File #: 2026-0459, **File Type:** Informational Report **Agenda Number:** 26.

EXECUTIVE MANAGEMENT COMMITTEE
OCTOBER 15, 2026

SUBJECT: INNOVATIVE FINANCING STRATEGY AND IMPLEMENTATION ROADMAP PLAN

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on the Innovative Financing Strategy Plan, including Public-Private Partnerships (P3).

ISSUE

At its March 2026 meeting, the Board approved Motion 26 by Directors Dutra, Sandoval, Najarian, Horvath, Yaroslavsky, and Dupont-Walker (Attachment A), which directed the Chief Executive Officer to return to the Board with a comprehensive P3 and Innovative Financing Strategy and Implementation Roadmap Plan. This report provides an update on the early work that is underway, outlining foundational activities planned that will shape the approach to innovative financing over the next several years.

BACKGROUND

According to the U.S. Department of Transportation (USDOT), innovative financing encompasses techniques and mechanisms that go beyond conventional grant-based or pay-as-you-go funding, allowing transportation agencies to leverage resources, borrow funds, or generate new revenue streams to support infrastructure projects. Common mechanisms include, but are not limited to, P3 and value capture. The benefits of innovative financing include:

- Leverages existing funding to maximize impact;
- Accelerates project delivery, reducing delays and inflation-related cost increases; and
- Supports sustainable and equitable transportation

Metro's exploration of P3 as an opportunity for major infrastructure projects is not new, but prior attempts have not been successful; the upcoming effort will build on lessons learned from those experiences. Metro performed P3 assessments in the mid-2010s that considered a comparison between traditional Design-Build models vs. full Design Build Finance (DBF) and Design Build Finance Operate Maintain (DBFOM) delivery models. In 2017, those initial P3 assessments, along with Unsolicited Proposals received, led to the decision to further explore advancement of full DBF/DBFOM P3 structures for two projects, the West Santa Ana Branch (later Southeast Gateway

Line) and the Sepulveda Transit Corridor (STC).

In 2019, for STC, the Board authorized the solicitation of Pre-Development Agreement (PDA) contracts, with up to two private sector partners chosen by utilizing a competitive, objective selection criteria process. Benefits of the PDA process were identified as optimization of project performance, risk, constructability, affordability, and delivery schedule through early design solutions, innovation, and private sector rigor and resources. In 2021, for STC, early private sector engagement via the two PDA contracts was advanced in conjunction with the environmental process.

Also in 2019, Metro began to advance other types of collaborative contracting methods, including delivery models such as Progressive Design Build (PDB) and Construction Manager/General Contractor (CM/GC) for major infrastructure projects. Initial projects exploring these approaches included Link Union Station (LINK US), G Line Bus Rapid Transit Improvements, East San Fernando Valley (ESFV) Light Rail Transit, and I-105 ExpressLanes. These delivery methods also include the opportunity to benefit from private sector collaboration and innovation.

In 2024, further assessment of a DBFOM P3 model for the Southeast Gateway Project was concluded, resulting in the DBFOM P3 model being dropped from further consideration. This assessment recognized how changes in market conditions, along with significant project specific risks and challenges, including interface and third-party risks, diminished the potential benefits that could come from a P3 delivery structure, particularly in comparison to new collaborative contracting options.

In 2026, a Locally Preferred Alternative (LPA) for STC was selected, leading to work with a single PDA team to advance design refinements that align with the LPA, as well as the commercial and financial efforts to deliver the LPA.

At the March 2026 Board Budget Workshop, Metro staff presented a range of P3 workstreams as a potential means to address projected capital and operating funding gaps, manage delivery risk, and enhance long-term financial sustainability. Subsequently, Motion 26 was introduced in March 2026, affirming the Board’s interest in exploring P3 strategies that could drive value to the agency.

DISCUSSION

All transit agencies in the United States are facing the growing challenge of funding their major capital projects when traditional revenue streams are being outpaced by growing cost pressures. Metro’s initiatives within Program Management, Program Control, and Countywide Planning and Development have helped address some of the impact of project cost drivers, however, they cannot overcome all project challenges, particularly ones outside of Metro’s control. As a result, Metro is continuing to explore innovative financing structures, inclusive of P3 models, in ways that could help to offset some of the current funding needs.

Succinctly, a P3 is a long-term contractual arrangement between a public agency and a private entity to deliver and/or operate a public asset. A well-structured P3 can improve risk allocation, incentivize innovation, and enhance cost and schedule certainty. However, a P3 is not a source of free money; it is a financing mechanism that requires repayment with interest, does not transfer ownership of public

assets, and does not suit all projects.

