

# California's infrastructure ambition

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The state of California has one of the most ambitious infrastructure pipelines of any state in the US. Its list of projects includes the California High Speed Rail and a series of developments to overhaul the Los Angeles International Airport. One city agency has also been welcoming unsolicited proposals in an attempt to advance required infrastructure improvements through innovative industry-led solutions.

The Californian State Legislature also passed a historic bill in April to raise California gas taxes by \$0.12 in an attempt to raise as much as \$52 billion towards repairing the state's infrastructure over the next decade. The state senate voted 27-11 and the state assembly voted 54-26 in favour of the bill, which will also create a transport improvement fee based on the value of a vehicle, and raise diesel excise and sales taxes.

The legislation will make Californians some of the highest gas tax payers in the country, with proceeds intended to help finance upgrades for the state's crumbling roads, bridges and overcrowded airports.

Transaction Name	Stage	Value (\$m)	Sub-sector
Silicon Valley Advanced Water Purification Center Expansion PPP	Pre-financing	800	Treatment
San Diego International Airport New Cargo Terminal PPP	Pre-financing		Airports
Downtown Los Angeles Streetcar System PPP	Pre-financing	281.60	Transit
California High-Speed Rail Rolling Stock	Pre-financing		Heavy Rail
Highway 156 Upgrade PPP	Pre-financing	268	Roads
Los Angeles Light Rail PPP	Pre-financing	270	Transit
Sepulveda Pass Corridor PPP (48KM)	Pre-financing		Roads, Transit
Marina Water Supply	Pre-financing	400	Desalination
Sacramento Parking Assets Privatisation	Pre-financing	245	Roads
Los Angeles Parking Garages P3	Pre-financing	300	Roads
Los Angeles International Airport (LAX) Automated People Mover	Pre-financing	2,500	Airports
Los Angeles Consolidated Rent-a-Car Facility PPP	Pre-financing	1,050	Airports

## LAX's overhaul

One of the key projects for which procurement is underway is the Los Angeles World Airports' (LAWA) \$5.5 billion Landside Access Modernization Program (LAMP) to modernise Los Angeles International Airport (LAX). LAWA is a department of the city of Los Angeles.

The proposed LAMP project will transform the ground transportation system at LAX. The project includes several phases, most of which are being undertaken as PPPs. The project's package includes a landside automated people mover (APM), a consolidated rent-a-car (ConRAC) facility, a utilities project, and a comprehensive network of roadway improvements.

The roughly \$2.5 billion APM project entails the design, build, finance, operation and maintenance of a new transport system for the airport. The project will feature approximately 11,600 feet of elevated dual lane guideway, six passenger stations and an off-line maintenance and storage facility.

The estimated \$1 billion ConRAC facility PPP will also be undertaken under a design, build, finance, operation and maintenance contract. LAX is the largest commercial service airport in Southern California and handled approximately 74.9 million air passengers in 2015. It is also the world's busiest origin and destination airport, with more passengers beginning and ending their trip at LAX rather than connecting to another flight.

It is anticipated that by 2030, LAX will welcome over 96 million passengers annually. This demand presents a challenge for the LAX ground access system as more than 50% of air passengers travel to/from LAX by car, resulting in over 6,000 vehicles per hour entering the LAX Central Terminal Area (CTA) during peak periods.

The new ConRAC facility will house a customer service building, access to an APM station and employee and visitor parking areas. The ConRAC will accommodate three levels of ready/return, quick turn-around and vehicle storage for rental cars and a ground level bus plaza (for potential interim/failure management shuttle bus operations) with a vertical transportation core providing access to the customer service building. It is planned to be powered through a solar photovoltaic system.

The LAMP Utilities project will involve design and construction of various utility and enabling projects around the LAWA campus. This project will provide survey, geotechnical investigations, utility potholing, relocation of underground and overhead utility service lines, various roadway improvements, demolition activities, and other building and construction improvements.

It is estimated that construction on the various elements of the LAMP programme could begin as early as this year with certain elements, including APM and CONRAC, achieving substantial completion by 2023.

Some of the world's largest airport infrastructure developers, including equity and debt investors, are bidding on APM and ConRAC projects. While a list of three final bidders has been drawn out for APM by LAWA, several large companies are in the process of forming consortia to bid for the ConRAC project, *IJGlobal* exclusively reported in February 2017.

#### **Measure M and unsolicited proposals**

Preceding the gas tax increase was the LA County led Measure M process, where the city asked voters in November 2016 to cast a ballot for introduction of a new half-cent sales tax that would help finance infrastructure upgrades. Voters gave a resounding voice of approval to Measure M and passed the ballot measure with 71.15% support.

Measure M is expected to generate an estimated \$860 million a year in 2017 dollars, according to figures quoted by the city. Based on the latest economic forecast by the Los Angeles County Economic Development Corporation, the Los Angeles County Traffic Improvement Plan would add 465,690 new jobs across the region. The proposed projects will be built over a 40-year period. The measure supports upgrades such; expanded rail/subway/bus systems/airport transit connections; improved freeway traffic flow/safety; repaved local streets; earthquake-retrofitted bridges; synchronized traffic signals.

Angelenos spend an average of 81 hours a year stuck in traffic. There are 10.2 million people living in LA County, with that population projected to grow by 2.3 million people in the next 40 years. Traffic congestion and air pollution are expected to get worse with more growth, and the measure is intended to raise money to meet those needs.

In February 2016, Metro hosted the agency's first industry forum during which Metro officials invited the private sector to bring the agency their ideas for helping Metro deliver projects sooner than they are scheduled. There are already several projects under the measure for which LA Metro regularly welcomes unsolicited proposals from the private sector. Proposals being advanced to the next stage so far include:

- A proposal each from Skanska and Kiewit Infrastructure West to accelerate the West Santa Ana Branch Rail Project through a PPP
- Another proposal from Skanska to accelerate Phase 3 of the Purple Line Extension to UCLA and the Veterans Administration campus
- Metro is also reviewing a fourth proposal from Goldman Sachs to provide a regional network approach to develop and manage Metro's High Occupancy Toll (HOT) lanes
- Proposals for the Sepulveda Pass Transit Corridor from Parsons (Parsons Transportation Group) and Cintra (Cintra US Services)
- A proposal from Fluor Enterprises for conversion of the Orange Line from bus rapid transit to light rail through a PPP. This is the first proposal Metro has received for this project

Following a detailed analysis of the above phase II proposals, Metro staff will decide whether to issue requests for proposals to the industry.

Metro has also identified other projects that are potential PPP candidates under Measure M including the Crenshaw Northern Extension to West Hollywood, the High Desert Multi-Purpose Corridor in the North County and the 710 South Corridor. The agency has engaged Ernst & Young to help the authority select the best delivery methods for advancing its transport projects in LA County.

Other than these, California is also understood to have submitted a preliminary list of nine major infrastructure projects for which it is seeking federal funding under the Trump administration's infrastructure push, including Bay Area Commuter and Freight Projects and the California High-Speed Rail, according to the governor's office.

The California high-speed rail project is being led by the California High-Speed Rail Authority (CHSRA) under various phases. The proposed new 130-miles high speed rail line will be able to shuttle passengers between Los Angeles, San Diego and San Francisco at 220 miles-per-hour. The whole development is expected to cost a total of \$68 billion. The high speed rail will eventually extend to Sacramento and San Diego,

totaling 800 miles with up to 24 stations.

The rail line is planned to be complete by 2024, with passenger service beginning in 2025.

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