

# Texas transportation agency's land deals under federal grand jury investigation



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The Texas Department of Transportation's land purchases for the expansion of Interstate 35E in North Texas are part of a federal grand jury's probe into potential criminal activity, according to state records obtained by *The Dallas Morning News*.

The agency confirmed the federal investigation in a letter sent last month to the state attorney general's office. TxDOT officials declined last week to discuss the inquiry, its scope or what prompted it.

"I really can't comment on any aspect of it just because of the fact that it's an active investigation by the feds," agency spokesman Bob Kauffman said.

TxDOT notified the attorney general because the transportation agency wants to withhold copies of subpoenas regarding I-35E land acquisition. *The News* requested the subpoenas in February under the state's Public Information Act.

The newspaper reported in December that two Dallas real estate men raked in millions of taxpayer dollars by buying right of way and then selling it to the state months later at a profit. The TxDOT letter did not say whether those purchases are part of the criminal investigations. However, people with knowledge of the situation said they were approached by FBI agents about those highway deals.

Business partners Kevin Bollman, 46, and Wade Blackburn, 31, have said they used public information about the highway projects to decide where and when to buy land along the highway corridor. The men later hired a former TxDOT official who had helped them coordinate the purchases of their land.

The state needed the land to widen I-35E in Denton County and to improve bridges and highways near downtown Dallas. Both projects had been on the books for many years, but they were subject to numerous delays and changes because of a lack of funding and other factors.

An attorney for Bollman, Matthew Orwig, said last week that the FBI has not approached either one of the men.

"TxDOT has transparent rules and procedures for its right-of-way acquisition projects," Orwig said. "Mr. Bollman and Mr. Blackburn are real estate professionals who followed TxDOT's guidelines in all of their business dealings."

Information about TxDOT's highway projects is generally public and available to anyone. But it's usually less clear when the state will begin acquiring right of way for projects because that decision is based on the availability of money and shifting priorities, experts say.

In the letter seeking permission to withhold subpoenas, TxDOT said the U.S. attorney's office objects to their release because it would "interfere with and compromise their investigation and prosecution." The request for a ruling — which is not expected until next month — says the matter is before a grand jury and releasing subpoenas could reveal "the strategy and direction of the investigation."

Dallas County Judge Clay Jenkins said he didn't know about the investigation but hopes that money was not improperly spent.

"It's important that the public have trust for the process as we go about building these roads, but there will always be land speculators," he said.

Jenkins said that, in general, land speculation on road projects is "greatly compounded because this state Legislature is not doing enough to fund transportation."

"And when you fund transportation in parts, it telegraphs where the next land purchase will be and drives up the price of that land," Jenkins

said.

## Multiple parcels

In the TxDOT case, Bollman and Blackburn formed several business partnerships to buy properties along I-35E in Denton County and downtown Dallas since 2009. They then sold multiple parcels to TxDOT early in the state's right-of-way acquisition process. *The News* identified at least 19 acres, using available public records.

Records show TxDOT paid Bollman and Blackburn at least \$22.2 million over roughly a five-month period in 2011 for the Denton County parcels. It is not known how much the men originally paid for the property because real estate sales prices do not have to be disclosed in Texas.

The pair retained the services of Travis Henderson, a former TxDOT right-of-way official in the Dallas district who said he was hired to help them research real estate.

Henderson, 57, formed a consulting business after he retired from TxDOT in mid-2011. He told *The News* last year that the consulting work he has done for Bollman and Blackburn did not involve any of the projects he worked on as a TxDOT employee.

Since then, Henderson has declined to comment. But his attorney, Arnold Spencer, said last week that his client had no conflicts of interest based on his current and past work.

"He's an individual who is a civil servant who worked hard for the state and is now working hard for his clients," said Spencer, who declined to say whether his client has been approached or questioned by FBI agents.

In one of their TxDOT sales, a Bollman partnership bought 1 acre in Lewisville in 2011 for \$2.2 million, according to appraisal district records. A month later, TxDOT paid \$3.5 million for about two-thirds of the property, records show.

## Appraisals

TxDOT makes offers based on its appraisals of property. And those appraisals use comparable sales in the area to arrive at a value.

But when offering to buy similar parcels for the I-35E project, TxDOT is not considering the higher prices it paid the Bollman partnerships for right of way, according to Joshua Westrom, a Denton eminent domain lawyer.

Westrom said TxDOT is offering his clients less money. In one case, for example, a Bollman partnership bought a 1-acre property for \$9 a square foot and 10 months later sold half the property to the state for about \$32 a square foot, Westrom said.

"I keep saying no, it wasn't worth \$9. You paid \$32 for it 10 months later," Westrom said. "We want to be paid what TxDOT paid for it. And there's a gross disparity."

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