



# Memorandum

**Date:** April 1, 2019  
**To:** Transportation Authority Board  
**From:** Eric Cordoba – Deputy Director for Capital Projects  
**Subject:** April 9, 2019 Board Meeting: Major Capital Project Update - Better Market Street

<p><b>RECOMMENDATION</b>   <input checked="" type="checkbox"/> <b>Information</b>   <input type="checkbox"/> <b>Action</b></p> <p>None. This is an information item.</p> <p><b>SUMMARY</b></p> <p>The Board required quarterly updates on the Better Market Street (BMS) project as a condition of approval of One Bay Area Grant (OBAG) funds. Led by the San Francisco Public Works (Public Works), 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, pavement renovation, utilities relocation and upgrades, implementation of turn restrictions, and improvements of sidewalks, way-finding, lighting, landscaping, transit boarding islands, transit connections, and traffic signals. On February 27, 2019, the San Francisco Planning Department released the BMS Draft Environmental Impacts Report (DEIR) for Public Circulation. Comments on the DEIR may be submitted through 5:00pm on April 15, 2019. Public Works anticipates certification of CEQA environmental clearance by Fall 2019. 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). Public Works has developed a proposed phasing plan that could enable construction of Phase 1 (the segment between 5<sup>th</sup> and 8<sup>th</sup> streets) to start in Summer 2020, pending funding availability. Cristina Calderón Olea, Public Work’s BMS Project Manager, will present this item and answer questions from the Board.</p>	<p><input type="checkbox"/> Fund Allocation</p> <p><input type="checkbox"/> Fund Programming</p> <p><input type="checkbox"/> Policy/Legislation</p> <p><input type="checkbox"/> Plan/Study</p> <p><input checked="" type="checkbox"/> Capital Project Oversight/Delivery</p> <p><input type="checkbox"/> Budget/Finance</p> <p><input type="checkbox"/> Contract/Agreement</p> <p><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-use-of-funds requirements. In addition, the Board action required Public Works to provide quarterly

## Agenda Item 10

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 Public Works, which is the lead agency, the San Francisco Municipal Transportation Agency (SFMTA), San Francisco Public Utilities Commission (SFPUC), the San Francisco County Transportation Authority, and the Planning Department, which is leading the environmental review.

Given the cost of the project and the length of the corridor, Public Works plans to design and construct the project in phases. Public Works has identified Phase 1 of the project and divided it into two sub-phases: Phase 1A is the segment of Market Street extending between 5<sup>th</sup> and 8<sup>th</sup> streets. Phase 1B includes the F- Loop streetcar turnaround along McAllister Street and Charles J. Brenham Place, 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.

As discussed below, pending funding availability, Public Works is proposing a phasing plan for design and construction that could allow them to advertise Phase 1A construction in Spring 2020 and begin construction by Summer 2020. The estimated cost for Phase 1 is \$127 million.

### **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). The San Francisco Planning Department issued a Draft Environmental Impacts Report (DEIR) for public circulation on February 27, 2019. As noted above, the Planning Department will accept comments on the DEIR through April 15, 2019 at 5:00pm. The DEIR finds that the implementation of the BMS project would lead to significant impacts related to cultural resources, transportation and circulation, and noise while providing benefits that include up to 4 minutes of travel time savings on surface transit routes using Market Street, a fully accessible and ADA compliant sidewalk, streetscape, and boarding islands, a fully separated sidewalk level cycletrack, and the rehabilitation or replacement of all underlying infrastructure to a state of good repair.

As part of the environmental review process, the project team is proceeding with preliminary engineering design of the project. The design team has completed 15% plans for the entire project corridor, and 30% design for the Phase 1A improvements (5<sup>th</sup>-8<sup>th</sup> streets).

Public Works anticipates final certification of CEQA (EIR) documents in Fall 2019, pending public comment and input, and final certification of NEPA (Categorical Exclusion/Environmental Assessment) for Phase 1 in Winter 2019. *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 Public Works, SFMTA, Planning, SFCTA and SFPUC selected Market Street between 6<sup>th</sup> and 8<sup>th</sup> streets as Phase 1A of BMS implementation. This segment supports the Office of Economic and Workforce Development's Mid-Market/Tenderloin Strategy and compliments completed and planned private development along the corridor. At the January 2019 meeting, the Directors Group agreed to extend this priority segment another block to 5<sup>th</sup> Street to leverage public realm improvements required by adjacent developments, pending funding availability.

In addition to the improvements on and adjacent to Market Street itself, Phase 1 includes a new surface loop for use by SFMTA's F-Market historic streetcar service (Phase 1B, the F-Loop), described in more detail in the Background section above.

