

**Metro**Los Angeles County
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metro.net**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 18, 2013****SUBJECT: PUBLIC-PRIVATE PARTNERSHIP PROGRAM****ACTION: RECEIVE AND FILE PROGRAM PROGRESS AND STATUS****RECOMMENDATION**

Receive and file a report on progress and status of the Public-Private Partnership Program (PPP) as detailed in the attached Summary of Progress and Accomplishments (Attachment A).

ISSUE

Our PPP program has placed particular emphasis on identifying projects that could attract private investment capital and thus allow for accelerated and less expensive project delivery. Since our previous Board update in June 2012, we have advanced one project to issuance of a Request for Qualifications. Additionally, we have finalized three interim highway business plans, prepared a feasibility evaluation for a multimodal corridor and launched discussions with the industry on the potential for a dual-mode large bore tunnel through the Sepulveda Pass.

BACKGROUND

The Board has previously adopted the PPP Framework and Workplan to identify potential PPP candidates from among the projects included in our 2009 Long Range Transportation Plan and Measure R program. Following a rigorous procurement process, a PPP consulting team led by InfraConsult LLC of Los Angeles, and including as subcontractors KPMG LLP, Nossaman LLP, Halcrow Inc., Sharon Greene + Associates and Englander and Associates was selected in 2009 to serve as an advisory team and program management support for the PPP Program. Since that time, HDR Inc. has replaced Halcrow Inc. The Scope of Work for this team consists of initial project screening and subsequent progressive tasks to advance strategic assessments, business plan development, PPP procurement processes and an option for PPP project delivery and project management.

The initial comprehensive screening process identified fourteen transit and highway projects as the most promising candidates for private sector participation, with an initial list of six projects recommended for further consideration. Those projects are the I-710 South Freight Corridor including the Early Action Projects, SR-710 North Gap, High Desert Corridor, Crenshaw/LAX Transit Corridor, Regional Connector, and the Westside Subway Extension.

The subsequent phase of work involves comprehensive strategic assessments and the preparation of business plans for implementation of the six projects, utilizing the most appropriate project delivery model for each. Undertaking the strategic assessment of each project was essential to determine preliminary "value for money" of the PPP delivery approach, as well as life cycle cost factors and project attributes most promising for attracting private investment and/or risk sharing, as well as to recommend potential procurement strategies.

The business plans for the transit projects were shared with the Board last June, and the conclusions and recommendations are briefly outlined in this report. Completion dates for the final business plans for each project correlate to the finalization dates of the environmental clearance process for each of the six projects. Thus, the interim highway project business plans are still in final development.

However, one group of highway improvements not included in the original round of screening has emerged as a viable near-term candidate for PPP delivery - the Accelerated Regional Transportation Improvements Project, or "ARTI". In addition, a further project initiative currently being evaluated is a concept for a tolled highway and transit service in a tunnel linking the San Fernando Valley, the Westside and possibly LAX through the Sepulveda Pass.

DISCUSSION

Accelerated Regional Transportation Improvements (ARTI) Project

In addition to the initial six recommended projects identified above, we have continued to explore other opportunities to accelerate Measure R projects with the PPP model. One such example is the ARTI Project, which is a joint effort between Caltrans and Metro, with Caltrans, as ultimate owner of the facilities, proposed to be the party to contract with a PPP concessionaire. The PPP consultant team, PPP staff, Highways staff and Caltrans staff (ARTI Team) have assembled a package of several discrete highway improvements that are nearly fully funded, albeit in later years, and environmentally cleared. The concept involves "bundling" the six improvements (elements) to offer as a package to a PPP contractor and utilizing private financing and availability payments to allow delivery of the projects 15-20 years sooner than would be the case utilizing traditional delivery, while also likely assuring a reduction in construction costs. To that end, a strategic analysis was undertaken to verify that the PPP delivery approach would provide the desired benefits. The affirmative results encouraged the Board in April 2012 to approve our proceeding with the development of

the ARTI Project and procurement of a P3 concessionaire to design, build, finance, operate and maintain (DBFOM) the Project.

An Industry Outreach for ARTI was held, followed by an intensive process to prepare the Project for procurement. The project scope of work includes the design, construction, financing and various levels of operation and maintenance of high occupancy toll (HOT) lanes, high occupancy vehicle (HOV) lanes, pavement rehabilitation and soundwall construction. The construction sites are located on the I-5 in northern Los Angeles County (HOT lanes and pavement rehabilitation), the SR-71 in Pomona (HOV lanes) and I-405, I-210 and SR 170 (soundwalls). Following the industry outreach, work on the Project proceeded on four parallel tracks: environmental, engineering, project approval and procurement.

ARTI Environmental

While all elements of ARTI had been previously environmentally cleared, two of the elements were subsequently changed to the extent that supplemental environmental documentation was required. This included converting a planned HOV lane on the I-5 to instead be an HOT lane that will provide a source of revenue to supplement insufficient programmed funding and subsidize the added financing costs, which is necessary to accelerate the ARTI Project. Considerable outreach effort was undertaken, and a public hearing for the HOT lanes was conducted in March 2013.

