

## MEMORANDUM

February 6, 2015

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

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request Approval of the Port's Ten-Year Capital Plan for FY 2016-2025

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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This memorandum presents the update to the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2016-2025 (Capital Plan). The Capital Plan provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff.

### Background

The Port produced the first ten-year outlook in 2006, and has updated and augmented the capital plan in each subsequent year. In 2005, the Board of Supervisors, in Administrative Code section 3.20, mandated the creation of a citywide ten-year capital plan and the Port's own plan became a part of the City's larger plan. Each year, following approval by the Port Commission, the Capital Plan is submitted to the City's Capital Planning Committee for inclusion in the City plan. The Capital Planning Committee reviews and recommends the City plan to the City Administrator who in turn submits the plan to the Mayor and the Board of Supervisors. In 2011, the City's Capital Planning Committee instituted an amendment to Section 3.20 of the Administrative Code shifting the annual requirement to every two years, in keeping with the City's biennial budget practices.

**THIS PRINT COVERS CALENDAR ITEM NO. 13B**

## Prior Year Accomplishments

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. Since the first plan in 2006, this document has provided a solid framework for the Port's investments to maintain and enhance its assets. It has guided the expenditure of nearly \$220 million in non-developer funding, which represents a level of investment not seen by the Port since the 1960s. Additionally, the plan's findings and priorities have been used to inform inclusion of Port parks in the City's General Obligation Bond program and issuance of Port revenue bonds.

While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. 2014 included a number of major accomplishments:

- Completion and opening of the James R. Herman Cruise Terminal;
- Completion of Cruise Terminal Park and dedication of the Lucy and Fritz Jewett Grove;
- A comprehensive review of the Waterfront Land Use Plan ("Waterfront Plan") detailing major Port accomplishments since 1997, including a review of 120 major projects representing \$1.6 billion in public and private investment; and
- After 15 years, the successful disposition of the Port's Drydock #1.

Since its inception in 2006, the Capital Plan has provided a solid framework for the Port's investment to maintain and enhance its assets. In particular, the Port has utilized the plan's findings and priorities to guide issuance of its revenue bonds as well as preparations for the 34th America's Cup.

In the past four years, the Port has seen a dramatic uptick in capital investment, with over \$160 million expended for a variety of projects that have advanced the Port's maritime commerce mission, brought people to the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34th America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;

- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

While the plan is a forward looking document, it is also the Port's history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

### **Capital Project Investment Priorities**

The projects and investments prioritized in the Capital Plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;
- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

## Capital Need Estimates

This year's Capital Plan identifies a total need of \$1.62 billion (plus an additional \$476.3 million for conditional seismic work). The need is primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects that are required to maintain Port property in a state-of-good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which also is used by the City to project all General Fund departments' capital needs.

This \$1.62 billion in need is approximately \$39 million more than the need identified in the Port's prior year (FY2015-24) capital plan (excluding conditional seismic work, which was \$464 million in the prior year). Table 1 summarizes adjustments to the Port's capital need estimates. Completed projects help to lower the need, while inflation and the addition of a new tenth year add to the projected need over the next ten years. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70. Inflation plus the addition of a new tenth year (in this case FY2025) for renewal of building subsystems that reach the end of their useful life in year ten add to the projected need. Additionally, the prior year one (in this case FY2015) is added to the backlog for projects that were not completed.

**Table 1 -- Port Capital Need Estimates**

Changes From Prior Year Plan	State of Good Repair				Seismic (millions)
	Backlog (millions)	Renewal (millions)	One-Time (millions)	Total (millions)	
<i>Prior Year (FY2015-24) Plan</i>	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
Updated project cost estimates, completions	(73.8)		(15.6)	(89.4)	(11.2)
Leased facility improvements (by tenants)		(6.3)		(6.3)	
New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
<b>FY2016-25 Plan</b>	<b>\$570.3</b>	<b>\$612.9</b>	<b>\$439.2</b>	<b>\$1,622.3</b>	<b>\$476.3</b>

As Table 1 illustrates, the total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next 10 years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time

expenses.<sup>1</sup> Investments for seismic repairs may or may not be required during the ten-year period, as described below; as such, the cost of seismic work is not included in the total need, but is shown separately.

## Capital Expenditures

The Capital Plan identifies \$853.7 million in funds that are projected to be available during the ten-year plan period. This plan differentiates expenditure of those funds into two categories: (1) capital projects that help maintain the Port’s facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property. Table 2 provides a breakdown of capital expenditures and funding sources by expenditure type.

**Table 2 -- Port Capital Expenditures**

<b>Funding Source</b>	<b>Repair (millions)</b>	<b>Enhancement (millions)</b>	<b>Total (millions)</b>
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPs	41.2	0.0	41.2
Port Tenant Improvements	147.4	0.0	147.4
General Obligation Park Bonds	5.6	55.5	61.1
Federal, State, & Local Grants	35.5	117.4	152.8
Development Projects	119.0	176.1	295.1
<b>FY2015-24 Plan</b>	<b>\$487.9</b>	<b>\$365.8</b>	<b>\$853.7</b>

Enhancement projects include anticipated development at Pier 70 and at Seawall Lot 337 and Pier 48.

As with last year’s plan, this plan distinguishes between internally- and externally-generated sources of funds. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million, of which the Port will apply \$328.1 million (or 95 percent) to state-of-good-repair projects and \$16.6 million (or 5 percent) to capital enhancement projects. Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349.0 million (or 68 percent) to enhancement projects.

Overall, the plan reflects a balanced expenditure of funds, with 57 percent going toward state-of-good-repair and 43 percent toward enhancement projects. Further, most of the Port’s internally generated funding sources are directed towards state-of-good-repair

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<sup>1</sup> One-time needs are generally utilized in FRRM for non-cyclical needs, which are typically driven by changes in code requirements. The Port’s capital modeling also includes a large number of the structures at Pier 70 in this category, as they are condemned and entirely in a state of deferred maintenance. For these structures, partial rehabilitation is not a viable option, and any rehabilitation will trigger substantial seismic work. Until they are rehabilitated and enter a capital maintenance cycle, the entire rehabilitation cost for these buildings are modeled as one-time costs.

projects, whereas enhancement projects are more dependent on externally generated funding sources.

### **Unmet Needs**

While the plan projects \$853.7 million in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$1.13 billion for needed improvements, and possibly another \$465 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of funds. Some facilities, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools. The Port will work with stakeholders and the public to determine the future of these facilities.

### **Conclusions of the Ten-Year Capital Plan**

The Port's Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Since the first plan in 2006, the Port has used this document to guide a total in investment exceeding \$220 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. The plan was integral to the Port's issuance of its revenue bonds as well as to the Port's preparations for the 34th America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

As a road-map, the plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337 and Pier 70 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

The Port's review of the Waterfront Land Use Plan highlighted that the Port is more unified with its waterfront than it ever has been, with industry, commerce and residence all existing in a harmony of contrasts. A South Beach resident might walk from her home to attend a San Francisco Giants game, and between innings, watch from her seat as one of the largest ships in the world is lifted out of the water for repair at the Port's Pier 70 shipyard. However united we are as a Port, we continue to need to grow in our connection with those away from the shore.

The controversy around height limits that so dominated discussion around the waterfront in 2014 changed the prism through which the Port must view development. With the passage of Proposition B, the community that actively is weighing in on the Port's development is no longer nearby and neighborhood in character, but rather an entire City of civic-minded voters. Moving forward, the Port must be ever mindful of the larger presence our work has in the San Francisco consciousness.

The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of the Port's Capital Plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

### **Recommendation**

Port staff seeks Port Commission adoption of the proposed Ten-Year Capital Plan for FY 2016-2025.

Prepared by:	Daley Dunham, Special Projects Executive Division
For:	Brad Benson, Special Projects Manager Executive Division
	Elaine Forbes, Deputy Director Finance and Administration Division

Attachment: Port of San Francisco Ten-Year Capital Plan FY 2016-2025 Update

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

**RESOLUTION NO. 15-05**

- WHEREAS, In 2006, the Port of San Francisco completed its first Ten-Year Capital Plan, assessing the Port's capital needs through a process that included a review of 39 pile-supported pier structures, 80 substructures including marginal wharfs connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them; and
- WHEREAS, Port staff update the Ten-Year Capital Plan annually 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 FY2016-25 Ten-Year Capital Plan, the ninth iteration of the plan, identifies \$1.62 billion in required repairs and \$476 million in conditional seismic upgrades over the next ten years; and
- WHEREAS, Of the \$853.7 million in proposed funding, the Port's Ten-Year Capital Plan identifies \$487.9 million for state-of-good-repair projects and \$365.8 million for capital enhancement projects and seismic upgrades over the next ten years; and
- WHEREAS, This funding, from the Port's annual budget, revenue bond proceeds, certificates of participation, Port tenants, general obligation bond proceeds, grants, and development projects, will reduce the Port's unfunded state-of-good-repair need from \$1.62 billion to \$1.13 billion by 2025 if realized; and
- WHEREAS, This funding, from the Port's annual budget, revenue bond proceeds, certificates of participation, Port tenants, general obligation bond proceeds, grants, and development projects, will reduce the Port's unfunded state-of-good-repair need from \$1.62 billion to \$1.13 billion by 2025 if realized; now, therefore, be it
- RESOLVED, That the Port Commission adopts the Port's FY 2016-25 Ten-Year Capital Plan Update; and be it further

