TABLE of EXPERTS
A digital supplement to the Silicon Valley Business Journal | August 5, 2016

HIGH-SPEED RAIL
Silicon Valley’s experts talk about California’s plan for high-speed rail

When California voters in 2008 approved Proposition 1A – nearly $10 billion in bonds to construct the first phase of a high-speed rail system for California and improve the rail services that would connect to it – it was obvious that it would take years before anyone would ride one of the 200-mph trains from the Bay Area to Los Angeles.

Even after the California High-Speed Rail Authority announced last February that San Jose would lose to the northern terminus for the first operating segment, the 2025 service starting date still seemed like the distant future. But the work to make that opening date a reality is under way now. Construction is under way in the Central Valley. Fences are being dug. Bridges are being built. Part of a freeway in Fresno is being relocated.

In nine years, Diridon Station in Downtown San Jose will become the most important passenger train station west of Chicago. But the most important decisions about how that station will work and how it will shape the future of San Jose and Silicon Valley are being made now.

► Will the new station be above ground, at grade or below ground?
► Where will the tracks run that carry high-speed trains north and south of the station?
► How will the transfer of thousands of passengers every day among seven passenger railroads be handled, and how will this transportation hub affect the city where all these passengers arrive and depart?

Some of these questions will be answered by the end of the year.

The Silicon Valley business community centered a panel July 26, bringing together the major decision-makers regarding high-speed rail and San Jose to answer questions developed by reporter Judy Mochalum about one of California’s largest-ever infrastructure projects.

It is hoped that the record of this discussion, moderated by Carl Guardino, head of the Silicon Valley Leadership Group and a nine-year member of the California Transportation Commission.

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From 1995 to 2014, Rod Diridon Sr. was executive director of the Mineta Transportation Institute, a transportation policy research center created in 1991 by Congress. He is known as the “father” of modern transit service in Silicon Valley and frequently provides legislative testimony on sustainable transportation issues. The region’s main train station was renamed “San Jose Diridon Station” upon his retirement from public office. Diridon received a B.S. in accounting and MBA in statistics in 1963 from San Jose State University.

View Rod Diridon’s full presentation online http://bizj.us/1m8gyk

Nuria Fernandez, general manager and CEO of VTA, plans, organizes, directs and administers all functions of VTA, under policy direction of the board. Fernandez served as COO for the New York State Metropolitan Transportation Authority; she has provided policy and program expertise at the U.S. Department of Transportation, and managed the design and construction of multimillion-dollar rail expansion programs in Chicago and Washington, D.C. She has a B.S. in civil engineering from Bradley University and an MBA from Roosevelt University in Illinois.

Jeff Hartnett is the executive director/CEO for the San Mateo County Transit District. In addition to acting as the CEO and general manager for SamTrans, Hartnett is also executive director of Caltrain and the Transportation Authority. Hartnett has served on and chaired both the SamTrans and Caltrain boards of directors. He was appointed four years ago to the California High-Speed Rail Authority board of directors, where he served most recently as vice chair, resigning when he accepted his employment at SamTrans.

Jeff Morales is the chief executive officer of the California High-Speed Rail Authority. As the former director of the California Department of Transportation, Morales managed a $10 billion program and more than 23,000 employees working to build, maintain and operate the largest state transportation system in the U.S. His experience at the federal level includes serving as a member of President-Elect Obama’s transition team focusing on transportation and the White House Commission on Aviation Safety and Security.

Jim Ortbal oversees all city transportation operations, and parking and infrastructure planning programs in the City of San Jose. He is a member of the Institute of Transportation Engineers.

Carl Guardino is president and CEO of the Silicon Valley Leadership Group. In February 2007, Gov. Arnold Schwarzenegger appointed Guardino to a four-year term on the California Transportation Commission and has reappointed twice by Gov. Jerry Brown. In 2008, Guardino managed the successful Measure B (BART) campaign that authorized a 5-cent sales tax for 30 years to fund a 76-mile Santa Clara County BART extension. He received his B.A. degree in political science from San Jose State University.

