



Board Report

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Agenda Number:

OPERATIONS, SAFETY AND CUSTOMER EXPERIENCE COMMITTEE APRIL 20, 2023

SUBJECT: CENTER FOR TRANSPORTATION EXCELLENCE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the Center for Transportation Excellence.

ISSUE

Since 2018, Metro has sought to identify a suitable location within Los Angeles County for a vehicle testing and manufacturing facility, referred to as the Center for Transportation Excellence (Center). Following extensive stakeholder input regarding the priority components of such a facility, a review of best practices, and a vetting of potential sites, Metro has identified property owned by the Los Angeles World Airports (LAWA) in Palmdale, as a viable site for the proposed center. This Report provides a status on the work that has been conducted and the next steps in developing the Center.

BACKGROUND

Following the passage of Measures R and M, Metro's capital and fleet program has expanded extensively. Despite efforts to double the mileage of rail infrastructure and significantly reformulate buses to support the agency's zero emission goals, Metro's delivery of rail transit vehicles and corresponding infrastructure expansion are impacted by limitations. The negative impacts include limited access to vehicle and system level testing opportunities, a skilled and trained workforce, qualified vendors, and suitable research and development facilities. This has impacted schedules for Metro's projects and put future projects and new vehicle deployments at risk for delays. As Metro incorporates new technologies such as zero emission busses and new rail vehicles, a local off-site location for testing would facilitate efficiencies and reduce risk in program delivery.

While this type of Center is of specific interest to Metro, there is also a broader demand from other transit agencies, particularly in the Western United States, where nearly 13,000 rail cars and 16,000 buses are expected to be procured over the next 20 years.

Metro anticipates that vehicle manufacturers would be motivated to co-locate manufacturing facilities in close proximity to the Center. This would support both Metro and the federal government's goal to reestablish domestic transportation vehicle manufacturing, in alignment with the Buy America Policy.

DISCUSSION

Facility Components

Consistent with the objectives identified above, the highest priority components for the Center include a test track (which could sustain speeds of 85 mph) and vehicle commissioning facilities, including an advanced dynamometer for electric vehicles, testing for microgrids and vehicle-grid integration, climate rooms for rail and bus HVAC testing, and space for vehicle manufacturers to make refinements to the fleet based on the testing that was conducted. In addition, the Center would include space for research, development, and training.

In order to site all of the above requirements, Metro has sought to identify a property that could be developed in two phases. Phase 1 would include an approximately 7-mile rail loop and approximately 500,000 square feet of testing facilities (comprised of separate facilities for light rail, heavy rail, and bus testing, the commissioning facilities identified above, warehouse space, and office space). Phase 2 would accommodate approximately 1,500,000 square feet of manufacturing facilities (comprised of separate facilities for light rail, heavy rail and buses inclusive of assembly bays, warehouse space, office space, and assembly tracks).

Project Benefits

Initial estimates suggest that the completion of both phases of development could generate an estimated \$11.5 billion in economic return/impact, including \$6.67 billion in retail and wholesale sales over the first ten years, and create 114,310 direct and indirectly-generated jobs.

By incubating the industry and developing a workforce trained to build, maintain, and operate the advanced transportation equipment of the future, the Center will also contribute to advancements in the areas of interest in the energy and infrastructure sectors. Anticipated improvements include energy management, energy storage, and grid technology. It also could promote the growth of industries in areas such as battery technology, data communications, and automation.

Site Identification Process

Based on the above-mentioned criteria, Metro did a countywide search of available property. In partnership with the County of Los Angeles and the Cities of Palmdale and Lancaster, numerous properties were identified in the northern portion of the County. Parcels were evaluated based on size, access to rail corridors, zoning, existing infrastructure, proximity to vocational institutions/labor supply, proximity to public transportation, and whether it was located in a Metro Equity Focus Community (EFC).

Of eight sites evaluated, only two met the criteria for being large enough to accommodate light, and heavy rail vehicle testing, which requires an approximately 7-mile track to sustain speeds of at least 85 miles per hour. Both of those sites were owned by LAWA, as part of their Palmdale Airport land holdings.

During further discussions, LAWA personnel clarified that only one site, located in the eastern section of their property (LAWA3E), was available (see Attachment A). The site is approximately 8.6 square

miles and spans both the City of Palmdale and unincorporated County of Los Angeles. The fact that there are no built improvements on the site, it is owned by one public property owner, it is located in close proximity to the proposed High Desert Corridor and the Palmdale Metrolink station, and within an EFC, all contribute to its potential suitability. Additionally, Los Angeles County is home to one of the largest relevantly skilled labor forces in the nation. The Antelope Valley specifically has a high concentration of skilled labor for manufacturing, with its concentration of several aerospace and other high-technology manufacturing and logistics operations.

Due Diligence on LAWA 3E Site

Staff completed further due diligence on the LAWA3E site. This included a preliminary land use analysis, environmental assessment, and the feasibility of providing utility services to the site. Additionally,, staff created a preliminary layout for the Center that would include improvements required for the envisioned two-phase development, as described above.

Given that the site is located between two Sensitive Ecological Areas, it is anticipated that a comprehensive biological review would be required to further assess any mitigations or requirements that could impact the feasibility of development.

