



cutting through complexity

Public-Private Partnership (P3) Feasibility Study Report

Solano Transportation Authority

April 4, 2014

Contents

P3 Feasibility Study Report

- I. Introduction
- II. Executive Summary
- III. Appendix I – P3 Suitability and Screening Assessment, dated November 19, 2013
- IV. Appendix II – Market Sounding Report, dated November 14, 2013
- V. Appendix III – Implementation Strategy, dated January 31, 2014

Feasibility Study Objectives and Approach

In order to explore Public-Private Partnership (P3) opportunities at ten (10) of its transit centers, the Solano Transportation Authority (STA) engaged KPMG Corporate Finance LLC (KPMG) as its advisors to perform a P3 Feasibility Study.

P3 Feasibility Study Objectives

The objectives of the P3 Feasibility Study are to explore opportunities that:

1. Accelerate the delivery of transit centers;
2. Fund the operations and maintenance of existing and future facilities;
3. Reduce project capital and on-going costs;
4. Improve service delivery for its constituents;
5. Overcome funding constraints; and
6. Develop alternative or innovative revenue sources to offset project costs.

Approach

To address these objectives, KPMG's approach included an initial assessment of transit center revenue generating and cost savings opportunities based on site visits, data collection and meetings with STA staff and its municipalities. KPMG further explored these opportunities with the STA through an informal market sounding which involved interviews with ten private sector firms. Based on these results, KPMG and the STA reported the identified opportunities to the STA board, member municipalities and developed an implementation strategy.

Initial Transit Centers and Opportunity Identification

Ten transit centers from six municipalities in Solano County were included in this feasibility study:

1. Dixon Multimodal Transportation Center (Dixon, CA)
2. Curtola Parkway & Lemon Street Transit Center (Vallejo, CA)
3. Vallejo Transit Center (Vallejo, CA)
4. Suisun Train Station (Suisun, CA)
5. Benicia Transit Center (Benicia, CA)
6. Vacaville Transportation Center (Vacaville, CA)
7. East Monte Vista Transit Center (Vacaville, CA)
8. Fairfield Transportation Center (Fairfield, CA)
9. Fairfield/Vacaville Train Station (Fairfield, CA)
10. Fairfield Red Top Park & Ride Lot (Fairfield, CA)

Several potential transit center opportunities were identified and evaluated during the initial suitability and screening assessment:

- **Parking Fees** – parking fees that may help the municipalities generate additional revenue, offset operating costs, and/or fund capital projects.
- **Advertising and Sponsorship** – advertising (e.g. Billboards or similar media displays) and sponsorship (e.g. Naming Rights or “Official provider of”) revenues that may generate additional revenues to offset operating costs and/or fund capital projects.
- **Operations and Maintenance (O&M)** – private operations and maintenance of transit center(s) that may create efficiencies, cost savings or improved service to users.
- **Transit-Oriented Development (TOD)** – transit-oriented development that may generate revenues for the city(ies) or help to achieve development policies and goals.
- **Solar Photovoltaic (PV) Facilities** – solar PV facilities that may help to offset energy costs at the transit centers.
- **Capital Projects** – public-private partnership delivery and procurement options for capital projects that may lead to cost savings for capital, lifecycle, or O&M aspects of the project.

P3 Feasibility Study Overview

An assessment of the revenue generating and cost savings potential of each opportunity was conducted during several stages of this study. At the completion of each stage, a report deliverable was prepared for the STA's review and approval.

- **Suitability and Screening Assessment** – KPMG conducted an initial screening assessment of opportunities at the transit based on site visits to the ten transit centers, interviews and discussions with municipality and the STA's staff, and analysis of transit center data provided by the municipalities and the STA. KPMG also analyzed commercial options and risk transfer mechanisms available for each opportunity, which were later market sounded with the private sector. The report entitled Initial Public-Private Partnership (P3) Suitability and Screening Assessment Report and dated November 19, 2013 is included as Appendix I of this Feasibility Report.
- **Market Sounding** – KPMG, with participation of the STA, facilitated an informal market sounding with private sector firms to assess the commercially feasibility, private sector interest, delivery options, and risk transfer arrangements of the identified opportunities. The report is based on informal interviews with ten private sector firms, analysis of transit center data provided by the municipalities and the STA, and meetings with the municipalities and the STA's staff. The report entitled Public-Private Partnership (P3) Feasibility Study Market Sounding Report and dated November 14, 2013 is included as Appendix II of this Feasibility Report.
- **Implementation Strategy** – KPMG and the STA reported the results of the screening assessment and market sounding to City Managers and the STA Board of Directors to gauge the interest in pursuing the opportunities. KPMG developed an initial implementation strategy focused on the next steps for pre-procurement, procurement, and award. The report entitled Public-Private Partnership (P3) Implementation Strategy and dated January 31, 2014 is included as Appendix III of this Feasibility Report.

This report highlights key findings and observations from each stage of the study.

II. Executive Summary

Suitability and Screening Report – Key Observations and Findings

Key Opportunities Across the STA’s Transit Center Portfolio								
		Parking Fees	Advertising and Sponsorship	Operation & Maintenance	TOD	Solar PV Facilities	Capital Projects	Overall Review
Summary of Opportunities	Low	1 of 10	1 of 10	1 of 10	3 of 10	N/A	8 of 10	1 of 10
	Medium	6 of 10	5 of 10	6 of 10	7 of 10	4 of 10	2 of 10	6 of 10
	High	3 of 10	4 of 10	3 of 10	N/A	6 of 10	N/A	3 of 10
Timeliness of Opportunity*		•N/T	•N/T	•N/T to L/T	•N/T to L/T	•N/T	•N/T to L/T	
All 10 Transit Centers								MEDIUM

LOW
opportunity potential

MEDIUM
opportunity potential, several uncertainties to consider

HIGH
opportunity potential

*Near Term (N/T)= 1 - 3 years, Long Term (L/T)= 3 - 7 years

P3 Suitability and Screening Assessment - Key Findings and Observations

- **Traditional P3 delivery models are not fully supported at the STA transit centers** - Market characteristics of P3 project delivery generally include: 1) a \$50-100M capital cost threshold; 2) significant operations and maintenance and lifecycle risk; and/or 3) significant revenue opportunities.
- **Benefits from different delivery options and private sector participation are available** - aggregating opportunities across several of the transit centers may generate additional revenues, or reduce costs.
- **Additional revenues and cost savings are feasible in the near term** - **Four opportunities** may help STA-member cities reduce costs and increase revenues: **O&M** and **Solar PV** can reduce costs and **Parking Fees** and **Advertising/Sponsorship** can create additional revenues.
- **Private sector delivery options could improve transit center revenues or reduce costs by \$500,000 or more annually.**

Market Sounding Report – Key Observations and Findings

Direct Market Feedback:

- The market has expressed its greatest interest in O&M and naming rights/sponsorship; parking fees and solar PV are also opportunities that may be feasible at certain transit centers.
- Advertising may be feasible with direct exposure to high average daily traffic (ADT), but market conditions may not attract significant private investment across the transit center portfolio.
- Market participants don’t consider TOD as a near-term opportunity but incentives from public agencies (e.g. density, land assemblage, entitlements) may accelerate TOD opportunities.

		Parking Fees		Advertising		Naming Rights/ Sponsorship		Operation & Maintenance		TOD		Solar PV Facilities	
# of Market Sounding Participants		2		1		1		3		2		2	
Overall Interest													
Roles & Responsibilities		Daily management/ operator		Installation, O&M		Contract structuring / negotiations		Daily O&M – manage and improve assets		Buy land, construction process		Installation, O&M	
Commercial Feasibility	Bundling		YES		YES		NO		YES		TBD		TBD

Phase 2 – Implementation Approach

- The suitability assessment and market screening point to various **revenue generating and cost savings opportunities at several of the transit centers within Solano County.**
- **Soltrans, Benicia and Fairfield** have expressed their interests to **pursue and implement opportunities** identified at their centers (e.g. parking fees, advertising, O&M); the likely next steps include:
 - Develop policy and program guidelines
 - Establish technical and performance standards for the opportunities
 - Conduct in-depth market sounding to identify commercial structures with best value to the public agencies
 - Execute a procurement process and draft procurement documentation
- Coordinate with municipalities and agencies to **pursue bundled procurement opportunities**
- Explore identified **opportunities for implementation at other transit centers**

II. Executive Summary

Implementation Strategy – Stages for Implementation



Stage 1: Pre-procurement	Stage 2: Procurement & Award	Stage 3: Project Implementation
<p>Prepare for procurement of identified opportunities with participating public agencies.</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Prioritize projects for implementation ▪ Coordinate between cities and agencies when required for bundled procurement ▪ Dedicate project teams from cities and agencies ▪ Develop program policies ▪ Conduct a focused market sounding ▪ Identify commercial structures with best value for transit centers ▪ Develop commercial, financial and technical standards ▪ Prepare procurement documents and evaluation process 	<p>Execute a procurement process and selection of preferred bidder(s).</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Release request for qualifications / proposals to the public ▪ Conduct procurement and evaluate proposals ▪ Negotiate and award contract(s) 	<p>Provide oversight over project implementation and performance.</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Oversee and manage performance of private sector partner ▪ Perform public sector obligations under the agreement

II. Executive Summary

Implementation Strategy – Timeline and Overview of Marketplace Opportunities

	Challenges to Implementation	Procurement Structure	Approximate Aggregate Timeline to Realize Benefits (months)	Approximate Annual Value by Opportunity*	Marketplace Opportunities
Solar PV	Low	Individual	6 – 12	▪ \$100K to \$150K	<ul style="list-style-type: none"> ▪ There is a potential to offset annual electricity costs up to 85% for FTC and VTC and realize cost savings of up to \$127,500 (annual electricity costs total \$150K). ▪ Investors are interested in providing financing for solar PVs that can reduce costs by a minimum of 10 – 20% (\$15K - \$30K).
O&M	High	Bundled	9 – 18	▪ \$85K to \$510K	<ul style="list-style-type: none"> ▪ Cities may realize substantial O&M cost savings ranging from 5 – 30% across multiple centers. Cost savings range from \$85K - \$510K (annual operating costs for all centers total \$1.7M).
Naming Rights	Low	Individual	15 – 23	▪ \$700K to \$900K	<ul style="list-style-type: none"> ▪ Cities have a potential long-term opportunity to earn additional revenue ranging from \$700K - \$900K (total of \$1M in revenue less 10% – 20% commission).
Advertising	Medium	Bundled	9 – 18	▪ TBD	<ul style="list-style-type: none"> ▪ Cities may realize a wide range of additional revenues, however, site visits (by outdoor advertising firms) will ultimately determine revenue potential.
Parking	Medium	Bundled	9 – 18	▪ \$450K to \$950K	<ul style="list-style-type: none"> ▪ There is a potential to generate parking fee revenue across multiple centers – existing parking (approximately \$450K), planned parking (over \$500K) – based on \$20 - \$30 monthly fees for parking at all centers with parking spaces. Actual revenues will be determined by a pilot study.
			Total	▪ \$1.3M to \$2.5M	

* The private sector’s interest levels in the transit center projects and the value of the opportunities still needs to be tested and validated by private sector market participants.



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Appendix I:

P3 Suitability and Screening Assessment

Dated November 19, 2013

(original submission July 12, 2013)

Contents

P3 Suitability and Screening Assessment – Overview

- I. Introduction
- II. Executive Summary

P3 Suitability and Screening Assessment – Analysis and Next Steps

- III. Delivery Options
- IV. Transit Center Opportunities
- V. Screening Assessment
- VI. Next Steps
- VII. Appendix 1 – Summary of Delivery Options
- VIII. Appendix 2 – TOD Assumptions and Summary

In order to explore Public-Private Partnership (P3) opportunities at ten (10) of its transit centers, the Solano Transportation Authority (STA) has engaged KPMG Corporate Finance LLC (KPMG) as its advisors to perform a P3 Feasibility Study. As a part of this overall study, KPMG is assisting the STA with this initial suitability and screening assessment report that evaluates delivery options, potential revenue and cost saving opportunities at the ten transit centers.

