

MEMORANDUM

February 22, 2018

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Request for Approval of the Port's Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Capital Budget

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

On February 13, 2018, Port staff presented an informational report to the Port Commission on the proposed Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Capital Budget. During the meeting, the Port Commissioners asked numerous important questions, the answers to which are provided in a new Attachment 1 – *Capital Improvement Program Through Fiscal Year 2022-23*. No additional changes have been made to the report or the budget since the Port Commission's review.

The proposed two-year Capital Budget totals \$73.4 million, a 13% increase over the prior biennial budget. While available funds continue to leave the Port shy of the total needed to fully address its \$1.5 billion state of good repair need identified in the ten-year Capital Plan for FY 2017-18 to FY 2026-27, the proposed capital investments in the budget are significant relative to historical spending.

RECOMMENDATION

Based on the Port's capital needs and the availability of funding, Port staff submits the proposed FY 2018-19 and FY 2019-20 Biennial Capital Budget and recommends the Port Commission approve the proposed budget for submission to Mayor Mark Farrell and the Board of Supervisors. Port staff will return to the Port Commission later this summer to report on the adopted budget and detail for Port Commission approval of significant changes made by staff, the Mayor or the Board of Supervisors.

THIS PRINT COVERS CALENDAR ITEM NO. 11B

STRATEGIC OBJECTIVES

The proposed FY 2018-19 and FY 2019-20 Capital Budget is integral to meeting the Port's, *Stability*, *Renewal*, *Economic Vitality*, and *Resiliency* objectives of the Port's 2017-2022 Strategic Plan. Examples of how the budget forwards these objectives include:

- *Stability*: The majority of the recommended investments will either maintain or increase the revenue potential of Port facilities. In accordance with this objective, the proposed investments focus on projects that are not likely to be fundable with non-Port revenue sources, such as seawall repairs at Wharf J9 and maintenance of Port pier repair equipment.
- *Renewal*: This Capital Budget makes investments that support the Port's maritime and economic purpose, including renewal of the Pier 70 Shipyard to pave the way for a new operator and demolition of Pier 90 grain silos, which will open up new real estate that can be used to advance the Pier 80 to Pier 96 Maritime Eco-Industrial Strategy.
- *Economic Vitality*: The maintenance dredging proposed for funding is a key capital investment for maintaining the Port's deep-water berths and sustaining commercial operations, including Cruise and Cargo. In addition, staff project that several Capital Budget investments will increase the revenue from Port facilities, such as the installation of an exhaust system at Pier 19, which will enable parking in the shed.
- *Resiliency*: Many capital investments improve resiliency of Port assets to earthquake or natural hazards, including the Seawall Earthquake Safety Program, and repairs to Pier 19 North Apron and Wharf J9.

BACKGROUND

Since 2006, the Port has produced a ten-year capital plan that lays out the investment needed to bring all Port capital assets into a state of good repair and maintain them in good repair. The Port's Capital Plan for FY 2017-18 to FY 2026-27 identifies \$1.5 billion in necessary state of good repair (SOGR) investments, which is a combination of a backlog stemming from decades of deferred maintenance and annual renewal needs. The Capital Plan identifies \$592 million in funding sources for SOGR, leaving a \$900 million funding gap over the next ten years. Simply to keep up with upcoming renewal needs, the Port would need to invest \$108 million in state of good repair over the next two years; even that level of investment would not enable any funding to address the existing backlog of repairs.

The Capital Budget is the Port's tool to improve the health of its Capital assets. Through careful stewardship, Port staff has gradually increased the amount of biennial funding available for capital, however the great demand for SOGR funds requires highly strategic investment decisions.

To facilitate strategic analysis and bridge the gap between the distant ten-year time span of the Capital Plan and the immediacy of the two-year Capital Budget, the Port has developed its first five-year Capital Improvement Plan (CIP). The CIP allows staff to consider the time span necessary to conceive, design and deliver capital projects and will guide the Port's capital work through the current budget cycle and beyond. The CIP lays out staff's vision for addressing as many of the needs identified in the Capital Plan as possible, given limited resources.

During preparation of the CIP, Port staff evaluated and prioritized five years' worth of projects. Projects considered for investment included state of good repair work consistent with the Capital Plan, safety and enhancement projects, and investment opportunities. All of these projects competed for the same limited revenue, forcing challenging trade-off decisions. To address this challenge, the Port used a deliberate, criteria-based approach to weigh competing projects to ensure that the budget funds those projects that have the greatest impact on the state of good repair of the Port's facilities, address health and safety needs, and best support the organization's leasing efforts.

Staff will present the complete CIP to the Commission in April. However, in order to comply with the timing of the City's budget process, the first two years of the CIP are presented here as the proposed FY 2018-19 and FY 2019-20 Capital Budget. Going forward, the Port will continue this cycle of updating the ten-year Capital Plan every other year and using that high-level vision to inform biennial updates to the five-year CIP and two-year budget.

PROJECT SELECTION PROCESS

Over the past several months the Capital Project Technical Review Committee ("Committee")—comprised of key Port staff from all Port divisions—reviewed and scored more than \$300 million in capital project funding requests submitted by Port staff. The Committee used a slightly updated version of the scoring criteria applied during the development of the prior Biennial Capital Budget. The Committee reviewed approximately 360% more projects than during the prior cycle. This was due in part to the fact that staff submitted projects for five years of programming, rather than for two years of programming as in past budget cycles.

The Committee used the following criteria to determine which projects to recommend to the Port Commission for funding:

- (i) Addresses a safety, health, code, or regulatory issue or threat to the environment;
- (ii) Significantly reduces potential liability to the Port;
- (iii) Promotes commerce, navigation or fisheries;
- (iv) Attracts people to the waterfront;
- (v) Promotes natural and cultural resources;

- (vi) *Location was identified as a priority based on the nexus of Port's 10-year Capital Plan and the Strategic Plan;*
- (vii) *Improves state of good repair of an existing Port asset;*
- (viii) Preserves existing Port revenues; and
- (ix) Generates additional revenues for the Port.

The italicized criteria were added to this year's process to strengthen the nexus between the state of good repair needs identified in the ten-year Capital Plan and the work proposed for funding.

