





Memorandum

Date: 05.04.15 **RE:** Plans and Programs Committee
May 12, 2015

To: Plans and Programs Committee: Commissioners Tang (Chair), Christensen (Vice Chair), Breed, Farrell, Yee and Wiener (Ex Officio)

From: Lee Saage – Deputy Director for Capital Projects 

Through: Tilly Chang – Executive Director 

Subject: **INFORMATION** – Major Capital Projects Update – Presidio Parkway

Summary

The Presidio Parkway project, one of the signature Prop K sales tax projects, is approaching substantial completion this fall. The Presidio Parkway, replaces the Doyle Drive elevated freeway that provided access to the Golden Gate Bridge through the Presidio of San Francisco. The Transportation Authority served as co-lead agency in partnership with the California Department of Transportation (Caltrans) to complete the environmental document in 2008, perform design, negotiate right of way and oversee contracting and construction beginning in 2009. Removal of Doyle Drive and Phase I construction were completed in 2012. Construction is approximately 75% complete for Phase II, the phase of the project being delivered as a public-private partnership. Major current work includes completion of the main post tunnels and preparation for opening the new facility to traffic over a four-day weekend beginning May 28, 2015. The Golden Gate Bridge and Highway 1 will remain open but major delays are expected and we are encouraging the public to either avoid the area or make use of transit. Project costs through completion of construction are budgeted at \$857 million of which the Transportation Authority Board has programmed over \$203 million, including \$66 million in sales tax funds. While Phase II has made good construction progress with substantial completion scheduled for September 2015, the Phase II contractor, Golden Link Concessionaire (GLC), has faced challenges in working in harmony with the Presidio Trust. We are continuing to monitor the contractor's performance and are working aggressively with Caltrans to both advance construction and see that GLC meets the required program goals. **This is an information item.**

BACKGROUND

The San Francisco County Transportation Authority serves as co-lead agency in partnership with the California Department of Transportation (Caltrans) for delivery of the Presidio Parkway, the Doyle Drive replacement project, a signature project in the Prop K Expenditure Plan. The Transportation Authority led preparation of the environmental impact statement and report completed in 2008 and co-lead the integrated design team that produced construction drawings for the first phase of the project in 2009. The Transportation Authority also advocated consideration of a public-private partnership (P3) to deliver the project in order to better allocate project risks and to achieve better cost and schedule certainty. At completion of construction, costs for the two-phase project whose second phase is being done as a P3 are budgeted at \$857 million. The Transportation Authority Board has programmed over \$203 million to the project from federal and state funding sources and Prop K sales tax.

Phased construction of the parkway has allowed seismic safety to be achieved sooner by switching traffic from the old Doyle Drive onto the completed Phase I structures. Phase I included a replacement bridge on Highway 1 north of the MacArthur Tunnel and the new southbound Presidio Viaduct. Phase I also included the first of four short tunnels and a temporary bypass and delivered using traditional design-bid-build contracting.

In April 2012, seismic safety was achieved with competition of Phase I following a 57-hour weekend closure of Doyle Drive. During this closure traffic was shifted off the old roadway and onto the newly completed permanent southbound structures and temporary bypass road.

With traffic off the old roadway, Phase II construction began in 2013 to complete the remaining elements of the Presidio Parkway, including the Northbound Presidio Viaduct and Battery Tunnel, the Main Post Tunnels and the new Girard Road Interchange providing a direct connection to the Presidio. The Phase II public-private partnership is the first project in California to operate under this financial model under authority created in 2009. The selected bidder, Golden Link Concessionaire (GLC), has responsibility to design, build and finance, operate and maintain the facility over a 30-year concession period. The P3 method of delivery is expected to reduce costs, has freed state funding for other uses, transferred design and construction risks to the private developer, and is expected to ensure a high maintenance standard during the 30 year contract. Phase II will continue through 2016.

DISCUSSION

The purpose of this memorandum is to update the Plans and Programs Committee on the status of the Presidio Parkway project.

