



Board Report

File #: 2021-0531, **File Type:** Agreement

Agenda Number: 10.

PLANNING AND PROGRAMMING COMMITTEE SEPTEMBER 15, 2021

**SUBJECT: ALAMEDA CORRIDOR-EAST (ACE) PROJECT MEASURE R WORKING CAPITAL
LOAN RESTRUCTURING**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) or their designee to negotiate and execute a project amendment to the ACE Measure R Master Funding Agreement which will restructure the associated working capital loan by extending the loan term an additional three years and restructure the loan maturity terms to allow for adjustment based on a percentage of the outstanding loan balance, thereby allowing for additional pre-payments.

ISSUE

Metro and the San Gabriel Valley Council of Governments (SGVCOG) entered into a Measure R Master Funding Agreement on June 14, 2013. The Master Funding Agreement included a working capital loan in the amount of \$45,000,000. The SGVCOG has partially repaid \$15,000,000 toward the working capital loan, which was granted under a Measure R Master Funding Agreement with Metro. The SGVCOG has requested a restructuring of the loan terms and conditions (Attachment A) as Metro continues to support the delivery of the Alameda Corridor-East Grade Separation Phase II projects (ACE Project).

Under the existing agreement, payment of the outstanding balance of the working capital loan is due on the earlier of ten years (the "Initial Term") or the date in which Metro's outstanding Measure R fund obligation falls below \$75,000,000 (the "Early Trigger"). Based on a partial repayment of \$15,000,000 out of the total original loan amount of \$45,000,000, staff recommends extending the Initial Term by three additional years and adjusting the Early Trigger to reflect the \$15,000,000 partial payment and any additional future principal payment. The Early Trigger will be equal to five-thirds (5/3) of the current outstanding loan balance.

BACKGROUND

The SGVCOG established the Alameda Corridor-East (ACE) Construction Authority in 1998 to provide direction and oversight of the ACE Project, a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic

on over 70 miles of mainline railroad in the San Gabriel Valley. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

These projects are located within various San Gabriel Valley cities, primarily in the City of Industry, Diamond Bar, El Monte, Montebello, Pico Rivera and Pomona. Since then, Metro continues to support the SGVCOG in delivering the ACE Project through several commitments funded through LA County's sales tax measures.

In June 2013, Metro entered into a funding agreement with the SGVCOG to authorize Metro's Measure R contribution to the ACE Project. The agreement included a working capital loan to support the SGVCOG's cash flow needs during the project delivery.

The maximum loan amount of \$45,000,000 is counted towards the maximum Metro contribution of \$358,000,000 under the Master Funding Agreement, and is not intended to exceed the maximum Metro contribution amount outlined in Measure R.

Through the addendum No.3, dated on March 25, 2021, \$282,500,000 of Measure R funds has been authorized. The remaining balance under the Master Funding Agreement is \$75,500,000.

With the success of completing the Puente Avenue Grade Separation project, three projects presently under construction (Durfee Avenue, Fairway Drive, and Fullerton Road Grade Separation projects), the Turnbull Canyon Road Grade Separation project in construction contract award, three projects in final design (Montebello Corridor Grade Separation, Montebello At-Grade Crossing Improvements, and Pomona At-Grade Safety Improvements) and the Maple Avenue Overcrossing Safety Improvement project in right-of-way phase, the SGVCOG has determined that its cash flow needs have reduced.

The Master Funding Agreement presently stipulates that the loan repayment would be triggered either at ten (10) years from the time that the working capital loan commenced, or when Metro's outstanding obligation is at its last \$75,000,000. Based on a partial repayment of \$15,000,000 out of \$45,000,000, the SGVCOG requested that the Initial Term be extended by three additional years and the Early Trigger be adjusted accordingly to reflect the partial repayment and any future partial payments.

DISCUSSION

Since its inception in 1998, the SGVCOG's Alameda Corridor-East Project has successfully implemented and delivered construction projects to mitigate vehicle delays and collisions at at-grade rail-highway crossings to address community concerns over safety, noise, air quality, and emergency vehicle access.

