

## CHAPTER 6: FINANCIAL ANALYSIS

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). *The 2003 Transportation Improvement Plan (TIP) was federally approved in February 2003. The proposed Project is included in the 2003 TIP for Preliminary Engineering and design.*

### 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

*The Draft EIS/DEIR reported that a rebuilt Transbay Terminal and the underground Caltrain Extension would cost between \$1.898 and \$2.141 billion in 2003 dollars. Since the publication of the Draft EIS/DEIR, the Transbay Joint Powers Authority has selected a Locally Preferred Alternative (LPA) consisting of the West Ramp option for the Transbay Terminal and tunnel construction along the Second-to-Main alignment for the Caltrain Downtown Extension. Subsequently, cost estimates have been refined and a value engineering exercise has been undertaken for this LPA. The resulting cost estimate is \$1.754 billion in 2003 dollars, approximately \$143.7 million less than the original cost estimate for this alternative.*

Tables 6.2-1 and 6.2-2 provide more details of the capital costs of the proposed Project's components. 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.

<b>Table 6.2-1: Transbay Terminal Capital Cost Estimate West Ramp Alternative (LPA) (Millions of Dollars – Year of Expenditure)</b>	
<b>Activity</b>	<b>Cost Estimate</b>
<i>Operations Analysis, Preliminary Engineering, Geotechnical Engineering, Program Review/Value Engineering, Final Design &amp; Permitting, Owner Costs</i>	\$107.87
<i>Acquire Property, Design, Construct Temporary Terminals (Transit and Greyhound)</i>	\$28.29
<i>Acquire Property &amp; Demolish Buildings to Build Terminal</i>	\$36.54
<i>Demolish Existing Terminal &amp; Ramps, Construct New Terminal &amp; Ramps</i>	\$909.22
<i>Construct Permanent Off Site Bus Storage Facility</i>	\$24.45
<b>TOTAL COST ESTIMATE</b>	<b>\$1,106.37</b>
<p><i>Notes:</i></p> <ul style="list-style-type: none"> <li>• <i>Costs escalated to year of anticipated expenditure between 2004 and 2011.</i></li> <li>• <i>Costs are for West Ramp Alternative</i></li> <li>• <i>Other qualifications and assumptions apply, including coordination with Caltrans during the retrofit of the Western Approach and bus ramp retrofit projects.</i></li> <li>• <i>Total assumes high end of 2001 real estate estimate escalated to year of expenditure.</i></li> <li>• <i>Construction costs include a 25% construction contingency, 8% for construction management, and 10% project reserve. Owner costs are factored into each category.</i></li> </ul> <p><b>Source:</b> <i>MTC, SMWM, Oppenheim/Lewis, Sedway Group, Parsons, 2003</i></p>	

*As the relative value of money changes over time due to inflation and other factors, the financial plan has been formed to address costs and revenues in Year of Expenditure (YOE) dollars. Project cost estimates are originally prepared in current-year dollar amounts (such as 2003 dollars), and then spread over the construction schedule. In the financial analysis, these costs are escalated by an assumed inflation rate to calculate what the future project costs are likely to be in the year that the construction activities will occur. The resulting costs are thus expressed in Year of Expenditure dollars.*

*Soft costs assumed in the Final EIS/EIR are now consistent between the line items and reflect the following breakdown: 25 percent construction cost contingency; 10 percent project reserve; and a 25 percent contingency that includes 10 percent for design costs, eight percent for construction management, and seven percent for owner costs.*

**Table 6.2-2: Capital Cost Estimate for Caltrain Downtown Extension  
Second-to-Main Street Tunneling Option – Locally Preferred Alternative  
(Millions of Dollars – Year of Expenditure)**