In addition to the scoring process, staff reviewed all projects to determine if they fell into one or more of the prioritization categories listed below. Staff determined that a project belonging to one of these groups was worthy of prioritization:

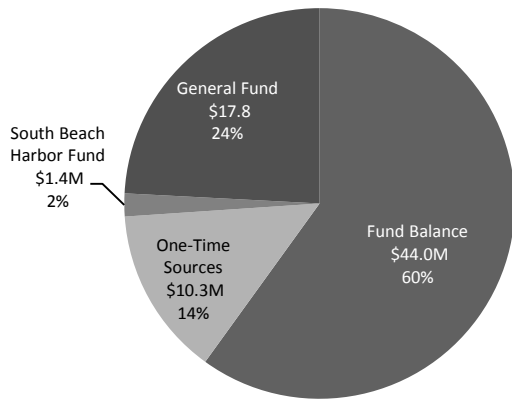
- 1) **Honor Prior Commitments**—The project was funded in a previous Capital Budget and additional funds are needed to complete the project due to expanded scope, a new cost estimate, or bids that came in over the approved budget.
- 2) **Address Priority Health and Safety Needs**—The project is legally mandated or failure to complete the scope puts the Port in imminent jeopardy of being legally mandated to do the work.
- 3) **Meet Imminent Leasing Needs**—The project is required to ready a Port facility for a tenant, per an existing or pending lease agreement.
- 4) **Improve Delivery Rate**—The investment will improve capital project delivery capacity.
- 5) **Strategic Investment**—The investment will generate sufficient revenue in the future to justify postponing other capital improvements.
- 6) **Leverage Port Funds**—The project will be funded by non-Port funding sources.

Finance staff utilized the priorities above and the Committee's scores to develop a draft Biennial Capital Budget. Finance staff submitted the proposed capital projects and recommended funding levels to the Port's Executive Director for adjustment and final approval before submission to the Port Commission for its review and comment.

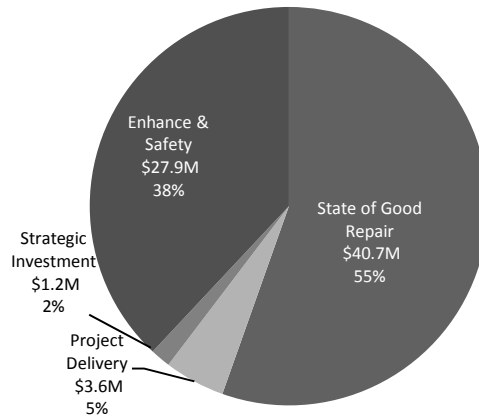
CAPITAL BUDGET EXPENDITURES

The proposed two-year Capital Budget of \$73.4 million is an \$8.7 million (13%) increase from the FY 2016-17 and FY 2017-18 budget. The proposed budget invests \$40.7 million in state of good repair work, representing 55% of the proposed budget.

Sources in Proposed Biennial Capital Budget



Uses in Proposed Biennial Capital Budget



Summary of Investments

The proposed project list sustains the Port’s commitment to spending the majority of the Capital Budget on projects that keep Port facilities in a state of good repair and safe for tenants and visitors. The budget also includes funding to improve Port staff’s ability to deliver capital projects and deepen its revenue base, as detailed in **Table 1**.

State of Good Repair (advancing *Stability* and *Renewal*)

- Maintenance dredging program to cover routine dredging to maintain depths for vessels in support of maritime commerce, as well as the needed complementary testing of dredge sediments for contaminants. Dredging locations targeted for this budget period include Pier 27, Pier 94/96, and Fisherman’s Wharf;
- Pier structure repairs that renew pier substructures and superstructures, including bulkhead buildings and sheds. Funds are anticipated to support:
 - Two pile repair crews—one to repair the substructure of piers with wooden piles (9 FTE) and one to repair those with concrete piles (14 FTE), such as Pier 35;
 - Additional funding for substructure repair and replacement of the Pier 19 North Apron and Wharf J9 Seawall due to higher costs associated with using more durable, advanced materials and methods for these repairs;
 - Additional funding for substructure repairs on Piers 31 and 29, readying space for planned and potential new tenants;
 - Substructure improvements to the Pier 50 Shed B Apron to provide emergency egress for the existing Distillery 209 lease; and
 - Pier 80 cargo terminal improvements to be completed by Pasha Automotive. Per the lease agreement with Pasha, the Port is obligated to reimburse the tenant up to \$2.0 million for the cost of specified

improvements to the terminal. Of these funds, \$0.65 million must be paid to the tenant in cash, with the balance provided via rent credits;

- Utility projects to keep utilities such as sewer and power systems in good repair. Funds in this category are anticipated to go toward re-routing the sewer at Pier 7½ for code compliance;
- Pier 19½ roofing repairs, as the roof is past its useful life and leaks;
- Additional funding for planned capital repairs and facility improvements at the Pier 70 Shipyard to ready the space for a new operator. Work is likely to include electrical upgrades and dredging;
- Additional funding for improvements along Amador Street to meet the increased cost of constructing a new forced sewer main and refurbishing the pump station, as well as added scope to complete sewer repairs under the roadway and repave the street;
- Additional funding for repair of the floating docks and pier structure at Hyde Street Harbor—including mechanical and electrical systems—due to scope increases and escalating construction costs;
- Additional funding for the dry-docking and overhaul of the Port’s pile drivers and pile barges and China Basin floats due to escalating costs; and
- Additional funding for replacement of the Pier 40 North Guest Dock at South Beach Harbor needed due to an increased cost estimate for work.

