceptable qualifications, and issued a Request for Proposals in June 1991. However, surprisingly, no proposals were presented for a TSRA at an alternative site.

Dornbusch contacted representatives of the qualified prospective proposers to inquire about their reasons for not submitting a proposal. The replies indicated considerable interest in the project, but all expressed concerns about various obstacles. The following identifies the concerns for each of the proposers:

- TSRA of California II: This was the prospective developer of the I-15 Oak Hill TSRA. At the time of their submission, they were having trouble obtaining debt financing for the I-15 Oak Hill TSRA and were therefore likely to encounter similar financing problems for the Warlow TSRA.

- Polish, Catalina, Catalina, Ltd.: The team lead expressed concern that the location was in a competitive area. But, the main reason for not responding was that, at the time, they were occupied with two large hotel projects, and did not have time to prepare a proposal.

- Arcadian Motor Carriers: Truck Stops of America "talked them out of proposing." TSA misled them into believing they would have to pay Caltrans their entire margin on fuel sales in rent. Consequently, they did not estimate the financial advantage of incorporating their commercial enterprises in an official and signed state rest area.

- PSAS, Inc.: This was the operator of the Pea Soup Anderson restaurant. Their main consideration was that Caltrans would prohibit the sale of alcoholic beverages. However, they indicated they might reconsider and submit a proposal if given another opportunity.

- Marriott Corporation: Their analysis of the Warlow site indicated that considerable capital improvements would be necessary. However, they did not feel that given the poor visibility, though reasonable access, sufficient traffic and therefore commercial sales would be generated to justify the capital investment. They elected not to investigate potential alternative sites. However, if Caltrans identified a site and took control of it, either through outright purchase or option-to-purchase, Marriott would evaluate the site and submit a proposal, if they determined it to yield a sufficient return on investment.

Dornbusch identified an additional TSRA development possibility. Manuel Estobel, the Selma City Manager, reported that a traffic mitigation project at the Highland/Floral Interchange was close to being resolved. If it were, it would provide access to sites that previously lacked access. He also said there were some "new players" on the west side of Route 99 who acquired sizable properties and wee more interested in development than the previous property owners.

The above findings were reported to Caltrans, which requested that Dornbusch identify methods to overcome the obstacles and prepare a strategy for pursuing a TSRA project. Accordingly, most of the prospective bidders agreed to drop their objections and submit a proposal if an RFP was reissued. However, Caltrans decided not to reissue an RFP, and the project was terminated.

4. Route 120/108 Tuolumne County Traveler Services Rest Area

In 1992, Caltrans engaged Dornbusch to investigate the feasibility of developing a TSRA on Route 12/108 in the Yosemite Junction area. The assessment included an identification of candidate sites, determination of the key issues relevant to successfully developing and operating a TSRA at the general location, and an evaluation of candidate sites.[41] The project did not entail a comprehensive feasibility analysis or an implementation plan, as did the previous TSRA studies.

The candidate sites were narrowed to include:

- Yosemite Junction, at the intersection of Routes 120 and 108
  - with a new interchange
  - without a new interchange
- The junction between Routes 108 and 49
- The south side of Route 120/108 – two miles south of Yosemite Junction and on a portion of lot 119, 110, or 109 within the Yosemite Estates Development, without an interchange, and therefore having only north-bound access

The site location criteria applied were the same as those developed for the TSRA projects previously described.

The key problems were (1) acquiring a site of adequate developable size, (2) for which local approvals could be obtained, and (3) where commercial enterprises could be sufficiently profitable to justify the cost of land and the road improvements necessary to provide adequate access to the site.

Commercial profitability would be limited by the quality of access to the TSRA. None of the prospective sites could be easily accessed from multiple directions without expensive roadway improvements.[42] And, the additional revenues accruing to the commercial enterprises from such improvements did not necessarily justify the cost of those improvements.

Further complicating the effort to identify prospective TSRA sites was the status of a negotiation between Caltrans and the developers of a major proposed residential community (Yosemite Estates). The developers wanted a new interchange at Yosemite Junction that would significantly improve access into a major portion of their proposed residential community. The choice of a TSRA location was highly dependent on whether or not such an interchange would be developed and whether land for the site could be obtained from the Yosemite Estates property.

Although the preliminary analysis at the time indicated TSRA project feasibility, it did not make sense to proceed with a TSRA plan or even a more detailed feasibility and site analysis until the

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[41] Preliminary Feasibility Assessment for a TSRA on Route 120/108 in Tuolumne County, for the California Department of Transportation, by David M. Dornbusch & Company, Inc., March 1993.

[42] Three of the four the sites were located adjacent to one of the main highways (120/108, 120/49, and 108), and therefore would require widening to accommodate turning lanes for safer turning movements.

Yosemite Estates interchange issues had been settled. In fact, the best location for the TSRA appeared to be near or adjacent to the interchange. But the Yosemite Estates developers might oppose such a location as being too near their residential community. And, not only was their agreement important, they controlled the land that might be used for the TSRA.

Further project analysis was suspended pending the outcome of the negotiations. Caltrans reported that the developer proceeded with the project without state participation or therefore a commercialized rest area.[43] And, the area is not considered to be a high priority area for a partnership rest area.[44]

5. Cactus City (I-10) Replacement – Chiriaco Summit

In the late 1980s, the Chiriaco Corporation approached Caltrans with an unsolicited concept of providing public rest area services at the Chiriaco Summit in exchange for Caltrans closing the nearby Cactus City Rest Area on Interstate 10 (approximately 15 miles east of Indio). In 1991, Caltrans asked Dornbusch to work with the Chiriaco Corporation and investigate the prospects for such a proposal meeting Caltrans' objectives and constraints for a TSRA at the Chiriaco Summit.

The privately operated Chiriaco Corporation operated a fuel service, restaurant and gift shop adjacent to a General Patton Museum and small air strip, and therefore already had access to and had developed water, energy and sewage treatment facilities. Moreover, since the commercial services already existed, and there were no other commercial services nearby, little public opposition to the redevelopment might be expected. Indeed little development of any kind existed at the time within 25 miles to the west (Indio) or 56 miles to the east (Blythe).

Between 1991 and 1993, Dornbusch estimated the costs to reconfigure the site to conform to Caltrans' rest area requirements and the financial contribution the corporation might be expected to contribute to the redevelopment, given the revenues and profits the TSRA would generate. Dornbusch also analyzed the potentials for the Chiriaco Corporation to partner with a number of other private entities to expand the commercial services at the site as well as expand the commercial operations to other quadrants of the interchange owned by the corporation.

Although the Chiriaco Summit site stood out as a particularly likely candidate for the replacement TSRA, Caltrans decided to invite proposals in an open competition. In 1993, Caltrans engaged Dornbusch to draft a Request for Proposals from private organizations to "develop and operate a Traveler Services Rest Area (TSRA) to be located within 20 miles of the existing Cactus City Rest Area on Interstate 10, to be a replacement for the Cactus City Rest Area."[45] However, as of July 1995, Caltrans was considering allowing the commercial services rest area replacement for the Cactus City SRRA to be located between Indio and Desert Center.[46]

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[43] Lori Butler, Caltrans Senior Landscape Architect and Roadside Facilities Coordinator, email 2-15-07.
[44] Ibid.
[45] "Request for Proposals for a Traveler Services Rest Area Privatization Development to replace the Cactus City Rest Area," issued by the California Department of Transportation, September 1, 1993, cover letter.
[46] Indio was only slightly more than 30 miles from the Whitewater rest area, and nearly 80 miles from the Wiley's Well rest area. And Desert Center was nearly 80 miles from Whitewater, and only about 30 miles from Wiley's

Caltrans engaged Dornbusch to develop a Request for Proposals for such an off-site facility, which it intended to issue during or shortly after 1996.[47]

The TSRA was to be one of "six new safety roadside rest area units as a joint economic development Demonstration Project."[48] The RFP specified that the TSRA would "include private commercial services as well as the usual public rest area services."[49]

The replacement TSRA concept was similar to that for the projects previously described, namely to save Caltrans future expenditures on rest area capital replacement and maintenance costs. The difference was that the replacement TSRA might be located outside of an existing SRRA site, at an entirely new site, and even on land not owned by Caltrans.

One of Caltrans' reservations at the time was that the state might lose the rest area when the contract with the private partner expired. Dornbusch suggested that Caltrans might control for such a contingency by obtaining an easement on the property that restricted its use for any purpose other than a commercial services rest area. However, the concept was not expressed in the RFP as a condition for the project.

The principal *requirements* for the replacement TSRA were that the developer/operator had to:

- Locate the TSRA within 20 miles of the Cactus City Rest Area and within 1/4 mile of an existing interchange.
- Develop of all of the commercial and non-commercial facilities, including parking, required support utilities, and all other on-site and off-site improvements necessary.
- Operate and maintain the entire TSRA, including both the commercial and non-commercial facilities.
- Adhere to Caltrans standards for the design, construction, and operation of its rest areas.
- Provide adequate parking, comfort stations, picnic tables, pedestrian walkways, and telephones, in attractive and well-maintained grounds.
- Include commercial facilities compatible with a rest area's facilities and which entail only short-term use by motorists. (Caltrans considered a restaurant, convenience store, and fuel service to be compatible with a rest area's operation. However, overnight use, such as a hotel was not acceptable as a short-term use.)
- Keep the public rest area services open and available to the motoring public 24 hours a day, 365 days a year, without charge.
- Prohibit the sale of alcoholic beverages.

Caltrans stated a *preference, but not a requirement* for, the developer/operator to be responsible for all development, operation, and maintenance functions of the entire TSRA, including to:

Well. Given Caltrans' desire to space rest areas at intervals of about one-hour driving time, that spacing might have place the replacement for Cactus City beyond the western and eastern limits of Caltrans' rest area spacing policy.

[47] Letter from J. Michael Brennan, Caltrans Deputy Director External Affairs to David H. Densmore, Division Administrator, Federal Highway Administration, U.S. Department of Transportation, October 23, 1996.

[48] Authorized by Article 7, Section 227 of the Streets and Highways Code.

[49] Op cit, Cactus City replacement RFP, cover letter.

- Perform all site planning, architectural and engineering design.
- Prepare all environmental documentation, secure all necessary clearances and permits, and comply with General Plan and Zoning requirements.
- Perform all construction of off-site and on-site improvements.
- Operate and maintain all on-site facilities, including the facilities regarded as public.
- Perform all functions necessary to maintain security of the site.

But, the governing condition was not what the private partner did, but rather that Caltrans would:

- Contribute funding to the TSRA project amounting to not more than 50% of the funds required to satisfactorily upgrade the existing Cactus City Rest Area. (Only a rough estimate of the upgrade cost had been made a the time the RFP was drafted in 1993.)

Caltrans considered, but did not request, that:

- The TSRA circulation plan reflect two routes - one for trucks/buses and the other for cars, with the trucks and buses following a route outside the route for cars, and thereby enabling truckers and bus riders to access the rest area facilities from one side and car passengers from the other.

Caltrans intended to specify that it would:

- Review for approval all plans and designs of rest area facilities to require compliance with Caltrans' rest area standards.
- Review for approval the spatial/functional relationships.
- Require compliance with Caltrans' standards in the design and operation of the TSRA.
- Contribute to the project's financing up to a maximum of 50%.

And, in exchange for the partner's commitments, Caltrans would:

- Designate the TSRA as an official California rest area
- Erect standard official state rest area signs on the Interstate that indicate the designation, and are spaced according to the signing policy of all other rest area signing.
- Close the Cactus City Rest Area.

Caltrans ultimately decided not to issue an RFP for the Cactus City SRRA replacement and suspended the project, indicating opposition to the project as the reason.[50]

6. Hickman Ranch - Route 50

Caltrans engaged Dornbusch to evaluate an unsolicited proposal from Warren B. More, on behalf of Apple Properties, to develop a Traveler Services Rest Area (TSRA) at Hickman Ranch on Route 50. Caltrans determined that the location would fill a gap in the rest area system, which (according to Caltrans policy) should space rest areas along state highways at about one-hour

[50] Letter from Robert L. Buckley, Caltrans Program Manager to Gary Cohoe, District Division Chief, Program/Project Management Division, District 8, 11-12-97.

driving time intervals. Dornbusch evaluated the Apple Properties proposal in terms of its potential to meet the CTC's objectives of:

- The private developer/operator contributing at least 50% of the TSRA's development and operation cost, and
- Caltrans obtaining at least a 10% rate of return on its investment.

The proposal was especially burdened financially by its requirement for Caltrans to build an interchange near the site to provide access from both directions. Caltrans estimated the cost of such an interchange to be $2.42 million. In addition, Caltrans was expected to fund all of the public facilities at an estimated cost of $2.24 million, for a combined total of $4.66 million.

The private partner's proposed investment amounted to $1.2 million for all of the commercial facilities, the land (of approximately 20 acres) having an estimated value of about $100 thousand, plus other infrastructure, for a total of about $1.5 million, or only about 24% of the total development cost.

Caltrans would have been required to maintain the sewage treatment system, at an annual cost of $200 thousand, plus fund the annual maintenance cost of an estimated $70 thousand. Together, that represented nine times the proposed annual rent of only $30 thousand.

Consequently, in addition to funding about 76% of the capital costs, Caltrans' annual return on its investment would be negative. Therefore, the proposal fell short of meeting either of the CTC's financial criteria.

A better financial arrangement appeared possible for a TSRA at one or more an alternative nearby sites. Therefore, it was suggested that if Caltrans desired a TSRA in the area that competitive proposals be sought from additional prospective partners. Caltrans elected not to pursue a commercial SRRA project in the area.

II. CALTRANS' HISTORICAL EFFORTS TO DEVELOP PUBLIC-PRIVATE REST AREA PARTNERSHIPS *SINCE THE MID-1990s*

A. Chowchilla Partnered Rest Area

In October 2001, Caltrans issued an RFP for development and operation of an SRRA on State Route 99, near the City of Chowchilla. The rationale for the project was the same as for the commercial rest area projects previously described, namely to "reduce the life cycle cost to the State of providing public Rest Area services.[51] However, instead of incorporating the commercial services within the rest area, Caltrans envisioned the public rest area facility to be constructed adjacent to existing or proposed highway-related commercial services within one-quarter mile of an existing interchange. Caltrans' notion was that the prospective partner would benefit from increased business from traffic that would be attracted from Route 99 to the rest area and therefore flow past its enterprise(s). Presumably, the greater income would justify the partner's investing in some or all of the cost of the land, construction, maintenance and/or rest area operations, which would be free to the public and operated 24 hours a day, everyday, for a minimum of 25 years.[52]

The facility was to accommodate a minimum of 80 cars, 40 trucks, provide rest rooms, picnic tables, pedestrian walkways, telephones, and information display facilities, and be accessible to the handicapped.

Caltrans selected a prospective partner for a development near the Route 99/Route 233 Interchange, and entered into negotiations.[53] However, as of February 2003, a number of important access, circulation, and funding/cost saving issues were still unresolved.[54] Evidently, they were not resolved. The project failed because of the high cost to rebuild the bridge structure necessary for proper access, and Caltrans terminated negotiations.

A number of conclusions were derived from the failed project. Most were similar to those drawn from similar previous unsuccessful projects. However, Caltrans also determined that it should own and not lease the land under the rest area.[55] (It is not clear whether Caltrans considered and rejected the concept of obtaining an easement on the subject property.)

B. Sacramento Auxiliary Truck Parking Facility

In May 2002, Caltrans issued an RFP for the development and/or operation of an auxiliary rest area facility located along I-5 or I-80, within 7 miles of the Interstates 80 and 5 interchange and not more then 0.5 miles from an existing or proposed interchange. This rest area was to

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[51] RFP #06-45830, October 2001.
[52] Ibid. p. 1.
[53] Ben Rishwain Commercial Properties of Lodi, California.
[54] Letter from J. Mike Leonardo, Director District 6, to Ben Rishwain, Ben Rishwain Commercial Properties, February 11, 2003.
[55] Rest Area Privatization, Lessons Learned, Chowchilla Rest Area, memo by "Project Manager and other Team Members," July 7, 2006.

supplement the Elkhorn Safety Roadside Rest Area located along I-5 near the Sacramento International Airport.[56] The location was to be between West Capitol Avenue (to the west) and Longview Drive (to the east) on I-80, and the Elkhorn Rest Area (to the north) and Semas Avenue (to the south) on I-5.

The goal of this project was to provide sufficient rest area parking for commercial truckers, addressing what Caltrans perceived to be a significant lack of commercial truck rest spaces in the region, and to "reduce the life-cycle cost to the State of providing public rest area services."

Commercial truck stop facilities in the Sacramento region were being closed, and truck drivers were (and are) faced with fewer choices for stopping to rest.

Although there was an existing truck rest area in the area, truck drivers were using on and off ramps, as well as shoulders, to park and rest. Although an alternative would be for drivers to rest at hotels, rising fuel costs, reduced driver lodging budgets, and increased overhead made "on-board lodging" an increasingly more feasible use of trucker's travel expenditures.

The California Highway Patrol, as well as interested national organizations, supported the project to augment the available facilities for convenient truck parking.

Caltrans envisioned the construction of public rest area facilities adjacent to existing or proposed highway-related commercial services, becoming what has more recently been termed as an "Oasis" rest area. The site would offer both a State sanctioned rest area and access to commercial services, such as fuel, food, motor services, and travel information.

There were to be a minimum of 250 commercial truck parking spaces and up to 500 spaces. The higher number was greater than would have been necessary to meet demand at the time, anticipating commercial truck parking demand during the subsequent 20 years.

Caltrans expected the prospective private partner to share or assume all of the capital and operating costs of development, including those for land, construction, and maintenance/operations. Moreover, the RFP required the private partner to accept provisions that would guarantee the site would remain a public rest area for 20 years. The facilities required by Caltrans at the new rest area were to include the following:

- 250 to 500 commercial truck parking spaces
- 30 or more automobile parking spaces
- 10 or more recreational vehicle parking spaces
- Rest rooms
- Drinking fountains
- Telephones
- Information display
- ADA compliance
- Facilities to be free of charge and operated 24 hours per day.

[56] Request for Proposal, Truckers Rest Area Facility, Interstate 80 or Interstate 5, in the Sacramento Area, 2002.

A key requirement was for the partner to "demonstrate how the partnership (would) reduce life-cycle costs to the State." Life-cycle costs were defined to include land acquisition, design, construction, and 20 years of maintenance, operations and utility expenditures.

After issuing the RFP, Caltrans entered into discussions with a prospective partner who, at the time, operated the Sacramento 49er Travel Plaza, a commercial truck stop located near the I-80 and El Camino Avenue interchange. Caltrans considered three development options with differing levels of anticipated CTC support.

Option 1: Caltrans would purchase roughly 20 acres of land adjacent to the 49er Travel Plaza and then design and construct the rest area facility and be responsible for its operation and maintenance all at its own cost. It was estimated that over 20 years, the approximate cost to Caltrans would be $23.6 million. This development option was expected to garner relatively little support from the CTC.

Option 2: Caltrans would purchase the 20 acres of land adjacent to the 49er Travel Plaza, but with the agreement that Caltrans would offer the 49er Travel Plaza operator the first right to purchase the land should the property become available in the future.

The 49er Travel Plaza operator agreed to provide the building, landscaping, and parking lot maintenance, conforming to a maintenance plan specified by Caltrans for a term of 20 years. The operator agreed to be responsible for both minor repairs (i.e., painting, light bulb replacements, pavement striping, fencing repairs, and door locks) and moderate and major repairs to deteriorated vehicular areas (i.e., pavement, curbs, utility systems, etc.). In addition, the private partner agreed to operate and provide security to the facility 24 hours per day and pay all utility costs.

Caltrans agreed to pay all permitting/environmental, design, and construction costs to develop the rest area, including costs associated with improvements to highway and arterial routes. Caltrans agree to be responsible for all onsite and highway signing and associated costs. Caltrans would have the authority to make unannounced inspections of rest area facilities to assess if Caltrans' maintenance standards were being met. And, Caltrans agreed to "prohibit additions of rest facilities for truckers, public or partnered, on I-80 from the western district boundary to the City of Colfax, and on I-5 from Elk Horn Rest area to 3 miles north of Twin Cities Road."[57] This agreement to limit the development of subsequent rest area facilities for truckers in the region was to minimize competitive commercial pressures on the private operator.

Both Caltrans and the private operator agreed to reach a final agreement by March of 2003, with Caltrans agreeing to complete construction and open the rest area facility by the summer of 2004.

Over a 20-year period, this development option was estimated to cost Caltrans $13.0 million. As for development Option 1, Option 2 was expected to obtain little CTC support or approval.

[57] Jeff Ferrario, (916) 274-0604, e-mail communication 1-10-07.

Option 3: This development option would include all of the terms specified for Option 2, yet without the 20-acre land purchase. Instead, the current operator of the 49er Travel Plaza would donate roughly 20 acres to Caltrans for a period of 10 years. After 10 years, Caltrans would relinquish the land and all improvements to the 49er Travel Plaza operator.

The projected cost to Caltrans over a 20-year period was estimated at about $8.0 million. Unlike development Options 1 and 2, Option 3 was expected to generate more support and achieve CTC approval.

Outcome: It appears that a project was not formulated for presentation to the CTC for approval. Although the concept and proposed terms were considered to be favorable, Caltrans' was unable to contribute its share of the necessary $10 million to implement the project. Consequently, in January 2003, District 3 terminated negotiations with the prospective partner. Caltrans believes that the previous prospective partner would no longer be interested in the project, possibly demonstrating the fragility of long-term partnership relationships.

Task B Report

BARRIERS TO FUTURE CALTRANS REST AREA PARTNERSHIP PROJECTS

Contract No: 65A0240

Prepared for

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

DORNBUSCH ASSOCIATES

July 18, 2007

I. INTRODUCTION

The following report identifies and evaluates the various barriers to future Caltrans rest area partnership projects. The discussion addresses the relative importance of the barriers and explores those barriers' potential for being eased. Given those considerations, we recommend guidelines for Caltrans to proceed to implement its desired rest area partnership projects.

The report begins by addressing relevant federal and California state laws and regulations. It then explores the nature of stakeholder opposition and support for such projects, and evaluates the relative importance of such opposition and support, based on recent California and other states' attempts to implement such projects. We also sought to investigate innovative and relevant approaches applied in other countries.

The Caltrans Landscape Architecture Program identified the following locations as being the highest priority sites for developing private/public and public/public partnerships for new safety roadside rest areas.[1] We noted that all are to serve Interstate highways. Therefore, the focus was on restrictions and potentials particularly relevant to developing projects along Interstate highways.

- **Merced County on I-5 near Gustine**. In 2005, over 38,000 vehicles, including 9,500 trucks traveled this segment of Interstate 5 each day. Limited commercial services exist along the highway and even fewer are available on a 24-hour basis.[2] The two rest areas north and south of this location regularly experience overcrowding.[3] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities. This facility will also provide services for travelers on State Route 140. Caltrans anticipates that a private partner providing travel related services might be a potential partner(s) in the development of a new rest area near this location.

- **Fresno County on I-5 near Three Rocks**. In 2005, over 34,000 vehicles, including 10,000 trucks travel this segment of Interstate 5 each day.[4] As for the Gustine site, limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The two rest areas on to the north and south of this location regularly experience overcrowding.[5] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities. Caltrans anticipates that a private partner providing travel related services might be a potential partner(s) in the development of a new rest area near this location.

- **Kings County on I-5 near South Dome**. In 2005, over 31,000 vehicles, including 9,300 trucks travel this segment of Interstate 5 each day.[6] As for the Gustine and Three Rocks

[1] Landscape Architecture, SIR 7-19-06.
[2] 2005 CALTRANS report.
[3] The Westley Rest Area is 27 miles to the north. The John "Chuck" Erreca Rest Area is 32 miles to the south.
[4] 2005 CALTRANS report.
[5] The John "Chuck" Erreca Rest Area is 37 miles to the north. The Coalinga Avenal Rest Area is 29 miles to the south.
[6] 2005 CALTRANS report.

sites, limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The two rest areas on to the north and south of this location regularly experience overcrowding.[7] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities. Caltrans anticipates that a private partner providing travel related services might be a potential partner(s) in the development of a new rest area near this location.

- **San Bernardino County on I-40 near Kelbaker**. In 2005, over 13,400 vehicles, including 7,300 trucks travel this segment of Interstate 40 each day.[8] Existing rest areas to the east and west are located 80 miles apart. On and off-ramps and turnouts are heavily used by trucks for long-term (overnight) parking. Very limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The District anticipates the potential for partnering with the High Speed Rail Authority in the development of a new rest area, as their Kelbaker station will be adjacent to the Interstate at this location with a proposed opening in 2012.

- **San Bernardino County on I-15 near Victorville**. In 2005, over 85,000 vehicles, including 14,000 trucks travel this segment of Interstate 15 each day, according to the 2005 CALTRANS Truck AADT report. The District identified this project to alleviate the high use demands at the adjoining rest areas. Caltrans anticipates that both the City of Victorville and private developer(s) could be potential partners in the development of a new rest area at this location.

- **Imperial County on I-8 near Winterhaven**. In 2005, over 16,000 vehicles, including 13,000 trucks travel this segment of Interstate 5 each day.[9] The District has identified this location for a "Gateway to California" and a replacement for the median portable toilets located 37 miles to the west at Sand Hills. The District is currently developing plans for a Transportation Enhancement project to convert an old railroad station into a welcome center on the property adjacent to the proposed site. The State has already acquired approximately 24 of the 30 acres needed for this project. A study completed in 2000 identified prospective development of the commercial services at this location, namely fuel, retail goods (mini-mart), fast food or dine-in restaurant and vehicle repair facilities. The existing bridge structure and interchange ramps at Sidewinder Road may require deck curbs, railings pedestrian walkways, ramp widening and turning radius improvements due to the increased traffic attracted by the partnered rest area at this interchange. Caltrans anticipates that desert agencies, such as the BLM, and corporate travel related services would be potential partner(s) in the development of a new rest area at this location.

Note: In the following discussion, we distinguish between two categories of *commercial services* that might be offered at a highway rest area. One category includes services with high revenue-generating potential - such as food, beverage, retail merchandise, and fuel sales. As a shorthand reference, we call these "primary" commercial services. Other commercial services

[7] The Coalinga Avenal Rest Area is 11 miles north. The Buttonwillow Rest Area is about 49 miles to the south.
[8] 2005 CALTRANS report.
[9] Ibid.

might include charges for advertising, Internet time, ATM machines, and RV dump station use. We refer to these as "secondary" commercial services. The distinction is useful for two reasons. First, highway-oriented enterprises, such as truck stops, that might exist near a commercial rest area, and their lobby representatives, might be expected to oppose any, or all, of the primary commercial services being offered at a state-supported rest area. However, such enterprises, and their representative lobby groups, are much less likely to oppose inclusion of the secondary commercial services. Second, federal and state regulations also distinguish between the two commercial service categories.

II. SUMMARY OF CONCLUSIONS

A. Federal Law

The federal restrictions against on-line rest area commercialization has not changed since enactment of Title 23, Section 111 in 1956, being re-asserted with SAFETEA-LU in 2005.

Although the FHWA's Special Experimental Project Number 15 (SEP-15) could possibly be used to waive the restrictions under Title 23 on a case-by-case basis, the FHWA does not appear inclined to take on the expected opposition, or therefore use SEP-15 to allow rest area commercialization on Interstate highways.

Indeed, the very recent 2005 SAFETEA-LU legislation, "Interstate Oasis Program" reaffirms the earlier federal law allowing "primary" commercial rest area development *only* at *off-line* Interstate sites.

As the title implies, the "Interstate Oasis" program was designed for, and will be restricted exclusively to, Interstate highways. However, even though the program will not apply to non-Interstate highways, the FHWA (and presumably the National Association of Truck Stop Operators and its consortia) might be expected to approve a "primary" commercial services rest area at a non-Interstate freeway interchange that met all of the "Interstate Oasis" criteria.

Comment [d1]: Define, spell out

Although the legislation describes the program as though it relates only to entirely new rest areas, it seems that it might allow for an existing commercial services plaza or truck stop to become an "Interstate Oasis," if it met, or could be redeveloped to meet, all of the "Interstate Oasis" criteria.

If states adopted somewhat different specifications or criteria for such an off-line partnership rest area, it would not be able to designate it as a federal "Interstate Oasis." Although this might not seem to be a particularly important issue, such a project would likely meet stiff opposition from a key stakeholder group as explained below.

The Randolph-Sheppard Act allows for restricted "secondary" commercial sales at on-line rest areas through vending facilities operated by blind licensees.

B. California Law

As recently as 2005 and 2007, California legislators have tried to introduce two pieces of legislation to give Caltrans greater powers to develop new rest areas through public/private partnerships. Both attempts failed, evidently due to lobbyist opposition (See Stakeholder Opposition discussion below).

In addition to the restrictions specified in the Randolph-Sheppard Act, California has enacted its own legislation (California Welfare and Institutions Code, Article 5, Section 19625) supporting vending services in rest areas. But, the California law includes two additional requirements.

One is that vending services must be operated by, or for the benefit of, blind licensees, requiring rest area vending services to be provided by a partner that either is a blind operator, contracts with a blind operator, or who would yield their vending net income to a blind vendor or the Department of Rehabilitation.

Second, the California law refers to vending facilities "on state property" and says that "state property means all real property, or part thereof, owned, leased, rented, or otherwise controlled or occupied by any department or other agency or body of (the) state." Therefore, this restriction would appear to apply not only to an on-line rest area, but also to an off-line rest area partnership, if the off-line site is "owned, leased, rented, or otherwise controlled" by the state.

C. Exception to Federal Law

The States of Washington and Oregon hope to use SEP-15 to initiate a program to sell alternative fuels (bio-diesel, ethanol, hydrogen, compressed natural gas (CNG), electricity, and other fuels as they develop) at on-line rest areas along Interstate 5, possibly in conjunction with California. However, the FHWA's evident reluctance to employ SEP-15 to allow rest area commercialization on Interstate highways would seem to make the likelihood of such projects somewhat speculative.

Except for the Washington/Oregon (and possibly California) effort, there does not appear to be any other near term potential for altering the restriction against commercializing *on-line Interstate* rest areas beyond the current ability to provide vending facilities, as allowed under the Randolph-Sheppard Act.[10]

D. Inclusiveness of Vending "Facility" Definition

Noting that the federal Randolph-Sheppard Act referred to a "vending facility," and not exclusively to "vending machines," we considered whether that broader definition might allow for a more expansive vending system concept than simply a vending "machine," at on-line rest areas covered by federal law. We concluded that federal and California law would allow only for machine vending of merchandise such as t-shirts, lottery tickets, hunting/fishing licenses, newspapers, snacks, beverages and dispensing cash from ATMs.

E. Stakeholder Opposition

Lobbying efforts by national stakeholder groups, led by the National Association of Truck Stop Operators (NATSO), with support from the National Association of Convenience Stores (NACS) and the Society of Independent Gasoline Marketers of America (SIGMA), have strongly opposed primary commercial enterprises to be included in *on-line* rest areas.

Nearly all states that have sought to implement enabling legislation and specific projects for *on-line* "primary" commercial rest area projects mentioned the forceful efforts to block their efforts from these groups. All indications are that these lobbyists' efforts remain active, focused and very strong.

[10] Doug Brown, meeting March 19, 2007.

Significant opposition has also come from local highway business operators and their coalitions, including local chambers of commerce, who (like NATSO) view rest area partnership projects as having an unfair competitive advantage by virtue of state funding support and special state signing.

However, NATSO (with support from NACS and SIGMA) strongly supported the new "Interstate Oasis Program," not only allowing, but promoting, primary commercial rest area development at *off-line* Interstate sites. Although states might adopt their own somewhat different specifications or criteria for an off-line rest area partnership, it would be unable to designate the rest area as a federal "Interstate Oasis," as noted above. But more important, NATSO would be expected to strongly oppose the project.

Indeed, we conclude that NATSO might be expected to oppose any project that is not strictly prescribed by the federal "Interstate Oasis" program.

Complicating the matter, the National Federation of the Blind (NFB) opposes the "Interstate Oasis" program. The NFB has often actively opposed both *on-line* and *off-line* primary commercial developments, asserting that any such projects would draw business away from existing and potential on-line vending operations, which blind vendors' have an exclusive right to operate under the Randolph-Sheppard Act. The NFB does not appear to be as powerful, however, as NATSO, with support from NACS and SIGMA.

F. Relevant Partnership Efforts in Other States and Countries

The points made above have all been illustrated by the examples of other states' attempts at developing enabling legislation and implementing on-line Interstate *primary commercial* rest areas. The lesson learned is that Caltrans might expect to encounter significant opposition from NATSO, as well as from NACS and SIGMA, if it attempts to implement primary commercial partnerships outside of the specifications of the "Interstate Oasis" program.

Some states have successfully implemented limited secondary and non-commercial partnerships. However, such projects are not expected to generate very much money for those states.

Projects in other countries have almost entirely been like the service plazas developed along toll roads in the eastern United States, and therefore do not offer illustrative lessons.

In June 2006, the Transportation Ministry of Quebec initiated a process to engage a partner to design, finance, construct, operate and maintain seven primary commercial service areas at accessible off-line sites along the Quebec Highway System. A Request for Qualifications (RFQ) was issued, and two teams were invited to submit proposals. Proposals are due later in the summer of 2007.

Comment [d2]: Define, spell out

Four of the proposed Quebec sites are at existing "Highway Parks," and three will be at new sites. Required services include food and restaurant services and tourism information (among the usual public services). Authorized, but not required, services include fuel sales (at all but

two sites), a convenience store, automated banking machines, advertising, telecommunications (wireless Internet), dump stations for recreational vehicles, and a pet-exercise area. We will continue to monitor the Quebec Transportation Ministry's progress.

G. Conventional Non-Controlled Access Highways

We investigated the *theoretical* potential for developing a primary commercial services partnership project at an *on-line* site along a *conventional non-controlled access* highway. As a practical matter, none of the Interstate highway priority sites Caltrans has identified is on such a highway. And, perhaps more important, NATSO (and other lobbyists) might be expected to object. However, since such highways have not been partly funded with federal money, federal law alone would not preclude Caltrans from developing primary commercial services at such a site.

Caltrans is concerned that, if it did implement such a primary commercial rest area project on-line, it might not be able to seek federal funding in the future to affect a conversion of the highway to limited access. To obtain federal funds for such a highway project, Caltrans would need to be in compliance with federal regulations at the time of the conversion. But the question is whether not being in compliance once would disqualify the highway forever?

An FHWA reality specialist confirmed that on-line rest areas on non-Interstate non-controlled access highways, not built using federal funds, could be candidates for commercialization. He also indicated that he believed that such a highway could qualify for federal funding for limited-access redevelopment, *if the primary commercial services were removed from the on-line rest area prior to applying for federal funds*. In other words, a highway that was not in compliance at one time could be brought back into compliance before applying for federal funds.

Therefore, as long as the commercial rest area were removed (or the primary commercial services were removed from the rest area), it would be possible to obtain federal funds to convert a non-controlled access non-Interstate highway to a controlled-access Interstate highway in the future.[11]

[11] Telephone conversation with Abraham Geevarghese, Federal Highway Administration, California Office, May 23, 2007.

III. RECOMMENDED GUIDELINES

Considering especially (1) the federal prohibition against including primary commercial enterprises, other than vending machines, in an on-line rest area, (2) NATSO's (and other groups') opposition to any primary commercial rest areas that do not meet "Interstate Oasis" specifications, and (3) the locations of six priority rest area regions that Caltrans has identified for public/private partnerships, we recommend that Caltrans seek to do the following. The recommendations are generally of equal importance. However, we have noted particularly important recommendations.

Comment [d3]: Is there a hierarchy of recommendations and barriers? What is most important to consider?

- **Implement primary commercial partnerships exclusively at off-line sites, that isoutside the Interstate right-of-way**

Attempts to develop on-line sites would run counter to law as well as encounter opposition from important interest groups.

Also recognizing (4) the high cost of highway access improvements, and (5) the importance of high visibility and easy access to a partnership rest area site, we recommend that:

- **The sites should be located as close as possible to an existing interchange.**

Except for New Mexico, no states have successfully passed or sustained laws to implement, or have actually implemented, primary commercial highway rest areas located on-line. New Mexico was evidently a special case, from which we do not believe we might draw a lesson for California. Although NATSO considered the bill to be a threat to the organization's interests, it did not fight it vigorously. The reasons are not clear. But we suspect it might have been because New Mexico was too small a state to warrant much attention, and that at the same time as the legislation was being considered, the state was seeking to increase commercial truck taxes and fees dramatically, which might have diverted NATSO's attention away from the rest area commercialization bill. California, being such a large state, would clearly be a primary NATSO lobbying target.

The fact that NATSO has successfully lobbied California Assemblyman Niello to withdraw AB 1566 (introduced February 23, 2007) indicates how closely that organization is following rest area commercialization efforts in California.[12]

Comment [d4]: Add date and perhaps refer to discussion on page 17

Although NATSO might be expected to support an off-line primary commercial rest area project that conformed to the "Interstate Oasis" program, the NFB might seek to block the project. Their reason is that any such project would compete with and therefore reduce the financial benefits from vending machines by blind licensees. Therefore, to avoid an NFB blocking action, it might be prudent for Caltrans to attempt to:

- **Implement *on-line* rest area projects that include or expand *vending machine operations* at the same time, as implementing *off-line primary commercial services* rest area *partnerships*.**

[12] See discussion on p. 18.

- **Apply the federal Interstate Oasis Program**

The advantages of using the Interstate Oasis Program are:

  - Presumed support from NATSO and other national stakeholder groups and group alliances.
  - Consistency with Caltrans priority locations.
  - Nationally recognized signage.

However, Caltrans should anticipate:

  - Opposition from associations representing blind vendors.
  - Possible opposition from local competing enterprises and their representative organizations.
  - Necessary adherence to development and operating criteria specified in the federal Interstate Oasis Program.

However, if Caltrans determines that it needs more flexibility than allowed under the federal program, we recommend that:

- **If structuring its own program, Caltrans should design it to resemble the federal Interstate Oasis Program as closely as possible.**

Caltrans might need to impose contractual terms that are not specified in the federal program, for example relating to long-term site leasing, about which the federal legislation is silent. The trade-off is that Caltrans might jeopardize NATSO support. So, to maintain such support, the state program should follow the federal program as closely as possible.

If Caltrans seeks to implement one or more on-line projects, Caltrans should attempt to maximize its revenue potential, and therefore also:

- **Include additional revenue-producing services in an on-line rest area project, together with vending machines, such as private sponsorships, tourist/traveler information services, advertising for local business/attractions, and innovative Wireless Internet services.**

Even though an off-line partnership project might conform to the federal "Interstate Oasis" specifications, NATSO might oppose the project if it was considered to be too close to an existing truck stop. Therefore,

- **Primary commercial partnership project implementation should consider the possibility of both (1) an entirely new development as well as (2) adapting an existing primary commercial services site (such as a truck stop) into an "Interstate Oasis."**

Note that long-term site control might be an issue in the latter case. Therefore, if an existing enterprise is contracted for a partnership rest area, we recommend:

- **If a partnership project seeks to adapt an existing primary commercial services site, and maintaining the site indefinitely as a rest area is considered critical, long-term control might be sought through lease provisions or permanent easement.**

However, such indefinite or long-term site control might be sacrificed for shorter-term financial benefits, if such control is not otherwise achievable.

Under California law, Caltrans is required to engage a rest area partner who would either be, or contract with, a blind operator of vending facilities on both on-line and off-line commercialized rest areas, or who would yield their vending net income to a blind vendor or the Department of Rehabilitation. Calculating the appropriate *net income* from vending operations that must be paid to a blind partner, a competing blind vendor, or the Department of Rehabilitation would be somewhat impractical to monitor. The reason is that periodic audits will likely be required to verify calculations of net income. But such audits would be expensive and might not be successful in avoiding disputes, since isolating net income from gross revenues is problematic. A more practical alternative would be for:

- **The commercial partner to pay a management fee to a qualified blind vendor or Department of Rehabilitation, according to a *fixed percentage of gross revenues*.**

Caltrans might seek an opinion on the matter from the Department of Rehabilitation and its own legal department on this matter.

As to the potential for developing a *primary commercial services partnership* project at an *on-line* site along a *conventional non-controlled access* highway, we concluded (above) that Caltrans could do that, then remove the primary commercial services from the rest area, bringing the highway back into compliance, before applying for federal funds. However, too much would be at stake to accept this judgment as conclusive. But, we recommend that:

- **Before Caltrans commercializes an on-line rest area at a non-controlled access highway, it should seek a formal opinion from FHWA and its own counsel.**

Note that the above recommendations specifically pertain to a situation where a *commercial* partner is involved in the rest area development and operation. None of the problems identified would be encountered if Caltrans were to engage one or more secondary *commercial* partners. But, secondary commercial partners would not be expected to yield much if any revenues and/or in-kind services value as a primary commercial partner. How much less value remains to be investigated in subsequent tasks. Therefore, we recommend:

- **Before Caltrans considers or seeks secondary commercial rest area partnerships, it should first exhaust the primary commercial partnership possibilities.**

Recall that when referring to "primary" commercial services, we are referring to services with high revenue-generating potential, such as food, beverage, retail merchandise, and fuel sales. "Secondary" commercial partnerships would include revenue production from such services as advertising, Internet time, ATM machines, and an RV dump station use.

IV. FEDERAL REGULATIONS

A. 1956 Act - Title 23, Section 111

The guidelines for future rest area partnerships are necessarily first grounded in what federal law will permit and not permit.

In 1956, when the U.S. Congress enacted legislation to launch the Interstate Highway Program, it adopted a regulation that prohibited states from primary commercialization of the right-of-way along the Interstate System. It said, "Agreements relating to use of and access to rights-of-way" in the Interstate System specifically prohibits states from permitting "automotive service stations or other commercial establishments . . . to be constructed or located on the rights-of-way of the Interstate System."[13] The law was clear. Primary commercial services were specifically excluded from on-line rest areas located within an Interstate highway's right-of-way.

The U.S. Code at the time was silent regarding primary commercial services along non-Interstate highways. Therefore, it was thought reasonable to conclude that the 1956 federal regulations did not prohibit automotive service stations or other primary commercial establishments outside the Interstate right-of-way or within the rights-of-way of non-Interstate highways.

The restrictions, however, did not apply to vending facilities that were allowed on federally funded Interstate highways. And, Congress clarified that in 1982, permitting vending machines in rest areas constructed or located on the Interstate right-of-way.[14]

B. Randolph-Sheppard Act, Title 20 U.S.C, Section 107

The Randolph-Sheppard Act, Title 20 U.S.C, Section 107, defined vending facilities as "automatic vending machines, cafeterias, snack bars, cart services, shelters, counters and such other appropriate auxiliary equipment as the Secretary may by regulation prescribe as being necessary for the sale of articles or services described in section 107a(a)(5) of this title and which may be operated by blind licensees . . . ." Therefore, the Randolph-Sheppard Act did not appear to limit vending "facilities" only to vending "machines." Therefore, it appeared that a broader variety of food services would be allowed under the Randolph-Sheppard Act. (This issue is discussed further below.)

C. 2005 SAFETEA-LU ("Interstate Oasis" Program)

In August 2005, Congress enacted the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users," (SAFETEA-LU). Section 1310 of the Act establishes an "Interstate Oasis" program for designating facilities *near, but not within*, the Interstate right-of-way, that can offer products and services to the public, 24-hour access to restrooms, and parking for automobiles and heavy trucks. Essentially, this legislation confirmed the previously enacted relevant legislation, and indeed was the basis for the projects Caltrans pursued in the 1990s and since. States may designate "Interstate Oases" if they meet the following criteria:

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[13] Ibid. Paragraph (a)
[14] The "Surface Transportation Assistance Act of 1982."

- Be located within three miles of an interchange[15]
- Be safely and conveniently accessible, as determined by an engineering study[16]
- Have physical site geometry, as determined by an engineering study, to safely and efficiently accommodate all vehicles, including heavy trucks of the size and weight anticipated to use the facility.[17]
- Provide a public telephone, food (vending, snacks, fast food, and/or full service), and fuel, oil, and water for automobiles and trucks.[18]
- Provide restrooms available to the public at all times (24 hours per day, 365 days per year) and drinking water at no charge or obligation.
- Provide parking spaces available to the public for automobiles and heavy trucks. The parking spaces should be well lit and available at no charge or obligation for parking durations of up to 10 hours or more, in sufficient numbers for the various vehicle types, including heavy trucks, to meet anticipated demands based on volumes, the percentage of heavy vehicles in the Interstate highway traffic, and other pertinent factors.[19]
- Staffed by at least one person on duty at all times (24 hours per day, 365 days per year).
- Allow the participating states flexibility to consider the products and services of a combination of two or more businesses at an interchange when all the criteria cannot be met by any one business at that interchange.[20]
- Preclude states from imposing any additional eligibility criteria.[21]
- Adhere to specified signing policies and restrictions.[22]

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[15] A lesser distance may be required when a State's laws specifically restrict truck travel to lesser distances from the Interstate system; and greater distances, in 3-mile increments up to a maximum of 15 miles, may be considered by States for interchanges in very sparsely developed rural areas where eligible facilities are not available within the 3-mile limit.

[16] Considering the Transportation Research Board's 2003 ''Access Management Manual'' and the applicable criteria of AASHTO's ''Policy on Geometric Design of Highways and Streets'' (Green Book) or, in the case of highways not on the National Highway System, the applicable State design standards.

