



Metropolitan Transportation Commission
Programming and Allocations Committee
375 Beale Street
San Francisco, CA 94105

September 7, 2021

Re: Item 6a. Update on FTA-Funded Megaprojects in the Bay Area

Dear Chair Rabbitt and Commissioners:

The undersigned organizations believe that improving capital planning and project delivery is an urgent need. A major reason why we do not have the transit network we need is because projects cost too much and take too long. And when each project is so expensive, it's no wonder that there's little money left to deliver the frequency and quality of service we need. Negative headlines about project delays, cost overruns, and poor design may make voters less inclined to invest in transit. Transit is already facing significant financial headwinds.

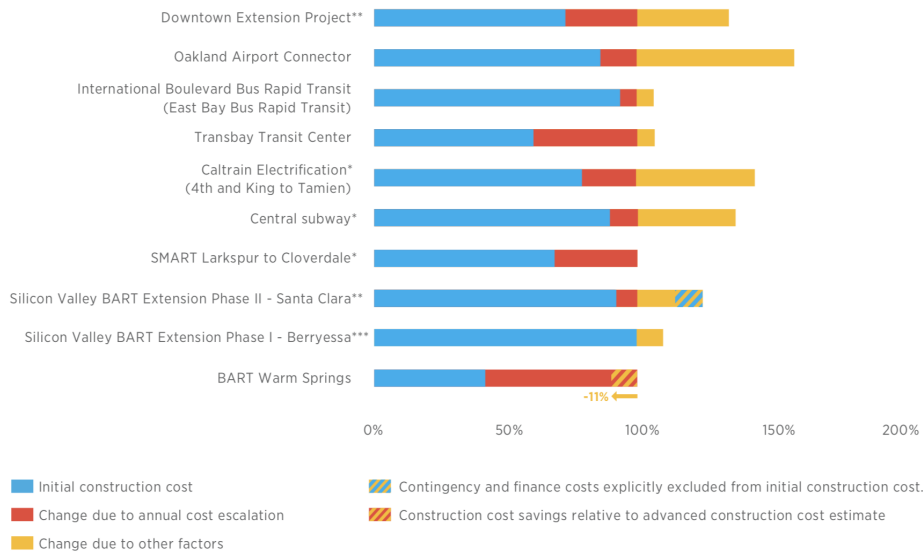
- 1. The staff recommendation outlines good near-term steps to prioritize projects as the region prepares for FTA and TIRCP funding cycles. However, we also encourage MTC to take on a stronger role in project selection, cost estimation, project prioritization and project oversight in order to ensure that the region's major transportation projects are delivered more quickly and cost-effectively and with better value to the public.**

SPUR's 2020 report, *More for Less*, analyzed why the region's transit megaprojects cost so much and take so long and offered 10 ideas for improving the way the region selects, plans, and builds transit megaprojects. The figure below shows the difference between estimated and actual project costs for a sample of the region's rail projects. The yellow bars show the share of a project's total costs¹ over and above the early estimated costs and that cannot be blamed on construction cost escalation. Two important takeaways from this figure are:

- Every regional rail project in the region has experienced significant cost escalation. Sometimes the actual cost or latest cost estimate is double the original estimated cost.
- Project sponsors in the region consistently underestimates project costs, which can distort project selection, skewing decisions towards projects that may not be cost effective upon further design, engineering and analysis.

¹ For some projects that are completed, the total reflects actual project costs. If the project is not completed, the cost estimates are based on the latest publicly available cost estimates from the sponsoring agency. For more information about this chart, please see <https://www.spur.org/publications/spur-report/2020-09-29/more-less>.

Road and bridge projects are not immune from these challenges. The Bay Bridge was 200% over the initial \$2 billion budget and opened 6 years later than expected.



* Project under construction or incomplete.

** Project not yet begun and not yet bid.

*** Phase I is complete by not closed out. VTA reports an anticipated \$45 million in savings.

Source: SPUR

2. We support modernizing and replacing Resolution 3434. Resolution 3434 provided a framework for prioritizing the use of discretionary funding for transit expansion and was an important tool for encouraging transit-oriented development. It set specific targets for the average number of housing units that must be accommodated in each station area located along major new proposed transit corridors. Resolution 3434 was a groundbreaking approach for encouraging TOD in 2005, but for several reasons it is no longer sufficient. For instance, the nine corridors to which the policy applies are mostly complete, the policy does not address the need to stabilize people who are vulnerable to displacement, and the policy only leverages funding for new transit extensions, yet significant funding for transit today is dedicated to enhancing existing transit corridors. This is the right time to update and replace Resolution 3434.

3. Beyond these near-term milestones, recommend linking project delivery work to a regional service-based transit vision. The staff Memo notes that PBA2050, “...continues to develop the long-term vision for transit expansion.” Unfortunately, this vision is not connected to any vision for a service-based regional transit network.” A service-based regional transit vision is an important basis for successful transit project selection, funding prioritization and definition. The connected network plan, initiated under the Blue Ribbon Task Force and expected to be completed in 2023, is a regional service-based transit vision that is integral to MTC’s role in capital project planning and prioritization.

- 4. MTC can play an interim step in supporting project excellence through convening, independent analysis, information sharing and technical assistance,** particularly in the areas of cost estimation and project delivery. For instance, MTC could provide independent analysis and technical support to develop project cost estimates. This could be akin to a Congressional Budget Office,² which provides independent, objective, and impartial analysis for transportation projects. MTC could also bring together transit agency Board members, project managers and staff from all the various projects underway and completed and share knowledge, best practices and lessons learned on a regular basis. This could be done in parallel with all the other upcoming work on project delivery.

Thank you for thoughtfully prioritizing the use of limited regional funds in the near-term while also taking the long-view to help MTC manage the portfolio of regional transportation assets and investments. Though megaprojects are difficult globally, the Bay Area can do more to ensure that projects are delivered more quickly and cost-effectively and to build public confidence in the region's public transportation network. We look forward to collaborating with you on these efforts.

Sincerely,

Laura Tolkoff
Transportation Policy Director, SPUR

Ian Griffiths
Policy Director, Seamless Bay Area

² This idea was described in Bay Area Council's letter dated May 14, 2021 to the Blue Ribbon Task Force for Transit Recovery (Agenda item 7b).