Pubic Private Partnerships: Denver's Eagle P3

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April 2010

The Denver Context

1982: 16th Street Mall Shuttle
1995: Downtown LRT
2000: Southwest LRT
2002: CPV LRT
2004: FasTracks vote approved
2007: Southeast LRT
2013: West LRT (construction)
2016: Gold Line and East (P3)

The Denver Context

- Transit ridership quickly exceeded projections
- Rapidly yielded to "who is next?" local politics for federal funding
- 2004 FasTracks vote: 1% total sales tax for transit

FasTracks Vision

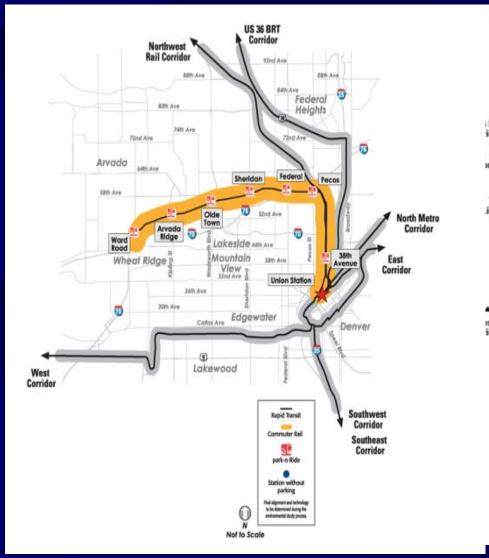
- 100+ miles of rail—6 new corridors + 3 extensions in 12 years (2016)
- Additional buses, park-n-rides, etc.
- $4.7 billion budget—20% federal money

FasTracks—2010

- Current cost: $7.1B vs. $4.7 budget
- West corridor under construction
- Pre-work on other lines
- Strong public support
- Enough for another 4/10% sales tax hike?
- What do we do now??

Eagle P3

- "Eagle P3": DBFOM on two FasTracks corridors
- East Corridor (airport to downtown)
- Gold Line (downtown northwest)
- Both commuter rail technology



The Nation is Watching…

- Part of FTA's Penta-P Initiative(Public Private Partnerships Pilot Program)
- Only surviving test case with financing element
- Two concessionaire teams competing—contract by September

Eagle P3: Design Build Scope of Work

- East Corridor
- Gold Line
- EMU commuter rail vehicles
- Maintenance facility
- Electrical systems, signals, etc.
- Stations and park-n-rides

Eagle P3: O & M Scope of Work

- Operations and maintenance of all design/build elements
- Site maintenance including landscaping at park-n-rides
- Long term capital maintenance and replacement of all assets
  - (excludes replacing EMUs at end of useful life)

TOD Scope of Work

- Option for proposer: plan to enable TOD
- RTD in the lead evaluating TOD proposals
- No concessionaire cost or benefit from TOD /joint development

Availability Contract: The Terms

- 46 year contract term (biggest risk for concessionaire)
- RTD retains ownership in assets at all times
- Fare prices set by RTD
- All revenues go to RTD
- Parking management remains with RTD
- RTD remains lead on all TOD projects

Contract Terms

- "Availability" contract: payments made to concessionaire for making the line "available for service" at agreed upon standards
- Performance based standards—concessionaire solves problem (i.e., "passenger info system")
- DBE/SBE, sustainability, non-renewable energy requirements
- Operating cost index increases
- "Material change" negotiations every 10 years

Payment Structure

RTD makes monthly payments:

- During construction for completed work
- During O&M for service availability

Service Payments

- Payments adjusted for performance
  - Increase of 0.5% for perfect delivery
  - Reduced up to 25% for inferior delivery
- Criteria
  - Provision of required service
  - On-time performance of trains
  - Station availability
  - Quality and timely maintenance

What if There are Problems?

- Reduce service payments
- Terminate contract (loses investment)
- Arbitration then court
- Independent engineer
- RTD only liable for termination fee

Risks/Responsibilities Summary

RTD

- Fare policy, revenue, ridership
- Real property acquisition
- Environmental, unidentified conditions
- Energy costs
- Marketing the service
- TOD costs/benefits

Concessionaire

- RTD appropriations
- Cost and schedule
- Design and construction
- Quality
- Utilities
- Operations quality and quantity
- Cost of capital

Who Gets What??

RTD

- Expedited start (i.e., 2.5 years vs. 10 years)
- Commuter rail expertise
- Fixed price contract
- Priority: 15 minute headways
- 46 year financing plan
- Reduced oversight /operating management
- Service/price control

Concessionaire

- ~12 % return on investment
- Upside for performance
- Limited risk—no ridership or revenue exposure

Stay Tuned!

- Project award this summer; construction this fall
- New USA model for P3s with transit?
- Additional risk transfer to private sector in the future?

LET'S GO !!

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