Enhancements and Safety Improvements (advancing *Economic Vitality, Resiliency, and Stability*)

- Utility projects to enhance the safety and operations of systems such as sewer and power systems. Funds in this category are anticipated to support:
 - Improving electrical safety at locations Port wide;
 - Continued support of a Fire Protection Engineer to assist the Port’s Fire Marshall and the Port in the assessment, fire alarm system review, and contracting of repairs and enhancement to the Port’s life safety, and water-based fire protection systems; and
 - Fire safety projects such as removing the non-working deluge system at Pier 26 and installing a fire standpipe system and installing a new fire standpipe system at Pier 31;
- Planning and design to demolish all existing landside structures and 80,000 square feet of dilapidated timber wharf at the Pier 90 grain silo facility, which has become a life safety hazard and ongoing maintenance and security expense;
- Lease preparation projects that facilitate new interim lease opportunities through facility upgrades and enhancements. In anticipation of pursuing a new tenant, or as part of lease negotiations with an existing or potential tenant, the Port must occasionally make improvements to a facility. Improvements may include, but

are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing. Locations currently identified for improvements include:

- Beltline building improvements, including state of good repair work and safety and ADA access improvements;
- Roundhouse 2, where HVAC system improvements are needed for tenant health and safety and other work, like roof and window repairs, is required to revitalize the building and improve its market value;
- Pier 29.5, where utilities need to be brought above deck to reduce the chance of waste leaking into the Bay, and enable separating the utility service of Pier 31, the location of the new Alcatraz embarkation site; and
- Piers 19, 19 ½ and 23, where anticipated work includes installation of: a fire protection standpipe system, a backflow preventer, and a new exhaust system to enable the use of the shed for parking;
- Continued planning and preliminary design of the Seawall Earthquake Safety Program and construction of the Mission Bay Ferry Landing (detailed in the subsequent General Fund Requests section);
- Investment of Southern Waterfront Open Space funds in Crane Cove Park, as planned for in the project's approved budget; and
- Investment in a public kayak launch at the Pier 40 North Guest Dock, a new public amenity at South Beach Harbor.

Project Delivery (advancing *Renewal*)

- Increasing the Port's capacity to deliver capital projects by funding a new Project Management Office (5 FTE, detailed in the Project Management Staffing section below); and
- Project reserve to address project budget increases that arise for reasons such as: unforeseen site conditions that exceed project contingencies or San Francisco's bidding environment, in which the Port and other agencies now often receive bids 25-50% over the engineer's estimate.

Strategic Investment (advancing *Stability*)

- An upfront investment in the Pier 70 Forest City Project (detailed in the subsequent Pier 70 Investment section).

Table 1: Proposed FY 2018-19 and 2019-20 Capital Budget

FUNDING SOURCES	Proposed	Proposed	Proposed Two Year
	FY 2018-19	FY 2019-20	Funding Total
Port Capital Funding	\$ 26,000,000	\$ 11,536,000	\$ 37,536,000
Port Transbay Payment	\$ 550,000	\$ 550,000	\$ 1,100,000
Puglia Standby Letter of Credit	\$ 769,000		\$ 769,000
De-Appropriations	\$ 4,619,748		\$ 4,619,748
One-Time Revenue	\$ 3,337,198	\$ 6,922,094	\$ 10,259,292
South Beach Harbor Operating Revenues	\$ 1,082,000	\$ 310,000	\$ 1,392,000
Total Port Funding Sources	\$ 36,357,946	\$ 19,318,094	\$ 55,676,040
<i>City General Fund -Pending Approval¹</i>	\$ 17,750,000		\$ 17,750,000
Total Non-Port Funding Sources	\$ 17,750,000		\$ 17,750,000
Total Requested Sources	\$ 54,107,946	\$ 19,318,094	\$ 73,426,040
PROPOSED CAPITAL BUDGET			
Fisherman's Wharf:			
Hyde Street Harbor Repair and Improvements	\$ 1,335,000		\$ 1,335,000
Wharf J9 Seawall and Deck Repair Project ²	\$ 2,200,000		\$ 2,200,000
Northeast Waterfront:			
Pie 31 New Fire Standpipe System ³		\$ 676,522	\$ 676,522
Roundhouse 2 HVAC System Improvements ⁴		\$ 105,000	\$ 105,000
Roundhouse Envelope, Security & Common Area Enhancement Project ⁴		\$ 420,000	\$ 420,000
Pier 29 and 31 Substructure Repair ²	\$ 2,852,174		\$ 2,852,174
Pier 29.5 Pump Station & Force Main Upgrade ⁴	\$ 800,000		\$ 800,000
Beltline Building Repairs ⁴	\$ 680,000		\$ 680,000
Pier 19.5 Roofing Project	\$ 668,000		\$ 668,000
Pier 19 North Apron Repair ²	\$ 2,000,000		\$ 2,000,000
Pier 19 & 23 Leasing Improvements ⁴	\$ 2,650,000		\$ 2,650,000
Pier 7.5 Sewer Re-routing to Street ³		\$ 262,500	\$ 262,500
Ferry Plaza & South Beach Area:			
Pier 26 Deluge System Modification & New Fire Standpipe System ³	\$ 952,116		\$ 952,116
Mission Bay Ferry Landing			
- City Contribution — 11,000,000 (requested)	\$ 11,000,000		\$ 11,000,000
Southern Waterfront:			
China Basin Floats & Dry Dock Repair	\$ 670,000		\$ 670,000
Pier 50 Shed B Apron Partial Repair ²		\$ 341,250	\$ 341,250
Pier 70 Shipyard			
Port — 2,000,000; Puglia Standby Letter of Credit— 769,000			
Pier 70 Shipyard Total Funding	\$ 1,769,000	\$ 1,000,000	\$ 2,769,000
Pier 70 Capital Investment	\$ 1,200,000		\$ 1,200,000
Pier 80 Repair Project ²	\$ 650,000		\$ 650,000
Pier 90 Silo Demolition Project	\$ 100,000	\$ 1,050,000	\$ 1,150,000
Amador Street Sewer & Pavement Repair	\$ 3,800,000		\$ 3,800,000
Southern Waterfront Open Space Enhancements	\$ 550,000	\$ 550,000	\$ 1,100,000
Portwide Projects:			
Maintenance Dredging & Sediment Sampling	\$ 2,480,000	\$ 8,180,400	\$ 10,660,400
Seawall Earthquake Safety Program			
- City Contribution — 6,750,000 (requested)	\$ 6,750,000		\$ 6,750,000
Fire Protection Engineer ³	\$ 232,992	\$ 242,311	\$ 475,303
Wood Pile Repair Crew ²	\$ 1,418,985	\$ 1,475,744	\$ 2,894,729
Concrete Pile Repair Crew ²	\$ 2,206,563	\$ 2,294,825	\$ 4,501,388
Dry Docking of Pile Drivers and Barges	\$ 3,700,000		\$ 3,700,000
Port wide Electrical Safety Upgrade ³		\$ 1,155,000	\$ 1,155,000
Project Delivery Team	\$ 1,206,290	\$ 1,254,542	\$ 2,460,832
Contingency Fund	\$ 1,154,826		\$ 1,154,826
Subtotal Proposed Investments	\$ 53,025,946	\$ 19,008,094	\$ 72,034,040
South Beach Harbor Capital Projects			
Pier 40 North Guest Dock Replacement	\$ 1,082,000		\$ 1,082,000
Pier 40 North Guest Dock Kayak Launch		\$ 310,000	\$ 310,000
South Beach Harbor, Subtotal	\$ 1,082,000	\$ 310,000	\$ 1,392,000
Total Proposed Capital Budget	\$ 54,107,946	\$ 19,318,094	\$ 73,426,040

¹ Includes \$250,000 from the Planning Department.