Budget: Table 1 presents the budget for Phase I and Phase II activities through completion of construction. Phase I budget amounts were disbursed on a pay-as-you-go basis under that phase's traditional design-bid-build contracting strategy. Under the Phase II P3, however, public sector

	Phase I	Phase II P3
Environmental	27,800,000	-
Development and Design	51,900,000	-
Right of Way	83,800,000	-
Transaction and Oversight	57,200,000	37,500,000
Construction	281,500,000	-
Construction Completion Milestone	-	185,400,000
TIFIA Tranche A Loan Repayment	-	91,000,000
Reserve	(5,900,000)	46,500,000
TOTAL	496,300,000	360,400,000

Source: FHWA Financial Plan Annual 2014 Update, Table 15

Source	Phase I	Phase II
Federal Earmarks and Discretionary Grants	70,800,000	5,900,000
American Recovery & Reinvestment Act	85,800,000	46,000,000
State Highway Operations & Preservation	198,000,000	72,200,000
Traffic Congestion Relief Program	15,000,000	-
Prop K Sales Tax	29,600,000	36,000,000
Regional Improvement Program (SFCTA)	17,100,000	67,000,000
State Local Partnership Program	-	19,400,000
MTC Bridge Tolls	80,000,000	-
MTC STP/CMAQ	-	34,000,000
GGBHTD ¹	-	75,000,000
Transportation Authority of Marin	-	4,000,000
Sonoma County Transportation Authority	-	1,000,000
TOTAL	496,300,000	360,500,000

Source: FHWA Financial Plan Annual 2014 Update, Table 22

sponsors make no payments until construction is substantially complete. Upon completion, sponsors make two payments as shown in Table 1: a construction completion milestone payment and a second milestone payment to allow the contractor to repay Tranche A of its two-tranche federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

Funding: As is common for large capital projects, a host of sources provides funding for Presidio Parkway as shown in Table 2. All funds have been fully committed and programmed. Funds for the Phase II P3 will be used to make a

\$185 million milestone payment to the contractor upon completion of construction and an additional payment of \$91 million to defray Tranche A of the federal TIFIA loan. Annual availability payments in

¹ Golden Gate Bridge, Highway and Transportation District

an initial amount not to exceed \$22.1 million will also be made that include repayment of Tranche B of the TIFIA loan as well as operations and maintenance of the facility over the 30-year concession period. Funding for the availability payments is shown in Table 3. After the first year's payment, the amount of the annual availability payment dedicated to operations and maintenance expenses can be adjusted based upon changes in the consumer price index. A detailed funding plan is included as Attachment 1.

Source	Available	Planned
State Highway Account (Federal Trust Fund)	1,030,100,000	616,500,000
State Highway Account (State Transportation Fund)	100,000,000	100,000,000
TOTAL	1,130,100,000	716,500,000

Source: Presidio Parkway Financial Plan Annual 2014 Update, Table 31

Schedule: Phase I construction was substantially complete in April 2012. Phase II design and construction were delayed by a lawsuit filed by the Professional Engineers in California Government in January 2011

objecting to the P3 form of project delivery for Presidio Parkway. Caltrans and the Transportation Authority prevailed at Superior Court, Court of Appeals and the California Supreme Court eventually leading to a successful P3 financial close in June 2012.

Activities	2012				2013				2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Phase I Construction	■	■																		
2. Phase II Design	■	■	■	■	■	■	■	■	■											
3. Operations							■	■	■	■	■	■	■	■	■	■	■	■	■	■
4. Phase II Construction							■	■	■	■	■	■	■	■	■	■	■	■	■	■
5. Landscape																■	■	■	■	■
6. Final Acceptance																				■

GLC has faced difficulties in working effectively with the federal landowner, the Presidio Trust (Trust), and has been challenged in dealing with the Trust's permit conditions and with Trust reviews of management and construction plans. GLC has also been challenged in obtaining and meeting conditions of a number of permits required by the Trust. Despite these challenges, the contractor still projects achieving substantial completion at its target of September 2015. Final landscape work is expected to continue into 2016.

Status: Overall, the Presidio Parkway project is 90% complete with Phase II construction approximately 80% complete. Major current work includes completion of the main post tunnels and preparation for opening the new facility to traffic over a four-day weekend beginning May 28, 2015. The Golden Gate Bridge and Highway 1 will remain open but major delays are expected and we are encouraging the public to either avoid the area or make use of transit.