The SGVCOG has delivered 12 grade separation projects to date; eight projects are currently active. These completed projects have eliminated at-grade crossings and improved traveler safety throughout the San Gabriel Valley where Union Pacific's freight mainlines move containerized cargo through several communities. These projects strongly support Metro's Agency Strategic Goal as they eliminate vehicle delays at at-grade crossings caused by the movement of freight trains and improve

quality of life for the surrounding communities by improving safety, offering easier access and connectivity to communities that were previously separated by both rail tracks and roadways, and eliminating noise impacts and tailpipe emissions from idling vehicles at such crossings.

Implementation of ACE grade separation projects also improves safety and travel speeds for commuter rail service like Metrolink that operates on the Union Pacific shared use freight rail corridor, thus encouraging modal shift from long distance single occupancy vehicle commutes to rail transit while reducing disparities for adjacent communities caused by collisions, congestion, air pollution, and noise associated with the movement of freight trains across local highways.

DETERMINATION OF SAFETY IMPACT

This Board action will further Metro's commitment to improving safety in the San Gabriel Valley by reducing collisions between freight rail and passenger vehicles at busy at-grade rail/highway crossings.

FINANCIAL IMPACT

FY22 budget includes \$59,000,000 for this project under cost center 0441 (Subsidies to Others), project number 460307 (Phase II ACE Grade Separation). Adopting the Board action would result in restructuring the working capital loan terms and conditions outlined in the Master Funding Agreement. The Initial Term will be extended by three additional years, and the Early Trigger will be adjusted to reflect the \$15,000,000 partial payment and any additional future principal payment. The Early Trigger will be equal to five thirds (5/3) the current outstanding loan balance.

Impact to Budget

The source of funds is Measure R Highway Capital 20%, which is not eligible for bus and rail operating and capital expenditures.

EQUITY PLATFORM

The SGVCOG established the ACE Project in response to growing community concerns over rapidly increasing rail freight volume as Ports of Long Beach, and Los Angeles solidified their positions as the preferred ports of entry to serve America's surging demand for imported goods.

As described in Attachment B, the ACE Project community outreach efforts have consistently sought to incorporate community concerns and input in the design of the specific improvement projects. The SGVCOG conducts extensive community engagement meetings once project design reaches the 65% level with renderings, property take and easement maps, and detour routes that provide sufficient details to allow meaningful community input. The SGVCOG ensures that translators are on hand at such meetings to provide input in English, Spanish, and Chinese languages.

This extensive community engagement seeks to establish informed opportunities for surrounding communities to shape each of the ACE projects so that the completed projects meet the communities' needs and desires. These projects enhanced safety for vulnerable roadway users by

incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

Majority of the ACE Project elements are located in either disadvantaged communities as defined by the CalEnviroScreen or Metro's Equity Focus Communities (EFCs). The Board action will not eliminate any funding for projects or portions of planned or proposed projects for EFCs.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (1) Provide high-quality mobility options that enable people to spend less time traveling and (3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as the current terms and conditions outlined in the Master Agreement would continue withholding the last remaining \$75,000,000 of Measure R funds to be used for the ACE Project delivery. This would hinder Metro's commitment to supporting the completion of the ACE Project.

NEXT STEPS

Upon Board approval, staff will execute an addendum to restructure the working capital loan terms and conditions to reflect the recent partial repayment.

