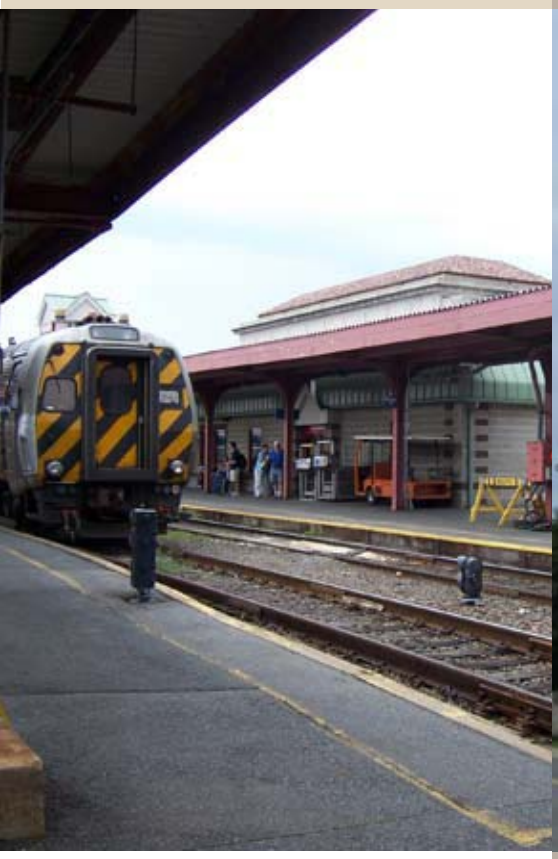

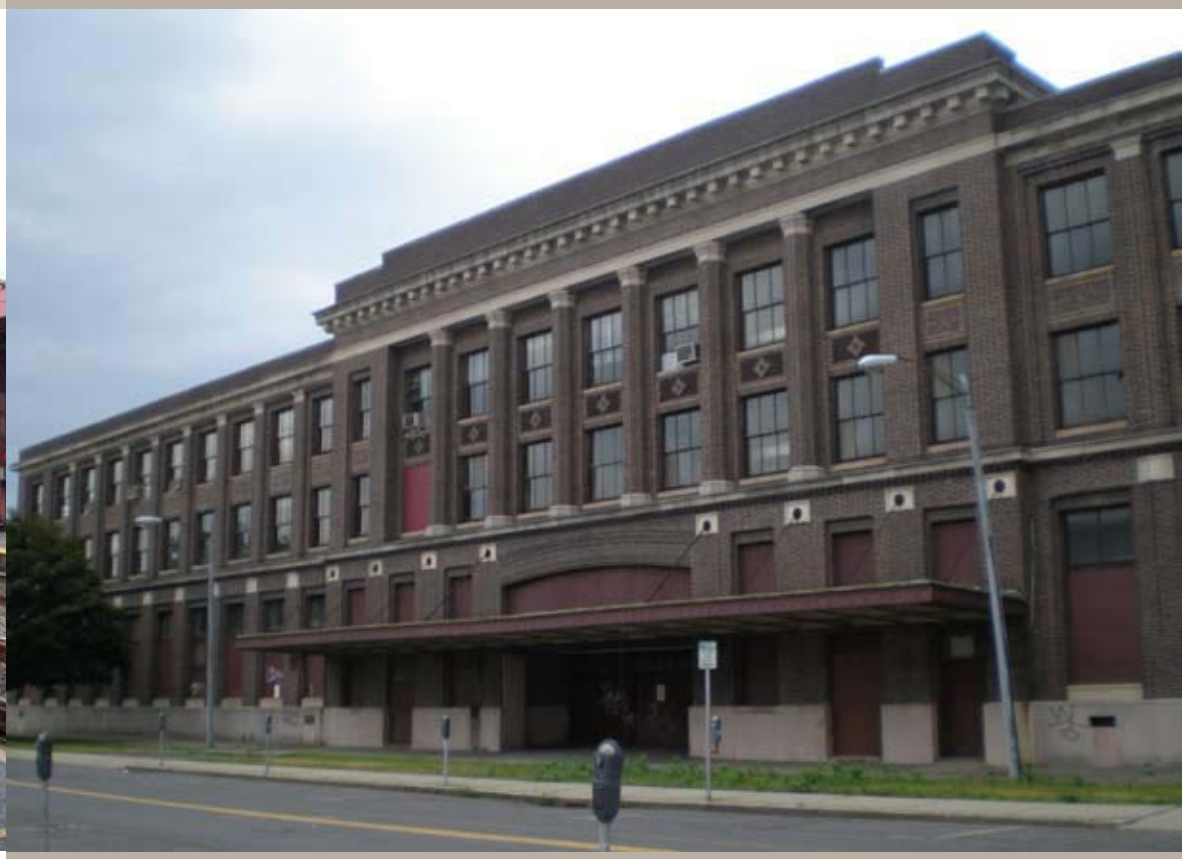

Pioneer Valley Transit Authority and Springfield Redevelopment Authority

Redevelopment Plan for the Union Station Intermodal Transportation Facility

Springfield, Massachusetts

October 7, 2008

HDR

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This Redevelopment Plan is the culmination of a year-long effort by the Pioneer Valley Transit Authority and the Springfield Redevelopment Authority and its consultant, HDR, to discover and advance a fresh approach to the redevelopment of Springfield's Union Station. The funding for this Plan was provided by the Massachusetts Executive Office of Transportation (EOT).

Once a thriving railroad hub, the station has been vacant for more than 30 years. Past efforts to redevelop this facility were not successful due to for a variety of reasons, but the common denominator was that the plans were not based on market realities. This Redevelopment Plan takes a grounded approach based on well-defined objectives, available funding, economic viability and the realities of the real estate market, and recommends a framework for success which meets these criteria.

