

MEMORANDUM

January 5, 2018

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Request Approval of Memorandum of Understanding M-16334 with the San Francisco Public Utilities Commission (SFPUC) for use of a portion of Seawall Lot 345 (SWL-345) at 855 Terry A. Francois Boulevard to construct, operate, and maintain the Mariposa Dry-Weather Pump Station for a period of thirty (30) years for a lump sum rental of \$502,294 with two options for a total of up to sixty-six (66) years

DIRECTOR'S RECOMMENDATION: Approve the Resolution

EXECUTIVE SUMMARY

Due to recent high density real estate developments in San Francisco, the waste flows to the Mariposa Pump Station, located on Seawall Lot 345, have increased beyond its design capacity. To convey the increased combined sewage to the Southeast Wastewater Treatment Plant, San Francisco Public Utilities Commission (SFPUC) has initiated a project to evaluate the current and anticipated increase of the wastewater flows and to construct a new dry-weather pump station and force main improvements. Port and SFPUC staffs have agreed on terms of a Memorandum of Understanding ("MOU") outlining the work to be completed and terms under which the SFPUC will occupy the property. Port staff is seeking authorization from the Port Commission to enter into the proposed MOU which is described in detail in this report.

BACKGROUND

Under the Burton Act (Chapter 1333 of Statutes 1968, as amended) and San Francisco Charter Section B 3.581, the administration and control of real property transferred to the City and County of San Francisco ("City") by the State of California including SWL 345 is vested in the Port.

This Print Covers Consent Item No. 10A

The existing Mariposa Pump Station was constructed in the 1950s pursuant to Board of Supervisors Resolution No. 11722 and last improved in the early 1990s under MOU 90-78 between the Port and San Francisco Department of Public Works, now called San Francisco Public Works (SFPW).

Due to recent high density development in the surrounding areas, the dry-weather wastewater flows to the Pump Station have increased beyond its design capacity. In response, the SFPUC initiated a project to evaluate the current and anticipated increase of wastewater flows, and to design and construct a new pump station and force main improvements.

The project will be completed under the SFPUC's Sewer System Improvement Program, project number CWWSIPCSPS03, and project titled the Mariposa Dry-Weather Pump Station and Force Main (the "Project"). The completion of the Project will allow SFPUC to upgrade its aging sewer infrastructure and maintain compliance with the City's National Pollution Discharge Elimination System permit for the combined sewer system that the SFPUC will manage. The improvements will include demolition of the existing Pump Station and all associated equipment, construction of the Mariposa Dry-Weather Pump Station and Force Main, replacement of a portion of the wet-weather force main, and replacement of the dry-weather force main. The Project will upgrade the aging sewer infrastructure to ensure a reliable, sustainable and seismically safe sewer system serving Port tenants, residents and businesses in the Southern Waterfront.

The existing Pump Station occupies approximately 3,100-square feet of fenced area in Seawall Lot 345 ("SWL-345"). Due to space constraints, the SFPUC will require use of additional Port property for the Project. The new equipment will occupy approximately 4,833-square feet within SWL-345, as is depicted in the conceptual drawings shown in Attachment A. The additional 1,733 square feet of land required is part of the St. Francis Marine leasehold and currently used for parking and storage. St. Francis Marine has amicably agreed to relinquish use of this area through a quitclaim deed.

Construction and staging areas for the Project have been identified on nearby city streets and other staging areas within two-miles of SWL-345. Any agreements necessary to secure these staging areas, if on Port property, will be handled under separate agreement.

STRATEGIC OBJECTIVES

Port staff has determined that this Project will support the goals of the Port's Strategic Plan as follows:

Economic Vitality - This Project will upgrade the aging sewer infrastructure to ensure a reliable, sustainable and seismically safe sewer system serving Port tenants, residents and businesses in the Southern Waterfront.

Stability – The SFPUC will pay parameter rent to the Port upon commencement of the MOU, which will support Port income.

Section 3.1 of the Burton Act authorizes the Port to enter into leases for up to sixty (66) years for the construction and operation of all “utilities . . . incidental, necessary or convenient for the promotion and accommodation of commerce and navigation.” The Mariposa Pump Station services numerous Port tenants located between Mission Creek and 20th Street and the Project supports the SFPUC’s utility operations as described above. Accordingly, the use contemplated by the MOU is consistent with the Port’s public trust obligations.

MOU TERMS

In accordance with its mandate under the Burton Act and Port Commission Resolution 87-96, the SFPUC will be required to pay parameter rent for the area occupied by the Mariposa Dry-Weather Pump Station upon commencement of MOU M-16334.

