THIS STAFF REPORT COVERS CALENDAR ITEM NO.: 7
FOR THE MEETING OF: May 13, 2010

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Adoption of a proposed revised Baseline Budget for Phase 1 of the Transbay Transit Center Program (Program) in the amount of $1,589,000,000 in year of expenditure (YOE) dollars, Financial Plan, and construction schedule, and certification of funding available to construct the new Transbay Transit Center.

SUMMARY:

In November 2007, the Board adopted a Baseline Budget for Phase 1 of the Program in the amount of $1,189,000,000. The budget included the following Program components: (a) right-of-way acquisition; (b) construction of a temporary terminal; (c) demolition of the existing Transbay Terminal and bus ramps; (d) construction of the above-grade bus facilities portion of the new Transit Center and the foundations and other improvements to prepare for future construction of the below-grade train station ("top-down" approach); (e) construction of bus ramps and bus storage; and (f) design and engineering of the above-listed facilities including the full below-grade rail level component of the Transit Center building. The budget excluded construction of the below-grade train box.

The original Baseline Budget was developed based on a Transit Center design scheme developed by HOK under the Program Management/Program Controls (PMPC) contract. The scheme served as the basis for the Scope Definition Report used in the Design and Development Competition. The design of the Transit Center as proposed by the winner of the competition, Pelli Clarke Pelli Architects (PCPA), incorporates many features and aspirations that were not part of the scheme, most notably the 5.4 acre park atop the Transit Center. The PCPA design also includes significant architectural enhancements that will make the Transit Center an iconic landmark and water and energy conserving features that should help the project achieve a LEED gold rating, rather than the original aspiration of LEED silver.

The TJPA staff has kept the project within the original Baseline Budget through diligent value engineering efforts. In the Concept Validation phase, the staff reported that building the rail levels in the first phase in a more conventional "bottom-up" manner could save the program an additional $100 million. The staff estimated the incremental cost to Phase 1 of constructing the rail levels at $400 million. The staff redoubled its efforts to identify funds that might allow expansion of the scope of Phase 1 to realize the benefits and savings of the bottom-up approach.

On June 11, 2009, the Board authorized the Executive Director to direct PCPA to incorporate design and construction of the train box into Phase 1 of the Program based on the TJPA's recommendation that (a) constructing the train box in Phase 1 would have distinct cost, design, and other advantages over the previously adopted top-down approach; and (b) the TJPA had a good chance of receiving American Recovery and Reinvestment Act (ARRA) funding for the construction of the Transit Center train box.

On January 28, 2010, the United States Department of Transportation (USDOT) announced an award of $2.25 billion in ARRA high-speed rail funding for California, of which $400 million was reserved for the Transbay Transit Center Program. On March 29, 2010, the Federal Railroad Administration (FRA), the agency of the USDOT responsible for dispersing high speed rail ARRA funds, provided a letter to the TJPA confirming that $400 million had been reserved for the Transbay Transit Center project.

Since the Board authorized the inclusion of design and construction of the train box in Phase 1, considerable work has been completed to incorporate the rail levels into the design for Phase 1 construction and ensure that the projected costs are within the revised Baseline Budget presented in this report. The budget estimate was recalculated based on 50% design development documents for the Transit Center building, including the train box, under current market conditions. Construction Management/General Contractor (CMGC) Webcor/Obayashi and PCPA prepared two independent detailed estimates. The CMGC, PCPA, and TJPA staff and consultants reviewed and reconciled the estimates to validate the forecast Phase 1 construction cost.

Most recently, PCPA prepared an updated estimate on the 100% Design Development package which indicates that the forecast construction costs are still tracking on budget. We will continue to prepare independent estimates by the CMGC and PCPA through the Construction Document Phase to verify that the construction cost remains within budget. The staff and consultants will also estimate the value of each subcontractor trade package as it is finalized for bidding.

