

STAFF REPORT FOR CALENDAR ITEM NO.: 12
FOR THE MEETING OF: December 14, 2017

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Authorization of a transfer from Program Reserve in the amount of \$25 million to a new line item Base Building Improvements/ Tenant Improvement Allowances in the Phase 1 Program Budget.

EXPLANATION:

As has been presented in previous staff reports to the Board (e.g., Item 12, November 9, 2017), transit center improvements and tenant allowances necessary for retail opening were not included in the Phase 1 Budget, in its various revisions, as a master lessee model was assumed for the transit center, versus a facility manager model. Under a master lessee model, these improvements and allowances would have been paid for by the master lessee. At this time, following concurrence from the Cost Review Committee (CRC) in November, staff recommends transferring \$25 million from Program Reserve in the Phase 1 Budget to a new line item for Base Building Improvements/Tenant Improvement Allowances. This amount will be funded with Interim City Financing, and the CRC will further consider use of Interim City Financing for the estimated remaining balance of \$10.5 million for Base Building/Tenant Improvements, and take a formal action, at their next meeting in February 2018.

All transfers from Program Reserve greater than \$1 million require TJPA Board approval. The current Program Reserve balance is \$118 million. This transfer, if approved, will leave \$93 million in Program Reserve.

RECOMMENDATION:

Authorize a transfer from Program Reserve in the amount of \$25 million to Base Building Improvements/Tenant Improvement Allowances in the Phase 1 Program Budget.

ENCLOSURES:

1. Resolution

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency responsible for the planning, design, construction, operation and management of the Transbay Transit Center Program; and

WHEREAS, The TJPA elected to pursue an asset management form of agreement for operation, activation, and maintenance of the transit center, which requires the owner to bear certain costs for capital improvements, such as base building improvements and tenant improvements; and

WHEREAS, The TJPA adopted a Merchandising Plan for the transit center, which includes a schedule for retail/commercial leasing that describes the number, type, and location of spaces that are expected to open each quarter and describes efforts to respond to expected market demand for small, disadvantaged, and local retailers; and

WHEREAS, The TJPA anticipates that certain Base Building Improvements and an allowance for the TJPA's market share of Tenant Improvements will be required to activate the transit center consistent with the Merchandising Plan and secure superior rents from commercial/retail tenants; and

WHEREAS, The TJPA concludes that funding Base Building Improvements and the TJPA's market share of Tenant Improvements in the near term will be an overall net financial gain to the transit center and reduce the overall net operating cost of the facility, as well as providing significant other benefits to the transit passengers, workers, residents, and visitors to the transit center; and

WHEREAS, The Executive Director has received concurrence from the Cost Review Committee set up to review and approve use of the Interim City Financing to use at least \$25 million for Base Building Improvements/Tenant Improvement Allowances; now, therefore, be it

RESOLVED, That the TJPA Board authorizes the transfer of \$25 million in the Phase 1 Budget from Program Reserve to a new line item for Base Building Improvements/Tenant Improvement Allowances, to be funded with Interim City Financing.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of December 14, 2017.

Secretary, Transbay Joint Powers Authority