



Los Angeles
World Airports



Date: 4-10-18
Submitted in TTT Committee
Council File No: 18-0283
Item No.: 2

LAWA

Contract Award for the Automated People Mover at LAX

Automated People Mover

PROJECT OVERVIEW

DBFOM AGREEMENT

PROCUREMENT PROCESS

RECOMMENDED DEVELOPER

EARLY WORKS UPDATE

STAFF RECOMMENDATION

NEXT STEPS



Automated People Mover

Project Overview

1 Improve the passenger experience and reduce traffic congestion in and around LAX.

- *Create time-certain travel options for passengers and employees*
- *Improve access by creating new, convenient locations for passenger pickup, drop-off, parking outside of the CTA, and more efficient access to rental cars*



2 Connect LAX to regional public transportation infrastructure:

- *Rail, roadways, buses, Metro Station*

3 Seize the opportunity for immediate and long term results through a Public Private Partnership.

- *Life Cycle Cost Certainty*
- *Partnership Approach*

Automated People Mover

Project Overview

The Automated People Mover will run on a 2.25 mile elevated guideway and create a new connection to LAX from **public and private transportation** and a new consolidated Rent-A-Car (**ConRAC**) facility

- The APM will **connect 6 stations** between the ConRAC and the CTA
- The new infrastructure is expected to **reduce street traffic congestion** in and around the CTA
- Approximately **200 passengers per train**
- APM will run **every ~2 minutes** and will travel from the ConRAC to the CTA in **~ 10 minutes**
- Ridership Capacity: **10,000 passengers/hr**
- Cost to Ride: **Free for airport users**
- Maximum Speed of Train: **47 MPH**

APM Design & Construction 2018-2023



APM Operation & Maintenance 2023-2048



Automated People Mover

DBFOM Agreement

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Procurement Process

DESIGN

BUILD

FINANCE

OPERATE

MAINTAIN

DBFOM

What is DBFOM?

DBFOM is a public-private-partnership (P3) contracting model that enables public sector agencies to harness private sector *innovation* and *expertise*, while sharing risks and responsibilities for financing. In exchange, private partners earn a reliable revenue stream (subject to performance.)

Why DBFOM?

- 1** Transfers some risks from LAWA to the Developer and encourages Developer to mitigate potential risks
- 2** Creates opportunity for innovation in design, construction and operations
- 3** Emphasizes the importance of on-time, high quality delivery and for all parties to structure work accordingly
- 4** Aligns design, construction and operations to ensure project decisions add value around guest experience, improved asset management, sustainability, and inclusivity

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DBFOM Agreement

To deliver the APM, LAWA & The Recommended Developer will enter into a **30 year DBFOM Agreement**



AGREEMENT

- **5 YEARS-** Design & Construction (D&C)
- **25 YEARS-** Operations & Maintenance (O&M)

CONTRACT VALUE INCLUDES:

- **Construction costs**, financed by Developer
- **Cost of 25 Years O&M**, with inflation escalation
- **Cost of Developer's construction financing**

DEVELOPER WILL RECEIVE:

- Six **Milestone Payments-** during Construction
- Annual **Availability Payments-** during O&M, disbursed in monthly increments

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DBFOM Agreement

DESIGN & CONSTRUCTION



DEVELOPER'S RESPONSIBILITIES

Developer is responsible for the design & construction of the APM System including:

- **Operating System** (Vehicles & operating technology)
- **Fixed Facilities** (Stations, guideway, infrastructure)

SERVICE AVAILABILITY: 2023

- Developer has contractual obligation to meet a service availability date of **March, 2023**
- Developer's failure to meet this date could result in lost Availability Payments which can not be recovered

LAWA'S RESPONSIBILITIES

- **Deliver project property** (real estate) on schedule
- Complete key **enabling projects** such as relocating LAWA tenants and some utilities
- Facilitate **inter-agency cooperation**
- Facilitate **interfaces with other projects**, such as Metro station & ConRAC

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DBFOM Agreement

OPERATIONS & MAINTENANCE



DEVELOPER'S RESPONSIBILITIES

Developer is responsible for the operations & maintenance of the APM System including:

- **Operating System** (*Vehicles & operating technology*)
- **Fixed Facilities** (*Stations, guideway, infrastructure*)

REQUIREMENTS DURING O&M

- **Developer must meet 99.5% or greater System Availability during O&M**
- Failure to achieve 99.5% Availability will result in ***Payment Deductions and Other Agreement Compliance Enforcement Measures*** (*more on compliance*)
- ***Refurbishment*** & replacement schedule for portions of the system throughout the 25 years

