



MEMORANDUM

February 10, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Proposed FY 2023-24 Supplemental Appropriation to Fund Operations of certain Mission Bay Parks and Approve a Proposition J Contract for Maintenance of Nonstandard Improvements at Mission Rock and Pier 70.

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

The proposed supplemental makes two important changes to the biennial budget previously approved by the Port Commission in February of 2022. First, the supplemental adds \$1.0 million in funding necessary for the Port to maintain and operate some of the Mission Bay Parks, including Bayfront Park which is a significant new public amenity and an addition to the Port's Blue Greenway park system. The transfer to the Port is expected to occur on July 1, 2023. Second, the proposed supplemental approves a Proposition J Contract for Maintenance of Nonstandard Improvements at Mission Rock and Pier 70 to maintain various pieces of public infrastructure at the development site.

STRATEGIC OBJECTIVE

The proposed budget supplemental supports the goals of the Port's Strategic Plan goal as follows:

THIS PRINT COVERS CALENDAR ITEM NO. 12A

Economic Recovery

By creating and maintaining public amenities along the waterfront, the proposed supplemental helps attract tourists and residents to the waterfront.

I. MISSION BAY PARKS

Background

In 1998, the Port Commission and Board of Supervisors approved the redevelopment plans for Mission Bay North and South¹ provide for, among other things, the development of parks on City lands including both Port and non-Port lands (see Attachment 1 for a parks map). The parks on non-Port lands are currently under the jurisdiction of the City's Real Estate Division (RED). The parks were constructed on City and Port lands under the direction of the former Redevelopment Agency ("Former Agency"), which has been dissolved and is now managed by the Office of Community Investment and Infrastructure (OCII). The parks were built by Mission Bay Development Group, utilizing Tax Increment and Mello-Roos funds and are maintained by OCII contractors utilizing Community Facilities District (CFD) funds collected from parcel owners (Community Facilities District #5). Parklands were leased to the developer during construction, then once completed and accepted by the City, the ground lease was terminated with the developer and transferred into a Master Ground lease with OCII. The termination of the Master Ground lease between RED, the Port and OCII, was always anticipated to occur, but was not expected to occur until approximately 2044.

The California Redevelopment Dissolution Law requires OCII to dispose of the Former Agency's real property interests, including the parks Master Ground Lease. The California Department of Finance has approved a long-range property management plan for OCII that requires, among other things, OCII to terminate its leasehold interests in the park parcels but acknowledges OCII's continuing administration of CFD No. 5 maintenance funds, which are authorized under state authority separate from the Redevelopment Dissolution Law.

Future Operations

The Port is working with OCII, RED and the Recreation and Parks Department (RPD), as well as other relevant City agencies on an MOU that transfers park management back to the Port and RPD for maintenance and operations utilizing the CFD funds. Ultimately it is the intent of RED to transfer Mission Bay non-Port Park parcels to RPD. OCII will continue to manage the CFD funds collected for park maintenance and operations and distribute it to the Port and RPD. The parks parcel ownership is currently divided between the Port and RED, which includes Port Park parcels generally along the Bay and along the Mission Creek shoreline and RED park parcels generally being inland park parcels. Some of the park parcels are split jurisdiction partially on Port lands

¹ See Board of Supervisors Ordinance No. 327-98 (Oct. 26, 1998) and Ordinance No. 335-98 (Nov. 2, 1998); as well as Port Commission Resolutions 98-86 through 98-98.

and partially on RED. Port and City staff have been working to divide park maintenance and operations management between the Port and RPD. Specifically, the Port anticipates managing and operating park parcels P21, P22, P23 and P24 all of which are on Port lands along the Bayside edge and RPD will manage all other parcels. The addition of park parcels P21 – P24 including the future Bayfront Park is a logical expansion of Port open spaces. Collectively they are a part of the Blue Greenway system of parks and will be an amenity to the system, the community, and the Port. The location of the parks will also allow the Port to leverage resources required to support other new and improved open space in the vicinity. While RPD will manage some Port Park parcels, this is recommended to support ease of use by park patrons and recognize efficiencies of management and operations. Based upon the division of park management responsibility, both the Port and RPD have developed preliminary budgets to maintain and operate the parks, which will be the basis for the distribution of the CFD funds.