In line with the Board Motion and based on the lessons learned from Metro's prior assessments of P3 delivery opportunities, Metro has initiated the P3 Innovative Financing Strategy and Implementation Roadmap Plan (Plan). Attachment B provides a high-level timeline for key activities and decision points, which was introduced at the March Budget Workshop. This Plan is structured around three major P3 workstreams and is supported by engagement of a P3 Tiger Team to ensure alignment across the agency as staff explore potential benefits, challenges, and risks of the different P3 approaches. The P3 workstreams include:

1. **DBFOM** analysis of STC, including upcoming work in developing a Preliminary Business Case for P3 implementation, leveraging the PDA team deliverables including updated cost estimates, construction methodologies, project delivery approach, and a financial model and financing plan. A DBF or DBFOM is a long-term P3 arrangement that includes private sector financing, final design, construction and for the latter, operations and maintenance.
2. **Metro P3 Assessment** explores opportunities to leverage P3 components which could add value on upcoming projects via an assessment of planned transit line extension projects, including Southeast Gateway Line - Slauson to Union Station, Eastside Transit Corridor Phase 2 to Whittier, K Line Extension to Torrance, and K Line Northern Extension.
3. **Opportunistic** initiatives align with agency needs but are not tied to major transit line expansion projects. This workstream includes consideration of P3 delivery for the Center for Transportation Technology Excellence (CTTE) in the Antelope Valley and an assessment of how P3 models might support enhancement of existing Metro stations and adjacent property while generating long-term revenue.

The formation of the P3 Tiger Team, composed of senior Metro staff from across the agency, ensures future P3 decisions are informed by their input early and protects against decisions being made in isolation, with perspectives on opportunities and risks shared before any critical decisions are made. By regularly sharing analysis and encouraging open dialogue, the P3 Tiger Team organically builds consensus in a transparent and traceable way, ensuring success is shared across the agency. Figure 1 visually represents the P3 Tiger Team and the P3 workstreams.

Figure 1 - P3 Tiger Team and P3 Workstreams

Motion 26 Status

In line with the attached roadmap, P3 activities are currently focused on engagement with the private sector and evaluation of where P3 models can provide value for each of the workstreams. Staff is introducing Metro's P3 workstreams to the market and conducting market soundings to develop a refreshed understanding of industry appetite, delivery model viability, and risk allocation trends, leading towards an understanding of where innovation and value creation opportunities exist.

This renewed engagement on delivery models across candidate projects and strategic initiatives will inform future identification of ways to package/phase projects (e.g., bundling, segmenting) to improve market competitiveness and future success. Additionally, this engagement will increase understanding of how risk allocation boundaries have evolved, sharing perceptions of risks, constraints, and value levers affecting delivery approaches, and elaborating on contractor and investor constraints related to the P3 workstreams.

Finally, this market engagement is seeking to encourage the sharing of innovations that can leverage P3 structures to minimize whole-life costs and/or accelerate delivery and potentially integrate joint development (JD)/transit-oriented development (TOD) opportunities into transit infrastructure procurement models. This component of the engagement is looking to explore innovative value creation solutions, including long-term leases, development rights (air rights/adjacent parcels), and revenue-sharing.

Informed by this engagement, staff will begin qualitative assessments, commercial development evaluations, and identification of policy tradeoff considerations that may arise.. A forum with organized labor is also being planned. Future updates will transition from information related to these initial engagements and qualitative assessments to more robust quantitative evaluation and advancement of corresponding procurement(s) in line with project-specific updates. This may include

review and revisions to Metro's standard project delivery practices, potential development of Implementation Agreements (IA), and continued procurement for select components from some of the workstreams.

Industry Engagement

As part of the initial engagement with the private sector, staff attended the 2026 P3C Conference and Expo in Dallas, Texas in March, which enhanced renewed engagement and encouraged broader interest in the market of P3 delivery opportunities at Metro. This annual event connects public and private leaders to collaborate on alternative project delivery methods for U.S. infrastructure. At the conference, Metro provided a focused *Metro P3 Overview Session* to industry attendees, discussing the pipeline of capital projects, and outlining its P3 workstreams approach. This was followed by multiple breakout sessions with various P3 consultants, investors, infrastructure builders, and financial advisors, as quasi-market soundings. Additionally, Metro's previous Chair Dutra participated in a main stage panel discussion entitled *From Projects to Programs: Building a Sustainable P3 Pipeline*, and a panel session was jointly held with participants from Metro's PDA partners titled *Reimagining Regional Connectivity: The Sepulveda Transit Corridor*.

Engagement with the industry continued in July with staff attending the American Road and Transportation Builders Association (ARTBA) P3 Conference in Washington, D.C. This annual event facilitates connections between project owners, private executives, contractors, and public officials to discuss infrastructure finance, project delivery, and policy. Metro staff participated in the *Closing Town Hall Session* with other transportation agencies to further inform the industry on Metro's P3 workstreams, including continuing work with the Sepulveda Transit Corridor PDA team on the LPA. Continued engagement with the private sector includes market soundings, with future updates to the Board reporting on key outcomes from this continued and ongoing engagement process.

P3 Workstreams

As previously outlined, and fundamental to the Plan, is the identification of P3 opportunities within Metro's capital program. The following section provides greater detail on each of these P3 workstreams as well as corresponding key activities.

DBFOM (Sepulveda Transit Corridor)

As work by the PDA team progresses, including advancing the engineering of the selected mode, configuration, and alignment, Metro will continue assessment of a DBFOM P3 approach for the STC project. This will be informed by updated financial information, including costs, funding, financing and risk, from the PDA. Figure 3 visually represents key activities for this P3 workstream and the planned timeline under the existing approach. Staff are actively evaluating opportunities to streamline and accelerate this process while maintaining critical data and analysis-informed decision points.

