



Board Report

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REGULAR BOARD MEETING APRIL 28, 2022

SUBJECT: EASTSIDE TRANSIT CORRIDOR PHASE 2 PROJECT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the following updates on the Eastside Transit Corridor Phase 2 Project:

- A. Streamlining the Project's path forward on the National Environmental Policy Act (NEPA);
- B. Funding strategy for the Initial Operating Segments (IOS) and the full project to the City of Whittier; and
- C. Project delivery approaches and pre-construction activities.

ISSUE

At the February 2022 Board meeting, Metro staff provided an update on the Eastside Transit Corridor Phase 2 Project (Project), introducing the Initial Operating Segments and Preliminary Costs Estimates based on 15 percent conceptual engineering design. At this meeting, the Board requested a report back in April on the following:

- A. Innovative ways to help streamline the preconstruction-related work, including advancing engineering and utility-related work, among other strategies.
- B. Funding plans and assumptions for the two IOS alternatives being proposed; the plans should focus on a local funding strategy and a combined local and federal funding strategy.
- C. Strategies to streamline environmental review, including seeking a NEPA waiver, having NEPA authority delegated to the state, and seeking an abbreviated NEPA.
- D. An Alternative Delivery plan that will provide project schedule efficiencies which will reduce the overall preconstruction timeline.
- E. An accelerated project schedule for the two IOS alternatives and the entire project segment.
- F. Which specific grants and state and federal funding programs the Eastside Transit Corridor Project is applying for;
- G. The competitiveness and priority of this project in relation to our other Metro projects also in the pipeline for these opportunities;
- H. Any other Measure R and Measure M funding that might be available through future

- amendment or borrowing; and
- I. Any opportunities for low- and no-cost financing through federal or private sources. In addition to those four things, engage relevant municipal agencies and Community Based Organizations along the project corridor, as well as the Washington Boulevard Coalition, for their input and feedback on all strategies being considered.

BACKGROUND

In February 2019, the Board approved a motion that prioritized funding for four “pillar” fixed guideway projects: Eastside Transit Corridor Extension Phase 2, Green Line Extension to Torrance, Sepulveda Transit Corridor, and West Santa Ana Branch (WSAB) Transit Corridor.

At its February 27, 2020, meeting, the Board approved proceeding with a focused California Environmental Quality Act (CEQA) environmental study for the Eastside Transit Corridor Phase 2 Project, to include the Washington Alternative (Item #2020-0027). This was pre-pandemic and at the time the Project was primarily funded by state and local funds through Measures M and R. This CEQA-only strategy was adopted by the Board to accelerate and prioritize the Project for 2028.

At its April 14, 2021, meeting, the Board approved WSAB and Sepulveda Transit Corridor Projects as Metro’s priorities for pursuing New Starts grants from the Federal Transit Administration (FTA) Capital Investment Grants (CIG) Program. Given that the Board prioritized these two Metro projects for New Starts funding, the following sections describe a financial strategy for the Eastside Transit Corridor Project.

According to Measure M and Metro’s Long-Range Transportation Plan (LRTP) financial forecast, the Project has a \$3 billion (2015\$) allocation of Measure M and other local and state funding. Measure M funding becomes available in two cycles as follows:

Measure M Expenditure Plan (Initial Year of Funding)	Opening Year	LRTP Funding Allocation (2015\$)	Alignment
FY 2029	2035	\$3 billion	Washington
FY 2053	2057	\$3 billion	San Gabriel Valley Transit Feasibility Study (TBD)

A second funding cycle becomes available in 2053; since the SR 60 alternative was withdrawn in February 2020, a San Gabriel Valley Transit Feasibility Study currently is being prepared by the San Gabriel Valley Council of Governments (SGVCOG) to consider different solutions for both short- and long-term needs.

The Measure M allowance was based on early conceptual studies conducted in 2009 and 2014. The initial Washington Alternative did not include an underground segment. Instead, the project alignment was entirely above ground. In 2017, based on extensive technical analysis and community input, the 3-mile tunnel segment along Atlantic Boulevard was introduced to the project.