HANDBACK

- **At the end of 25 years of O&M, the APM System must have 5 years of minimum remaining useful life**

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DBFOM Agreement

COMPLIANCE



APM PERFORMANCE & COMPLIANCE

- Creates **incentive to correct** performance
- Includes **progressive measures to enforce compliance**
- Default is the last resort

PAYMENT DEDUCTIONS

- **Availability Deductions**- Based on a 99.5% Performance Standard for key APM systems
- **Non-Compliance Deductions**- Based on non-compliance events (NCE) identified in the NCE table

NON-COMPLIANCE POINTS

- Developer will also accrue **non-compliance points** for breaching key obligations identified in the Non-Compliance Event (NCE) table
- **Accumulation of NCE points triggers escalation of enforcement** measures such as: Increased LAWA oversight, required remediation plans, increased oversight from Developer's financiers, LAWA replacing contractors

99.5 % AVAILABILITY STANDARD

- Unavailability deductions are based on duration of unavailability

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DBFOM Agreement

NON-COMPLIANCE EVENTS

- *Key contract obligations are in the non-compliance table*
- *LAWA may add obligations to the table if Developer breaches obligation multiple times*
- Non-compliance events result in *accrual of NCE points & payment deductions.*
- Accruing too many points could ultimately lead to termination (default)

	Element Category	Required Task	Minimum Performance Reqmts	Non-Compliance Event Points	Interval of Recurrence	D & C Non-Compliance Deductions in \$ (for new or recurred events)	Relevant section of contract docs
D&C	Labor	Local Hire Requirement	Meet the 30% minimum annual utilization of Local Workers required by Section 9.9.2	20 + 5 for every 1% below the requirement	N/A	\$50,000 + \$2500 for every 1% below the requirement	DBFOMA 9.9.2
	Maintenance of Traffic	D & C Period Planned Lane Closure	No lane shall be closed outside the time period detailed in the approved Traffic Control Plan on: World Way Upper & Lower levels	10	15 minutes	\$50,000	Part 2A, 16.4.1, Table 16-1
O&M	Operations	Pedestrian Walkways	Moving walkway shall be repaired within 5 hours of initial failure	2	3 hours	\$2500	Part 3, 4.3.3
	Performance	APM Operating System Shutdown	No APM Operating System Shutdown greater than 6 hours but less than or equal to 24 hours	80 + 6.7 every hour shutdown continues beyond 6 hours up to 24 hours total	Refer to formula for points	\$750,000 + \$125,000 every hour Shutdown continues beyond 6 hours up to 24 hours total	Part 3, 3.2.2.1