The Phase 1 Baseline Budget we recommend here reflects the addition of the train box; buttress of the north wall of the train box adjacent to the Millennium Tower; security and geothermal systems; refinements to the Roof Park level; an exterior glass enclosure; and other changes. The recalculated budget also considers updated estimates for the bus ramps and utility relocation; actual incurred costs and the forecast cost of remaining Temporary Terminal construction; award value of the Existing Terminal and Ramps Demolition contract; deletion of the Golden Gate Transit District bus storage facility and parking structure at the AC Transit bus storage facility; reassessment of time-dependent management and support costs; and annual levels of escalation to the end of construction, based on available data on current major projects and their forecast values for escalation. Adjustments were made for further scope development (design contingency), the implementation of intended contracting strategies, and the reallocation of some costs from Phase 2. The staff and consultants spent considerable time analyzing the amount of contingency and Program reserve needed at the current stage of the Program. Contingencies and Program reserve now total 29% of the cost of construction. Once adopted, the revised Baseline Budget for Phase 1 will be the benchmark against which cost performance will be measured.

Staff and consultants have developed a draft Financial Plan for the revised Phase 1 Baseline Budget using 2007 real estate-based revenue updates and newly obtained ARRA funding. This Financial Plan indicates that Phase 1 is fully funded.

Incorporating the train box construction into Phase 1 will extend the schedule for construction from 5 years to approximately 7 years. The extended construction period is offset by eliminating the future disruption to the neighborhood and the Transit Center operations that would have resulted from the two-phased construction under the original top-down phasing approach. Building the train box in Phase 1 will also eliminate the cost and schedule risks involved with the original approach and reduce total construction costs by $100 million.

REPORT:

Revised Phase 1 Baseline Budget and Financial Plan

A. Overview

On February 17, 2009, President Obama signed the ARRA into law. The ARRA includes $8 billion nationally in high-speed rail and intercity rail grants. On January 28, 2010, Transportation Secretary LaHood announced his intent to allocate $400 million in ARRA funds for the train box in the Transbay Transit Center. On March 29, 2010, the FRA provided a letter to the TJPA confirming that the $400 million had been reserved for the Transbay Transit Center project. The inclusion of the ARRA funds for the train box brings the revised Phase 1 budgeted revenue to $1.589 billion.

Staff and consultants have developed a Financial Plan to fully fund the revised Phase 1 Baseline Budget using revenues reasonably assumed to be available during the Phase 1 schedule. The Financial Plan for Phase 1 includes a variety of grants, land sales proceeds, lease income from acquired right-of-way parcels, and other one-time revenue generation opportunities. Long term revenue streams to support the project have been identified, including tax increment funds from the State-owned parcels in the Redevelopment Area and Passenger Facility Charges (PFCs) and/or other commitments from transit operators using the Transit Center. These revenue streams have been pledged to repay a TIFIA loan in the amount of $171 million for Phase 1.

A summary of the Phase 1 Financial Plan as of March 3, 2010 is provided below (in thousands of year-of-expenditure dollars).

Phase 1 Financial Plan and Allocations

($1,000s, YOE)

Source	Amount	Allocated to Date	Balance to be Allocated
TIFIA	$ 171,000	$ -	$ 171,000
SF Prop K Sales Tax	$ 98,150	$ 98,150	$ -
San Mateo Sales Tax	$ 4,497	$ 4,497	$ -
AC Transit Capital Contribution	$ 38,546	$ -	$ 38,546
Lease and Interest Income	$ 2,165	$ 2,165	$ -
Transferable Development Rights	$ 4,032	$ 4,032	$ -
Other Local	$ 799	$ 799	$ -
Regional Measure 1	$ 54,400	$ 6,600	$ 47,800
Regional Measure 2	$ 143,016	$ 143,016	$ -
AB 1171 (Other Bridge Tolls)	$ 150,000	$ 15,926	$ 134,074
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Land Sales or Alternative	$ 429,000	$ -	$ 429,000
FTA Section 1601	$ 8,795	$ 8,795	$ -
High Priority - Bus (#403 & #459)	$ 29,137	$ 29,137	$ -
PNRS	$ 24,460	$ 24,460	$ -
ARRA	$ 400,000	$ -	$ 400,000
FRA Rail Relocation	$ 2,650	$ -	$ 2,650
GRAND TOTAL Sources	**$ 1,589,000**	**$ 344,968**	**$ 1,244,032**

To date, the TJPA has received nearly $345 million in local, state, and federal grants for the Phase 1 Transbay project.

