

# I-5 (I-605 TO I-710) P3 FEASIBILITY

## P3—A Tool for Development



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# Briefing Outline

- 1. I-5 (I-605 to I-710) P3 Feasibility Study Findings**
- 2. Land Value Capture (LVC) Tools—Local Revenue Generator**

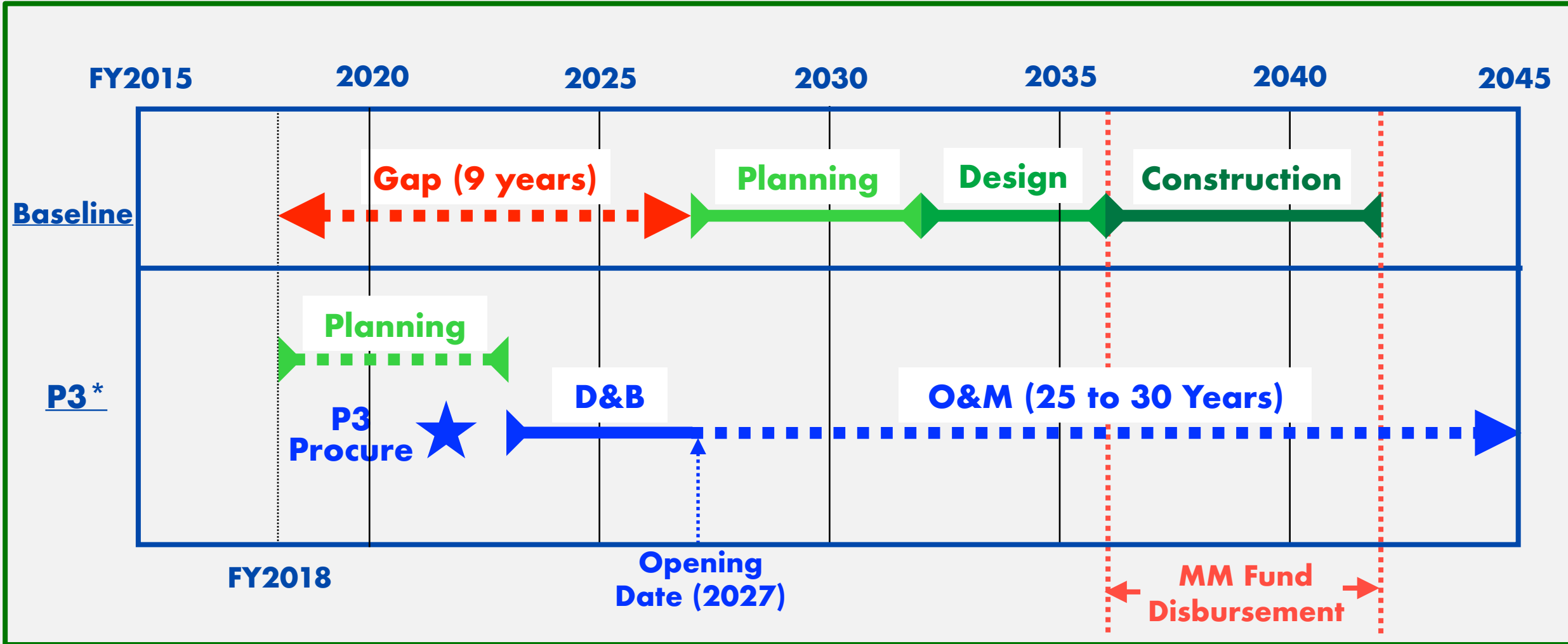
# I-5 P3 Feasibility Study Objectives

## Assess alternative delivery & financing options for I-5 (I-605 to I-710) Corridor Improvement Project (CIP)

- **Means to expedite the current implementation schedule (FY2036-2042)**
- **Options considered**
  - ✓ **Baseline: Traditional D-B-B, pay-as-you-go (per Measure M Funding schedule)**
  - ✓ **Alternatives: (1) P3, (2) D/B**

*D-B-B—Design-Bid-Build  
D/B—Design/Build*

# P3 vs. Baseline



\*Largely based on pre-Measure M P3 assessment provided by City of Los Angeles



# I-5 P3 Feasibility Study Findings

## Compared to Baseline, P3 can provide:

- **Project Cost: 15-20% capital cost savings\***
- **Project Schedule: Earliest opening in 2027 (15 years ahead)**
- **Implementation Delay Impacts: (1) +15 years of traffic delays; (2) cost escalation \$340M (@ 3%/yr)**
- **MM Funding Acceleration Needs: \$200M (Construction), \$40M/yr (O&M—9 yrs)**

\* Baseline cost: \$1.105B



# I-5 P3 Implementation Barriers/Remedies

## 1. P3 Enabling Legislation (SB2X4) (expired as of 1/1/2017)

- Use 63-20 Lease/Leaseback Model

## 2. Measure M Funding Schedule

- Meet Metro's Acceleration Criteria (local participation, EIFD potential)