The Washington alignment is approximately 9 miles that travels south along Atlantic Boulevard in an underground segment between the current Metro L (Gold) Line terminus station at Pomona Boulevard/Atlantic Boulevard and the Citadel Outlets in Commerce. The route then proceeds east

along Washington Boulevard via aerial and at-grade configurations ending at Lambert Road in the city of Whittier. Proposed stations along this route that are being considered include:

- Relocated Atlantic/Pomona Boulevard station (design options)
- Atlantic/Whittier Boulevard station in East Los Angeles.
- Commerce/Citadel station in Commerce.
- Greenwood Avenue station in Montebello (design options)
- Rosemead Boulevard station in Pico Rivera.
- Norwalk Boulevard station serving unincorporated Los Nietos, Whittier, and Santa Fe Springs, and
- Lambert Road station in Whittier.

Two IOS options and preliminary cost estimates were introduced to the Board in February 2022 and are currently being evaluated in the Draft Environmental Impact Report (EIR). The two IOS options are as follows:

IOS-1 Commerce would extend the Metro L (Gold) Line approximately 3.2 miles from the current terminus at Atlantic Boulevard to an underground terminal station at the Commerce/Citadel station in the city of Commerce with connections to the Commerce Maintenance Storage Facility (MSF) site option.

IOS-2 Greenwood would extend the Metro L (Gold) Line approximately 4.6 miles east from the current terminus at Atlantic Boulevard to an aerial or at-grade terminal station at the Greenwood station in the city of Montebello.

Preliminary cost estimates are based on 15 percent design, are subject to change, and are as follows:

Preliminary Cost Estimate (15% design)	Range
Project	\$6.1B - \$6.5B
IOS -1 Commerce (Commerce MSF)	\$4.5B- \$5.0B
IOS - 2 Greenwood (Commerce or Montebello MSF)	\$5.1B- \$5.3B
(2021\$)	

DISCUSSION

Streamlining CEQA and NEPA

As mentioned previously, Metro Board authorized staff to proceed with CEQA only, consistent with the Board’s acceleration goals. As such, this approach has allowed the environmental clearance process to advance ahead of the Measure M timeline, as the Draft EIR is anticipated to be released in summer 2022. Although there are newly emerging prospects for federal funding, the CEQA process currently underway does not preclude the project entering the NEPA process later the Locally Preferred Alternative (LPA), tentatively scheduled in fall 2022. Having a clearly defined project, such as the LPA, may even be preferred by the FTA to streamline federal reviews.

Metro staff has initiated conversations with the FTA and will continue to engage with the agency to streamline the CEQA process to proceed concurrently while preparing the Draft Environmental Impact Statement (EIS) for NEPA clearance, at the appropriate time. Additionally, some analyses conducted for CEQA purposes now may serve to inform NEPA requirements later.

NEPA process by Delegating Authority to the State (NEPA Assignment)

When the timing is appropriate to pursue NEPA, one streamlining opportunity may be to pursue NEPA Assignment, a process by which the State is delegated authority to assume federal responsibility for transportation projects. This strategy may expedite the NEPA process by eliminating FTA or Federal Highway Administration’s (FHWA) reviews and approval. This process is regularly applied to highway projects for which State departments typically lead environmental clearances. However, as part of the State’s assumed NEPA responsibilities, the State typically would also serve as the lead agency for CEQA. Should this be applied to the Project, this change in CEQA lead agencies likely would delay the Project because the Metro-led Draft EIR is nearing completion already.

While this NEPA Assignment is not likely to yield a more efficient evaluation for the Project, Metro staff, however, will continue to explore the potential for NEPA Assignment for other Metro transportation projects.

Funding Strategy for the Two IOSs and Full Alignment to the City of Whittier

A funding plan for the Project was initially prepared based on the Measure M cost estimate of \$3 billion (2015\$) and was included in the 2020 LRTP. The funding available for the Project with inflation (year of expenditure dollars) is estimated at \$4.4 billion. This funding plan is comprised of local Measure M and Measure R sales tax designated for the Project, assumed (i.e., planned or yet-to-be-secured) State SB-1 grants, and federal funds specified for planning uses only.

