

THIS PRINT COVERS CALENDAR ITEM NO.: 10.6

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Approving an increase in expenditures of \$550,000 to use the site at 1731-1741 Powell Street to facilitate tunneling for the Central Subway Project, for total expenditures in an amount not to exceed \$9,700,000, including total lease costs not to exceed \$3,150,000 and total real estate, development and construction costs not to exceed \$6,550,000.

SUMMARY:

- On February 19, 2013, the Board of Directors approved Resolution No. 13-023, which authorized the Director of Transportation to execute a two-year lease for the use of 1731-1741 Powell St. (the Pagoda Palace site) in North Beach as a retrieval site for the tunnel boring machines (TBMs) to facilitate Central Subway Project (Project) tunnel construction in an amount not to exceed \$9,150,000, including total lease costs not to exceed \$3,150,000 and demolition, design, construction and related costs not to exceed \$6,000,000.
- Circumstances that were unexpected as of February 19, 2013 have increased anticipated expenditures for development and construction of the Pagoda Palace site by \$550,000, for an amount not to exceed \$6,550,000 million.
- Previously approved lease costs of \$3,150,000 will not change.

ENCLOSURES:

1. SFMTAB Resolution

APPROVALS:

DATE:

DIRECTOR _____

10/29/13 _____

SECRETARY _____

10/29/13 _____

ASSIGNED SFMTAB CALENDAR DATE: November 5, 2013

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PURPOSE

The purpose of this calendar item is to request approval to increase expenditures by \$550,000 to use the site at 1731-1741 Powell Street to facilitate tunneling for the Central Subway Project, for total expenditures in an amount not to exceed \$9,700,000, including total Lease costs not to exceed \$3,150,000 and total real estate, development and construction and related costs not to exceed \$6,550,000.

GOAL

This calendar item will further the following goal and objective of the SFMTA's Strategic Plan:

Goal 3 – Improve the environment and quality of life in San Francisco
Objective 3.3 Allocate capital resources effectively

BACKGROUND

The Project is the second phase of the SFMTA's Third Street Light Rail Project. The Central Subway design consists of an in-street surface light rail from the Caltrain Station to Bryant Street, before transitioning into subway operation for the rest of the alignment. The subway will consist of twin bore tunnels, with three subway stations serving the Yerba Buena/Moscone, Union Square/Market Street, and Chinatown areas. The tunnels will be constructed using tunnel boring machines (TBMs).

The Project originally planned on extending the Project tunnels to a retrieval shaft located on Columbus Avenue. Due to community concerns about the potential disruption that would result from constructing and using the planned Columbus Avenue retrieval shaft, Project staff considered alternative options. The Project selected and completed an environmental review of "Option 4", which moved the TBM retrieval shaft to the Pagoda Palace site. Option 4 required a lease of the Property for the TBM retrieval shaft and the Project's TBM removal activities and uses, which include demolishing the existing building, and constructing an excavation shaft for removal of the two TBMs.

On February 19, 2013, the SFMTA Board approved Resolution No. 13-023 , which authorized the Director of Transportation to execute a two-year lease for the use of the Pagoda Palace site to facilitate the Project tunnel construction in an amount not to exceed \$9,150,000, including total lease costs not to exceed \$3,150,000 and total additional demolition, design, construction and related costs not to exceed \$6,000,000.

Work on demolition of the Pagoda Palace building and construction of the retrieval shaft is partially complete, and circumstances have arisen that were not anticipated in February. Based on the work completed and underway, staff now expects that total expenditures for development and construction of the Pagoda Palace site may increase by \$550,000, for an amount not to exceed \$6,550,000 million. The following summarizes cost increases:

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Real estate management costs including appraisal fee, legal expenses and on-going lease management	85,000
Legal expenses related to environmental review for the Pagoda Palace site work.	15,000
Outreach to the Small Business Enterprise (SBE) community to bid on the Pagoda Palace demolition contract (which was set aside exclusively for bids by SBE contractors)	\$5,000
Mayor's Office of Economic and Work Force Development assistance to businesses adjacent to the Pagoda Palace site.	\$70,000
Increased base construction costs.	\$125,000
Additional construction costs arising from discovery that the Property's basement and foundation was constructed on top of an existing building foundation destroyed during the 1906 earthquake, requiring additional removal, excavation and backfill.	\$200,000
Contingency: 10%	\$50,000
Total	\$550,000

PROJECT CURRENT STATUS

The Pagoda Palace demolition contract (CN1277) started in August 2013 and was substantially completed in September 2013. The Project Team is currently working on the demolition contract closeout change orders. Construction of the TBM retrieval shaft (CN1252) started in September 2013.

FUNDING IMPACT

The additional real estate, development and construction costs are estimated not to exceed \$550,000.

The funding will come from various local sources; including SFMTA reserve funds, fund balance, and operating savings.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None are anticipated.

The City Attorney's Office has reviewed this Calendar Item.

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RECOMMENDATION

Staff recommends that the SFMTA Board of Directors approve an increase in authorized expenditures of \$550,000 in connection with use the Pagoda Palace site to facilitate tunneling for the Central Subway Project, for total expenditures in an amount not to exceed \$9,700,000, including total Lease costs not to exceed \$3,150,000 and total real estate, development and construction costs not to exceed \$6,550,000.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, On February 19, 2013, the Board of Directors approved Resolution No. 13-023, which authorized the Director of Transportation to execute a two-year lease for the use of 1731-1741 Powell St. (the Pagoda Palace site) in North Beach as a retrieval site for the tunnel boring machines (TBMs) to facilitate Central Subway Project (Project) tunnel construction in an amount not to exceed \$9,150,000, including total lease costs not to exceed \$3,150,000 and demolition, design, construction and related costs not to exceed \$6,000,000; and,

WHEREAS, Circumstances that were not anticipated in February, 2013 have led staff to now expect that total expenditures for development and construction of the Pagoda Palace site may increase by \$550,000, for items such as outreach to the Small Business Enterprise (SBE) community for the Pagoda Palace demolition contract (which was set aside exclusively for bids by SBE contractors); Mayor's Office of Economic and Workforce Development (MOEWD) business assistance to neighboring businesses; higher-than-budgeted demolition bids; and, during demolition, the discovery that the Property's basement and foundation were constructed on top of an existing complete building foundation destroyed during the 1906 earthquake, which required additional removal, excavation and backfill costs; and

WHEREAS, Any such cost increases will be funded from SFMTA reserves, fund balances and operating savings; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors approves an increase in authorized expenditures of \$550,000 to use the site at 1731-1741 Powell Street to facilitate tunneling for the Central Subway Project, for total expenditures in an amount not to exceed \$9,700,000, including total lease costs not to exceed \$3,150,000 and total real estate, development and construction costs not to exceed \$6,550,000.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of November 5, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency