

## 1. Summary of the TTC Program Financial Plan

The TJPA's financial consultants have undertaken an iterative financial planning process of assigning revenues that can be reasonably expected to be available and that are eligible for expenditure on the identified contract commitments. The primary goal of this analysis is to develop an agreed-upon, fully funded operable phase within the required timeframe. To meet this goal, the funding plan will utilize grant funds early in the schedule to minimize the gap between non-escalating revenues and cost escalation, conform to any restrictions on funding, minimize debt issuance and related financing costs, and utilize assumptions that are consistent with industry best practices and historical experience.

For the funding plan, only those enacted revenues that would be available during the construction period have been applied to the commitment schedule. For example, no statewide high speed rail bond proceeds or other undetermined revenues are included in the Phase 1 (Transit Center (TC) building and rail foundation) funding plan. In addition, only tax increment and AC Transit Passenger Facility Charges (PFCs) have been assumed for the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan repayment for the TC building and rail foundation component of the Transbay Transit Center (TTC) Program.

To summarize, sufficient revenues are available to fund Phase 1 (TC building and rail foundation) of the TTC Program, with some remaining funding available for Phase 2 (Caltrain Downtown Extension (DTX)). Cost estimates for the full TTC Program (Phase 1 and Phase 2) exceed available revenues.

## 2. Phase 1 (TC Building and Rail Foundations) Capital Revenues

### 2.1. Local and Regional Plans

The TTC Program is included in numerous local and regional transportation plans. These include:

- MTC's Resolution 3434: Regional Transit Expansion Plan (RTEP)
- Regional Transportation Program (RTP) for Environmental, Preliminary Engineering, and Right of Way phases
- Transportation Improvement Program (TIP)
- MTC's 2000 Blueprint
- MTC's Transportation 2035 Plan for the San Francisco Bay Area
- San Francisco Countywide Transportation Plan
- San Francisco Countywide Congestion Management Plan
- New Expenditure Plan for San Francisco (Prop K)
- Expenditure Plan for Regional Measure 2 (RM-2)
- Transbay Redevelopment Project Area and Design for Development

All of these plans included extensive public outreach regarding the inclusion of and prioritization of projects.

Of particular note is MTC's Resolution 3434: Regional Transit Expansion Program (RTEP). As part of the 2001 Regional Transportation Program (RTP), the Commission approved a consensus agreement on Bay Area transit expansion. Resolution 3434 identifies several rail and bus projects as priorities for transit expansion in the Bay Area. The TTC Program is included in this list. The RTEP includes an array of funding from federal, state, regional and local sources and matches funds to projects based on competitiveness and eligibility. The TTC Program has also been included in the updates of the RTEP.

Inclusion in Resolution 3434 results in increased commitment and advocacy for funding. As noted by MTC's Executive Director in his report to the Commissioners in December 2001, "Although the requirement still remains that only fully funded projects can be included in the RTP under federal law,

Resolution No. 3434 confers a separate Commission endorsement regarding long range policy and financial commitments to its projects. That is, the financial commitments of regional discretionary funds outlined in (the) Funding Strategy are equally firm, whether the project is fully or partially funded. As projects secure full resource commitments, they can advance into the RTP."<sup>1</sup>

## 2.2. Funding Sources

The revenues identified for the TTC Program generally fall into two categories: revenues to be used for capital costs and revenues to be used for repayment of a construction period loan. The revenues to be used for capital costs are grants, land sales proceeds, lease income from acquired Right of Way parcels,<sup>2</sup> and other one-time revenue generation opportunities. Several long-term revenue streams have been identified in the Transbay financial plan. These include tax increment funds from the State-owned parcels in the Redevelopment Area and PFCs or other commitments from transit operators using the Transit Center. Because the bulk of the revenue from these sources are anticipated after the completion of a portion of the TTC Program, the Financial Plan includes a construction period loan. Descriptions of the identified revenue sources are provided in the following section. Table 2.1 includes a summary of the identified funding for the TTC Program.

