

Memo

To: TAC

From: Ed Starr

Date: 10/14/15

**Subject: Green Line Extension into Somerville and Medford (GLX)**

### **Current Situation**

A recent bid by the selected CM/CG contractor has blown the budget; a bid of \$877M when \$480M was expected. This brings the total expected costs of the project to \$2.9B vs a 1.9B budget. Governor Baker has given the MBTA until this Thanksgiving to recommend a solution. He has stated publically that "He is a supporter of the project, but not if it is going to cost \$3 billion dollars". The MBTA, under the leadership of Frank DePaola and Brian Shortsleeve, is examining their options.

I attended a meeting called by the Conservation Law Foundation (CLF) with DePaola at MBTA Headquarters on 9/18 where he discussed many of the options.

### **Background**

To speed the construction, the MBTA adopted an innovative contracting method in 2012 – Construction Manager/General Contractor (CM/CG), for Phases 2 through 4. This approach was approved by MBTA Board and voted by the legislature. White Skanska Kiewit Joint Venture (WSK) was selected as the CM/CG contractor by competition in 2013. Separate contractors are selected for the design, and another to provide independent estimates. In the process, after the initial award, the CM/CG contractor bids without competition to build the following phases as the design of each phase is completed. The MBTA sets a maximum cost number, the Guaranteed Maximum Price (GMP), after which the contractor pays. For the final phases, the MBTA's estimate for the work was \$487M. WSK has bid \$887M.

The total budget for the project includes 6 stations (from Lechmere to College Ave in Medford, a separate extension to Union Square, and a Maintenance/Storage Facility in Cambridge. The total budgeted cost is \$2B, with \$1B of this being a federal grant from the FTA. There has been some minor cost growth along the way, but the latest bid from WSK would put the total cost at \$2.9B.

### **Options**

The MBTA lists following options (from the 8/28/15 SIP) to handle the problem

1. Downsize, delay, or eliminate the Maintenance and Storage Facility
2. Eliminate or streamline current station designs
3. Eliminate the Community Path Extension in Somerville

4. Find additional sources of funds. Options are private (Tufts/Developers/etc) and funds budgeted to go to Route 16
5. Change Procurement method. Halt the CM/GC and rebid in smaller packages to get competition.
6. Mothballing or cancelling the project

Approximately \$340M has already been spent on the project, including land takings, Lechmere Station rebuild, contract for purchase of vehicles, designs, etc. If option 6 is taken (and maybe even if stations are eliminated), the \$1B federal funds will be lost. But it would, as stated in the SIP, “allow the Commonwealth to reallocate unused portion of funding “to MBTA State of Good Repair project”.

In the meeting on 9/18, Frank DePaola discussed some of the possible modifications to the station designs.

1. The stations currently have three methods of access – escalator, stairs, and elevator. They are examining the elimination of one. At some stations this would make them not handicapped accessible.
2. Paying onboard. By doing so, the station area would not need to be sealed off and ticket machines purchased, saving a substantial sum. But pay onboard would slow the loading process substantially, as well as allowing some to access back cars without paying as is true on the Commonwealth section. (I believe a San Francisco system has gone to the honor system, and payments are reported excellent just a thought.)

Halting the CM/GC process and rebidding was discussed. DePaola indicated that the work would need to be broken down into smaller packages since there are a limited number of contractors who can handle such large projects. There is also no guarantee that this process would result in a lower overall price, and it would delay the project by at least a year. (My thought – it would also be a lot more work for the MBTA and they may not have the staff to handle it).

DePaola indicated that the contractors for pricing and design are reviewing their estimates. I asked if the MBTA was reviewing the CM/CG bidder’s estimates as well. He indicated they were, but that the process was “subjective” in that “ we say 20 hours to do X and they say 40”. He also stated that given that the Commuter Rail will be operational throughout the process of moving the tracks etc., it does make the contractor’s job more difficult, but this fact has been know for a long time. Folks attending noted that has this has been know since the preliminary design and is not new.