The TJPA has evaluated the commitment of funds to the project on an ongoing basis since 2006. Using the method typically employed by the FTA for determining the status of revenue commitments for large capital transportation infrastructure projects, the Transbay project Financial Plan has a low level of risk. 100 percent of the funding identified for Phase 1 has been received and/or committed to the project. Committed funds are those programmed funds that have all the necessary legislative approvals. Funds included in the Metropolitan Transportation Commission's (MTC's) Resolution 3434, the Regional Transit Expansion Policy, are considered committed but may require Board level approval of allocation requests. Sources of funds with remaining balances to be allocated that fall into this category include Regional Measure 1 (bridge tolls), AB 1171 (bridge tolls) and Regional Transportation Improvement Program (state) funds. In December 2007, the California Transportation Commission's approved the conveyance of the Caltrans Transfer Parcels to the TJPA and the City and County of San Francisco (City) under the 2003 Cooperative Agreement among Caltrans, the TJPA, and the City. The estimated revenue from sales of the Transfer Parcels is shown in the financial plan.

As required in the TIFIA loan agreement, TJPA staff has notified TIFIA of the proposed revised Phase 1 baseline budget and schedule. The change in costs and the addition of the $400 million ARRA grant will not impair the security for the TIFIA loan.

B. Financial Plan Reviews

In addition to ongoing reviews of our Financial Plan by the TJPA's funding partners, the Plan has undergone a rigorous review by the TIFIA Joint Programs Office and its financial consultants from October 2008 through January 2010. All sources of funds, their status, and levels of commitment were evaluated in the TIFIA loan process. The TJPA provided hundreds of pages of documents to TIFIA to support the loan proposal, including the loan application and attachments, responses to questions from the TIFIA team, supplemental reports, and the loan agreement and required legal opinions, certifications, and a financial model. The loan agreement requires the TJPA's Financial Plan to be updated and submitted annually to TIFIA in addition to ongoing monitoring and reporting requirements.

A key component of the TIFIA loan is the requirement for an investment grade rating from a nationally recognized statistical rating organization. The TJPA underwent an exhaustive credit evaluation process with Fitch Ratings. The Transbay project is multi-faceted. The success of the project will be part of the revitalization of a vibrant new neighborhood. In addition to evaluation of the regional land development and its resulting impact on future assessed valuation and tax increment, which is a primary source of security for repayment for the TIFIA loan, the evaluation process included a review of the land sale study that was the basis for the tax increment projection, the level of certainty of all funding sources, ridership projections for AC Transit as primary tenant for Phase I, and construction contract risk management.

In October 2008, the TJPA received Fitch Ratings' Shadow Rating letter providing their favorable preliminary rating. In December 2009, Fitch assigned an investment grade rating to the TJPA's $171 million TIFIA loan for the project. The investment grade rating represents Fitch's determination that the finances of the Transbay project are sound and that the risk of failure of the project is low.

Land Sales Revenues

A. Overview

In 2008, the TJPA's consultants estimated that revenues from the sale of the Transfer Parcels in Phase 1 would be $429 million. Due to the downturn in the real estate market last year, it is not clear that the full amount budgeted for real estate sales will be forthcoming. Nonetheless, our real estate consultants believe that the real estate market is improving and that the Financial Plan remains sound as explained below. Moreover, the uncertainty of the level of revenue from land sales was considered by Fitch and TIFIA but did not result in any doubt as to the strength of the TJPA's Financial Plan.

The 1989 Loma Prieta earthquake resulted in the demolition of several elevated freeway structures on land in the vicinity of the Transbay Terminal. In a Cooperative Agreement signed in July 2003, the State of California agreed to transfer approximately 12 acres of this state-owned land (Transfer Parcels) for the benefit of the Transbay project. According to the Cooperative Agreement, all land sale and net tax increment revenue generated by the sale and development of the Transfer Parcels must be used to help construct the Transbay project. In December 2007, the California Transportation Commission authorized the conveyance of the Transfer Parcels, the final step in dedicating the land for the Transbay Program. The Cooperative Agreement limits the use of the land sales revenues to construction costs. This limitation has been incorporated into the Financial Plan. The uses for each parcel have been described in the Redevelopment Plan for the Transbay Redevelopment Project Area (Redevelopment Plan). Based on the Transbay building construction schedule, the PMPC team developed a schedule for sale of each Transfer Parcel. The land use information and sale schedule form the basis for the land sales revenue estimates prepared by The Concord Group (TCG) published in January 2008.