**Table 2.1**  
**Revenue by Phase (In Millions, YOY \$s) as of March 2010**

Source	Identified for Phase 1 (TC Building and Rail Foundation)	Identified for Phase 2 (DTX)	Total	Years Available
SF Prop K	\$98.2	\$49.0	\$147.2	FY 2005 – FY 2012
San Mateo Sales Tax	\$4.5	\$24.5	\$29.0	FY 2006 – FY 2011
AC Transit Capital Contribution	\$38.5		\$38.5	FY 2009 – FY 2014
Lease & Interest Income and TDRs	\$6.2		\$6.2	FY 2006 – FY 2014
Other Local	\$0.8		\$0.8	FY 2004
RM-1	\$54.4		\$54.4	FY 2003 – FY 2011
RM-2	\$143.0	\$7.0	\$150.0	FY 2005 – FY 2012
AB 1171	\$150.0		\$150.0	FY 2011 – FY 2014
RTIP	\$28.3		\$28.3	FY 2007, FY 2008, FY 2011 – FY 2014
Land Sales	\$429.0	\$185.0	\$614.0	FY 2011 – FY 2012, FY 2015, FY 2018 – FY 2019
FTA Section 1601	\$8.8		\$8.8	FY 2003 – FY 2007
SAFETEA-LU Earmarks	\$53.6		\$53.6	FY 2007 – FY 2009
FRA Earmarks	\$2.65			
TIFIA Loan Proceeds	\$171.0	\$377.4	\$548.4	FY 2013 – FY 2014, FY 2016 – FY 2020
<b>Total</b>	<b>\$1,189.0</b>	<b>\$642.9</b>	<b>\$1,831.9</b>	

Notes: Totals may not sum due to rounding.

<sup>1</sup> Steve Heminger, Executive Director, Metropolitan Transportation Commission, Memorandum to Planning and Operations Committee, "RE: Resolution No. 3434: Regional Transit Expansion Program of Projects," Dec. 7, 2001, p. 2.

<sup>2</sup> Lease income will be generated from Right of Way parcels after they are acquired and before they are vacated for construction or staging purposes. This lease income does not include revenues generated from State-owned parcels after they are transferred to the TJPA. Lease income from the State-owned parcels will be deposited in the Public Transportation Account with the State.

The timing of revenues for Phase 1 (TC building and rail foundation) is based on the construction schedule. Like many other capital projects and programs, the availability of funding is tied closely to the nature and schedule of the program elements to be constructed. The schedule directly influences the availability of several revenue sources, including land sales, tax increment, and passenger facility charges. The funding plan includes land sales revenues that are contingent upon completion of various components of the program. As the TTC Program no longer requires specific parcels (e.g., for construction staging or for the temporary bus terminal) those parcels can be sold and developed. The estimated land sales schedule used to develop the financial plan accounts for the timing and uses of all state-owned parcels. The updated land sales schedule and sales estimates form the bases of a revised tax increment revenue projection.

For the Phase 1 (TC building and rail foundation) funding plan, only those enacted revenues that would be available during the construction period have been applied to the commitment schedule. Thus, no statewide bond proceeds or other undetermined revenues are included in the Phase 1 funding plan. In addition, only tax increment and AC Transit PFCs have been assumed for the TIFIA loan repayment for Phase 1. Should additional funds become available during the Phase 1 construction period, the TIFIA loan amount could decrease.

### **2.2.1. Local Sources**

**San Francisco Proposition K Sales Tax** – On November 4, 2003, the voters of San Francisco approved Prop K, which imposes a one-half of one percent sales tax to be used for transportation purposes. The San Francisco County Transportation Authority (SFCTA) is responsible for allocating, administering, and overseeing Prop K funds. The Prop K Expenditure Plan, which provided voters with the list of projects and programs to be funded with the sales taxes, includes \$270 million (in 2003 dollars) for the TTC Program. When developing the Expenditure Plan, the SFCTA did not take into account the cost of advancing sales tax revenues to fund capital projects scheduled early in the tax collection period. In addition, the new Prop K sales tax replaced the existing transportation sales tax, and several large capital projects were grandfathered into the new tax program. Whereas most of the new projects were responsible for the financing costs associated with advancing funds to meet their delivery schedules, the financing costs for the grandfathered projects were distributed among all of the new projects and programs. Thus, when the SFCTA developed its 2005 Strategic Plan, the document that guides revenue allocations, the funding available for the engineering, design, and construction of the Transbay program was reduced to approximately \$135 million (in 2003 dollars), or \$148 million in YOY dollars. The SFCTA 2005 Strategic Plan assumes an annual sales tax growth rate of 1.4 percent, compared with a historical average rate of three percent over the fifteen years from 1990 to 2004.<sup>3</sup> All else being equal, should the actual growth rate be higher than 1.4 percent, the TJPA would receive additional Prop K funds. As of March 2010, \$147.2 million in Prop K funds have been allocated to the TTC Program.