<b>Activity</b>	<b>Cost Estimate</b>
<i>Operations Analysis, Preliminary Engineering, Geotechnical Engineering, Program Review/ Value Engineering, Final Design &amp; Permitting, Owner Costs</i>	\$76.83
<i>Acquire Property &amp; Demolish Buildings along Extension</i>	
<i>Acquisition/Relocation for Train Subway</i>	\$82.85
<i>Demolition</i>	\$1.24
<i>Resale Proceeds</i>	(\$31.12)
<i>Subtotal</i>	\$52.97
<i>Design and Relocate Utility Lines along Extension</i>	\$52.90
<i>Construct Surface Rail &amp; Improvements at Train Yard</i>	\$13.37
<i>Construct Cut-and-Cover and Retained-Cut – Caltrain Extension</i>	\$427.13
<i>Reconstruct Streets</i>	\$7.09
<i>Construct Train Tunnel</i>	\$287.70
<i>Construct Track &amp; Systems Facilities</i>	\$58.54
<b>TOTAL COST ESTIMATE – Caltrain Downtown Extension</b>	<b>\$976.53</b>
<i>Notes:</i>	
<ul style="list-style-type: none"> <li>• <i>Costs escalated to year of anticipated expenditure between 2004 and 2011.</i></li> <li>• <i>Costs are for Second-to-Main Tunneling Alternative, the Locally Preferred Alternative.</i></li> <li>• <i>Total assumes high end of 2001 real estate estimate escalated to year of expenditure.</i></li> <li>• <i>Construction costs include a 25% construction contingency, 8% for construction management, and 10% project reserve. Owner costs are factored into each category.</i></li> <li>• <i>The optional underground pedestrian connection from the train mezzanine to The Embarcadero Muni Metro/BART Station is estimated to cost \$45.3 million.</i></li> <li>• <i>An additional \$235 million could need to be added to the Project costs for purchase of dual mode locomotives if the Caltrain corridor is not electrified.</i></li> </ul>	
<i>Source: Parsons, 2003</i>	

## 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 132 daily trains, is

estimated at roughly \$7.5 million per year in constant 2003 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 \$17.8 million per year in constant 2003 dollars.

### 6.3.2 OPERATING REVENUES

With respect to Caltrain operations, the projected \$7.5 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 \$4 to \$5 million per year in constant 2003 dollars. 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.<sup>1</sup> 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.

### 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.

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

<b>Table 6.3-1: Transbay Terminal and Caltrain Downtown Extension Conceptual Operating Plan – Cost and Revenue Estimates (Thousands of 2003 Dollars)</b>										
<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Caltrain Downtown Extension</b>										
Operating Expenses [1]	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929	\$7,929
Operating Revenues [2]	\$9,142	\$9,593	\$9,680	\$9,767	\$9,855	\$9,943	\$10,033	\$10,123	\$10,214	\$10,306
Net Loss/ Surplus [3]	\$1,213	\$1,664	\$1,751	\$1,838	\$1,926	\$2,014	\$2,104	\$2,194	\$2,285	\$2,377
<b>Transbay Terminal</b>										
Operating Expense [4]	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849	\$17,849
Operating Revenues [5]	\$22,388	\$22,388	\$22,388	\$22,388	\$22,388	\$23,241	\$23,241	\$23,241	\$23,241	\$23,241
Net Loss/ Surplus	\$4,539	\$4,539	\$4,539	\$4,539	\$4,539	\$5,392	\$5,392	\$5,392	\$5,392	\$5,392
<b>Notes:</b>										
[1] From Manuel Padron <i>Final O&amp;M Cost Results Report for Caltrain Downtown Extension Project</i> , 11/8/96, escalated to 2003 and adjusted for number of trains.										
[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.										
[3] Use of excess revenues to be determined by the JPB.										
[4] Based on Jones, Lang LaSalle Report (February 13, 2001) and July 2002 <i>and September 2003</i> revisions, and Nancy Whelan Associates, <i>September 2003</i> .										
[5] Based on Jones, Lang LaSalle Report (February 13, 2001) and July 2002 <i>and September 2003</i> revisions, and Nancy Whelan Associates, <i>September 2003</i> . Includes \$3 million in annual BATA bridge toll operating support per MTC Resolution 3434 (start date of 2010).										
<b>Source:</b> Parsons Transportation Group, Nancy Whelan Consulting. <i>September 2003</i> .										

