



Board Report

File #: 2020-0829, File Type: Budget

Agenda Number: 1.

CONSTRUCTION COMMITTEE JUNE 15, 2023

SUBJECT: WESTSIDE PURPLE LINE EXTENSION SECTION 3 PROJECT

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AMENDING the Life-of-Project (LOP) budget by \$53,000,000 for the Westside Purple Line Extension Section 3 Project (Project) of \$3,223,623,256 to \$3,276,623,256 using the fund sources as summarized in Attachment A, consistent with the provisions of the Board-adopted Measure R and Measure M Unified Cost Management Policy.

ISSUE

In February 2019, the Board of Directors amended the Life-of-Project (LOP) Budget to include the Stations, Trackwork, Systems, and Testing portion of the Project. Within the LOP Budget were Concurrent Non-Full Funding Grant Agreement activities that were known but not finalized at the time.

This action will address the budget required for activities not previously finalized in February 2019, which includes the design for the GSA parking lot improvements and the Veterans' Affairs (VA) parking structure for the 187 parking spaces that are outside the FFGA scope. This action also includes incorporation of hi-rail vehicle storage at the tail tracks, an increased budget for anticipated loss of business goodwill claims for businesses on properties directly impacted by the construction, and contingency to address uncertainties.

BACKGROUND

The Westside Purple Line Extension Section 3 Project consists of the design and construction of approximately 2.56 miles of double track heavy rail subway in twin bored tunnels and two new stations in the City of Los Angeles and an unincorporated area of Los Angeles County. The Project will connect to the future Section 2 terminus station at Century City Constellation and continue to the Westwood/Veterans Administration (VA) Hospital campus, with stations at Westwood/UCLA and Westwood/VA Hospital.

The Project is the third and final section of the Purple Line to be designed and constructed as part of

Los Angeles County Metropolitan Transportation Authority's (Metro) Measure R and Measure M Programs. On August 21, 2018, the Federal Transit Administration (FTA) approved the Project's entry into the New Starts Engineering phase of FTA's Capital Investment Grant Program, and the Project received a Full Funding Grant Agreement (FFGA) on March 16, 2020.

The Project is being designed and constructed by two major design/build contracts: C1151 Tunnels and C1152 Stations, Trackwork, Systems, and Systems Integration Testing. The Federal Transit Administration issued two Letters of No Prejudice which allowed the two contracts to be awarded prior to receipt of the FFGA.

The recommended action to amend the LOP Budget for this phase of the Project is consistent with the approval actions taken by the Board in June 2018 that authorized the Chief Executive Officer to establish the LOP Budget for the C1151 Tunnels Contract, and in February 2019 that amended the LOP Budget to include the C1152 Contract. The funding plan is outlined in Attachment A.

DISCUSSION

When the LOP Budget was amended in February 2019, it included a budget of \$11.7 million for Concurrent Non-Full Funding Grant Agreement activities. This Board action will increase that budget by \$53 million to \$64.7 million. The projected breakdown of cost allocation is outlined in Attachment B.

The GSA expressed concerns of potential impacts that the Project may have on their campus once the Project commences construction and is in revenue service. Metro staff has worked diligently with the GSA staff to mitigate potential impacts.

As stipulated in the agreement with the GSA regarding the acquisition of real property rights, Metro is responsible for providing improvements to GSA's parking lot. These improvements are necessary to limit parking to authorized users since it is anticipated that the commencement of construction and revenue service may result in an increased demand for parking.

The VA parking structure to replace displaced VA parking by the Metro Project is already accounted for in the Full Funding Grant Agreement activities, and of the 809 VA parking structure spaces, 622 spaces are directly attributable to the displaced parking at VA's Lot 3 and Lot 42 for the final footprint of the parking structure and the Westwood/VA Station. The remaining 187 surface lot parking spaces are deemed unusable as functional parking spaces after construction completes.

