

CHAPTER 6: FINANCIAL PLAN

This chapter presents the proposed financial plan for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project. The analysis is not required for environmental review but is presented for informational purposes. A financial plan, or program, is an important element of the project approval process. For a project to receive regional funds in the subsequent phases of design and construction, it must be included in a financially constrained Regional Transportation Plan (RTP). Likewise, eligibility for state funds requires inclusion in the State Transportation Improvement Plan (STIP). If the project is to receive federal funds or is subject to federally required actions, such as review for its impact on air quality, it must also be included in the federally required Transportation Improvement Program (TIP).

6.1 PROJECT DESCRIPTION

The proposed project has three major components:

- A new, multi-modal Transbay Terminal on the site of the present Transbay Terminal;
- Extension of Caltrain commuter rail service from its current San Francisco terminus at Fourth and Townsend Streets to a new underground terminus underneath the proposed new Transbay Terminal; and
- Establishment of a Redevelopment Area Plan with related development projects, including transit-oriented development in the vicinity of the new multi-modal Transbay Terminal.

Other subordinate components of the project include a temporary bus terminal facility to be used during construction of the new Transbay Terminal, a new, permanent off-site bus storage/layover facility, reconstructed bus ramps leading to the new Transbay Terminal, and a redesigned Caltrain storage yard. Figure 1.2-1 (in Chapter 1) shows the project location.

6.2 ESTIMATED CAPITAL COSTS

A rebuilt Transbay Terminal and the underground Caltrain Extension are estimated to cost on the order of \$1.864 to \$2.095 billion at start of construction. The Transbay Terminal component of the project is estimated to cost from \$1.00 to \$1.16 billion in 2001 dollars, depending upon the Terminal Alternative selected. The Caltrain Extension Alternatives would cost on the order of \$0.786 billion to \$0.855 billion in 2001 dollars, depending upon the alignment selected and the construction technique used (cut-and-cover versus tunneling). Tables 6.2-1 and 6.2-2 summarize capital costs for the new Transbay Terminal and Caltrain Downtown Extension improvements, respectively. Cost estimates include net land acquisition costs and all agency costs for project oversight as well as general project contingency and reserve. The costs exclude any potential

savings from value engineering. For more detail on capital costs of the project components, see Chapter 2.

Table 6.2-1 Transbay Terminal Capital Cost Estimates (Millions of 2001 Dollars [1])		
Cost Component	West Ramp Alternative	Loop Ramp Alternative
Temporary Terminal	21.6	21.6
Temporary Ramps	13.9	13.9
Permanent Ramps	150.0	309.6
Permanent Terminal	779.4	779.4
Bus Storage	22.5	22.5
Real Estate [2]	15.6	15.6
Total	1,003.1	1,162.7

Notes: [1] For costs escalated to start of construction in 2002, see Table 2.2-1. Other qualifications and assumptions apply, including coordination with Caltrans during the retrofit of the Western Approach and bus ramp retrofit projects.
[2] Assumes mid-point of real estate acquisition cost estimates.
Source: MTC, SMWM, Oppenheim Lewis, Sedway Group, Parsons, 2001

Table 6.2-2 Caltrain Extension Capital Cost Estimates (Millions of 2001 Dollars)				
Cost Component	Second-to-Main Alternative		Second-to-Mission Alternative	
	Cut-and-Cover Construction	Tunnel Construction [1]	Cut-and-Cover Construction	Tunnel Construction [1]
Demolition	4.6	3.4	5.6	4.4
Tunnel/Subway/Depressed Section Improvements	312.6	352.8	317.6	356.7
Roadway/Utility Improvements	51.2	34.9	56.5	40.2
Trackwork	17.4	17.4	17.4	17.4
Systems	15.0	15.0	15.0	15.0
Station Improvements	11.4	11.4	11.4	11.4
Environmental Mitigation	25.1	20.3	27.2	22.3
CONSTRUCTION TOTAL	437.3	455.2	450.7	467.4
Design, CM and Owner Costs (25%)	109.4	113.8	112.7	116.9
Contingency Allowance (25%)	109.4	113.8	112.7	116.9
Project Reserve (10%)	43.7	45.5	45.1	46.7
TOTAL PROJECT COST – End of 2001	699.8	728.3	721.2	747.9
Right-of-way acquisition, relocation, resale (net loss) [2]	124.5	57.7	134.0	67.8
TOTAL PROJECT COST (End of 2001[3])	824.3	786.0	855.2	815.7

