High Desert Corridor Joint Powers Authority

March 11, 2011 E-220 HIGH DESERT CORRIDOR

Public Comment of the High Desert Corridor Joint Powers Authority Before the Joint Senate Environment and Public Works Committee, and House Transportation and Infrastructure Listening Tour

On behalf of the High Desert Corridor Joint Powers Authority (HDC JPA), I respectfully request that the attached written testimony from last April, and an updated summary, be included as part of the hearing record for the February 23, 2011 Field Hearing on ways to use innovative financing to deliver highway and transit projects. The HDC is in Metro's 30-10 Highway Program, parallel to the transit 30-10 program in recommending use of PPPs and Innovative Financing to speed delivery of projects.

The HDC JPA was created for the purpose of accelerating a new 50-mile freight expressway in California, designated as a High Priority Corridor in the National Highway System by Section 1305 of SAFETEA-Lu--providing a bridge between the nation's two primary North-South Interstates: the I-5 and the I-15. Caltrans District 7 is currently under contract conducting the PA/ED with a combination of local Measure R and federal funds. The NEPA authority is Caltrans District 8. PA/ED includes enough right-of-way to accommodate a Palmdale Metrolink-High Speed Rail connection to the DesertXpress station from Las Vegas to Victorville, and a renewable energy utility corridor connecting to the grid.

The HDC will spur development of a multi-modal corridor connecting to two international airports, a master planned truck/ rail cargo/ air intermodal transfer facility, and use renewable energy to finance maintenance and operation once construction is completed. It will also relieve east-west traffic on the I-10 and 210 to Las Vegas, emanating from the west side of LA County from the South Bay and San Fernando Valley all the way north to the Antelope Valley.

To replace total reliance on the gas tax, our project is a model of how enabling a PPP (Public Private Partnership) between Palmdale and Victorville, and Innovative Financing to complement Interstate Freight Corridor Highway Authorizations, would leverage private investment, increased rail capacity, air quality benefits, improved truck movement, highway congestion improvements. Using FHWA and FRA formula, we estimate creation of 16,200 highway construction jobs and 12,000 high speed rail construction jobs. These jobs will reduce VMT in the Mojave Desert Air Basin. And in the long term, our economic development studies estimate the HDC will stimulate exports and 43,000 sustainable jobs, the majority in logistics industries.

We very much appreciate your leadership and commitment to addressing this nation's surface transportation needs in light of the shortage of gas tax funds. Call Laurie Hunter at 626.808.8668 for ongoing information, or email her at lhunter@sbcounty.gov.

Sincerely,

Brad Mitzelfelt
Chairman

Cc: Vice Chair Michael D. Antonovich
LACMTA, SANBAG, SCAG, Caltrans

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Surface Transportation Authorization Act

Issues, Needs and Requests

SURFACE TRANSPORTATION AUTHORIZATION ACT
ISSUES/ NEEDS
HIGH DESERT CORRIDOR JOINT POWERS AUTHORITY

The High Desert Corridor Joint Powers Authority

- The High Desert Corridor ("HDC") Joint Powers Authority was created by the Counties of Los Angeles and San Bernardino to accelerate building the HDC, a project designated as a High Priority Corridor in the last surface transportation act, SAFETEA-LU. This east-west link between the Western United States' two major north-south interstates (I-5 and I-15) will ultimately provide a multi-modal freight and passenger connection between the Los Angeles region, the ports, Central California, Las Vegas, and other freight, commuter and tourism generating regions via highway and high speed rail.

- The Board of Directors provides decision-making coordination among transportation agencies and local jurisdictions, currently focused on the EIR. Its Chair is San Bernardino County Supervisor Bradley V. Mitzelfelt and Vice Chair is Los Angeles County Supervisor Michael D. Antonovich. Mitzelfelt is Chair of his County's transportation planning agency, San Bernardino Associated Governments (SANBAG), and Antonovich is Second Vice Chair of the Los Angeles County Metropolitan Transportation Authority (Metro). Other members of the HDCJPA Board include representatives from SANBAG, Metro and elected officials from each of the incorporated local government jurisdictions along the 50-mile first segment: the Cities of Palmdale, Lancaster, Adelanto, Victorville, and the Town of Apple Valley.