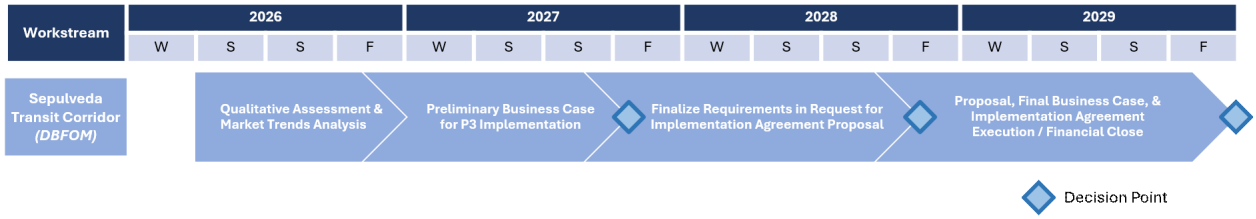

Figure 2: DBFOM Workstream

Qualitative Assessment & Market Trends Analysis

With support from Metro's P3 Financial Advisor, work this year will include developing a transit market and alternative delivery trends summary outlining best practices, commercial and financial terms, and implementation approaches, highlighting any material differences between STC's approach and current market conditions. Additional early work will also include qualitative risk identification and screening of non-negotiable risks to support streamlined delivery method selection or elimination of certain methods from further consideration and identify opportunities and risks to be quantified during future Value for Money (VfM) analysis.

Preliminary Business Case, Request for Implementation Agreement Proposal, and Implementation Agreement Execution / Financial Close

Subsequent implementation activities include several major decision points. Metro staff will develop a Preliminary Business Case comparing the PDA-proposed DBFOM P3 approach against a Public Sector Comparator (PSC) delivery scenario through quantitative VfM. This analysis will determine which delivery model is likely to generate greater value per dollar of public investment. Additional analysis will include a project funding and affordability evaluation and qualitative assessment, analyzing further aspects that drive project viability and success.

If the P3 approach provides clear value to Metro, staff will work to finalize requirements in the Request for IA (RFIA) Proposal, defining the P3 transaction, including, but not limited to, concession term, design and O&M standards, hiring/employment requirements, and payment mechanisms. Once RFIA requirements are sufficiently advanced, staff will request Board authorization to issue the RFIA to the PDA team resulting in a firm fixed-price proposal, or other pricing model leading to cost certainty, for Project Implementation. Staff will then prepare a Final Business Case and return to the Board prior to executing an Implementation Agreement, culminating in Commercial Close (establishing contractual rights) and Financial Close (all conditions precedent are met and the P3 partners' obligations formally take effect).

Metro P3 Assessment

Through this workstream, staff are expanding the vision of P3 opportunities beyond just DBF/DBFOM models to infuse other forms of innovative private sector financing and test the potential benefits that could be realized. The Metro P3 Assessment workstream analyzes a P3 delivery strategy for all or portions of upcoming line-extension projects. To directly align this effort with upcoming project opportunities and needs, while also informing benefits that could apply elsewhere, Metro is evaluating P3 potential on four upcoming projects:

- Eastside Transit Corridor Phase 2 to Whittier
- K Line Extension to Torrance
- Southeast Gateway Line - Slauson to Union Station
- K Line Northern Extension

Figure 3 visually represents this P3 workstream and a general timeline associated with key activities, which are subject to change.

Figure 3: Metro P3 Assessment Workstream

Phase One

With the assistance of Metro's P3 Financial Advisor, early Metro P3 Assessment activities include engagement with private sector vertical and horizontal contractors, JD/TOD/real estate developers, and equity investors. In parallel, a benchmarking of recent domestic and international P3 transit projects is being conducted. These activities will culminate in tailored recommendations for P3 delivery models suitable for these project needs that would align with Metro's objectives and priorities.

Phase Two

Metro may then elect to advance tasks which would include project-specific quantitative assessment of one, or more, of the upcoming projects to inform future Business Case(s). Additional work to advance the procurement strategy and pre-procurement support is also possible, which would later result in the development of a project-specific Business Case leading to possible P3 procurement(s).

Key insights resulting from this P3 workstream would include confirmation of industry interest and conditions for successful P3 delivery, best practices and lessons learned from comparable P3 transit projects, and identification of innovative funding and financing strategies, such as station rights, TOD, and land value capture.

Opportunistic

This workstream recognizes that a P3 contracting structure could also be leveraged for some of Metro's objectives by supporting projects which are not tied to future transit expansion**.** Two opportunities are currently considered under this workstream, and are visually represented in Figure 4, including a general timeline associated with key activities, which are subject to change:

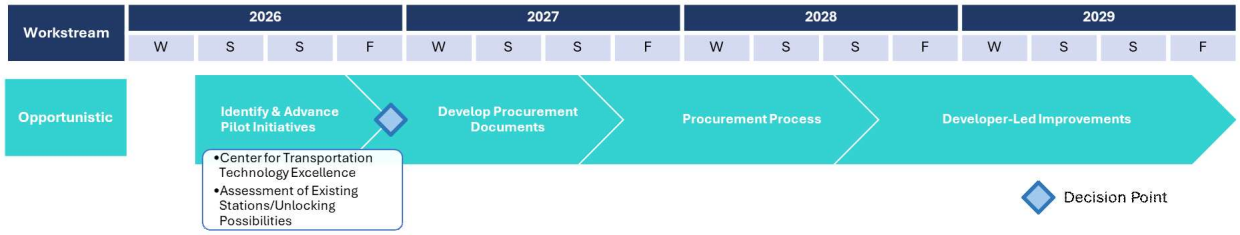

Figure 4: Opportunistic Workstream

Current actions related to each of these opportunities are described below. As these initial stages progress, staff will confirm if they warrant further consideration of P3 delivery strategies.

