



TRANSBAY JOINT POWERS AUTHORITY

Maria Ayerdi • Executive Director

November 5, 2007

Mr. Robert Chung
Deputy Director
California Transportation Commission
1120 N Street (MS-52)
Sacramento, CA 95814

Dear Mr. Chung:

On September 7, 2007 you provided us with the California Transportation Commission Real Estate Advisory Panel's (REAP) information request and questions regarding the Transbay Transit Center Program. The REAP's information request and questions were based on the TJPA's presentation to the Panel on July 18, 2007.

Enclosed are three documents responding to the September 7th request:

- Answers to the REAP questions
- Summary of Land Valuation Projections for State-Owned Parcels
- Summary of Tax Increment Projections for State-Owned Parcels

We look forward to providing a brief update of the project and funding plan and answering any additional questions about the Transbay Program at the November 14, 2007 REAP meeting. Please contact me at 415-597-4620 if you need any further information.

Very truly yours,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke, positioned above the typed name.

Maria Ayerdi
Executive Director

Enclosures



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RESPONSE TO

CALIFORNIA TRANSPORTATION COMMISSION
REAL ESTATE ADVISORY PANEL

QUESTIONS AND REQUESTS

November 5, 2007

Question 1: What is the current view of the Governor and the Legislature now, in 2007?

The Governor strongly supports improving the State's air quality, alleviating traffic congestion, and building new housing, all of which the Transbay Project provides. AB 32, which has been endorsed by Governor Schwarzenegger, sets an aggressive target of reducing the State's greenhouse gas emissions to 1990 levels by the year 2020. Transit oriented development projects such as the Transbay Project are essential if the State is to reach this goal. The Transbay Project will permit commuters to abandon their cars in favor of public transit and reduce the length and number of vehicle trips by increasing the supply of affordable housing close to employment, shopping, and other amenities. The Transbay Project will create 3,460 new housing units in Downtown San Francisco, 35 percent of which will be affordable. Moreover, the Legislature has always been supportive of the Transbay Project, as evidenced by the bills passed in support.

The rationale for transferring the properties was to renovate this part of the regional transportation system and to redevelop that part of San Francisco. If the properties were transferred to the San Francisco Redevelopment Agency, it also would remove the state's burden of the maintaining and/or rehabilitating the existing structures.

Question 2: What are the current costs and projected costs for rehabilitating the structures? How much of the lands are actually under the structures, and how much is separate and could be used for alternative activities?

Renovation of the existing Transbay Terminal was studied by the Office of the State Architect (OSA) in 1992. That study identified major deficiencies in code compliance, operational function and appearance. The OSA study developed a "minimum recommended project", a plan to address only the most basic deficiencies. The OSA viewed this plan as "...an interim solution ..." and noted, "*The best interest of the public would be served by the demolition of the existing facility and its replacement with a new facility*".

The OSA study provided an advance-planning estimate of \$63 million for work necessary to implement this basic plan. After completion of the OSA study, some seismic retrofit work was completed as well as basic ADA upgrades to restrooms and fountains. The seismic retrofit work was designed to provide protection for moderate earthquakes.

In 1998, new regional efforts were underway to consider replacement of the Transbay Terminal. The Department estimated that the remaining basic deficiencies would cost \$35 million to address. This estimate remained based on the 1992 OSA analysis – no updates were prepared. The Department deferred implementation of remaining elements of the OSA basic plan as it appeared prudent to avoid further expenditures in the event a plan for a new terminal was developed by the region. Escalated to current dollars, the cost of the remaining basic work from the 1992 OSA plan would be in the range of \$50 million in 2007 dollars.

Actual costs will be well in excess of this amount for several reasons. First, the estimate remains an advance-planning estimate. Second, building and seismic code requirements have substantially changed (increased) since 1998. Finally, the ADA was new at the time of the 1992 OSA estimate (the ADA was passed in 1990) and has substantially expanded in scope since 1992. Additional work beyond the OSA basic plan would be required to increase/improve functionality and aesthetics of the existing Transbay Terminal. No estimates have been prepared by the Department for such work.

If the Department maintained ownership of the Transbay Terminal, seismic retrofit of the East Loop ramp into the terminal would be required. The scope of this work was included in the original scope of the San Francisco-Oakland Bay Bridge West Approach Seismic Safety Project. The estimated cost of the retrofit in place for the East Loop ramp is \$20 million. This is in addition to the \$50 million discussed above. These costs would address only the basic deficiencies. They would not address future bus operation demands and would make no provision to bring rail to the Transit Center.

The attached exhibit map displays the locations of State-owned parcels and their relationship to highway structures. Properties not under structures will be developed for housing as part of the San Francisco Redevelopment Plan only if the Transbay Transit Project moves forward.

Question 3: Clarify the agreement between Caltrans and the TJPA. Several questions were raised concerning what happened if the project failed. Would the properties and the liabilities come back to the state? (Based on the responses at the July meeting, the answer is no. The liabilities remain with the TJPA or the City and County of San Francisco.) TJPA and Caltrans please verify your responses.

Under Section III.G of the Cooperative Agreement among Caltrans, the TJPA, and the City and County of San Francisco (City), entitled "State Power of Termination," and under Exhibit B to the Cooperative Agreement entitled "Form of Director's Deed & State Power of Termination," if the Transbay Program is not completed, Caltrans Parcels transferred to the TJPA, the City, or the San Francisco Redevelopment Agency and not sold to a third party will revert to Caltrans. The proceeds from the sale of Caltrans Transfer Parcels to a third party will be deposited into a trust account for use for capital (construction) costs for the Transbay Program. If the Program is not completed, any unused funds will revert to Caltrans.

The TJPA has sole responsibility for the design, construction, operation, and maintenance of the Transbay Transit Center and Caltrain Downtown Extension. Because the TJPA and City will not use Caltrans Transfer Parcels to secure any obligations of the Program, and mechanics liens cannot be imposed on public property, the State of California would have no liability for the TJPA's obligations if the Program were not completed and Caltrans Transfer Parcels revert to the State.

The only potential exposure to the State that was identified during development of the cooperative agreement was the highly unlikely event that the new terminal project would be partially constructed but not completed and the State would have to take back the partially

constructed facility. This was dealt with by the Cooperative Agreement in two ways. First, the property could only be transferred from the State to the TJPA and City and County of San Francisco after the issuance of a Record of Decision (ROD) by the Federal Transit Administration (FTA) for the new terminal project. Federal law requires FTA to make a formal finding that there is a reasonable probability of full funding for the proposed project before it can issue a ROD. Second, the reversionary interest created in favor of the State is not automatic - the State can choose not to take back the property if it believes it would not be in the best interest of the State to assume ownership.

Question 4. What are the bases for the assumptions? Every major project (i.e. Bay Bridge, etc.) seems to have massive overruns.

The TJPA has implemented a number of project control procedures to contain costs and ensure that the program will be delivered within the established estimate.

Change Management

One of the keys to good project cost performance is the implementation of a budget control system. Increases in project cost are frequently the result of incorporating many smaller successive changes during design, a condition known as “scope creep”. Controlling scope creep means identifying potential changes early, evaluating their estimated cost, and controlling the sum of all changes within a contingency budget.

The TJPA has adopted a Change Management Procedure to identify changes during the design process that will materially affect the project budget. The procedure requires the design team to identify and formally submit to the TJPA for approval any changes during the course of design that will increase the design and construction costs of the project. This will allow the TJPA to evaluate the changes and decide in a timely manner whether to incorporate them into the project. Where the TJPA elects to proceed with changes or the changes are mandated by code or driven by external economic factors, it will allow the TJPA and the designers to evaluate options for mitigating the impacts of the change as early and economically as possible. Mitigation could include changing or eliminating a different element of the design to offset cost increases.

In addition to tracking changes during the course of design, multiple detailed estimates will be prepared as the design progresses to ensure that construction costs are not exceeding our budget. Our architectural and engineering design consultant for the Transit Center Building and other major construction projects will be contractually required to prepare a minimum of six complete detailed estimates during the course of the Schematic Design, Design Development and Construction Document phases.