DBE/SBE and Workforce Program: The four contracts that comprised Phase I included Disadvantaged Business Enterprise (DBE) goals that ranged from 2.9% to 5.0% and Small Business Enterprise (SBE) goals of 25%. As a newer form of project contracting, the Phase II P3 process presented an opportunity for the Transportation Authority to innovate in promoting opportunities for small and disadvantaged businesses as well as in creating a project Workforce Development Plan. While the P3 agreement identified goals, it also tasked the contractor to develop its own Underutilized Disadvantaged Business Enterprise (UDBE) Program as well as its own Workforce Development Program. Under federal rules in effect at the time of contracting, a UDBE means a firm that meets the definition of a DBE and is a member of one of the following groups: Black Americans, Native Americans, Asian-Pacific Americans, or Women. The SBE goals for Phases I and II are aspirational in

that federal contracting rules did not permit mandatory goals for small businesses not also designated as UDBE.

The UDBE goal for Phase II is 5.0% and the aspirational small business enterprise (SBE) goal is 25%. To date, GLC has engaged a total of 36 UDBE and 109 SBE firms. As shown in Table 3, GLC is close to meeting its DBE goal but is well short of its SBE goal.

Table 3 – DBE/SBE Program					
Contract	Goal		Actual		Paid²
	DBE	SBE	DBE	SBE	
1. Environmental Services	NA	25%	NA	63.8%	\$3,653,444
2. Utility Relocation	NA	25%	NA	33.8%	\$7,703,020
3. Viaduct & Interchange	2.9%	25%	3.1%	5.4%	\$5,209,520
4. Southbound Tunnel	5.0%	25%	10.3%	13.2%	\$16,975,520
5. Phase II P3 ³	5.0%	25%	3.9%	11.6%	\$25,682,373
TOTAL TO DATE					\$59,223,877
<i>Sources: Pendergast Consulting, Kiewit/Flatiron UDBE/SBE Report Q1 2015</i>					

The Transportation Authority, the City’s Office of Economic and Workforce Development and GLC have entered into agreements that call for GLC to offer 50% of project job openings to CityBuild through First Source. To date, GLC, through its design-build subcontractor Flatiron-Kiewit Joint Venture, is exceeding the 50% new-hire openings goal.

Through March 2015, GLC has requested a total of 382 new staff through CityBuild and actually hired 369. Of these 306 were local Bay area residents of whom 136 were from San Francisco.

Challenges: To date, Caltrans has approved contract change orders totaling \$12,015,000 and has increased the budget for support costs by \$12,000,000. GLC, Caltrans and the Transportation Authority are working to resolve other notices of potential claim and this could lead to additional project costs.

The Presidio Trust initiated the New Presidio Parklands Project (NP³) in March 2014 take advantage of reuse opportunities created by the new main post tunnels constructed as part of the Presidio Parkway. NP³ includes new landscaping for some 13 acres atop the tunnels and a new programming around a new Presidio Visitor Center. In an attempt to minimize duplication of landscape work, Caltrans and the Trust are pursuing an agreement whereby the Trust would assume responsibility for completing some landscaping work now included within the P3 agreement. Differing landscape specifications and the presence of federal funding make this effort more complicated than it should be and success is not guaranteed. Should no agreement be reached, GLC will complete landscaping per the P3 agreement.

ALTERNATIVES

None. This is an information item.

FINANCIAL IMPACTS

None. This is an information item.

RECOMMENDATION

None. This is an information item.

Attachment:

- 1. Funding Plan

² Total amount paid to firms that qualified as either DBE or SBE.

³ Reported data represent payments through December 31, 2014.