During the meeting, there was much discussion by participants on getting private contributions from organizations such as Tufts, the Union Square master developer, and the developments at Brick Bottom Cambridge.

## Support for GLX

All attendees voiced strong support for continuing the full GLX project (including the extension to Route 16), independent of delays. Present were State Representatives, the City Manager of Cambridge, a State Senator from Somerville, and the representative of the Mayor of Somerville. DePaola stated he was in support of continuing and was reviewing all options, but needs to go to the Governor by Thanksgiving with a solution that can be announced to the public. He committed to public interactions along the way.

Below are some quotes from letters of support for the full GLX that I have read.

a. Five State Representatives (including Sean Garballey) and one State Senator co-signed a letter:

- “We remain committed to seeing this project completed”.
- “....willing to explore all options available to build the full Green Line Extension to Route 16...”

b. Letter from the Conservation Law Foundation:

- “Green Line Extension .... is a legal requirement under the federal Clean Air Act and will provide significant and urgently needed transportation, economic, social justice, climate, and air quality benefits”
- “CLG strongly recommends that the MBTA halt the CM/GC process.... And rebid the project in smaller contract packages using more traditional procurement methods.”
- “All of the core components of the Green Line Extension.... must remain in place, including all stations, the full extension to Union Square and Route 16...”

c. Letter from Medford Green Line Neighborhood Alliance (MGNA)

- “The GLX has the unprecedented opportunity to improve access to public transit, education, and jobs for environmental justice communities, expand economic opportunities, and offset worsening traffic conditions not or just Cambridge, Somerville, Medford, and Arlington, but for the entire Boston region.”
- “MGNA remains united in our desire to have the GLX built, built now, and built in its entirety. “

- “MGNA believes that:
  - It’s clear that the IGMP #4 contract needs to be rebid, under the design-build method if needed
  - The Green Line maintenance facility needs to be cut from the GLX project budget or, at the very least downsized to just a storage facility. Remember, the maintenance/storage facility was not part of the State’s legal commitment to extend the Green Line.”
- “MGNA opposes:
  - Reallocating the \$158 million in federal funds programmed by the Boston Region MPO for the Route 16/Mystic Valley Parkway extension to the core GLX project.
  - The elimination of the Community Path from the project.

### **My Thoughts**

I believe it is very important that the Commonwealth not be shortsighted and continue the full project, even if it is \$2.9B. The project will contribute positive changes to a large area for the next 100 years. The mayor of Somerville spoke to the MPO on 9/17 and described the benefits to the broad area very well.

This project is important to Arlington (and Medford) because:

- The Route 16 station is within walking distance of a significant low income population in the NE corner of Arlington.
- It is also within bicycle distance of all of Arlington and Medford, and DCR has built paths parallel to Route 16 that would facilitate this. It could relieve some of the congestion at Alewife. The Alewife garage is full early every weekday, and the bike storage facilities are overflowing as well.
- It will reduce the vehicle trips to Tufts and Cambridge and beyond.

In the high bid, the GM/CG contractor is probably seeking protection from the uncertainties of the project because they will be responsible for any costs above the Guaranteed Maximum Price (GMP). Since there is no competition for the contract, why not? There should be a firm negotiation with the CM/CG contractor, with the threat of possible termination.

DePaola did not seem anxious to terminate the CM/CG process. He stated that there are few companies that can handle the size of the bid, and it would need to be broken into several separate contracts. Of course, there is risk in doing that and certainly a lot more work for the MBTA (do they have adequate staff?). He indicated several possible reasons for the higher bid:

- The budget was based on Standard Costs in the industry in the 2010-13 period. Subcontractor and material costs are rising.
- The bid represents a high ratio of management to craft staff, and conservative estimates of the excavation systems and productivity.
- The MBTA budget numbers were based on the 60% design. The bid was based on 100% design.