In early March 2023, Metro engaged a biologist to conduct a preliminary survey of the site and confirm that the entire project site is undeveloped with varying degrees of disturbance. The site contains areas of saltbush scrub with some salt cedar shrubs, areas of Mohave creosote bush scrub, and some areas that have been cleared or are otherwise disturbed/impacted. While Joshua trees are present on this site, they were not identified at a proliferation that would make development infeasible. The biologist's due-diligence assessment also identified low to moderate-quality suitable habitat for special-status plant and wildlife species, including desert tortoise, Mohave ground squirrel, Swainson's hawk, Crotch's bumblebee, burrowing owl, sensitive plants, and nesting native birds. Given these initial findings, additional surveys are required, and if any sensitive plant or wildlife species are observed during these surveys, additional consultation with regulatory agencies will likely be required. As many of these surveys must be done during the Spring season, Metro is investigating the feasibility of completing these surveys over the next few months.

In addition to the land use considerations, it should be noted that the City of Los Angeles' Charter only authorizes LAWA to enter into leases that will not exceed a 50-year term. LAWA would also need to confirm the process for leasing the site, and if Federal Aviation Administration (FAA) approval will be needed to lease the site for this purpose. Staff is still evaluating whether the 50-year lease limitation will significantly impact Metro's ability to secure funding to construct and operate the Project.

FUNDING

An initial rough order of magnitude cost to construct Phase 1 is estimated at \$1.4-1.65 billion (FY23 dollars).

Staff has initiated advocacy strategies to engage state and federal officials and agencies regarding funding opportunities to support the construction of the Center, including potential appropriations for planning purposes.

On August 9, 2022, President Biden signed into law the CHIPS and Science Act (P.L. 117-167). Consistent with Metro's Board-approved Federal Legislative - Metro's Government Relations Department worked with the Los Angeles County Congressional Delegation to ensure that provisions of this bill could potentially benefit the Center. Specifically, the CHIPS and Science Act authorizes the United States Department of Commerce to designate geographically distributed regional technology and innovation hubs and award strategy development and implementation grants to eligible consortia. Tech Hubs will focus on technology development, job creation, entrepreneurial development, and expanding U.S. innovation capacity. Of the \$10 billion authorized for the Tech Hubs program from the Federal fiscal year 2023 through the Federal fiscal year 2027, \$500 million has been encumbered by the Economic Development Administration (EDA) for this purpose. On March 16, 2023, the CEO submitted a response to the EDA's Request for Information to advocate for alignment of future funding solicitations with the Center's goals, objectives, and scope. Metro has also raised our interest in establishing this Center with key federal stakeholders on Capitol Hill and within the Executive Branch - including but not limited to - senior officials at the U.S. Department of Commerce.

EQUITY PLATFORM

The proposed Center's development and operation would not only further efforts to expedite the delivery of transit technology and solutions that would benefit low-income and disadvantaged riders but, specifically, create workforce and economic opportunities in an area of the County that could benefit from additional investment. This is relevant given that as of February 2023, Palmdale and Lancaster have unemployment rates of 7.3%, respectively, compared to Los Angeles County's rate of 5.3%, reflecting the need for additional workforce development and job opportunities. The site is currently undeveloped, and therefore no residences or businesses would be displaced from this development. Any potential impacts on the surrounding community from construction are anticipated to be investigated during the environmental review process.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports Strategic Plan Goal #4: Transform LA County through regional collaboration and national leadership.

NEXT STEPS

Staff will engage the County of Los Angeles and LAWA and the surrounding local jurisdictions to discuss necessary partnerships, site control strategies, and governing models to advance the project. In coordination with these partners, staff will utilize the services of an economic advisor to develop a financial feasibility analysis and a subsequent financing plan that layers multiple public and private sources.

Based on the due diligence completed to date, staff believes it is appropriate to continue planning activities associated with siting the Center at LAWA3E, including further developing a conceptual budget, entitlement, and environmental clearance strategy. Specifically, staff plans to continue vetting the site from an environmental perspective by conducting various surveys of sensitive biological species, which must be conducted during the spring season. Staff will also continue to engage

industry stakeholders to build support for the project, including consulting with Los Angeles Economic Development Corporation (LAEDC) to prepare an economic impact study for the Center.

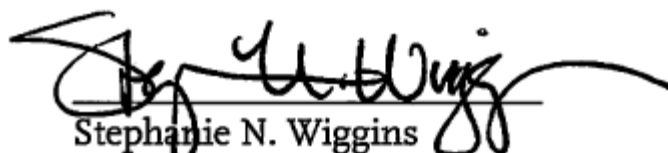
Lastly, staff will pursue funding opportunities, including appropriations as part of the State and Federal FY 23 budgets to support planning activities.

ATTACHMENTS

Attachment A - Center for Transportation Excellence Preliminary Site Plan

Prepared by: Jesus Montes, Sr. Executive Officer, Vehicle Engineering & Acquisition,
(213) 418-3278

Reviewed by: Conan Cheung, Chief Operations Officer, (213) 418-3034



Stephanie N. Wiggins
Chief Executive Officer