[17] Considering the Transportation Research Board's 2003''Access Management Manual,'' the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways,'' and other pertinent geometric design criteria for vehicles at least as large as a WB–62. Except that States will have flexibility to decide on a case-by-case basis how many parking spaces will be required for various vehicle types, guided by the national criteria, applying a formula-based approach rather than specific minimum numbers of spaces, according to the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways,'' accounting for traffic volumes on the Interstate, percentage of trucks, length of stay, and other factors affecting demand.

[18] A business designated as an Interstate Oasis may elect to provide additional products, services, or amenities.

[19] Described in formulas contained in the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways'' (2001 or latest edition).

[20] Such a combination of two or more businesses must be located immediately adjacent to each other and be easily accessible on foot from each other's parking lots via pedestrian walkways compliant with the Americans for Disabilities Act (ADA) and that do not require crossing a public highway.

[21] Hari Kalla, MUTCD Team Leader at FHWA in Washington D.C. who was involved in developing the Interstate Oasis Program, emphasized that there would be no possibility of altering this restriction.[21]

[22] May identify the availability of an Interstate Oasis as follows. 1. If adequate sign spacing allows, a separate sign should be installed in an effective location with a spacing of at least 800 feet from other adjacent guide signs, including any Specific Service signs. This sign should be located in advance of the Advance Guide sign or between the Advance Guide sign and the Exit Direction sign for the exit leading to the Oasis. The sign should have a white legend (minimum 10 inch letters) and border on a blue background and should contain the phrase ''Interstate Oasis'' and the exit number or, for an unnumbered interchange, an action message such as ''Next Exit''. Names or logos of businesses designated as Interstate Oases should not be included on this sign. 2. If the spacing of other guide signs

The program was designed for, and will be restricted exclusively to Interstate highways.

Clearly, one sees from the title that the "Interstate Oasis" program was designed for, and will be restricted exclusively to, Interstate highways. However, even though the program will not apply to non-Interstate highways, the FHWA (and presumably NATSO and its consortia) might be expected to approve a primary commercial services rest area at a non-Interstate freeway interchange that met all of the "Interstate Oasis" criteria.

The 2005 SAFETEA-LU legislation does not explicitly define vending machines/facilities. Therefore, the new legislation might be presumed to accept the definition of vending machines/facilities in Title 23 Section 111 and the Randolph-Sheppard Act. An FHWA official provided further clarification of the nature of vending facilities that would be permitted. (See relevant discussion below on pp. 15 & 16.)

When developing the SAFETEA-LU legislation, Congress considered opening the door to primary commercialization of on-line rest areas. However, the National Association of Truck Stop Operators (NATSO) and the National Association of Convenience Stores (NACS), among others, effectively blocked inclusion of such a measure. Therefore, as recently as 2005, Congress confirmed that, with the exception of vending machines, Interstate motorists would not be able to access commercial services at rest areas within the existing Interstate right-of-way. However, it appears that such opportunities are available at rest areas on new (as well as existing) roads that are not funded with federal money (as well as at toll road rest areas). (This issue is further referenced on page 17. See comments by Abraham Geevarghese, Reality Specialist in the FHWA's California office.)

Comment [d5]: Identify page or section

The principal opposition to the Interstate Oasis Program legislation (that is relevant to this project) came from the National Federation of the Blind (NFB) and the Louisiana Department of Social Services, which opposed the program because of the potential impacts to blind individuals who operate vending machines at public rest areas under the priority provisions of the Randolph-Sheppard Act (20 U.S.C. 107 *et seq.*).

Although the legislation describes the program as though it relates only to entirely new rest areas, it seems that it might allow for an existing commercial service plaza or truck stop to become an "Interstate Oasis," if it met, or could be redeveloped to meet, all of the "Interstate

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precludes use of a separate sign as described in item 1 above, a supplemental panel with a white legend (''Interstate Oasis'' in minimum 10 inch letters) and border on a blue background may be appended above or below an existing Advance Guide sign or D9–18 series General Service sign for the interchange. 3. If Specific Service signing (See MUTCD Chapter 2F) is provided at the interchange, a business designated as an Interstate Oasis and having a business logo on the Food and/or Gas Specific Service signs may use a bottom portion of the business's logos to display the word ''Oasis.'' 4. If Specific Services signs containing the ''Oasis'' legend as a part of the business logo(s) are not used on the ramp, a sign with a white legend (minimum 6 inch letters) and border on a blue background should be provided on the exit ramp to indicate the direction and distance to the Interstate Oasis, unless the Interstate Oasis is clearly visible and identifiable from the exit ramp. Additional guide signs may be used, if determined to be necessary, along the cross road to guide road users to an Oasis. A State's policy, program, and procedures should provide for the enactment of appropriate legislation or rules to limit the use of the phrase ''Interstate Oasis'' on a business'' premises, on-site private signing, and advertising media to only those businesses approved by the State as an Interstate Oasis.

Oasis" criteria. In that case, it seems that such an enterprise could be designated and signed as a federal and state approved "Interstate Oasis."

The restriction against modifying the program was stressed by an FHWA representative who emphasized that including any fewer or additional criteria would mean that a state would be unable to indicate the rest area as an "Interstate Oasis."[23]

D. Special Experimental Project Number 15

Another possible opening appears to have been closed. Special Experimental Project Number 15 (or SEP-15) derives from section 502 of Title 23 and allows the Secretary to waive the requirements of Title 23, and the regulations under Title 23, on a case-by-case basis. In fact, SEP-15 would allow the FHWA to experiment in four major areas of project delivery - contracting, right-of-way acquisition, project finance, and compliance with the National Environmental Policy Act (NEPA) and other environmental requirements. It says, "While FHWA has long encouraged increased private sector participation in federal-aid projects, SEP-15 allows FHWA to actively explore much needed changes in the way we approach the oversight and delivery of highway projects to further the Administration's goals of reducing congestion and preserving our transportation infrastructure."[24] Therefore, it would seem that the SEP-15 program (which began in 2004) administered by FHWA might provide legal flexibility for commercialization efforts. However, when Dornbusch inquired, the FHWA official in charge of SEP-15 application said that, in the light of the opposition to such an opening proposed for the recent SAFETEA-LU legislation, the FHWA would not use it for rest area commercialization on Interstate highways.

E. Nature of On-Line Vending "Facilities"

We explored whether the definition of a "vending facility" might be considered to include a vending system that might be somewhat more complex than what is normally considered a vending "machine," such as what has been referred to as an "Automat."

An "Automat" enables foods, drink or merchandise to be exchanged for coins or bills through a mechanized (or partly mechanized) system. The system works like this. A wall of windows displays the food, drink or merchandise being sold. The customer inserts the required number of bills and coins into a slot, then opens the particular window to remove the meal or other goods displayed. The window cells are filled from behind. Automats were inspired by the Quisiana Automat in Berlin, and the first automat in the U.S. opened on June 12, 1902 in Philadelphia by Horn & Hardart. The automat gradually became part of popular culture in northern U.S. cities, with Horn & Hardart being the most prominent automat chain. Many Automats have closed since then. However, some are being opened again, such as in New York City in 2006. They are common in The Netherlands, where a number manufacturers/distributors produce Automatiek.[25]

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[23] Telephone interview with Hari Kalla, MUTCD Team Leader, Federal Highway Administration, May 24, 2007.
[24] http://www.fhwa.dot.gov/PPP/sepfaqs.htm#q1):
[25] ADM (http://www.admautomaten.nl/en/index.htm) is a Dutch automat manufacturer and distributor. They were contacted to obtain information about their installations at rest areas in the Netherlands and gas stations, as described on their website. However, they have not replied to our inquiries.

In Japan, automats sell a wide range of food, beverages and other goods, including among other things fresh vegetables, ice cream, canned goods, flowers, batteries, balloons, mobile telephone photograph prints, fishing gear, and live lobsters. In 1999, Japan had an estimated 5.6 million coin- and card-operated vending machines which generated $53.28 billion in sales.

As to the definition of vending "facility," Title 23 Section 111 refers to the Randolph-Sheppard Act regarding vending at Interstate rest areas.[26] The Randolph-Sheppard Act broadly defines the term "vending facilities" to include stands, cafeterias, and carts in addition to vending machines, on federal lands and in federal buildings. Therefore, it seems that if a highway rest area is on land partly funded with federal money, the Randolph-Sheppard definition might apply.

But it does not. Regardless of whether a rest area located on an Interstate highway right-of-way is on state or federally-owned land, the broader term "vending facilities" does not apply. In this case, where a rest area is located along the Interstate highway right-of-way, Title 23 U.S.C. Section 111 applies and the term "vending machines" is controlled by the definition in a 1992 Non-Regulatory Supplement as "a coin or currency operated machine capable of automatically dispensing an article or product," would be allowed.[27]

In the rare case where a highway rest area is actually located on federal land, then both the Randolph-Sheppard Act and Title 23 Section 111 provisions apply. But, the 1992 Supplement states that, "the more restrictive provisions of both laws must be applied."[28] Thus even in the case where an Interstate rest area might be located on federal land, the more restrictive term "vending machines" must be applied in preference over the Randolph-Sheppard Act's reference to "vending facilities." The Supplement clearly settles the matter by stating that by "limiting installation to vending machines, it is expressively intended to preclude a vendor from establishing a stand or shop for the purpose of selling the article or product and also exclude any form of personal salesmanship."[29]

This was confirmed by an FHWA representative in Washington. We inquired whether the policy guidance presented in the 1992 Supplement represented the FHWA's current thinking on this issue, or whether the FHWA might allow for an expanded interpretation of vending "machines," such as the Automat concept. Bill Prosser, FHWA Highway Design Engineer, responsible for handling most Interstate rest area issues at FHWA, stated that the Supplement does indeed represent current FHWA policy regarding vending operations at Interstate rest areas. Mr. Prosser stressed, "I can tell you that in all likelihood an expanded definition of vending machines

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[26] The Randolph-Sheppard Act, as Amended and as codified at Chapter 6A of Title 20 of the U.S. Code.
[27] "Non-Regulatory Supplement for Title 23 CFR, Sub-Chapter H, Right of Way and Environment, Part 752 Landscape and Roadside Development," Federal Highway Administration, 1992; available online at: http://www.fhwa.dot.gov/legsregs/directives/cfr23toc.htm The Supplement provides guidance on FHWA's current policy regarding the use of vending machines and the relationships of Title 23 U.S.C., Section 111 of the Surface Transportation Act of 1982, and the Randolph-Sheppard Act. According to Section 1b of the Supplement, the "only application of the RSA [Randolph-Sheppard Act] has to Section 111 is to establish the licensing agency in each State that is to be given priority. With the exception of rest areas on Federal lands, none of the RSA requirements apply to vending machines in Interstate rest areas."
[28] Ibid.
[29] Ibid.

to include the Automat concept would *not* be viewed favorably at FHWA. The reason for this is that this interpretation of vending machines goes beyond what was originally envisioned and intended regarding the concept of vending machine operations. ATMS, state t-shirt machines, lottery tickets, hunting/fishing licenses, newspapers, and snack and beverage vending machines are all current examples of what FHWA considers to be reasonable vending operations. But when it gets much beyond this, especially if employees would be on location preparing or selling foods, I don't think this definition of vending machines reflects the intent of the law."[30] Mr. Prosser said that if Caltrans were to request an Automat type vending machine, various FHWA divisions including the legal, safety, and the asset management division, would likely counter the attempt noting the negative impacts of offering Automat facilities, such as impacts on congestion, maintenance, and the impact on the core rest area functions and objectives.

Clearly, an expanded concept for a vending facility would not be allowed by the FHWA at an *on-line* site. However, the FHWA would not have control over commercial facilities at an *off-line site*, where California law would govern. But, as discussed below, where California law refers to vending on state property, it refers exclusively as the vending being from vending "machines." Therefore, a more expansive commercial vending concept would not be possible at either on-line or off-line sites.

F. Non-Interstate Freeways

It seems that the FHWA has blocked *non-Interstate freeways* as a possible location for primary commercial rest areas. A commentary section of the California Senate Bill 468 introduced February 18, 2005 offered an interpretation of what is permissible regarding non-interstate highways. It said, "Federal law prohibits commercial activity within an interstate freeway right-of-way. The Federal Highway Administration has extended this ban through regulation to any non-interstate freeway." The operative word is evidently, "freeway." Essentially, the only areas where joint development can occur are on conventional highways that are not freeways, such as Highway 1 and Highway 395, and at interstate interchanges outside the right-of-way."

Caltrans indicated that there are no non-Interstate freeways, which are not partly funded with federal money, or therefore not subject to FHWA policy and regulations. However, this presumably does not refer to non-controlled access highways (non-freeways).

Note that none of the six preferred candidate sites identified for possible partnership development are on non-Interstate highways that might be beyond the FHWA restrictions.[31] However, additional sites, some of which might be along non-controlled access highways will be investigated.

Therefore, we also investigated the implication of developing a partnership project along a conventional non-controlled access highway, and not one of the Interstate highway priority sites Caltrans has identified. Since such highways have not previously been funded with federal money, the FHWA does not have jurisdiction. Therefore, although NATSO (and others) might

[30] Telephone interview with Bill Prosser, Federal Highway Administration, Washington D.C. Office, April 23, 2007.
[31] E-mail from Doug Brown, May 18, 2007.

object, federal law alone would not preclude Caltrans from developing primary commercial services in an on-line rest area along such a non-controlled access highway.

However, Caltrans is concerned that, if it did that, it might not be able to seek federal funding in the future to affect a conversion of the highway to limited access. To obtain federal funds for such a highway project, Caltrans understands that it would need to be in compliance with federal regulations at the time of the conversion. But there is an open question as to whether not being in compliance once would disqualify the highway forever.

We addressed this issue with Abraham Geevarghese, Reality Specialist in the FHWA's California office. Mr. Geevarghese confirmed that on-line rest areas on non-Interstate, non-controlled access highways, not built with federal funds, could be candidates for primary commercialization. He also noted that if an on-line primary commercial rest area existed on such a road, Caltrans could not access federal funds for improvements to the highway, because the highway would not comply with federal regulations.[32]

We then posed the question of whether the highway could qualify for federal funding of a future limited-access development, if the primary commercial services were removed from the on-line rest area prior to applying for federal funds. In other words, could a highway that was not in compliance at one time be brought back into compliance before applying for federal funds? Mr. Geevarghese replied that, as long as the primary commercial rest area were removed (or presumably the primary commercial services from the rest area), it would be possible to use federal funds to convert the non-controlled access Interstate highway to a controlled-access Interstate highway in the future.[33]

However, the question evidently surprised him. And, Mr. Geevarghese seemed somewhat guarded in this response. Therefore, before pursuing such a course, **it might be prudent to seek a formal opinion from FHWA counsel on this issue.**

[32] Telephone conversation with Abraham Geevarghese, Federal Highway Administration, California Office, April 26, 2007.
[33] Telephone conversation with Abraham Geevarghese, Federal Highway Administration, California Office, May 23, 2007.

V. California Legislation, Regulations and Policy

A. Legislation

1. Assembly Bill 1566

On February 23, 2007 Assemblyman Roger Niello introduced California Assembly Bill 1566. The Bill sought to add Section 226.6 to the California Streets and Highways Code, which would require highway projects to facilitate rest area development (right-of-way purchase) in areas of high priority need. One month later, on March 22, 2007, NATSO President and CEO Lisa Mullings sent a letter to Assemblyman Niello stating, "on behalf of the 60 travel plazas and truckstops in California, I am writing to urge that you drop Assembly Bill 1566."[34] AB 1566 is still listed as an active bill, according to California Legislative Information website. However, the most recent action on this bill was that Assemblyman Niello cancelled its first committee hearing scheduled for April 23, 2007.

NATSO's letter to Assemblyman Niello went on to state that, "The only argument for commercialization of state rest areas is that it provides state transportation departments with funds to operate rest areas. Surely such cost savings are not worth destroying the entire highway service industry, particularly when there are alternative ways for the state to meet the needs of the highway users without expending significant state resources or without harming the competitive free enterprise system."[35] The letter suggested the federal Interstate Oasis Program to be the preferred alternative to rest area primary commercialization, saying that "California can meet the needs of the highway users without expending significant state resources on the construction of new rest areas. In October, 2006 the Federal Highway Administration launched the Interstate Oasis Program. The Interstate Oasis Program will allow states to designate and direct travelers to certain private facilities off the Interstate. 'Oasis' facilities must provide the traveling public with access to restrooms and drinking water, adequate and well-lit extended-stay parking, 24-hour year-round staffing, food services and vehicle services. The program guarantees highway users safe, convenient and clean places to stop. CALTRANS should fully implement this new federal program before spending limited transportation resources on the construction of new rest areas."[36]

NATSO's letter reveals that it is closely following rest area commercialization efforts in California and actively opposes any approach other than the Interstate Oasis Program, which it strongly supports. If the Oasis Program would meet Caltrans' rest area development objectives, it would likely enable Caltrans to avoid NATSO opposition.

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[34] Letter Assemblyman Roger Niello from Lisa Mullings, CEO & President of the National Association of Truck Stop Operators, March 22, 2007; available online at: www.natso.com.
[35] Ibid.
[36] Ibid.

2. California Senate Bill 468

Senate Bill 468 was introduced in the 2005-2006 legislative session on February 28, 2005 by Senator John Campbell. It was intended to amend Section 226.5 of the California Streets and Highways Code.

Section 226.5 of the California Streets and Highways Code authorizes the "CTC and DOT, unless prohibited by federal law or regulation, to construct and operate [and maintain] up to six new safety rest areas as a joint economic development demonstration project where there is a need for a new rest area and the joint project would result in an economic savings to the state. Within such joint project rest areas, traveler-related commercial operations are allowed, but no alcoholic beverages may be sold. DOT must hold a public hearing for each proposed area so that the local community and other parties may comment on the proposal."[37]

The Bill would amend Section 226.5 by authorizing "the department to construct, operate, and maintain a maximum of 15 safety roadside rest area units, including new units and existing units as a joint public-private economic development demonstration project where there is a public need for a new rest area and for repair of existing rest areas"[38] where the "development proposal will result in economic savings to the state."[39]

In summary, Senate Bill 468 would change the "joint development demonstration project" specified in Section 226.5 to be a "public-private demonstration project" and expand the maximum safety rest area units in the program from 6 to 15.

NATSO lobbied against SB 468 claiming that, "rest area commercialization will close as many as half of nearby Interstate interchange businesses, such as travel plazas and truckstops, restaurants, gas stations and motels, destroying the property tax base of local governments . . . ."[40]

The Bill was placed on inactive file at the request of Senator John Campbell on August 22, 2005. It subsequently died on file February 1, 2006.

The lesson from the recent California experience is that NATSO is likely to represent a formidable institutional obstacle to implementing any project that is in any way independent of the federal "Interstate Oasis" program.

B. Regulations

1. California Welfare and Institutions Code - Section 19630(a)

Adding to the restrictions specified in the Randolph-Sheppard Act, the California Welfare and Institutions Code, Article 5, Section 19625 states that, "with respect to vending facilities on state

[37] California Streets and Highways Code, Chapter 1, Article 7, Section 226.5
[38] California Senate Bill No. 468, as amended April 25, 2005
[39] Ibid
[40] Bill Analysis for California Senate Bill No. 468, Office of the Senate Rules Committee, April 25, 2005.

property, priority shall be given to blind persons, including the assignment of vending machine income as provided in this article. As used in this article, 'state property' means all real property, or part thereof, owned, leased, rented, or otherwise controlled or occupied by any department or other agency or body of this state."

Section 19630(a) of the California Welfare and Institutions Code requires that after ". . . July 1, 1978, all vending machine income from vending machines on state property shall accrue to (1) the blind vendor operating a vending facility on the property, or (2) in the event there is no blind vendor operating a facility on the property, to the Department of Rehabilitation Vending Machine Trust Fund . . . ."

Under California law "vending machine income" is defined as " . . . receipts, other than those of a blind vendor, from vending machine operations on state property, after cost of goods sold at competitive prices, including reasonable service and maintenance costs, where the machines are operated, serviced, or maintained by, or with the approval of, a department or other agency of the state, or commissions paid, other than to a blind vendor, by a commercial vending concern which operates, services, and maintains vending machines on state property."[41] Therefore, state law also requires that this vending machine income (or net income) from a non-blind vending machine operator, accrue to a licensed blind vendor where this operator is in direct competition with the blind vendor or at locations where no blind vendor exists, to the Department of Rehabilitation Vending Machine Trust Fund, which provides funds for a retirement account for blind vendors.

Further complicating the issue . . . even at state rest areas located off of federally-funded controlled access highways (i.e., Interstates), where neither the Randolph-Sheppard Act or nor Section 111 apply, blind vendors might still have priority access to operate these facilities under Section 19625 of the Welfare and Institutions Code.

The California Welfare and Institutions Code, Article 5, Section 19625 requires that priority be given to blind vendors on state owned lands/facilities *in addition* to vending facilities on federal lands/buildings (mandated in the Randolph-Sheppard Act), stating "with respect to vending facilities *on state property*, priority shall be given to blind persons, *including the assignment of vending machine income as provided in this article. As used in this article, 'state property' means all real property, or part thereof, owned, leased, rented, or otherwise controlled or occupied by any department or other agency or body of this state."* (Italics added for emphasis.)

This restriction would appear to apply to off-line rest area sites, since such sites would presumably be "owned, leased, rented, or otherwise controlled" by the state. This does not mean that the entire rest area partnership, or all of the partnership's enterprises, would be contracted with a blind operator - only the vending facilities portion.

Accordingly, Caltrans appears to be required to engage a rest area partner who would either be or contract with a blind operator for all vending facilities, or who would yield their vending net income to a blind vendor or the Department of Rehabilitation. Yielding net income from vending operations to a blind partner, a competing blind vendor or the Department of

[41]" California Welfare and Institutions Code, Article 5, Section 19630 (e)"

Rehabilitation might be feasible. However, it would be impractical, because it would involve auditing the partner's accounts to verify net income. A more practical alternative would be for the non-blind vendor to pay a management fee to a qualified blind vendor. Caltrans might seek a judgment on the matter from the Department of Rehabilitation and its own legal department.

The requirement is not clear if an existing truck stop or service plaza provided the rest area facilities on its own land. On one hand, the law might not apply, as the rest area would not be on property that was owned, leased or rented by the state. However, the requirement extends to even a "part" of property that is "controlled or occupied" by the site.

2. California Code of Regulations - Title 9 Chapter 6 Section 7212 (b)

Title 9 Chapter 6 Section 7212 (b) of the California Code of Regulations states that to be eligible as a licensed blind vendor, in addition to being a blind person as defined in section 19153 of the California Welfare and Institutions Code, the applicant must meet the following criteria and provisions:

(1) Is a citizen of the United States.
(2) Is physically and emotionally qualified to operate a vending facility based on medical and vocational evaluations on file with the Department.
(3) Has independent living skills.
(4) Has potential for self-employment considering such factors as ability to make rational decisions, to attain average proficiency in computational mathematics and to maintain good relations with customers and with the agency named in the permit.
(5) Has tuberculin test or chest X-ray with negative findings, or if the findings are positive, confirmation by a licensed physician that the disease is inactive and noninfectious.
(6) Has, in the Department's judgment, qualifications to operate a vending facility.

In regards to the term length of the operating license, Title 9 Chapter 6 Section 7213 (a) of the California Code of Regulations states that "The license shall be valid as long as the licensee continues to meet all of the eligibility criteria of Section 7212 (b)" stated above.

If a blind individual meets all of these requirements they may then submit an application and undergo an interview where a California Department of Rehabilitation (DOR) official assesses the applicant's interest and suitability for the vendor program. Those that enter the program must complete a comprehensive 6-month food service training course, where upon completion they receive a license to operate as a blind vendor. Licensees may then apply to operate at a DOR vending facility and a selection committee selects the licensees to be assigned to a specific facility. The DOR through the Business Enterprise Program (BEP) provides support to the vendor via business consulting services and procurement and repair of the required vending equipment. Vendors pay the DOR a fee which is used to pay BEP expenses, including maintaining and replacing equipment, purchasing new equipment, constructing new vending facilities, and other miscellaneous costs. The DOR also receives revenues from commissions on vending machines located on state and federal properties that are not operated by blind licenses, which DOR uses to fund a retirement account for licensed vendors.

Regarding the selection of a licensed vendor among the pool of applicants for a specific vending facility, Title 9 Chapter 6 Section 7213 (b) of the California Code of Regulations states that "the selection of the vendor for assignment to a vending facility shall be made by a BEP appointed selection committee." Specific selection criteria employed by the committee was not found within either the Welfare and Institutions Code or the California Code of Regulations. Presumably DOR via BEP develops vendor selection criteria as Article 5 Section 19632 (b-1) of the California Welfare and Institutions Code indicates that "The director, in consultation with the committee of licensed blind vendors and the Program Manager of the Services for the Blind, shall adopt and publish regulations providing for all of the following: (1) The requirements for licensure as a blind vendor…"

Regarding the rules that might govern licensed vendor partnerships none were found within the relevant California laws or within the Randolph-Sheppard Act.

Stephen Miller, Assistant Program Manager for the Business Enterprise Program stated that the concept of vending partnerships and sub-contracting out operations at vending facilities is being discussed under new BEP regulations that are currently being reviewed. However, Mr. Miller maintained that "whether a given highway rest area applicant could offer potentially greater returns or financial success via a business partnership, would at this time not affect their selection."[42] Mr. Miller indicated that no specific requirements or regulations regarding partnerships between licensed blind vendors and non-blind private entities are currently in place and such partnerships are not a consideration under the current BEP selection committee policies. "Our primary goal is to focus on the well being of the blind vendor, including maximizing their success, financially and otherwise, and anything that does not do that or diminishes that would not be something we would not support."[43] Mr. Miller did not seem optimistic that a mutually beneficial partnership between a non-blind private entity and a licensed blind vendor and Caltrans could occur.

Yielding all net income to a "partner" (such as a competing blind vendor or the Department of Rehabilitation) might be feasible, but it would be impractical. A better alternative would be for the partner to pay a management fee to the non-blind vendor (or alternative recipients) before calculating net income.

3. Caltrans Highway Design Manual

The Highway Design Manual was updated in September 2006. The currently relevant policies and procedures are presented in Topic 903 - Safety Roadside Rest Area Standards and Guidelines.[44] The following excerpt from the 2006 manual might be a particularly useful guideline for acquiring sites for future partnership efforts:

> "It may be necessary or desirable for safety roadside rest areas to be located on land owned by other State, federal or tribal entities. When seeking right of way agreements or easements, consider possible partnerships with the entity landowners that may facilitate right of way

[42] Telephone interview with Stephen Miller (916-263-8981), Business Enterprise Program, 4-13-07.
[43] Ibid.
[44] http://www.dot.ca.gov/hq/oppd/hdm/pdf/english/chp0900.pdf

acquisition or project acceptance. The opportunity to cooperate on the development of integrated information, interpretive or welcome centers may be favorable to another entity." (903.3 Site Selection (4))

Referring to vista points, the manual also states that:

> "A site should be located on State highway right of way or on right of way secured by easement or agreement with another public agency. A site should be obtainable without condemnation. Sites on or adjacent to developed property or property where development is anticipated should be avoided. (904.2 Site Selection (2))

Although this guideline referring specifically to vista points would not necessarily apply to Rest Area Partnership Projects, it does reinforce Caltrans' thinking about the use of easements, and introduces the notion of agreements with other public agencies.

4. Caltrans Project Development Procedures Manual

The following selected extracts are from the Caltrans Project Development Procedures Manual (PDPM), Chapter 29, Section 3 (adopted in 2005), refers to the "Use of Rest Areas" with the following:[45]

> "Solicitation of money and the sale or merchandising of food, goods or services is prohibited, except for regulated newspaper vending, public telephones, commercial advertising, and vending machines operated by the blind under the California Department of Rehabilitation, Business Enterprise Program. Other uses and activities may be considered when required by statute or requested in writing and approved by the Landscape Architecture Program (LAP)."[46]

Therefore, allowing for consideration of special "uses and activities" when required by statute or requested in writing by the Landscape Architecture Program would seem intended to open the door to commercial partnerships.

Chapter 29 gives specific guidance regarding Caltrans' restrictions and powers regarding rest area partnership projects. It says:

> "Streets and Highways Code Section 226.5 provides for a Joint Economic Development Demonstration Project for up to six *new* rest areas. This Demonstration Project is managed and guided by the LAP (Landscape Architecture Program), with implementation by the Districts. Proposals for joint economic development of new roadside rest areas by *private partners or other agencies* should be coordinated with the LAP."[47] (Italics added for emphasis.)

[45] http://www.dot.ca.gov/hq/oppd/pdpm/chap_pdf/chapt29.pdf
[46] Project Development Procedures Manual (PDPM), Chapter 29, Section 3, Article 1, citing The California Code of Regulations, Title 21, Chapter 20.
[47] Ibid. Article 3.

The chapter immediately follows with:

> "The Department *does not* have statutory authority to commercialize existing rest areas."[48] (Italics added for emphasis.)

The Manual specifies key aspects of the partnership project:

> "A viable rest area joint economic development partnership may consist of a private or public partner that agrees to share in at least *50 percent of the total construction cost of the standard public rest area facility*, including, but not limited to, ramps, access roads, parking, utilities, architecture, landscape, lighting, signs and fences."[49]

Note that the Manual does not say at least 50 percent of the construction cost for the particular project proposed. It says 50 percent of the cost to construct a "standard public rest area." Presumably, Caltrans should estimate what an alternative non-partnership and non-commercialized rest area would cost when applying the 50 percent funding criteria. In the same paragraph, the Manual also says:

> "In conjunction with traditional rest area facilities, the partner may fund, construct, maintain and operate motorist-related commercial facility, subject to federal and State laws, regulations, and requirements. The partner should maintain both the public and the private facilities for an agreed-to term, generally 25 to 30 years."[50]

Note again that, as discussed above, federal law continues to prohibit primary commercial facilities in on-line Interstate rest areas. So, while new rest area may be available for partnership projects, unless the federal restrictions are loosened, such partnerships may not include primary commercial activities at on-line Interstate, and possibly even non-Interstate freeway rest areas.

The PDPM continues:

> "It is preferred that the Department or another public agency own the right of way underlying any facilities or improvements funded with State or federal money. The partner may lease from the Department the land necessary for motorist-related commercial facilities or may construct those facilities on abutting land owned by others."[51]

This would give the Department maximum control, but it would also somewhat limit the partner's ability to obtain debt financing. Certainly, using the underlying land as collateral would enhance a partner's financing capability. But, a long-term lease would convey nearly as much value. And, even if a partner owned the land, presumably Caltrans would seek some kind of restrictive covenant that would limit the partner's alternative use of the site.

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[48] Ibid. Article 3.
[49] Ibid. Article 3.
[50] Ibid. Article 3.
[51] Ibid. Article 3.

"Federal requirements, such as prevailing wages, apply to work funded by the Department."

"FHWA regulations and the California Code of Regulations restrict or prohibit most commercial activities within controlled-access federal-aid highways. Pending a change in federal restrictions, commercialized rest areas are limited to locations along conventional highways or the area within one-half mile of a freeway ingress and egress."[52]

Article 3 addresses stakeholders, continuing:

"Rest area partnerships are of interest, both positive and negative, to the local community and rest area stakeholders. Local and regional business competition, goods-movement needs, environmental concerns, and employment opportunities for the disabled and blind are among the issues of concern."

"Implementation of a successful partnership requires a willing partner, an economically feasible proposal, open communication, fairness to all interests, respect of the inherent risks and effort of private entrepreneurs, and attention to the concerns of all stakeholders."

The following provisions open the door to creating "alternative rest stopping opportunities" at existing commercial or governmental facilities along state highways.

"The Department may enter into an agreement with the operator(s) of commercial or governmental facilities located along the State Highway System to designate those facilities as alternative rest area stopping opportunities, and to provide highway directional signs with text or logos indicating, for example, restrooms, gas, and/or food.

"One or more entities may participate jointly in the agreement. Agreements should include reasonable expiration and renewal terms. Each alternative rest area stopping opportunity should consist of facilities that are clustered in a single, easily identifiable location."

"To qualify for designation and highway signage as an alternative rest area stopping opportunity, the facility must meet the following criteria:

- The facility must be located in an area designated by the Department as deficient in rest area opportunities. The location should correspond to a new rest area need as indicated on the current Safety Roadside Rest Area System Master Plan, or supplement the capacity of an existing rest area that is deficient in parking capacity.
- The facility must provide adequate parking for automobiles and long vehicles (including commercial trucks), rest rooms, and drinking fountains, at no charge to the public.
- Operators may designate a time limit for free parking, but motorists must be allowed at least 2 hours of free parking.
- Public pay telephones must be available.
- The aforementioned rest area features must be open and available to the public 24 hours per day, 7 days per week, and must be accessible to persons with disabilities.

[52] Ibid. Article 3.

- The facility must be within one-half mile of the highway with safe and convenient highway ingress and egress and adequate off-right-of-way and on-premise signs.
- The facility operator must provide written assurance from local law enforcement authorities that the area signed will receive adequate police protection.
- The facility operator must provide sufficient maintenance services to assure that all facilities available to the public are clean and usable."

"Signs should be placed within the operational right-of-way only when privately owned signs located outside the operational right-of-way cannot reasonably provide adequate directional information for motorists. Duplication of signs along non-access controlled highways should be avoided. Off-highway directional signs must be in place prior to placement of signs within the operational State right-of-way." [53]

Again, as to stakeholder involvement, the PDPM says:

"The Project Development Team should identify, contact and engage external rest area stakeholders (local communities, chambers of commerce, historical societies, planning and land use professionals, tourism and recreational agencies, Native American Tribes, trucking and goods movement associations, etc.) to assist in assessing the natural, cultural and aesthetic context of the project, participate in the selection of rest area style and partner in the development and implementation of public information and interpretive displays."

5. Legal Opinion - Design/Build Restriction

The development prospects appear to be further complicated by the following legal interpretation of what might be permitted under California law. In a 2006 memorandum, Thomas C. Fellenz, Deputy Chief Counsel, expressed a legal opinion that, the "Streets and Highways Code section 226.5 does not authorize the Department to solicit design-build proposals for demonstration roadside rest area units" and that "the Department does not currently have any other design-build authority which can be invoked for the demonstration roadside rest area projects."[54] Judging that the Streets and Highways Code trumps the Highway Design Manual, Mr. Fellenz concludes that the Department must itself perform or procure the (a) design, (b) construction, and (c) maintenance/operations in three separate efforts.[55]

Mr. Fellenz acknowledges that the Legislature specifically granted Caltrans the authority to contract for design/build of four toll road demonstration projects in AB 680 (Baker) in 1989, which was then codified in Streets and Highways Code section 143. However, he notes that although the language of AB 680 appears to convey broader authority than only to toll road demonstration projects, such broader authority was not specifically granted for demonstration roadside rest area units when codified in the Streets and Highways Code. And, the revised Code

[53] Ibid. Article 3.
[54] Memorandum from Thomas C. Fellenz, Caltrans Deputy Chief Counsel, to Keith Robinson, Caltrans' Principal Landscape Architect, Division of Design, "Legal Opinion – Rest Stops," September 18, 2006.
[55] Ibid. pp. 1&2. Specifically, (a) Government Code section 4525 governs design of the roadside rest area units, if the Department does not design the units itself. (b) Construction is governed by State Contract Act, Public Contract Code section 10100 et seq. And, (c) maintenance and operations of the demonstration roadside rest areas are governed by State Procurement provisions of Public Contract Code section 10335 et seq.

also did not include the broader authority language of the legislation, such that a broader application might be inferred.

He then added one more reason. He says that "unlike AB 680 (referring to the four toll road demonstration projects), Section 226.5 calls for the construction, operation and maintenance of facilities at the roadside rest areas to be awarded by competitive bid (not a solicitation for proposals)."[56] It is not clear to Dornbusch why that distinction should argue against seeking competitive bids for a package of all three together – namely, construction, operation and maintenance. It seems to Dornbusch that if the specifications for all three are clear, they might be packaged in a single request for bids, and private entities might compete exclusively on price.

Mr. Fellenz considers an alternative interpretation. He says that Section 226.5 does not prescribe a specific procurement method, and the intent is to yield "economic savings to the state." Therefore, "in the face of statutory ambiguity, the Department could take the position that the legislation does not limit the procurement methods to those contained in other existing provisions of the Public Contract and Government Codes."[57] Moreover, he says, "as a 'demonstration project' limited to six roadside rest area units, this stand-alone statutory scheme is not business as usual. The Legislative intent . . . suggests expansive, not restrictive, procurement intent." And, legislative "intent prevails over the letter in the context of statutory interpretation . . . ."[58]

He also notes that "Section 226.5 allows 'contracts for construction, operation and maintenance of facilities,'" noting that the word "and" suggests one contract for all three, and judges that the Legislature did not intend for three separate contracts.

But he then rejects such an alternative interpretation, summing up his previous judgments.[59]

In his conclusion, Mr. Fellenz offers the Department four options, namely: (1) Issue three separate contracts for design, construction, and operation/maintenance. (2) Seek design-build authority with legislation to change Section 226.5. (3) Do the first and second simultaneously. (4) Assume authority exists to enter into design/build contracts under Section 226.5, solicit proposals, and defend against legal challenges, if necessary. If the last option were pursued, one wonders whether anyone would have a reason to challenge the design-build procurement.

It is interesting to note that Mr. Fellenz's judgment about Caltrans' flexibility to engage a single private contractor for the full range of services differs from U.S. Department of Transportation policy and contracting procedure. The USDOT has adopted programs in the past, in which it has allocated responsibility to private entities for the development, construction, management, and financing of transportation projects. The projects have included assigning responsibilities to

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[56] Ibid. p.
[57] Ibid, p. 4.
[58] Ibid. p. 4.
[59] Ibid. pp 4&5. (1) The language of the statute is not sufficiently vague, (2) the history of the legislation in not expressly conferring design-build authority or private design/build agreement authority in either the Assembly or Senate bill, (3) the example of more expansive language in comparable legislation, and (4) the failure to enact several design-build bills.

private partners for design-build, design-build-operate, design-build-maintain, and design-build-operate-maintain.[60]

Moreover, the contractual approach has been adopted as recently as the SAFETEA-LU 2005 legislation, referenced here. Therefore, it appears that the U.S. Department of Transportation approves and is actively engaged in implementing joint public-private projects that incorporate the combination of private services envisioned for commercial rest areas.[61]

Indeed, Mr. Fellenz's judgments might not be conclusive in appropriately recognizing the legislature's original intention when adopting the Code. Caltrans might wish to consider seeking a more accommodating judgment, namely one that would allow for a single entity to contract for design-build and even design-build-operate-maintain.

On an optimistic note, even if Mr. Fellenz's interpretation prevails, there might be some advantages to separating implementation into three contracts. The advantage would be to contract separately with different firms that specialize in each function rather than requiring one firm to be capable of acquiring the necessary funding, acting as the developer, as well as be an experienced and skilled commercial services operator. Under this restriction, the approach might be for:

1. Caltrans to first take control of the land, although that would not be necessary only desirable.
2. Solicit proposals from prospective commercial services operators for the *Operating Contract*, specifying the types and general sizes and locations of the required and optional services. Obtain bidders' requirements for their more detailed space and facility requirements, possibly including in their bids rough or even detailed plans of the facilities they would expect to house and support their operations. Prospective operators would propose the fee they would pay for the right to operate in the rest area. The operating contractor would presumably maintain the commercial services facilities in which they operate. Caltrans would itself maintain or contract separately for maintenance of the "public" areas. Some of the fee might be used to pay for Caltrans' maintenance, or all of it might be devoted to funding the development contract.
3. Solicit proposal from developers. Require proposers to indicate (a) how much of an annual payment, and (b) how many years they would require the payments to fund the development. Knowing the annual payment available from the *Operating Contract* and the required payment to the *Development Contract*, Caltrans would know how much surplus funds would be available or needed in additional funding to support the project.
4. Solicit bids and contract separately for the public area *Maintenance Contract,* or perform the maintenance in-house.

[60] Background discussion in preparation of U.S. House of Representatives, Committee on Transportation and Infrastructure Hearing on Public-Private Partnerships, to obtain testimony on the views of state and local officials, transportation users, and environmental spokespersons, schedule for May 24, 2007.
[61] Ibid.

C. Policy

In the 1990's, the California Transportation Commission specified, as one of its criteria for a public/private commercial rest area partnership, that the private partner provide at least 50% of the financing for the project. The current Project Development Procedures Manual, Chapter 29, Section 3, Article 3 pg. 44 echoes the CTC requirement:

> "A viable rest area joint economic development partnership may consist of a private or public partner that agrees to share in at least 50 percent of the total construction cost of the standard public rest area facility, including, but not limited to, ramps, access roads, parking, utilities, architecture, landscape, lighting, signs and fences."

This is an inappropriate constraint. A partner's financial contribution to capital improvements should be considered together with its other financial contributions to the state, including annual fees it will pay to the state plus its contribution to annual repair and maintenance of the proposed rest area.

The appropriate criteria for Caltrans is whether the net present value of its costs and income for the proposed partnered rest area is less than the net present value of its costs to develop and maintain an alternative non-partnered rest area. Therefore, even if a partner's expected capital expenditure is less than 50% of the total cost, it might be in Caltrans' financial best interests to fund the project.

Therefore, the CTC's previous criteria, and the PDPM language, will presumably be modified to reflect the more appropriate criteria for judging the financial benefit of a partnership rest area.[62]

[62] Confirmed in an e-mail communication from Lori Butler, Caltrans Landscape Architecture Program, April 24, 2007.

VI. Barriers Encountered in Other States

A. Iowa

Even before the Top of Iowa was opened in 1998, the Iowa legislature prohibited the Iowa DOT (IDOT) from seeking proposals from private entities for any new partnerships at highway rest areas.[63] The law stated that, " . . . private persons, firms, or corporations entering into an agreement with the department under this section shall not develop, establish, or own any commercial business located on land adjacent to the rest area which is subject to the agreement."[64] It continued that, "an interstate rest area shall be located entirely on the interstate right-of-way, including, but not limited to, all entrance and exit ramps, all rest area buildings including information centers, and all parking facilities."[65]

Under current Iowa law, IDOT is only allowed to partner with a private entity to provide informational centers within rest areas. An information center is defined as a "site, either with or without structures or buildings, established and maintained at a rest area for the purpose of providing 'information of specific interest to the traveling public' . . . ."[66]

Therefore, Iowa effectively prohibited any future primary commercialization using public-private partnerships in Interstate highway rest areas and it required all Interstate rest areas to be on-line.

The primary forces driving Iowa's anti-commercialization legislation were various petroleum marketing associations and the National Organization of Truck Stop Operators (NATSO). There was very little local opposition, as no commercial operators existed within about 20 miles of the rest area. However, the one truck stop operator that was about 20 miles away protested greatly that commercialization at the Top of Iowa would reduce his business.

Despite the legislation and opposition, an IDOT spokesperson said IDOT is still quite interested in pursuing a primary commercialization concept, as they are still seeking to reduce departmental operating costs associated with maintaining Iowa's rest areas and to expand services to motorists.

The spokesperson mentioned that IDOT is considering removing two existing rest areas near Des Moines and redeveloping the rest areas in new locations. In doing that, he said the state might modify the new law to allow Iowa to participate in the Federal Interstate Oasis Program and partner with a private operator at interchange locations for the replacement rest areas.[67]

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[63] Iowa Code 306C.21 was amended and passed into law on April 23, 1997, yet the Top of Iowa Rest Area was completed and opened to the public in June 1998. The law was retroactive, passed prior to the completion of the Top of Iowa. In effect, it prohibited similar types of rest area partnerships from being developed in the future. The history of the Top of Iowa project is described in http://www.tfhrc.gov/pubrds/septoct98/barn.htm

[64] " Iowa Highways Code, Chapter 306C section 21: Information Centers and Rest Areas," available online at: http://www.legis.state.ia.us/Current/tablesandindex/Index_G-I.pdf

[65] Ibid.

[66] " Iowa Highways Code, Chapter 306C section 10: Definitions," available online at: http://www.legis.state.ia.us/Current/tablesandindex/Index_G-I.pdf

[67] Ibid.

In addition, the IDOT spokesperson said he hoped that the federal Interstate Oasis Program might offer an opportunity to overcome such opposition to privatizing efforts along highway rights of way and that more states would use the program to do just that. However, he also said he was realistic about the difficulties of dealing with the opposition from off-line businesses near proposed Oasis rest areas. He restated the opposition's argument that we heard from numerous state officials involved in rest area primary commercialization efforts, namely that a state partnering with a private operator gives that operator an unfair competitive advantage over operators of nearby highway services that lack state support.[68]

B. Utah

The Utah DOT (UDOT) began an Oasis type program in 1998, and currently has five rest stops that are being privately operated at interchanges off the I-15 right-of-way. Utah did this by partnering with private services offering gas, food and beverages that previously existed at the interchange locations and which then became official state rest areas. [69]

To implement its Federal Interstate Oasis Program, UDOT solicited partnerships by advertising in newspapers. However, UDOT evidently did not sufficiently publicize its intent or make the selection process sufficiently transparent. Some interchange business complained that they were not aware that the state was seeking private partners. Others complained that their proposals were unfairly rejected. Except for that, UDOT has faced very little opposition to the state Federal Interstate Oasis Program.

UDOT explored whether the Randolph-Sheppard Act should apply to the partnerships at the off-line locations and determined that it would apply only at on-line sites not off-line sites.