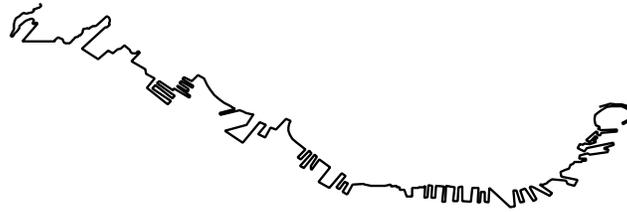
RESOLVED, Port staff is authorized to revise the Ten-Year Capital Plan to reflect policy decisions made by the Port Commission at its meeting of February 10, 2015, the revisions shall be considered fully approved by the Commission, and the revised Ten-Year Capital Plan shall be filed with the Secretary of the Commission.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 10, 2015.***

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Secretary

# **Port of San Francisco**



## **Ten-Year Capital Plan**

### **FY 2016-2025 Update**

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## **I. EXECUTIVE SUMMARY**

The Capital Plan represents the guiding document for the Port's capital investments, and provides an assessment of capital needs, the investment required to meet those needs, and a plan to finance them. The FY2016-25 update of the plan reflects improvement from prior year plans in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. 2014 included a number of major accomplishments:

- Completion and opening of the James R. Herman Cruise Terminal;
- Completion of Cruise Terminal Park and dedication of the Lucy and Fritz Jewett Grove;
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Since its inception in 2006, the Capital Plan has provided a solid framework for the Port's investment to maintain and enhance its assets. In particular, the Port has utilized the plan's findings and priorities to guide issuance of its revenue bonds as well as preparations for the 34<sup>th</sup> America's Cup.

In the past four years, the Port has seen a dramatic uptick in capital investment, with approximately \$160 million expended for a variety of projects that have advanced the Port's maritime commerce mission, brought people to the waterfront, and made substantial progress toward reducing the Port's capital backlog. The James R. Herman Cruise Terminal project, park projects, and the City's commitment to host the 34<sup>th</sup> America's Cup drove much of the Port's recent investment.

These experiences yielded important insights that have advised this plan:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are the Port's most cost-efficient and effective means of rebuilding most pier aprons and bringing pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year’s plan continues progress made in recent years to expand and stabilize capital funding from the Port’s operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

The strategic, ongoing challenges to the Port discussed in detail in this plan are ever present in the minds of the Port staff: seismic risk to the seawall and other Port facilities; tidal flooding and sea level rise; the Port’s yellow- and red-tagged facilities; ongoing problems posed by underpier utility infrastructure; revitalization of the southern waterfront; and the relentlessly increasing cost of dredging the Port’s berths. Daunting as these challenges may be, the Port staff has developed concrete strategies for addressing them.

With respect to the Port’s annual recalculation of needs, this plan identifies a total need of just over \$1.62 billion over the ten-year period (plus an additional \$476.3 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities.

Changes From Prior Year Plan	State of Good Repair				Seismic (\$ millions)
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	
<i>Prior Year (FY2015-24) Plan</i>	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
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New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
<b>FY2016-25 Plan</b>	<b>\$570.3</b>	<b>\$612.9</b>	<b>\$439.2</b>	<b>\$1,622.3</b>	<b>\$476.3</b>

The total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next ten years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time expenses. Investments for seismic repairs may or may not be required during the ten-year period; as such, the \$476.3 million cost of seismic work is not included in the total need, but is shown separately.

The plan projects total sources of \$853.7 million will be available during the ten-year period, of which the Port will use \$487.9 million to fund state-of-good-repair and \$365.8 million to fund capital enhancement projects (including seismic work). At the end of the ten-year period, the Port will reduce its state-of-good-repair needs by 30 percent from \$1.62 billion to \$1.13 billion and its conditional seismic needs from \$476 million to \$464.3 million.

As with last year’s plan, this plan separates internally- and externally-generated sources into separate discussions. Internally-generated funding sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million over the next ten years, of which the Port will apply \$328.1 million (or 95

percent) to state-of-good-repair projects and \$16.6 million (or 5 percent) to capital enhancement projects.

<b>Internally-Generated Funding Sources</b>	<b>Repair (\$ millions)</b>	<b>Enhancement (\$ millions)</b>	<b>Total (\$ millions)</b>
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPs	41.2		41.2
Port Tenant Improvements	147.4		147.4
<b>Total</b>	<b>\$328.1</b>	<b>\$16.6</b>	<b>\$344.7</b>

Externally generated sources include (1) development projects, (2) general obligation bonds, and (3) grants. This plan projects these sources to generate \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349 million (or 68 percent) to enhancement projects.

<b>Externally-Generated Funding Sources</b>	<b>Repair (\$ millions)</b>	<b>Enhancement (\$ millions)</b>	<b>Total (\$ millions)</b>
General Obligation Park Bonds	\$5.6	\$55.5	\$61.1
Federal & State Grants	0.4	24.8	25.2
Federal Railway Administration	0.0	2.8	2.8
US Army Corps of Engineers	27.5	0.0	27.5
Prop 1B, RM2 (DTFT)	7.6	89.8	97.4
Development Projects	119.0	176.1	295.1
<b>Total</b>	<b>\$160.1</b>	<b>\$349.0</b>	<b>\$509.1</b>

The Port’s Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has used the information that the plan generates to develop and implement its legislative and financing strategies to redevelop the City’s waterfront, fulfill its public trust mission, and guide the stewardship of its extensive assets.

Since the first plan in 2006, the Port has used this document to guide a total in investment in excess of nearly \$220 million in non-developer funding. Still, a persistent gap remains between the Port’s available resources and ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

This year, the Port Commission and Port staff will commence a public planning effort to update the Waterfront Plan with the help of the Planning Department, the Bay Conservation and Development Commission and the California State Lands Commission. This effort will be informed by the 10-Year Capital Plan in a way that was not possible in 1997 when the Waterfront Plan was first adopted. At the time, the Port had some understanding of the condition of its assets – but not the Portwide, strategic view afforded by the 10-Year Capital Plan. Through this planning effort, the Port Commission and the public will have an opportunity to align the 10-Year Capital Plan and the Waterfront Plan, as the Port strives to develop strategies to remain a strong steward of its aging historic resources in the face of major challenges including seismic risk and sea level rise.

## II. INTRODUCTION

This report presents the Port of San Francisco's Ten-Year Capital Plan for Fiscal Year 2016 – 2025 (FY2016-25). The Ten-Year Capital Plan (Capital Plan) is updated annually and provides the public with reporting on the Port's capital strategy, including a comprehensive inventory of the Port's facilities, current conditions and capital needs, and available and projected capital resources over the next ten years. It is an important reference document that supports and guides capital expenditure and investment decisions by the Port Commission and staff, and also is included as a chapter of the Ten-Year Capital Plan of the City and County of San Francisco, which is updated biennially.

The Port produced the first ten-year outlook of its capital needs in 2006. That achievement was significant because it provided a complete inventory of the Port's facilities, which span 7½ miles of waterfront stretching from Fisherman's Wharf to India Basin in Bayview-Hunters Point, including piers, wharves, roadways and upland properties along San Francisco Bay. The Port undertook a laborious process of characterizing the general condition of each of its facilities in a newly defined capital portfolio, including generation of estimates for needed capital repair, proposed enhancements and seismic upgrades. This, together with a reporting of various existing and projected sources of funding, enabled the public to understand for the first time the magnitude of the Port's capital needs, as well as the limited resources available to address them. As reflected then and in this current update, existing and projected funding continues to fall short; the FY2016-25 plan identifies funding to address approximately 30 percent of the needed investment in "state-of-good-repair" work to maintain facilities over the next ten years.

As a routine matter, each year the Port staff has updated the Capital Plan to incorporate new information learned over the previous year and improve the Port's overall estimation of the condition of its capital assets. Over time, an increasingly valuable aspect of the capital planning process has been the review of emerging challenges and opportunities, and the public discourse around the values that guide capital decision-making at the Port of San Francisco.

The appeal of the San Francisco waterfront to the public is broad and varied, and creates a thicket of competing demands that sometimes are in conflict. In response to a 1990 voter-approved initiative (Proposition H), the Port Commission adopted the Waterfront Land Use Plan in 1997 – the Port Commission's principle planning document – which provides a framework to reconcile competing waterfront interests including public trust, maritime, public access, historic preservation, urban design, environmental, economic, and community values.

Because the Waterfront Land Use Plan is reviewed only every five years, the annual update of the Capital Plan has grown to reflect more frequent changes to the policy landscape. The Capital Plan, like the Port's two-year operating and capital budgets, is subject to cost estimate revisions, changes in City reporting conventions, and new capital needs that are often defined by changes in uses of Port property. While this year's Capital Plan reflects the Port's priorities for capital spending, each iteration reflects changes in both estimated need and available funding. The Capital Plan is also a repository for the changing financial tools and policy approaches Port staff is pursuing to revitalize the waterfront.