*Outreach:*

Public Works, Planning and SFMTA conducted additional outreach in March 2019 to notify the public of the release of the Draft EIR, including mailing and posting legal notices, bus cards on MUNI buses, posters on bus shelters, email to over 2,300 stakeholders on our email list, and postings on BMS website, SFMTA blog and Public Works newsletter. Additionally, the team presented an informational item at 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 stages 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.

With the completion of the 15% design for the entire corridor, and 30% design for Phase 1A , The BMS project team has developed updated cost estimates for the project and project components. The team has also engaged an independent cost estimating firm to review the designs and provide an outside estimate of project costs at this phase for comparison and analysis. The team and the consultant is currently working on the analysis and validation of the cost estimates. Following both cost estimating exercises, the team will work with the various design leads to identify areas for potential cost reduction through a value engineering process.

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 1A is included as Attachment 1. Upcoming project milestones for environmental review include anticipated final CEQA in Fall 2019 and NEPA certification in Winter 2019/20.

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 1A to be completed in Spring 2020 to allow advertisement for construction services. Under this schedule, Phase 1A 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. Public Works 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 \$114 million in funding from OBAG (subsequently exchanged with Prop K as explained below), Prop K and SFMTA's Prop A General Obligation bond, fully funding the project through the design phase. Since the last update, the BMS project also secured \$15 million from the federal BUILD grant program, and \$635,000 from BART for construction at 8<sup>th</sup> Street, Grove, Hyde and Market. The overall project funding gap is \$460 million.

As reported previously, 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 Public Works 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 has approved the fund exchange.

## Agenda Item 10

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 Public Works 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 \$82 million for construction which gets close to, but doesn't fully fund the project through Phase 1 construction estimated at \$127 million, including 5<sup>th</sup> to 8<sup>th</sup> streets and F-Loop at 10% design. Additionally, in 2018 we worked with Public Works 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.

### **FINANCIAL IMPACT**

None. This is an information item.

### **CAC POSITION**

None. This is an information item. We will provide this update to the CAC at its April 24 meeting.

### **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 March, 2019**

**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																
Planning + Environmental Review (current phases)	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	*																		
CEQA (EIR) Approval																			**																	
NEPA (CE/EA) Approval																			***																	
Preliminary Engineering (30% of design) - Full Corridor									■	■	■	■	■	■	■	■	■	■																		
Preliminary Engineering + Final Design (100% of design) - Phase 1 (5 <sup>th</sup> to 8 <sup>th</sup> streets)									■	■	■	■	■	■	■	■	■	■	■	■	■															
Phase 1A Construction (5 <sup>th</sup> to 8 <sup>th</sup> streets) <sup>1</sup>																					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

