

**STAFF REPORT FOR CALENDAR ITEM NO.: 5
FOR THE MEETING OF: April 30, 2024**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Approving the reallocation of \$4,523,775 of the 2020 Tax Allocation Bond proceeds; adopting an amended Baseline Budget for Phase 1 of the Transbay Transit Center Program (Program), increasing the budget to a total amount of \$2,321,500,000, and adopting a corresponding amendment No. 5 to the Fiscal Year (FY) 23-24 Capital Budget for Phase 1 increasing the budget to a total amount of \$61,975,365.

EXPLANATION:

Amendment to Phase 1 Baseline Budget

In 2007, the TJPA Board adopted a Baseline Budget for Phase 1 of the Program in the amount of \$1,189,000,000. The 2007 budget excluded construction of the below-grade train box.

In 2010, the Board adopted a revised Baseline Budget, Financial Plan, and construction schedule for Phase 1 of the Program in the amount of \$1,589,000,000. The revised budget incorporated the construction of the train box in Phase 1 to reflect a \$400,000,000 American Recovery and Reinvestment Act (ARRA) grant award from the Federal Railroad Administration. By successfully securing the ARRA grant, the TJPA was able to construct the train box using a traditional bottom-up construction method and avoid the significant risks associated with the previously planned “top-down” method whereby the train box would have been excavated underneath the Transit Center building in Phase 2 after the building had been put into operation.

Subsequently, in July 2013 and November 2015, the Board adopted two amendments to the Baseline Budget, based, in substantial part, on higher than anticipated cost escalation and resulting bid prices, reflective of the active construction market in the San Francisco Bay Area, in general, and the Transbay District, in particular, which limited the bidder pool.

In 2015, the Metropolitan Transportation Commission conducted a cost and risk review of Phase 1 to advise on the cost to complete the Phase 1 project. In 2016, the Board adopted a revised Baseline Budget for Phase 1 in the amount of \$2,259,400,000.

In December 2023, the Board adopted an amendment increasing the Phase 1 Baseline Budget to \$2,278,400,000. On April 11, 2024, the Board adopted an amendment increasing the Phase 1 Baseline Budget to its current amount of \$2,281,400,000.

Staff recommend further amending the Phase 1 Baseline Budget by \$40,100,000 to complete closeout of all claims related to the construction of the Phase 1 project, including the Construction Manager/General Contractor (CM/GC) contract with Webcor Obayashi JV and all 49 trade package subcontractors, for a total Phase 1 Baseline Budget amount of \$2,321,500,000.

TJPA staff have identified sufficient funding for the proposed Phase 1 Baseline Budget amendment. However, the allocation of these funds to Phase 1 results in less funding available for Phase 2.

Amendment No. 5 to the FY23-24 Capital Budget for Phase 1

Each year, the TJPA Board approves an annual operating budget; separate annual capital budgets for Phase 1, Phase 2, and Tenant Improvements; and an annual debt service budget. The annual capital budget for Phase 1 presents the revenues and expenses staff expects the agency to incur for Phase 1 capital costs in that fiscal year; thus, the annual capital budget is a slice of the Phase 1 overall program budget.

In June 2023, the TJPA Board adopted the FY23-24 Capital Budget for Phase 1 in the amount of \$17,540,365. The budget has been amended four times, for a total of \$21,875,365 under the current budget.

Staff recommend increasing the FY23-24 Capital Budget for Phase 1 by \$40,100,000 for a total of \$61,975,365 to address the revised cashflow projections related to Phase 1 close-out during the fiscal year, as shown in the attached.

Reallocation of a portion of 2020 Tax Allocation Bond Proceeds

On March 12, 2020, the TJPA Board of Directors approved the issuance of not to exceed \$315,000,000 of tax allocation bonds (“2020 Tax Allocation Bonds”) to refinance the TIFIA Loan, repay all of a portion of the City Financing (as needed), and finance additional costs associated with the construction and design of the Transbay Terminal Project, including, but not limited to, payment of judgment or settlement obligations arising from litigation or other disputes relating to past or future Transbay Terminal Project construction or design activities. At that time, staff explained that the planned sources and uses of the 2020 Tax Allocation Bond and City’s proposed third issuance of CFD 2014-1 Bonds included \$35.5 million for additional costs associated with the construction or design of Phase 1 and \$50.5 million for costs associated with Tenant Improvements at the transit center.

Staff now recommend reallocating \$4,523,775 of the 2020 Tax Allocation Bonds from Tenant Improvements for the cost associated with the closeout of Phase 1, thereby avoiding a potential arbitrage penalty. Staff recommend replacing these reallocated bond proceeds with unrestricted funds in the Tenant Improvements budget.