As of 2008, the State's land contribution had an estimated value of more than $600 million (in year-of-expenditure dollars) based on TCG's Market Analysis, Product Programming and Land Pricing Study. Depending on the timing of the sale of these parcels and market conditions, up to $429 million was available from land sales for Phase 1 construction and $185 million was available for Phase 2 construction. The TJPA and the San Francisco Redevelopment Agency will be seeking bids from private developers through a competitive process to secure the best price for each parcel in conformance with the City's redevelopment guidelines.

B. TIFIA Review

The TIFIA review of the TJPA's loan application and Fitch's "stress testing" of the tax increment revenues – a method for testing the risk that the revenue will not materialize – resulted in a determination that the TJPA's Financial Plan is sound and reasonable. This conclusion was based on TIFIA and Fitch's acknowledgement that the values of the Transfer Parcels were based on the opinions of value of appraisers, that land sales are subject to real estate market conditions, and that the revenue from the Transfer Parcels could vary from the estimated $429 million.

In July 2009, at TIFIA's request, the TJPA engaged the services of Jones Lang LaSalle (JLL) to conduct a Peer Review of the TCG report. Utilizing data and assumptions based upon historic and 2007 market conditions, JLL's analysis included a thorough examination of the underlying exhibits profiling each market segment entailed in the redevelopment area program, which include commercial office, for-sale residential, retail, hotel and for-rent residential. JLL determined that TCG's overarching assumptions and methodology to project an aggregate land value for the Transbay Redevelopment area were consistent with professional real estate standards at the time of publication. For each market segment addressed in the report, JLL determined that the findings were all within a reasonable (10-12% or less) margin of error.

In the fall of 2008, during the TIFIA review process, the San Francisco Redevelopment Agency (SFRA) issued a request for proposals for the development of one of the state owned parcels, Block 8. Based on the proposals that were submitted in the spring of 2009, the TJPA concurred with SFRA that the request for proposals should be suspended and reissued in 2010 or later when market conditions are expected to improve. The TJPA revised its cash flow plan to reflect the deferral of the sale of Block 8, and submitted the revised cash flow plan to TIFIA.

The TIFIA loan agreement includes as a condition precedent to the TJPA's drawing down funds that the TJPA provide evidence to TIFIA that Transfer Parcels have been sold and closed with gross sales proceeds aggregating not less than $429 million, or, alternatively, that the TJPA has received an allocation of funding from other sources acceptable to TIFIA. The TJPA fully anticipates that this condition precedent to draw will be met.

C. Trends and Outlook for Land Values

Since the fall of 2008, the global real estate market has fallen from its peak. Real estate economists have advised the TJPA that although San Francisco has seen declines in sales prices and rents, the pace and depth of local declines have been less severe than those in other key markets across the United States. In fact, the downturn in the local real estate market is primarily due to weaknesses in the greater national market, not primarily based on problems with local fundamentals.

Experts suggest that despite the current environment, the San Francisco Bay Area remains a very desirable place to live and conduct business; it remains the employment, innovation, cultural and economic center of the west coast. San Francisco exhibits few of the long-term fundamental problems apparent in the hardest hit markets:

- Despite its built-out nature, San Francisco's population is growing at a healthy 0.5% annual rate.
- During the boom, markets such as Las Vegas, Phoenix, Florida, Texas, the California Central Valley and the Inland Empire were building housing far in excess of their previous annual average pace. Due to its environmental and legal constraints and limited available land, San Francisco's deliveries were constrained, prohibiting the build-up of excess supply.
- New home pricing in San Francisco has fallen an average of 10% to 15% versus 35%+ in the worst areas of the country.
- Local employment losses have been moderate, 5% loss in total employment over the last year versus 10%+ unemployment nationally.

Overall, experts are bullish on San Francisco. The current market downturn is temporary and caused by external factors more than a fundamental imbalance between demand and supply of developable land. In an analysis of housing market recoveries, TCG projected recovery timelines for key housing markets across the country. As part of this analysis, TCG forecasted annual new home demand by market, assessed current inventory levels, and forecasted remaining price drops. Based on these data points, TCG expects the San Francisco Bay Area as whole to reach recovery in 2Q 2011, primarily driven by suburban and exurban Bay Area housing nodes experiencing significant correction. A similar analysis for the City of San Francisco alone prepared by TCG points to 2Q 2010 as a near term recovery date, on par with national leaders. Despite the downturn, newly constructed buildings have been able to close units at 10% to 15% discounts, significantly reducing inventory overhang.

