

**BAY AREA HEADQUARTERS AUTHORITY**

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***Memorandum*****Agenda Item 4c**

TO: Bay Area Headquarters Authority (BAHA)

DATE: October 19, 2016

FR: Executive Director

RE: BAHA Resolution No. 17, Revised, FY 2016-17 Capital and Operating Budgets

Staff requests Authority approval of BAHA Resolution No. 17, Revised, the BAHA Capital and Operating Budgets for FY 2016-17.

**Revenue:** Total funding for the Bay Area Metro Center (BAMC) renovation project will increase by \$10 million, from \$259 million to \$269 million. In addition the Commercial Development Fund (CDF) which covers commercial tenant improvements will be established at \$24 million. The CDF is necessary to cover the cost of contracted tenant improvements.

BAHA already holds \$30 million in escrow for the sale of space to the Air District and these funds will be adequate to cover the proposed budget changes. The current condominium map shows an Air District purchase of 77,163 square feet which corresponds to a purchase price of \$29,707,755. In addition, BAHA and Air District staff have reached tentative agreement that the Air District will purchase another approximately 10,390 square feet which would result in an additional payment of \$4,000,000. The current escrow holds the original \$30 million and will close after the initial sale is completed. The additional purchase, should it occur, will take place after close of the initial sale. We hope to pursue a similar transaction with ABAG at a future date, although for far less space.

In addition to the budgeted revenues, BAHA has submitted an insurance claim related to the January 2016 bus duct fire and power outage, as well as an errors and omissions claim against the building designer. However, any recovery is uncertain and cannot be budgeted at this time.

**Expense:** The total capital project expense budget will increase by \$10 million. The increase will cover the remaining closeout costs with the building contractor. Capital budget revisions are on Attachment A, page 3. The change to the capital program is the result of a negotiated global settlement between BAHA and McCarthy Building Companies, Inc. (McCarthy). The settlement includes a waiver from McCarthy of its right to file future claims, a requirement to resolve any subcontractor claims, as well as a waiver of any shared savings. Staff believes the global settlement will close out the McCarthy construction contract without further payments.

### **Capital Budget**

The total capital budget (Attachment A, page 3), including adjustments for FY 2016-17 changed from \$259 million to \$269 million. The summary is as follows:

<b><u>Sources (\$ millions)</u></b>	<b><u>Original</u></b>	<b><u>Adjustments</u></b>	<b><u>Revised</u></b>
BATA toll contribution	\$185.5	\$ 5.7	\$191.2
SPANs debt savings	33.0		33.0
Air District purchase*	30.0	4.0	34.0
Insurance / Claims	0.3		0.3
ABAG TI and purchase*	1.2	0.4	1.6
PG&E reimbursement	1.0	(0.4)	0.6
TFCA grant	0.0	0.3	0.3
BATA/MTC/SAFE transfers	7.8		7.8
Life-to-date project budget	\$258.8	\$10.0	\$268.8
<b><u>Uses</u></b>			
Building Purchase	\$93.0	\$	\$93.0
Building Development	159.6	10.0	169.6
Staff Costs	5.2		5.2
Capital Equipment	1.0		1.0
Life-to-date uses	\$258.8	\$10.0	\$268.8

\*Subject to further agreements and settlements.

### **Commercial Development Budget**

The FY 2016-17 BAHA Commercial Development Fund (Attachment A, page 4) accounts for the tenant improvement allowances and commissions for development of the commercial enterprise component of the building. The total budgeted expense is \$15.8 million which will also be covered with the proceeds of the Air District sale. The work will be completed in FY 2016-17 prior to the tenants moving in.

Funds for the construction cost increase will be advanced by BATA to BAHA until the sale to the Air District is completed. Once the funds are released from escrow, BAHA will repay the advance to BATA.

**Recommendation:**

Staff recommends that this Authority approve BAHA Resolution No. 17, revised, the BAHA FY 2016-17 Capital and Operating Budgets.



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Steve Heminger

SH:es  
Attachment

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Date: June 22, 2016  
W.I.: 9130  
Revised: 10/26/16-BAHA

ABSTRACT

BAHA Resolution No. 17, Revised

This resolution approves the Budget for FY 2016-17 for the Bay Area Headquarters Authority (BAHA).

Attachment A to this resolution was revised on October 26, 2016 to authorize a \$10,000,000 increase to the BAHA budget for FY 2016-17 to cover the remaining closeout costs and the building contractor as well as the balance of some residual improvements.

Discussion of this Resolution can be found in the Executive Director's Memoranda to BAHA dated June 15, 2016 and October 19, 2016.

Date: June 22, 2016  
W.I.: 9130

Re: Bay Area Headquarters Authority Capital and Operating Budgets for FY 2016-17

BAY AREA HEADQUARTERS AUTHORITY  
RESOLUTION No. 17

WHEREAS, the Metropolitan Transportation Commission (“MTC”) and the Bay Area Toll Authority (“BATA”) have executed a joint exercise of powers agreement dated September 28, 2011 which creates and establishes the Bay Area Headquarters Authority (“BAHA”); and

WHEREAS, the BAHA staff has prepared a proposed capital and operating budget setting forth the anticipated revenues and expenditures of BAHA for FY 2016-17 according to generally accepted accounting principles; now, therefore, be it

RESOLVED, that BAHA approves the FY 2016-17 capital and operating budget (the “BAHA Budget”) as set forth in Attachment A to this Resolution; and, be it further

RESOLVED, that the Executive Director or designee may approve adjustments among line items in the BAHA Budget for FY 2016-17, provided that there shall be no increase in the overall BAHA Budget without prior approval of BAHA; and, be it further

RESOLVED, that the Executive Director or designee shall submit written requests to BAHA for approval of consultants, professional services, and expenditures authorized in the BAHA Budget for FY 2016-17; and be it further

RESOLVED, that the Executive Director and Treasurer and Auditor are authorized to carry over and re-budget all funds and contracts properly budgeted in the prior year for which expenditures were budgeted and encumbered and which will take place in FY 2016-17; and, be it further

RESOLVED, that the BAHA staff shall furnish BAHA with at minimum, at least quarterly, a financial report to reflect budgeted and actual income, expenditures, obligations for professional and consultant services, and such other information and data as may be requested by BAHA.