In order to maintain the Mission Bay Parks which will be transferred to the Port, staff requires additional resources as shown in Table 1 below. Note that the terms of the MOU are still being negotiated, therefore the costs below represent conservative assumptions and the actual costs may lower depending on the terms of the MOU.

Table 1: Mission Bay Parks Budget for FY 23-24

Sources	
OCII Funding	\$ 1,000,774
Total Sources	\$ 1,000,774
Uses	
Maintenance Staffing	534,641
Youth Employment	50,000
Parks Management Staffing	83,520
Security and Pest Control	54,560
Utilities	45,200
Materials and Supplies, Equipment	99,100
Overhead	461,716
Subtotal	\$ 1,328,738
P21-22 Savings Due to Mid Year	
Delivery and Landscaping Warranty	(327,964)
Total Uses	\$ 1,000,774

Included in the staffing costs shown above are four new positions (2.0 FTE 7514 Laborers and 2.0 FTE 3417 Gardeners) plus the cost for existing staff to maintain the parks. Table 1 above also reflects savings expected in FY23-24 due to the mid-year delivery of P22 as well as the 12-month landscaping warranty that applies to the green space. In February 2024, as part of the biennial budget submission for FY 2024-25 and

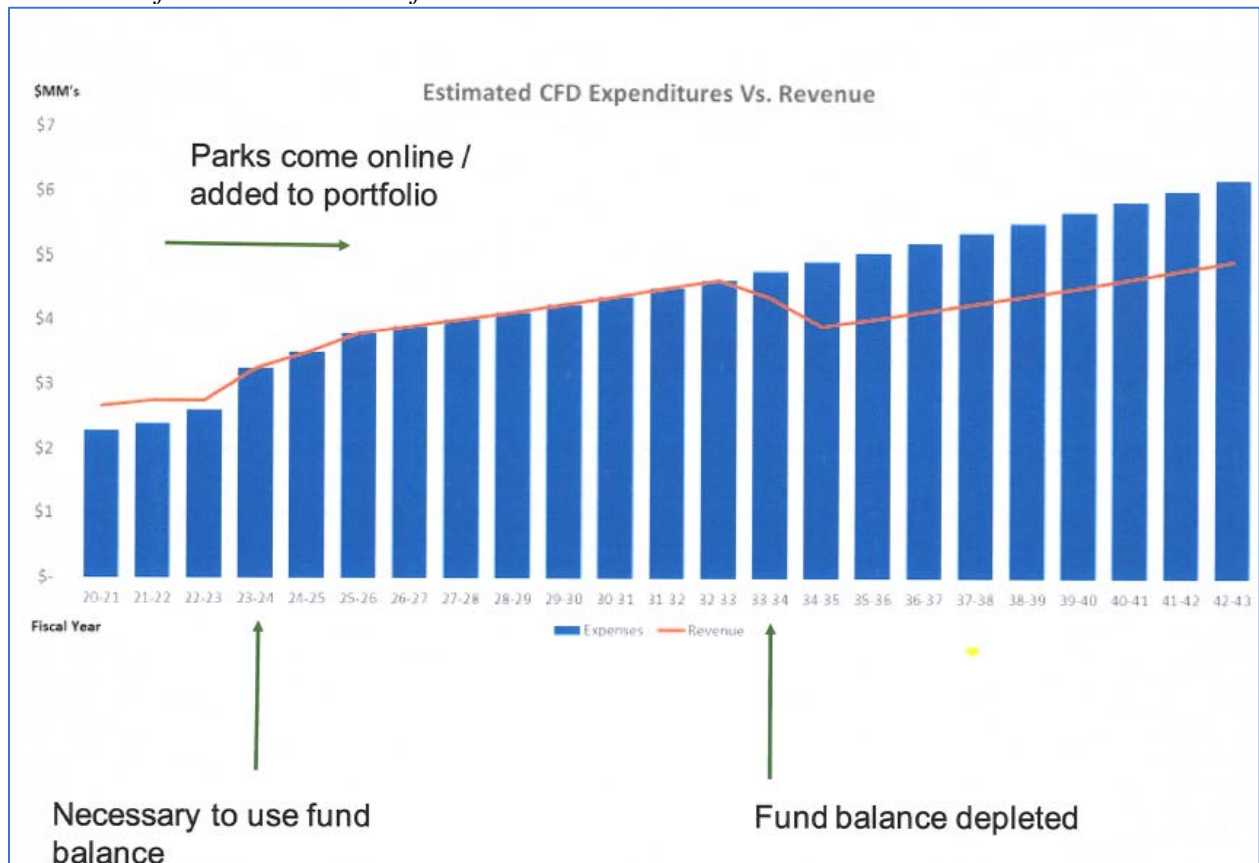
FY 2025-26, staff will request Commission approval of adjustments to the budget above based on actual experience maintaining the parks.