STA Objectives

The STA wishes to evaluate the potential for P3 agreements and innovative delivery to help enhance its transit centers across the county. The STA has identified several overall objectives for this study:

- Accelerate the delivery of transit centers;
- Fund the operations and maintenance of existing and future facilities;
- Reduce project capital and on-going costs;
- Improve service delivery for its constituents;
- Overcome funding constraints; and
- Develop alternative or innovative revenue sources to offset project costs.

This screening report relies upon these objectives and other STA criteria to assess the suitability and feasibility of several transit center opportunities. The goals of this initial suitability and screening assessment report are to:

- Identify opportunities and delivery options for further analysis;
- Provide preliminary screening analysis of project scenarios, scopes and delivery options; and
- Identify potential issues and challenges that STA may face in further pursuing these opportunities.

The analysis presented within this report is based on site visits to the ten transit centers, interviews and discussions with municipality and the STA's staff, and analysis of transit center data provided by the municipalities and the STA.

I. Introduction

Overview of Transit Centers and Opportunities

Transit Centers and Initial Opportunity Identification

Ten transit centers from six municipalities in Solano County are included in this study:

1. Dixon Multimodal Transportation Center (Dixon, CA)
2. Curtola Parkway & Lemon Street Transit Center (Vallejo, CA)
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Several potential transit center opportunities were identified and evaluated during the initial suitability and screening assessment:

- **Parking Fees** – parking fees that may help the municipalities generate additional revenue, offset operating costs, and/or fund capital projects.
- **Advertising and Sponsorship** – advertising (e.g. Billboards or similar media displays) and sponsorship (e.g. Naming Rights or “Official provider of”) revenues that may generate additional revenues to offset operating costs and/or fund capital projects.
- **Operations and Maintenance (O&M)** – private operations and maintenance of transit center(s) that may create efficiencies, cost savings or improved service to users.
- **Transit-Oriented Development (TOD)** – transit-oriented development that may generate revenues for the city(ies) or help to achieve development policies and goals.
- **Solar Photovoltaic (PV) Facilities** – solar PV facilities that may help to offset energy costs at the transit centers.
- **Capital Projects** – public-private partnership delivery and procurement options for capital projects that may lead to cost savings for capital, lifecycle, or O&M aspects of the project.

II. Executive Summary

Key Findings and Observations

<p>Traditional P3 delivery models are not fully supported at the STA transit centers</p>	<p>P3 project delivery models generally share the responsibility of the project’s design, build (construction), operations, maintenance, and financing between the public and private sector entities, and deliver projects in innovative, non-traditional ways.</p> <p>Market characteristics of P3 project delivery generally includes: 1) a \$50-100M capital cost threshold for major infrastructure projects; 2) projects including significant operations and maintenance (O&M) with lifecycle risk; and/or 3) significant revenue opportunities from sources such as tolling or parking. The current STA transit center operations and the future capital project values do not fully align with P3 delivery options.</p> <p>Projects that are more typically suited for P3 delivery options are large or complex capital projects, such as the STA’s freeway expansions, managed lanes projects, or larger scale facility development projects.</p>
<p>Benefits from different delivery options and private sector participation are available</p>	<p>Currently, the transit centers services follow traditional public sector delivery methods. However, there are several delivery options available that could leverage private sector participation. Innovative techniques such as aggregating opportunities across several of the ten (10) transit centers present market opportunities to enhance service delivery to constituents, generate additional revenues, or reduce costs.</p>
<p>Additional revenues and cost savings are feasible in the near term</p>	<p>Based on the results of our initial assessment of market opportunities across the ten (10) transit centers, four opportunities may help the STA meet its objectives to reduce costs or increase revenues in the near term.</p> <p><u>Cost Savings</u> – 1) Operations and Maintenance; 2) Solar Energy; and</p> <p><u>Additional Revenues</u> – 3) Parking Fees; 4) Advertising / Sponsorship</p>
<p>Existing barriers must be addressed and overcome</p>	<p>An initial screening analysis, which evaluated the feasibility of the transit center opportunities and delivery options based on financial, implementation, acceptability, operational/interface, and timing/phasing criteria indicates that:</p> <ul style="list-style-type: none"> ■ There are barriers to private sector delivery including general readiness for procurement and contracting, perceived public policy constraints and relatively small individual projects. These barriers must be addressed in order for the STA to achieve several of its objectives.
<p>Private sector delivery options could improve transit center revenues or reduce costs by \$500,000 or more annually</p>	<p>If the STA and its member municipalities pursue private delivery options and achieve market benchmarks, the transit center opportunities could generate revenues and lower costs by some \$500,000 or more annually. The private sector’s interest levels in the transit center projects and the value of the opportunities still needs to be tested and validated by private sector market participants.</p>

P3 Suitability and Screening Assessment – Analysis and Next Steps

- III. Delivery Options
- IV. Transit Center Opportunities
- V. Screening Assessment
- VI. Next Steps
- VII. Appendix 1 – Summary of Delivery Options
- VIII. Appendix 2 – TOD Preliminary Assessment and Assumptions

Overview of Potential Delivery Options and Risk Transfer Characteristics

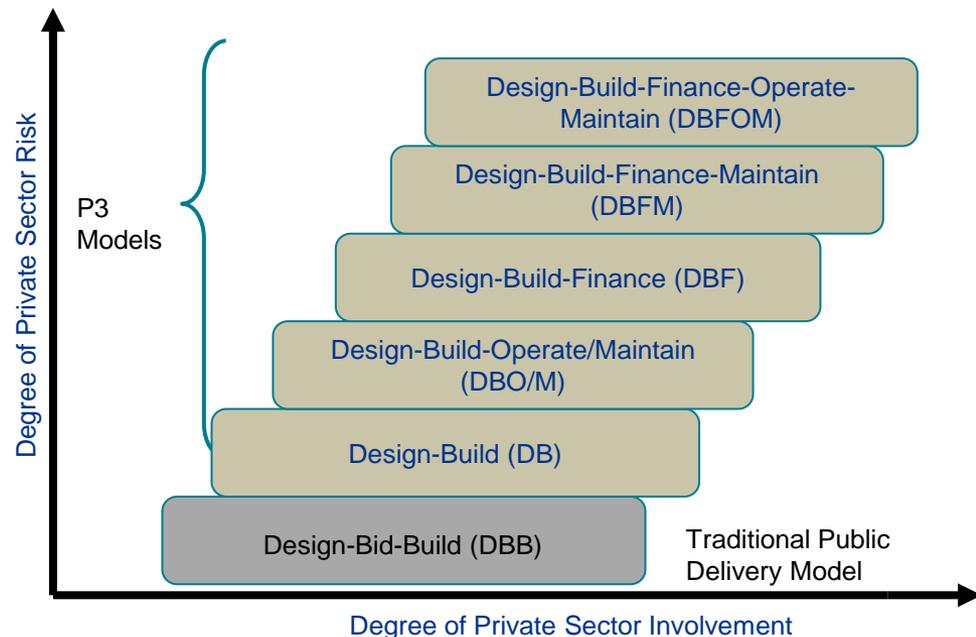
P3 and other delivery options that involve private sector participation have been identified and considered at the STA transit centers. As an overview:

- P3 models may share the responsibility of the project’s design, build (construction), operations, maintenance, and financing to levels that are commercially acceptable to both the public and private sector entities.
- In addition, delivery options that involve private sector participation can also share the responsibility of providing public services with the private sector.
- These options could deliver innovative ways to accelerate project delivery, find new revenue opportunities or improve efficiencies.

Project delivery options differ based on a project’s attributes (e.g. design, construction, operations) and the level of responsibility and risk that can be transferred to the private sector. As noted in the graphical example to the right:

- Private sector responsibility and risk transfer are directly related.

Example - P3 Delivery Models for Capital Projects and Level of Risk Transfer



To explore which delivery options might be suitable for the STA’s transit centers, key risks associated with the specific transit center opportunities were identified along with various project delivery options.

III. Delivery Options

Key Risks Associated with the Transit Center Opportunities

A series of key risks specific to the STA’s transit center opportunities have been noted below.

Solar Photovoltaic (PV)	
Design/Construction Risk	Risk that the design is incorrect and does not produce the expected electricity, or is sized incorrectly and does not meet the energy demands of the transit center.
Operations and Maintenance Risk	Risk the facility does not perform to expected levels due to operational proficiency and maintenance, which decreases energy output levels..
Solar Energy Risk	Risk that the solar energy does not meet forecasts, which may lead to less electricity generated than expected.
Price Risk	Risk that the price of electricity supplied from the regional utility falls below the price from the solar PV facility.
Parking Fees	
Competition Risk	Risk that users will find alternative parking and reduce the demand of the parking facility.
Demand Risk	Risk that the demand at the parking facility is less than forecasted or changes due to the implementation of parking fees.
Operations and Maintenance Risk	Risk that parking facility is not operated and maintained as expected, which could impact costs or revenues.
Operations and Maintenance (O&M)	
Cost Overrun Risk	Risk that transit center operations, maintenance or lifecycle costs are greater than expected, which increases financial burdens for the city(ies).
Quality of Service Risk	Risk that certain aspects of operations and maintenance are deferred, which leads to a lower quality of service at the transit center.
Advertising and Sponsorship	
Demand Risk	Risk that the demand for advertising and sponsorship at the transit centers does not meet forecasts.
Price Risk	Risk that the price for advertising and sponsorship at the transit centers is not as great as expected.
Transit-Oriented Development (TOD)	
Demand Risk	Risk that the demand for TOD at the transit centers does not warrant development or investment.
Capital Projects	
Design Risk	Risk that the design for the transit center does not meet the needs.
Cost Overrun Risk	Risk that the capital project costs are greater than planned or budgeted.
Construction Delay Risk	Risk that the construction for the project is delayed, the project cannot deliver services in a timely manner or increases its construction costs.

Overview of Potential Delivery Options and Risk Transfer Levels for the STA Transit Center Opportunities

For the STA’s transit center opportunities a series of delivery options, with varying levels of risk transfer to the private sector, may be available in the marketplace.

Level of Risk Transfer Associated with Various Delivery Options			
<u>Opportunity</u>	<u>High</u>	<u>Medium</u>	<u>Low</u>
Parking Fees	Concession	Operating Contract	Equipment Purchase
Advertising and Sponsorship	Lease	Minimum Revenue Guarantee and Revenue Share	<i>Not Evaluated</i>
Operations and Maintenance	Fixed Price	Cost Plus Award	Cost Plus
TOD	Land Lease	Developer Fee Sharing Arrangement	<i>Not Evaluated</i>
Solar PV	Power Purchase Agreement (PPA)	Lease	Equipment Purchase
Capital Projects	Design-Build-Finance (DBF) and Design-Build-Finance- Operate-Maintain (DBFOM)	Design-Build (DB)	Design-Bid-Build (DBB)

- P3 project delivery or private sector participation can create value to the public agency.
- By transferring appropriate risks in a manner that allows the private sector partner to mitigate such risks through its efficiencies and innovation, these types of delivery options can generate revenues and reduce public agency costs.

A detailed description of each delivery option and its associated risk transfer profile is presented in Appendix 1 to this report.

III. Delivery Options

Findings – Preliminary Delivery Options for Screening Analysis

Potential delivery options and risk transfer opportunities for consideration at the STA’s Transit Centers

Several of the potential delivery options appear to: 1) satisfy the STA’s objectives; 2) have market precedents and are commercially acceptable; 3) generate market interest; and 4) help mitigate the key risks of implementing the opportunities. Based on our preliminary assessment, the following delivery options appear most suitable to implement the various opportunities at the STA transit centers.