RECOMMENDATION:

Approve the reallocation of \$4,523,775 of 2020 Tax Allocation Bond proceeds; adopt an amended Baseline Budget for Phase 1 of the Program in the amount of \$2,321,500,000; and adopt a corresponding amendment No. 5 to the FY23-24 Capital Budget for Phase 1 in the amount of \$61,975,365 in the attached form.

ENCLOSURES:

1. Resolution
2. Amendment No. 5 to FY23-24 Capital Budget for Phase 1

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The Transbay Joint Powers Authority (TJPA) has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program; and

WHEREAS, TJPA is preparing to complete closeout of all claims related to the construction of the Phase 1 project, including the Construction Manager/General Contractor (CM/GC) contract with Webcor Obayashi JV and all 49 trade package subcontractors; and

WHEREAS, On April 11, 2024, the TJPA Board of Directors approved an updated Baseline Budget for Phase 1 of the Transbay Program in the amount of \$2,281,400,000; and

WHEREAS, Staff recommend that the TJPA Board of Directors adopt a further amendment to the Baseline Budget for Phase 1 of the Transbay Program, increasing the budget by \$40,100,000 to a total amount of \$2,321,500,000, corresponding with the amounts required to complete the close out of all claims related to Phase 1; and

WHEREAS, On April 11, 2024, the TJPA Board of Directors adopted amendment No. 4 to the Fiscal Year (FY) 23-24 Capital Budget for Phase 1 in the amount of \$21,875,365; and

WHEREAS, Staff recommend that the TJPA Board of Directors adopt a further amendment to the FY23-24 Capital Budget for Phase 1, increasing the budget by \$40,100,000 to a total amount of \$61,975,365 to address the revised cash flow projections related to Phase 1 close-out during the fiscal year; and

WHEREAS, On March 12, 2020, the TJPA Board of Directors approved the issuance of not to exceed \$315,000,000 of tax allocation bonds (“2020 Tax Allocation Bonds”) to refinance the TIFIA Loan, repay all of a portion of the City Financing (as needed), and finance additional costs associated with the construction and design of the Transbay Terminal Project; and

WHEREAS, At the time of the Board’s approval, staff explained the planned use of the 2020 Tax Allocation Bond proceeds among various eligible uses, including, among other things, \$35,500,000 for Phase 1 and \$50,500,000 for Tenant Improvements; and

WHEREAS, Staff recommend the reallocation of a portion of the 2020 Tax Allocation Bond proceeds toward completing the closeout of Phase 1 and ensuring the timely use of the bond proceeds; now, therefore, be it

RESOLVED, That the TJPA Board approves the reallocation of \$4,523,775 in 2020 Tax Allocation Bond proceeds from Tenant Improvements to closeout Phase 1, and replace those reallocated bond proceeds with unrestricted funds in the Tenant Improvements budget; and, be it

FURTHER RESOLVED, That the TJPA Board of Directors adopts the recommended amendment to the Baseline Budget for Phase 1 of the Transbay Program in the amount of \$2,321,500,000, and the recommended amendment No. 5 to the FY23-24 Capital Budget for Phase 1 in the amount of \$61,975,365 in the form presented.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of April 30, 2024.

Secretary, Transbay Joint Powers Authority

FY 23-24 Phase 1 Budget	FY23-24 Budget Amendment 4 (Board 4-11-24)	FY23-24 Budget Amendment 5 (Board 4-30-24)	Adjustment
Revenues			
Transit Center District CFD Funds	21,875,365	6,890,334	(14,985,031)
Land Sales / Bridge Loan Proceeds		402,034	402,034
2020 Tax Allocation Bonds		10,023,775	10,023,775
Net Tax Increment		26,991,890	26,991,890
Reimbursements		5,348,492	5,348,492
Settlements		9,405,480	9,405,480
TIFIA Proceeds		730,600	730,600
Unrestricted		2,182,760	2,182,760
TOTAL REVENUES	21,875,365	61,975,365	40,100,000
Expenses			
Legal Counsel	7,800,000	7,558,000	(242,000)
Transit Center Program Administration	179,574	147,365	(32,209)
Financial and Grants Management	35,000	71,000	36,000
Construction Dispute Resolution Services	250,000	0	(250,000)
Program Management / Program Controls	10,000	0	(10,000)
Transit Center Engineering & Design	99,000	24,000	(75,000)
Transit Center Building & Ramps Construction	13,501,791	54,175,000	40,673,209
TOTAL EXPENSES	21,875,365	61,975,365	40,100,000