Financial Risks

Near-Term Financial Risk: The estimated cost of RPD and Port maintaining Mission Bay parks exceeds the annual revenue of CFD No. 5. Fortunately, OCII has sufficient fund balance from the CFD to make up this annual shortfall for at least the next five years; staff estimates that soon thereafter OCII will not be able to fully fund the requests from RPD and Port. At that point, Port and RPD staff anticipates requesting General Fund support to fund the shortfall. Should such funding be denied, the Port would be liable for funding the shortfall.

The graphic below from OCII conceptually illustrates the use of reserves through the life of the CFD period, as well as the funding shortfall after the reserves are depleted. Note the expenditures in the OCII graphic reflect operating cost estimates from the current contractor, not the costs of RPD and the Port; therefore, the timing illustrated below is not representative of fund balance usage once RPD and the Port take over maintenance.

Illustration from OCII on Use of CFD Fund Balance



Long-Term Risk: CFD No. 5 expires in 2044 at which point no revenues will be available through OCII. Similar to the strategy above to address annual shortfalls, Port

and RPD staff anticipate requesting General Fund support for ongoing maintenance. In the absence of such support, the Port's Harbor Fund would likely be liable for all park operating costs.

II. MAINTENANCE OF NON-STANDARD IMPROVEMENTS

Background

Under the rules established by Proposition J in 1976, City departments may enter into contracts with private companies for services which can be performed at a lower cost than similar work by City employees. The Port has longstanding Proposition J contracts for security and janitorial services.

In order for the Port to enter into a license with a private entity (Mission Rock Commons, an affiliate of Mission Rock Partners, at Mission Rock; and a Brookfield affiliate at Pier 70), the Port must analyze the costs for maintenance under the license compared with Port-employee costs.

Mission Rock Non-Standard Improvement Maintenance

Through a future license, Mission Rock Commons will provide all maintenance and repairs of the paseos and non-standard improvements in Mission Rock Phase 1.

- **Non-standard improvements.** These non-standard improvements include paseos (pedestrian-oriented streets) and street elements like pavers, street furniture, bollards, and raised crosswalks (see illustration below of a typical location having these unique elements).

Illustration of Non-Standard Improvements, Bollards



- Services.** The services will include custodial services and cleaning, security, landscaping, and miscellaneous street infrastructure repairs. The affiliate will already perform maintenance and repairs for China Basin Park through a planned Park Lease and thus will have substantial efficiencies by managing the paseos and non-standard improvements as well. Table 2 below shows the estimated cost for the contractor to perform these services.