UDOT does not currently participate in the Federal Interstate Oasis Program. Instead, it operates under a state program that mirrors the federal program yet with a greater ability to impose restrictions on the private operator. The only sacrifice in not participating in the Federal Interstate Oasis Program, and following the federal criteria, is that the federal program would allow use of highway signs designating the site as an official National Interstate Oasis.

C. Arizona

The Arizona Department of Transportation (ADOT) has not been able to implement any rest area public/private partnerships. This is due mainly to strong opposition from existing truck stop operators, local and state industry associations of the lodging and food and beverage industry, and business community leaders who believe that such partnerships would have give unfair competitive advantage to the state partnerships. Arizona attempted to pass three pieces of legislation to enable such projects (House Bill 2433, Senate Bill 1198, and Senate Bill 1203). But none were successful, mainly due to opposition from the National Association of Truck Stop Operators (NATSO).[70] In fact, Arizona has a number of strict state laws and provisions that prohibit such partnerships, and which would need to be amended to enable ADOT to participate

[68] Telephone Conversation with Steve McMenamin, Iowa Department of Transportation, April 11, 2007.
[69] Telephone interview with John Quick, Utah Department of Transportation, April 12, 2007.
[70] Telephone interview with Leroy Brady, Arizona Department of Transportation, April 20, 2007.

in the Federal Interstate Oasis Program or to privatize non-federally funded state highway rest areas.

Regarding the Interstate Oasis Program, Leroy Brady, who is responsible for planning ADOT's rest areas, wondered how a state would ensure that a rest area under a public/private partnership would remain a rest area, should the private entity either terminate the contract or go out of business. He used the recently completed Idaho Oasis rest area as an example. (See Idaho discussion below.) He said the state has spent around $300,000 to develop parking and other rest area facilities at the location. But, the benefits of that investment would be lost if the truck stop operator went out of business or simply cancelled the agreement after two-years, which it evidently has the power to do. This is a particularly sensitive issue, since under the federal Interstate Oasis Program, states may not specify additional partnership operating criteria or more restrictive contractual terms.

Mr. Brady described a unique commercial deal at a highway location. ADOT used federal funds to construct a building near a rest area on Highway 89A near Page. Under a special agreement, ADOT turned operation of the building over to the National Park Service (NPS), who then allowed a concessioner to sell natural history books and related products, under an agreement that they would pay for all of the rest area's operating and maintenance expenses. Since the rest area and building were located on federal land, both the Randolph-Sheppard Act and Section 111 (Title 23) applied, and the blind were able to argue that they had preferential right to operate vending facilities at the building. However, spokespersons for the blind did not ultimately object to the agreement. This rather unique situation would presumably apply to only a few rest areas in California. Regardless, even if the NPS concession model could be used, the earnings from such a limited commercial operation would not come close to covering a rest area's operating and maintenance expenses.

D. Idaho

The Idaho Department of Transportation (IDT) recently signed an agreement with a truck stop operator to provide an Oasis rest area on I-15 and U.S. Hwy 30. IDT will close an existing nearby rest area that would have needed extensive rehabilitation (at an estimated cost of about $12 million. This is the IDT's first public/private rest area partnership. IDT encountered almost no significant external opposition (or support for that matter) to implementing the Oasis rest area, and it entailed minimal legal or departmental restrictions.

A spokesperson for the IDT said that the Oasis rest area was implemented somewhat "under the radar," and noted that, "we really had the backing of the Board on this project who support public-private partnerships at highway rest areas."[71]

IDT expects an increasing number of Oasis rest areas to be built as a means to reduce departmental expenses and enhance the services available at highway rest areas. Some future opposition is anticipated, if stakeholder groups in Idaho begin to reflect the same sensitivities as in other states. However, such an off-line Oasis presumably had NATSO's support, especially as it is being operated by a truck stop operator.

[71] Telephone interview with Ed Bala, Idaho Department of Transportation, April 12, 2007.

IDT is currently drafting department policies and guidelines for future Oasis rest area development.

E. Minnesota

The Minnesota Department of Transportation (MDOT) issued an RFP in March 2007 to contract with a marketing firm to help the department engage a private enterprise to provide sponsorship, Wi-Fi Internet, and information brochures at rest areas.[72] The concept is for the contractor providing these services to pay the marketing firm, who would then pay a fee to the Minnesota DOT as a percent of revenues. As for other state DOTs, the objective is to offset MDOT's rest area maintenance costs.[73]

Comment [d6]: Define

MDOT received two proposals for the rest area sponsorship and is currently negotiating several contract points with the selected bidder. The final contract is expected to be completed and signed by the end of July 2007 when the selected contractor will begin implementation.[74]

So far, MDOT has not encountered any opposition from NATSO, the Society of Independent Gasoline Marketers of America (SIGMA), or National Association of Convenience Stores (NACS) to the proposed wireless Internet and advertising partnership project.

F. Washington

In 2003, Representative Toby Nixon introduced two House Bills (1015 and 4001) that sought to allow private entities to operate at highway rest areas in the state of Washington. HB 1015 would, if passed, permit Washington Department of Transportation (WSDOT) to "solicit proposals from private and nonprofit entities for a joint safety rest area demonstration project." These entities would "provide safety rest area services."[75] HB 4001 contained a request that "the United States Department of Transportation issue a waiver to the Washington State Department of Transportation from the provisions of 23 U.S.C. 111, 20 U.S.C. 107, and from any federal regulation prohibiting private or nonprofit entities from operating safety rest areas, including current and future safety rest areas."[76] Both bills were introduced simultaneously and assigned to the Transportation Committee.[77]

Both HB 1015 and 4001 came under pressure from truck stop operators and the organizations for the blind who operate vending machines at highway rest areas.[78] Members of the blind vendor

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[72] Wi-Fi was originally a brand licensed by the Wi-Fi Alliance to describe the embedded technology of wireless local area networks based on the IEEE 802.11 standard. In 2007, common use of the term Wi-Fi was broadened to describe the generic wireless interface of mobile computing devices.
[73] Telephone interview with Robert Williams, Minnesota Department of Transportation, April 12, 2007.
[74] Telephone interview with Carol Reamer, Site Development Unit Manager at Minnesota Department of Transportation (MDOT), April 18, 2007.
[75] House Bill 1015 Digest, 2003 Regular Session; found online at http://www1.leg.wa.gov/legislature
[76] House Bill 4001 Digest, 2003 Regular Session; found online at http://www1.leg.wa.gov/legislature
[77] Teresa Bertsen, Legislative Analyst for Washington House Transportation Committee, telephone interview (360-786-7301), 4-3-07.
[78] Jeff Doyle, Office of Public Private Partnerships, Washington Department of Transportation, May 22, 2007.

groups agreed to accept the proposed legislation if they would be financially compensated for the potential losses they would incur from not being able to compete with a private operator at the partnership rest areas. However, the bills ultimately died because they turned into a "political issue of unionized vs. privatized labor."[79] Some WSDOT staff protested that privatization of highway rest areas would result in a loss of unionized state jobs (that is, for state employees who supervise rest areas' operations and maintenance). "The unions won."[80] There was resistance from local truck stop operators, but the truck stop industry and lobby is not as strong in Washington as in California. The deciding factor was not truck stop operator opposition but rather the political/labor controversy.[81]

Washington State DOT is also attempting to initiate a program to sell alternative fuels at on-line rest areas on I-5, possibly in conjunction with California and Oregon, from the Canadian to Mexico borders. The idea is described in "Corridors of the Future – I-5: A Roadmap to Mobility: A Joint Application from California, Oregon, and Washington," which outlines a number of proposed improvements and projects along I-5. One of the proposed developments is an "Alternative Fuels Corridor through Development of Safety Rest Areas," which would involve offering alternative fuels at rest areas located along I-5 in each state. Alternative fuels would include bio-diesel, ethanol, hydrogen, compressed natural gas (CNG), electricity, and other fuels as they develop.

The document states that, " . . . a secondary benefit of meeting SRA (Safety Rest Area) maintenance and operational needs as well as making critical capacity improvements through partnership with the private sector could be achieved. Potentially, a private sector enterprise or developer would be allowed to operate at the SRAs by providing travelers goods and services in order to make sale of alternative fuels financially viable. Any negotiated agreement would require the developer to operate, maintain, and improve the SRAs to specific service standards and provide for distribution of designated alternative fuels once a given fuel has reached critical mass in production capacity. Revenue from sales would be used, in part, for the operation and maintenance of the SRAs and would provide a return on investment to the Developer. The participating states would receive payment for the use of the property. Any excess revenue generated would be shared by the public sector and the Developer."[82]

Comment [d7]: Define

We noted that this program would be illegal under Title 23 Section 111 U.S.C. Jeff Doyle, the WSDOT representative responded that, "Oregon is taking the lead on this effort, and will seek federal authorization to allow a pilot project permitting retail sale of alternative fuels and other goods and services at highway rest areas along Interstate 5." Mr. Doyle specifically mentioned the exception that might be allowed through the FHWA SEP-15 program (described elsewhere in this report) as a potential means of receiving federal authorization.

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[79] Ibid.
[80] Ibid.
[81] Ibid.
[82] "Corridors of the Future – I-5: A Roadmap to Mobility: A Joint Application from California, Oregon, and Washington," California Department of Transportation, Oregon Department of Transportation, and Washington Department of Transportation, May 2007, pg. 24.

Corridors of the Future Program (CFP) is a federal program whose goal "is to accelerate the development of multi-State transportation Corridors of the Future for one or more transportation modes, by selecting up to 5 major transportation corridors in need of investment for the purpose of reducing congestion."[83]

According to Pat Weston, the Corridors of the Future Program is really more of a symbolic rather than functional program, that asks states for "their grand vision of the future" for a specific highway corridor.[84] "We basically receive a badge stating that the federal government recognizes California as having a Corridors of the Future area."[85] The federal government would not provide any immediate funding under the program, but in the future the U.S. Department of Transportation would potentially provide various services, including accelerated review and conditional approval of experimental features under the FHWA SEP–15 process.

Regarding SEP-15, the language found in the Federal Registrar describing the Corridors for the Future Program states that "potential areas of experimentation for CFP projects include commercialization of rights-of way for new facilities, innovative finance, tolling and contracting requirements." Despite the reaction from FHWA officials that commercialization of highway rest areas (online) via public/private partnerships would not be considered under SEP-15, the I-5 Corridors for the Future Program submitted by Caltrans, Oregon DOT, and Washington DOT seems to rely on this provision to make possible the sale of alternative fuels and other goods and services at highway rest areas. It is not clear to what extent FHWA, in the context of SEP-15, would view commercialization of rest areas under the I-5 Corridors of the Future Program more favorably compared to a stand-alone rest area commercialization project.

Ms. Weston mentioned that the Office of the Governor is very supportive of the concepts found in the I-5 Corridors for the Future application, especially regarding the emphasis on green technology, including the potential sale of alternative fuels at highway rest areas.

Overall, the Corridors of the Future Program does not seem imminent and may be more symbolic than real. We suspect that if the Corridors of the Future Program/SEP-15 program showed signs of progress towards federal acceptance of commercialization of on-line rest areas, it would likely encounter strong opposition from NATSO and others.

G. New Mexico

New Mexico passed legislation in 2005 that stated:

> "Commercial enterprises or activities may be conducted, permitted or authorized on department-owned land or land leased to or from the department, *not including interstate highway rights of way*, but including controlled-access facilities; or land owned or leased to or from the state, a county, city, town or village highway authority or by any other

[83] "Corridors of the Future Program, Department of Transportation," Federal Register: September 5, 2006 (Volume 71, Number 171), available online at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2006_register&docid=fr05se06-66
[84] Caltrans point of contact for the program.
[85] Telephone conversation with Pat Weston, California Department of Transportation, 5-30-2007.

governmental agency for the purpose of providing goods and services to the public, including gasoline service stations or other commercial establishments that may be built on department-owned land or the property acquired for or in connection with the controlled-access facilities."[86] (Italics added for emphasis.)

Before it became law, NATSO listed the bill a "threat" to its interests on its website. It is the only bill that NATSO called a "threat" to its interests that has not been defeated.

Therefore, NMDOT may explore opportunities for private primary commercialization within non-interstate right of way. Currently there are six rest areas on non-interstate controlled-access highways.[87]

Briefly, the intent of the legislation was to allow the state to lease land to private entities for development. The land might be near an existing rest area or land that was off-line but still easily accessible from the highway. It would also allow primary commercialization to take place along highway rights of way that were not federally funded. However, such highways are relatively remote, have low traffic volumes compared to Interstates, and therefore are considered poor candidate sites for privatized rest areas.

The law allows the state to purchase land for highway right-of-way and then lease the land to a private entity. And the law also allows the state to lease department owned property to a private entity.

Although NATSO defined the bill as a threat to the organization's interests, it did not fight it vigorously. It seems the reason was that at the same time as the legislation was being considered the state was increasing commercial truck taxes and fees dramatically, which may have drawn NATSO's attention away from this bill.

Also, the law *does* prohibit the state from commercializing *Interstate* rest areas or on land located along Interstate right of way, which is consistent with federal law, and which may have assuaged NATSO's fears somewhat.

A spokesperson for the NMDOT also mentioned that lobbying efforts in New Mexico are generally weaker than in other states, where there is more development and commercialization, and where population densities are greater.

NMDOT does not currently have any specific plans to develop commercial services using public-private partnerships at any rest areas.[88]

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[86] New Mexico Statutes Chapter 67: Highways, Section 11-9 Commercial Enterprises or Activities.

[87] Ibid, 13. A "controlled-access facility" is defined as "a highway or street especially designed for through traffic and over, from, or to which owners or occupants of abutting land or other persons have no right or easement or only a controlled right or easement of access, light, air or view by reason of the fact that their property abuts upon such controlled-access facility or for any other reason. Such highways or streets may be freeways open to use by all customary forms of street and highway traffic or they may be parkways from which trucks, busses and other commercial vehicles shall be excluded."

[88] Telephone interview with Tom Church, New Mexico Department of Transportation, April 12, 2007.

Another spokesperson for the NMDOT said that the legislation was originally intended to allow the sale of books about New Mexico, Native American crafts and other New Mexico themed souvenirs at rest areas along U.S. highways (but not Interstates). This narrow commercial objective was approved by the regional New Mexico FHWA officials, but it was later rejected by FHWA's legal department, since New Mexico received federal funds to build and maintain the U.S. highways on which the identified rest areas were located. Therefore, there are only a few qualifying highways. All have very little traffic, no existing rest areas, and no plans for future rest area development and which might qualify for commercialization.[89]

H. Maryland

During the 2005 legislative session, the Maryland State Senate introduced Senate Bill 81: Controlled Access Highways – Use of Rest Area Property, which was sponsored by the Maryland DOT. The bill authorized "the State Highway Administration (SHA) to operate or grant a permit to operate motels, restaurants, gas stations, or other automobile service stations along controlled access highways, unless prohibited by federal regulation. SHA may enter into revenue-producing agreements with private contractors to operate each business."[90] However, this bill died in the Senate Finance Committee, likely due to what the Legislative Service Division (who drafted the Fiscal and Policy Note) concluded about the negative impact to small business within a 10 to 15 mile distance from the rest areas.[91] The Fiscal and Policy Note concluded that, "These establishments could loose business due to the availability of food and gas at rest areas." This argument reflects NATSO's and other anti-privatization groups' assertion that by commercializing rest areas, truck-stops and service plazas located off the right of way would lose business to the more conveniently located and state sanctioned commercial rest area.

This bill appears to have been introduced as a way of keeping pace with what was occurring at the federal level in 2005, namely the consideration during the drafting of the SAFETEA-LU legislation of repealing the ban on the commercialization of rest areas located on the rights-of-way for federally funded highways. If SAFETEA-LU had been successful in repealing this ban, Maryland would have had state legislation in place to authorize such commercialization along the highway right-of-way.

I. Indiana

On January 11, 2007, Senate Bill 314 was introduced in the Indiana State Senate. This bill (authored by Senator David C. Ford) stated the following: "Requires the department of transportation (INDOT) to participate in the federal Interstate Oasis Program. Provides that INDOT may not reopen a closed interstate rest area or construct a new interstate rest area unless INDOT has fully implemented the Interstate Oasis Program."[92]

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[89] Telephone interview with Louise Cavatta, New Mexico Department of Transportation, April 12, 2007.
[90] Fiscal and Policy Note Senate Bill 81, Department of Legislative Services, Maryland General Assembly, 2005 Session.
[91] Nanette Schieke, Legislative Liaison for DOT, Telephone message of April 3, 2007.
[92] "Indiana Senate Bill No. 314," January 31, 2007, available online at: http://www.in.gov/apps/lsa/session/billwatch/billinfo?year=2007&session=1&request=getBill&docno=314#latest_info

Therefore, this bill requires that all future Indiana rest areas be implemented through the federal Interstate Oasis rest area program, and therefore be privately operated facilities off the highway right-of-way. Senator Ford believed that the Oasis Program would offer the state a way to reduce its rest area operating and maintenance costs which were estimated to be around $150,000 annually per rest area and to provide improved commercial services as well as improved security at highway rest areas. The primary supporters of the bill included the National Association of Truck Stop Operators, American Petroleum Institute, Bob Evans Farms (Restaurants), Cracker Barrel, and Exxon Mobile. In supporting the bill, NATSO issued the following statement:

> "NATSO has been working with an Indiana lawmaker to promote the Interstate Oasis program, and on Jan. 11, Sen. David Ford (R-Ind.) introduced a bill that would require the state DOT to implement the program before adding any new rest areas . . . . NATSO will work with Sen. Ford to ensure this provision is adopted, and hopes to make the proposal a model for other states . . . . NATSO strongly endorses the Interstate Oasis Program and will continue promoting the program in 2007."[93]

On April 4, 2007 Senate bill 314 died in the House while in the Committee on Interstate and International Cooperation. Senator Ford commented that the primary reason his Bill failed was due to the strong opposition by lobbying groups for the blind, who opposed the bill on the grounds that it would reduce the number of jobs available to blind vendors, since rest areas under the Oasis Program would not be subject to Title 23 Section 111 (and the Randolph-Sheppard Act) which grants blind vendors preferential rights to operate vending facilities at interstate highway rest areas. Senator Ford mentioned that a number of newspapers ran stories about the Bill taking jobs away from the blind, which contributed to public opinion running against the bill. Senator Ford agreed not to seek passage of the bill until a mutually beneficial solution that addressed both the interests of the state and blind vendors could be reached.

Senator Ford reported that he contacted the FHWA and asked them if they had considered the potential negative impacts on blind vendors resulting from the Interstate Oasis Program legislation and the opposition that might result. FHWA replied that they did not. Moreover, Senator Ford noted that the blind groups also opposed operating vending machines at facilities that also offered any sort of expanded food and beverage services by a private operator, believing that they could not compete with such services at the same site.[94]

It appears that the reason blind vendors strongly opposed the Indiana bill was the ambiguous language of the bill that seemed to suggest INDOT must develop Oasis rest areas in place of traditional rest areas in the future. The Randolph-Sheppard Act grants the blind preferential vending operating rights at on-line rest areas, so the blind vendors may have felt that if the future was dominated by only Oasis rest areas, this would eliminate opportunities for future blind vendors in rest areas.

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[93] Ibid.
[94] Telephone interview with David Ford, Indiana State Senator, April 11, 2007.

The lesson from Indiana might be that if Caltrans seeks to *exclusively* implement Interstate Oasis type rest area projects, thereby obtaining support from NATSO and other interested groups, it might encounter opposition from groups representing blind vendors.

Therefore, since Federal law limits on-line Interstate rest area commercialization to vending machines facilities, and NATSO will promote off-line "Interstate Oasis" primary commercial rest areas, a useful Caltrans strategy might be to *simultaneously* seek to implement off-line "Interstate Oasis" primary commercial rest areas (that will be *supported* by NATSO though *opposed* by representatives of blind vendors) as well development of vending facilities in on-line rest areas (that will be *supported* by both NATSO *and* representatives of blind vendors). Perhaps both will understand that a project they support cannot succeed unless they withhold their opposition to a project they would normally oppose. Allowing vending machines facilities subject to Title 23 Section 111 (and the Randolph-Sheppard Act) in one or more on-line rest areas might be a small concession to implement an Oasis type project.

J. Virginia

On January 12, 2005, State Representative Thomas D. Gear sponsored House Joint Resolution No. 654, which requested the Virginia DOT "to study privatization of highway rest stops . . . . In conducting its study, the Department shall evaluate costs and benefits that might accrue to both the traveling public and to the Commonwealth by allowing or recruiting private business enterprises to locate at or in association with highway rest stops."[95] This bill subsequently failed during the 2005 legislative session.

NATSO listed this bill as a "threat" to the organizations' interests and was presumably a deciding influence in the bill's failure.

Keith Martin, of the VDOT Legal Affairs Division, indicated that, "when the resolution (HJR 654) came before the legislative committee for debate, the committee members found it difficult to justify using limited staff resources on a cost/benefit analysis of privatization of rest stops, because such activity is prohibited in Virginia by federal law and regulation. There has been interest in the state for amending the federal law to allow for the privatization of highway rest stops. However, there does not appear to be much interest at the federal level to remove this prohibit from federal law."[96]

The Virginia DOT (VDOT) is not currently pursuing any public/private partnership projects involving highway rest areas and has not pursued any such projects in the recent past.[97]

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[95] "House Joint Resolution No. 654," January 12, 2005, available online at: http://leg1.state.va.us/cgi-bin/legp504.exe?ses=051&typ=bil&val=hj654

[96] E-mail communication with Keith Martin, Virginia Department of Transportation, May 29, 2007.

[97] Thomas Pelnik, VDOT Division Administrator for Innovative Project Delivery, May 29, 2007.

VII. RELEVANT EXPERIENCE IN OTHER COUNTRIES

We attempted to find related relevant projects in other countries. For the sake of efficient and clear communications, we restricted our investigation to developed English-speaking countries, namely Canada, The Netherlands, Great Britain, and Australia. From our numerous email inquiries, we received a rather detailed, but general, description of the nature and use of the rest area system in Australia. However, the only relevant lead was the following project being planned in Quebec.

On June 19, 2006, the Quebec Ministry of Transport and Quebec Public/Private Partnerships Agency issued an RFQ for a private partner to design, finance, construct, operate and maintain seven service areas along the Quebec Highway System.[98] The project will entail development of seven off-line sites, of which four are existing rest areas ("Highway Parks") and three will be developed at new sites. Four sites are indicated as being "easily accessible from the highway." The other three are at "Gateways" and are also presumably very accessible. Required services include:

Food and restaurant services
Tourism information
Sanitary facilities
Drinking water and wastewater treatment
Public telephones
Separate parking lots for cars and heavy vehicles
Outdoor rest area with picnic tables, and
Playground for children

Authorized, but not required, services include:

Fuel sales (at all but two sites)
Convenience store
Automated banking machines
Advertising (not to be visible from the highway)
Telecommunications (wireless Internet)
Dump stations for recreational vehicles, and
Pet-exercise area

The private partner will be granted exclusive operating and commercial rights to the sites, for which the partner will pay the ministry a fee. The expected term of the agreement will be 30 years. The Agency determined two of the applicants to be qualified, Host International and Immostar, Inc. a real estate consulting and development firm based in Quebec, and released an RFP to these two applicants in March 2007. Proposals will be due in late August or early September, and contractor selection is expected in December of 2007.

[98] RFQ for Design, Construction, Financing, Operation and Maintenance of Seven Service Areas Along the Quebec Highway System, Highway Parks Branch, Quebec Transport Ministry, June 19, 2006. http://www.ppp.gouv.qc.ca/index.asp

VIII. INSTITUTIONAL & ORGANIZATIONAL SUPPORT & OPPOSITION

We contacted representatives of the following stakeholder organizations and obtained expressions of their interest and positions regarding the key issues.

A. American Association of State Highway and Transportation Officials (AASHTO)

The American Association of State Highway and Transportation Officials (AASHTO) has historically advocated private commercialization of existing Interstate highway public rest areas, and was active in developing the criteria for the new "Interstate Oasis" program portion of the new SAFETEA-LU legislation.

In developing the new legislation, AASHTO went so far as to recommend on-line primary commercial rest areas, such as service plazas on toll roads and turnpikes. AASHTO also opposed allowing states the flexibility to consider contracting with a combination of two or more businesses at an interchange when all the criteria could not be met by only one business at the interchange.

However, the FHWA ruled against AASHTSO (and others who supported AASHTO's positions). And ultimately, AASHTO settled for what was achievable.

B. American Trucking Association (ATA)

The American Trucking Association's (ATA) members include primarily large motor carrier corporations, who represent approximately 10% of the total trucks operating in the U.S., the remaining 90% being represented by Owner-Operator Independent Drivers Association (OOIDA). (See discussion of OOIDA below.)

Comment [d8]: Define

ATA is closely tied to NATSO's position on this issue, even though it would presumably have more of an interest in promoting increases in truck parking. One reason suggested is that ATA's members have large fueling contracts with NATSO truck stops and receive rebates and savings from these contracts. If ATA were to oppose NATSO, it might potentially lose the savings from NATSO members. Therefore, ATA might look for opportunities to support projects that increased truck parking, if it could do that without jeopardizing its NATSO relationship.

C. American Petroleum Institute (API)

Karen Matusic of the American Petroleum Institute (API) stated that, "we are neutral on this issue, and NATSO should not have us listed on their website as members of the Alliance to Save Interstate Services (who oppose rest area commercialization)."[99]

API is a national trade association which represents approximately 400 oil and natural gas industry corporations, both large and small, including producers, refiners, suppliers, pipeline operators and marine transporters, as well as service and supply companies that support all

[99] Telephone interview with Karen Matusic, American Petroleum Institute, April 19, 2007.

segments of the industry. API is the lobbying voice in Washington for all interests of the U.S. petroleum industry.

D. California Chamber of Commerce

A spokesperson for the California Chamber of Commerce stated general approval but little familiarity with the program, and could not refer us to someone within at the Chamber with greater understanding of the matters involved. He said that, "in general the Chamber supports privatization efforts which replace government operations where the private sector could be providing these services more efficiently. But (he thought the Chamber) would have to review the specific issues further. This is an interesting issue, but one with which (he did) not believe the Chamber is familiar."[100]

E. California Trucking Association (CTA)

The California Trucking Association (CTA) would likely support Caltrans' efforts to develop a highway rest area via a public/private partnership, as long as it provided new truck parking spaces. The lack of truck parking spaces in California is an important issue for CTA, even more so than improved/expanded truck related services at rest areas.[101] However, several of CTA's members are also NATSO members. Whenever possible, they try to support NATSO's positions. But, additional truck parking is considered to be a more important objective than preserving the interests represented by a few of its members who are allied with NATSO. CTA's representative said, ". . . perhaps this is where CTA would have to part ways with NATSO members' interests . . . " if they had to choose. In fact, the CTA supported Assemblyman Niello's Bill 1566 in 2007 that would have required highway projects to facilitate rest area development (right-of-way purchase) in areas of high priority need.

F. California Welcome Centers (associated with California Department of Tourism)

California Welcome Centers, which are operated as franchises, would possibly support the partnership efforts, as long as they did not draw visitors away from the Welcome Center. However, a spokesperson for the Welcome Centers stated that they would likely be interested in partnering with commercial developers/operators as long as such participation would not represent a net cost, since the Centers do not receive any state funding and rely entirely on local sponsors and advertising for its revenues.[102]

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[100] Telephone interview with Jason Schmelzer, Legislative Affairs Analyst, California Chamber of Commerce, April 20, 2007.
[101] Telephone interview with Julie Sauls Vice President of Legislative Affairs, California Trucking Association, May 24, 2007.
[102] Telephone interview with Janice Simoni, California Department of Tourism and California Welcome Center Manager, April 18, 2007.

G. Food Marketing Institute

A staff person who works in the government affairs division at FMI was not familiar with the issues and did not think any of his colleagues handling legislative issues were either. He said, "I can't comment on this issue, as I am not familiar with it. I don't think anyone else at FMI has information on this, because it does not sound like something that we handle or concerns us."

H. International Food Service Distributors Association

Jonathan Eisen, Senior Vice President of Government Relations stated that, "this is not an issue that we have worked on before and does not concern our interests."[103]

I. Motorist Information Services Association

The Motorist Information Services Association (MISA) is officially neutral on this issue. Its representative noted that a particular challenge of the federal Interstate Oasis Program is that "the Oasis Program does not require Oasis rest areas to provide visitor/traveler information, which if required would garner significant support from local Chambers of Commerce and Tourism groups." She continued that, "This is a symptom of a larger problem, and that is that under the Oasis regulations, a state cannot add additional criteria above and beyond the federal criteria, which means that states cannot tailor the program to meet state requirements and needs." She indicated that, "truckers and trucking organizations in Oregon completely support the program, as it will add more truck parking spaces in the rest area system. Shortage of commercial truck parking is a big issue in Oregon, and truckers see the Oasis Program as one potential solution. As far as (she knew), most state DOT's support the Oasis Program as a way to encourage public/private partnerships and reduce SRRA operating costs."[104]

J. National Association of Convenience Stores

John Ikeberger, with the National Association of Convenience Stores (NACS), stated NACS continues to oppose rest area primary commercialization for the same reasons stated by Ms. van Arsdale (NATSO). With regards to NACS support for the Oasis Program, Mr. Ikeberger mentioned that, "NATSO is really taking the lead on that effort, and we have not really been that involved, although we do support the Program. We tend to go along with whatever NATSO supports or opposes as are interests are very much aligned."[105]

K. National Association of Truck Stop Operators

The National Association of Truck Stop Operators (NATSO) is the most active and effective opponent to the concept of rest area primary commercialization along highway rights of way.

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[103] Telephone interview with Jonathan Eisen (703-532-9400 ext. 264), International Food Service Distributors Association, 4-19-07.
[104] Telephone interview with Cheryl Gribskov, Motorist Information Services Association Representative and Director of the Oregon Travel Information Council, April 24, 2007.
[105] Telephone interview with John Ikeberger, National Association of Convenience Stores, April 19, 2007.

Lind van Arsdale, NATSO's Senior Director and Lobbyist stated, "The reality is that our members could simply not compete with a rest area offering primary commercial services. The main reason for this is the convenience factor that primary commercial services located along the right of way would represent. With highway rest area primary commercialization, truckers would not have to exit the freeway to access goods and services and consequently would no longer use the off-line truck stops."[106]

When asked why NATSO members were so threatened by rest area commercialization via public/private partnerships, recognizing that many of NATSO's member would be very qualified partners to operate highway rest areas, Ms. van Arsdale stated that "most of our members have made these large investments in their operations, including land purchases, building and construction, equipment, etc. and they could not easily abandon this investment if they were to operate at a nearby rest area. Presumably they could sell the land and equipment, but they would have a very difficult time doing so, as buyers would realize the competition they would then face from the commercialized rest area nearby."[107]

Ms. van Arsdale also raised the argument that "commercialized highway rest areas would be exempt from paying property taxes, yet they would benefit from their location, and the community would pay for this, as property tax funds would not generated and therefore not be available to the local community."[108]

Another issue raised by Ms. van Arsdale was her assertion that "NATSO members provide approximately 90% of the truck parking nationwide, yet studies have shown that commercialized highways have 50% less truck parking compared to non-commercialized highways. What this means is that if commercialization were to take place, it would likely significantly reduce the amount of available truck parking, an issue of great relevance to the trucking industry."[109]

According to Ms. van Arsdale, NATSO supports the Interstate Oasis Program, and was a key player in shaping the direction of this program. She said, "we are quite comfortable with the current FHWA Oasis criteria and definitely support the program."[110]

A key issue with the Federal Interstate Oasis Program however is that it does not allow states to implement stricter controls or criteria for potential private partners, but must conform to the federal criteria. Utah and Vermont had Oasis type programs in place prior to the passage of SAFETEA-LU in 2005, and were in part the inspiration for NATSO to promote a national program with standard criteria, national name recognition, and signage.

When asked if NATSO would support states implementing their own Oasis programs, which mirrored the federal program but were not limited to the federal criteria, Ms. Arsdale firmly said, "no, we would not support this. In fact we would probably lobby against these efforts and push

[106] Telephone interview with Lind van Arsdale, Senior Director and Lobbyist, National Association of Truck Stop Operators, April 18, 2007.
[107] Ibid.
[108] Ibid.
[109] Ibid.
[110] Ibid.

for the states to participate in the federal program. The reason being that we believe that our members, who would likely represent 90% of the eligible private partners, would prefer to be in a nationally recognized program."[111]

When asked about other opposition stakeholder groups listed (on the NATSO website) as members of the Alliance to Save Interstate Services (ASIS), Ms. van Arsdale stated that "these groups have generally allowed NATSO to take the lead on these issues, so they might not be as well informed on this particular issue as we typically are, because we are the most affected by the primary commercialization of highway rest areas."[112]

Ms. van Arsdale did state that the National Federation of the Blind was one group that may actually be "negatively affected in the long run by the Oasis Program, because if states close existing rest areas or build an increasing number of Oasis rest areas, blind vending operators will likely see their opportunities diminish."[113] This is due to the fact that Title 23 Section 111, which limits commercial operations to vending machines operated by the blind, would not apply to rest areas located off the Interstate right of way.

L. National Association of Wholesaler-Distributors

A government relations staff person at the National Association of Wholesaler-Distributors stated that, "we are not involved in this issue, so we cannot comment on it. It's not something that has concerned us."

M. National Council of Chain Restaurants

Scott Vinson, Vice President of Governmental Relations was not familiar with SRRA commercialization or the Oasis Program. When the issues were described to him, he said, "I have never heard of this being an issue at NCCR. It's not something that is at the top of our agenda."[114]

N. National Federation of the Blind

This group poses somewhat of a dilemma to Caltrans. It opposes off-line primary commercial rest areas. According to Jim McCarthy, Director of Government Affairs, the National Federation of the Blind (NFB) does not support the Oasis Program, the concept of any off-line rest area commercialization, or even on-line commercial rest areas that did not consist exclusively of vending machines.

He said that, "vending at highway rest areas is a stable source of income for members of the blind community, with individual vendors earning around $40,000 per year from rest area vending machines. Currently, we have about 70% underemployment and unemployment among

[111] Ibid.
[112] Ibid.
[113] Ibid.
[114] Telephone interview with Scott Vinson, (202-661-3059), National Council of Chain Restaurants, 4-19-07.

the national blind labor force, and vending opportunities are not growing, so rest area vending opportunities are quite valuable."[115]

When asked about the NFB's past partnership with NATSO, Mr. McCarthy stated that, "the Oasis Program in SAFETEA-LU in many ways breaks the alliance between NFB and NATSO. The Interstate Oasis Program is really a program that benefits NATSO and potentially injures blind vendors. Also, our concerns at the FHWA Interstate Oasis Program input meeting in February, 2006 were brushed aside by both NATSO and the FHWA."[116] In terms of NFB's legislative/policy priorities, Mr. McCarthy mentioned, "this issue is really a sub-priority for us, it is not necessarily at the forefront of our policy agenda, but nevertheless it remains an important issue for us."[117]

Despite the belief that the Oasis Program and rest area commercialization would obviously threaten business opportunities for blind vendors, Mr. McCarthy indicated that the NFB is open to compromise saying, "we know that states really want commercialization at rest areas to off-set operating costs, and we do recognize that this is a reality that we may need to deal with and work around. We are definitely a pro-innovation organization, and we would be open to new partnership/contract methods that continue to address the interests of blind vendors. However, a general barrier to implementing innovative partnerships may be the State Rehabilitative Agencies designated under the Randolph-Sheppard Act, which seek out the vending opportunities within a state on behalf of blind vendors. These agencies are typically very risk averse, since they are using public funds, and do not take chances that are viewed internally as risky."[118]

O. National Private Truck Council

A representative of the National Private Truck Council Institute indicated that, "the short answer is that we do not have a position on either the Oasis Program or commercialization of highway rest areas in general. This is just not something high on our priority list."[119]

The National Private Truck Council (NPTC) is a national trade association that represents corporations' private motor carrier fleets. These truck fleets are operated by manufacturers, distributors, processors, and retailers to meet their transportation needs. The fleets also include food, retail, wholesale, construction and service companies.

P. National Transportation and Safety Board

In the past, this organization has advocated and supported the concept of public/private partnerships at highway rest areas.

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[115] Telephone interview with Jim McCarthy (410-659-9314), National Federation of the Blind, 4-24-07.
[116] Ibid
[117] Ibid
[118] Ibid
[119] Telephone interview with Tom Moore, Executive Director, National Private Truck Council Institute, April 19, 2007.

Q. Owner Operator Independent Drivers Association Owner

The Owner-Operator Independent Drivers Association (OOIDA) is an international trade association representing the interests of independent owner-operators and professional drivers on all issues that affect truckers. OOIDA currently has approximately 150,000 members in all U.S. states and publishes the most widely circulated trucking magazine in the industry.[120]

OOIDA has been and continues to be a strong supporter of the concept of rest area privatization (including public-private partnerships) at rest areas located both on and offline.[121] OOIDA has generally supported the move from state owned/operated rest areas to privately operated rest areas, because OOIDA believes that the private sector would be more responsive to the needs of truckers and would provide a greater number of services and facilities compared to state operated rest areas. The shortage of truck parking is a very important issue to this organization, particularly in California. OOIDA would strongly support any project that would provide additional truck parking, and that Caltrans could count on OOIDA to support their rest area public/private partnership projects. Specifically, the OOIDA spokesperson said, "I'm excited to hear that Caltrans is taking up this important issue, and we would like to back Caltrans in its effort."

R. Petroleum Marketers Association of America (PMAA)

When asked to what extent primary commercialization of highway rest areas was an important issue at the Petroleum Marketers Association of America (PMAA), Fritz Quinn stated, " . . . to be honest, this is not even on our radar right now . . . it's a low priority for sure . . . ."[122] When asked about PMAA's support of the Interstate Oasis Program, Mr. Quinn called NATSO, then called back, saying that PMAA would be 100% in support of the Oasis Program.

Mr. Quinn continued to say that anything outside the Oasis Program, including any efforts to privatize online rest areas, or to implement a state version of Oasis, would only be acceptable if PMAA believed the project to support their members interests.

Therefore, it appears that PMAA is letting NATSO take the lead on this issue and is not likely to be actively involved in either supporting or opposing rest area commercial development, without NATSO's approval.

S. Society of Independent Gasoline Marketers of America (SIGMA)

SIGMA is opposed to rest area commercialization at rest areas located along the highway right of way. They said, "commercialization of rest areas would be terrible for local businesses, particularly truck stops located nearby who would see their business drop significantly. It's a fact that many small communities across America depend on highway traffic as a primary source of income and employment, and commercializing rest areas would tend to negatively impact

[120] See http://www.ooida.com/about_us/about_us.html.
[121] Telephone interview with Joe Rajkovacz, Regulatory Affairs Specialist at OOIDA, May 23, 2007.
[122] Telephone interview with Fritz Quinn, Petroleum Marketers Association of America, May 24, 2007.

these communities."[123] When asked to how great a priority this issue was for SIGMA, Mr. Columbus replied that SIGMA would actively lobby against any efforts to commercialize online highway rest areas. However, when asked about SIGMA's current position on the federal Interstate Oasis Program, Mr. Columbus mentioned that he believed that SIGMA had not currently taken a position on the Oasis Program, but presumed that SIGMA would likely support it, as does NATSO.

T. U.S. Chamber of Commerce

Janet Kavinoky, Director of Transportation and Infrastructure, indicated that. "I don't believe this is an issue the Chamber has had significant involvement with in the past. We would have to look at the effects of privatization efforts and the Oasis Program on a case-by-case basis. We would not make a blanket statement to oppose or support something like this. If either initiative resulted in what we believe would be a net gain for regional/local businesses and/or our member chambers supported it, it would likely be something we would support."[124]

U. Other Stakeholder Groups

We also contacted, or attempted to contact, the following organizations, but were unable to reach a representative who was willing or able to express the organization's position on private commercialization of rest areas, either under the Oasis Program or another concept.[125] However, we do know from previous experience that many of the individual companies listed below have been interested in contracting for such projects as state partners, including California.

Advocates for Highway and Auto Safety (AHAS)
American Bakers Association
American Beverage Association
American Road and Transportation Builders Association
Bob Evans Farms, Inc.
Burger King National Franchise Association
Cracker Barrel
ExxonMobil
Grocery Manufacturers of America
Hardee's Food Systems, Inc.
International Association of Chiefs of Police (IACP)
International Dairy Queen, Inc.
Interstate Dairy Queen Corporation
Long John Silver's Restaurants Inc.
McDonald's

[123] Telephone conversation with Tim Columbus, Legal Affairs Department, Society of Independent Gasoline Marketers of America, May 30, 2007.
[124] Telephone interview with Janet Kavinoky, U.S. Chamber of Commerce, April 19, 2007.
[125] Some of the groups listed are members of the Alliance to Save Interstate Services (ASIS) which opposes rest area commercialization and are listed on NATSO's website http://www.natso.com/Content/NavigationMenu/GovernmentAffairs/ASIS/default.htm However, we have reason to believe that many of the same organizations would participate in a team submitting a proposal to develop and operate such projects.

National Association of Counties
National Association of County Engineers (NACE)
National League of Cities
National Industrial Transportation League
National Restaurant Association
Retail Industry Leaders Association
Shell Oil Company
Shoneys, Inc.
Snack Food Association
The Association of Retarded Citizens
Wendy's International, Inc.

IX. ECONOMIC & MARKETING BARRIERS

A. Development Costs

Clearly, the high cost of land and construction will be an important obstacle to developing a primary commercial rest area or truck parking facility. The cost of land will depend on the particular location of the site and whether Caltrans might already own the land might (as for the previously considered Victorville site). Construction cost will depend on the nature and scale of the facilities to be developed and whether Caltrans or a private partner will be responsible for construction contracting. Construction costs will also be particularly sensitive to whether special ramps will be necessary to access the site.

The Highway Design Manual addresses "highway standards," "mandatory standards," "advisory standards," which allow for greater flexibility in application to accommodate design constraints or be compatible with local conditions, and "permissive standards," which are not requirements but merely suggest guidelines to development and implementation.

The Highway Design Manual states, "the following standards generally represent minimum values. When consistent with sound judgment and in response to valid concerns, variations may be considered. Standards lower than those indicated herein may not be used without approval of the Principal Landscape Architect, Landscape Architecture Program."[126] Therefore, some flexibility appears to exist regarding the design of rest areas, which is reflected by the fact that all of the standards, with the exception of one, are defined under the "permissive standards" category.

The one "mandatory standard," and likely one of the most costly rest area design components is the requirement of dedicated ingress and egress ramps. For rest areas located along freeways, the Manual states that rest areas located ". . . on expressways and conventional highways should be designed with standard public road connections and median left-turn lanes . . . ." The Manual also provides direction for planning highways that may at sometime become freeways, stating in this case that ". . . the design should accommodate future construction. Two-way ingress/egress roads, if used, should be a minimum 32 feet wide. When a rest area or auxiliary parking facility is developed outside the freeway right of way at an interchange location, the interchange ramps, bridges and general geometric design should be capable of accommodating the volume of traffic anticipated and the turning movements of commercial trucks. Geometric and structural improvements should be completed prior to public use of the safety roadside safety roadside rest area or parking facility."[127]

The Manual provides guidance on the type of structures that should be provided at SRRA's including the following: restrooms, crew room, CHP Drop-in Office, vending machine facilities, storage rooms or buildings, and public information facilities.

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[126] "California Highway Design Manual, Chapter 900 Landscape Architecture, Topic 903.1 Minimum Standards," California Department of Transportation, 2006.
[127] "California Highway Design Manual, Chapter 900 Landscape Architecture, Topic 903.5 (1) Ingress and Egress," California Department of Transportation, 2006.

If Caltrans were to participate in the Interstate Oasis Program, it would necessarily apply the design specifications prescribed in the SAFETEA-LU (Oasis) legislation. However, a scan of these specifications indicates that they generally conform with Caltrans' rest area specifications. (We will check them more carefully when we evaluate the prospective sites.)

Ultimately, the importance of such costs as a barrier to development relates to their impact on financial feasibility and will depend upon their magnitude relative to the revenue generation potential of the partnership services provided. Therefore, it makes more sense to address development costs in the context of particular projects. We will address site acquisition and construction costs when we address the feasibility of particular site development alternatives.

B. Signing

Current regulations specifying signage requirements at rest areas are found in the California Manual on Uniform Traffic Control Devices (MUTCD), the Highway Design Manual, and the Project Development Procedures Manual. However, these specifications will necessarily be reconciled with the federal standards, if Caltrans participates in the Interstate Oasis Program.

1. California Manual on Uniform Traffic Control Devices

The California Manual on Uniform Traffic Control Devices (MUTCD) is derived from the FHWA's Manual on Uniform Traffic Control Devices and amended for use in California. As such, it reflects federal specifications for SRRA signing. The MUCTD provides general guidance on the signage for SRRA's stating that, "highway signs should be installed in advance of roadside parks or rest areas to permit the driver to reduce speed and leave the highway reasonably safely."[128] The manual does not state a minimum number of signs or spacing for SRRA signage and recommends that online-highway signs indicate the approximate distance to the next rest area. Also, the manual states that in addition to advance notification signs, signage should be placed at the appropriate exit to remind the driver where to exit to access the SRRA. The manual does not provide much detail regarding what is permitted on the advance notice sign – including the types of services and amenities- provided at the SRRA. The manual only states that notice of vending machine service may be placed below the main advance notification sign.