**San Mateo Measure A Sales Tax** – The San Mateo County Transportation Authority (SMCTA) is an independent agency formed to administer the proceeds of a county-wide one-half of one percent sales tax. Voters approved Measure A, which established the program, in June 1988. Measure A sales tax collections began in January of 1989. The tax will expire on Dec. 31, 2008. Resolution 3434, the Regional Transit Expansion Policy, includes approximately \$29 million (in 2004 dollars) of San Mateo Measure A sales tax funds for the Transbay program. The financial plan assumes an annual Measure A sales tax growth rate of three percent. As of March 2010, \$11.1 million in Measure A funds have been allocated to the TTC Program. Additional allocations of \$11.8 million are pending SMCTA Board action.

**AC Transit Capital Contribution** - The AC Transit Lease and Use Agreement (“Agreement”) outlines AC Transit’s bus operations in the Temporary Terminal and the Transit Center through at least the year 2050. In the agreement, AC Transit has committed to contribute \$57 million in 2011 dollars to the capital

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<sup>3</sup> From California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*, reports from 1990 to 2004.

cost of the Transit Center. Although the AC Transit and TJPA have agreed on a schedule of estimated payments of particular amounts, the Agreement grants AC Transit flexibility to determine the amount and timing of its capital contribution payments, as long as it pays the capital contribution in full by 2050. AC Transit plans to use grant funds to pay the first \$38.5 million of its capital contribution in lump sums of varying amounts from 2010 to 2014. AC Transit expects to pay the remaining \$19 million when it begins bus service in the Transit Center by imposing Passenger Facilities Charges ("PFCs") on its passengers traveling to and from San Francisco. AC Transit has proposed a PFC of \$.25 per trip, to be increased by \$.05 every three years, until AC Transit's total capital contribution is paid. If AC Transit is unable to pay the full amount of any estimated lump sum or annual payment, then AC Transit will pay the outstanding balance through collection of PFC revenue after 2032. AC Transit may prepay all or part of its capital contribution, as long as the total payment equals \$57 million in 2011 dollars, applying a discount rate of 4.5%.

**Pre-Construction Lease Proceeds** – The TJPA has entered into a lease with a parking lot operator for the agency-owned parcel. As additional properties are acquired, the TJPA will receive lease income from existing tenants. The funding plan includes lease income for the time period before leases will be terminated in order to start construction.

**Transferable Development Rights** – The TJPA's purchase of the 80 Natoma property for right of way preservation included Transferable Development Rights (TDRs). The *Appraisal of Real Estate* defines a transferable development right as "a development right that is separated from a landowner's bundle of rights and transferred, generally by sale, to another landowner in the same or a different area."<sup>4</sup> Buyers of TDRs may use the rights to develop at higher densities than zoning regulations might otherwise allow. Ownership of TDRs is a taxable property interest, and the conveyance of TDRs is a change of ownership requiring reappraisal of this property interest for property tax purposes.<sup>5</sup> The TJPA has sold 160,000 units of TDR equivalent to 160,000 square feet of gross floor area improvements for \$4,040,000. These funds will be applied to the TTC Program costs.

**Interest Income** – The TJPA's investment policy allows the TJPA to invest cash balances in the City and County of San Francisco's City Treasurer's cash and investments pool as well as insured savings or money market accounts. The estimated returns on these investments are included in the TTC Program financial plan.

**Other Local Sources** – The San Francisco Redevelopment Agency has made an in-kind contribution to the TJPA. This work included the Design for Development preparation for the Transbay Redevelopment Area.

### 2.2.2. Regional Sources

**Regional Measure 1** – In November 1988, Bay Area voters approved Regional Measure 1 (RM-1), which authorized a standard auto toll of \$1 for all seven state-owned Bay Area toll bridges. The additional revenues generated by the toll increase were identified for use for certain highway and bridge improvements, public transit rail extensions, and other projects that reduce congestion in the bridge corridors. Resolution 3434 includes \$53 million in RM-1 funds for the TTC program. In addition, \$1.4 million in RM-1 funds were provided as local matching funds to the TJPA's Federal Section 1601 planning grant. As of March 2010, an additional \$5.2 million in RM-1 funds has been allocated to the TTC Program.

**Regional Measure 2** – On March 2, 2004, voters passed RM-2, raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This extra dollar funds various transportation

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<sup>4</sup> Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. Chicago: Appraisal Institute, 1996, p. 148.

<sup>5</sup> Assessor's Handbook Section 501, Basic Appraisal, California State Board of Equalization, January 2002, p. 26.

projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916.<sup>6</sup> Specifically, RM-2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM-2 funding. The TTC Program is eligible for \$150 million in RM-2 capital funds, and \$3 million per year (escalated by 1.5% per year, starting in July 2004) of RM-2 operating funds for the operation and maintenance of the Transbay Transit Center. As of March 2010, all \$150 million in RM-2 funds has been allocated to the TTC Program.

**AB 1171** – MTC’s Resolution 3434 includes \$150 million in AB 1171 funds for the TTC Program. This source results from the adoption of AB 1171 by the California legislature for a plan to fund the cost of seismic retrofit of Bay Area toll bridges. The Transbay program is eligible for these funds under a provision that makes the money available to projects consistent with the purposes of the voter-approved RM-1 program. As of March 2010, \$15.9 million has been allocated to the TTC Program.

### **2.2.3. State Sources**

**Regional Transportation Improvement Program** –The State Transportation Improvement Program (STIP) is the State’s spending plan for state and federal funding. The STIP is comprised of the Regional Transportation Improvement Program (RTIP) and the Interregional Transportation Improvement Program (ITIP). MTC and the SFCTA, acting as the San Francisco Congestion Management Agency, program Regional Improvement Program funds for inclusion in the RTIP. RTIP funds for the Transbay program are planned to come from the Public Transportation Account, and are subject to fluctuations in the state budget and the condition of the economy. The STIP is updated every two years and currently covers a five-year period. The 2004 update to MTC’s Resolution 3434 includes \$24 million (in 2004 dollars) for the TTC Program. The financial plan assumes an annual RTIP growth rate of three percent. SFCTA’s Resolution 06-30, approved in November 2005, limits programming of all San Francisco RTIP capital funds to four major capital projects, including the TTC Program, until the RTIP commitments to those four projects under Resolution 3434 are fulfilled. As of March 2010, \$7.391 million in RTIP funds have been allocated to the TTC Program.

**Land Sales** – The 1998 Loma Prieta earthquake resulted in the demolition of several elevated freeway structures 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 for the benefit of the TTC Program. In December 2007, the California Transportation Commission (CTC) authorized the transfer of the parcels, the final step in conveying the land for the TTC 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 Transbay Redevelopment Project Area Design for Development. Based on the TC building construction schedule, the Program Management and Project Control (PMPC) team developed an estimate of when each of the parcels would be available for sale. The land use information and sale schedule form the basis for the land sales revenue estimates prepared by The Concord Group. The financial plan assumes an annual growth rate of two percent for land values.

### **2.2.4. Federal Sources**

**Section 1601 Grant** – The TTC Program received an earmark of \$8.8 million under Section 1601 of the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21). The federal funds have been matched by approximately \$800,000 in RM-2 bridge tolls and \$1.4 million in RM-1 bridge tolls. The TJPA has used these funds for planning, environmental, and Preliminary Engineering work.

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<sup>6</sup> Chapter 715, Statutes of 2004.

**High Priority Bus** – The Federal transportation reauthorization bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) includes two earmarks of Section 5309 Bus and Bus-Related Facilities funds for the TTC Program totaling \$29.2 million. The Bus and Bus-Related Facilities program provides capital assistance for new and replacement buses and related equipment and facilities. Earmarks are subject to annual rescissions calculated during the annual appropriation process. As of March 2010, after the Federal rescissions, all \$29.1 million has been awarded to the TTC Program.