The TJPA will engage a contractor or cost estimating consultant to provide additional, entirely independent estimates during the course of design. Each estimate prepared by the design firm and the ‘third party’ estimator will be reviewed by the estimating consultant responsible for preparing the estimates in the Baseline Budget. Any significant differences between the progress

estimates and the Baseline Estimate will be reconciled as the design progresses to keep the total cost within the Baseline Budget.

Risk Management

In developing the Baseline Budget it was important that the TJPA consider the range of issues that might arise that would change our estimating assumptions and significantly change costs. The TJPA has engaged Golder Associates to conduct a Risk Analysis for both the Transit Center and Rail Extension components of the program to identify potential changes or circumstances that could increase the cost of the project or delay its completion.

The identified issues included regulatory, scope, technical, inflationary, and other potential impacts. The TJPA is preparing a Risk Mitigation Plan to track and control these potential problems and to minimize their impact should they occur, but we are also carrying in our estimate a Risk Valuation on the assumption that not all of these conditions will be avoidable.

This exercise has proved to be very successful in controlling outcomes in past projects and is similar to the efforts currently being performed by Caltrans on the Caldecott Tunnel Project to identify and control the scope and cost of that project.

Estimate Verification

The recently concluded Design & Development Competition required each bidder to submit a construction cost for their proposal verifying that their concept for the Transit Center Building could be constructed within the TJPA's construction estimate. Although the three teams presented widely differing design concepts, their independent estimates verified that their proposals could be constructed within the current budget. With the TJPA estimate prepared prior to the cost estimate, these four independent estimates demonstrate that the budget prepared by the TJPA is a highly reliable budget for the cost to construction of the Transit Center Building and that the budget will encompass a wide range of design alternatives and solutions as the project progresses.

Major Projects without Cost Overruns

Although there are examples of projects that have experienced significant cost overruns in the past, there are many recent examples of well-executed mega-projects, completed on schedule and within budget. Members of the TJPA's Program Management/Program Controls team for the Transbay Transit Center Program and the design team for the Caltrain Downtown Extension (DTX) have direct professional experience on the projects described below:

- Sheppard Subway, Toronto. A \$945 million subway extension comprising a 4-mile-long, twin tunnel subway extension in Toronto including five stations. After eight years in the works, the subway opened in November 2002, both within its budget and with a remarkable record of safety.

- LA Metro Red Line North Hollywood Extension. A \$1.323 billion subway extension comprising a 3-mile-long, twin tunnel subway through the Santa Monica Mountains and two major urban stations. The project was delivered \$100 million under budget and 6 months ahead of schedule.
- Hiawatha Light Rail Transit. A 12-mile-long, \$715.3 million light rail system in Minneapolis, Minnesota's largest-ever public works project. The line went into full service in December 2004, on budget and one month ahead of schedule.
- The Transportation Expansion (T-REX) Project, which added 19 miles of light rail and improved 17 miles of highway through the southeast Denver area. The \$1.67 billion construction project began in fall 2001 and finished on time and within budget in 2006.

The change, risk and cost control procedures adopted by the TJPA should ensure that the Transbay Transit Center Program replicates the success of these projects.

BASIS OF COST ESTIMATE

The cost estimate prepared by the TJPA is based upon well developed design concepts and well researched material costs and labor rates. Our budget includes appropriate contingencies and reserves consistent with the level of design development to ensure that the program will be delivered within the overall program budget.

Cost Estimate Organization

The construction estimate in our Baseline Budget was prepared according to the UNIFORMAT II Classification of Building Elements. A separate summary in the MASTERFORMAT 16 Division (CSI) format was also prepared by coding each line item appropriately. The intent is to continue to use the UNIFORMAT II Classification during conceptual and preliminary design, and switch to the MASTERFORMAT Classification during final design.

Scope – Transbay Transit Center Building

Quantities of bulk construction materials were determined by direct take-off from concept drawings prepared by HOK. These include:

- | | |
|--------------------|--|
| • Caissons | • Floor, Wall, & Ceiling Finishes |
| • Excavation | • Conveyances |
| • Structural Steel | • Plumbing |
| • Concrete | • HVAC |
| • Roofing | • Fire Protection |
| • Stairs | • Electrical Distribution |
| • Doors | • Lighting |
| • Curtain Wall | • Communication & Security Systems |
| • Partitions | • Site Preparation & Site Improvements |

Allowances were added for items to be included but not specified on the drawings. These include:

- Soil Testing
- Building Demolition
- Hazardous Component Abatement
- Utility Relocations

Scope – Caltrain Downtown Extension

Quantities of bulk construction materials were determined by direct take-off from concept drawings prepared by Parsons. These include:

- Excavation Shoring
- Excavation/Disposal
- Temporary Traffic Decking
- Steel – Structural and Bar Reinforcement
- Concrete
- Shotcrete
- Formwork
- Waterproofing
- Backfill
- Road & Sidewalk Demolition/reinstatement
- Track
- Platforms
- Canopies
- Overhead Contact System
- Signals
- Communications Systems
- Drainage
- Plumbing
- Fire Suppression
- Ventilation
- Power Supply & Distribution
- Lighting
- Security Systems
- Elevators & Escalators
- Finishes
- Wayfinding

Allowances were also included for other items not currently specified on drawings, including the following:

- Building Demolition
- Hazardous Materials Disposal
- Utility Relocations
- Temporary support of MUNI Central Subway Trackwork at 4th and Townsend Streets
- Historic Building façade preservation
- Project Artwork
- Environmental Mitigation

Pricing

Pricing for installation of bulk construction commodities was based on “all in” rates that include material, labor and subcontract overhead and profit and were provided by different estimating

consultants working in the Bay Area market. The rates used come from databases that are continually updated from information obtained from contractors and subcontractors for similar types of work. Certain specialty items such as the foundation slurry walls not typically included in the pricing database were priced through direct contact with contractors specializing in that type of work.

Design Contingency

In addition to the direct costs calculated from the quantity and pricing development mentioned above, a Design Contingency was calculated and included in the Total Cost of Construction. The Design Contingency is an estimator's reserve for design development not clearly indicated on the conceptual design drawings. The values were calculated based on FTA guidelines shown below:

- Demolition and Earthwork – 35%
- Hazardous Materials Removal and Disposal – 25%
- Site Utilities – 25%
- Station Building, Site Work and Systems – 20%

Project Professional Services

- Design Fees were calculated as a percentage of the Total Cost of Construction as follows:
 - Transit Center – 12.4%
 - Temporary Terminal, Bus Storage, Bus Ramps – 15%
 - Caltrain Downtown Extension – 7%
- Construction Management Fees were calculated as 7.5% of Total Cost of Construction.
- Owner's Cost (project direct fees and services not included elsewhere) were identified, and separate allowances provided.

Construction Contingency

Construction Contingency was calculated as 10% of the Total Cost of Construction to cover the cost of change orders during construction.

Right-of-Way Acquisition

Right-of-Way Acquisition cost was calculated based on preliminary planning level estimates and the actual cost of the first parcel acquired.

Program-wide Costs

- PMPC Services were calculated based on the required staffing level and the schedule duration.
- TJPA Administration was calculated based on the TJPA Annual Budget Forecast.
- Other Professional Services were calculated based on the TJPA Annual Budget Forecast.

- A Program Reserve was included at the FTA recommended rate of 8% of the Total Cost of Construction
- Escalation was calculated at a rate of 4% per year on a cash flow developed by spreading the total estimated costs over the Program schedule.

Question 5: What are the financial assumptions re: the bonding/capital capacity of the entities involved. At this point, project financing in CA is challenging. What are the factors that would speak to this issue?