Center for Transportation Technology Excellence

The CTTE is a proposed manufacturing facility of up to 1,500,000 square feet in the Antelope Valley for bus and/or rail. The CTTE aims to shorten Metro's vehicle procurement timelines, strengthen the national transit vehicle supply chain, accelerate zero-emission technology adoption, and generate significant regional economic benefits, estimated at $11.5 billion in economic impact and more than 114,000 jobs.

In 2018, the Los Angeles County Board of Supervisors directed the County CEO to partner with Metro to identify incentives for establishing a rolling stock manufacturing facility in the County and to develop a workforce plan emphasizing local hiring, training, internships, and apprenticeships. Since then, Metro, Los Angeles County, and the City of Palmdale have advanced a shared vision for the CTTE, formalized through a 2024 Memorandum of Understanding (MOU) outlining roles, governance development, financial planning (including incentives and grant strategies), entitlement support, and stakeholder engagement. Also in 2024, Director Barger allocated $500,000 in discretionary funding to support the project.

A Metro RFI will be issued to gauge market interest and when doing so, Metro will test industry interest and ideas to explore potential benefit for advancement of a P3 model on this project. As a P3 opportunity, the CTTE can offer long-term development opportunities on a large, publicly controlled site, colocation with specialized testing infrastructure and alignment with federal priorities such as Buy America and the CHIPS and Science Act. Clear risk allocation, phased development, and incentives tied to innovation and workforce development could potentially further strengthen CTTE as a P3 value proposition. Later this year, Metro will review responses to the RFI, potentially leading to the development of P3 procurement documents for future Board consideration.

Reimagining Existing Stations

Since 1990, Metro's rail and BRT network has expanded to 144 stations across the County with 115 of those being rail stations. Potential new revenues would be explored by pursuing an analysis of existing stations and adjacent property for overbuild, air-rights, and other revenue-generation opportunities. As a first step, and in response to the Unlocking Possibilities Motion 19 introduced by Directors Yaroslavsky, Bass, Dutra, Sandoval, and Solis (Attachment C) in March 2026, staff are assessing potential pilot opportunities for a Metro Station Commercial District Strategy across the Metro system, to position stations as active commercial hubs with retail, services, and potentially

mixed-use development integrated above, within, and adjacent to stations to support long-term non-fare revenue generation. Once this strategy is advanced further, and if locations are identified that could benefit by leveraging a P3 approach, this effort would be supported by the P3 Tiger Team . By the first quarter of 2027, the roadmap anticipates the potential identification of a pilot station to advance leveraging a P3 structure.

EQUITY PLATFORM

While the Plan is primarily focused on evaluating delivery models and financing structures, its implementation has possible implications for how benefits and burdens are distributed across the County. As Metro advances the Plan, staff will leverage prior project-specific equity assessments for individual transit projects and whether P3 structures can support more cost-effective and timely delivery of transit projects that expand access to opportunity, reduce travel times, and improve regional connectivity for historically underserved communities.

Additionally, as the Plan progresses into implementation, specific considerations for P3 models will be required to ensure new pathways are created for workforce development, small business participation, and local hiring. As P3 models are explored, Metro will consider opportunities to embed inclusive hiring standards, targeted worker programs, and small business participation goals into future P3 agreements. This includes assessing how long-term operations and maintenance responsibilities under a DBFOM structure could support stable, high-quality jobs consistent with Metro's labor commitments.

This Plan supports Metro's broader equity goals by strengthening the agency's ability to deliver its capital program. More cost-effective and timely project delivery enables Metro to expand mobility options, reduce travel burdens, and support economic opportunity in communities that have historically experienced underinvestment. As the Plan advances, staff will continue to ensure that P3 strategies contribute to a more accessible, inclusive, and equitable transportation system for Los Angeles County.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as the development and implementation of this Plan allows Metro to consider project delivery approaches that can provide more cost and schedule conscious delivery of the capital program, including transit investments leading to VMT reductions. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The development of this Plan supports the following strategic plan goals primarily by assessing optimal planning and delivery options for multiple transit capital projects to help achieve on time and on budget performance:

Strategic Plan Goal #1 - Provide high-quality mobility options that enable people to spend less time traveling.

Strategic Plan Goal #5 - Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Staff will provide updates on the Plan and the activities and preliminary findings from each P3 Workstream bi-annually.

ATTACHMENTS

Attachment A - Board Motion 26
Attachment B - P3 Workstreams and High-Level Roadmap
Attachment C - Board Motion 19

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Metro

Board Report

File #: 2026-0232, **File Type:** Motion / Motion Response **Agenda Number:** 26.

EXECUTIVE MANAGEMENT COMMITTEE
MARCH 19, 2026

Motion by:

DIRECTORS DUTRA, SANDOVAL, NAJARIAN, HORVATH, YAROSLAVSKY AND DUPONT-WALKER

Public-Private Partnerships (P3) to Support Revenue Generation Motion

At the Board Budget Workshop held in early March, staff presented a range of innovative financing concepts and Public-Private Partnership (P3) approaches as potential tools to address projected capital and operating funding gaps, manage delivery risk, and enhance long-term financial sustainability. The discussion underscored both the potential opportunities and the complexities associated with alternative delivery and financing models, as well as the need for disciplined, project-specific evaluation before advancing any procurement strategy.

