



Memorandum

AGENDA ITEM 8

DATE: July 16, 2020
TO: Citizen Advisory Committee
FROM: Eric Cordoba - Deputy Director for Capital Projects
SUBJECT: 07/22/2020 Citizen Advisory Committee Meeting: Progress Report for the Central Subway Project

<p>RECOMMENDATION <input checked="" type="checkbox"/> Information <input type="checkbox"/> Action</p> <p>None. This is an information item.</p> <p>SUMMARY</p> <p>This memo provides a progress update on the San Francisco Municipal Transportation Agency’s (SFMTA’s) Central Subway project, as requested by the Citizens Advisory Committee (CAC). The Central Subway will extend the T-Third light rail line north from King Street along Fourth Street, entering a tunnel north of Bryant Street, crossing beneath Market Street, and running under Stockton Street to Stockton and Washington streets. A surface station will be provided near Brannan Street, and underground stations will be located at Yerba Buena/Moscone Center, Union Square, and Chinatown. The budget for the \$1.578 billion project includes funding for 24 light rail vehicles to expand the SFMTA’s fleet. As of May 31, 2020, the project expenditures reached 97.2% of the budget. The SFMTA’s scheduled date for revenue service is now December 2021, three years later than the original baseline schedule adopted in March 2010. Nadeem Tahir, SFMTA’s Project Director will make a presentation on the status of the project.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input checked="" type="checkbox"/> Capital Project Oversight/Delivery <input type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: _____
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BACKGROUND

The Central Subway project is one of the signature projects in the Prop K Expenditure Plan. Key project benefits include bringing efficient transit service to neighborhoods in need of improved transportation options; decreasing travel times in densely populated, high-traffic areas; connecting southeastern San Francisco to jobs and commerce downtown; and



connecting the city and regional transportation networks, including providing a direct link between BART and Muni Metro at Powell Station and to Caltrain at 4th and King.

On March 30, 2010, through Resolution 10-51, the Transportation Authority Board adopted a Baseline Budget, Schedule, and Funding Plan for the Central Subway project and subsequently adopted an amended funding plan on February 15, 2011 (Resolution 11-44) to strengthen the SFMTA's application for a Full Funding Grant Agreement from the Federal Transit Administration (FTA). On October 11, 2012 the SFMTA received the Full Funding Grant Agreement from the FTA, ratifying the federal government's commitment of \$942 million in New Starts funds to the project. Construction started in January 2010. The Transportation Authority has committed \$214 million to the project from a combination of Prop K, Regional Transportation Improvement Program (RTIP), and One Bay Area Grant funds.

DISCUSSION

Status and Key Activities. The project is being delivered in four construction packages, three of which (Utility Relocation 1, Utility Relocation 2, and Tunnels) have been completed. Work continues on the \$905.89 million Stations and Systems contract, where expenditures have reached \$856.63 million, or 93.18% of the contract value. Substantial Completion is anticipated in December 2020. This is the largest single construction contract ever awarded by the SFMTA. As of May 31, 2020, total expenditures on the project reached \$1.534 billion or 97.2% of the budget. In addition, as of December 31, 2019 the project had paid out \$267.1 million to Small Business Enterprises, which represents 17.4% of the total contracted expenditures.

Tutor Perini, the contractor for the Stations and Systems contract, is proceeding at all four station locations. All heavy civil construction has been completed at all stations and work is concentration on systems and finishes, together with mechanical, electrical and plumbing work. Work is also underway on the Automated Train Control and Radio systems. On July 16, 2020, the Central Subway was connected to the rest of the Muni Light Rail network at 4th and King Streets, a major milestone.

Lastly, all 24 of the light rail vehicles for the Central Subway project have been delivered, tested and placed in revenue service.

Coronavirus Pandemic. On March 17, 2020, the Mayor and the City's Health Office issued a Public Health Order to "Shelter-In Place" in response to the COVID-19 pandemic. As part of this order, some infrastructure projects were considered essential including Central Subway project, where construction has continued with some minor impacts to supply chains and construction efficiency. The contractors have implemented revised site safety and security plans to incorporate various requirements of the order. The project has also experienced impact to the financial processes including delay to the committed funds. Only essential project staff are on site to ensure compliance with the health order and the other staff has transitioned to telecommuting.