ARTI Engineering

The ARTI Team advanced the engineering design necessary to support the supplemental environmental studies, while at the same time developing the design-build and operations and maintenance requirements of the Project. A Project risk allocation was performed and an assessment of the specific project risks was undertaken. Technical provisions for 24 specific types of work activities, modified standard specifications and indicative plans are being prepared for inclusion in the forthcoming Request for Proposals.

ARTI Project Approval

One of the phases of MTA's PPP evaluation process, and also a major requirement of the California Transportation Commission's (CTC) P3 approval process, is the preparation of a detailed Business Case, which includes a comprehensive analysis of the value for money to be realized with PPP delivery. The Business Case also presents a preliminary level estimate of traffic and revenue, estimates for capital costs, operational cost and routine and periodic maintenance costs for the PPP delivery as well as for public sector comparators, which in the case of ARTI are design-build and design-bid-build. All of this work has been accomplished and the Business Case has been completed. A Project Proposal Report (PPR) is being prepared for the CTC, which describes the proposed Project, risks to the State and benefits to the public. Staff presented a preliminary review of the Project to the CTC at its August 2013 meeting.

ARTI Procurement

Statements of Qualifications have been received in response to a Request, and qualified firms have been identified following specific evaluation criteria. In preparation for further procurement activities, and in anticipation of receipt of approval from the CTC, additional essential documents are being prepared including a draft Request for Proposals, a draft P3 Agreement, a P3 Agreement Term Sheet, funding and cooperative agreements between MTA and Caltrans, a Letter of Interest for a TIFIA loan and a request for Private Activity Bonds.

Sepulveda Pass Transit Corridor

In February 2013, the Board authorized staff to advance an analysis of potential mobility improvements through the Sepulveda Pass utilizing a PPP delivery structure. This action follows the completion of the Sepulveda Pass Systems Planning Study that examined six alternative concepts ranging from at-grade peak hour BRT to a 30 mile long grade-separated highway and transit facility, and ranging in cost from under \$1 billion to over \$15 billion, that could accommodate increases in travel through the Sepulveda Pass and relieve current high congestion levels. Staff has since initially concentrated on the PPP alternative involving a 10+ mile combination transit and highway tunnel traversing the mid-section of the Pass, as this segment will likely have the highest revenue potential. Early financial success of an initial segment could fund subsequent cash flow challenging phases.

Approximately \$1 billion of Measure R revenues has been programmed for a San Fernando Valley/Westside I-405 Connector with a FY 2039 delivery date. Inasmuch as this is insufficient to fund a project of that magnitude and is unavailable for use until the programmed year, any significantly-sized accelerated project would be developed as a revenue risk concession, with the Measure R funds being leveraged to pay for MTA's environmental clearance and early project development effort.

The Sepulveda Pass Transit Corridor will be evaluated as an opportunity for a full revenue risk design, build, finance, operations and maintenance (DBFOM) concession providing both premium transit and highway/toll road alternatives to the I-405 through the Sepulveda Pass between the north San Fernando Valley and the Westside/LAX. One of the most important initial tasks to be undertaken for this project is the determination of appropriate premium toll/fare levels required for financial feasibility of this project, and this assessment will be our recommended next step.

Staff held an Industry Forum in early May 2013 that attracted 250 representatives of the investment, development, construction and engineering industry from many states and internationally, 18 of whom provided responses to our Request for Information (RFI). The RFI served to assess the likely interest in participating in this project as a PPP with MTA, and the response was universally positive. Understandably, all stressed the imperative for MTA to adequately define the project prior to any serious consideration of investment of significant time and money to prepare a proposal. Provided the Board is in agreement, our general next effort will be to quantify that project definition, which will require an analysis of potential revenues, define access points and connection points,

cost parameters, geotechnical conditions and other required engineering and operational constraints.

The analysis of this Corridor will also include the East San Fernando Valley Transit Corridor to evaluate opportunities to improve north-south transit connections as well as the LAX Airport Metro Connector as a means to connect the Metro Rail system to the airport.

Initial Three Transit Projects

As previously reported to the Board, the team's recommendation for all three transit projects was for partial or full design/build project delivery rather than a full PPP structure with private financial participation. While certain risks related to design and construction completion are allocated to design/build contractors, and while there are several discrete capital components that could be designed, built and maintained by the private contractor such as elevator, escalator and other station facilities, it is unlikely that the full project delivery structure would benefit from significant financial participation or transference of long-term operations and maintenance obligations. The primary reason for this is that all three projects interconnect with existing service, making it difficult to establish responsibility for appropriate operations and maintenance practices, which are essential in order to establish the clear and unambiguous accountability necessary for a financially and operationally viable PPP project.

Initial Three Highway Projects

The evaluation of the three initially chosen highway projects indicated that all have significant PPP delivery potential using one of two basic approaches, namely the availability payment model and the revenue risk concession model.

The availability payment model can be applied to all projects, regardless of the magnitude of a toll revenue stream, while the revenue risk model is generally used most effectively for a project with a robust toll revenue stream that can cover all or a significant portion of the project's capital and operating costs.

