

Memorandum

Date: December 7, 2018
To: Transportation Authority Board
From: Eric Cordoba – Deputy Director for Capital Projects
Subject: December 11, 2018 Board Meeting: Major Capital Project Update - Better Market Street

<p>RECOMMENDATION <input checked="" type="checkbox"/> Information <input type="checkbox"/> Action</p> <p>None. This is an information item.</p> <p>SUMMARY</p> <p>The Board required regular updates on the Better Market Street (BMS) project as a condition of approval of One Bay Area Grant (OBAG) funds. Led by the Department of Public Works (SFPW), the BMS project is comprised of various streetscape enhancements, transit capacity and reliability improvements, and state of good repair infrastructure work along a 2.2-mile stretch of Market Street between Steuart Street and Octavia Boulevard. It includes construction of sidewalk-level bicycle lanes, resurfacing, sidewalk improvements, way-finding, lighting, landscaping, transit boarding islands, transit connections, traffic signals, transportation circulation changes, and utility relocation and upgrade. SFPW anticipates release of the draft Environmental Impact Report in March 2019 and certification of state and federal environmental clearance by Fall 2019. This represents a three-month delay since the September update to the Board and results from the need to develop alternative designs to address potential environmental impacts. The preliminary cost estimate for all phases of the project is \$604 million. Like most projects of this size at this stage of development, BMS has a significant funding gap (\$479 million). SFPW has developed a proposed phasing plan that could enable construction of Phase 1, the segment between 6th and 8th Streets, to start in July 2020, pending funding availability. Cristina Calderón Olea, SFPW’s BMS Project Manager, will present this item and answer questions from the Board.</p>	<p><input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input checked="" type="checkbox"/> Capital Project Oversight/Delivery <input type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other:</p> <hr/>
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DISCUSSION

Background

OBAG Reporting Condition: The Transportation Authority Board programmed \$15.98 million in OBAG Cycle 2 funds to the BMS for the project’s design phase. As a condition of receiving OBAG funds, all project sponsors are required to provide quarterly progress reports to the Transportation Authority through our grants Portal to assist with project delivery oversight and compliance with OBAG timely-

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use-of-funds requirements. In addition, the Board action required SFPW to provide quarterly reports and semi-annual updates on the BMS to the Board, addressing any changes in project schedule and cost, in particular.

BMS: Market Street is San Francisco's premier boulevard and an important local and regional transit corridor. The BMS project will completely reconstruct 2.2 miles of the corridor, from Steuart Street to Octavia Boulevard. It is a multi-modal project that includes among other features, a new sidewalk-level cycle track, pavement renovation, landscaping, Muni track replacement and a new F-Line loop that would enable the streetcars to turnaround along McAllister Street and Charles J. Brenham Place, providing increased operational flexibility. In addition to its transportation-focused goals supporting the City's Transit First and Vision Zero policies, the project is also intended to help revitalize Market Street as the City's premier pedestrian boulevard. Although not part of the BMS project, the project team is coordinating with BART on its efforts to construct escalator canopies at BART/Muni entrances and to perform state of good repair work on BART ventilation grates.

The BMS project is a partnership between SFPW, which is the lead agency, the San Francisco County Transportation Authority, the San Francisco Municipal Transportation Agency (SFMTA), San Francisco Public Utilities Commission (SFPUC), and the Planning Department, which is leading the environmental review.

Given the cost of the project and the length of the corridor, SFPW plans to design and construct the project in phases. SFPW has identified Phase 1 as the segment between 6th and 8th streets, but is currently evaluating whether to extend the limits one block east to 5th Street. As discussed below, pending funding availability, SFPW is proposing a phasing plan for design and construction that could allow them to advertise Phase 1 construction in Spring 2020 and begin construction by Summer 2020. The estimated cost for Phase 1 is \$79 million, including the F- Loop streetcar turnaround along McAllister Street and Charles J. Brenham Place.

Status and Key Activities

Environmental Clearance and Preliminary Engineering: BMS is currently undergoing environmental review under both the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). As part of the environmental review process, the project team is proceeding with preliminary engineering design of the full corridor. The design team has completed 15% plans for the entire project corridor, with 30% design to be completed at the time of project environmental certification.

SFPW anticipates public circulation of the draft Environmental Impact Report (EIR) in March 2019, and final certification of both CEQA (EIR) and NEPA (Environmental Assessment) documents in Fall 2019, pending public comment and input. According to SFPW, the environmental review is delayed by 3 months from the previous project update, and is now scheduled to be completed in March 2019. The delay to environmental review is the result of the need to develop design alternatives to analyze in the Draft EIR. The alternatives are meant to address potential environmental impacts from the proposed project such as construction impacts and impacts to cultural resources.