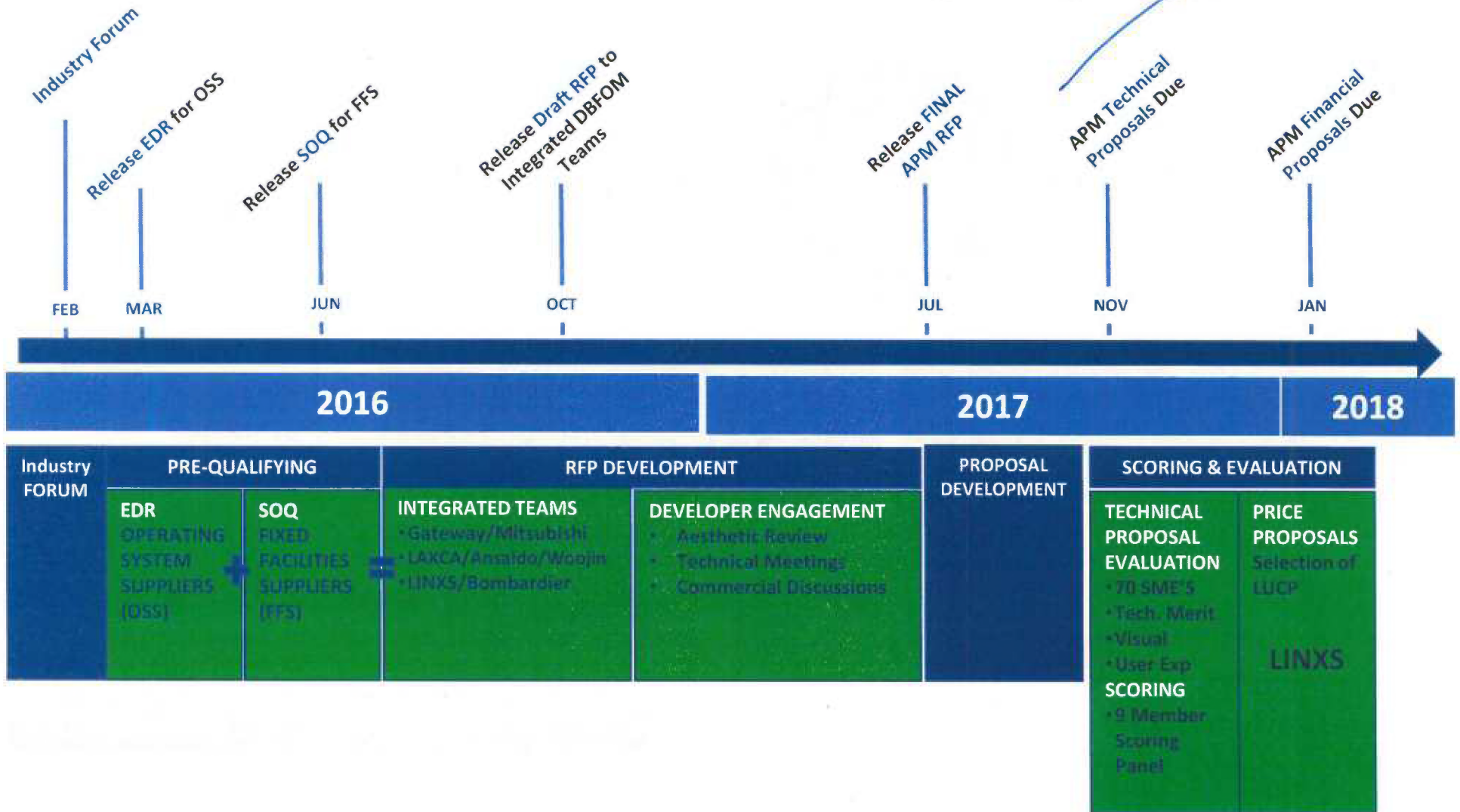


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Procurement Process

Automated People Mover Procurement Process

Speed up

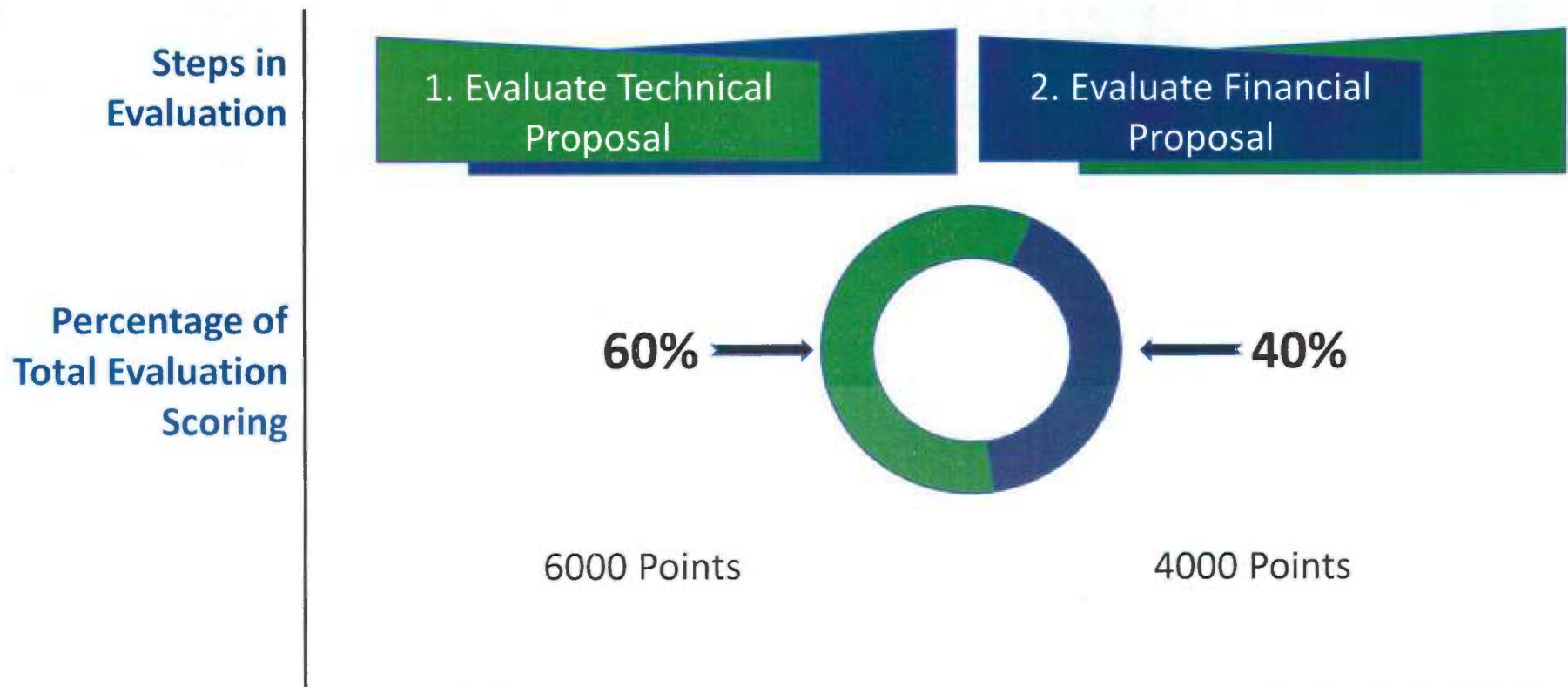


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Procurement Process

EVALUATION & SCORING STEPS

APM Developer selection process was a qualification-based evaluation with ***two independent steps*** to determine **Lowest Ultimate Cost Proposer (LUCP)**





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The Recommended Developer Team

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Recommended Developer - LINXS

LINXS: SUMMARY

LAWA Staff has recommended **LINXS** as the APM Developer based on their proposal to design, build, finance, operate and maintain the APM.

- **LINXS** had the **highest technical score**
- **LINXS** had the **lowest cost** of the three teams that proposed

LINXS scored the highest in all three major technical scoring & evaluation categories ; ***technical merit, visual appeal, and user experience.***

LINXS scored ***first in six of eleven subcategories***

LINXS scored second in all other subcategories



LINXS cost to design & construct the APM: \$1.95 B

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Recommended Developer - LINXS

APM PRICE COMPETITION

- This process resulted in a competitive price from the winning team.
- **LINXS'S** design and construction costs came in **4% lower** than the original cost estimate.
(*\$2.028B est. vs. \$1.95B actual*)
- **LINXS** presented the lowest cost for both design & construction and operations & maintenance.



	LINXS	Gateway	LAXCA
Proposed Net Present Value (NPV)	\$2.63B	\$3.41B	\$3.11B
Total 1 st year Availability Payment	\$97.1M	\$127.0M	\$115.1M