² Funding for this capital project will be provided in the Pier Structures Repair Project.

³ Funding for this capital project will be provided in the Utilities Project.

⁴ Funding for this capital project will be provided in the Leasing Capital Improvements.

Project Management Staffing

With several years of sustained strong revenues and the Port's policy to set aside 20-25% of operating revenues for capital, this Capital Budget continues a trend of substantial capital investment by the Port. As this new, higher level of funding has become normalized, Port staff has recognized the need to evaluate the organization's capital delivery methods and pursue improvements to project completion rates. To that end, the Port contracted with its on-call engineering consultants, Parsons/Lotus Water, to develop a set of recommendations to enhance the Port's capital staffing, systems, reporting and analysis. After conducting its assessment, Parsons/Lotus Water, who have helped several other City departments improve their project delivery methods, recommended that the Port add project management staff to increase the Port's delivery rate and grow its capacity and efficiency in implementing the Capital Budget.

To achieve that recommendation, the proposed budget includes additional staffing resources in the form of a new Project Management Office (PMO). The proposed PMO consists of a senior project manager, three junior project managers, and an administrative analyst. The new team will provide overall capital program management and each project manager will have a portfolio of projects that they are responsible for driving from inception to close out. With the support of the analyst, this new team will also provide the capacity and skills to enhance the Port's project delivery procedures and practices of collecting, analyzing, learning from, and reporting on project data. Staff believes that the PMO will allow the Port to increase significantly the number and dollar amount of projects that it completes annually.

Pier 70 Investment

Under the Disposition and Development Agreement between FC Pier 70 LLC ("Forest City") and the Port for the 28-Acre Site, the Port Commission has the right to invest capital in lieu of or in conjunction with developer capital invested by Forest City. In exchange for our capital investments, the Port will earn a 10% annual return. When invested at the same time, Port and developer capital is repaid concurrently by project sources (e.g. Land Proceeds, IFD tax increment, and CFD special taxes), whereas later investments are repaid in the order that they are made. It behooves the Port to participate early to secure prioritization for repayment.

After evaluating several possible investment levels in the 28-Acre Site, Port staff recommends a \$6.5 million capital election for Phase 1. As detailed in **Table 2**, below, Port staff recommends funding this investment through a variety of sources, including \$1.2 million in the proposed capital budget and \$5.3 million from existing project funds. The Waterfront Development Project has a \$2.0 million project balance remaining from prior fiscal years to support the entitlements phase of the 28-Acre Site and the Mission Rock development projects. Additionally, in FY 2016-17, the Port budgeted \$3.9 million to complete improvements to the 20th Street public realm (e.g. sidewalks); a balance of \$3.3 million remains in that project. Port staff recommends repurposing these funds to support construction of the 28-Acre Site, now that the project has completed its entitlements.

Table 2: Pier 70 Investment – Sources and Returns (Nominal - Compared to Base)

Port Investment	\$ 6,500,000
Current Available Funding	\$ 5,300,000
<i>Waterfront Development Project</i>	\$ 2,030,000
<i>20th Street Improvements</i>	\$ 3,270,000
New Funding, FY 2018-19	\$ 1,200,000
Port Returns	\$ 16,413,522
Capital Distribution (est. 2025)	\$ 6,500,000
Return on Investment (10 years)	\$ 8,514,731
IFD & CFD Proceeds (10 years)	\$ 1,398,790
Net Return to the Port	\$ 9,913,522

This investment is projected to generate a positive return by the seventh year of the project (2025) and, will generate an additional \$9.9 million return compared to the Project “Base Case”, which assumes no Port contribution. These funds are comprised of approximately \$8.5 million in land proceeds that will come directly to the Port’s Harbor Fund for reinvestment and \$1.3 million in Infrastructure Finance District (IFD) and Community Facilities District (CFD) proceeds that may be used to support historic infrastructure and shoreline improvements.

While a larger capital contribution would generate even greater return to the Port, this level of investment is balanced with other renewal and life-safety needs that are funded through the proposed capital budget. A greater investment would have forced us to forego time sensitive, mission-critical work or miss other opportunities for enhancements that improve SOGR and increase Port revenue.

General Fund Requests

As noted above, staff recommends requesting \$17.75 million from the City’s General Fund, including \$6.75 million to support the Port’s Seawall Program and \$11.0 million to support the Mission Bay Ferry Landing Project.

Funding for the Seawall Program includes \$0.25 million anticipated from the Planning Department, per prior City agreement. The remaining \$6.5 million of the requested funds would supplement \$4.0 million in previously budgeted General Fund support and cover the project’s costs in FY 2018-19 prior to Bond funds becoming available. The Port and City plan to pursue a General Obligation Bond for the Seawall in November 2018, which will reimburse these costs, should voters approve it.

For the Mission Bay Ferry Landing Project, the requested \$11 million would provide a one-for-one match to a pending grant request. In January, the Port submitted a grant application for State funds from the Local Partnership Program Competitive Program. Developer Impact Fees collected from Port development projects will eventually be

available to reimburse \$6 million of this request from the City. The City has agreed to commit those fees to the project, but they will be collected over the next five years; City support is needed to meet the project’s cash flow needs. To complete the funding plan for construction of the Ferry Landing, the Port is also looking toward the proposed bridge toll increase (known as Regional Measure 3), which is set to go before voters in June 2018, for the final \$8 million for construction.