### **III. STRATEGIC OUTLOOK AND CONTINUING CHALLENGES**

This year's plan reflects improvement in the Port's ability to address its capital needs over the next ten years. While the overall need is still substantial, some of the strategies the Port has put in place are beginning to yield results. A review of highlights from the last two years illustrates the Port's progress: the Exploratorium opened at Pier 15; the 34<sup>th</sup> America's Cup regattas were held on the San Francisco Bay; the Port completed major waterfront parks and shoreline improvements in Fisherman's Wharf, South Beach, Mission Bay, and Bayview Hunters Point; and Turner Construction completed construction of the James R. Herman Cruise Terminal and Northeast Wharf Plaza at Pier 27.

The Port's facilities are beautiful and iconic, but aging. The Port has historically relied on private investment and long-term master leasing to provide resources for new construction and major rehabilitation of its facilities. The Port's Waterfront Land Use Plan explicitly acknowledges this strategy by establishing the process by which the Port selects and partners with private developers. These public-private partnerships pursue mixed use development in designated areas of the waterfront, primarily using private equity and historic tax credits (where applicable). As indicated in prior capital plans, the Port staff has found this approach, on its own, is insufficient, and that additional tools are necessary for the Port to make real progress in its transition from its industrial past to a modern Port and City waterfront.

Increasingly, the Port relies on coordination with other public agencies at the federal, state, and local levels to fund major waterfront improvements. In 2013, the Capital Planning Committee recommended, and the Board of Supervisors formally adopted, guidelines for the use of Infrastructure Financing District (IFD) tax increment proceeds in association with major Port development projects, formalizing City policy as to how this powerful funding tool can be used along the waterfront. The Board of Supervisors also unanimously endorsed term sheets for master plan developments at Seawall Lot 337 & Pier 48 and at the Pier 70 Waterfront Site. The use of IFD tax increment proceeds both addresses the Port's existing backlog at these sites, and builds the accompanying enhancements that make these new developments possible. The size and complexity of these new development proposals garnered a significant level of public attention throughout much of 2013.

Controversy about height limits dominated the discussion about the waterfront in 2014. Local residents and environmental organizations who shared an intense concern about heights in several key instances – during the Broadway Hotel design process, the 8 Washington approval process, and during initial consideration of Piers 30-32 as a site for a Golden State Warriors pavilion – forged a coalition to pass Proposition B in June 2014, a measure requiring a public vote for any waterfront height increase on Port property. Proposition B passed by 59-41%. Proposition B has changed what was primarily a neighborhood planning discussion about appropriate heights into a Citywide discussion with statewide implications, as evidenced by the recent lawsuit that State Lands filed to challenge the measure.

Public planning for Seawall Lot 337 and Pier 70 has demonstrated a clear need to increase height limits to enable feasible redevelopment in these areas. Potential maritime industrial uses in the

Port's Southern Waterfront are also likely to require increases above existing height limits in some cases.

Following on the passage of Proposition B, Forest City California proposed and qualified Proposition F for the November 2014 ballot, authorizing an increase of heights at the 28 acre Pier 70 Waterfront Site from 40' to 90'. While this was lower than the heights of up to 230' that were contemplated by the Term Sheet for the site endorsed by the Port Commission and the Board of Supervisors in 2013, the proposal conformed to massing exercises the Port produced as part of the Pier 70 Preferred Master Plan. Proposition F passed by 73-21%, allowing environmental review and related site planning efforts to continue for the Pier 70 Waterfront Site.

In the past three years, the Port has seen a dramatic uptick in capital investment in projects that have advanced the Port's maritime commerce mission, engaged people at the waterfront, and made substantial progress toward reducing the Port's capital backlog. Much of the Port's own investment over the past two years was driven by the City's commitment to host the 34<sup>th</sup> America's Cup, which required targeted investments delivered by the Port and its contractors at Piers 30-32 and Piers 19, 19½, 23, 29 and 29½ to make these facilities safe for event participants and spectators. These included major reconstruction of the Pier 19 south apron, which now serves as dedicated open space, new power distribution in the Pier 23 shed, substantial substructure repair to Pier 29, ceiling truss repairs in the Pier 29 shed, and rehabilitation of structural elements at the marginal wharf underneath the Embarcadero at Piers 30-32.

These experiences have yielded important insights for future Port capital planning:

- As demonstrated by the James R. Herman Cruise Terminal and the rebuild of Pier 29 after a fire, the City has the expertise and capacity to direct major new investment within a very short timeframe;
- Port Maintenance staff are most often the Port's most cost-efficient and effective means of rebuilding most Port aprons and bringing Pier sheds into code compliance;
- The Port excels at designing and building public parks and managing historic rehabilitation improvement projects; and
- In order to deliver major waterfront improvements, the Port requires a comprehensive strategy to obtain entitlements and regulatory approvals, particularly for in-water construction.

Pursuant to direction from the Port Commission, this year's plan continues progress made in recent years to expand and stabilize capital funding from the Port's operating budget. Port staff also has continued to refine the capital project scoring process, with an inter-divisional focus on project readiness and financial outcomes.

## Capital Project Investment Priorities

The projects and investments prioritized in this plan are guided by criteria the Port Commission believes respond to basic public safety and environmental needs, optimize resources that address the Port Commission's fiduciary responsibilities, and strike a balance among diverse public interests. Port staff used the following criteria to set investment priorities:

- Basic repairs and improvements to existing facilities that support continued leasing and revenue generation;
- Infrastructure improvements, including seawall, substructure, and utility repairs that respond to the shared objectives of protecting public safety, improving environmental quality, and responsible stewardship of historic resources along the waterfront;
- Improvements to retain and support San Francisco's diverse maritime and industrial tenants;
- Investments in waterfront parks and public open space that meet public trust needs and acknowledge the increasing role of Port lands in addressing City economic and quality-of-life objectives; and
- Strategic waterfront development that leverages private investment to support City policies and transform the waterfront, while reducing the Port's capital liability and enhancing land value.

## Waterfront Land Use Plan Update

As described above, in the wake of several ballot measures adopted by voters to limit Port development and to require voter approval of waterfront height increases, Port staff has initiated efforts to review and update the Waterfront Land Use Plan ("Waterfront Plan") – the Port's guiding policy document – in keeping with the requirements of Proposition H (1990).

Port staff published the Draft Review of the Waterfront Land Use Plan, a report that documents 120 major Port development and capital project accomplishments since 1997, analyzes development projects that were initiated but were not completed to glean lessons learned, and makes preliminary recommendations to the public and the Port Commission about issues that should be considered in updates to the Waterfront Plan. The Port accepted public comment on the Draft Review through November 30, 2014, as the first phase in a broader public outreach effort to update the Waterfront Plan.

Port staff intends to develop detailed recommendations for Port Commission consideration for a public planning effort involving San Francisco Planning Department, BCDC and the California State Lands Commission to update the Waterfront Plan.

Through its 10-Year Capital Plan, the Port has established a process of prioritizing available public funding to finance improvements to Port assets based on criteria established by the Port Commission including return on investment, relationship of the project to the Port's maritime mission, public safety, regulatory requirements, protection of cultural and natural resources, etc. As part of the effort to update the Waterfront Plan, Port staff have begun assembling information and analysis about waterfront-wide issues including the age and construction type of the Port's historic piers, sea level rise, seismic risk, historic character of Port facilities, open space, the public realm and waterfront transportation to enable the Mayor, the Board of Supervisors, the Port Commission and the public to form a consensus about how to guide public and private investment on Port property going forward. Preliminary staff analysis developed to support this effort suggests some major themes:

- ***There is not that much Port land available for mixed-use development.*** Much of the Port's 670 acres has been developed for long-term uses or otherwise are dedicated for open space and maritime uses. Approximately 44% of Port property, or 298 acres, is used or reserved for maritime uses. Another 131 acres, or 20%, has been turned into open space, or is planned for open space. 18% of Port property (120 acres) has been developed for mixed uses or is leased. Approximately 8% of Port property (51 acres) is in various stages of planned mixed use development, including two new neighborhoods at Pier 70 and on Seawall Lot 337 in Mission Bay. Port staff has identified an **additional 5% of Port property that is still un-programmed, but is likely development sites**; another 7% of Port property is characterized by "engineering, economic and regulatory challenges" which could or could not be viable development sites pending further analysis and public dialogue.

While there has been significant public focus on waterfront development, as the waterfront matures, development will slow over time, and the Port will require more public funding to address key infrastructure requirements.

- ***Rising sea levels and the City's future flood protection needs pose a serious challenge to the Port's traditional model of redeveloping finger piers.*** Some piers are subject to current flood risk in a strong storm (100 Year Flood), and the piers will become more flood prone over time. With rising sea level, the construction window for repair and maintenance of substructure decks of finger piers will become shorter and shorter making it quite expensive to repair and maintain the substructure decks. The concrete degradation due to corrosive marine environment also is expected to accelerate. Considering all these facts, Port staff do not consider additional 66 year leases of the piers advisable without an identified solution to sea level rise; based on current projections of rising sea levels, 35 (or 30) year leases may be the longest advisable lease term. Lease provisions that allow early termination for sea level rise, or two way options to extend leases with solutions to sea level rise could provide a similar solution. Port staff needs to evaluate solutions to protect piers from flooding, such as flood walls or raised floor elevations. Other approaches to protecting the Port's historic finger piers, such as restoring bulkhead buildings for public use, and keeping pier sheds in light industrial use, also should be investigated.