- **Parking Fees:**

- **Operating Contract** – the municipality would transfer O&M risk to the private operator in return for a negotiated payment. The municipality would retain demand risk.
- **Concession** – the municipality would transfer both O&M and demand risk by allowing the operator to collect the parking revenues as generated. The municipality would receive a fixed payment in return. Concessions may only be feasible for transit centers with proven demand for parking.

- **Advertising and Sponsorship:**

- **Minimum Revenue Guarantee and Revenue Sharing** – this delivery model shares the demand risk for advertising space between the municipality and the advertising placement agency. The private agency would guarantee a minimum amount of advertising revenue to the municipality and would share revenues that exceed negotiated thresholds. Sponsorship revenues are generally priced on a revenue sharing basis whereby the private party receives a negotiated commission on sponsorship revenues they secure for the municipality.
- **Lease** – a lease transfers all of the demand risk to the private sector party. The advertising placement agency would pay a fixed fee to the municipality in return for all the revenues generated on the advertising space.

- **Operations and Maintenance:**

- **Cost Plus Award** – this delivery option would transfer the responsibility and risk of the operations and maintenance to the private sector. This option also provides an incentive for the operator to reduce costs of operating the center, which could be shared between the municipality and the operator.
- **Fixed Price** – this delivery option transfers the risk of cost overruns to the private sector because the municipality would pay a fixed fee for the operations and maintenance of the center.

- **Solar PV Facilities:**

- **Lease** – a lease with an operating contract transfers O&M risks to the private partner, which will reduce the burden on municipality staff for operations. This delivery option does not transfer production or price risk.
- **PPA** – a PPA is similar to a lease, but transfers both O&M and production risks as the municipality only pays for the electricity that is produced by the facility. The municipality maintains the price risk because the price is fixed in the contract.

IV. Transit Center Opportunities Revenues, Cost Savings and Capital Projects

Key Opportunities Across Transit Centers

Based on the screening analysis, four opportunities have the greatest potential across transit centers:

- **Parking Fees** – transit centers that have high utilization may be able to implement parking fees to generate revenues to fund O&M costs and potentially lifecycle and expansion costs. Parking fees can be implemented in a short-time frame.
- **Advertising and Sponsorship** – advertising and sponsorship present relevant opportunities due to the high level of traffic on the I-80 and I-680 corridors and the traffic volumes at the transit centers. If the transit centers are aggregated for a single contract, the value of the opportunities may increase.
- **Operation and Maintenance** – a few transit centers have high O&M costs (over \$250,000 annually) and may present opportunities individually. O&M service providers may be interested in providing operating and maintenance services for each center and lowering costs by using innovative cost saving management strategies.

Bundling the O&M of the transit centers may present a greater opportunity for cost savings. The seven transit centers that are currently in operation have aggregate O&M costs of greater than \$1.7 million annually.

- **Solar PV Facilities** – Solano County has solar energy potential to help offset most or all of energy costs at the transit centers. This opportunity can be implemented in a short-time frame and many of the risks can be transferred to the private sector.

Unlikely Opportunities

The remaining transit center opportunities do not have characteristics that warrant P3 delivery models, nor do they materially satisfy the STA’s objectives of reducing costs or generating alternative revenues.

- **Transit-Oriented Development** – the general demand characteristics in the areas around the transit stations do not warrant transit-oriented development in the very near term. However, demand for transit-oriented development may exist at several transit centers in the medium to long-term.
- **Capital Projects** – most of the planned capital projects at the ten transit centers are not sufficiently large for a P3 project delivery option. FHWA indicates a \$100M capital cost threshold for major infrastructure projects with P3 project delivery due in part to the costs of implementation (e.g. legal entity, financing), and while we have seen some successful projects below this threshold, they often involve more significant O&M and/or third party revenue opportunities.

IV. Transit Center Opportunities

Assessment of Transit Center Opportunities

Although the ten transit centers vary significantly in their characteristics (e.g. location, size, volumes), the key opportunities identified are applicable to the majority of the transit centers.

Key Opportunities Across the STA’s Transit Center Portfolio							
	Parking Fees	Advertising and Sponsorship	Operation & Maintenance	TOD	Solar PV Facilities	Capital Projects	Overall Review
Transit Centers							
Dixon Multimodal Transportation Center							LOW
Curtola Pkwy & Lemon St. Transit Ctr.							HIGH
Vallejo Transit Center							HIGH
Suisun Train Station							MEDIUM
Benicia Transit Center							MEDIUM
Vacaville Transportation Center							MEDIUM
East Monte Vista Transit Center							MEDIUM
Fairfield Transportation Center							HIGH
Fairfield/Vacaville Train Station							MEDIUM
Fairfield Red Top Park & Ride Lot							MEDIUM
Summary of Opportunities	Low 1 of 10 Medium 6 of 10 Medium/High N/A High 3 of 10	1 of 10 5 of 10 N/A 4 of 10	1of 10 6 of 10 N/A 3 of 10	4 of 10 2 of 10 4 of 10 N/A	N/A 4 of 10 N/A 6 of 10	8 of 10 2 of 10 N/A N/A	1 of 10 6 of 10 3 of 10
Timeliness of Opportunity*	•N/T	•N/T	•N/T to L/T	•N/T to L/T	•N/T	•N/T to L/T	
All 10 Transit Centers							MEDIUM

LOW opportunity potential

MEDIUM opportunity potential, several uncertainties to consider

HIGH opportunity potential

*Near Term (N/T)= 1 - 3 years, Long Term (L/T)= 3 - 7 years

Key Opportunity Characteristics	Potential for Cost Savings and Additional Revenues
<p>Parking Fees</p> <ul style="list-style-type: none"> Parking fees offers an opportunity for additional revenues to be generated for the municipality. The greatest opportunities in the short-term are Vallejo Transit Center, Fairfield Transportation Center, and the Curtola-Lemon Parkway Park-n-Ride. These centers have high demand for parking and limited competition from other parking lots in the area. Together these stations currently have 1,875 spaces, which will be near capacity, and have plans to add an additional 2,180 more spaces in the near future. 	<ul style="list-style-type: none"> Charging patrons \$20 - \$30 monthly parking fees for the existing space 1,875-space capacity could generate approximately \$450,000 in parking revenues a year. Fees from planned parking capacity could generate approximately \$523,200 in revenues per year. Demand factors, revenue sharing and operating costs, which are unknown, would impact parking revenues. Benicia Transit Center could present an opportunity if the City of Benicia decides to widen implementation of parking fees across its park-n-rides. Aggregating parking fee opportunities may enhance the attractiveness of the contract to the private sector, which may increase value to the public agencies.
<p>Advertising and Sponsorship</p> <ul style="list-style-type: none"> The seven transit centers currently in operation have over 2 million riders per year, which would be attractive for advertisers. Larger centers, such as Vallejo Transit Center, Fairfield Transportation Center, Curtola-Lemon Park-n-Ride, could attract advertising agencies on an individual basis. However, bundling a number of centers could present a greater opportunity for the municipalities. Bus wrapping is another opportunity for the municipalities could take advantage. 	<ul style="list-style-type: none"> Billboards are an opportunity for transit centers with direct access to major freeways, such as I-80, I-680, and SR-12. Fairfield Transportation Center, Red Top Park-n-Ride, Suisun Train Station, Benicia Transit Center have average daily traffic (ADT) ranging from 35,000 to 175,000 per day. However, discussions with municipality staff have indicated resistance to certain forms of advertising.
<p>O&M</p> <ul style="list-style-type: none"> Seven transit centers currently in operation spend approximately \$1.7 million annually for operations and maintenance. Vallejo Transit Center and Fairfield Transportation Center have the highest O&M costs of the centers currently in operations. Vallejo Transit Center, Curtola-Lemon Park-n-Ride, and Fairfield Transportation Center have planned expansion and may also benefit from O&M contracts. 	<ul style="list-style-type: none"> Potential areas of cost savings include security, energy, and maintenance of the transit centers. Saving 5%-10% on O&M costs, which is within a savings range typically quoted by private sector market participants, could reduce the \$1.7 million annual expenditures by approximately \$85,000 to \$170,000.
<p>Solar PV Facilities</p> <ul style="list-style-type: none"> Transit centers, Vallejo Transit Center and Fairfield Transportation Center have significant energy costs and can benefit from solar PV. Together, these two station spend over \$150,000 annually on electricity costs. Vacaville Transportation Center currently takes advantage of a solar energy installation that produces all of its electricity at the transit center, which offsets all of its electricity costs. 	<ul style="list-style-type: none"> Solar PV facilities would also benefit planned station or expansions as it would offset the energy costs in the near and long term. The typical payback period for solar PV facilities are 5 to 7 years. Planning for solar PV facilities at new centers or expansions would also lower the cost of installation. After the payback period, solar PV facility could offset up to approximately \$150,000 of the energy costs at just two transit centers (Vallejo, FTC).

Based on the objectives set out by the STA, screening criteria were developed in conjunction with municipality and the STA’s staff. These criteria were used to inform the suitability of the various opportunities across the ten transit centers and to help identify potential issues and barriers. The screening criteria are separated into five components as noted in the table below.

	Category	Screening Criteria
1	<p>Acceptability</p> <p>Addresses the acceptability and alignment with STA’s long-term vision, sources of funding or financing, project schedule, public policy</p>	<ul style="list-style-type: none"> ■ Alignment with STA timeframes, costs and public/stakeholder goals ■ Advancement of STA’s and member municipalities’ energy efficiency/green initiatives ■ Does not unreasonably increase financial burden to users
2	<p>Operational/Interface</p> <p>Considers O&M interface and commercial issues such as performance-based measures, party responsibility, O&M contracts, capital replacement, multi-use of system, regulation and enforcement</p>	<ul style="list-style-type: none"> ■ Improvement of service delivery quality or service delivery performance measures (e.g. on-time performance, customer responses, interruption of service, staffing needs) ■ Reduction of cost overrun risk ■ Enhance quality of asset over lifecycle
3	<p>Implementation</p> <p>Considers whether the opportunity faces any legal, technical, or policy constraints</p>	<ul style="list-style-type: none"> ■ Alignment with local, state, and federal zoning laws, regulations and restrictions (e.g. land entitlements, billboard dimension rules) ■ STA’s legal authority and permission to enter and administer service ■ STA’s required legal and policy framework to ensure the opportunity can be implemented ■ Appropriate staff, infrastructure, and equipment to implement the opportunity ■ Private sector technical expertise
4	<p>Timing/Phasing</p> <p>Considers STA’s phasing strategies, and prioritization of projects</p>	<ul style="list-style-type: none"> ■ Time frame for implementation (near term: 1 – 3 years, long term: 3 – 7 years) ■ Acceleration of planned delivery timeframe of the project (ex. planned construction reduced due to private sector participation)
5	<p>Financial</p> <p>Considers whether the opportunity allows STA to access additional upfront capital, provide revenues to offset costs, or generate cost savings/reductions</p>	<ul style="list-style-type: none"> ■ Generation of alternative revenues ■ Monetization of revenues for upfront funding ■ Upfront funding for capital costs ■ Reduction of operating or capital costs

Considering the delivery options and the screening assessment, the opportunities that appear most suitable are parking fees, advertising and sponsorship, operations and maintenance, and solar PV facilities.

Both parking fees and advertising and sponsorship present opportunities to generate additional revenue for the municipalities and to help to offset operating costs. O&M and solar PV facilities offer ways to help municipalities reduce operating costs at the transit centers.