Notes: [1] Tunnel construction from Townsend to Folsom, [2] Total assumes mid-point of real estate costs, [3] For costs escalation to start of construction in 2004, see Tables 2.2-2 through 2.2-5.
Source: Parsons Transportation Group, 2001

6.3 ESTIMATED OPERATING COSTS AND OPERATING REVENUES

6.3.1 OPERATING AND MAINTENANCE COSTS

Anticipated ongoing operating and maintenance costs are discussed separately below for the Transbay Terminal and Caltrain Extension components. Labor and equipment would be the main costs for ongoing operation of the Caltrain extension. Moving the terminal from Fourth and Townsend to the Transbay Terminal, a distance of 1.3 miles, would have a modest effect on the total annual operating costs of Caltrain service. That cost, assuming 170 daily trains, is estimated at roughly \$9.1 million per year in constant 2001 dollars. The necessary rolling stock is assumed to be in operation at the time the Caltrain Extension begins operation.

The new terminal building would feature a number of design features to reduce maintenance requirements and operating costs, including an open design to optimize natural ventilation by prevailing winds and maximize natural light, and a system to collect rainwater for maintenance and irrigation. Operating costs for the new facility are estimated to be about \$13.5 million per year in constant 2001 dollars.

6.3.2 OPERATING REVENUES

With respect to Caltrain operations, the projected \$9.1 million per year increase in train operating costs due to the additional length of operations on the extension into the Transbay Terminal is expected to be funded by fare revenues from increased Caltrain ridership. With respect to the Transbay Terminal operations, long-term, ongoing operating revenues are anticipated from commercial leases in the Transbay Terminal. MTC Resolution No. 3434 includes a commitment of \$62 million in bridge toll funds provided by BATA to be used as operating assistance for this new Transbay Terminal over a 25-year period. The Transbay Terminal is expected to have a positive cash flow on the order of \$2 to \$3 million per year. The project would not divert any operating funds from existing bus services. Table 6.3-1 shows a conceptual operating plan for 10 years of revenue service beginning in 2010.

6.4 PROJECT'S INCLUSION IN REGIONAL TRANSPORTATION PLAN

The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project is included as one of the top funding priorities in the financially constrained portion (called "Track 1") of MTC Resolution 3434.1 MTC Resolution 3434 is the transit expansion element of the 2001 Regional Transportation Plan (RTP). The amended 2001 RTP was adopted by MTC on March 15, 2002.

¹ The Project is identified as the "Caltrain Downtown Extension/Rebuilt Transbay Terminal" in Resolution 3434 and the RTP.