RETURNS ON INVESTMENT

The Port’s investment in state of good repair is critical for preserving existing Port revenue. Several proposed capital expenditures go a step farther by generating new income that will fully offset the Port’s investments within ten years, as detailed below. Together, these investments will generate a total \$26.3 million Net Present Value over the next ten years to support growing operating needs as well as future capital investments.

Project	Total Capital Investment	10-Year Net Present Value	20-Year Net Present Value	Internal Rate of Return	Years to Break Even
Beltline Building	\$0.9M	\$0.1M	\$1.1M	16%	7
Roundhouse	\$5.1M	\$2.0M	\$7.4M	19%	6
Pier 19 and 23 Leasing Improvements (supporting new tenants and parking operations)	\$4.4M	\$17.9M	\$21.9M	42%	4
Pier 29.5 Pump Station and formerly-funded work for NPS, Alcatraz Embarkation	\$8.5M	\$0.6M	\$8.4M	14%	9
Pier 70 Investment Compared to Base	\$6.5M	\$5.7M	\$5.7M	17%	6

NEXT STEPS

We welcome comments, input, and feedback from the Port Commission and the public. To accommodate City deadlines, staff will submit the draft Capital Budget to the City’s Capital Planning Committee for review on February 26, 2018 and return to the Port Commission for approval of the budget on February 27, 2018. Approval of the Port’s Capital Budget by the Capital Planning Committee will be contingent upon final approval by the Port Commission. The Capital Planning Committee will then forward the Capital Budget to the Mayor’s Office of Public Policy and Finance for inclusion in the Mayor’s Proposed Budget to the Board of Supervisors in May 2018. The Board of Supervisors will review and finalize the FY 2018-19 and FY 2019-20 budgets by August 1, 2018. Staff will update the Port Commission on any major changes that are made to the Capital Budget subsequent to Port Commission approval.

Additionally, Port staff will return to the Port Commission in April 2018 to present an informational item on the five-year Capital Improvement Program. The first two years of that five-year plan will be the FY 2018-19 and FY 2019-20 Capital Budget.

Prepared by: Ananda Hirsch, Capital Manager, Finance and
Administration Division

and

Meghan Wallace, Finance and Procurement
Manager, Finance and Administration Division

For: Katharine Petrucione, Deputy Director
Finance and Administration Division

Attachment 1: Capital Improvement Program through Fiscal Year 2022-23

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

RESOLUTION NO. 18-XX

WHEREAS, The Port Commission staff has developed a proposed Port Fiscal Year 2018-19 and Fiscal Year 2019-20 Biennial Capital Budget (“Capital Budget”); and

WHEREAS, The proposed Capital Budget includes \$36,357,946 of sources for Fiscal Year 2018-19, including \$30,619,748 in Port Capital Funding, \$550,000 in Port Transbay Cable Payment, \$769,000 from the Puglia Engineering Standby Letter of Credit; \$3,337,198 in one-time revenues, and \$1,082,000 from South Beach Harbor Operating Revenues; and

WHEREAS, For the Capital Budget, Port staff recommends the allocation of \$36,357,946 of Port funding for Fiscal Year 2018-19 to the following capital projects:

1. Amador Street Improvement Project
2. Leasing Capital Improvements
 - a. *Beltline Building Tenant Space Improvements*
 - b. *Pier 19 & 23 Leasing Improvements*
 - c. *Pier 29.5 Pump Station & Force Main*
3. Ferry Terminal Float Repair
 - a. *Dry Docking of China Basin Floats & Repair*
4. Capital Project Contingency Fund
5. Cargo Maintenance Dredging
6. Port Waterfront Support Assets
 - a. *Dry Docking of Pile Drivers & Barges*
7. Utilities Project
 - a. *Fire Protection Engineer*
 - b. *Pier 26 Deluge System Modifications*
8. SF Port Marina Repairs and Upgrade Project
 - a. *Hyde Street Harbor Repair & Improvements*
 - b. *Pier 40 North Guest Dock Replacement*
9. Pier Structures Repair Project, Phase II
 - a. *Pier 19 North Apron Repair*

- b. Pier 29 & 31 Substructure Repair*
- c. Concrete Pile Repair Crew*
- d. Wood Pile Repair Crew*
- e. Wharf J9 Seawall & Deck Repair*
- f. Pier 80 Repair Project*
- 10. Pier 70 Shipyard Operations
- 11. Pier 90 Grain Silo Demolition Project
- 12. Capital Project Implementation Team
- 13. Southern Waterfront Open Space Enhancements/Alternative Energy
 - a. Crane Cove Park*
- 14. Roof Repair Project
 - a. Pier 19.5 Roofing Project*
- 15. Pier 70 Infrastructure Plan
 - a. Pier 70 Investment*

WHEREAS, The proposed Capital Budget includes \$19,318,094 of sources for Fiscal Year 2019-20, including \$11,536,000 in Port Capital Funding, \$550,000 in Port Transbay Cable Payment; \$6,922,094 in one-time revenues, and \$310,000 from South Beach Harbor Operating Revenues; and

WHEREAS, For the Capital Budget, Port staff recommends the allocation of \$19,318,094 of Port funding for Fiscal Year 2019-20 to the following capital projects:

- 1. Leasing Capital Improvements
 - b. Roundhouse 2 HVAC System Improvements*
 - c. Roundhouse Enhancement Project*
- 2. Cargo Maintenance Dredging
- 3. Utilities Project
 - d. Fire Protection Engineer*
 - e. Pier 31 New Fire Standpipe System*
 - f. Pier 7.5 Sewer Re-routing to Street*
 - g. Portwide Electrical Safety Upgrades*
- 4. SF Port Marina Repairs and Upgrade Project
 - a. Pier 40 North Guest Dock Kayak*
- 5. Pier Structures Repair Project, Phase II

- a. *Pier 50 Shed B Apron Partial Repair*
- b. *Concrete Pile Repair Crew*
- c. *Wood Pile Repair Crew*
- 6. Pier 70 Shipyard Operations
- 7. Pier 90 Grain Silo Demolition Project
- 8. Capital Project Implementation Team
- 9. Southern Waterfront Open Space Enhancements/Alternative Energy
 - a. *Crane Cove Park*

