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REVISED
PLANNING & PROGRAMMING COMMITTEE
NOVEMBER 20, 2013

**SUBJECT: PUBLIC-PRIVATE PARTNERSHIP PROGRAM
ACCELERATED REGIONAL TRANSPORTATION IMPROVEMENTS
PROJECT (ARTI)**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

Authorize the Chief Executive Officer to approve a Letter of Interest (LOI) request **for the ARTI Project** to be submitted by the California Department of Transportation (Caltrans) for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in the amount of up to \$300 million to the United States Department of Transportation (USDOT) and pay related fees and expenses.

ISSUE

In July 2012, the LACMTA Board approved the commencement of a procurement process for the Accelerated Regional Transportation Improvement (ARTI) Project as a Public-Private Partnership (PPP). On May 31, 2013, LACMTA, in collaboration with Caltrans, released a Request for Qualifications for ARTI, and a short list of firms was announced on September 10, 2013.

The ARTI project consists of six highway project elements of the State Highway System, including HOT lanes on I-5 North from SR-14 to Parker Road. LACMTA and Caltrans are advancing actions required to present a Project Proposal Report and a Business Case to the California Transportation Commission (CTC). A component of the ARTI financial plan is the inclusion of a TIFIA loan, and we are requesting approval of the submission of the LOI. ~~as previously referenced in the October 2013 Receive and File Board report on Measure R Highway and Transit Projects (Item #71 attachment C).~~

DISCUSSION

LACMTA has separately programmed funds for five of these six project elements over the next 30 years. Funding for the I-5 North Pavement Rehabilitation will come from Caltrans through the State Highway Account. Implemented together, the six elements in the Project will collectively provide critical mobility enhancements, improved operations and safety, and a greater range of transportation choices for thousands of daily commuters on regional highway facilities, as well as quality-of-life improvements to the residents of Los Angeles County, including mitigation of noise impacts and better air quality.

Previously, at its September 2013 meeting, the Board approved a motion to advance all Measure R second and third decade projects including ARTI (**Attachment A**). (~~Item 16, Attachment A~~). Further, the October 2013 Receive and File Board report on Measure R Highway and Transit Projects (**Attachment B**) (~~Item #71, Attachment C~~) included and referenced ARTI as a TIFIA candidate that would require a LOI submittal.

Caltrans will be the agency to contract with the PPP developer, as the facilities will be owned by Caltrans. Caltrans will make the payments to the developer through the State Highway Account, with the Account being reimbursed by LACMTA's programmed funds and by appropriate toll revenues. However, these funds are not sufficient to meet the full capital funding requirements of ARTI, as determined by our financial analyses, and therefore, the ARTI Business Case cost analysis assumes inclusion of a TIFIA loan in the amount of up to \$300 million. This loan would need to be secured prior to commercial close of a PPP concession agreement. Given the anticipated time required by USDOT to consider this LOI and process the loan application, we believe it is prudent for Caltrans, as the contracting agency, to submit the LOI for the ARTI project as soon as is practicable. LACMTA will be obligated to pay the associated fees and costs, which include the initial LOI review fee of \$100,000 before financial and/or legal advisors are hired by USDOT as part of the LOI review process, which fees are due upon request. Additional fees will be charged after the credit instrument is executed.

Work continues to progress on development of the ARTI project, and LACMTA and Caltrans are nearing completion of the documents required for submission to the CTC. We expect to return to the Board in January with a more detailed presentation of our plan for delivery of ARTI, the documents to be presented to the CTC and key terms that we anticipate will be points of negotiation with the prospective developer.

DETERMINATION OF SAFETY IMPACT

The actions requested will have no impact on LACMTA's established safety standards.

FINANCIAL IMPACT

Approval of this recommendation will not add any funds to the FY 14 budget in cost center 4730, Highways Program, under project number 405603, ARTI at this time. If a

budget amendment proves to be necessary, we will request it at the time the LOI review fees are requested by USDOT.

Impact to Budget

The source of funds for ARTI is Measure R 20% Highway Capital and Proposition C 25%. The Proposition C fund sources will be reimbursed according to the Board adopted policy on reimbursement of Measure R for projects that start before they are eligible for Measure R funds. These funds are not eligible for bus/rail operating or capital expenses.

This action has no financial impact to the FY14 Budget.

ALTERNATIVES CONSIDERED

The Board may elect to not authorize the submission of a TIFIA LOI. However, this action is critical to financing the project, meeting the ARTI program schedule and achieving financial close within the next 18-24 months.

NEXT STEPS

Upon Board approval, staff will work with Caltrans staff to prepare and submit the LOI to USDOT. We will return to the Board to present the Business Case, key terms of the PPP Agreement, and request a Life of Project budget and funding for early actions in anticipation of issuing a Request for Proposals in mid-2014.