The increase in the loss of business goodwill reflects LACMTA's obligation to compensate loss of goodwill associated with the full or partial relocation of businesses. While the relocations have been completed, the businesses have a right to submit a loss of goodwill claim up to 3 years from LACMTA's written notice of substantial completion of the Project. The budget increase is necessary to compensate the businesses should a loss of business goodwill claim be filed due to either the displacement and/or LACMTA's construction of the Project in the manner proposed.

The addition of a hi-rail vehicle storage area in the tail track will significantly reduce transit service delays by reducing hi-rail trips back to the B & D Line Yard (Division 20), which is 17 miles away from

the tail track area. The storage area will also allow hi-rail vehicles to be turned around to drive back to the yard normally. This will eliminate having to operate hi-rail vehicles abnormally, in reverse for the entire duration back to the yard. In addition, it provides for storage for failed hi-rail vehicles and reduces revenue service disruptions when hi-rail vehicles need to be deployed to the west end of the Metro D Line.

Contingency has been added to address future changes that are not eligible for FFGA funding.

Considerations

The recommended action to amend the LOP Budget for this phase of the Project is consistent with the approval actions taken by the Board in June 2018 that authorized the Chief Executive Officer to establish the LOP Budget for the C1151 Tunnels Contract, and in February 2019 that amended the LOP Budget to include the C1152 Contract.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on established safety standards for Metro's construction projects.

FINANCIAL IMPACT

The FY23 Budget includes \$394,197,742 in project 865523 Westside Purple Line Extension Section 3 and in Cost Center 8510 (Construction Project Management). If additional funds are required in FY23, the project team will coordinate with OMB to identify additional budget.

Since this is a multi-year capital project, the Chief Program Management Officer and the Project Manager will be responsible for budgeting costs in future fiscal years.

Impact to Budget

The sources of funds for the recommended action are Measure R 35% Transit Capital which is not Subregional Equity Program fund nor eligible for operating costs. Federal funds are not considered for this LOP increase as the contemplated expenditures are Non-FFGA activities.

Multiyear Impact

The sources of funds for the Project are capital funds identified in the recommended Funding/Expenditure Plan as shown in Attachment A. The project cost, prior to the proposed cost increase, is included and funded in the 2020 Long Range Transportation Plan Financial Forecast. With respect to the \$53,000,000 increase, Attachment C shows the Measure R and Measure M Unified Cost Management Policy (the Policy) analysis and funding strategy required for cost increases to Measure R and Measure M Projects.

To comply with the Board policy, Metro staff has evaluated potential offsetting cost reductions, including value engineering, shorter segment, and reductions to other Metro projects in the corridor and subregion, and has determined these are not feasible, and that additional local funding

resources, which are to be considered prior to Metro's countywide funding, are potentially available. The Policy analysis recommends the use of \$53,000,000 of additional and accelerated New Starts, which will make available an equal amount of Measure R Transit 35% for the proposed \$53,000,000 LOP budget increase.

This report identifies additional funding resources consistent with the Policy approved by the Board in 2018. Attachment C provides a detailed discussion of the Policy. In summary, the Policy was developed in recognition that some projects would need additional funding, and the Policy provides a consistent and equitable process to ensure that any financial impacts are limited to the local area where the project is located and not have a region-wide impact.

The Policy defines a cascading list of actions that can be taken. Because the Project is so far along, actions such as value engineering or changes in scope are no longer feasible. Additional funding is the only option.

EQUITY PLATFORM

This board report action will benefit the more than 5,000 employees of the South Veterans Administration (VA) campus as well as the thousands of daily patients and visitors who travel to these facilities each day. Ultimately, the Westside Purple Line Extension Section 3's VA Station will provide transit access to the VA and another mobility option for employees, patients, and other visitors. While the project will displace some of the VA's existing parking spaces, this action will allow the replacement of the displaced parking spaces with a brand-new parking structure that includes an additional 187 parking spaces. The additional parking will make it easier to access services and work locations, and for those who cannot or may not switch to transit once the station is constructed, including people with disabilities.