Project Phasing: Large projects such as BMS often are implemented in phases due to funding availability (both timing and amount) and a desire to minimize construction impacts and disruptions. While complete project phasing will be developed following the project's 30% design, the project team has identified Phase 1. At their August 2017 meeting, the BMS Directors Group, composed of the directors of SFPW, SFMTA, Planning and SFPUC selected Market Street between 6th and 8th streets as Phase 1 of BMS implementation. This segment supports the Office of Economic and Workforce

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Development's Mid-Market/Tenderloin Strategy and compliments completed and planned private development along the corridor. The project team is also exploring extending this priority segment another block to 5th street to leverage public realm improvements required by adjacent developments, and is considering the potential schedule and cost impacts of this change.

In addition to the improvements on and adjacent to Market Street itself, Phase 1 also includes a new surface loop for use by SFMTA's F-Market historic streetcar service. This new loop (F-Loop) entails the construction streetcar tracks along McAllister and Charles J. Brenham streets, passing in front of the Hibernia Bank and new Proper Hotel. The F-Loop will allow SFMTA to increase service on the busiest portion of the existing F-Market route by turning some vehicles at the new loop, rather than continuing to the current route terminus at Market and Castro streets.

Outreach:

SFPW, Planning and SFMTA will conduct additional outreach in March 2019 to notify the public of the release of the Draft EIR. Additionally, there will be public hearings at the Historic Preservation Commission and Planning Commission during the public review period.

Current Issues and Risks

The BMS Project team is actively considering potential risks to the project scope, schedule, budget, and funding as the current environmental clearance and preliminary design advance. As project engineers acquire more information about utility locations, sub-sidewalk basements, and designs of other planned or ongoing projects in the project area, there is the potential that additional coordination and relocation work will be necessary, representing an increase in cost. Meanwhile, though the environmental review under CEQA has been conducted in close coordination with sponsor and reviewing agencies, the potential for significant public comment and feedback, which must be addressed, remains. Feedback that requires a revised design or re-evaluation of the environmental clearance could have schedule impacts.

Larger trends also have the potential to impact the BMS project. A competitive construction environment exists across the Bay Area, resulting in construction bids on projects exceeding estimates developed in a slower market by close to 30%. Project cost engineers are aware of these challenges, and will be using the most up-to-date bids when developing the 30% cost estimate that coincides with the completion of the environmental clearance. Additionally, estimates based on the 10% design show a significant funding shortfall as described in the next section. The proposed phasing of final design and construction for the project is one strategy that the project team is using to address the uncertainty with the timing of availability of funds for the project.

Project Schedule

The revised project schedule through Phase 1 is included as Attachment 1, reflecting the one quarter delay in anticipated completion of the environmental phase since last reported (See Status and Key Activities for more details). Upcoming project milestones for environmental review include finalization of a second Administrative Draft EIR in December 2018, the release of a public Draft EIR in March 2019, and anticipated final CEQA and NEPA certification in Fall 2019.

Preliminary design is progressing concurrently with the environmental review, with 30% design of the full corridor scheduled to be completed in July 2019 and final design for Phase 1 to be completed in Spring 2020 to allow advertisement for construction services. Under this schedule, Phase 1 construction could start in Summer 2020.

This schedule represents a one-month delay from anticipated completion of environmental review submitted as part of the OBAG 2 funding request for this project. However, under current projections, the schedule also anticipates that Phase 1 will begin construction in July 2020, 18 months ahead of the project schedule submitted as part of the OBAG 2 funding request. This acceleration of construction, subject to funding availability, is made possible by the strategy of phased design and construction, where final design for later phases continues while earlier phases are under construction. As noted above, the schedule is contingent upon funding availability. SFPW will develop schedule milestones for construction of the remainder of the corridor as the funding is programmed.

Project Cost and Funding

The total project cost estimate, based on 10% design, is \$604 million. A significant portion of the total project cost represents state of good repair and infrastructure renewal work that would be required regardless of the BMS project. Attachment 2 provides a project component summary of total project costs as shown in OBAG 2 request (rounded up). The current cost estimate is based on unit cost estimations of a typical design and will continue to be refined as engineering on the project progresses. Future cost estimates will also include a breakdown of project costs based on BMS streetscape, and transit costs; state of good repair work; and other infrastructure work that is being completed with the BMS project to maximize efficiency and minimize construction disruptions.

Attachment 3 shows the current funding plan for the BMS Project. The BMS project has secured \$125 million in funding from OBAG, Prop K and SFMTA's Prop A General Obligation bond, fully funding the project through the design phase. The overall project funding gap is \$479 million.