<p align="center">Table 6.3-1 Caltrain Extension Conceptual Operating Plan - Cost and Revenue Estimates (Thousands of 2001 Dollars)</p>										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Caltrain Downtown Extension										
Operating Expenses [1]	\$8,146	\$9,071	\$9,071	\$9,071	\$9,071	\$9,071	\$9,071	\$9,071	\$9,071	\$9,071
Operating Revenues [2]	\$8,617	\$9,042	\$9,124	\$9,206	\$9,289	\$9,372	\$9,457	\$9,542	\$9,628	\$9,714
Net Loss/ Surplus [3]	\$471	-\$28	\$53	\$135	\$218	\$302	\$386	\$471	\$557	\$644
Transbay Terminal										
Operating Expense [4]	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503	\$13,503
Operating Revenues [5]	\$16,546	\$16,315	\$16,091	\$16,394	\$16,167	\$15,947	\$15,733	\$15,526	\$15,928	\$15,714
Net Loss/ Surplus	\$3,044	\$2,813	\$2,588	\$2,891	\$2,664	\$2,444	\$2,231	\$2,023	\$2,425	\$2,212
<p>Notes:</p> <p>[1] From Manuel Padron <i>Final O&M Cost Results Report for Caltrain Downtown Extension Project</i>, 11/8/96, escalated to 2001 and adjusted for number of trains.</p> <p>[2] Assumes average of \$2.76 per ticket for 13,500 new riders attributable to the extension in 2020, with an annualization factor of 268.</p> <p>[3] Use of excess revenues to be determined by the JPB.</p> <p>[4] Based on Jones, Lang LaSalle Report (February 13, 2001) and July 2002 revisions, and Nancy Whelan Associates, July 2002.</p> <p>[5] Based on Jones, Lang LaSalle Report (February 13, 2001) and July 2002 revisions, and Nancy Whelan Associates, July 2002. Includes \$3 million in annual BATA bridge toll operating support per MTC Resolution 3434 (start date of 2010).</p> <p>Source: Parsons Transportation Group, Nancy Whelan Associates. August 2002.</p>										

6.5 ADDITIONAL FACTORS CONTRIBUTING TO FUNDING FEASIBILITY

The funding plan for the Transbay Terminal/Downtown Caltrain Extension/Redevelopment Project, presented in Section 6.6, is based on the application submitted by the San Francisco County Transportation Authority to MTC for inclusion of the Project in Resolution 3434 and the RTP. The funding plan and application were prepared by San Francisco Mayor's Office of Economic Development, the San Francisco County Transportation Authority, the San Francisco Planning Department, the San Francisco Redevelopment Agency, and the Peninsula Corridor Joint Powers Board.

MTC's process for selecting projects for inclusion in Resolution 3434 portion of the RTP included consideration by MTC of a number of criteria and factors intended to ensure the ability to deliver and to maximize performance of the region's investments in transit expansion. The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project measured well against all criteria; hence MTC's decision to include it among the top priorities in the region. The following describe some of those factors and are included to further illustrate the value and importance of the Project to the regional transportation network.

6.5.1 SUPPORTIVE LAND USE POLICIES

The Caltrain Downtown extension to the new Transbay Terminal would connect the South Bay with the region's largest and densest concentration of employment – San Francisco's financial district. The proposed extension is consistent with the findings of MTC's *Blueprint* evaluation, which found that rail extensions capture significantly more ridership in the densely settled urban core of the region.

Even though much of downtown San Francisco is substantially built out, there are opportunities for additional development that would further increase Caltrain and bus ridership growth, thereby improving the project's cost effectiveness. The redevelopment component of the project (Full Build Alternative) includes over 7.6 million square feet (sq. ft.) of residential/office/retail/hotel development, including approximately 5.6 million sq. ft. of residential development (nearly 5,000 residential units including affordable housing), nearly 1.2 million sq. ft. of office development, 475,000 sq. ft. of hotel development, and 355,000 sq. ft. of retail development.

Not only would transit-oriented development around the Transbay Terminal provide needed funding (through tax-increment financing), it would also increase the density of employment and residential units in the South of Market area. This would improve transit's ability to attract a larger mode share of persons commuting to jobs in the region. In addition, an unprecedented amount of development is projected in the southeastern part of San Francisco over the next 20 years. The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project would provide another attractive transportation option to new residents and workers in that area.

San Francisco's General Plan and Planning Code have for several decades included policies and requirements to ensure transit-oriented, pedestrian-oriented, and mixed-use development (e.g. Transit First policy, transit impact development fees applied to the downtown commercial land uses, parking restrictions and disincentives, and other measures). These existing policies would contribute to the long-term success of the Terminal/Extension Project.

