

**Board Report**

File #: 2021-0531, **File Type:** Agreement**Agenda Number:** 10.

**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 15, 2021****SUBJECT: ALAMEDA CORRIDOR-EAST (ACE) PROJECT MEASURE R WORKING CAPITAL
LOAN RESTRUCTURING****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) or their designee to negotiate and execute a project amendment to the ACE Measure R Master Funding Agreement which will restructure the associated working capital loan by extending the loan term an additional three years and restructure the loan maturity terms to allow for adjustment based on a percentage of the outstanding loan balance, thereby allowing for additional pre-payments.

ISSUE

Metro and the San Gabriel Valley Council of Governments (SGVCOG) entered into a Measure R Master Funding Agreement on June 14, 2013. The Master Funding Agreement included a working capital loan in the amount of \$45,000,000. The SGVCOG has partially repaid \$15,000,000 toward the working capital loan, which was granted under a Measure R Master Funding Agreement with Metro. The SGVCOG has requested a restructuring of the loan terms and conditions (Attachment A) as Metro continues to support the delivery of the Alameda Corridor-East Grade Separation Phase II projects (ACE Project).

Under the existing agreement, payment of the outstanding balance of the working capital loan is due on the earlier of ten years (the "Initial Term") or the date in which Metro's outstanding Measure R fund obligation falls below \$75,000,000 (the "Early Trigger"). Based on a partial repayment of \$15,000,000 out of the total original loan amount of \$45,000,000, staff recommends extending the Initial Term by three additional years and adjusting the Early Trigger to reflect the \$15,000,000 partial payment and any additional future principal payment. The Early Trigger will be equal to five-thirds (5/3) of the current outstanding loan balance.

BACKGROUND

The SGVCOG established the Alameda Corridor-East (ACE) Construction Authority in 1998 to provide direction and oversight of the ACE Project, a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic

on over 70 miles of mainline railroad in the San Gabriel Valley. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

These projects are located within various San Gabriel Valley cities, primarily in the City of Industry, Diamond Bar, El Monte, Montebello, Pico Rivera and Pomona. Since then, Metro continues to support the SGVCOG in delivering the ACE Project through several commitments funded through LA County's sales tax measures.

In June 2013, Metro entered into a funding agreement with the SGVCOG to authorize Metro's Measure R contribution to the ACE Project. The agreement included a working capital loan to support the SGVCOG's cash flow needs during the project delivery.

The maximum loan amount of \$45,000,000 is counted towards the maximum Metro contribution of \$358,000,000 under the Master Funding Agreement, and is not intended to exceed the maximum Metro contribution amount outlined in Measure R.

Through the addendum No.3, dated on March 25, 2021, \$282,500,000 of Measure R funds has been authorized. The remaining balance under the Master Funding Agreement is \$75,500,000.

With the success of completing the Puente Avenue Grade Separation project, three projects presently under construction (Durfee Avenue, Fairway Drive, and Fullerton Road Grade Separation projects), the Turnbull Canyon Road Grade Separation project in construction contract award, three projects in final design (Montebello Corridor Grade Separation, Montebello At-Grade Crossing Improvements, and Pomona At-Grade Safety Improvements) and the Maple Avenue Overcrossing Safety Improvement project in right-of-way phase, the SGVCOG has determined that its cash flow needs have reduced.

The Master Funding Agreement presently stipulates that the loan repayment would be triggered either at ten (10) years from the time that the working capital loan commenced, or when Metro's outstanding obligation is at its last \$75,000,000. Based on a partial repayment of \$15,000,000 out of \$45,000,000, the SGVCOG requested that the Initial Term be extended by three additional years and the Early Trigger be adjusted accordingly to reflect the partial repayment and any future partial payments.

DISCUSSION

Since its inception in 1998, the SGVCOG's Alameda Corridor-East Project has successfully implemented and delivered construction projects to mitigate vehicle delays and collisions at at-grade rail-highway crossings to address community concerns over safety, noise, air quality, and emergency vehicle access.

The SGVCOG has delivered 12 grade separation projects to date; eight projects are currently active. These completed projects have eliminated at-grade crossings and improved traveler safety throughout the San Gabriel Valley where Union Pacific's freight mainlines move containerized cargo through several communities. These projects strongly support Metro's Agency Strategic Goal as they eliminate vehicle delays at at-grade crossings caused by the movement of freight trains and improve

quality of life for the surrounding communities by improving safety, offering easier access and connectivity to communities that were previously separated by both rail tracks and roadways, and eliminating noise impacts and tailpipe emissions from idling vehicles at such crossings.

Implementation of ACE grade separation projects also improves safety and travel speeds for commuter rail service like Metrolink that operates on the Union Pacific shared use freight rail corridor, thus encouraging modal shift from long distance single occupancy vehicle commutes to rail transit while reducing disparities for adjacent communities caused by collisions, congestion, air pollution, and noise associated with the movement of freight trains across local highways.

DETERMINATION OF SAFETY IMPACT

This Board action will further Metro's commitment to improving safety in the San Gabriel Valley by reducing collisions between freight rail and passenger vehicles at busy at-grade rail/highway crossings.

FINANCIAL IMPACT

FY22 budget includes \$59,000,000 for this project under cost center 0441 (Subsidies to Others), project number 460307 (Phase II ACE Grade Separation). Adopting the Board action would result in restructuring the working capital loan terms and conditions outlined in the Master Funding Agreement. The Initial Term will be extended by three additional years, and the Early Trigger will be adjusted to reflect the \$15,000,000 partial payment and any additional future principal payment. The Early Trigger will be equal to five thirds (5/3) the current outstanding loan balance.

Impact to Budget

The source of funds is Measure R Highway Capital 20%, which is not eligible for bus and rail operating and capital expenditures.

EQUITY PLATFORM

The SGVCOG established the ACE Project in response to growing community concerns over rapidly increasing rail freight volume as Ports of Long Beach, and Los Angeles solidified their positions as the preferred ports of entry to serve America's surging demand for imported goods.

As described in Attachment B, the ACE Project community outreach efforts have consistently sought to incorporate community concerns and input in the design of the specific improvement projects. The SGVCOG conducts extensive community engagement meetings once project design reaches the 65% level with renderings, property take and easement maps, and detour routes that provide sufficient details to allow meaningful community input. The SGVCOG ensures that translators are on hand at such meetings to provide input in English, Spanish, and Chinese languages.

This extensive community engagement seeks to establish informed opportunities for surrounding communities to shape each of the ACE projects so that the completed projects meet the communities' needs and desires. These projects enhanced safety for vulnerable roadway users by

incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

Majority of the ACE Project elements are located in either disadvantaged communities as defined by the CalEnviroScreen or Metro's Equity Focus Communities (EFCs). The Board action will not eliminate any funding for projects or portions of planned or proposed projects for EFCs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (1) Provide high-quality mobility options that enable people to spend less time traveling and (3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as the current terms and conditions outlined in the Master Agreement would continue withholding the last remaining \$75,000,000 of Measure R funds to be used for the ACE Project delivery. This would hinder Metro's commitment to supporting the completion of the ACE Project.

NEXT STEPS

Upon Board approval, staff will execute an addendum to restructure the working capital loan terms and conditions to reflect the recent partial repayment.

ATTACHMENTS

Attachment A - SGVCOG Letter on Partial Loan Repayment and Request
Attachment B - ACE Project Equity Outreach Process

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