



## Board Report

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**File #:** 2021-0001, **File Type:** Informational Report

**Agenda Number:**

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### CONSTRUCTION COMMITTEE FEBRUARY 18, 2021

**SUBJECT: RAIL PROJECT COSTS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE status report on rail project costs.

#### **ISSUE**

The question is often asked “why do rail transit projects cost so much?” This report and the attached presentation attempts to address this question in light of LA Metro’s past and future rail projects

#### **BACKGROUND**

Rail projects by their very nature are very complex undertakings. These projects are located in the heart of the communities they serve and attempt to provide maximum mobility benefits while enhancing communities, minimizing impacts and satisfying numerous technical, regulatory and societal requirements. As a result of these reasons and many others, the costs add up and result in more expensive projects.

#### **DISCUSSION**

LA Metro and its predecessor organizations have been building rail projects for over 30 years. During this time there has been a considerable increase in the cost of these projects. Likewise across the nation and the world there has been noticeable increase in rail project costs.

The reasons for these increases are varied but include the following:

- Unfunded mandates
- Increased technical requirements
- Environmental ground conditions and cleanup
- Third party stakeholders
- Contractual
- Technical complexity
- Environmental clearance

- Community impacts and mitigation
- Real estate costs
- Fire/Life safety requirements
- Operational requirements
- Business/workforce goals
- Federal requirements
- Railroad interface
- Alignments
- Regulatory oversight
- Security requirements
- Project management and soft costs
- Utilities
- Turnover, Acceptance and Warranties
- Project changes

Most of the reasons above have benefits and make positive contributions to society. However, they often result in increased project costs. Project managers must balance these conflicting and ever-changing requirements while still meeting project goals.

The consequences of these increased costs are that limited financial resources will reduce the number and extent of new rail projects. This will in turn limit the ability for cities to address congestion, climate change and pollution. Also, projects that are built may squeeze out funding for other desirable public goals.

Staff is recommending that a number of actions be taken to help mitigate the increased cost of rail projects including:

- Engage in extensive and open industry discussions, including one on one meetings with proposers
- Focus on more appropriate risk allocation
- Make projects less complex where possible
- Maintain a core of experienced project management personnel
- Enhanced value engineering
- Continue to pursue public private partnerships
- Allow projects to be self-permitting
- Shorten and reduce environmental impact studies
- Allow for more consideration of cost in environmental process
- Hold open discussions with policy makers regarding the cost impacts of project goals and requirements

## **FINANCIAL IMPACT**

This report does not have any specific budgetary or financial impacts. To the extent any actions are taken that would have a financial impact on project costs, those would be reflected in a future Board action.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This report and the recommended actions therein support Strategic Goal #1 - Provide high-quality mobility options that enable people to spend less time traveling.

### **NEXT STEPS**

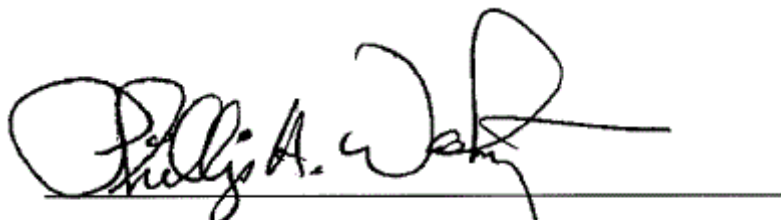
Conduct more research on the reasons for increased cost on rail projects and potential solutions. As appropriate implement recommendations as articulated in this report.

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