Table 2: Estimated Contractor’s Cost to Provide Services, Mission Rock

Category	Estimated Cost
Security and Prop Mgmt	\$ 144,533
Custodial	\$ 66,647
Exterminating	\$ 15,000
As-Needed Cleaning	\$ 20,000
Cleaning Supplies	\$ 4,000
Electrical Maintenance	\$ 5,000
Light Maintenance	\$ 12,000
Sidewalk Repair	\$ 5,000
Metal Maintenance	\$ 10,000
Painting	\$ 10,000
Landscaping	\$ 50,349
Radio Maintenance	\$ 3,000
Lighting/Electrical Supplies	\$ 8,000
Signage and Directories	\$ 5,000
Utilities	\$ 96,707
Overhead	\$ 16,300
Total	\$ 471,536

- **Mission Rock Commons performs the work.** As part of the agreement for Mission Rock Commons to maintain these items, they will perform the work at no cost to the Port.

As required for the Proposition J analysis, the cost for City employees to provide the same service would be \$597,021 – 658,352 annually, as compared to the zero cost option proposed under a Proposition J contract.

Analysis of Issue

Throughout the buildout of this new neighborhood (+15 new City blocks, +2.75 million new square feet of development), the Port and developer have worked to have the appropriate agencies accept public improvements (streets, water, sewer, power, streetlights). For improvements that City infrastructure agencies will not accept – the non-standard improvements - either the Port or a developer affiliate will need to be responsible. With the Port’s small team spread across our maritime facilities, historic resources, and Port’s infrastructure and with the ongoing City staff vacancies, it is prudent to pursue a partnership with the developer’s affiliate for these non-standard improvements.

Approvals

By way of background, several approvals over the years of planning and implementing the Mission Rock neighborhood have envisioned a mix of publicly- and privately-maintained improvements. The Port Commission and Board of Supervisors will have future actions to take to effectuate this distribution of maintenance responsibilities. Past and future actions are summarized below.

- **2019 Phase 1 Approval.**² The Phase 1 approval included adoption of a Mission Rock Parks Plan; both the staff report and the Mission Rock Parks Plan include the concept of a private entity maintaining various locations including the paseos.
- **2020 approval of MOU with City agencies for infrastructure at the site.**³ In 2020, the Port approved the MOU with these City agencies to allow maintenance of these improvements on Port property. The MOU defines an array of non-standard improvements that the infrastructure departments would not accept (see Attachment II for list). It is for these non-standard improvements that the Port would like the Prop J allowance for a private entity to maintain.

² See for staff report and exhibits on Phase approval and Mission Rock Parks Plan here: <https://sfport.com/meetings/san-francisco-port-commission-september-24-2019>

³ See staff report on MOU here: <https://sfport.com/sites/default/files/Item%20A%20SWL%20337%20Staff%20Report%205.21.2020%20Final%20%28S%29.pdf>

- **2021 CFD approval.**⁴ In forming the Community Facilities District, the City adopted a Contingent Services Special Tax. This tax “springs” into place if the Port does not enter an agreement with a private entity.
- **2023 Proposition J.** Current action item approval.
- **2023 Parks lease and license.** In the spring, Port staff anticipate requesting approval to enter a license for maintenance of non-standard improvements (which requires the Prop J approval) and a lease for activation and maintenance of China Basin Park with an affiliate of the developer.

Community Outreach

The Port, RPD and OCII have met on several occasions with the Mission Bay Citizens Advisory Committee (Mission Bay CAC) to review the approach outlined above to transfer Mission Bay Parks back from OCII management to the Port and RPD. The Port will be bringing this to the Port’s Southern Waterfront Advisory Committee (SAC), this spring for discussion. Moving forward the Port and RPD will both make themselves available at Mission Bay CAC and other CAC’s to keep the public apprised of park operations.

