

High Desert Corridor
Joint Powers Authority

October 11, 2017

Meeting Materials

Item 5

Presentation from Transportation Solutions on Status of Project
and State and Federal Update

Briefing to HDC JPA Board of Directors

by the
High Desert Corridor Joint Powers Authority
Transportation Solutions
October 11, 2017





Green Energy



Findings

1. Solar energy for net-zero corridor

- An estimate of 20MW should provide enough energy to offset total estimated energy usage of the HDC
- ~50 acres will be needed for the 20MW
- Additional MWs beyond the 20, will create an ancillary revenue stream that can help fund the project
- A long, narrow solar project should not be pursued

2. Market has an appetite to work with HDCJPA

- Interviews with stakeholders indicate interest
- Coordination with local jurisdictions is important for planning
- Transmission line opportunity has financial impacts to project



Next Steps

1. Complete transmission line study

- Will provide a yes/no answer on future transmission development for project area
- Will identify additional grid stability benefits
- Will provide recommendations on potential procurement options
- Will provide a recommendation on how to proceed

2. Conduct an industry forum and release a green energy RFI

- Will not commit JPA to building project
- Will provide JPA options in revenue upside and risk transfer
- Will provide guidance on best project structure for JPA



Regional and Land Use Considerations



Findings

- 1. HDC is a large part of existing land use plans, coordination amongst stakeholders is key**
 - Several local land use plans recently completed or underway
 - Local staff are working on zoning that will impact the HDC
- 2. Greenfield nature of project provides opportunities for innovation**
 - Considerations for commercial freight, autonomous vehicles, drones, charging stations, battery storage, and other forms of cutting-edge transit and energy technology



Next Steps

- 1. EIFD study can be conducted to identify potential tax increment financing opportunity**
 - Hone in on costs for the project
 - Identify what upside exists with an EIFD
 - Proposed structure
- 2. Continued work on innovative opportunities and state and local planning**
 - Potential for partnerships, grant opportunities, insertion into other statewide planning documents
 - Diligent consideration during the final design & construction phase of the project can support regional goals





Reality Check

- Delivering a major *transformational* transportation infrastructure project is filled with significant challenges
- This project is no exception



What are the elements of a successful project

- A clear need
- Public entity/jurisdictional cooperation
- Environmental work completed
- Investment grade ridership and revenue study
- Right of Way (ROW) identified and preserved
- Financial plan to cover estimated costs
- Widespread public support



The Scale of the Existing Market for Travel to Las Vegas

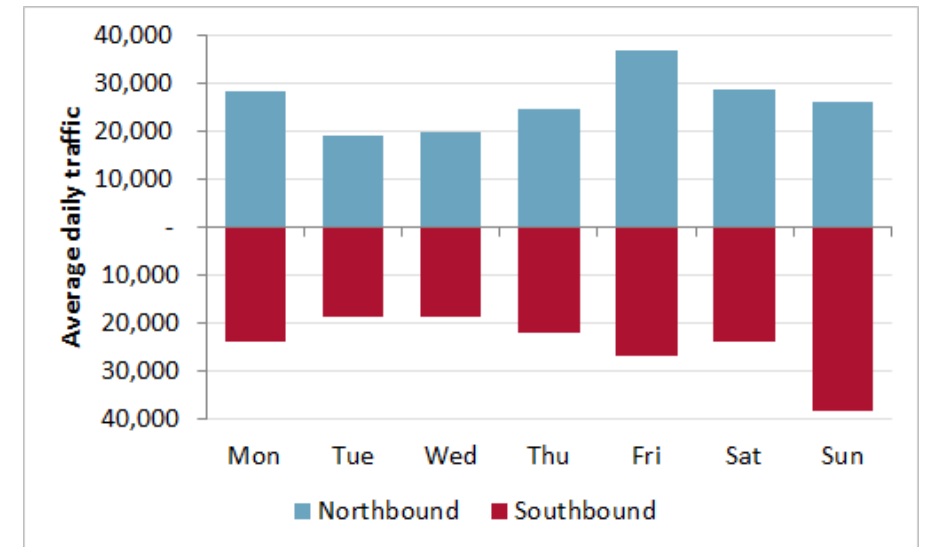
- Las Vegas attracted over 42.9 million visitors in 2016
- Californian residents approximate 29% of all visitors
 - Of these, 80-85% reside in Southern California
- Many international visitors to Las Vegas also arrive via California
 - 75% of international visitors don't fly directly to Las Vegas





The Existing Travel Options

- 90% of visitors from Southern California travel to Las Vegas by road
 - Uncongested drive time from Southern California is 4-6 hours
 - Travel times at peak times (Friday northbound, Sunday southbound) are often significantly longer
- Main alternative is travel by plane
 - From six major airports in Southern California