ATTACHMENTS

Attachment A - SGVCOG Letter on Partial Loan Repayment and Request

Attachment B - ACE Project Equity Outreach Process

Prepared by: Akiko Yamagami, Manager, Countywide Planning & Development, (213) 418-3114
Michael Cano, DEO, Countywide Planning & Development, (213) 418-3010
Wil Ridder, EO, Countywide Planning & Development, (213) 922-2887 Laurie Lombardi,
SEO, Countywide Planning & Development, (213) 418-3251

Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



Stephanie N. Wiggins
Chief Executive Officer



Via email to JohnsonR5@metro.net

August 17, 2021

Mr. Rodney Johnson
Deputy Executive Officer, Finance
Los Angeles County Metropolitan Transportation Authority
One Gateway Center
Los Angeles, CA 90012

RE: Partial repayment of \$45 million working capital loan under MOU8002R

Dear Mr. Johnson:

This letter is intended to accompany the simultaneous wire transfer from the San Gabriel Valley Council of Governments (SGVCOG) to the Los Angeles County Metropolitan Transportation Authority (LA Metro) of a total of \$15,000,000 in partial payment of an outstanding \$45,000,000 loan extended by LA Metro to SGVCOG for the purpose of financing the working capital needs of the Alameda Corridor-East (ACE) Project.

The partial repayment is based on a careful assessment of cash flow needs of the three grade separation projects currently in construction and the two projects anticipated to start construction next year. As you know, the Alameda Corridor-East Phase II Grade Separations Master Funding Agreement for the working capital loan stipulates that the loan repayment would be triggered either at 10 years from the time that the working capital loan commenced in June 2013, or when LA Metro's outstanding obligation of Measure R or Proposition C for the ACE Project reaches a trigger amount of \$75,000,000 or less. With the approval of addendum No. 3 dated March 25, 2021, \$282,500,000 of Measure R funds have been authorized, leaving a remaining balance under the Master Funding Agreement of \$75,500,000.

To provide for future, albeit reduced cash flow needs, the SGVCOG hereby requests that LA Metro amend the loan duration to extend it by three additional years and that the repayment trigger amount be adjusted accordingly to reflect the partial repayment.

I hope this information is helpful. Please contact me at ralimoren@sgvcog.org should you have questions or need more information.

Sincerely,

A handwritten signature in black ink that reads "Rey P. Alimoran".

Rey Alimoran
Director of Finance

cc: Mr. Matthew Wingert (WingertM@metro.net)
Ms. Akiko Yamagami (YamagamiA@metro.net)



Via email to yamagamia@metro.net

August 16, 2021

Ms. Akiko Yamagami
Transportation Planning Manager
Goods Movement
Los Angeles County Metropolitan Transportation Authority
One Gateway Center
Los Angeles, CA 90012

Dear Ms. Yamagami:

This letter is in response to your request for information on the consistency with LA Metro's Equity Platform of the community engagement conducted on behalf of the Alameda Corridor-East (ACE) Project, a comprehensive program of safety and mobility improvements along the freight mainline railroads in the San Gabriel Valley implemented by the San Gabriel Valley Council of Governments (SGVCOG) and funded in partnership by LA Metro.

The ACE Project was started in 1998, well before current equity considerations were in place. However, as illustrated below, the SGVCOG community outreach approaches since inception of the ACE Project have largely been consistent with the goals and objectives of LA Metro's equity framework. The SGVCOG established the ACE Project in response to sharpening community concerns over the safety, congestion, air pollution, noise and other local impacts of growing freight rail traffic at at-grade crossings in the San Gabriel Valley with the completion of the Alameda Corridor rail expressway between the San Pedro Bay ports and downtown Los Angeles. The ACE Project program goals are to increase safety, improve mobility, reduce emissions and foster economic vitality. These broad goals reflect desired community outcomes of reducing the impacts of increased freight rail traffic through San Gabriel Valley communities which otherwise are burdened with the growth of freight movement in Southern California, the nation's largest trade gateway and inland corridor. Further, quality of life benefits include restoration of community connectivity and cohesion, which was previously divided by the railroad tracks.

In addition to the overall ACE Project reflecting community outcomes, SGVCOG's community outreach efforts have sought to incorporate community concerns and input in the design of the specific improvement projects that make up the comprehensive ACE Project. During the design engineering phase for each ACE project, SGVCOG conducted extensive community engagement meetings once project design reached the 65% level. At that level of design, renderings, property take and easement maps and detour routes are sufficiently detailed to allow meaningful community input. SGVCOG ensured that translators were on hand at community engagement meetings to allow input to be provided in English, Spanish and Chinese languages.

