

Transbay Transit Center Cost Review Phases 1 and 2

Programming and Allocations Committee

November 4, 2015



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Transbay Transit Center Review

- **Determine, with TJPA, budget requirement to successfully deliver Phase 1**
- **Work with TJPA and funding partners on funding and financing strategies to close funding shortfall**
- **Review Phase 2 cost estimate to understand funding needs going forward**
- **Ultimately, ensure successful delivery of both project phases**

Phase 1 Update

- **September MTC cost and risk review suggested that additional budget range would be prudent:**

	(\$ millions)
Approved budget (2013)	\$1,899
Proposed new request (July 2015, TJPA)	\$247
Proposed new total (July 2015, TJPA)	\$2,146
Potential additional exposure (Sept. 2015, MTC)	\$48-244
New Total (Sept. 2015, MTC)	\$2,194-\$2,390

Phase 1 Update

- Latest risk analysis by TJPA provides updated range:

Confidence Level	Budget Needed Above Current \$1.9 B Baseline (\$ millions)		Proposed Revised Budget (\$ millions)	
	Bottom-Up Model	Top-Down Model (FTA)	Bottom-Up Model	Top-Down Model (FTA)
30%	289	257	2,189	2,156
50%	307	316	2,207	2,216
70%	325	390	2,224	2,290

- Based on cost review and updated risk model, recommended/agreed-upon budget addition is \$360 million, for a total budget of \$2.26 billion.

Phase 1 Update

- **Potential Funding Sources:**
 - Parcel F
 - Other options being discussed among funding partners
- **TJPA may award some contracts in November, budget amendment would follow**
- **Also working with TJPA on cash flow issue related to restrictions on land sales revenues (only eligible for Capital Costs)**

Phase 2 Review

- **Confirm scope of Phase 2**
- **Assess reasonableness of estimated costs**
 - Basis: 2010 Preliminary Engineering Plans and Cost Estimate, adjusted to **\$3.0 billion** (year of expenditure)
 - Focus areas: annual escalation rate, assumed fee/profit, indirect costs, missing items, project contingency, unit rates
- **Provide high-level evaluation of procurement options**

Phase 2

Project Scope:

- **Downtown Extension** (track, tunneling, 4th and Townsend station, utility relocation, systems)
- **Train box fit out**
- **Minor Caltrain Yard modifications**
- ❖ **Train box extension**
- ❖ **Intercity bus facility**
- ❖ **Tunnel stub box**

Included in EIR but not in cost estimate:

- **BART/Muni underground connector**
- ❖ = New element



Annual Escalation Rate

- Current estimate assumes **3%** annual escalation rate to year of expenditure
- Caltrans California Highway Construction Cost Index exceeds 3% annual escalation assumptions
- Recommended escalation rate: **5%/year**
- Impact to estimate: **\$433 million**

Contractor Fee/Profit

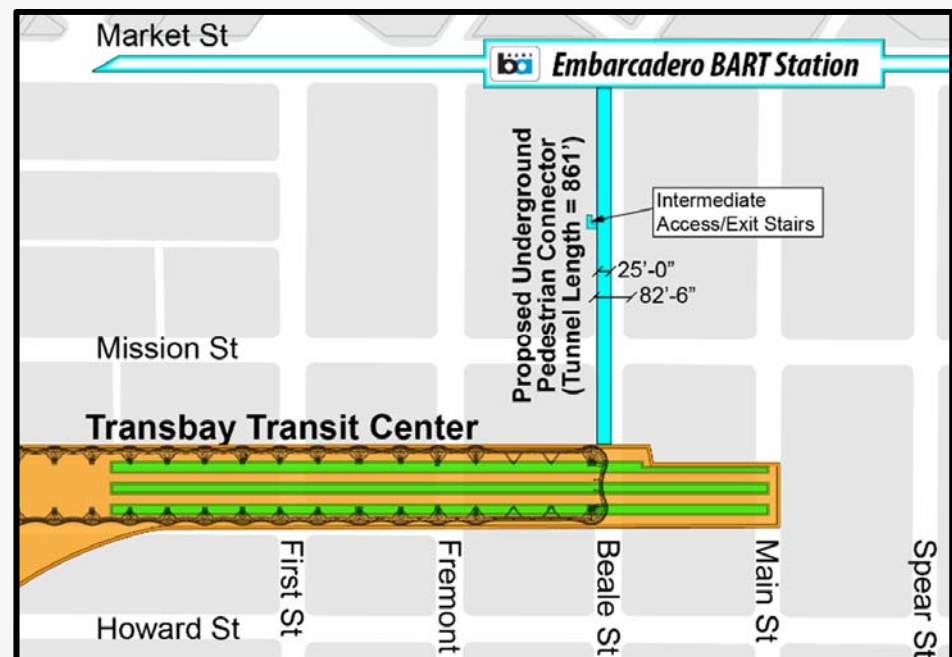
- Current estimate assumes **5%** contractor fee/profit
- Given project complexity and risk, level of competition, and market outlook, bidders are likely to include a higher fee/profit
- Recommended assumed contractor fee/profit: **10%**
- Impact to estimate: **\$100 million**

Other Cost Items

Item	Impact to Estimate (\$ millions)	
Project Contingency	93	Recommend 27% contingency for current design stage (vs. 24% used)
Missing Items	58	Three non-minor items not included in 30% design and estimate, costs should be added
Indirect Costs	—	Rate of 26% used in estimate appears reasonable
Unit Rates/ Schedule	—	Appear reasonable
Labor Productivity	— /TBD	Some assumptions warrant further review due to project location and complexity

Other Phase 2 Observations

- Perform value engineering/ constructability reviews
- Evaluate potential for phasing (e.g., advance utility relocation)
- Engage Caltrain and California High Speed Rail Authority in active scope management
- Include BART/Muni pedestrian connector in program



Summary of Potential Adjustments to Phase 2 Cost Estimate

Item	(\$ millions)
TJPA Base Estimate (YOE)	\$3,005
Escalation (using 5%, instead of 3%)	\$433
Fee adjustment (assuming 10%, instead of 5%)	\$100
Contingency (using 27%, instead of 24%)	\$93
Missing items	\$58
Total Adjustments	\$684
Add BART/Muni Pedestrian Connector	\$120-310
Total Adjusted Estimate	\$3,809-3,999

Project Procurement Models

- **Four main procurement models**
 - Design-Bid-Build
 - Design-Build
 - Construction Manager/ General Contractor
 - Public-Private Partnership (P3)
- **Key variances are in risk allocation, funding streams, and amount of project control by owner**
- **Potential cost savings with design-build and public-private partnership**
- **TJPA currently undertaking study of models for Phase 2**

Next Steps

- **Continue Phase 1 funding discussions**
- **Consider role in decision process**
(configuration management board or similar)
- **Review on-going Phase 2 procurement study**