TOWN OF ATHERTON

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April 11, 2022

California High Speed Rail Authority
Attn: Draft 2022 Business Plan
770 L Street, Suite 620 MS-1
Sacramento, CA 95814

Subject: Draft 2022 HSR Business Plan Comment Letter

To Whom It May Concern:

The Town of Atherton and its Rail Committee have reviewed the High-Speed Rail Authority's (Authority) Draft 2022 Business Plan (Plan). Though we can commend the Authority in its attempts to implement organizational changes related to right-of-way and control processes, we believe that the construction cost, revenue, patronage and train performance assumptions in the Business Plan remain overly optimistic and unrealistic. Additionally, the funding requirements and right-of-way challenges continue to be significantly underestimated. The purpose of this letter is to ask the Authority to refocus its attention on various discrepancies and issues outlined in this letter that are not adequately addressed in the Draft Business Plan.

Proposition 1A

Travel Time Constraints

The Plan states that the travel time between San Francisco Transbay Terminal (TBT) and Los Angeles Union Station will meet the Proposition 1A requirement of 2 hours, forty minutes. This estimation appears to be based on the 2020 Business Plan Service Planning Methodology showing the availability of non-stop service between San Francisco and Los Angeles. It is unclear in the service planning documents how frequent such service would be.

In reviewing the individual segment travel times, it appears that the total travel time would be closer to 3hrs, 8min.

San Francisco-San Jose (Diridon)	43 miles, 29 minutes
San Jose (Diridon)-Fresno	147* miles, 51 minutes
Fresno-Bakersfield	125 miles*, 59* minutes
Bakersfield-Palmdale	79 miles, 23 minutes
Palmdale-Burbank	38 miles, 13 minutes
Burbank- Los Angeles (Union)	13 miles, 13 minutes
Total travel time	188 minutes, 3 hours 8 minutes

* estimated

Additionally, due to various constraints, as enumerated below, it is unlikely that such non-stop service would achieve the required service level.

San Francisco – San Jose

The stated travel time of 29 minutes would require an average speed of 99 mph. In addition to being constrained to a maximum speed of 110 mph through the Caltrain corridor (lawful if and only if quad-gates are constructed at each crossing, which isn't provided for), the proposed connection to the Trans Bay Terminal will likely restrict speeds to less than 30 mph. Further, we believe that the HSR segment from San Francisco to San Jose will be extremely detrimental to traffic management and the quality of life for those that live and/or work on the Peninsula that this section should be dropped.

San Jose – Fresno

The stated travel time of 51 minutes would require an average speed of 173 mph. In addition to being constrained to maximum allowed speeds associated with the shared use segment between San Jose and Gilroy, speeds will be constrained by the grade limitations through the Pacheco Pass and tunnel.

Bakersfield – Palmdale

The stated travel time of 23 minutes would require an average speed of 206 mph. Though this segment is proposed to operate at speeds consistent with high-speed rail systems; however, it is not clear that these speeds are realistic as the train ascends and descends through the Tehachapi mountains.

Operating Subsidy

The Plan's "Low Rider" and "Low Revenue" assumptions for Silicon Valley to Central Valley service appear overly optimistic. With an initial ridership estimate of 600,000 for one month of ridership in 2031, escalating more than 11-fold after one month of service 7 million for the first year of service, with an additional 47% escalation in year two to over 10 million riders, such startup and growth numbers are highly speculative and unachievable. These numbers are totally unrealistic and were no doubt assumed prior to the changes in actual attendance in physical worker places due to lifestyle changes caused by the pandemic. In addition to an early start on revenue forecasts, the expectation that riders will pay $80 - $100 per one-way trip is exceedingly optimistic and cannot support the ridership forecasts. Per the US census Bureau, the 2019 median household income for Merced County was approximately $54,000 per year. The one-way fare of $63 between San Jose and Merced is unaffordable by the majority of residents, even for a twice per week commute. Given these assumptions are overly optimistic, it is unlikely that the Authority will derive sufficient income to offset the operating expenses and will likely require funds to subsidize operations. Given the Authority's track record on project delivery, even with the recent organizational changes, initiation of revenue service between the Silicon Valley and the Central Valley by 2031 is unlikely. This was reiterated in recent newspaper articles where Boris Lipkin, the Northern California regional director for the rail service, told Bay Area News Group that a better estimate for full service on the Phase 1 segment would be "later into the 2030s.[1]"