The MBTA was waiting for the review of the independent estimates before putting pressure on the contractor. However, I think the only power the MBTA may have over them is the threat of termination. Because of the GMP, the contractor is at risk if the work exceeds that value.

At the 9/18 meeting, there was a strong interest in seeking private funds for the project, both by the City Manager of Cambridge and the representatives from Somerville. They felt the developer at Union Square and those in Cambridge would be willing to participate if pressure were applied. The cancellation of GLX would have a huge impact on them.

There is another important party appointed to the MBTA management in August, Brian Shortsleeve, who is now the MBTA Administrative Manager and comes from General Catalyst, a VC firm. See note on players below. I have heard nothing about his thoughts.

What can we do? We can talk to Sean and Ken to see if they have any suggestions and to ensure their continued support. Possibly a letter to the MBTA management from our Town Manager and/or Selectmen would register that we think it is important for Arlington. In general, Arlington's name has not been included in any of the documentation or briefs.

## **Addendum: The Players**

### **Governor Baker**

Received a Harvard BA in 1979, and MBA from Northeastern University shortly after. Was co-director of the Pioneer Institute. Was Secretary of Health and Human Services, and later Secretary of Administration and Finance under Weld, and continued in the position under Cellucci. Baker was the main architect of the Big Dig financing plan.

Baker became CEO of Harvard Pilgrim 1998 and turned its finances around. Ran for Governor against Patrick in 2010, and succeeded in 2014. Lives in Swampscott.

### **Transportation Secretary Stephanie Pollack**

Well respected in the field. Came from Northeastern University Dukakis Center for Urban and Regional Policy. Until 2004 she was a senior attorney at the Conservation Law Foundation (CLF). Has a JD from Harvard Law in 1985, and a BS degree in Mechanical Engineering from MIT in 1982. She clerked under Chief Judge Patricia Wald of the federal court of appeals for the DC circuit. Lives in Newton.

### **Fiscal Management Control Board**

Appointed by the Governor in the spring. I don't know exactly what their charter is. Members are:

- **Joseph Aiello** – a partner and Director of Business Development at Meridian Infrastructure overseeing strategic development and investments in transportation. Previously worked at the MBTA as Assistant General Manager of Planning and Budget, and Assistant Director of Construction for Special Projects.
- **Lisa Calise** – Chief Financial Officer at Watertown-based Perkins School for the Blind. Previously served the City of Boston for over a decade, most recently as Director of Administration and Finance.
- **Brian Lang** – presently President of UNITE HERE Local 26, Boston's hotel and food service union. He has spent 17 years representing the union's 7000 members as an advocate for worker's rights.
- **Steve Poftak** – Executive Director of the Rappaport Institute for Greater Boston at the Harvard Kennedy School. Poftak was Director of Research and the Center for Better Government at the Pioneer Institute and authored papers on transportation policy, municipal finance, and job creation.

- **Monica Tibbits-Nutt** –Executive Director of the 128 Business Council since 2010. Advises communities in the 128 Corridor in transit planning and oversees the operation of 12 shuttle routes with half a million annual ridership. Served as a Transportation Planning consultant to the MBTA Advisory Board, and for the Secretary of Transportation while at TransitWorks.

#### **MBTA Chief Administrator Brian Shortsleeve**

Served in Persian Gulf in the Marines for 4 years after college. Has an MBA from Harvard. Was political director of Romney's successful campaign for Governor in 2002. Worked for Bain & Company, H.I.G. Capital, and venture capital firm General Catalyst Partners before being nominated to current position in August of 2015. Lives in Wellesley.

#### **MBTA General Manager Frank DePaola**

Has a BS from UMASS Dartmouth and Masters in MS in Civil Engineering from Northeastern University. Served as Senior Project Manager for Infrastructure for Harvard's Allston Development Group, and as Director of /construction for the MWRA. Joined Mass DOT in 2009 as the Assistant General Manager for the MBTA's Design and Construction Directorate. Moved to position as Chief Operating Officer of MassDOT as a Baker appointment.