Redevelopment Plan Objectives

- Create a 21st Century transit facility that enhances regional mobility
- Maximize the multimodal transportation attributes of Union Station
- Improve access and connectivity to public transportation
- Adaptively reuse and preserve an important historical structure
- Revitalize the property with viable transit and transit-oriented uses
- Ensure that capital improvements are feasible and ongoing operations sustainable
- Spur local area economic development over the longer-term

Existing Site – The Redevelopment Plan (the "Plan") encompasses the existing Union Station parcel and the former Hotel Charles site - the entire block from Main Street to Dwight Street and from the present Amtrak Station to Frank B. Murray Street. The existing Station is comprised of two landmark structures both built in 1926: 1) the 120,000 sq. ft. three-story Terminal Building; and, 2) the 92,600 sq. ft. two-story Baggage Building.

Transit Providers – The Plan incorporates the program needs of multiple transit providers:

- Pioneer Valley Transit Authority (PVTA) – local and regional bus service
- Intercity Buses – Peter Pan and Greyhound
- Amtrak – national passenger train service
- Commuter Rail – planned for future

Planning Process – The planning process began with a review and update of the documents prepared in the prior planning effort, including transit providers' input on space and operational needs; market conditions, non-transit tenant potential; and physical solutions and associated development and operating costs. Over 15 possible development scenarios were explored, and tested for physical "fit", a sense of place, design and construction costs, operating viability, and proforma feasibility. Three viable options emerged, of which one was recommended as it met all the program requirements of a intermodal transit center in the most cost-effective manner. "Option One" forms the basis of the Redevelopment Plan. The two other options are viable but do not achieve all the program requirements. One leaves the intercity buses at the current Peter L. Picknelly Transportation Center ("Picknelly Terminal") location; and the other requires the acquisition of the 30 Frank B. Murray Street parcel. These two options are either less functional or cost effective than Option A.

Redevelopment Scenarios – All three options include the following components:

- Restoration and reactivation of the Terminal Building with: approximately 33,000 sq. ft. for PVTA, Amtrak, commuter rail and intercity bus operating facilities; 55,000 sq. ft. of transit-related retail and office space, including day care, PVTA administrative offices and a transportation conference center; and, 35,000 sq. ft. of commercial "Opportunity Space" for future economic development
- Removal of the Baggage Building and construction of a new 70,000 sq. ft. bus terminal with 23 bays, and, above it, a two-level 139,000 sq. ft., 400-space parking garage connected to the Terminal Building for transit and public parking
- Reopening of a 6,300 sq. ft. passenger tunnel providing a safe, walkable connection from the Terminal Building to the Amtrak Station and platforms, and Lyman Street
- ADA upgrading of rail platform for Amtrak and future commuter rail service

Capital Costs, Annual Cash Flow and Funding – The capital cost of the recommended option is estimated at approximately $65.2 million (in 2010 dollars). A major portion of this cost ($61.2 million) is for the transit related facilities and parking structure. The remainder ($4 million) is for tenant fit-out of the "Opportunity Space" (non-transit retail and office rental space). An estimated $65.2 million of funding is projected to be derived from:

• FTA Contracts and Earmark Grants	$25,957,722
• EOT Match – FTA contracts and Earmarks Grants	6,489,431
• State Transportation Bond – Contract Balance	3,750,000
• State Transportation Bond – Earmarks	7,250,000
• A&F Off-Street Parking Grant	7,700,000
• Commuter Rail Funds	10,000,000
• Loans (for Opportunity Space build-out)	4,100,000

A fully occupied Option One is expected to generate an annual revenue budget of approximately $1.9 million of which $1.5 million is associated with the transit related operations and $400,000 from the Opportunity Space. The total annual operating cost is estimated at approximately $1.5 million. A net balance of about $400,000 would generate enough cash flow to cover the debt service of the $4.1 million financing needed to build out the Opportunity Space.

Ownership – This report recommends that a public entity serve as the project sponsor and oversee the financing, planning, design, construction and startup of the Union Station Intermodal Transportation Center and hold ownership of the physical assets. It is anticipated that the public entity would be formed as a "partnership" between PVTA and SRA.

Implementation – The key steps going forward include:

- Review and approval of the Plan by FTA/EOP
- Determine and establish ownership entity to oversee development and operations
- Procure project management team and architecture/engineering services
- Negotiate lease agreements with transit and other key tenants
- Finalize funding arrangements
- Market the retail and opportunity spaces
- Establish the construction delivery approach and procure the contractor
- Procure property management services
- Design, build and commission (review and test building operating systems)

Construction Schedule – Phase A, which includes the bus terminal and parking garage construction, and the Terminal Building improvements, would be completed by June 2011. Phase B, which includes the train tunnel reopening and train platform ADA improvements, as well as the Opportunity Space build-out, is estimated to be completed four months later, depending on funding and leasing progress.

2 INTRODUCTION

INTRODUCTION

This Report presents a plan and strategy for redeveloping Springfield's Union Station into an intermodal Transportation Center. Repositioning the structure to serve this new and expanded function, the Redevelopment Plan also addresses the preservation of the Terminal Building's architectural and historical features, and serves as a catalyst for the revitalization of the surrounding neighborhood. The Plan is the result of a year of study and planning by a Project Team comprised of a Redevelopment Committee (the "Committee") led by the Pioneer Valley Transit Authority (PVTA) and the Springfield Redevelopment Authority (SRA), and HDR serving as the architectural, planning and economic feasibility consultant. The process was managed by the Springfield Business Development Corporation.