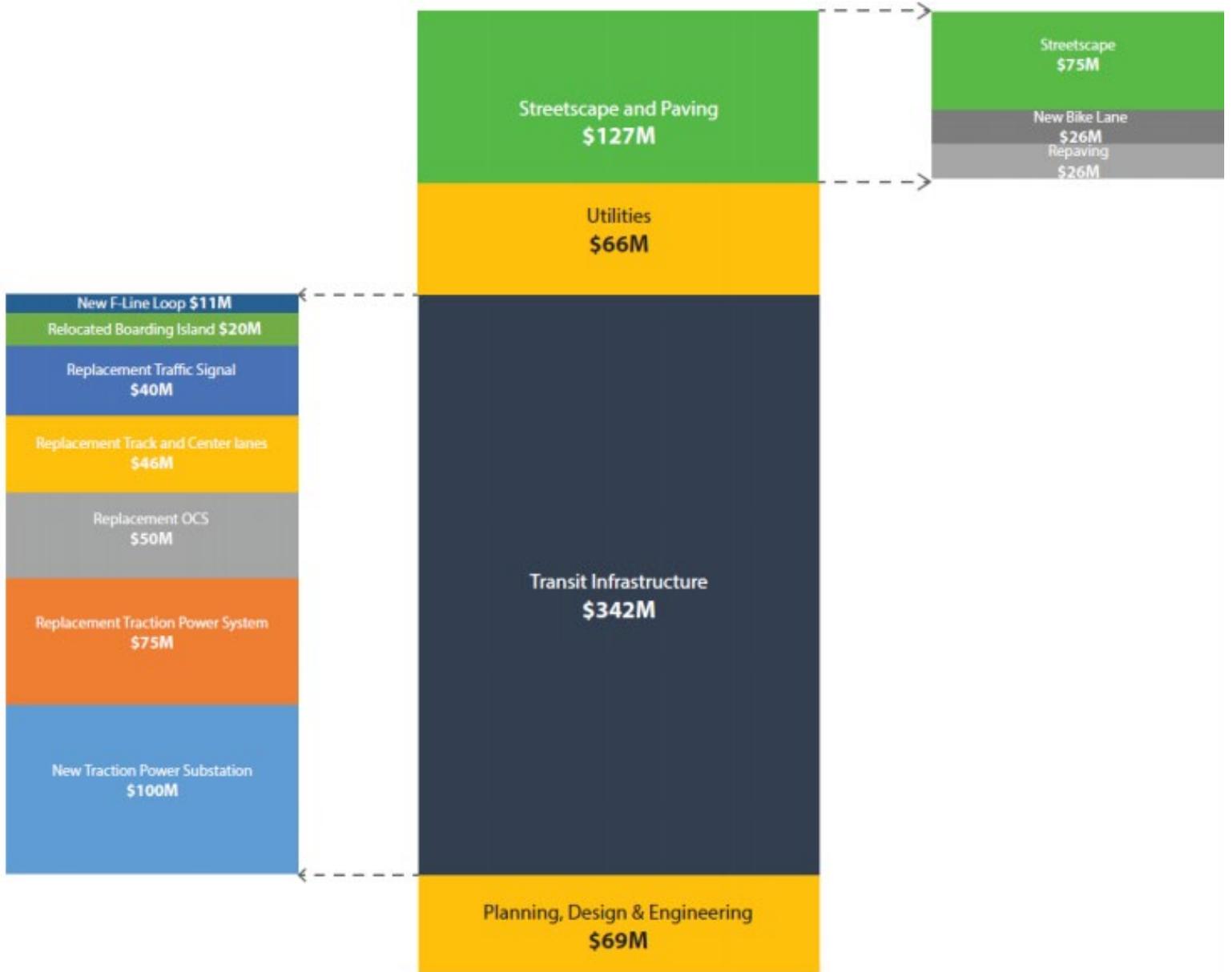
\* Anticipated public release of the Draft EIR (CEQA).

\*\*CEQA (EIR) Approval

\*\*\*NEPA (CE/EA) Approval

<sup>1</sup>Full corridor extends a 2.2 mile stretch of Market Street between Steuart Street and Octavia Boulevard. Phase 1 extends from 5<sup>th</sup> to 8<sup>th</sup> 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 \$

<b>2014 10% COST ESTIMATE<sup>1</sup> (\$1000's of \$)</b>		<b>Project Phases</b>					
<b>Phase</b>	<b>PLAN</b>	<b>ENV</b>	<b>PS&amp;E</b>	<b>ROW</b>	<b>CON</b>	<b>Total by Segment</b>	
Planning/Conceptual Engineering	15,287						
Environmental Studies		11,355					
Design Engineering			42,039				
Phase 1 Construction (5 <sup>th</sup> to 8 <sup>th</sup> streets and F-Loop)					126,698		
Construction for Remainder of the Corridor					408,341		
<b>Project Total</b>	<b>15,287</b>	<b>11,355</b>	<b>42,039</b>	<b>0</b>	<b>535,039</b>	<b>603,720</b>	

<sup>1</sup>As shown in the OBAG 2 grant application.

<b>SECURED FUNDING (\$1000's of \$)</b>		<b>Project Phases</b>					
<b>Fund Source</b>	<b>Status</b>	<b>PLAN</b>	<b>ENV</b>	<b>PS&amp;E</b>	<b>ROW</b>	<b>CON</b>	<b>Total by Fund Source</b>
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	12,589		66,665	96,746
SFMTA Operating Fund	Programmed	3,000					3,000
BART (8 <sup>th</sup> /Grove/Hyde/Market)	Programmed			225		410	635
OBAG 2/Prop K Central Subway Fund Exchange <sup>1</sup>	Programmed			15,980			15,980
Prop K	Programmed			1,250			1,250
BUILD						15,000	15,000
<b>Total Identified Funding by Phase</b>		<b>18,287</b>	<b>11,355</b>	<b>42,264</b>	<b>0</b>	<b>82,075</b>	<b>143,761</b>
<b>Phase 1 Construction – Unfunded Need:</b>							<b>44,623</b>
<b>Total Unfunded</b>							<b>459,959</b>
<b>Project Total</b>							<b>603,720</b>

<sup>1</sup>See memo for details on OBAG 2/ Prop K fund exchange.

<b>OTHER POTENTIAL FUND SOURCES (\$1000's of \$)</b>		
<b>Fund Source</b>		<b>Funding Requested</b>
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	60,000