**Attachment 1:
Presidio Parkway Funding Plan
Updated April 2015**

Source ³	Type	Status	Project Phases ^{1,2}				Total by Status	TOTAL
			PE/ENV	PS&E	ROW	CON		
ARRA-SHOPP	Federal	Allocated	\$0	\$0	\$0	\$85,781,000	\$85,781,000	\$85,781,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
ARRA-TIGER	Federal	Allocated	\$0	\$0	\$0	\$46,000,000	\$46,000,000	\$46,000,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
HPP	Federal	Allocated	\$5,700,000	\$4,275,000	\$2,622,000	\$0	\$12,597,000	\$12,597,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
PLH	Federal	Allocated	\$7,200,000	\$1,904,000	\$3,961,000	\$3,704,000	\$16,769,000	\$16,769,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
STP/CMAQ ⁴	Federal	Allocated	\$0	\$0	\$0	\$0	\$0	\$34,000,000
		Programmed	\$0	\$0	\$0	\$34,000,000	\$34,000,000	
		Planned	\$0	\$0	\$0	\$0	\$0	
UPP	Federal	Allocated	\$0	\$20,000,000	\$27,300,000	\$0	\$47,300,000	\$47,300,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
RIP-Marin	State	Allocated	\$0	\$0	\$0	\$4,000,000	\$4,000,000	\$4,000,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
RIP-SF	State	Allocated	\$0	\$6,374,000	\$10,492,000	\$67,235,000	\$84,101,000	\$84,101,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
RIP-Sonoma	State	Allocated	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
SHA ⁵	State	Allocated	\$0	\$0	\$0	\$0	\$0	\$735,710,000
		Programmed	\$0	\$0	\$0	\$735,710,000	\$735,710,000	
		Planned	\$0	\$0	\$0	\$0	\$0	
SHOPP	State	Allocated	\$0	\$20,240,000	\$33,400,000	\$216,550,000	\$270,190,000	\$270,190,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
SLPP	State	Allocated	\$0	\$0	\$0	\$19,366,000	\$19,366,000	\$19,366,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
TCRP	State	Allocated	\$9,000,000	\$4,700,000	\$0	\$1,300,000	\$15,000,000	\$15,000,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
BATA	Local	Allocated	\$0	\$0	\$0	\$80,000,000	\$80,000,000	\$80,000,000
		Programmed	\$0	\$0	\$0	\$0	\$0	
		Planned	\$0	\$0	\$0	\$0	\$0	
GGHTBD	Local	Allocated	\$0	\$0	\$0	\$0	\$0	\$75,000,000
		Programmed	\$0	\$0	\$0	\$75,000,000	\$75,000,000	
		Planned	\$0	\$0	\$0	\$0	\$0	
Prop K	Local	Allocated	\$5,873,000	\$3,004,000	\$6,000,000	\$32,567,000	\$47,444,000	\$65,561,000
		Programmed	\$0	\$0	\$0	\$18,117,000	\$18,117,000	
		Planned	\$0	\$0	\$0	\$0	\$0	
Totals		Allocated	\$27,773,000	\$60,497,000	\$83,775,000	\$557,503,000	\$729,548,000	\$1,592,375,000
		Programmed	\$0	\$0	\$0	\$862,827,000	\$862,827,000	
		Planned	\$0	\$0	\$0	\$0	\$0	
			\$27,773,000	\$60,497,000	\$83,775,000	\$1,420,330,000	\$1,592,375,000	

¹ Acronyms used for project phases include: PE/ENV - Preliminary Engineering/Environmental Documentation, PS&E - Plans, Specifications & Estimates or Final Design, ROW - Right of Way, CON - Construction.

² Construction of the parkway has been divided into two phases. The first phase is being delivered using a traditional design-bid-build contracting. The second phase is being delivered as a public-private partnership (P3).

³ Acronyms used for funding sources include: ARRA - American Recovery and Reinvestment Act, BATA - Bay Area Toll Authority, CMAQ - Congestion Mitigation and Air Quality, GGHTBD - Golden Gate Bridge, Highway, and Transit District, HPP - High Priority Project, PLH - Public Land Highway, RIP - Regional Transportation Improvement Program, SHOPP - State Highway Operation and Protection Program, SHA - State Highway Account, SLPP - State and Local Partnership Program, STP - Surface Transportation Program, TCRP - Traffic Congestion Relief Program, TIGER - Transportation Investment Generating Economic Recovery, and UPP - Urban Partnership Program.

⁴ In order to meet the cash needs for the project, the Metropolitan Transportation Commission has advanced \$34 million in STP/CMAQ funds to be repaid with San Francisco's future local-share RIP funds. Repayment of this advance (i.e. by programming \$34 million in RIP funds to a project or projects of MTC's choice) is the second priority for SF's RIP funds after fulfilling the Central Subway's remaining RIP commitment of \$75.5 million.

⁵ Senate Bill 870 (2010) provided a continuous appropriation of funds for Presidio Parkway availability payments. Availability payments include \$19.2 million for operations and maintenance costs for the new facility for a 30-year period.