6.5.2 SYSTEM CONNECTIVITY

Caltrain now terminates more than a mile away from the major employment concentrations of San Francisco's downtown office district, and far from the BART and Muni Metro stations on Market Street and from the existing Transbay Terminal. By extending the Caltrain terminus to the Transbay Terminal, the project would act as a critical gap closure, improving inter-county travel via Caltrain, BART, Muni Metro, Golden Gate Transit, SamTrans, and AC Transit. One centrally located terminal would allow intermodal connections for direct access to seven Bay Area counties from one terminal. In addition, the extension is being designed to accommodate a possible future connection to the East Bay and the Capital Corridor service, which extends from San Jose to Sacramento and points north. The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project has considerable potential to improve interregional travel by allowing centrally located connections to Greyhound, the Amtrak bus bridge to the East Bay, and a future statewide high-speed rail system.

Caltrain service levels have increased over the recent years to 80 trains per day. The Transportation Congestion Relief Program (TCRP) funding has been earmarked to help implement express service (designated "baby bullet" service). Improvements recommended in Caltrain's Rapid Rail Plan, including the construction of passing tracks, are being implemented at a rapid pace. By 2003, the JPB anticipates operating 120 trains per day to the Fourth and Townsend Station. Furthermore, the programmed electrification of the Caltrain would further increase service improvement options. The current recession and resulting revenue shortfall may delay these programmed service increases and even reduce the current number of trains, but economic recovery should enable Caltrain expansion to get back on track prior to the construction of the Transbay Terminal.

6.5.3 TRANSIT SYSTEM ACCESS

The Caltrain Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project would offer exceptional multi-modal system access, more than any other rail extension project in the region. Many of the essential, complementary elements contributing to a high level of system access are already in place. They do not depend on additional actions by outside agencies not associated with the proposed project.

By terminating at the Transbay Terminal, Caltrain would facilitate seamless transfers among various local, intercity, and interregional bus and rail transit services, including AC Transit,

Golden Gate Transit, Muni, Greyhound, Amtrak, SamTrans and future high-speed rail. The extension would be designed to allow additional transit, including rail, extensions to the East Bay and Capital Corridor service. A new Transbay Terminal would provide pedestrian access to BART and Muni Metro on Market Street.

Under the Project, the Caltrain commuter rail terminus would be located in San Francisco's downtown office district, which has the highest volume of pedestrian traffic in the region. The area is characterized by high density, mixed land uses and a pedestrian-friendly urban environment featuring wide sidewalks, abundant ground floor retail, and narrow streets, among other features. San Francisco also has the highest volume of bicycle traffic in the region. Official bicycle routes (shared roadway) adjacent to the terminal include Second and Howard Streets. Nearby Market Street is an integral component of the city's bicycle network. Folsom Street, one block south of the terminal, has a bike lane. An attended bike station would operate at the Caltrain terminus station. Caltrain's handling of bicycles onboard trains is considered one of the best programs in the U.S. Caltrain now accommodates more than 2,000 bikes per day, a number that is growing rapidly.

The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project would also offer travel time benefits for commuters along the entire Caltrain Corridor, including residents of San Francisco who would be offered five Caltrain station stops within the city. For example, the extension to the Transbay Terminal would reduce the travel time from the southern portions of San Francisco (e.g., Visitation Valley and Bayview), with the highest concentration of low-income population in San Francisco, to the downtown. In addition, the Transbay Terminal's centralized connections to the South Bay (via Caltrain and SamTrans), and East Bay (via AC Transit) would help to improve mobility for many low-income populations throughout the Region.