This extensive community engagement seeks to establish informed opportunities for surrounding communities to shape each of the ACE projects so that the completed projects meet the needs and the desires of the communities. For instance, at the most recent community outreach meeting for the Turnbull Canyon Road grade separation project in July 2019, community input and concerns resulted in the addition to the project of street lights to deter crime and dumping, installation of no-truck-through traffic signs on residential streets and fencing to be added to a pedestrian overcrossing to deter graffiti and camping, among other design revisions. During individual project construction, communities are kept apprised in advance of impactful construction activities so mitigation efforts can be developed to ease or offset impacts on neighboring residents and businesses.

Attached to this letter in response to your request are the SB 535 Disadvantaged Communities and AB 1550 Low-income Communities assessments prepared as part of the applications seeking SB 1 Trade Corridor Enhancement Program funds for the ACE grade separation projects at Montebello Boulevard and Turnbull Canyon Road.

I hope this information is helpful. Please contact me at phubler@sgvcog.org should you have questions or need more information.

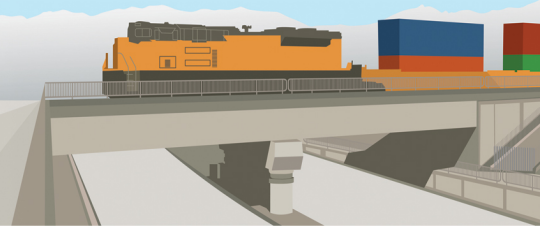
Sincerely,

A handwritten signature in black ink, reading "Paul R. Hubler". The signature is fluid and cursive, with the first name "Paul" and last name "Hubler" clearly legible.

Paul Hubler
Director of Government and Community Relations

Attachment

Attachment
SB535 Disadvantaged Communities and
AB1550 Low-Income Communities Assessment



vi. COMMUNITY INVOLVEMENT

ACE has conducted extensive community outreach for the Montebello Boulevard Grade Separation Project and planned safety improvements for the remaining at-grade crossings in the City of Montebello. In coordination with the City of Montebello, ACE held a community-wide project public information meeting on May 17, 2016. The meeting was well-publicized, with more than 22,000 invitation letters mailed to Montebello residents, businesses and key stakeholders and articles published in community newspapers. Nearly 90 people attended the meeting at a conference center in Montebello, including residents, business owners and representatives of the City of Montebello, Congresswoman Linda Sanchez's office, Montebello Unified School District, Montebello Chamber of Commerce and Beverly Hospital.

The purpose of the meeting was to provide information and solicit comments and questions based on updated concept design plans for the proposed roadway underpasses at Montebello Boulevard and Maple Avenue and safety gate and crossing improvements at Greenwood and Vail Avenues. Display boards were made available showing concept design plans, traffic detours and right-of-way/easements required at each crossing. Materials were made available in English, Spanish and Chinese and translators were on hand to provide assistance to attendees. The plans developed were based on conceptual proposals approved by the Montebello City Council in February 2015.

The community input and concerns and ACE responses were summarized in a written report sent to the Montebello City Manager. ACE staff presented the concept plans for review and approval by the Montebello City Council, and the final concept was approved in July 2016, with an amendment to replace the underpass on Maple Avenue with a pedestrian overcrossing and quad gates. The underpass was replaced due to concerns over potential property access impacts to a nearby dairy and the lack of significant vehicular traffic on Maple Avenue.