The highway project business plans reflect these two approaches. All three initial projects – the High Desert Corridor, the I-710 South Freight Corridor, and the SR-710 Gap – are recommended for PPP project development and delivery using either the availability payment model or the toll revenue concession model. The preliminary interim business plans reflect the following respective directions:

The High Desert Corridor (HDC), as a highway project, would utilize an availability payment approach, as analysis indicates that toll revenues generated will be insufficient to cover the full capital costs of construction, presenting a significant funding gap that will need to be closed by public funding sources. A feasibility study has also been completed by the team that explored a potential initiative involving extension of the proposed high speed train between Las Vegas NV and Victorville CA further from Victorville westward to Palmdale along the HDC. The long-range vision involves

utilization of the right of way as a multimodal corridor interconnecting the DesertXpress at Victorville with California's High Speed Rail Project at Palmdale thus providing a full high speed interstate rail trip from Los Angeles Union Station to Las Vegas. Our feasibility analysis indicated that as a multimodal corridor, the project could likely be fully self-sustaining, meaning that highway tolls and rail fares could be sufficient to fully finance, operate and maintain the project subject to certain external parameters.

It is recommended that the I-710 Freight Corridor, as a separate truck-only toll concession facility paralleling the existing I-710 Long Beach Freeway carrying trucks from the Ports of Los Angeles and Long Beach northward, be undertaken as an availability-payment based PPP. To create economic viability and to serve the primary purpose of reducing congestion and improving safety, tolls would need to be charged to all trucks using the I-710 corridor. However, to meet the objective of improving air quality in the region, there is discussion about lowering or eliminating tolls for trucks utilizing low-emission or zero-emission technology. This would put into question the economic viability of an availability payment financial structure. Similar to the HDC, a significant funding gap exists between available funding sources and the costs necessary to construct and operate this facility.

The SR-710 North Gap Project involves the connection between the I-10 and the I-210 Freeways. The environmental and engineering studies currently underway by MTA will result in a final ROD and preferred alternative for the project. A tunnel is one of the EIS/R alternatives we have preliminarily modeled so that it might be appropriately assessed for PPP delivery should that alternative be selected. As a PPP, this project would be a toll concession, with the concessionaire taking revenue risk owing to the projected financial strength of the toll revenue stream. Traffic volumes, and therefore toll revenues, are projected to be extremely high from opening day and thus, the interim preliminary business plan concedes that there is a strong likelihood the SR-710 North Gap Project would be successful in attracting private capital and could result in a DBFOM consortium's implementation and operation of the project at a cost to MTA less than that allocated in the Measure R Program.

NEXT STEPS

The schedules for advancing procurement of these potential PPP projects are tied to completion of the Draft Environmental Impact Reports/Statements (EIR/S) for these projects, and of course would be contingent upon selection of the respective PPP project as the preferred alternative. Requests for Information ("RFI") and/or industry outreach can be conducted while the draft environmental work is ongoing. Requests for Qualifications ("RFQ") can be developed and distributed to interested investors, contractors and operators shortly thereafter. Requests for Proposals ("RFP") would be prepared during the Final EIS/R preparation period, and can be released as the date of federal Record of Decision ("ROD") and state Notice of Determination ("NOD") approaches. This will allow contractor selection to be completed and construction to commence immediately upon ROD/NOD.

If the PPP alternative is selected for any of the initial 3 highway projects in the EIRS/R process, a complete Business Case will need to be completed that includes additional required analysis of project financing structure assumptions and cash flow of sources and uses of funds, which is needed to understand MTA's net funding requirements for the projects.

We are preparing to deliver the completed business and operational report for ARTI to the CTC at its meeting in December with our request to authorize us to proceed with our full RFP solicitation. Separately, we are readying a survey to more fully and accurately assess the revenue potential that would be generated in the Sepulveda Pass project through utilization of premium tolls and transit fares so as to ensure that the pursuit of the project as a PPP structure is warranted. Based on the results of the survey, we may commence work on preliminary project definition and other essential activities with the goal of issuing a Request for Proposals for a Preliminary Development Agreement. We will also undertake a preliminary strategic analysis of the potential to deliver either or both of the East San Fernando Valley Transit Corridor and the LAX/Airport Metro Connector as stand-alone PPP projects or as components of the Sepulveda Pass Transit Corridor.

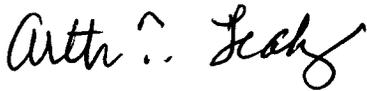
ATTACHMENT

A. Summary of Progress and Accomplishments, August 26, 2013

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**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
PUBLIC-PRIVATE PARTNERSHIP PROGRAM**

Summary of Progress and Accomplishments
InfraConsult LLC

August 26, 2013

This report provides a high-level overview of work accomplished and in progress as part of the Los Angeles County Metropolitan Transportation Authority (Metro) comprehensive Public-Private Partnership Program (P3 Program).

By definition, public-private partnerships (P3s) are contractual arrangements between a governmental agency and a private entity for the primary purpose of developing, operating and/or maintaining public infrastructure normally in the domain of the governmental sector. A variety of P3 models have been utilized throughout the world, having the common objective of facilitating private sector participation in the provision of public works and thereby transferring to or sharing with the private partners some or all of the traditional public responsibility and risks for financing, designing, constructing, maintaining and/or operating various infrastructure projects.