The financial plan assumes receipt of a loan from the federal Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998, which provides secured loans, loan guarantees and standby lines of credit for surface transportation projects of national or regional significance. All improvements to the Transbay Transit Center / Caltrain Downtown Extension program could be classified as Transportation Improvements under Title 23 and are therefore eligible for a TIFIA loan, which was reauthorized under SAFETEA-LU in 2005. This program may provide credit support to large transportation projects for up to 33% of a project's total cost. A direct loan under this program will be very important in the financing plan for the project given the variety of credit support available from a single source. Additionally, the program would provide maximum leverage of project revenues that are expected during the next 40 years. TJPA will undergo a credit analysis as a part of the TIFIA loan process. The primary sources for repayment of the TIFIA loan will be tax increment, which will be augmented by Passenger Facility Charges (PFC).

Tax increment is the increase in tax revenue generated by any increases in property value as assessed after the base year within the redevelopment area. The base year for the Transbay Redevelopment Area is 2005. The tax increment (net of the housing set-aside fund, pass through payments and other obligations) generated by the state-owned parcels is dedicated to the Transbay Transit Center Program. Because the state-owned parcels are currently zoned as public uses, the base assessed value of this land is \$0. Annual estimates of tax increment revenue have been developed based on the land sales valuation, proposed improvements, and schedule. The financial plan assumes that tax increment revenues will be used to partially repay the debt service for a construction loan. The components of the estimated tax increment growth include general inflation capped at two percent per year, the statutory maximum rate, and no annual increases in reassessments through FY 2018, with a one-half percent per year reassessment increase thereafter. Additional detail on tax increment projections has been provided as a separate document to the REAP members.

A Passenger Facility Charge or terminal use fee for each major transit operator using the TC Building is included in the financial plan. AC Transit has discussed various payment options with the TJPA, with the amount based on a PFC calculation. A draft agreement is being discussed and consideration for approval by the AC Transit Board of Directors is planned for Winter 2007/08. For financial planning purposes, this contribution has been calculated as a terminal use fee or PFC applied to each transit service's passengers using the TC Building. The fee per AC Transit bus passenger would be \$0.25 in FY 2001 dollars, or approximately \$0.29 in FY 2007 dollars, as the financial plan assumes the PFC would escalate at three percent per year.

TJPA has recently completed an updated ridership modeling exercise to better estimate future bus and Caltrain ridership to the Transbay Transit Center. The financial plan assumes that PFC or other revenues would be available starting in FY 2014, and would be used to partially repay the debt service for a construction loan for the Transit Center building and rail foundation components of the program.

TIFIA provides greater flexibility than the conventional tax-exempt bond market given that its mandate is to provide credit support for transportation projects of national or regional significance. Two key features of the proposed TIFIA loan structure included in the financial plan are 1) repayment terms of up to 40 years and 2) a repayment schedule that can increase over the life of the bond. Such a repayment schedule would correspond with the projected increases in the tax increment and PFC revenues that would be pledged as the sources of repayment. The TIFIA loan program has pioneered a bond structure that evaluates a borrower on a Project Life basis rather than the traditional annual coverage basis. This Project Life approach provides that the borrower can structure bond repayment to correspond to their projected income plus restricted fund balances over the life of the loan, provided that some excess fund balance remains each year. This feature allows the TJPA to leverage its future revenues more effectively, as these revenues are expected to grow over time. The loan repayment structure included in the preliminary financial plan utilizes the Project Life approach. It sets forth the goals of maintaining annual debt service coverage of no less than 1 times (i.e., current year revenue equals current year debt service) and an average Project Life coverage of 1.4 times (current year revenue plus restricted fund balances is 140% of current year debt service).

Question 6. If rail never comes, what happens? The numbers seem to assume that the rail is there, but there is no evidence that says that this is realistic.

The TJPA was created with a mandate to build a new Transbay Transit Center that will accommodate commuter and intercity rail as well as buses. To support the TJPA in fulfilling this mandate, the State designated certain property be transferred to the TJPA and the City so that the proceeds from those properties would help fund the construction of the new terminal and the extension of the Caltrain commuter rail system. While the properties provide significant funding for the program, the TJPA has worked with local, State and Federal agencies and legislators to identify additional funding. These efforts have been largely successful and to date \$2.1 billion of the \$3.5 billion required funding has been identified. The first phase of the program (above ground bus station) is 100% funded and 40% of the funds required for the second phase (below ground rail extension) have also been identified.

With the support of State and Local legislation mandating the rail extension and establishing it as a policy objective, the remaining funding required for the rail extension will be identified. To adhere to our current schedule, the second phase will not need to be fully funded until 2010 – after conceptual engineering of the rail components. The progress of the program cannot be delayed until all of the funding is secured because it would unnecessarily increase costs for the first phase of work and make completion of the entire program prohibitively expensive with escalation.

The TJPA, in phasing the project, is adopting a well established and successful Caltrans and industry practice of building in phases with useable segments. In the past, there was general agreement the State should build the freeway system in segments under a master plan. For short periods of time the freeway would flow into smaller roads but there was always public benefit and the strategy was ultimately successful. The Transbay Transit Center project is utilizing the same approach and will be equally successful.

TJPA is committed to extending rail to the Transbay Transit Center as soon as possible and meeting the voter and legislative mandates enacted in recent years. The 2004 Regional Measure 2 toll bridge legislation, SB 916 (Perata) provides funding for “A new Transbay Terminal at First and Mission Streets in San Francisco providing added capacity for transbay, regional, local, and intercity bus services, the extension of Caltrain rail services into the terminal, and accommodation of future high speed passenger rail line to the terminal and eventual rail connection to the east bay.”

In 2003, San Francisco voters overwhelmingly approved Proposition K, a half-cent sales tax for transportation improvements. The Proposition K expenditure plan identifies the Caltrain Downtown Extension to a Rebuilt Transbay Terminal as: “Construction of a grade-separated extension of Caltrain to a rebuilt Transbay Terminal at the current site (Mission and 1st Streets) near BART and MUNI Metro. The extension and terminal are to be built as a single, integrated project. If the Caltrain Downtown Extension portion of the project is cancelled, this project shall not be eligible for any funds from the sales tax program.” If we do not build the rail component of the Project, we will not meet this voter mandate and the project could lose up to \$148 million in San Francisco half-cent sales tax revenue.

AB 812 (Yee) was passed in 2003, approving the demolition of the existing Transbay Terminal building “for construction of a new terminal at the same location, designed to serve Caltrain in addition to local, regional, and intercity buslines, and designed to accommodate high-speed passenger rail service.”

In 2002, SB 1856 (Costa) authorized the issuance of general obligation bonds, subject to voter approval, for the development and implementation of intercity high-speed rail service. The bill states that funding shall be used first for “the segment of the high-speed train system between San Francisco Transbay Terminal and Los Angeles Union Station.”

In 1999 San Francisco voters passed Proposition H, making it City law to extend Caltrain to a new or rebuilt regional transit station on the site of the Transbay Terminal. Specifically, Section 2 of the proposition states: “As part of the extension of Caltrain downtown, a new or rebuilt terminal shall be constructed on the present site of the Transbay Transit Terminal serving Caltrain, regional and intercity bus lines, MUNI, and high speed rail, and having a convenient connection to BART and MUNI Metro. Said terminal shall be so designed and constructed as to:

- (a) yield the highest possible transit use by residents and commuters;
- (b) afford senior citizens, persons with disabilities, and other commuters with the most convenient connections between regional bus lines, MUNI, Caltrain, and BART;

- (c) produce the highest density of foot traffic, in conjunction with foot traffic from the Caltrain station, to accommodate mixed-use retail development;
- (d) provide the lowest possible operating costs for MUNI and regional public bus lines; and
- (e) result in the lowest feasible combined costs for construction of the bus terminal and the Caltrain station, without sacrificing the aesthetic qualities of the terminal and station and their interface with surrounding development.”