- ***Addressing seismic risk to the seawall and the bulkhead buildings that mark the entrance to the Port's piers is a clear priority.*** The ***Seawall Seismic Risk Analysis*** will analyze seismic and liquefaction risk to the Port's seawall in a major temblor on a nearby fault. If the study identifies that the seawall is subject to significant movement during such an event, it could undermine the bulkhead structures along the Embarcadero, and damage utilities and the Embarcadero Roadway, including San Francisco Municipal Transportation Agency transit infrastructure. The study will also provide high level conceptual design solutions to mitigate this risk.
- ***There is strong public support for the Port to continue its plan implementation efforts at Pier 70 and Seawall Lot 337 in Mission Bay.*** Due to the Port's public planning efforts that preceded selection of development partners at these sites, and the close collaboration of Port development partners with the community during development master planning, it is clear that there is strong support to continue these development efforts. Both projects incorporate site and design measures to plan for sea level rise. They also will fulfill important community objectives of delivering new open space, rehabilitating historic resources, building new green infrastructure and providing market rate and affordable housing to address the City's housing crisis. The Seawall Lot 337 project will require voter approval of proposed height increases.
- ***Additional neighborhood planning is needed in the South Beach area and in the Northeast Waterfront at the foot of Telegraph Hill.*** These neighborhoods have recently experienced development controversy that warrants additional planning to rebuild trust, and are the primary locations where the Port's few remaining mixed use development opportunities exist. These neighborhood planning efforts will examine land use options for under-utilized piers and surface parking lots and related urban design, transportation and historic preservation considerations. The Port Commission has also directed Port staff to develop a Southern Waterfront maritime/eco-industrial master plan based on prior public planning to direct continuing staff efforts to develop its maritime terminals and adjacent backlands.

During the public process to update the Port's Waterfront Plan, Port staff intends to use the lessons learned from the 10-Year Capital Plan to enable the public and policymakers to understand the unique financing and engineering challenges associated with historic waterfront infrastructure and buildings. Developing a clear understanding of the limits of when and where public and private investment can be successful in upgrading existing assets will allow decision-makers to decide when historic assets are truly beyond their useful life, and when the Port should begin envisioning new maritime and public trust improvements that are resilient to sea level rise and can serve coming generations.

#### Continuing Challenges and Opportunities

In addition to the investments needed to maintain facilities in a state-of-good-repair, there are other issues that may pose significant challenges in the future. The most immediate concerns, and implications for this and future capital plans, are described below.

**The Seawall:** The seawall and adjoining marginal wharf<sup>1</sup> that run along The Embarcadero from Fisherman's Wharf southwest to Mission Bay constitute the City's primary flood control system along the Bay waterfront. Collectively, these interconnected structures form the essential foundation of The Embarcadero Promenade. Built in segments from 1876 to 1929, the Seawall was and still is a major engineering achievement, established through the creation of a reinforced rock dyke, supported by concrete and wooden piles. The Port has maintained ongoing efforts to repair the seawall, which is a contributing historic resource in the Embarcadero National Register Historic District.

These structures continue to function as originally designed. However, recent and planned Port construction projects, including the Pier 43½ Bay Trail Promenade and Brannan Street Wharf projects, have uncovered aged and damaged elements of the Seawall, which supplement the growing repair demands associated with maintaining the marginal wharf. Increasing concern among state policymakers, including the California State Lands Commission, the San Francisco Bay Conservation and Development Commission (BCDC) and the Joint Policy Committee,<sup>2</sup> in addition to knowledge gained through flood risk and sea level rise studies the Port has conducted or has underway, elevate the urgency of developing a City strategy.

In 2014, the Port Commission authorized an earthquake vulnerability study of the Great Seawall, which was awarded through a competitive process to a Joint Venture between GHD, Inc., an international professional services company with an office in San Francisco, and Geotechnical Consultants, Inc. The purpose of this study is to take a comprehensive look at the earthquake safety of this portion of the waterfront. Specific objectives of the study include:

- analysis of earthquake behavior of the seawall, bulkhead wharves, and adjacent infrastructure including the Embarcadero Roadway;
- assessment of earthquake damage and safety risks, including SFPUC, BART and MUNI infrastructure
- forecast of economic impacts;
- development of conceptual level earthquake retrofits for the seawall and bulkhead wharves; and
- prioritization of future improvements and/or further study needs.

Additionally, the study results will assist the Port in planning for and implementing adaptation measures necessary to address sea level rise and climate change. At the early conceptual stage of

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<sup>1</sup> The marginal wharf, or bulkhead wharf, is a piled structure built parallel to the waterfront along the top of the seawall with the purpose of extending a deck over the water to provide berthing for ships along the seawall and as a connection point for the finger piers, which in many cases were built later. The marginal wharf was built in twenty one sections and varies in width and construction, the newer sections being constructed of concrete. The marginal wharf also supports the bulkhead buildings along The Embarcadero.

<sup>2</sup> The Joint Policy Committee is a forum where the three major regional policy entities, which include BCDC, the Metropolitan Transportation Commission and the Association of Bay Area Governments, resolve competing policy objectives in order to provide unified policy guidance to Bay Area local governments, The Joint Policy Committee has been charged by the three agencies with further analysis and public policy guidance to local governments that are exposed to risks of sea level rise.

this effort, Port engineers are suggesting a wide potential range of costs to strengthen the seawall, ranging from \$50 million (for relatively minor strengthening in a few locations) to \$4 billion (for complete replacement). Costs in this range are beyond the port's ability to fund with its own resources, and a combination of sources will likely be required to fund this work, including local, state and federal sources. A major goal of this study is to produce a conceptual seismic design for the seawall and bulkhead wharves that can be incorporated in the City's 10-Year Capital Plan.

**Tidal Flooding and Sea Level Rise:** In 2011, the Port completed a URS study of sea level rise along the northern waterfront, analyzing potential flooding impacts assuming 16" of sea level rise by 2050 and 55" by 2100. In 2013-14, the Port participated in an inter-departmental task force called SF Adapt, formed at Mayor Edwin Lee's direction, to assess the potential impacts of climate change on the City. A Sea Level Rise Committee of SF Adapt was tasked with developing guidelines for incorporating sea level risk into capital planning for the City. Port staff participated in this Sea Level Rise Committee, which developed Guidance for Incorporating Sea Level Rise into Capital Planning in San Francisco: Assessing Vulnerability, Risk and Adaptation. This guide is intended to be a "how to" guide for capital planners, presents the most up to date science on sea level rise and lays out four steps in the process for incorporating sea level rise into capital planning: 1) Science review; 2) Vulnerability assessment; 3) Risk assessment; and 4) Adaptation planning.

The Port and BCDC also initiated the Mission Creek Adaptation Project as part of an international collaboration between the Netherlands-based Stichting Delta Alliance, several City departments including the San Francisco Public Utilities Commission, the Planning Department, the Department of Public Works and San Francisco Environment, BCDC and SPUR to develop sea level rise adaptation alternatives for the Mission Creek waterfront area of San Francisco. Mission Creek is one of the City's lowest-lying areas and is vulnerable to flooding from sea level rise. This Project seeks to build the capacity of San Francisco to address the risks of flooding from sea level rise and storms by developing adaptation alternatives for the Mission Creek area and continuing the exchange of knowledge and information between the Netherlands and California. The primary objective of the project is to develop sea level rise and storm water adaptation alternatives for the Mission Creek area portion of the City's waterfront based on the findings of a high-level vulnerability assessment. This study will also provide the Port with concepts that could address future flood risk along Islais Creek and other parts of the waterfront.

**BCDC-Port Cooperative Planning.** As part of the planning and permitting process to entitle the Pier 27 Cruise Terminal project in 2012, the Port and BCDC have been managing a cooperative joint planning process to identify additional public benefit opportunities along the San Francisco waterfront. This work relates closely, and will be integrated with Port efforts to update the Waterfront Land Use Plan. Public benefits include the improvement or creation of new public open spaces and public realm, and improved connections that create continuous public access and enjoyment of the waterfront. One of the priority opportunities is to create landscaped improvements to the Ferry Building Plaza on the bay side of the Ferry Building, where the Farmer’s Market occurs every Saturday. It has become a major public gathering space and should be improved to be an attractive addition to the Port’s waterfront open space system. Planning work is in the early phases and there is no design yet, or cost estimates. Any significant improvement to create this public plaza is anticipated to require substantial resources. The Port would evaluate tax increment proceeds from Infrastructure Finance District, tenant contributions, future General Obligation Bond funding, along with grants and other funding options as part of developing an implementation strategy.

**At-Risk Facilities.** The Engineering Division regularly conducts inspections of all Port facilities and records and categorizes the condition of more than 350 structures, including piers, wharves, and buildings. Based on the structural condition of the facilities, the division makes recommendations for occupancy loads, load restrictions, barricades, and warning signs. The inspection findings also are used to document maintenance and repair needs.

In 2013, the Engineering Division updated the Port Commission on the status of facilities that are load-restricted (yellow-tagged) or fully restricted (red-tagged), based on the Facility Assessment Program.<sup>3</sup> The Engineering Division has updated this report, which will be heard before the Port Commission on February 10, 2015.