The Public-Private Partnership Advisory Team is led by InfraConsult LLC, and includes five primary subconsultants:

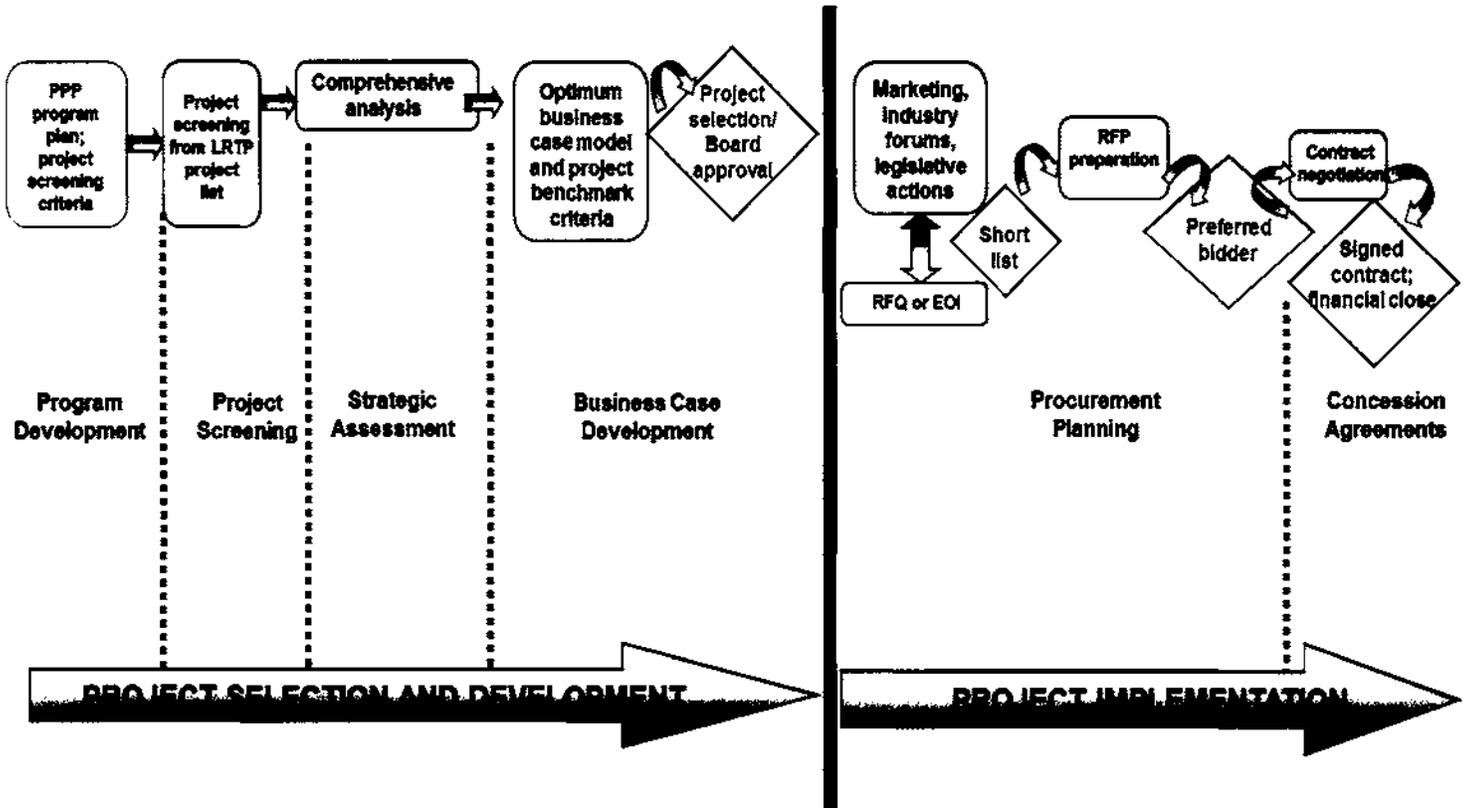
- HDR Engineering - technical advisory
- KPMG - financial advisory
- Nossaman - legal advisory
- Sharon Greene + Associates - funding advisory and federal coordination
- Point C - state and local coordination

The P3 Program includes both highway and transit components, and has as its principal objectives the following:

- Accelerate project delivery by effectively leveraging available public resources
- Achieve cost-effective use of public funds by utilizing private capital markets
- Optimize risk sharing between the public and private sectors
- Ensure asset quality over the entire project life cycle – construction and operation

- Provide highest quality highway and transit services for the traveling public

The P3 Program is structured in several phases. The diagram below illustrates the process which is being utilized to move selected projects through the screening and development phases, and beyond into procurement, contracting, and delivery to the public.



This report provides an initial summary of Program accomplishments over the past year, largely focused on the *Accelerated Regional Transportation Improvements (ARTI) P3 Project* and the *Sepulveda Pass / Airport Connector Corridor P3 Program*. This update is followed by an overview of progress on other projects underway that have been recommended for delivery through a public-private model and are currently in various stages of project development. In addition to the ARTI Project and the Sepulveda Pass Corridor Program, three other projects in Metro's Long Range Transportation Plan that are initially targeted for potential P3 delivery include the following:

- **High Desert Corridor in northeastern Los Angeles County** – new highway connection between Palmdale and Victorville, including potential integration with the proposed ExpressWest private high speed train between Las Vegas and Victorville and the California High Speed Rail Project extending through Palmdale. This project is currently completing environmental and engineering studies aimed at achieving a locally-preferred alternative (LPA) and record of decision (ROD).

