

MINUTES

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

Thursday, August 31, 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 1:35 p.m.

2. Roll Call

Present: Ben Rosenfield, Mark Zabaneh, Steve Heminger

3. Action Item:

Approving the Minutes of the May 19, 2017 Meeting

Mr. Zabaneh motioned to approve the minutes, seconded by Mr. Heminger and none opposed.
The minutes of the May 19, 2017 meeting were approved.

Public Comment: None.

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 provided status updates of development projects listed in the Status of Development handout.

Mr. Hart stated that Blocks 5 and 8 are expected to be completed ahead of schedule by one quarter, and that environmental studies are now underway for Parcel F. Per Mr. Hart, Block 4 has not progressed much since the last meeting due to differences between OCII and the developer on what to build. The developer will need to exercise its option by October of next year.

Chair Rosenfield stated that related to the interim financing, he is optimistic about the construction timeline for developments to be securitized for Community Facilities District (CFD) bonds. Per the update, developments planned for completion in 2019, or needed to be securitized to repay the two funding partners' loans, are forecast to be on schedule.

Public comment:

Jim Patrick stated that the committee should be aware of the proposed Environmental Impact Report for Parcel F calling for car elevators on Natoma Street and possible issues with a pedestrian-only concept.

5. Discussion Item:

Update on Transit Center Operations

Martha Velez, TJPA Facility Manager, presented updates on the planning for transit center operations.

Chair Rosenfield asked if there would be additional compensation under the Naming Rights Agreement if the Children's Playground and Grand Hall are named by Salesforce. Ms. Velez stated that there would not be additional compensation. Mr. Heminger asked if there are transfer rights to another party and Ms. Velez replied that there were none.

Chair Rosenfield questioned which Furniture, Fixtures and Equipment (FF&E), meaning the retail tenant improvements (TI), costs were assumed as operating costs and which TI costs were assumed as capital costs. Ms. Velez stated that \$10 million from the Naming Rights Agreement is assumed to be revenue for tenant improvements in the capital budget. Chair Rosenfield inquired about the remaining TI budget gap. Ms. Velez responded that the gap is unknown at this time and that the TJPA is expected to receive Fiscal Year 2018-2019 (FY 18-19) budgets from the asset manager on September 1, 2017. Thus, there will be more clarity on TI costs at the next committee meeting, and the TJPA will be able to evaluate how the TI costs affect the operating and capital budgets. Chair Rosenfield stated that TI costs in excess of \$10 million will either need to be budgeted as an operating cost, funded by the MTC, or capital cost, funded by the City's interim financing.

Mr. Heminger stated that he met with TJPA and several transit operators (regarding the operating budget). Per Mr. Heminger, AC Transit acknowledged some funding obligation, but declared they do not have enough funding and the other operators did not acknowledge any obligation. Per Mr. Heminger, Regional Measure 3 (RM3), which will need to go through the legislative process and be placed on a ballot, would provide \$5 million annually if approved. However, he stated that RM3 funding is not enough to resolve the operating budget issues.

Chair Rosenfield inquired about the forecast state of TI construction by the opening of the transit center next spring. Ms. Velez stated that the only spaces that will be built by the opening of the transit center are the spaces for Amtrak, Greyhound and the TJPA. Chair Rosenfield asked whether the transit center will look like an active construction site. Ms. Velez replied that in March 2018, there may be some commencement of construction for other retail spaces; pop-ups will be open; food vendors will be present; the park will be completed; and storefronts will be cleaned and wrapped. Ms. Velez stated that the transit center will not feel like it is in construction.

Chair Rosenfield inquired whether the cost of ongoing litigation is being carried in the operating budget at this time. Chair Rosenfield stated that he assumes legal costs would be part of the capital budget until construction is completed. He also stated that after construction is completed, he assumes the litigation cost is to be an operating cost. Mr. Zabaneh stated that the committee should discuss the topic further and that he believes the litigation costs are construction costs, carried in the contingencies. Chair Rosenfield stated that as the retail TI costs and the litigation costs become clearer, the costs can be further discussed at a later time.

Public comment:

Roland Lebrun questioned whether litigation costs will be covered by the insurance company. Mr. Zabaneh stated that the TJPA is anticipating that the insurance companies will cover the costs. Mr. Lebrun expressed his concerns regarding the Naming Rights Agreement and the benchmark from three years ago. He stated that the Westfield World Trade Center received \$1.4 billion for a 99-year lease on a 300,000 square foot space and questioned whether the project will receive comparable compensation.

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 updates to the program budget and construction status.

Mr. Heminger inquired if the Bus Storage Facility (BSF) is on the critical path and whether the transit center can open without the BSF. Mr. Turchon confirmed that the BSF is not on the critical path. Mr. Heminger asked if the park is on the critical path. Mr. Alameida stated that the park is also not on the critical path. Mr. Turchon stated that the intent is to have the park fully open at the commencement of bus operations. He further stated that a potential option, in case it is needed, is to have the majority of the park open to the public, while some portions are still undergoing work and are roped off at the time the transit center opens.