Design and Construction Cost as presented in Original Bids	\$1.95B	\$2.16B	\$2.37B
Total Bid over life of Agreement*	\$4.46B	\$5.77B	\$5.07B

**Subject to final contract negotiation*

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Recommended Developer - LINXS

LINXS: PROPOSAL HIGHLIGHTS

FIXED FACILITIES

MAINTENANCE OF TRAFFIC

SUSTAINABILITY

INCLUSIVITY

LINXS scored highest in 6 of 11 evaluation criteria within the 3 major technical categories.

- **APM Fixed Facilities**
- **Approach to Maintenance of Traffic**
- **Approach to Operations and Maintenance**
- **Inclusivity**
- **Sustainability**
- **User Experience**

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Recommended Developer - LINXS

LINXS: PROPOSAL HIGHLIGHTS

FIXED FACILITIES

- Longer station platforms to facilitate passenger flow
- **Station roofs with circular skylights**
- Placing the Maintenance & Storage Facility at-grade, instead of elevated
- **Engineering the guideway over 2 parking structures.**
 - Eliminates the need to demolish & rebuild parking structures
 - ***Major cost savings & minimizes operational impact***
- Theme Building Viewing Platform
- Impactful ***Experience LA*** Exhibition Space



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FIXED FACILITIES



Theme Building Viewing Platform

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FIXED FACILITIES



*Experience LA Exhibit Space
with 800 sq. ft. Programmable LED Wall*

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FIXED FACILITIES



Inter-Modal Transportation Facility East (ITF-E) Station

SUSTAINABILITY



SOLAR ENERGY

- LINXS will generate 1.27 MW of energy; more than 2x the RFP requirement

MAINTENANCE & STORAGE FACILITY

- MSF will meet LEED Gold Standard
- Trains will be washed at MSF using recycled water