Yellow-tagging and red-tagging are engineering risk management strategies designed to protect the public, Port tenants and Port staff. Red-tagging involves closure of a facility for use and occupancy until safe occupancy can be restored. The red-tagging and closure of some of these facilities could have a negative impact on the Port’s operating revenues, which in turn would impact the ability to fund other capital improvements.

The 2015 engineering report lists 35 facilities as yellow-tagged, with at least another 10 years of adequate performance, and 22 facilities as red-tagged, predicted to fail within approximately five years. The Engineering Division will continue to monitor these facilities and impose further restrictions as necessary until repairs are made. Consistent with the Port Commission’s investment criteria, revenue-generating yellow-tagged facilities will continue to receive priority in future capital planning and allocation decisions.

While there are no revenues generated by red-tagged assets, nevertheless they pose a risk of failing and triggering an emergency repair or demolition, and possible closure of an adjoining green or yellow-tagged facility. In some cases, red-tagged facilities may impair the Port’s ability

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<sup>3</sup> “Informational Presentation on the Port’s Load Restricted (Yellow with Green Hatching-Tagged) and Fully Restricted (Red-Tagged) Facilities,” February 7, 2013.

to utilize an adjacent green or yellow-tagged facility to greater potential by restricting access (especially fire egress). While some of the red-tagged facilities may never be repaired, others may still be brought back into productive use with sufficient capital investment. The Capital Plan reflects efforts to address three of the 22 red-tagged facilities:

Facility	Remediation Plan
Pier 31	Port Engineering is preparing design plans for architectural, structural and utility improvements. Project will be bid in 2015.
Pier 38	A private development partner has been selected who will refurbish the bulkhead and portion of adjoining shed; possible phase two refurbishment may be added to address remainder of shed and north and south aprons (including seismic strengthening of shed and substructure)
Pier 19 North Apron	Port Engineering is 90% complete with creation of structural repair plans. Repair to begin in the summer of 2015.

As part of the Facility Assessment Program, the Engineering Division will continue to monitor red-tagged facilities to preclude the possibility of a significant collapse without warning. Repairs to additional red-tagged facilities will be funded in future capital plans as revenue sources are identified.

**Under Pier Utility Infrastructure.** To ensure compliance with regulatory standards, the Port instituted an under pier utility inspection and response program. The objectives of the program are to: (1) ensure that all under pier water and sewer utilities are inspected annually (consistent with the Port’s permit requirements); (2) identify active leaks or highly vulnerable conditions that could lead to pipe failure; and (3) take corrective action to stop leaks and prevent failures which could result in an illegal discharge into the Bay.

The Port’s Maintenance Division created a scorecard to record observations and assess conditions based on visual inspections. The Division has documented a response protocol that will be followed to address the findings from inspections. Work orders will be generated to address detected leaks or critical conditions that pose an immediate threat to water and sewer infrastructure. Non-critical conditions will be documented and scheduled for follow-up inspections on an annual basis. The Maintenance Division initiated inspections of all piers in 2013. Funding in the amount of \$250,000 annually for the inspection and response program is included in the two-year Capital Budget, and anticipated to continue throughout the entire period of the Ten-Year Capital Plan. Larger repairs (such as completely replacing water and sewer lines) are beyond the scope of the inspection and response program. Instead, those needs will be incorporated into larger plans for pier improvements, such as the development projects described elsewhere in this report.

**Southern Waterfront Revitalization.** The Port continues land use planning and maritime market outreach to update plans for improving Piers 80 to 96, including the Piers 90-94 Backlands in the Southern Waterfront. Much of this area is underutilized and represents a major

opportunity for increased maritime commerce and complementary industrial uses. This is the remaining primary area within City and Port jurisdiction that can support the unique operational and transportation access requirements of maritime commerce public trust uses.

A recent economic benefits study highlights the value of maintaining and expanding industrial uses on Port property. The report<sup>4</sup> estimated that Port industrial and maritime tenants generated over \$785 million in annual economic activity in San Francisco, and employed roughly 2,400 workers (2011 data). The report also noted the policy benefits that accrue to the City from the Port's industrial and maritime property, including: retention of targeted production, distribution, and repair (PDR) jobs; a concentration of potential incubator space for fast-growing "creative industries" and innovative business ventures; and positive environmental outcomes from businesses operating in close proximity to their customers. Additionally, the report found that wages in industrial jobs such as those located on Port property were, on average, 24 percent higher than retail and personal services jobs in San Francisco. Operational benefits to the Port include diversification of the real estate portfolio (which helps manage risk) and uses that are consistent with the Public Trust Doctrine.

In 2011, the Federal Railroad Administration (FRA) awarded the Port a \$3 million grant for signaling and freight rail track upgrades to the Quint Street Lead, a one-mile stretch of track that connects the Caltrain main line to the Port of San Francisco Rail Yard on Cargo Way. The Port is focused on enhancing freight rail access to and from San Francisco to reduce freight truck trips on regional highways and city streets. Freight rail is also an important element of the City's emergency response plan to serve city evacuation and clean-up requirements in the aftermath of a disaster.

Given the size and location of the Port's Southern Waterfront assets (including unimproved land and underutilized piers), Port staff are pursuing a number of key initiatives to improve the area. These include a joint project with the Department of Public Works to competitively bid an asphalt and concrete batching plant to supply City paving projects and an iron ore export terminal at Pier 96. There have been expressions of interest for these and other uses, but significant improvements to infrastructure and environmental restoration must be undertaken to make the area viable. The Port's proposed \$19.5 million request to fund capital projects includes notable expenditures to improve the area, including \$8.5 million to fund the Backlands Project which will grade a 17 acre underutilized area, pave a portion of the land, construct a roadway and install solar lighting, fire hydrants, composting, restrooms, and a natural based storm water management infrastructure. Improvements will accommodate the site for leasing for construction laydown, vehicle parking and storage types of uses.

Any such improvements to Port Southern Waterfront property must undergo environmental review pursuant to requirements under the California Environmental Quality Act (CEQA) and Chapter 31 of the San Francisco Administrative Code, under the direction of the San Francisco Planning Department. Given the types of improvements contemplated for these Southern Waterfront properties, the Port anticipates the requirement for an addendum to the Southern

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<sup>4</sup> "Economic Benefits of Port Maritime and Industrial Uses," prepared by BAE Urban Economics, December 2013.

Waterfront Environmental Impact Report (SEIR) and has commenced work with the San Francisco Planning Department on this effort..

#### **IV. CAPITAL NEED ESTIMATES**

The FY2016-25 update of the Port's Ten-Year Capital Plan identifies a total need of just over \$1.62 billion (plus an additional \$476 million for conditional seismic work), primarily for deferred maintenance and subsystem renewal work required on Port facilities. For purposes of this plan, "need" is defined as projects required to maintain Port property in a state-of-good-repair for existing use over the next ten years. In this context, need excludes seismic upgrades (which may or may not be triggered by code requirements) and capital enhancements (such as building new infrastructure or parks along the waterfront). This distinction among different project types is a part of the architecture of the Port's capital modeling software, the Facilities Renewal and Reinvestment Model (FRRM), which is also used by the City to project all General Fund departments' capital needs.

This \$1.62 billion in need is approximately \$39 million more than the need identified in the Port's prior year (FY2015-24) capital plan (excluding conditional seismic work, which was \$464 million in the prior year). Each year the capital plan cost estimates are updated to reflect the following changes:

1. Completed projects are removed from the backlog (including projects undertaken by the Port and by tenants, where the tenant has responsibility for facility maintenance);
2. Project costs are updated to reflect more recent estimates, where available (e.g., as a result of a more extensive engineering analysis, design and/or third-party cost estimates);
3. A new year ten (FY2025) is rolled into the plan, and most of previous plan's year one (FY2015) costs are rolled into the backlog, if the project was not funded; and
4. Costs are escalated annually by the Controller's office based on various construction indexes, with a 5 percent escalation applied this year (the escalation factor is built into FRRM).

Table 1 summarizes adjustments to the Port's capital need estimates. Completed projects help to lower the need, while inflation and the addition of a new tenth year add to the projected need over the next ten years. Updated project cost estimates are based on more detailed engineering designs for development projects at Piers 30-32 and Pier 70.

**Table 1 -- Port Capital Need Estimates**

Changes From Prior Year Plan	State of Good Repair				Seismic (\$ millions)
	Backlog (\$ millions)	Renewal (\$ millions)	One-Time (\$ millions)	Total (\$ millions)	
<i>Prior Year (FY2015-24) Plan</i>	\$613.4	\$544.0	\$433.1	\$1,590.5	\$464.3
Updated project cost estimates, completions	(73.8)		(15.6)	(89.4)	(11.2)
Leased facility improvements (by tenants)		(6.3)		(6.3)	
New year ten (FY2025) project costs		48.0		48.0	
Escalation (5%)	30.7	27.2	21.66	79.53	23.2
<b>FY2016-25 Plan</b>	<b>\$570.3</b>	<b>\$612.9</b>	<b>\$439.2</b>	<b>\$1,622.3</b>	<b>\$476.3</b>

As Table 1 illustrates, the total need of \$1.62 billion for state-of-good-repair projects includes an estimated \$612.9 million for capital renewal, which represents the amount needed over the next 10 years to maintain facilities in a state-of-good-repair, as projected in the FRRM database. This plan shows an existing backlog for deferred maintenance of \$570.3 million, with another \$439.2 million for other one-time expenses.<sup>5</sup> Investments for seismic repairs may or may not be required during the ten-year period, as described below; as such, the cost of seismic work is not included in the total need, but is shown separately. Appendix A provides a detailed breakdown of the need shown in Table 1, by Port facility.