As reported in September, in order to support the SFMTA's Central Subway project, the Transportation Authority Board approved a dollar-for-dollar fund exchange of \$15.98 million in BMS OBAG funds with Prop K funds from the discretionary guideways category. The BMS project is held harmless by the fund exchange and SFPW is able to expend Prop K funds as soon as July 1, 2019, following Board allocation of the funds. The fund exchange allows us to program the OBAG funds to the Central Subway project to help backfill the outstanding \$61 million in Regional Transportation Improvement Program funds that we owe the project. The MTC Commission is scheduled to approve the fund exchange on January 23, 2019.

The BMS project has received \$27 million in programmed or allocated funding for the current planning and environmental clearance phases. So far, 65% of the environmental budget has been expended, and SFPW indicates that the project is on track to complete these phases within this budget.

An additional \$42 million in funding has been programmed for final design (enough to fully fund design) and \$67 million for construction which gets close to, but doesn't fully fund the project through Phase 1 construction estimated at \$72 million. The City applied for a federal BUILD grant in the amount of \$15 million for construction of Phase 1. Notification of awards are expected by the end of the calendar year. Additionally, last month we worked with SFPW and SFMTA to submit Initial Progress Reports to the MTC to indicate San Francisco's priorities for Regional Measure 3 bridge tolls, including BMS. Regional Measure 3 may be a good source to fill the Phase 1 funding gap given the revised anticipated advertisement date of Spring 2020 for Phase 1 construction. If neither the BUILD grant nor RM3 funds are awarded to BMS, the project team will need to secure other funds to fully fund Phase 1 construction

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FINANCIAL IMPACT

None. This is an information item.

CAC POSITION

None. This is an information item. We will forward this memorandum to CAC members since the CAC does not meet again until January 23, 2020 given year-end holidays.

SUPPLEMENTAL MATERIALS

Attachment 1 – Better Market Street Project Schedule

Attachment 2 – Project Component Cost Breakdown

Attachment 3 – Better Market Street Funding Plan

Attachment 1: Better Market Street Project Schedule through Phase 1 Construction – As of December 11, 2018

Calendar Year

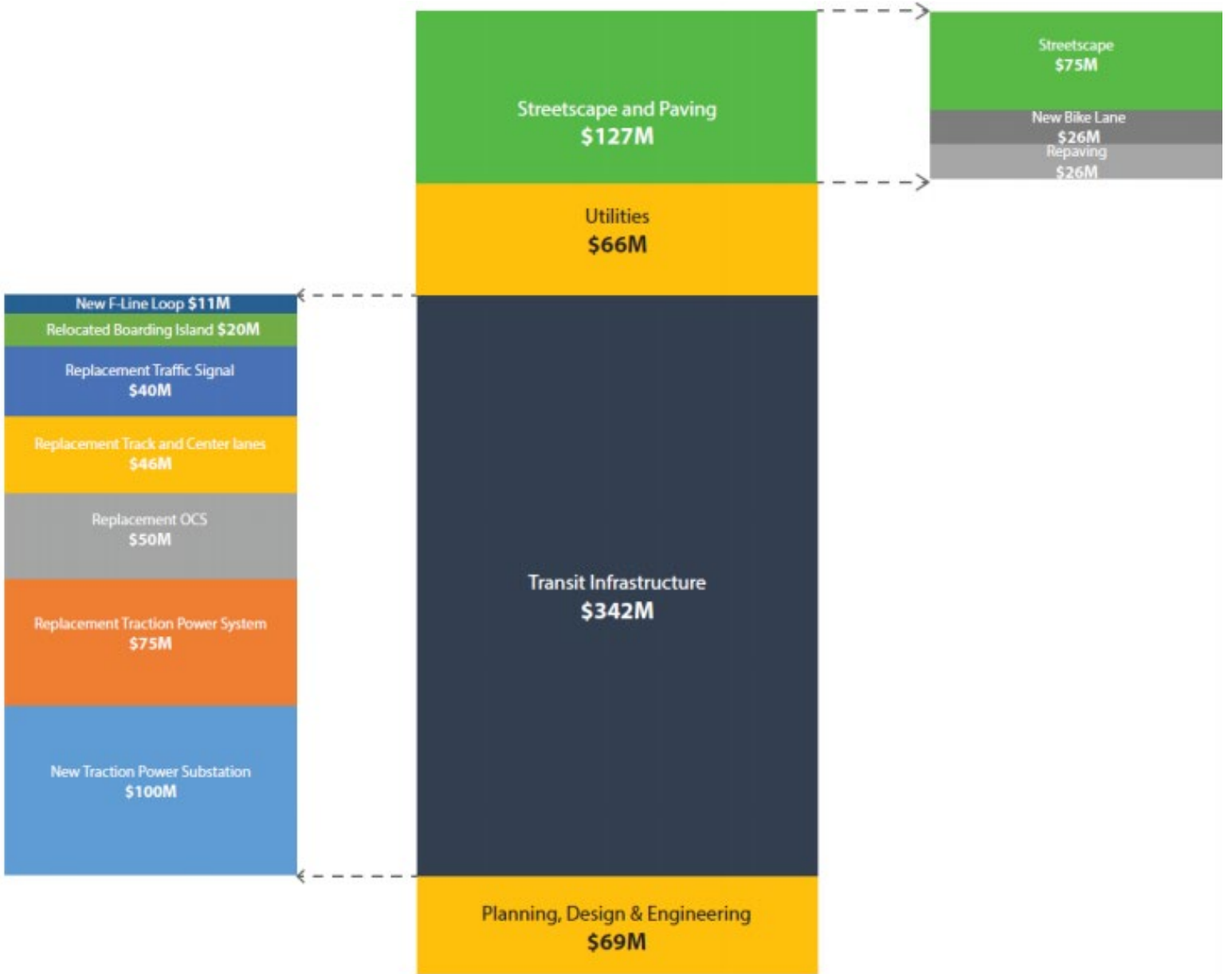
Activities	2015				2016				2017				2018				2019				2020				2021				2022							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Planning + Environmental Review (current phases)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	*	■																		
CEQA (EIR) & NEPA (EA) Approval																			**																	
Preliminary Engineering (30% of design) - Full Corridor									■	■	■	■	■	■	■	■	■	■																		
Preliminary Engineering + Final Design (100% of design) - Phase 1 (6 th to 8 th streets)									■	■	■	■	■	■	■	■	■	■	■	■	■															
Phase 1 Construction (6 th to 8 th streets) ¹																							■	■	■	■	■	■	■	■	■	■	■	■	■	■