**Projects of National and Regional Significance** – The Projects of National and Regional Significance (PNRS) program provides funding for high cost projects of national or regional importance. SAFETEA-LU includes an earmark of \$27 million for the TTC Program under PNRS. Earmarks are subject to rescissions calculated during the annual appropriation process. As of March 2010, after the Federal rescissions, As of March 2010, all \$24.5 million has been awarded to the TTC Program.

**Federal Railroad Administration Rail Relocation** – The Program for Capital Grants for Rail Line Relocation and Improvement Projects funds rail line relocation and improvement projects. The TJPA has received two earmarks totaling \$2.65 million under this program.

**TIFIA Loan** – The financial plan includes a loan from the Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998, which provides secured loans, loan guarantees and standby lines of credit for surface transportation projects of national or regional significance. This program may provide credit support to large transportation projects for up to 33 percent of a project's eligible cost. Sources for repayment of the TIFIA loan include tax increment from state owned parcels and PFCs. The TJPA's \$171 million TIFIA loan closed on January 25, 2010.

### **2.3. Level of Detail, Certainty, and Revenue Commitments**

Large capital projects are developed in several distinct design stages, with increasing levels of detail produced in each stage. The greater the level of detail, the more certain the program costs. Typically, the level of certainty in the program's financial plan increases along with the level of certainty in the design stages. The FTA recognizes this progression in its guidelines for capital project planning.

"The components of the project capital plan change considerably as the project moves from alternatives analysis to signing a full funding grant agreement (FFGA)<sup>7</sup> and construction. As the project moves from preliminary engineering (PE) to final design, capital costs become increasingly detailed as the project scope and precise alignment are finalized, non-federal funding sources are committed, environmental mitigation activities and other cost escalation risk areas are more accurately specified and changes to the original design and cost estimates become apparent. By the time a FFGA is signed, all local funds are committed to the project and cost estimates and schedule are known with a high level of certainty."<sup>8</sup>

The Federal Section 5309 New Starts evaluation process rates projects according to many factors, including a subfactor for the degree of commitment of non-New Starts funding. As stated by FTA, "The rating process for this subfactor accounts for the proposed project's stage of development. Proposed projects entering PE are subject to lower standards for commitment of local funds than projects that have been in PE for several years and projects in final design."<sup>9</sup>

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<sup>7</sup> An FFGA relates to the FTA's commitment of New Starts funds. Currently, the TJPA's financial plan does not include New Starts funding; thus, the TJPA does not anticipate entering into an FFGA with FTA at this time.

<sup>8</sup> FTA, *Procedures and Technical Methods for Transit Project Planning*, Section 8.2.2.1 Proposed Project Capital Plan.

<sup>9</sup> FTA, Office of Planning and Environment, "Guidelines and Standards for Assessing Local Financial Commitment," April 2004, p. 5.

Although the TTC Program is not participating in the FTA Section 5309 New Starts process, the method for evaluating financial feasibility can be applied to other large capital projects such as this. Using the FTA method for determining the status of revenue commitments, the TTC Program financial plan has a relatively high level of certainty given that the program is currently in the PE stage. As shown in Table 2.2, approximately 29 percent of the identified funding for Phase 1 (TC building and rail foundation) has been received, and 71 percent is committed. As funding commitments occur periodically, the information in the tables is accurate as of the publication of this report in March 2010.

