

MINUTES

**TRANSBAY TRANSIT CENTER PROGRAM
COST REVIEW COMMITTEE SPECIAL MEETING**

Monday, December 10, 2018

1:00 p.m. to 2:30 p.m.

TJPA Office
201 Mission Street, Suite 2100
San Francisco, CA

COMMITTEE MEMBERS

Ben Rosenfield, City and County of San Francisco (CCSF) Controller (Chair)
Steve Heminger, Executive Director of the Metropolitan Transportation Commission (MTC)
Mark Zabaneh, Executive Director of the Transbay Joint Powers Authority (TJPA)

Secretary
Michelle Dea

ORDER OF BUSINESS

1. Call to Order

The meeting was called to order at 1:03 p.m.

2. Roll Call

Present: Ben Rosenfield, Mark Zabaneh, Steve Heminger

3. Action Item:

Approving the Minutes of the August 29, 2018 Meeting

There was no public comment.

Mr. Heminger motioned to approve the minutes, seconded by Mr. Zabaneh and none opposed. The minutes of the August 29, 2018 meeting were approved.

4. Discussion Item:

Status Updates from Planning Department and Office of Community Investment and Infrastructure (OCII) on Projects in the Redevelopment Area/Transit Center District

Mr. Hart, OCII Project Manager, presented the item.

Chair Rosenfield expressed his optimism regarding repayment of City Financing, based on forecasted Temporary Certificates of Occupancy (TCO) in 2019 for properties listed through category 3 in the meeting materials.

Mr. Heminger inquired whether there was a deadline to vacate the Temporary Terminal. Mr. Zabaneh replied that there was no deadline currently.

5. Discussion Item:

Update on Program Budget, Construction and Temporary Closure of the Salesforce Transit Center

Dennis Turchon, TJPA Senior Construction Manager, presented the item.

Mr. Turchon reported that since the last Cost Review Committee (CRC) meeting, the transit center had been temporarily closed after fissures were discovered in two steel beams near Fremont Street. He discussed the following next steps: draft findings expected during the week of December 10th, concurrence by the peer review panel to follow shortly after issuance of the draft findings, and a presentation by the peer review panel chair and the Engineer of Record, Thornton Tomasetti, to the TJPA Board on December 13, 2018.

Chair Rosenfield questioned whether peer review by the Metropolitan Transportation Commission (MTC) would be completed in January 2019. Mr. Turchon stated that the January 2019 timeline was expected for completing peer review of repairing the steel beams. However, an extended period of time was expected for peer review of work that may be needed for the rest of the transit center.

Chair Rosenfield reminded the project team that the current \$2.203 billion Estimate at Completion (EAC) was based on the assumptions that legal costs for two claims would be resolved by next summer, and tenant improvements were approved at the lower amount of \$25 million. He stated that he was aware that a request for the balance of tenant improvements budget may be forthcoming, and that changes to the assumptions may affect the EAC.

Mr. Heminger questioned whether TJPA had estimated costs for repairing the girders. Mr. Alameida stated that the estimated cost was unknown at the time.

Public Comment:

Mr. Lebrun commented on structural evaluation mentioned in the presentation. He asked whether there was an intent to have a permanent structural system in place of the girder, and whether TJPA had a cost estimate for the permanent work.

Chair Rosenfield suggested Mr. Turchon follow up with Mr. Lebrun after the meeting.

6. Discussion Item:

Retail Leasing Update

Martha Velez, TJPA Facility Manager, presented the item.

Mr. Heminger asked if the CRC would receive an update on TJPA's operating budget. Ms. Velez said that an update would not be provided at this time, but TJPA could send information to the CRC.

Chair Rosenfield asked TJPA to describe how the operating budget was affected by the temporary closure of the transit center. Mr. Zabaneh stated that TJPA had reduced janitorial, engineering and security services, however, some of those services were shifted to the Temporary Terminal. Ms. Velez stated that the average reduction was 30%, but did not recall the dollar value for the 30% reduction. In terms of revenue, Ms. Velez stated that programming for the rooftop park and digital advertising were impacted. Mr. Heminger questioned how revenue was impacted, by percentage. Ms. Velez stated that of a forecasted revenue of \$900,000 for digital advertising, \$600,000 was cancelled.

Chair Rosenfield stated that it would be helpful to understand TJPA'S operating budget, when the information was available. He stated that there were issues with deciding whether certain costs should be operating expenses or capital expenses. Chair Rosenfield provided an example of staffing costs, and stated that certain staffing costs were being captured under the construction budget. Mr. Zabaneh stated that TJPA would review this topic and that his expectation was to provide revised budgets to the TJPA Board in January 2019.