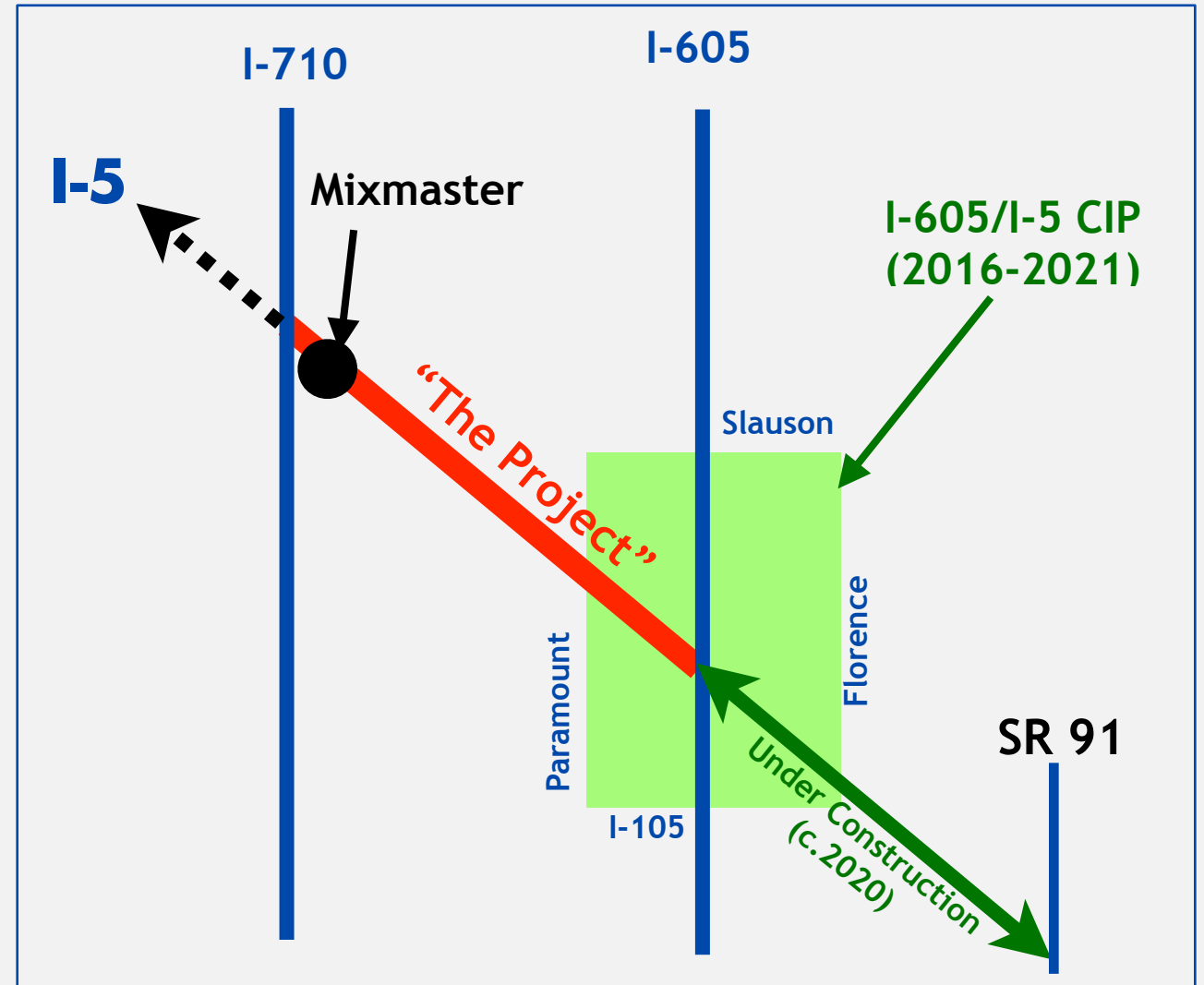
**P3 financing/delivery option offers significant cost & schedule savings on its own merit but there are external barriers; we have identified remedies to deal with these barriers**

# I-5 Phasing Challenges/Funding Priorities



## 3. By far, I-5 phasing and Metro's funding priorities were most problematic

- Significant funding shortage overall
- I-605/I-5 Interchange (planning 2016-2021) and I-605 "hot spots" have funding priority



# Land Value Capture (LVC)— It's All About Generating Revenues



**Formal method to capture and monetize land value appreciation to generate revenues for improvements**

- **Most powerful local policy tool**
- **Involve local land use/zoning**
- **Public's right to share land value appreciation**
- **Spreading the financial burden**

**LVC tools  
generates  
new  
revenues,  
not just  
financing  
mechanism**

# LVC Tools—Who Pays?

## Taxpayers Pay:

- **Property taxes and TIF**

## Property Owners Pay:

- **Special assessment districts, Mello-Roos**

## Developers Pay:

- **In-lieu fees—impact/linkage fees**
- **Land dedication**
- **In-kind provisions (facilities, service)**



# Other Non-Mandatory LVC Tools



## Contract-Based:

- **Development Agreement (DA)**
- **Community Benefits Agreement (CBA)**

## Regulatory Incentives:

- **Air rights/TDR**
- **Density bonuses**

## Investors Pay (New, Emerging):

- **Land use entitlement certificates (CePACs) from Sao Paulo, Brazil**



*TDR—transfer of development;  
CePAC—Certificate of Potential Additional Construction*



