

TCR Program – Application Approval Project # 81

San Diego San Diego Ferry; acquire low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County.

(\$ X 1,000)

<i>Estimated Project Cost:</i>	\$6,174	<i>TCRP Funds covered by the application:</i>	\$3,784
<i>Total TCRP Funds Available:</i>	\$5,000	<i>Phases(s) covered in application:</i>	1,2,4
<i>Lead Agency:</i>	San Diego Unified Port District (SDUPD)	<i>Implementing Agency:</i>	SDUPD

<i>TCRP allocations approved (as of July 18, 2002):</i>	\$3,784	<i>for Phase(s):</i>	1,2,4
<i>Advance approved:</i>	\$2,000	<i>for Phase(s):</i>	1,2,4

Project Summary:

The TCRP project is to implement a daily scheduled ferry service along the San Diego County coastal corridor that will help relieve traffic congestion on Interstate 5 between Oceanside and San Diego. The applicant is requesting that TCRP funding be used in conjunction with private funding to expand the ferry service to include nonscheduled weekend service to Marina del Rey in Los Angeles County.

The new off-coast high-speed, low-emission commuter ferry service between San Diego and Oceanside is designed to augment existing ferry service in the San Diego Bay. In addition to ferry operations, land-side infrastructure improvements, including ticket booths, covered benches, dock improvements, and ADA accessibility improvements, will be developed as part of the project. The service will run once from Oceanside south to San Diego in the morning (approximately 46 miles) and return to Oceanside in the evening. The project will be evaluated based on on-going surveys looking at such factors as the average number of passengers carried per trip, the number of days of total operation, the trends of when passengers use the service, and the success of marketing strategies.



The Port of San Diego has proposed the scheduled service be initiated as a one-year demonstration project. The Port has determined that the best option to implement the new service is through a lease agreement with a private company. The demonstration service will be provided using a high-speed ferry capable of carrying 149 passengers. The Port will provide limited shuttle service to transport passengers from parking facilities and transit stations to the docking facilities. The Port and its private partner have developed a business plan that includes the one-year demonstration project between San Diego and Oceanside as a means to evaluate the feasibility and public acceptance of the off-coast ferry service.

Once this feasibility has been demonstrated and the vendor has secured \$1.5 million in private investments, the business plan includes the initiation of ferry service between San Diego, Oceanside and Marina del Rey for access to west Los Angeles and Los Angeles International Airport. The service to Marina del Rey will be funded through a private investment for operating expenses with additional support from the TCRP for lease costs of the vessel and other fixed expenses. The private company business plan strategy is to solicit further private investment to expand to an 11-vessel fleet that will provide perpetual service along the southern California coastline. Financial analysis contained in the business plan proposes that the service can operate without the need for on-going public subsidies.

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Cost and Schedule (\$ x 1,000)

<i>Phase</i>	<i>Scope</i>	<i>Start</i>	<i>End</i>	<i>Cost</i>
1	Concept Development and Preparatory work for application	6/92	10/01	\$559
1	Studies, Environmental Review and Permits	10/01	8/02	\$200
2	Plans, Specifications and Estimates	1/02	8/02	\$200
4	Construct Landside Improvements	6/02	9/02	\$884
4	Implement Ferry Service	9/02	9/03	\$4,331
Total:				\$6,174

Funding Plan (\$ x 1,000)

<i>Source</i>	<i>Type</i>		<i>Phase 1</i>	<i>Phase 2</i>	<i>Phase 3</i>	<i>Phase 4</i>	<i>Total</i>
TCRP	State	Committed	\$200	\$200		\$3,384	\$3,784
		Proposed				\$1,216	\$1,216
SD Port	Local	Committed	\$59				\$59
		Proposed					
Fare-Box	Private	Committed				\$215	\$215
		Proposed				\$364	\$364
Prior Investment	Private	Committed	\$500				\$500
		Proposed					
Totals:		Committed	\$759	\$200		\$3,599	\$4,558
Totals:		Proposed				\$1,580	\$1,580
Totals:			\$759	\$200		\$5,179	\$6,138

NOTES: The funding table shown is for the one-year demonstration service. The funding table has been modified to include \$500,000 of private financing for concept development and business preparation activities prior to the TCRP. Additional private financing in the form of tiered investments of \$30 million is required to initiate the service to Marina del Rey, design and procure the 11 vessels, and establish the permanent service.