- **SR 710 North Gap Project** – new highway section connecting the present northerly terminus of the Long Beach Freeway (I-710/SR 710) with I-210, currently completing environmental and engineering studies aimed at achieving a locally-preferred alternative (LPA) and record of decision (ROD).
- **I-710 South freight corridor** – new “truck lanes” for freight movement between the Ports of Los Angeles and Long Beach and SR 60, potentially to be built as a truck-toll facility with provisions that encourage movement toward zero emission truck fleets in the corridor and alleviate significant congestion along the mainline portion of the Long Beach Freeway. This project is also currently completing environmental and engineering studies aimed at achieving a LPA and ROD.

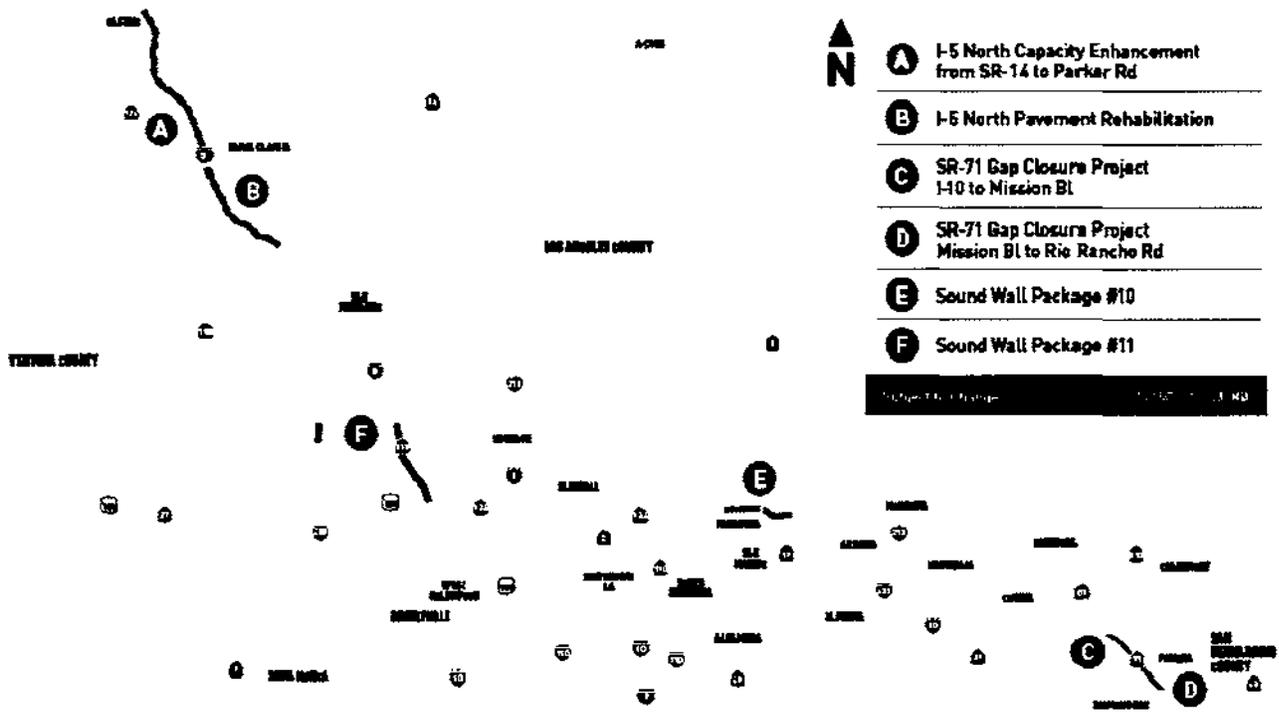
Accelerated Regional Transportation Improvement Program (ARTI)

Beginning in 2012, the Metro P3 team identified several discrete highway and goods movement projects that are essentially “shovel ready”. The concept was to create a “bundle” of projects, including High Occupancy Toll (HOT) and High Occupancy Vehicle (HOV) lane additions, soundwalls, etc. which could be offered as a package to a P3/design-build contractor, thereby accelerating project delivery and likely assuring a scale-related reduction in construction costs. The “bundle” that resulted is termed the Accelerated Regional Transportation Improvements (ARTI) Project, and will be advanced under one P3 contract. In April 2013, the Metro Board approved moving forward with the development of the ARTI Project and procurement of a P3 concessionaire to design, build, finance, operate and maintain the Project.

As shown below, the ARTI Project consists of six individual program elements located in Los Angeles County. The six elements are defined as follows:

- I-5 North Capacity Enhancement;
- I-5 North Pavement Rehabilitation;
- SR 71 Gap Project, I-10 to Mission Boulevard;
- SR 71 Gap Project, Mission Boulevard to Rio Rancho Road;
- Soundwall Packages 10 and 10A; and
- Soundwall Package 11.

ARTI Project: Location of Project Elements in Los Angeles County



The scope of work includes the design, construction, financing, and “fence-to-fence” operation and maintenance of the existing and proposed improvements along the I-5 and SR 71 elements. The I-5 North Capacity Enhancement element includes operation and maintenance of the general purpose lanes and the HOT lanes, including structures, facilities and all field-side tolling equipment, for a period of 35 years after substantial completion. The SR 71 Gap elements, which consist of elements 3 and 4, include operation and maintenance of the general purpose lanes, the High Occupancy Vehicle (HOV) lanes, and all structures and facilities for a period of 35 years after substantial completion. Lastly, the scope includes the design or design update, as appropriate, and the construction of the Soundwall elements, specifically elements 5 and 6. The Developer will have no operations and maintenance responsibilities for the Soundwall elements after construction is complete, but will provide a structural warranty for five years and will support establishment of landscaping for three years.