The Metro Purple Line Extension (PLE) Community Relations team has conducted sixteen community meetings with the VA community since 2018. The Community Relations team has also joined Metro Art with on-campus outreach to Veteran Artists during ten workshops, the VA Art Festival, and the VA Stand Down event. In addition to regularly scheduled quarterly community meetings focused on construction, the Community Relations team communicates with VA management and VA residents on a weekly basis. These communications include construction look-aheads, with details about what to expect from future impacts. In addition to these weekly written communications, Metro has regularly scheduled meetings with VA staff multiple times a week to discuss various impacts of construction and implementation. These interactions help both sides understand needs and mitigations.

According to the 2019 U.S. Census there were an estimated 243,871 civilian U.S. military veterans living in Los Angeles County, making it the second largest civilian veteran population in any county. Many of these veterans rely on healthcare and other human services provided by the VA Greater Los Angeles Healthcare System and its affiliated facilities. Combined with the 5,000 employees of the VA medical system, this makes for a community of people who would benefit greatly from added parking facilities. Once complete, the Westside Purple Line Extension Section 3 will provide a sustainable transportation option for VA employees and patients in addition to driving. VA employees and

patients will also benefit from the cleaner environment and reduced traffic on their path of travel to the VA campus.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

The Board may choose to not move forward with amending the LOP Budget. This is not recommended as Metro will be unable to provide funding to complete the Project according to the current schedule.

NEXT STEPS

Upon approval by the Board, the LOP Budget will be amended accordingly per the Recommendation.

ATTACHMENTS

Attachment A - Funding/Expenditure Plan

Attachment B - Projected Breakdown of Cost Allocation for \$53 million

Attachment C - Measure R and Measure M Unified Cost Management Policy Analysis

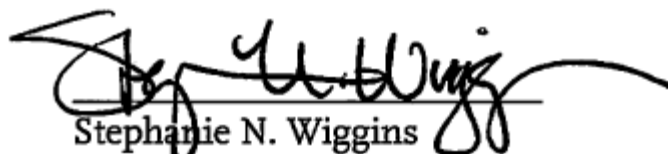
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ATTACHMENT A
Westside Purple Line Extension Section 3 Project
Funding/Expenditure Plan
(Dollars in Millions)