Metro continues to steward one of the largest capital programs in the country at a time of escalating construction costs, market volatility, and evolving private financing conditions. While federal, state, and voter-approved local revenues remain foundational, the Board has expressed interest in understanding whether and where innovative financing tools, including P3 models, may responsibly supplement traditional approaches.

P3s are not new sources of revenue and are not appropriate for all projects. However, when structured carefully, they may provide mechanisms to accelerate project delivery, allocate risk strategically, leverage private sector expertise and capital, incentivize lifecycle performance, and integrate joint development, value capture, concessions, community benefits, and other value-creation strategies.

As follow-up to the Workshop and to provide clear policy direction, the Board has the opportunity to seriously consider P3 delivery models for projects that could effectively incorporate innovative private sector financing components, and clarify its interest in P3 strategies.

SUBJECT: PUBLIC-PRIVATE PARTNERSHIPS (P3) TO SUPPORT REVENUE GENERATION MOTION

RECOMMENDATION

APPROVE Motion by Dutra, Sandoval, Najarian, Horvath, Yaroslavsky, and Dupont-Walker that the

Board direct the Chief Executive Officer to return to the Board with a comprehensive P3 and Innovative Financing Strategy and Implementation Roadmap Plan with an initial report in July 2026 that includes a status on:

A. Engaging the private sector to gauge industry interest and conditions needed for successful P3 participation, including market trends analysis to establish a refined conceptual framework for advancing P3 opportunities;

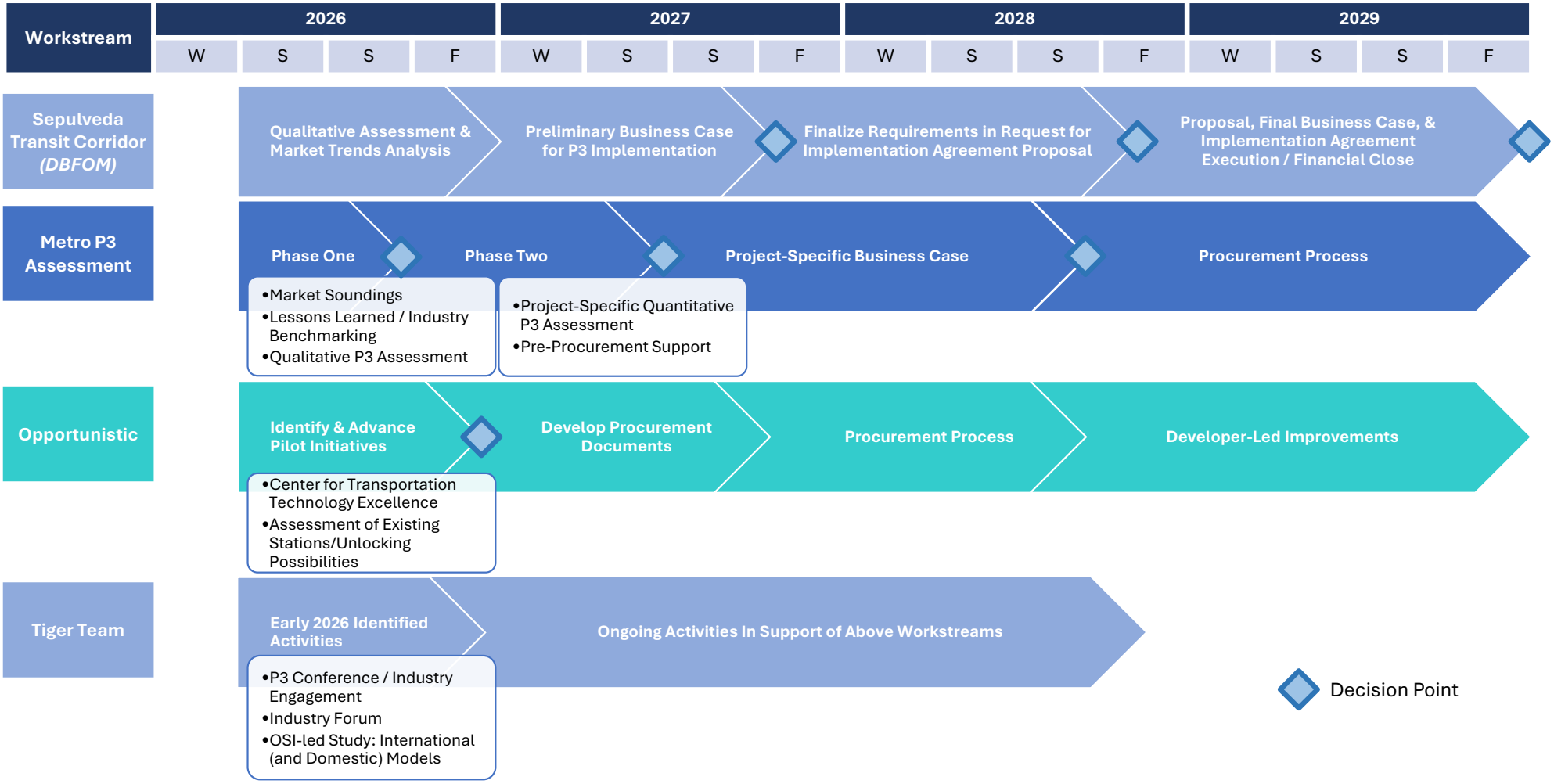
B. Engaging organized labor to understand workforce considerations, concerns, and conditions necessary to support potential P3 delivery models, including dialogue to inform the development of a refined conceptual framework for advancing P3 opportunities;