Primary Benefits of HSR on the Corridor

- Relieve congestion for one of the nation's most congested corridors (Interstate-15)
- Save two hours per trip (2.5 hr from LA to LV) - with improvements in safety, reliability, and convenience
- Create jobs and stimulate economic development around station sites
- Provide exponential economic growth for Southern California and Southern Nevada
- Connect to state-wide and regional transportation networks





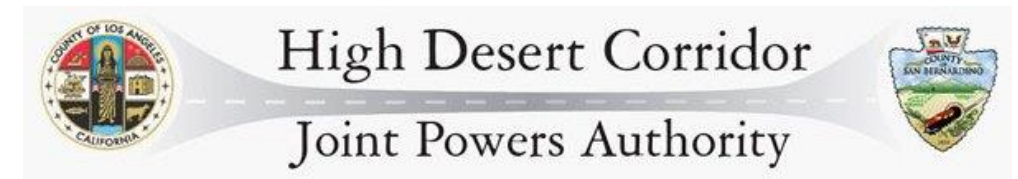
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High Desert Corridor Joint Powers Authority

- Formed in 2006 by San Bernardino and LA Counties
- Purpose: to develop multipurpose corridor from Palmdale to Victorville, Apple Valley and Adelanto
- Components - rail, highway, green energy
- Key Stakeholders: San Bernardino County, SBCTA, LA County, LA Metro, CHSRA, CalSTA, Caltrans, Metrolink, SCAG, XpressWest, Cities
- Cities: Palmdale, Lancaster, Adelanto, Apple Valley, Victorville



Metro



cta

san bernardino county transportation authority



CALIFORNIA High-Speed Rail Authority



METROLINK.





Discussions with Nevada have begun

- Governor's Office of Economic Development
- Nevada State Department of Transportation (NDOT)
- Nevada High Speed Rail Authority
- Regional Transportation Commission of Southern Nevada (RTC)
- Las Vegas Convention and Visitors Authority



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Environmental work almost completed

- EIS and EIR completed (5 years and \$30+ Million)
- Next steps
 - Request USDOT's Federal Railroad Administration (FRA) to issue ROD
 - Continue work to clear the stations in Palmdale and Las Vegas



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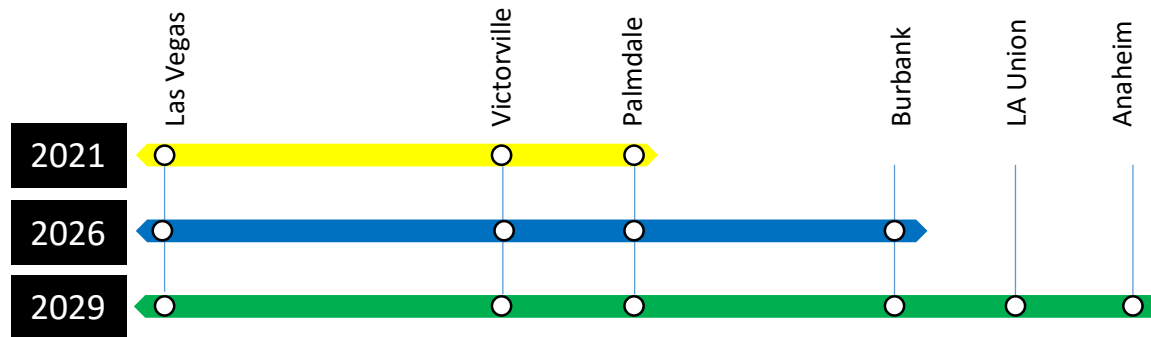
Summary of Study Results

- Proven large scale demand between California and Las Vegas
- Potential 27% market share for HSR
- Forecast annual ridership of 3 million round-trips in 2021, rising to 11 million by 2035 with full corridor open, and 14 million by 2050
- Forecast revenues based on competitive fares:
 - \$600 million in 2025 (Palmdale to Las Vegas)
 - \$800 million in 2029 (Burbank to Las Vegas)
 - \$1 billion per year in in 2035 (LA/Anaheim to Las Vegas)
 - \$1.6 billion per year in 2050





Phased Implementation



- 2021: Phase 1: Las Vegas-Palmdale
- 2026: Phase 2: Las Vegas-Burbank
- 2029: Phase 3: Las Vegas-Anaheim
- 2029: Phase 4: Connection with CaHSR services to Central Valley and Northern California





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Right of Way (ROW)