During the next several years, as new units sell out and available office space is absorbed, real estate economists anticipate that the San Francisco market will return to its normalized condition, characterized by strong home prices, office rents, land values, and absorption. Because limited new development has occurred over the past 2+ years, projects currently underway will be well suited to capitalize on the opportunity between 2012 and 2020. Key opportunities will cater to individuals who want to live and work in the urban core. The Transbay Transit Center project offers a unique and limited opportunity to deliver 2,600 housing units and 2.5 million square feet of commercial space in the heart of downtown San Francisco.

The TJPA and its real estate economics advisors have recently begun to re-evaluate land sales revenues in light of the changes in market conditions and the opportunity to extend the time period over which land sales may occur for Phase 1 due to the commitment of $400 million in ARRA funds for use in the early stages of construction of the Transit Center. Where the TJPA initially expected to sell several Transfer Parcels in 2009-2012 to finance construction of the Transit Center, the ARRA funding, expected in or about August 2010, will allow the TJPA to defer sales of Transfer Parcels for several years and take advantage of the anticipated recovery of the San Francisco real estate market. The staff and consultants will analyze the timing and sequencing of the sales of the parcels, potential reprogramming of the properties, potential for a master developer concept for the area, and other mechanisms to optimize revenues from Transfer Parcel sales over the period 2010-2015. This evaluation of real estate values will continue periodically throughout the Transbay project construction period.

Projected Recovery Dates for the U.S. and Selected Markets
(Prepared by The Concord Group)

Market	Blended Mo. Supply (1)	Recovery		Market Rating (2)
		Land	Housing	
United States	32	2Q 10	2Q 11	2
Charlotte	25	4Q 09	4Q 10	2
Tampa	28	1Q 10	1Q 11	2
Dallas	29	2Q 10	2Q 11	2
Seattle	30	2Q 10	2Q 11	3
Boston	30	2Q 10	2Q 11	3
S.F. Bay Area	32	2Q 10	2Q 11	3
Orange County	33	3Q 10	3Q 11	3
Orlando (3)	33	3Q 10	3Q 11	3
Sacramento	35	4Q 10	4Q 11	3
Los Angeles	36	4Q 10	4Q 11	4
Inland Empire	37	4Q 10	4Q 11	4
DC/Baltimore	37	4Q 10	4Q 11	4
Phoenix (3)	43	3Q 11	3Q 12	5
Las Vegas (3)	44	3Q 11	3Q 12	5

(1) Blended sales rate takes into account a minimum of 12 months at LTM run rate, followed by near-term recovery rate, and projected annual demand rate thereafter; months of supply is current as of Nov. 2008 and rounded to the nearest month

(2) Rating is based on a 5-point scale: 1 = <24 months recovery, 2 = 24-30 months, 3 = 30-36 months, 4 = 36-42 months, 5 = 42+ months

(3) Indicates high volume second home market. Recovery projections may be conservative

Sources: HanleyWood; Claritas; MetroStudy; RealtyTrac; DataQuick; U.S. Census Bureau/HUD; The Concord Group

D. Revenue Contingency Plan

The Financial Plan is based on the best estimates of funds available for the Phase 1 project. While 100% of the sources are committed, the value of land sales may vary depending on fluctuations in the real estate market. The TJPA plans to resolve budget issues that may arise from reduced revenues if needed in three ways: (1) alternative revenue sources, (2) potential bid savings, and (3) cost containment and deferral opportunities, as described below.