C. Evaluating P3 as a mechanism for schedule acceleration, financing, risk transfer, and private sector innovation, establishing when P3 delivery models can provide value compared to other delivery methods, informed by current private market capacity and conditions; and

D. Project-specific updates, including outcomes for active workstreams discussed at the Budget Workshop, including the ongoing Sepulveda Transit Corridor financial assessment and other candidate transit capital projects.

WE FURTHER MOVE that the Board direct the CEO to report back to the Board every six months on progress in developing and advancing the P3 Innovative Financing Strategy and Implementation Roadmap Plan.

P3 Workstreams & High-Level Roadmap



Metro

Board Report

File #: 2026-0233, **File Type:** Motion / Motion Response **Agenda Number:** 19.

FINANCE, BUDGET, AND AUDIT COMMITTEE
MARCH 19, 2026

Motion by:

DIRECTORS YAROSLAVSKY, BASS, DUTRA, SANDAVAL, AND SOLIS

Unlocking Possibilities: Enhancing the Financial and Community Value of Key Metro Stations to Support Long-Term Revenue Generation Motion

Metro faces long-term financial challenges that require the agency to diversify revenue sources beyond fares, sales tax revenue, and government funding. Transit agencies around the world have addressed similar challenges by leveraging stations and surrounding real estate as long-term commercial assets that generate recurring revenue at scale. For instance, rail operators in Tokyo-including JR East, Tokyu Corporation, and Odakyu Railway-integrate retail directly within station concourses through “Ekinaka” (or “inside the station”) retail networks. Hong Kong’s MTR Corporation has successfully implemented a “Rail + Property” model in which rail lines and stations are built alongside housing, office, and retail developments on or above stations, generating long-term revenue. Additional examples can be found in Singapore, Seoul, Paris, and London, where retail kiosks, underground shopping concourses, and station-integrated commercial spaces provide convenient services for riders while generating recurring revenue to support transit operations.

These international transit systems show that large-scale station retail can generate meaningful revenue through high-frequency commuter purchases. In Tokyo, riders routinely spend several dollars per trip on everyday items within stations, such as coffee, prepared food, and convenience goods, illustrating how small daily transactions can scale into substantial revenue streams at high-ridership transit hubs. For example, JR East generates more than $2 billion annually from station retail and related services.

Moreover, international transit systems frequently use retail and commercial activity to increase pedestrian presence within stations, which aligns with Metro’s broader goals of improving rider experience and activating station environments through enhanced services for riders. Activated stations are inherently safer stations for riders.

A comprehensive station commercial activity and services strategy should consider both existing stations across Metro’s network and new stations currently under development.

International transit systems commonly design stations as mixed-use transportation hubs, where retail concourses, grocery stores, cafés, and everyday services are incorporated into station layouts.

Strategic planning for commercial space beginning at the design phase for Metro's future stations would assess financial feasibility and determine a delivery strategy in parallel to assessing utility infrastructure, considering circulation patterns, and identifying ideal tenant spaces.

Metro has already taken steps toward leveraging its real estate assets through the Joint Development Program. The ongoing success of the 10K Homes Commitment in the Joint Development Program sets a baseline and skillset from which Metro can grow. Previous experimentation with retail in certain stations has yielded mixed results, underscoring the importance of developing a strategic, comprehensive, and data-driven approach to station retail moving forward.

SUBJECT: UNLOCKING POSSIBILITIES: ENHANCING THE FINANCIAL AND COMMUNITY VALUE OF KEY METRO STATIONS TO SUPPORT LONG-TERM REVENUE GENERATION MOTION

RECOMMENDATION

APPROVE Motion by Yaroslavsky, Bass, Dutra, Sandoval, and Solis that the Board direct the Chief Executive Officer to report back within 180 days with a strategic framework for implementing a Metro Station Commercial District Strategy across the Metro system, positioning stations as active commercial hubs with retail, services, and mixed-use development integrated above, within, and adjacent to stations to support long-term non-fare revenue generation. The report back should include progress on the following components:

A. System Assessment - an evaluation of opportunities and constraints for station retail across the Metro system, including:

1. Review of international best practices;

2. Review of previous and existing retail activations within Metro facilities and lessons learned from both successful and unsuccessful efforts, including but not limited to operational barriers, location factors, and design challenges;

3. Evaluation of passenger circulation, station design, and other factors affecting retail viability;

4. Identification and prioritization of potential locations suitable for initial pilot implementation;

B. Strategic Framework - a proposed strategy for developing station-centered commercial districts across the Metro system, including:

1. Opportunities for commercial development above, adjacent to, and integrated within stations, including underground concourses, mixed-use development, and connections to surrounding districts;

2. Distinct approaches for new stations currently in development and existing stations within the system;

3. Identification of potential partnership structures with experienced retail operators or commercial management firms experienced in station retail environments;

4. Identification of implementation approaches consistent with Metro funding restrictions, including private investment, public-private partnership, concession agreements, and tenant-funded improvements;

C. Implementation Recommendations and Revenue Potential Assessment - a set of recommendations for implementing station retail opportunities, including:

1. Identification of governance structures to ensure long-term success;

2. Execution strategy for a phased pilot program at a limited number of high-ridership stations to test retail concepts, operational models, and revenue performances; and

3. Estimates of potential revenue generation, including a preliminary assessment of start-up and operational costs and revenue potential based on comparable benchmarks from other transit-oriented rail operations.