6.6 PROPOSED FUNDING BY SOURCE

Table 6.6-1 presents funding options tailored to the different alternatives under consideration for the Project (as described in Chapter 2). These funding options are based on the funding plan developed jointly by the City and County of San Francisco, the San Francisco County Transportation Authority, the JPB, and MTC as part of MTC Resolution 3434. The financial plan in this DEIS is based on financial projections and governmental actions which are not finalized. More detailed information on the financial plan will be presented in the FEIS.

MTC Resolution 3434 assumed a project cost of \$1,885 million (in 2001 dollars), which is slightly greater than the base capital cost of the Caltrain options under the Transbay Terminal West Ramp Alternative. Value engineering is assumed to reduce the project cost (excluding right-of-way cost) by ten percent. Table 6.6-1 identifies additional revenue sources to fund the expected financing cost of the project. The other funding options have also been developed using Resolution 3434 funding plan as the point of departure, with adjustments as necessary within the framework of project eligibility and assumed overall availability of the different funding sources.

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**Table 6.6-1
Project Estimated Capital Costs and Funding Sources (Millions of 2001 Dollars)**

Transbay Terminal Caltrain Extension Alternative	West Ramp				Loop Ramp			
	Second-to-Main		Second-to-Mission		Second-to-Main		Second-to-Mission	
	Cut-and-Cover	Tunnel Option	Cut-and-Cover	Tunnel Option	Cut-and-Cover	Tunnel Option	Cut-and-Cover	Tunnel Option
Capital Costs and TIFIA Debt Service								
Base Cost	\$1,827.4	\$1,789.1	\$1,858.3	\$1,818.8	\$1,987.0	\$1,948.7	\$2,017.9	\$1,978.4
Value Engr. [1]	(\$168.7)	(\$171.6)	(\$170.9)	(\$173.5)	(\$184.7)	(\$187.5)	(\$186.8)	(\$189.5)
Total Capital	\$1,658.6	\$1,617.5	\$1,687.4	\$1,645.2	\$1,802.3	\$1,761.1	\$1,831.0	\$1,788.9
Debt Service	\$1,077.9	\$1,051.1	\$1,096.6	\$1,069.1	\$1,171.2	\$1,144.5	\$1,189.9	\$1,162.5
Total Cost	\$2,736.5	\$2,668.6	\$2,784.0	\$2,714.3	\$2,973.5	\$2,905.6	\$3,021.0	\$2,951.4
Funding Source								
<i>Local/State</i>								
Regional Measure 1	\$53.0	\$53.0	\$53.0	\$53.0	\$53.0	\$53.0	\$53.0	\$53.0
Sales Tax [2]	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0	\$27.0
ITIP [3]	\$59.0	\$59.0	\$59.0	\$59.0	\$150.0	\$111.0	\$160.0	\$150.0
AB1171 [4]	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0	\$150.0
Land Sales [5]	\$300.8	\$300.8	\$300.8	\$300.8	\$300.8	\$300.8	\$300.8	\$300.8
Tax Increment [6]	\$192.1	\$192.1	\$192.1	\$192.1	\$192.1	\$192.1	\$192.1	\$192.1
Net Operating Revenues [7]	\$67.5	\$67.5	\$67.5	\$67.5	\$67.5	\$67.5	\$67.5	\$67.5
Prop 42/Other [8]	\$600.9	\$546.7	\$638.9	\$583.2	\$630.8	\$612.6	\$636.1	\$618.0
PFC [9]	\$506.1	\$506.1	\$506.1	\$506.1	\$506.1	\$506.1	\$506.1	\$506.1
Increased PFC [9]	\$145.2	\$145.2	\$145.2	\$145.2	\$145.2	\$145.2	\$145.2	\$145.2
Leveraged Lease Transaction [10]	\$50.2	\$50.2	\$50.2	\$50.2	\$58.1	\$58.1	\$58.1	\$58.1
<i>Federal</i>								
TIFIA Loan	\$552.3	\$538.6	\$561.9	\$547.9	\$600.2	\$586.5	\$609.7	\$595.7
RTIP/STP/CMAQ [11]	\$23.0	\$23.0	\$23.0	\$23.0	\$83.3	\$86.3	\$105.9	\$78.5
Section 1601 [12]	\$9.4	\$9.4	\$9.4	\$9.4	\$9.4	\$9.4	\$9.4	\$9.4
Total Funds	\$2,736.5	\$2,668.6	\$2,784.0	\$2,714.3	\$2,973.5	\$2,905.6	\$3,021.0	\$2,951.4