Capital Project 865523	Prior LOP (02/21/2019)	Current LOP Forecast (5/23/2023)	Prior Spent	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	Total	% of Total
Uses of Funds													
Construction	1,738.3	2,087.0	808.6	311.4	237.2	290.9	259.7	124.2	55.1	-	-	2,087.0	63.7%
Right-of-Way	466.9	211.9	57.4	19.6	116.5	9.1	3.8	0.8	2.0	2.0	0.5	211.9	6.5%
Vehicles	38.1	43.8	-	-	9.6	11.3	10.1	7.8	5.0	-	-	43.8	1.3%
Professional Services	504.5	579.0	275.6	53.7	71.9	54.3	54.1	52.3	17.1	0.0	-	579.0	17.7%
Project Contingency	464.1	290.2	-	0.5	-	2.7	3.6	84.4	80.7	64.4	53.7	290.2	8.9%
Section 3 LOP Budget (FFGA) Subtotal:	3,211.9	3,211.9	1,141.7	385.0	435.1	368.3	331.4	269.7	159.9	66.5	54.3	3,211.9	98.02%
Concurrent Non-FFGA Activities													
Sitework & Special Condition (Incl Add 'l Parking Spaces for VA + GSA)	6.0	30.8	-	-	3.9	11.7	12.6	2.7	-	-	-	30.8	0.94%
ROW Acquisition (Loss of Business Goodwill)	1.0	5.0	-	-	-	2.2	2.2	0.6	-	-	-	5.0	0.15%
Professional Services (Artwork)		2.5	0.1	0.5	0.5	0.5	0.5	0.5	0.1	-	-	2.5	0.08%
Professional Services (Public Relations)	3.6	2.0	0.0	-	0.5	0.5	0.5	0.5	0.1	-	-	2.0	0.06%
Professional Services		8.8	1.0	0.4	5.2	1.4	0.4	0.2	0.2	-	-	8.8	0.27%
Planning / Environmental	1.1	0.9	0.9	-	-	-	-	-	-	-	-	0.9	0.03%
Contingency for Concurrent Non-FFGA Activities		14.7	-	-	-	-	4.5	3.4	3.9	1.9	0.9	14.7	0.45%
Concurrent Non-FFGA Subtotal:	11.7	64.7	1.9	0.9	10.0	16.2	20.6	7.9	4.3	1.9	0.9	64.7	1.98%
Total Project Cost	3,223.6	3,276.6	1,143.6	386.0	445.1	384.5	352.1	277.5	164.2	68.5	55.2	3,276.6	100.00%
Sources of Funds													
Federal 5309 New Starts	1,300.0	1,300.0	572.0	250.0	100.0	100.0	100.0	100.0	78.0	-	-	1,300.0	39.7%
Section 5309 New Starts - Amendment	59.6	59.6	-	-	59.6	-	-	-	-	-	-	59.6	1.8%
Section 5309 New Starts - American Rescue Plan Act of 2021	93.4	93.4	93.4	-	-	-	-	-	-	-	-	93.4	2.9%
Federal RSTP	93.0	93.0	-	-	-	-	93.0	-	-	-	-	93.0	2.8%
Federal CMAQ	45.0	45.0	22.6	-	-	-	-	22.4	-	-	-	45.0	1.4%
Local Agency	96.4	96.4	-	-	96.4	-	-	-	-	-	-	96.4	2.9%
TCRP	10.0	10.0	10.0	-	-	-	-	-	-	-	-	10.0	0.3%
Measure R 35%	500.1	553.1	30.4	-	220.6	64.4	73.3	43.4	66.4	54.6	-	553.1	16.9%
Measure M 35%	994.2	994.2	415.2	136.0	189.1	64.0	62.8	81.8	42.7	2.0	0.5	994.2	30.3%
State RIP	31.8	31.8	-	-	-	-	31.8	-	-	-	-	31.8	1.0%
Total Project Funding	3,223.6	3,276.6	1,143.6	386.0	445.1	384.5	352.1	277.5	164.2	68.5	55.2	3,276.6	100.00%

ATTACHMENT B

WESTSIDE PURPLE LINE EXTENSION SECTION 3 PROJECT

Projected Breakdown of Cost Allocation for \$53 Million

Amount	Description
\$27,300,000	Construction <ul style="list-style-type: none">○ Additional non-FFGA eligible parking spaces for the VA Hospital parking structure○ General Services Administration (GSA) parking lot improvements (betterments)○ Hi-rail vehicle storage in the tail track area
\$ 4,000,000	Right-of-Way <ul style="list-style-type: none">○ LACMTA's obligation to compensate loss of goodwill associated with the full or partial relocation of businesses. The budget increase is necessary to compensate the businesses should a loss of business goodwill claim be filed.
\$ 7,000,000	Professional Services <ul style="list-style-type: none">○ Metro Staff costs to support non-FFGA activities○ Design to accommodate hi-rail vehicle storage in the tail track area
\$ 14,700,000	Unallocated Project Contingency Amount not yet allocated to a specific line item but is required for anticipated unknown cost increases
\$53,000,000	Total Increase

ATTACHMENT C

Westside Purple Line Extension Section 3 Project

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R- and Measure M-funded projects and the strategies available to close a funding gap. The Westside Purple Line Extension Section 3 Project (the Project) is subject to this policy analysis.

The life of project (LOP) budget for the Project was last approved by the Board in February 2019 at \$3,223,623,255. The Project is subject to the Policy analysis now due to a proposed \$53,000,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2027. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following.

If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same subregion; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

The Project cost increase is due to required improvements to the General Services Administration parking lot and loss of business goodwill for properties at a future Metro station entrance. The scope of the Project has been defined as part of the previously awarded stations and tunneling design-build contracts. Any scope modifications would require renegotiation of the scope, which does not have a certainty of success and may delay the progress of activities. Because of this, we recommend moving to the next step.