Silicon Valley Leadership Group

Carl Guardino, President/CEO, Silicon Valley Leadership Group

Rod Diridon Sr., Executive Director Emeritus, Mineta Transportation Institute

Jim Hartnett, Executive Director/CEO, San Mateo County Transit District

Nuria Fernandez, General Manager/CEO, Santa Clara Valley Transportation Authority

Jeff Morales, CEO, California High-Speed Rail Authority

Jim Ortbal, Director of Transportation, City of San Jose

Carla Fernandez, General Manager, Santa Clara Valley Transportation Authority

Director of Transportation

Silicon Valley Leadership Group
Many of the decisions affecting high-speed rail and its connections at San Jose’s Diridon Station — including whether trains will arrive on elevated, at grade or tunnel tracks — will be made in the next 18 months, even though the fast trains are still a few years away. On July 26, 2016, the Silicon Valley Business Journal convened a panel of four officials who have key decision-making roles to answer our questions about what the arrival of high-speed rail and its connectivity to local transit means for our region.

Jeff Morales, you are sitting this morning in the Earth’s center for innovation and we are used to showing our enlightened self-interest. You just described a typical day for us. We think quicker than rail’s coming.

Jeff Morales, CEO of the California High-Speed Rail Authority: Innovation really is the key. What this is is another step for California to lead the way in the country and in the world because what we’ll be building is world-leading-edge, world-class technology. Clean. And pressing the issues building support in Congress and the state Legislature, winning lawsuits, defeating a full ballot measure at the state level that could allow the public to halt the project, and reversing a public perception that the project is struggling. Jeff Morales, how would you rate the challenges from most to least significant?

Morales: You just described a typical day for us. I think one of the — and maybe the single biggest challenges for this program — is something I sometimes referred to as “stick-to-itiveness,” which is the ability to stay in something for the long haul. T is an investment on a scale that this state hasn’t seen, arguably ever.

Completion of high-speed rail requires meeting numerous challenges including obtaining additional funding — which includes solidifying cap-and-trade revenue — building support in Congress and the state Legislature, winning lawsuits, defeating a full ballot measure at the state level that could allow the public to halt the project, and reversing a public perception that the project is struggling. Jeff Morales, how would you rate the challenges from most to least significant?

Morales: You just described a typical day for us. I think one of the — and maybe the single biggest challenges for this program — is something I sometimes referred to as “stick-to-itiveness,” which is the ability to stay in something for the long haul. T is an investment on a scale that this state hasn’t seen, arguably ever.

Jeff Morales, California High-Speed Rail Authority

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Jeff Morales, California High-Speed Rail Authority

One of the interesting challenges in the program is we’re in multiple phases at the same time. In some places we’re still in the planning and environmental approval process. At the same time, we’re actually building in the Central Valley and dealing with everything from right-of-way acquisition to managing construction contracts. And dealing with the politics of infrastructure, which is an unforgiving development in this country. Infrastructure used to be a non-partisan issue. People were fighting — it was very partisan — but not partisan. It’s unfortunately become partisan, and that’s not a good sign for us. Because look at how this country grew and this region grew — it grew in big, bold investments. You look at the history of what has shaped California and high-speed rail is the next step in that. But if you look historically at the domestic plan for higher education, which created the U.C. system and California State system as we know it today — San Jose State — which in turn created the world is premier public research institutions, which helped create Silicon Valley, at passed by a single vote in the Legislature. Imagine had it not passed. T at’s the same sort of situation we’re in. We passed by a single vote the first time. We got two votes the next time, so we’re on a new trajectory. But I think it’s the reality of doing something really big in this environment that is the biggest challenge.
For Nuria Fernandez of the Valley Transportation Authority, Jim Hartnett with Caltrain and Jim Ortbal of the city of San Jose, your agencies are members of the interagency team working with the California High-Speed Rail Authority on what will happen in and around Diridon Station when high-speed rail arrives in 2025. Tell us in more detail what this team is doing and what each of your goals are for this effort.

Nuria Fernandez, general manager and CEO of the Santa Clara Valley Transportation Authority: It is an unprecedented collaboration for transportation agencies that are responsible for moving people to come together and focus on what the benefits are for bringing an intermodal facility to San Jose and Silicon Valley.

Regarding our interagency cooperation, the Valley Transportation Authority jumped right in on it. We put together a plan and strategy that included all of our partner agencies sitting here so that we could come up with an approach that would not only look at each of our individual needs coming into the Diridon facility but creating an iconic gateway into a thriving community, a thriving region. We are very excited about all of it.

Jeff Morales responds to a question posed by Moderator Carl Guardino.