# LVC Examples—Integrated Approach Early Engagement of Stakeholders



## Special Assessment Districts

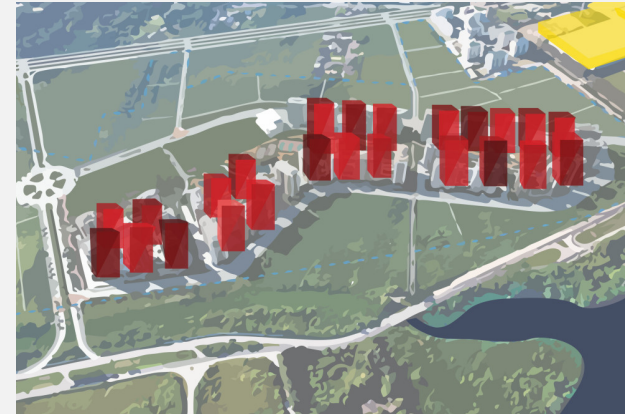
- **DC Metro Silver Line, BIDs**

## Development Agreement—OC Foothill Circulation

- **\$250M improvements by 19 developers**

## Engaging Multiple LVC Tools

- **NYC Hudson Yard**



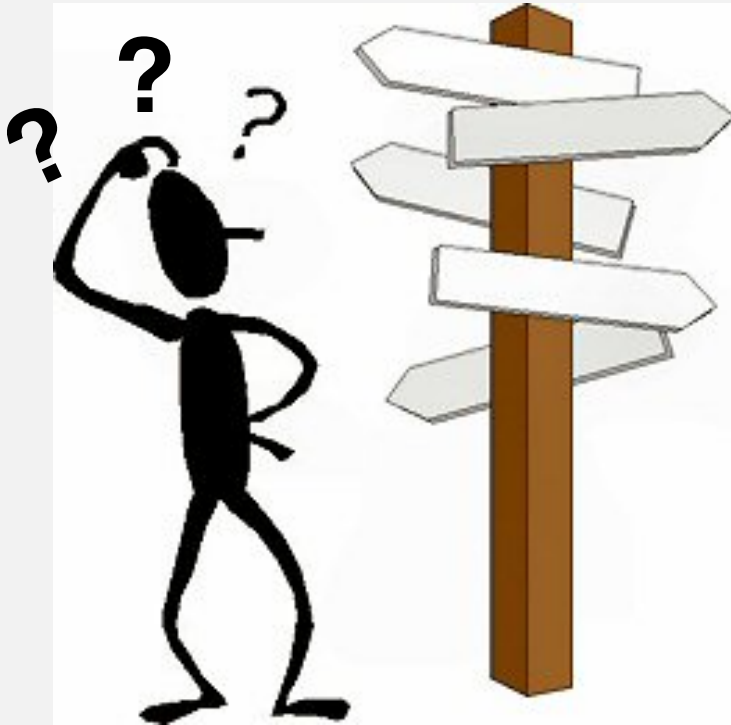
*BID—business improvement districts; OC—Orange County*

# P3 Potential for Diverse Local Assets

- **Civic Buildings**
- **Schools/Universities**
- **Public Healthcare Facilities**
- **Justice/Correctional Facilities**
- **LED/Streetlight Modernization**
- **Fiber/Broadband Network**
- **Waste-to-Energy Conversion**

**Use of LVC (and other tools such as EFD and QOZ) will substantially improve the P3 viability and enable P3 usage for many diverse assets under local governments' purview**





**QUESTIONS?**

# P3 Option—Pros/Cons



## Upsides:

- **Lifecycle efficiency—integrate D&B with O&M, avoid deferred maintenance downstream**
- **Acceleration of delivery schedule**
- **Transfer of risk to private sector—at-risk equity capital, budget/schedule certainty**
- **Performance-based payment—“availability” or non-payment**
- **Opportunity for innovations**

## Downsides:

- **Internal P3 capacity need for public sponsor**
- **Higher financing costs**
- **Political risks/challenges**



# EIFD—Empowering Local Governments

## Allows infra financing authority for local governments (SB628/AB126)

- **Can finance local infra needs for one or more jurisdictions**
- **No voter approval if formed thru JPA; can be non-contiguous**
- **Can issue tax-exempt bonds w/ 45-year term**
- **Use TIF backed by multiple local revenue sources**
  - ✓ **Taxes, user charges, vehicle license fees, hotel taxes, transit agency funding, impact fees, special assessments, private investments**

# QOZ—Involving Private Sector Capital



## Injection of private investments to help trigger TODs

- Created by The Tax Cuts and Jobs Act of 2017
- Provides tax incentives—base reduction/deferrals/exemptions
- \$2.3T to \$6T in total investment potential; long-term patient capital (7-10 years)
- 879 QOZs in CA, 274 in LA County alone
- Significant new real estate developments (TODs):
  - ✓ Enhance P3 deals with real estate component (e.g., LBCC P3)

*TOD—transit-oriented development  
LBCC—Long Beach Civic Center*