1. Alternative Revenue Sources

In addition to re-evaluating and optimizing the plan for sales of the Transfer Parcels, the staff continues to seek alternative funding in the event that the revenues from sales of the Transfer Parcels fall short of the $429 million figure currently contained in the Financial Plan. We have submitted applications for new and existing funding sources as they become available and are vigilant in our pursuit of any and all funding opportunities. Sources we are considering for Phase 1 revenue contingencies and Phase 2 funding include:

- Statewide bond proceeds, including Prop 1C (Housing and Emergency Shelter Trust Fund), and Prop 1A High Speed Rail bonds
- Real estate-based revenues, including Mello-Roos District fees or transportation impact fees
- Revenues from advancing the sale of Transfer Parcels scheduled for sale in Phase 2 (DTX) to Phase 1 (Transit Center)
- New regional and statewide revenue sources through MTC's Resolution 3434, such as bridge toll revenues, regional gas taxes, State revenue restructuring and potential increases, VMT pricing, and congestion pricing
- Funds from the ARRA bill, including TIGER, TIGGER, and Urban Circulator program
- Funds from Federal transportation bill reauthorization
- Private partnerships, including options such as naming rights and annuities

Revenues from these sources may yield $65 - $210 million for Phase 1 of the project by FY 2017.

2. Potential Bid Savings

The revised Phase 1 Baseline Budget is based on 2010 pricing. Little cost escalation is projected through 2011. A survey of current and recent bids for public projects showed that bids were 14% to 62% below the engineers' estimates. Although the TJPA's Phase 1 Baseline Budget reflects the best available information on current pricing, it is possible that additional bid savings will be achieved. If bid savings of 5% - 15% materialize over the first two to three years of the project, savings of $56 - $78 million may be realized.

The TJPA will award the largest bid package, the buttress, shoring wall, and excavation package, in the next few months. The estimate for this package is more than $200 million – approximately 25% of the total construction costs. The results of that procurement will serve as a barometer for the overall cost estimate, well before other bid packages are let.

3. Cost Containment and Deferral Opportunities

Under the CMGC contracting approach, individual trade packages will be finalized for bid as the construction of the Transit Center progresses. Knowing the cost of earlier packages should give the TJPA the flexibility to modify the scope of later packages to respond to the timing and amount of funds available from real estate transactions or other sources. As a result, the TJPA can choose to modify the selected finishes or other elements of later bid packages or could decide to defer elements that are not critical to initial occupancy and bus operations until after the opening of the terminal. Due to the size and complexity of the project as well as the schedule requirements, the decisions to defer certain elements can be made after construction has commenced and only when the budget requires that such alternatives be implemented.

Moreover, the current and proposed revised Phase 1 Baseline Budget includes a program reserve of $45 million. By not incorporating changes in scope that can be reasonably deferred and mitigating issues that might impact the Program Reserve, the agency could save a significant portion, if not all, of these funds. Approximately $150 million in cost containment opportunities and deferrals have been identified to date, and the cost management effort will continue throughout the final design and construction period.

Certification of Funding Availability

Under the Lease and Use Agreement, in order for AC Transit to move out of the Transbay Terminal and into the Temporary Terminal, the following conditions must be met:

- The TJPA completes Phase 1 construction of the Temporary Terminal (excluding the ramp space) *(complete by August 2010)*
- The Temporary Terminal (excluding ramp space) is ready for occupancy and use by AC Transit and the public *(complete by August 2010)*
- The TJPA has certified and awarded a contract to demolish the Transbay Terminal (*awarded October 2009)*
- The TJPA Board adopts a Resolution certifying that it has the funds available to construct the Transit Center *(planned for May 2010 Board action)*
- The TJPA advertises a construction contract for the foundations and substructures for the Transit Center *(planned for June 2010)*

The TJPA Board can certify funding availability when all of the funds have been committed to the project. With the USDOT's letter of March 29, 2010 allocating $400 million in ARRA funds to the Transbay project, all of the Phase 1 funds have been committed.

Construction Schedule

A. Overview

The current schedule for the construction of the Transit Center, including the incorporation of the rail levels into Phase 1 construction, is approximately 7 years, an increase over the initial projection of 5 years when the original phasing plan was developed. This revised projection is based upon extensive preconstruction work by the CMGC to plan the sequence of construction and reflects the refinement of the design by PCPA during the Design Development phase.

The time required to excavate the train box and construct the below grade structure represents the greatest portion of the extended duration, but the longer duration is not driven exclusively by the addition of the train box. The time required to construct the original Phase 1 elements has expanded as the design has been refined. In particular, the scope and method of the ground treatments to provide support for adjacent structures has been defined in more detail; these measures will take more than a year to implement. Because that work necessarily precedes excavation in that area, it extends the overall duration of construction.