What I think I heard, to follow up, is that this multimodal station, the Diridon Station, would be a classic case of something greater than its individual parts. Is that true?

Hartnett: Absolutely. It’s already our third-largest ridership station and it’s been growing. And that’s without all the things that we’re looking for to come. We have riders coming from across the region to jump on at Diridon Station to take our service and others and that’s only going to grow as we work together.

Caltrain Station has already gone through a tremendous change. And the station itself is going to become a critical building block, the cornerstone for that area. It’s going to attract development: Commercial, residential development and, of course, other types of amenities that would lead and continue to integrate the city of San Jose and the region. Fourteen million people living in Northern California are going to benefit from this massive network. High-speed rail, the blended system that will be coming, and this great statewide rail network that is going to be put together in our generation. It’s really important to the quality of life for everyone in this state so I couldn’t be more excited about all of it.

What most contentious issue in San Jose is the route that high-speed rail will use to reach Diridon Station from the south because the impact of this decision will have on nearby residents and the businesses. The High-Speed Rail Authority has said it will choose from among three options: At grade, aerial or in a tunnel. What are the strengths and weaknesses of each of these three alternatives?
“Once the blended system is fully implemented, I think the sky is the limit.”
— Mark Hartnett, executive director of Caltrain

Morales: T e exciting thing is we’re not talking about it, but how to build this. T at’s a huge transition in the phase of this program. No, said there are three options and in looking at the impact of building on businesses, on neighborhoods, on residences, looking at the Potrero, looking at the interactions with the existing rail services—all these things have to come together in a way to optimize the situation.

At grade would in many ways would be ideal in terms of just keeping everything at the same level, trying to stay within the existing right of way as much as possible, minimizing the impact. But it creates complications operationally with the existing Caltrain ope between the ACE and Amtrak, UP (Union Pacific Railroads). All of those things have to be dealt with at grade within a tight envelope, but we’re looking at that.

Underground, tunnelling is not in and of itself a problem. Te issue there is there’s an aquifer right under the station and the question of having a very large underground structure in an aquifer is a challenge. We’re looking at that.

And then aerial is the other option and that has some complications, but it also could get us out of the way of the existing operations. All of those things will be looked at and our target is to make a preliminary decision right around the end of this year and then make a final determination by the end of next year in order to get final environmental clearance and move to the construction phase.

Hartnett: I’d like to build on what Jeff said. It’s really exciting to look at the potential of the station and what it could be part of a statewide rail system. We already have in Caltrain 92 trains that stop at the Diridon Station. It is a busy station. With electrification, that should get us up to 144. Our tenants have 30 trains that there are growth opportunities there as well. And so it’s a very busy station. It’s a very busy part of our corridor and I think what Jeff said was exactly right, as is when we have to balance the operational needs with the physical availability and see what works best for everyone.

And at the same time for the station we have to make sure that people can get there. And one of the issues of getting there are the how- tos. Te are walking, biking, public transit or by car. All of these things—together with the economic development in the area where people are going to be coming there not just to take the public transit but because it’s a destination itself—actually is going to be really, really exciting.

In what’s the city’s perspective on the route options?

Ortbal: We’re looking at it in a couple of different respects. One, when we look at the valley, Silicon Valley, the Silicon Valley corridor, this first operating segment that high-speed rail is moving forward with, is 2 miles in the city of San Jose. So it’s the longest segment of any city on this initial operating segment.

It’s a major decision point for us in San Jose. We’ll do it in collaboration with high-speed rail. Clearly we want to do it in an environment where we both see it the same way and really this is the best way to do high-speed rail through San Jose.

T e one good thing we have going is really the alignment through San Jose is really largely set from the standpoint that we have the UP corridor—the Monterey corridor—coming out of the south. T at’s largely set. And as you approach downtown past the Tamien Station and then into downtown San Jose, the Caltrain or the aerial alignment roughly follows that same alignment.

We’re fortunate that we kind of have that right of way generally set aside. We planned for it in our general plans so we should have no surprises there. We largely know where we’re going with high-speed rail. T e only thing we’re not going to be a huge amount of land acquisition, so from that standpoint we feel very fortunate.

I was down in Fresno a couple months ago visiting colleagues in the city of Fresno and they have a very different situation where they’re doing a significant amount of land acquisition. T ey didn’t quite have the corridor lined up like we do through San Jose, so from that standpoint we know where it’s coming into San Jose, where it’s going through.