Project Schedule and Budget. The SFMTA's current forecasted date for revenue service is December 2021, three years later than the approved baseline. This is based on a revised



assessment of the overall schedule and current project conditions. Most recently, the delays have been caused by the contractor's electrical work in the tunnel, which has been impacted by a shortage of workers assigned to the project of, and other contract modifications that are being negotiated between SFMTA and the contractor. The controlling critical path of the Master Schedule runs through the tunnel electrical work which is impacting startup and testing. SFMTA is in discussions with the contractor on potential mitigation measures.

The official project budget remains at \$1.578 billion, which is the baseline established in 2010. The project team is in the process of finalizing the Estimate at Completion, which is trending at \$1.626 billion. The capital cost projections incorporate allocated and unallocated contingencies to cover the current known risks to project completion. SFMTA is maintaining and has enhanced management tools for tracking potential cost and contract changes as it works to update the Estimate at Completion. The Fiscal Year 2021-25 Capital Improvement Program (CIP), adopted by the SFMTA Board on April 21, 2020, anticipated a cost increase to this and other projects in light of the COVID-19 public health emergency. Reserves at a CIP program level have been set aside for unknown costs or revenue losses as they materialize.

Construction Mitigation Program. In November 2017, the City and County of San Francisco established a Construction Mitigation Program, meant to provide city departments with a suite of actions to limit or eliminate the negative impacts construction projects have on surrounding businesses on commercial corridors, including a business support component led by the Office of Economic and Workforce Development (OEWD). The Central Subway project was one of the first projects to develop a Construction Mitigation Plan, which includes \$1.45 million in various mitigation measures including: 1) hiring a full time Business Liaison/Public Information Officer, 2) adding additional ambassadors to help resolve issues on the street as they arise, 3) making the project office open to the public and holding regular office hours, 4) enhanced street cleaning, and 5) \$400,000 in directed business support through OEWD due to the significant delays of the project. OEWD resources to merchants include technical assistance, marketing, and grants through the Directed Business Support Program for rent, utilities, and wages, and to help businesses complete physical improvements to their storefronts such as fixtures, furnishings and equipment, painting, compliance with accessibility, and technology upgrades. Additionally, merchants had access to funds to help develop and implement a Business Action Plan. Businesses that were impacted by this project continue to have access to technical assistance through OEWD as well as access to existing programs offered by the City and County of San Francisco.

In the Fall of 2019, a second round of construction mitigation was rolled out. These new mitigations built on the other ongoing efforts and included:

- A new, temporary bus stop to increase business access in Chinatown
- Community ambassadors near the Chinatown Rose Pak Station construction site to improve safety for pedestrians
- Marketing campaign to promote local business
- A second round of directed business support funds



Qualifying merchants near construction zones within the project area were provided access to funds to help make business improvements or investments. Funds range from \$5,000 to \$10,000 per business, based on the level of construction impact and any previous awards. The directed business support program for the second round of funding is part of the Educational Revenue Augmentation Fund allocated by the Board of Supervisors earlier this year to create a Small Business Construction Mitigation Fund for major-impact projects that have been underway for at least 2 years and experienced significant delays. To date, OEWD has received over 90 applications. OEWD has been working with about 82 businesses to process their applications and collect supporting documents for Phase 1 funds. Phase 1 funds are expected to be disbursed by July 2020.

Current Issues and Risks. The current schedule forecast reflects a completion date of December 2021, three years behind the Baseline Schedule. Contractor's delays in prosecuting the work, together with complications with the Automated Train Control and Radio Systems have exacerbated the most recent delays. SFMTA is working on ways to mitigate the delays, but it is too early to tell if they will be successful.

As noted above, the project team is in the process of finalizing the Estimate at Completion, which is trending at \$1.626 billion compared to the official project budget of \$1.578 billion, and there are indications that the overrun may increase. The use of SFMTA's rainy-day fund to cover the overrun may present tradeoffs with state-of-good-repair and possibly service during an economic downturn.

FINANCIAL IMPACT

None. This is an information item.

SUPPLEMENTAL MATERIALS

None.