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.

*Subsequent to MTC's approval of Resolution 3434 and to preparation of the Draft EIS/DEIR, the project costs and revenues have been refined. The financial plan presented in Section 6.6 is consistent with Resolution 3434.*

### 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. *Within the limits of the Full Build Alternative analyzed in this Final EIS/EIR, the Redevelopment Agency's Draft Design for Development Plan (August 2003) for the Project Area* includes over 5.6 million square feet (sq. ft.) of residential/office/retail/hotel development, including approximately 4.1 million sq. ft. of residential development (nearly 3,400 residential units including *approximately 1,200 affordable units*), nearly 1 million sq. ft. of office development, 475,000 sq. ft. of hotel development, and *neighborhood-serving* retail development.

*The redevelopment of the parcels being transferred from the State to the Transbay Joint Power Authority and the Redevelopment Agency would contribute funds directly to the Transbay Terminal / Caltrain Downtown Extension construction projects. This includes more than 5.0 million square feet (sq. ft.) of residential/office/retail/hotel development, including approximately 2,900 residential units (including more than 900 affordable units), nearly 1 million sq. ft. of office development, 475,000 sq. ft. of hotel development, and neighborhood-serving retail development, according to the Redevelopment Agency's Draft Design for Development Plan.*

Not only would transit-oriented development around the Transbay Terminal provide needed funding (through tax-increments), 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 *allocated* to 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. Furthermore, the programmed electrification of the Caltrain would further increase service improvement options.

### **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.

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 *a funding plan for the LPA that was adopted by the TJPA Board and 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 *Final EIS/EIR* is based on financial projections and governmental actions that are not finalized.

*As noted in Section 6.2, the original capital cost estimate for the West Ramp, Second-to-Main, tunnel construction option has been refined based on value engineering. The resulting cost estimate is \$1.754 billion in 2003 dollars, approximately \$143.7 million less than the original cost estimate for this alternative.*

<b>Table 6.6-1: Project Estimated Capital Costs and Funding Sources (Millions of YOE Dollars)</b>	
<b>Transbay Terminal</b>	<b>West Ramp</b>
<b>Caltrain Extension Alternative</b>	<b>Second-to-Main Tunnel Option</b>
<b>Capital Costs and TIFIA Debt Service</b>	
Total Capital	\$2,082.9
Debt Service	\$1,857.2
Total Cost	\$3,940.1
<b>Funding Source</b>	
<b>Local/State</b>	
Regional Measure 1	\$53.0
RTIP [1]	\$23.0
San Mateo Sales Tax [2]	\$27.0
San Francisco Sales Tax Reauthorization [3]	\$295.0
AB1171 [4]	\$150.0
Land Sales [5]	\$287.9
Tax Increment [6]	\$534.2
Net Operating Revenues [7]	\$140.2
Bridge Toll Increase (SB 916) [8]	\$150.0
High Speed Rail Bonds [9]	\$475.0
Other [10]	\$182.5
PFC [11]	\$873.0
Leveraged Lease Transaction [12]	\$50.2
<b>Federal</b>	
TIFIA Loan	\$689.7
Section 1601 [13]	\$9.4
<b>Total Funds</b>	<b>\$3,940.1</b>
<b>Notes:</b>	
[1] 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.	
[2] San Mateo County contribution (per MTC's RTP).	
[3] San Francisco County contribution per Expenditure Plan for the Reauthorization of the Local Sales Tax for Transportation, approved June 17, 2003, escalated to YOE \$. Approved by voters November 2003.	
[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 valuation by CB Richard Ellis for San Francisco Redevelopment Agency, August 2003, escalated to year of expenditure.	
[6] Tax Increment amounts from Seifel Consulting, August 8, 2003 for San Francisco Redevelopment Agency.	
[7] Per Jones, Lang LaSalle and Nancy Whelan Consulting, September 2003. Includes \$3 million in annual BATA bridge toll operating support per MTC Resolution 3434 and SB 916 (proposed).	
[8] Regional Measure 2, which includes \$150 million for the Project, was passed by the voters in Bay Area counties on March 2, 2004.	
[9] Per SB 1856, funding for the Caltrain Downtown Extension may be provided as a part of the High Speed Rail bond initiative. The bond may be approved by the voters in November 2004.	
[10] Other includes potential funding from the following sources: Proposition 42, federal earmarks and additional local sales tax.	
[11] A Passenger Facility Charge (PFC) is assumed for Caltrain, AC Transit and High Speed Rail passengers. The PCF would be \$0.75 for Caltrain passengers, \$0.25 for AC Transit passengers and \$3 for High Speed Rail passengers.	
[12] 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.	
[13] Per MTC's RTP, which assumes \$9.37 million in Section 1601 design grant.	
<b>Sources:</b> San Francisco County Transportation Authority, Seifel Consulting, Jones, Lang LaSalle, Openheim/Lewis, Peninsula Corridor Joint Powers Board, Sedway Group, Nancy Whelan Consulting, Parsons Transportation Group, 2001, 2002, 2003, and 2004.	