In July of 2012 Metro and Caltrans jointly sponsored an industry forum to present the ARTI Project to the international P3 industry in order to assess market interest in the concept. The forum was attended by more than 250 people representing 140 companies. The team received very positive feedback on the commercial interest in a design-build-finance-operate-maintain (DBFOM) approach based on availability payments as a method of delivery for the ARTI Project.

Following the industry outreach, work on the ARTI project proceeded on four parallel tracks, environmental, engineering, project approval and procurement. Accomplishments during the last year under each track are discussed below.

- *Environmental*

While all of the elements of the ARTI Project had previously received environmental approval, two of the elements were significantly changed, requiring supplemental environmental documentation.

The I-5 North Capacity Enhancement element, which received environmental approval in 2009, included adding HOV lanes in the median. In order to accelerate the ARTI Project, a source of revenue to supplement insufficient programmed funding and subsidize the added financing cost was needed. It was determined that revenue from converting the new HOV lanes on I-5 North to HOT lanes would help cover these costs. To evaluate the impacts of tolling, Metro and Caltrans initiated the I-5 HOT Lanes Project Draft Supplemental EIR/Environmental Reevaluation and circulated it for public comment on March 15, 2013, and held a public hearing on March 28, 2013 in Santa Clarita. Caltrans issued the final Supplemental EIR/Environmental Reevaluation on May 21, 2013.

The original Project Report for the SR 71 Gap Project included a Negative Declaration/FONSI dated June 27, 2002. At the request of the local communities, the scope of the project was changed from semi-depressed to at-grade design with no vehicular crossings. A Supplemental Negative Declaration/FONSI and Project Report, which were required due to these changes as well as new mitigation measures, were completed on March 28, 2013. A NEPA/CEQA Revalidation was approved on March 28, 2013 and a Supplemental Project Report was approved on May 31, 2013.

- *Engineering*

Over the last year a Technical Task Force (TTF) was formed with representatives from Metro, Caltrans, Federal Highway Administration (FHWA) and the P3 Team. This task force coordinated or carried out the effort to advance the engineering design necessary to support the environmental studies. In addition, the Task Force held numerous meetings and workshops to reach agreement on the following items:

- The scope to be included in the design-build component of the P3 Agreement;
- The scope to be included in the operations and maintenance requirements;
- The limits of each project; and
- Clear definitions of each element of the ARTI Project.

The P3 Team lead a risk workshop to assess the completeness of the cost estimates for each element, the level of risk associated with each type of work, and a preliminary allocation of each risk between public and private sector based on method of delivery. A risk analysis was then performed based on the input from the workshop to produce a cost/risk assessment and probability curves presenting the likely cost of completing the project at varying confidence levels.

Concurrent with the risk assessment effort, draft technical provisions for each of 24 specific types of work needed to deliver the Project have been prepared for inclusion in the Request for Proposal (RFP).

The TTF also coordinated the preparation of modified standard specifications and indicative plans which will be part of the final RFP. In addition, all documentation to define the Project, and describe the current condition of all the facilities, has been identified and is being collected and catalogued into a master project website. All of these work products and documents will be reference documents that the proposers will use to establish a fixed availability payment as part of their proposals.

- *Project Approval*

Under California Law, delivery of the Project as a P3 (as well as tolling of the HOT lanes) is authorized in Streets and Highways Code Section 143(c) once approval is granted by the California Transportation Commission (CTC). Approval of the ARTI Project would be in accordance with Section 4 of the CTC's Policy Guidance for Public Private Partnership Projects. This policy requires a comprehensive analysis of the value for money to be realized with P3 delivery and a Project Proposal Report to describe the proposed action, risks to the state and the benefits to the public. In support of this application, the P3 Team has:

- Prepared cost estimates for capital costs, operational cost, routine maintenance costs, and preventive maintenance/rehabilitation/replacement costs for design-bid-build, design-build, and P3 delivery.
- Completed a value for money analysis.
- Incorporated the analysis in the ARTI Project Business Case.
- Prepared a Project Proposal Report.
- Prepared presentations to the CTC and to the CTC staff to support the application.

Federal law authorizes P3 delivery and tolling of HOT lanes of an interstate highway subject to compliance with federal regulations. The FHWA will approve the final RFP before it is issued. The FHWA will also approve the concept of operations for the I-5 North HOT lanes.

- *Procurement*

A Core Procurement Team has been set up with representatives of Metro, Caltrans and the P3 Team. This team coordinated the preparation of the Request for Qualification (RFQ) which was issued May 30, 2013. The Procurement Team also prepared evaluation criteria and an evaluation manual. Statements of qualifications were received on July 19, 2013 and are currently being evaluated by committees composed of Metro and Caltrans staffs. The P3 Team is providing non-voting advisors to the evaluation committees.

The P3 Team prepared a proposed letter of interest for Caltrans to submit to the US DOT for a future TIFIA loan for the project.