New Local Agency Funding Resources

Local funding resources (i.e., specific to the affected corridor or subregion) are considered in the next step as opposed to countywide or regional sources so as not to impact the funding of other Metro Board-approved projects and programs or subregions in the County.

The Project is eligible for Measure R and Measure M funding and is allocated, prior to this LOP increase, \$500,125,229 of the total \$4,074,000,000 of funding that is identified for the “Westside Subway Extension” in the Measure R sales tax ordinance Expenditure Plan, and all of the \$994,251,000 of funding that is identified for the “Westside Purple Line Extension Section 3” in the Measure M Expenditure Plan.

The Project is located in the Westside subregion and has station locations in the city of Los Angeles. Local funding resources from both the subregion and city could be considered for the cost increase.

Subregional Programs

Measure M has funding for a transit-eligible Subregional Equity Program (SEP) in the Westside subregion. The Measure M Expenditure Plan includes \$160,000,000 for the Westside SEP. The SEP funds are programmed beginning in FY 2043 in the Long Range Transportation Plan Financial Forecast due to limited financial capacity. Staff has previously recommended that the South Bay and Central City Area subregions allocate a portion of the SEP to address a \$90,000,000 cost increase on the Crenshaw/LAX Transit Project, and the San Gabriel Valley subregion allocate \$126,000,000 for Gold Line Foothill 2B. Metro staff has also recommended that the Central City Area and Westside Cities subregions use the SEP to reimburse \$84,571,156 for a Westside Extension Section 1 cost increase. However, motion #2021-0435 from June 2021 states that, henceforth, the Policy is amended to eliminate the Subregional Equity Program from consideration to address project funding shortfalls during construction. Because of this motion, the SEP is not considered for the Project cost increase.

Local Agency Contributions

The City of Los Angeles has Project stations and is expected to contribute funding to the Project as part of the 3% local agency funding assumption included in the Measure R ordinance and requirement in the Measure M ordinance. The city is generally not responsible for cost increases to the Project and the 3% contribution is not considered a source of funding for the Project cost increase.

Measure M, as well as Measure R and Propositions A and C, provide “local return” funding to Los Angeles. The city will receive an estimated \$3.8 billion of local return over the ten-year period FY 2023 to FY 2032 that is eligible for transit use and could contribute a portion to the Project (not adjusted for any negative impact to countywide sales tax due to the current global pandemic). However, prior Board actions relating to the Twenty-Eight by '28 Initiative and funding for the cost increase to Gold Line Foothill 2B, Crenshaw/LAX Transit, Westside Subway Section 1, and Eastside Access did not

support use of local return, and it is presumed these funds would not be available for the cost increase to the Project.

State and Federal Funding (Discretionary)

The FTA has previously granted the WSE Section 2 and Section 3 projects \$1.187 billion and \$1.3 billion respectfully through the New Starts program. The March 2021 federal American Rescue Plan Act increased the New Starts grant on Section 2 and 3 by a combined \$151,855,538. In January 2023, the FTA granted an additional \$59,583,554 of New Starts funding for Section 3. In addition, through federal budgetary action, FTA has accelerated the Section 3 New Starts funding by \$221,983,701 in comparison to the scheduled payments in the Full Funding Grant Agreement. The increase and acceleration in New Starts can make Measure R funding available to address the cost increase on the Project. Additional State or federal discretionary funding (where Metro would compete for the funding) is not probable, given the Project has experienced a cost increase and the design/build contract is already awarded.

Value Engineering

The Project cost increase is due to required improvements to the General Services Administration parking lot and loss of business goodwill for properties at a future Metro station entrance. The scope of the Project has been defined as part of the previously awarded stations and tunneling design-build contracts. Value engineering for cost savings may require renegotiation of the scope, which does not have a certainty of success and may delay the progress of activities. Because of this, we recommend moving to the next step.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

The city and subregion have existing funding programs that have funding amounts yet to be programmed to the subregion or spent. The SEP is discussed above in section "Subregional Programs."