Station History

The existing Union Station is comprised of two adjacent and connected landmark structures in downtown Springfield – the 120,000 sq. ft. three-story Terminal Building and the 92,600 sq. ft. two-story Baggage Building situated on over two acres of land. Both structures were built in 1926 by the Boston and Albany Railroad. The station served an important role in WWII, transporting soldiers and munitions. In its heyday, more than 130 passenger trains and 100 mail trains used to pass through the station daily. Then in the 1950s, air travel gained popularity and the number of rail passengers began to decline. As the financial situation took its toll on railroads in the 1970's, Union Station fell into disrepair and was eventually condemned. In the early 70's, Amtrak initiated intercity passenger service and subsequently constructed a small modest facility accessible from Lyman Street. The vacated Union Station complex has been owned by the Springfield Redevelopment Authority since 1989.

Plan Objectives

- Create a 21st Century transit facility that enhances regional mobility
- Maximize the Intermodal transportation attributes of Union Station
- Improve access and connectivity to public transportation
- Adaptively reuse and preserve an important historical structure
- Revitalize the property with viable transit and transit-oriented uses
- Ensure that capital improvements are feasible and ongoing operations sustainable
- Spur local area economic development over the longer-term

Planning Approach

The HDR Project Team focused on three areas of investigation:

- Site planning, physical, design and capital development/operating cost elements:

  This work included on site observations of the property and improvements and a review of all related planning, design, environmental and other available documentation; and the development and evolution of plan concepts and design alternatives based on the work emerging out of the other two areas of investigation plus review meetings with the Project Team and other stakeholders. Concept plans were accompanied by continually evolving capital development and operating cost estimates. The recommended Redevelopment Plan drawings are shown in Appendix A: Redevelopment Plan Drawings.

- Transportation facility needs programming and planning:

  This work involved reviewing the service plans and needs (present and projected) of the key probable transportation providers (PVTA, Intercity bus, Amtrak, Commuter Rail); interviewing them for operational details and further clarifications as to program needs, such as bus berths, train platforms, parking, ticketing, waiting and administrative; and obtaining their input on alternative concept plans. Key transportation findings are summarized in Appendix B: Transportation Services Findings.

- Market analysis, financing analysis and economic feasibility modeling:

  This work involved the real estate and economic development review of the site and Springfield's market conditions, including review of recent and ongoing economic, demographic and market data indicators and studies, prevailing real estate market conditions, and interviews with real estate brokers, potential users, developers, economic development officials and other local market area participants.

  The information gathered was used to develop assessments of probable users and types of demand for space at the facility and realistic market rents. In addition, development proformas were modeled to achieve a mix of uses compatible with the projected market environment that would yield financially feasible project given the targeted funding sources and ongoing operating costs. The relevant results of this analysis and process are contained in the body of this Final Report. Appendix C: Real Estate Market Characteristics Summary.

Planning Process

The Study process began with a comprehensive review of the previous work products and plans prepared during the prior project planning and development effort that ended in 2006 and an assessment of current real estate conditions. The earlier plan (which featured an

elaborate elevated bus way structure and a complete restoration of both the Terminal and Baggage Buildings) left unresolved many cost, legal and market issues that needed to be readdressed in this current planning effort. All of these issues were revisited with the emphasis on confirming and updating each potential transit provider's space and operational needs; assessing current and projecting near-term market conditions, rents and non-transit tenant potential; and preparing physical solutions and the associated capital development and operating costs. Through a reiterative process between HDR and the Committee members, a total of more than 15 possible developments scenarios were explored. The more promising options were tested in greater depth for physical "fit", a sense of place, capital development reality, operating viability and proforma feasibility.

In the end, three options emerged as finalists, which were further narrowed down to a single recommended scenario, Option One which forms the basis of the proposed Redevelopment Plan. The two other options are viable but do not achieve all the program requirements. Option Two leaves the intercity buses at the current Picknelly Terminal location; and Option Three requires the acquisition of the 30 Frank B. Murray Street parcel to make it work. While these two options are either less functional or cost effective than the recommended solution, either could be implemented as an alternative to Option One.

Planning Assumptions

The sections that follow first detail the evolution of the recommended Plan that has emerged; and the costs associated with developing and operating the resulting project on a sustained, ongoing basis. This discussion is followed by the Project Team's conclusions as to the best way in which the project should be sponsored, owned, managed and funded. The conclusion outlines the next steps needed to move the project forward to reality.

Several important assumptions should be noted with respect to project implementation:

- The Plan and resultant project budgets are predicated on the assumption of occupancy in the Intermodal Transportation Center by all of the key transit operators in the City, i.e., PVTA, Peter Pan and Amtrak, and the future Commuter Rail).

- The redevelopment operating plan assumes each of the above transportation providers will, in return for the improved facilities and resultant benefits gained from presence in the Intermodal Transportation Center, provide annual operations funding commensurate with its occupancy and benefits.

- The project's ongoing operational sustainability is also predicated upon early up front commitments from public agencies and other entities, of a significant amount of space not occupied by the key transit operators. This is necessary to assure balancing the ongoing annual building operations budgets.

Like any major real estate development projects, these assumptions and the project funding sources need to be fully tested and confirmed amongst the PVTA and SRA, and the proposed occupants of the future Union Station Intermodal Transportation Center and adjusted iteratively based on their responses.

3 REDEVELOPMENT PLAN

REDEVELOPMENT PLAN

Physical Plan

- The Redevelopment Plan (the "Plan") encompasses the existing Union Station parcel and the former Hotel Charles site - the entire block from Main Street to Dwight Street and from the present Amtrak Station to Frank B. Murray Street. (See Appendix A: Option One - PVTA/Intercity Bus Berths) and includes the following components:

- *Restoration of the Terminal Building and its Central Hall:*

  This facility would be the focal point of the Intermodal Transportation Center. Its ground floor would be used primarily by Amtrak, Commuter Rail, PVTA, and Intercity bus operators for ticketing, baggage, and other operations; while passengers would be accommodated with a variety of waiting areas, eating, drinking and retail opportunities. Some ground floor space would also be utilized for rental car, airport shuttle, taxi and other transportation operators. Additional space would be available for appropriate retail uses, such as a pharmacy. The upper office oriented levels of the Terminal Building would be targeted at transportation and public related users.