Mr. Heminger asked if there is a lag between training and bus operations. Mr. Turchon stated that AC Transit indicated the need to begin training in December 2017 in order to open in March 2018. Mr. Heminger asked if the TJPA's schedule contemplates this timeline. Mr. Turchon confirmed that the schedule accounts for the lag. Per Mr. Alameida, the contractor has indicated that training on the bus deck will begin in January 2018 and the TJPA is pushing for November

2017. Mr. Heminger asked if bus service can begin in March if training starts in January. Mr. Alameida stated that AC Transit has provided different timelines, ranging from three to four months. Mr. Alameida stated that the timelines leave very little contingency in terms of time. Mr. Alameida also noted that the schedule does not clearly show a December 2017 start date for Muni bus service at the Bus Plaza, which is planned.

Mr. Heminger inquired about a letter from AC Transit, regarding a possible safety issue on the Bay Bridge. Mr. Heminger stated that AC Transit seems to be citing an existing condition. Per Mr. Zabaneh, the TJPA requested that AC Transit provide a design which addresses its concerns. He also stated that AC Transit is meeting with Caltrans on how to mitigate the problem. Mr. Heminger asked if the TJPA needs permission from Caltrans to implement mitigation measures and Mr. Zabaneh replied that an encroachment permit from Caltrans would be needed. Andy Fremier, MTC Deputy Executive Director of Operations, stated that MTC, TJPA and Caltrans are currently discussing options and that the issue seems to be an existing condition from a previous project unrelated to the Transbay Program. Mr. Zabaneh stated that AC Transit's position is that the issue needs to be resolved prior to commencing bus operations because it is a safety issue. Mr. Heminger inquired about the estimated cost for the work and whether the TJPA is carrying a budget for this issue. Mr. Zabaneh stated that the TJPA did not carry a budget for the potential cost, estimated to range from \$100,000 to \$500,000, because the condition is pre-existing. Chair Rosenfield inquired about possible time impacts to the Project and Mr. Zabaneh responded that the time impact is unknown.

Mr. Heminger asked if the bullet points in the risks slide are in priority order and why retail was not last in the priority order. Mr. Alameida stated that TI related to Amtrak's and Greyhound's spaces is part of the priority piece of the retail and TI development. Per Mr. Alameida, the project team will need to align its priorities to support operations in March 2018. Mr. Alameida replied to the Chair's earlier inquiry of what the transit center would look like and stated that sidewalks, the perimeter and the plaza will look finished and functional in January. The building will gradually become more alive with the opening of the Grand Hall, Bus Deck, Rooftop Park and incremental retail spaces.

Chair Rosenfield asked which risk the TJPA is most concerned about and how the risk impacts schedule and budget. Mr. Turchon stated that the electrical scope, specifically, the Building Management System and Fire Management System, fall into that category because they are tied to receiving a Temporary Certificate of Occupancy. Per Mr. Alameida, the schedule is more of an issue than the budget. Mr. Alameida stated that the schedule issues may affect the budget, as the contractor may submit inefficiency-related costs to the TJPA. Mr. Alameida stated that despite issues related to finance, budget and schedule, the Construction Manager/General Contractor (CM/GC) has strived to advance the work. Per Mr. Alameida, the CM/GC hired other subcontractors to supplement Fisk Electric on electrical and low voltage work.

Mr. Heminger inquired if the BSF includes provisions to charge electric buses and Mr. Alameida replied that it is not part of the scope at this time. Mr. Zabaneh stated that the BSF was designed with AC Transit's input and AC Transit has not asked for the work related to electric buses. Mr. Heminger stated that AC Transit has ten fuel cell buses and that AC Transit, along with other

transit operators, will need to have clean fleets in the long run. Mr. Heminger further stated that San Francisco has hydro power, which is good and clean power.

Public comment:

Ken Bukowski stated that he is an Uber driver and he is not sure if places to pick up ride sharers are included in the facility.

An unidentified member of the public commended staff for their work on what he deemed a complex project. He appreciated Mr. Heminger's comment regarding clean power, as trains and buses that charge at their end points may not be charging to the cleanest power. He stated that he hopes trains and buses can charge in San Francisco, since San Francisco has cleaner power. He also suggested finding spaces to park bicycles to help alleviate bicycle congestion on trains and buses. He hopes that the project can find additional funding from competing bike-share organizations or other sources to expand accommodations for bicycles. He stated that it would be beneficial if additional steps are taken to prevent loading bicycles onto transit vehicles.

7. Action Item:

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

Public Comment

Sara DeBord, TJPA Chief Financial Officer (CFO), presented the item.