	Acceptability	Operational/Interface	Implementation	Timing/Phasing	Financial	Overall Review
Transit Centers						
Dixon Multimodal Transportation Center						LOW
Curtola Pkwy & Lemon St. Transit Ctr.						HIGH
Vallejo Transit Center						HIGH
Suisun Train Station						MEDIUM
Benicia Transit Center						MEDIUM
Vacaville Transportation Center						MEDIUM
East Monte Vista Transit Center						MEDIUM
Fairfield Transportation Center						HIGH
Fairfield/Vacaville Train Station						MEDIUM
Fairfield Red Top Park & Ride Lot						MEDIUM
Summary of Opportunities	Low N/A Medium 6 of 10 High 4 of 10	1 of 10 1 of 10 8 of 10	N/A 8 of 10 2 of 10	2 of 10 5 of 10 3 of 10	1 of 10 6 of 10 3 of 10	1 of 10 6 of 10 3 of 10
All 10 Transit Centers						MEDIUM

LOW
likelihood of satisfying criteria

MEDIUM
likelihood of satisfying criteria, several uncertainties to consider

HIGH
likelihood of satisfying criteria

Key Barriers to Realizing Opportunities

The screening analysis has identified several barriers that may prevent or delay realizing the opportunities:

- **Acceptability** – discussions with municipality staff have indicated that certain opportunities might not be acceptable to the municipalities, such as advertising, billboards, and naming rights. While these opportunities could generate alternative revenues, the municipalities and STA will need to decide whether these opportunities fall within their policies before such revenues could be realized.
- **Implementation** – the transit centers are in varying stages of completion on relevant studies that would provide the information required to attract private sector participation.

For example, Curtola-Lemon Park-n-Ride, Vallejo Transit Center, and Fairfield Transportation Center have not yet completed parking studies. These types of studies would typically be required by private sector partners to assess the value of the opportunity. Until the studies are completed, this is a barrier that limits the marketability of the opportunity.
- **Timing/Phasing** – the transit centers differ in stages of completion, ranging from planning to fully operational. Implementing the opportunities at each of the transit centers will present different challenges based on the stage of completion, which will impact the timing of any benefits associated with the relevant opportunities.
- **Financial** – the value of the opportunities is largely dependent on underlying demand. Several transit centers don't appear to generate demand volumes that would attract a private sector partner or justify an investment on a standalone basis. As such, some of the transit centers may not directly participate in benefits associated with private sector delivery opportunities.

VI. Next Steps

Next Steps Following Screening

Next Steps

- **Supplement Suitability and Screening Report with Market Sounding** –this report analyzes the transit centers to determine if the opportunities are feasible from a commercial perspective. It also screens the opportunities based on the objectives and criteria of the STA. These initial results need to be market sounded and tested with private sector market participants to:
 - Determine if the market is interested in pursuing these opportunities; and
 - Verify what type of delivery options and risk transfer arrangements are feasible in the marketplace.

- **Analyze Revenues, Funding, and Financing** – the next step is to quantify the potential cost savings and additional revenue that could be generated from these opportunities.
 - Market sounding will contribute to informing the revenue and financing analysis; and
 - Evaluate funding and financing options for the opportunities in coordination with the STA's staff.

The delivery options presented in this section are based on KPMG’s experience in the market, which is informed by precedent project delivery options that have been accepted by both public and private sector participants. These delivery options will need to be tested through the market sounding to determine if they are appropriate for the specific opportunities at the STA’s transit centers.

	Delivery Option	Risk Transfer
Solar PV	Equipment Purchase The municipality would purchase the solar PV facility from a provider and be responsible for operating and maintaining the facility.	LOW <ul style="list-style-type: none"> Provider would be responsible for any deficiencies during the warranty period. City would be responsible for operations and maintenance and would take the risk on the amount of power produced.
	Lease The municipality would pay little or no money upfront and pay a fixed cost for the solar PV facility over time. The provider would operate and maintain the facility. Duration of the leases typically run between 10 to 20 years. The municipality would pay a fixed cost no matter how much power the facility produces.	MEDIUM <ul style="list-style-type: none"> This delivery options transfers both construction and O&M risk to the private sector. The municipality pays a fixed costs no matter how much the facility produces, and takes the production risk.
	PPA This is similar to a lease, but the municipality would pay for all the power that is produced by the solar PV facility at a pre-determined rate.	HIGH <ul style="list-style-type: none"> This delivery options transfers both construction and O&M risk to the private sector. The municipality will only pay for the power that is produced at a fixed price.
Parking Fees	Equipment Purchase The municipality would either purchase the equipment to implement parking fees and the municipality or transit operator would be responsible for operating the systems and collecting the parking revenue.	LOW <ul style="list-style-type: none"> Provider would be responsible for any deficiencies during the warranty period. City would be responsible for operations and maintenance and would take both performance and revenue risk.
	Operating Contract The municipality would contract with a parking operator to implement parking fees, who would be responsible for operations. The municipality would pay the operator a fixed price and collect the parking revenue.	LOW <ul style="list-style-type: none"> This delivery options transfers operations and performance risk for operations. The municipality pays a fixed costs to the operator and takes the revenue risk.
	Parking Concession The municipality would let a concession to a private operator, who would pay the municipality either through a lease or an upfront payment in return for the right to collect the parking revenue. The private operator would be responsible for the operations. Certain provisions could be included to provide a guarantee revenue for the operator or for the municipality to share if parking revenues are higher than expected.	HIGH <ul style="list-style-type: none"> This options transfers much of the risk to the private sector, including operations, performance, and revenue risk. The municipality would be paid a fixed fee for the concession. There is a potential for sharing the revenue risk by providing a minimum and maximum to the parking revenue received by the operator.

Summary of Delivery Options (cont’d)

Delivery Option		Risk Transfer
Advertising and Sponsorship	<p>Minimum Revenue Guarantee and Revenue Share</p> <p>The municipality would contract out advertising opportunities to an advertising placement agency that would be responsible for investment in the advertising structures and placing advertisements. The advertising agency would pay the municipality a minimum fee and also share the advertising revenues above some negotiated threshold.</p>	<p>MEDIUM</p> <ul style="list-style-type: none"> The advertising placement agency would be responsible for placing advertisements as permissible by local ordinance. The municipality would bear some demand risk depending the balance between the minimum revenue guarantee and the revenue sharing.
	<p>Lease</p> <p>The municipality would receive a fixed payment to lease their land for private company advertising purposes. The private company would be responsible for investment in the advertising structures, placing advertisements, and collecting all of the revenues.</p>	<p>HIGH</p> <ul style="list-style-type: none"> The advertising placement agency would be responsible for placing advertisements as permissible by local ordinance. The municipality would receive a fixed payment in return for granting an advertising agency the exclusive right to collect all revenue from advertisements.
Operations and Maintenance	<p>Cost Plus</p> <p>The municipality would contract with a private operator that would be reimbursed for their costs to operate and maintain the station plus a management fee. The operator would be responsible for operating and maintaining the station to standards agreed upon with the municipality.</p>	<p>LOW</p> <ul style="list-style-type: none"> The private operator is responsible for meeting standards agreed upon with the municipality. The municipality retains the majority of the risks (including cost overruns) and the private operator is not incentivized to reduce operating costs.
	<p>Cost Plus Award Fee</p> <p>The municipality would contract with a private operator that would be reimbursed for their costs to operate and maintain the station plus a bonus of certain performance criteria are met. Performance criteria could include reduction of crime or reduction in energy usage at the station.</p>	<p>MEDIUM (or LOW – MEDIUM)</p> <ul style="list-style-type: none"> The private operator is responsible for meeting standards agreed upon with the municipality. The municipality retains the majority of the risks (including cost overruns), but incentivizes the private operator to reduce costs or improve performance.
	<p>Fixed Price</p> <p>The municipality would contract with a private operator that would be paid a fixed fee that is independent from the cost incurred by the operator. The operator would be responsible for operating and maintaining the station to standards agreed upon with the municipality.</p>	<p>HIGH</p> <ul style="list-style-type: none"> This delivery option transfers the majority of the risk to the private operator as the price is fixed. This option is suitable in a competitive bidding environment and provides the municipality with price certainty.

Summary of Delivery Options (cont’d)

Delivery Option		Risk Transfer
Capital Projects	<p>Design-Bid-Build (DBB)</p> <p>Design-bid-build is traditional procurement method for public sector agencies. The public sector agency designs (or contracts out the design) of a facility, which is then bid out to contractors for construction.</p>	<p>LOW</p> <ul style="list-style-type: none"> ■ The municipality would retain the majority of the risks associated with the capital projects by separately contracting out the design and construction of the project. ■ The municipality would also retain responsibility and associated risk for operations and maintenance.
	<p>Design-Build (DB)</p> <p>Design-build allows the contract to design and construct the proposed facility based on preliminary design specifications issued by the public agency. This procurement method allows for potential cost-savings through innovative design by the construction firm and through a competitive bid on price.</p>	<p>MEDIUM</p> <ul style="list-style-type: none"> ■ This delivery option allows for slightly more risk transfer as the contractor would both design and construct the project for a fixed price. The risk of cost overruns and schedule delays are transferred for the private sector partner.
	<p>Design-Build-Finance (DBF)</p> <p>This delivery option adds private financing to the design-build option. The private sector contractor would secure private financing for a portion or all of the project costs. The introduction of private finance would further incentivize the private sector.</p>	<p>HIGH</p> <ul style="list-style-type: none"> ■ The introduction of financing transfers additional risk and also provides greater incentive to the private sector. Financing puts private money at risk, which generally enhances oversight for the project to be delivered on-time and at cost.
	<p>Design-Build-Finance-Operate-Maintain (DBFOM)</p> <p>This delivery option is a long-term model for delivering infrastructure by transferring a majority of the risks and responsibility to the private sector. The private sector is not only responsible for the design and construction of the project, but also for operating and maintaining the project to specified standards.</p>	<p>HIGH</p> <ul style="list-style-type: none"> ■ Two primary payment structures for DBFOM: user fees and availability payments. This delivery option transfers the responsibility of designing, financing, constructing, operating, and maintaining the project to the private sector. The associated risks are also transferred. Due to the complexity of these structures, the term for these projects are usually long-term (20-50 years).
Transit Oriented Development	<p>Developer Fees Sharing Arrangement</p> <p>This delivery option is helps to encourage TOD through cost sharing arrangements between the municipality and private developer. It is common for developers to pay fees to fund improvements to infrastructure that would benefit the planned development. A sharing arrangement would reduce the cost to the developer and therefore could encourage investment.</p>	<p>MEDIUM</p> <ul style="list-style-type: none"> ■ The municipality would retain the majority of the risks because the development would still depend on the interest and willingness of the developer.
	<p>Land Lease</p> <p>This delivery option shifts additional risk to the private developer. The municipality and private developer would enter into a lease agreement in which the developer would pay the municipality a fee in return for the use of the land for development.</p>	<p>HIGH</p> <ul style="list-style-type: none"> ■ This delivery option affords risk transfer as the developer is taking the risk of lease payments for the land from the municipality over a long-term (e.g. 40-60 years). The municipality would receive payments on a regular basis and the developer would develop the land.

TOD Opportunities - Preliminary Suitability Summary

As part of this suitability and screening assessment, high-level market indicators for potential TOD opportunities were analyzed. Factors that affect TOD investor interest include whether:

- 1) replacement costs are less than acquisition costs, which indicates a case to develop property over purchasing existing property;
- 2) current market rental rates are greater than break-even rental rates, which indicates there may be sufficient investor return.

This analysis also considered additional factors based on information provided by the STA and its municipalities that could influence an investor's interest in TOD. Such factors included phasing and timing, current market activity, the municipalities' development plans, current and forecasted demographics within the vicinity of the transit centers, and zoning designations.

Preliminary Suitability Results

After weighing these factors, a high-level assessment was made:

- **Four** transit centers have *low* opportunity potential for TOD opportunities.
- **Five** transit centers have *medium to medium-high* opportunity potential for medium to long-term (3 – 7 years) TOD.

