

MINUTES

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

Wednesday, August 29, 2018

9:00 a.m. to 10:30 a.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 9:04 am.

2. Roll Call

Present: Ben Rosenfield, Mark Zabaneh, Steve Heminger

3. Action Item:

Approving the Minutes of the May 18, 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 May 18, 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

Shane Hart, OCII Project Manager and Nicholas Foster, Senior Planner from SF Planning Department, presented the item.

Mr. Heminger inquired how the project was trending in terms of property developments needed to repay the Interim Financing. Chair Rosenfield stated that based on discussions with staff, the draws on Interim Financing were expected to exceed \$150 million. Given the projections, properties in categories 1 and 2, and the majority of properties in category 3 listed in the handout need to be completed.

Mr. Hart noted that Block 5 (listed in category 2 of the handout) has a new estimated temporary certificate of occupancy date of October 10, 2018.

Mr. Foster noted that SF Planning was working with OCII on variations required to off-site below market rate units to a Zone 1 or Zone 2 parcel. He anticipated hearings on Parcel F in the fall.

5. Discussion Item:

Program Budget and Construction Closeout Status Update

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

Mr. Turchon noted the following milestones for the transit center: Ribbon Cutting Ceremony on August 10, 2018, Grand Opening on August 11, 2018, and commencement of bus service at the Bus Deck on August 12, 2018. He stated that remaining work, including ceiling panel installation, testing and commissioning of various systems, and other punch list items, were anticipated to last through the end of the 2018.

Mr. Turchon stated that AC Transit moved into the bus storage facility last week, and buses were parked there. He stated that punch list work was also needed at the bus storage facility.

Regarding the \$2.2 billion Estimate at Completion (EAC) in the presentation, Chair Rosenfield stated that if TJPA intended to draw from Interim Financing for legal costs, it would be helpful to have a realistic timeframe for resolving litigation. Mr. Heminger asked for clarification on whether the current EAC assumed using all of the City's contribution and some of the Metropolitan Transportation Commission's (MTC) contribution to the Interim Financing. He asked if TJPA intended to close Phase 1 and move remaining expenses and exposure from Phase 1 to the Phase 2 budget at a certain time. Mr. Heminger expressed concerns about litigation continuing for a lengthy amount of time and using Interim Financing for legal costs. Mr. Zabaneh replied that the significant amount between the \$2.2 billion EAC (which includes tenant improvements and legal costs) and \$2.159 billion EAC for construction was the costs for tenant improvements. He stated that as TJPA closed out Phase 1, it would evaluate how to carry remaining exposures in its budgets.

Mr. Turchon thanked the CRC for its support leading to the opening of the transit center. Chair Rosenfield congratulated the project team on meeting the construction milestone.

6. Discussion Item:

Operations Update

Martha Velez, TJPA Facility Manager, presented the item.

Ms. Velez reported that TJPA was close to meeting targeted leasing in the third quarter of 2018, with lease agreements of eight spaces nearing execution, and another three to five leases being developed. She also reported that tenant improvement expenditures were currently trending under budget and next quarter, TJPA could provide a status update on the \$25 million tenant improvements authorization from a previous CRC meeting.

Ms. Velez provided updates on operations and stated that the Temporary Terminal was still active. She stated that two transit operators continued to operate at Block 2 of the Temporary Terminal. Plans for interim uses of Blocks 3 and 4 of the Temporary Terminal were underway, as OCII worked on long-term developments for Blocks 3 and 4.

Chair Rosenfield asked how draws to date were trending for the \$25 million tenant improvement authorization and whether TJPA could stay within the \$25 million amount to secure remaining leases. Ms. Velez replied that the space for Greyhound had recently been completed, but the construction costs were not yet available. She stated that only the architectural costs have been drawn. Ms. Velez stated that the initial budget for tenant improvements was \$35 million and that TJPA needed more time to provide updates as requested. Mr. Zabaneh stated that after leases were executed, TJPA would have more clarity next quarter.

Public Comment:

Jim Patrick stated that public agencies, such as OCII and other agencies, should work together and focus on completing projects in a timely manner.

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 stated that to date, the CRC has authorized commitments of \$175 million for construction of Phase 1 (building the transit center) and \$25 million for tenant improvements in Interim Financing. She stated that of the \$145 million authorized maximum draws from Interim Financing, \$103 million has been drawn to date. Ms. Pryor stated that TJPA planned to review its cash flow in several months, and estimated additional draws potentially needed in October or November 2018. TJPA was anticipating Community Facilities District (CFD) bond proceeds and possibly Interagency Plan Implementation Committee (IPIC) fees towards the end of calendar year 2018. Per Ms. Pryor, CFD bond proceeds and IPIC fees would be expended prior to using additional Interim Financing.