- *Reopening and restoration of the Passenger Tunnel to Lyman Street:*

  The tunnel would be reopened and restored, enabling free and inviting flow from the activities at the Union Station Building south to the Amtrak/Commuter Rail platforms and onwards towards the center of Downtown Springfield.

- *Demolition of the Baggage Building and its replacement with a Bus Terminal and Public Parking Garage: (see Appendix A: First Floor Plan and Section drawing)*

  The new Bus Terminal would contain 23 covered bays (with four future expansion bays along Frank B. Murray Street), this being sufficient capacity to cover all anticipated needs for both PVTA and Intercity bus operations for the next 20 to 30 years. A 400 space, two level, public parking garage would be built above this terminal with its lower level being used by the transportation providers, passengers and general public, while the upper level would be primarily oriented towards the office tenants occupying upper floors of the Union Station Building and would be directly connected to it. The Main Street and Frank B. Murray corner of this combined Bus Terminal and parking garage structure would be wrapped with ground floor retail allowing opportunities for several small, street oriented retailers.

  The reuse of the existing Baggage Building was a goal of the planning process. The early development scenarios incorporated the Building in the physical plans and associated development and operating costs estimates. As the planning process progressed it became evident that the reuse of the Baggage Building was not viable for the following reasons:

1) The configuration and size of the building did not "fit" the space program requirements of any of the transit providers. For example, the building's floor size and column locations impeded its use for bus berthing or as a parking garage.

2) The use of the building for commercial or residential purposes was not economically viable given the local real estate market. (See Appendix C: Real Estate Market Characteristics Summary)

3) The cost to stabilize the building's infrastructure and exterior envelope was estimated to be over $9.0 million, which did not include the additional cost of building-out the interior of the building for reuse.

Design Options

Three viable plan options were developed. The recommended option has been labeled "Option One". This option met all the program requirements of a transit center in the most cost-effective manner. "Option Two" is similar to Option One with one main exception, the Intercity bus operations remain at the Picknelly Terminal on Main Street across from Union Station. This option is also less expensive than the recommended Option One, but fails to consolidate all transportation modes in a single facility. "Option Three" is also similar to Option One except it includes the land at 30 Frank B. Murray Street, a parcel which would improve bus circulation and add parking spaces but at a cost premium.

The Redevelopment Plan is presented in graphic form in Appendix A.

4 IMPLEMENTATION: OWNERSHIP AND FINANCING

IMPLEMENTATION: OWNERSHIP AND FINANCING

Throughout the 12 month project planning process, a cardinal principle has been to develop a project concept that reflects three primary requirements:

- Fully meeting the transit objectives
- Affordable using available funding sources
- Operate on an ongoing sustainable basis

The Redevelopment Plan described in the previous section meets these requirements.

This section describes how the Plan can be implemented and financed. In the course of the planning process, numerous financing and project delivery methods were considered and tested against market conditions, cost/revenue structures and the risk/reward expectations of different types of possible development partners. The Project Team recommended public ownership over private ownership for the following reasons:

- Project is not financially feasible for a private developer to undertake and sustain on an ongoing basis. Its complexity and the weak real estate market offer no potential profitability to a private developer.
- The limited financial return detrimentally impacts the ability of this project to attract private sector competition for selection as the project developer.
- Not having a highly competitive developer procurement process will put the public sector at a disadvantage in achieving value for its investment and also effectively eliminates the transfer of risk to the private sector.
- Primary project focus is on the transportation attributes of the property revitalizing an important landmark building with viable transit and transit-oriented uses.
- Public sources are providing over 90 percent of the capital funding.

This recommendation then sets the stage for the financing and operations plan. Accordingly, ownership is discussed first, and then the accompanying financing concept.

Recommended Ownership Arrangement

HDR recommends that a Public Entity (the “Entity”) sponsor and oversee the planning, development and financing of the Union Station Intermodal Transportation Center and own the physical assets. These would include the Terminal Building, the bus berths, the parking garage above, and the tunnel to the Amtrak station. Only if and when appropriate or opportunistic conditions emerge in the future, would ownership interest in all or parts of the

complex could be sold and conveyed to other parties, subject to any restrictions placed on such disposition by rules of the federal and state funding agencies.

The Entity should be an ownership structure sufficiently flexible to be responsive to any governance and ownership requirements needed to enable the project to satisfy all funding requirements for continued control of the facilities developed with public funds and, if possible, to qualify for the various tax credits and other financial tools identified in the financing plan set out in the succeeding section.

Initially, immediate project start-up activities over the coming three to four months (including, for example, refinements of the Plan, submission of funding applications, negotiation of occupancy agreements, legal organization, procurement of design and development services) could be undertaken by designated staff members of the current lead agencies (PVTA and SRA) and consultants procured by them. Once the legal entity structures and ongoing funding plan for the Project were formulated and implemented, it is anticipated that the Entity would procure private sector services, on a contractor basis, for all, or most, of the major aspects of project execution. These would be expected to include planning, design, engineering, legal, development, construction, construction management, and operations and property management services. Procurement of these services would be expected to be initiated over the next year. Since the choice of and details of a particular project delivery method have not yet been resolved, the issue remains open as to the timing, sequencing and packaging of these procurements (e.g. would it be a single “design-bid-build-operate” procurement; or the construction management at risk method.).