Public Comment:

Mr. Lebrun stated that he would repeat his previous comments regarding the use of a master lessee, similar to the World Trade Center. He stated that under a master lessee agreement, all tenant improvement costs would be the responsibility of the master lessee, not the TJPA. He suggested re-visiting the idea of using a master lessee at some point in time.

7. Action Item:

Expenditure and Commitment of Proceeds of the City Financing that Require CRC Approval

Mary Pryor, TJPA Finance Advisor, presented the item.

Ms. Pryor summarized that to date, the CRC authorized funding commitments up to \$175 million maximum (for construction) and draws up to \$145 million. She stated that there was an increase of \$6.3 million in commitments for design costs, logistics, legal costs and base building improvements, since the last meeting. To date, of the \$200 million (\$175 million for construction and \$25 million for tenant improvements) authorized in commitments of City Financing, \$159 million had been committed. There was a balance of \$40.4 million for commitments. Per Ms. Pryor, TJPA planned to use City Financing to commit \$510,000 for the peer review panel.

Chair Rosenfield stated that his commitment to the City and County of San Francisco's Board of Supervisors was that City Financing covered the base building project and not repairs related to the cracked beams. He stated that any draw against City Financing to cover

repairs or assessments of the repair will require additional authorization from the Board of Supervisors. Given that City Financing cannot be used for costs related to the girder repairs, Chair Rosenfield requested that staff review other fund sources available to cover the peer review panel costs. Per Ms. Pryor, the peer review panel's costs from MTC would be removed from Item 7 and other unrestricted funding would be used for the costs.

Ms. Pryor stated that to date, TJPA had expended \$103 million in City Financing and that the City was working on the second issuance of Community Facilities District (CFD) bonds. She stated that assuming funding from the second bond sale was received during the first quarter of calendar year 2019, no further draws from City Financing would be needed.

Chair Rosenfield stated that MTC's contribution to City Financing was not expected to be drawn. He stated that the CFD bonds, anticipated in January 2019, were projected to be higher than expected. The change in anticipated CFD bond proceeds were due to one of the properties finishing earlier than expected, and the value of CFD proceeds being higher than originally projected. Chair Rosenfield stated that within the \$2.259 billion budget, the need for City Financing decreased by the increase of CFD proceeds. He stated that a summary can be shared with MTC.

Mr. Heminger inquired whether the \$2.259 billion budget included costs of repairing the steel beams. Mr. Zabaneh stated that there was capacity within the \$2.259 billion budget for the repairs. However, there were no line items in the budget for the repairs and that TJPA expected the responsible parties to pay for the repairs. Mr. Zabaneh stated that TJPA would need to figure out how to recover expenditures as we progressed.

Chair Rosenfield stated that there was no action on this agenda item, as TJPA continued to work within its previous authorization for encumbrances. Ms. Pryor concurred that action by the CRC was not needed.

Public Comment:

Mr. Patrick stated that as he reviewed the figures, the legal expenses would be problematic for the budget. He noted that there was a \$12 million amount for legal costs. Mr. Patrick stated that newspapers showed a potential settlement of \$100 million to fix the building, which meant that 10% of those expenses have already been spent. He felt that legal expenses were considerable and that funding could be managed better.

8. Discussion Item/Possible Action:

Opportunity to Comment on Contracts, Change Orders and Contract Amendments that Require CRC Review

Mary Pryor, TJPA Finance Advisor and Dennis Turchon, TJPA Senior Construction Manager, presented the item.

Mr. Turchon stated that there were no new items on the transit center change orders and the Bus Storage Facility (BSF). However, he stated that TJPA would like to use remaining capacity within previous authorizations totaling \$3.36 million for BSF, for closeout purposes.

Chair Rosenfield stated that the CRC did not need to comment on this agenda item.

There was no public comment.

9. New Business

-Agenda for Next Meeting

Chair Rosenfield stated that the agenda for the next meeting would be the same as today's meeting, and will include an update on TJPA's operating budget.

10. Public Comment

This item allows members of the public to comment generally on matters within the CRC's purview that are not on the agenda.

Mr. Lebrun stated that it was generally accepted that the Supplemental EIR would be approved by the Board. He asked whether TJPA had a legal budget for defending issues with Phase 2. Mr. Lebrun stated that \$325 million in Regional Measure 3 budget was pulled for the Downtown Rail Extension (DTX), and that TJPA would not be the lead agency for Phase 2. He expressed concerns about funding issues.

11. Adjourn - The meeting was adjourned at 1:44 p.m.

The Ethics Commission of the City and County of San Francisco has asked us to remind individuals that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [Campaign and Gov't Conduct Code, Article II, Chapter 1, § 2.100, et seq.) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102, telephone (415) 252-3100, fax (415) 252-3124 and web site: www.sfethics.org.