Port staff and the developer provide the Southern Advisory Committee (“SAC”) quarterly updates on the development. At the December 7, 2022 SAC meeting, in addition to updates on construction and workforce accomplishments, the project team provided details on unique aspects of the project’s open spaces including street furnishings and public art installations. The team received broad support from the SAC and will now move forward with the specific details of programming and maintaining these public spaces.

Pier 70: Non-Standard Improvement Maintenance

Under a future agreement, a Brookfield affiliate will provide all maintenance and repairs for non-standard improvements in the Phase 1 Horizontal Development.

- **Non-standard improvements.** These non-standard improvements include Louisiana Street from 20th to 21st Streets, the Building 15 Frame, mid-block passages, and other miscellaneous non-standard street improvements (see images below for illustration of improvements).

Building 15 Frame

⁴ See CFD staff report here: https://sfport.com/files/2021-10/Item%2011A%20MR%20CFD%20Bond%20Action%20Item_final.pdf



Cobbles and Custom Streetlights on 20th Street



- **Services.** The services will include custodial services and cleaning, security, landscaping, and miscellaneous street infrastructure repairs. The current estimated cost of maintenance is \$2.25 per sq. ft. for a total estimated area of 69,625. Based on these estimates, the total estimated cost for the Brookfield affiliate to maintain these improvements is \$156,656, as shown in Table 3 below.

Table 3: Estimated Contractor’s Cost to Provide Services, Pier 70

Non-Standard Improvement Area	Square Feet	Cost per Sq Ft	Total Expense
Louisiana St (20th - 21st)	8,379	\$2.25	\$18,853
Midblock Passage - E2/E3	8,547	\$2.25	\$19,231
Building 12 Plaza	12,017	\$2.25	\$27,038
Miscellaneous Non-Standard Improvements	25,000	\$2.25	\$56,250
Building 15 Structural Frame	15,682	\$2.25	\$35,285
Total	69,625		\$156,656

- **Brookfield affiliate preforms the work.** As part of the agreement for a Brookfield affiliate to maintain these items, the affiliate will perform the work at no cost to the City.

For City employees to perform comparable work to maintain these non-standard improvements within Pier 70 Phase 1 would cost \$199,796 annually based on an estimated cost of maintenance of \$2.87 per sq. ft, as compared to the zero cost option proposed under a Proposition J contract.

Analysis of Issue

Like Mission Rock, the Port and developer have worked to have the relevant public agency accept public improvements such as streets, water, sewer, power, and streetlights. For non-standard improvements City infrastructure agencies will not accept, the Port or a developer affiliate will need to perform ongoing maintenance and repairs. By partnering with the developer's affiliate, the Port will preserve the Port's small team for other critical work as the City faces ongoing staff vacancy challenges.

Approvals

The Pier 70 project has received several approvals since its inception that align with a blend of publicly- and privately-managed improvements and open spaces. The Port Commission and Board of Supervisors will review future items to approve the distribution of maintenance responsibilities. Past Port Commission items and future actions include:

- **2017 Pier 70 SUD Approval.** The SUD approval included the D4D that provided a vision for the design of the entire site including buildings and the public realm. The public realm concepts included the non-standard improvements maintained under this Prop J.
- **2018 Phase 1 informational.** The Phase 1 submittal was conceived of 588 residential units, 100,000 square feet of maker/PDR/retail space, up to 460,000 square feet of office, three acres of park, and backbone infrastructure. Construction on the infrastructure components started later that year.
- **2019 CFDs Approved.** The Pier 70 Community Facilities Districts included a Special Services Tax that relies upon developed vertical buildings to generate revenues. Due to delays in vertical construction at Pier 70, the Port does not anticipate this source of revenue to begin in the near future.
- **2022 Notice of Completion.** Pier 70 received a Notice of Completion for Phase 1 horizontal infrastructure. Acceptance of these infrastructure items is anticipated in 2023.
- **2023 Proposition J.** Current action item approval.
- **2023 Maintenance Agreement.** Port staff anticipate requesting approval to enter into an agreement with a Brookfield affiliate for maintenance of non-standard improvements in Pier 70's Phase 1 infrastructure.