Capital Costs

The Plan includes estimated capital costs for the core system and the different segments. The estimated cost for the core, San Francisco-Los Angeles Union route have risen from $68 Billion in 2012 to $105.1 Billion in 2022. This estimate has been increasing steadily as experience is gained on the different segments. To date, capital construction has only been in the Central Valley area, where the land is predominantly agricultural, and labor and right-of-way costs are low. Though there has been some experience in constructing structures, there are many major project areas where the Authority does not have the experience or expertise to undertake and cannot truly estimate the level of effort, cost, and impact. These major projects include tunneling through mountains and under urban areas. Following the release of the Plan, the Authority acknowledged that the costs of the San Jose to Merced segment increased by 40% to $19 Billion. This estimated increase is before right-of-way has been acquired and construction started. Boris Lipkin was quoted as saying “"Part of the reason we want to advance design [of the segment] further is to get a better grasp on exactly what the costs will be[2]," implying that the Authority still doesn't have a handle on true costs.

As construction moves to the more urbanized areas related to the northern segment (San Francisco to Gilroy) and the southern segment (Burbank to Los Angeles), project complications, impacts, and costs will increase substantially. “The median sale price for an existing single-family home in the Bay Area rose from $939,000 last December to $1.1 million in December 2021, according to CoreLogic and DQNews data. The rising prices were led by Santa Clara County, up nearly 24% to $1.55 million, followed by Alameda County, up almost 16% to $1.1 million, and San Mateo County, up 12% to $1.68 million. San Mateo remains the region's

[1] https://sfist.com/2022/03/01/13-5-mile-tunnel-drives-up-cost-estimate-for-bay-area-high-speed-rail-link/
[2] https://sfist.com/2022/03/01/13-5-mile-tunnel-drives-up-cost-estimate-for-bay-area-high-speed-rail-link/

priciest county.[3]” In Los Angeles County, median home prices in October 2021 were $849,000, up approximately 19% from December 2020[4]. It is also important to note that though the EIR/EIS's may have been prepared for some of these segments, they have yet to be finalized and will likely result in additional litigation. The costs of litigation and environmental mitigation are also likely underestimated.

Funding

As noted above, capital cost estimates continue to rise, and are significantly underestimated. Current funding projections are noted up to $25.2 Billion through 2030, less than 25% of the estimated capital costs. Various funding opportunities and partnerships are listed in the Plan, including the Bipartisan Infrastructure Law, the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program, Nationally Significant Multimodal Freight and Highway Projects (also called Infrastructure for Rebuilding America (INFRA), and Consolidated Rail Infrastructure and Safety Improvements (CRISI), as well as other partnership opportunities. It is important to note that these are noted as “potential” funding sources. Though there may be a likelihood that some additional federal funds may be allocated towards the project, reliance on “potential” funding is not a coherent plan for completion. At best, these partnerships may yield 100% of the current funding projections, an additional $25 Billion. This would still leave the project over 50% underfunded. In reality, these sources and partnerships will likely yield significantly less, leaving California taxpayers on the hook for the balance.

In summary, it is unlikely that the project will be able to meet its service requirements outlined in Proposition 1A, that the funding availability, ridership, and revenue projections are unrealistic, and the project cost and delivery timetable are significantly underestimated. We urge the development of a more realistic funding and implementation plan that terminates the high-speed rail line at the intermodal Diridon Station in San Jose.

Sincerely,

Rick DeGolia

Rick DeGolia
Mayor

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[3] https://www.eastbaytimes.com/2022/02/09/bay-area-home-prices-soared-at-record-clip-in-2021/
[4] https://www.laalmanac.com/economy/ec37b.php

cc: Senate Committee on Transportation, Hon. Lena A. Gonzalez, Chair
Assembly Committee on Transportation, Hon. Laura Friedman, Chair
Legislative Analyst Office, Gabriel Petek, Legislative Analyst
City Council
Atherton Rail Committee Members