### Seismic Costs

Since the publication of the Port’s first capital plan in 2006, the Port has maintained a policy decision to assume as a need all seismic repair even where that need exceeds code-driven requirements. In consideration of the fact that many of the Port’s structures are 100 years old, the Port’s original capital plan adopted a standard that all properties should be upgraded to modern seismic standards.

The City’s Capital Planning Committee has provided direction to City departments to report need (defined as projects required to maintain property in a state of good repair) separately from seismic work.<sup>6</sup> To conform to City convention, the FY2012-21 Capital Plan instituted a policy of

<sup>5</sup> One-time needs are generally utilized in FRRM for non-cyclical needs, which are typically driven by changes in code requirements. The Port’s capital modeling also includes a large number of the structures at Pier 70 in this category, as they are condemned and entirely in a state of deferred maintenance. For these structures, partial rehabilitation is not a viable option, and any rehabilitation will trigger substantial seismic work. Until they are rehabilitated and enter a capital maintenance cycle, the entire rehabilitation cost for these buildings are modeled as one-time costs.

<sup>6</sup> The City’s modeling of capital needs differs from the Port’s in one very important respect, which is related to the fact that only the Port must account for pile supported pier structures. The City’s calculation of “need” is entirely centered around renewal of building subsystems at the end of their usable life. As a result, there are no state-of-good-repair projects carried in the City Plan that could trigger a seismic upgrade to the structure in which they are contained. For that reason, the City classifies all seismic upgrade projects as capital enhancements. The Port’s modeling of its capital assets is distinct from the City’s in that the Port includes structural elements of buildings –

programming funding for seismic work only where a change of use or major rehabilitation is taking place, consistent with building code requirements. The FY2016-25 Capital Plan further distinguishes between the Port's aggregate capital need and capital need inclusive of contingent seismic costs by separating out seismic costs from state-of-good-repair. Over the next ten years, that seismic need totals \$476 million.<sup>7</sup>

The seismic work identified in this plan represents a kind of worst-case scenario in terms of potential impacts to capital expenditure planning. Port engineers believe that a number of the pier and wharf structures along the waterfront may be structurally repaired in a manner that does not trigger seismic work. Additionally, depending on the way in which a given pier was constructed (as nearly all were constructed approximately 100 years ago), costs associated with full seismic upgrade can be prohibitive, where the amortization period for the associated investment would exceed the useable life of the pier (in particular, the cost of mitigating the effects of sea level rise and overtopping of lower elevation piers complicate the economics of investment recovery on these facilities).

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the piles and decking of piers. Repair to these pier structure elements will under some circumstances trigger seismic work, so the Port categorizes seismic projects as conditional or caveated need (as opposed to capital enhancement).

<sup>7</sup> This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out (see footnote #5).

## V. CAPITAL EXPENDITURES

This plan identifies funds that are projected to be available during the ten-year period from FY2016 through FY2025. The expenditure of those funds is broken into two categories: (1) capital projects that help maintain the Port's facilities in a state-of-good-repair, and (2) enhancement projects that add value to the Port property (some enhancement projects also include work to address seismic conditions). Table 2 provides a breakdown of capital expenditures and funding sources by fiscal year.

**Table 2 -- Ten-Year Capital Expenditure Plan**

Spending Plan	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
<b>State of Good Repair</b>							
Emergency Facility Repair	0.1	0.1	0.1	0.1	0.1	0.5	1.0
ADA		0.1	0.1	0.1	0.1	0.5	0.9
Dredging	18.9	6.0	6.0	6.0	6.0	30.0	72.9
Emerging Needs							
Repair / Reinvestment	60.4	52.9	44.8	49.4	21.2	184.5	413.2
<i>State of Good Repair Subtotal:</i>	<i>79.4</i>	<i>59.1</i>	<i>51.0</i>	<i>55.6</i>	<i>27.4</i>	<i>215.5</i>	<i>487.9</i>
<b>Enhancements</b>							
Parks and Open Space	10.5	12.8	0.8			32.4	56.5
Facility Improvements	2.0	6.5	5.3	4.2	4.4	20.4	42.9
Development Project Areas		5.3	59.6	62.5	15.1	33.5	176.1
Ferry Terminal Expansion Project	9.4	10.2	9.7	38.6		22.4	90.3
<i>Enhancements Subtotal:</i>	<i>22.0</i>	<i>34.9</i>	<i>75.4</i>	<i>105.3</i>	<i>19.5</i>	<i>108.7</i>	<i>365.8</i>
<b>Spending Total:</b>	<b>101.3</b>	<b>93.9</b>	<b>126.4</b>	<b>160.9</b>	<b>47.0</b>	<b>324.2</b>	<b>853.7</b>

Deferred  
SOGR:  
1,133.0  
  
Deferred  
Seismic:  
464.5

Funding Sources	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
Port Capital Budget	12.8	19.8	22.2	15.9	15.5	69.9	156.1
Port Revenue Bonds and	1.2					40.0	41.2
General Obligation Park	11.4	13.9	0.8			35.0	61.1
Federal & State Grants	2.0	3.8	2.0	2.2	2.5	12.6	25.2
Federal Railway	2.8						2.8
US Army Corps of Engineers	0.3	7.0				20.2	27.5
DTFT - State Proposition 1B	5.4	6.1	10.3	38.6		22.4	82.8
DTFT - Local Sources (RM2)	5.4	6.1	3.1				14.6
Port Tenant Improvements	29.4	5.5	8.9	29.4	13.8	60.4	147.4
Development Projects	30.7	31.8	79.0	74.7	15.1	63.7	295.1
<b>Funding Total:</b>	<b>101.3</b>	<b>93.9</b>	<b>126.4</b>	<b>160.9</b>	<b>47.0</b>	<b>324.2</b>	<b>853.7</b>

<b>Balance/ (Shortfall):</b>	<b>0.0</b>						
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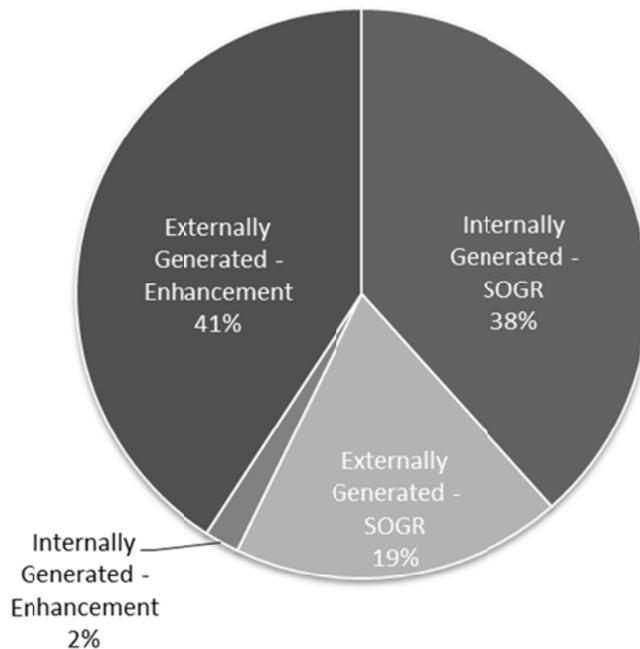
Additional Funding Sources	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021-25	Total
US Army Corps WRDA 2020						40.0	40.0
City Match to WRDA 2020						20.0	20.0
Transferrable Development						23.9	23.9
<b>Additional Funding Sought</b>						<b>83.9</b>	<b>83.9</b>

As Table 2 illustrates, a total of \$853.7 million is projected to be available during the ten-year period, of which the Port will apply \$487.9 million to state-of-good-repair needs and \$365.8 million to capital enhancement projects (including seismic work). At the end of the ten-year period, the Port will reduce its state-of-good-repair needs by 30 percent from \$1.62 billion to \$1.13 billion and its conditional seismic needs from \$476 million to \$464.3 million.<sup>8</sup>

Fluctuations in year-to-year spending are driven by the timing of repair and renewal activities, the availability of grant funding for dredging the Central Basin, and development project schedules, as reflected in project term sheets and other planning documents.