What Is The Need?

- USDOT has estimated we need to increase capital spending on highway projects from the $78.7 billion invested in 2006 to $105.6 billion annually from 2007 through 2026 just to maintain the current level of performance of our highway system.

- Improved transportation system performance not only improves the quality of life for all Americans, but it improves the environment by lessening unnecessary traffic-related emissions caused by road congestion.

- Equally important, transportation projects mean jobs. While transportation received only 6% of the stimulus act funds, transportation provided more than 30% of the jobs directly created.

- Cost studies are underway, but an unescalated cost of the HDC is $3.4 Billion. While it is likely that our local sales tax revenues, tolls, alternative energy transmission, pipeline, and land use contributions will significantly finance the HDC as a Public Private Partnership "PPP," there is still need for traditional public Highway Trust Fund types of contributions to leverage these funds.

How Can We Meet Our Transportation Needs?

- **Existing Creative Federal Programs – TIFIA.** Created in 1998, TIFIA (Transportation Infrastructure Finance and Innovation Act) has provided $7.7 billion in financing support that has been used to leverage $29 billion in total investment and to create thousands of jobs. The National Surface Transportation Infrastructure Financing Commission recommended the current TIFIA annual budget authority be increased from $122 million to at least $300 million. For HDC and other projected federal needs, we believe $500 million nationally may be necessary.

  – The requirement that TIFIA funds can be used for only 33% of project cost should be raised to 50%.

- **Existing Creative Federal Programs – Private Activity Bonds.** SAFETEA-LU created a new class of PABs for highways and for rail-highway freight transfer facilities, capped at $15 billion. This program, which also allows states to leverage scarce funds, should be extended with no cap or an expanded cap, and should be modified so it can be used without restriction on all aspects of highway construction (*i.e.,* land acquisition, rights-of-way).

- **New Revenue.** Los Angeles and San Bernardino Counties are "self help" counties because they have enacted a dedicated sales tax to support transportation projects—Los Angeles County alone has a 1.5% sales tax (Prop A, Prop C, Measure R) dedicated to transportation. But such taxes, even when combined with federal help, will not be enough. Increased use of tolls and private investment will be critical.

  – Tolls can also be used to manage traffic through managed and dedicated lanes.

  – High Desert Corridor is part of the Los Angeles County 30/10 Initiative

- **Attracting Private Capital**. Attracting private funds for infrastructure development will be essential unless federal and state officials plan to raise taxes or fees significantly. Two national transportation commissions appointed by Congress to study our infrastructure needs and financing unanimously agreed that public-private partnerships should play an important role in financing our national surface transportation system. The National Surface Transportation Policy and Revenue Commission as well as the National Surface Transportation Infrastructure Financing Commission both agreed that private sector investment will be an essential tool in closing the gap between available public funding and the needs of our national surface transportation system.

  – Public-private partnerships are subject to intense and careful state and local scrutiny and individual state and project needs vary.

- A proscriptive federal regulatory program will limit the possibility for private investment in our surface transportation system.

- States that accept private investment can benefit from having a federal office that gathers information on public-private partnerships which can be used by states to structure the best deal based on the facts of the individual circumstances in that state. However, a statutory requirement that private investors finance competing roads, for example, will be a disincentive to attracting investment.

- Similarly, establishing a federal approval process that encourages litigation under an "ensure no harm" standard will not only slow the highway delivery process and add to transactional costs, but it will be an incentive for investors to put their money elsewhere and will result in judges deciding what surface transportation projects are built.

- The Office of Public Benefit ("OPB") established in the Surface Transportation Authorization Act ("STAA") approved by the House Subcommittee on Highway and Transit will overlay an onerous new federal approval program on state and local transportation agencies. Under STAA, no federally funded projects involving tolls and private investment (PPPs) will be allowed without OPB approval. The approval process and requirements will severely limit the attractiveness of transportation investments to private investors. For example, STAA:

  - Requires investors to build and maintain competing roads as an alternative to the tolled road. The HDC runs parallel to SR-138 from Antelope Valley to Victor Valley, and funds from the private sector are not needed.

  - Prohibits non-compete clauses. Our State and local laws already have such clauses.