Notes:

- [1] Assumes 10% value engineering savings calculated from total costs minus real estate costs, as defined in Tables 6.2-1 and 6.2-2.
- [2] San Mateo County contribution (per MTC's RTP).
- [3] Interregional Transportation Improvement Program. MTC's RTP includes \$59 million.
- [4] Per MTC's RTP. New Source of discretionary funds to MTC, pursuant to State law passed in October 2001 to complete the seismic retrofit of Bay Area bridges and related projects, consistent with Regional Measure 1.
- [5] Per Jones, Lang LaSalle Report, February 13, 2001, de-escalated to 2001\$ by Nancy Whelan Associates, July 2002.
- [6] Tax Increment Financing amounts from Seifel Consulting 6/25/02, de-escalated to 2001\$ by Nancy Whelan Associates, July 2002.
- [7] Per Jones, Lang LaSalle and Nancy Whelan Associates, July 2002. Includes \$3 million in annual BATA bridge toll operating support per MTC Resolution 3434.
- [8] Prop 42/Other includes potential funding from the following sources: Proposition 42, Proposition B sales tax rollover, third dollar on the Bay Bridge, High Speed Rail Funds, and the PCL Initiative. The MTC recently approved recommendations for the Bay Crossings Study that recommend the Transbay Project be considered as an eligible project for revenues from the proposed third dollar of Bay Bridge tolls.
- [9] A Passenger Facility Charge (PFC) is assumed for Caltrain and AC Transit passengers. The PCF would be \$1 from commencement of service through 2024, increasing to \$1.50 starting in 2025.
- [10] The Terminal Facility's value is assumed to be \$1.003 or \$1.163 billion and the net benefit rate to be 5%. Leveraged lease transactions are encouraged by the FTA as innovative financing mechanism.
- [11] Per MTC's RTP, which assumes \$23 million in RTIP (Regional Transportation Improvement Program), STP (Surface Transportation Program), and CMAQ (Congestion Mitigation and Air Quality Improvement Program) funds.
- [12] Per MTC's RTP, which assumes \$9.37 million in Section 1601 design grant.

Sources: San Francisco County Transportation Authority, Seifel Consulting, Jones, Lang LaSalle, Openheim/Lewis, Peninsula Corridor Joint Powers Board, Sedway Group, Nancy Whelan Associates, Parsons Transportation Group, 2001 and 2002.

While additional consideration could be given to the relative contribution of various funding sources to the project, to avoid speculation regarding the funding sources to be used and the viability of the financially constrained plan, the variations on the funding plan shown in Table 6.6-1 are based on existing funding sources. There are, however, prospects for additional funding from new sources, as discussed in Section 6.6.3 below. Various funding sources are discussed in the following sections.

6.6.1 FEDERAL FUNDS

The Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project received an earmark of \$9.375 million under Section 1601 of the Transportation Equity Act for the 21st Century (TEA-21). MTC has included the \$9.375 million earmark in the 2002 Transportation Improvement Program (TIP). Consistent with MTC Resolution 3434, the funding plan does not include any “new starts” funding (see Table 6.2-1), and it assumes a relatively small contribution of local discretionary RTIP/STP/CMAQ (Regional Transportation Improvement Program/Surface Transportation Program/Congestion Mitigation and Air Quality Improvement Program) funds.

