Public Private Partnerships:
Denver’s Eagle P3

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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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