Overall, the plan reflects a balanced expenditure of funds, with most of the Port’s internally generated funding sources directed towards state-of-good-repair (SOGR) projects, whereas enhancement projects are more dependent on externally generated funds, as described in the next section and illustrated below:

**Figure 1 – All Funds, Sources and Uses**



While the plan projects \$853.7 million in capital investments over the next ten years, at the end of that period the Port will still face a backlog of \$1.13 billion for needed improvements, and possibly another \$464.5 million in conditional seismic work. The Port must continue to explore ways to address these unfunded needs, including building partnerships to attract new sources of

<sup>8</sup> A small amount of seismic conditions will be addressed by development projects (Pier 48 and Pier 70) and the Downtown Ferry Terminal project. For the most part, project plans assume that conditional seismic requirements are not triggered. The capital plan will continue to carry conditional seismic costs in project inventory unless and until there is a definitional change or investments are made that remove the cost.

funds. Some pier sheds, such as Piers 26, 28, and 54, do not appear viable for rehabilitation with present day financing tools (although rehabilitation of the bulkhead structures appears feasible). Piers 26 and 28 are contributing resources to the Embarcadero Historic District listed on the National Register of Historic Places. If the Piers 26 and 28 sheds cannot be rehabilitated in their entirety (as prior predevelopment investigation at Pier 26 suggests), Port staff believe that there may be an approach to saving and rehabilitating the historic Piers 26 and 28 bulkhead buildings, with their distinctive Spanish-Mediterranean facades underneath the Bay Bridge. The Port will work with historic rehabilitation experts and the public to determine the future of these facilities.

The bottom of Table 2 lists additional funding sources that the Port is actively pursuing. These funding sources are too speculative to include in the current expenditure plan, but reflect the Port's ongoing strategy for outside funding sources. As the Port obtains additional federal, state or local legislative authorization or grant awards, these funding sources will be added to future capital plans. It is also likely that estimations of need will change as the Port investigates these funding opportunities. For example, it is only after the Port conducts preliminary engineering analysis of the seawall that staff will be able to accurately reflect costs to strengthen the seawall in the capital plan.

## VI. PLAN OF FINANCE

The purpose of the plan of finance is to map out how the Port intends to utilize existing and potential financing mechanisms to maintain its assets in a state-of-good-repair and to enhance its portfolio through strategic investments. The plan presents a strategy that will fund \$853.7 million in state-of-good-repair and enhancements over the ten-year period (FY2016-25). The first two years of this plan employ the two-year capital budget as a starting point. The two-year capital budget will be considered for adoption separately by the Port Commission; subsequent years' capital spending will go before the Port Commission for approval as part of the biennial budget process.

This report breaks discussion of funding sources into two categories: (1) internally-generated funds, and (2) externally-generated funds. The funding sources within each category are described more fully below, along with a discussion of the proposed uses of those funds. Table 2 summarizes the amounts projected from each of these sources over the next ten years.

### A. Internally-Generated Funding Sources

Internally-generated funding sources include those sources that are primarily within the Port's control, utilizing existing assets, with a fairly high degree of confidence in their projected value. These sources include (1) Port capital funds, (2) Port revenue bonds, and (3) tenant obligations. Together, these sources are projected to generate \$344.7 million over the next ten years, of which the Port will apply \$328.1 million (or 95 percent) to state-of-good-repair projects (including dredging) and \$16.6 million (or 5 percent) to capital enhancement projects:

<b>Internally-Generated Funding Sources</b>	<b>Repair (\$ millions)</b>	<b>Enhancement (\$ millions)</b>	<b>Total (\$ millions)</b>
Port Capital Budget	\$139.5	\$16.6	\$156.1
Port Revenue Bonds & COPs	41.2		41.2
Port Tenant Improvements	147.4		147.4
<b>Total</b>	<b>\$328.1</b>	<b>\$16.6</b>	<b>\$344.7</b>

The sources and uses of internally-generated funds are illustrated below:

Figure 2 – Internal Funding Sources

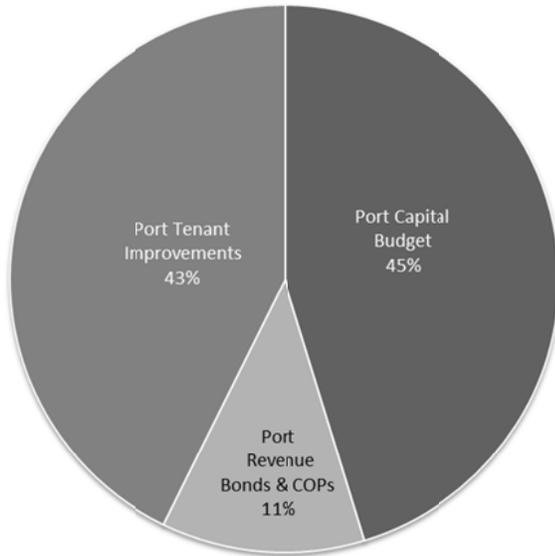
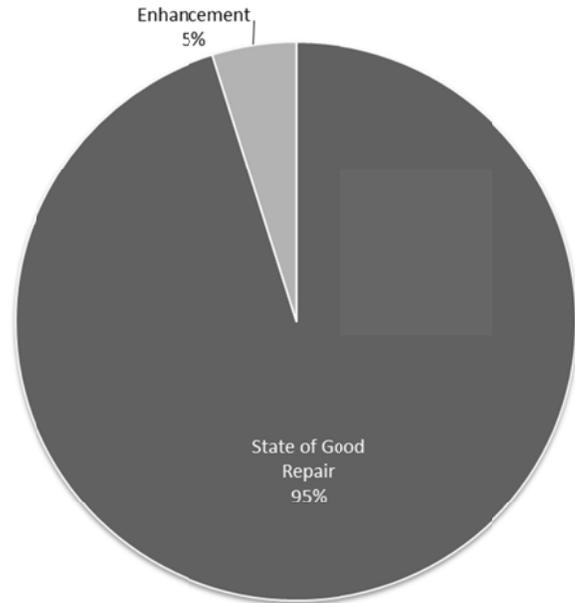


Figure 3 – Uses of Internal Funds



### A.1 Port Capital Funds

In 2012, the Port Commission adopted a policy designating a minimum amount of operating revenues for capital projects. Pursuant to this policy, on an annual basis, a minimum of no less than 20 percent of Port operating revenues shall be set aside in the Port’s operating budget to fund capital expenditures (increasing to 25 percent beginning in FY2019). This minimum funding requirement shall be met through (1) an annual appropriation for current capital expenditures (“Capital Budget”) and (2) a designation of current estimated revenues for future capital expenditures, consistent with the Ten-Year Capital Plan. The policy is intended to (1) ensure that the Port has stable and growing operating resources dedicated to capital expenditures, (2) constrain the operating budget to achieve the funding requirement goal of operating revenues for capital, (3) require staff and Port Commission trade-off decisions between operating growth and capital needs, and (4) reduce the credit risk associated with unfunded capital obligations.

The policy is an attempt to reverse the Port’s historical trend of underinvestment in maintaining its assets in a state-of-good-repair. Based on certain analyses, the Port should reinvest in its pier substructures a minimum amount of 0.75 percent of the value of those substructures each year.<sup>9</sup> According to this formula, the Port should spend \$23.3 million annually in substructure repairs

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<sup>9</sup> The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15 percent of the Port’s pre-1920s era concrete piers every 20 years.

alone. Over the last ten years the annual appropriation for the Capital Budget has averaged just over \$10 million.<sup>10</sup> The size of the Port's annual capital budgets combined with the deferred backlog has meant that the capital budgets have primarily funded dredging, deferred maintenance and emergency needs, and have not addressed renewal needs adequately.

Port capital funds are generally allocated to the following program areas: (1) emergency facility repair (a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free); (2) renovations to make facilities compliant with the Americans with Disabilities Act; (3) dredging of the bay floor along the waterfront, which maintains the depth of berths at the Port's piers so that they remain suitable for water traffic; (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds; (5) repair and reinvestment to maintain facilities for current use; and (6) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use. The process and criteria used to select projects for the Capital Budget are described in Appendix B.

Year 1 of the Capital Plan is the second year of the two-year Capital Budget, which is adopted by the Port Commission on a biennial basis. For FY2016, that allocation programs capital funding at \$12.8 million. An unplanned surplus of funds has provided an additional \$19.4 million for assorted projects, which the report discusses below, bringing the FY2016 total to an unprecedented \$28.1 million in Port Capital funds. The next four years of the plan (FY2017-FY2020) are based on forecasts included in the Port's five-year financial plan, and reflect a modest increase in capital funding each year. The capital plan assumes an average available capital budget of \$17.2 million per year for the remaining five years of the plan (FY2021-2025). Overall, capital funding from the Port's operating budget reflects a notable improvement from the average annual appropriation levels of past plans.

The projects currently proposed to be funded by the additional funds include:

- Port development of the Backlands, \$8,500,000;
- BAE Electrical Service Separation, \$3,000,000;
- Matching the US Army Corps of Engineers to dredge the Central Basin, \$2,900,000;
- Pier 23 Roof Replacement, \$2,833,151;
- Additional funding for the Quint Street Lead, \$1,000,000;
- Seawall Study and Repairs, \$1,000,000; and
- Pier 39 Sediment Investigation, \$250,000.

Each of the listed projects is described in detail in the February 6, 2015 staff report requesting approval to seek the aforementioned \$19.4 million supplemental appropriation.

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<sup>10</sup> The range of funds available for annual reinvestment during this ten-year period is from a low of \$6.4 million in FY2005 to a high of \$15.4 million in FY2012; however the amounts prior to adoption of the Capital Policy do not reflect a natural growth over the period but instead show a wide variation in the allocation.