To minimize the impact of these changes, we have incorporated double-shifting of excavation, welding, and construction into the schedule and cost estimates. The design team has also incorporated refinements of the design suggested by the CMGC to expedite construction.

We continue to work with the CMGC to refine the schedule and look for other feasible alternates to reduce the schedule even further. We are investigating streamlining interior construction, implementation of additional double shifting, and identifying concurrent work opportunities and other means of schedule compression where practical and economically viable.

RECOMMENDATION:

1. Approve the revised Phase 1 Baseline Budget, Schedule and Financial Plan.

2. Certify that funds are available to construct the Transbay Transit Center (Phase 1).

3. Authorize the Executive Director to notify AC Transit once all conditions of Section 3.1B of the Lease and Use Agreement have been satisfied; namely, the first phase of the Temporary Terminal is complete and ready for occupancy and use by AC Transit; the TJPA has certified and awarded a contract to demolish the Transbay Terminal; the TJPA Board has adopted a Resolution certifying that it has the funds available to construct the new Transbay Transit Center; the TJPA advertises a construction contract for the foundations and substructures for the Transbay Transit Center.

TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS

Resolution No. _____________

WHEREAS, On September 10, 2008, the TJPA and AC Transit entered into the Transbay Transit Center Program Lease and Use Agreement for the Temporary Terminal and Transbay Transit Center (TTC); and

WHEREAS, Section 3.1B of the Lease and Use Agreement provides that AC Transit shall move its bus operations from the Transbay Terminal to the Temporary Terminal at Main, Howard, Beale, and Folsom Streets (Temporary Terminal) within 30 days after the occurrence of all of the following:

1. The TJPA completes construction of the first phase of the Temporary Terminal;

2. The first phase of the Temporary Terminal is ready for occupancy and use by AC Transit;

3. The TJPA has certified and awarded a contract to demolish the Transbay Terminal;

4. The TJPA Board adopts a Resolution certifying that it has the funds available to construct the TTC;

5. The TJPA advertises a construction contract for the foundations and substructures for the TTC; and

6. The TJPA Executive Director notifies AC Transit of the occurrence of 1 through 5 above.

WHEREAS, The TJPA has nearly completed construction of the first phase of the Temporary Terminal; and

WHEREAS, The Temporary Terminal will be ready for AC Transit's occupancy and use by August 2010; and

WHEREAS, The TJPA has awarded a contract to demolish the Transbay Terminal; and

WHEREAS, The TJPA will advertise a construction contract for the foundations and substructures for the TTC in June 2010; and

WHEREAS, The TJPA has revised the Phase 1 Baseline Budget to include the current construction cost estimate for the TTC at $1.589 billion and revised the project Schedule to reflect a construction duration of approximately seven years; and

WHEREAS, With the United States Department of Transportation (USDOT) letter of March 29, 2010 allocating $400 million in ARRA funds to the Transbay project, all funds for Phase 1 of the Transbay project have been committed; and

WHEREAS, In its revised Phase 1 Financial Plan for the TTC (Financial Plan) the TJPA has identified $1.589 billion in revenue for the full cost of construction of the TTC, as follows:

Phase 1 Financial Plan and Allocations
($1,000s, Year Of Expenditure)

Source		Amount		Allocated to Date		Balance to be Allocated
TIFIA	$	171,000	$	-	$	171,000
SF Prop K Sales Tax	$	98,150	$	98,150	$	-
San Mateo Sales Tax	$	4,497	$	4,497	$	-
AC Transit Capital Contribution	$	38,546	$	-	$	38,546
Lease and Interest Income	$	2,165	$	2,165	$	-
Transferable Development Rights	$	4,032	$	4,032	$	-
Other Local	$	799	$	799	$	-
Regional Measure 1	$	54,400	$	6,600	$	47,800
Regional Measure 2	$	143,016	$	143,016	$	-
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Land Sales or Alternative	$	429,000	$	-	$	429,000
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High Priority - Bus (#403 & #459)	$	29,137	$	29,137	$	-
PNRS	$	24,460	$	24,460	$	-
ARRA	$	400,000	$	-	$	400,000
FRA Rail Relocation	$	2,650	$	-	$	2,650
GRAND TOTAL Sources	**$**	**1,589,000**	**$**	**344,968**	**$**	**1,244,032**