While the phasing approach was being developed, an Interagency Working Group was convened by the City and County of San Francisco (composed of representatives of the Mayor’s Office of Economic Development, San Francisco Planning Department, San Francisco Redevelopment Agency (SFRA), San Francisco Municipal Transportation Agency, and San Francisco County Transportation Authority) to address phasing and funding issues for the Transbay project. The Intercity Working Group supported the phased approach and recommended that additional funding for the rail should be sought through upzoning certain parcels in the Transbay Redevelopment Area and creating a Mello Roos/Community Facilities District. Conservatively the SFRA has estimated \$150 million would be available as additional funding for the rail component of the project. The City’s Planning Department is studying zoning heights in the vicinity of the Transit Center and is expected to have results by March 2008.

The TJPA and its member agencies are under legal and policy mandate to proceed with the rail component of the Project. The Association of Bay Area Government’s (ABAG) projections indicate that San Francisco employment will increase by about 230,000 over the next 25 years. However, the supply of housing within San Francisco will increase at a much lower rate than job growth, leading to additional commuting from outside San Francisco. Improving and expanding the bus terminal meets the needs for commuting from the East Bay, especially considering that the Bay Bridge is at capacity and BART is projected to reach its Transbay capacity by 2025. Additionally, the region needs to invest in additional rail capacity to better connect San Francisco jobs with new in-fill housing in San Mateo and Santa Clara Counties. The Caltrain extension to San Francisco’s new Transbay Transit Center allows the transportation system to keep up with the Bay Area’s growing population, growing workforce and growing transportation needs. It is imperative that we invest to provide significant passenger rail capacity and build the new terminal.

TJPA, its funding partners, and stakeholders are working diligently to identify additional revenues needed to close the funding gap on Phase 2 of the project, but again, the TJPA has the funds secured to meet Phase 1 funding needs, a plan which allows for future rail needs as required by law. We are confident that full funding of Phase 2 will be accomplished given the tremendous support for extending rail to the Transbay Transit Center.

Question 7. At the recent REAP meeting, I believe there was a consensus that if rail ever came, it is likely to be many, many years in the future. **How much of the total dollar cost for the terminal is to provide for infrastructure to handle the rail component.** As a sideline, years ago, my hometown built the infrastructure for an underground subway system that never happened. **This raises the question, can rail technology change prior to rail becoming a reality at the Transbay Terminal that could in turn create issues in planning and constructing the underground rail terminals?**

Cost of Terminal Related to Rail

Approximately \$323 million of the current cost estimate for Phase 1 Transbay Transit Center is for costs associated with infrastructure required for underground rail connectivity in the terminal. The Caltrain Downtown Extension and completion of the underground rail station is included in Phase 2 of the project. The Phase 1 costs related to rail connectivity include the costs of foundations, basement walls, limited excavation, floors, utility relocation, right of way, program management, and contingency. These systems are required to allow the provision of rail in Phase 2, but are not temporary structures. All of the elements constructed in Phase 1 will support and preserve the Transit Center Building and be incorporated into the final structure of the Phase 2 rail facilities.

Rail Technology Changes

The civil components – the foundations, tunnels and other structures – are the longest-lived components of an underground transportation system. Deterioration of the physical condition is not a ruling factor for future use of these structures. Vehicles, rail, signaling, communications and other subsystems will be upgraded or replaced several times during the life of the system while the civil components will typically exceed the system’s useful design life. As such, successive generations of the subsystems are designed to work within existing civil structures and do not necessitate significant alterations to those very expensive and long-lived structures. There is no risk that changes in rail system or vehicle design or technology between the construction of Phase 1 and Phase 2 would significantly diminish the value of the Phase 1 work or require extensive re-engineering of the structure.

The foundation system proposed for the first phase of construction is essential to allow construction of the rail facilities beneath the Transit Center Building. The system will provide the exterior shell of the rail station and is needed to support and preserve the structure constructed in the first phase during the excavation and construction of the underground rail station. The cost of building a support system beneath the Transit Center Building after it is built would be prohibitive. Similarly, rerouting utilities and continuing the foundation system beneath Beale, Fremont, and First Streets in the first phase of construction will greatly reduce the cost and disruption that would be incurred if the work were done when the Transit Center was completed and operational.

Between 2007 and the date the Downtown Extension construction is scheduled to begin, some changes or advances in rail technology are likely. However, such changes will not compromise the utility of the Transit Center’s Phase 1 investment for the following reasons:

The primary rail technology components are:

- Signals and Train Control
- Communications
- Traction Power – Overhead Contact System
- Rolling Stock
- Track

It is likely that the most significant changes in technology will occur in the areas of signaling and communications. The latter in particular has seen dynamic change over the last few years, and continues to evolve through the development and implementation of wireless technologies. While the communications and signaling infrastructure may change, it will not impact the civil infrastructure constructed as part of the Transit Center.

The Traction Power supply voltage for the Caltrain and high-speed rail rolling stock has been selected as 25 kilovolt AC. This voltage is becoming a globally adopted standard for the commuter and high-speed rail industries. Although it is unlikely that the supply voltage will change before the construction of the Downtown Extension, a change would not impact the civil infrastructure constructed as part of the Transit Center.

Since rail lines are typically boxed in by commercial and residential development and pass through tunnels and beneath numerous bridges, clearances are strictly limited. The capital cost associated with purchasing additional right-of-way and reconstructing tunnels and bridges to allow the passage of wider or taller rolling stock would be prohibitively high for any operating railroad. Correspondingly, there has been little change in the size of rolling stock for many decades, and there is no indication of a future rolling stock size change.

Illustrative of the above points are Amtrak, Metro-North, Long Island Rail Road, and New Jersey Transit commuter fleets operating into Manhattan using current rail technology in tunnels constructed approximately 100 years ago. Similarly, current subway fleets in New York, Boston, London and Paris continue to operate in infrastructure constructed in the early 1900s.

A ‘composite’ rail vehicle outline has been developed for the Downtown Extension project, derived from the cross sections of several in-service vehicles to define a worst-case scenario for train size. This ‘worst-case’ vehicle profile has been used to size the rail facilities to ensure that the infrastructure will accommodate the equipment ultimately selected by Caltrain and California High Speed Rail.

The concept of constructing infrastructure for subsequent use is not unique to the Transbay Program. Examples where this approach has been employed include New York City with the proposed construction of Metropolitan Transportation Authority’s Second Avenue Subway and East Side Access projects, and internationally with the construction of the Second Bangkok International Airport. These examples demonstrate that there is minimal risk involved with constructing civil infrastructure for the Transit Center train station as part of the Phase 1 construction.

Second Avenue Subway

The current Second Avenue Subway project was originally proposed in 1929 as part of an expansion of the Independent Subway System. However, no construction took place until the 1970s. After the City secured a grant for initial construction, a groundbreaking ceremony was held on October 27, 1972. Construction began shortly thereafter at 2nd Avenue and 113th Street.

The current proposal for Second Avenue Subway makes use of the two completed northern sections between 99th and 105th and between 110th and 120th streets. These completed sections of tunnel are still usable to current rail technology 30 years after their construction.

East Side Access

The East Side Access project will provide commuter rail service from Long Island and Queens to Manhattan's Grand Central Station. Similar to the Second Avenue Subway Project, the existing tunnels can accommodate current rail technology some 30 years after their initial construction.

Second Bangkok International Airport (Suvarnabhumi Airport)

Construction of the airport terminal included the installation of foundation elements—slurry walls, which will ultimately comprise the walls of a proposed below-grade train station and tunnel for a rail link between Bangkok and the airport. Installation of the walls as part of the terminal construction will allow future excavation of the train station and running tunnels to occur with no disruption to terminal operation. The airport was opened for revenue service in 2006. Construction of the airport express rail link is currently underway, and revenue service is scheduled to commence in 2011. This is precisely the division of construction being proposed in the phasing plan of the Transbay Program; slurry walls and caissons will be constructed Phase 1 to provide the structural foundation that will allow the excavation of the rail station in Phase 2.