Ms. DeBord stated that the TJPA is requesting an authorization to expend up to \$117 million of City Financing but is not requesting authorization for additional commitments of City Financing above the already approved \$175 million. She stated the requested amount of \$117 million will cover expenditures from City Financing until the committee's next meeting in November.

Chair Rosenfield inquired about the previous authorized amount. Ms. DeBord stated that the previous authorization was \$90 million. Per Chair Rosenfield, other than delay in the securitization, which is forecasted for September in the Commitments vs. Cash Flow handout, the request appears to be in line with prior requests.

Mr. Heminger asked if legal costs are forecasted in the "other services" line of the handout and Ms. DeBord replied affirmatively. There was discussion regarding legal costs that were not forecasted past January 2018 and TI costs exceeding \$10 million, which were currently not shown in the capital or operating budget (other than to the extent anticipated to be covered by Program Reserve in the capital budget). Mr. Heminger asked if the committee should make a recommendation to the TJPA Board on the litigation and TI costs. He also questioned whether legal and TI costs were excluded during the authorization of the Bridge Loan. Chair Rosenfield stated that the costs were not reflected in the figures presented to the Board of Supervisors. Chair Rosenfield stated that not having enough clarity on the legal and TI costs is the reason the costs are not reflected in the capital and operating budgets at this time. Chair Rosenfield suggested making a recommendation to the TJPA Board after getting more clarity on legal and TI costs at the next CRC meeting. Per Mr. Heminger, the costs cannot be left out of the budgets and the preliminary advice prior to going to the TJPA Board is to carry the costs in a budget.

Ms. DeBord stated that currently legal costs are anticipated to be covered by the Program Reserve within the Phase 1 capital budget. Chair Rosenfield stated that the legal costs are assumed to come from the Program Reserve up to a certain point. Mr. Heminger asked if the costs will continue after that point. Ms. DeBord confirmed that the costs will continue and reiterated that the legal costs are unknown at this time. Ms. DeBord stated that the TJPA will continue to work with the legal firm on an estimated budget for costs beyond what is currently forecasted in the Commitments vs. Cash Flow handout. She further stated that the TJPA can try to provide a better update in November. Mr. Zabaneh stated that it may be difficult to come up with an estimate for legal costs. He stated that although the TJPA is expecting payments from insurance companies, there is uncertainty regarding the outcome of the lawsuit. Mr. Heminger questioned whether the Project could have saved legal costs by using the City Attorney, rather than retaining its own counsel. Chair Rosenfield stated that although there are shared interests between the TJPA and the City, not all interests are shared. Chair Rosenfield stated there are potentially more reasons for having different counsel.

Mr. Heminger motioned to approve the increased authorization of expenditures up to \$117 million in City Financing, seconded by Mr. Zabaneh, with concurrence from Chair Rosenfield.

Public comment: None.

8. Discussion Item/Possible Action:

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

Ms. DeBord, TJPA CFO, and Mr. Turchon, TJPA Senior Construction Manager, provided overviews of professional service amendments and change orders, respectively.

Chair Rosenfield stated that the committee had no comments on the item.

Public Comment:

Roland Lebrun stated that there are too many change orders caused by errors and omissions (E&O), and that the issue that stands out to him is concrete support.

Mr. Turchon addressed the concrete support issue and stated the original concept for the escalator mid-span supports was based on a particular design intent. However, now that the Project is using Shindler, the vendor does not have a system that can span the length in the original design. Therefore, a mid-span support was needed. Mr. Turchon stated the E&O percentage on the pie chart is still relatively small.

9. New Business

- Agenda for Next Meeting

Chair Rosenfield stated that the next agenda will be comparable to today's agenda. Per Chair Rosenfield, legal and TI costs are to be incorporated into one of the agenda items.

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.

Roland Lebrun stated that he wanted to start a robust discussion regarding RM3 as it relates to the Transbay Terminal. Mr. Lebrun stated that over the last five years, he expressed concerns to staff and the TJPA Board regarding his interpretation of Senate Bill 916 and how Block 5 affects the Transbay Project. He felt the infrastructure bank could have provided the \$175 million needed for the Project in order for the Project to keep the Block 5 parcel and that he thinks the solution to the issue would be the approach to the Downtown Rail Extension (DTX). He further stated that he believes the DTX is fully funded. He expressed concerns that TJPA would receive funding from RM3 without an engineering solution which shows how the Transbay Terminal will connect to the East Bay. He said that he does not believe that Caltrain's business plan to get 120,000 people up and down the Peninsula will work and that he believes the solution is to focus on the Baby Bullet trains. He believes the Baby Bullet train platform needs to have its length doubled to 400 meters, or about 1,400 feet. Mr. Lebrun stated that the project does not have 400 meters and that the 4th and King Street Rail Yard will never close, if the TJPA does not think about this issue.

11. Adjourn

The meeting was adjourned at 2:45pm.

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.