2. Highway Design Manual

Regarding the number and spacing of online advance notice signs, the Highway Design Manual states that, "A roadside sign should be placed one mile in advance of each safety roadside rest area that indicates the distance to that rest area and to the next rest area beyond. In remote areas an additional sign may be placed in advance of a safety roadside rest area indicating the distance to the facility . . . . A directional sign should be placed at the safety roadside rest area ingress ramp."[129] Therefore, a maximum of two advance notice signs spaced at a one-mile intervals and

[128] "California Manual on Uniform Traffic Control Devices (MUTCD) for Streets and Highways, Part 2: Signs Section 2D.42 Rest Area Signs," California Department of Transportation, 2003, available online at: http://www.dot.ca.gov/hq/traffops/signtech/mutcdsupp/pdf/camutcd/CAMUTCD-Part2.pdf

[129] "California Highway Design Manual, Chapter 900 Landscape Architecture, Topic 903.5 (6) Signage," California Department of Transportation, 2006.

one directional sign located near the appropriate SRRA exit, are recommended per direction (or a maximum of 6 signs for a SRRA offering bi-directional facilities), according to the Highway Design Manual.

In our previous work for Caltrans, we learned that commercial operators felt that at least one advance notice sign would be absolutely necessary in both directions, and two to three would be preferable. Most expressed a desire for two to three additional signs in both directions, as far as 60 miles from the rest area. Therefore, the Design Manual allows for barely meeting the commercial operators' minimum needs.

In terms of what is permissible on the sign, the manual specifies that "additional panels may be included on or near this (advance notice) sign(s) to inform travelers of the availability of vending machines, recreational vehicle waste disposal stations, traveler information, wireless internet ***or other special services***."[130] (Bold and italics were added for emphasis.) This language seems to open the door to allowing SRRA's offering commercial services to list the availability of these services on or near the advance notice sign. However, the list also seems intended to be limited to secondary commercial services.

All of the signing guidelines found in the Highway Design Manual are under the "permissive standards" category and as such are presumably the most flexible with respect to implementation.

The regulations regarding use of logos in highway signs are discussed below.

3. Project Development Procedures Manual

The Project Development Procedures Manual provides the most specific direction regarding signage for SRRA's under a public/private partnership, including those offering commercial services. The manual states, "the Department may enter into an agreement with the operator(s) of commercial or governmental facilities located along the State Highway System to designate those facilities as alternative rest area stopping opportunities, and to provide highway directional signs with text or logos indicating, for example, restrooms, gas, and/or food."[131] This language seems to allow the state to provide signage under a program mirroring the federal Interstate Oasis Program, whereby a state may enter into an agreement with a private entity to provide primary or secondary commercial services at locations off of the highway right-of-way, such as at interchanges.

The manual mandates that to qualify for state designation and signage as an alternative rest area, the facility must meet the following criteria:

- The facility must be located in an area designated by the Department as deficient in rest area opportunities. The location should correspond to a new rest area need as indicated on the current Safety Roadside Rest Area System Master Plan, or supplement the capacity of an existing rest area that is deficient in parking capacity.

[130] Ibid.
[131] "Project Development Procedures Manual, Chapter 29, Section 3 Article 3."

- The facility must provide adequate parking for automobiles and long vehicles (including commercial trucks), rest rooms, and drinking fountains, at no charge to the public.
- Operators may designate a time limit for free parking, but motorists must be allowed at least 2 hours of free parking.
- Public pay telephones must be available.
- The aforementioned rest area features must be open and available to the public 24 hours per day, 7 days per week, and must be accessible to persons with disabilities.
- The facility must be within one-half mile of the highway with safe and convenient highway ingress and egress and adequate off-right-of-way and on premise signs.
- The facility operator must provide written assurance from local law enforcement authorities that the area signed will receive adequate police protection.
- The facility operator must provide sufficient maintenance services to assure that all facilities available to the public are clean and usable.

The manual goes on to state that, "signs should be placed within the operational right-of-way only when privately owned signs located outside the operational right-of-way cannot reasonably provide adequate directional information for motorists. Duplication of signs along non access controlled highways should be avoided. Off-highway directional signs must be in place prior to placement of signs within the operational State right-of-way."[132] The manual does not specify the spacing or number of signs for an alternative rest area. However, the comment that "duplication of signs along non access controlled highways should be avoided" might be a very limiting direction, if the "duplication" is regarded as applying to not duplicating signs on the non- controlled access highway with signs on the controlled access highway from which traffic is diverted to the rest area.

4. California LOGO Program

The California LOGO program was created after the passage of Assembly Bill 1257 in 1992, and allows businesses providing fuel, food, lodging, and camping services near interchanges in rural areas to place their logos on Caltrans highway sign panels. Caltrans provides, installs, and maintains the sign panels while the participating business provides the LOGO business signs (attached to the panel). Two types of signs are used, Specific Information Panels, which are located along the mainline of the highway on the right-of-way, and Supplemental Directional Signs which are located at the appropriate off ramp where the services are provided.

Sign Placement/Requirements: The LOGO Program has the following regulations with respect to sign placement and content. Specific Information Panels must display business information for specific types of services, i.e. fuel, camping, lodging, and food. No more than one Specific Information Panel and one Supplemental Directional Sign in each highway direction, for each service category may be placed prior to the appropriate exit. The Specific Information Panels must be located between the previous interchange and no less than ¼ mile from the appropriate exit. Spacing between Specific Information Panels for each service category must be a minimum of 800 feet. The Supplemental Directional Signs must be placed along or at the end of highway off-ramps and must have smaller business signs than those observed on the Specific Information Panel.

[132] Ibid.

Sign Content: No more than six business signs in two rows are allowed on Specific Information Panels and Supplemental Directional Signs. The business sign may only contain either the name of the business as stated on the business license or a well-recognized business logo.

Business Eligibility: A business may eligible for the California LOGO program if it meets certain minimum criteria for the respective service categories of fuel and food services. The following is presumably relevant to commercial services rest area. (Presumably, no lodging or camping services would be allowed at the rest area.)

a. Fuel Service

- Must be located no more than 1 mile from the interchange where the business sign is to be displayed.
- Provide vehicle service, including but not limited to fuel, oil, tire repair, battery, and radiator water.
- Other criteria similar to commercial services rest area requirements

b. Food Service

- Must be located no more than 3 miles from the interchange where the business sign is to be displayed (plus consideration of a formula accounting for distance from the interchange, number of seats, and size of parking area)
- Other criteria similar to commercial services rest area requirements

5. Interstate Oasis Program

The California logo program is similar in certain respects to the Interstate Oasis concept. It requires the private entity to meet specific requirements regarding the services offered, including public services such as the provision of public restrooms and telephones. The main difference is that the California logo program is silent about some typical rest areas facilities, such as traveler information services, picnic area/exercise area, and commercial truck parking. The Interstate Oasis rest area requires these facilities, and for Caltrans to obtain signage designating the site as an Interstate Oasis rest area, those additional services would be required.

To qualify for designation and signing as an Interstate Oasis, a facility must be located no more than three miles from an interchange with an Interstate highway, except that (a) a lesser distance may be required when a State's laws specifically restrict truck travel to lesser distances from the Interstate system; and (b) greater distances, in three-mile increments up to a maximum of 15 miles, may be considered by States for interchanges in very sparsely developed rural areas where eligible facilities are not available within the 3-mile limit.

A State's policy, program, and procedures should provide for the enactment of appropriate legislation or rules to limit the use of the phrase ''Interstate Oasis'' on a business'' premises, on-site private signing, and advertising media to only those businesses approved by the State as an Interstate Oasis.

The Oasis Program allows for the following signing:[133]

- If adequate sign spacing allows, a separate sign should be installed in an effective location with a spacing of at least 800 feet from other adjacent guide signs, including any Specific Service signs. This sign should be located in advance of the Advance Guide sign or between the Advance Guide sign and the Exit Direction sign for the exit leading to the Oasis. The sign should have a white legend (minimum 10 inch letters) and border on a blue background and should contain the phrase ''Interstate Oasis'' and the exit number or, for an unnumbered interchange, an action message such as ''Next Exit''. Names or logos of businesses designated as Interstate Oases should not be included on this sign.
- If the spacing of other guide signs precludes use of a separate sign as described in item 1 above, a supplemental panel with a white legend (''Interstate Oasis'' in minimum 10 inch letters) and border on a blue background may be appended above or below an existing Advance Guide sign or D9–18 series General Service sign for the interchange.
- If Specific Service signing (See MUTCD Chapter 2F) is provided at the interchange, a business designated as an Interstate Oasis and having a business logo on the Food and/or Gas Specific Service signs may use a bottom portion of the business's logos to display the word ''Oasis.''
- If Specific Services signs containing the ''Oasis'' legend as a part of the business logo(s) are not used on the ramp, a sign with a white legend (minimum 6 inch letters) and border on a blue background should be provided on the exit ramp to indicate the direction and distance to the Interstate Oasis, unless the Interstate Oasis is clearly visible and identifiable from the exit ramp. Additional guide signs may be used, if determined to be necessary, along the cross road to guide road users to an Oasis.

Additional information about signing provisions was provided in the Federal Interstate Oasis Program commentary, as follows:

States may not include the names or logos of the Oasis businesses on the separate advance sign. The recommended practice, if adequate sign spacing allows, is for a separate blue sign in advance of the exit containing the exit number and only the words ''Interstate Oasis.'' If there is inadequate sign spacing to enable use of the separate sign, an existing Advance Guide sign or an existing D9–18 series General Services sign for the interchange may have a supplemental blue panel with the words ''Interstate Oasis'' appended above or below it. If Specific Services signing is provided at the interchange, a business designated as an Interstate Oasis that has its logo on a Specific Services sign may include the word ''Oasis'' within its logo panel. This use of words within a business logo is similar to existing provisions in the MUTCD that allow messages within logos such as ''24 Hours,'' ''Diesel,'' etc.

Signing should be provided near the exit ramp terminal and along the cross road to guide road users from the interchange to the Interstate Oasis and back to the interchange. Road users should be provided with information about the distance they must travel from the ramp terminal to the Interstate Oasis, particularly in cases where the Oasis is located more than 3 miles away.

[133] Federal Register / Vol. 71, No. 201 / Wednesday, October 18, 2006 / Notice 61529.

The FHWA suggests that states adopt appropriate legislation to allow partners to display the Interstate Oasis logo on their onsite facility and private signs, as well as their advertising media, including billboards.

Therefore, it appears that the Interstate Oasis Program does not allow for any more signs than allowed by the Caltrans Design Manual, and thereby provides for fewer signs than commercial operators feel are the minimum necessary or desirable. As noted above, most prospective operators expressed a clear desire for two to three additional signs in both directions, as far as 60 miles from the rest area.

Task C Report

ANALYSIS OF EXISTING SUCCESSFUL SRRA PARTNERSHIPS

Contract No: 65A0240

Prepared for

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

DORNBUSCH ASSOCIATES

August 31, 2007

I. INTRODUCTION

The following report describes *successful* SRRA partnerships that might serve as models for Caltrans projects. Most of the SRRA partnership projects were previously described in our report of Task B: Barriers to Partnerships, and will be merely referenced here. However, we obtained some new information and updated the Task B information accordingly. Additional projects in England, not previously described in the Task B report, are also presented here.

II. UPDATED SUMMARY OF SUCCESSFUL PARTNERSHIPS DESCRIBED IN TASK B REPORT

The following summarizes successful SRRA partnership projects implemented, and in the process of implementation, in other states. The information from the Task B report has been updated to include additional information available since completion of the Task B report.

Iowa

The Top of Iowa Welcome Center and Rest Area opened in 1998 and obtains revenues from sponsorships, advertising, retail sales, vending machines and some other relatively small traveler services.

However, even before the Top of Iowa was opened, the Iowa legislature prohibited the Iowa DOT (IDOT) from seeking proposals from private entities for any new partnerships at highway rest areas.[1] The law stated that, " . . . private persons, firms, or corporations entering into an agreement with the department under this section shall not develop, establish, or own any commercial business located on land adjacent to the rest area which is subject to the agreement."[2]

Even more restrictive than the Federal Interstate Oasis program, the Iowa law continued that, "an interstate rest area shall be located entirely on the interstate right-of-way, including, but not limited to, all entrance and exit ramps, all rest area buildings including information centers, and all parking facilities."[3]

Under current Iowa law, IDOT is only allowed to partner with a private entity to provide informational centers within rest areas. An information center is defined as a "site, either with or without structures or buildings, established and maintained at a rest area for the purpose of providing 'information of specific interest to the traveling public' . . . ."[4]

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[1] Iowa Code 306C.21 was amended and passed into law on April 23, 1997, yet the Top of Iowa Rest Area was completed and opened to the public in June 1998. The law was retroactive, passed prior to the completion of the Top of Iowa. In effect, it prohibited similar types of rest area partnerships from being developed in the future. The history of the Top of Iowa project is described in http://www.tfhrc.gov/pubrds/septoct98/barn.htm

[2] " Iowa Highways Code, Chapter 306C section 21: Information Centers and Rest Areas," available online at: http://www.legis.state.ia.us/Current/tablesandindex/Index_G-I.pdf

[3] Ibid.

[4] " Iowa Highways Code, Chapter 306C section 10: Definitions," available online at: http://www.legis.state.ia.us/Current/tablesandindex/Index_G-I.pdf

Therefore, Iowa effectively prohibited any future primary commercialization using public-private partnerships in Interstate highway rest areas, and it required all Interstate rest areas to be on-line.

Despite the restrictive legislation, IDOT is still interested in pursuing the SRRA commercialization concept, possibly removing two existing rest areas near Des Moines and redeveloping the rest areas in new locations, possibly participating in the Federal Interstate Oasis Program and partnering with a private operator at interchange locations for the replacement rest areas.[5]

Utah

The Utah DOT (UDOT) began an Oasis *type* program in 1998, and currently has five rest stops that are being privately operated at interchanges off the I-15 right-of-way. Utah did this by partnering with private services offering gas, food and beverages that previously existed at the interchange locations and which then became official state rest areas. [6]

UDOT does not currently participate in the Federal Interstate Oasis Program. Instead, it operates under a state program that reflects the federal program but with a greater ability to impose restrictions on private operators. Therefore, Utah cannot use highway signs that designate the partnered SRRAs as an official National Interstate Oasis.

The following information supplements the above general description of the Utah SRRA partnership projects. It describes each of the five current Oasis partnerships.

Springville SRRA (SR 77 & I-15 interchange): Operated by Flying J Truck Stop which provides rest area facilities (as mandated in the contract), a convenience store, gas, visitor information (provided by the Utah Department of Tourism). No picnic facilities or trails are provided. The site is in an urbanized location, and no significant opposition was encountered during development. UDOT funded a traffic light installation at the intersection and signing.[7] No information was provided as to the age of the partnership, but we believe it is about five years old.

Scipio SRRA (US 50 & I-15 interchange): Operated by Chevron provides basic rest area facilities, a convenience store, and gas. The site is in a remote location and was developed as new site. Two gas stations are located nearby; some opposition from these gas stations was encountered, but not enough to block the project. The operator paid for grading and landscaping. UDOT funded the signing.[8] The SRRA partnership is 1-2 years old.

Cove Fort SRRA (3 miles north of I-70 & I-15 interchange): Operated by Sinclair Oil Corporation & Subway, rest area facilities (including picnic area/tables, lawn area),

[5] Ibid.
[6] Telephone interview with John Quick, Utah Department of Transportation, April 12, 2007.
[7] Jim McConnell & John Quick, telephone conversations August 29, 2007.
[8] Ibid.

convenience store, Subway sandwiches, and gas. The site is in a remote location. No competition exists in the region, and no opposition was encountered during development. UDOT paid for a left hand turn lane and signing.[9] The SRRA partnership is three years old.

Fillmore SRRA (13 miles south of I-15 and US-50 interchange): Operated by Texaco, provides rest area facilities (including picnic area/tables, lawn area), convenience store, and gas. The site located near the small community of Fillmore, with eight competing gas station facilities in the area. Yet, very little opposition was encountered during development. UDOT paid only for signing.[10] The SRRA partnership is one year old.

Beaver SRRA (3 miles south of SR 153 & I-15 interchange): Operated by Shell, provides rest area facilities (including picnic area/tables, lawn area), convenience store, and gas. The site is located near the small community of Beaver with eight competing facilities in area, yet very little opposition was encountered during development. UDOT funded the paint striping, concrete curbs, and signing.[11] The SRRA partnership is 1 year old.

All of the sites are at interchanges, 0.25 miles or less from the highway right-of-way. The Scipio SRRA was constructed as a new site, but all others were pre-existing gas stations or truck-stops.

Additional Oasis sites being considered in Utah include:

Nephi SRRA (I-15 and SR 28 interchange): Currently in the process of negotiating with Flying J (existing truck stop). Negotiations are nearly complete; UDOT does not plan to contribute any improvements to the site.

Green River SRRA (I-70 and US 6 interchange): Currently in the process of negotiating with a private operator (name not provided). This is being developed as a completely new site. UDOT may use Federal Enhancement Funds to development some components of the new site.

Park City SRRA (I-80 and US 40 interchange): Currently in the process of negotiating with an existing private truck stop operator (name not provided). The operator will pay for all necessary improvements.

All the UDOT Oasis sites are on privately owned land. Public notifications for the RFPs were listed in newspapers. UDOT does not incur any operating/maintenance costs for the Oasis sites. Some opposition was encountered from blind vendors. However, since the sites are privately owned and outside the Interstate right-of-way, UDOT had no legal obligation to respond to this opposition.

Idaho

The Idaho Department of Transportation (IDT) recently signed an agreement with the Flying J Corporation, a truck stop operator, to provide an Oasis SRRA near the I-15 and U.S. Hwy 30

[9] Ibid.
[10] Ibid.
[11] Ibid.

Interchange to be called the McCammon Oasis SRRA. IDT will close an existing nearby rest area that would have needed extensive rehabilitation (at an estimated cost of about $12 million). The RFP was issued to three truck stop operators, two of which were located at the I-15 and U.S. Highway 30 interchange. However, only one proposal, for an entirely new facility, was received from Flying J.

IDT signed the contract with Flying J Corporation in the fall 2006. Construction of the truck stop and rest area began shortly thereafter and opened to the public on July 3, 2007. The site is about 34-40 acres. Flying J owns all of the land and structures. IDT contributed about $380 thousand to develop the site to meet IDT construction specifications and provide signing. Services provided include a convenience store, gas, restaurant, free restrooms, and separate parking areas for autos/RVs and for trucks. IDT does not incur any operating or maintenance costs associated with the site.[12]

This is the IDT's first public/private rest area partnership. IDT expects to develop more Oasis rest areas, is currently drafting department policies and guidelines for such development, but no additional projects are currently being planned.

Minnesota

The Minnesota Department of Transportation (Mn/DOT) is in the process of negotiating some of the terms in a contract with a marketing firm Zoom (www.zoominfosystems.com) to provide Wi-Fi Internet s ervices in rest areas and engage private enterprises to provide sponsorship, advertising, and information brochures at those rest areas.[13] As for other state DOTs, the objective is to provide enhanced services to the traveling public and to offset Mn/DOT's rest area maintenance costs.

The original RFP indicated that Mn/DOT would accept proposals from single firms offering all of the necessary expertise or from a single firm which would then contract with and manage other firms providing the necessary expertise. The contractor was required to offer capabilities in:

- Travel and tourism promotion, marketing and advertising
- Wireless Internet and network system design, implementation and maintenance
- Software development
- Kiosk, display case and cabinet design, installation and maintenance
- Highway sign fabrication, installation and maintenance

Mn/DOT will contract directly with Zoom, and sponsors and advertisers will pay Zoom a fee, who in turn will pay Mn/DOT a percent of its revenues.[14] Mn/DOT expects to submit the

[12] Telephone interview with Ed Bala, August 29, 2007.
[13] Wi-Fi was originally a brand licensed by the Wi-Fi Alliance to describe the embedded technology of wireless local area networks based on the IEEE 802.11 standard. In 2007, common use of the term Wi-Fi was broadened to describe the generic wireless interface of mobile computing devices.
[14] Telephone interview with Carol Reamer, Site Development Unit Manager at Minnesota Department of Transportation (MDOT), April 18, 2007.

contract to upper management for approval in October 2007. (The schedule was delayed due to the recent bridge collapse.)[15]

The contract(s) are limited to a maximum of five years.

Sponsorship fees will provide sponsors with an acknowledgement on four signs, (1) an advance highway sign visible to traffic approaching rest areas, (2) a "welcome" sign within the rest area, (3) a sign on the acceleration ramp visible to exiting traffic, and (4) a sign, plaque or other means of acknowledgment within the main building at the sponsored facility. Minnesota State law limits facility sponsors to transportation and tourism-related entities.

Advertising within rest areas will be displayed using advertising equipment and furnishings providedand maintained by the contractor. Mn/DOT will permit the contractor to use some existing state-owned backlit display cases. Up to 40 percent of display space must be provided free of charge to Mn/DOT for public service announcements. Advertising will be limited to tourist attractions, public service, food, automotive service, lodging, camping, travel-retail sales, events, points of interest which allow admission/access to the general public or as otherwise approved by Mn/DOT in writing.

Wireless Internet service will acknowledge the contributing entity on the opening screen viewed by motorists accessing the Internet via the wireless access.

Either free-standing or wall "kiosks" are to announce the availability of Wi-Fi accessibility as well as display information on traffic & road conditions, tourism, government regulations/announcements, special alerts and travel tools such as weather conditions, mapping, routing and business services such as gas, food, lodging, attractions and other travel-related commerce. However, the kiosk must not itself provide Internet access beyond access to the opening page and access to the websites linked from the opening page, "unless otherwise approved by Mn/DOT."[16]

The kiosks will be enabled to perform commercial transactions (i.e., accept payments on-line as well as using credit card magnetic readers), as long as the provider can assure such transactions are secure and that the privacy of users' data is protected.[17]

Mn/DOT will allow use of electronic advertising, LCD and plasma displays related to the "Advertising" component of the RASAWI Program, subject to Mn/DOT approval.[18]

Mn/DOT will consider the contractor to integrate a Voice over Internet Protocol (VoIP) solution that would allow the department to eliminate the need for traditional public pay phones at rest areas.

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[15] Telephone interview with Robert Williams, Minnesota Department of Transportation, April 12, 2007.
[16] Mn/DOT Rest Area Sponsorship, Advertising and Wireless Internet (RASAWI) Program, Questions and Answers, posted March 29, 2007.
[17] Ibid.
[18] Ibid.

New Mexico

New Mexico passed legislation in 2005 that stated:

> "Commercial enterprises or activities may be conducted, permitted or authorized on department-owned land or land leased to or from the department, *not including interstate highway rights of way, but including controlled-access facilities*; or land owned or leased to or from the state, a county, city, town or village highway authority or by any other governmental agency for the purpose of providing goods and services to the public, including gasoline service stations or other commercial establishments that may be built on department-owned land or the property acquired for or in connection with the controlled-access facilities."[19] (Italics added for emphasis.)

Therefore, NMDOT may explore opportunities for private primary commercialization within non-interstate right of way. Currently there are six rest areas on non-interstate controlled-access highways.[20] NMDOT has not yet done so, and it does not currently have any specific plans to develop commercial services using public-private partnerships at any rest areas.[21]

Indiana

On January 11, 2007, Senate Bill 314 was introduced in the Indiana State Senate. This bill "Requires the department of transportation (INDOT) to participate in the federal Interstate Oasis Program. It stipulates that INDOT may not reopen a closed interstate rest area or construct a new interstate rest area unless INDOT has fully implemented the Interstate Oasis Program."[22]

However, the bill died on April 4, 2007. The primary reason cited the strong opposition by lobbying groups for the blind, who opposed the bill on the grounds that it would reduce the number of jobs available to blind vendors, since rest areas under the Oasis Program would not be subject to Title 23 Section 111 (and the Randolph-Sheppard Act) which grants blind vendors preferential rights to operate vending facilities at interstate highway rest areas.

The lesson from Indiana appears to be that if a state seeks to *exclusively* implement Interstate Oasis type rest area projects, thereby obtaining support from NATSO and other interested groups, it might encounter opposition from groups representing blind vendors.

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[19] New Mexico Statutes Chapter 67: Highways, Section 11-9 Commercial Enterprises or Activities.

[20] Ibid, 13. A "controlled-access facility" is defined as "a highway or street especially designed for through traffic and over, from, or to which owners or occupants of abutting land or other persons have no right or easement or only a controlled right or easement of access, light, air or view by reason of the fact that their property abuts upon such controlled-access facility or for any other reason. Such highways or streets may be freeways open to use by all customary forms of street and highway traffic or they may be parkways from which trucks, busses and other commercial vehicles shall be excluded."

[21] Telephone interview with Tom Church, New Mexico Department of Transportation, April 12, 2007.

[22] "Indiana Senate Bill No. 314," January 31, 2007, available online at: http://www.in.gov/apps/lsa/session/billwatch/billinfo?year=2007&session=1&request=getBill&docno=314#latest_info

Quebec

In June 2006, the Transportation Ministry of Quebec initiated a process to engage a partner to design, finance, construct, operate and maintain seven primary commercial service areas at accessible off-line sites along the Quebec Highway System. A Request for Qualifications (RFQ) was issued, and two teams were invited to submit proposals. Proposals are due late in the summer of 2007.

Four of the proposed Quebec sites are at existing "Highway Parks," and three will be at new sites. Required services include food and restaurant services and tourism information (among the usual public services). Authorized, but not required, services include fuel sales (at all but two sites), a convenience store, automated banking machines, advertising, telecommunications (wireless Internet), dump stations for recreational vehicles, and a pet-exercise area.

As of September 2007, the Transportation Ministry had not yet entered into any partnership agreements. Preliminary negotiations were completed with the two bidders for the projects (Host International and Immostar, Inc., a real estate consulting and development firm based in Quebec).

The negotiations focused on reducing government oversight and control of the SRRA sites. Specifically, the proposers wanted to be consulted first if the Government were to require any changes to the sites, such as additional services, staffing, etc. The government's response was to reissue the RFP, which it did during the week of August 20, 2007. The proposers will have until November 2, 2007 to submit new proposals.

III. SRRA PARTNERSHIPS NOT DESCRIBED IN THE TASK B REPORT

United Kingdom

Currently, two regulatory documents govern Motorway Rest Area (MSA) operating requirements in the UK, Circular 1/94 and the MSA Policy Statement of July 1998. Circular 1/94 describes the policy evolution. It says, among other things:

> In August 1992 the Government announced that in future the private sector should take the initiative in identifying and acquiring MSA sites and seeking planning consent from local planning authorities for these schemes as for any other development.
>
> However, the Department will continue to have interests in MSAs in relation to motorway safety and traffic management. They will wish to see a balance struck between, on the one hand, the necessary provision of opportunities for motorway travelers to stop and obtain essential services at reasonable intervals; and on the other, the avoidance of unnecessary traffic movements on and off the motorway.

The Policy for Service Areas document summarizes the current issues in the U.K. regarding rest area operations. The following are excerpts from the U.K. policy document related to Motorway Service Areas (MSAs).[23]

> Overnight lodges and a modest degree of retail development were regarded as falling within the scope of what could legitimately be provided at MSAs but that full scale hotels and extensive shopping and conference facilities do not.
>
> The maximum permitted retail space of 5,000 sq. ft. was previously considered an appropriate amount so that services can be provided for the benefit of the traveling public without the MSA becoming a destination in its own right. However, MSA operators have protested this limit, feeling it was too restrictive and prevents the operators of MSAs from providing high quality facilities to road users. Their view is that increasing the permitted retail area, for example to 10,000 sq. ft., would enable MSAs to offer improved services to visitors as the higher incomes would be needed to subsidize improvements to facilities.
>
> A possible solution being considered is the replacement of the current restriction on floor space based on a criterion that would permit greater floor space for the types of activities needed to satisfy the important needs of road users, such as for refreshments, motoring aids, driver information and tourist facilities.

"There are currently 68 MSAs in England; of these 21 are still owned by the Government and leased to operating companies, while 47 are privately owned."[24]

The document also summarized inputs from the public. Respondants represented the following groups:

Types of Respondants	Number of Responses
Members of the public	96
Regional/Local Government Bodies	15
Trades Union and Professional Associations	3
Non-Governmental Organizations	8
Roadside Facility Operators	4
Trade Associations	4
Road Users' Bodies	9
Other Private Sector	5
Other Public Sector	3
Other	6
Total	153

In general, there was no opposition by the respondants to proceeding to develop commercial rest areas. In fact, there were no challenges to the notion prevalent in the U.S. that the government

[23] "Consultation Document on Policy for Service Areas and Other Roadside Facilities on Motorways and All-Purpose Trunk Roads in England," Highways Agency of the Department for Transport, 1998.
[24] "Policy for Service Areas and Other Roadside Facilities," (undated) page 8.

should not be supporting commercial enterprises. Quite the contrary. The respondants indicated support for government seeking partnerships from private entities.

However, there was general sentiment that the scope and size of retail services should be limited to those necessary to serve the traveling public's needs, and those services should not be destination of themselves.

The respondants also indicated a desire for the services to be of sufficiently good quality to meet those needs, but not of excessibly high quality. Although there was agreement that the public agencies should impose standards of satisfactory design, repair and maintenance, there was mixed opinion about those agencies enforcing quality standards through periodic inspections. Most felt such inspections and enforcement were appropriate. However, operators wanted to "let the public vote with their feet."

The documents obtained thus far from the U.K., however, do not describe specific projects. We are in the process of obtaining a copy of a typical contract and specific site development information.

Task D Report

STAKEHOLDER INTERVIEWS
TECHNICAL MEMORANDUM
SRRA PARTNERSHIPS

Contract No: 65A0240

Prepared for

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

DORNBUSCH ASSOCIATES

May 30, 2008

I. Introduction

This technical memorandum summarizes Dornbusch Associates' interviews with local stakeholders for each of the ten potential partnership SRRA locations throughout California. The research to identify and prioritize relevant stakeholder contacts was begun in February 2008 and interviews were conducted by telephone over the period of April and May 2008.

Note that Dornbusch has refrained from contacting stakeholders in the region of the Sidewinder SRRA location due to concerns that such interviews might result in negative impacts to Caltrans, especially regarding its pending land acquisition at this interchange, possibly inducing an increase in the asking price of this property. Our understanding is that Caltrans will be unable to purchase the Sidewinder property until environmental permitting is complete, which we understand may not be until March of 2010.

The primary goal of the interviews was to acquire insights and information from key informants relating to the appropriateness of a partnership rest area development at the targeted locations. The interviews were structured to gain information relating to the level of community support, land use, current or future planning developments, and potential private sector interest in partnering with Caltrans to provide both public rest area and private commercial services at the proposed locations.

The general strategy we employed throughout the interview process was to avoid contacting individuals, businesses, or organizations from which we expect opposition. For example, we know we can expect opposition from existing enterprise operators who would not be able to partner with Caltrans (for a variety of reasons) and would fear losing business from such partners' competition. Such opposition can be very intense and vocal, drowning out any support, even before a project can be effectively structured to avoid conflicts and competition. Therefore, we have been focusing our interviews on individuals and organizations from which we expect positive or neutral responses, including:

- Prospective partners, including primarily truck stop and travel plaza operators
- Regional chambers of commerce
- City and county planning departments
- Economic development agencies

The following summarizes the types of general questions we asked the various stakeholder representatives.

Planning and Economic Development Departments

(1) Would this type of project be consistent with the General Plan and/or land use in the area? Is there a need for rest area and highway commercial services in the area?

(2) Do believe businesses would be interested in this type of partnership with Caltrans? What is your opinion regarding the financial feasibility and potential for success under this type of

partnership? What interchange locations of those being considered might have the best chance for success in your opinion?

(3) Are there any developments that are planned to occur in the region which might affect the development of this project – examples might include housing development, commercial (outlet malls, gas stations/convenience stores, truck stops, etc.) or industrial developments?

(4) In your opinion, would the county or city consider this type of project appropriate for the region and be in favor of such a project? If not, what might be some of the issues with this type of project?

Chambers of Commerce

(1) Is this the type of project that the chamber would generally support? If not, what are some of the issues that might be of concern to the chamber or its members?

(2) Would the chamber be potentially interested in providing traveler information services, such as maps, road conditions/directions, information on local businesses, information on regional, historic, and cultural attractions, etc.?

(3) Do you know of any chamber members who might be interested in partnering with Caltrans and/or who own land at the relevant interchanges being considered?

Travel Plaza and Truck Stop Operators

(1) Would you be interested in potentially partnering with Caltrans to provide commercial services at a partnership rest area? Do you think an opportunity exists to successfully provide these services under this type of partnership, given the existing level of demand for these services?

(2) What would be some important considerations for you in partnering with Caltrans? Would you be willing to construct improvements on land owned by Caltrans under a ground lease? Would you be willing to partner with Caltrans at one of your existing locations?

(3) What would be some of your concerns about entering into this type of partnership with Caltrans: including investment required, operating requirements (free rest rooms, parking, etc)?

(4) What rate of return might you seek if Caltrans were to own the land but you made most of the capital improvements (i.e., buildings, furniture, fixtures, and equipment, etc.)? What lease terms might you seek for this type of arrangement?

Not all people interviewed had specific responses to all of the above questions. In some cases, the interviewee was unable to provide information or useful comments for the above questions. Furthermore, it was not uncommon for interviewees to wander into tangentially related subjects without fully answering a specific question. Therefore, the information presented in this

memorandum present the most relevant and useful information obtained from interviewees, yet does not necessarily include all of the information provided or correspond directly to each of the above questions.

II. Summary of Findings

The following points summarize our key findings from the stakeholder interviews.

- Comments from officials at chambers of commerce, city and county planning departments, and economic development agencies were generally quite positive and optimistic regarding the potential for success in developing a public/private partnership rest area in their respective locations.

- Many city and county officials appear willing to assist and support Caltrans in its efforts to develop a successful partnership rest area in their area.

- In general, chambers of commerce were interested and willing to provide basic traveler information services at partnership rest areas. These traveler information services might range from brochure racks describing local businesses and attractions to potentially more sophisticated, digital-type information displays.

- Travel plaza and truck stop operators were very responsive, interested, and even eager to pursue partnership opportunities with Caltrans.

- In general, travel plaza and truck stop operators seem to prefer the partnership scenario in which they own/control the land at the partnership site. However, most operators contacted were also willing to consider an arrangement in which Caltrans owned the land and engaged the partner in a ground lease to develop the onsite commercial facilities.

- Most travel plaza and truck stop operators appear to view the Kyburz and Kelbaker SRRA locations as being less financially feasible compared to all of the other SRRA partnership locations under consideration, which were viewed more favorably.

III. Stakeholder Interviews

Kelbaker SRRA (I-40)

George Meckfessel - Planning & Environmental Coordinator, U.S. Bureau of Land Management
Kathleen O'Connell - Realty Specialist, U.S. Bureau of Land Management[1]

Mr. Meckfessel stated that the land to the south of the Kelbaker Road/I-40 interchange is BLM land while the land to the north of the interchange is National Park Service (NPS) land (Mojave National Preserve). Mr. Meckfessel also mentioned that NPS is typically far more restrictive on the use of its lands and would likely not allow the use of Preserve lands to develop a partnership rest area. Mr. Meckfessel indicated that BLM policies do allow for multiple types of uses of BLM lands, but that commercial use is somewhat limited. Mr. Meckfessel indicated that there are several approaches to using BLM land for a public/private partnership type rest area. The first would be for Caltrans to purchase the land from BLM, but NEPA analysis/approval would be required. Second, Mr. Meckfessel indicated that the land could be used according to the "Recreation and Public Purposes Act" or 43 CFR Section 2740, which allows purchase and lease of BLM lands for specific uses.[2] However, Mr. Meckfessel mentioned that the existence of a for-profit enterprise at the partnership rest area would likely make the project ineligible under the Act. Another option according to Meckfessel would be to examine opportunities under the BLM Concessions program or 43 CFR Section 2920.

Mr. Meckfessel stated that it would be crucial that any proposals from Caltrans regarding use of BLM lands for a partnership rest area to incorporate information on measures Caltrans would take to minimize negative environmental impacts on adjacent lands, particularly as related to waste collection and disposal onsite. Mr. Meckfessel also emphasized that BLM would look favorably on any type of interpretive component which could be incorporated into the operation, such as interpretive displays onsite or other information including information on the natural history of the region or perhaps desert biological/environmental themes.

Ms. O'Connell indicated that Caltrans would need to demonstrate in some form to BLM a purpose and need for this type of operation at this location. Ms. O'Connell mentioned that the issue of public safety would definitely represent a strong argument for the need of such a rest area development in the region. Ms. O'Connell also indicated that she would research and provide us with additional information regarding the possibility of a BLM sale or lease to Caltrans and what the associated legal/regulatory process might be.

Larry Whalon - Deputy Superintendent, Mojave National Preserve, National Park Service[3]

Mr. Whalon mentioned that the National Park Service would definitely be opposed to any type of partnership rest area, which would include commercial services on NPS lands, but indicated that NPS would support the development of a traditional rest area at this location. Mr. Whalon,

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[1] Telephone conversation with George Meckfessel and Kathleen O'Connell, 5/20/08.
[2] See the following link for the Recreation and Public Purposes Act:
http://www.blm.gov/nhp/what/lands/realty/rppa.htm
[3] Telephone conversation with Larry Whalon, 5/27/08.

stated that "…even if a partnership rest area offering commercial services was something that we would be supportive of, which it is not, it is a use of NPS land which is currently prohibited under federal law and would take an act of Congress to change. This definitely includes any sale or transfer of land to Caltrans or a private partner for commercial uses." When asked whether NPS might support a partnership project with commercial services on BLM land along the southern portion of the Kelbaker interchange, Mr. Whalon mentioned, "…I think that we recognize that there is definitely a need for rest area services in this area along I-40 and Caltrans is exactly right in identifying this location for such development. It is very likely that NPS would not oppose this type of partnership on land at the southern portion of the interchange, recognizing that there is a need for this type of service in the area." Also, Mr. Whalon mentioned that there is a problem with littering at the Kelbaker Road interchange, as travelers often pull off at this location to break and "relieve themselves" and refuse/waste is then left behind. To the extent that the partnership SRRA militated against littering in this area, this would also be viewed favorably by NPS.

Mr. Whalon indicated that National Park Service land (i.e., Mojave National Preserve) abuts the north side of I-40 from approximately five miles west of the Kelbaker Road interchange to the Goffs Road interchange to the east. Mr. Whalon mentioned that Kelbaker Rd. is likely the ideal location for a new SRRA, as moving west along I-40 to the next interchange of Crucero Road, you are approaching the existing Desert Oasis rest area near Ludlow, and at the Crucero Rd/I-40 interchange there is an existing fuel/convenience store and a small truck stop. Moving to the east of the Kelbaker interchange, the next interchange is Essex Road, and only several miles further east is the existing John Wilkie rest area. Mr. Whalon concluded that if the project moved forward, NPS would like to be included in the development process.

Jeri Justus - Director, Barstow Chamber of Commerce[4]

Ms. Justus indicated that in her opinion there is a definite need for a rest area along I-40 between the communities of Barstow and Needles. According to Ms. Justus around 60 million visitors (excluding commercial vehicles) travel through Barstow every year, generally traveling to or returning from Las Vegas and Laughlin, Nevada. According to Ms. Justus, another fairly large tourist demographic are foreigners traveling to desert settings – Mojave National Preserve, Death Valley National Park, etc. – and visitors interested in the history of Route 66. Ms. Justus mentioned that in March 2008, 949 visitors stopped to request tourism information from her at the Chamber's location in the Harvey House in Barstow.

Ms. Justus indicated that the Chamber would be very interested in potentially providing traveler information services at a partnership rest area in the region, including information on attractions and services available in Barstow and regionally. Ms. Justus said that the provision of these types of services would be a great opportunity for visitors to learn about Barstow's attractions and available commercial services by getting off of I-40 and visiting the town.

When asked about whether any Chamber members might currently own land near the proposed I-40 and Kelbaker Road interchange, Ms. Justus mentioned that it is unlikely that members would own land that far away from Barstow and in such a remote location. However, Ms. Justus

[4] Telephone conversation with Jeri Justus, 4/28/08.

did indicate she believed that quite a few Chamber members would potentially be interested in partnering with Caltrans. Ms. Justus stated the current operator of Barstow Station, Billy Rosenburg, who also owns land and other businesses in and around Barstow, might be someone who would potentially be interested in providing food and beverage services at a partnership rest area.

Finally, Ms. Justus believed that the proposed location of Kelbaker Road and I-40 would be an "ideal location" given the limited stopping opportunities between Barstow and Needles and because Kelbaker Road is often traveled by visitors whose destination is Mojave National Preserve, which itself is very remote location in need of visitor/traveler services.

Victorville SRRA (I-15)

Tom Harp - Deputy Director of Development Services/Community Development, City of Hesperia[5]

Mr. Harp indicated that the City of Hesperia would generally be supportive of a partnership rest area development in the region and that this type of development at the interchanges under consideration would be consistent with the City's General Plan. Mr. Harp mentioned that most of the land surrounding the I-15 interchanges under consideration, including Oak Hill Road, Joshua Road, and Main Street are currently zoned for highway commercial use. According to Mr. Harp, the Oak Hill Road may be somewhat problematic due to the relatively steep grade of the land in this area. Interestingly, Mr. Harp mentioned that his recollection was that Calrans owned approximately 20 acres of land located to the west of the Joshua Road/I-15 interchange, bounded by Caliente Road to the east, Joshua Street to the North and Highway 395 to the east and south, directly to the south of the existing Pilot travel plaza. Mr. Harp stated that if indeed Caltrans still owned this land, the location might represent a suitable site for a rest area partnership. Regarding the Main Street/I-15 interchange, Mr. Harp stated that land values at this location were higher than at the other interchange locations being considered.

In addition, Mr. Harp also stated that Caltrans was in the process of planning for the construction of a new I-15 interchange at Ranchero Road, located to the south of the Joshua Road interchange but to the north of Oak Hill Road. Mr. Harp mentioned that this new interchange would be completed in approximately five years and that the western portion of the interchange is planned to be developed into auto dealerships with the eastern portion of the interchange open for development opportunities. Mr. Harp stated that in his opinion, the eastern portion of the new Ranchero Road interchange would be an appropriate location for a new rest area development and would be also have the advantage of being less expensive land to acquire. Similarly, Mr. Harp indicated that another new interchange connecting Poplar Road and Muscatel Road, approximately three-quarters of a mile north of the Joshua Road interchange, is under consideration for development by Caltrans and this interchange would possibly replace the existing Joshua Street interchange.[6]

[5] Telephone conversation with Tom Harp, 5/28/08.

[6] When land is acquired for the interchange(s), sufficient additional land for the rest area might also be acquired, especially if such land must be acquired in appropriately sized parcels.

Mr. Harp concluded that the City of Hesperia would be supportive of a project to develop a rest area partnership in this area, as long as City was involved in the process and local planning and design requirements were maintained.

Yvonne Woytovich - Executive Director, Hesperia Chamber of Commerce[7]

Ms. Woytovich mentioned that any project that would promote growth in Hesperia - whether partnering with a new or existing business at the specified interchanges – would likely be something that the Chamber would support. Ms. Woytovich also mentioned that the extent to which the partnership SRRA could be expected to successfully encourage travelers to get off the interstate and stop in Hesperia, this would be viewed very positively by the Chamber and it's members. Ms. Woytovich indicated that one issue that could be of concern is if such a partnership were to negatively impact existing businesses that are already serving highway travelers. In addition, Ms. Woytovich stated that the Chamber might be interested in providing basic traveler information services at a partnership rest area.

Ken Henderson - Director of Economic and Community Development, City of Apple Valley[8]

Mr. Henderson said the City is currently in the process of General Plan update and that a partnership development at the Dale Evans Parkway/I-15 interchange would be an appropriate use of the land at this location. The area to the west of the interchange is County land zoned for residential use, but there is currently an application by the owner to rezone the land for industrial use. Furthermore, Mr. Henderson mentioned that it is possible that some portion of the County land on this western section of the interchange could be incorporated into the City boundaries at some point in the near future. On the eastern section there is around 35 acres of vacant land zoned for commercial purposes with much of the remaining land zoned for low-density residential uses. The City is currently implementing the North Apple Valley Industrial Specific Plan, which was adopted in 2006 and is expected to generate approximately 30 million square feet of new industrial development and create thirty thousand new jobs over a 10-year plus time period. This area will be located approximately five miles southeast of the Dale Evans Parkway interchange and will represent a significant increase in regional vehicular traffic along Dale Evans Parkway. Mr. Henderson believes that rest area partnership might offer significant business potential and there would likely be regional/national businesses that would be interested in bidding on such a partnership. More specifically, Mr. Henderson stated that the most appropriate type of partnership - and one that would be most likely to succeed at this location - would be for Caltrans to purchase the land and then lease the grounds to a private operator to construct and develop the onsite facilities. Mr. Henderson stressed the fact that it would be essential for Caltrans' or the partner's improvements to conform to the City's development code and General Plan to produce a site that would be both attractive to the public and comply with City standards. In general, Mr. Henderson was very optimistic regarding the partnership concept and its potential for success in the region.

[7] Telephone conversation with Yvonne Woytovich, 5/19/08.
[8] Telephone conversation with Ken Henderson, 5/19/08.

Janice Moore - President, Apple Valley Chamber of Commerce[9]

Ms. Moore indicated that the Chamber would support the pro-growth aspect of such a partnership in the region, including the opportunity for the Chamber to potentially provide information to travelers relating to Apple Valley, including information on local businesses and tourist attractions. Ms. Moore also indicated that there is a need to have greater traveler services in the region, particularly lodging, as Apple Valley current has very few lodging establishments.

