



## Board Report

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**File #:** 2019-0506, **File Type:** Motion / Motion Response

**Agenda Number:** 8.

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**PLANNING AND PROGRAMMING COMMITTEE  
JULY 17, 2019**

**SUBJECT: VERMONT TRANSIT CORRIDOR**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE response to Motion 16.1 (File #: 2019-0259, Attachment A), regarding the Vermont Transit Corridor.

**ISSUE**

In April 2019, the Metro Board approved a Motion by Directors Garcetti, Dupont-Walker, Hahn, Solis, and Butts regarding the Vermont Transit Corridor. The Motion directed staff to advance technically feasible rail concepts through the environmental review process and undertaking a feasibility study of extending the Vermont Transit Corridor to the South Bay Silver Line Pacific Coast Highway Station, if additional funding materializes.

The Motion also directed staff to report back with a "...Public Private Partnership business case approach for each Minimum Operable Segment". Staff's understanding of the intent of reporting back on the Public Private Partnership (P3) Business Case was to understand how a substantially more robust transit facility with tunneling and potentially rail could be made financially feasible considering the funding limitations of the Measure M Expenditure Plan.

**DISCUSSION**

As a project progresses through its initial phases of definition and development, various tools can be utilized to help inform the feasibility of various project alternatives and the associated benefits. With respect to the Vermont Transit Corridor, considering the variety of modes, configurations, and alignments under consideration, these tools can provide important information regarding all options for how best to serve this critical transit corridor.

Collectively, the findings of the types of analysis undertaken can inform a Business Case for a particular project delivery approach. Such tools can include both qualitative and quantitative analysis of the project itself, assessment of the risks and opportunities of delivery and long-term operation of the project, examination of various approaches to construction schedules and phasing, and the range of potential funding and financing options, including revenue sources that are external to Metro.

Each of the various types of analysis that could be conducted would require project data inputs based on a project scope that has been defined to an appropriate level. This could include definition of modes, alignments, the number of stations and location of terminals, location and size of potential maintenance facilities, service levels (frequency and passenger capacity), maintenance and state-of-good-repair expectations, and revenue service date, among other project characteristics. This information is made available through reports provided by Metro's project consultants through feasibility assessments, environmental study, and preliminary engineering.

As the project proceeds through the planning and development process and various project alternatives are defined, Metro staff will carry out the following analysis, as appropriate, based on the level of project definition.

1. Qualitative Delivery Options Analysis: Upon initial definition of various scope alternatives high-level qualitative assessment would be undertaken to determine if and how a various delivery models, including a Public Private Partnership, may benefit a project.
2. Value Capture Analysis: After initial screening of various scope alternatives, a financial assessment of the corridor would be undertaken to understand how the project might be linked with forecast development trends and whether value capture from commercial and residential real estate might be a source of ancillary revenues.
3. P3 Market Sounding and Industry Engagement: If a P3 delivery model is determined of offer potential value, interviews with P3 industry participants would be undertaken to better understand the market's interest in the project, as well as various private sector views about opportunities and risks associated with its delivery. Market soundings require that a specific mode and alignment has been determined. In addition to evaluating market interest in delivering the project through a P3 as a technologically-enhanced Bus Rapid Transit corridor, as suggested in an Unsolicited Proposal, staff will continue to engage the private sector regarding opportunities to enhance the feasibility of all project options under consideration, as well as opportunities to bring new ancillary revenues to the project beyond supplementary grant funding sources.
4. Strategic Funding and Financing Assessment: Once various scope alternatives are better defined, an assessment of the range of funding and financing strategies would be compiled and assessed for their potential to enhance the feasibility of various project alternatives. This could include additional state and federal grants, as well as government-supported financing tools. The likely affordability of a project would be assessed across a number of dimensions, including capital construction cost, annual debt service cost or estimated availability payments, operation and maintenance costs, and overall financing capacity. These findings can help to guide Metro's approach to selecting the most feasible alternatives.
5. Value for Money Assessment: Central to a P3 Business Case is a Value for Money (VfM) analysis, which compares the risk-adjusted cost of the project under different delivery models on a net present value basis to determine which delivery model is likely to generate the most value per dollar of public investment over the full life of the project (generally a ~30 year period). VfM analysis is time and resource intensive and requires fully developed raw costs for a single project alternative to provide useful insights. Staff would undertake this analysis after potential P3 value has been identified qualitatively and the planning process has

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advanced a project concept to a design level where reliable and detailed cost estimates for the projects full lifecycle can be developed.

As noted above, the private sector has expressed interest through the Unsolicited Proposal process in delivering the Vermont Transit Corridor as a technology-enhanced BRT through a P3, based on the scope defined in the Vermont BRT Corridor Technical Study completed in 2017. A Phase II analysis of this unsolicited proposal is underway.

Additional project development activities are needed at this point to continue to refine the range of project options, and information regarding their implementation, through feasibility analysis associated with the environmental process. At the same time, robust community outreach and engagement will continue in the corridor in order to complete all the work needed to identify and validate the appropriate scope and delivery method for this project.

### **DETERMINATION OF SAFETY IMPACT**

This Board action will not have an impact on established safety standards for Metro's capital projects.

### **FINANCIAL IMPACT**

For each of the various activities undertaken for this project, the Office of Extraordinary Innovation (OEI) would work with the project team in the Countywide Planning and Development Department to allocate resources and costs for any subsequent business case development activities in the appropriate fiscal year budgets. Such activities would likely be supported by contractors from Metro's P3 Financial Advisory Bench Contract or Planning Bench Contract, and any task orders for such work would be approved by Metro's Board of Directors or CEO based on the size of the contract award.

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

The recommendations support the following Metro Vision 2028 Strategic Plan Goals:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling.
- Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **ALTERNATIVES CONSIDERED**

Staff could convene and begin the process of conducting Business Case analysis prior to initial scope definition. This approach is not recommended because without some level of conceptual project definition, the analysis would not produce meaningful insights and would not be an efficient use of time and resources. Staff could wait until the project definition has been finalized. This is also not recommended because various alternatives might be eliminated without more thorough consideration.

### **NEXT STEPS**

The next step for this project is the initiation of the feasibility analysis, which staff plans to be

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underway by early 2020, and expect should take approximately 12 months. The Vermont Transit Corridor Project Team will proceed with procuring consultant services to support the next phase of environmental review of feasible alternatives for the project, including technically feasible rail alternatives as outlined in Motion 16, as amended by Motion16.1.

When an appropriate level of detail has been developed for alternatives, staff will determine undertake the appropriate level and type of Business Case assessment that would provide reliable and useful insights into enhancing project feasibility and report back to the Board accordingly.

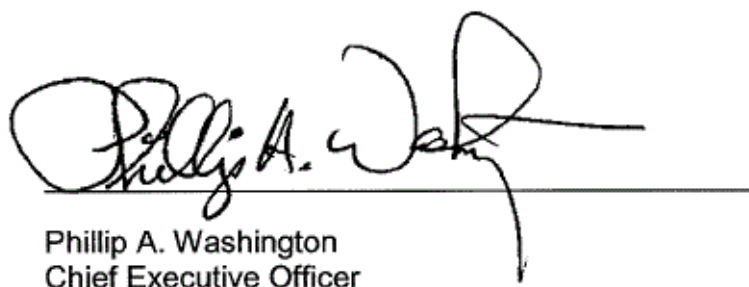
### **ATTACHMENTS**

Attachment A - Motions 16 and 16.1

Attachment B - Vermont TC Board Report

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