

Using P3s to Deliver Multi-Modal Airport Transit Solutions

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Defining the Problem



<https://nypost.com/2016/09/23/la-guardia-airport-hopes-new-plan-will-fix-gridlock-problem/>



<https://www.flickr.com/photos/sounderbruce/34054299544>

- 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

Airport	Air Pax - Mill. (2017)	Rail access?
ATL – Atlanta	100	
LAX – Los Angeles	82	<input checked="" type="checkbox"/>
ORD – Chicago	76	
DFW – Dallas, Ft. Worth	62	
DEN – Denver	60	
JFK – New York	59	<input checked="" type="checkbox"/>
SFO – San Francisco	52	
LAS – Las Vegas	46	<input checked="" type="checkbox"/>
SEA – Seattle	45	
CLT – Charlotte	44	<input checked="" type="checkbox"/>

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

Service
Contracts

Basic
Concessions

Management
Contracts

Design/ Build

Design/
Build/
Finance
(DBF)

Design/
Build/
Finance/
Operate/
Maintain
(DBFOM)

Spectrum of Private Investment

~~Service
Contracts~~

~~Build
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Design?
Build

Design/
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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

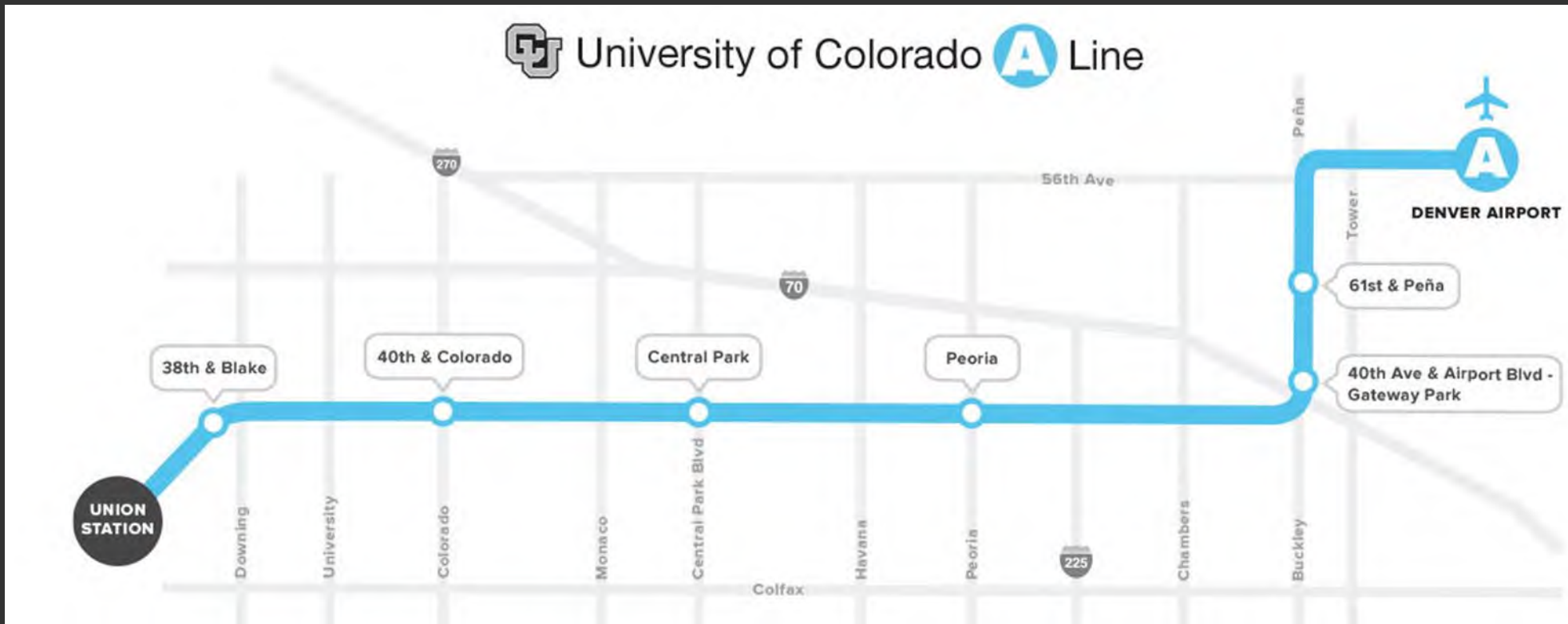
- Commuter rail at Denver International
- O'Hare Express System at Chicago – O'Hare