**Table 2.2  
Phase 1 (TC Building and Rail Foundation) Revenue Commitment Status (as of March 2010)**

Sources for Phase 1 Capital Costs	Source	Amount Available for Phase 1 (Millions, YOY \$s)	Percent Received	Percent Requested	Percent Committed	Percent Budgeted
TIFIA Loan	Federal	\$171.00			100%	
SF Prop K Sales Tax *	Local	\$98.15	100%			
San Mateo Sales Tax *	Local	\$4.50	100%			
AC Transit Capital Contribution	Local	\$38.55			100%	
Pre-Construction Lease Proceeds & Interest Income	Local	\$2.17	100%			
Transferable Development Rights	Local	\$4.04	100%			
Other Local	Local	\$0.80	100%			
Regional Measure 1 *	Regional	\$54.40	12%		88%	
Regional Measure 2 *	Regional	\$143.02	100%			
AB 1171 *	Regional	\$150.00	11%		89%	
Regional Transportation Improvement Program *	State	\$28.34	26%		74%	
Land Sales **	State	\$429.00			100%	
Section 1601 Grant	Federal	\$8.80	100%			
High Priority Bus	Federal	\$29.14	100%			
FRA Rail Relocation	Federal	\$2.65			100%	
Projects of National and Regional Significance	Federal	\$24.46	100%			
<b>Total / Weighted Average</b>		<b>\$1,189.00</b>	<b>29%</b>		<b>71%</b>	

Notes:

\* 100% Committed in Resolution 3434, MTC's Regional Transit Expansion Policy.

\*\* CTC has committed to transfer land; land sales value is estimated as transactions have not been finalized.

*Received:* Funds have been allocated to the TJPA by the funding agency

*Requested:* TJPA has applied for allocations from the funding agency

*Committed:* Programmed funds that have all the necessary legislative or referendum approvals. Funds included in Resolution 3434, the Regional Transit Expansion Policy, are considered to be committed, but may require Board level approval of allocation requests.

*Budgeted:* Funds have been budgeted or programmed for the project but remain uncommitted, i.e., the funds have not yet received statutory approval.

For the Phase 1 (TC building and rail foundation) funding plan, 100 percent of the revenue is has been received or requested, or is committed. According to the FTA's New Starts evaluation procedures, the level of commitment for the TJPA's financial plan for Phase 1 would receive a "high" rating, the best possible score, for having "over 50% of Non-Section 5309 New Starts Funds ... committed or budgeted."

#### **2.4. Sources for Debt Service / Loan Repayment**

Table 2.3 summarizes the revenues that would be used to fund a construction period loan. Table 2.4 provides information about when the various revenue sources are assumed to be available and whether or not the source escalates over time.

**Table 2.3  
Identified Sources for Debt Service / Loan Repayment for Phase 1 (TC Building and Rail Foundation) Construction Period Loan (as of October 2008)**

Sources for Debt Service / Loan Repayment	Component	Amount (Millions, YOY \$)	Percent Committed
Tax Increment	TC Building & Rail Foundation	\$1,447.2	100%
PFC – AC Transit	TC Building & Rail Foundation	\$35.4	100%
<b>Total</b>		<b>\$1,482.6</b>	<b>100%</b>

Notes:

*Committed:* Programmed funds that have all the necessary legislative or referendum approvals.

*Budgeted:* Funds have been budgeted or programmed for the project but remain uncommitted, i.e., the funds have not yet received statutory approval.

*Planned:* Funds that are identified and have a reasonable chance of being committed, but are neither committed nor budgeted.

**Table 2.4  
Estimated Availability for Identified Revenue Sources for Debt Service (as of October 2008)**

Sources	Years Available	Escalation
Tax Increment	FY 2011 – 2049 (Phase 1 TC Building & Rail Foundation)	Yes
Passenger Facility Charges – AC Transit	FY 2015 – 2050 (Phase 1 TC Building & Rail Foundation*)	Yes
Passenger Facility Charges – Caltrain	FY 2020 – 2049 (Phase 2 DTX)	Yes
Passenger Facility Charges – High Speed Rail	FY 2020 – 2049 (Phase 2 DTX)	Yes

Notes:

\* Up to a present value of \$18.5 million in FY2011 dollars using a 4.5% discount rate.

The following section describes each revenue source available for loan repayment.

**Tax Increment** – Tax increment is the increase in tax revenue generated by any increases in property value as assessed after the base year because of change of ownership, improvements or new construction within the redevelopment area. The base year for the Transbay Redevelopment Area is 2005. The tax increment (net of the housing set-aside fund, pass through payments and other obligations) generated by the state-owned parcels will be dedicated to the TTC Program. Because the state-owned parcels are currently zoned as public uses, the base assessed value of this land is \$0. Annual estimates of tax increment revenue have been developed based on the land sales valuation and market absorption schedule. The financial plan assumes that tax increment revenues will be pledged for the repayment of the debt service for a construction loan. The components of the estimated tax increment growth include general inflation capped at two percent per year, the statutory maximum rate, and no annual increases in reassessments through FY 2018, with a one-half percent per year reassessment increase thereafter.