2020 LRTP Funding Plan (as projected):

Uses	Amount
Total, Uses	\$3.0

Sources – Secured	Amount
Local (Sales Tax, 3% Contribution)	\$2.1
Sources – Yet-To-Be-Secured	
State (Cap/Trade, SB-1)	0.8
Federal (Planning funds)	0.0
Total, Sources	\$3.0

*Costs in 2015 dollars, in billions.
Construction FY29 – FY35.*

The most recent preliminary cost estimate for the IOS-1 Commerce is between \$4.5 billion to \$5.0 billion in 2021 dollars as shared with the Board in February. Funding for the cost increase may be available from new sources that have arisen or may arise in the future, and tradeoffs (i.e., transfer of

funds) from other projects and programs.

The Infrastructure Investment and Jobs Act (IIJA), also called the Bipartisan Infrastructure Law (BIL), was enacted in November 2021 and this provides additional federal funding for existing and new transportation grant programs that may be available to address the cost increase. Another significant, potential increase in funding is the Governor's proposed use of the state budget surplus that is designated for rail and transit. The transfer of existing local sales tax funds may also be required given the risk that the amount of funding needed cannot be met with federal and state grants. This can happen if grant awards are not successful or are less than requested.

IOS-1 Commerce

A funding plan for the IOS-1 Commerce is presented below assuming additional funding from the IIJA/BIL (\$1.0 billion in current dollars); potential funding from the state budget surplus and future State SB-1 grant cycles (\$1.0 billion in current dollars); and Measure M and Measure R sales tax allocated to the Project, transfers from other projects and programs in the respective Expenditure Plans, a higher 3% local agency contribution, and other Metro sales tax (\$2.5 billion in current dollars). The specific amounts and funding sources will be developed over time as the grants are made available and awarded and as the Project progresses. The cost will need to be escalated based on the year of construction and we will include this cost and required revenues in the draft environmental document when we return to the Board.

IOS-2 Greenwood

The IOS-2 Greenwood has an estimated cost of \$5.1 billion to \$5.3 billion in 2021 dollars. The proposed additional funding sources are similar to those identified for the IOS-1 Commerce and would include additional funding from the IIJA/BIL, new state funding, transfers from other Measure M and or Measure R projects and a higher 3% local agency contribution. The cost will need to be escalated based on the year of construction and will be included in the draft environmental document.

A funding plan for the Full Project is also provided. Similar to those for each of the two IOSs, this plan assumes significant amounts of new federal and state funding, and transfers from other Metro subregional projects. Each of the funding plans in the following table are for the low-end cost estimate and are segregated by secured (i.e., in-hand) and yet-to-be-secured funding sources.

Funding Strategy for IOS-1, IOS-2, and Full Project to the City of Whittier

Uses	IOS-1 Commerce	IOS-2 Greenwood	Full Project
Total, Uses	\$4.5	\$5.1	\$6.1

Sources – Secured	Amount	Amount	Amount
Local (Sales Tax, 3% Contribution)	\$2.4	\$2.4	\$2.4

Sources – Yet-To-Be-Secured	Amount	Amount	Amount
Local (Sales Tax, 3% Contribution)	0.1	0.2	0.4
State (Cap/Trade, SB-1, Surplus)	1.0	1.3	1.6
Federal (IIJA/BIL)	1.0	1.2	1.7
Total, Sources	\$4.5	\$5.1	\$6.1

*Costs in 2021 dollars, in billions.
Construction FY29 – FY35.*

Grant Funding Programs

The specific federal grant programs for which this Project is eligible include the Capital Investment Grants (New Starts, Expedited Project Delivery), National Infrastructure Project Assistance “megaproject” (MEGA), and programs that fund freight-related improvements.

The Project may also seek funding from state programs including the SB-1 Transit and Intercity Rail Capital Program (TIRCP), also known as Cap-and-Trade, Solutions for Congested Corridors, and Local Partnership Program. Each of these programs are funded with ongoing, annual funding amounts and are expected to have regular, future grant cycles for which Metro can apply.

