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TO: BOARD OF DIRECTORS

THROUGH: PHILLIP A. WASHINGTON *PAW*
CHIEF EXECUTIVE OFFICER

FROM: JAMES DE LA LOZA *[Signature]*
CHIEF PLANNING OFFICER

SUBJECT: TWENTY-EIGHT BY '28 PILLAR PROJECTS
QUARTERLY UPDATE

ISSUE

This is the quarterly status report on the pursuit of the Twenty-Eight by '28 Initiative with a focus on the four identified "pillar projects." This Board Box provides updates to previous Board requests related to the item, including an update on Metro's value capture strategy and additional detail on specific strategies to accelerate the projects.

BACKGROUND

"The Reimagining of LA County" staff report, which identified assumptions and priorities to deliver the Twenty-Eight by '28 Initiative, was submitted to the Board in February 2019, and recommends quarterly status reports. The Metro Board provided direction in response to The Reimagining of LA County report to prioritize four pillar projects and prepare a financial forecast and constructability analysis. This Board Box represents the fourth quarterly status report.

DISCUSSION

Provide Updates Including Value Capture Strategy

Metro Countywide Planning and Development is conducting a value capture assessment that is planned for presentation to the Board in June 2020. The goal of the assessment is to identify areas in Metro's service territory that have potential for future value capture financings, and to outline a strategy to implement them. The assessment will consider alternative financing approaches, including enhanced infrastructure financing districts (EIFD), which are a form of

tax increment funding, and the more widely-used Mello-Roos district. Available grants and low-interest lending programs that provide financial incentives to landowners and developers will also be discussed. Staff is currently working with real estate and financial consultants on this effort and has conducted numerous meetings and conference calls with Board staff, as well as cities and business districts that are pursuing value capture in LA County to discuss the status of their efforts and the approach.

Metro Government Relations has also been active in monitoring value capture legislation that would be beneficial to Metro and has drafted language for a State legislative bill that gives Metro the ability to form tax increment districts, which would facilitate the implementation of value capture financings.

How feasible is it to accelerate projects?

The pillar projects must begin construction no later than calendar year 2023 to have a chance of completion and revenue operations by 2028. Staff continues to pursue a 2023 construction start; however, given the estimated completion date for the environmental process of several pillar projects, there continues to be risk that construction may begin at a later date.

Staff has previously reported that the acceleration of the projects creates a funding shortfall for capital cost, interest cost related to additional debt financing, and for operations occurring sooner than initially planned. The source of the additional funding needed to accelerate the projects has not yet been identified. In addition, the funding gap is based on the pillar project capital costs as estimated in the Measure M Expenditure Plan. Should the actual costs of the pillar projects differ, this will increase the amount of the capital funding shortfall.

If the 2023 start of construction date is not met or new funding for the shortfall is not obtained, this will have a material effect on realizing the acceleration.

How Can Staff and the Board Cut the Project Development Process?

Metro staff continues to develop an action plan that can help reduce the duration and number of iterations for regulatory agency reviews and approvals. Staff is evaluating the feasibility and effectiveness of various strategies and will provide an update at the next status report.

Detail on Specific Strategies

The following table updates the strategies that staff is currently taking to accelerate the pillar projects.

**LA Metro Pillar Projects
Strategies to Accelerate Projects**

Gold Line Eastside Extension Phase 2	
Strategies Being Pursued:	<ul style="list-style-type: none"> • Limit environmental review to state CEQA • Select a preferred alignment
Progress to Date:	<ul style="list-style-type: none"> • Board approves CEQA only and a single alignment at February 2020 meeting
Potential Benefit:	<ul style="list-style-type: none"> • Reduces time required for federal review • Focuses effort on one alignment
Green Line Extension to Torrance	
Strategies Being Pursued:	<ul style="list-style-type: none"> • Pursue SB1 state funding
Progress to Date:	<ul style="list-style-type: none"> • State awarded \$231.3 million in 2018
Potential Benefit:	<ul style="list-style-type: none"> • Provides sufficient construction funding at current cost estimate; will mitigate impact of Measure M restriction on construction funding prior to FY26
Sepulveda Transit Corridor	
Strategies Being Pursued:	<ul style="list-style-type: none"> • Enter into pre-development agreement • Evaluate competitiveness for New Starts funding
Progress to Date:	<ul style="list-style-type: none"> • Qualified firms for pre-development agreement RFP in Jan 2020 • Preparing New Starts project justification rating estimate by Apr 2020
Potential Benefit:	<ul style="list-style-type: none"> • PDA will balance project costs and key risks particularly on an accelerated schedule
West Santa Ana Branch to Downtown LA	
Strategies Being Pursued:	<ul style="list-style-type: none"> • Develop accelerated schedule that overlaps activities • Identify funding strategy to accelerate funds • Evaluate competitiveness for New Starts funding • Implement P3 Project Delivery Approach
Progress to Date:	<ul style="list-style-type: none"> • Pursuing accelerated schedule • Preparing New Starts project justification rating estimate by Apr 2020 • Pursuing P3 delivery
Potential Benefit:	<ul style="list-style-type: none"> • Focused schedule minimizes project development time • P3 delivery reduces procurement time; can add time efficiencies

What is Financially Feasible?

In July 2019, Metro staff prepared an initial pillar projects financial forecast that showed a funding gap for capital and operating costs, assuming the construction cost of the projects would be at the lower range of preliminary estimates. Metro staff subsequently implemented an action plan to create new funding at the local, state, and federal level to address the pillar projects funding gap. However, recent domestic and global events may significantly impact economic conditions in LA County and reduce Metro funding, inhibiting our plan to create additional funding for the pillar projects.

Current Economic Conditions

The worldwide COVID-19 pandemic has resulted in mandatory and voluntary reductions in business activity, including a severe drop in retail, restaurant, entertainment, transportation, and other related spending. The drop in business activity is expected to reduce retail sales and the countywide sales tax, which is Metro's primary funding source. Metro's economic forecast, provided by the UCLA Anderson School, expects a 6.5% decrease in second quarter 2020 GDP within LA County. In addition, Metro's ridership is down substantially because of the countywide slowdown and this may require additional sales tax to backfill the loss of fare and other operating subsidy revenue. At the same time, Metro is incurring additional costs to mitigate the spread of the virus.

The expected loss of local, state, and federal transportation revenue and additional costs will hamper Metro's ability to fund the acceleration of the pillar projects.