ELECTRIC VEHICLE CHARGING

- LINXS will install EVC station infrastructure at 10% of all parking spaces
- LINXS will install full charging station equipment at 6% of all parking spaces

Maintenance & Storage Facility (MSF)

LINXS: PROPOSAL HIGHLIGHTS

INCLUSIVITY



CERTIFIED CONTRACTING COMMITMENTS

- LINXS has committed 5% of its Construction contracts to **Local Small Business Enterprise (LSBE) firms** or 66% increase over the 3% required by the RFP
- **LSBE commitment represents approximately \$85M**
- **Total commitments to certified firms: \$555,000,000**

SUPPORT FOR ENTERPRISES

Project Phase	Local Hiring	Small Business Enterprise (SBE)	Local Business Enterprise (LBE)	Local, Small Business Enterprise (subset of LBE)	Disabled Veterans Business Enterprise (DVBE)
Design	No requirement	22%	8%	3%	3%
Construction (5 YRS)	<ul style="list-style-type: none"> • 30% of work force 	18%	7%	5% (vs. 3% reqmt.)	3%
Operations & Maintenance (25 YRS)	<ul style="list-style-type: none"> • 60% of hours worked by local workers (vs. 50% reqmt.) , • 50% from LAX impact zone (no reqmt.) • 10% disadvantaged 	17%	10%	5%	3%

- **Set-aside packages for every phase of project**
- **Waive bonding for some contracts up to \$5M**
- Cover bonding costs for subcontractors
- Allow sub-contractors to bill as often as weekly during design & construction
- **Mentoring** in all project phases
- Weekly office hours for certified firms
- **Certified Firm Liaison**
- **Capacity Building Partners** such as: National Association of Minority Contractors, Merriwether & Williams, & Disabled Vets' Enterprise Alliance



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New Opportunity for Cost Savings ***Automated People Mover at LAX***

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Available Levers for Cost Savings

Cost saving opportunity through fully tax-exempt financing

Cost saving opportunity proposed by LINXS

- Following the award of the Early Works agreement, LINXS identified a potential financial innovation that could lower LAWA's total project cost through the use of a fully tax exempt financing structure accessible through a not-for-profit entity that would have a lower borrowing cost than LINXS' currently proposed financing that would be subject to the Alternative Minimum Tax.
- Staff is performing due diligence around the proposed concept to fully inform the City of potential financial benefits, the not-for-profit entity, interparty agreements and risks around the proposed structure. Assuming confirmation of material and equitably shared benefits between LAWA and LINXS, the financial structure could be implemented with minimal impacts to the financial closing schedule.



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Staff Recommendations ***Automated People Mover at LAX***

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Staff Recommendations



APPROVE

- Approve the DBFOM Agreement and related ancillary agreements* with LINXS in the NTE Amount of \$4,895,750,000.

AUTHORIZE

- Authorize the CEO to execute the DBFOM Agreement and related ancillary agreements* with LINXS.

APPROPRIATE

- Appropriate capital funds in the amount of \$3,842,000,000.**

APPROVE

- Approve a budgeted owner's contingency in the amount of \$145,700,000 (approximately 7%)

AUTHORIZE

- Authorize the CEO to approve and execute change orders up to the budgeted contingency amount, provided that prior to execution of any change orders in excess of \$5,000,000 the BOAC shall review and authorize the execution thereof.

* Ancillary agreements include a Direct Agreement and an IP Material Access Agreement

** Excludes Operating Availability Payments and certain allowances. Includes budgeted owner's contingency



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Next Steps

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NEXT STEPS	DATE
Early Works Agreement approval by BOAC	2/15/18
Trade, Travel, Tourism City Council Committee Hearing on APM Recommended Developer	2/20/18
APM DBFOM Agreement for BOAC Approval	4/5/18
Trade, Travel, Tourism City Council Committee Hearing on APM DBFOM Agreement	4/10/18
APM DBFOM Agreement at City Council & Commercial Close	4/11/18
Developer Submittal of Financial Model and Financing Agreements for Non-Profit Structure	4/11/18
Financial Close and Early Works Status Update for BOAC and <u>if necessary</u> Non-Profit Financing Structure for BOAC Approval	5/3/18
Developer provides notice of Scheduled Financial Close Date	30 days prior
LAWA reviews and provides comments on Financing Agreements	10 days prior
Developer Bond Pricing	6/6/18
Expected Financial Close Date	6/16/18
End of Proposal Validity Period	7/16/18
Ground breaking ceremony	CY 2018