ATTACHMENTS

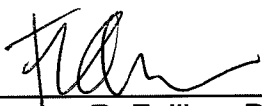
A. September 2013 Board Report Item #16, Attachment A

B. October 2013 Receive and File Board Report Item #71, Attachment C

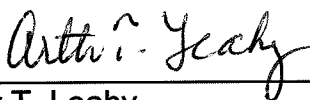
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for Douglas R. Failing, P.E.
Executive Director, Highway Program



Arthur T. Leahy
Chief Executive Officer

Motion by Director Katz and Director O'Connor
Item 10 – Measure R Acceleration Program
MTA Board Meeting
June 27, 2013

WE THEREFORE MOVE TO approve the amendment to the Measure R Ordinance and Expenditure Plan to advance "Funds available beginning" dates on Measure R transit corridor projects contingent upon:

- 1. Securing program funding for all Measure R "First Decade" transit projects. Complete all first decade Measure R transit environmental planning and preliminary engineering, without utilizing any funding for second and third decade Transit and Highway projects.**
- 2. Directing the CEO on the following:**
 - a. Report by the September 2013 Board meeting on the status of all Measure R second and third decade projects and include the following information: phase of work currently being completed, necessary steps to complete the current phase, and anticipated completion date.**
 - b. Do not proceed with any future project phases until receiving direction from the Board in September 2013.**
- 3. Approving the Measure R Acceleration financing plan to advance all Measure R second and third decade projects, except 710 North, contingent upon:**
 - a. Identification of full funding plans for the second and third decade projects.**
 - b. Securing a Transportation Infrastructure Finance and Innovative Act ("TIFIA") loan and accompanying Master Credit Agreements as detailed in the MTA Measure R Acceleration Plan.**
 - c. Securing Federal, State or other similar funding consistent with the MTA Measure R acceleration financing plan denoted as America Fast Forward ("AFF") Tax Credit Bond Program.**
 - d. Secure Full Funding Grant Agreement ("FFGA") for the Regional Connector and the Westside Subway (Segment 1).**
- 4. Directing the CEO to report back to the Board at the September 2013 Board Meeting on estimated completion dates for the Measure R Highway Program – with analysis of the likelihood of receiving TIFIA and proposed AFF or similar funding for highway projects.**

ATTACHMENT A

5. **Directing the CEO to report back within six months with a recommended ballot initiative for the November 2014 or November 2016 election that, if approved by the voters of Los Angeles County, would enable acceleration of all Measure R highway and transit projects.**

Approach for Highway TIFIA and America Fast Forward Opportunities

Measure R provides less than 30% of the funds needed to complete the highway project categories approved through Measure R. The remaining 70% of funding sources include Proposition C, Congestion Mitigation and Air Quality (CMAQ), State Transportation Improvement Program (STIP), Regional Surface Transportation Program (RSTP), toll revenues, and other as yet unidentified funds. Additionally, only a portion of the Measure R highway projects are defined at this point and the remainder of the program can only be defined progressively over time. Though we believe the effective approach for Metro's highway projects may be to secure America Fast Forward or TIFIA loans for each project individually instead of collectively in a TIFIA Master Credit Agreement (MCA), we do not need to make that decision until more specific Measure R project lists emerge.

Currently, five highway projects have been identified as primary TIFIA loan applicants for accelerated delivery. Per the Board direction, although listed, the SR-710 North project will not be accelerated, but may be considered for TIFIA at some future date. As more projects are progressively identified and developed over the course of Measure R, additional needs for a TIFIA loan will then be specified. The target time frame for Letter of Interest (LOI) submittals for the known projects is summarized in the following table:

Project	Est. Cost (\$M)	TIFIA Measure R Only (\$M)	TIFIA Non-LACMTA Funds (\$M)	Draft Env. Doc. Circulation	Target LOI Submittal	Target Financial Close Year	
ARTI	700	Allocation TBD	231 300	Done	August December 2013	Spring Summer 2015	
HDC	5,000		1,650	Spring 2014	November 2014	Fall 2016	
	At Alt. 6D 3,500 3,000-				Summer 2014		
710 South	4,000		1,155		April 2015	Summer 2017	
710 North	5,400 +/-4,500		1,782	Spring 2014	July 2014	Fall 2016	
605 Hot Spots	2,200		726	Winter 2015	March 2015	Summer 2017	
Totals	15,300	950	5,049				

Public/Private Partnership Investment Analysis

Sepulveda Pass Transit Corridor

Staff and consultants will prepare a comprehensive strategic assessment of the Sepulveda Pass Transit Corridor Project, evaluating the suitability of a transit and/or highway facility as a P3 project as well as a refined evaluation of the use of a Project Development Agreement (PDA). Staff currently estimates that \$3 million will be required to complete this analysis which will include substantial "project definition" (determination of terminal points for transit connection, access points for toll lanes, tunnel configurations, operational concepts for toll and transit, refined ridership, use and refined capital cost estimates etc.). The work will also include evaluations of P3 potential for the Airport Metro Connector and an analysis of the East San Fernando Valley Transit Corridor to the Sepulveda Pass Corridor.