Obviously we have the aerial, at grade, underground decision to make, and then there’s work to be done in terms of the blended system and seeing how at grade works. We’re awaiting the result of that analysis that we’ll see this fall. Based upon that and other information and technical work that high-speed rail is doing, they’ll be working with high-speed rail in bringing that in front of our council to make the best decision possible.

For Santa Clara County, the Valley Transportation Authority is also in charge of the BART extension, which is scheduled to reach downtown and the Diridon Station in 2023 of the November Traffic Relief and Road Repair ballot measures passed. Now we’re looking at high-speed rail to what will be your most important South Bay BART station, not to mention a hub for your light rail and bus service, impact the VTA? What’s your role there.

Fernandez: When the November ballot measures pass, there is going to be tremendous opportunity for this region. High-speed rail is a game-changer. We’re talking about a new transportation service that’s very different. BART is an extension of an existing system, which is going to, itself, expand capacity beyond that from my perspective. High-speed rail’s investment in electrification is the key to us being able to do electrification. We have put together a variety of sources of funds but we could not do this without high-speed rail.

Once the blended system is fully implemented, I think the sky is the limit. I can’t tell you what the ridership figures will be, but I can tell you that they will be better than what we have projected in terms of doubling our capacity. T e infrastructure improvements I don’t think are going to be that great over time.

T ere are things that will need to be done to fully implement the blended system but I think in the broad scheme of things they’re actually minor investments in what will be a world-class corridor.

What are the local business opportunities as a result of the new railroad connection between San Jose and San Francisco?

Ortbal: Our city economic team is very much trying to position the Diridon Station area for the opportunities that are going to come with high-speed rail, BART investment and Caltrain electrification. T at area is going to be ready. It’s environmentally cleared. We’re actively kind of marketing the area to really try and attract business and opportunity into the area. So that’s one of the things that our team is doing. As part of that, as part of the investment, as Jeff mentioned, we will be issuing some type of requests for proposal for small developer projects. We’ve got to figure out the right timing of that.

We’re a developer that will partner with us building a public station, the public infrastructure with private development. T e city referenced stations all over the world have a unique blend of public transportation services along with private, commercial ventures and other opportunities there. As our economic development team is really kind of leading that planning with the interagency team to really
“Having high-speed rail coming into San Jose and this county without that BART connection I think would be a missed opportunity.”

NORIA FERNANDEZ, Santa Clara County Transportation Authority

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market that opportunity. We really see it as a great one.

In terms of the second part of your question, kind of the challenges that we see in the area, there are so many things going on. We recognize that in 2019, with the successful election, kind of the challenges that we see in the market that opportunity. We really see it as a great one. The current high-speed rail business plan says that the authority hopes to obtain an additional $2.9 billion so that the initial operating segment would run San Francisco to Bakersfield by 2025, which would add more than 50 percent to expected passenger loads and revenue. What is your strategy for getting this extra money and how important is the longer initial operating segment to the initial financial success of the system?

Morales: There are two sides to that question, the cost side and the funding side, and we’re working on both. We’re constantly looking at doing something which is kind of shocking in the world of infrastructure, which is bring down the cost of building stuff. We’ve had very good success in our first contract. So in the Central Valley where we’re building — and I pointed out that in my involvement in our big infrastructure projects around the state and around the country. I’ve never been around our our among you — those three contracts we announced very significantly below our estimates.

We’re taking advantage of what we’re learning in the design-build process there to apply cost-saving techniques to the rest of the infrastructure. So we’ve actually brought down costs over the last few years. And we’re going to continue to look to reduce the cost as we build. At the same time, we are looking at the finance side. We’ve got a strong, strong commitment from the state, the governor and the Legislature for not only the initial bond funds but for an ongoing share of cap-and-trade revenue. And it’s really the basis for moving forward. But we’re going to continue to explore other things like development rights around stations and how that can contribute to the funding, as well. And while we’re not counting on it right now, I also believe over the long run there will be additional federal funding for this, as well. Historically, the federal government has paid for at least 60 percent of the major infrastructure investments. The Interstate Highway System was built with 90 percent federal money. Right now if we build our national system as we’re planning without any new federal money, that (federal) share would be about 5 percent. It doesn’t make sense when you’re talking about what California means to the national economy. It is an investment the federal government wants to be involved in.

