

Major Project Advancement Policy: Stage Gate Evaluation

Terms of Advancement - *The Portal Project, TJPA*

Evaluation Details

Evaluation Details: On July 24, 2024, the MTC Commission initiated a Stage Gate Evaluation for TJPA's the Portal project, which was originally adopted into the MAP at Level 2.

The MAP Stage Gate evaluation framework focuses on project cost and funding, adherence to Plan Bay Area and regional policies, and project readiness (including governance, procurement, project delivery and operating model). Based on the assessment, the project will receive a confidence score, proposed MAP level, and any conditions or recommendations to be included in an overall recommendation to the Commission.

The Stage Gate evaluation process for projects over \$1 billion in total cost requires commission approval to commence. In July 2024, the Commission approved commencement of a Stage Gate assessment of the Portal Project. MTC staff subsequently began the evaluation with support from the Steer Group, the consulting firm that assisted in the development of the MAP Stage Gate Evaluation Framework.

The consultant team, in coordination with MTC staff, requested documents from TJPA related to project definition, benefits, risk assessment, cost estimates, and proposed procurement approaches from TJPA. Using the information provided by TJPA, the consultant team performed an evaluation of the Portal project's readiness to advance to MAP Level 1.

In each of the following areas, the consultant team analyzed the project and provided comparisons to similar projects and implementing agencies, and rated the project as strong, satisfactory, or weak.

- Cost Estimates
- Funding Strategy
- Purpose and Need
- Benefits Framework
- Governance

March 12, 2025
Attachment A
MAP Stage Gate Evaluation Terms of Advancement

- Procurement
- Development
- Technical Risks

The consultant team assigned a satisfactory or strong rating to the Portal project under all of the areas listed above. The findings and recommendations from the consultant team are detailed in the Portal Project Assessment Presentation included in the February 2025 PAC materials.

Level 1 Criteria

The criteria for a project to enter into Level 1 are:

- Projects with more than 50% committed funding and construction start by 2028*; **or**
- Transit Megaprojects with approved Federal Transit Administration (FTA) Capital Investment Grants (CIG) Full Funding Grant Agreement or FTA Letter of Intent issued for funding in the Expedited Project Delivery (EPD) pilot program

On January 30th, 2025, the TJPA received a project update with a total capital cost of over \$8.8 billion, with an approved scope reduction of \$351 million and additional potential scope reductions of \$510 million, leaving the current capital project funding shortfall at \$2.5 billion. The first construction activities are expected to begin in 2026. TJPA's request to be considered for advancement into MAP Level 1 noted that this was a key step to securing a Full Funding Grant Agreement for the CIG program.

Issues

- **Advancement is Conditional:** If TJPA does not meet the conditions, advancement of the project to MAP Level 1 will not be finalized and the Portal project may not be eligible for future regional discretionary funding or endorsement by MTC for state and federal funding.
- **Limited Federal Share and Funding Shortfall:** FTA has limited the federal share of project funding to \$3.38 billion, or 41% of the total project cost as of the time of entry into the Engineering phase of CIG, lower than was requested by TJPA. On January 30th, 2025, the TJPA received a project update with a total capital cost of over \$8.8 billion, with an approved scope reduction of \$351 million and additional potential scope reductions of \$510 million, leaving the current capital project funding shortfall at \$2.5 billion. While advancement to

MAP Level 1 enables MTC to endorse the project for discretionary funding and strengthens MTC's advocacy for funding, many of the remaining potential funding sources are competitive and dependent on funding availability. A delay in securing additional funding could delay delivery of the project.

Recommendation and Conditions

Staff recommend that MTC advance The Portal project to MAP Level 1, contingent on completion of the conditions listed below. Additional recommendations on coordination and oversight of the project follow.

Conditions

Advancement of the Portal project to MAP Level 1 is contingent on:

- 1. The formation of a Change Control Board (CCB) as part of the project governance and oversight structure that includes MTC as a member and with a charter executed prior to the start of the Portal Project Phase 2 (pre-construction). The CCB charter shall include standard and reasonable thresholds and timelines for changes to project scope, schedule and budget requiring CCB review and approval. MTC's expectation is that the CCB composition and voting rights reflect the distributed risk ownership across the partner agencies, including the funding risk owned by MTC, and that TIPA would justify to MTC's satisfaction any composition that does not give each of the partners an equal vote.*
- 2. Considering the unprecedented transit operations funding shortfalls in the region, the TIPA, in coordination with FTA processes, shall develop an updated operating cost estimate range report, including forecasted fare charges for trips starting or ending at the Transit Center and including increased operating costs projected for Caltrain. Additionally, TIPA shall develop an operating funding strategy that includes potential new revenues generated from the Transit Center, other local sources, and sources outside of the current existing sources used to fund transit operations in the region. This information shall be transmitted to MTC by December 31, 2025.*

Recommendations

MTC staff also recommend that MTC pursue, and that TJPA voluntarily participate in, the following actions to support and monitor the Portal project.

1. Cost Control and Value Engineering: Coordinate with sponsor, Federal Transit Administration – Project Management Office and partners to reduce and control costs.
2. Funding
 - a. Continue to consider endorsements and discretionary investments in the project consistent with the MAP, TIRCP and BIL frameworks and strategies to complement committed and planned regional and local funding.
 - b. Continue to work with partners to seek an extension of the Cap and Trade program, which provides funding for future TIRCP investments.
 - c. Continue to work with sponsor to secure the State High Speed Rail \$550 million commitment as outlined in past California High Speed Rail Business Plan and additional state investment in this important HSR bookend project.
3. Regional Policies – In coordination with FTA reporting requirements, review current ridership and benefit forecasts against emerging post-pandemic expectations, aligned to the revised forecasting being undertaken for Plan Bay Area 2050+.
4. Readiness – In coordination with the FTA Project Management Oversight process, specific to technical project delivery risks, consider a Health Check review by an independent technical expert to confirm that all relevant technical risks have been considered and addressed.