The P3 Team also prepared the draft P3 Agreement which will be the actual contract under which the ARTI Project will be delivered. The P3 Agreement will be between Caltrans and the concessionaire. Metro's role, rights and responsibilities will be defined in a cooperative agreement and funding agreements between Metro and Caltrans. The P3 Team also prepares, with each draft of the P3 Agreement, a term sheet which summarizes the provisions of the Agreement.

Sepulveda Pass Corridor Program

In February 2013, the Board of Directors authorized staff to move forward with the Sepulveda Pass Transit Corridor Project. This directive included developing materials and undertaking appropriate industry outreach to move toward the issuance of an RFQ/RFP for a pre-development agreement approach to delivering this project.

The Sepulveda Pass provides a crucial transportation link across the Santa Monica Mountains between the heavy concentration of households in the San Fernando Valley and major employment and activity centers in Los Angeles County's Westside sub-region. The I-405 Freeway is ranked as one of the most traveled urban highways in the nation by the Federal Highway Administration (FHWA) with an Average Annual Daily Traffic of 379,000 vehicles in 2011. The 13-mile stretch of the freeway, from Getty Center Drive, the core of the Sepulveda Pass, to the I-105 (Century Freeway), was recently ranked as the third most congested freeway segment in the United States. In addition, the US-101 and I-10 interchanges with the I-405 north and south of the Pass consistently rank among the five most congested freeway interchanges in the country.

The Sepulveda Pass Corridor Project area extends for approximately 30 miles from the I-5/I-405 junction in the northern San Fernando Valley to Los Angeles International Airport (LAX), encompassing the following:

- San Fernando Valley - 11 miles
- Sepulveda Pass – 9 miles
- Westside to LAX – 10 miles

The potential highway connections include: SR 118, US 101, I-10, SR 90, and I-105. The corridor is also bisected by 10 major existing and planned transit lines:

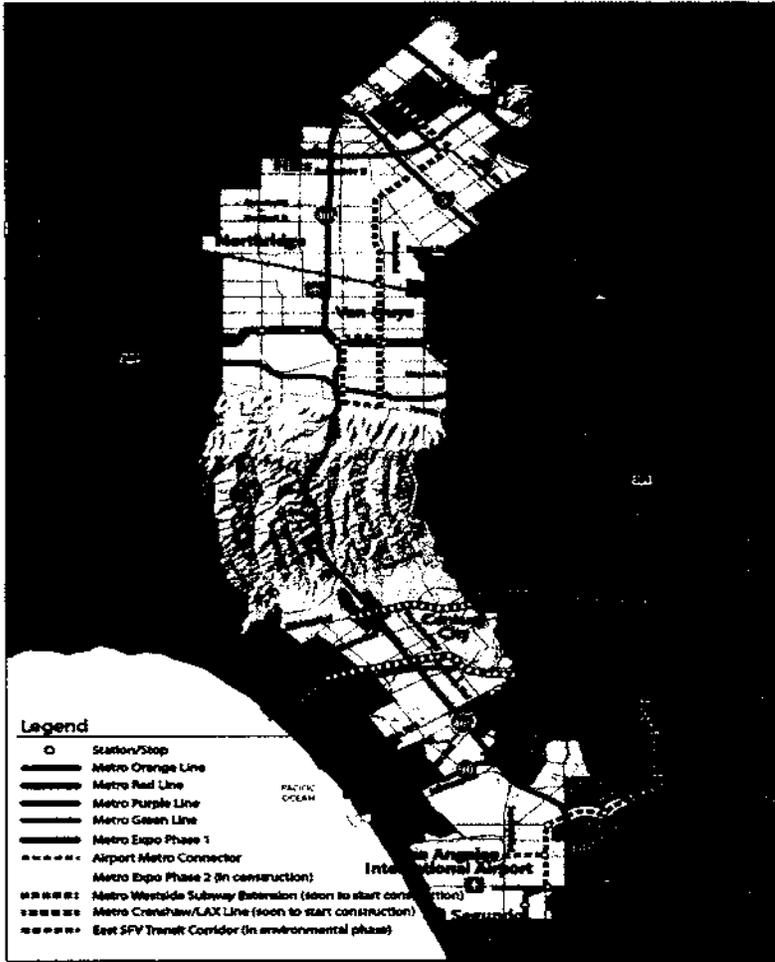
- Metrolink Antelope Valley Line
- Metrolink Ventura Line

- Metro Rapid Line 761
- Metro Orange Line
- Metro Green Line
- East San Fernando Valley Transit Corridor (in environmental phase)
- Metro Westside Subway Extension (soon to start construction)
- Metro Expo Line, Phase 2 (in construction)
- Metro Crenshaw/LAX Line (soon to start construction)
- Airport Metro Connector (in environmental phase)

The Sepulveda Pass Corridor location is illustrated on the following page.

Planning Studies

In December, 2012, Metro completed the Sepulveda Pass Systems Planning Study that examined six alternative concepts. These included: 1) A shoulder running BRT with bus use on Sepulveda Pass during peak hours; 2) At-grade Express Lanes with BRT and two HOT lanes in each direction over Sepulveda Pass; 3) Aerial/Viaduct express lanes with BRT constructed above the median of I-405 between US 101 and I-10; 4) Tolloed Highway Tunnel with BRT and four toll lanes through Sepulveda Pass between US 101 and I-10 (9 miles); 5) Rail Tunnel (LRT or HRT) for 28 miles for full length of corridor or 11 miles between approximately Ventura Blvd and approximately Santa Monica Blvd; and 6) Combined Highway and Rail Tunnels for 21 miles with demand pricing.