The city also receives funding through the Call-For-Projects, the competitive grant program that is funded and managed by Metro for the benefit of LA County cities, transit operators, and State highway projects that was last held in 2015. At times the funding for certain projects in the Call-For-Projects is "de-obligated" if not spent within a reasonable timeframe and this can be a funding source for other uses. Currently there is not a meaningful amount of de-obligated funds available unless the city chooses to terminate an existing project, and all other projects are moving through their respective development process.

The subregion receives Measure M funding for other transit capital projects - Sepulveda Pass Transit Corridor, Crenshaw Northern Extension, and Lincoln Blvd BRT. These projects have not completed or have not started their respective environmental process and it is too early to determine if they could be delivered with excess or surplus funding that could provide funding for the Project cost increase.

Countywide Cost Reductions and/or Other Funds

If new local agency resources are not allocated to the Project cost increase, regional or countywide funding could be considered. These funds are programmed for other uses in Metro's 2020 Long Range Transportation Plan financial forecast, during the timeframe when funds are needed for the Project cost increase. Eligible sources of countywide funding are limited due to the restriction on the use of Proposition A and C for the Project and include General Fund and Lease Revenues. These countywide sources are not sufficient to address the cost increase.

State and Federal Funding (Formula)

Metro receives quasi-formula funding through the Congestion Mitigation & Air Quality Program (CMAQ), Regional Improvement Program (RIP), Local Partnership Program (LPP) and Surface Transportation Block Grant Program (STBGP) (Formerly RSTP). The approved funding plan, prior to the current LOP increase, includes \$45 million of CMAQ, \$31.8 million of RIP, and \$93 million of STBGP funding. This is considered regional funding as it can be applied countywide to both transit and highway spending. There is currently no capacity in the RIP or LPP. The RIP has been allocated to projects submitted in Metro's RTIP and the next cycle of the LPP is planned to be used for other purposes. There is estimated capacity to program additional CMAQ and STBGP to the Project and could be considered if the recommended use of Measure R is not approved. CMAQ is also eligible for transit operations and the maximum eligible amount of CMAQ is currently programmed for planned new Metro rail projects.

Recommendation

Metro staff recommends the use of \$53,000,000 of additional and accelerated New Starts, which will make available an equal amount of Measure R Transit 35% for the proposed \$53,000,000 LOP budget increase.

Board Report 2020-0829

June 2023

Life of Project (LOP) Increase

Westside Purple Line Extension – Section 3

RECOMMENDATION

Amending the Life of Project (LOP) budget by \$53,000,000

Current LOP: \$3,223,623,256

Revised LOP: \$3,276,623,256

DISCUSSION

- PLE 3 LOP approved in February 2019, with several project components not yet finalized
- These components are funded outside of the Full Funding Grant Agreement, requiring additional funding.
- Additional funding primarily includes the following activities:
 - GSA improvements to an existing parking lot.
 - VA parking spaces for displaced parking due to the Westwood/VA Hospital station.
 - Right-of-Way loss of Business Goodwill.
 - The addition of hi-rail vehicle storage at the end of the Metro D Line.