**Passenger Facility Charges: AC Transit** – A terminal use fee for each major transit operator using the TC Building is included in the financial plan. AC Transit and TJPA have agreed to a payment plan, included in the Lease and Use Agreement (included in Exhibit VIII-12). The agreement allows AC Transit to meet its capital obligation through the payment of up-front capital contributions, through annual payments of PFCs, or through a combination of up-front and annual contributions. The total obligation is \$57 million in 2011 dollars. For financial planning purposes and as contemplated in the agreement, this contribution has been calculated as a terminal use fee or PFC. AC Transit has proposed a PFC of \$.25 per trip, to be increased by \$.05 every three years, until AC Transit’s total capital contribution is paid. The PFC has been included in the ridership model conducted for the FEIS/EIR. In November 2007 Cambridge Systematics, Inc. updated the regional transit ridership model to better estimate future bus ridership to the Transbay Transit Center. The financial plan assumes that PFC or other revenues would be collected

by AC Transit starting in FY 2014, and would be remitted to the TJPA starting in FY 2015. This revenue stream will be used to partially repay the debt service for a construction loan for Phase 1, the TC building and rail foundation components of the program.

**Passenger Facility Charges: Caltrain** – As with AC Transit, the financial plan includes a contribution from Caltrain calculated as a fee assessed to each passenger using the TC Building. This revenue source requires a commitment by the Caltrain Board of Directors. The calculation is based on a fee per Caltrain passenger of \$0.75 in FY 2001 dollars; the financial plan assumes the PFCs would escalate at three percent per year. The PFC has been included in a ridership modeling exercise conducted for the FEIS/EIR. The Caltrain ridership estimates have recently been updated. The financial plan assumes that PFC or other revenues would be available starting in FY 2020, and would be used to partially repay the debt service for a construction loan for Phase 2, the rail component of the program.

**Passenger Facility Charges: High Speed Rail** – As with AC Transit and Caltrain, the financial plan includes a contribution from the California High Speed Rail Authority calculated as a fee assessed to each passenger using the TC Building. This revenue source requires a commitment by the California High Speed Rail Authority Board of Directors. The calculation is based on a fee per High Speed Rail passenger of \$2.00 in FY 2001 dollars; the financial plan assumes the PFCs would escalate at three percent per year. The PFC has been included in a ridership modeling exercise conducted for the FEIS/EIR. The financial plan assumes that PFC or other revenues would be available starting in FY 2020, and would be used to partially repay the debt service for a construction loan for the rail component of the program. However, the current estimate of the Phase 2 TIFIA loan does not include High Speed Rail PFCs.

## **2.5. Contingencies / Funding Shortfalls**

The TJPA continues to seek cost savings and new revenue sources for both phases of the TTC Program. Should new funding become available during the Phase 1 (TC Building and rail foundation) construction schedule, a smaller TIFIA loan would be required. New sources or increased revenues that could be realized after the construction of Phase 1 would be applied to Phase 2, the rail component of the TTC Program.

Some of the options currently under consideration include:

- Federal Stimulus American Recovery and Reinvestment Act (ARRA) grants, including High Speed and Intercity Passenger Rail funds
- Statewide bond proceeds, including Prop 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security), Prop 1C (Housing and Emergency Shelter Trust Fund), and High Speed Rail bonds
- Real estate-based revenues including Mello-Roos District fees or transportation impact fees
- Advancing land sales revenues from Phase 2 (DTX) to Phase 1 (TC building and rail foundation)
- Revenue sharing with Caltrain from projected ridership increases
- Increased capacity for Phase 2 (DTX) loan if tax increment revenues are higher than projected
- Advocacy for 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 Federal transportation bill reauthorization
- Private partnerships including options such as naming rights and annuities
- Further phasing of TTC Program to advance Phase 2 (DTX) elements to reduce impacts of cost escalation

The TJPA will continue to seek new funding, secure identified sources, and reduce program costs throughout the planning process.