

High Desert Corridor
Joint Powers Authority

June 1, 2016

Meeting Materials

Item 5

Report on the Rail Ridership and Revenue Study

Report to the HDC JPA

Progress Report

Transportation Solutions

June 1, 2016

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

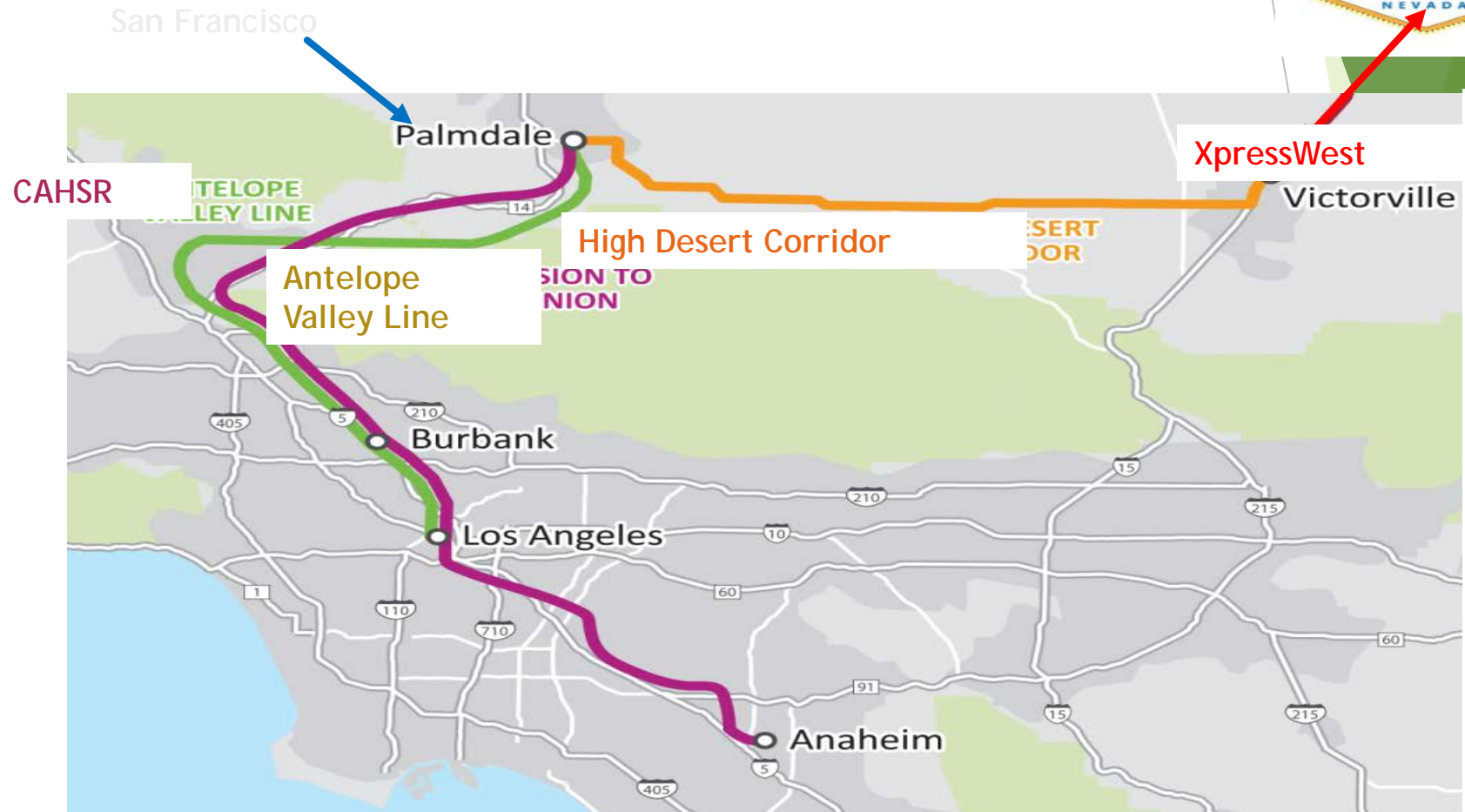
- ▶ Former Deputy Administrator FRA (HSR and RRIF)
 - ▶ Chief Counsel, FHWA and FRA in USDOT
 - ▶ Former Partner Nossaman LLP - Co-Lead Infrastructure Practice

What we were asked to do

- ▶ “The purpose of this Agreement is to obtain the services of Consultant *to lay out a path forward to expedite the Rail Connector* which would address specific...

institutional, procurement, scheduling, scope, funding and risk issues...”