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



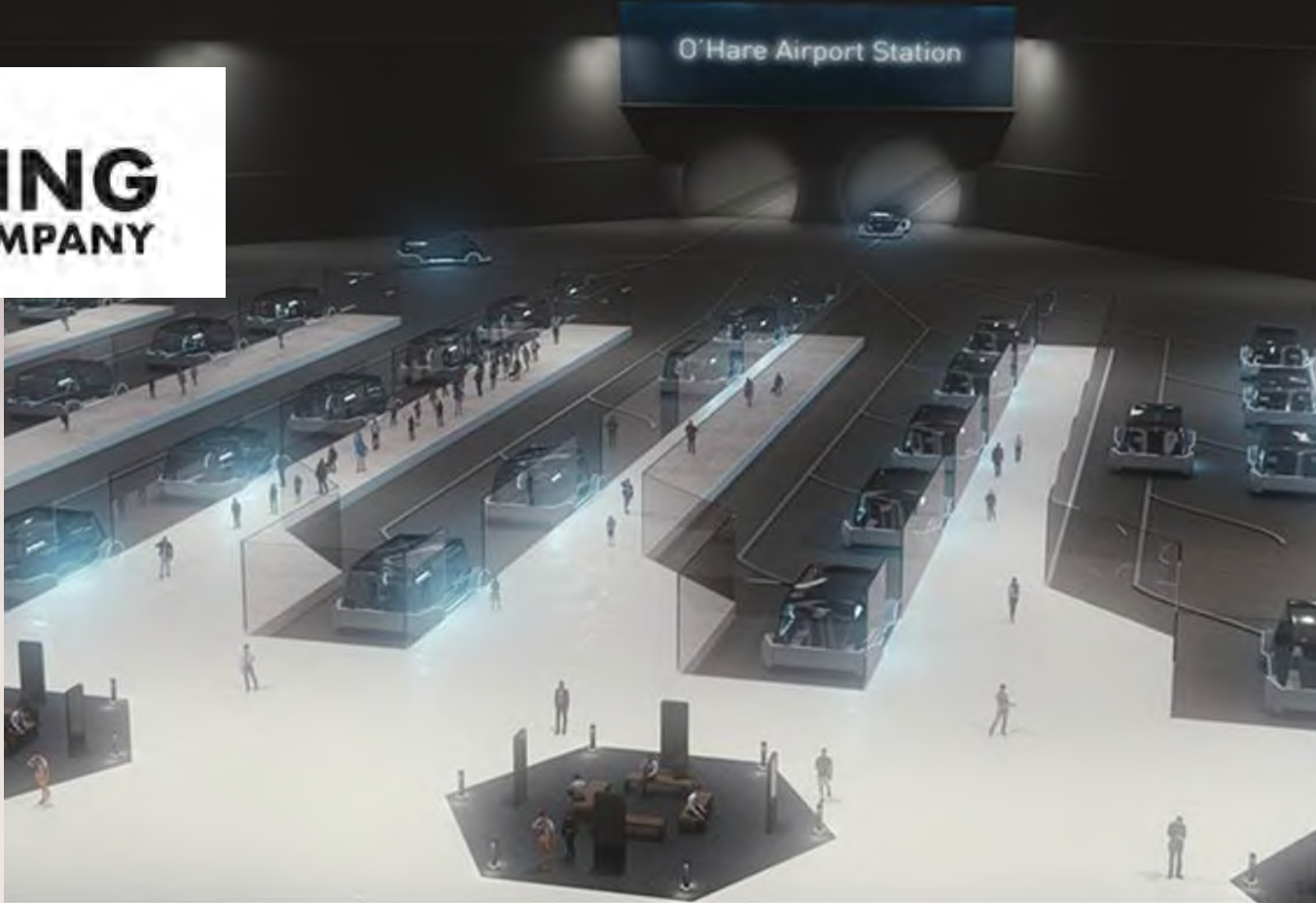
Lessons Learned

- ✓ 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)