The MOU includes the following terms and conditions:

- The Port will lease to the SFPUC approximately 4,833 square feet of land within SWL-345 to construct, operate and maintain the Mariposa Dry-Weather Pump Station and associated equipment.
- The initial term of the MOU will be for a period of thirty (30) years which may be terminated by the SFPUC or Port upon 30 days’ prior written notice to the other party for any reason.
- The SFPUC shall have two (2) options to extend with prior written notice to the Port. The first extension term shall be for fifteen (15) years and the second extension term shall be for twenty-one (21) years. The SFPUC Commission must approve the exercise of any option to extend the MOU and the new rent for any extension term.
- Based on current parameter rent with the rate being increased annually by 3%, the SFPUC will pay the Port a lump sum payment of \$502,293.80 based on net present value (NPV) calculations, as rent for the initial 30 year term.
- Because rent for the initial 30 year term is being paid in advance, the Port will not require SFPUC to pay a security deposit.
- As of the effective date, the proposed MOU will replace the 1990 MOU as to the Pump Station. The SFPUC’s rights to the remaining existing sewer infrastructure will continue to be governed by the remaining sections of the 1990 MOU.

Except as described above, the terms of the MOU will be consistent with other Port MOUs allowing City departments to use Port property, including standard terms regarding permitting, defaults, surrender, hazardous materials, allocation of liability and insurance requirements.

ENVIRONMENTAL REVIEW. The SFPUC’s Bureau of Environmental Management determined that the Mariposa Dry-Weather Pump Station and Force Main Improvement Project is categorically exempt under the California Environmental Quality Act, which was concurred with by the San Francisco City Planning Department on February 2, 2017, under case number 2017-000818ENV. On April 25, 2017, the SFPUC Commission approved the Mariposa Dry-Weather Pump Station and Force Main

Improvements Project as part of the Bay Corridor Transmission and Distribution-Phase 1 in the SFPUC Resolution 17-0092.

SCHEDULE

SFPUC estimates a 24-month construction period. The SFPUC approved the MOU on December 12, 2017. Upon Port Commission approval of the MOU, the SFPUC will advertise the Project with the goal of issuing a Notice to Proceed to the successful bidder in June 2018.

Port staff is in contact with the SFPUC's communications/outreach staff for the Project, and the Sewer System Improvement Program's Communications Director and anticipates that SFPUC will present the Project to the Central Waterfront Advisory Group and any other neighborhood groups affected by the Project at a January or February meeting once the MOU has been approved by the Port Commission.

RECOMMENDATION

Port staff recommends approval of the attached resolution authorizing the Port Executive Director to enter into an MOU with the SFPUC to occupy Seawall Lot 345 to construct, operate and maintain the Mariposa Dry-Weather Pump Station on the terms and conditions described above.

Prepared by: Kimberley Beal
Property Manager

For: Michael Martin
Deputy Director, Real Estate and Development

ATTACHMENTS

- A. Conceptual Drawings

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 18-01

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, Port owns Seawall Lot 345 located on Terry A. Francois Boulevard at Mariposa; and
- WHEREAS, The existing Mariposa Pump Station was constructed in the 1950s pursuant to Board of Supervisors Resolution No. 11722 and last improved in the early 1990s under MOU 90-78 between the Port and SF DPW); and
- WHEREAS, The SFPUC plans to replace and upgrade the Pump Station to increase its capacity to process and convey additional dry-weather wastewater; and
- WHEREAS, This MOU would supersede the 1990 MOU with respect to the Mariposa Pump Station; and
- WHEREAS, The Port and SFPUC have negotiated terms and conditions of an MOU described in detail in the Memorandum dated January 4, 2018, allowing SFPUC to use portions of SWL 345, including up to a sixty-six (66) year term, the payment of parameter rent, and other standard MOU terms regarding permitting, defaults, surrender, hazardous materials, allocation of liability and insurance requirements; and
- WHEREAS, Section 3.1 of the Burton Act authorizes the Port to enter into leases for up to sixty (66) years for the construction and operation of all “utilities . . . incidental, necessary or convenient for the promotion and accommodation of commerce and navigation.” The Mariposa Pump Station services numerous Port tenants located between Mission Creek and 20th Street and the Project supports the SFPUC’s utility operations as described above. Accordingly, the use contemplated by the MOU is consistent with the Port’s public trust obligations; and
- WHEREAS, On February 2, 2017, the San Francisco City Planning Department concurred with the SFPUC’s determination that the Mariposa Dry-Weather Pump Station and Force Main Improvement Project is categorically exempt under the California Environmental Quality Act (“CEQA”); now therefore, be it

- WHEREAS, The SFPUC Commission approved the proposed MOU on December 12, 2017; now therefore be it
- RESOLVED, The Port Commission hereby approves the proposed MOU between the Port and SFPUC on terms substantially consistent with those described in the Memorandum dated January 5, 2018; and be it further
- RESOLVED, The Port Commission hereby authorizes the Executive Director or her designee, to execute the proposed MOU; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additional amendments or other modifications to the MOU that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 9, 2018.

Secretary