



MEMORANDUM

June 9, 2023

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

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request Approval of the Port's 10-Year Capital Plan, Fiscal Years (FY) 2024-2033.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 23-26

EXECUTIVE SUMMARY

Attached to this staff report is the Port of San Francisco's 10-Year Capital Plan (Plan) for FY 2023-24 to FY 2032-33, which provides a full inventory of the Port's capital needs and projected funding sources to allow staff to identify and develop strategies for addressing the unfunded need. The Plan separates capital needs into two categories: (1) capital projects that help maintain the Port's facilities in a state of good repair (SOGR); and (2) enhancement projects that add value to the Port property. Table 1 below summarizes the total \$4.1 billion funding need compared to available funds of \$1.8 billion, resulting in an unfunded gap of \$2.3 billion. Notably, that gap is disproportionately allocated to SOGR work due to the amount of private funding available for enhancements.

Table 1: Unfunded Capital Need (\$ millions)

	State of Good Repair	Enhancements	Total
Need	2,241.1	1,901.5	4,142.6
Funding Sources	589.6	1,245.6	1,835.2
Unfunded gap	1,651.6	655.8	2,307.4
% Unfunded	74%	34%	56%

The FY 2023-24 to FY2032-33 Plan shows a \$217.6 million increase in the total capital needed compared to the Port’s prior plan presented to the Port Commission in February of 2021. This increase is primarily due to improved estimates of repairs to selected facilities, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the 10-year window. The Plan also highlights the progress the Port has made over the past two years to improve the condition of its assets. This success has been made possible by the Port’s multifaceted approach of dedicating one-time revenue sources and operating revenues to capital; securing new external sources of funding; and targeting available funds to strategic projects.

STRATEGIC OBJECTIVES

The Port’s 10-Year Capital Plan for FY 2023-24 to FY 2032-33 is central to meeting the Port’s Strategic Plan objectives:

- **Evolution:** The Capital Plan is essential for understanding the size and nature of the funding necessary to bring Port facilities into a state of good repair and lays out a vision for seeking non-Port revenue for resiliency work and public-private partnerships that improve the state of good repair, enhance the waterfront, and generate revenue for future capital investments.
- **Equity:** The Port is committed to eliminating racial and social disparities and considers equity when selecting projects funded and included in the Plan.
- **Productivity:** Strategic capital investment allows the Port to attract and retain tenants that build an economically viable port. Capital investment maintains the Port’s financial strength by addressing deferred maintenance, maximizing the value of Port property, improving space for future leasing, and increasing revenue.
- **Economic Recovery:** To manage the short-term impacts of COVID, the Port successfully pursued \$117 million in Federal stimulus allocated through the State of California and continues to pursue outside revenue sources.

BACKGROUND

Under Administrative Code Section 3.20, the City and County of San Francisco (the City) is required to prepare a 10-year capital plan in odd-numbered years that identifies both the City's capital needs and potential sources to fund that work. The purpose of this item is to provide an overview of the Port's proposed 10-Year Capital Plan for FY 2023-24 to FY 2032-33.

The Capital Plan provides a framework for the Port's investments in its assets. In addition to planning capital investments, the Plan allows Port staff to make the case for city, state, federal, and private investment in the Port's capital assets to address a growing backlog.

The Port's capital plan aligns with the Citywide 10-Year Capital Plan. Notably, for the first time, the Port included race equity impact information in the capital project selection process during the preparation of the current 5-Year Capital Improvement Program and the 2-Year Capital Budget.

Since the prior Capital Plan update, the Port enjoyed a number of capital accomplishments. The Port:

- completed Crane Cove Park, a seven-acre waterfront park in the Central Waterfront,
- constructed a new roadway in the southern waterfront extending 19th Street to the Pier 70 development project site,
- improved the Pier 1 backup generator, upgraded the Pier 26 fire suppression system,
- completed the police berth at Hyde Street Harbor,
- was awarded approximately \$117 million in stimulus to offset the economic impacts of COVID-19,
- delivered substantial levels of public infrastructure needed to support the Mission Rock development project, and
- advanced the Waterfront Resilience Program (WRP) two major efforts: (1) developing a long-term sea-level rise adaptation strategy and (2) advancing early projects to address immediate needs,
- and included a review of race equity impacts in the most recent capital project selection process.

CAPITAL NEED

The prior Plan identified a \$3.9 billion total need, including \$2 billion for SOGR and \$1.9 billion for Enhancements. This Plan represents a \$217.6 million increase in total need due to improved facility condition data resulting from the Facility Inspection Repair Program Assessment program, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the 10-year window. The total SOGR and Enhancement need is now over \$4.1 billion for FY 2024-33, including a \$2.3 billion SOGR need (see Appendix A to the Attachment for details on need by facility). The Port's 10-Year Capital Plan also includes a conservative estimate of \$641.8 million for conditional seismic work. As the

Port determines the best use for its facilities through development negotiations with private parties, identification of projects in the Waterfront Resilience Program, and has better cost data through the Facility Inspection and Repair Project Assessment (FIRPA) process, this figure will be refined and allocated more specifically to each pier.

The Waterfront Resilience Program (WRP), a major effort to improve the Port’s 7.5-mile shoreline is currently advancing work on two main fronts: (1) developing a long-term sea-level rise adaptation strategy, and (2) advancing early projects to address immediate needs. The inventory of capital need for the WRP has yet to be fully estimated; therefore, at this time, only the funded resilience work is included in the need estimate in the Plan.

