

MEMORANDUM

October 18, 2018

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Victor Makras
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Request authorization to submit a Project Information Package and to enter into a Grant Agreement with the California Natural Resources Agency for the Port to accept and expend up to \$5,000,000 in grant funds to support the San Francisco Seawall Earthquake Safety and Disaster Prevention Program

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

The San Francisco Seawall Earthquake Safety and Disaster Prevention Program ("Seawall Program") has an estimated cost of \$5 billion with up to a 30 year implementation timeline. Phase I of the Seawall Program is budgeted at \$500 million with completion targeted for the end of 2026. This initial phase will develop the scope of an overall improvement program and construct critical improvements to reduce life safety risk and sustain emergency response capacity following a major earthquake. Later phases will continue to reduce seismic and flood risk along the Embarcadero Seawall by both strengthening the Seawall and implementing adaptive measures to manage sea level rise.

To advance the Seawall Program, the City and Port have invested \$16 million and placed a \$425 million General Obligation (GO) Bond on the November 2018 local ballot. To address the remaining funding need, the Port has pursued a variety of state

THIS PRINT COVERS CALENDAR ITEM NO. 10A

and federal funding sources, including participation in a State Resilience General Obligation Bond which will appear on the November 2018 ballot. While the Seawall was not included in the State bond, the Governor and the Legislature did appropriate \$5 million in funding for the Seawall Program in the Fiscal Year 2018-19 budget. These funds will be allocated through a grant program that the California Natural Resources Agency administers.

In order to enter into a grant agreement for these funds, the California Natural Resources Agency requires that the Port submit a Project Information Package. The package must include an adopted resolution from the Port Commission providing authorization to apply for the appropriated grant, and memorializing the obligations of the respective agencies to ensure that the Port will expend the Natural Resources Agency's funding in accordance with the State's Procedural Guide for General Fund Specified Grant Projects and the grant agreement.

STRATEGIC OBJECTIVES

This Grant Agreement with the Natural Resources Agency for the Seawall Program will advance two aspects of the Port's Strategic Plan:

Stability: Securing non-Port revenue for this project is a key element of the Port's work to seek traditional and innovative solutions to the Port's capital plan funding gap by maximizing external sources for projects that serve City and regional needs.

Resiliency: By leading the City's efforts to address threats from earthquakes and flood risk through research and infrastructure improvements to the Seawall and other Port property.

BACKGROUND

In 2015, under the leadership of Mayor Lee, the Port launched the Seawall Resiliency Project (later renamed the San Francisco Seawall Earthquake Safety and Disaster Prevention Program), a major City and Port effort to significantly improve earthquake safety and performance of the Embarcadero Seawall, provide near-term flood protection improvements, and plan for additional long-term resilience. Port staff anticipates three major phases to the Seawall Program:

Phase I will focus on seismic improvements to address the most critical life safety and flood risks at isolated locations along the Embarcadero Seawall. Phase I is budgeted for \$500 million and is currently underway, scheduled to finish by the end of 2026.

Phase II will begin after Phase I and would include mid-range plans to advance seismic and flood projects to provide greater reliability and stability of the entire Port waterfront. This phase is estimated at \$2-5 billion and could take more than 20 years to complete.

Phase III will address the longer term adaptation needs and will incorporate changes to the City’s understanding of risks from sea level rise as the science evolves.

These three phases also encompass three program elements – Strengthen, Adapt and Envision. These elements form an adaptive framework for the Port and the City to respond to the most urgent risks to the most critical assets, while creating a plan to address additional seismic risk and increasing flood risk over time along the entire Port jurisdiction.

In 2016, the City Administrator convened the Seawall Finance Work Group (SFWG) to analyze potential strategies to fund the Seawall Program and prepare a specific set of recommendations for the City and the Port to consider. Given the vast need evident for a program of this magnitude, the SFWG understood that the City could not solely fund the Seawall Program and ultimately considered 48 different local, regional, state, and federal funding sources.

On June 12, 2017, the Seawall Finance Work Group issued its report detailing strategies for funding the Seawall Program. Among the six primary strategies the group endorsed was a recommendation to pursue \$50-150 million in funding from a pending State Resilience General Obligation Bond.

Senate Bill 5 (Senate Pro-Tem De Leon) was proposed in the 2018 legislative session to create a \$3 billion dollar GO Bond to fund state and local parks, clean water and drought relief projects, coastal protection, and flood protection. The bill included \$500 million in flood protection funding, primarily targeted at dam improvements in Sacramento and the Central Valley.

Port and San Francisco International Airport staff reviewed the bond legislation, and proposed targeted amendments by adding the term “seawall” as an eligible type of flood protection, with the goal of receiving a \$50 million budget allocation. Unfortunately the amendment and associated funding was not awarded to the Port. However, staff from the Port and Mayor’s Office continued to work with the Governor and the City’s state legislative delegation and secured a \$5 million grant from the California Natural Resources Agency in the State’s Fiscal Year 2018-19 budget. Port staff will continue to work with the Mayor’s legislative team to secure State sources for the program.

PROPOSED AGREEMENT

Following designation of the grant award by the Legislature, the California Natural Resources Agency requires an application and grant agreement to transfer the grant funds and ensure compliance with the terms and conditions of the grant.