The Montebello Boulevard Grade Separation Project received clearance under the California Environmental Quality Act (CEQA) in November 2017.

vii. COMMUNITY BENEFITS AND IMPACTS — DISADVANTAGED COMMUNITIES AND LOW-INCOME AREAS

The Project will produce mobility, safety, environmental, and quality-of-life benefits for the communities in and around the Project area by restoring connectivity and cohesion to a community divided by the UPRR rail line. That community is primarily Hispanic, lower-income and more transit-dependent than the overall population of Los Angeles County, with nearly 15% of residents living below the poverty level⁴.

The Project is located in Census tract #6037532101, which is designated as both a disadvantaged community and a low-income community. It is among the most disadvantaged 25% in the state,

⁴ <https://www.census.gov/quickfacts/fact/table/montebellocitycalifornia/PST045216>



according to the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code, and contains households with a median income at or below 80% of the statewide median or with median household incomes at or below the threshold designated as low income by the Department of Housing and Community Development's list of state income limits adopted pursuant to Section 50093 of the Health and Safety Code.

Figure 4 shows the SB 535 Disadvantaged Communities and AB 1550 Low-income Communities impacted by the Project⁵. The red and blue circles indicate the area within .5 and 1.0 miles of the Project site, respectively, where property values are expected to increase due to the grade separation construction. These increased property values will all occur in communities designated as disadvantaged or low income.

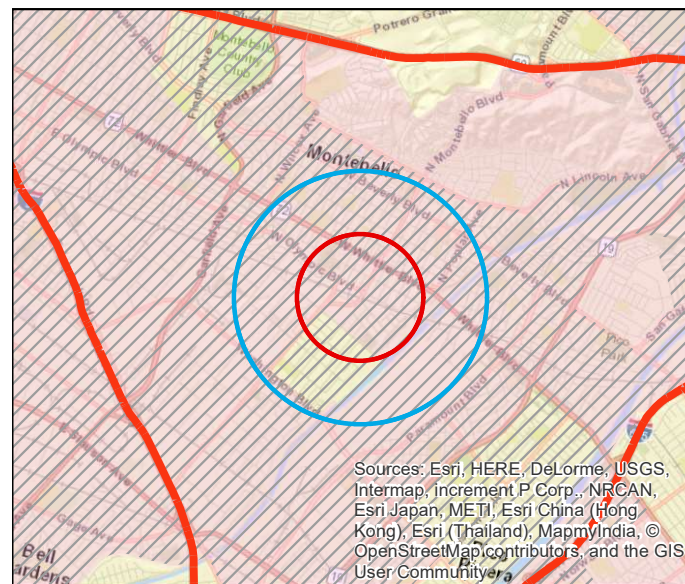


Figure 4: Montebello Boulevard Grade Separation Project
Disadvantaged Communities and Low-Income Areas

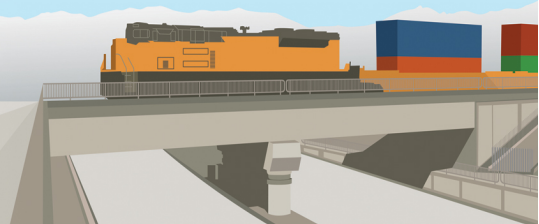
viii. COMMUNITY BENEFITS AND IMPACTS – GENERAL

As also described in the Benefit-Cost Analysis section of this narrative, the impact of the Project goes beyond the immediate project area, and extends to communities not designated as disadvantaged or low-income. The Project will improve the quality-of-life for residents in the City of Montebello and the San Gabriel Valley by reducing the hours that vehicles are delayed due to crossing trains, which will also lead to reductions in toxic emissions from idling vehicles, which will improve air quality throughout the region. The Project will improve safety for motorists, bicyclists and pedestrians by eliminating the possibility of a crash, and will also eliminate delays for emergency responders. These improvements will reduce traffic congestion and create travel time savings throughout the region's highly congested

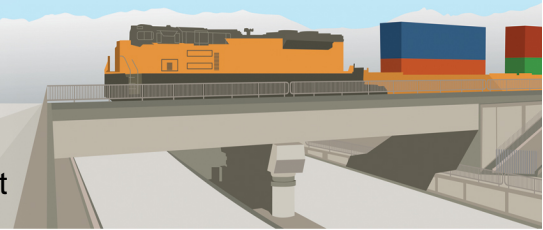
⁵ <https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/communityinvestments.htm>