The funding plan assumes receipt of a loan from the Transportation Finance and Innovation Act (TIFIA), which provides low interest, subordinated government loans and loan guarantees. All improvements to the Transbay Terminal/Extension project could be classified as Transportation Improvements under Title 23 and are therefore eligible for a subordinated loan from the federal government as a part of USDOT’s TIFIA program, which was authorized in TEA-21. This program may provide various forms of credit support for large transportation projects for up to one-third of a project’s total cost. A direct subordinated loan under this program will be very important in the financing plan for the Transbay Terminal/Caltrain Downtown Extension Project in providing maximum leverage of scarce project revenue dollars. Revenues that could be pledged to such a loan include:

- Toll funds,
- Lease income on retail space within the terminal,
- Sale or lease of properties transferred to the Transbay Joint Powers Authority, and
- Tax Increment Revenues on project areas created by the San Francisco Redevelopment Agency,
- Passenger facility fees.

6.6.2 STATE FUNDS

The project is eligible for state Interregional Transportation Improvement Program funds (ITIP), and State Transportation Improvement Program (STIP) funds. MTC Resolution 3434 includes at

least \$59 million in ITIP funds for the project. The California Transportation Commission (CTC) has final say over ITIP funding. While ITIP programming is at the discretion of the CTC, historically the Bay Area has been successful in securing a share of these funds roughly proportional to the region's share of statewide population. MTC expects that the region will receive about \$1 billion in ITIP funds over the life of the 2001 RTP, which amounts to about 21 percent of the projected statewide total ITIP funds. The \$59 million in ITIP funds contained in Resolution 3434 for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project is a reasonable assumption, given the regional significance of the project and the fact that it closely fits the criteria for ITIP funding.

In addition, in October 2001, Governor Davis directed the State Transportation Department (Caltrans) to initiate the administrative transfer of state-owned land parcels in San Francisco. The land, worth approximately \$300 million to the project, will be transferred to the Transbay Joint Powers Authority and to the City and/or the San Francisco Redevelopment Agency. The entire assessed fair market value at the time the property is transferred from Caltrans will be applied to the construction of the proposed Transbay Terminal/Downtown Extension. In a letter to MTC, dated November 9, 2001, Caltrans director Jeff Morales officially confirmed the Department's intent to move expeditiously with the development of a land transfer agreement. This letter is contained in Appendix D and is consistent with the Governor's guidance:

"...I am directing Caltrans to initiate procedures to transfer the property administratively with the necessary protections for the State that will also allow an important regional transportation improvement to proceed." (Governor Gray Davis Veto Message to State Legislature, October 2001)

6.6.3 REGIONAL AND LOCAL FUNDS

In addition to the proceeds from the sale of the land, the project is projected to receive \$53 million in Regional Measure 1 funds and up to \$1.6 billion in tax increment financing revenues, passenger facility fees, BATA bridge tolls, Proposition 42 funds, surplus operating revenues, and other revenues, for a total of about \$1.8 billion in local and state funding.

High revenue potential from the property tax increments of redevelopment in the vicinity of the Transbay Terminal is possible because of intensity of land uses in a city such as San Francisco and the prime location of the terminal. Commercial leases in the Terminal are also assumed to generate substantial revenues, given that retail space is included in the current conceptual designs for the terminal, that this space is included in the estimated capital costs, and that the retail space is anticipated to provide services to a substantial number of transit patrons and other downtown workers.

MTC Resolution 3434 includes \$150 million in AB 1171 funds for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project. This source results from the recent adoption of AB 1171 by the California Legislature for a plan to fund the costs of seismic

retrofit of Bay Area toll bridges. The project is eligible for these funds, which are discretionary to MTC, under a provision that makes the money available to projects consistent with the purposes of the voter-approved Regional Measure 1 program, which includes congestion relief in the corridors served by the proposed project, particularly the Transbay corridor.