The five centers warrant further analysis into whether TOD opportunities are available. To better gauge the suitability as well as the private sector's interest in these TOD opportunities, this initial screening should be supplemented with further due diligence (ex., projected demand, barriers to entry, number of permits and units under construction).

Transit Center	Location	Preliminary Screening	
Dixon Multimodal Transportation Center	Dixon, CA	○	
Benicia Transit Center	Benicia, CA		
East Monte Vista Transit Center	Vacaville, CA		
Curtola Pkwy & Lemon St. Transit Ctr.	Vallejo, CA		
Vallejo Transit Center	Vallejo, CA	◐	◑
Suisun Train Station	Suisun City, CA		
Fairfield Transportation Center	Fairfield, CA		
Red Top Park and Ride	Fairfield, CA		
Vacaville Transportation Center	Vacaville, CA		

○
LOW
 opportunity potential

◐
MEDIUM
 opportunity potential, several uncertainties to consider

●
HIGH
 opportunity potential

TOD Opportunities - Preliminary Suitability Summary

Vallejo	Acquisition Costs (\$/sq ft)	Replacement Costs (\$/sq ft)	Break-Even Rent (\$/sq ft)	Current Rents (Costar) (\$/sq ft)	TOD Suitability Assessment
Retail	\$127.44	\$142.47	\$11.14	\$14.33	

Preliminary Analysis: Preliminary data suggests that investors may not be interested in TOD opportunities near Vallejo Transit Center at this time because acquisition costs are less than replacement costs and market rental rates are not much higher than break-even rental rates. However, this information is based on data for the area at large, includes averages, and is not location-adjusted. The center's close proximity to the waterfront and highways I-80 and I-780 may be appealing to some developers.

Suisun City	Acquisition Costs (\$/sq ft)	Replacement Costs (\$/sq ft)	Break-Even Rent (\$/sq ft)	Current Rents (Costar) (\$/sq ft)	TOD Suitability Assessment
Retail	\$138.97	\$129.33	\$10.12	\$21.68	
Office	\$165.99	\$144.80	\$20.69	\$26.00	

Preliminary Analysis: Preliminary data suggests that investors may be interested in TOD opportunities near Suisun Train Station because acquisition costs exceed replacement costs (particularly for office development) and current rents exceed break-even rental rates.

Fairfield	Acquisition Costs (\$/sq ft)	Replacement Costs (\$/sq ft)	Break-Even Rent (\$/sq ft)	Current Rents (Costar) (\$/sq ft)	TOD Suitability Assessment
Retail	\$252.65	\$129.33	\$10.12	\$17.43	
Office	\$139.58	\$144.62	\$20.67	\$20.75	

Preliminary Analysis: Retail acquisition costs exceed replacement costs and current rental rates exceed break-even rental rates. This appears to support retail development near Fairfield Transportation Center and Fairfield Vacaville Train Station. Office development opportunities will likely not appeal to many TOD developers because acquisition costs are lower than replacement costs and break-even rental rates and current rental rates are about equal.

Vacaville	Acquisition Costs (\$/sq ft)	Replacement Costs (\$/sq ft)	Break-Even Rent (\$/sq ft)	Current Rents (Costar) (\$/sq ft)	TOD Suitability Assessment
Retail	\$196.37	\$113.99	\$8.92	\$14.92	
Office	\$215.84	\$145.53	\$20.79	\$21.02	

Preliminary Analysis: Retail and office acquisition costs exceed replacement costs and current rental rates exceed break-even rental rates. This appears to support office and retail development (more favorable for retail) near Vacaville Transportation Center.

Note: Recent sales data includes real estate owned transactions, typically reflecting discounts to market pricing, analysis is preliminary and subject to change with further research.



cutting through complexity

Appendix II:

Market Sounding Report

Dated November 14, 2013

Contents

P3 Feasibility Study - Market Sounding Report

- I. Introduction
- II. Executive Summary

Market Sounding Results and Next Steps

- III. Overview
- IV. Key Market Feedback Summary
- V. Procurement Considerations

The Solano Transportation Authority (STA) engaged KPMG Corporate Finance LLC (KPMG) as advisors to conduct a Public-Private Partnership (P3) Feasibility Study at ten (10) of its transit centers in Solano County. Part of this initiative includes an informal market sounding which gives insight on marketplace views regarding contract lengths and terms, risk transfer and incentives that encourage investment.

In July 2013, KPMG submitted an initial assessment of transit center revenue generating and cost savings opportunities based on site visits, collected data and meetings with STA executives. Based on the initial assessment, the STA requested that KPMG proceed with a series of informal market sounding interviews with private sector firms. KPMG interviewed ten private sector firms to further explore the identified revenue and cost saving opportunities.

Market Sounding Objectives

The objectives for this exercise are to gather direct market feedback at the ten transit centers regarding:

- Potential commercial structures;
- Alternative revenues;
- O&M savings or service enhancements;
- Improve service delivery for its constituents; and
- Other innovative concepts.

This report supplements KPMG's initial screening assessment with direct feedback from private firms with relevant industry expertise. The goals of this market sounding report are to understand current information about the market's:

- Preferred structures and risk transfer appetite;
- Perception of potential implementation challenges; and
- Overall interest in the STA's projects.

The analysis presented within this report is based on interviews with ten private sector firms, analysis of transit center data provided by the municipalities and the STA, and meetings with the municipalities and the STA's staff. Marketplace viewpoints, where presented in this report, reflect direct feedback from various market participants and may not reflect KPMG's viewpoints.

I. Introduction

Transit Centers and Identified Opportunities

Transit Centers and Initial Opportunity Identification

Ten transit centers from five municipalities in Solano County are included in this study:

1. Dixon Multimodal Transportation Center (Dixon, CA)
2. Curtola Parkway & Lemon Street Transit Center (Vallejo, CA)
3. Vallejo Transit Center (Vallejo, CA)
4. Suisun Train Station (Suisun, CA)
5. Benicia Transit Center (Benicia, CA)
6. Vacaville Transportation Center (Vacaville, CA)
7. East Monte Vista Transit Center (Vacaville, CA)
8. Fairfield Transportation Center (Fairfield, CA)
9. Fairfield/Vacaville Train Station (Fairfield, CA)
10. Fairfield Red Top Park & Ride Lot (Fairfield, CA)

Several potential transit center opportunities were identified and evaluated during the initial suitability and screening assessment and for the market sounding:

- **Parking Fees** – parking fees that may help the municipalities generate additional revenue, offset operating costs, and/or fund capital projects.
- **Advertising and Sponsorship** – advertising (e.g.. Billboards or similar media displays) and sponsorship (e.g.. Naming Rights or “Official provider of”) revenues that may generate additional revenues to offset operating costs and/or fund capital projects.
- **Operations and Maintenance (O&M)** – private operations and maintenance of transit center(s) that may create efficiencies, cost savings or improved service to users.
- **Transit-Oriented Development (TOD)** – transit-oriented development that may generate revenues for the city(ies) or help to achieve development policies and goals.
- **Solar Photovoltaic (PV) Facilities** – solar PV facilities that may help to offset energy costs at the transit centers.
- **Capital Projects** – public-private partnership delivery and procurement options for capital projects that may lead to cost savings for capital, lifecycle, or O&M aspects of the project.

II. Executive Summary

Key Findings and Observations

<p>Initial P3 Suitability and Screening Assessment – Key Findings</p>	<ul style="list-style-type: none"> ▪ Traditional P3 delivery models are not fully supported at the STA transit centers. ▪ Benefits from different delivery options and private sector participation are available. ▪ Additional revenues and cost savings are feasible in the near term - four opportunities: O&M, Solar PV, Parking Fees and Advertising/Sponsorship. ▪ Private sector delivery options could improve transit center revenues or reduce costs by \$500,000 or more annually.
<p>High Interest:</p> <p>O&M & Naming Rights</p>	<p>Market sounding participants expressed their highest interest levels in O&M and Sponsorship (Naming Rights) opportunities.</p> <p>O&M – participants are interested in bundling centers into a portfolio to effectively generate cost savings.</p> <ul style="list-style-type: none"> ▪ One contract with a single public agency counterparty is preferred with a term ranging from 3 – 10 years. ▪ O&M costs savings estimates range from 5 – 30%. ▪ Contract provisions could guarantee pricing and private sector risk sharing in performance and fees. <p>Naming Rights/Sponsorship – Direct feedback indicates there is interest in naming rights and sponsorship deals that can generate revenues.</p> <ul style="list-style-type: none"> ▪ Fairfield Transportation Center is the most attractive center due to its impression value (e.g.. visibility and exposure). ▪ Contracts should be separate to maintain individual value associated with each center and range from 10 – 25 years. ▪ Sponsorship agreements with exclusivity contract terms (ex. car dealerships, beverage, ATM and banking services) are a possibility.
<p>Medium Interest:</p> <p>Parking & Solar PV Facilities</p>	<p>Market Participants are interested in Parking Fees and Solar PV Facility opportunities, but there are some potential barriers to realizing these opportunities.</p> <p>Parking Fees – the market is interested in parking opportunities but suggested that the STA test the public’s willingness to pay parking fees and develop a track record of public acceptance.</p> <ul style="list-style-type: none"> ▪ Fairfield Transportation Center, Vallejo Transit Center, and Curtola-Lemon Park and Ride are attractive centers due to parking demand – new and expanded parking inventory at the centers may also prove attractive in the future. ▪ The STA or its municipalities should properly prepare the public for new policies on parking fees, possibly tested through pilot programs. <p>Solar PV Facilities – this is an immediate opportunity at centers with large enough electrical usage levels.</p> <ul style="list-style-type: none"> ▪ Fairfield Transportation Center and Vallejo Transit Center are the most attractive centers; other centers under design, such as Benicia Transit Center and Curtola-Lemon Park and Ride may also create potential opportunities. ▪ Annual electricity costs at certain transit centers may be reduced by over 80% from PV installations.

II. Executive Summary

Key Findings and Observations (cont'd)

**Potential Interest:
Advertising & TOD**

Outdoor Advertising – market participant feedback indicates national advertising firms are generally not interested in transit advertising opportunities at the stations. However, there is interest in exploring potential opportunities for static or digital billboards with good visibility from highways and high-traffic corridors.

TOD – at the moment, the market is not demonstrating interest in TOD opportunities due in part to market demand levels and Solano County's low population density. The STA's member municipalities will likely need to offer incentives to attract developers to accelerate developer's interests in TOD demand and their development timelines.

Market Sounding Results and Next Steps

- III. Overview
- IV. Key Market Feedback Summary
- V. Procurement Considerations

P3 Suitability and Screening Assessment - Key Findings and Observation

- **Traditional P3 delivery models are not fully supported at the STA transit centers** - Market characteristics of P3 project delivery generally include: 1) a \$50 – 100M capital cost threshold; 2) significant operations and maintenance and lifecycle risk; and/or 3) significant revenue opportunities.
- **Benefits from different delivery options and private sector participation are available** - aggregating opportunities across several of the transit centers may generate additional revenues, or reduce costs.
- **Additional revenues and cost savings are feasible in the near term - Four opportunities** may help STA-member cities reduce costs and increase revenues: **O&M** and **Solar PV** can reduce costs and **Parking Fees** and **Advertising/Sponsorship** can create additional revenues.
- **Private sector delivery options could improve transit center revenues or reduce costs by \$500,000 or more annually.**

Market Sounding

To gauge the interest levels of the private sector in the transit center revenue and cost saving opportunities, KPMG conducted, and the STA participated in, market sounding interviews with relevant private sector firms. The market sounding participants represent a cross-section of disciplines that were agreed to by the STA and KPMG.

	Parking Fees	Advertising	Naming Rights/ Sponsorship	Operation & Maintenance	TOD	Solar PV Facilities
# of Market Sounding Participants	2	2	1	3	2	2
Market Sounding Participants	 	 		 	 	

IV. Key Market Feedback Summary O&M

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Labor Contracts and Policies

- Disclose existing labor contracts and policies to address potential labor issues with private contracting (ex. prevailing wages).