Regardless of the final choice of project delivery method, the Entity would be anticipated to own the total facility and oversee its overall development, operations and operating standards, and, at an appropriate time, contract with a management entity to execute this ongoing management role. As is typical in large enclosed mall regional shopping centers, it is entirely possible that certain portions of the facility could be leased to specific transit operators and tenants who would then have defined operational responsibilities for certain services within their physical areas of occupancy. These could include the bus station in its entirety (or perhaps bays and certain waiting areas only), rail platforms, parking garage, and/or some or all of the leaseable spaces (including for example, Main and Murray retail, transit oriented retail and/or the “Opportunity Space”). The Entity would retain overall responsibility for defined common areas and shell.

There may be certain advantages, at some time in the future, for the Entity to sell discrete physical portions of the facility (such as the bus bays and/or Opportunity Space in bulk) to private parties that may be able to take advantage of certain tax and financing incentives, if such action is authorized by the federal and state funding agencies. Nonetheless, because of the very large proportion of the total funding projected to come from public sources and because of the essential long term historical and public nature of the facility and its role in Springfield’s life and transportation system, the public must always be able to remain in control of the long term future of the overall investment to assure its continued use as a transportation facility. If portions are ever sold or converted into condominiums, the Entity will have to ensure continuing control over the transportation-related portions of

the building through deed restrictions or other legal mechanisms consistent with the requirements of federal and state funding agreements.

Why this Approach is Recommended

A number of other alternatives to initial public sponsorship, development and ownership of the Union Station Intermodal Transportation Center were considered and ultimately rejected by the Study Team. These included:

Early Sale to and Development by Private Parties:

Under this approach, the entire project site would be put up for sale to private parties, subject to certain covenants and specifications regarding redevelopment. Any needed public facility space could be leased back to appropriate public agencies. This approach was ultimately rejected for two reasons:

- Near term and projected intermediate term market conditions and resultant proformas do not offer enough upside potential to justify any significant investment of private funds.

- It makes sense to leave the public in control given that the majority of capital funding will have to come from grants and/or loans collateralized by leases to public agencies or guarantees issued by them. Also the occupants of the majority of the space would be public agencies carrying the bulk of the ongoing annual operating and maintenance costs.

"Partnership" with Private Owner/Developer:

- *Version A*: Proportional ownership in corporation or partnership with returns commensurate with investment and risk.

- *Version B:* Ownership of physical "parts" (condominium) of the facility, separate investments in each of them, and co-development of the overall project.

Both of these and other "mixed" forms of public/private "partnership" ownership and development were considered and rejected because of the dilemma and complications they create with regard to the final control over the overall project and its direction. It is a given that the vast majority of the project funding and the benefits derived from the project are public and therefore the public must have close stewardship over this investment. On the other hand, private sector parties typically do not like investing money and effort in ventures where they do not have direct and final control over the outcome.

The recommended approach avoids these deficiencies and dilemmas. It enables the public purpose and framework for the project to be clearly set, executed and sustained and for the public's investment to be protected. Yet it can offer the flexibility to invite private participation and control within those sub areas most commensurate with private

operations (bus bays; food operations; Opportunity Space) and thus enable profitable private operations and control in those areas within the larger public framework.

Development Costs and Funding – Option One

The following discussion of development cost, and operating revenues and costs is based on Option One. The development cost includes construction as well as "soft" costs. The project is expected to be undertaken as a FTA joint development improvement. The FTA recently issued revised guidance (2/7/07) on the eligibility of "joint development" projects for public funding under Federal transit law. The FTA's guidance is designed to provide grantees additional flexibility in working on joint development projects, and permits the FTA to fund a public transportation improvement that enhances economic development or incorporates private investment. It gives the FTA greater flexibility and expands the eligibility of transit funding for certain costs related to a joint development improvements. Applicable FTA guidance was used when preparing the capital cost budget for the Plan. A joint development improvement must be approved by the FTA in order to become eligible for their funding. It is understood that the Project Sponsor will seek such approval as part of the implementation of the recommended program.

Table 1 sets forth the basic plan for funding the capital costs of the entire Union Station Intermodal Transportation Center through to opening and lease-up.

Table 1
Capital Costs
(in millions of 2010 dollars)

	CAPITAL COSTS
DEVELOPMENT COSTS	
1. Bus Berths:	$7.4
2. Parking Deck (400 spaces)	$13.0
3. Terminal Building Preservation with Site Work	$20.6
4. Terminal Building Public Transit Spaces and Retail	$6.6
5. Transit Related Spaces	$5.0
6. Tunnel Passageway	$2.1
7. Rail Platforms/ADA Work	$6.5
8. Opportunity Space	$4.0
Total Uses	**$65.2**
SOURCES	
1. FTA Contract and Earmark Grants (FY01-FY05)	$26.0
2. EOT Match - FTA Contracts and Earmarks Grants (FY01-FY05)	$6.5
3. State Transportation Bond - Contract Balance	$3.8
4. State Transportation Bond - Earmarks	$7.3
5. A & F Offstreet Parking	$7.7
4. Commuter Rail Funds	$10.0
5. Loans (related to Opportunity Space leases)	$4.1
6. TIF/NMTC (if needed)	
Total Sources	**$65.2**
SURPLUS/(SHORTFALL)	**$0.0**

The entire project costs $65.2 million (in 2010 dollars), of which $61.2 million are for the Transit Facilities and $4 million for the build-out of the Opportunity Space. (The build-out would take 35,000 gross sq. ft. of "white box" shell space and improve it with new HVAC and electrical systems, as well as partitions, doors, ceilings, lighting and interior finishes designed to suit the programmatic needs of the tenant.)

The construction costs were developed using current industry standards and historic cost data. The construction cost includes "green" and sustainable design components to qualify the completed project for LEED certification, with the ranking of "silver" as a goal. The soft cost include project management, legal, architecture, engineering, marketing, insurance and other related real estate development expenses, as well as a project contingency.

