



February 8, 2006

Directors, Transbay Joint Powers Authority

Dear Directors:

We write to express our support for the Transbay Terminal project and to suggest a path forward to ensure its success.

At every level of government, the City of San Francisco's representatives have been steadfast in their support of the grand vision for the Transbay Terminal project to bring Caltrain and eventually High Speed Rail into a state-of-the art inter-modal transportation hub served by local and regional bus lines, with connection to BART. As importantly, the project will help transform the surrounding area into a vibrant new high-density, mixed-use neighborhood in the heart of downtown, creating thousands of much needed new housing units, 35% of which will be offered at below market rates.

Indeed in action and in word, the City and County of San Francisco has contributed mightily to advancing this grand vision for the Transbay Terminal. In the last year alone nearly \$40,000,000 of San Francisco's scarce transportation resources has gone to fund the engineering of the project and to consummate the costly condemnation of 80 Natoma Street. Given the size of our ongoing investment in this project, it is imperative that we succeed.

In 1999, San Francisco voters approved Proposition H, which made it the policy of the City and County to extend Caltrain commuter rail service to the location of the current Transbay Terminal. In 2001, MTC Resolution 3434 adopted a regional rail funding plan that included the Caltrain Downtown Extension to a new Transbay Terminal. Since then, the project's funding plan has evidenced major fluctuations in its assumptions about the financial contributions from a number of key funding sources, including tax increment financing, passenger facility charges, federal loans and high speed rail, affecting amounts in the billions of dollars.

In recent years, the financial assumptions for the project included significant amounts of funding from High Speed Rail that was expected to be available early on in the project's development. While we strongly support High Speed Rail - provided that it directly connects Los Angeles and San Francisco - both the State legislature and the Governor have recently cast serious doubts on the timing and amounts of funding likely to be available in the next decade for that enormously complex project. Whether we like it or not, these recent changes in the State's transportation funding outlook are bound to have dramatic impacts on the Transbay Terminal project. How we respond to these changed circumstances will determine the fate of the project.

Specifically, it is essential that we develop short and long-range funding and phasing plans for the Caltrain Downtown Extension and the Transbay Terminal that do not unduly rely on High Speed Rail or other overly speculative funding sources. We understand that you have recently been presented by TJPA staff with one possible phasing approach to move the project forwards in the face of significant funding constraints, but we do not believe that there has yet been enough analysis and public policy debate to properly vet the underlying issues. For example, many of the City's important transportation and planning stakeholders have only the most cursory understanding of the TJPA's proposed shifts in its implementation plans and, as importantly, of the technical and financial analysis underlying those decisions. As a result, uncertainty persists as to what is the best way to proceed. Until the necessary analysis and policy debate is completed to the satisfaction of these stakeholders, we will lack the strong, unified position necessary to ensure that the grand vision for the project can materialize.

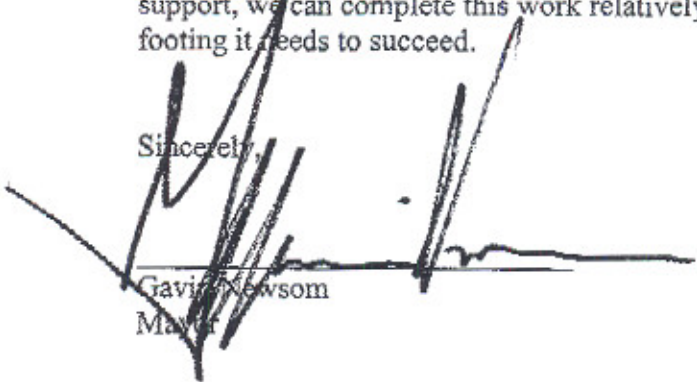
Accordingly, a working group comprised of the Planning Director, the City Administrator, the Executive Director of the Municipal Transportation Agency and the Executive Director of the San Francisco County Transportation Authority has been asked to formulate recommendations to the Mayor and the Board of Supervisors regarding what in fact is the best means of proceeding with the Transbay project. Specifically, their analysis will focus on three issues:

- Funding plans for the project that, among other things, assesses the levels of risk and uncertainty regarding the future of any High Speed Rail bonds and other unsecured funding sources. We will ask the Controller to support this effort as well by incorporating the results of the review that his office is currently conducting regarding the viability of the TJPA's long-term funding plans; and
- Phasing plans for the project that (i) are consistent with the funding environment described above, (ii) effectively stage the project to provide tangible assurances that both the rail and bus components will actually be delivered, (iii) help the project secure uncommitted funds and (iv) best position San Francisco to become the High Speed Rail terminal for the Bay Area in the future;
- Planning, economic development and urban design objectives for development of the project, including any joint-development alternatives for the terminal site. While the more than 800 foot mixed-use tower recently proposed by TJPA staff may in fact offer an exciting and profitable way to facilitate construction of the project, such an enormous structure will undoubtedly have significant impacts on the entire area; including everything from architecture and traffic, to the operational and financial impacts to the City of providing a broad range of services to thousands of new resident and workers at the site.

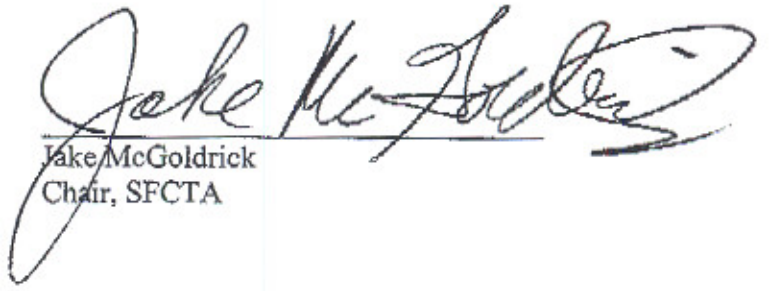
All of these issues need to be fully understood before the City's representatives working with and on the TJPA Board can properly endorse a particular course of action. We recognize that time is of the essence and that delay is a serious threat to a project of this size and complexity. But the greatest threat to the project today is the lack of consensus among the City's primary transportation and planning stakeholders about *how* to proceed. We expect the TJPA staff to cooperate fully in these efforts so that

together we can chart a course that gives this ambitious project the best possible chance of success. Of course, until this work is complete and a plan of action is endorsed by the Mayor and the Board of Supervisors based on the working group's recommendations, we ask that the TJPA not embark on any particular course of action that presupposes the answers to these difficult funding, phasing and urban design questions, including commencing any design or development competitions. With the TJPA's support, we can complete this work relatively quickly and provide the Transbay project with the sound footing it needs to succeed.

Sincerely,



Gavin Newsom
Mayor



Jake McGoldrick
Chair, SFCTA

- cc: Maria Ayerdi
- Nat Ford
- Ed Harrington
- Ed Lee
- Dean Macris
- Jose Luis Moscovitch