Ms. Moore mentioned that the selected interchange at Dale Evans Parkway/I-15 represents the "gateway to the community" and that she was uncertain as to whether a partnership rest area development would be appropriate for this premier location. Ms. Moore seemed to be particularly concerned with the negative connotation or image a rest area partnership would represent at the Dale Evans Pkwy interchange and appeared to suggest that this was not the most appropriate location for such a development. When asked about the appropriateness of the Stoddard Wells Road/I-15 interchange to the south of the Dale Evans Parkway interchange, Ms. Moore stated that this location would likely require significant improvements and upgrades as turning/access is an issue at this interchange.

Steve Lantsberger - Deputy Director of Economic Development, City of Hesperia[10]

Mr. Lantsberger mentioned that the City would likely support this type of rest area partnership development in the region. Regarding the Joshua Road/I-15 interchange, Mr. Lantsberger mentioned that this location might be problematic as there is no direct northbound off ramp and no direct southbound on ramp. Mr. Lantsberger also indicated that the I-15/Main Street interchange would also be a less suitable location for any rest area partnership development due to the significant retail development – approximately 500,000 square foot retail project – being planned near this interchange location. In addition, Mr. Lantsberger stated that land values at the Main Street interchange are very high and that traffic congestion at this location is often an issue.

Mr. Lantsberger suggested that a more appropriate location for a partnership site might be at the new Ranchero Road/I-15 interchange just south of the Joshua Road interchange. He stated that the construction of the Ranchero Road interchange would likely be completed in five years and that the City owned approximately 65 acres on the west side of the interchange. In addition, he mentioned that although auto dealerships were planned to be developed on the west side of the Ranchero Road interchange, the City might be interested in providing land for a partnership development and would also potentially be interested in partnering with Caltrans directly in some form to facilitate the development of rest area and commercial services at this location. Finally, Mr. Lantsberger said that the Ranchero Road location would be closer to the Cajon Pass, several miles to the south, which is a steep climb for I-15 travelers heading north to Hesperia and would represent an appropriate location for travelers to stop and rest.

[9] Telephone conversation with Janice Moore, 5/19/08.
[10] Telephone conversation with Steve Lantsberger, 5/29/08.

South Dome SRRA (I-5)

Scott Denney - Supervising Planner, Kern County Planning Department[11]

Mr. Denney indicated that, in general, there is not much development that is occurring near the Twisselman Road or Highway 46/I-5 interchange locations. In terms of the appropriateness of this partnership development at these locations, Mr. Denney indicated that this would be governed by the County General Plan, but that the County is typically pro-growth and would likely support this type of development. Mr. Denney went on to state that there is some land zoned for highway commercial use along the eastern side of the Twisselman Road interchange, but a more appropriate location for this use might be at the I-5/Route 46 interchange to the south where there are existing highway commercial services. According to Mr. Denney most of the land surrounding the Twisselman Road interchange is zoned primary for agricultural uses.

Paul Sippel - Economic Development Manager, Kern County Community and Economic Development Department[12]

Mr. Sippel indicated that in general the County is pro-growth and would likely support this type of project in the region. Mr. Sippel stated that "…basically greater sales translate into greater tax revenues for the county and an expansion of business obviously translates into a general increase in employment, both of which are positive." However, Mr. Sippel was concerned to some extent on the effects that such a partnership might have on operators at nearby interchanges, particularly the I-5 and Highway 46 interchange just south of Twisselman Road. Mr. Sippel mentioned that it would be important to consider to some extent the potential negative financial impacts to existing commercial at operators if a partnership was developed at a nearby interchange, such as at the Twisselman Road location. Mr. Sippel suggested that if there was not enough business to support or sustain the new partnership enterprise *and* the existing nearby enterprises, then this could result in a negative net impact to the existing operators.

Regarding potential partnerships with an existing operator at the I-5 and Highway 46 interchange Mr. Sippel seemed to indicate that this would generally result in minimizing or potentially enhancing business at the interchange for all operators. Mr. Sippel did suggest that if AADT were growing over time, then this would be one indication that there would be sufficient traffic and business potential in the future to support a new partnership development in addition to existing commercial operators at interchange locations.

Mr. Sippel mentioned that he believed that there was a commercial development proposed several years ago at the I-5 and Lerdo Highway interchange approximately 11 miles to the south of the Highway 46 interchange, but is currently on hold due to the slowdown in the national economy.

[11] Telephone conversation with Scott Denney, 5/5/08.
[12] Telephone conversation with Paul Sippel, 5/5/08.

Ronald Brummett - Executive Director, Kern Council of Governments[13]

Mr. Brummett indicated that he is a big supporter of the concept of public/private partnerships at highway rest areas and has been for some time. When asked about the extent to which he believes this type of partnership might be successful at the specified interchanges, Mr. Brummett stated that he believes that such a partnership has a strong potential for success due to the large traffic volumes on both I-5 and Highway 46. Mr. Brummett emphasized that the I-5 and Highway 46 interchange would likely be most ideally suited for this type of partnership due to the existing commercial operators at this location, as well as the high demand for services and stoppage at this interchange. According to Mr. Brummett the Twisselman Road/I-5 interchange several miles to the north would be comparably less suitable for a partnership rest area, as the Twisselman Road interchange would be unable to capitalize on the visitors traveling east/west along Highway 46, primarily reflecting Valley residents traveling to Morro Bay and other coastal communities for recreational purposes. Mr. Brummett stated that there are a number of projects that are schedule to begin in January 2009 to widen Highway 46 from a two to a four-lane highway, due to heavy traffic volumes along this route.

When asked whether the existing operators at the I-5 and Highway 46 interchange might be interested in partnering with Caltrans, Mr. Brummett indicated that it is very probable that some operators might be quite interested in such a partnership, but could not say exactly which operators would be interested. Furthermore, Mr. Burmmett stated that nearly all commercial services are concentrated on the north and southwest quadrants of the interchange with few services on the eastern section of the interchange, reflecting the fact that many travelers are heading west on Highway 46 for recreation or other purposes.

Finally, Mr. Brummett indicated that the Kern Council of Governments would generally support this type of public/private partnership in the region.

Debbie Moreno - Executive Director, Greater Bakersfield Chamber of Commerce[14]

Ms. Moreno stated that this type of partnership definitely has potential for success but emphasized that "…the arrangement would need to work for the private operator as well as Caltrans." Specifically, Ms. Moreno indicated that adding rest area type services could be a burden to the private operator depending on what was required under the contract. There would need to be some attractive contributions made by Caltrans including potentially land, site improvements, favorable lease terms, etc. in addition to online highway signing. Regarding traveler information services, Ms. Moreno mentioned that it is possible that the Chamber would be interested in providing this information at a partnership rest area and could potentially work with Kern County Board of Trade to provide these services.

Ms. Moreno appeared skeptical that any business operators would be interested in partnering with Caltrans based on the provision of signing alone, but was more optimistic when we raised the issue that Caltrans might also be willing to contribute some amount of the capital improvement costs, in addition to highway signing.

[13] Telephone conversation with Ronald Brummett, 5/6/08.
[14] Telephone conversation with Debbie Moreno, 5/1/08.

Greg Gatzka - Deputy Planning Director, Kings County Planning Department[15]

Mr. Gatzka indicated that this type of partnership might indeed be appropriate for County land uses. Mr. Gatzka indicated that Kings County has only two I-5 interchanges – Highway 41 interchange and Utica Avenue interchange - and that the County has expressed interest in trying to promote commercial development at these interchanges to better serve travelers on I-5. Mr. Gatzka indicated that Kings County is typically rather conservative when considering commercial land uses and tends to emphasize and promote/protect agricultural or natural resource land uses within the County. In addition, Mr. Gatzka did indicate that there is a preliminary proposal to develop land located adjacent to the I-5 and Utica Avenue interchange for commercial uses potentially including gas station/convenience store, truck stop, or restaurant uses. This proposal is running into problems due to the fact that the land to be developed is contracted under the Williamson Act Program.[16] Contracted land under the Williamson Act is limited in how it can be used as the Act is intended to protect land for agricultural or open space use for a period of 10 to 20 years depending on the specifics of the contract. Mr. Gatzka did indicate that this type of commercial development would likely be appropriate and acceptable to the County.

Mr. Gatzka also mentioned that there is major residential and commercial development being proposed in Kings County currently called the Quay Valley Ranch project. This project seeks to develop around 12,000 acres of land located from the Kings/Kern county line to Utica Avenue to the north. Within this proposed development there are over 200 acres of proposed "highway commercial" land use along I-5, with the southernmost portion of the development only 4-5 miles north of the Twisselman Rd interchange in Kern County. According to Mr. Gatzka up to two new interchanges may be developed along I-5 between the county line and Utica Avenue to support this development. The proposed time horizon of this project is estimated to be 20 years. The project is being proposed by the Kings County Ventures Group, LLC with the lead developer being Quay Hayes.

Three Rocks SRRA (I-5)

Lynn Gorman - Deputy Director Planning, Fresno County Planning Department[17]

Ms. Gorman indicated that a partnership development would be consistent with the County General Plan, specifically citing that the General Plan designates a section of I-5 as the Westside Freeway Corridor where many of the interchange locations - including the Derrick Boulevard and Kamm Avenue interchanges – are zoned as highway or general commercial. According to Ms. Gorman, the County does have a desire to see commercial development at interchange locations along I-5 and would be supportive of such projects. Currently there are no significant

[15] Telephone conversation with Greg Gatzka, 5/9/08.
[16] "The California Land Conservation Act of 1965--commonly referred to as the Williamson Act--enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value. Local governments receive an annual subvention of forgone property tax revenues from the state via the Open Space Subvention Act of 1971." Source: http://www.conservation.ca.gov/dlrp/lca/Pages/Index.aspx
[17] Telephone conversation with Lynn Gorman, 5/7/08.

commercial or residential plans in the region. If re-zoning were required this would typically take several months at minimum. Ms. Gorman suggested we might consider interchanges north of Derrick Boulevard and Kamm Avenue since commercial services currently exist at the I-5/Highwy 198 interchange to the south of these interchange locations. Overall Ms. Gorman indicated that the County would likely be very receptive to this type of partnership development.

Steve Geil - President and CEO, Fresno County Economic Development Corporation[18]

Mr. Geil mentioned that the Fresno Economic Development Corporation would likely support the development of a public-private rest area along I-5 in Fresno County. Mr. Geil also indicated that the extent to which the project generated additional tax revenues, the County would also likely support the project. Mr. Geil stated that there are currently plans for Caltrans to link Highway 180 with Interstate 5, with the connection likely occurring between Nice Avenue and Highway 198, which according to Mr. Geil, should play some role in determining where the new rest area is to be located. Finally, Mr. Geil mentioned that John Harris a local business/land owner, who operates businesses at the Highway 198 and I-5 interchange, has been very successful in opposing (via political means) any new developments along I-5, which are perceived to threaten his business interests in the region. When asked whether Mr. Harris himself might be interested in partnering with Caltrans, Mr. Geil suggested that Mr. Harris would likely be very interested in the prospect of a partnership. Mr. Harris' contact information is: 559-884-2477 and e-mail: johnharris@harrisfarms.com

Gustine SRRA (I-5)

William Nicholson - Assistant Development Services Director, Merced County Planning and Community Development Division[19]

Mr. Nicholson mentioned that a partnership rest area at most locations along either the I-5/Sullivan Road interchange or the I-5/Route 33 interchange would be consistent with the County General Plan. However, any change in county zoning that might be required at a given site, would require a general plan amendment, which is a more involved and complicated process. Furthermore, Mr. Nicholson pointed out that EIR and CEQA permitting are generally required to develop either unimproved lands or lands that have not already had these analyses performed.

Mr. Nicholson also pointed out that the San Joaquin Valley Kit Fox, an endangered species, is present in the San Joaquin Valley, which makes environmental permitting more complicated. In this regard, Mr. Nicholson emphasized much of the lands surrounding the I-5 and Route 33 interchange have already had these environmental analysis performed, and so long as the partnership conformed to existing land uses, then a new EIR or other permitting processes would not need to be performed, which would save time and expenses in developing a partnership. Furthermore, Mr. Nicholson mentioned that the I-5/Route 33 location has access to both water and sewer, while the Sullivan Road location is on a well and septic system and any upgrades to the system would require permitting from the County Water Quality Control Board.

[18] Telephone conversation with Steve Geil, 5/13/08.
[19] Telephone conversation with William Nicholson, 5/6/08.

The zoning relating to the I-5/Route 33 parcels is governed by the broader zoning plan for the Planned Santa Nella Community which surrounds this interchange and is a planned community including mixed residential, commercial, industrial, and office space to support a community of approximately 20,000 residents. According to Mr. Nicholson, development of the Santa Nella Community is on hold temporarily due to the downturn in the housing market.

Regarding whether the City would support this type of partnership, Mr. Nicholson indicated that the City is pro-growth and would likely be very enthusiastic about a partnership project, particularly as such a partnership would be expected to generate a greater amount of sales tax revenue for the County. Mr. Nicholson stated that currently Santa Nella is the County's primary source of sales tax revenues and that any development or partnership that could enhance these revenues would likely be viewed favorably by the County. Mr. Nicholson did mention that it is possible that operators at I-5/Route 33 interchange might "scream unfair competition" if they were not selected to partner with the Caltrans and/or if Merced County was the only county where this type of partnership was being considered or implemented in California. Regardless, Mr. Nicholson stated that the County is supportive of market competition, especially considering the relatively large corporate chain operations that exist at the I-5/Route 33 interchange. Such complaints would not necessarily result in the County no longer supporting the project.

Finally Mr. Nicholson indicated that it is likely that current operators at the I-5/Route 33 interchange might be interested in partnering with Caltrans**.**

Scott Galbraith - President/CEO, Merced County Economic Development Corporation (MCEDC)[20]

Mr. Galbraith was very optimistic regarding the operational and financial feasibility of an SRRA partnership in the region saying "…I think that Caltrans would find many players, including MCEDC, the County, and others who would be very receptive to this concept." Mr. Galbraith mentioned that in his opinion it is likely that some of the existing operators at the I-5/Route 33 interchange would be interested in partnering with Caltrans as any additional customers that could be captured as a result of online signing and being designated as an Oasis type partnership would be attractive to these operators. Also, Mr. Galbraith mentioned that the County would likely support this type of project, as it would tend to translate into more employment and tax revenues to the County.

According to Mr. Galbraith a partnership operation at the Sullivan Road interchange to the north of the I-5/Route 33 interchange would likely be less successful and would tend to redistribute the sales revenue from I-5/Route 33 operators to the partnership operator. In addition, Mr. Galbraith stated that there would be some degree of efficiency if the partnership were to locate at the Highway 33 interchange as land at this location has access to utilities (water, sewer, electricity, etc.) and has been developed, whereas locating at Sullivan Road would likely represent higher site development costs. Furthermore, Mr. Galbraith pointed out that many visitors take the Route 33 exit to access the San Luis Reservoir State Recreation Area to east of I-5 and as such,

[20] Telephone conversation with Scott Galbraith, 5/6/08.

more visitors are likely to stop at the Route 33 interchange compared to the Sullivan Road interchange.

Rachel Wyse - Planner, Stanislaus County Planning Department

Ms. Wyse indicated that development of this type of partnership at the I-5/Stuhr Road interchange would be consistent with the County General Plan. Ms. Wyse also indicated that there are no planned developments in the region, either commercial or residential. Ms. Wyse stated that generally the County is receptive to this type of development and typically approves projects if the development "…makes sense and is consistent with land uses specified in the General Plan", which Ms. Wyse judged this project would be. Furthermore, on the eastern side of the Stuhr Road interchange on both the north and south quadrants, the land is zoned in the General Plan as highway commercial planned development but would require a re-zoning as the planned development use permit has expired, which would generally take six to nine months to approve. This land consists of three separate parcels (APN: 026-019-037, 026-019-052, and 026-019-053) all of which, according to Ms. Wyse is owned by the State of California. When asked about which agency or department owned that land, Ms. Wyse was unable to say, but suggested that we contact the County Assessors Office for this information. All other land, including parcels on the western side of I-5, is zoned in the General Plan, as agricultural land. Any change to this zoning designation would require an amendment to the General Plan, which typically takes nine months to one year to complete.

Salinas Valley SRRA (Highway 101)

Tiffany DiTullio - President/CEO, Salinas Valley Chamber of Commerce[21]

Ms. DiTullio mentioned that the Chamber would definitely be interested in supporting Caltrans in the effort to develop a public-private rest area and possibly to provide traveler information services as well. Ms. DiTullio indicated that there is need for this type of stopping opportunity along Highway 101 and any partnership that brought jobs and revenues to the region would be welcomed. Ms. DiTullio was not aware of any Chamber members who own land at the relevant interchanges under investigation and could not provide names of Chamber members who might be interested in partnering with Caltrans.

Bill Farrel - City of Gonzales, Director of Planning and Economic Development[22]

Mr. Farrel mentioned that the City of Gonzalez would be very receptive to and interested in working with Caltrans on developing this type of partnership project, which is very much in line with the pro-growth orientation of the City's new General Plan. Mr. Farrel indicated that an ideal location for this partnership would be the Gloria Road/Highway 101 interchange where the City is currently working with Caltrans on a new design for and redevelopment of the existing highway interchange. The City has considered a number of potential commercial uses on land at this interchange, including truck stops, travel plazas, fast foods restaurants, gas station/convenience stores, etc. Mr. Farrel stated that a developer who has an option to purchase the land located on the southeast side of the Gloria Road interchange has approached the City

[21] Telephone conversation with Ms. DiTullion, 5/9/08.
[22] Telephone conversation with Bill Farrel on 5/8/08.

with a number of different ideas for commercial development. Mr. Farrel mentioned that it is possible that some type of commercial development could be decided upon within one year at this location. When asked if the developer might be interested in partnering with Caltrans, Mr. Farrel stated, "…it is very possible that this developer would be interested in considering the possibilities under such a partnership."[23] According to Mr. Farrel, there is a residential housing development planned to occur at the northeast section of the Gloria Road interchange.

Mr. Farrel also mentioned that a general policy of both the County and local cities is that commercial development should only occur on the east side of Highway 101 and the west side should remain zoned for agricultural uses. The reason for this split in land use is that the agricultural land along the western side of Highway 101 is generally considered to be superior to that found along the eastern side of the Highway. So typically commercial development would only be approved on the eastern side of the Highway 101.

Mr. Farrel went on to suggest that another appropriate location for a partnership rest area might be the Arroyo Seco Road/Hwy 101 interchange, just south of Soledad. Mr. Farrel mentioned that a relatively large number of travelers use the Arroyo Seco Road to access popular tourist attractions including the Arroyo Seco Recreation Area, Soledad Mission, local hot springs, and numerous wineries (along River Road) in the region. At this interchange there is the Los Coches Adobe, one of the oldest structures in Monterey County, which is currently owned by the City of Soledad. Mr. Farrel stated that it would be ideal if the Adobe could be integrated into the partnership site in some way.

Mr. Farrel mentioned that in his opinion, neither the Highway 146 nor Front Street interchange in Soledad would be very appropriate locations for a partnership rest area site, due to the limited amount of suitable/developable land at these interchanges, in combination with the fact that these interchanges are in poor structural condition. Mr. Farrel also stated that there is often heavy traffic congestion at the Front Street interchange resulting in part from poor traffic flow and turning movement problems at this location.

Susan Helinski - Community Development Director, City of Soledad[24]

Mrs. Helinski indicated that she was unsure as to the appropriateness of a partnership rest area in the vicinity of Soledad, as there are a number of businesses already located at the Front Street/Highway 101 interchange location that are already providing commercial services and who might feel perceive competition from such a partnership. Ms. Helinski mentioned that the City did own between four and five acres of land along the northwestern portion of the Arroyo Seco Road/Highway 101 interchange. At this location, the City had plans to pursue the development of a hotel or motel with a private operator. In addition, Ms. Helinski indicated that the City also has plans to restore the Los Coches Adobe, a regional historic structure. Ms. Helinski added that the remaining lands surrounding this interchange were to her knowledge zoned for agricultural use and were outside of the Soledad City limits. Ms. Helinksi did mention that development on lands adjacent to the City owned land at Arroyo Seco Road interchange

[23] Mike Foletta is one of the main potential commercial developers of the eastern portion of the Gloria Rd interchange (Phone: 831-596-7429).
[24] Telephone conversation with Susan Helinski, 5/14/08.

may not be something the City would ultimately support, specifically if a rest area development at this location were to detract from the attractiveness of the developments on the City owned portion of this interchange.

However Ms. Helinski stated that the potential sales tax revenues from a commercialized partnership rest area would be attractive to the City. In conclusion, Ms. Helinski indicated that "…The City's support for this type of project would all depend on the specifics of what was ultimately proposed, and there is a possibility that a partnership rest area might work in this location, but there does not appear to be a strong need for rest area services in this area specifically."

Lucy Jensen - President, Soledad Mission Chamber of Commerce[25]

Ms. Jensen indicated that there is definitely some need for a stopping opportunity between Gonzales and King City along Highway 101. Ms. Jensen could not offer specific opinions regarding the likely level of support or opposition from the business community in the region and could not provide the names of businesses or individuals who might be interested in partnering with Caltrans or providing land for sale. In addition, Ms. Jensen stated that the Chamber would possibly be interested in providing basic traveler information services, including brochures of local businesses/attractions in Soledad.

Brent Slama - City Planning Manager, City of Greenfield[26]

Mr. Slama mentioned that the City is pro-development and that attracting commercial development has been difficult due to the fairly remote and rural nature of town's location. According to Mr. Slama, there are plans that have been in the works for a very long time to develop the eastern portion of the El Camino Real Road and Highway 101 interchange into the "Yanks Air Museum," which would include a functioning air strip, air museum, and RV Park. Currently this area remains undeveloped. Mr. Slama mentioned that the land bounded by Cypress Avenue, Highway 101, and El Camino Real Road is zoned as gateway commercial, as is the land west of and bordering El Camino Real Road and bounded by Thorne Road and Cypress Avenue. According to Mr. Slama, the area bounded by Cypress Avenue, El Camino Real Road, Pine Avenue, and Highway 101 is currently zoned for industrial use, but Mr. Slama stated that converting this land to commercial would likely be a relatively simple process. Mr. Slama also indicated that land owners have been asking around $400,000 per acre for land in this region, however Mr. Slama believes that this is likely double the land's "actual" market value.

Furthermore, Mr. Slama stated that there are approximately 60 acres of vacant land zoned as highway commercial and owned by two or three individuals along the east side of Highway 101 at the Walnut Road interchange. Mr. Slama mentioned that there have been past discussions with property owners to try and attract a large retail development to this location, such as a Wall Mart, and that this is the preferred type of development for this location. However, Mr. Slama mentioned that the City would likely be supportive of whatever type of commercial development was ultimately proposed this location.

[25] Telephone conversation with Lucy Jensen, 5/28/08.
[26] Telephone conversation with Brent Slama on 5/13/08.

Finally, according to Mr. Slama, the Patricia Lane/Highway 101 interchange to the south of Walnut Road has a number of acres on the eastside of the Highway that are zoned as highway commercial. Mr. Slama indicated that there was some interest in the recent past of developing this land into a travel center or truck stop, but speculated that the expensive improvements required for the interchange were what ultimately caused the proposal to fail.

Doreen Liberto-Blanck - Executive Director of Planning Department, King City[27]

According to Ms. Liberto-Blanck, the most appropriate location for a partnership rest area would be the Highway 101/1st Street interchange in King City. Ms. Liberto-Blanck mentioned that the City is currently discussing potential types of land uses with the property owner of the southern portion of this interchange, which is zoned for highway commercial uses. Ms. Liberto-Blanck indicated that the property owner is very interested in potentially selling or developing the land at this interchange.[28] There is also approximately 41 acres of vacant land located in the northern portion of the 1st Street interchange, which is also zoned for highway commercial uses. According to Ms. Liberto-Blanck, this land is planned to be developed into a regional retail shopping center, but that it is possible that some of this land could be used for partnership rest area development.

Ms. Liberto-Blanck indicated that there are no regional planning projects that would be expected to impact the development or operation of a partnership rest area in the region. Ms. Liberto-Blanck stated that City is generally pro-growth and so long as the proposed rest area partnership met the City's approval regarding the quality and aesthetics of the site design, the City would be very likely to support the project. One area of concern that Ms. Liberto-Blanck raised was the issue of crime at the partnership rest area and mentioned that the City would likely seek some assurance that the project would not contribute to crime in the area.

Another interchange that was identified by Ms. Liberto-Blanck was the Highway 101/Jolon Road interchange to the north of the City. This interchange is located in the unincorporated region of Monterey County as is the Wild Horse Road/Highway 101 interchange located to the south. Ms. Liberto-Blanck mentioned that a number of commercial services are concentrated at the Wild Horse Road/Hwy 101 interchange, including a truck stop, restaurant, fuel service, RV Park, and motel. When asked whether business operators at this location might be interested in partnering with Caltrans, Ms. Liberto-Blanck mentioned that she was unfamiliar with business operators or landowners at this location and could provide information on their potential interest in partnering with Caltrans.

[27] Telephone conversation with Ms. Liberto-Blanck, 5/20/08.
[28] Paul Rivera is the current property owner at the Highway 101 and 1st Street interchange in King City (note Mr. Rivera speaks only Spanish). Phone: 831-320-9854; Parcel size: 4 acres; Assessors Parcel Number: 235-052-006-000.

Mokelumne River SRRA (I-5)

Rick Griffin - Senior Planner, San Joaquin County Planning / Development Services Division[29]

Mr. Griffin indicated that the a partnership rest area development would only be consistent with the County General Plan at Walnut Grove Road and Highway 12 interchanges which are zoned for commercial use. All other interchanges under consideration - which include the Peltier Road and Turner Road interchanges - are zoned for agricultural uses. At the Walnut Grove Road interchange, Mr. Griffin indicated that there are two parcels zoned for commercial use. These parcels are located at the northwest (10.05 acres; APN: 001-140-23) and southeast (11.55 acres; APN: 001-150-29) sections of the interchange. Mr. Griffin indicated that there are currently no projects currently planned for this region along I-5, although in 2001 there was an inquiry by a potential developer to develop the Walnut Grove Road interchange into a travel plaza, which was only a preliminary request for information that never materialized into an actual proposal or project. Mr. Griffin stated that water is available at Walnut Grove Road and is currently supplied by a well and that no sewage service is available on site. Therefore, a septic tank/system would need to be provided.

Mr. Griffin mentioned that the degree to which the County would support this type of project would be governed largely by the General Plan, but that the County is typically pro-growth and that this type of development at Walnut Grove Road or the Highway 12 interchange would likely be considered appropriate use of these lands. Mr. Griffin mentioned that changing the zoning status of a specific parcel takes at least three months to complete and usually longer than this.

Michael E. Locke - President & CEO, San Joaquin Partnership (Economic Development Corporation)[30]

Mr. Locke indicated that the Walnut Grove Road/I-5 interchange would likely be a superior location for a partnership rest area development compared to the Highway 12/I-5 for a number of reasons. First, Mr. Locke indicated that Flying J and other commercial operators at the Highway 12 interchange do not likely have any additional land, which they could expand onto to develop additional parking/facilities for a partnership rest area. In general, Mr. Locke indicated that land availability is very constrained at this location and land values are relatively high, at around $250,000 per acre. Second, Mr. Locke mentioned that traffic congestion at the Highway 12 interchange is often a significant problem and accidents involving turning movements frequently occur at this location. Mr. Locke mentioned that there is significant unmet demand for commercial truck parking in the region and that the Flying J is frequently at capacity and it is not uncommon to see numerous trucks parked along Thornton Road (frontage road) adjacent to the Flying J site. Mr. Locke indicated that providing additional truck parking would be an attractive feature of a partnership rest area and indicated that spreading out the concentration of such parking, perhaps at the Walnut Grove location, would be desirable for reducing the concentration of traffic congestion at the Highway 12 interchange.

[29] Telephone conversation with Rick Griffin, 5/12/08.
[30] Telephone conversation with Michael Locke, 5/28/08.

Mr. Locke concluded that in general there is a need for additional rest area and commercial services in the region, particularly for truck parking. Mr. Locke also indicated that in his opinion, private operators would likely be interested in considering a partnership with Caltrans, but could not provide the specific names of businesses or individuals who might be interested.

Cindy Storelli - Principal Planner (Community Planning South), Sacramento County Planning and Community Development Department[31]

Ms. Storelli indicated that a partnership rest area offering commercial services would be incompatible with the County General Plan at the Twin Cities/I-5 interchange (as well as at the Hood Franklin Rd/I-5 interchange). The land at these interchanges is zoned as Agricultural and Resource Conservation land (west side of Twin Cities Rd/I-5 interchange), and zoning changes would require a general plan amendment, which might take up to a year or potentially longer to approve. Ms. Storelli indicated that this interchange is located outside of the General Plan Urban Services Area, and typically the Planning Department does not approve of commercial developments in this zoning region. Since this interchange is located outside of the Urban Services Area, the project would first need to be proposed to the County Board of Supervisors who would either permit or reject whether the projected could be submitted to the Planning Department. If the project was approved, then an EIR would need to be conducted and the Planning Department would review the project and submit a recommendation to the Board of Supervisors. Ms. Storelli indicated that Department's recommendation is this case would likely be not to approve the project. However, according to Ms. Storelli, the Board's approval decision does not always reflect the Planning Department's recommendation and might depend on other considerations such as potential sales tax revenues that could be generated from the project. Ms. Storelli also indicated that there are no utilities on site at these interchange locations. Ms. Storelli mentioned that there are no developments planned in the vicinity of these interchanges, either residential or commercial.

Dixon SRRA (I-80)

Justine Hardy - Associate Planner, City of Dixon Planning Department[32]

Mr. Hardy mentioned that the City limit extends to the southern boundary with I-80 and that nearly all land at these interchanges is zoned as commercial. As such, Mr. Hardy indicated that any commercialized rest area partnership would be consistent with the City's General Plan at these locations. Mr. Hardy stated that the most relevant project planned to occur in the area is the development of a Flying J Truck Stop at the Pedrick Road/I-80 interchange, situated on approximately 27 acres adjacent to the interchange. In addition to the truck stop operation, consisting of fuel/convenience store service, Flying J also initially proposed to develop an onsite motel, restaurant, and coffee shop but has since removed these services from the initial phase of development.

According to Mr. Hardy there are a number of issues that have arisen regarding Flying J's proposed development. The City Planning Department has taken issue with the aesthetic design

[31] Telephone conversation with Cindy Storelli, 5/7/08.
[32] Telephone conversation with Justine Hardy, 5/20/08.

of the Flying J structure, with Mr. Hardy saying "…there is much to be desired in the proposed Flying J structures from an aesthetic standpoint and the lack of landscaped areas in the design is a problem for the Department." Mr. Hardy indicated that Flying J does not wish to plant shade trees within the parking lot, which the Department is requesting. In addition, Mr. Hardy mentioned that Flying J is allowed 300 square feet of signing space but is requesting that it be allowed up to six times this amount or 1,800 square feet.

Currently, the Flying J proposal is being reviewed by Planning Department staff who will then make a presentation to the Planning Commission who will make a recommendation to the Board of Supervisors regarding how and if the project should proceed. The Board will have the authority to approve or reject the project, and Mr. Hardy mentioned that he does not have any idea about whether the project is likely to be approved or not.

Finally, when asked whether he believed the City would support a partnership rest area development project, Mr. Hardy indicated that he does not know how the City would view such a project.

Tiffany Wing - Membership Director, Dixon Chamber of Commerce[33]

Ms. Wing mentioned that in her opinion there is a need for this type of development in the region and to provide expanded services to travelers along I-80. Ms. Wing mentioned that the Chamber and City are both pro-growth, yet there are members of the community that are opposed to growth and wish to preserve the agrarian/rural nature of Dixon. These community members were successful in defeating a multi-million dollar proposed project to develop a horse racetrack in the community called the Dixon Downs Racetrack and are also resisting development of large retail centers at Highway 113/I-80 interchange. Ms. Wing indicated that any partnership rest area development could come under the attack of these community members depending on how these individuals viewed the project, which she could not predict.

Ms. Wing indicated that the best location for such a rest area partnership development would be on the outskirts of the City, especially the West A St/I-80 interchange, where there is vacant land and an interchange, which can accommodate large traffic, flows. Ms. Wing indicated that there is a property owner along the Milk Farm Road on the north side of the Highway 113/I-80 interchange that is considering either developing or selling their land. Also, Ms. Wing mentioned that there is retail development being considered at the south side of the West A Street as well, and that the vacant land to the north of I-80 at this interchange is not being considered for development and is agricultural land, but would represent an appropriate location for further consideration.

Ms. Wing stated that in her opinion there would definitely be businesses/developers, some of whom might be local, that would be interested in partnering with Caltrans. Finally, Ms. Wing mentioned that the Chamber would likely be very responsive and open to the idea of providing traveler information services at any partnership rest area, as such information could be used to inform travelers about local attractions and businesses.

[33] Telephone conversation with Tiffany Wing on 5/20/08.

Michael Ammann - Director, Solano County Economic Development Corporation[34]

Mr. Ammann mentioned that the Corporation does not officially endorse projects but stated that in general he believes that the County would support such a partnership. Mr. Ammann indicated that such the partnership could provide an opportunity to highlight attractions in Solano County to visitors traveling through the region, which is an aspect of the project, that regional tourism agencies in communities such as Fairfield, Vacaville, and Vallejo would tend to support. Mr. Ammann also mentioned that there would definitely be some level of interest from the business community in Solano County regarding partnering with Caltrans. Regarding the locations in Cordelia and Dixon, Mr. Ammann mentioned that if the partnership SRRA could be incorporated into the Flying J development, this would likely be the easiest way to achieve a successful partnership. Mr. Ammann went on to state the land at the northern portion of the Suisun Valley Road/I-80 interchange is owned by Joe Garaventa, who has plans to sell or develop the property for retail, office, and high end residential uses.[35]

Mr. Ammann also mentioned that there is a major transportation project underway to re-route Highway 12 along I-80, which would bring Highway 12 near the northern quadrant of the I-80/Susuin Valley Road interchange that is of interest for partnership development. This would be expected to dramatically increase the potential business at this interchange location if access to the site was possible from re-routed Highway 12.

Mark Heckey - Economic Development Director, City of Dixon[36]

Mr. Heckey stated that it is possible that the City would support a rest area partnership in Dixon. Regarding the current status of the Flying J proposal to develop a travel plaza/truck stop at the I-80/Pedrick Road interchange, Mr. Heckey mentioned that the Planning Department is running into some areas of concern with Flying J's site design. Specifically, Mr. Heckey mentioned that Flying J's site design is "…rather barren and sterile, with not very much landscaping being proposed. The problem is that Planning Department views this location as the northern gateway to the City of Dixon, and having a large area covered with asphalt and without much landscaping, trees, or other greenery incorporated into the site is somewhat problematic for the planning department." In addition, to this site design Mr. Heckey mentioned that there has been relatively minor opposition to the project from certain members of the community who have a negative concept of truck stops as being a place where illegal activities occur.

Mr. Heckey mentioned that to the extent that Caltrans, via a partnership with Flying J at this location, could provide a greater degree of landscaping and therefore improve the existing site design, this would likely be viewed very favorably by the Planning Department. Regarding whether the Flying J proposal was likely to be approved by the City, Mr. Heckey could not say for sure. Mr. Heckey indicated that if the landscaping issue could not be resolved, the Planning Commission might recommend to the City Council not to approve the project. The Flying J

[34] Telephone conversation with Michael Ammann, 5/23/08.
[35] Mr. Ammann mentioned that we should contact Brooks Pedder, a realtor who has information on the relevant Garaventa property at the northeastern quadrant of the Suisun Valley Rd /I-80 interchange. Mr. Pedders number is 707-863-0188.
[36] Telephone conversation with Mark Heckey, 5/29/08.

proposal would then move on to the City Council for a final decision to approve or reject the project. However, the Council might remain in support of the project, due to the additional sales tax revenues that the truck stop would generate for the City. Mr. Heckey mentioned that the City Council would likely make a final decision on whether to approve the project or not by the end of July 2008.

Cordelia SRRA (I-80)

Erin Beavers - Assistant Director, City of Fairfield Planning Department[37]

Mr. Beavers mentioned that this type of partnership is something that the City of Fairfield would consider. According to Mr. Beavers, important considerations would include the amount of sales tax revenue that the project would generate for the City, additional congestion that might be generated, security issues - including who would police/monitor the location - and whether the development fit within the land use and General Plan for development within the City. Mr. Beavers also mentioned that there are a number of existing stopping opportunities and commercial services that can be accessed by travelers in the region and that any additional commercial services may to some extent duplicate the required level of commercial services.

Regarding the Suisun Valley Road/I-80 interchange location under consideration, Mr. Beavers mentioned that the 30-acre land parcel in the northeast quadrant owned by Garaventa Properties is currently being developed into a large shopping center and would be unavailable for SRRA partnership development. The vacant land in the northwest quadrant of this interchange is zoned for Office and Industrial use, and Kaiser Permanente has recently purchased approximately six acres of highway frontage property at this location, while much of the remaining land is planned to be developed into office/business park uses. Therefore, the northern portion of the Suisun Valley Road/I-80 interchange would be unavailable for a rest area partnership development. Mr. Beavers stated that there is currently approximately 12 acres of land zoned for commercial use at the Southern portion of the Suisun Valley Road interchange, which is bounded by the Pittman Road, Central Way, and Link Road. This location is somewhat removed the highway off-ramp and visibility of the site from the highway may be an issue as well.

Regarding the Abernathy Road/I-80 interchange, Mr. Beavers mentioned that the southern portion of the interchange is mostly developed as auto dealerships and very little available land exists at this location. According to Mr. Beavers, the northern portion of the Abernathy interchange has been designated as prime agricultural lands and the community of Fairfield has voted and passed a measure, which seeks to preserve this area as such. In addition, Mr. Beavers indicated that that since the northern portion of this interchange is outside of the City limits, the City does not provide any water or sewer lines to the site. Mr. Beavers also mentioned that there are plans to move the Cordelia truck scales to the east of their current location but before the Abernathy Road exit. Therefore, Mr. Beavers suggested that there could be potential access and congestion issues at the Abernathy Road interchange in the future which could impact use of any rest area partnership that was developed at the northern portion of the interchange. In summary, Mr. Beavers stated that City would be opposed to any development at the northern portion of the Abernathy Road interchange due to the above considerations.

[37] Telephone conversation with Erin Beavers, 5/22/08.

One location suggested by Mr. Beavers as offering some degree of development potential is the Red Top Road/I-80 interchange location, where the northern portion of the interchange offers approximately 100 plus acres of land zoned for commercial use. Specifically, Mr. Beavers mentioned that he has heard indirectly that the owner of this land, which is referred to as the "Ferrari Property," is considering opportunities to develop this land. The Ferrari Property is located directly behind the current Jack-in-the-Box restaurant at the northern portion of Red Top Road interchange. However, Mr. Beavers did mention that this land does have a relatively steep grade, which may pose some problems in developing the site for a rest area partnership. According to Mr. Beavers, the land located along the southern portion of this interchange is also zoned as commercial and is owned by the Seeno family, who typically only lease their lands for commercial or residential development. The southern portion of the site also has grade issues, which may make site development problematic.

Beth Javens - Executive Director, Fairfield Hotel Association[38]

Ms. Javens indicated that the Fairfield Hotel Association was originally formed with the intention of developing and ultimately operating a California Welcome Center in Fairfield. Efforts to accomplish this task have since proved to be unsuccessful according to Ms. Javens. However, the Association, which plans to change their name to Fairfield Tourism Association, seeks to actively promote business and tourism in the Fairfield region and beyond, including the regions of Vallejo, Napa, and Sonoma. Ms. Javens indicated that the Association would definitely be supportive of a rest area partnership project in the region, particularly if the site provided easy access for visitors to park and rest, use the restroom, and make retail and food and beverage purchases.

Ms. Javens indicated that the interchange locations being considered, including Suisun Valley Road and Abernathy Road are very appropriate locations in terms of site accessibility and visibility and would be "…areas with significant business potential." Ms. Javens indicated that the Association would definitely be interested in providing traveler information services at a partnership rest area location, and is familiar with the various media through which to provide these services, including electronic kiosks, LCD displays, and other media. According to Ms. Javens, the Association currently operates large Reader Board or digital sign located along I-80, which could potentially be used to market the partnership rest area to travelers along the I-80. Ms. Javens stated that "…our main goal is to get folks off the highway and explore and learn what our City and the region have to offer, and hopefully a partnership rest area would provide an additional opportunity to promote attractions and businesses in our area." Ms. Javens did mention that the high price of highway frontage property in the region could pose a problem in terms of successfully implementing a rest area partnership project.

Karl Dumas – Senior Project Manager, Economic Development Department, City of Fairfield[39]

Mr. Dumas stated that all vacant land located at the northern portion of the I-80/Suisun Valley Road interchange is currently being developed for either retail or office uses and was therefore unavailable for future development as a rest area partnership site. Mr. Dumas did indicate that

[38] Telephone conversation with Beth Javens, 5/22/08.
[39] Telephone conversation with Karl Dumas, 5/29/08.

there are twelve acres of land available at the southern portion of the Suisun Valley Road interchange, located along Pittman Road. According to Mr. Dumas there are currently several commercial services at this location, including a restaurant and a Marriott hotel, and the twelve-acre remainder of the property was originally planned for retail use.

Regarding the I-80/Abernathy Road interchange Mr. Dumas mentioned that very little if any developable land is available at the southern portion of the interchange, and most of this land is already developed into auto dealerships. Mr. Dumas stated that the northern portion of the Abernathy Road interchange is considered prime agricultural land and that the community would definitely be opposed to any rest area partnership development at this location.

In addition, Mr. Dumas indicated that the City of Fairfield owns land that could potentially be used for a partnership rest area development. This land is located along the northern portion of the I-80/Red Top Road interchange adjacent to the westbound off-ramp. Mr. Dumas could not recall the number of acres of this City owned land but he stated that, "…the location would likely be large enough to accommodate all facilities under this type partnership rest area." Mr. Dumas mentioned that the City would consider the sale or lease of this land to Caltrans but only at market rates. Mr. Dumas thought that the current market rate for highway frontage property in the region is approximately $20 per square foot or roughly $871,000 per acre.

Finally Mr. Dumas mentioned that he believed that this partnership would be more appropriate and have "…a better chance for success" if it were located further to the east, perhaps near Vacaville or Dixon, where less development was occurring and where land prices might be lower. In addition, Mr. Dumas pointed out that a rest area development in Fairfield would be quite close to the existing Hunter Hill Rest area located approximately ten miles to the west.

Kyburz SRRA (Highway 50)

Lawrence Appel - Deputy Director/Planning, El Dorado County Planning Department[40]

Mr. Appel indicated that there is a real need for basic/traditional rest area services, particularly on the segment of Highway 50 that starts at Fresh Ponds and continues through to South Lake Tahoe. Mr. Appel mentioned that along this stretch of highway there are few public restrooms and many of the commercial establishments that exist along this corridor require travelers to be patrons to use the restroom. However, Mr. Appel mentioned that the commercial service component of the partnership would likely be problematic for several reasons. First, Mr. Appel indicated, "…although the County is generally very pro-growth, it also takes its responsibility to maintain agricultural and open space lands very seriously. Since this stretch of Highway 50 is a scenic corridor and that most of the lands bordering Highway 50 are either agriculturally zoned or U.S. Forrest Service lands, the commercial component would not be something the County would be very supportive of." Mr. Appel went on to say that this type of land use would be inconsistent with the County General Plan in most locations along this corridor of Highway 50 and such use would require an amendment to the General Plan.

[40] Telephone conversation with Lawrence Appel, 5/22/08.

Regarding other planning projects in the region, Mr. Appel indicated that there are no projects, including commercial developments, planned along Highway 50. Mr. Appel also stated that there are no interchanges or formal off ramps along Highway 50 between Pollock Pines and South Lake Tahoe, which would make access to a rest area site difficult and would likely require substantial improvements to comply with safety concerns.

Jody Franklin - Director or Tourism, El Dorado County[41]

Ms. Franklin indicated that there is definitely a need for a place to pull over and rest along Highway 50 between Pollock Pines and South Lake Tahoe particularly during the peak skiing season. Ms. Franklin also mentioned that the community of Pollock Pines has formed an association to promote economic growth in area. This group is called the Community Economic Development Association of Pollock Pines or CEDAPP. Ms. Franklin indicated that CEDAPP might be interested supporting a partnership type project to provide rest area service in or around Pollock Pines, which may include interest in providing basic tourism/traveler information services at the rest area. In addition, Ms. Franklin mentioned that County Tourism Department would definitely be interested in providing some form of traveler information services at the partnership rest area depending on available budget. Ms. Franklin indicated that she is also a member of the Visitors Authority Council for El Dorado County, which is an organization that includes various operators within the tourism industry in El Dorado County. Ms. Franklin mentioned that, should the project proceed, other Council members might be interested in providing some degree of support for the project generally and/or specific support for traveler information services.

Jeanne Harper - Community Economic Development Association of Pollock Pines (CEDAPP)[42]

Ms. Harper indicated that CEDAPP would be very interested in working with Caltrans and the community of Pollock Pines to provide input on appropriate locations for development, available land, and potential partners. CEDAPP is a relatively small community association yet Ms. Harper indicated "…I think the community would be very supportive of this type of project in the region, so long as their input was considered in the process." Ms. Harper went on to say that she had two locations in mind along Highway 50 that would be ideal for this type of development, yet as the sites are not located at any highway intersection, she could not provide the description of the exact location for these sites. Ms. Harper mentioned that there are no interchanges along Highway 50 between Pollock Pines and South Lake Tahoe and access to any partnership site would likely be limited to only one direction. Ms. Harper agreed to follow up with us and provide the location of these potential sites.