*As the relative value of money changes over time due to inflation and other factors, the financial plan has been formed to address costs and revenues in Year of Expenditure (YOE) dollars. Project cost estimates are originally prepared in current-year dollar amounts (such as 2003 dollars), and then spread over the construction schedule. In the financial analysis, these costs are escalated by an assumed inflation rate to calculate what the future project costs are likely to be in the year that the construction activities will occur. The resulting Year of Expenditure cost for this alternative is \$2.083 billion (YOE).*

Table 6.6-1 identifies 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.

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,
- Lease of properties transferred to the Transbay Joint Powers Authority,
- Tax Increment Revenues on project areas created by the San Francisco Redevelopment Agency, and
- Passenger facility fees.

### **6.6.2 STATE FUNDS**

In October 2001, Governor Davis directed the State Transportation Department (Caltrans) to initiate the administrative transfer of state-owned land parcels in San Francisco. *This process is nearing completion.* The land, worth approximately \$288 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.

### **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 tax increment revenues, passenger facility fees, surplus operating revenues (*including BATA bridge toll revenues*), and other revenues, for a total of about \$3.2 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 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 *have included \$270 million in 2003 dollars for the project in the New Transportation Expenditure Plan for San Francisco adopted on July 22, 2003 and approved by the voters in November 2003. The passage of Proposition K, the San Francisco sales tax reauthorization, in November resulted in the elimination of Interregional Transportation Improvement Program (ITIP) funds from the financial plan. As stated in MTC's Resolution 3434, Attachment D, "The ITIP commitment to the project will be reduced by \$59 million if a rollover of San Francisco's sales tax is approved."*

A terminal use fee or passenger facility charge (PFC) is also assumed to be applied to all passengers using the Transbay Terminal. *A fee of \$0.75 and \$0.25 would be applied to Caltrain and AC Transit riders using the terminal, respectively. A PFC of \$2.00 would be applied to high-speed rail passengers.* This fee is estimated to generate revenues of about *\$2.5 billion* over 35 years, *assuming that the fees are escalated to keep pace with inflation.*

*The financial plan assumes that the California High Speed Rail Authority will include funding for the Transbay Terminal and Caltrain Downtown Extension project in its upcoming bond measure. While the actual commitment has yet to be determined, this financial plan assumes a contribution of \$475 million from the \$9.95 billion bond measure planned for the November 2004 ballot.*

Options to reduce project costs, e.g., application of design-build, 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, the value of a leveraged lease transaction would be about \$50 million.

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 new transportation infrastructure funding at the State levels *and* additional State sales tax revenues. Legislative approval would be required for these additional sources. *Given the current status of the State budget, Prop. 42 revenues to this project may not materialize. Accordingly, the revised project funding plan does not rely on Prop. 42 revenues.*

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 *and earmarks*. Multiple high-speed rail bills are currently pending before Congress.