Access to Historical Data

- Ensure that respondents can assess condition of assets at the centers with site visits and have access to historical cost information in virtual data rooms (ex. lifecycle costs, deferred maintenance, operating expenses, employee salaries, equipment inventory, revenue history).

Performance Standards

- Before procurement, cities will need to establish clear service and performance standards for private contractors to achieve.

Transit Centers with Potential

- **High degree of market interest** for bundling O&M station contracts due to near-term opportunity potential and ability to maximize cost savings through economies of scale. Individual transit center O&M opportunities are not highly attractive or as broadly marketable as a bundled package of centers.

Feedback

- **Responsibilities** could include daily management of maintenance and operations (ex., janitorial, security, engineering) with the goal of enhancing level of service delivery by managing resources and improving assets with use of new technology (ex., software and equipment).
- **Potential contract structures** could include fixed price, cost plus, or best efforts, and will likely require an output specification and service level requirements; private party could post performance bonds to guarantee performance; 3 – 10 year contract term with 2 – 3 year renewal options.
- **Equipment financing** throughout the term of the contract is available, if needed.
- **Bundling O&M contracts** are a preferred arrangement to maximize cost savings; private services could bring cost savings ranging from 5 – 30% driven by efficiencies from labor and long-term upkeep; several vendors could package their parking and O&M services, which should enhance the competitiveness of the bids.

Potential Barriers

- **Labor Policy** – labor policies and standards need to be explored, for example, non-union contracts costs can be 45% lower than union contracts.
- **Historical Data** – condition of assets and historical operating costs need to be examined to establish realistic savings base lines.
- **Performance Standards** – performance standards need to be developed and clearly articulated to potential contractors (e.g., output specification, SLAs).

Additional Considerations

- **Procurement** – service providers prefer a qualification driven process that includes a proposal response and pricing that is based on site visits, historical data and output specification. A single-stage RFP with minimum qualifications is preferred. Procurement is likely a 3 – 6 month process.

IV. Key Market Feedback Summary

Naming Rights/Sponsorship

<p>Transit Centers with Potential</p>	<ul style="list-style-type: none"> ■ High degree of market interest in stations with the highest impression values (visibility), passenger and traffic volumes, such as: <ul style="list-style-type: none"> ■ Fairfield Transportation Center, Vallejo Transportation Center, Benicia Transit Center and Suisun Train Station.
<p>Feedback</p>	<ul style="list-style-type: none"> ■ Responsibilities could include valuation and management of a sponsorship sales program, negotiations and contracting between cities and sponsors. ■ Potential Contract Structures could include a naming rights/sponsorship contract with terms with a minimum of 10 – 25 years. ■ Impression value for each transit center is different due to unique characteristics associated with each station (ex. visibility from highway, multi-modal capabilities, demographics and activity near center, number of patrons passing through center). Bundling centers into a single contract likely decreases the impression value of each center. ■ Sponsorship deals with exclusivity provisions for industries such as car dealerships, banks, and food and beverage companies can generate revenues for the transit center or even potentially an entire city.
<p>Potential Barriers</p>	<ul style="list-style-type: none"> ■ Demographics – passenger volumes, activity, and TOD in the vicinity of each center is an important pricing factor that drives contract value, and that type of detailed data will need to be assembled. ■ Timing/Phasing to deliver a naming rights contract is generally takes 12 - 18 months due to corporate budget cycles, procurement, negotiations and approval through public agencies.
<p>Additional Considerations</p>	<ul style="list-style-type: none"> ■ Contract Value – sponsors pay higher values to naming rights contracts with their name positioned first (e.g., Sponsor Name Transit Center). Transit related naming rights have generated \$200,000 to \$1,000,000 per year. ■ Procurement – a single-stage procurement process (RFP) for a naming rights/sponsorship sales firm is preferred (60 – 90 days procurement). ■ Commissions from precedent naming rights sale have ranged from 10% - 30% depending upon services and demand for the rights sale.

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Demographics Study

- To understand each station’s potential impression value, studies on the demographic trends and activity may need to be conducted to supplement data available today.

Public Agency Timing

- To deliver one or more naming rights or sponsorship contracts within 12 to 18 months requires top level public agency acceptance and commitments throughout the process.

IV. Key Market Feedback Summary

Parking Fees

Transit Centers with Potential	<ul style="list-style-type: none"> ■ Medium degree of market interest in stations with the strongest demand for parking: <ul style="list-style-type: none"> ■ Fairfield Transportation Center ■ Vallejo Transit Center ■ Curtola Parkway & Lemon St. Transit Center
Feedback	<ul style="list-style-type: none"> ■ Responsibilities could include parking equipment and operations management to support agency’s goals for service levels and revenues. ■ Potential contract structures could include lease arrangements, cost plus, management fee with reimbursable expenses, or potentially minimum revenue guarantee that can be monetized; structures will depend upon parking policies, services, revenue demand and public acceptance. ■ Equipment financing could include parking equipment may be financed with long enough contract term (5 – 10 years). ■ Bundling contracts for managing and operating parking is the preferred arrangement for the private sector. Private sector participants want to compete for parking operations and revenue contracts within several of the STA stations; several vendors can package their parking and O&M services which should enhance the competitiveness of the bids.
Potential Barriers	<ul style="list-style-type: none"> ■ Uncertain Public Response – market participants suggest developing the public’s acceptance for parking fees policies and demonstrating reliable revenue baselines through a pilot stage of parking contract; without a track record for parking fees, private firms are hesitant to bear revenue risks, which would limit revenue monetization or P3 opportunities.
Additional Considerations	<ul style="list-style-type: none"> ■ Nearby Development –TOD and developments in the vicinity drive parking demand; as cities plan to expand their transit centers and develop areas near transit center, parking inventory and revenue demand may become a source for additional financing.

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Parking Fee Policy

- Parking policy and revenue studies will need to be completed either by the agency or private parking providers.
- The STA municipalities will need to make decisions on parking fee policies and pricing regimes (e.g., cap fees to 80% of current commuting costs, maximum fee escalation) before procurement.

Effective Public Outreach

- Cities should plan to inform the public about parking fee well in advance of effecting a policy (ex. open town hall meetings, social media, public comment, press releases).

Pilot Program

- Cities should plan conduct pilot programs to assess public’s acceptance new parking fees and to test the effects of technology (ex. license plate recognitions, timed enforcement, credit card meter) on revenue generation and enforcement.

IV. Key Market Feedback Summary Solar PV Facilities

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Transit Centers with Potential	<ul style="list-style-type: none"> ■ Medium degree of market interest shown in these centers due to their relatively large electricity load: <ul style="list-style-type: none"> ■ Fairfield Transportation Center ■ Vallejo Transit Center
Feedback	<ul style="list-style-type: none"> ■ Responsibilities could include the design, installation, operation and maintenance, and financing of PV panels. ■ Potential contract structures could include long-term lease agreements for the PV facility with 95%-100% performance guarantee; 10 – 20 year power purchase agreement (PPA) with 5 year extensions; and purchase of the PV facility with optional O&M contracts with 95 – 100% performance guarantee. ■ Annual Cost Savings can potentially reach up to 80% of electricity costs. ■ Financing is available from a relatively large and developed financing marketplace. Investors use a benchmark for opportunities that can reduce costs by 10 - 20% or by 1¢/kwh over current costs.
Potential Barriers	<ul style="list-style-type: none"> ■ High Credit Requirements – many financiers prefer to provide financing to entities with investment-grade credit ratings. ■ Load Size – PV facilities are sized on daily load or energy demand. Private firms prefer large projects, with installed capacity of approximately 500kw, but have a minimum capacity of 50kw. Most of the STA’s centers do not meet the minimum capacity. ■ Technical Issues – each center was constructed differently and technicalities regarding a center’s structure, architectural design, and tie-in to the grid may present technical issues.
Additional Considerations	<ul style="list-style-type: none"> ■ Design – the design phase is the best time to procure and integrate site needs.

Creditworthiness

- Cities with identified transit centers will need bankable credit to secure financing.
- Alternative commercial structures may be developed if credit ratings are an issue.

Load Aggregation

- Several of the centers have a small electricity load, Pilot structures aggregating all centers to offset energy costs for a city have been developed in northern California – this is a new concept that could be explored.

Site Access

- During procurement, the STA should provide detailed utility cost data and hold site visits for solar PV vendors to conduct thorough inspections of each center.

IV. Key Market Feedback Summary TOD

<p>Transit Centers with Potential</p>	<ul style="list-style-type: none"> ■ Medium to high degree of market interest for centers located in areas with high passenger volumes, high growth projections, walkable communities, opportunities for high density developments with incentives including: <ul style="list-style-type: none"> ■ Fairfield Transportation Center ■ Vallejo Transit Center ■ Fairfield/Vacaville Train Station
<p>Feedback</p>	<ul style="list-style-type: none"> ■ Responsibilities could include construction process and management (ex. environmental permitting, developer fees, entitlements), land acquisition,, strategic land use planning, and limited construction cost financing. ■ Potential Contract Structures – long-term partnerships such as a low cost/no cost ground lease with other developer incentives for mixed-use or residential structures. ■ Long-Term Interest – TOD opportunities will likely may be realized in the near term due to low demand for higher density, which would make mixed-use or residential financially viable. ■ Low Density Communities could be developed (ex. instead of 500 units/acre, 200 units/acre) to suit market needs, such as local demographics, zoning rules, and demand. However, high density is preferred for TOD (18 – 20K people/acre).
<p>Potential Barriers</p>	<ul style="list-style-type: none"> ■ Lack of Incentives – limited developer incentives, expensive developer fees (\$3 – 5K/unit) in areas near transit centers, low density, zoning restrictions, and parking requirements deter developers from developing in TOD areas. ■ Plans for Financing – TOD often requires public financing or funding to make a project viable. Currently, sources for TOD funding have not been identified, which can burden the development and financing process.
<p>Additional Considerations</p>	<ul style="list-style-type: none"> ■ Simple Partnership Structure – straightforward partnerships with a public agency are preferred by the private sector because it is easier to manage and lead to simpler development and negotiating process.

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Developer Incentives

- The STA’s member municipalities should attract developers by giving incentives to develop near higher density areas - lower developer fees for areas near transit centers, tax breaks (ex. property, employment), well-developed land assembly process.

Source Funding in Advance

- Cities should begin to develop creative TOD master financing plans that withstand the volatility of market conditions and identify proper returns on private investment.

City Investment

- Private developers prefer areas in which the municipality demonstrates commitment in revitalizing, such as development of parks, parking, etc.
- Investments in the area to change the image could attract more market interest

IV. Key Market Feedback Summary Advertising

HIGH-LEVEL SUMMARY OF ACTIONS TO ADDRESS POTENTIAL BARRIERS

Confirm Zoning Restrictions

- The STA and member municipalities will need to gather data points (ex. mileposts measuring distance of centers from highways, assessor parcel numbers), zoning policies, local ordinances and regulations to inform outdoor advertising firm’s on each center’s revenue potential.