Finally Ms. Harper mentioned that it would be very important for the partnership rest area to have some interpretive element such as displays or signs that described the natural or cultural/historic qualities of the surrounding region.

Laurel Brent-Bumb - Chief Executive Officer, El Dorado County Chamber of Commerce[43]

[41] Telephone conversation with Jody Franklin, 5/22/08.
[42] Telephone conversation with Jeanne Harper, 5/23/08.
[43] Telephone conversation with Laurel Brent-Bumb, 5/23/08.

Ms. Brent-Bumb indicated that she could not think of any Chamber members who might be interested in partnering with Caltrans at this time to provide commercial services at a partnership rest area. Ms. Brent-Bumb stated that in her opinion there did not appear to be an overwhelming need for rest area and commercial services along Highway 50. In addition, Ms. Brent-Bumb stated that it was her recollection that a number of years ago, Caltrans had considered a similar type partnership rest area in the region along Highway 50, but that this last project did not include as strong a commercial component (i.e. food and beverage, fuel, and convenience store services) as the current proposed partnership. Ms. Brent-Bumb did mention that the possibility of a stronger commercial component with the current proposed partnership would result in a greater interest from the business community and would likely result in a more financially feasible partnership.

Finally, Ms. Brent-Bumb stated that if a partnership SRRA were developed, then the Chamber would be very interested in providing traveler information services at the facility, which would likely include a simple brochure display describing local historic/cultural attractions and information on Chamber members' businesses.

Bee Gorman - Director, Chamber of Commerce South Lake Tahoe[44]

Ms. Gorman mentioned that in her opinion that community of South Lake Tahoe, including the business community, would be very supportive of a partnership SRRA development along Highway 50. Ms. Gorman stated that it would "…be a tremendous asset to have a place for travelers to stop on Highway 50, particularly during the winter season when snow chains are often required. I think this would represent a significant improvement for travelers along Highway 50 and I believe that the community would agree with me on that." Ms. Gorman mentioned that the Lake Tahoe Visitors Authority would be the organization that could provide traveler information services at a partnership rest area and believed that the Authority would indeed be interested in providing such services. The Authority is already providing digital information kiosks at two of its visitor centers in South Lake Tahoe, which enable visitors to research places to visit and book lodging accommodations in the region.

Ms. Gorman also indicated that she believes that there would be a number of individuals, businesses, or developers in the region that would be very interested in partnering with Caltrans to provide rest area and commercial services at a partnership site. Ms. Gorman stated that potential interested parties would fall into two general categories – those already providing similar types of commercial services in the region and those that would have an interest in promoting/advertising their businesses in the area. Overall, Ms. Gorman appeared very enthusiastic about the concept and optimistic regarding the prospects for success in implementing a partnership SRRA in the region.

[44] Telephone conversation with Bee Gorman, 5/23/08.

Travel Plaza and Truck Stop Operators

Rick Shuffield - Director of Real Estate, Loves Travel Stops[45]

Mr. Shuffield indicated that Love's would be very open to the idea of SRRA partnership and would consider any proposal that Caltrans were to offer. Regarding the success of such a partnership, Mr. Shuffield mentioned that he believed that there definitely is an opportunity to achieve a successful partnership but it would depend on the specifics of the site and the requirements mandated by Caltrans.

Some of the most important general issues for Love's in partnering with Caltrans would be maintaining operational control of the facility and considering the impacts to operations of the increase in capacity that might be generated as a result of such a partnership. However, Mr. Shuffield did not believe that the basic requirements of free access to restrooms, public parking, and 24-hour facility operation would be problematic, as Love's is already providing these services at most of its locations. Mr. Shuffield mentioned that obviously one of the greatest concerns would be the return on investment that the company could expect to achieve on any investments it were required to make. Regarding land ownership/control of the site, Mr. Shuffield indicated that typically Love's would prefer to own the land under such a partnership but would definitely consider leasing land from Caltrans and constructing improvements if the "…financials worked out and appeared sound." When asked about how important highway signage is to the company's operations, Mr. Shuffield mentioned that signage is extremely important, so much so that "…in a number of cases we have chosen not to proceed with a project because we were unable to achieve the amount of signage that we believed was necessary to successfully market the operation."

Overall, Mr. Shuffield was quite enthusiastic and optimistic regarding the potential for success of a SRRA partnership and requested to be included in any mailing lists for RFP's or future correspondence. Mr. Shuffield mentioned that he would further research the specific locations where Caltrans is considering rest area partnership development and follow up with us at a later date.

Terrence Bride - Flying J Project Development Department, Flying J Inc.[46]

Mr. Bride indicated that Flying J would be very interested in some form of partnership to provide rest area services. Mr. Bride stated that he believed that there was definitely an opportunity to create a successful partnership between Caltrans and Flying J. Regarding land ownership, Mr. Bride mentioned that it is Flying J's preference to own the land on which it operates and that this would also be the preference under any form of partnership. However, Mr. Bride mentioned that an option to lease land from Caltrans and construct improvements would "…not be rejected out of hand and would be considered." Mr. Bride requested a meeting with Dornbusch to further discuss the project, including specific locations of interest.

[45] Telephone conversation with, Rick Shuffield, 5/22/08.
[46] Telephone conversation with Terence Bride, 5/22/08.

Richard Lawrence - Real Estate Manager, Travel Centers of America[47]

Mr. Lawrence mentioned that Travel Centers of America (TA) would be interested in considering partnering with Caltrans to provide basic rest area services. Mr. Lawrence went on to indicate that of the two general partnership scenarios – ground lease or partnering at an existing TA location (or where TA owns/controls land and is considering new development) – partnering at an existing TA location would be the company's preference. However, Mr. Lawrence stressed that the TA would still consider leasing lands from Caltrans for site development and operation (i.e., ground lease). According to Mr. Lawrence, the travel plaza and truck stop industry is currently experiencing difficult financial times due to lower freight levels and hence fewer trucks being on the road, as well as higher gas prices which are reducing the amount of non-fuel purchases (i.e., food and beverage/convenience items) by truckers and travelers in general. Mr. Lawrence maintained that travel plazas and truck stops rely on non-fuel purchases to achieve profits and declines in these purchases have hurt the industry in recent years.

Mr. Lawrence stated that the current distress of the industry means that the level of capital contributions expected by Caltrans would be a big issue in a partnership arrangement. Mr. Lawrence mentioned that in the short term, TA does not have sufficient funds to make large capital contributions to a project. Therefore, any project that required TA to make significant site improvements would probably not be of interest to TA currently. This presumably includes the ground lease scenario. Regarding operations, Mr. Lawrence indicated that at nearly all TA locations parking for trucks and autos is free, as is access to restrooms, and that TA facilities are operated 24 hours per day, seven days per week. Mr. Lawrence mentioned that the type of partnership that would be of greatest interest to TA currently would be an arrangement in which Caltrans partnered with TA at an existing TA location and contributed highway signing and capital funds to expanding parking onsite and/or potentially expanding restroom capacity. Mr. Lawrence also mentioned that if Caltrans were to purchase lands adjacent to an existing TA location, TA would be interested in leasing this land from Caltrans and possibly make basic improvements to the land, including parking and/or restroom expansion.

Mr. Lawrence commented that TA operates a Petro Truck Stop (Petro was recently purchased by TA) at the I-5/Route 33 interchange in Santa Nella (i.e., Gustine SRRA), which Mr. Lawrence believed was a location where TA owned additional undeveloped land adjacent to the operation, which could be used if necessary. Mr. Lawrence indicated that this site might represent a location where a partnership between Caltrans and TA could be feasible. Regarding other interchanges locations being targeted, Mr. Lawrence stated that the Walnut Grove Road/I-5 interchange (i.e. Mokelumne River SRRA) "…represents probably the best fit into our operational network along I-5 in California and we would be interested in operating at this location if possible." Mr. Lawrence had mentioned that TA had looked into purchasing property at this interchange but could never receive firm commitments from the landowners. Mr. Lawrence stated that the relevant interchange locations for the Three Rocks SRRA, including Derrick Boulevard and Kamm Avenue, would be too close to the existing TA location at the Route 58/I-5 interchange to the south. TA would also likely be uninterested in a partnership at the South Dome SRRR interchanges (Twisselman Road and Route 46 interchanges) given that

[47] Telephone Conversation with Richard Lawrence, 5/27/08.

the existing TA operation along Route 58/I-5 is even closer to the South Dome interchanges under consideration than are those considered for Three Rocks SRRA. Regarding the Salinas Valley SRRA, Mr. Lawrence mentioned that TA would definitely consider the location but one issue might be the relatively low number of long-haul truckers along Highway 101, which are one of TA's biggest customers. Mr. Lawrence indicated that long-haul truckers typically travel interstate routes and for that reason TA tries to locate along interstates when possible. TA would also consider the Cordelia and Dixon interchanges. TA would not consider the Kyburz and Kelbaker locations due to the relatively low AADT and trucker volumes in these locations. Mr. Lawrence indicated that a Petro operation might be considered at the Victorville SRRA location, despite there being existing TA locations nearby in Barstow.

When asked if TA had any optimal spacing that it tried to achieve when planning its developments, Mr. Lawrence stated that there was no specific distance that was optimal, but mentioned that 50 miles could be considered an appropriate spacing interval. Finally, Mr. Lawrence suggested an additional site that Caltrans might consider, which is the TA operation located near Livingston along Highway 99. Mr. Lawrence stated that there is currently land for sale adjacent to the existing TA site located at the Winton Parkway and Highway 99 interchange in Livingston and suggested that perhaps Caltrans would interested in acquiring this land.

Pat Banducci - Senior Vice President of Business Development, HMS Host Corporation.[48]

Mr. Banducci indicated that HMS Host would be quite interested in exploring partnership opportunities with Caltrans. Mr. Banducci mentioned that HMS Host has extensive experience in operating travel plazas located along toll-roads in the eastern United States. These travel plazas provide the same basic rest area type services that would be presumably sought in a partnership with Caltrans, including free parking, free access to restrooms, and 24-hour operation. Mr. Banducci stated that the typical arrangement that HMS Host is familiar with is for the toll road authority to lease the site and commercial buildings to HMS Host, who then provides food and beverage, retail/convenience, and fuel service at the location in differing levels depending on traffic concentrations/demand at the specific location. Mr. Banducci mentioned that HMS Host typically partners with a fuel service operator, while HMS Host focuses on food and beverage and retail service.

Mr. Banducci pointed out that another type of agreement that HMS Host has experience with is to engage in a long-term lease where the company would construct and develop/redevelop a given site rather than have the transportation authority perform this function. HMS Host has experience implementing this type of agreement for the Pennsylvania Turnpike Authority where the Company agreed to reconstruct and redevelop existing travel plaza's owned by the Authority but which were aged and falling into a state of disrepair. Mr. Banducci mentioned that if HMS Host were to fund the development of the commercial facilities at a partnership rest area, then the lease term would need to be much longer as well as has requiring potentially lower lease payments then would be the case if the Company did not make the improvements. For example, Mr. Banducci indicated that in Pennsylvania the building construction cost for a single travel plaza site was approximately $9 million dollars and the percentage of gross which HMS Host

[48] Telephone conversation with Pat Banducci, 5/27/08.

typically pays to toll road authorities of between 10% and 15% of gross was lowered by roughly half of these typical lease rates to between 5% and 7.5% to account for the large investment.

Mr. Banducci mentioned that HMS Host operates on toll roads where competition is in many ways non-existent, as toll road travelers generally do not exit the toll road to purchase goods and services from competitors located off the toll-road since travelers would then have to pay a fee to re-enter the toll road. Therefore, Mr. Banducci suggested that HMS Host would likely be less interested in operating at a location in California where many different commercial services were located in close proximity to the rest area.

Another obvious consideration raised by Mr. Banducci would be the capital costs that HMS Host would be expected to contribute. In addition, Mr. Banducci noted that his understanding was that many of the toll roads on the East Coast have substantially higher traffic volumes than many of the locations being considered by Caltrans. The lower overall traffic volumes might reduce the attractiveness of operating at some or all of the proposed SRRA locations. However, Mr. Banducci mentioned that it is possible that given the substantial traffic volumes and limited competition of East Coast toll roads, it may be the lease rates would be substantially higher along toll roads compared to what Caltrans might require. In addition, given the large traffic volumes, toll road travel plazas typically offer a number of different food and beverage and retail options and that given traffic volumes in California, perhaps the number of commercial operations could be significantly scaled back, reducing the required capital investment to develop the site.

Mr. Banducci concluded that HMS Host would be interested in exploring partnership opportunities with Caltrans and stated that the potential for success would depend on the financial picture that ultimately arose from a site's specific characteristics and Caltrans' partnership requirements, stating that "…it is completely possible that HMS could build the commercial facilities on land leased from Caltrans, but successful implementation would obviously depend on the financial picture that arose as more specific information became available."

Tom Robinson - Owner, Rotten Robbie Travel Plazas[49]

Regarding the possibilities for partnering with Caltrans, Mr. Robinson indicated "…I would be open to considering any partnering opportunities with Caltrans to provide rest area services." More specifically, Mr. Robinson indicated that in the past he was quite opposed to the concept of rest area privatization along the highway right-of-way, but that the more recent Oasis type concept where rest area partnerships would be located off-line at interchanges was much less threatening, and that there appeared to be potential for a mutually beneficial partnership. Mr. Robinson indicated that his preference would be to own or control the land on which a partnership rest area might be developed, yet he would consider an option to lease land from Caltrans and possibly develop some or all of the commercial facilities depending on the specific characteristics of the site and the associated financial outlook of the project. Mr. Robinson stated that a ground lease scenario would be much more expensive for his company compared to one of the larger travel plaza operators, including Flying J, Pilot, and Travel Centers of America.

[49] Telephone conversation with Tom Robbinson, 5/28/08.

Mr. Robinson stated that the Rotten Robbie travel plaza location at the I-5/Route 33 interchange in Santa Nella would be a possibility for an Oasis type partnership and that the company owned additional land at this location, which might be used for expansion purposes. However, Mr. Robinson stated that he would not be interested in considering sites further to the south in California than the Santa Nella location and preferred to develop in Northern California along Highway 101 in Santa Rosa, and as far north as Cloverdale and Ukiah. Mr. Robinson indicated the Salinas Valley, Cordelia or Dixon, and Mokelumne sites might be of interest as well.

Mr. Robinson mentioned that the provision of free restrooms and parking, with 24 hour service, was something that was already being offered at all Rotten Robbie travel plaza locations and providing these basic services would not be a problem for the company under a partnership operation.

Jimmy Haslam - President and CEO, Pilot Travel Centers[50]

Mr. Haslam stated, "…I would consider partnership opportunities with Caltrans, but with reservation, given our experience in California that the cost of doing business is very high, particularly given all of the regulatory issues that businesses are forced to comply with." Mr. Haslam may have been referring to Pilots' recent multi-million dollar lawsuit regarding non-compliance with California environmental regulations. Despite this, Ms. Haslam indicated that Pilot would be interested in considering partnership opportunities with Caltrans - both for opportunities to lease land from Caltrans or in cases where Pilot operated an existing facility. However, Mr. Haslam indicated that Pilot would prefer to maintain ownership of land under a partnership with Caltrans

Mr. Haslam mentioned that the company would be particularly interested in locations along I-80, including the Dixon and Cordelia SRRA locations. Mr. Haslam also stated that Pilot would consider partnership opportunities at existing locations at I-15/Highway 395 interchange (Victorville SRRA), I-5/Highway 46 interchange (South Dome SRRA), and I-5/Route 33 interchange (Gustine SRRA). In addition, Mr. Haslam mentioned that Pilot would also consider the Mokelumne River SRRA region, but would not consider the Kelbaker or Kyburz SRRA locations, due to either existing nearby operations or due to limited financial viability of the location.

[50] Telephone conversation with Jimmy Haslam, 5/28/08.

Appendix A

CALTRANS COMMERCIAL PARTNERSHIP REST AREAS FINANCIAL ANALYSIS

Contract No: 65A0240

Prepared for

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

DORNBUSCH ASSOCIATES

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Table of Contents

I. INTRODUCTION 1

II. REVENUES 2

A. Capture Rate 2

B. Food and Beverage Revenues 4

C. Convenience Store Revenues 5

D. Fuel Revenues 6

III. OPERATING COSTS, CASH FLOW & PARTNER'S CAPITAL INVESTMENT 8

IV. TOTAL PROJECT CAPITAL COSTS 9

A. Commercial SRRA – Off-Line Sites 9

B. *Non*-Commercial SRRA - On-Line and Off-Line 12

C. Caltrans Investment Analysis 14

V. FINDINGS BY SRRA LOCATION 16

A. Kelbaker SRRA 16

B. Victorville SRRA 20

C. South Dome SRRA 25

D. Three Rocks SRRA 28

E. Gustine SRRA 32

F. Mokelumne River SRRA 37

G. Dixon SRRA 41

I. INTRODUCTION

The following describes the process used to estimate Caltrans' required financial investment to implement off-line commercial rest area partnerships at the following sites.

- Merced County and Stanislaus County, I-5 near Gustine
- Fresno County. I-5 near Three Rocks
- Kern County, I-5 near South Dome
- San Bernardino County, I-40 near Kelbaker
- San Bernardino County, I-15 near Victorville
- San Joaquin County, I-5 near Thornton
- Solano County, I-80 near Dixon
- Imperial County, I-8 near Winterhaven

Caltrans' required capital contribution, or surplus revenues, associated with implementing a commercial off-line partnership SRRA were estimated for potentially developable sites at candidate interchanges for each site.[1]

The analysis also compared Caltrans' financial costs or benefits for the off-line commercial SRRAs with on-line and off-line *non*-commercial SRRAs at each candidate site. Caltrans costs for the non-commercial SRRAs included both development costs and the net present value of annual maintenance costs.

Caltrans' net investments, if any, were estimated by subtracting the total capital cost of the project from the private partner's expected financial contribution. The private partner would presumably make that financial contribution in exchange for the contractual right to obtain profits from operating the rest area. The partner's profits were estimated by subtracting the partner's expected operating and maintenance costs from its estimated revenues. Then, the partner's capital contribution was estimated by discounting its projected annual cash flow to a net present value applying a private partner's target internal rate of return commensurate with its perceived financial and operating risk.

In fact, the analysis estimated that for each set of sites, at least one, and in some cases all, of the interchanges might be expected to yield a project where Caltrans could expect a private partner to pay *more* to Caltrans for the rights and privileges to operate a commercial SRRA than the expected total development cost. In those cases, the project might be expected to yield Caltrans a net financial surplus. Such financial surpluses are indicated as "Surplus Funds Available = Payment by Private Partner to Caltrans" in the Financial Benefits tables.

[1] Note that whenever a reference is made to the candidate sites in the text, the Imperial site is excluded, since it is in development.

II. REVENUES

A. Capture Rate

1. Estimation Method

To estimate expected capture rates at the candidate partnership rest areas, defined as the percentage of average annual daily traffic (AADT) stopping at the selected SRRA locations, Dornbusch began by considering capture rates at nearby on-line public SRRAs in California. Dornbusch then considered the particular advantages and disadvantages of the respective candidate commercial SRRA sites to judge the higher or lower capture rates at those sites.

The attraction of commercial enterprises was a primary consideration. To judge the additional attractive power of such enterprises, Dornbusch investigated the stopping percentages at commercial service plazas along toll roads in other states. Dornbusch obtained capture rates at service plazas in Connecticut (along Interstate 95 and 395) and the Florida Turnpike. Capture rate data were also obtained for service plazas along the Pennsylvania Turnpike, but the data was limited due to temporary service plaza closures. Dornbusch sought service plaza capture rate data from the Ohio Turnpike, Kansas Turnpike, and the New Jersey Turnpike, but capture rate data was unavailable at these locations.

When evaluating the different capture rates at commercial rest areas, Dornbusch considered relative remoteness of the sites, recognizing that more remote sites might tend to compete with fewer stopping opportunities along the highway.

Dornbusch then considered the relative disadvantage of the prospective commercial SRRA being located off-line, therefore accessible only by leaving the Interstate highway, unlike the toll road plazas that are accessible without leaving the highway. Poorer access was considered in terms of both physical and visual accessibility, recognizing the inconvenience of motorists having to leave the highway as well as the importance of being able to see the rest area and/or its signs from a safe exiting distance.

Finally, Dornbusch considered the effect of existing and potential local competition, recognizing that competitive services would be expected to draw traffic away from the commercial services in the subject rest areas.

2. Commercial Services Influence

Service plazas in Florida and Connecticut typically offer fuel service, food and beverage service - often including quick service and sit-down dining options - and convenience store items. Although the specific nature and extent of commercial services vary from plaza to plaza and state to state, the general level of commercial services elsewhere is similar to what might be expected at a commercial partnership SRRA in California.
Service plaza capture rates in Connecticut range from 5.4% to 13.7%, for AADTs ranging from 29,500 to 149,200. In Florida, service plaza capture rates range from 3.7% to 21.0%, with AADTs from 27,500 to 101,200.

Regression analyses demonstrated that commercial service plaza remoteness is an important determinant of capture rate. Remoteness tends to reflect a combination of influences, including proximity to population centers, nearby stopping opportunities (with or without commercial services), and therefore to other recent or expected traveler origins and destinations.

Other variables were also important, such as the composition of highway traffic (i.e., proportions of commuter traffic, commercial traffic, and visitor traffic) also impact capture rate, with capture rates being lower where the proportion of commute traffic is high and long distance travel is low, and visa versa.

Linear regressions of the experience in other states, for rest areas in regions similar to the candidate California sites, yielded reasonably reliable models relating distances to population centers of varying sizes to automobile and truck capture rates. The models were used to estimate the upper bound of car and truck SRRA capture rates, that is, before considering the influences of relative site physical and visual accessibility and of nearby competition.

3. Accessibility and Competition

When estimating the relative influence of site physical and visual accessibility, Dornbusch began by considering the capture rates at on-line non-commercial SRRAS near the candidate sites. The following table presents capture rates at existing on-line California SRRA's near each partnership site being considered. There are no entries for the Victorville sites, since there are no rest areas near Victorville along I-15.

Table A-1. Recent Capture Rates at Selected California On-Line SRRAs

	AADT	Estimated Capture Rate	Number of Entering Vehicles/Day
Kelbaker SRRA Sites (I-40)			
Desert Oasis SRRA	12,300	32.2%	3,960
Fenner SRRA	11,300	32.2%	3,640
Victorville SRRA Sites (I-15)			
None	-	-	-
South Dome SRRA Sites (I-5)			
Buttonwillow SRRA	32,250	11.8%	3,800
Coalinga-Avenal SRRA	33,250	17.7%	5,900
Three Rocks SRRA Sites (I-5)			
Coalinga-Avenal SRRA	33,250	17.7%	5,900
John Chuck Erreca SRRA	30,500	8.4%	2,560
Gustine SRRA Sites (I-5)			
John Chuck Erreca SRRA	30,500	8.4%	2,560
Westley SRRA	21,350	16.8%	3,588
Mokelumne River SRRA (I-5)			
Westley SRRA	21,350	16.8%	3,588
Elkhorn SRRA	66,000	4.7%	3,100
Dixon SRRA (I-80)			
Hunter Hill SRRA	118,500	2.6%	3,100

The capture rates in the table above were estimated by dividing the number of entering vehicles Caltrans recorded at each SRRA by the AADT for the closest interchange. Since data for the number of entering vehicles was not available for every year, the most recent year for which data is available was used. Where an existing rest area serves a single direction of travel, the number of entering vehicles recorded for that rest area was doubled to estimate the number of vehicles that might enter two rest areas on either side serving both travel directions.

The above on-line non-commercial SRRA capture rates were used as a basis for judging the likely capture rates of a *non-commercial* rest area that might be located *off-line* at the candidate sites, recognizing that an off-line non-commercial rest area would likely have a lower capture rate than on-line non-commercial rest area, all else being equal.

Dornbusch then used the models described in the section above to estimate the positive influence of adding commercial services to the off-line non-commercial SRRA, and concluded by adjusting for the relative influences of site physical and visual accessibility and the degree and proximity of similar competing services.

Estimated capture rates for each candidate site are presented below. Next, revenues were estimated for the expected primary revenue-producing enterprises at commercial California SRRAs - namely fuel (gasoline and diesel), food and beverage, and convenience store sales. The revenues for each were estimated separately for truck and automobiles, as derived from the capture rates described above.

B. Food and Beverage Revenues

Annual service plaza food and beverage revenues were obtained from the Florida Turnpike, Pennsylvania Turnpike, and Connecticut Service plazas. To calculate average food and beverage expenditures per entering vehicle, the revenues were divided by the average number of vehicles entering the service plazas per day.

Service plazas in Connecticut offer a variety of food and beverage options, such as from major fast food operators like McDonalds to smaller "grab-and-go" options, including soups, sandwiches/salads, pizza, and pasta. Dornbusch found that revenues per entering vehicle at service plazas in Connecticut ranged from $2.25 to $3.34 per entering vehicle, with median expenditures per entering vehicle of $3.09.

Service plazas along the Florida Turnpike offer a variety of restaurant options including Burger King, Sbarro pizza and pasta, Popeye's chicken, Nathan's hot dogs, Starbucks coffee and other national/international chains. Food and beverage revenues per entering vehicle at service plazas in Florida ranged from $3.34 to $5.43 per entering vehicle, with median expenditures per entering vehicle of $3.90.

Service plazas on the Pennsylvania Turnpike also offer a wide range food and beverage selections, including pizza, hamburgers, sandwiches, coffee, ice cream, and other food options from operators such as Pizzeria Uno, Quizznos sandwiches, Nathan's hot dogs, Burger King, Popeye's chicken, Chili's, Hershey's Ice Cream, Starbuck's, and others. The Pennsylvania Turnpike is currently in the process of remodeling all of its service plazas and closes several

service plazas each year as part of the phased remodeling effort. In 2007, food and beverage revenues per entering vehicle at service plazas along the Pennsylvania Turnpike were reported to be lower than expenditures per entering vehicle at service plazas in Connecticut and Florida, ranging from $2.03 to $2.85, with a median expenditure per entering vehicle of $2.28. However, the lower revenues per entering vehicle in 2007 are likely due to that fact that the several of the Turnpikes' busiest service plazas were temporarily closed for part of 2007 for remodeling. In addition, Pennsylvania service plaza data are somewhat limited by the fact that the number of entering vehicles were estimated based on an extrapolation from commercial transaction data and do not reflect direct vehicle counts, as are the counts for Florida and Connecticut service plazas.

To better understand how food and beverage expenditures per entering vehicle might vary according to SRRA location in California, Dornbusch examined the relationship between food and beverage expenditures and remoteness as measured by the population density surrounding the service plaza. Dornbusch judged that food and beverage expenditures might be higher in more remote locations and lower in more densely populated or urban areas, for the same reason that capture rates vary for those regions. The reasoning was that in urbanized areas, there tends to be a greater numbers of home-to-work commuters and of commercial competitors. Therefore, many travelers do not stop for commercial services. And, those that do spread their business over a greater number of commercial enterprises.

To estimate expected food and beverage revenues per entering vehicle at California SRRA sites, Dornbusch used linear regression models that related populations within 25-mile and 50-mile radii of commercial service plazas that were judged to be in areas most like the candidate sites in California.

C. Convenience Store Revenues

Convenience store sales per entering vehicle at service plazas along the Florida Turnpike, Pennsylvania Turnpike, and in Connecticut were analyzed to understand how various levels of convenience store sales might be achieved at commercial SRRAs in California.

However, it was considered that the limited size of convenience store operations at service plazas along the Florida Turnpike (at about 300 square feet) would be smaller than the off-line SRRA convenience store operations expected in California. In fact, the Florida Turnpike Authority currently has plans to greatly increase the size of convenience store operations at service plazas from 300 square feet to approximately 3,500 square feet, which would more closely resemble that expected size of convenience store operations in California, and which likely would range between 3,000 and 4,000 square feet. In addition, Pennsylvania service plazas do not generally have traditional convenience stores. Instead the service plazas have small fuel service related kiosks, which average around 1,500 square feet.

Convenience store operations at Connecticut service plazas more closely resemble the size and scope of operations that are expected at commercial SRRAs in California, with stores averaging approximately 3,000 square feet. Average convenience store revenues at Connecticut service plazas ranged from $1.40 to $1.80 per entering vehicle, with a median expenditure of roughly $1.59 per entering vehicle. However, as discussed above, the Connecticut services plazas are

located in predominantly urbanized areas. Therefore, convenience store sales might be lower than expected at the more rural California sites. Still, it was the best data available, and was used though recognized to be conservatively low.

D. Fuel Revenues

Gasoline and diesel fuel sales were estimated based on an analysis of fuel sales per entering vehicle at service plazas in Florida, Connecticut, and Pennsylvania. Gallons of gasoline purchased per entering vehicle at service plazas in Connecticut ranged from 1.6 to 3.2 gallons per entering auto, with median sales of 2.2 gallons per entering auto. Diesel sales per entering truck ranged from 2.4 to 4.2 gallons, with median diesel sales of 2.8 gallons per entering truck.

Gasoline sales at service plazas along the Florida Turnpike ranged between 2.8 and 6.0 gallons per entering auto with median gasoline sales of 3.6 gallons per entering auto. Diesel sales ranged from 6.3 to 18.2 gallons per entering truck, with median diesel sales of 14.1 gallons per entering truck.

Gasoline sales at service plazas located on the Pennsylvania Turnpike ranged from 1.2 to 2.4 gallons per entering auto, with media gasoline sales per entering auto of 1.9 gallons. Diesel sales ranged from 3.3 to 33.8 gallons per entering truck, with median diesel sales of 9.5 gallons per entering truck. Again, Pennsylvania data is somewhat limited by service plaza closures in 2007 and by limited information on vehicle counts for each service plaza.

It is important to note that fuel sales discussed above are reported as gallons *per entering auto/truck* and do not represent the average gallons purchased by autos or trucks *per fill up* – which clearly would be much higher than the figures presented above. According to the National Association of Convenience Stores (NACS), the average gasoline purchase for autos per fill up is around 10 to 12 gallons. According to Terrence Bride, project manager with Flying J Truck Stops, a reasonable figure for the average gallons of diesel purchased by trucks per fill up would be approximately 80 gallons.

To better understand how the gallons of fuel purchased per entering vehicle might vary by location, Dornbusch again analyzed the relationship between fuel sales and a site's remoteness as indicated by distances to various surrounding populations.

Dornbusch found that diesel sales do not correlate well with a site's remoteness, likely due to the fact that truckers' decisions of when and where to purchase fuel are determined mainly by fuel price and pre-arranged discount purchasing agreements between trucking companies and fuel providers. In addition, trucks can travel much greater distances than autos between fill ups, and this will reduce the number of times trucks need to stop and re-fuel, making the remoteness of a given location less of a consideration for trucks.

Dornbusch used the median gallons of diesel purchased at Florida service plazas, of roughly 14 gallons per entering truck, to estimate diesel sales at commercial SRRA sites in California. Since it is likely that operators interested in partnering with Caltrans at SRRA sites in California will be from the truck stop industry, and cater to selling diesel fuel to trucks in particular, it is

possible that diesel fuel sales may be greater than the amount assumed here. So, the estimates presented here are probably conservative.

To estimate gasoline sales per entering vehicle at SRRA sites in California, Dornbusch considered how gasoline sales vary with a sites' remoteness. Therefore, using gasoline sales at Connecticut service plazas is problematic, due to many of the service plazas being located in heavily populated regions compared to candidate sites in California. As previously discussed, Pennsylvania service plaza data are somewhat limited by the accuracy of the estimated number of vehicles entering Pennsylvania service plazas. Gasoline sales at Florida service plazas were considered to best represent the range in remoteness/population of the California SRRA sites and therefore were used to estimate gasoline sales by location in California.

Dornbusch found a strong, positive correlation between gasoline sales per entering auto and population within 25-mile and 50-mile radii of the Florida service plazas. The most likely explanation for this positive relationship is that in highly urbanized locations with larger populations, there is correspondingly larger number of fuel service providers, which increases the price competitiveness within such regions. Another explanation is that in urbanized areas, one or both of the trip origins and destinations are in urban areas, where travelers tend to fill up before and after the trip, rather than stopping to refuel between.

III. OPERATING COSTS, CASH FLOW & PARTNER'S CAPITAL INVESTMENT

Dornbusch judged that truck stop and travel plaza operators are likely to be among the most qualified and interested partners to operate commercialized SRRAs in California. An important reason is that truck stop and travel plaza operators are likely to have the greatest experience and industry relationships to enable them to operate at the lowest costs and therefore offer the highest financial contributions to the partnership.

Dornbusch derived the on-line and off-line commercial SRRA operating costs from a BizMiner Financial Industry Profile report, which provided detailed financial metrics for truck stop and travel plaza operators, based upon their most recent reported five years of operating data. Operating costs were estimated by applying appropriate truck stop operating costs, either from the bottom-up, or from the top-down, as would best represent the particular operating cost. To verify the accuracy and consistency of the estimates, Dornbusch consulted a variety of other industry publications, including from the National Association of Truck Stop Operators (NATSO).

Subtracting operating and maintenance costs from operating revenues yielded estimates of the partner's pre-tax operating profit and, accounting for non-cash flow line items, expected pre-tax cash flow. The partner's estimated capital contribution was estimated by discounting its projected annual cash flow to a net present value applying the private partner's target internal rate of return.

IV. TOTAL PROJECT CAPITAL COSTS

A. Commercial SRRA – Off-Line Sites

1. Interchange Improvements

Caltrans engineers estimated the costs to make improvements to interchange necessary to support a rest area development. As it turned out, interchange improvements were not required for all interchanges. And, for some interchanges, only of a portion of the improvement costs were necessary to support the rest area over and above the improvements necessitated by traffic growth without the rest areas.

2. Land Acquisition

Dornbusch identified vacant land at or near the selected interchange locations that appeared to be likely locations for project development. Local real estate brokers were contacted to investigate recent sales in the region and site features that would be expected to affect their acquisition cost. Acquisition costs were estimated from the discussion with local brokers as well as from www.LoopNet.com, which lists land for sale by location in California.

The following table presents the estimated land acquisition costs at each of the interchange locations addressed in the analysis. The figures are as of August 2008.

Table A-2. Land Costs Per Acre at SRRA Sites

	Land Values ($/Acre)
Kelbaker	$70,000
Victorville	$263,000 - $544,000
South Dome	$218,000
Three Rocks	$218,000
Gustine	$218,000
Mokelumne River	$261,000
Dixon SRRA	$436,000

Note, however, that due to the recent downturn in the real estate market, actual land acquisition costs might be considerably lower than those presented above and used in this analysis. It was conservatively assumed that 40 acres would be required for a commercial SRRA development, recognizing that a typical non-commercial on-line SRRA is 20 to 30 acres, the land generally required for a large truck stop or travel plaza is 20 to 25 acres, and the amount of land that Caltrans purchased for the proposed Imperial SRRA partnership development is 34 to 38 acres.

Note that if Caltrans were to partner with an existing truck stop operator, or comparable traveler services facility, land acquisition would be only the marginal acreage required to expand the site to accommodate the additional parking, circulation, and rest area facilities, if any.

Moreover, the following costs to an existing truck stop operator would also be only the marginal costs of the expansions necessary for conversion to a commercial SRRA.

3. Grading & Landscaping

Dornbusch estimated the cost to rough grade what might be considered a typical SRRA site, based on the estimates reported in the Imperial SRRA Project Study Report, and with further guidance from Caltrans staff. Dornbusch applied a grading cost of $20.00 per cubic yard, as recommended by Caltrans staff, assuming a grading quantity of approximately 1,368 cubic yards per acre, as for the Imperial SRRA Project, a relatively level site that does not require substantial grading.

To estimate the cost of landscaping, Dornbusch applied the percentage of total acreage landscaped at a typical travel plaza or truck stop. Site designs provided by Travel Centers of America and Flying J Truck Stops indicated that about 20% to 25% of a truck stop's total land area is typically landscaped. Recognizing Caltrans' desire for a more attractive development than would be typical for a truck stop, 30% of the partnership SRRA area was assumed to be landscaped. The landscaping cost per square foot was derived from the figure published by Marshall and Swift Valuation Service.

4. Parking & Circulation

To estimate the number of auto and truck parking stalls necessary at a commercial SRRA, Dornbusch began by calculating the number of parking stalls that would be required at an off-line non-commercial SRRA, applying the methodology recommended by the California Highway Design Manual and as recommended by AASHTO highway design standards.

Dornbusch then considered the number of parking stalls needed for the commercial operations, by investigating the parking areas at nearby travel plazas and truck stops and assumed that half the area required for purely public parking could be derived from the commercial parking area. On average, calculating the parking area this way resulted in a commercialized SRRA parking area being approximately three times the parking area of a non-commercial SRRA.

Parking and circulation costs per square foot were derived from Marshall and Swift Valuation Service and multiplied by the area required to estimate total parking construction costs.

5. Structures & Facilities

The cost to develop the structures and facilities were based upon the types and sizes of structures that have been constructed at travel plazas and truck stops at interchanges in the region. Information was derived from site and building design plans obtained from truck stop operators indicating typical floor areas for the commercial buildings. Typically, travel plazas and truck stops house all commercial operations within a single facility, including sit-down and quick service food and beverage services and convenience store operations. All restrooms are also generally located within the single facility, while fuel service is provided at fuel islands located on the premises.

Based on site plans provided by Flying J Truck Stops and Travel Centers of America, the typical commercial building for these operators is approximately 17,000 to 19,000 square feet in floor area. Other commercial operators generally use somewhat smaller buildings. For example, Love's Travel Plaza includes buildings that are typically around 10,000 square feet.

Considering the possible need for additional public restrooms, even in a separate structure, Dornbusch assumed a total floor area for all commercial and public facilities at a partnership SRRA would range from 20,000 to 30,000 square feet, depending on the site and expected stopping traffic volumes. This assumed that the restroom area would be 50% greater than at a purely commercial enterprise (therefore increasing the typical six stalls/urinals in the men's and women's restroom, respectively, to nine stalls/urinals for each).

The costs per square foot indicated by the Marshall and Swift Valuation Service were used to estimate the cost to construct the commercial building(s).

To estimate fuel service development costs, Dornbusch analyzed travel plaza and truck stop facilities for the number of fuel islands, gasoline pumps, diesel pumps, and fuel storage tanks that are typically required at a commercial operation located near an interstate interchange in California, and particularly near the selected SRRA sites. Dornbusch conservatively judged that 8 to 10 gasoline dispensers and between 10 and 12 diesel dispensers would be needed at a typical commercial SRRA enterprise, varying that somewhat according to estimated stopping traffic demand. Fuel island development costs were then estimated using Marshall and Swift Valuation Service costs for fuel stations.

Furniture, fixtures, and equipment (FF&E) costs were estimated at 3% of the total onsite development costs, based on estimates provided by Terrence Bride with Flying J Truck Stops.[2]

It is also important to note that the costs to bring or develop utility services were not estimated for each site, as this would have required engineering inputs that were beyond the scope of this analysis and which were unavailable from Caltrans. The cost to bring such services to the site would increase total overall development costs above the estimates here.

6. Caltrans Administrative Costs

Caltrans indicated that its administrative costs are typically around 20% to 25% of the total project costs when the Department has primary responsibility for designing the facilities, contracting, and supervising all of the project construction.[3]

However, if a private partner were to design, contract for and supervise all construction of onsite improvements (including buildings, parking lots, circulation, fuel islands, etc.), Caltrans' administrative costs would be much lower. In this case, Caltrans' administrative costs were assumed to be 5% of the combined onsite and land costs.

[2] Telephone conversation with Terrence Bride, Project Manager for Flying J Truck Stops, October 8, 2008.
[3] Telephone conversation with Suzy Namba, Caltrans Landscape Architecture Program, November 11, 2008.

7. Special Cost Consideration

When estimating the capital costs to construct the on-site facilities at an off-line commercial SRRA, it was considered whether the costs would reflect either the private partner's or Caltrans' contracting costs. If Caltrans were to have primary responsibility for the on-site facilities construction, its costs would be significantly higher than if the private partner would have that responsibility. There are three primary reasons for this.

First, Caltrans' design would be expected to employ much more durable construction than a private partner would require. This is not to say the private partner's facilities would be substandard. On the contrary; the private partner would necessarily build to a quality level that Caltrans requires. However, a private partner can substitute annual maintenance for initial capital investment. And even then, a private partner can minimizes maintenance by performing it more frequently than Caltrans, and by reducing vandalism through full-time staffing.

Second, Caltrans construction contracts require the contractor to pay union wages, which are substantially higher than the wages for non-union construction workers that a private developer is able to engage.

Third, private contractors are able to apply greater expertise and experience in designing and constructing the type of buildings that would be developed for a commercial SRRA. As a result, Caltrans would experience higher design and supervision cost. In fact, prime candidates for such projects are truck stop operators whose facilities are very similar to those envisioned for the commercial off-line SRRA.

According to Caltrans staff, in combination, these factors would be expected to yield on-site development costs to Caltrans of as much as double what would otherwise be a private partner's development costs. And, if Caltrans were to fund *any* portion of the on-site improvements, Caltrans would necessarily assume full design and supervision responsibility, and therefore in those cases Caltrans' costs would be applied.

As it turned out, the private partner's financial contribution would be expected to cover all of the on-site improvements. And, therefore, it was concluded that the private partner would be able to assume contracting responsibility for the development at all sites.

However, it should be noted that the financial estimates are based on historical economic trends that preceded the recent severe economic downturn and reflect only the early stages of fuel price volatility. Potential investors and lenders will be less likely to assume as much investment or operating risk as they were before September 2008. And, therefore, it is possible that the above assumption might not hold at all sites.

B. *Non*-Commercial SRRA - On-Line and Off-Line

Caltrans estimated the costs to develop and maintain non-commercial SRRAs, as both (1) on-line SRRAs serving both directions of travel from opposite sides of the interstate, and (2) a single off-line non-commercial SRRA serving both directions of travel via an interchange.

Caltrans estimated that the cost to construct an *on-line* SRRA serving both directions of travel would be approximately $40 million at all sites, including the cost of land, which Caltrans estimated at roughly $5.0 million. Caltrans estimated that the cost to construct an *off-line* non-commercial SRRA would be approximately $30 million at all sites, including the cost of land, again valued at approximately $5.0 million.

Since the *off-line* non-commercial SRRA would be accessed via an interchange, the estimated costs of interchange improvements were added to the off-line site development cost. Caltrans estimated the interchange improvement costs that might reasonably be allocated exclusively to the additional traffic generated by the off-line rest areas. Therefore, interchange improvement costs were not allocated to the rest area that would be necessary to serve future traffic even if the rest areas were not developed.

Dornbusch adjusted Caltrans' estimated costs for the non-commercial SRRA to reflect a more accurate estimated cost of land at each site. Therefore, Dornbusch subtracted Caltrans' estimate of the land acquisition cost of $5.0 million, and added the particular acquisition cost estimated for each site, as presented in the following table.

Table A-3. Total Land and Interchange Improvement Costs for Each Site

	Total Land Costs	Interchange/Ramp Improvement Costs
Kelbaker SRRA		
Kelbaker Rd/I-40	$2,798,000	$5,000,000
Victorville SRRA		
Ranchero Rd/I-15	$10,511,000	$0
Joshua St/I-15	$21,780,000	$1,000,000
Dale Evans Pkwy/I-15	$14,000,000	$1,000,000
South Dome SRRA		
Twisselman Road/I-5	$8,712,000	$0
Route 46/I-5	$8,712,000	$0
Three Rocks SRRA		
South Derrick Blvd/I-5	$8,712,000	$3,000,000 (Low) $6,000,000 (High)
Kamm Ave/I-5	$8,712,000	$0
Gustine SRRA		
Sullivan Rd/I-5	$8,712,000	$0
Route 33/I-5	$8,712,000	$30,000,000 (Low) $50,000,000 (High)
West Stuhr Rd/I-5	$8,712,000	$0
Mokelumne River SRRA		
Walnut Grove Rd/I-5	$10,454,000	$0
Highway 12/I-5	$17,424,000	$100,000,000
Dixon SRRA		
Pedrick Rd/I-80	$17,424,000	$200,000
West A St/I-80	$17,424,000	$0

C. Caltrans Investment Analysis

Caltrans' necessary capital contribution, or expected surplus revenues, associated with implementing a commercial off-line partnership SRRA were estimated for potentially developable sites at candidate interchanges for each site.[4]

Next, a comparison was made between Caltrans' financial costs, or benefits, for the off-line commercial SRRAs with alternative on-line and off-line *non*-commercial SRRAs at each candidate site. Caltrans costs for the non-commercial SRRAs included both development costs and the net present value of annual maintenance costs.

Caltrans' net investments, if any, were estimated by subtracting the total capital cost of the project from the private partner's expected financial contribution. The private partner would presumably make that financial contribution in exchange for the contractual right to obtain profits from operating the rest area. The partner's profits were estimated by subtracting the partner's expected operating and maintenance costs from its estimated revenues. Then, the partner's capital contribution was estimated by discounting its projected annual cash flow to a net present value applying a private partner's target internal rate of return commensurate with its perceived financial and operating risk.