ALAMEDA CORRIDOR-EAST PROJECT
SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS



highways, and improve the reliability of freight movement between the Ports of Los Angeles and Long Beach, thus reducing the costs associated with freight delays.



vi. COMMUNITY INVOLVEMENT

The ACE Construction Authority intends to conduct community and public involvement for the Project throughout 2018. ACE staff has briefed the offices of Los Angeles County Supervisors Hilda Solis and Janice Hahn in preparation for holding a Community Open House meeting for the Project in 2018. The purpose of the open house meeting will be to present to residents and businesses the preliminary design plans and renderings, traffic detour information, and right-of-way/easements required from private property for the Project, as well to solicit comments from the public and affected parties. Public comments received at the meeting or by letter will be documented and responded to in writing. Information will be available in English, Spanish and Chinese languages.

vii. COMMUNITY-IDENTIFIED NEEDS, AND BENEFITS TO DISADVANTAGED AND LOW-INCOME COMMUNITIES

The Project will produce mobility, safety, environmental, and quality-of-life benefits for the communities in and around the Project area by restoring connectivity and cohesion to a community divided by the UPRR rail line. Additionally, the Project will increase low-income and minority access to jobs located in the City of Industry by eliminating congestion and delay. The project census tract (#6037408202) and the surrounding area are home to both SB 535 disadvantaged communities and AB 1550 low-income communities.

Figure 3 shows the SB 535 Disadvantaged Communities and AB 1550 Low-income Communities impacted by the Project. The circles indicate the area within 0.5, 1.0 and 1.5 miles of the Project site, respectively, where property values are expected to increase due to the grade separation construction. These increased property values will primarily occur in communities designated as disadvantaged and low income.