* Anticipated public release of the Draft EIR (CEQA).

**CEQA (EIR) & NEPA (EA) Approval

¹Full corridor extends a 2.2 mile stretch of Market Street between Steuart Street and Octavia Boulevard. Phase 1 extends from 6th to 8th Streets.

Attachment 2: Project Component Cost Breakdown
Based on 10% design



\$604M Cost Estimate

Attachment 3: Better Market Street Project Funding Plan

All amounts in \$1,000's of \$

2014 10% COST ESTIMATE¹ (\$1000's of \$)		Project Phases					
Phase	PLAN	ENV	PS&E	ROW	CON	Total by Segment	
Planning/Conceptual Engineering	15,287						
Environmental Studies		11,355					
Design Engineering			42,039				
Phase 1 Construction (6 th to 8 th streets)					71,537		
Construction for Remainder of the Corridor					463,502		
Project Total	15,287	11,355	42,039	0	535,039	603,720	

¹As shown in the OBAG 2 grant application.

SECURED FUNDING (\$1000's of \$)		Project Phases					
Fund Source	Status	PLAN	ENV	PS&E	ROW	CON	Total by Fund Source
General Fund	Allocated	2,480	2,620				5,100
Octavia Land Sales	Allocated		3,050				3,050
Market Octavia Impact Fees	Allocated		1,000				1,000
Transit Center Impact Fees	Programmed			2,000			2,000
Prop A GO Bond	Programmed	12,807	4,685	22,809		66,665	106,966
OBAG 2 or Prop K Central Subway Fund Exchange ¹	Programmed			15,980			15,980
Prop K	Programmed			1,250			1,250
Total Identified Funding by Phase		15,287	11,355	42,039	0	66,665	135,346
Phase 1 Construction – Unfunded Need:							4,872
Total Unfunded							468,374
Project Total							603,720

¹See memo for details on proposed OBAG 2 Prop K fund exchange.

OTHER POTENTIAL FUND SOURCES (\$1000's of \$)		
Fund Source		Funding Requested
Federal	BUILD	15,000
Federal	FTA 5309 (New Starts, Small Starts, Core Capacity)	
Federal	FTA 5337 Fixed Guideway	
Federal	OBAG 3 [FYs 2022/23-2026-27]	
State	Senate Bill 1 Programs, Cap and Trade (e.g. ATP, LPP)	
Regional	Regional Measure 3 (bridge tolls) – Phase 1 Construction	4,870
Regional	Regional Measure 3 (bridge tolls) – Future Phase Construction	15,130
Local	SFMTA Prop B General Fund set-aside	
Local	New Funding (vehicle license fee, bonds, sales tax, TNC tax)	
Local	Transit Center Impact Fees	