Outright grants from Federal and State sources total $61.1 million of the total, with the remaining $4.1 million being either loans, secured by excess operational revenues from the Project and/or City of Springfield tax increment ("DIF") generated by the project and/or use of New Markets Tax Credits ("NMTC") in connection with the development of the Opportunity Space. At this point in time, if the project costs are controlled to the indicated budget and the operational results are as shown, then use of neither DIF nor NMTC appears likely to be necessary. Surplus revenues from operations would be sufficient to cover debt service on a loan for the projected $4.1 million capital gap left after receipt of all the grant funds assumed.

Operating Revenues and Costs

Table 2 presents the projected Operating Budget that underlays the above referenced financing plan for the Union Station Intermodal Transportation Center. It shows that the Transit Facilities and Transit Related Spaces, if built alone, would operate with an annual "buffer" of about $200,000/year. Moreover, the Opportunity Space if fully leased is projected to generate annual cash flow of about $300,000/year over and above the marginal costs involved in servicing the tenants that would be occupying this space. Therefore, sufficient funds are projected to be generated annually to be able to service debt needed to close the capital cost gap remaining on the Opportunity Space side, and still leave an annual operating surplus of about $100,000/yr. for a reserve.

Table 2
Operating Budget
(in 2010 dollars)

	Transit Facilities and Transit Related Spaces	Opportunity Space	TOTAL CENTER
Revenues			
PVTA	$198,000		$198,000
Peter Pan	$258,000		$258,000
Amtrak	$24,000		$24,000
Commuter Rail	$30,000		
Transit Oriented Retail (NNN)	$150,000		$150,000
Parking	$278,000		$278,000
Transit Related Retail and Office Space	$557,000		$557,000
Opportunity Space		$375,000	$375,000
Subtotal - Sources	$1,495,000	$375,000	$1,870,000
Costs			
Security	$225,000		$225,000
Repairs and Maintenance, and reserve	$250,000		$250,000
Cleaning	$250,000		$250,000
Utilities	$250,000		$250,000
Insurance	$75,000		$75,000
Misc. Expense eg. office, dues,	$50,000		$50,000
Marketing/Promotion	$50,000		$50,000
Administration/accounting/legal etc	$50,000		$50,000
Incremental Costs for Opportunity Space Occupancies		$56,000	
Management	$100,000	$11,000	$111,000
Property Taxes		$33,000	
Subtotal - Costs	$1,300,000	$100,000	$1,400,000
NET	$195,000	$275,000	$470,000

The combined "surplus" of approximately $0.5 million/year is used to service debt on the $4.1 million of tenant improvement and other preparation costs for the Opportunity Space not covered by the designated grants in the Capital budget. Amortization of these costs over 20 years at 6% per year is $87,000/yr per $1 million of debt or approximately $356,000/yr. for the projected $4.1 million needed. Any annual surplus after debt service should be accumulated as an operating account and replacement reserve.

To realize these operating targets the following revenue and cost assumptions and targets must be kept in mind:

Operating Revenues:

Transit Operators are assumed to pay as their share of operating costs (SOC) $17,000 per year per bus berth, based on the number of berths built into the plan (23) and $9 per net sq. ft. per year for areas used for ticketing and passenger waiting rooms specific to the individual bus service provider. These rates also allow for use of a certain amount of baggage space, and use of the Transportation Center's common area facilities.

Amtrak and Commuter Rail are assumed to pay about $24,000 and $30,000 per year, respectively, as their SOC. In addition, they are expected to directly maintain and pay any associated operating costs in connection with the rail platforms and access ways from the tunnel.

Transit Oriented Retail Space in the Terminal Building's Concourse will be leased to one or more retail/food operators on a net basis, meaning that they will have to pay for their own utilities, maintenance and cleaning within their designated food preparation and serving areas, and retail selling spaces, but not the common areas. The collective rent assumed from these tenants is projected at $50 per net sq. ft. NNN. A tenant improvement allowance of about $45 per net sq. ft. is included in the capital cost budget.

Transit Related Space (primarily office space on the second and third floors in the Terminal Building) assumes about 44,000 net sq. ft. at an average of $13 per net sq. ft. Gross meaning that all janitorial and cleaning, maintenance, insurance and property tax costs are paid by the lessor. This rent is at the bottom end of the range for rents for Class A buildings in Springfield and reflects the project's less than central location. It is near the top of the range for Class B rents in the best locations. A tenant improvement allowance of $45 per net sq. ft. is included in the capital cost budget. Rents would vary around a likely range of $12 to $14 per net sq. ft. depending on the location, size and quality of each individual space. Tenants are assumed to have access to reserved parking spaces in the adjacent garage at the rate of 3 per 1,000 sq. ft. of leased space. Parking charges are assumed to be in addition to rent. Letters of Interest have been received from three potential tenants, including the PVTA, Pioneer Valley Planning Commission (PVPC) and Square One (a daycare provider) for a total about 44,000 net sq. ft. (See Appendix D: Letters of Interest).

Opportunity Space: Retail includes the Murray Street corner retail (3,000 net sq. ft.) and approximately 11,000 net sq. ft. on the ground level of the Terminal Building on its eastern end at rents of $12 and $13 per net sq. ft. per year, respectively. The Terminal Building retail could be leased as a single unit or further subdivided into several smaller units (with some loss of net leaseable area). For all of the retail spaces, a tenant improvement allowance of $45 per net sq. ft. is included in the capital cost budget.

Opportunity Space: Office/Commercial is located on the upper levels in the Terminal Building and consists of about 19,000 net sq. ft. renting at an average of $13 per net sq. ft. Gross meaning that janitorial and cleaning, maintenance, insurance and property tax costs are paid by the lessor. This rent is at the bottom end of the range for rents for Class A buildings in Springfield and reflects the project's less than central location. It is near the top of the range for Class B rents in the best locations. A tenant improvement allowance of $45 per net sq. ft. is included in the capital cost budget. Rents would vary around a likely range of $12 to $14 per sq. ft. per year depending on the location, size and quality of each individual space. Tenants are assumed to have access to reserved parking spaces in the adjacent garage at the rate of 3 per 1,000 square feet of leased space. Parking charges are assumed to be in addition to rent.