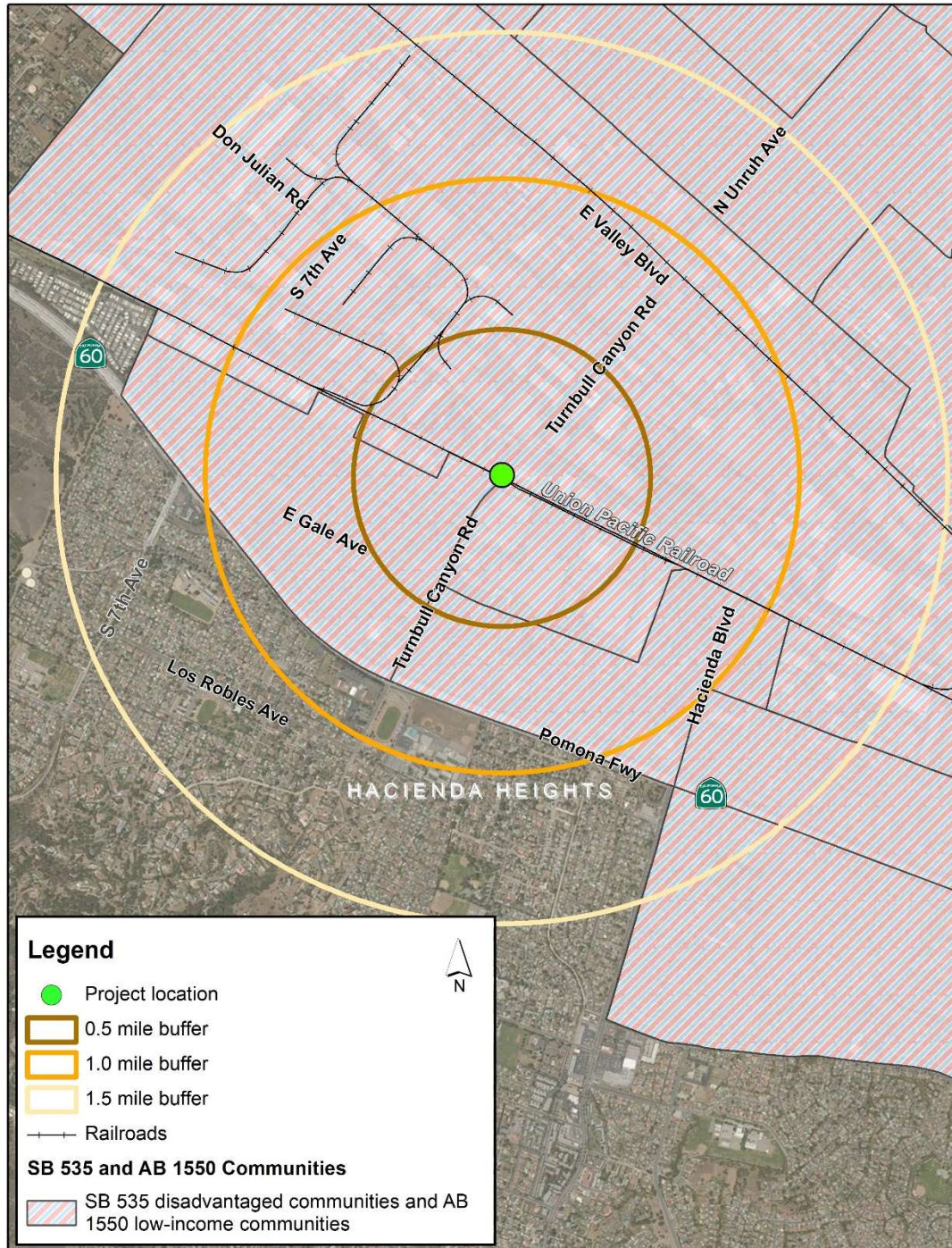
i. COMMUNITY-IDENTIFIED NEEDS AND BENEFITS TO OTHER AREAS

As described above in Section VII and later in Section XI of this narrative, the Project will improve the quality-of-life for residents in the surrounding communities and the San Gabriel Valley. These benefits go beyond the immediate project area, and extend to communities not designated as disadvantaged or low-income.

The project will benefit these other communities by reducing the hours that vehicles are delayed due to crossing trains. Reducing vehicle hours and miles in the area will also lead to reductions in toxic emissions from idling vehicles, which will improve air quality throughout the region. The Project will improve safety for motorists, bicyclists and pedestrians by eliminating the possibility of a crash, and will also eliminate delays for emergency responders. These improvements will reduce traffic congestion and create travel time savings throughout the region's highly congested highways, and improve the reliability of freight movement between the Ports of Los Angeles and Long Beach, thus reducing the costs associated with freight delays. As mentioned above, the project is also the last at-grade crossing in the area, eliminating train horn noise at the crossing for all communities in the area.