Since the analysis compared the capital costs for the alternative commercial and non-commercial SRRAs, and Caltrans maintenance needed to be included in the non-commercial costs, Dornbusch converted Caltrans expected annual maintenance costs for the non-commercial SRRAs to a net present (capitalized) value. The State's cost of capital was used to discount Caltrans' annual maintenance costs to a capitalized value.[5] The sum of Caltrans' non-commercial SRRA development costs, plus the net present value of Caltrans' future annual maintenance costs, represents Caltrans' total cost of developing and operating a non-commercial SRRA.

As discussed above, when choosing which on-site construction costs to apply to the commercial off-line SRRA (that is, whether to apply Caltrans' or a private partner's costs), Dornbusch determined whether the private partner's estimated capital contribution would be expected to cover all of the on-site development costs (i.e., total project costs less land costs, interchange costs, and Caltrans' administrative costs). If so, the lower private partner's development costs were applied. If not, Caltrans' higher development costs were applied.

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[4] Note that whenever a reference is made to the candidate sites in the text, the Imperial site is excluded, since it is in development.

[5] The State's nominal cost of capital is assumed to be 4.0%, or a real rate of 1.0%, based on input provided by Jeffery Ingle, Caltrans, October 9, 2008.

Finally, estimates were made of:

(1) Caltrans' net financial benefits, or necessary financial contributions, to develop entirely new commercial SRRAs at each of the specified locations. (Financial benefits are shown in black, financial contributions in red.)

(2) Caltrans' financial benefits or contributions for commercial SRRAs compared with its costs to develop and maintain alternative non-commercial SRRAs at each location, both on-line and off-line. (Net financial benefits are shown in black, net financial contributions in red.)

As it turned out, for each set of sites, at least one, and in some cases all, of the interchanges might be expected to yield net surplus revenues to Caltrans, that is a private partner might be expected to pay *more* to Caltrans for the rights and privileges to operate a commercial SRRA than the expected total development cost. Such financial surpluses are indicated as "Surplus Funds Available = Payment by Private Partner to Caltrans" in the Financial Benefits tables.

It should be noted that the financial estimates presented are based on historical economic trends that preceded the recent severe economic downturn and reflected only the early stages of fuel price volatility. Potential investors and lenders will be less likely to assume as much investment or operating risk as they were before September 2008. On the other hand, the economic decline will also likely cause land prices and construction costs to be somewhat lower than estimated.

However, it is also important to emphasize that the estimates presented in the tables relate exclusively to developing entirely new commercial SRRAs at each of the specified locations. Caltrans might possibly partner with existing or even prospective truck stop operators, whose only costs to convert their truck stops to commercial SRRAs would be the marginal costs of acquiring additional land, expanding parking, and possibly (but not necessarily) expanding structures and service capacities. In those cases, Caltrans' savings would be considerably higher. In fact, no Caltrans financial contribution might even be required. However, this analysis did not attempt to identify those potential opportunities or cost implications.

V. FINDINGS BY SRRA LOCATION

A. Kelbaker SRRA

1. Site Setting

The location selected for analysis for the proposed Kelbaker partnership SRRA site is a the southern portion of the Kelbaker Road/I-40 Interchange on Interstate 40 approximately 80 miles east of Barstow and 65 miles west of Needles. The site lies within the un-incorporated region of San Bernardino County, and is situated on U.S. Bureau of Land Management (BLM) owned land. The land bordering the northern portion of the interchange is U.S. National Park Service (NPS) owned land, which is part of the Mojave National Preserve. There exists very little development of any kind in this region. The tables below summarize the key characteristics of the Kelbaker SRRA site.

Table A-4. Key Site Characteristics: Kelbaker SRRA Interchange

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Kelbaker Rd/I-40	Poor	Poor	Poor	Poor	East: 1 West: 1	East: 1 West: 1	Site A: 1/4 mile or less; Site B: 1/4 mile or less	Site A: WB Excellent; Site A: EB Excellent; Site B: WB Excellent; Site B: WB Excellent;

Table A-5. AADT, Estimated Capture Rate, and Number of Entering Vehicles: Kelbaker SRRA

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Kelbaker Rd/I-40	13,600	18.6%	2,530

a. Kelbaker Rd/I-40

i. Site Advantages

- Site is located in a very remote area, with few existing stopping opportunities or competition. This would tend to increase the capture rate of a commercial SRRA at this location and the associated revenue generation potential.
- Access and distance to Sites A and B are excellent, with minimal required turning movements for cars and trucks.
- High percentage of truck traffic – approximately 40% - along this segment of I-40. This may be attractive to truck stop operators interested in partnering with Caltrans.
- Land is relatively inexpensive in this region.
- There is ample developable vacant land at this location.

ii. Site Disadvantages

- Visibility from interstate from both directions of travel to sites A and B is relatively poor. There exist steep hills to the east and west of the interchange that block a direct view to this location.
- Low AADT may represent operational risk for any commercial establishment located at this site.
- Remoteness may pose problems with commercial partner attracting and retaining employees.
- Sites A and B are situated on BLM lands. Securing contractual rights to use this land may be subject to greater land use or Federal protocols compared to privately owned land. This may translate into delays for project implementation and increase the perceived risk of the project.
- Electrical, gas, sewer, and water are not available on-site. According to Southern California Edison staff, nearest electrical lines are located approximately 10 to 15 miles north of site along Kelbaker Road. Availability and depth of ground water may also be an issue at this site, making the establishment of a well problematic.
- Substantial cost of $5.0 million to upgrade interchange/ramps according to Caltrans estimate.

2. Financial Feasibility

The following summarizes the key financial estimates for a new Kelbaker SRRA partnership SRRA.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-6. Estimated Income & Private Partner Capital Contribution Kelbaker SRRA Site

	Kelbaker Rd/I-40
Food and Beverage Revenues	$4,753,000
C-Store Revenues	$1,512,000
Gasoline Revenues	$4,560,000
Diesel Revenues	$15,497,000
Total Annual Revenues	**$26,322,000**
Total Annual Operating Costs	$24,262,000
Annual Net Income	$2,060,000
Annual Cash Flow	**$2,776,000**
Expected Available Capital Investment – Private Partner *	**$28,520,000**

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-7. Development Costs for Off-Line Commercial SRRA – Private Partner Kelbaker SRRA Site

	Kelbaker Rd/I-40
Caltrans Administrative Costs	$663,000
Off-Site Interchange & Ramp Improvements	$5,000,000
Land Purchase	$2,798,000
Site Improvements - Grading/Landscaping	$2,294,000
Parking	$2,759,000
Buildings & Facilities	$5,401,000
FF&E	$314,000
Construction Contingency	$1,045,000
Total Capital Costs	**$20,274,000**

c. Investment Analysis

Table A-8. Estimated Caltrans Financial Benefits for a Commercial SRRA Kelbaker SRRA Site

	Kelbaker Rd/I-40
1. Capital Contribution By Private Operator	$28,520,000
Less: Commercial SRRA Development Cost	$20,274,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$8,246,000**
2. Off-Line Non-Commercial SRRA Development Cost	$32,678,000
Plus: NPV of Annual Maintenance Costs	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$36,819,000**
3. On-Line Non-Commercial SRRA Development Cost	$37,718,000
Plus: NPV of Annual Maintenance Costs	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$41,859,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$45,065,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$50,105,000**

B. Victorville SRRA

1. Site Setting

Three interchanges were selected for analysis for the potential development of the Victorville SRRA. These interchanges include the Dale Evans Parkway/I-15 Interchange in Apple Valley, the Joshua Street/I-15 Interchange in Hesperia, and the at the planned future interchange location at Ranchero Road/I-15 also located in Hesperia. All of these interchange locations are within San Bernardino County. All of the land surrounding these interchange locations is privately owned. All of these interchanges are situated in a corridor along I-15 experiencing rapid growth – both residential and commercial. Land values in these locations are among the highest considered in this analysis.

The table below summarizes the key characteristics of these interchange locations.

Table A-9. Key Site Characteristics of Selected Victorville SRRA Interchanges

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Ranchero Rd/I-15	Good	Good	Good	Good	North: 7 South: 5	North: 7 South: 4	Site A: 1/4 mile or less; Site B: 1/4 mile or less	Site A: WB N/A; Site A: EB N/A; Site B: WB N/A; Site B: WB N/A
Joshua St/I-15	Fair	Poor	Poor	Good	North: 7 South: 5	North: 7 South: 4	Site A: 1/2 mile or less; Site B: 1/4 mile or less	Site A: NB Poor; Site A: SB Poor; Site B: NB Poor; Site B: SB Poor
Dale Evans Pkwy/I-15	Good	Good	Good	Fair	North: 4 South: 7	North: 4 South: 7	Site A: 1/4 mile or less; Site B: 1/4 mile or less	Site A: NB Excellent; Site A: SB Excellent; Site B: NB Excellent; Site B: SB Excellent

Table A-10. AADT, Estimated Capture Rate, and Number of Entering Vehicles Victorville SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Dale Evans Pkwy/I-15	55,500	7.7%	4,290
Joshua St/I-15	108,500	3.2%	3,450
Ranchero Rd/I-15	135,500	5.2%	7,000

a. Dale Evans Parkway/I-15

i. Site Advantages

- Visibility from I-15 to Site A on the eastern side of the interchange good from both directions of travel.
- This site faces the least nearby competition of all three sites considered, which would translate into greater business opportunity at this location.
- There is ample developable vacant land at this location.
- Site is the most remote of the three Victorville Interchanges considered, which translates into a greater capture rate, particularly for southbound traffic.

ii. Site Disadvantages

- Considerably lower AADT at this location compared to AADT at Joshua St. and Ranchero Rd.
- Electrical, gas, water, and sewer lines are located near this location, but would still have to be extended to the site. According Southern California Edison staff, electrical lines are located approximately ¾ mile to the south-east of the interchange. Water and sewer lines are located approximately 1-mile south east of the site.
- Cost of land in this region is very high.

b. Joshua St/I-15

i. Site Advantages

- High AADT.
- The site is located at the convergence of US-395 and I-15 offering even greater stopping potential from US-395.
- Electrical, gas, water, and sewer lines are available on-site at this location.
- Site is situated adjacent to an existing Pilot Truck Stop, which may present an opportunity for Caltrans to partner with an existing operator.

ii. Site Disadvantages

- North-bound access is limited by lack of a north-bound off-ramp. North-bound access is still possible via Highway 395.
- Availability of vacant land is limited at this location.
- The vacant land that is available at this has poor visibility from the Interstate.
- Commercial competition is relatively high in this region

c. Ranchero Rd/I-15

i. Site Advantages

- Highest AADT of all sites considered in California
- New interchange scheduled to be constructed at this location during the next five years, which translates into few interchange improvements being required.
- Access to site will be good from the new interchange.
- Visibility of this location from both directions of Interstate travel is good.
- Given this locations' proximity to the Cajon Pass several miles south, this would be logical stopping place for the traveling public and trucks, before or after the climb/decent through the Pass.
- Ample vacant land available.
- Lower land costs due to no interchange currently existing.
- Electrical and water lines are available onsite. Sewer lines would need to be extended to the site or a septic system developed.

ii. Site Disadvantages

- Relatively high degree of commercial competition in this region.
- Interchange would not be complete for 5-years. However, Caltrans could still attempt to acquire land in the interim period.
- Some degree of risk might be perceived by an operator due to interchange being in the scheduled phase, rather than already or in the process of being constructed.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed Victorville SRRA partnership.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-11. Estimated Income & Private Partner Capital Contribution Victorville SRRA Sites

	Ranchero Rd/I-15	Joshua St/I-15	Dale Evans Pkwy/I-15
Food and Beverage Revenues	$7,929,000	$4,507,000	$6,754,000
C-Store Revenues	$4,202,000	$2,044,000	$2,570,000
Gasoline Revenues	$24,234,000	$11,436,000	$12,657,000
Diesel Revenues	$15,776,000	$5,697,000	$5,702,000
Total Annual Revenues	**$52,141,000**	**$23,684,000**	**$27,683,000**
Total Annual Operating Costs	$47,918,000	$22,323,000	$24,094,000
Annual Net Income	$4,223,000	$1,361,000	$3,589,000
Annual Cash Flow	**$5,641,000**	**$2,005,000**	**$4,342,000**
Expected Available Capital Investment – Private Partner *	$57,954,000	$20,599,000	$44,608,000

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-12. Development Costs for Off-Line Commercial SRRA – *Private Partner* Victorville SRRA Sites

	Ranchero Road/I-15	Joshua Street/I-15	Dale Evans Pkwy/I-15
Caltrans Administrative Costs	$1,167,000	$1,616,000	$1,286,000
Off-Site Interchange & Ramp Improvements	$0	$1,000,000	$1,000,000
Land Purchase	$10,511,000	$21,780,000	$14,000,000
Site Improvements - Grading/Landscaping	$2,263,000	$2,263,000	$2,263,000
Parking	$4,404,000	$4,131,000	$4,305,000
Buildings & Facilities	$6,170,000	$4,144,000	$5,157,000
FF&E	$385,000	$316,000	$352,000
Construction Contingency	$1,284,000	$1,054,000	$1,173,000
Total Capital Costs	**$26,184,000**	**$36,304,000**	**$29,536,000**

c. Investment Analysis

Table A-13. Estimated Caltrans Financial Benefits for Commercial SRRAs Victorville SRRA Sites

	Ranchero Road/I-15	Joshua Street/I-15	Dale Evans Pkwy/I-15
1. Capital Contribution By Private Operator	$57,954,000	$20,599,000	$44,608,000
Less: Commercial SRRA Development Cost	**$26,184,000**	**$36,304,000**	**$29,536,000**
Surplus Funds Available = Payment by Private Partner to Caltrans	**$31,770,000**	**($15,705,000)**	**$15,072,000**
2. Off-Line Non-Commercial SRRA Development Cost	$31,596,000	$39,613,000	$34,750,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$35,737,000**	**$43,754,000**	**$38,891,000**
3. On-Line Non-Commercial SRRA Development Cost	$42,901,000	$51,335,000	$45,500,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,042,000**	**$55,476,000**	**$49,641,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$67,507,000**	**$28,049,000**	**$53,963,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$78,812,000**	**$39,771,000**	**$64,713,000**

C. South Dome SRRA

1. Site Setting

Two interchanges were selected for analysis of the potential development at the South Dome SRRA. These interchanges include the Twisselman Road/I-5 Interchange and the Route 46/I-5 Interchange located within the unincorporated area of Kern County near the community of Lost Hills. All of the land surrounding these interchange locations is privately owned. There exist a number of commercial operators along the west side of the Route 46/I-5 Interchange, including a Loves and Pilot truck stops. However, commercial competition is limited in this region, and the nearest rest areas are the Buttonwillow rest area 24 miles to the south and the Coalinga-Avenal rest area 38 miles to the north.

Table A-14. Key Site Characteristics of Selected Interchanges South Dome SRRA Sites

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Twisselman Rd/I-5	Good	Fair	n/a	n/a	North: 1 South: 2	North: 1 South: 2	Site A: 1/4 mile or less;	Site A: NB Excellent Site A: SB Excellent
Route 46/I-5	Fair	Good	Fair	Fair	North: 2 South: 3	North: 2 South: 3	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Good Site A: SB Good

Table A-15. AADT, Estimated Capture Rate, and Number of Entering Vehicles South Dome SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Twisselman Rd/I-5	33,000	12.8%	4,230
Route 46/I-5	34,500	10.6%	3,660

a. Twisselman Rd/I-5

i. Site Advantages

- Ample vacant land in the area.
- Site access is good from existing interchange.
- No interchange improvements are required.
- Electrical lines available onsite.
- Visibility to site from the Interstate is fair to good.

ii. Site Disadvantages

- Interchange is several miles north of commercial operations at Route 46/I-5 Interchange which may reduce capture rate of northbound traffic.
- Water and sewer unavailable onsite.

b. Route 46/I-5

i. Site Advantages

- Existing commercial operators including a Love's Travel Plaza and a Pilot Truck Stop might represent existing operators interested in partnering with Caltrans.
- Water, sewer, and electrical are available onsite.
- No interchange improvements required.
- Excellent access from existing interchange.
- Visibility to site from the Interstate is fair to good.

ii. Site Disadvantages

- Existing commercial operators represent onsite competition for commercial partner.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed South Dome SRRA partnership.

a. <u>Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner</u>

Table A-16. Estimated Income & Private Partner Capital Contribution South Dome SRRA Sites

	Twisselman Road/I-5	Route 46/I-5
Food and Beverage Sales	$7,952,000	$6,880,000
C-Store Sales	$2,529,000	$2,188,000
Gasoline Sales	$9,377,000	$8,345,000
Diesel Sales	$17,175,000	$14,194,000
Total Annual Revenues	**$37,033,000**	**$31,607,000**
Total Annual Operating Costs	$32,916,000	$28,262,000
Annual Net Income	$4,117,000	$3,345,000
Annual Cash Flow	**$5,124,000**	**$4,205,000**
Expected Available Capital Investment – Private Partner *	**$52,642,000**	**$43,201,000**

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-17. Development Costs for Off-Line Commercial SRRA – *Private Partner* South Dome SRRA Sites

	Twisselman Road/I-5	Route 46/I-5
Caltrans Admin Costs	$882,000	$874,000
Off-Site Interchange & Ramp Improvements	$0	$0
Land Purchase	$8,712,000	$8,712,000
Site Improvements - Grading/Landscaping	$2,304,000	$2,304,000
Parking	$2,324,000	$2,175,000
Buildings & Facilities	$4,290,000	$4,290,000
FF&E	$268,000	$263,000
Construction Contingency	$892,000	$877,000
Total Capital Cost	**$19,672,000**	**$19,495,000**

c. Investment Analysis

Table A-18. Estimated Caltrans Financial Benefits for Commercial SRRAs South Dome SRRA Sites

	Twisselman Road/I-5	Route 46/I-5
1. Capital Contribution By Private Operator	$52,642,000	$43,201,000
Less: Commercial SRRA Development Cost	$19,672,000	$19,495,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$32,970,000**	**$23,706,000**
2. Off-Line Non-Commercial SRRA Development Cost	$30,445,000	$30,445,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$34,586,000**	**$34,586,000**
3. On-Line Non-Commercial SRRA Development Cost	$41,534,000	$41,534,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$45,675,000**	**$45,675,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available Off-Line Commercial SRRA	**$67,556,000**	**$58,292,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available Off-Line Commercial SRRA	**$78,645,000**	**$69,381,000**

D. Three Rocks SRRA

1. Site Setting

Two interchanges were selected for analysis for the potential development of the Three Rocks SRRA. These interchanges include the South Derrick Boulevard/I-5 Interchange and the Kamm Avenue/I-5 Interchange located within the unincorporated area of Fresno County near the community of Three Rocks. All of the land surrounding these interchange locations is privately owned. The interchange locations have the least amount of commercial competition of all sites considered along Interstate 5. The nearest rest areas are the Coalinga-Avenal rest area 37 miles to the south and the John-Chuck Erreca rest area 30 miles to the north.

Table A-19. Key Site Characteristics of Selected Interchanges Three Rocks SRRA Sites

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
South Derrick Blvd/I-5	Good	Fair	Excellent	Good	North: 1 South: 1	North: 1 South: 2	Site A: 1/4 mile or less; Site B: 1/4 mile or less	Site A: NB Excellent Site A: SB Excellent Site B: NB Excellent Site B: SB Excellent
Kamm Ave/I-5	Poor	Good	n/a	n/a	North: 1 South: 2	North: 1 South: 3	Site A: 1/4 mile or less	Site A: NB Good Site A: SB Good;

Table A-20. AADT, Estimated Capture Rate, and Number of Entering Vehicles Three Rocks SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
South Derrick Blvd/I-5	34,500	14.9%	5,130
Kamm Ave/I-5	35,000	14.0%	4,890

a. South Derrick Blvd/I-5

i. Site Advantages

- Limited competing commercial services in region would translate into higher capture rates
- Good visibility and excellent access from Interstate.
- Ample vacant land at this location.
- Power is available at or near this site.

ii. Site Disadvantages

- Interchange/ramp improvements required
- Water and sewer lines are unavailable. Likely that a well and septic system would need to be developed.

b. Kamm Ave/I-5

i. Site Advantages

- No interchange improvements are required.
- Limited competing commercial services in region would translate into higher capture rates.
- Good access to the site from the Interstate.
- Ample vacant land at this location.
- Power is available at or near this site.

ii. Site Disadvantages

- Visibility from the interstate to the site is somewhat limited from the northbound direction of travel.
- Water and sewer lines are unavailable. Likely that a well and septic system would need to be developed.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed Three Rocks SRRA partnership.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-21. Estimated Income & Private Partner Capital Contribution Three Rocks SRRA Sites

	South Derrick Blvd/I-5	Kamm Ave/I-5
Food and Beverage Sales	$8,921,000	$8,494,000
C-Store Sales	$3,072,000	$2,923,000
Gasoline Sales	$11,595,000	$11,035,000
Diesel Sales	$19,960,000	$18,629,000
Total Annual Revenues	**$43,548,000**	**$41,081,000**
Total Annual Operating Costs	$38,925,000	$36,766,000
Annual Net Income	$4,623,000	$4,315,000
Annual Cash Flow	**$5,808,000**	**$5,432,000**
Expected Available Capital Investment – Private Partner *	**$59,669,000**	**$55,806,000**

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-22. Development Costs for Off-Line Commercial SRRA – *Private Partner* Three Rocks SRRA Sites

	South Derrick Blvd/I-5 (LOW)	South Derrick Blvd/I-5 (HIGH)	Kamm Ave/I-5
Caltrans Admin Costs	$980,000	$980,000	$970,000
Off-Site Interchange & Ramp Improvements	$3,000,000	$6,000,000	$0
Land Purchase	$8,712,000	$8,712,000	$8,712,000
Site Improvements - Grading/Landscaping	$2,273,000	$2,273,000	$2,273,000
Parking	$3,404,000	$3,404,000	$3,206,000
Buildings & Facilities	$5,203,000	$5,203,000	$5,203,000
FF&E	$326,000	$326,000	$320,000
Construction Contingency	$1,088,000	$1,088,000	$1,068,000
Total Capital Cost	**$24,986,000**	**$27,986,000**	**$21,752,000**

c. Investment Analysis

Table A-23. Estimated Caltrans Financial Benefits for Commercial SRRAs Three Rocks SRRA Sites

	South Derrick Blvd/I-5 (LOW)	South Derrick Blvd/I-5 (HIGH)	Kamm Ave/I-5
1. Capital Contribution By Private Operator	$59,669,000	$59,669,000	$55,806,000
Less: Commercial SRRA Development Cost	$24,986,000	$27,986,000	$21,752,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$34,683,000**	**$31,683,000**	**$34,054,000**
2. Off-Line Non-Commercial SRRA Development Cost	$33,445,000	$36,445,000	$33,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,586,000**	**$40,586,000**	**$37,853,000**
3. On-Line Non-Commercial SRRA Development Cost	$41,534,000	$41,534,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$45,675,000**	**$45,675,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$72,269,000**	**$72,269,000**	**$71,907,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$80,358,000**	**$77,358,000**	**$81,907,000**

E. Gustine SRRA

1. Site Setting

Three interchanges were selected for analysis for the potential development of the Gustine SRRA. They include the Sullivan Road (Route 140)/I-5 Interchange, the Route 33/I-5 Interchange, and the West Stuhr Road/I-5 Interchange. The Sullivan Road Interchange is bisected by the Stanislaus-Merced County line, while the Route 33 Interchange is located in Merced County and the West Stuhr Road Interchange is located in Stanislaus County. The Route 33 Interchange is located near the community of Santa Nella where there exist a number of commercial operators including a Travel Centers of America Truck Stop, a Pilot Truck Stop, a Rotten Robbie's Truck Stop, in addition to a number of other commercial operators located adjacent to this interchange. All land surrounding the Sullivan Road and Route 33 Interchange is privately owned, while the land on the eastern side of the West Stuhr is owned by the State of California. The nearest rest areas are the Coalinga-Avenal rest area 30 miles to the south and the Westley rest area 30 miles to the north.

Table A-24. Key Site Characteristics of Selected Interchanges Gustine SRRA Sites

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Sullivan Rd/I-5	Excellent	Good	Excellent	Good	North: 2 South: 1	North: 2 South: 3	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Excellent Site A: SB Excellent Site B: NB Excellent Site B: SB Excellent
Route 33/I-5	Fair	Poor	Poor	Good	North: 2 South: 1	North: 3 South: 2	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Good Site A: SB Fair Site B: NB Fair Site B: SB Fair
West Stuhr Rd/I-5	Poor	Good	Good	Fair	North: 2 South: 1	North: 2 South: 3	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Excellent Site A: SB Excellent Site B: NB Excellent Site B: SB Excellent

Table A-25. AADT, Estimated Capture Rate, and Number of Entering Vehicles Gustine SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Sullivan Rd/I-5	39,000	12.2%	4,740
Route 33/I-5	32,000	9.7%	3,110
West Stuhr Rd/I-5	40,000	13.8%	5,500

a. Sullivan Rd/I-5

i. Site Advantages

- No interchange improvements are required.
- Good visibility and excellent access from Interstate.
- Ample vacant land at this location.
- Power is available at or near this site.

ii. Site Disadvantages

- Close proximity to commercial services located at Route 33 Interchange, approximately 10 miles to the south would tend to reduce the capture rate at this location particularly for northbound traffic along I-5.
- Water and sewer lines are unavailable. Likely that a well and septic system would need to be developed. Ground water may be scarce at this location.

b. Route 33/I-5

i. Site Advantages

- Utility infrastructure – water, sewer, and power exist at this location.
- Existing commercial operators, including a Travel Centers of America Truck Stop, a Pilot Truck Stop, and other commercial operators might represent enterprises interested in partnering with Caltrans.

ii. Site Disadvantages

- Substantial interchange improvements required.
- Existing water and sewer lines provided by the Santa Nella Water District are at or near capacity and the District is restricted from adding additional service until the District complies with environmental standards currently not being met.
- Vacant land is limited at this location.
- Visibility from the Interstate to this site is poor and access to this site is only fair.
- Existing commercial operators represent onsite competition for commercial partner.

c. West Stuhr Rd/I-5

i. Site Advantages

- No interchange improvements are required.
- Power is available at or near this site.
- Least amount of existing commercial competition of the sites analyzed for the Gustine SRRA.
- Ample vacant land at this location.
- Approximately 41 acres of vacant land directly adjacent to the east side of the interchange is owned by the California Department of Water Resources. Caltrans may have an opportunity to negotiate a land exchange and minimize land costs for a partnership development.
- Access to this site from the interchange is excellent.

ii. Site Disadvantages

- Visibility to the site is somewhat limited.
- Water and sewer lines are unavailable. Likely that a well and septic system would need to be developed.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed Gustine SRRA partnership.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-26. Estimated Income & Private Partner Capital Contribution Gustine SRRA Sites

	Sullivan Rd/I-5	Route 33/I-5	West Stuhr Rd/I-5
Food and Beverage Revenues	$7,075,000	$4,979,000	$7,942,000
C-Store Revenues	$2,833,000	$1,859,000	$3,288,000
Gasoline Revenues	$11,874,000	$7,453,000	$14,510,000
Diesel Revenues	$14,972,000	$10,155,000	$17,373,000
Total Annual Revenues	**$36,754,000**	**$24,446,000**	**$43,113,000**
Total Annual Operating Costs	$33,107,000	$22,143,000	$39,014,000
Annual Net Income	$3,647,000	$2,303,000	$4,099,000
Annual Cash Flow	**$4,646,000**	**$2,968,000**	**$5,272,000**
Expected Available Capital Investment – Private Partner *	$47,731,000	$30,492,000	$54,163,000

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Cost

Table A-27. Development Costs for Off-Line Commercial SRRA Gustine SRRA Sites – *Private Partner*

	Sullivan Rd/I-5	Route 33/I-5 (LOW)	Route 33/I-5 (HIGH)	West Stuhr Rd/I-5
Caltrans Administrative Costs	$863,000	$861,000	$861,000	$917,000
Off-Site Interchange & Ramp Improvements	$0	$30,000,000	$50,000,000	$0
Land Purchase	$8,712,000	$8,712,000	$8,712,000	$8,712,000
Site Improvements - Grading/Landscaping	$2,201,000	$2,201,000	$2,201,000	$2,201,000
Parking	$2,417,000	$2,372,000	$2,372,000	$2,549,000
Buildings & Facilities	$3,926,000	$3,926,000	$3,926,000	$4,886,000
FF&E	$256,000	$255,000	$255,000	$289,000
Construction Contingency	$854,000	$850,000	$850,000	$964,000
Total Capital Cost	**$19,229,000**	**$49,177,000**	**$69,177,000**	**$20,518,000**

c. Investment Analysis

Table A-28. Estimated Caltrans Financial Benefits for Commercial SRRAs Gustine SRRA Sites

	Sullivan Rd/I-5	Route 33/I-5 (LOW)	Route 33/I-5 (HIGH)	West Stuhr Rd/I-5
1. Capital Contribution By Private Operator	$47,731,000	$30,492,000	$30,492,000	$54,163,000
Less: Commercial SRRA Development Cost	$19,229,000	$49,177,000	$69,177,000	$20,518,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$28,502,000**	**($18,685,000)**	**($38,685,000)**	**$33,645,000**
2. Off-Line Non-Commercial SRRA Development Cost	$33,712,000	$63,712,000	$83,712,000	$33,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,853,000**	**$67,853,000**	**$87,853,000**	**$37,853,000**
3. On-Line Non-Commercial SRRA Development Cost	$43,712,000	$43,712,000	$43,712,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,853,000**	**$47,853,000**	**$47,853,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$66,355,000**	**$49,168,000**	**$49,168,000**	**$71,498,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$76,355,000**	**$29,168,000**	**$9,168,000**	**$81,498,000**

F. Mokelumne River SRRA

1. Site Setting

Two interchanges were selected for analysis for the potential development of the Three Rocks SRRA. They include the Walnut Grove Road/I-5 Interchange near the community of Thornton and Highway 12/I-5 Interchange west of Lodi. Both interchanges are located within the unincorporated area of San Joaquin County. All of the land surrounding these interchange locations is privately owned. The nearest rest areas are the Westley rest area 45 miles to the south and the Elkhorn rest area 40 miles to the north.

Table A-29. Key Site Characteristics of Selected Interchanges Mokelumne River SRRA Sites

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Walnut Grove Road/I-5	Excellent	Fair	Excellent	Poor	North: 4 South: 9	North: 5 South: 13	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Excellent Site A: SB Excellent Site B: NB Excellent Site B: SB Excellent
Highway 12/I-5	Poor	Good	Excellent	Poor	North: 3 South: 10	North: 5 South: 13	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: NB Fair Site A: SB Fair Site B: NB Good Site B: SB Good

Table A-30. AADT, Estimated Capture Rate, and Number of Entering Vehicles Mokelumne River SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Walnut Grove Road/I-5	57,000	10.6%	6,060
Highway 12/I-5	70,500	8.2%	5,780

a. Walnut Grove Rd/I-5

i. Site Advantages

- No interchange improvements are required.
- Relatively high AADT at this location.
- Power is available at or near this site.
- Water and sewer lines are available on the east side of the interchange.
- Ample vacant land at this location.
- Overall visibility from northbound direction of travel is excellent
- Access to this site from the interchange is excellent.

ii. Site Disadvantages

- Competition in the region is relatively high.
- Close proximity to commercial services located at the Highway 12 Interchange, approximately 8 miles to the south would tend to reduce the capture rate at this location particularly for northbound traffic along I-5.
- Visibility to the site from the southbound direction of travel is somewhat limited.
- Water and sewer lines are unavailable on the west site of the interchange. Likely that a well and septic system would need to be developed.

b. Highway 12/I-5

i. Site Advantages

- Relatively high AADT at this location.
- Power, water, and sewer lines are available at this site.
- Existing commercial enterprises, including a Flying J Truck Stop, might represent existing operators interested in partnering with Caltrans.

ii. Site Disadvantages

- Highest interchange improvement costs of all sites considered in California.
- Competition in the region is relatively high.
- Vacant land is limited at this location.
- Overall visibility and access to this site from the Interstate is fair.
- Existing commercial operators represent onsite competition for commercial partner.
- High cost of land.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed Mokelumne River SRRA partnership.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-31. Estimated Income & Private Partner Capital Contribution Mokelumne River SRRA Sites

	Walnut Grove Rd/I-5	Highway 12/I-5
Food and Beverage Revenues	$7,725,000	$6,936,000
C-Store Revenues	$3,622,000	$3,455,000
Gasoline Revenues	$18,598,000	$18,008,000
Diesel Revenues	$21,227,000	$14,807,000
Total Annual Revenues	**$51,172,000**	**$43,206,000**
Total Annual Operating Costs	$47,221,000	$39,704,000
Annual Net Income	$3,951,000	$3,502,000
Annual Cash Flow	**$5,343,000**	**$4,678,000**
Expected Available Capital Investment – Private Partner *	**$54,892,000**	**$48,060,000**

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-32. Development Costs for Off-Line Commercial SRRA – *Private Partner* Mokelumne River SRRA Sites

	Walnut Grove Rd/I-5	Highway 12/I-5
Caltrans Administrative Costs	$1,079,000	$1,377,000
Off-Site Interchange & Ramp Improvements	$0	$100,000,000
Land Purchase	$10,454,000	$17,424,000
Site Improvements - Grading/Landscaping	$2,273,000	$2,273,000
Parking	$3,654,000	$3,654,000
Buildings & Facilities	$5,203,000	$4,180,000
FF&E	$334,000	$303,000
Construction Contingency	$1,113,000	$1,011,000
Total Capital Cost	**$24,110,000**	**$130,222,000**

c. Investment Analysis

Table A-33. Estimated Caltrans Financial Benefits for Commercial SRRAs Mokelumne River SRRA Sites

	Walnut Grove Rd/I-5	Highway 12/I-5
1. Capital Contribution By Private Operator	$54,892,000	$48,060,000
Less: Commercial SRRA Development Cost	$24,110,000	$130,222,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$30,782,000**	**($82,162,000)**
Off-Line Non-Commercial SRRA Development Cost	$33,712,000	$133,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,853,000**	**$137,853,000**
On-Line Non-Commercial SRRA Development Cost	$43,712,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,853,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$68,635,000**	**$55,691,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$78,635,000**	**($34,309,000)**

G. Dixon SRRA

1. Site Setting

Two interchanges were selected for analysis for the potential development of the Dixon SRRA. They include the Pedrick Road/I-80 Interchange and the West A Street/I-80 Interchange, both of which are located in the City of Dixon within Solano County. All of the land surrounding these interchange locations is privately owned. Flying J Truck Stops is currently in the process of developing a truck stop at the southern portion of the Pedrick Road/I-80 interchange. The nearest rest area is the Hunter Hill rest area located 32 miles to the west.

Table A-34. Key Site Characteristics of Selected Interchanges Dixon SRRA Sites

	Site Visibility From Interstate				Competition		Site Accessibility	
	Site A		Site B					
	NB or WB	SB or EB	NB or WB	SB or EB	F&B	Fuel	Distance from Interchange	Ease of Access
Pedrick Rd/I-80	Excellent	Poor	n/a	n/a	West: 10 East: 10	West:9 East: 9	Site A: 1/4 mile or less	Site A: EB Excellent Site A: WB Good
West A St/I-80	Good	Excellent	Poor	Excellent	West: 10 East: 10	West:9 East: 9	Site A: 1/4 mile or less Site B: 1/4 mile or less	Site A: EB Good Site A: WB Excellent Site B: EB Excellent Site B: WB Good

Table A-35. AADT, Estimated Capture Rate, and Number of Entering Vehicles Dixon SRRA Sites

	AADT	Estimated Capture Rate	Estimated Vehicles Entering SRRA/Day
Pedrick Rd/I-80	111,000	5.5%	6,080
West A St/I-80	107,000	5.8%	6,250

a. Pedrick Rd/I-80

i. Site Advantages

- High AADT at this location.
- Minimal required interchange improvement costs.
- Power is available at or near this site.
- Water well and sewer lines planned to developed at this location in the near future associated with the Flying J development.
- Planned Flying J development may represent an ideal opportunity Caltrans to engage in a rest area partnership.
- Visibility from the Interstate to the site is excellent from the eastbound direction of travel.
- Overall access to site is good.

ii. Site Disadvantages

- Existing competition in the region is high.
- Vacant land is limited at this location due to Flying J property ownership.
- Visibility from the Interstate to the site is relatively poor from the westbound direction of travel.
- High cost of land.

b. West A St/I-80

i. Site Advantages

- High AADT at this location.
- No interchange improvements are required.
- Power, water, and sewer lines are available at the southern portion of this interchange.
- Overall visibility from the Interstate to this site is good.
- Overall access to this site from the Interstate is good.

ii. Site Disadvantages

- Existing competition in the region is high.
- Water and sewer lines are unavailable at the northern portion of this interchange. Likely that a well and septic system would need to be developed.
- High cost of land.

2. Financial Feasibility

The following sections summarize the key financial estimates for the proposed Kelbaker partnership SRRA.

a. Estimated Revenues, Operating Costs, Net Income, and Financial Contribution of Private Partner

Table A-36. Estimated Income &Private Partner Capital Contribution Dixon SRRA Sites

	Pedrick Rd/I-80	West A St/I-80
Food and Beverage Revenues	$7,790,000	$7,545,000
C-Store Revenues	$3,634,000	$3,736,000
Gasoline Revenues	$22,734,000	$22,377,000
Diesel Revenues	$6,047,000	$5,605,000
Total Annual Revenues	**$40,205,000**	**$39,263,000**
Total Annual Operating Costs	$36,101,000	$35,333,000
Annual Net Income	$4,104,000	$3,930,000
Annual Cash Flow	**$5,198,000**	**$4,998,000**
Expected Available Capital Investment – Private Partner *	**$53,402,000**	**$51,348,000**

** Assumed nominal IRR of 12.0%*

b. Estimated Capital Costs

Table A-37. Development Costs for Off-Line Commercial SRRA – *Private Partner* Dixon SRRA Sites

	Pedrick Rd/I-80	West A St/I-80
Caltrans Administrative Costs	$1,403,000	$1,403,000
Off-Site Interchange & Ramp Improvements	$200,000	$0
Land Purchase	$17,424,000	$17,424,000
Site Improvements - Grading/Landscaping	$2,335,000	$2,335,000
Parking	$3,897,000	$3,897,000
Buildings & Facilities	$4,399,000	$4,399,000
FF&E	$319,000	$319,000
Construction Contingency	$1,063,000	$1,063,000
Total Capital Cost	**$31,040,000**	**$30,840,000**

c. Investment Analysis

Table A-38. Estimated Caltrans Financial Benefits for Commercial SRRAs Dixon SRRA Sites

	Pedrick Rd/I-80	West A St/I-80
1. Capital Contribution By Private Operator	$53,402,000	$51,348,000
Less: Commercial SRRA Development Cost	$31,040,000	$30,840,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$22,362,000**	**$20,508,000**
2. Off-Line Non-Commercial SRRA Development Cost	$35,654,000	$42,424,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$39,795,000**	**$46,565,000**
3. On-Line Non-Commercial SRRA Development Cost	$45,454,000	$52,424,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$49,595,000**	**$56,565,000**
(1+2) Expected Savings = Cost Off-Line Non-Commercial SRRA – Financial Benefit Off-Line Commercial SRRA	**$62,157,000**	**$67,073,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$71,957,000**	**$77,073,000**

Tasks F&G Report

STRATEGIC ACTION & BUSINESS PLANS
REST AREA PARTNERSHIP PROJECTS

Contract No: 65A0240

Prepared for

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By

DORNBUSCH ASSOCIATES

November 26, 2008

Table of Contents

I. INTRODUCTION 1

II. RECOMMENDED STRATEGIC ACTION PLAN 3

A. Federal and State Law 3

B. Development Cost, Site Control, and Implementation Timing 6

C. Maximize Partner's Contribution 9

D. Procurement Process 9

E. Contracting Process 11

F. Possible Requirement for Caltrans to Design and Construct the Project 12

G. Other Policy Considerations 13

III. RECOMMENDED BUSINESS PLAN 16

A. Implementation Components 16

B. Financial Analysis Demonstrating Caltrans' Funding/Revenue Implications 19

I. INTRODUCTION

This report presents the recommended strategic action and business plans for Caltrans to seek to develop safety roadside rest area projects through public/private partnerships. The plans are based upon an evaluation of the relative importance of the various barriers to, and potentials for, successful implementation, as well as consideration of the relative advantages and disadvantages of the available implementation opportunities, paying particular attention to cost and benefits.

Federal and California State laws and regulations represent important barriers to certain project formulations and locations, but also offer clear opportunities. Stakeholders have demonstrated both opposition and support for California's and other states' previous attempts to implement similar projects. Recent interviews with key interested parties indicate that if conceived properly, California might expect to achieve successful public/private commercial rest area partnerships.

Prospective sites were identified which would fill important gaps in the California rest area system, demonstrated an ability to meet the legal requirements and to accommodate stakeholder concerns. The sites include:

- Merced and Stanislaus County, I-5 near Gustine
- Fresno County. I-5 near Three Rocks
- Kern County, I-5 near South Dome
- San Bernardino County, I-40 near Kelbaker
- San Bernardino County, I-15 near Victorville
- Imperial County, I-8 near Winterhaven
- Solano County, I-80 near Dixon
- San Joaquin County, I-5 near Thornton

The Strategic Action Plan considers the relevant legal challenges and recommends methods for taking advantage of the opportunities while working within the legal barriers. It addresses the trade-offs between seeking greater cost savings and partner contribution, length of its control of the partnership site, and relative difficulty and speed of project implementation. The plan offers a recommended procurement approach.

The Business Plan presents recommendations for appropriate types of organizations with which to partner and a division of development and management responsibilities between Caltrans and the private partner. It expands upon the procurement approach recommended in the Strategic Action Plan and recommends appropriate signing, marketing, and public outreach.

The Business Plan concludes by estimating (1) Caltrans' cost savings associated with developing off-line commercial SRRAs instead of an on-line or off-line non-commercial SRRA at the candidate sites, and (2) Caltrans' financial contribution, if any, to implement each of the off-line commercial SRRA partnerships.

The analysis demonstrates that Caltrans might expect to achieve significant cost savings by developing entirely new public/private commercial SRRAs instead of exclusively public SRRAs

at the locations identified. Caltrans might expect even greater savings by partnering with existing or even prospective truck stop or travel plaza operators, whose marginal costs to expand their facilities into commercial SRRAs would be less than to develop an entirely new facility.

Caltrans might even avoid having to contribute any funds to the project development, as well as receive annual fees, in exchange for providing a private contractor with the right to receive official rest area designation and Interstate signing.

Of course, the recent severe recent economic downturn and fuel price volatility might be expected to dampen enthusiasm among potential investors and lenders to assume as much investment and operating risks as before September 2008. However, the financial analyses presented here indicate that the prospects are sufficiently encouraging to justify Caltrans pursuing a solicitation effort. If proposals received are not sufficiently compelling, the implementation effort might be resumed in the future when the economy improves and fuel prices stabilize.

II. RECOMMENDED STRATEGIC ACTION PLAN

A. Federal and State Law

Federal law enacted in 1956 specifically prohibited states from commercializing the right-of-way along the Interstate Highway System. The regulation states that, "Agreements relating to use of and access to rights-of-way" in the Interstate System specifically prohibits states from permitting "automotive service stations or other commercial establishments . . . to be constructed or located on the rights-of-way of the Interstate System."

Moreover, the National Association of Truck Stop Operators (as well as a number of other interest groups) oppose including commercial services even at off-line rest areas, unless the project met Federal Interstate Oasis specifications.

However, recent legislation has opened the door to public/private rest area partnerships. Section 1310 of the Federal "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users," (SAFETEA-LU), enacted in August 2005, established an "Interstate Oasis" program for designating facilities *near, but not within*, the Interstate right-of-way, that can offer products and services to the public, 24-hour access to restrooms, and parking for automobiles and heavy trucks.[1] It specifies that states are empowered to designate "Interstate Oases" if they meet the following criteria:

- Be located within three miles of an interchange[2]
- Be safely and conveniently accessible, as determined by an engineering study[3]
- Have physical site geometry, as determined by an engineering study, to safely and efficiently accommodate all vehicles, including heavy trucks of the size and weight anticipated to use the facility.[4]
- Provide a public telephone, food (vending, snacks, fast food, and/or full service), and fuel, oil, and water for automobiles and trucks.[5]
- Provide restrooms available to the public at all times (24 hours per day, 365 days per year) and drinking water at no charge or obligation.

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[1] The federal restrictions against on-line rest area commercialization is specified in Title 23, Section 111 enacted in 1956 and re-asserted in SAFETEA-LU in 2005.

[2] A lesser distance may be required when a State's laws specifically restrict truck travel to lesser distances from the Interstate system; and greater distances, in 3-mile increments up to a maximum of 15 miles, may be considered by States for interchanges in very sparsely developed rural areas where eligible facilities are not available within the 3-mile limit.

[3] Considering the Transportation Research Board's 2003 ''Access Management Manual'' and the applicable criteria of AASHTO's ''Policy on Geometric Design of Highways and Streets'' (Green Book) or, in the case of highways not on the National Highway System, the applicable State design standards.

[4] Considering the Transportation Research Board's 2003''Access Management Manual,'' the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways,'' and other pertinent geometric design criteria for vehicles at least as large as a WB–62. Except that States will have flexibility to decide on a case-by-case basis how many parking spaces will be required for various vehicle types, guided by the national criteria, applying a formula-based approach rather than specific minimum numbers of spaces, according to the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways,'' accounting for traffic volumes on the Interstate, percentage of trucks, length of stay, and other factors affecting demand.

[5] A business designated as an Interstate Oasis may elect to provide additional products, services, or amenities.