The project enjoys solid local support in San Francisco as evidenced by the passage of Proposition H in 1999 by a 69.1 percent of the voters. Proposition H makes construction of the Caltrain Extension Project the official policy of the City and County of San Francisco. Although not necessary to establish a strong local funding share for the project, the regional nature of the project would warrant the allocation of regional funds to help defray construction costs. The City and County of San Francisco and the San Francisco County Transportation Authority are pursuing such a contribution while maintaining a commitment to a substantial local funding level.

A terminal use fee or passenger facility fee (PFC) of \$1.00 is also assumed to be applied to all passengers using the Transbay Terminal. This fee would be increased to \$1.50 beginning in 2025. This fee is estimated to generate revenues of about \$650 million over 33 years. The fee would be applied to Caltrain and AC Transit riders using the terminal. Revenue from high-speed rail passengers, including an estimated 20,000 potential users of the terminal beginning in 2020, is not included in the terminal use fee total, but would certainly add significantly to the operating surplus.

Options to reduce project costs, e.g., application of design- build and value engineering, will be pursued, as will innovative financing mechanisms such as a leveraged lease transaction. Leveraged lease transactions are encouraged by the FTA as an innovative financing mechanism. For the West Ramp Alternative options, value engineering is assumed to save about \$170 million, while the value of a leveraged lease transaction would be about \$50 million.

In addition, Prop 42 approved by the state voters on March 5, 2002, permanently dedicates the existing state sales tax on gasoline to transportation purposes. The Governor's Transportation Congestion Relief Program (TCRP), approved in 2001 and modified in 2002, provided that the sales tax on gasoline going to the General Fund be redirected solely to transportation. Statutes governing TCRP funds from (FY) 03/04 to FY 07/08, provide a substantial amount of funding to specific projects, with the greatest single project award of the Bay Area's share currently slated for the BART to San Jose extension project. Remaining TCRP funds support local streets and roads as well as other transportation capital investments.

Beginning in FY 08/09, Proposition 42 makes permanent this diversion of sales tax on gasoline to transportation. For the Bay Area, Prop 42 will generate about \$5.8 billion in new revenues over the next 25 years – increasing by two-thirds the \$8.6 billion funding levels of uncommitted transportation resources in the Regional Transportation Plan's Track 1.² This includes about \$2.1 billion for local roads, which would significantly help alleviate projected road maintenance

² Source: MTC's *Draft 2001 Regional Transportation Plan* and the San Francisco County Transportation Authority

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shortfalls regionwide. Prop 42 will also provide significant funding for new transit services and roadway expansion.

Beginning in FY 08/09, 40 percent of Prop 42 funds will be directed to local street and highway maintenance, rehabilitation, reconstruction, or storm damage repair programs, supplementing the existing city and county gas tax subventions. In addition, 40 percent will supplement the region's share of state Regional Improvement Program (RIP) funds, and the remaining 20 percent will be dedicated to public transit for capital and operating costs through the State Transit Assistance (STA) program. San Francisco's share of local street and highway maintenance funds is expected to range from approximately \$11 to \$15 million per year from FY 08/09 through FY 25/26. The City's annual share of the Prop. 42 RIP supplement is expected to range from \$10 to \$15 million over the same time period.³

Should the above funding sources prove inadequate for financing the project, additional funding sources will be pursued. At the state level, these additional sources could include high-speed rail funding (e.g., SB 1856 currently pending before the State Senate), new transportation infrastructure funding at the State level, additional State sales tax revenues, and additional new bridge toll revenues. Legislative approval would be required for these additional sources. The MTC recently approved recommendations for the Bay Crossings Study that include the Transbay Project as a major element of supporting baseline infrastructure, and recommend that it be considered as an eligible project for revenues from the proposed third dollar of Bay Bridge tolls.

At the federal level, multimodal facility funding under the reauthorization of TEA-21 could be pursued as well as potential federal high-speed rail funding. Multiple high-speed rail bills are currently pending before Congress.

³ All costs estimates are shown in constant 2001 dollars.