The study area



Why “closing the rail gap” is Critical

- ▶ Provides congestion relief (with high speed rail) for the nation’s 8th most congested corridor (LA/Las Vegas)
- ▶ Stimulates economic development in one of the fastest growing areas in Southern California
- ▶ Provides critical momentum to complete the highway and energy components of the HDC
- ▶ Provides momentum for the CHSRA to come south to Palmdale/Burbank/Los Angeles

Key Study Issues- Implementation of HDC HSR Rail Project

- ▶ When will **environmental process** be completed on HDC and connecting corridors?
- ▶ How **ROW** can be acquired?
- ▶ What are options for **Procurement and Development** of the Project
- ▶ How can project be **Financed**?
 - ▶ Need for “investment grade” ridership and revenue study

Cooperating Institutional Partners

- ▶ HDC JPA
 - ▶ LA County/San Bernardino County/Cities
- ▶ State of California
 - ▶ STA/Caltrans/CHSRA*
- ▶ LA Metro
- ▶ SANBAG*
- ▶ XpressWest*
- ▶ Metrolink
- ▶ SCAG
- ▶ USDOT/FRA

HDC Rail Project Has Now Reached Critical Turning Point

- ▶ All Stakeholders are now engaged
- ▶ SDG Ridership and Revenue Study Report to be released shortly
 - ▶ Will show how much of costs of construction can be financed from project revenues - financial planning can now be undertaken
 - ▶ Will ignite private sector to move forward and obtain financing
- ▶ Final HDC EIS to be issued -
 - ▶ Can now move forward with final design and costing
 - ▶ Enables federal loan financing
- ▶ CHSRA revised Business Plan prioritizes building to Bay Area first
 - ▶ How will this impact phasing?

Environmental Status

- ▶ Coordinated with Caltrans, FRA, XpressWest, CHSRA
- ▶ LV to Victorville ROD approved in 2011
- ▶ Revised date for completion of HDC Final EIS/EIR -- June 2016
- ▶ Estimated date for a Record of Decision (ROD) by Caltrans -- summer 2016
- ▶ Palmdale to Burbank envir review underway by CHSRA

Right of Way

- ▶ Size and cost of ROW acquisition depends upon inclusion of highway, rail and energy corridor components
- ▶ The desirability of acquiring the entire ROW
- ▶ Potential assistance from LA Metro and others

Impact of CHSRA decision to go North

- ▶ Decision based upon currently available public funds for capital projects, however CHSRA
 - ▶ Continues to make investments in the Southland
 - ▶ Continues the environmental and engineering process
- ▶ Highlights importance of interim connectivity at Palmdale (AVL, express bus, secure Park & Ride)
- ▶ If HDC rail component happens, it
 - ▶ Builds ridership to bring CHSRA to the Southland
 - ▶ Provides an alternative approach to bring HSR to CA

Summary

- ▶ The good news
 - ▶ Critically important project
 - ▶ All parties are supportive and involved
 - ▶ Environmental work complete
 - ▶ Private Sector interest
 - ▶ Public Sector interest at Federal, State, Regional and Local levels
 - ▶ Ridership and Revenue Study about to be completed
- ▶ The challenges
 - ▶ Developing the P3 financing plan
 - ▶ Determining an institutional framework for procurement

Critical next steps for the HDC project

If the R&R study shows that the opportunity to leverage significant private sector dollars exists, then the HDC JPA needs to:

Be positioned to respond to interest from the private sector

- ▶ The private sector will want to:
 - ▶ Know they have an informed public partner
 - ▶ Have input in the design of the procurement process
 - ▶ Know they are dealing with a public partner that can assist in possible RRIF financing
 - ▶ Next seven months present an opportunity for RRIF commitments



Ridership and Revenue Study - Purpose

- ▶ ID market for LA/Palmdale/Las Vegas rail service
- ▶ “Investment grade study” needed to attract interest of private investors
- ▶ Required for federal and state loans or grants
- ▶ Necessary pre-requisite for financial plan