FUNDING SOURCES AND USES

The Capital Plan identifies an estimated \$1.8 billion in funds that will be available during the Plan period. Overall, the plan reflects a balanced expenditure of funds, with most of the Port’s flexible internally generated funding directed towards SOGR projects and externally generated funding directed to enhancement projects. SOGR projects include emergency facility repair, dredging, and repair and reinvestment. Enhancement projects that are primarily funded by external sources include tenant facility improvements, development projects (Pier 70, Mission Rock, and others), Mission Bay Ferry Landing, and the Waterfront Resilience Program.

Table 2: Detailed Sources and Uses

Program / Project	All figures in \$1,000s						Plan Total
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029 - 2033	
SPENDING PLAN							
State of Good Repair							
Dredging	6,360	6,360	6,360	6,360	6,360	31,800	63,600
Repair / Reinvestment	69,863	39,377	37,508	25,427	41,139	312,670	525,986
State of Good Repair Subtotal	76,223	45,737	43,868	31,787	47,499	344,470	589,586
Enhancements							
Facility Improvements	4,838	3,423	3,409	3,499	4,491	38,093	57,753
Mission Bay Ferry Landing	-	29,000	-	-	-	-	29,000
Development Project Areas	210,919	108,599	51,331	21,647	14,782	162,588	569,865
Waterfront Resilience Program (WRP)	38,750	24,050	103,750	101,500	41,000	279,950	589,000
Enhancements Subtotal	254,507	165,071	158,490	126,646	60,273	480,632	1,245,619
TOTAL	330,730	210,809	202,359	158,433	107,771	825,102	1,835,204
REVENUES							
Internal Funding Funding							
Port Capital	15,000	15,000	15,000	15,000	20,000	100,000	180,000
Port Tenant Improvements	47,637	11,664	15,598	10,622	18,133	102,356	206,011
Internal Funding Subtotal	62,637	26,664	30,598	25,622	38,133	202,356	386,011
External Funding							
Federal & State Grants	2,122	2,185	2,251	2,319	2,388	19,912	31,177
COVID Recovery Stimulus	7,500	-	-	-	-	-	7,500
Regional Measure 3, MBFL	-	25,000	-	-	-	-	25,000
MBFL Anticipated Private Contributions	-	4,000	-	-	-	-	4,000
Orton IFD Tax Increment	688	709	730	752	775	4,237	7,892
Pier 70 Shoreline CFD Tax	-	114	116	453	462	4,345	5,492
Mission Rock Shoreline CFD Tax	652	922	1,482	1,512	1,542	8,186	14,296
Private Developer Investment	219,581	128,364	64,731	27,574	24,871	313,715	778,836
GO Bond for WRP	37,550	22,850	102,450	100,200	39,600	272,350	575,000
External Funding Subtotal	268,094	184,144	171,761	132,811	69,639	622,746	1,449,194
TOTAL	330,730	210,809	202,359	158,433	107,771	825,102	1,835,204

CONCLUSION

The need captured in this Plan paints a clear picture: Port assets require substantial investment due to age and condition and delay in making those improvements comes at a price as construction costs continue to escalate, seismic risk is unmitigated, and high-water levels inch up each year.

Caring for the Port's many historic structures while adhering to the Port's public trust mission presents a challenge that requires a multi-pronged approach: dedicating revenue to capital, securing new external sources of funding, and targeting available funds to strategic projects. In the last ten years, the Port has met this challenge by establishing policies regarding annual capital funding, creating a 5-Year Capital Improvement Program, gathering data about the condition of its facilities, and entering into public-private partnerships to renew Port assets. The Port has benefitted from General Obligation Bonds to support development and improvement of parks and open space and to rehabilitate the Embarcadero Seawall. The Port is also leveraging private investment in large-scale development projects, like those at Pier 70 and Mission Rock, which will renew and enhance some of the Port's most vital historic resources, opening up former industrial areas to the public and breathing new life into the waterfront. Other development sites within the Embarcadero Historic area and Pier 30-32 present further opportunities to leverage outside investment. The Port Commission's approval of negotiations for development of Pier 38-40 and Pier 30-32 demonstrate the Port is successfully identifying external funding sources for additional rehabilitation of its facilities.

Building on this success, Port staff will continue to seek new and novel revenue investment methods and opportunities to ensure a diverse and economically vibrant waterfront is available to San Franciscans for future generations.

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For: Nate Cruz, Acting Deputy Director
Finance and Administration

Attachment 1: 10-Year Capital Plan FY 2023-24 to 2032-33

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

RESOLUTION NO. 23-26

WHEREAS, In 2006, the Port of San Francisco completed its first 10-Year Capital Plan, assessing the Port's capital needs to support and guide Port Commission capital expenditure and investment decisions; and

WHEREAS, Port staff updates the 10-Year Capital Plan in odd numbered years to reflect changes in the condition of the Port's facilities, new structure evaluations, completed work, changes to funding sources, and changes in budget and financing assumptions; and

WHEREAS, The Port's 10-Year Capital Plan for Fiscal Years 2023-24 to 2032-33, a copy of which is attached to the staff report accompanying this resolution, identifies \$4.1 billion in capital repair, \$2.2 billion of which is in required state of good repair ("SOGR") work and \$1.9 billion of which is in enhancements, inclusive of \$641.8 million in potential conditional seismic upgrade needs, over the next ten years; and

WHEREAS, Of the \$1.8 billion in proposed funding needed for the Plan, \$589.6 million is projected to cover state of good repair needs and \$1.2 billion is projected to cover enhancements and seismic work; and

WHEREAS, The \$1.8 billion in proposed funding will leave the Port with an unfunded SOGR capital need of \$1.7 billion and an unfunded enhancement need of \$655.8 million through Fiscal Year 2032-2033;

RESOLVED, That the Port Commission hereby adopts the Port's 10-Year Capital Plan for Fiscal Years 2023-24 to 2032-33 attached to the staff memorandum accompanying this resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 13, 2023.

Secretary