The planned SB-1 grants for the Project are estimated to be near the maximum that can be expected given the forecasted future funding levels statewide and assumed proportional allocation to Metro. The funding plan relies on the expectation that the state budget surplus will result in additional transit funding, either through existing programs like TIRCP, or the creation of a new \$2 billion statewide Transit and Rail and a \$1.25 billion Southern California Transit and Rail program.

Grant Competitiveness

The Project is eligible for Capital Investment Grants (CIGs), subject to federal environmental clearance, as it is an extension to a fixed guideway system. However, the Project would compete for limited funding with other Metro and rail projects nationwide. Metro previously identified (April 2021) the WSAB and Sepulveda Transit Corridor as priorities for the CIG program. Since then, CIG funding was increased by almost twofold through the enactment of IIJA/BIL in November 2021. This provides additional CIG funding for the Eastside Transit Corridor Project and other Metro rail projects.

The federal New Starts grant, which is one type of grant in the CIG program, requires minimum ratings per the authorizing statute. The Project must have at least a “medium” overall rating. As part of Metro’s CIG assessment in April 2021, Metro staff and consultants have assessed the Project and estimate a “medium” project justification rating for the full alignment to the City of Whittier. Assuming this is the ultimate FTA rating for the IOS or full alignment, the Project would also need a financial capacity assessment rating of at least a “medium.” To achieve this rating, Metro must demonstrate that it can fund the construction and operation of both the Project and the entire planned transit system. The financial capacity assessment ratings will be stressed by the higher updated Metro cost estimates for the Project and other Metro projects.

The Project may also qualify for new MEGA and freight-related federal grants given the eligibility criteria for these grants. The criteria are somewhat similar to the New Starts ratings, where rating factors include safety, ability to maintain a state of good repair, economic impacts, environmental impact, quality of life, and project readiness (including financial completeness).

Measure M/R Tradeoffs

Additional local funds may be available from an increase in the three percent (3%) local agency contribution that is required by the Measure M and Measure R Ordinances (due to the higher project cost), and value capture, should the cities along the Project corridor choose to implement this. Metro staff intends to work with the cities to implement value capture financings to help fund the Project, but the ultimate success of value capture and the amount made available for the Project is unknown and uncertain. The local sources may require additional funding and would benefit from a reallocation of programmed funding and/or an Ordinance amendment to transfer funds from other projects and programs in the related Gateway Cities subregion.

The Subregional Equity Program is a “multi-year subregional program” in the Measure M Expenditure Plan that is currently available beginning in 2043. It may be possible to accelerate a portion of this program to fund the Project, though it is important to note that acceleration of funds would carry a cost to borrow from future revenues. Another option to advancing funds is to transfer funds through a “decennial transfer” (every 10 years) from subregional programs such as highways.

Low and No-Cost Financing

Metro continues to maintain debt capacity to qualify for most forms of subsidized financing. Access to low-cost financing does not, in and of itself, provide additional funding to address a cost increase/funding shortfall. Metro has access to low-cost TIFIA and Railroad Rehabilitation & Improvement Financing (RRIF) federal loan programs and will likely compare the pros and cons and financing terms to direct Metro tax-exempt borrowing as the need for financing arises. Other forms of borrowing that may be considered are private activity bonds, where lower cost tax-exempt financing is available for a private use (such as a real property development), and private financing by a transit project developer, who may rely on similar low-cost financing vehicles (such as TIFIA, private activity). In any event, Metro’s borrowing capacity will be restricted by the amount of the repayment source (e.g., Measure M amounts), and the low-cost interest rates or no-cost financing may not significantly increase the amount available for construction.

Advanced Engineering and Preconstruction activities

Planning staff and the consultant teams will continue coordinating with Program Management to determine the appropriate project delivery method. Understanding the project risks such as costs, schedule, utility conflicts and relocations, the right-of-way of acquisition, and permitting/construction requirements with third-party agencies are critical for the next steps that lead to construction. Engineering activities that could be completed in the next fiscal year to reduce risks and advance the project into alternative project delivery include further geotechnical and utility investigation and exploration and refining and confirming project scope design elements. Staff could also begin third-party coordination with agencies and utility owners where appropriate. Additionally, the team will continue studying various project delivery methods and phasing in conjunction with the federal risk register.