Figure 3: Disadvantaged and Low-Income Communities



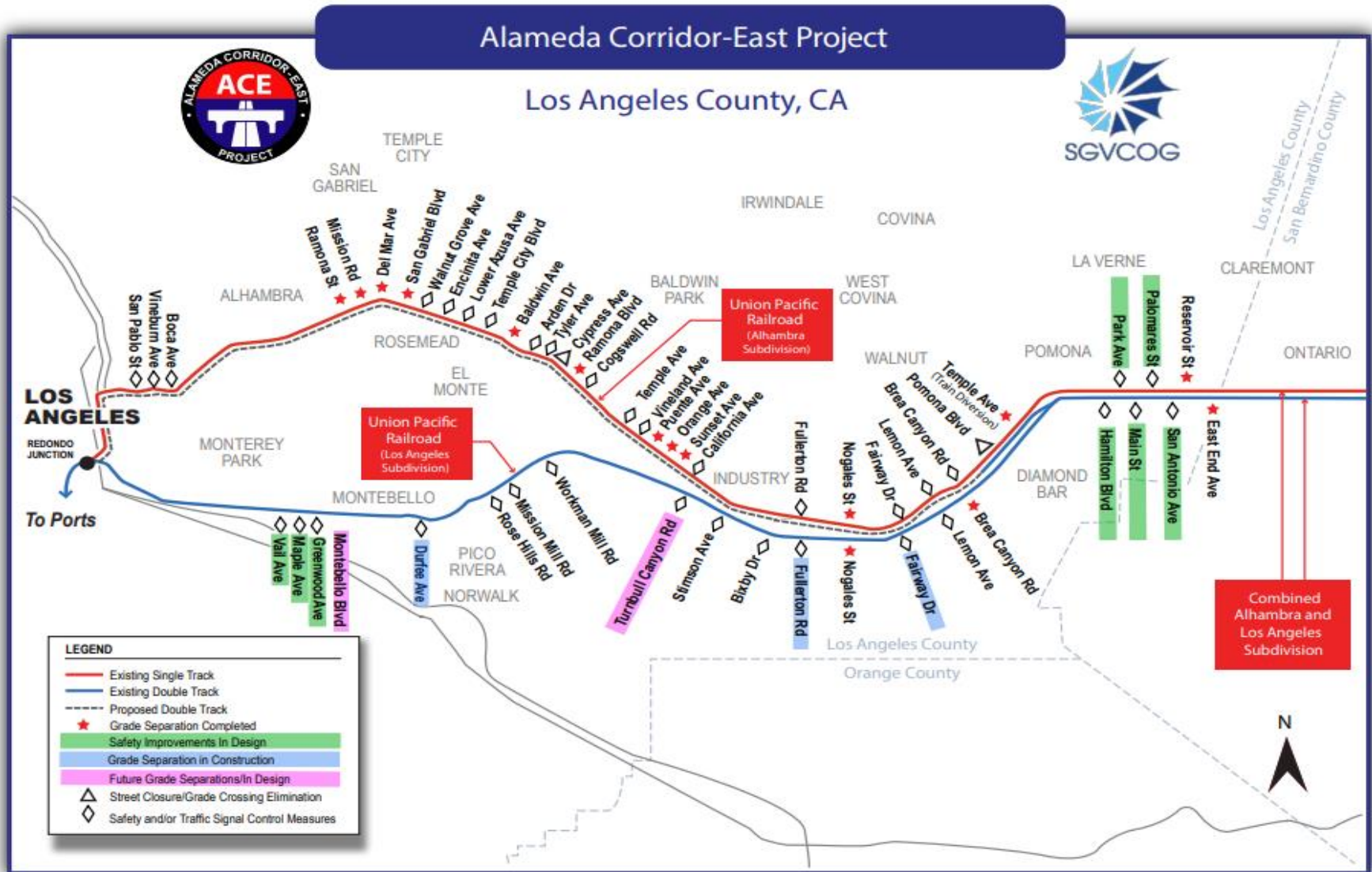
Source: California Air Resources Board



**We're planning a better
way to move goods.**

September 2021 Metro Board Meeting
Item 2021-0531: ACE Project Measure R
Working Capital Loan Restructuring

ACE Project – program of projects



Alameda Corridor-East Project Area

Measure R Working Capital Loan

Measure R Master Funding Agreement includes a working capital loan to support the San Gabriel Valley Council of Governments with its cash flow to deliver the ACE Project.

Current loan amount, terms and conditions

Loan amount: \$45 million

Terms and conditions:

- > 10-year loan term
- > Repayment will be triggered when Metro's outstanding Measure R fund obligation falls below \$75million.



Proposed terms and conditions

Partial repayment amount: \$15 million
(received on September 1, 2021)

Upon Board approval, update terms and conditions as follows:

New outstanding balance: \$30 million

- > Extend the initial term by additional 3 years
- > Adjust the repayment trigger to be equal to five thirds (5/3) the current outstanding loan balance