WHEREAS, Public infrastructure projects of the size and complexity of the TTC are typically funded from a variety of sources, some of which are based on estimates of future revenue; and

WHEREAS, The Financial Plan includes a variety of grants, land sales proceeds, lease income from acquired right-of-way parcels, and other one-time revenue generation opportunities; and

WHEREAS, The actual revenue from each source may vary from the estimates; and

WHEREAS, The funds the TJPA has identified in its Financial Plan include a TIFIA loan from the USDOT for $171 million; future sales of land required to be transferred to the TJPA or the City and County of San Francisco (City) under the 2003 Cooperative Agreement among Caltrans, the TJPA, and the City (Transfer Parcels) of $429 million; and funds from a variety of other sources; and

WHEREAS, The TJPA retained the real estate firm Jones Lange LaSalle (JLL) to evaluate the estimate of $429 million in revenue from sales of the Transfer Parcels, and JLL determined that the overarching assumptions and methodology that were used to project the $429 million in sales were consistent with professional real estate standards and that the estimate was within a reasonable (10-12% or less) margin of error; and

WHEREAS, In awarding the TJPA a $171 million TIFIA loan, the USDOT relied on an investment grade rating of the TJPA's Financial Plan from Fitch Ratings, a nationally recognized statistical rating organization; and

WHEREAS, The Fitch investment grade rating represents Fitch's determination that the Financing Plan for the Transbay Project is sound and that the risk of failure of the project is low; and

WHEREAS, In conferring the investment grade rating on the TJPA's Financial Plan, Fitch considered and understood that the $429 million line item for sales of the Transfer Parcels was an estimate based on appraisals of the fair market values of the Transfer Parcels and that the actual proceeds of sales of the Transfer Parcels in the future may vary depending on fluctuations in the real estate market; and

WHEREAS, In approving the TJPA for a TIFIA loan of $171 million the USDOT considered and understood that the $429 million item for sales of the Transfer Parcels was an estimate based on appraisals of the fair market values of the Transfer Parcels and that the actual proceeds of sales of the Transfer Parcels in the future may vary depending on fluctuations in the real estate market; and

WHEREAS, The Metropolitan Transportation Commission (MTC) has found the TJPA's Financial Plan to be reasonable and has included the Phase 1 TTC project in the financially constrained element of the Regional Transportation Plan and allocated more than $150 million in bridge tolls to the TTC project; and

WHEREAS, Due to current economic conditions the current climate for construction contractor's bids is favorable to project developers, and recent construction bids for other public infrastructure projects have been below estimates and in some cases significantly below estimates; and

WHEREAS, If revenue from the future sales of Transfer Parcels is projected to be less than $429 million and the reduced revenue is responsible for a projected budget shortfall for construction of the TTC, as part of the Financial Plan the TJPA will cover the funding deficit through one or more of the following measures:

1. Alternative revenue sources, such as TIGER 2, TIGGER, Federal Transportation Bill Reauthorization, and Mello Roos District Fees.

2. Potential bid savings in the near term due to the favorable bidding climate and competition.

3. Construction phasing opportunities such as deferral of certain scope.

Now, therefore, be it

RESOLVED, That the revised Phase 1 Baseline Budget, Schedule and Financial Plan is approved; and be it

FURTHER RESOLVED, That based on the Financial Plan, the TJPA Board hereby certifies that the TJPA has the funds available to construct the Transbay Transit Center Phase 1; and be it

FURTHER RESOLVED, That the Executive Director is authorized to notify AC Transit once all conditions of Section 3.1B of the Lease and Use Agreement have been satisfied; namely, the first phase of the Temporary Terminal is complete and ready for occupancy and use by AC Transit; the TJPA has certified and awarded a contract to demolish the Transbay Terminal; the TJPA Board has adopted a Resolution certifying that it has the funds available to construct the Terminal; and the TJPA has advertised a construction contract for the foundations and substructures for the Terminal; and be it

FURTHER RESOLVED, That the Executive Director is authorized to continue to negotiate with AC Transit to mitigate impacts on AC Transit and its passengers for any additional period AC Transit may be required to use the Temporary Terminal beyond the original five-year period.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of May 13, 2010.

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Secretary, Transbay Joint Powers Authority