Question 8. In reading the documents prepared by Transbay JPA, the projections of tax increment depend upon the build-out of new, market-rate high rises early in the coming decade. For example, the announcement of the competition for a skyscraper on the Transbay site indicated the selected version would be constructed in 2014, while the second of the Rincon Hill towers has been announced as starting construction next year. Given that the actual absorption of currently under-construction and completed high-rise condominiums include a high proportion of investor buyers, it would seem prudent to prepare projections to test the feasibility of marketing the tax increment bonds assuming alternative absorption rates, and therefore, development schedules for the anticipated high-rise sources of the tax-increment revenue base. **Has this been done? What do the projections show?**

A current market analysis including absorption rates for the state-owned parcels was performed by The Concord Group and reviewed by Keyser-Marston, Seifel Consulting, and San Francisco Redevelopment Agency staff. The analysis includes buildings in the surrounding area that are

under construction or are in development. A summary of the market analysis including absorption rates has been submitted to the REAP members.

Underlying demand for high-rise residential units in downtown San Francisco neighborhoods remains strong despite problems in the national real estate market. Although majority of the Bay Area has experienced a 12% drop in new home sales volume in the three months ending July 2007 versus the prior quarter (February through April 2007), absorptions at San Francisco condominium communities have been resilient. The Concord Group projects annual demand potential of more than 1,800 units per year in the City of San Francisco. Importantly, based on the highly segmented product array and staggered Request For Proposal releases the typical absorption figures for the Transbay area will be 300 housing units or less, a capture rate of the broader market that will be easily supportable given planned development intensity and the timing of the select competition.

Over the next few weeks TJPA will perform sensitivity test on the tax increment projections changing various growth assumptions. The results of the sensitivity tests will be used to establish a range of tax increment revenue streams that will be used to support the TIFIA loan.

Question 9. What current market work has been done regarding:

- Land use and zoning assumptions?
- The funding of the redevelopment?
- The targeted market for the residential properties?
- The estimated revenues generated by the sales of the residential properties?

Current market work on land use, redevelopment (tax increment) funding, the target market(s) for residential properties, and estimated sales revenues from the residential properties on the State Owned Parcels in the Project Area was performed by the Concord Group, and Seifel Consulting Inc. A summary of this work has been submitted to the REAP members.

Question 10. Has Dean Macris, San Francisco Planning Director, given the property owners different directions? If so, what are they?

Director Macris has not given the property owners different directions. Director Macris has been a consistent supporter of the project and has led the effort just started by the Planning Department to rezone the properties immediately adjacent to the Transbay Terminal. The key objective of this effort, known as the Transbay Transit Center District Plan, is to increase height limits around the Transbay Terminal in order to generate additional revenue for the project from the two State Owned Parcels adjacent to the terminal site and also from Non-State Owned Parcels through the establishment of a Mello-Roos Special Tax District or other methods.

Question 11. Who is profiled to be the user/buyer? What is the support for these numbers?

The residential properties developed on the State Owned Parcels in Zone One of the Project Area will target a wide range of users/buyers. The Concord Group has completed a detailed market analysis, a summary of which has been submitted to the REAP members. Details of the user/buyer profiles are provided in the Exhibits to The Concord Group's report and an overview is provided below.

1. Office – Typical downtown/SOMA class A office users
 - a. Financial and consulting services, law firms, etc.
 - b. Majority (80%) of ±1MMsf of annual new office space demanded from “professional and business services” and “financial activities” employment
2. Retail – Office and Residential Serving Retail
 - a. Retail users defined given scale and physical location in plan.
 - b. Support for ±30,000 square feet of retail from future on-site households, remainder supported by local influx, new housing units coming on line in SOMA over next 10 years.
 - c. Majority (67%) of demand for “Foodservice and Drinking Places” and “Food and Beverage Stores”
3. Hotel – Business travelers and office users.

Question 12. How does this translate into the housing and commercial components?

The residential zoning on the State Owned Parcels in Zone One of the Project Area was established after a year-long community outreach process during which it was determined that the best use of the properties was as a residential neighborhood adjacent to the growing residential neighborhoods in Rincon Hill and South Beach. Zone Two of the Project Area is currently zoned to allow either residential or commercial use. The Transbay Transit Center District Plan will determine whether and how this zoning will be changed to target more commercial or more residential uses. The winning proposal from Hines Corporation for the Transit Tower is an all-office development, with an option for residential use if the TJPA and the City and County of San Francisco desires. Agency staff believes that the area surrounding the Transbay Terminal should be used to accommodate future expansion of the commercial uses in the Financial District, especially given that Zone One of the Project Area has been zoned for residential development.

Question 13. Did the TJPA consider a finer planning mix where large buildings of exclusively affordable are avoided in favor of higher percentages of inclusionary affordable categories in all buildings? This tactic may be well worth the effort in terms of long-term project viability. Did the TJPA consider this approach? If not, why not?

The Redevelopment Plan for the Transbay Redevelopment Project Area (the “Redevelopment Plan”) was developed by the San Francisco Redevelopment Agency (the “Agency”). The affordable housing requirements in the Redevelopment Plan are based on State Law, specifically Section 5027.1 of the Public Resources Code, which sets minimum affordable housing requirements for any redevelopment plan adopted to finance the demolition of the Transbay Terminal and construction of a new terminal. This state law requires that at least 35 percent of all units developed within the Project Area be affordable.

The Redevelopment Plan achieves the 35 percent affordable housing requirement while at the same time maximizing the value of the State Owned Parcels. The tower parcels, which are by far the most valuable due to the views and other amenities typical in high-rise units, will be required to include at least 15 percent inclusionary affordable units. In order to achieve the 35 percent affordable housing level, most of the low- and mid-rise buildings surrounding the towers will be 100 percent affordable. By putting as few affordable housing units in the towers as possible, the value of the land and the future development is maximized.

The REAP question #13 suggests that increasing the inclusionary housing requirement in the towers and reducing the amount of affordable housing in the low- and mid-rise buildings would be a preferable option. This option was analyzed during the development of the Redevelopment Plan. Increasing the amount of affordable housing in the towers would reduce the overall value of the State Owned Parcels because the units in the towers are the most valuable units in the Project Area, a conclusion which has been confirmed by all of our market analyses, including the recent analysis completed by The Concord Group. Moreover, due to the high cost of construction of towers, a 35 percent inclusionary requirement (or even a 25 percent inclusionary requirement) would likely make the tower projects financially infeasible.

Therefore, in order to maximize the value of land, the inclusionary requirement for the towers was reduced to 15 percent, the lowest level that would still enable the Agency to achieve the 35 percent affordability requirement in State Law. The number of affordable units is the same in the current plan as it would be with an across-the-board 35 percent inclusionary requirement. However, in the current plan, more of the tower units are market-rate units, thus enabling the project to achieve the maximum revenue from these valuable developments.

The materials provided to the REAP for the July 18 meeting indicate that the San Francisco Redevelopment Agency anticipates that it can meet the local subsidy requirements for the 800 stand alone affordable units with about \$125 million of tax increment cash assistance (see bottom slide on page 41 of the July 18 presentation materials that were handed out at the July 18 meeting).

Question 14a. Please provide the back-up information and assumptions for this conclusion, including development budget estimates, sources and uses funding estimates, and related materials for the 800 stand alone affordable units.

Question 14b. Please provide a further discussion of other affordable housing funding sources that have been assumed to be available for these units in order to minimize the RDA's tax increment contribution, including a discussion of the assumed availability of 9% tax credits, 4% tax credits, tax exempt multifamily revenue bond proceeds, other state and federal funding sources, and private debt sources.

The purpose of requesting this information is to help assure that the amount of RDA tax increment needed for the affordable units is within the amount of tax increment that is required to be set-aside for affordable housing (the 20% set aside requirement). If the actual amount of required RDA assistance for the 800 stand alone affordable housing units exceeds the RDA's assumptions (due to higher development costs and/or lower levels of other potential funding sources), there is a concern that additional tax increment revenues beyond the 20% set aside amount may be required for the affordable housing component of the project, thereby reducing the estimated amount of remaining tax increment revenue that is being counted on to support the TIFIA loan, which is one of the key funding sources for both the Phase 1 and Phase 2 components of the actual transportation improvements (see the bottom slide on page 44 of the July 18 presentation materials that were handed out at the July 18 meeting).