Parking Spaces: Transit Users: Parking revenues for the 200 spaces oriented towards transit users and retail patrons are based on 250 day occupancy at 85% and a weekday daily rate of $4 per space per day; and 15% weekend use at $3 per space per day. Incremental maintenance and operations costs (over those incurred for the base structure) are estimated at $200 per space year - no property taxes. Net yield per space after costs is approximately $700 per year.

Parking Spaces: Office Users: Parking revenues for the 200 spaces oriented towards upper floor office and other Opportunity Space users are based on monthly passes at $87.50 per space per month and 85% occupancy, with no weekend revenues. Incremental maintenance and operations costs (over those incurred for the base structure) are estimated at $200 per space per year - no property taxes. Net yield per space after costs is approximately $700 per year.

Concourse (Great Hall): The concourse on the first floor of the Terminal Building would be a very desirable location for special events. The 3,400 sq. ft. of space has a ceiling height of 40 feet and could seat about 400 people. Worcester's Union Station's great hall, which can also accommodate about 400 people, is projected to take in about $82,000 in revenue in 2009. While this potential revenue source has not been included in this report at this time, further research should be done to explore this opportunity.

Operating Costs:

Transit Facilities and Transit Related Spaces: These are the costs projected to occur to open and operate the complex as a viable Intermodal Transportation Center regardless of whether the Opportunity Space is occupied or not. As can be seen, the base operation costs to be "in business" as a full Transportation Center are substantial and cannot be expected to be sustained by the transit operators

alone, at least based on the user charge schedule currently contemplated. However, when the Transit Related Spaces (such as transit oriented retail, and space leased by transit oriented agencies for office space) are added in, the additional rental revenues are sufficient to cover the base operation costs.

Opportunity Space: The project has about 35,000 sq. ft. of retail and office "Opportunity Space" located on the first and mezzanine floors of the Terminal Building and about 5,000 sq. ft. of retail space located at the corner of Frank B. Murray and Main Streets. "Opportunity Space" is floor area available for rent in the future. If this space is leased to non-transit related tenants that the build-out construction cost does not qualify for the current sources of funding identified for this project. The incremental costs of servicing tenants added in the Opportunity Space are low (since many costs, such as exterior building and parking garage maintenance, and main floor common area operations, would already be ongoing for the Transit function). They are estimated inclusive of a $1.50 per sq. ft. per year allowance for property taxes (or for "in-lieu" funding which can be used to help service debt for Tenant Improvements in the Opportunity Space).

Development and Operating Costs – Options Two and Three

The development of Option Two, in which the intercity buses remain at the Picknelly Terminal, is approximately $2.0 million less than Option One because the intercity bus ticketing and waiting space is not fully built-out and the amount of transit-related retail space is reduced to reflect fewer bus travelers. Correspondingly, there is a reduction in revenues to reflect the shared operating costs (SOC) not paid by the intercity buses and less rent from the transit-related retailers. While there would also be an overall reduction in operating expenses, the net annual operating revenues would only exceed expenses by approximately $150,000. Though marginal, the positive cash flow of Option Two would be adequate to sustain the annual operations of the redeveloped transit facility

Option Three, which includes the 30 Frank B. Murray Street parcel is approximately $3.0 million more than Option One because of the acquisition cost and expanded site improvements. While this Option Three would require additional funding to cover the increase in capital costs, the increase in operating expenses would not materially impact the operational sustainability of this Option.

Implications:

Based on the ongoing operations proforma for Option One shown in Table 2 and the respective operating cost implications of Options Two and Three noted above, it is clear that the long term sustainability of the transit facility operations depend on the following:

- Substantially all the Transit Space and Transit Related Spaces is leased and/or
- The Transit Operators are able to cover any operational shortfalls and/or

- The ownership Entity is able to cover operational shortfalls.

As noted above, a range of prospective tenants have been identified that could, between them, fill essentially all the Transit Related Space at the time of project opening. In the event that some of these prospects decide not to lease space, it would be necessary that other tenants or sources of funding be found to sustain the project as envisioned under the estimated cost structure. Section 5 of this report addresses the need and next steps to obtain commitments from these prospects early in the development process.

5 IMPLEMENTATION: NEXT STEPS

IMPLEMENTATION: NEXT STEPS

The planning process to date has resulted in a viable Redevelopment Plan for the Union Station Intermodal Transportation Center and the outline of a funding (capital and operations) scenario that can support the project. Once the Redevelopment Plan receives approval by the FTA and EOT, more detailed planning, design, engineering and development work can begin. The following outlines the key steps that would need to be taken going forward:

1. Establish ownership entity to oversee development and funding of the project

   This could be a continuation of the ongoing arrangement (that is, PVTA and SRA) or such other arrangement as these two key sponsors see as appropriate. The arrangement could continue by simple agreement amongst the parties or the creation of more formal documentation and legal structures. Whatever approach is determined to be the most advantageous, any agreement or documentation required by the funding agencies will be developed.

2. Procure project development management team including necessary professional services

   Whatever arrangements are made in the first step with respect to the ownership entity, it should also be taking the necessary actions to procure an ongoing management and development team. The project sponsors need to determine the extent to which currently contracted resources are sufficient to advance the project under existing or new contracts, and to what extent there is a need for new procurements of staff and/or professional and development services.