Previous TCRP Action:

An application was approved on October 3, 2001 (Resolution TA-01-15) for Phase 1 and Phase 2. A subsequent application was approved on February 28, 2002 (Resolution TA-02-03) for Phase 4 – landside improvements. A minor amendment was approved April 2002, to update the project schedule. An application to program Phase 4 – ferry service implementation (6 month service) was approved July 18, 2002 (Resolution TA-02-11). A waiver to the condition set forth under Resolution TA-02-03, Section 2.3, which stipulates that “the Port and its vendor shall demonstrate commitment of a minimum of \$1.5 million in private financing for the operation of ferry service” was also granted under Resolution TA-02-03.

Status of Conditions:

Conditions set forth in Resolution TA-01-15 for an allocation of Phase 1 and Phase 2 funding have been met. The Port has submitted a Phase 1 Report that addresses several conditions related to approval of Phase 4 funding.

The outstanding conditions related to Phase 4 approval include:

1. Duration of service that can be provided using all available funding.
2. Establish performance measures and performance criteria to determine viability of continued service.
3. Information to document that the selected ferry provides high-speed service, meets low emission requirements and meets all maritime regulations for intended use.
4. Demonstrate that all permits to operate the service have been obtained.

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The following condition from Resolution TA-01-15 is still applicable –

- Upon completion of the first year of service, and annually thereafter, the Port of San Diego shall report to the Commission on:
 - Results of the project as measured against established performance criteria.
 - Estimated reduction in traffic on I-5 corridor.
 - Viability of ferry service considering other transit modes between San Diego and Oceanside.
 - Viability of continued service utilizing farebox revenue and other subsidies.
 - Viability of expanded service between Oceanside and San Diego and other destinations.

The following new conditions were set forth under Resolution TA-02-03:

- Infrastructure improvements will remain the sole property of the San Diego Unified Port District and the City of Oceanside and shall remain available for ferry services, and the sale or transfer of title of the improvements shall result in a credit to the State as prescribed in the Master Agreement between the State and the Port.
- Prior to approval and allocation of Phase 4 funding, obtain ferryboat and implement the initial ferry boat service (currently estimated at \$1.83 million):
 - Port shall demonstrate that all permits to operate the service have been obtained - **All permits to operate the vessel have been met except final New-to-Zone permit from the San Diego Coast Guard. The selected vessel has undergone similar testing in Hawaii, however, the final permitting must be performed in San Diego.**
 - Port shall document final proposed emissions reduction strategies. - **The Port has submitted the final emission reductions strategy consistent with the requirements contained in the Mitigated Negative Declaration.**
 - Port and its vendor shall demonstrate commitment of minimum \$1.5 million in private financing. - **This condition was waived by the CTC on July 18, 2002 (Resolution TA-02-11).**
- The SDUPD and its vendor shall make progress reports to the Commission at the October 2002 and January 2003 Commission meeting on its ability to meet performance targets and obtain private investments to perpetuate the service.
- The funding approved is based on estimated costs including appropriate program management costs and to be negotiated management fees (profit), but actual reimbursements will be allowed up to the approved amount subject to applicable cost principles that are contained in the State's Master Agreement with the grantee and based upon pre-award audit reviews.

The following additional conditions were set forth under Resolution TA-02-11:

- Commission expectation that Port and SCX continue to endeavor to seek private funding to perpetuate the service.
- Port and SCX to report at February 2003 CTC meeting on its progress in achieving performance goals and private investment

Issues / Discussion:

The Department supports the proposed staged plan to fund the Phase 4 ferry operations. In February 2002, the Department recommended, and the CTC approved, a staged approval approach. This approach will allow the approval of remaining TCRP funds for the ferry operations to be synchronized with private investments to ensure that full funding for the ferry operations is secured prior to continuation of service beyond the proposed 6 months. Later stages of approval will be subject to meeting "performance measures/load factors" established by the applicant and securing private financing commitments.

Regional Transportation Plan documentation is on file. CTC reviewed the Mitigated Negative Declaration and approved for the project for future consideration of funding on February 15, 2002, under Resolution E-02-25.