In this way, it seems that there is a direct relationship between the soundness of the affordable housing funding component of the project to the soundness of the funding plan for the transportation component.

Question 14c. Consequently, any back-up materials that would help the REAP assess the reasonableness of the affordable housing funding plan would contribute to achieving a reasonable comfort level with the overall transportation funding plan.

Question #14b states that the reason for requesting additional information is due to concern that additional tax increment revenues beyond the 20 percent set-aside from the State Owned Parcels may be required for the affordable housing. However, the Agency is not allowed to use additional tax increment from the State Owned Parcels beyond the 20 percent set-aside for affordable housing. This restriction is described in detail in the Redevelopment Plan and the Tax Increment Allocation and Sales Proceed Pledge Agreement between the TJPA, the City and the Agency. This restriction is also described in the Cooperative Agreement between Caltrans, the TJPA and the City. If the Agency requires additional funds to pay for the 800 stand-alone affordable housing units in the Project Area, it must come from sources other than the tax

increment from the State Owned Parcels. And the Agency does have other sources of funding to pay for the affordable housing. In addition to the 20 percent set-aside from the State Owned Parcels, the Agency has access to all of the tax increment from the Non-State Owned Parcels. The Agency also has access to Jobs-Housing Linkage Program Fees, which must be used for affordable housing, from office developments in the Project Area.

A sample pro-forma for what is likely to be the typical financing structure for the stand-alone affordable housing projects in Transbay is shown in Attachment A. This structure combines Agency tax increment subsidy with 4% Low Income Housing Tax Credits and Tax-Exempt Mortgage Revenue Housing Bonds. Using this structure, we estimate that the amount of Agency subsidy will be approximately \$244,000 per unit. While 9% Tax Credits would generate more equity for the project, and therefore reduce the overall Agency subsidy requirement, the timing issues associated with developing the affordable housing projects on a shared podium with a market rate tower make using 9% Tax Credits more challenging. However, the Agency is looking at using 9% Tax Credits on any truly stand-alone affordable housing developments, such as Blocks 11 and 12, as they would be better suited towards competing in the 9% Tax Credit queue. In that case, the Agency's subsidy for those projects would likely be significantly less than the \$244,000 figure mentioned above.

In addition to the Tax Credits and Bonds, many of the affordable housing projects may also pursue funding from the State's Multifamily Housing Program (MHP) as well as the Federal Home Loan Bank's Affordable Housing Program (AHP).

Based on our most recent projections, both the Agency subsidy for affordable housing projects and the total tax increment for the Project Area have increased from the 2004/05 figures that were presented to the REAP on July 18, 2007. If one assumes an average of \$244,000 per unit in Agency subsidy, the 800 stand-alone affordable housing units would use approximately \$195 million in tax increment. Based on Seifel Consulting Inc.'s recent projections, approximately \$121 million (FY 2008 dollars) in tax increment will be coming to the Agency for housing from the State Owned Parcels as part of the 20% housing set-aside. This portion of the tax increment is solely for housing in the area. Another 60% of the tax increment is dedicated to the Transbay Transit Center and rail extension and will be used to repay construction loans. In addition, all of the approximately \$190 million in tax increment will be available to the Agency from the Non-State owned Parcels (based on the 2005 projections) which will be used for both affordable housing and non-housing programs, such as infrastructure and open space. Combined with the fees generated from the Jobs-Housing Linkage Program, which must be used to develop affordable housing, the Agency is confident that it will have the subsidy required to develop the 800 stand-alone affordable housing units.

Question 15. Please provide an assessment of the impacts on the timing and completion of the private development components of the TJPA project in light of the recent court decision that strikes down the City's General Plan on CEQA grounds.

The recent court decision regarding San Francisco's General Plan 2004 Housing Element will have no effect on development of private parcels in the vicinity of the Transbay Transit

Center. The Redevelopment Plan divides the Redevelopment Area into two zones: Zone 1 is generally the residential development on Folsom Street. That development is subject to the Redevelopment Plan and the Design and Development Guidelines, not the SF Planning Code or General Plan. Zone 2, which includes the Transit Center and some private development sites on Howard and on Main Street, is subject to the City's Planning Code and General Plan. The court decision invalidated parts of the Housing Element of the City's General Plan.

Meanwhile, the San Francisco Planning Department is studying another amendment to the General Plan and its zoning ordinances to increase heights and make other zoning changes on a neighborhood-wide basis, called the Transbay District Plan. It is presumed that those changes will supersede the 2004 Housing Element in any event. All private development within Zone 2 of the Redevelopment Area that occurs after the Transbay District is adopted will be subject to, and must be consistent with, the new General Plan Housing Element. Until the Transbay District Plan becomes law, however, the Planning Department's policy is to require development to be consistent with both the previous Housing element (1990) and the 2004 Housing Element. As each version of the element is very general, it appears that there is little difficulty in achieving consistency with the General Plan.

Question 16. Finally, in addition to addressing any specific questions from the REAP, it was the REAP members' understanding at the conclusion of our July 18 meeting that the Transbay Terminal JPA team will be providing the REAP (by early November) with a comprehensive update of the funding program, including updated market studies and development pro formas for various product types, and updated tax increment projections.

The Concord Group has conducted detailed strategic market analyses for residential (for-sale and for-rent), office, retail and hospitality land uses in the Transbay area. This work included:

- A detailed analysis of the subject parcels, surrounding land uses, strengths/weaknesses, opportunities/threats
- An economic and demographic overview of the project neighborhood and relevant sub-regional and regional markets,
- A Competitive Supply Analysis for each candidate land use type
 - Current and projected trends and performance, unfulfilled needs, comparable/competitive inventory analysis, price/rent/room rate potential
- A Competitive Demand Analysis for each candidate land use type
 - An analysis of pent up demand due to supply constraints (if applicable)
 - An assessment of annual demand for new units/sf/rooms by product type generated through: demographic changes (population, households, household composition); employment growth and obsolescence.
- Price positioning and absorption recommendations by product type
- Land residual analyses detailing revenues and development costs by product type.
- Summaries of all the above

A summary of the The Concord Group's report has been submitted to the REAP.

Seifel Consulting has updated the tax increment projections based on the recently updated land values, market analysis, and absorption schedules. The tax increment projections have been summarized and submitted to the REAP.

These key revenue updates have been incorporated into the TJPA's updated financial plan that will be presented to the REAP on November 14, 2007.

EXHIBIT MAP

DECEMBER 2002
(REVISION: 4/02/03)

SCALE: NONE

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION
AND HOUSING AGENCY
DEPARTMENT OF TRANSPORTATION
DISTRICT 4

SHEET 1 OF 6

PARCEL LEGEND

-  STATE OWNED PARCELS TO BE TRANSFERRED TO THE CITY AND COUNTY OF SAN FRANCISCO
-  STATE OWNED PARCELS TO BE TRANSFERRED TO THE TRANSBAY JOINT POWERS AUTHORITY
-  STATE OWNED PARCELS TO BE LEASED TO GOLDEN GATE BRIDGE, HIGHWAY, AND TRANSPORTATION DISTRICT ("GGBHTD") AND THE AUTHORITY FOR BUS STAGING AND PARKING
-  STATE OPERATING RIGHT OF WAY