Alternative Project Delivery

Metro continues to explore alternative delivery methods to better manage risk, cost, and schedule in delivering our major transportation infrastructure projects. For instance, the Construction Manager/General Contractor (CM/GC) method has been selected to deliver the Link US and I-105 Expresslanes projects, and Progressive Design Build (PDB) has been selected to deliver the G-Line BRT Improvements and East San Fernando Valley LRT projects. Both these delivery methods are qualifications-based, open books negotiated methods that select contractor teams most qualified to design and build the project, encourage early involvement of the industry during project definition, and allocate project risks to the party best suited to manage those risks. Although not necessarily a panacea for lowering project costs, these alternative delivery methods may certainly provide schedule efficiencies and may provide greater predictability with regards to cost, schedule, and risk of these complex transportation projects.

With regard to the Eastside Transit Corridor Phase 2 project, Planning and Program Management staff are currently undertaking our Project Delivery Selection Process, which is an internal systematic process designed for project teams to analyze the various delivery methods in conjunction with the specific project traits and make a recommendation for approval of the delivery method prior to contract planning and development. These studies are currently underway and it is likely that the delivery method for this project will be recommended in summer 2022.

EQUITY PLATFORM

The project and the IOSs aim to provide a more reliable and high-quality transit alternative to the communities of eastern Los Angeles County that will help solve the mobility challenges and needs of the area's residents and businesses. There are 119,759 persons living in the census tracts that are within 0.5 miles of the stations along the alignment. Of those persons, 49 percent report as people of color and 51 percent report as White only (non-Hispanic or Latino) according to the 2015-2019 ACS 5-Year population estimates. In addition, 34 percent of the total population is either a student (21 percent) or senior (13 percent). The Project includes six (6) Equity Focused Communities (EFC) while the IOSs has two (2) to three (3) EFCs depending on the IOS. Both IOS will serve and benefit the East Los Angeles Community and the cities of Commerce and Montebello depending on the IOS. Around 9 percent of people are transit-dependent and 16.4 percent below the poverty level. The median household income is \$59,420 annually and the average household size is 3.6 persons per household.

Environmental and temporary construction impacts are being evaluated in the Draft EIR. Community meetings were conducted in March to inform the public of the proposed project's IOS and general construction activities. The project team worked closely with eight (8) local CBOs to share meeting presentations in a draft form to gather input from the CBOs to shape the messaging and communication approach favorable to the community. As a result of this partnership, we have simplified the language in all our meeting materials, included bilingual PowerPoint (PPT) presentations rather than having a separate PPT, easier to understand design drawings and more importantly, remind the public of the project goals that align with the values our partnership developed. For these community meetings, the CBOs participated in extended outreach such as email distribution, newsletter announcements, podcast advertisement, and co-hosting at pop-ups. This partnership has become very valuable due to the CBOs' insight on the community's concerns

and perspectives.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Project supports the goals outlined in the Metro Vision 2028 Strategic Plan. More specifically, the Project supports Goal #3 - *Enhance Communities through Mobility and Enhanced Access to Opportunity*, as it will connect communities to the regional Metro rail network, which will expand access to jobs, major activity centers, including educational and medical institutions, and recreational opportunities within the Project area and across the Los Angeles region.

NEXT STEPS

Planning staff may seek Board authorization to update the professional services contracts for environmental, engineering and outreach services to proceed with the strategies outlined in this report. Staff will continue to coordinate with the Washington Coalition as the project reached key milestones.

ATTACHMENTS

Attachment A - Eastside Transit Corridor Phase 2 map

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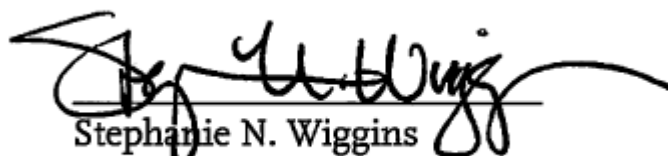
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