

MINUTES

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

Friday, May 19, 2017

1:30 p.m. to 3:30 p.m.

TJPA Offices
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 1:30 pm.

2. Roll Call

Present: Ben Rosenfield, Steve Heminger, Mark Zabaneh

CONSENT CALENDAR

3. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Cost Review Committee, and will be acted upon by a single vote. There will be no separate discussion of these items unless a member of the Committee or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

(3.1) **Approving the Minutes of the February 17, 2017 Meeting**

(3.2) **Approving the Minutes of the March 6, 2017 Meeting**

(3.3) **Approving the Minutes of the March 22, 2017 Meeting**

Mr. Heminger motioned to approve the minutes, seconded by Chair Rosenfield. None opposed. The minutes of the February 17, 2017, March 6, 2017 and March 22, 2017 meetings were approved.

REGULAR CALENDAR

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

Shane Hart from OCII and Tina Chang from SF Planning provided status updates of construction projects listed in the Status of Development handout.

Nadia Sesay, Director of the Controller's Office of Public Finance and Interim Director of OCII, stated that Board of Supervisor approval is in process for the first sale of Community Facilities District (CFD) bonds. Ms. Sesay stated that recent updated estimates are higher than projections in the handout, which may make up for the schedule slippage for some of the buildings. There will be more to report when the bond sale occurs.

Mr. Heminger inquired about the type of bonds being sold. Ms. Sesay stated that the bonds are fixed special tax bonds, with 82.6 % of the allocation being taxable and the balance being tax exempt. Chair Rosenfield asked how much of the proceeds would be funded to the project. Sara DeBord, TJPA Chief Financial Officer (CFO), stated that \$146 million of CFD funds are assumed in the project budget. Chair Rosenfield stated that he is encouraged by the projected \$290 million in future CFD proceeds; even with the first \$146 million in proceeds going towards the project, proceeds on construction that is underway would be sufficient or close to sufficient to buy out the City's loan.

Public comment: None.

5. Discussion Item/Possible Action:

Review of Proposed TJPA Fiscal Year Budget
Public Comment

Sara DeBord, TJPA CFO, presented the draft fiscal year budget.

Mr. Heminger asked if the TJPA could provide details on budget approval for Phase 2 work. Mr. Zabaneh stated that the San Francisco County Transportation Authority (SFCTA) Board approved \$5.4 million for 30% design of Phase 2. Mr. Zabaneh stated that the \$5.4 million amount included approximately \$900,000 for studying cut and cover segments of the project. Mr. Heminger asked whether Phase 2 would be design-build. Mr. Zabaneh stated that the TJPA will need to analyze the delivery method further, once the current alignment study is finalized.

Mr. Heminger questioned how much more SFCTA Prop K funding is available for the project. There was discussion on the uses of approximately \$30 million remaining in Prop K funding budgeted for Phase 2. Per Ms. DeBord, Prop K funding is specific to Phases 1 and 2.

Chair Rosenfield inquired about the operating budget assumptions and stated that there has been discussions regarding the use of reserves for the Transit Center tenant improvements. Chair Rosenfield asked about the \$1 million shown for operating reserve. Mr. Zabaneh stated that during the first year, the TJPA plans to use the operating reserve to cover operating contingency, whereas in the next fiscal year, when ramp-up costs are projected to significantly exceed ramp-up revenues, TJPA anticipates using the balance of operating reserve. Mr. Zabaneh stated that the TJPA expects operators to contribute to the balance of operating and maintenance costs.

Chair Rosenfield asked if revenues from the naming rights agreement are not assumed in the TJPA Fiscal Year Budget. Mr. Zabaneh stated that no revenues from the asset manager are in the FY17-18 budget and that the TJPA assumes it will not start receiving some retail revenue until next fiscal year.

Chair Rosenfield stated that the committee has no comments to the TJPA Board on this agenda item.

Public comment: None.

6. Discussion Item:

Program Budget and Construction Status Update (presentation)

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

Mr. Heminger stated that AC Transit plans on purchasing double decker buses and asked if the double decker buses will fit inside the bus deck. Per Mr. Turchon, double decker buses should fit in the bus deck and that buses will soon be driven through the bus deck.

Chair Rosenfield inquired about the status of the long-term lease with Caltrans for the Bus Storage Facility. Mr. Turchon stated that the TJPA is ready to deliver signed documents to AC Transit. Mr. Zabaneh stated that the Lease with Caltrans and sub-lease with AC Transit have been approved by the TJPA Board.

Chair Rosenfield asked if there are any funding sources that are outstanding which have not been allocated. Ms. DeBord stated that the last Phase 1 Prop K request and the last bridge toll allocation of \$2 million are going to the SFCTA Board and MTC in June. Chair Rosenfield stated that CFD funding is also forthcoming.

Mr. Heminger asked about the unmitigated schedule in the risk slide and questioned whether the confidence level has to be at 30% in order to be on the right track, when comparing to the target maximum amount. Mr. Alameida stated that the figures in the unmitigated schedule were based on no mitigation and that some of the risks have already been mitigated. Per Mr. Alameida, the

spectrum of risk is different now. Chair Rosenfield questioned whether project costs would be lower than \$2.258 billion, if the schedule is forecasted to slip to March 19, 2018. Mr. Alameida stated that the Estimate at Completion (EAC) accounts for known and unknown risks. Mr. Alameida also stated that the EAC assumes a December Substantial Completion date and June 2018 for Final Completion.