PARCEL INFORMATION

PARCEL NO. APN

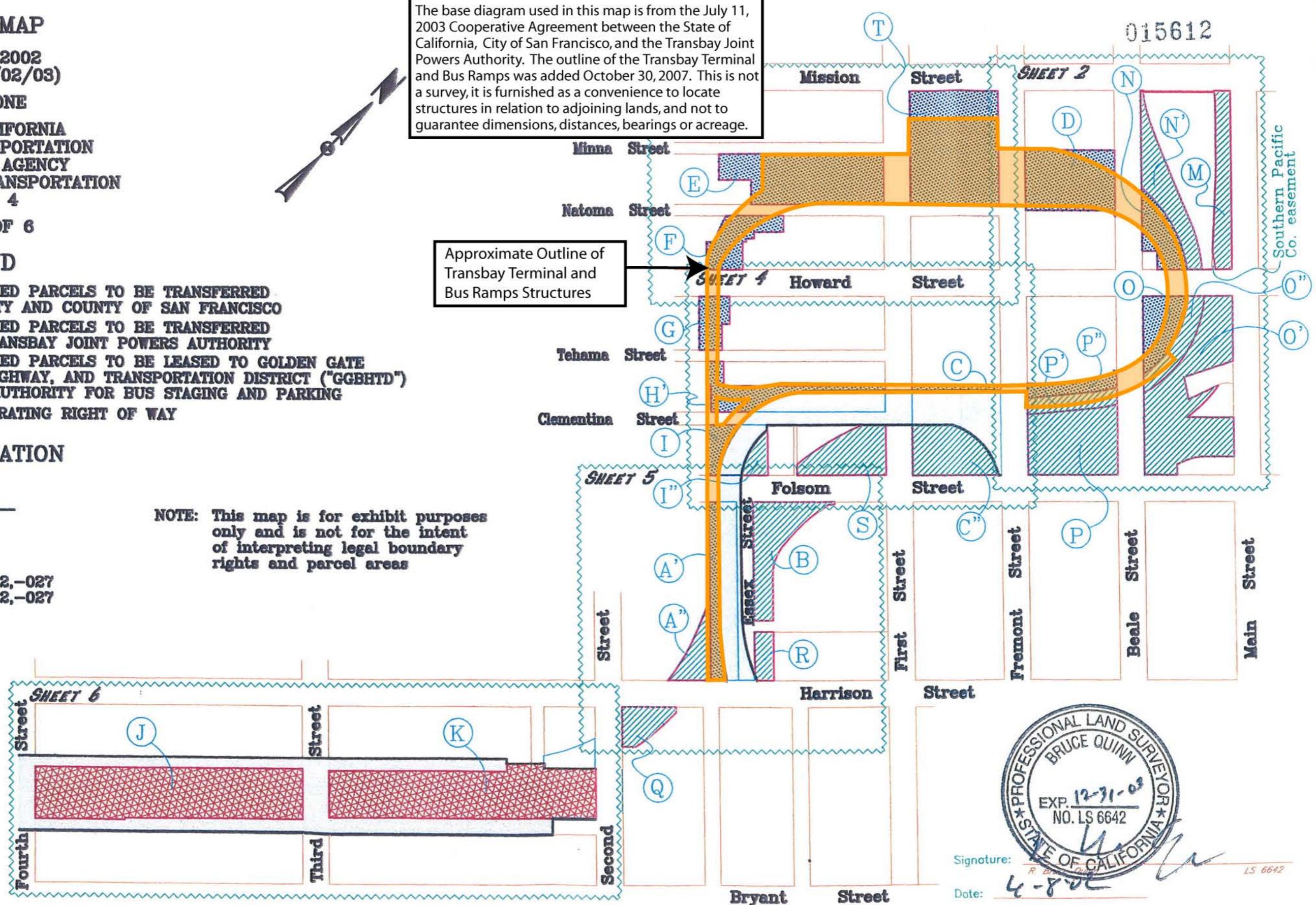
A	3749-052
A'	3749-052
B	3749-064
B'	3737-005,-012,-027
C	3737-005,-012,-027
C'	3719-003
D	3721-008
E	3721-015A
F	3736-089
G	3736-007
H	3736-018
I	3736-018
I'	3762-004
J	3763-112
J'	3718-027
K	3718-025
K'	3718-025
L	3739-008
L'	3739-008
M	3739-008
M'	3738-004
N	3738-004
N'	3738-004
O	3764-068
O'	3749-061
P	3736-120
P'	3720-001

NOTE: This map is for exhibit purposes only and is not for the intent of interpreting legal boundary rights and parcel areas

The base diagram used in this map is from the July 11, 2003 Cooperative Agreement between the State of California, City of San Francisco, and the Transbay Joint Powers Authority. The outline of the Transbay Terminal and Bus Ramps was added October 30, 2007. This is not a survey, it is furnished as a convenience to locate structures in relation to adjoining lands, and not to guarantee dimensions, distances, bearings or acreage.



Approximate Outline of Transbay Terminal and Bus Ramps Structures



Signature: *R. Quinn* Date: *4-8-02* LS 6642

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION FROM EXISTING RECORDS IN THE OFFICE OF RIGHT-OF-WAY ENGINEERING.

ASSUMPTIONS	
Number of Units	100
Unit Type	2-Bedrm
Unit Square Footage	800
Total Residential Square Footage	80,000
Total Project Square Footage	100,000
Affordability	50% AMI (CITY)
Rent (Monthly, Net)	\$930
Expenses (PUPY)	\$7,000
DSC	1.25
Bond Interst Rate	6.50%
Bond Term	30

Credit Price	\$1.00
Credit Rate	3.60%
Threshold Basis Limit (Elevator)	\$165,897

BASIS CALCULATION		
Total Eligible Costs	\$40,717,000	95% of TDC less land
Threshold Basis	\$16,589,700	Threshold Basis
20% Boost (Prev Wage)	\$3,317,940	
4% Boost (Energy Efficiency)	\$663,588	
120% Boost (>50% units TC restr)	\$19,907,640	
Adjusted Threshold Basis	\$40,478,868	
Max Annual Credit Amount	\$1,457,239	
Max 10 Yr Credit Amount	\$14,572,392	
TOTAL EQUITY	\$14,572,392	

INCOME	PROJECT	PUPY
GROSS RENTS	\$1,116,000	\$11,160
VACANCY @ 5%	(\$55,800)	(\$558)
EFFECTIVE GROSS INCOME	\$1,060,200	

EXPENSES	PROJECT	PUPY
Operating Expenses	(\$700,000)	(\$7,000)
Replacement Reserve Deposits	(\$40,000)	(\$400)
TOTAL EXPENSES	(\$740,000)	

NOI	\$320,200
AVAILABLE FOR DEBT	\$256,160
MAX SUPPORTABLE DEBT	\$3,910,435

CONSTRUCTION SOURCES	PROJECT	UNIT	SF
CONSTRUCTION LOAN/BONDS	\$21,430,000	\$214,300	\$214 50% TDC
SFRA SUBSIDY	\$21,430,000	\$214,300	\$214
TOTAL CONSTRUCTION SOURCES	\$42,860,000	\$428,600	\$429
PERMANENT SOURCES	PROJECT	UNIT	SF
1st MORTGAGE/BONDS	\$3,910,435	\$39,104	\$39
TAX CREDIT EQUITY	\$14,572,392	\$145,724	\$146
SFRA SUBSIDY	\$24,377,172	\$243,772	\$244
TOTAL PERMANENT SOURCES	\$42,860,000	\$428,600	\$429

USES	PROJECT	UNIT	SF
ACQUISITION	\$0	\$0	\$0
CONSTRUCTION	\$30,000,000	\$300,000	\$300
CONSTRUCTION CONTINGENCY	\$3,000,000	\$30,000	\$30 10%
INFRASTRUCTURE	\$2,500,000	\$25,000	\$25
ARCH/ENGINEERING	\$1,785,000	\$17,850	\$18 5.95% Constr
FEES&PERMITS	\$850,000	\$8,500	\$9
FINANCING	\$1,400,000	\$14,000	\$14
DEVELOPER FEE	\$2,000,000	\$20,000	\$20
CAPITALIZED OPERATING RSRV	\$175,000	\$1,750	\$2
OTHER COSTS	\$1,150,000	\$11,500	\$12
TOTAL USES	\$42,860,000	\$428,600	\$536

Financing Costs	PROJECT	PUPY
Issuer Fee (0.5%)	\$107,150	
Bond Counsel	\$50,000	
TCAC fee (1% of Annual Credit Amt)	\$14,572	
Construction Interest	\$1,044,713	(50% loan outstanding, 18 months)
Construction Loan Fees (0.75%)	\$160,725	
	\$1,377,160	