WHEREAS, Staff recommends that the Port Commission approve a \$6,750,000 General Fund request to support the Seawall Earthquake Safety and Disaster Prevention Program for the repair of the seawall, a project of Citywide significance; and

WHEREAS, Staff recommends that the Port Commission approve an \$11,000,000 General Fund request to support the Mission Bay Ferry Landing Project for construction of a new ferry landing, a project of Citywide significance; and

WHEREAS, Staff has proposed using \$3,270,000 in funds previously appropriated to the 20th Street Improvements for the Pier 70 Investment in Fiscal Year 2018-19, a use which is consistent with the authority's purpose, but represents a change from the detailed use described at the time of appropriation; and

WHEREAS, Staff has designated each of the capital projects identified above as a high priority; and

WHEREAS, The proposed Capital Budget, including General Fund requests, is described in greater detail in the staff memorandum to the Port Commission, dated February 22, 2018, accompanying this Resolution and on file with the Secretary of the Commission; and

WHEREAS, Staff recommends that the Port Commission approve the proposed Capital Budget; and

WHEREAS, The proposed Capital Budget must also be approved by Mayor Mark Farrell and the Board of Supervisors; and

WHEREAS, The proposed capital projects must also be approved by the City's Capital Planning Committee; now therefore, be it

- RESOLVED, That the Port Commission hereby approves the Fiscal Year 2018-19 and Fiscal Year 2019-20 Capital Budget as proposed by staff; and, be it further
- RESOLVED, That staff is directed to submit the proposed Capital Budget to Mayor Mark Farrell and the Board of Supervisors for their review and approval; and, be it further
- RESOLVED, Staff is directed to submit to the Mayor and Board of Supervisors a \$6,750,000 million General Fund request to support the Seawall Earthquake Safety and Disaster Prevention Program for the repair of the seawall, as recommended above; and, be it further
- RESOLVED, Staff is directed to submit to the Mayor and Board of Supervisors an \$11,000,000 million General Fund request to support the Mission Bay Ferry Landing Project for construction of a new ferry landing, as recommended above; and, be it further
- RESOLVED, That staff is directed to submit the proposed capital projects to the City's Capital Planning Committee; and, be it further
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to make such changes to the Capital Budget that the Executive Director deems to be in the Port's best interest; and, be it further
- RESOLVED, That after the Capital Budget has been approved by Mayor Farrell and the Board of Supervisors, staff is directed to return to the Port Commission to report on any material changes to the Capital Budget.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2018.

Secretary

ATTACHMENT 1
CAPITAL IMPROVEMENT PROGRAM THROUGH FISCAL YEAR 2022-23

CAPITAL PROGRAM OVERVIEW

The table below is a summary of the Port’s capital program through FY 2022-23.

Five-Year Capital Program Snapshot			
	Prior Appropriations	Proposed for Funding	Unfunded
Capital work completed by the Port in FY 17	\$19 million*		
Currently funded projects	\$105 million**	\$40 million	\$243 million in capital work over next five years
New projects in years one & two of CIP (Capital Budget)		\$33 million	
New & continuing projects in yrs. three and five of CIP (beyond this Capital Budget)		\$65 million	
Unfunded projects proposed for five-year CIP			\$93 million

* Per Port's FY 2016-17 financial statement

**Unexpended balance on current projects as of January 2018, per PeopleSoft. The Port, in coordination with the Controller’s office, continues to cleanup data after the conversion from FAMIS; figure is subject to change.

HIGHLIGHTS: CAPITAL PROJECTS COMPLETED SINCE CAPITAL PLAN UPDATE

The following are highlights of capital improvements completed by the Port since the last update to the Port’s Ten-Year Capital Plan, presented to the Port Commission in December 2016. When staff presents the next update to the Capital Plan in late 2018 all work completed since the last Plan, including the highlights below will reduce the Port’s capital need. The figures represent project expenditures as of January 31, 2018, excluding expenditures on Port pier repair crew. For projects delivered by Port crews, costs will be reconciled to projects at year end.

Pier 31 and 29.5 Roof Repair and Apron Infill Projects \$7,200,000

Port Engineering designed and implemented a major structural repair and roofing project for the dilapidated timber shed and bulkhead buildings. The depressed rail track along the Pier 31 North Apron was also infilled with timber framing by Port

Maintenance to create a safe, pedestrian accessible apron for the public and future building tenants.

Pier 28 Fire Standpipe System **\$440,000**

In order to reduce the risk of loss in case of a fire, the Port installed a fire standpipe system at Pier 28. This system provides hose racks with fire hoses inside the shed. Additionally, the standpipe system provides hose valves inside the shed and on the exterior of the apron. The exterior hose valves address the Fire Marshal's concerns regarding egress and are for the exclusive use of the Fire Department.

Quint Street Lead Improvements **\$3,900,000**

Project reconstructed approximately 0.6 miles of rail track known as Quint Street Lead, from just north of Jerrold Avenue to 3rd Street, repaved two blocks of Quint Street between Davidson and Arthur Avenues, and improved the sidewalk crossing at Evans Street. Quint Street Lead is the sole freight rail link between the national rail network and the Port's cargo and intermodal businesses at Piers 80, 94, 96, and the Backlands.

Pier 9 South Apron Repair **\$390,000**

Port Maintenance repaired a 300 feet long section of timber apron at Pier 9. About 1/3 of the apron nearest to shore had severely deteriorated piles. The apron serves as critical emergency egress for Pier 9 tenants and provides public access.

Pier 19 Utility Upgrades **\$350,000**

This project included improvements to the overall lighting efficiency through new interior LED fixtures in the shed and on the apron. Existing water pipe within the shed and to the apron was extended to allow for ship water service. The existing gravity sewer pipe was extended above deck. Lastly, the Port voluntarily installed a fire standpipe system.

HIGHLIGHTS OF PREVIOUSLY-FUNDED CAPITAL PROJECTS UNDERWAY

The following projects are highlights of previously-funded capital work currently underway at the Port. Dollar values represent each project's current budget.

Crane Cove Park, Phase 1 **\$31,500,000**

Crane Cove Park will be a 7 acre, major new open space along currently inaccessible former industrial shoreline. The park will be a part of the Blue Greenway, a necklace of waterfront public access connecting the City to the shore via pathways, parks, and open spaces. This project is currently in the bid and award phase.