<p>Transit Centers with Potential</p>	<ul style="list-style-type: none"> ■ Low level of market interest for outdoor advertising at the transit centers, however a medium level of interest in opportunities with visibility from freeways or high-traffic corridors: <ul style="list-style-type: none"> ■ Redtop Park and Ride ■ Curtola-Lemon Park and Ride Hub ■ Suisun/Fairfield Train Station ■ Fairfield Transportation Center
<p>Feedback</p>	<ul style="list-style-type: none"> ■ Responsibilities of the private firm could include the design, installation, operation and maintenance, finding advertisers, and potential financing of digital billboards ■ Potential Contractual Structures could include up to 30-year contracts with flat percentage of revenues or flat fees (e.g., lease) for digital billboards. City may also negotiate advertising space for its own use (e.g., promote city activities, emergency broadcast, etc.). ■ City-Owned Land – a long-term lease of city land to the private firm is preferred because cities can address regulations more effectively than a private firm. ■ Local Advertising Agencies – Solano County’s designated market area may be too small for national firms to consider transit advertising displays at the transit centers. However, local advertising agencies could better serve transit advertising displays with local advertisers.
<p>Potential Barriers</p>	<ul style="list-style-type: none"> ■ Applicable Zoning Policies – state, local, and federal highway zoning rules and land use restrictions need to be identified as they may restrict billboards. For example, the section of I-80 by the Fairfield Transportation Center has been designated a landscape freeway and billboards may not be allowed. Additionally, although there is advertising demand along I-680, existing billboards would likely preclude the installation of additional static or digital display billboards at Benicia Transit Center.
<p>Additional Considerations</p>	<ul style="list-style-type: none"> ■ Local Partners – local Solano County vendors (ex. healthcare services, grocery stores, car dealerships) may be effective marketing partners due to their knowledge of Solano’s unique characteristics.

Steps Towards Procurement Readiness

Next Steps

- **Bundling** – municipalities will need to coordinate to realize opportunities. Several of the opportunities are better valued in one aggregated procurement package (i.e., O&M, advertising, parking fees) due to economies of scale. Private sector participants also prefer to have one point of contact, one agreement, and one legal entity with which to foster a long term relationship.
- **Policy Considerations** – municipalities will need to implement policies around parking fees, outdoor billboard advertising, TOD, and labor for O&M before procurement of opportunities are initiated. Private sector will expect these to be properly addressed before entering into contractual arrangements.
- **Creditworthiness** – private financing will often require a creditworthy counterparty. Commercial structures can be developed to attract financing and also create the best value (e.g., reduced financing costs) to the city.
- **Risk Sharing** – municipalities will need to determine the appropriate level of risk sharing. Sharing risks can create value for the city by holding the private sector accountable to performance, but may increase costs if the private sector does not feel it can manage the risk.
- **Procurement Organization** – cities will need to prepare for the procurement process, such as provide historical data, technical specifications, and setting performance standards. Procurement preparation will help to enhance market interest and thus, enhance competition.



cutting through complexity

Appendix III: Implementation Strategy

Dated January 31, 2014

Contents

P3 Feasibility Study – Implementation Strategy Overview

- I. Introduction
- II. Executive Summary

Implementation Strategy– Analysis and Next Steps

- III. Implementation Strategy

I. Introduction

Overview and Objectives

The Solano Transportation Authority (STA) engaged KPMG Corporate Finance LLC (KPMG) to conduct a Public-Private Partnership (P3) Feasibility Study to assess opportunities at ten (10) transit centers in Solano County. As part of this study, KPMG submitted an initial assessment of revenue generating and cost savings opportunities based on site visits, data collection and meetings with the STA and its municipalities.

Based on this initial assessment, the STA requested that KPMG proceed with a series of informal market soundings with private sector firms. KPMG and the STA's team members held informal discussions with ten private sector firms to further explore potential revenue and cost saving opportunities.

As a result of the market sounding, the STA agreed to pursue market feasible opportunities at several transit centers. Accordingly, KPMG is assisting the STA and its member municipalities with its initial procurement planning which includes the development of an implementation strategy.

Implementation Strategy Objectives

The objectives of this implementation strategy are to:

- Provide the STA with a procurement roadmap and schedule;
- Assist the STA and its municipalities to prioritize the delivery of projects; and
- Address potential implementation challenges.

This report supplements the initial screening assessment and market sounding with a pre-procurement approach and implementation strategy to pursue market feasible projects.

Initial Transit Centers and Opportunity Identification

Initially, ten transit centers from five municipalities in Solano County were included in this study:

1. Dixon Multimodal Transportation Center (Dixon, CA)
2. Curtola Parkway & Lemon St. Transit Center (Curtola-Lemon Park & Ride) (Vallejo, CA)
3. Vallejo Transit Center (VTC) (Vallejo, CA)
4. Suisun Train Station (Suisun, CA)
5. Benicia Transit Center (Benicia, CA)
6. Vacaville Transportation Center (Vacaville, CA)
7. East Monte Vista Transit Center (Vacaville, CA)
8. Fairfield Transportation Center (FTC) (Fairfield, CA)
9. Fairfield/Vacaville Train Station (Fairfield, CA)
10. Fairfield Red Top Park & Ride Lot (Red Top) (Fairfield, CA)

Several potential transit center opportunities were identified and evaluated during the initial suitability and screening assessment:

- **Parking Fees** – parking fees that may help the municipalities generate additional revenue, offset operating costs, and/or fund capital projects.
- **Advertising and Sponsorship** – advertising (e.g. Billboards or similar media displays) and sponsorship (e.g. Naming Rights or “Official provider of”) revenues that may generate additional revenues to offset operating costs and/or fund capital projects.
- **Operations and Maintenance (O&M)** – private operations and maintenance of transit center(s) that may create efficiencies, cost savings or improved service to users.
- **Transit-Oriented Development (TOD)** – transit-oriented development that may generate revenues for the city(ies) or help to achieve development policies and goals.
- **Solar Photovoltaic (PV) Facilities** – solar PV facilities that may help to offset energy costs at the transit centers.
- **Capital Projects** – public-private partnership delivery and procurement options for capital projects that may lead to cost savings for capital, lifecycle, or O&M aspects of the project.

I. Introduction

Screened Opportunities for Implementation

P3 Suitability and Screening Assessment and Market Sounding Results

- Traditional P3 delivery models are not fully supported at the STA transit centers.
- Benefits from different delivery options and private sector participation are available.
 - Five additional revenues and cost savings were initially identified to be feasible in the near term – **O&M, Solar PV, Parking Fees, Advertising/Sponsorship, and TOD.**
 - The market sounding indicated greatest interest in **O&M** and **Naming Rights/Sponsorship**; the market also indicated that **Parking Fees** and **Solar PV** may also be feasible at certain transit centers.
- Private sector delivery options could improve transit center revenues or reduce costs by \$500,000 or more annually.
- Advertising may be feasible with direct exposure to high average daily traffic, but market conditions may not attract significant private investment across the transit center portfolio.
- Market participants did not consider TOD to be a near-term opportunity but incentives from public agencies may accelerate TOD opportunities.

Based on the market sounding, the initial screening, and market sounding results, the following **four** potential opportunities at **six** centers were considered for implementation.

Transit Centers	Feasible Opportunities for Implementation
Curtola Parkway & Lemon St. Transit Center (Vallejo, CA)	■ <i>Parking Fees, O&M, Solar PV, Advertising/Sponsorship</i>
Vallejo Transit Center (Vallejo, CA)	■ <i>Parking Fees, O&M, Solar PV</i>
Suisun Train Station (Suisun, CA)	■ <i>Advertising/Sponsorship</i>
Benicia Transit Center (Benicia, CA)	■ <i>Parking Fees, O&M, Solar PV</i>
Fairfield Transportation Center (Fairfield, CA)	■ <i>Parking Fees, O&M, Solar PV, Advertising/Sponsorship</i>
Fairfield Red Top Park & Ride Lot (Fairfield, CA)	■ <i>Advertising/Sponsorship</i>

II. Executive Summary

Implementation Strategy – Stages for Implementation



Stage 1: Pre-procurement	Stage 2: Procurement & Award	Stage 3: Project Implementation
<p>Prepare for procurement of identified opportunities with participating public agencies.</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Prioritize projects for implementation ▪ Coordinate between cities and agencies when required for bundled procurement ▪ Dedicate project teams from cities and agencies ▪ Develop program policies ▪ Conduct a focused market sounding ▪ Identify commercial structures with best value for transit centers ▪ Develop commercial, financial and technical standards ▪ Prepare procurement documents and evaluation process 	<p>Execute a procurement process and selection of preferred bidder(s).</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Release request for qualifications / proposals to the public ▪ Conduct procurement and evaluate proposals ▪ Negotiate and award contract(s) 	<p>Provide oversight over project implementation and performance.</p> <p>Key steps include:</p> <ul style="list-style-type: none"> ▪ Oversee and manage performance of private sector partner ▪ Perform public sector obligations under the agreement

	Approximate Timeline (months)			
	Stage 1: Pre-Procurement	Stage 2: Procurement & Award	Stage 3: Implementation	Approximate Aggregate Timeline to Realize Benefits (months)
Solar PV	3 – 6	2 – 4	1 – 2	6 – 12
O&M	6 – 12	2 – 4	1 – 2	9 – 18
Naming Rights	1 – 2	2 – 3	12 – 18	15 – 23
Advertising	3 – 6	3 – 6	3 – 6	9 – 18
Parking	6 – 12	2 – 4	1 – 2	9 – 18

II. Executive Summary

Implementation Strategy – Timeline and Overview of Marketplace Opportunities

	Challenges to Implementation	Procurement Structure	Approximate Aggregate Timeline to Realize Benefits (months)	Approximate Annual Value by Opportunity*	Marketplace Opportunities
Solar PV	Low	Individual	6 – 12	▪ \$100K to \$150K	<ul style="list-style-type: none"> ▪ There is a potential to offset annual electricity costs up to 85% for FTC and VTC and realize cost savings of up to \$127,500 (annual electricity costs total \$150K). ▪ Investors are interested in providing financing for solar PVs that can reduce costs by a minimum of 10 – 20% (\$15K - \$30K).
O&M	High	Bundled	9 – 18	▪ \$85K to \$510K	<ul style="list-style-type: none"> ▪ Cities may realize substantial O&M cost savings ranging from 5 – 30% across multiple centers. Cost savings range from \$85K - \$510K (annual operating costs for all centers total \$1.7M).
Naming Rights	Low	Individual	15 – 23	▪ \$700K to \$900K	<ul style="list-style-type: none"> ▪ Cities have a potential long-term opportunity to earn additional revenue ranging from \$700K - \$900K (total of \$1M in revenue less 10% – 20% commission).
Advertising	Medium	Bundled	9 – 18	▪ TBD	<ul style="list-style-type: none"> ▪ Cities may realize a wide range of additional revenues, however, site visits (by outdoor advertising firms) will ultimately determine revenue potential.
Parking	Medium	Bundled	9 – 18	▪ \$450K to \$950K	<ul style="list-style-type: none"> ▪ There is a potential to generate parking fee revenue across multiple centers – existing parking (approximately \$450K), planned parking (over \$500K) – based on \$20 - \$30 monthly fees for parking at all centers with parking spaces. Actual revenues will be determined by a pilot study.
			Total	▪ \$1.3M to \$2.5M	

* The private sector’s interest levels in the transit center projects and the value of the opportunities still needs to be tested and validated by private sector market participants.

Implementation Strategy – Analysis and Next Steps

III. Implementation Strategy

III. Implementation Strategy

Solar PV Facilities

STA Solar PV Objectives

- The STA would like to use solar PVs to reduce operational and maintenance and offset electricity costs.