  - Establishes a subjective "ensure no harm" standard for approving any private investment and allows the public, including all the NIMBY forces, to sue to enforce a standard which means it will be judges who decide what highways can be built, and private investors will find investments with less transactional costs and risks.

- Let us work with you to make sure we do not prevent private sector involvement as an alternative to raising taxes to pay for our infrastructure needs. PPPs are a necessary financing option that should be available when needed. Our state and local transportation authorities already have standards for protecting the public interest, and for public review of proposed agreements with private investors.

- **Tolling.** Current law limits tolls on interstate highways to bridges and tunnels. For federal non-interstate highways built in whole or part with federal funds, tolls are limited to bridges, tunnels, and new construction. Because traditional funding sources are no longer adequate, the use of tolls to maintain and rebuild our surface transportation system should not be limited. Also, tolls should be available as a tool to regulate traffic congestion by allowing access to special lanes and/or by varying the toll amount based on traffic congestion (i.e. dynamic tolling).

- **Designation of the HDC as a Freight Corridor of National Significance.** In Section 1305 of SAFETEA-LU, the HDC E-220 was officially designated as a High Priority Corridor on the National Highway System from I-5 in Los Angles to Las Vegas, via Palmdale and Victorville. In the next Surface Transportation Act, due to the freight volumes and potential to relieve freight pressure projected on the existing network, it should be designated as a "High Priority Freight Corridor on the National Highway System, from I-5 in Los Angeles to Las Vegas, via Palmdale and Victorville".

- **Reauthorization Funding.** While the significant cost of the HDC is likely to come from private financing if federal laws are conducive and tolling is permitted and broadly available, public funding is still important and needed to balance risk and equity involved in completing this project. Construction of interchanges on the Interstate and US Highway system will be needed. Our Financial studies are due to be completed in the fall, and while we have requests submitted, we would like to work with your Office to determine an amount to include in Reauthorization when our study is completed.

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Background Information

HIGH DESERT CORRIDOR

BACKGROUND INFORMATION

Regional Support Coordinated through the High Desert Corridor JPA:

- Los Angeles and San Bernardino Counties created a Joint Powers Authority (JPA) in 2007 to accelerate development of the High Desert Corridor (HDC).

- The HDC JPA Board of Directors provides decision-making coordination for the cities and transportation agencies. Its Board helps to unite support for the project, and is comprised of a representative of LACMTA (Metro) and SANBAG, and elected officials of the five cities along the corridor (Palmdale, Lancaster, Adelanto, Victorville and Apple Valley). The Chairman is San Bernardino County Supervisor Bradley V. Mitzelfelt, and Vice Chair is Los Angeles County Supervisor Michael D. Antonovich.

Regional Growth:

- The Antelope Valley and the Victor Valley have been among the fastest-growing urban areas in California and the country. Existing population in the Antelope Valley is over 400,000 and is projected to exceed 900,000 by 2035. Existing population in the Victor Valley is over 350,000 and is projected to exceed 650,000 by 2035. Because of housing affordability and expanding employment opportunities, the rapid growth in these areas can be expected to resume after the recession.
- These two urban growth areas are currently connected only by a single highway, State Route 138 (SR 138). SR 138 currently carries about 15,000 vehicles per day between the Antelope and Victor Valleys, and the percentage of trucks using it is notably higher than comparable highways (10% of the total traffic is trucks).
- SR 138 is not designed to serve the high volumes of traffic that will be traveling between these two urban centers. A major transportation corridor will be needed between the Antelope Valley and the Victor Valley, as forecast traffic volumes far exceed the capacity of SR 138. Total traffic between the two valleys is projected to exceed 100,000 vehicles per day in 2035, with the percentage of trucks increasing to 13%.
- Freight traffic could be shifted to the High Desert Corridor, absorbing some of the shock of the growing congestion along the I-210 and I-10 as cargo through the Ports increases.

Jobs:

- An independent study by Economic and Planning Systems, Inc. (EPS) shows that the HDC will stimulate 42,900 sustained jobs, through relatively high paying logistics and logistics-related jobs, and spinoff jobs.

- During construction, 16,200 construction jobs would be immediately created—12,000 more construction jobs if high speed rail is included, totaling 28,000 construction jobs.