Pier 94 Backlands Improvements **\$8,500,000**

This project will grade the site, construct an access road, add a storm water management system, complete perimeter landscaping and lighting, and cap the regulated landfill area. These improvements will turn vacant land into approximately 16 acres of property for future leasing opportunities such as construction laydown, vehicle parking, or storage. This project is preparing to go out to bid.

Pier 35 Repairs and Improvements \$3,000,000

Scope includes underdeck repairs to the Pier 35. This work will help keep the Port’s alternate cruise terminal in good repair. It is the Port’s intent to complete this work with the Port’s forthcoming concrete pile repair crew. The budget above is for project materials. The crew is budgeted under the crew line-item in the capital budget.

Pier 92 Apron Repair \$2,300,000

This project is currently underway and will restore the structural integrity of the pier and wharf. At the completion of construction the project will renew and restore the maritime berthing capabilities for the City’s only concrete batch plants located at Pier 92. The scope includes installing more than 300 new load-bearing piles and new fender piles.

Pier 23 Utility Upgrade and Restrooms \$1,400,000

Project includes renovation of the restrooms in the Pier 23 shed and capacity related improvements to the utility infrastructure servicing Pier 23. The prior restroom in the shed was obsolete, and had not been operational for over ten years.

Pile Removal

The Port’s pile repair crews are slated to perform the removal of piles at Pier 84-88 and the Pier 96 Mooring Pier. The schedule below assumes that the Port is able to fill all budgeted pile repair crew positions starting in FY 2018-19.

Location	Projected Year of Completion	Estimated Cost	Funded	FY 18/19 & 19/20 Proposed Budget	Future Request
Pier 96 Mooring Pier	2020	\$150,000	\$150,000		
Pier 84-88	2020	\$180,000	\$180,000		
Pier 70 Wharves 6, 7, 8	Dependent on USACE	\$2,800,000	\$2,800,000		
Pier 90 Grain Silos (pile removal portion of scope)	2023	\$4,730,000		\$340,000	\$4,390,000*
Total		\$7,860,000	\$3,130,000	\$340,000	\$4,390,000

* Proposed in five-year Capital Improvement Program

**PROJECTS PROPOSED FOR FUNDING IN THE FY 2018-19 AND FY 2019-20
CAPITAL BUDGET (YEARS ONE AND TWO OF THE CIP)**

The following projects are those proposed in the Biennial Capital Budget. Descriptions of these projects can be found in the body of the attached staff report.

Proposed Funding for Existing Projects

Below are the projects in the proposed Biennial budget for which funds will supplement prior appropriations. These projects need additional funds because: 1) the project is entering a new phase; 2) recent cost estimation or a bid on the work indicates a higher total project cost; or 3) the project's scope has increased.

Project	Prior Appropriation	Proposed FY 18-19	Proposed FY 19-20	Total
Amador Street Sewer And Pavement Repair	\$4,414,000	\$3,800,000		\$8,214,000
Beltline Building	\$668,000	\$680,000		\$1,348,000
China Basin Floats & Dry Dock Repair	\$1,500,000	\$670,000		\$2,170,000
Crane Cove Park	\$31,541,766	\$550,000	\$550,000	\$32,641,766
Dry Docking of Pile Drivers & Barges	\$2,968,187	\$3,700,000		\$6,668,187
Hyde Street Harbor Repair & Improvements	\$965,000	\$1,335,000		\$2,300,000
Mission Bay Ferry Landing	\$6,970,000	\$11,000,000		\$17,970,000
Pier 19 North Apron	\$1,567,997	\$2,000,000		\$3,567,997
Pier 29 & 31 Substructure	\$10,128,200	\$2,852,174		\$12,980,374
Pier 40 North Guest Dock Replacement	\$1,538,310	\$1,082,000		\$2,620,310
Pier 70 Shipyard	\$3,000,000	\$1,769,000	\$1,000,000	\$5,769,000
Seawall Resiliency Project	\$9,500,000	\$6,750,000		\$16,250,000
Wharf J9 Seawall Repair	\$2,200,000	\$2,200,000		\$4,400,000
Total	\$76,961,460	\$38,388,174	\$1,550,000	\$116,899,634

Proposed Funding for New Projects (no prior appropriation of funds)

Below are the new projects in the proposed Biennial budget. Staff has not previously appropriated funds for these projects.

Project	Proposed FY 18-19	Proposed FY 19-20	Total
Contingency Fund	\$1,154,826		\$1,154,826
Dredging 19-20 Maintenance Dredging and Sediment Sampling	\$2,480,000	\$8,180,400	\$10,660,400
Fire Protection Engineer	\$232,992	\$242,311	\$475,303
Pier 19 & 23 leasing Improvements	\$2,650,000		\$2,650,000
Pier 19.5 Roofing	\$668,000		\$668,000
Pier 26 Deluge System Modification & New Fire Standpipe System	\$952,116		\$952,116
Pier 29.5 Pump Station & Force Main Upgrade	\$800,000		\$800,000
Pier 31 New Fire Standpipe System		\$676,522	\$676,522
Pier 40 North Guest Dock Kayak Launch		\$310,000	\$310,000
Pier 50 Shed B Apron Partial Repair		\$341,250	\$341,250
Pier 7.5 Sewer Re-routing to Street		\$262,500	\$262,500
Pier 70 Investment	\$1,200,000		\$1,200,000
Pier 80 Repair Project	\$650,000		\$650,000
Pier 90 Silo Demolition Project	\$100,000	\$1,050,000	\$1,150,000
Pier Repair Fund: Concrete Pile Repair Crew	\$2,206,563	\$2,294,825	\$4,501,388
Pier Repair Fund: Wood Pile Repair Crew	\$1,418,985	\$1,475,744	\$2,894,730
Port wide Electrical Safety Upgrade		\$1,155,000	\$1,155,000
Project Delivery Team	\$1,206,290	\$1,254,542	\$2,460,832
Roundhouse 2 HVAC System Improvements		\$105,000	\$105,000
Roundhouse Envelope, Security & Common Area Enhancement Project		\$420,000	\$420,000
Total	\$15,719,772	\$17,768,096	\$33,487,868

PROJECTS PROPOSED FOR FUNDING OUTSIDE THE CAPITAL BUDGET PERIOD (YEARS THREE THROUGH FIVE OF THE CIP, FY 2020-21 THROUGH FY 2022-23)

The subsequent table summarizes all projects staff plan to propose for the final three years of the Capital Improvement Program, FY 2020-21 through FY 2022-23. Some funding is to complete projects receiving funding for early phases of work in the Capital Budget period, while others are new projects that staff will initiate in this period.

