

## MEMORANDUM

February 8, 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:** Informational Presentation on Fiscal Year (FY) 2018-19 and FY 2019-20  
Biennial Capital Budget

**DIRECTOR'S RECOMMENDATION:** Informational Only; No Action Required

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### EXECUTIVE SUMMARY

This item provides an overview of the Port's proposed Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Capital Budget to allow for Port Commission and public feedback. Approval of this item is scheduled for the next Port Commission meeting on February 27, 2018. To meet City deadlines, staff will simultaneously submit the Capital Budget to the City's Capital Planning Committee for review and approval. Contingent upon approval by the Port Commission, the Capital Planning Committee will recommend 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.

To develop the proposed Capital Budget, the Port's Capital Project Technical Review Committee ("Committee"), comprised of key Port staff from all Port divisions, rigorously reviewed and scored more than 60 capital projects with a total need of \$300 million. The Committee's task was to identify the projects which most clearly met the Port's capital goals. From this review process, the Committee developed a five-year action plan for the Port's first Capital Improvement Program (CIP). The FY 2018-19 and FY 2019-20 Capital Budget represents the first two years of that five-year vision. Staff will present the CIP to the Commission in April 2018 as an informational item. The item before the Port Commission today, focused on the Capital Budget, enables Port staff to seek Port Commission input and approval on the two-year budget in time to meet City deadlines.

**THIS PRINT COVERS CALENDAR ITEM NO. 11B**

The Port's proposed two-year Capital Budget totals \$73.4 million, including \$54.1 million in FY 2018-19 and \$19.3 million in FY 2019-20. This represents a 13% increase over the prior biennial budget. The proposed budget invests \$40.7 million in state of good repair work from all sources over the two-year period representing 55% of the proposed 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. Staff continues to seek ways to address the Port's renewal needs.

## **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.

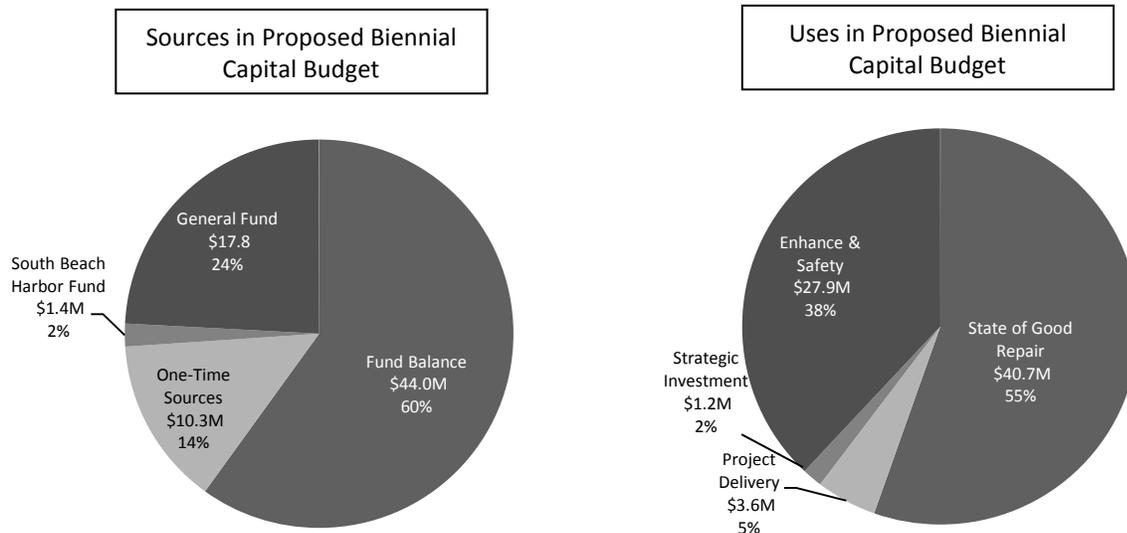
In addition to the scoring process, staff reviewed all projects to determine if they fell into one or more of the prioritization categories listed below. Staff determined that a project belonging to one of these groups was worthy of prioritization:

- 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.