Growth in Transportation Sector:

- Both the Antelope Valley and the Victor Valley have been experiencing employment growth in the freight transportation logistics sector. Warehousing and distribution facilities are moving to the high desert as vacant land becomes scarce in the parts of the Los Angeles Basin where they have historically flourished, the South Coast Logistics Airport (SCLA) is developing as a major hub for intermodal freight activity, and the Palmdale Airport is being planned to serve both passenger and freight traffic.
- The development of these truck-generating land uses, together with the growth in industrial development in the high desert, means that trucks would constitute a sizable percentage of traffic that would use the HDC.
- The HDC would provide an attractive route to capture long-distance regional truck trips to bypass the congested freeways (I-5, I-210, I-10) that they must currently use to pass through the Los Angeles metropolitan area. The potential diversion not captured in the HDC forecasts above is estimated to be an additional 1,000 to 2,000 trucks per day.

High-Standard Roadway Facility

- Construction of the HDC would provide a high-standard roadway facility for trucks that currently must make the east-west trip across the high desert using either SR 138 or SR 58 in Kern County. The potential diversion from SR 58 not captured in the HDC forecasts above is estimated to be an additional 2,000 trucks per day.

National & Statewide Importance to Freight Movement and Trade:

- I-5 and I-15 are the sole north-south highways on the West Coast between Canada and Mexico. There are limited east-west connectors between these freeways – other than SR 138 in the High Desert, the closest connections are I-210 to the south and SR 58 in Kern County to the north, the latter of which is not a full-standard, grade-separated freeway.
- Significant freight, with estimates that volume will more than double by 2030, moves from the Ports of Los Angeles and Long Beach to points north, east and northeast of Southern California. Quickly transporting the freight by rail (and even truck) out of the LA basin to an intermodal facility in the High Desert will improve national freight movement overall.

Private Investment:

- The HDC will be a Public Private Partnership (PPP), providing public benefit at a fraction of the usual cost to the Highway Trust Fund.
- The project has potential to attract a significant amount of private investment. Our strategic assessment of the HDC for LA Metro's Public-Private Partnership (PPP) program demonstrates that as a toll road, the HDC has the potential to collect $150 million annually in tolls by 2035.
- The LA Metro Board of Directors endorsed the HDC as a potential PPP in October 2009, and the SANBAG Board of Directors voted the HDC as their #1 Priority PPP, also in 2009.

High Speed Rail:

- The JPA Board of Directors voted in May, 2010 to add the alignment of the HDC to the Western High Speed Rail Alliance's efforts to connect commuter, intercity and high speed rail efforts of Nevada, Arizona, and the Intermountain West.

- During the HDC EIR process currently underway, the JPA is working collaboratively with the DesertXpress that is nearing completion of a Victorville to Las Vegas EIR, and sharing information and save costs.

- Accommodating a high speed rail corridor along the HDC will provide station connections to Metrolink and the HSR system via Palmdale, as well as to the DesertXpress line from Victorville to Las Vegas.

Safety Concerns:

- Significant segments of SR 138 are only two lanes wide, it is fronted by development and dangerous driveway access in Pearblossom and other rural communities along its route. It has not been designed to standards necessary for high-speed highway travel, and its operations are affected by the high percentage of trucks carried. As such, it has earned the nickname, "Blood Alley," for the number of fatal accidents that have occurred.

Air Quality Impacts:

- The HDC will positively affect the LA/OC/Inland Empire Los Angeles South Coast Air Basin nonattainment area in several ways. The High Desert is in a separate air basin, at a higher elevation, and without the geographical conditions like the SCAQMD that trap pollution and allow the sun to heat it, resulting in smog.
- The Mojave Desert Air Quality Management District supports the High Desert Corridor.
- By creating jobs near residential areas in the North County and Victor Valley and Barstow regions, VMT reductions will occur, by bringing weight to correct the region's worst jobs/ housing balance.
- Providing alternate routes for freight outside of the highly congested existing east-west corridors in the LA basin will reduce emissions caused by heavy and light duty trucks idling in traffic.

Widespread Regional Support:

- There is widespread support within the High Desert Region for the HDC. Residents and employers anticipate that a new facility will stimulate and create jobs, increase mobility by reducing commute VMT and correcting the region's worst jobs/ housing balance, and improve safety and quality of life.