Recommendations as a result of these assessments will be presented to the Board and if directed, we will proceed with steps toward procurement of a developer partner (RFQ/RFP) for a PDA approach to the project. Staff estimates this phase would require \$6 million to complete. Depending upon the negotiated terms with a P3 developer, the first phase of the development contract may require a \$5 to \$7 million Metro contribution, with the developer perhaps retaining significant costs through a developer contribution ("sweat equity" in the form of engineering and other analysis) to the project. Metro would also commence environmental clearance efforts during this phase which staff estimates would require \$60 million, depending on the scope of private investor involvement.

I-710 South Freight Corridor

This project is currently in the environmental clearance phase, with a revised Draft EIS/EIR anticipated to be completed by 2015. Depending on the results of the revised Draft EIS/EIR, it may be necessary to re-examine a portion of the strategic analysis and business plan work already completed in connection with the initial P3 evaluation. If authorized to proceed as a P3, the next step would involve finalizing the business case including refined tolling/revenue analysis, access and exit definition, operational concepts and refined capital cost estimates, etc. Additionally, coordination and documentation of cooperative agreements between Metro and Caltrans to procure a developer and obtain CTC approval would also be necessary. Staff estimates that \$10 million will be required to complete this work. It is estimated that \$3 to \$4 billion would be needed for a construction subsidy, depending on the truck tolling scenario and the potential amount of a TIFIA loan that could be secured, of which \$750 million will be retained for pre-construction work (ROW, utility relocations, etc.).

SR-710 North

This project is in the environmental clearance phase, with the AA just completed. There are five alternatives being evaluated in the Draft EIS/EIR which is expected to be

circulated in Spring 2014. As part of Metro's consideration of potential P3 opportunities in its overall capital program, a P3 business plan for one of the five alternatives for this project was completed in August 2012. That plan estimated a requirement of public funds for right-of-way, pre-development and early design of approximately \$80 to \$90 million. If authorized to proceed as a P3, work to finalize the business case, complete documentation of cooperative agreements between Metro and Caltrans to procure a developer and obtain CTC approval would require an estimated \$6 million to complete. A portion of the Measure R allocation of \$780 million would then be used for Metro's public subsidy in a P3 concession. The total construction cost in excess of the subsidy, currently estimated at +/- \$4.5 billion is expected to be covered by toll revenue over the course of the project.

High Desert Multipurpose Corridor

This project is in the environmental clearance phase. If the Board determines to proceed with a P3 procurement, the next steps will involve finalizing the business case, and negotiation and documentation of the cooperative agreements between Metro, San Bernardino Associated Governments (SANBAG) for San Bernardino County, and Caltrans to procure a developer and obtain CTC approval. Additionally, Metro will have its share of retained costs (approximately 55% of \$520 million, i.e., some \$290 million) for pre-development work, ROW acquisitions and construction monitoring in Los Angeles County. Depending upon progress of adjacent high speed rail projects (CaHSR and XpressWest), the public subsidy could range from \$0 with a Los Angeles to Las Vegas one seat ride, to \$1.5 billion, if utilizing Metrolink service between Los Angeles and Palmdale.

Accelerated Regional Transportation Improvements ("ARTI") Project

This project is proceeding as a P3, but is anticipated to be partially publicly funded and is discussed in detail in the main body of the Board report.

Public Funding Requirements Chart

The chart below sets the public funding component of current P3 projects in tabular form.

Estimate of Public Investment for Future P3 Projects

Project	Estimated Public Investment (YOE)	Estimated Total Capital Cost
I-710 South Freight Corridor ⁽¹⁾	\$5.16 billion	\$5.16 billion (YOE) for Alternative 6D
SR 710 North Gap Closure ⁽²⁾	\$780 million	\$5.425 billion
High Desert Multipurpose Corridor ⁽³⁾	\$0.5 billion to \$2.0 billion	\$4.527 billion
Sepulveda Pass Transit Corridor ⁽⁴⁾	\$1.0 billion +/-	\$10-\$12 billion (Central Segment) \$30.754 billion to \$38.735 billion

Notes:

(1) This range includes Metro retained costs of \$750 million for pre-construction dollars and a construction subsidy ranging from \$3.0 to 4.0 billion, depending on the truck tolling scenario and TIFIA loan amount.

(2) As estimated in the SR-710 North Study Alternatives Report dated December 2012. Applies to only one of the alternatives under environmental review.

(3) This range includes Metro retained costs of \$500 million for Pre-Development, ROW, and construction monitoring, as well as a construction subsidy ranging from \$0 with a direct connection to California High Speed Rail (CAHSR) in Palmdale (LA to Las Vegas one-seat ride) to \$1.5 billion with a transfer from Metrolink to XpressWest in Palmdale.

(4) Based on the amount available in Measure R in Year of Expenditure (YOE) dollars; assumed for initial phase; additional monies may be required; to be determined following further study and/or for completion of northerly (San Fernando Valley) and southerly (to Airport) sections of the total corridor.