SCHEDULE

The tentative schedule for the approval of the supplemental budget:

- | | |
|-------------------|--|
| February 14, 2023 | Port staff presents supplemental appropriation information to the Port Commission |
| February 20, 2023 | Port staff submits proposed supplemental information to the Mayor's Budget Office. |
| February 28, 2023 | Port staff requests approval of the supplemental from the Port Commission |
| Spring 2023 | Port staff requests approval of an MOU with Recreation and Parks Department and OCII for the transfer and management of the Mission Bay Parks. |
| Spring 2023 | Port staff requests approval of a license for maintenance of non-standard improvements (which requires the Prop J approval) and of a lease for activation and maintenance of China Basin Park. |
| June-August 2023 | The Port's supplemental follows the City-wide budget process for FY 2023-24, with final Board of Supervisors approval in June of 2023. |

CONCLUSION

The proposed supplemental appropriation would fund operations of certain Mission Bay Parks and approve a Proposition J contract for maintenance of nonstandard improvements at Mission Rock and Pier 70.

Prepared for and by:

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Rebecca Benassini, Deputy Director of Real Estate and Development

ATTACHMENT 1: Mission Bay Parks Ownership and Status Map

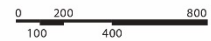


- Construction Started
- Complete
- Future
- Port Owned
- Port Proposed to Manage

* All other Open Space Parcels owned by City

MISSION BAY OPEN SPACE STATUS

September 2022



ATTACHMENT 2. List of Non-Standard Improvements

Mission Rock Non-Standard Improvements

Improvement	Description
Temporary LCC Edge Protection and Barrier Wall for Fall Protection	Concrete walls or sloped edge protection constructed with LCC and soil fill to cover exposed face of LCC and barrier wall to provide fall protection from elevated streets to existing grade at future building and open space parcels.
LCC Perforated Drains for Utility Vaults and Structural Soils in Tree Wells	Perforated drainage system in public right-of-way to drain structural soils and utility vaults where storm water cannot drain through LCC.
Non-Standard Roadway Treatment	Raised intersections; raised crosswalks, pavers, or other non-standard materials in roadway.
Sidewalk Streetlife Zone	Sidewalk streetscape/street furniture zone including pavers, landscape, irrigation, intermediate curbs and mid-block bulb-outs, decorative concrete paving not listed within the Public Works Standard Material Palette.
Non-Standard Roadway Treatments	Non-standard treatments, including but not limited to paving, including unit pavers in the roadway or decorative paving; non-standard detectable warning pavement; flush curbs; and valley gutters.
Linear Drainage Elements	Valley gutters and trench drains located Shared Public Way and Terry Francois Boulevard
Seating	Benches or seating within the public right-of-way (not a City improvement)
Custom Trash/Recycling Receptacles, subject to Port approval	Any trash or recycling receptacles which does not meet City standards
Bollards and Streetlight Protection Elements	Various types at flush curb conditions or fire access terminus
Non-Standard Bike Rack	SFMTA approved non-standard bike rack
Non-Standard Roadway Signage	Any additional signage for wayfinding, interpretive, art, etc.
Non-Standard Street Lights	Non-standard (i.e. not included in the SFPUC-approved street light catalogue) street lights, roadway lighting and pedestrian lighting, including poles, luminaires, pull-boxes, and conduit
Sanitary Sewer System upstream of and including the sanitary sewer force main discharging flows from the private blackwater plant in Lot 2	Permanent pipes, pipe fittings, manholes and laterals up to face of vertical curb; gravity overflow pipe
Shared Public Ways - Trench Drain	Concrete trench drain with a metal grate will act to convey runoff from the Shared Public Way to City stormwater treatment and storm drain infrastructure.
Shared Public Ways – Storm Drain Laterals	Service laterals from main to private property and trench drain.
Port-Owned Storm Drain System in Paseos	Port-owned storm drain pipes in Paseos
Port-Owned Sanitary Sewer in Paseos	Port-owned sanitary sewer pipes in Paseos
Private Water Lines and Fire Hydrants in Port Open Space	Private water line and hydrants, including backflow preventers
Private Water Lines Serving Parks	Private line, including meter and backflow preventer at edge of ROW, to serve park structures and other potable water needs in parks
SD System in Port Open Space	Storm drain system serving Port parks and open spaces
Power Infrastructure in Port Open Space	Phase 1 electrical infrastructure is located in the Bridgeview Paseo and powers China Basin Park
Lightweight Cellular Concrete (LCC) Fill (in Port Parks and Open Spaces)	Lightweight cellular concrete used to raise grades and mitigate consolidation settlement
Centralized Green Stormwater Infrastructure - Port	Non-standard, Port standard stormwater controls, including the treatment system, vegetation, soil media, aggregate matrix, underdrains, internal piping and fittings, overflow structures, conveyance piping appurtenances, curbs/walls, and laterals, treatment pump station, pumps, force mains, and sediment removal devices