### 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 FY 2018-19	Proposed FY 2019-20	Proposed Two Year 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
<b>Total Port Funding Sources</b>	<b>\$ 36,357,946</b>	<b>\$ 19,318,094</b>	<b>\$ 55,676,040</b>
City General Fund -Pending Approval <sup>1</sup>	\$ 17,750,000		\$ 17,750,000
<b>Total Non-Port Funding Sources</b>	<b>\$ 17,750,000</b>		<b>\$ 17,750,000</b>
<b>Total Requested Sources</b>	<b>\$ 54,107,946</b>	<b>\$ 19,318,094</b>	<b>\$ 73,426,040</b>
<b>PROPOSED CAPITAL BUDGET</b>			
<b>Fisherman's Wharf:</b>			
Hyde Street Harbor Repair and Improvements	\$ 1,335,000		\$ 1,335,000
Wharf J9 Seawall and Deck Repair Project <sup>2</sup>	\$ 2,200,000		\$ 2,200,000
<b>Northeast Waterfront:</b>			
Pie 31 New Fire Standpipe System <sup>3</sup>		\$ 676,522	\$ 676,522
Roundhouse 2 HVAC System Improvements <sup>4</sup>		\$ 105,000	\$ 105,000
Roundhouse Envelope, Security & Common Area Enhancement Project <sup>4</sup>		\$ 420,000	\$ 420,000
Pier 29 and 31 Substructure Repair <sup>2</sup>	\$ 2,852,174		\$ 2,852,174
Pier 29.5 Pump Station & Force Main Upgrade <sup>4</sup>	\$ 800,000		\$ 800,000
Beltline Building Repairs <sup>4</sup>	\$ 680,000		\$ 680,000
Pier 19.5 Roofing Project	\$ 668,000		\$ 668,000
Pier 19 North Apron Repair <sup>2</sup>	\$ 2,000,000		\$ 2,000,000
Pier 19 & 23 Leasing Improvements <sup>4</sup>	\$ 2,650,000		\$ 2,650,000
Pier 7.5 Sewer Re-routing to Street <sup>3</sup>		\$ 262,500	\$ 262,500
<b>Ferry Plaza &amp; South Beach Area:</b>			
Pier 26 Deluge System Modification & New Fire Standpipe System <sup>3</sup>	\$ 952,116		\$ 952,116
Mission Bay Ferry Landing			
- City Contribution — 11,000,000 (requested)	\$ 11,000,000		\$ 11,000,000
<b>Southern Waterfront:</b>			
China Basin Floats & Dry Dock Repair	\$ 670,000		\$ 670,000
Pier 50 Shed B Apron Partial Repair <sup>2</sup>		\$ 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 <sup>2</sup>	\$ 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
<b>Portwide Projects:</b>			
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 <sup>3</sup>	\$ 232,992	\$ 242,311	\$ 475,303
Wood Pile Repair Crew <sup>2</sup>	\$ 1,418,985	\$ 1,475,744	\$ 2,894,729
Concrete Pile Repair Crew <sup>2</sup>	\$ 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 <sup>3</sup>		\$ 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
<b>Subtotal Proposed Investments</b>	<b>\$ 53,025,946</b>	<b>\$ 19,008,094</b>	<b>\$ 72,034,040</b>
<b>South Beach Harbor Capital Projects</b>			
Pier 40 North Guest Dock Replacement	\$ 1,082,000		\$ 1,082,000
Pier 40 North Guest Dock Kayak Launch		\$ 310,000	\$ 310,000
<b>South Beach Harbor, Subtotal</b>	<b>\$ 1,082,000</b>	<b>\$ 310,000</b>	<b>\$ 1,392,000</b>
<b>Total Proposed Capital Budget</b>	<b>\$ 54,107,946</b>	<b>\$ 19,318,094</b>	<b>\$ 73,426,040</b>

<sup>1</sup> Includes \$250,000 from the Planning Department.

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

<sup>3</sup> Funding for this capital project will be provided in the Utilities Project.

<sup>4</sup> 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 20<sup>th</sup> 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)**

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

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.

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