Westside Purple Line Extension – Section 3

VA PARKING STRUCTURE

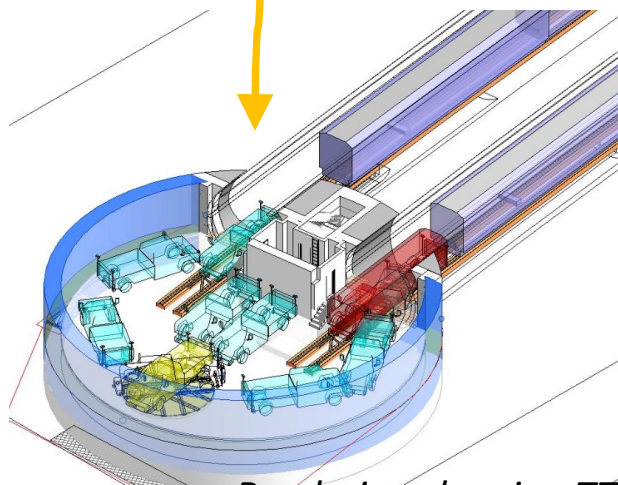
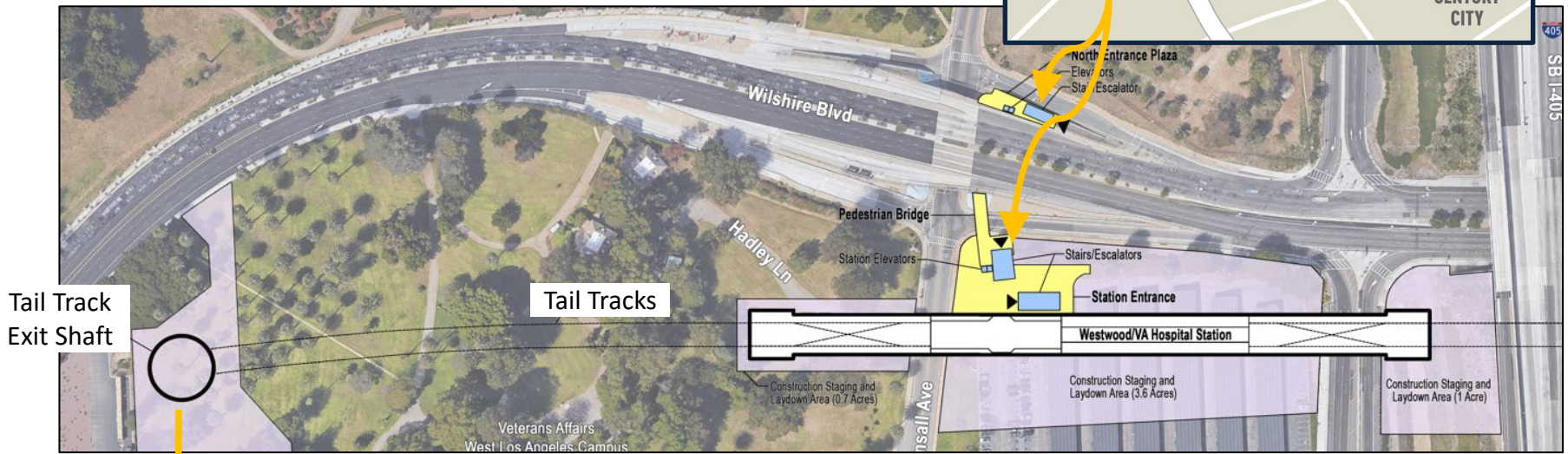


Plan View of the VA Campus South of Wilshire Blvd

Westside Purple Line Extension – Section 3

HI-RAIL VEHICLE STORAGE

- The addition of hi-rail vehicle storage in the tail track area will significantly reduce transit service delays.

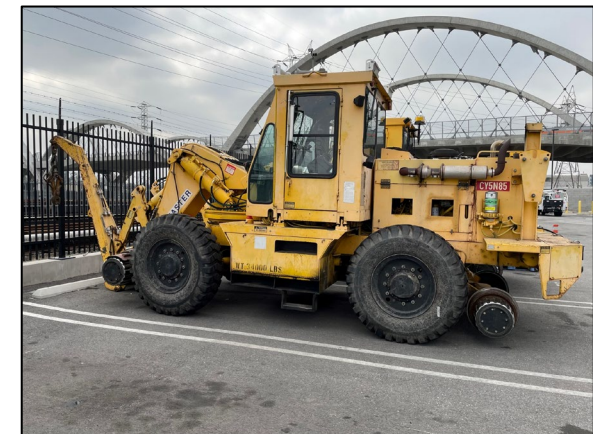


Metro

Rendering showing TTES with Hi-Rail Storage



Hi-Rail Vehicle



Hi-Rail Vehicle