Interim Improvements required for functionality of Phased Improvements	Temporary Improvements needed for Phase 1 Improvements to function
Fixed Bollards	Posts to prevent vehicular traffic from entering pedestrian areas such as parks and open spaces
Retractable Bollards and associated control systems	Bollards that retract into the ground to allow emergency access
Joint signal/Street light pole on Channel Street	Streetlight in Port-owned area
Street Rooms in Port Open Space	Street Rooms in Port-owned areas
Electrical Receptacles within the DMA Paseo, DMA ROW, and Bridgeview Paseo	Electric Receptacles within Port-owned areas

Pier 70 Non-Standard Improvements

Improvement	General Description
Non-Standard Roadway Treatment	Non-standard treatments on Dedicated Right-of Ways including but not limited to raised crosswalks, cobblestones, unit pavers or decorative paving in the roadway, non-standard detectable warning pavement, or other non-standard materials in Dedicated Right of Ways, including thickened PCC sub-slab beneath the pavers.
Standard Sidewalks	Standard sidewalks, including bulb-outs, and pedestrian throughways
Sidewalk elements Dedicated Right-of-Ways	Elements in Sidewalk Street life Zone: Seating, Trash/Recycling Receptacles, Bollards, and Bike Racks.
Non-standard Sidewalk Streetlife Zone	Non-standard improvements in sidewalk streetscape/street furniture zone including pavers, landscape, irrigation, intermediate curbs, sidewalk corners and bulb outs
Louisiana Street (between 20th-21st)	This is a non-standard street and not intended for acceptance by the City. Roadway Treatment, Sidewalk Corner, Signage and Striping, joint trench, and the combined sewer system (e.g. pipes, manholes, catch basins, and appurtenances)
Driveways	Driveway sidewalk aprons including the curb (Curb Cut) along width of driveway
Custom Trash/Recycling Receptacles	Any trash or recycling receptacles which does not meet City standards
Bollards in right of way	Various types at flush curb conditions or fire access terminus
Retaining Walls in Dedicated Right-of-Ways	Retaining walls constructed to support area adjacent to roadway or support roadway where higher than adjacent area
Building 15 Structural Frame	Historic structure consisting of steel frame over roadway supported by columns with protective barrier at ground plane.
Non-Standard Bike Rack/Corrals	
Non-Standard Roadway Signage	Any additional decorative signage for wayfinding, interpretive, art, etc.
Building 12 Plaza – Benches/Furnishings	Furnishings in the Building 12 plaza area that cross over property line for plaza and sidewalk to address grade change
Mid-Block Passageways	publicly owned and accessible midblock passageways