Applicable Transit Centers

- *Fairfield Transportation Center, Vallejo Transit Center, Benicia Transit Center, Curtola Parkway & Lemon St. Transit Center*

Stage 1 Pre-Procurement Next Steps

- **Identify Appropriate Commercial Structure:**
 - Solar PV has a low cost to procure and can be procured at each individual center in the near-term. However, cities may also benefit from bundled and coordinated efforts due to economies of scale.
 - Cities should examine new structures that may allow bundling centers with smaller power demands (Marin County example). Cities may also consider joining existing bundled structures in neighboring counties (ex., Silicon Valley Collaborative Renewable Energy Procurement Project).
 - The scope of work for the solar provider could include design, installation, operations, maintenance, and financing.
 - Potential commercial structures include: 10 – 20 year power purchase agreement with five year extensions, long-term lease agreements with 95 – 100% performance guarantee, and purchase of a PV facility with optional O&M contracts with 95 – 100% performance guarantee.
 - A creditworthy public agency counterparty is required to secure financing for a PPA or lease.
- **Assess Technical Feasibility:**
 - Solar providers may provide free technical evaluations of possible design and installation issues for existing transit centers before or during the procurement.
 - Transit centers in design and conceptual phases (i.e., Curtola-Lemon Park & Ride, Benicia Transit Center) have an opportunity to procure and incorporate solar PV into site designs.
 - This could allow for more amenities at centers (e.g., digital billboards) because ongoing electricity costs could be offset by solar PV facilities.
- **Conduct Data Collection for Procurement Preparation:**
 - Each city should create a central location for data (ex., virtual data room) that includes detailed data on utility costs and architectural design for each center. Cities should also plan to host site visits to allow vendors to conduct detailed inspections.
 - Centralizing relevant data and site visits during procurement allows solar PV vendors to have ready access to information about each center and develop accurate installation cost estimates.

III. Implementation Strategy

Solar PV Facilities (con'td)

Stage 1 Pre-Procurement Next Steps

- **Establish Procurement and Evaluation Process:**
 - Cities should decide the process (single or multi-stage) of the procurement process and develop a realistic timeline. Cities should plan for a 3 – 6 months procurement process.
 - Establishing clear evaluation criteria that reflects the city objectives to select the preferred bidder. Cities may consider best value or low bid evaluation process.
- **Prepare Procurement Documents:**
 - Procurement goals and deliverables will need to be described in the procurement documents to ensure that the procurement process is effective and results-oriented.
 - Based on the selected commercial structure, cities should coordinate with legal counsel to draft agreements that will be the basis for the contract.
 - Key issues addressed in the procurement documents may include roles and responsibilities, such as grid connection, architectural design, warranty, and operations and maintenance.

III. Implementation Strategy

Sponsorship/Naming Rights

<p>STA Sponsorship Objectives</p>	<ul style="list-style-type: none"> ■ The STA would like to generate additional revenue with naming rights or sponsorship agreements.
<p>Applicable Transit Centers</p>	<ul style="list-style-type: none"> ■ <i>Fairfield Transportation Center, Vallejo Transportation Center, Benicia Transit Center, Suisun Train Station</i>
<p>Stage 1 Pre-Procurement Next Steps</p>	<ul style="list-style-type: none"> ■ Develop Sponsorship/Naming Rights Policies: <ul style="list-style-type: none"> ■ Cities will need to consider the types of sponsors that would be appropriate for the local community. Potential local sponsors could include health agencies, car dealerships, banks and food and beverage companies. <ul style="list-style-type: none"> ■ Working closely with legal counsel on potential agreement terms early on will help to ensure city interests are supported. Counsel will guide cities on such issues as exclusivity rights, compensation, indemnification, intellectual property, and sponsor obligations. ■ Cities should be considerate of public acceptance due to the long-term commitment of naming rights or sponsorship agreements. ■ Determine Appropriate Deal Structure: <ul style="list-style-type: none"> ■ The results of the market sounding indicated that the transit centers should be procured individually. Sponsorship and naming rights deals have low barriers to procurement. ■ This opportunity incorporates two contracts: <ul style="list-style-type: none"> ■ The first contract could be executed between the cities and a sponsorship/naming rights firm after a competitive bidding process. The selected firm will receive a commission based on their value for assisting the cities in valuation and management of a sponsorship sales program, negotiations and sourcing sponsors. ■ The second contract could be a commercial arrangement for sponsorship/naming rights which the firm will help to structure between the cities and a sponsor. These arrangements are generally long-term and include terms with a minimum of 10 – 25 years. ■ Establish Procurement and Evaluation Process: <ul style="list-style-type: none"> ■ Results of the market sounding indicated a single-stage, 1 – 2 month procurement process to secure a naming rights placement firm is preferable. Qualifications and price will be key considerations in determining the preferred bidder.

III. Implementation Strategy

Sponsorship/Naming Rights (cont'd)

Stage 1 Pre-Procurement Next Steps

- **Prepare Procurement Documents:**
 - Key terms and conditions related to the contract with the sponsor need to be drafted. For instance, roles and responsibilities should be contemplated early and clearly expressed in the contract with the sponsorship/naming rights firm as well as with the sponsor.
- **Incorporate Technical Amenities Into Design**
 - Cities with transit centers in the design, conceptual, and expansion phases (Curtola-Lemon Park & Ride, Benicia Transit Center, FTC) may integrate naming rights and sponsorship amenities into site designs.
 - The selected firm can work with cities to evaluate the appropriate technical support that should be incorporated (ex., lighting, retail and office space, electricity outlets for kiosks).

III. Implementation Strategy Advertising

<p>STA Advertising Objectives</p>	<ul style="list-style-type: none"> ■ The STA would like to generate additional revenue through outdoor advertising.
<p>Applicable Transit Centers</p>	<ul style="list-style-type: none"> ■ <i>Redtop Park and Ride, Curtola Parkway & Lemon St. Transit Center, Suisun Train Station</i>
<p>Stage 1 Pre-Procurement Next Steps</p>	<ul style="list-style-type: none"> ■ <i>Determine Advertising Policies:</i> <ul style="list-style-type: none"> ■ Each city should assess its existing advertising policies and ordinances to determine potential companies and products for billboard displays. <ul style="list-style-type: none"> ■ Cities may identify local marketing partners, such as, car dealerships, healthcare services and grocery stores. ■ <i>Decide Best Commercial Structure:</i> <ul style="list-style-type: none"> ■ Cities may consider bundling the sites to create the greatest market interest and competition. ■ Commercial arrangements may include up to 30-year contracts with a flat percentage of revenues or flat fees paid to the cities for digital billboards. <ul style="list-style-type: none"> ■ A long-term fixed-payment lease of city land to a private firm is a preferred option which allows cities to quickly amend regulations to align with their needs. ■ Financing of the installation of a billboard is available for long-term contracts. ■ Additionally, cities may negotiate advertising space to market its own initiatives (e.g., promote city activities, emergency broadcast, etc.). ■ <i>Collect Additional Data:</i> <ul style="list-style-type: none"> ■ A detailed analysis of zoning policies and land use restrictions for each center (mileposts, distance of centers from highways, and assessor parcel numbers) should be performed before procurement. This may allow responders to be better informed about potential revenue opportunities as bids are developed. ■ <i>Establish Procurement and Evaluation Process:</i> <ul style="list-style-type: none"> ■ A procurement process and schedule should be developed (single or multi-stage). A 3 – 6 month procurement phase may allow responders enough time to analyze data, visit sites, and submit bids. <ul style="list-style-type: none"> ■ Cities will need to establish an evaluation process that considers costs, potential financing and scope of work. Cities may consider a best value or low bid award process.

III. Implementation Strategy

Parking Fees

STA Parking Objectives	<ul style="list-style-type: none"> ■ The STA would like to generate additional revenues through parking fees .
Applicable Transit Centers	<ul style="list-style-type: none"> ■ <i>Fairfield Transportation Center, Vallejo Transit Center, Curtola Parkway & Lemon St. Transit Center</i>
Stage 1 Pre-Procurement Next Steps	<ul style="list-style-type: none"> ■ Determine Parking Fee Policies: <ul style="list-style-type: none"> ■ Cities should decide whether to charge parking fees and structure their parking fee policies. ■ Organizing public outreach before new parking fee policies become effective will likely encourage public acceptance. Detailed public outreach plans may include open town hall meetings, social media, public comment, or press releases. ■ Decide Best Commercial Structure: <ul style="list-style-type: none"> ■ Parking fee opportunities should be aggregated and have medium barriers to procure. Based on the market sounding, cities may consider coordinating to create a single entity to counterparty with a private parking operator. ■ The first stage in implementing parking fees is likely a pilot program to test the public's acceptance of new parking fees and assess how technology may influence revenue generation. Cities should coordinate to select a parking provider that will conduct a pilot program. <ul style="list-style-type: none"> ■ Delivery options, in the medium and long-term, include lease arrangements, minimum revenue guarantee that can be monetized, cost plus award fees, and management fee with reimbursable expenses. Parking fee opportunities may be packaged with O&M service opportunities. ■ Cities should consider allowing a private operator to design and implement an innovative pilot program based on their expertise. <ul style="list-style-type: none"> ■ The selected parking provider can help cities develop pricing regimes (e.g., capped to 80% of current commuting costs, maximum fee escalation). It can also conduct a parking demand study and identify technology needs for the pilot program such as license plate recognition, timed enforcement, and credit card meters.

III. Implementation Strategy

Parking Fees (cont'd)

Stage 1 Pre-Procurement Next Steps

- **Establish Procurement and Evaluation Process:**
 - Cities should develop a thorough procurement timeline and decide the most appropriate structure (single or multiple phases) for the procurement process. Procurement may take 6 – 12 months.
 - Selection criteria (ex., pricing, experience, financing options, scope of work) should be distinctly described in the procurement documents. Cities will need to assess whether a best value, low-bid or fixed-price award process is preferred.
- **Plan for the Long-term:**
 - As the pilot program establishes a potential revenue baseline, the selected parking operator may share in risks and enter longer-term commercial arrangements. Some examples include, long-term concessions, minimum revenue guarantees that can be monetized, and revenue sharing mechanisms.
 - Cities may also need to coordinate with city planning departments. TOD in the vicinity of centers drive parking demand and over time, parking fees may extend to different areas in each city.

III. Implementation Strategy O&M

STA O&M Objectives	<ul style="list-style-type: none"> ■ The STA would like to enhance O&M service delivery for its constituents and reduce operational and maintenance costs.
Applicable Transit Centers	<ul style="list-style-type: none"> ■ <i>Fairfield Transportation Center, Vallejo Transit Center, Suisun Train Station, Curtola Parkway and Lemon St. Transit Center</i>
Stage 1 Pre-Procurement Next Steps	<ul style="list-style-type: none"> ■ Decide Best Commercial Structure: <ul style="list-style-type: none"> ■ Results of the market sounding indicate that individual centers are not attractive to the private sector and cities would need to bundle centers for an O&M services procurement. Cities that wish to participate will need to coordinate to aggregate their policies and requirements. <ul style="list-style-type: none"> ■ Parking fee opportunities at some of the centers should be included to enhance the marketability of the O&M opportunity. ■ Potential structures include fixed price, cost plus award fee, and cost plus/best efforts. The O&M provider may post performance bonds to guarantee performance. Contracts generally may have a duration of 3 -10 years with 2 -3 year renewal options. ■ An O&M provider would be responsible for operating and maintaining the center to performance specifications agreed to by the city and the provider. ■ Data Collection and Procurement Preparation: <ul style="list-style-type: none"> ■ Historical cost data for each center needs to be collected, organized, and provided to the bidders during procurement to be used as the basis for their bids. Cities should also be prepared to host site visits to allow responders to fully assess site and equipment conditions. ■ Cities will need to develop, usually with the assistance of technical experts, performance specifications of the transit centers that the ultimate selected bidder will need to meet. ■ Establish Procurement and Evaluation Process: <ul style="list-style-type: none"> ■ Cities should decide the structure and timeline of the procurement process. The market indicated that a single-stage procurement based on qualifications is preferred. Procurement is likely to be a 6 – 12 month process. ■ Establishing clear bid evaluation process is important to ensure that the bidder selected best meets the individual city's objectives. The evaluation process may range from best value to low bid based on price, qualifications, and innovation. ■ Prepare Procurement Documents: <ul style="list-style-type: none"> ■ The cities, with technical, financial, and legal assistance, should prepare template contracts for the procurement. Key terms of the contract may need to be market sounded with the private sector to understand which terms will be acceptable.



cutting through complexity

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