High Desert Corridor

Investment Grade Ridership & Revenue Forecasts

June 1st 2016

Steer Davies Gleave: an introduction

- ▶ Steer Davies Gleave is one of world's largest fully independent transport consultancy firms
- ▶ Founded in 1978, the company has over 350 staff worldwide and a turnover of \$65m
- ▶ Recognized as a **high quality, value-adding consultancy**, which stems from our motivated and experienced staff
- ▶ Bring key experience in producing investment grade forecasts
- ▶ Clients include HSR operators, Federal Railroad Administration and many state DOTs and several private sector entities in the US



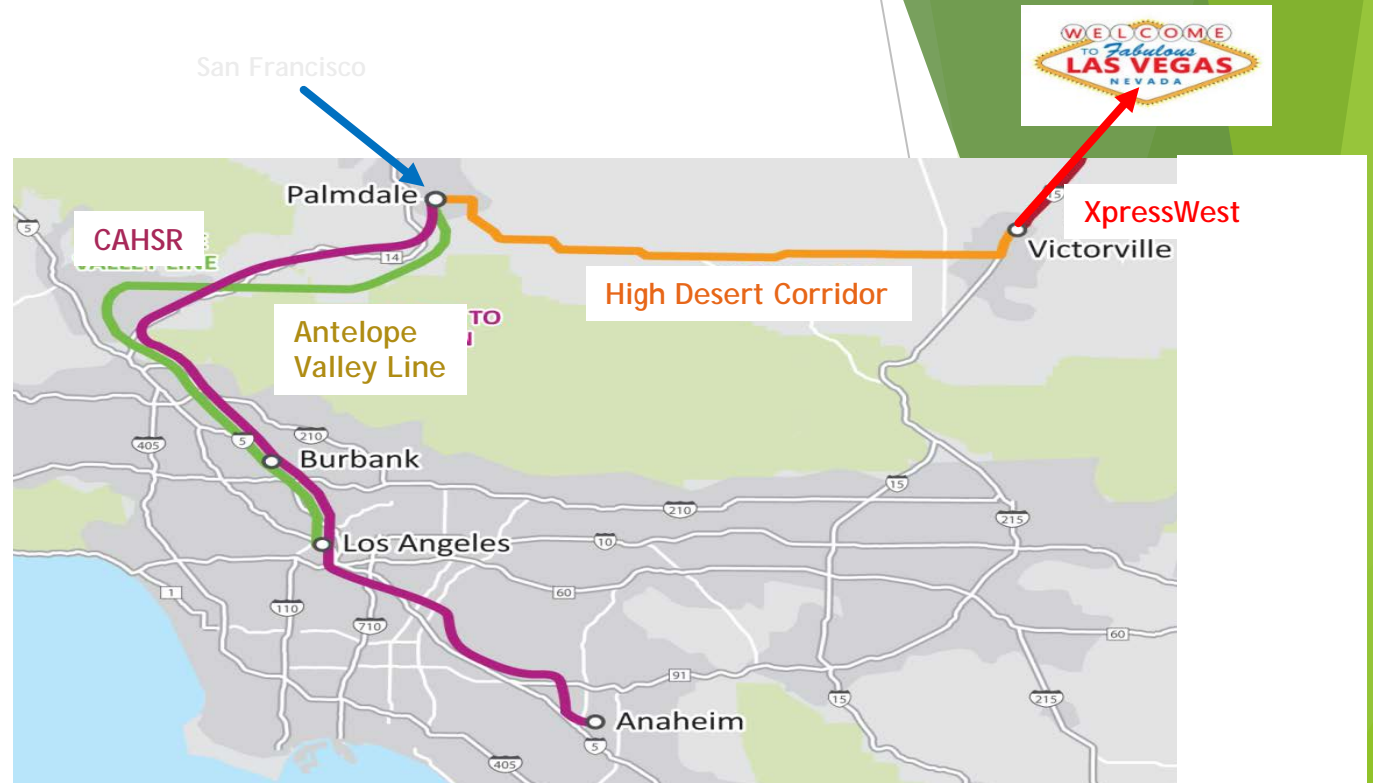
What are we forecasting?