- Single most important next step is to preserve the rights of way
- Mapping of parcels and ownership identification has occurred
- Costs for ROW preservation is less than projected
- Involvement, interest and support of cities indicated
- Timing is important
- Source of funds clear in LA County, but not in SB County



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How do we cover the capital and operating costs

- Operating costs from operating revenues
 - Operator responsibility -- No public subsidy
 - Farebox revenues
 - Other revenues (advertising, station revenues etc.)
- Capital costs from a combination of sources
 - Construction loans (RRIF, TIFIA)
 - Secured by project revenues; “availability” payments
 - Other sources - private and public



Where are other funds going to come from

- Public funds are required
 - Local - TIFs; assessment districts
 - Regional - Measure M
 - State - TIRCP
 - Federal - new Infrastructure Program
- Private funds
 - Equity and private debt



State government potential

- Cap and Trade funds (in law with 2/3rds vote)
- Distribution of revenues
 - 60% dedicated
 - 25% for CHSRA
 - 20% for TOD, affordable housing
 - 10% for transit and intercity rail
 - 5% for transit operations
 - 40% appropriated each year
- \$ 2.4 Billion Transit and InterCity Rail Capital Program (TIRCP)



TIRCP

- Grants from Greenhouse Gas Reduction Fund
- For “transformative” projects that reduce emission, VMT and congestion
 - Includes intercity rail projects - connections to HSR System
 - “Achieve geographic equity”
- Administered by CalSTA - new Guidelines issued
- 5-year grant cycle 2018-2023
 - SB 1 added \$1.4B
 - Extension of cap and trade added \$1b
 - Applications due Jan 12th



Why a federal loan is possible

- Funds available in RRIF and TIFIA
- 3 year history of analysis of XW application
- New agency in US DOT, Build America Bureau
- Aligns with Trump Administration priorities
- Bipartisan Congressional support
- Other high speed rail projects in the country
- Previous concerns have been addressed
 - Buy America
 - Extension to Palmdale
 - Public sector involvement

