

MINUTES

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

Friday, February 22, 2019

10:00 a.m. to 12:00 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 10:02 a.m.
2. Roll Call

Present: Ben Rosenfield
Steve Heminger

Absent: Mark Zabaneh

3. Announcements
Effective February 28th, Executive Director Heminger will be retired. The new executive director for the MTC will be Therese McMillian, starting March 1, 2019.

Chair Rosenfield thanked Mr. Heminger for his work for the City and the region.

4. Action Item:
Approving the Minutes of the December 10, 2018 Meeting

There was no public comment.

Mr. Heminger motioned to approve the minutes, seconded by Chair Rosenfield. The minutes of the December 10, 2018 meeting were approved.

5. Discussion Item:

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

Ben Brandin, OCII, presented the item and noted the change in estimated Temporary Certificate of Occupancy (TCO) date from 3rd Quarter 2019 to 4th Quarter 2019 for Block 9.

Chair Rosenfield stated that given the current TCOs of properties listed in the meeting materials, the expectation for repayment of the Interim Financing is most likely in early 2020.

There was no public comment.

6. Discussion Item:

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

Ron Alameida, Director of Design and Construction of the TTC and Dennis Turchon, TJPA Senior Construction Manager, presented the item.

Mr. Heminger reiterated that in the last CRC meeting, the CRC discussed not having to expend MTC's contribution to the Interim Financing due to higher-than-expected Community Facilities District (CFD) bond proceeds. He asked if the current forecast was that the \$2.259 billion budget would not be fully expended (based on the budget slide in the presentation) and what would happen to unspent funds at the end of Phase 1 of the Transbay Program. Ms. Pryor stated that that was the project team's understanding and the difference between the \$2.203 billion Estimate-at-Completion (EAC) and \$2.259 billion budget was the last portion of reserves that had not been assigned to a particular cost. Chair Rosenfield stated that unspent CFD bond proceeds below the \$2.259 billion budget would first go towards repayment of the Interim Financing and then towards Phase 2 work.

Mr. Heminger questioned whether there was an agreement in place to refund the other funders of Phase 1 costs, pro rata, if there were remaining funds. Chair Rosenfield replied that there wasn't an agreement to refund the other funders and that there would be challenges in doing so, due to restrictions on the CFD proceeds. Chair Rosenfield added that there were still risks above the \$2.203 billion EAC that continue to exist, such as litigation costs that may continue past initial assumptions, and outstanding claims.

Mr. Heminger asked if TJPA's assumption was that all claims related to the repair of cracked girders would be repaid by other parties. Mr. Alameida replied affirmatively. He stated that there were legal costs associated with the cracked girders and those risks were currently unknown.

There was no public comment.

7. Discussion Item:

Update on TJPA Fiscal Year 2018-2019 and 2019-2020 Operating Budget

Mary Pryor, TJPA Finance Advisor, presented the item.

Mr. Heminger asked if the net savings of \$4 million on an annual basis, based impacted revenue of \$2 million and savings in expenses of \$5 – \$6 million. Ms. Pryor confirmed that Mr. Heminger’s calculations for a full year of revenue and expenses were correct. She stated that revenue for events and sponsorship related to the park were affected by the closure. However, TJPA forecasted more revenue for fiscal year 2019-2020, due to using less of its operating reserve in fiscal year 2018-2019. Per Ms. Pryor, TJPA planned to ask AC Transit and SFMTA for pro rata contributions of the annual budget, based on the length of time the transit center is open.

Ms. Pryor noted that the fiscal year 2019-2020 budget included three scenarios requested by AC Transit and SFMTA: (1) Use the \$4.9 million balance in naming rights revenue for operations instead of tenant improvements, (2) Use \$2 million in naming rights revenue, and (3) Use \$0 in name rights revenue. She stated that if CFD proceeds or other revenue within the current budget may be used for tenant improvements, \$4.9 million from naming rights revenue would be used for the operations.

Mr. Heminger inquired whether closure of the transit center gave the naming rights owner an opportunity to withdraw its agreement. Ms. Pryor replied that she was not privy to that information.

Chair Rosenfield asked if there were forecasted improvements to the operating budget in 2021. Ms. Pryor stated that TJPA was anticipating retail revenue by 2021. In addition, spaces should be fully leased by that time, and commission payments to new tenants would not be needed. Ms. Pryor stated that she anticipated better stabilization in 2021.

Mr. Heminger suggested TJPA build into its scenarios, not having \$1.6 million in Regional Measure 3 funding available in fiscal year 2019-2020, due to current legal issues with the fund source. Ms. Pryor stated that TJPA would budget accordingly.

Chair Rosenfield asked when the TJPA Board adopts the budget. Ms. Pryor stated that the TJPA Board would adopt the budget in June.

8. Discussion Item:

Retail Leasing Update

Erika Elliott of Colliers International and Rodger Dean of Lincoln Properties Company (TJPA’s asset manager) presented the item.

Mr. Dean stated that the tenant improvements budget was still trending towards \$35.5 million. He stated that of the \$25 million authorized budget to date, \$19 million had been

committed, and that additional authorization above the \$25 million budget was not being requested at the current meeting. He stated that Lincoln Properties would wait until additional bid proposals from the requests for proposals (RFP) have been received.

Ms. Elliott noted that rent at the transit center have not fallen below pro forma, despite losing some competitive momentum; and tenant improvements were at pro forma.

There was no public comment.

9. 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 stated that no commitments or expenditures of City Financing would be requested at this time.

There was no public comment.

10. 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 summarized the following amendments for CRC review: (1) \$500,000 for the MTC Peer Review Panel, (2) \$3,000,000 for construction management oversight services provided by Turner Construction Co., and (3) \$250,000 general closeout work by Lincoln Property Co. Mr. Turchon provided updates on the previously approved \$17.4 million budget for closeout of the transit center, and \$3.65 million budget for completing construction of the bus storage facility.

There was no public comment.

There were no comments from the CRC on this item.

11. New Business
-Agenda for Next Meeting

Chair Rosenfield stated that the next agenda will be the same as today's meeting. In addition, since it is unlikely that there would be additional draws against the City Financing, the CRC can meet less frequently. The CRC can reconvene when there is a pre-opening update.

12. 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.

There was no public comment.

13. Adjourn – The meeting was adjourned at 10:50 a.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.