Mr. Heminger asked whether the Bus Storage Facility needs to be completed in order to operate the Transit Center. Mr. Zabaneh stated that because there are adequate spaces on the bus deck, the transit center can operate without completing the Bus Storage Facility. Mr. Heminger inquired about the need for the Bus Storage Facility and Mr. Zabaneh stated that it will provide additional spaces to address future ridership but initially, the transit center will suffice.

Mr. Heminger asked if the agreements with TIFIA and Caltrans require completion by December 2017. Mr. Zabaneh confirmed that substantial completion in December is required and that the TIFIA agreement defines substantial completion as the start of Muni operations. Mr. Alameida stated that Muni will be at the bus plaza and that the bus plaza is one of the areas that can be activated with the right focus from the contractor. Mr. Heminger asked what Caltrans' definition of substantial completion was and what TIFIA would do if the timeline is not met. Ms. DeBord stated that TIFIA could stop disbursements, if the timeline is not met.

Mr. Heminger inquired about the status of negotiations with operators such as Golden Gate, Muni, AC Transit and SamTrans. Mr. Zabaneh stated that negotiations with Golden Gate are not progressing well, and SamTrans is interested in coming to the bus plaza instead. Mr. Zabaneh stated that he will meet with Muni next week and will follow up with AC Transit. Mr. Heminger offered to participate in a meeting with the TJPA and operators. Chair Rosenfield stated that he is assuming \$10 – \$12 million of bridge financing is available for tenant improvements and wants the project staff to be mindful of not going back to City Financing for additional funding.

Chair Rosenfield asked for a status regarding the asset manager. Mr. Zabaneh stated that the TJPA and asset manager, Lincoln Property, have signed an agreement and the asset manager is actively marketing the transit center. Chair Rosenfield inquired about the timing for tenant improvements and Mr. Zabaneh replied that activities would begin in the July to August 2017 timeframe and that some revenue for retail, mostly from pop-ups, is expected in March 2018. Chair Rosenfield stated his interest of being informed on the amount of retail buildout completed when the transit center opens to the public.

Mr. Heminger asked when tenant improvements (TI) would be completed, given a start date in July 2017. He also commented that the TI work can affect the operation and maintenance (O&M) budget. Mr. Zabaneh stated that the TJPA's O&M projections are based on an assumption of 18 months to 2 years to fully activate all retail. Mr. Zabaneh stated that the TJPA needs feedback from the asset manager regarding the timeline of tenant improvement work and there will be more clarity in the next 2-3 months.

Chair Rosenfield asked if the project can maintain within the forecasted \$2.15 billion amount, given the forecasted February schedule slippage and Mr. Alameida replied yes. Mr. Zabaneh stated that he does not foresee the project spending the \$100 million reserve. Mr. Turchon stated

that the Construction Manager/General Contractor (CM/GC) acknowledges that it is their responsibility to mitigate the schedule. Mr. Turchon also stated that contractually, December 22, 2017 is the Substantial Completion date for the CM/GC. Mr. Zabaneh stated that based on the available information (provided by the CM/GC), delays are due to not having enough electricians. Mr. Alameida stated that there is a mix of design issues, which the team is navigating through and he stated that the other issue is about productivity. Per Mr. Alameida, there is selective overtime related to permanent power, in order to accelerate the critical electrical rooms. Mr. Heminger questioned what the mitigation is, if the contractor cannot find qualified labor. Mr. Alameida stated that the CM/GC is supplementing its work force by hiring a local second tier contractor to focus on the roof and key electrical rooms. Mr. Alameida stated that the challenges are recognized and mitigation measures are in place.

Public comment: None.

7. Action Item:

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

Public Comment

Sara DeBord, TJPA CFO, presented the item.

Ms. DeBord requested for an approval to commit up to \$175 million, and expend up to \$76 million in City Financing, until the next meeting.

Mr. Heminger motioned to approve up to \$175 million for commitments and up to \$76 million for expenditures, seconded by Mr. Zabaneh and Chair Rosenfield concurred.

After further discussion, Ms. DeBord suggested that the approval of expenditures be increased to \$90 million. Mr. Heminger revised his motion to approve expenditures from \$76 million to \$90 million, seconded by Mr. Zabaneh, and concurred by Chair Rosenfield. The item as amended was approved by all Committee members.

Public comment: None.

8. Discussion Item/Possible Action:

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

Mr. Heminger asked where Millennium-related costs fit in and whether funding of legal costs will become an operating expense in the long term. Mr. Zabaneh stated that it is anticipated that some of the costs of the 301 Mission litigation will be reimbursed by insurance companies for the TJPA's contractors.

Public Comment: None.

9. New Business
- Agenda for Next Meeting

Chair Rosenfield stated that the agenda for the next meeting will include standard agenda items, plus the possibility of a briefing on 301 Mission. Mr. Zabaneh stated he could not commit to the briefing on 301 Mission. Mr. Zabaneh also stated that, as a tentative agenda item, he would like to bring the TJPA facility manager or the asset manager team to provide a briefing on tenant improvements. Mr. Heminger indicated that he would like to re-schedule the next meeting to late August; Secretary Dea to coordinate a new Special Meeting date.

Mr. Turchon asked how the TJPA can obtain approvals for change orders that are needed prior to the next meeting. It was discussed and concluded that the CRC can schedule a special meeting, if needed.

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.

None.

11. Adjourn

The meeting was adjourned at 2:47pm.

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.