BAY AREA HEADQUARTERS AUTHORITY



Dave Cortese, Chair

The above resolution was entered into by the Bay Area Headquarters Authority at a regular meeting of the Authority held in San Francisco, California, on June 22, 2016.

Date: June 22, 2016  
W.I.: 9130  
Revised: 10/26/16-BAHA

Attachment A  
BAHA Resolution No. 17

FY 2016-17 BAHA Budget

**BAHA Building and Commercial Operations Budget FY 2016-17**

	Building and Commercial Operations- CW	Condo and Shared Services	BAHA Operating	Total BAHA operating
Revenue:				
Assessment fee - shared services	\$ -	\$ 1,456,146	\$ -	\$ 1,456,146
Assessment fee - common area	-	3,018,838	-	3,018,838
Lease income	5,564,578	-	-	5,564,578
Expense reimbursements	95,607	-	-	95,607
Other income - parking	57,600	-	-	57,600
Total operating income	5,717,785	4,474,984	-	10,192,769
Operating expenses:				
Salaries and Benefits	-	562,048	1,124,317	1,686,365
Overhead	-	240,098	480,432	720,530
Postage meter and Comcast/Direct TV	-	12,000	-	12,000
Supplies	-	256,000	-	256,000
Other expenses	24,044	-	-	24,044
Contractual services	2,230,579	3,018,838	-	5,249,417
Shuttle services	-	50,000	-	50,000
IT licenses, maintenance	-	261,000	50,000	311,000
Audit/tax prep	-	-	60,000	60,000
Contingency	-	25,000	250,000	275,000
Insurance	-	50,000	-	50,000
Total expenses	2,254,623	4,474,984	1,964,749	8,694,356
Total operating gain (loss)	\$ 3,463,162	\$ -	\$ (1,964,749)	\$ 1,498,413



**Distribution of Condo Area Fees**

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	Common Area	Shared Services	Total
BAAQMD	\$ 1,237,723	\$ 604,220	\$ 1,841,943
ABAG	203,909	110,091	314,000
MTC	1,577,206	741,835	2,319,041
Total	<u>\$ 3,018,838</u>	<u>\$ 1,456,146</u>	<u>\$ 4,474,984</u>

**BAHA Capital Budget FY 2016-17**

	<b>LTD Budget Thru FY2016-17</b>	<b>Amendment # 1 FY2016-17</b>	<b>Total LTD BUDGET Thru FY2016-17</b>
<b>Sources</b>			
Insurance proceeds	\$ 311,738	\$ -	\$ 311,738
Transfer in from MTC	801,160	-	801,160
Transfer in from SAFE	112,910	-	112,910
Transfer in from BATA	6,906,010	-	6,906,010
Purchase from ABAG	1,250,000	450,000	1,700,000
Purchase from Air District	30,000,000	4,000,000	34,000,000
Reimbursement from Air District	500,000	-	500,000
Reimbursement from PG&E	500,000	(435,846)	64,154
TFCA GRANT	-	157,000	157,000
Grant Local Match from MTC	-	34,000	34,000
Grant Local Match from Air District	-	34,000	34,000
SPANs savings	33,000,000	-	33,000,000
Capital Contribution (BATA)	185,450,000	5,760,846	191,210,846
<b>Total Transfer In</b>	<b>258,831,818</b>	<b>10,000,000</b>	<b>268,831,818</b>
<b>Uses</b>			
Purchase Building	\$ 93,000,000	\$ -	\$ 93,000,000
Building Improvements	-	-	-
Building Development	125,778,343	10,000,000	135,778,343
Insurance	-	-	-
Development Contingency	18,824,538	-	18,824,538
Furniture, Fixtures, Equipment	15,000,000	-	15,000,000
Backup Generator and 12V Feed	1,000,000	-	1,000,000
Staff Costs	5,228,937	-	5,228,937
<b>Total Usage</b>	<b>258,831,818</b>	<b>10,000,000</b>	<b>268,831,818</b>

BAHA Commercial Development Fund Life To Date FY 2016-17							
Program #	Budget	Tenant Improvements	Commissions	Total	LTD Expense	Budget Balance	
	Sales Proceeds			\$ 24,239,154			
9135	T.I. Rutherford and Chekene	\$ 1,198,880	\$ 123,181	\$ 1,322,061	\$ 759,385	\$ 562,677	
9136	Xerox	-	55,488	55,488	55,488	-	
9137	T.I. Degenkolb	1,832,515	452,740	2,285,255	226,370	2,058,885	
9138	T.I. Twilio	8,329,775	1,836,460	10,166,235	918,230	9,248,005	
9139	Construction contingency TIs	525,000	-	525,000	-	525,000	
9139	T.I. Ada's Café	325,000	-	325,000	309,690	15,310	
9140	Engineering/Architectural	150,000	-	150,000	-	150,000	
	Total Tenant Improvements	\$ 12,361,170	\$ 2,467,869	\$ 14,829,039	\$ 2,269,163	\$ 12,559,876	
	Marketing			\$ 83,500	\$ 13,805	\$ 69,695	
	Building Improvements			\$ 890,000			
	Net			<b>8,436,615</b>			