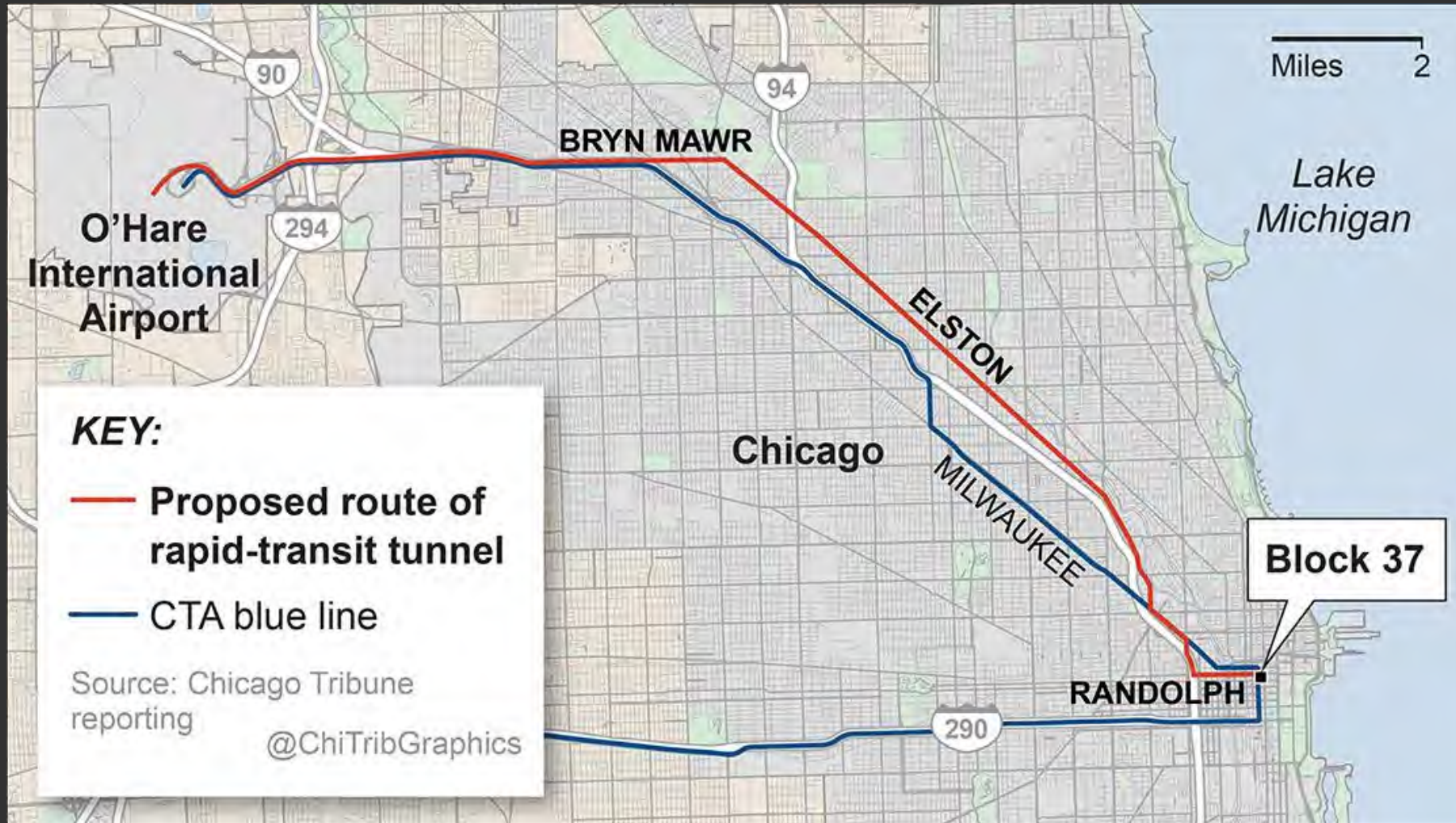


<http://community.chorus.ai/the-next-web-2/elon-musk-s-boring-company-will-build-high-speed-transit-tunnels-in-chicago-2>

The Boring Company



O'Hare Express



Pending
NEPA
approval

<https://www.chicagotribune.com/news/ct-elon-musk-tunnel-travel-time-htmstory.html>





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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