Innovative Financing Strategy and Implementation Roadmap Plan

Executive Management Committee

October 15, 2026

Metro

ISSUE

- **RECEIVE AND FILE** status report on the Innovative Financing Strategy Plan, including Public-Private Partnerships (P3) in response to March 2026 Motion 26
- Provides an update on the early work that is underway, including market engagement, outlining foundational activities over the next several years

Metro

BACKGROUND

- Innovative financing mechanisms (P3s and value capture) leverage conventional funding options
- P3s are contractual arrangements between a public agency and private entity to deliver and / or operate a public asset
- P3s are not free money, do not change ownership, and do not suit all projects
- These mechanisms can leverage private sector skills and financing, share risks and rewards, and drive innovation and long-term performance
- Lessons learned from prior P3 analysis informing current approach

Metro

DISCUSSION

Metro Tiger Team

DBF / DBFOM

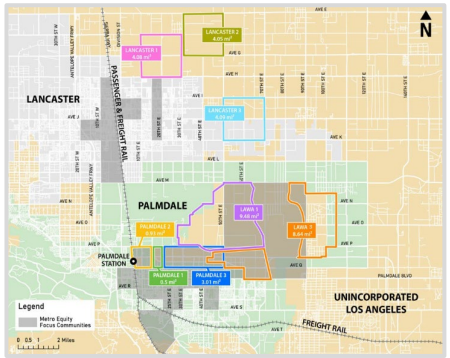
- Sepulveda Transit Corridor
- Potential Future Projects

P3 Assessment

- Four Transit Line Extension Projects
- Capital Program Value Adds

Opportunistic

- Center for Transportation Technology Excellence
- Reimagining Existing Stations / Unlocking Possibilities



Metro

DISCUSSION

Metro P3 Assessment

- Delivery challenges related to growing capital program: ~$33–35B in FY27
- Identification of innovative funding and financing strategies
- Determine if P3 models can improve certainty, risk transfer, innovation, delivery performance
- Understand potential benefits of P3 for full projects, portions / elements of projects, and program-wide

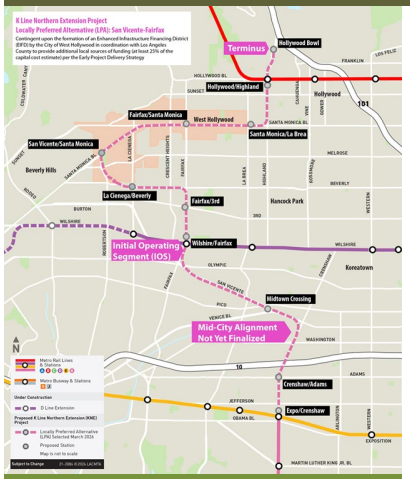
SGL Slauson to Union Station

Feasibility Study

ESP2 to Whittier

Environmental Planning

K Line Northern Extension and Extension to Torrance



Environmental Planning

Preliminary Engineering

DISCUSSION

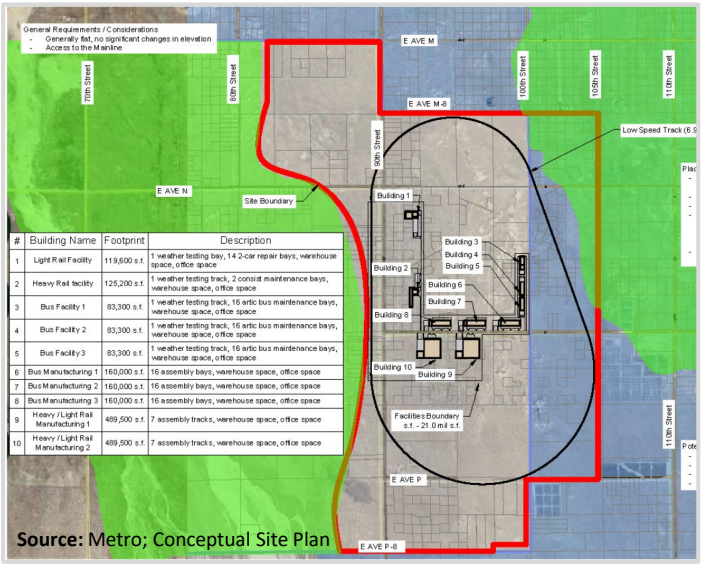
Opportunistic

Center for Transportation Technology Excellence

- A proposed 1.5 million sq. ft. bus and/or passenger rail car hub of manufacturing in Antelope Valley
- Metro RFI will be issued to gauge market interest and opportunity to deliver as a P3

Assessment of Existing Stations / Unlocking Possibilities

- Metro's network has expanded to 107 rail stations
- Assess pilot opportunities to position stations as active commercial hubs / support revenue generation
- A P3 structure could be advanced for a pilot station by early 2027