The proposed grant agreement represents a binding agreement between the Port, on behalf of the City, and the Natural Resources Agency. The agreement specifies the material terms for the Natural Resources Agency’s transfer of funds, not to exceed

\$5,000,000, for the planning phase of the Seawall Program. The process after designation of grant award by the Legislature is as follows:

- The Port, as grantee, completes and submits Project Information Package (Package) to the California Natural Resources Agency (Agency).
- Agency reviews the package and develops a grant agreement with the Port. The Agency then sends a grant agreement to the Port for signature.
- The Port returns the signed grant agreement to the Agency.
- Agency returns a fully executed grant agreement to the Port.
- The Port may then submit payment requests for reimbursement of program expenditures.
- The Port completes project and submits Project Completion Package.
- Agency Grants Administrator makes final project inspection and approves final payment.
- The State may perform audits, as frequently as annually during the course of the program, and for four years after the program is completed.

The material terms and conditions of the grant agreement are as follows:

- The Port shall use grant funds solely for the Seawall Program;
- The Port shall complete the project in accordance with the agreed upon project performance period;
- Projects must comply with any applicable laws pertaining to prevailing wage and labor compliance;
- The Port shall provide access by the State upon 24-hour notice to determine if project work is in accordance with the approved project scope, including a final inspection upon project completion;
- Prior to the commencement of any work, the Port agrees to submit in writing to the State for prior approval any deviation from the original project scope per the application;
- The Port shall provide for public access and/or educational features where feasible;
- The Port must have (1) fee title, (2) leasehold, or (3) other interest to project lands and demonstrate to the satisfaction of the State that the proposed project will provide public benefits that are commensurate with the type and duration of the interest in land; and
- The Port shall promptly provide photographs of the site during and after implementation of project at the request of the State.

The California Natural Resources Agency Procedural Guide for General Fund Specified Grant Projects is on file with the Port Commission Secretary.

NEXT STEPS

Port staff seeks Port Commission authorization for the Executive Director to seek the Board of Supervisors' approval to accept and expend State of California Natural Resources Agency General Fund Specified Grant Projects funds in the amount of \$5,000,000, and, subject to the Board of Supervisors' approval, authorization for the Executive Director or her designee to accept and expend the grant, and to execute for and on behalf of the City and County of San Francisco, any documents necessary to enter into the grant agreement with the State of California Natural Resources Agency, including any extensions, augmentations or amendments thereof.

Prepared by: Carlos Colón, Seawall Project Administrator,
Finance and Administration Division

and

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

For: Katharine Petrucione, Deputy Director
Finance and Administration Division

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

RESOLUTION NO. 18-56

- WHEREAS, the State of California Natural Resources Agency's General Fund Specified Grant Projects provides grants funding to specified local government and non-profit resources projects; and
- WHEREAS, the 2018–19 Budget Act, signed by Governor Jerry E. Brown on June 27, 2018, included \$5,000,000 in the CA Natural Resource Agency's General Fund Specified Grant Projects for the Port of San Francisco's San Francisco Seawall Earthquake Safety and Disaster Prevention Program (Seawall Program); and
- WHEREAS, the California Natural Resources Agency has been delegated the responsibility for the administration of the grant project, setting up necessary procedures; and
- WHEREAS, said procedures established by the California Natural Resources Agency require the Port to certify by resolution the approval of application(s) before submission of said application(s) to the State; and
- WHEREAS, the Port will enter into an agreement with the State of California for subject project(s); and
- WHEREAS, under the City Administrative Code Section 10.107-1, the Port of San Francisco must obtain Board of Supervisors' approval to accept and expend grant funds of \$100,000 or more; now, therefore be it
- RESOLVED, that the Port of San Francisco approves the acceptance of general fund allocation for local assistance for the above project(s); and be it further
- RESOLVED, that the Port of San Francisco certifies that said agency understands the assurances and certification in the Project Information Form; and be it further
- RESOLVED, that the Port of San Francisco certifies that said agency will have sufficient funds to operate and maintain the project(s) or will enter into an agreement with another entity to perform said operation and maintenance; and be it further
- RESOLVED, that the Port of San Francisco certifies that said agency has reviewed and understands the General Provisions contained in the Project Agreement shown in the Procedural Guide; and be it further

- RESOLVED, that the Port of San Francisco appoints the Executive Director, or her designee, as agent to conduct all negotiations, execute and submit all documents including, but not limited to Project Information Form, agreements, payment requests and so on, which may be necessary for the completion of the aforementioned project(s); and be it further
- RESOLVED, that the Port Commission hereby authorizes the Executive Director to seek the Board of Supervisors' approval to accept and expend State of California Natural Resources Agency General Fund Specified Grant Projects funds in the amount of \$5,000,000 for the Port Seawall Program; and be it further
- RESOLVED, that the Port Commission hereby urges the Board of Supervisors to approve the Port's request for acceptance and expenditure of the grant; and be it further.
- RESOLVED, that the Port Commission, subject to the Board of Supervisors' approval, hereby authorizes the Port Executive Director or her designee to accept and expend the California Natural Resources Agency grant, and to execute for and on behalf of the City and County of San Francisco, any documents necessary to enter into the grant agreement with the State of California Natural Resources Agency, on the terms and conditions recited in the accompanying staff memorandum, and be it further
- RESOLVED, that the Port Commission further authorizes the Port Executive Director to enter into other any additions, ancillary agreements, including any extensions, augmentations or amendments thereof necessary to implement the transaction contemplated by the grant agreement which, when taken as a whole, the Executive Director determines, in consultation with the City Attorney, are in the best interests of the Port, do not materially decrease the benefits or materially increase the obligations or liabilities of the Port, and are necessary or advisable to complete the transaction that the grant agreement contemplates.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 23, 2018.

Secretary