Using P3s to Deliver Multi-Modal Airport Transit Solutions

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Defining the Problem

- Surface transportation congestion
- Steady increase in airline passengers
- Bottleneck increasingly is on landside
- Legal limits on use of airport revenue
State of the Industry: Changes in Urban Dynamics

- Increasing perceived need for intermodal transit connectivity
- Environmental sensitivities
- Surface traffic challenges
- Time imperatives for travelers
- Employee demands
- Reliable, time certain access needs
- New/disruptive transportation technology
- Alternative (better?) use of airport property instead of parking lots
Challenges for Transit Connectivity

- Surface transportation is beyond airport sponsor expertise
- Limited available capital funding
  - Project revenue streams insufficient to guarantee funding locally
- Federal assistance generally (not always) available only as loans (TIFIA, RRIF)
- Uncertainty of full funding grant agreements
  - Timing
  - Amount
  - Reliability
- Legal constraints on funding from airport proprietor
# Rail Transit Connectivity

<table>
<thead>
<tr>
<th>Airport</th>
<th>Air Pax - Mill. (2017)</th>
<th>Rail access?</th>
</tr>
</thead>
<tbody>
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<td>✗</td>
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<td>LAX – Los Angeles</td>
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<tr>
<td>ORD – Chicago</td>
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<td>DFW – Dallas, Ft. Worth</td>
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<td>DEN – Denver</td>
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<td>CLT – Charlotte</td>
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</table>
P3 Terminology: A Word of Caution

- “There is no single, internationally accepted definition of Public-Private Partnership.”
  - PPP Knowledge Lab, The World Bank Group

- Equivalent terminology does not necessarily equate to equivalent meaning.
Different Models

- Trendy to call everything a P3!
- Private investment in public infrastructure is routine and historically common at airports
Spectrum of Private Investment

1. Service Contracts
2. Basic Concessions
3. Management Contracts
4. Design/Build
5. Design/Build/Finance (DBF)
6. Design/Build/Finance/Operate/Maintain (DBFOM)
Spectrum of Private Investment

- Service Contracts
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Reasons to Pursue P3s

- Don’t have the money (when needed for project delivery)
  - Now (cash flow)
  - Future (limit on borrowing authority)
- Desire for technological innovation
- Increase overall value for money (VfM)
- Need or desire to shift risk
  - Cost
  - Schedule
  - Deliverability
  - O&M uncertainties over lifecycle
Financial Considerations – Sources of Money

- No free money! (*but federal grants?)
- Private investment needs to be repaid
- Pre-set O&M costs need to be budgeted

**Funding**
- Private equity
- Farebox
- Transit tax revenue
- Airport revenue

**Financing**
- Private Activity Bonds
- Transit agency bonds
- Airport sponsor bonds (supported by rates and charges, PFCs)
- Federal grants, loans
Financial Considerations – Uses of Money

- Repay capital investment including reasonable rate of return, borrowing costs
- Routine O&M (typically fixed)
- Contingency for unexpected events
Recent Examples

- Commuter rail at Denver International
- O’Hare Express System at Chicago – O’Hare

Also

- DART, Dallas – Ft. Worth International Airport
- LAX – People Mover
Denver – A Line (EAGLE P3)

- 22.8 miles of commuter rail between Denver Union Station and Denver International Airport
Key Concession Elements

- **Scope**: Design, construction, financing, operations, and maintenance (DBFOM)
- **Concession payments**
  - Construction: Approximately $1.1 billion in construction payments
  - Operations: Annual service payments (incl. debt service)
- **Term**: 34 years
- **Security**: Pledged revenues through RTD’s sales tax indenture and annual appropriation
Public Agency Challenges

- Financial crisis of 2008
- Railroad agreements
- Regulatory approvals and oversight
- Environmental review
- Timing of P3 procurement & Federal New Starts processes
- Local legal construct e.g. TABOR
  - Colo. Taxpayers’ Bill of Rights – (codified at Colo. Const. Art. X, Sec. 20(1)). Limits a governmental entity’s ability to enter into multi-fiscal year obligations without voter approval
- Need for specific authorizing state legislation
Lessons Learned

- Project brought together outstanding teams/creative ideas
- Open, transparent, thoughtful, competitive process
- Ongoing communication with teams
- RTD willingness to adapt process
- Well developed technical and financial project
- Security structure

- Importance of post-award contract management
- Experience with risk shifting – have led to market evolution
Chicago O’Hare (O’Hare Express)

O’Hare Express

Pending NEPA approval

KEY:
- Proposed route of rapid-transit tunnel
- CTA blue line

Source: Chicago Tribune reporting
@ChiTribGraphics

Proposed System
Chicago’s Objectives

- No City funding; revenue-based concession
- Express transit from O’Hare to Chicago Loop
  - Travel time of 20 minutes or less
  - Frequent (15-minute head) 20 hours/day
  - Direct terminal access
- Flexible as to route and technology
- Premium price less than taxi / ride-share
- DBFOM structure
Status

- RFQ – November 2017
- Shortlist
- RFP – March 2018 (2 proposals)
- Selection of The Boring Company – June 2018
- Exclusive negotiations pending
- Final contract to be presented to City Council – early 2019
Highlights

- Hybrid: concession, greenfield P3, fully private project
- All private investment, all private revenue (potential revenue sharing)
- Public role limited
  - Grant right-of-way (under federally funded road)
  - Access to airport and rail station (shell only) in Loop
  - City coordination and non-financial support
- NEPA process expedited during negotiations
- Developer assume risk: project delivery, design, construction
Lessons

- P3 is project delivery tool only – but very flexible / adaptable
- Not once-and-done for public agency
- Need sophisticated internal expertise in –
  - Contract negotiation
  - Contract administration
  - Oversight of performance
- Consider first
  - Objectives of the project
  - Political imperatives
Lessons and Questions to Ask

- Why is project needed?
  - What is the market?
  - What are the timing imperatives?
- Why is shifting of risk important?
- Why isn’t public agency funding (and operation) sufficient?
- Will political leadership perceive loss of control?
- Will public perceive lack of accountability?
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