- Provide parking spaces available to the public for automobiles and heavy trucks. The parking spaces should be well lit and available at no charge or obligation for parking durations of up to 10 hours or more, in sufficient numbers for the various vehicle types, including heavy trucks, to meet anticipated demands based on volumes, the percentage of heavy vehicles in the Interstate highway traffic, and other pertinent factors.[6]
- Staffed by at least one person on duty at all times (24 hours per day, 365 days per year).
- Allow the participating states flexibility to consider the products and services of a combination of two or more businesses at an interchange when all the criteria cannot be met by any one business at that interchange.[7]
- Preclude states from imposing any additional eligibility criteria.[8]
- Adhere to specified signing policies and restrictions.[9]

The Caltrans Project Development Procedures Manual contains language that evidently allows the State to provide signage under a program mirroring the federal Interstate Oasis Program, whereby a state may enter into an agreement with a private entity to provide primary or secondary commercial services at locations off of the highway right-of-way, such as at interchanges.

Therefore, it is recommended that Caltrans:

- **Implement public/private commercial rest area partnerships exclusively at off-line sites, namely outside the Interstate right-of-way, and**

- **Amend the Project Development Procedures Manual to enable Federal Interstate Oasis projects and appropriate signing.**

Recognizing the high cost of highway access improvements, and the importance of site visibility and easy access from the Interstate highway, it is recommended that:

- **The sites should be located no farther than one-half mile from an existing interchange and having good visibility from the Interstate.**

Recognizing NATSO's previous and recent success in blocking all commercial rest area projects that have not conformed precisely to the Federal Interstate Oasis program, it is recommended that Caltrans:

- **Seek to implement all projects exclusively under the Federal Interstate Oasis Program.**

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[6] Described in formulas contained in the AASHTO ''Guide for Development of Rest Areas on Major Arterials and Freeways'' (2001 or latest edition).
[7] Such a combination of two or more businesses must be located immediately adjacent to each other and be easily accessible on foot from each other's parking lots via pedestrian walkways compliant with the Americans for Disabilities Act (ADA) and that do not require crossing a public highway.
[8] Hari Kalla, MUTCD Team Leader at FHWA in Washington D.C. who was involved in developing the Interstate Oasis Program, emphasized that there would be no possibility of altering this restriction.[8]
[9] See accompanying report for specifics.

- **Modify California law to enable conformation with the Federal Interstate Oasis Program.**

- **Adapt California policies to implement the Federal Oasis Program as written.**

Even if Caltrans were to adopt a program that conforms to the Oasis Program, it should anticipate possible opposition from local competing enterprises and their representatives. Therefore, before announcing its intent to implement any projects to the public, Caltrans should:

- **Enlist and document support from supporting stakeholders, such as possibly local chambers of commerce and private enterprises that might advertise in the commercial rest area, and from the California Highway Patrol, who might expect the rest area to alleviate illegal truck parking nearby.**

Vending machines will be an issue. Various Federal and State laws limit on-line Interstate rest area commercialization to vending machine facilities and for commercial operations of those vending machines to the blind.[10] Congress clarified the commercial restriction in 1982, permitting vending machines in rest areas constructed in the Interstate right-of-way.[11] California law enables vending services to be provided not only by the blind, but also for the benefit of the blind. And, California law appears to apply to both on-line as well as off-line rest areas, if the off-line rest area is on state property.[12]

So, the vending machine restrictions would not apply to rest areas located off the Interstate right of way if they are not on state owned property. Still, blind vendors, as represented by the National Federation of the Blind, might oppose the competition offered by commercial food and beverage services at off-line rest area projects unless they included some form of participation by or benefits accruing to the blind.

As a result, Caltrans might consider adopting a strategy that would *simultaneously* seek to implement off-line "Interstate Oasis" commercial rest areas (presumably *supported* by NATSO but might be *opposed* by representatives of blind vendors) at the same time as it promises to expand vending facilities in on-line rest areas (presumably *supported* by both NATSO *and* representatives of blind vendors).

Increasing the number of vending facilities subject to Title 23 Section 111 (of the original 1956 Federal legislation enabling the Interstate Highway System) and the Randolph-Sheppard Act in some on-line rest areas would be a small concession to an Oasis project implementation strategy.

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[10] Randolph-Sheppard Act, 20 U.S.C., Section 107, enacted in 1936 and amended in 1954 and 1974.

[11] The "Surface Transportation Assistance Act of 1982."

[12] California Welfare and Institutions Code, Article 5, Section 19625 stipulates that the vending services must be operated by, or for the benefit of, blind licensees, on state property, and requiring rest area vending services be provided by a partner that either is a blind operator, contracts with a blind operator, or who would yield their vending net income to a blind vendor or the Department of Rehabilitation. It defines state property as being "all real property, or part thereof, owned, leased, rented, or otherwise controlled or occupied by any department or other agency or body of (the) state."

However, vending machines that were operated at an off-line commercial rest area either by, or for the benefit of, the blind would reduce the financial returns to a private partner. Therefore, the recommended strategy would be for:

- **Caltrans to propose additions to vending machines in on-line rest areas, *at the same time as* it seeks to implement off-line primary commercial services rest area partnerships**.[13]

However, if Caltrans were unable to implement that strategy, the following fallback strategy is recommended:

- If the commercial partner were required to include vending services within the rest area, recognizing that such services would necessarily be either sub-contracted to a blind vendor, or the net income from vending sales be paid to the California Department of Rehabilitation, the latter is recommended.

Moreover, if the above fallback strategy were required, to simplify the system of payments by the commercial partner to the benefit of the blind, if acceptable to the Department of Rehabilitation, it is recommended that:

- The commercial partner pay an annual fixed fee or percentage of gross vending revenues to the Department of Rehabilitation that would be expected to equal the net income from vending sales.

B. Development Cost, Site Control, and Implementation Timing

The following strategies address the trade-offs between Caltrans' seeking to maximize cost savings, length of its control of the partnership site, and relative difficulty and speed of project implementation.

California law imposes a number of restrictions on Caltrans' latitude to control the land under the rest area, procure a private partner, design and construct site improvements, and fund such site acquisition and development.

Caltrans has two options for controlling the site. Caltrans might buy and own the land under the rest area, or Caltrans might lease the site from a private landowner.[14]

The first option would yield Caltrans maximum long-term control of the site, and therefore its use as a rest area. However, Caltrans' effort to develop the Imperial public/private rest area project demonstrates that this alternative takes a very long time. Moreover, the purchase might be problematic, since Caltrans may not condemn land for commercial purposes. This approach also requires Caltrans to make an up front investment, while incurring the risk that a partner

[13] Federal and California law allows only for machine vending of merchandise such as t-shirts, lottery tickets, hunting/fishing licenses, newspapers, snacks, beverages and dispensing cash from ATMs.

[14] Section 104 of the California Streets and Highways Code allows Caltrans to lease private land, but it is silent as to whether Caltrans may then sublease to a private SRRA partner. This analysis assumes that Caltrans could do that.

might not be successfully engaged. Therefore, this alternative is recommended only if Caltrans' highest priority is to control the site, and is less interested in expediting the project or minimizing its financial risk.

However, if Caltrans' priority is to minimize financial risk and expedite the project, but is willing to accept some uncertainty about the long-term use of the site as a rest area, then the second option is preferable – namely, enter into a lease with a private partner who would own the land. The landowner might also operate and maintain the rest area. Or, Caltrans might enter into a separate lease with a private developer operator. However, most developers will also want to own the land.

Caltrans should consider its priorities, and then choose between the options. One option might be preferred for one site, the other option for another. In urbanizing areas, where land is relatively expensive and future commercial services might be expected to provide suitable resting, restroom etc. facilities to traveling motorists, Caltrans might view long-term control of the site as less important than cost and implementation speed. Whereas, in remote areas, where land is relatively inexpensive, and future commercial services might not be expected to provide suitable resting, restroom etc. facilities to traveling motorists for a very long time into the future, Caltrans might view long-term control of the site as more important than cost or implementation speed.

The financial analyses presented below compare Caltrans' expected development and maintenance costs for private partnership rest areas with the costs for a public rest area at each of the prescribed candidate sites. Partnership rest areas are all off-line and located within a half-mile of selected interchanges in the region of the identified sites. The non-commercial public rest areas at each site include both on-line and off-line rest areas. A prospective partner's expected financial contribution, considering the partner's prospects for profits at each site, is subtracted from the commercial project's costs to estimate Caltrans' expected net costs for the partnership projects.

1. Minimize Development Cost

As will be demonstrated in the financial analysis below, Caltrans can achieve a very significant cost saving by having the partner acquire the land and design and construct the rest area facilities, rather than Caltrans performing those tasks. The savings stem from three things. First, when Caltrans designs rest area facilities, it seeks to minimize its annual maintenance costs by designing and constructing a very robust and therefore expensive structure. Second, Caltrans requires that union labor perform the construction. And third, Caltrans incurs very significant administrative cost to acquire land and to design, contract, and supervise the project development. Moreover, Caltrans will devote much more time to those efforts than will a private partner.

Therefore, if Caltrans' highest priority is to minimize capital and maintenance costs, and expedite project implementation, but not necessarily to control use of the site as a rest area forever, Caltrans should:

- **Enter into a long-term lease agreement with a partner who already owns the land, or would acquire or lease an appropriate site, and would be responsible for designing and constructing all on-site improvements.**

Every effort should be made to make sure that Caltrans' funding responsibility is limited exclusively to the design and construction of off-site improvements, namely the access improvements and bringing services to, but not into, the site. If Caltrans must fund any portion of the on-site improvements, the Department would necessarily also be responsible for designing and constructing those on-site improvements, thereby significantly increasing the development costs.

Therefore, Caltrans should favor sites where:

- **Caltrans' share of the capital costs would be limited to making off-site access improvements, bringing electricity and water services to the site, and perhaps preparing the site for development, and therefore making design and construction of all on-site improvements the partner's responsibility.**

And, the site should be:

- **Located near an interchange, large enough and configured to accommodate a commercial rest area, and conform to the "Federal Oasis" program.**

However, even if Caltrans did need to fund some of the capital costs to improve the site, and therefore had to design and construct the on-site improvements itself at a higher costs than incurred by a private partner, its net cost for a commercial partnership still would be less than if Caltrans were to develop and operate an entirely public rest area, either on-line or off-line.

The reason is that the financial contribution from the private partner would more than offset the marginal cost of the additional parking, public restrooms, etc. necessary to meet both the private requirements as well as Caltrans' rest area specifications.

Even if Caltrans did not own the land, and therefore control the site "forever," it might control the project for a very long time, through a very long-term lease, such as for 99 years. However, failing to obtain such a long-term lease, a shorter lease term would still go a long way toward achieving Caltrans' primary objective of obtaining a rest area at a much lower capital cost and no annual maintenance costs.

2. Maximize Site Control

If Caltrans' highest priority is to control the site indefinitely, but not necessarily to minimize capital and maintenance costs or expedite project implementation, Caltrans should:

- **Acquire the site, then implement a procurement process that would yield a lease with a private partner who would design, develop, operate and maintain the commercial services rest area to Caltrans' specifications.**

Again, Caltrans should favor sites where:

- **Caltrans' share of the capital costs would be limited to off-site access improvements, bringing electricity and water services to the site, and perhaps preparing the site for development, and therefore making design and construction of all on-site improvements the partner's responsibility.**

Also, as for a privately-owned site, the site should be:

- **Located near an interchange, large enough and configured to accommodate a commercial rest area, and conform to the "Federal Oasis" program.**

C. Maximize Partner's Contribution

The greater the private partner's potential for profit, the greater will be the partner's financial contribution to Caltrans. Of course, in addition to obtaining as much of the capital improvement costs as possible, the minimum required annual contribution would be maintenance of the rest area. Therefore, Caltrans should:

- **Enable the commercial partner to sell fuel, food & beverages, and retail merchandise, as well as offer advertising for local business/attractions and other secondary services, such as ATMs and lottery ticket sales.**[15]

It appears that unless Caltrans owned the land under the partnership rest area, Caltrans would not be able to contribute any funds to development of the on-site facilities, even the exclusively public facilities. However, even where the partner's financial contribution would not cover all of the on-site improvements as well as all future annual maintenance, a deal could be structured in which the partner did fund all of the on-site improvements in exchange for an annual maintenance contribution from Caltrans. In other words, the partner's funding for some of the capital costs could be "exchanged" for Caltrans funding some of the annual maintenance.

This would certainly not be the most preferred, or even an acceptable, approach. However, if no other option were available, this would be a way of minimizing the design and construction costs by assigning them to the partner instead of Caltrans.

D. Procurement Process

Although some of the legal restrictions and opportunities governing development of public/private commercial rest areas are not entirely clear, the principal is clear that a partner must be selected and awarded a contract through a fair and open competitive bid process and not a sole source negotiation. Indeed, such a competitive process would yield a project that the State could be confidant would represent fair market value. And, as such, the process offers a

[15] Lodging might be a lucrative "secondary" commercial service, depending on the cost of land, since it would require a very significant amount of additional parking. Moreover, it is not listed among the preferred or acceptable services of the Oasis program. Therefore, the analyses presented here do not rely on financial contributions from a lodging enterprise.

compelling reply to those who might challenge the deal as giving any special benefits to the private partner that would yield a competitive advantage over the competition. Of course, State highway signs directing passing Interstate motorists to the designated "Oasis," implies a favored status of State and Federal approval. And, competitors might view such State contributions of signs, as well as funding for off-site or on-site improvements, as providing special financial advantages to the partner. However, a fair and open competitive procurement process will enable anyone to propose, including those who might eventually become competitors to the winning bidder.

Perceptions of the fair market value of the State's contributions will be reflected in the terms offered to the State by all proposers considering their target internal rate of return that is commensurate with their financial and operating risks.[16] As such, a partnership project could not be deemed to "give" anything away to the private partner. The State would provide its resources and services only in exchange for fair market compensation, in the form of the private partner's contribution to the project's land acquisition, site improvements, and operation and maintenance.

It is true that the State would be giving the private partner some competitive advantage over nearby enterprises providing similar services to the traveling public. However, that partner would be giving the State fair market compensation for any such competitive advantage it achieved from State resources or services. And, all competitors would have a fair and equal opportunity to obtain the same advantage from the State. Having failed to win the contract for themselves, competitors would not propose terms that would be as advantageous to the State as the winning proposal. In other words, losing bidders for the project would have judged any competitive advantage that might be provided by the project as *not being worth as much* as the winning proposer judged. Therefore, by implication, all such competitors would have perceived the value being provided by the State, and any presumed competitive advantage that might result, as being worth less to them than was judged by the winning proposer. In summary, the State would not be giving away anything that competitors would value more than the value perceived by the winning proposer and as provided to the State under the financial terms of the partnership agreement.

The competitive proposal process would necessarily be structured somewhat differently under each of the two preferred contracting approaches described above.

- **For the preferred alternative, in which Caltrans entered into a lease with the private partner who would own or lease the land as well as operate and maintain the rest area, Caltrans would identify multiple sites or interchanges in the target region where it would accept proposals for a commercial rest area partnership.**

- **For the alternative approach, in which Caltrans owned the site, proposals would simply be solicited for development, operation and maintenance at that site.**

[16] The internal rate of return analysis would necessarily include consideration of the fair market recovery value (if any) of any facilities whose ownership would accrue to either the State or private partner upon expiration or termination of the partnership agreement.

The prospectus used to solicit competitive proposals under either approach would include, at a minimum:

I. Description of the Business Opportunity
II. Proposal Instructions
III. Proposal Package
IV. Contracting Process and Draft Contract
V. Contract Exhibits
Exhibit A Operating Plan
Exhibit B Maintenance Plan
Exhibit C Land and Real Property Improvements
Exhibit D Insurance Requirements
Exhibit E Nondiscrimination
APPENDICES
Appendix A Laws, regulations, and other documents relevant to Caltrans' powers and obligations and contractor's obligations
Appendix B Sample Annual Financial Report

Other sections might be included according to Caltrans requirements under its procurement and contracting processes.

E. Contracting Process

A three-step contracting approach is recommended. Once a contractor is selected through a competitive procurement process, it will be important to provide an intermediary step during which the selected contractor would demonstrate its ability to fulfill its promises and perform necessary tasks prior to entering into the operating contract. Therefore, once selected, the prospective contractor would be issued:

- A Notice of Caltrans Intent to Award a Contract, and
- A Pre-Operating Agreement

Upon fulfilling the obligations of the Pre-Operating Agreement, Caltrans would issue:

- An Operating Contract

The purpose of the Pre-Operating Agreement would be to give the successful bidder time, if necessary, to fulfill commitments described in its proposal, which were critical attributes of its proposal, but which could not be fulfilled prior to issuing its proposal and receiving Caltrans' Notice of Intent to Award a Contract. Such commitments might include:

- Obtaining debt or equity funds to cover necessary investment and working capital
- Completing necessary land purchases or leases
- Obtaining necessary entitlements
- Hiring management or other key staff

- Obtaining required insurance, such as commercial liability, property damage, worker's compensation, and business interruption insurance

If the prospective contractor was unable to complete those tasks, an operating contract would not be issued.

The duration of the Pre-Operating Agreement would be for an appropriate specified time period, presumably not less than one month, no more than three months. However, longer terms would be considered and permitted if necessary. The Pre-Operating Agreement will include:

- A description of the evidence that successful bidders must submit to prove successful completion of the specified tasks
- Deadline for completion of the tasks and submission of evidence
- Provision for extensions of the deadline
- Process and timing of Caltrans' review of and acceptance, or rejection, of the evidence submitted
- Process for bidder's appeal of Caltrans' decision; and
- Provisions for terminating the Pre-Operating Agreement, and either implementing the Operating Contract or withdrawal of the Notice of Intent to Award a Contract.

F. Possible Requirement for Caltrans to Design and Construct the Project

The preferred strategy is for the private partner to design and construct the commercial rest area to meet Caltrans' criteria. However, this implementation strategy might be complicated by the State's restrictions on the ways in which the project must be designed and constructed.

In a 2006 memorandum, Thomas C. Fellenz, Caltrans' Deputy Chief Counsel, expressed a legal opinion that, the "Streets and Highways Code section 226.5 does not authorize the Department to solicit design-build proposals for demonstration roadside rest area units" and that "the Department does not currently have any other design-build authority which can be invoked for the demonstration roadside rest area projects."[17] Judging that the Streets and Highways Code trumps the Highway Design Manual, Mr. Fellenz concludes that the Department must itself perform or procure the (a) design, (b) construction, and (c) maintenance/operations *in three separate efforts.*[18] The California Public Contract Code (Section 10, Part 100) also mandates that Caltrans design and bid the construction of such projects.

In his conclusion, Mr. Fellenz offers the Department some options, namely: (1) Issue three separate contracts for design, construction, and operation/maintenance, (2) seek design-build authority with legislation to change Section 226.5, and/or (3) do the first and second simultaneously. However, he also suggests that Caltrans might (4) assume authority exists to

[17] Memorandum from Thomas C. Fellenz, Caltrans Deputy Chief Counsel, to Keith Robinson, Caltrans' Principal Landscape Architect, Division of Design, "Legal Opinion – Rest Stops," September 18, 2006.
[18] Ibid. pp. 1&2. Specifically, (a) Government Code section 4525 governs design of the roadside rest area units, if the Department does not design the units itself. (b) Construction is governed by State Contract Act, Public Contract Code section 10100 et seq. And, (c) maintenance and operations of the demonstration roadside rest areas are governed by State Procurement provisions of Public Contract Code section 10335 et seq.

enter into design/build contracts under Section 226.5, solicit proposals, and then defend against legal challenges, if there are any. Accordingly, if no one had any reason to challenge the design-build procurement, option (4) would succeed. But, it would leave an opening for anyone unhappy with the project for any reason to try to obstruct it.

It appears that Mr. Fellenz' concerns might only relate to the situation where Caltrans sought to acquire or lease and develop a previously undeveloped site. His concerns do not appear to pertain to either (a) conversion of a previously developed commercial site into a partnership rest area, or to (b) a partner offering to develop and then enter into a lease with Caltrans to operate a partnership rest area. However, Caltrans did not provide a definitive judgment on the matter as of the time of this report. Therefore, the recommendation here is to try to give that responsibility to the private partner and only have Caltrans perform and/or contract for design and construction of the facilities, if necessary. In summary:

Where Caltrans sought to enter into a lease with a private partner who would either (a) expand a previously developed commercial site or (b) develop a new site, Caltrans should:

- **Specify that the private partner design and construct all facilities, including the public facilities, according to Caltrans' requirements.**

As to the situation where Mr. Fellenz' concerns do govern, namely:

Where Caltrans sought to develop an undeveloped site, a private partner would want to design and contract for construction of the commercial facilities. As discussed above, Caltrans would want to allow that. Therefore, the preferred of Mr. Fellenz's recommendations would be to:

- **Assume authority exists to enter into design/build contracts under Section 226.5, solicit proposals, and defend against legal challenges, if any.**

However, if it turned out that Caltrans could not allocate design and construction responsibility to the private partner, and even had to engage three separate contractors to design, build, and operate the rest area, that approach could still work, though it would be a much more expensive alternative to allowing the private partner to perform all of those services.

G. <u>Other Policy Considerations</u>

1. Public/Private Capital Contribution Relationship

In the 1990's, the California Transportation Commission specified, as one of its criteria for a public/private commercial rest area partnership, that the private partner provide at least 50% of the financing for the project. The current Project Development Procedures Manual, Chapter 29, Section 3, Article 3 pg. 44 echoes the CTC requirement:

> "A viable rest area joint economic development partnership may consist of a private or public partner that agrees to share in at least 50 percent of the total construction cost of the standard

public rest area facility, including, but not limited to, ramps, access roads, parking, utilities, architecture, landscape, lighting, signs and fences."

This might impose an inappropriate constraint. A partner's financial contribution to capital improvements should be considered together with its other financial contributions to the state, such as annual fees it might pay to the state as well as its contribution to annual repair and maintenance of the proposed rest area.

The appropriate criteria for Caltrans to apply is whether the net present value of its costs and income for the proposed partnered rest area is less than the net present value of its alternative costs to develop and maintain a non-commercial on-line or off-line rest area. Therefore, even if a partner's expected capital investment might be less than 50% of the total development cost, Caltrans' financial interest might be served better by funding the public/private commercial rest area than a non-commercial rest area capitalized entirely by public funds.

Therefore, the CTC's previous criteria, and the PDPM language, should be modified to reflect the more appropriate criteria for judging the financial benefit of a partnership rest area.

2. Signing

The commercial success of the partnership rest area will rely to a great extent on the nature and amount of signing notifying and directing motorists into the rest area. The Highway Design Manual barely meets commercial operators' minimum preferences of:

- **Signing to include at least two signs, and preferably three to four signs, placed along the interstate highway in both directions, announcing the distance to the commercial rest area. Preferable distances are one, five, and ten miles in advance, as well as at the interchange used to access the rest area. Signs one-mile from and at the interchange would be especially important for rest areas that are not highly visible from the highway.**

As to sign content, the Highway Design Manual specifies that "additional panels may be included on or near . . . (advance notice) sign(s) to inform travelers of the availability of vending machines, recreational vehicle waste disposal stations, traveler information, wireless internet ***or other special services***."[19] (Bold and italics added for emphasis.) The language appears to open the door to specifying the particular commercial services being offered at the rest area.[20] The signing guidelines in the Highway Design Manual are under the "permissive standards" category and as such are presumably the most flexible with respect to implementation. Regardless, to avoid any ambiguity:

- **The Highway Design Manual should be amended to specifically reference and enable signing that identifies the types of commercial services available in the rest area.**

[19] Caltrans Highway Design Manual.
[20] The FHWA suggests that states adopt appropriate legislation to allow partners to display the Interstate Oasis logo on their onsite facility and private signs, as well as their advertising media, including billboards.

The Project Development Procedures Manual states a number of qualifications that should be considered and modified if found to interfere with the objective of providing as many as four advance announcement signs off-highway directional signs. Specifically the manual states that, "signs should be placed within the operational right-of-way only when privately owned signs located outside the operational right-of-way cannot reasonably provide adequate directional information for motorists. Duplication of signs along non access-controlled highways should be avoided. Off-highway directional signs must be in place prior to placement of signs within the operational State right-of-way."[21]

The Project Development Procedures Manual does not specify the spacing or number of such signs. However, its statement that, "duplication of signs along non access-controlled highways should be avoided" might be a limiting rule, if applied to signs on the non access-controlled highway with signs on the controlled access highway from which traffic is diverted to the rest area. If so, the limitation should be removed.

The above recommendations are intended to qualify the partnered rest area projects according to the Federal Oasis Program, and according to the signing specifications of that program.[22]

[21] Ibid.
[22] Federal Register / Vol. 71, No. 201 / Wednesday, October 18, 2006 / Notice 61529.

III. RECOMMENDED BUSINESS PLAN

A. Implementation Components

Types of Partnering Organizations: Private partner candidates will include experienced, well-managed and well-capitalized commercial service enterprises, such as especially operators of the types of enterprises that serve the traveling public with "primary commercial services," namely fuel, food and beverage, and retail merchandise sought by the traveling public. Such organizations would especially include operators of truck stops, fuel service stations, and high turnover food and beverage retail.[23]

Development & Management: To minimize Caltrans' costs, the preferred partnership will be developed and managed by an existing commercial services enterprise, near an existing interchange that will be improved, if and as necessary.

The second most preferred partnership would be at an undeveloped site, also near an existing interchange, that a private partner would purchase or lease, and which the partner will develop and manage.

The third most preferred partnership would be at an undeveloped site that Caltrans owns, near an existing interchange, for which Caltrans would be responsible for design and construction, and which Caltrans would lease to a private partner who operates and maintains the commercial rest area.

All alternatives would be developed, operated and maintained to meet Federal Oasis Program and Caltrans legal requirements.[24]

Procurement Approach: Competitive bids would be sought from prospective partners, who would qualify for selection based upon the overall benefit they offer the State, including but not limited to their financial contribution.

For the first two preferred approaches, in which Caltrans would not own the land under the rest area, Caltrans would identify at least three acceptable development sites at one or more interchanges in the region of each site and seek bids from prospective partners who would own or lease the land and develop/redevelop the sites.

For the third approach, Caltrans would first acquire the site, then (if permitted under State law) seek proposals from prospective partners who would design, develop, operate and maintain the rest area. If, under the third approach, State law will not permit the partner to design and

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[23] Lodging could potentially be a lucrative "secondary" commercial service, depending on the cost of land. But, but it is not listed among the preferred or accepted services of the Oasis program. Therefore, the analyses presented here do not rely on financial contributions from a lodging enterprise.

[24] Section 1310 of the Federal "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users," (SAFETEA-LU), enacted in August 2005, established an "Interstate Oasis" program for designating facilities *near, but not within*, the Interstate right-of-way, that can offer products and services to the public, 24-hour access to restrooms, and parking for automobiles and heavy trucks.

develop the site, Caltrans will design and contract the construction, then lease the developed property to a partner who will operate and maintain the rest area.

Project Locations: The following sites offer the best initial prospects for public/private partnership consideration.[25] The sites that offer the best prospects for implementation from among the candidates, in terms of minimum financial contribution from Caltrans, are indicated in the financial feasibility analysis that follows.

- *San Joaquin County on I-5 near Thornton.* In 2007, between 57,000 and 70,500 vehicles, including approximately 13,000 trucks traveled this segment of Interstate 5 each day. High use of Flag City commercial facilities at the I-5/Highway 12 interchange have created some overcrowding at this location, with commercial truckers parking along interchange on and off ramps to the north and south.

- *Solano County on I-5 near Dixon.* In 2007, over 107,000 vehicles, including over 7,000 trucks traveled this segment of Interstate 80 each day. Commercial services are concentrated along Interstate frontage roads in Dixon. Flying J Truck Stops is currently in the process of developing the southern portion of the Pedrick Road/I-80 interchange. No Caltrans rest areas exist near this region of I-80.

- *Merced and Stanislaus County on I-5 near Gustine*. In 2007, between 32,000 and 40,000 vehicles, including between 9,900 and 10,700 trucks traveled this segment of Interstate 5 each day.[26] Limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The two rest areas north and south of this location regularly experience overcrowding.[27] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities. This facility will also provide services for travelers on State Route 140.

- *Fresno County on I-5 near Three Rocks*. In 2007, over 34,000 vehicles, including 10,300 trucks traveled this segment of Interstate 5 each day.[28] As for the Gustine site, limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The two rest areas on to the north and south of this location regularly experience overcrowding.[29] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities.

- *Kern County on I-5 near South Dome*. In 2007, over 33,000 vehicles, including 10,900 trucks traveled this segment of Interstate 5 each day.[30] As for the Gustine and Three Rocks sites, limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The two rest areas on to the north and south of this location

[25] Selected from the sites recommended by the Caltrans Landscape Architecture Program, Landscape Architecture, SIR 7-19-06.
[26] 2007 Traffic Volumes, Caltrans Traffic Data Branch, found online at: http://traffic-counts.dot.ca.gov/
[27] The Westley Rest Area is 27 miles to the north. The John "Chuck" Erreca Rest Area is 32 miles to the south.
[28] Op Cit (2007 Traffic Volumes, Caltrans)
[29] The John "Chuck" Erreca Rest Area is 37 miles to the north. The Coalinga Avenal Rest Area is 29 miles to the south.
[30] Op Cit (2007 Traffic Volumes, Caltrans)

regularly experience overcrowding.[31] Travelers are using available pullouts, wide shoulders and interchange ramps as makeshift stopping opportunities.

- *San Bernardino County on I-40 near Kelbaker.* In 2007, 13,600 vehicles, including 6,500 trucks traveled this segment of Interstate 40 each day.[32] Existing rest areas to the east and west are located 80 miles apart. On and off-ramps and turnouts are heavily used by trucks for long-term (overnight) parking. Very limited commercial services exist along the highway and even fewer are available on a 24-hour basis. The District anticipates the potential for partnering with the High Speed Rail Authority in the development of a new rest area, as their Kelbaker station will be adjacent to the Interstate at this location with a proposed opening in 2012.

- *San Bernardino County on I-15 near Victorville.* In 2007, between 55,500 and 135,500 vehicles, including 17,100 trucks traveled this segment of Interstate 15 each day.[33] The District identified this project to alleviate the high use demands at the adjoining rest areas.

- *Imperial County on I-8 near Winterhaven.* In 2007, over 15,400 vehicles, including approximately 3,300 trucks traveled this segment of Interstate 5 each day.[34] The District identified this location for a "Gateway to California" and a replacement for the median portable toilets located 37 miles to the west at Sand Hills. The District is currently developing plans for a Transportation Enhancement project to convert an old railroad station into a welcome center on the property adjacent to the proposed site. The State has already acquired approximately 24 of the 30 acres needed for this project. A study completed in 2000 identified prospective development of the commercial services at this location, namely fuel, retail goods (mini-mart), fast food or dine-in restaurant and vehicle repair facilities.

All of the above sites are "off-line," that is, outside Interstate right-of-way, and therefore comply with Federal law and are candidates for the Federal Oasis Program.[35] [36] Although the Federal legislation describes the program as though it relates only to entirely new rest areas, it allows for an existing commercial services plaza or truck stop to become an "Interstate Oasis" if it met, or could be redeveloped to meet, all of the "Interstate Oasis" criteria.

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[31] The Coalinga Avenal Rest Area is 11 miles north. The Buttonwillow Rest Area is about 49 miles to the south.
[32] Op Cit (2007 Traffic Volumes, Caltrans).
[33] Ibid.
[34] Ibid.
[35] 2005 SAFETEA-LU, specifying the "Interstate Oasis Program" was designed for, and is restricted exclusively to, Interstate highways.
[36] Two categories of commercial services are addressed. "Primary commercial services" include services with high revenue-generating potential - such as fuel, food & beverage, and retail merchandise sales. "Secondary commercial services" are less lucrative services, such as various forms of advertisement, ATMs, and RV dump stations. As noted elsewhere, lodging could potentially be a lucrative "secondary" commercial service, depending on the cost of land. But, but it is not listed among the preferred or acceptable services of the Oasis program. Therefore, the analyses presented here do not rely on financial contributions from a lodging enterprise.

Signing & Marketing: Although the private partner will be free to market its services as it wishes, all highway signing will necessarily conform to Caltrans' standards as prescribed in its Project Development Procedures Manual, Highway Design Manual, and according to the Federal Oasis Program specifications and guidelines.

Public Outreach: Existing highway-oriented commercial enterprises near the sites that fear competition from the prospective partner might be expected to oppose the projects. Also, despite their support for the Federal Oasis Program, the National Association of Truck Stop Operators (NATSO) and other key stakeholder lobby groups might oppose one or more projects.[37] And, representatives of blind venders might also oppose the projects, if the blind are not otherwise accommodated as described above. The nature of these groups' opposition should be anticipated and addressed through an outreach program before announcing any projects and certainly before soliciting proposals.

Other groups that might help support the project include the Federal Highway Administration, Chambers of Commerce whose members might advertise in the rest area, and especially the California Highway Patrol, who would reasonably expect the rest area to alleviate illegal truck parking near the sites and improve highway safety. Their support should be enlisted when selecting particular projects for implementation. However, Caltrans should not anticipate that support would be as strong or as vocal as the opposition. It will be useful when seeking approval from the California Transportation Commission, but not necessarily as an effective tool for overcoming opposition. Other accommodations will be necessary to address opposition, such as those recommended above.

Funding: The private partner and Caltrans will be the exclusive sources of all funding. The amount of investment the partner will be expected to provide will be the amount supported by the partner's expected cash flow from operating the enterprises in the rest area (recognizing its expected revenues and operating and maintenance costs) and applying an internal rate of return commensurate with the partner's perceived financial and operating risks. Caltrans will necessarily provide the remaining investment, if any.

The following describes the analytical method used and estimates of expected private partner funding and Caltrans' financial contributions to the commercial partnership rest areas, relative to Caltrans' funding of purely public rest areas, at the candidate locations.

B. Financial Analysis Demonstrating Caltrans' Funding/Revenue Implications

The following outlines the method used to demonstrate the financial attractiveness of engaging private partners to develop, operate, and maintain combined commercial/public services rest areas at the candidate sites identified. The detailed results of the financial analyses are presented in Appendix A.

[37] Such as the National Association of Convenience Stores (NACS) and the Society of Independent Gasoline Marketers of America (SIGMA).

The feasibility analysis first projected market demand for commercial services at the respective sites. The demand estimates were based on:

- The volumes of passing traffic (according to the main types of vehicles - namely autos and trucks),
- Motorists' expected propensity to stop for rest and commercial services (considering distance from previous stopping opportunities, stopping percentages at nearby rest areas, and stopping percentages at relevant commercial rest areas in other states),
- The sites' relative attractive power (visibility from the highway and proximity to interchanges used to access the sites), and
- Nearby competitive stopping opportunities and commercial services that might be expected to draw traffic away from the commercial rest area.

Market demand was then used to derive:

- Expected annual sales of primary services (fuel, food and beverages, and other retail goods). Secondary services (such as advertising, ATMs, and RV dump stations[38]) were considered as additional attractions, but revenues were not estimated for secondary services.
- Annual operating and maintenance costs necessary to support both the private commercial enterprise services and the public facilities, and then:
- Net annual operating cash flows (revenues less costs).

The projected net cash flows were then related to:

- Capital investments necessary to develop the facility components.

Then, considering:

- Private partners' target internal rate of return commensurate with the investment and operating risks,

Estimates were derived for:

- The capital investment that might be expected from private partners, and therefore:
- The remaining capital investment necessary from Caltrans, if any.

The analyses concluded by comparing Caltrans' expected funding burden for the public/private commercial partnership projects with its expected alternative cost to develop, operate and maintain entirely public rest areas (both on-line and off-line) at the locations identified.[39] The analyses demonstrated the relative financial advantage to Caltrans of implementing the public/private commercial rest area partnership as opposed to purely public rest area alternatives

[38] As noted, lodging might be a lucrative "secondary" commercial service, but it is not listed among the preferred or acceptable services of the Oasis program, and therefore, the analyses presented here do not rely on financial contributions from a lodging enterprise.
[39] Except for Imperial, which is already in development.

at each site. The following tables summarize the conclusions that are detailed in Appendix A. They show that:

- **For each set of sites, at least one, and in some cases all, of the interchanges might be expected to yield net *surplus* revenues to Caltrans.**

In other words, in those cases where surplus funds are indicated, a private partner might be expected to pay *more* to Caltrans for the rights and privileges to operate a commercial SRRA than the expected total development cost. Therefore, Caltrans would avoid having to contribute any funds to project development, and would receive payment in exchange for providing a private contractor with the right to receive official rest area designation and Interstate signing. Such financial surpluses are indicated as "Surplus Funds Available = Payment by Private Partner to Caltrans" in the Financial Benefits tables. The surplus indicated represents the capitalized value that would presumably be paid to Caltrans in the form of annual fees during the term of the contract and not as a lump sum up-front payment.

Estimated Caltrans Financial Benefits for Commercial SRRAs

Table 1. ***Kelbaker SRRA Site***

	Kelbaker Rd/I-40
1. Capital Contribution By Private Operator	$28,520,000
Less: Commercial SRRA Development Cost	$20,274,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$8,246,000**
2. Off-Line Non-Commercial SRRA Development Cost	$32,678,000
Plus: NPV of Annual Maintenance Costs	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$36,819,000**
3. On-Line Non-Commercial SRRA Development Cost	$37,718,000
Plus: NPV of Annual Maintenance Costs	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$41,859,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$45,065,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$50,105,000**

Table 2. ***Victorville SRRA Sites***

	Ranchero Road/I-15	Joshua Street/I-15	Dale Evans Pkwy/I-15
1. Capital Contribution By Private Operator	$57,954,000	$20,599,000	$44,608,000
Less: Commercial SRRA Development Cost	**$26,184,000**	**$36,304,000**	**$29,536,000**
Surplus Funds Available = Payment by Private Partner to Caltrans	**$31,770,000**	**($15,705,000)**	**$15,072,000**
2. Off-Line Non-Commercial SRRA Development Cost	$31,596,000	$39,613,000	$34,750,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$35,737,000**	**$43,754,000**	**$38,891,000**
3. On-Line Non-Commercial SRRA Development Cost	$42,901,000	$51,335,000	$45,500,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,042,000**	**$55,476,000**	**$49,641,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$67,507,000**	**$28,049,000**	**$53,963,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available from Off-Line Commercial SRRA	**$78,812,000**	**$39,771,000**	**$64,713,000**

Table 3. ***South Dome SRRA Sites***

	Twisselman Road/I-5	Route 46/I-5
1. Capital Contribution By Private Operator	$52,642,000	$43,201,000
Less: Commercial SRRA Development Cost	$19,672,000	$19,495,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$32,970,000**	**$23,706,000**
2. Off-Line Non-Commercial SRRA Development Cost	$30,445,000	$30,445,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$34,586,000**	**$34,586,000**
3. On-Line Non-Commercial SRRA Development Cost	$41,534,000	$41,534,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$45,675,000**	**$45,675,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Available Off-Line Commercial SRRA	**$67,556,000**	**$58,292,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Available Off-Line Commercial SRRA	**$78,645,000**	**$69,381,000**

Table 4. ***Three Rocks SRRA Sites***

	South Derrick Blvd/I-5 (LOW)	South Derrick Blvd/I-5 (HIGH)	Kamm Ave/I-5
1. Capital Contribution By Private Operator	$59,669,000	$59,669,000	$55,806,000
Less: Commercial SRRA Development Cost	$24,986,000	$27,986,000	$21,752,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$34,683,000**	**$31,683,000**	**$34,054,000**
2. Off-Line Non-Commercial SRRA Development Cost	$33,445,000	$36,445,000	$33,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,586,000**	**$40,586,000**	**$37,853,000**
3. On-Line Non-Commercial SRRA Development Cost	$41,534,000	$41,534,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$45,675,000**	**$45,675,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$72,269,000**	**$72,269,000**	**$71,907,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$80,358,000**	**$77,358,000**	**$81,907,000**

Table 5. ***Gustine SRRA Sites***

	Sullivan Rd/I-5	Route 33/I-5 (LOW)	Route 33/I-5 (HIGH)	West Stuhr Rd/I-5
1. Capital Contribution By Private Operator	$47,731,000	$30,492,000	$30,492,000	$54,163,000
Less: Commercial SRRA Development Cost	$19,229,000	$49,177,000	$69,177,000	$20,518,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$28,502,000**	**($18,685,000)**	**($38,685,000)**	**$33,645,000**
2. Off-Line Non-Commercial SRRA Development Cost	$33,712,000	$63,712,000	$83,712,000	$33,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,853,000**	**$67,853,000**	**$87,853,000**	**$37,853,000**
3. On-Line Non-Commercial SRRA Development Cost	$43,712,000	$43,712,000	$43,712,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,853,000**	**$47,853,000**	**$47,853,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$66,355,000**	**$49,168,000**	**$49,168,000**	**$71,498,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Surplus Funds Off-Line Commercial SRRA	**$76,355,000**	**$29,168,000**	**$9,168,000**	**$81,498,000**

Table 6. ***Mokelumne River SRRA Sites***

	Walnut Grove Rd/I-5	Highway 12/I-5
1. Capital Contribution By Private Operator	$54,892,000	$48,060,000
Less: Commercial SRRA Development Cost	$24,110,000	$130,222,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$30,782,000**	**($82,162,000)**
Off-Line Non-Commercial SRRA Development Cost	$33,712,000	$133,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$37,853,000**	**$137,853,000**
On-Line Non-Commercial SRRA Development Cost	$43,712,000	$43,712,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$47,853,000**	**$47,853,000**
(1+2) Expected Savings = Cost of Off-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$68,635,000**	**$55,691,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$78,635,000**	**($34,309,000)**

Table 7. ***Dixon SRRA Sites***

	Pedrick Rd/I-80	West A St/I-80
1. Capital Contribution By Private Operator	$53,402,000	$51,348,000
Less: Commercial SRRA Development Cost	$31,040,000	$30,840,000
Surplus Funds Available = Payment by Private Partner to Caltrans	**$22,362,000**	**$20,508,000**
2. Off-Line Non-Commercial SRRA Development Cost	$35,654,000	$42,424,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$39,795,000**	**$46,565,000**
3. On-Line Non-Commercial SRRA Development Cost	$45,454,000	$52,424,000
Plus: NPV of Annual Maintenance Costs	$4,141,000	$4,141,000
Caltrans' Non-Commercial Capital Cost & NPV of Annual Maintenance Cost	**$49,595,000**	**$56,565,000**
(1+2) Expected Savings = Cost Off-Line Non-Commercial SRRA – Financial Benefit Off-Line Commercial SRRA	**$62,157,000**	**$67,073,000**
(1+3) Expected Savings = Cost of On-Line Non-Commercial SRRA + Financial Benefit Off-Line Commercial SRRA	**$71,957,000**	**$77,073,000**

Note that the estimates presented in the tables relate exclusively to developing entirely new commercial SRRAs at each of the specified locations. The figures demonstrate that:

- **Caltrans might expect to benefit from a public/private partnership at all sites, and even generate net surplus of revenues from some.**

However, it should be noted that:

- **The financial estimates presented are based on historical economic trends that preceded the recent severe economic downturn and reflected only the early stages of fuel price volatility.**

Under the current economic conditions, potential investors and lenders will be less likely to assume as much investment or operating risk as they had before September 2008.

On the other hand, the economic decline might also cause land prices and construction costs to be somewhat lower than estimated. It is very hard to anticipate how much risk prospective investors and lenders might be willing to assume without testing the market with solicitations for

proposals. However, a sensitivity check on the effect of a higher target internal rate of return indicated that:

- **Applying a nominal 15% target internal rate of return (instead of the historically observed industry rate of the 12% applied to derive the above tables) yielded surplus funds (positive cash flow) to Caltrans in all cases that surplus funds were judged available (positive cash flows) for the previously indicated nominal 12% target internal rate of return.**

Therefore, it appears that even under the somewhat greater uncertainties of the current market, the results of the financial analysis are encouraging enough to justify Caltrans pursuing solicitation efforts at some or all of the prospective sites. Of course, the economy might induce even greater aversion to risk, and therefore higher target rates of return. But, it is hard to anticipate what rate might be sought without testing the market. If it turned that proposals were not sufficiently attractive, the implementation effort might be resumed sometime in the future when the economy improves and fuel prices stabilize.

As noted above, a viable alternative to seeking an entirely new development would be for Caltrans to partner with existing or prospective truck stop operators. The cost to convert a truck stop into a commercial SRRA would be only the marginal costs of whatever additional land, parking, circulation, and possibly structural and service capacity expansions might be required. Such expansions would be much less expensive than developing a project entirely from scratch.

Moreover, a prospective operator would be better able to estimate the potential financial contribution from adapting a truck stop or travel plaza into a commercial rest area, knowing the performance history of the existing truck stop or travel plaza.

Therefore the project would not only cost the private partner less, the venture would be less risky than for an entirely new development and operation. In summary,

- **Contracting with an existing truck stop or travel plaza operator, less financial contribution would be required, a lower target rate of return would be sought, and therefore the private partner might be expected to make a greater financial contribution in exchange for the rights and privileges of operating the commercial SRRA.**

Therefore, the Strategic Action and Business Plans should include:

- **An effort to solicit proposals from prospective developers and operators of entirely new commercial off-line SRRAs, and**

- **An effort to engage existing and prospective truck stop and travel plaza operators to enter into agreements with Caltrans for commercial off-line SRRAs.**

Both efforts might be combined into a single procurement process.