▶ Progressive service scenarios:

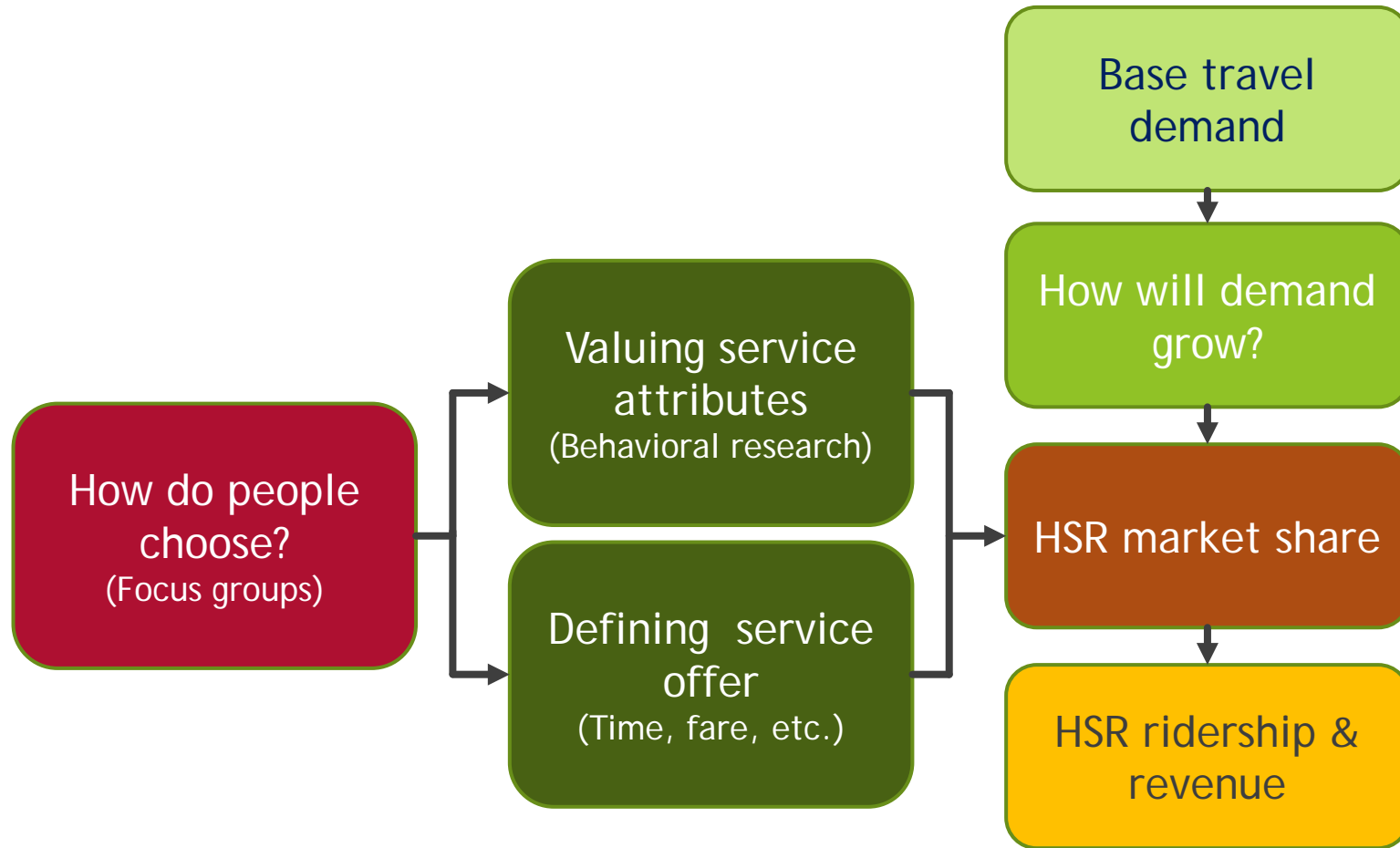
1. Las Vegas - Palmdale
2. Las Vegas - Burbank
3. Las Vegas - Anaheim
4. Las Vegas - Anaheim
+ connection via CaHSR to SF

▶ 4 distinct markets:

- ▶ Residents of Southern California going to Las Vegas
- ▶ Residents of Northern California going to Las Vegas
- ▶ Residents of Las Vegas going to California
- ▶ Non-resident tourists travelling via California (other US and international)



How do we forecast future demand?



Progress to date

▶ How do people choose?