Chair Rosenfield stated that there was no action required on this agenda item and inquired about the assumptions for legal costs. Mr. Zabaneh stated that it was hard to estimate legal costs at the current time. Chair Rosenfield and Mr. Heminger requested briefings, prior to

the next CRC meeting, on the spending rate of legal costs and how legal costs are tracking per the assumptions in the budget. Chair Rosenfield questioned when legal costs would no longer be part of the Phase 1 budget and requested explicit assumptions.

There was no public comment.

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 TJPA would recommend to the TJPA Board, reallocating \$15 million from the program reserves to construction contingency and soft costs. He stated that of the \$15 million amount, approximately \$11 million would replenish the construction contingency and the remaining portion would be allocated to the budget for soft costs and interest needs. In addition, professional service contract amendments for legal costs and the design services would be presented to the TJPA Board.

Mr. Heminger questioned whether TJPA could comment on which parties were involved in litigations. He also asked whether TJPA has taken any action against the design firm. Chair Rosenfield stated that there were approximately twelve parties, and six to nine different litigations. Mr. Zabaneh stated that TJPA had not taken any action against the design firm.

Mr. Turchon requested approval of \$17.4 million for change orders related to the transit center. The \$17.4 million amount was for general close out of construction costs that were known at the time. Mr. Turchon proposed reporting on draws against the \$17.4 million budget in the next CRC meeting.

Chair Rosenfield questioned whether there was a general close-out budget for the bus storage facility as well. Mr. Turchon stated that for the bus storage facility project, a general close-out budget would not be necessary because the change orders were easily identified, and the project team did not anticipate claims.

Mr. Heminger inquired about the amount of retention withheld from the Construction Manager/General Contractor's (CM/GC) progress payments and whether the CM/GC was expected to contest liquidated damages. Mr. Turchon stated that \$38 million in retention had been withheld. Mr. Alameida stated that the project team had been meeting weekly to strategize on closeout. He stated that cost issues that were not controversial would be negotiated and some issues would likely be elevated to a dispute resolution process.

Mr. Heminger asked what the assumptions were within the \$2.2 billion EAC, in terms of settling claims. Mr. Alameida stated there were requested amounts carried in the EAC, however, the exposure for electrical scope-related costs were unknown.

Mr. Heminger questioned when the project team would know how much the CM/GC was requesting. Mr. Alameida stated that the CM/GC's contract required filing a claim within 45 days after final completion. He stated that forecasted final completion was December 2018. Therefore, the project team may have more information in the first quarter of 2019. Chair Rosenfield stated that in addition to legal costs, the committee members should be briefed on risks related to construction claims, as the claims seemed to be extended risks. Mr. Turchon stated that some MTC staff have already been briefed on potential claims.

The CRC reviewed shifting a total of \$21 million in program reserves per the staff memorandum, to replenish \$11.5 million of construction contingency; and \$9.5 million for TJPA administration, interest, design support, and legal costs.

Mr. Heminger motioned to approve \$17,414,000 for construction close-out, seconded by Mr. Zabaneh and no objections.

There was no public comment.

The requested budget of \$17,414,000 for general construction close-out items was approved.

9. New Business

- End Date and Frequency of CRC Meetings
- Agenda for Next Meeting

Secretary Dea addressed Mr. Heminger's question from the last meeting, regarding the end date of CRC meetings. She cited from page 3 of the Cost Oversight Agreement which stated that as long as Interim Financing was outstanding, the TJPA would need to work with the CRC.

Chair Rosenfield stated that CRC meetings were driven by staff's need for approval on commitments and draws. He stated that his expectation was that majority of approvals would be completed within the next six months. Following the six months, the CRC may revisit the discussion on the frequency of future meetings.

Mr. Heminger encouraged TJPA to apply lessons learned from Phase 1 of the Transbay Program to Phase 2, by creating an oversight process similar to the CRC's, as well as, MTC's oversight process for the Bay Bridge Project. Mr. Heminger emphasized that the oversight process for Phase 2 should be set up early, when key decisions were being made. He suggested involvement of rail tenants in the oversight process. Chair Rosenfield recommended creating a committee that allowed necessary communications with participants. Mr. Zabaneh stated that he supported the idea of an oversight committee for Phase 2 and that the process needed to be efficient. He stated that TJPA would need to consider the value of forming a committee that already had representatives on the TJPA Board. Mr. Zabaneh added that he would consider having rail tenants that were funders advise the TJPA Board on Phase 2.

Chair Rosenfield stated that TJPA may determine the timing of the next meeting. He stated that his expectation was not to meet too frequently in the following six months.

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.

Jim Patrick spoke about a lack of commitment to meet goals amongst multiple organizations. He felt that there was no overall leadership in transportation planning in the larger picture.

11. ADJOURN – The meeting was adjourned at 9:56 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.