The Study findings included the following:

- Up to 49% of traffic through the Sepulveda Pass enters or exits between the US 101 and the I-10 Freeways. Capacity upgrades would best serve this 9-10 mile segment.
- Study Concepts could accommodate increases in travel through the Sepulveda Pass of between 11 percent and 29 percent.
- There is strong potential for transit improvements, particularly in the 11-mile segment between the Metro Orange and Metro Expo Lines. 80% of forecasted boardings for the full 30-mile corridor would occur in this segment, making this the most cost-effective initial transit project.
- Grade Separated Rail Concepts 4, 5 and 6 substantially improve both vehicle and person throughput between US 101 and I-405.

Additional planning work in the corridor includes the East San Fernando Valley Transit Corridor Study to evaluate ways to improve north-south transit opportunities in the east San Fernando Valley that offer connections to the regional transportation network, for the north end of the corridor; and the Airport Metro Connector Study where Metro is examining ways to connect the Metro system to LAX. The focus of this study on the south end of the Sepulveda Corridor is the five square mile area bounded by La Cienega Blvd on the east, Manchester Ave on the north, Mariposa Ave to the south and the LAX airport terminals on the west.

P3 Concept

Pursuant to planning efforts, a P3 concept was developed by staff and consultants which would consist of a tolled highway bypass and a premium transit lane as follows:

Tolled Highway Bypass

- Initial Northern Portal: Van Nuys Airport
- Initial Southern Portal: Westside
- Minimum five lanes perhaps with 2-axle vehicles only
- Potential extension south to LAX and South Bay
- Potential extension north to Santa Clarita and Antelope Valley

“Premium” Transit Line

- Initial Northern Portal: North Valley Metrolink Station
- Initial Intermediate Stations: Orange Line, Purple Line, EXPO Line, Metrolink Lines

- Automated, driverless “light metro”
- Potential extension/connection south to Green Line/LAX
- Potential extension/connection north to Palmdale

Industry Forum

On May 1, 2013, an industry forum was held to share Metro’s current thoughts about the project status and receive input, advice and suggestions from the infrastructure concession, contracting and engineering community, specifically with regard to a P3 approach to project delivery. The morning of the industry forum day consisted of a general presentation by local officials headlined by Los Angeles Mayor Antonio Villagarosa, Metro Board members, and Metro staff and consultants, followed by a general session questions and answer period. In the afternoon, participants were invited back for private group discussions with Metro staff and consultants. A series of questions was formulated to facilitate industry input and compiled into a Request for Information (RFI). This information will assist in the refinement of assumptions and help to further define the project methodology for potential procurement and delivery. Responses were due on May 15th and there was one follow-up response subsequently requested.

Some of the key results are as follows:

- There is a clear and distinct interest on the part of many of the largest P3 firms in pursuing the Sepulveda Pass Project including access to LAX. There was less interest in the East San Fernando Valley Transit Corridor Project, at least as a separate surface LRT project.
- The respondents generally believe that the Project Development (PDA) process is the best way to mitigate technical and financial challenges under a P3 procurement strategy.
- The respondents recommended against including potential real estate development in the project noting that real estate development and infrastructure P3 markets/models are specific and not readily compatible. When the development of transportation infrastructure includes large-scale real estate development, the product is a hybrid project with a risk profile and business model that is driven by the real estate development risk rather than infrastructure P3.
- Critical project risks that were perceived by the respondents included:
 - Revenue generation
 - Geotechnical unknowns
 - Environmental approvals
 - Maintenance of political support

- There was no clear consensus regarding optimal sizing and phasing of the project, including market ability to respond to a project as potentially as large as the Sepulveda Pass project, other than the obvious principal that the project components with the highest revenue potential be developed first. The general view was that phasing and project components should be an outcome of the PDA process.

Next Steps: Sepulveda Corridor Program

Because of the strong interest on the part of many of the largest and most experienced P3 firms in pursuing the Sepulveda Pass Project, including access to LAX, and the general agreement that a PDA approach is most appropriate, further pursuit of such a procurement approach is indicated. Should Metro decide to proceed with the project as a P3, and specifically using a PDA approach, the following are the steps recommended in the process.

1. **Revenue Assessment:** Financial feasibility has been only accomplished on a sketch level. While there is little doubt about the demand for travel in the corridor, both transit and highway, the biggest unknown is whether drivers and transit riders would be willing to pay the premium toll/fare levels required for financial feasibility in a congestion pricing/demand based pricing structure. The final determination of this will be by the marketplace in response to an RFP, but a more in depth assessment is needed at this stage to ensure that pursuit of the project through a P3 structure is warranted. It is recommended that the next step in the pursuit of this project be an assessment of this question based on a revenue maximization project concept.
2. **Financial Feasibility:** Based on the revenue assessment results, identify the range of affordable alternatives. This step will include the refinement of generalized project concepts together with programming level cost estimates and the use of a generalized financial feasibility model.