Hartnett: There is no reassurance that California is going to get that to the point where the state’s commitment to the electrification program, as well.

We had worked very closely with Secretary [Brian] Kelly and his office and they provided tremendous support, as has the federal government. We have great federal support, and we know it’s not just because of electrification. It’s because of the context within which we’re doing it.

Electrification on its own has tremendous merit, but as we’ve discussed today, what happens with Diridon Station with high-speed rail creates a tremendous dynamic as part of a statewide rail system.

And for our part, full electrification will take far longer than 2020; it’ll be a while after that before we get 114 trains. Our first revenue service for electric trains will probably be in 2021, though we’ll have electric cars before that. But everything that’s going on here at Diridon Station and on our corridor just presents a tremendous opportunity for the entire state and as a model for the country.
Hartnett: There's a connection between electrification and expanded capacity. It's a question of how do we rise above that trend? Or, if it's not going to be the trend, then how do we maintain a service that has light at the end of the tunnel, we will be able to deliver. We have to always get back to, however, if it doesn't work operationally, it doesn't work for the customer, it doesn't work for the community. It has to be done in a partnership way and we really encourage other cities in the area to work closely and collaboratively. I can see high-speed rail, VTA are absolutely trying to do that with the local cities.

Fernandez: Let me just add very quickly that every project has an influence that goes beyond the area where it's built. And recognizing that high-speed rail, even if it's not in your backyard, is going to create such great benefits for those of you who live several miles away. And that benefit is in providing more choices for mobility throughout the region. You're opening up other channels of opportunity for those who prefer to drive.

Morales: What is the city doing to plan for this within the city, what the region is about. We're working with our partners to make sure that's the case.

Ortho: I think that's an important element of that. I mean this is something we need, for this community to hold us accountable to do stuff that is great for San Jose and Silicon Valley. So I think that's important that we understand what our community wants and needs in this area and we need to deliver on that.

Morales: We have to always get back to, however, if it doesn't work operationally, it's not going to work for the customer, it's not going to work for the community. It has to be done in a partnership way and we really encourage other cities in the area to work closely and collaboratively. The city and the local agencies. We've got that in Galway, where we're going to have another station and throughout Bakersfield, Palmdale, throughout the state. We've really committed to making sure that we work with local entities to make this work and function the way we all envision it.

How supportive have other local jurisdictions been outside San Jose?

Ortho: I don't want to speak for cities too much. We see the way we approach these types of projects in real-time from a partnership standpoint. You can fight it, but we recognize the last time we were in a fighting mode, high-speed rail made a decision to head toward the L.A. Basin. We don't want that type of situation. We have funding identified for grade crossing improvements, as well. So that ties into safety, as well. So that ties into safety.

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Hartnett: I think one of the things we always have to remember when we’re talking about the ride-sharing and other physical modes of transit is they still take up space. And even if they’re not parked at the station, they’re on a roadway, generally speaking, to get there. And so our planning has to consider, as Nuria said, how does that happen? If people could hitch a ride on a drone, it’d be a lot easier. We could free up more space and maybe someday that will be the case and that’ll solve a number of planning problems. But, it’s tough no matter whether you’re talking a ride-sharing or a private bus, the planning aspect of that is difficult.

Fernandez: I just wanted to say that I agree with Jeff. When you’re looking at what the best route to bring a rail line into a dense area should be, you look at multiple options: At grade, above grade and underground. And the cost is a significant factor. So if you’re trying to serve a larger area, you’re trying to serve a larger community or larger region, you need to take into consideration how you can get from point A to point B and what the cost effectiveness of the different construction methodology should be. So I think in reference to the high water table and what the neighborhood or a factor if you’re going at grade.

Morales: We face any number of challenges. And challenge doesn’t mean it’s insurmountable. It just means you have to deal with it and think about whether it makes sense to face that challenge or look for another.

Hartnett: I mean, a challenge is getting through the mountains in Southern California and tunneling. It doesn’t mean we’re not going to do it, we just have to look at what those challenges are, whether it’s the most economical, most practical to go this way or that way and take all those things into account. So I mentioned that only as a factor in it just the way it impacts on the neighborhood or a factor if you’re going at grade.

Hartnett: Oh, there’s the VTA and partners, their ride-sharing. And it’s tremendous amount of first-mile, last-mile services that we can’t provide at the public cost.

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