3. Negotiate initial Letters of Commitment with transit agency tenants, and other key tenants

   To date letters of interest to lease space have been received from three potential tenants, including the PVTA, Pioneer Valley Planning Commission (PVPC) and Square One (a daycare provider) for a total about 44,000 net sq. ft. (See Appendix D: Letters of Interest). These letters need to be advanced to formal agreements and/or leases.

4. Negotiate funding arrangements

   The project ownership entity and its development management team need to obtain funding agreements and, if needed, adjust the project parameters accordingly to reflect any changes in funding requirements. (To be eligible for FTA funding, a joint development improvement must be approved by the FTA Regional Administrator or designee.) Once initial commitments are obtained from both prospective occupants and funding sources, then the design and planning work can progress into a more advanced state.

5. Commence marketing of retail and office opportunity spaces

   Decision will need to be made to market the space exclusively through a commercial broker or independently through an open listing. Either process will require the preparation of marketing materials, which describe the project, available space, size, build-out, amenities, rent and other tenant costs.

6. Establish construction delivery approach and property management structure

   Decision will need to be made to construct the project using a traditional design-bid-build delivery, or some other method such as construction management. The advantages of each deliver approach and its potential impact on this project will need to be measured. The timing of the procurement of a contractor will depend on the approach selected, for the procurement would occur after the completion of construction documents using the design-bid-build delivery approach, whereas a construction manager can be retained prior to the design phase.

   The decision on the property management structure should be made early in the design phase to incorporate management and operational factors into the design and construction of the project. The two generic approaches is to either retain the services of an established property management company or to employ property management staff internally.

7. Procure A & E services commensurate with construction delivery method

   A & E services can differ dependent on the construction delivery method selected. For example, construction cost estimates by the architect may not be needed, since construction manager retained during the planning and design phases generally provide cost estimating services.

8. Procure construction team commensurate with delivery method

   This step can commence as soon as the construction delivery method has been chosen and can either overlap the procurement of A & E services, or follow it, depending upon the delivery method chosen.

9. Complete funding and occupancy agreements

   Work on these will be continuous from the moment the project sponsors decide to continue advancing the project following presentation of this Plan. The majority of these commitments should be reduced to formal legal agreements before significant construction begins.

10. Procure Property Management Services

    Input from property managers, experienced in public transit facilities, during the design process and prior to construction is important to incorporate operational criteria, such as security protocols and equipment, and maintenance considerations, into the design of the facility.

11. Design, build and commission the project

    The project timeline is about 33 months from the start of design to the completion of construction using the traditional design-bid-build approach and about 29 months using a construction management at risk approach. The commission process is a thorough review and testing of the finished buildings' mechanical, electrical and life safety systems to ensure that the systems operate as designed and specified. This is particularly important since sustainability and energy efficiency will be critical components of the project. Commissioning is also a mandatory requirement for LEED certification.

Project Schedule

The following project schedule begins with a planning phase of five months and continues through design and construction phases of about 33 months, starting January 2009. This schedule is based on a traditional design-bid-build approach, with distinct design, bid and construction phases. (Using a construction management and fast-track delivery method could reduce the overall schedule from 38 to 34 months.) This schedule also divides the construction into two phases.

Construction Phase A – This first phase of construction includes all the major demolition, new construction and infrastructure work and the transit related tenant build-out and common areas. The construction of Phase A would be completed and available for occupancy by about June 2011.

Construction Phase B – The second phase of work includes reactivating the tunnel from the Terminal Building to Lyman Street and upgrading the train platforms to comply with ADA requirements. This scope of work can only be constructed after Phase A is completed since the existing Amtrak ticket and waiting facilities will need to be relocated into the Terminal Building before this construction can start. Based on the current schedule and with adequate funding in place, the tunnel and platform work is projected to be completed by October 2011. Phase B also includes the build-out of the leased "Opportunity Space". The completion of this scope of work is dependent on the identification of tenants and availability of sufficient financing.

	2008					FY 2009 3rdQ			4thQ			FY 2010 1stQ			2ndQ			3rdQ			4thQ			FY 2011 1stQ			2ndQ			3rdQ			4thQ			FY2012 1stQ		
						2009												2010											2011								
	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9
Planning Phase																																						
Sponsoring Entity Implementation	2 months																																					
Project Management Procurement	2 months																																					
Transit Agency Lease Commitments	2 months																																					
Funding Arrangements	3 months																																					
Opportunity Space Marketing				24 months																																		
Delivery Approach Decision	2 months																																					
A/E Services Procurement			1 month																																			
Construction Team Procurement					1 month																																	
Funding and Lease	5 months																																					
Design Phase																																						
Shell																																						
Schematic Design						1 month																																
Design Development							4 months																															
Construction Documents										6 months																												
Tenants																																						
Programming						3 months																																
Schematic Design									3 months																													
Design Development												3 months																										
Construction Documents															4 months																							
Bid / Award / Permits / Mobilization																		2 months																				
Construction Phase - A																																						
Demolish Baggage Building																					3 months																	
Construct Bus / Parking Garage																								9 months														
Terminal - Selective Demo./Stabilize/Structural																					5 months																	
Terminal - Ext. Walls/Build-Out/MEP/Sitework																									9 months													
Transit Related Space Build-Out																													4 months									
Construction Phase - B																																						
ADA Rail and Tunnel																																			4 months			
Opportunity Space Build-Out																																			4 months			
TOTAL DURATION 38 months	Planning - 5 months					Design and Construction Documents - 13 months												Bid/Award 2 months			Construction - 18 months																	

Assumptions:

1. All regulatory approvals will be obtained without impact on schedule.
2. Build-out of all tenant spaces is included.
3. All hazardous materials abatement has been completed; no contaminated soils anticipated.
4. Construction Phase B completion dates are dependent on the availability of funding and identification of tenants

PROJECT SCHEDULE:

TRADITIONAL DESIGN - BID - BUILD METHOD