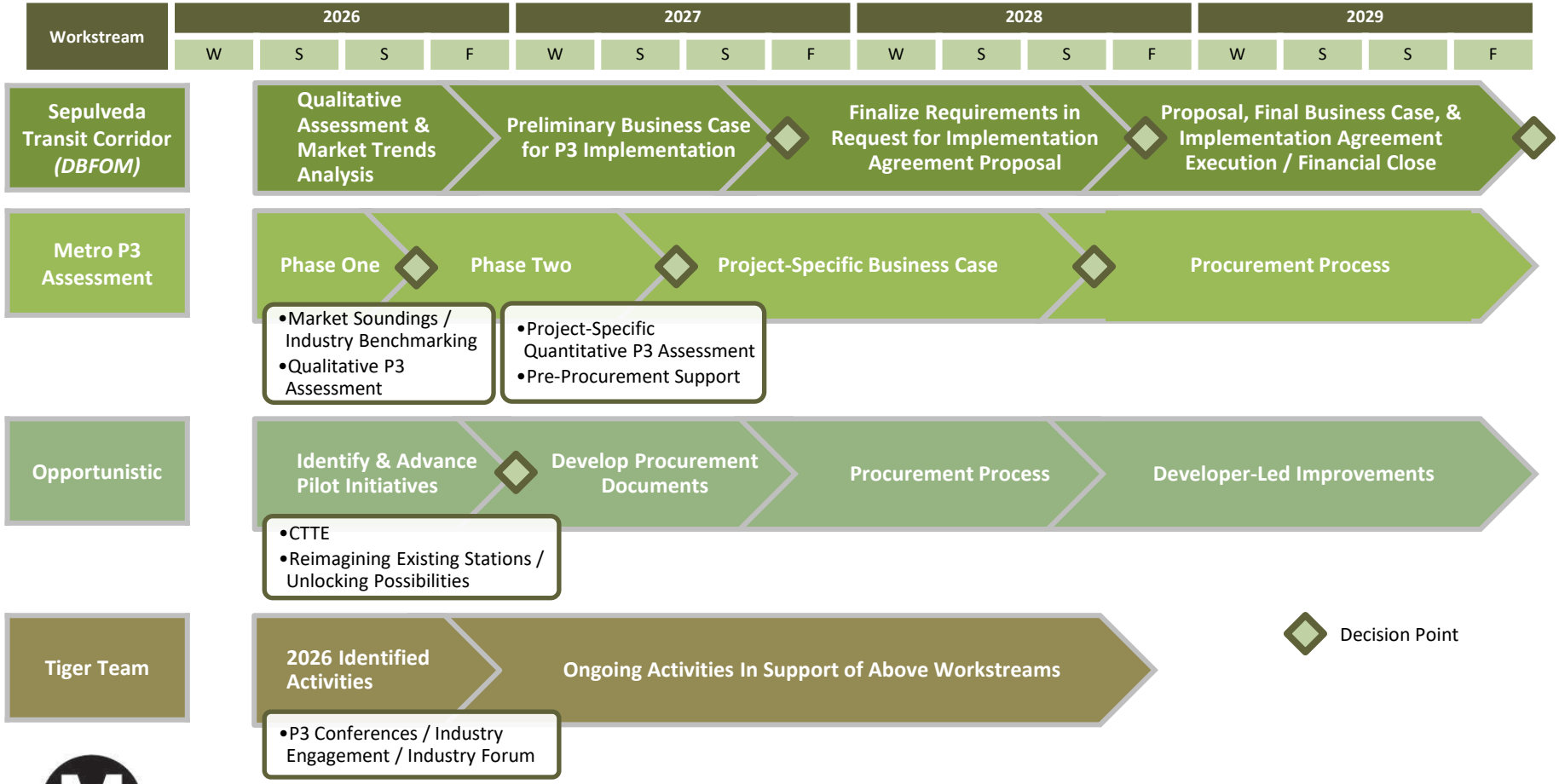


#	Building Name	Footprint	Description
1	Light Rail Facility	119,600 s.f.	1 weather testing bay, 14 2-car repair bays, warehouse space, office space
2	Heavy Rail facility	125,200 s.f.	1 weather testing track, 2 consist maintenance bays, warehouse space, office space
3	Bus Facility 1	83,300 s.f.	1 weather testing track, 16 artic bus maintenance bays, warehouse space, office space
4	Bus Facility 2	83,300 s.f.	1 weather testing track, 16 artic bus maintenance bays, warehouse space, office space
5	Bus Facility 3	83,300 s.f.	1 weather testing track, 16 artic bus maintenance bays, warehouse space, office space
6	Bus Manufacturing 1	160,000 s.f.	16 assembly bays, warehouse space, office space
7	Bus Manufacturing 2	160,000 s.f.	16 assembly bays, warehouse space, office space
8	Bus Manufacturing 3	160,000 s.f.	16 assembly bays, warehouse space, office space
9	Heavy / Light Rail Manufacturing 1	489,500 s.f.	7 assembly tracks, warehouse space, office space
10	Heavy / Light Rail Manufacturing 2	489,500 s.f.	7 assembly tracks, warehouse space, office space

Source: Metro; Conceptual Site Plan

Source: Homes.com; Solair Wilshire @ Wilshire/Western Station

NEXT STEPS



Metro