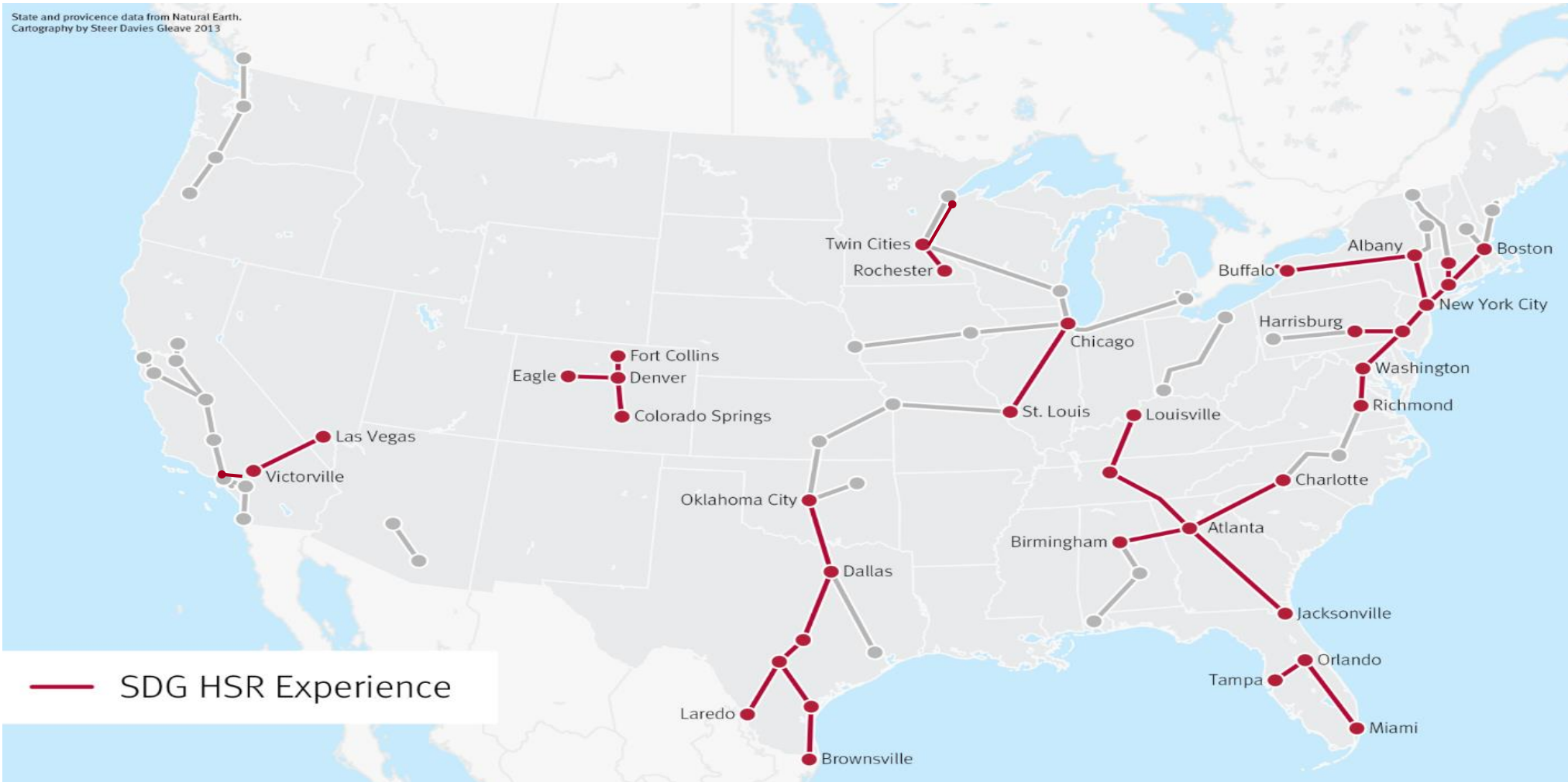


2017 Infrastructure Act proposals to improve RRIF

- Appropriate \$\$ for “credit risk premium”
 - Makes RRIF more like TIFIA
 - Authorized by FAST Act
 - Improves project economics for benefit of borrower and lender
- Permit subordination to other government debt (such as TIFIA)
- Permit acquisition of rail property in advance of ROD (like highways)
- Fund matching grants for P3 projects



High-speed rail projects in the US





Federal Infrastructure Plan

- \$ 200 billion of new federal funds - all types of infrastructure
- Leverage local and private funding
- “Transformational”
- To follow enactment of Tax Reform
- Key players
 - DJ Gribbin WH Infrastructure Advisor
 - USDOT Secretary Elaine Chao
 - Build America Bureau
- Funding may be tied to Possible Tax Reform
 - Tax credits for repatriated dollars invested in infrastructure
 - Infrastructure bank
 - Use of taxes on repatriated dollars for infrastructure



Initial Private Sector Discussions

- Private sector is looking for an opportunity to have a successful project. What is really important to them:
 - ROW preserved
 - Major environmental work completed
 - A good, reliable, straight forward public sector client, which is able to:
 - play a unique role in bringing together the various stakeholders
 - obtain governmental planning approvals and
 - build community awareness and support
 - Availability of long term financing, including:
 - accessibility to RRIF loans or other Federal, state, regional funds



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Coalition of support being formed

- Public entities
- Key elected leadership in each county
- State Legislature
- US Congress
- State Administration
- Federal Administration
- Labor
- Business



What the HDC JPA has accomplished in the last year

- Ridership and Revenue Study validated market
- Measure M passed providing funds for project
- Initiated discussions with potential private sector partners
- Obtained support from State and Congressional leaders
- Briefed USDOT Build America Bureau/preparing for RRIF application
- ROW study estimated costs of rail ROW
- Coordinated with Xpress West and CHSRA
- Initiated conversation with State of Nevada
- Determined actions necessary to obtain a ROD
- Green Energy and Land Use studies completed



Next steps to commence final project development

- Initiate and obtain FRA ROD
- Preserve ROW
- Finalize and execute Financial Plan
 - Determine amounts available from system revenues to fund capital costs
 - Accelerate the draw down of Measure M funds for Los Angeles County portion
 - Seek funds for the San Bernardino County portion
 - Obtain State TIRCP funding commitments
 - Seek Federal infrastructure bill enhancements - CRP appropriation
 - Obtain loan commitments from USDOT
 - Seek Federal Infrastructure Program funds
- Determine procurement approach



Who we are

- Transportation Solutions
 - Neil Peterson
 - Chief strategic consultant to USDOT FRA's national High Speed Rail Program
 - CEO of LA County Transportation Commission, AC Transit, Seattle Metro, and Transportation Corridor Agencies
 - Founding CEO of Zipcar
 - Karen Hedlund
 - Former Deputy Administrator FRA (HSR and RRIF)
 - Chief Counsel, FHWA and FRA in USDOT
 - Former Partner Nossaman LLP - Co-Lead Infrastructure Practice

Who we are?

Infra Associates

- Chris Margaronis, Managing Director

- Experience on Capitol Hill in energy and transportation
- Project manager for LA Metro's first P3 project
- Experience in private equity on infrastructure transactions in energy and transportation
- Certification in P3 project management and project finance
- Former Coro board member and graduate