SFRA Sample TB Rental Proforma - 4% & Bonds

30 YEAR CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14
INCOME (increases at 2.5%)														
Gross Rental Income	\$1,116,000	\$1,143,900	\$1,172,498	\$1,201,810	\$1,231,855	\$1,262,652	\$1,294,218	\$1,326,573	\$1,359,738	\$1,393,731	\$1,428,574	\$1,464,289	\$1,500,896	\$1,538,418
Vacancy @ 5%	(\$55,800)	(\$57,195)	(\$58,625)	(\$60,090)	(\$61,593)	(\$63,133)	(\$64,711)	(\$66,329)	(\$67,987)	(\$69,687)	(\$71,429)	(\$73,214)	(\$75,045)	(\$76,921)
EFFECTIVE GROSS INCOME	\$1,060,200	\$1,086,705	\$1,113,873	\$1,141,719	\$1,170,262	\$1,199,519	\$1,229,507	\$1,260,245	\$1,291,751	\$1,324,045	\$1,357,146	\$1,391,074	\$1,425,851	\$1,461,497
EXPENSES (increases at 3.5%)														
Operating Expenses	(\$700,000)	(\$724,500)	(\$749,858)	(\$776,103)	(\$803,266)	(\$831,380)	(\$860,479)	(\$890,595)	(\$921,766)	(\$954,028)	(\$987,419)	(\$1,021,979)	(\$1,057,748)	(\$1,094,769)
Replacement Reserves	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
TOTAL OPERATING EXPENSES	(\$740,000)	(\$764,500)	(\$789,858)	(\$816,103)	(\$843,266)	(\$871,380)	(\$900,479)	(\$930,595)	(\$961,766)	(\$994,028)	(\$1,027,419)	(\$1,061,979)	(\$1,097,748)	(\$1,134,769)
NET OPERATING INCOME	\$320,200	\$322,205	\$324,015	\$325,617	\$326,996	\$328,139	\$329,028	\$329,649	\$329,984	\$330,016	\$329,727	\$329,095	\$328,103	\$326,728
DEBT SERVICE														
1st Mortgage/Bonds	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)
DSC Ratio	1.25	1.26	1.26	1.27	1.28	1.28	1.28	1.29	1.29	1.29	1.29	1.28	1.28	1.28
CASH FLOW AFTER DEBT SERVICE	\$64,040	\$66,045	\$67,855	\$69,457	\$70,836	\$71,979	\$72,868	\$73,489	\$73,824	\$73,856	\$73,567	\$72,935	\$71,943	\$70,568
FEES (Above the Line)														
Asset Management Fee	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
NET CASH FLOW	\$49,040	\$51,045	\$52,855	\$54,457	\$55,836	\$56,979	\$57,868	\$58,489	\$58,824	\$58,856	\$58,567	\$57,935	\$56,943	\$55,568
Partnership Management Fee	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
AVAIL. FOR RESIDUAL RCPTS	\$34,040	\$36,045	\$37,855	\$39,457	\$40,836	\$41,979	\$42,868	\$43,489	\$43,824	\$43,856	\$43,567	\$42,935	\$41,943	\$40,568
1/3 - GP Incentive Mgmt Fee	\$11,347	\$12,015	\$12,618	\$13,152	\$13,612	\$13,993	\$14,289	\$14,496	\$14,608	\$14,619	\$14,522	\$14,312	\$13,981	\$13,523
2/3 - SFRA	\$22,693	\$24,030	\$25,237	\$26,305	\$27,224	\$27,986	\$28,579	\$28,993	\$29,216	\$29,238	\$29,044	\$28,624	\$27,962	\$27,045

SFRA Sample TB Rental Proforma - 4% & Bonds

30 YEAR CASH FLOW

	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
INCOME (increases at 2.5%)																
Gross Rental Income	\$1,576,879	\$1,616,301	\$1,656,708	\$1,698,126	\$1,740,579	\$1,784,094	\$1,828,696	\$1,874,413	\$1,921,274	\$1,969,306	\$2,018,538	\$2,069,002	\$2,120,727	\$2,173,745	\$2,228,088	\$2,283,791
Vacancy @ 5%	(\$78,844)	(\$80,815)	(\$82,835)	(\$84,906)	(\$87,029)	(\$89,205)	(\$91,435)	(\$93,721)	(\$96,064)	(\$98,465)	(\$100,927)	(\$103,450)	(\$106,036)	(\$108,687)	(\$111,404)	(\$114,190)
EFFECTIVE GROSS INCOME	\$1,498,035	\$1,535,486	\$1,573,873	\$1,613,220	\$1,653,550	\$1,694,889	\$1,737,261	\$1,780,693	\$1,825,210	\$1,870,840	\$1,917,611	\$1,965,552	\$2,014,690	\$2,065,058	\$2,116,684	\$2,169,601
EXPENSES (increases at 3.5%)																
Operating Expenses	(\$1,133,086)	(\$1,172,744)	(\$1,213,790)	(\$1,256,273)	(\$1,300,242)	(\$1,345,751)	(\$1,392,852)	(\$1,441,602)	(\$1,492,058)	(\$1,544,280)	(\$1,598,330)	(\$1,654,271)	(\$1,712,171)	(\$1,772,097)	(\$1,834,120)	(\$1,898,315)
Replacement Reserves	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
TOTAL OPERATING EXPENSES	(\$1,173,086)	(\$1,212,744)	(\$1,253,790)	(\$1,296,273)	(\$1,340,242)	(\$1,385,751)	(\$1,432,852)	(\$1,481,602)	(\$1,532,058)	(\$1,584,280)	(\$1,638,330)	(\$1,694,271)	(\$1,752,171)	(\$1,812,097)	(\$1,874,120)	(\$1,938,315)
NET OPERATING INCOME	\$324,949	\$322,742	\$320,083	\$316,947	\$313,308	\$309,138	\$304,409	\$299,091	\$293,152	\$286,560	\$279,281	\$271,280	\$262,519	\$252,961	\$242,564	\$231,287
DEBT SERVICE																
1st Mortgage/Bonds	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)	(\$256,160)
DSC Ratio	1.27	1.26	1.25	1.24	1.22	1.21	1.19	1.17	1.14	1.12	1.09	1.06	1.02	0.99	0.95	0.90
CASH FLOW AFTER DEBT SERVICE	\$68,789	\$66,582	\$63,923	\$60,787	\$57,148	\$52,978	\$48,249	\$42,931	\$36,992	\$30,400	\$23,121	\$15,120	\$6,359	(\$3,199)	(\$13,596)	(\$24,873)
FEES (Above the Line)																
Asset Management Fee	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$6,359)	(\$6,359)	(\$6,359)	(\$6,359)
NET CASH FLOW	\$53,789	\$51,582	\$48,923	\$45,787	\$42,148	\$37,978	\$33,249	\$27,931	\$21,992	\$15,400	\$8,121	\$120	\$0	(\$9,558)	(\$19,955)	(\$31,232)
Partnership Management Fee	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$8,121)	(\$120)	(\$120)	(\$120)	(\$120)	(\$120)
AVAIL. FOR RESIDUAL RCPTS	\$38,789	\$36,582	\$33,923	\$30,787	\$27,148	\$22,978	\$18,249	\$12,931	\$6,992	\$400	\$0	\$0	(\$120)	(\$9,678)	(\$20,075)	(\$31,352)
1/3 - GP Incentive Mgmt Fee	\$12,930	\$12,194	\$11,308	\$10,262	\$9,049	\$7,659	\$6,083	\$4,310	\$2,331	\$133	\$0	\$0	(\$40)	\$0	\$0	\$0
2/3 - SFRA	\$25,859	\$24,388	\$22,615	\$20,525	\$18,098	\$15,319	\$12,166	\$8,620	\$4,661	\$267	\$0	\$0	(\$80)	\$0	\$0	\$0