Conducted focus groups across California (LA, Orange, Fresno, SF) and in Las Vegas

▶ Valuing service attributes

Online stated preference survey of panel of visitors

Supplemented by postcard invitations distributed at MGM properties on the Strip, the Las Vegas Convention Center and to users of I-15 (at Yermo inspection station)

▶ Defining service offer

Service assumptions developed for both high-speed rail and connecting modes in conjunction with wider stakeholder group

▶ Base travel demand

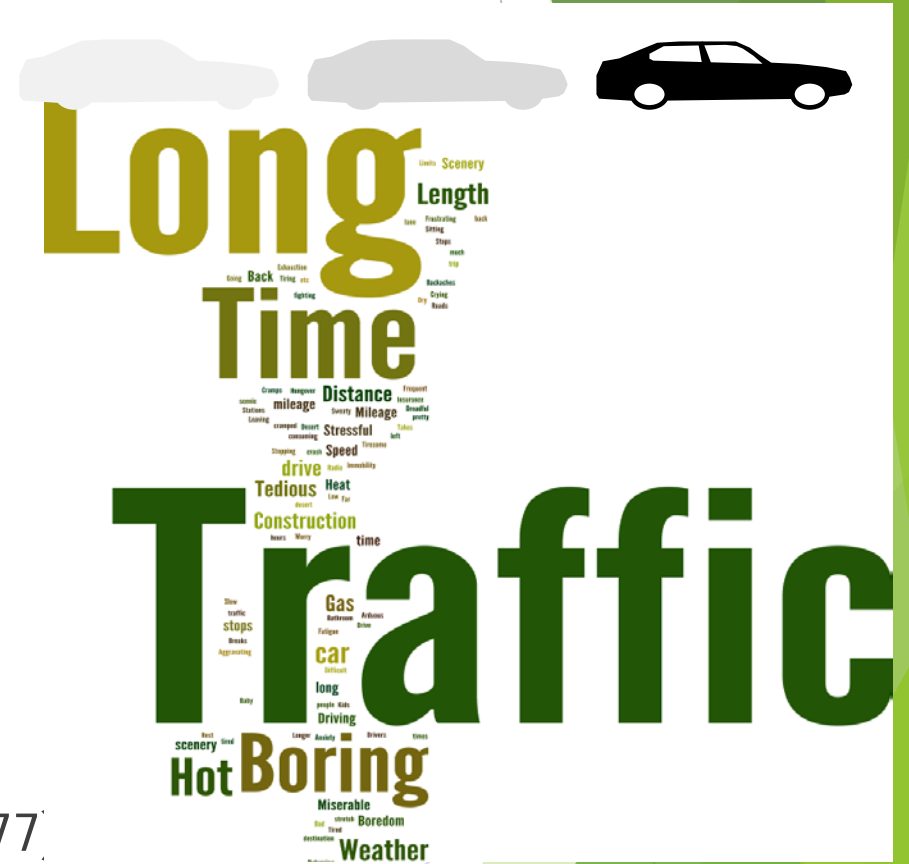
Using anonymized cell phone tracking and auto Bluetooth signals

10
Focus
groups

4000
Completed
questionn-aires

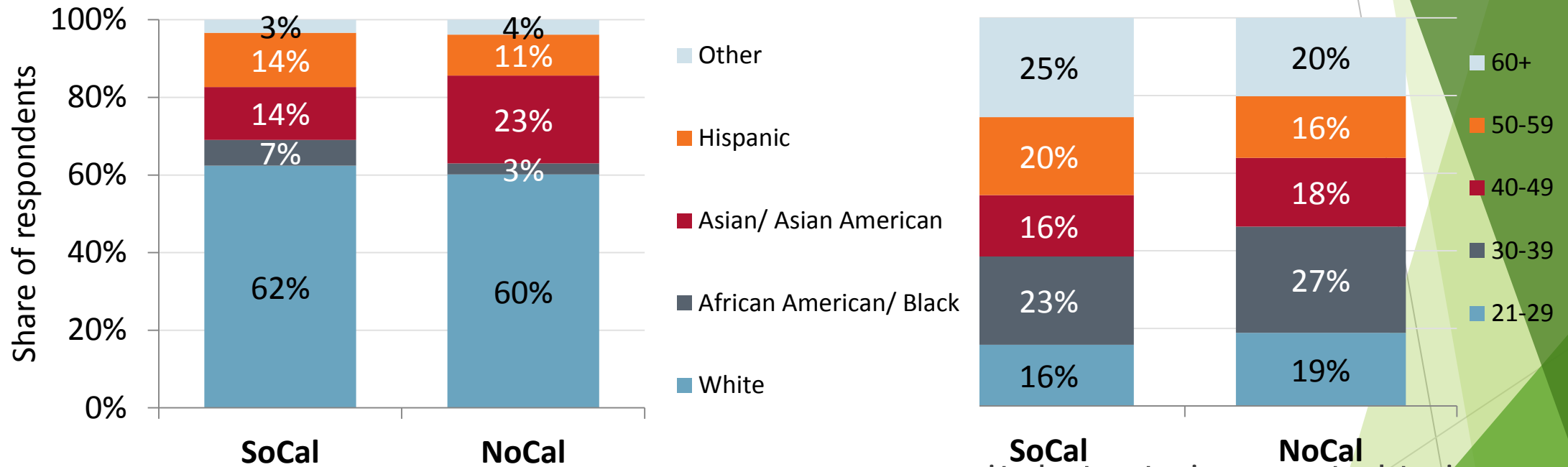
Focus group feedback

What do people most like about the idea of HSR to Las Vegas versus the drive



SP survey respondent profiles

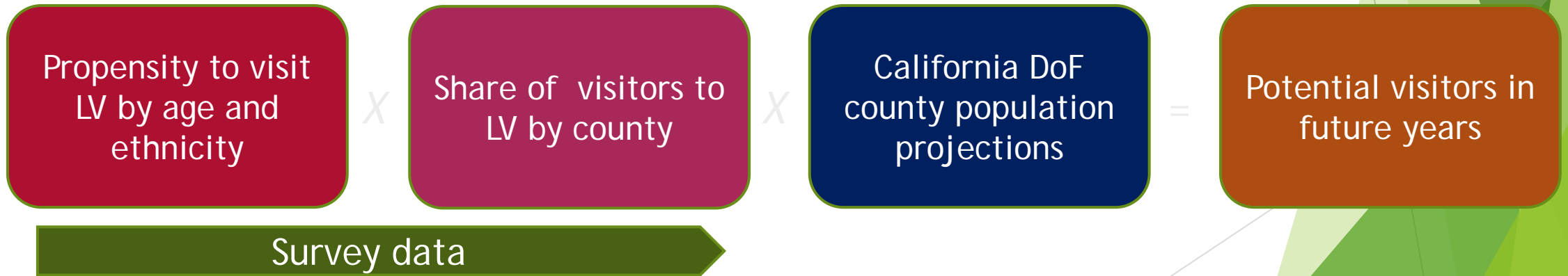
Sample is representative of visitors to Las Vegas, not of the general population



Hispanics currently have relatively low propensity to visit, but rate is expected to increase over time

How will demand grow?

- ▶ Las Vegas general market growth analysis by SDG and Applied Analysis (independent LV specialists)
- ▶ Overall LV visitors expected to increase from 42m to 50-56m by 2040
- ▶ Estimates based on supply growth (investment in room inventory) and sustained high occupancy. No constraints envisaged.
- ▶ Californian visitor market growth forecast recognizes distinct visitor profile



Next steps

- ▶ Draft forecasts and report to be delivered by June 19th
- ▶ Contents:
 - ▶ Forecasts of ridership and revenue under the base case scenario
 - ▶ Sensitivity analysis demonstrating the robustness of the forecasts to alternative assumptions and external influences
- ▶ Final forecasts anticipated circa one month later following review by stakeholder group



P3 Approach to HDC Rail Corridor

- What is a P3?

- ▶ Contractual Agreement between a Public Agency and Private Entity
 - ▶ The private party provides assets and services for the use of the general public to prescribed performance-based specifications linked to payment terms
 - ▶ The private party assumes substantial financial, technical and operational risk in the delivery
 - ▶ Each party shares in risks and rewards in the delivery of assets and services
 - ▶ May take form of concession agreement or lease
 - ▶ Desire to capitalize on the long term value of the asset as an approach to innovative financing

Public and Private Roles

Public Agencies

- ▶ Environmental Permitting
- ▶ Ridership studies
- ▶ ROW acquisition
- ▶ Grant right to use ROW

Private Entities

- ▶ Design and Construction of Rail and Stations
- ▶ Acquisition of rolling stock
- ▶ Long-term operations and maintenance
- ▶ Collect revenues from operations
- ▶ Finance cost of construction and operation

P3 Financing

- ▶ **Private equity** - higher risk - subordinate to debt payments
- ▶ **Governmental and/or private debt**
 - ▶ Repaid from pledged revenues of the project
 - ▶ Assignment of concession rights - NOT interest in public ROW
 - ▶ USDOT - TIFIA and RRIF low-cost loan programs
 - ▶ USDOT allocation of Private Activity Bonds
 - ▶ Commercial Debt
 - ▶ Equipment Financing
 - ▶ Public Agency is NOT liable on the debt