Project	Proposed FY 20/21	Proposed FY 21/22	Proposed FY 22/23	Total
Fire Protection Engineer	\$252,004			\$252,004
Maintenance Dredging	\$5,868,920	\$8,008,826	\$7,956,269	\$21,834,015
Pier 35 Exterior Wall Repairs	\$220,500	\$926,100		\$1,146,600
Pier 35 Roof Repair	\$486,721	\$4,676,805		\$5,163,526
Pier 38 Improvements for leasing	\$661,500	\$2,083,725		\$2,745,225
Pier 40 End Ties A, C & E		\$1,146,821		\$1,146,821
Pier 80 & 96 Crane Demolition			\$1,823,259	\$1,823,259
Pier 90 Silo Demolition Project			\$15,020,562	\$15,020,562
Concrete Pile Repair Crew	\$2,386,618			\$2,386,618
Wood Pile Repair Crew	\$1,534,774	\$1,596,165	\$1,660,012	\$4,790,951
Port wide Electrical Safety Upgrade	\$2,249,100	\$393,593		\$2,642,693
Project Delivery Team	\$1,304,724			\$1,304,724
Roundhouse 2 HVAC Improvements	\$253,575	\$3,669,671		\$3,923,246
Roundhouse Enhancement Project	\$1,315,283			\$1,315,283
Total	\$16,533,718	\$22,501,706	\$26,460,102	\$65,495,527

The following narratives summarize the new projects staff anticipate proposing for commencement in the last three years of the CIP. Staff will present further detail on these projects to the Port Commission as part of the FY 2018-19 through FY 2022-23 Capital Improvement Program item calendared for April 2018. Dollar values represent the total, proposed amount of funding for each project in the five-year CIP period.

Pier 35 Exterior Walls **\$1,146,600**

Project will patch, repair, and paint wood siding, windows, and other damage on Pier's exterior. The south (east) side has cracks and holes due to extended sun, weather, and cruise ship cargo traffic. Repairs will preserve the building and extend the life of the structure.

Pier 35 Roof **\$5,163,526**

Project will re-roof 131,000 square feet of Pier 35 shed and repair windows, gutters, and drains. The current roof is beyond its useful life and allows water to enter and damage this structure and disrupt tenants. Water damage is a major cause of loss for Pier facilities, and the longer the exposure, the greater the costs for restoration.

Pier 38 Improvements for Leasing **\$2,745,225**

Pier 38 needs repairs to: mitigate continued damage to the facility; remove non-compliant improvements by prior tenant; activate the facility to quell ongoing vandalism; and prepare the site for leasing to generate ongoing revenue for the Port.

Work will include repairs to the apron and windows, patching the roof, and removing non-compliant prior tenant build outs on the first floor.

Pier 40 End Ties A, C, and E **\$1,146,821**

The end ties, which allow larger boat moorage at the end of the Pier 40 docks, are in need of repair; some are unusable due to their current condition. Repairs include replacement of floats and missing pieces, as needed.

Pier 96 Crane Demolition **\$1,823,259**

Project will demolish four cranes at Pier 96, as the cranes are no longer needed for Port operations. Future business opportunities will not utilize cranes and there is no secondary market for cranes. Without removal, the cranes represent an ongoing maintenance expense to the Port and present a potential health and safety hazard.

PROJECTS NOT PRIORITIZED FOR FUNDING

Due to funding constraints, the following projects are not proposed for inclusion in the five-year capital improvement program. Should any additional funds become available in this period, these projects would be the first to be considered for possible funding. Staff will continue to seek ways to implement this work by 1) pursuing any opportunities for non-Port funds that arise; and 2) working with tenants and developers, as possible.

Project Name	Funding Request
401 Terry Francois New Fire Sprinkler System	\$1,000,000
501 Cesar Chavez New Fire Sprinkler System	\$1,000,000
501 Chavez HVAC & Roof	\$2,232,660
Alber Building Renovation	\$1,125,300
Cargo Way Street Reconstruction	\$405,000
China Basin Terminal Gangway Power Lifts	\$500,000
Downtown Ferry Terminal Gate B Float	\$3,000,000
Leasing Capital Improvements	\$1,500,000
Pier 26 Roof & Building Repairs	\$10,000,000
Pier 27 Public Access and Placemaking	\$500,000
Pier 28 New Fire Sprinkler System	\$2,000,000
Pier 28 Roof & Building Repairs	\$10,000,000
Pier 29 – Electrical service Upgrade	\$800,000
Pier 29 Roof Replacement	\$4,958,800
Pier 29 Substructure Repair East of Jamestown	\$12,000,000
Pier 29 Superstructure Seismic Strengthening	\$12,000,000
Pier 33 Bulkhead Roof and Structural Repairs	\$600,000
Pier 40 New Fire Sprinkler System and Stand Pipe	\$2,329,446
Pier 45 Shed C New Fire Sprinkler System and Stand Pipe	\$2,500,000
Pier 50 Shed B New Fire Sprinkler System and Stand Pipe	\$2,000,000
Pier 50 Shed C New Fire Sprinkler System and Stand Pipe	\$2,500,000
Pier 54 New Fire Sprinkler System and Stand Pipe	\$2,000,000
Pier 54 Timber Substructure Demolition	\$370,000
Pier 80 Fendering	\$607,500
Pier 94/96 Storm Drain improvement	\$5,500,000
Pier 96 South Sea Wall Sheet Pile	\$4,760,000
Pier Repair Fund: Cement Mason	\$897,957
Portwide Physical Security Enhancements	\$996,135
South Beach Harbor Dock Conduit Replacement	\$3,500,000
USA Utility Mapping Project	\$1,500,000
Total	\$93,082,798