## A.2 Port Revenue Bonds

The Port finances its larger scale capital projects, addressing significant deferred maintenance and enhancing property, in part, through the issuance of debt. The Port's revenue bonds, secured by the net revenues of the Port as defined in the bond indenture, present an opportunity to accelerate the delivery of much-needed capital investments. Bond proceeds are used to fund new projects that offer a significant return on investment, as well as repair of critical infrastructure needed to sustain the Port's operating revenues and protect future bonding capacity.

Over the last five years, the Port has gone out to the capital markets on three separate occasions to raise funds for its capital program. In 2010 the Port issued \$36.7 million of revenue bonds, in 2013 the City issued \$37.7 million of Certificates of Participation (COPs) on behalf of the Port, (which the Port is responsible to repay), and in 2014 the Port issued \$22.7 million of revenue bonds.

The majority of the proceeds from these three debt issues have been expended or committed primarily for the construction of the new James R. Herman Cruise Terminal, rehabilitation of Piers 31 and 33, repairs and improvements to the Port's historic pier structures located in the Northern Waterfront, and for capital expenditures related to preparing venues for the 34th America's Cup regattas.

Port staff will periodically revisit its remaining debt capacity, based on then current projections of operating revenues and expenditures. When considering additional bond sales, it will be important to factor in the impact of increased debt service on the amount of funds available to pay for repair and replacement projects from operating revenues. Port staff will assess the trade-offs between pay-as-you-go and accelerated funding via bonds. This plan reserves any remaining bonding capacity for projects with early returns on investments that generate revenues in excess of the amount required to service debt costs. This approach is necessary for expanding sources for the repair and replacement capital budget, as well as for expanding the Port's bonding capacity in order to make future investments in maritime commerce projects. As no projects have been identified as ready for funding, this plan assumes no additional Port bond revenues over the next ten years. Port staff may revisit this assumption if the SWL 337 or Pier 70 waterfront site projects begin generating sufficient net revenues to fund improvements to the Port's historic finger piers (as anticipated by SB 815) in the next ten years.

## A.3 Tenant Obligations

The Port has a number of properties that are under long-term leases (for example, a master tenant agreement of up to 66 years). Often, a condition of those leases is that the tenant assumes responsibility for maintenance and capital improvements to the property, including both the superstructure and substructure. The Port's asset database (FRRM) identifies the facilities where responsibility is assigned to Port tenants, and for those facilities, this plan assumes that those

tenants maintain the facility in a state-of-good-repair, according to the capital replacement schedule.<sup>11</sup> Over the next ten years, FRRM projects tenant obligations to be \$147.4 million.

## B. Externally-Generated Funding Sources

For purposes of this year’s plan, externally-generated funding sources represent those sources that require some form of partnership with an external party in order to be realized. Those partners may include developers, federal or state agencies, or other departments within the City and County of San Francisco. While partnerships often require considerably more effort to build and maintain, and are not entirely within Port’s control, ultimately they have far greater potential in the long-term than traditional internally-generated sources. The plan of finance relies significantly on these sources to fund both state-of-good-repair and enhancement projects over its ten-year period. These sources include (1) development projects, (2) general obligation bonds, (3) grants, and (4) transferable development rights.

Together, this plan programs these sources as generating \$509.1 million, of which the Port will apply \$160.1 million (or 32 percent) to state-of-good-repair projects and \$349.0 million (or 68 percent) to enhancement projects.<sup>12</sup>

<b>Externally-Generated Funding Sources</b>	<b>Repair (\$ millions)</b>	<b>Enhancement (\$ millions)</b>	<b>Total (\$ millions)</b>
General Obligation Park Bonds	\$5.6	\$55.5	\$61.1
Federal & State Grants	0.4	24.8	25.2
Federal Railway Administration	0.0	2.8	2.8
US Army Corps of Engineers	27.5	0.0	27.5
Prop 1B, RM2 (DTFT)	7.6	89.8	97.4
Development Projects	119.0	176.1	295.1
<b>Total</b>	<b>\$160.1</b>	<b>\$349.0</b>	<b>\$509.1</b>

<sup>11</sup> The Port characterizes repairs for facilities where tenants have ten years or more left on their lease agreement as sourced to tenants, recognizing that short-term tenants are unlikely to make major capital investments with little time left to amortize those improvements.

<sup>12</sup> Enhancement projects include an estimated \$78.5 million in seismic work at Piers 30-32, Pier 48, Pier 70, and the Downtown Ferry Terminal expansion.

The sources and uses of externally-generated funds are illustrated below:

Figure 4 – External Funding Sources

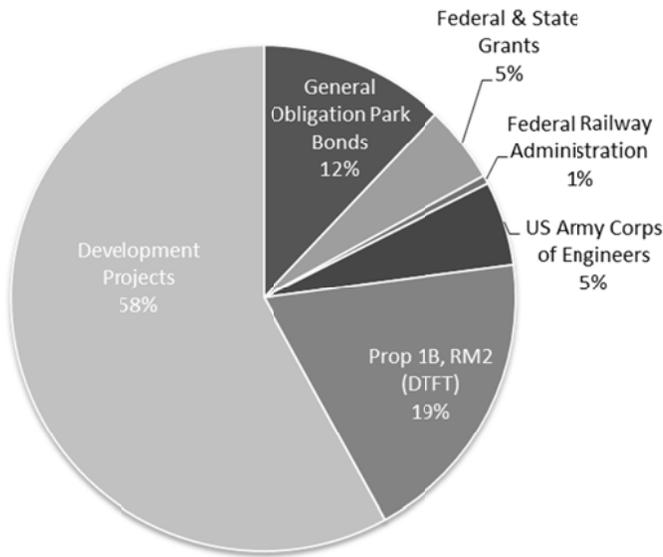
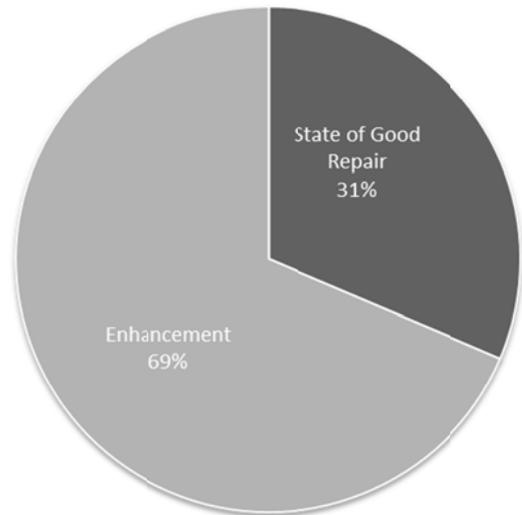


Figure 5 – Uses of External Funds



### B.1 Legislative Program

The Port has adopted policies and pursued options to attract partners and external funding through an aggressive legislative program. The following is a summary of the results of recent legislative efforts:

- In 2005, the California Legislature adopted SB 1085 (Senator Carole Migden), permitting the Board of Supervisors to form Infrastructure Financing Districts (IFD) on Port property that allow the capture of growth in property (or possessory interest) tax increment to fund public improvements along the waterfront.
- In 2007, the California Legislature adopted SB 815 (Senator Carole Migden), authorizing the Port to lease certain seawall lots south of Market Street and north of Pier 50 for non-trust (i.e., commercial and residential) purposes, with net proceeds to fund rehabilitation of Port historic resources and parks required by the San Francisco Bay Conservation and Development Commission (“BCDC”). The largest of these is Seawall Lot 337 in Mission Bay, the site of the Port’s current negotiations with Seawall Lot 337 Associates, LLC, to develop a new neighborhood south of AT&T Park.
- In 2010, the California Legislature adopted AB 1199 (Assemblymember Tom Ammiano), permitting the Port to establish a Pier 70 IFD that may issue debt repayable with both the local share of possessory interest tax and the state’s share of possessory interest tax (permitted by AB 1199).
- In 2011, the California Legislature adopted AB 664 (Assemblymember Tom Ammiano), with technical amendments following in 2012 (AB 2259), authorizing the Port to capture

up to \$1 million annually in state tax revenue to fund the James R. Herman Cruise Terminal and related improvements, if the City demonstrates that the state will earn revenue in excess of this amount from the 34<sup>th</sup> America's Cup. This legislation applies to the following locations: SWL 330, and Piers 19, 23 and 29. The California Infrastructure Financing Bank (I-Bank) must first find that the net present value of tax benefits of the 34<sup>th</sup> America's Cup to the State of California exceeds the net present value of tax increment it would forego from these sites.

- In 2011, the California Legislature adopted AB 418 (Assemblymember Tom Ammiano) authorizing the California State Lands Commission to approve a trust swap with Pier 70, allowing the public trust designation of land within the site to be rationalized to allow for development. The Port is negotiating with Forest City California, Inc. to develop the 25 acre Waterfront Site at Pier 70. The Port is negotiating separately to develop the Port's historic buildings along 20<sup>th</sup> Street with Orton Development, Inc.
- In 2008, and again in 2012, San Francisco voters approved investments through issuance of general obligation bonds totaling \$68 million in the development of a network of waterfront parks from Fisherman's Wharf to Heron's Head Park adjacent to Pier 96.

## B.2 Infrastructure Financing Districts

Building on the authority granted by state legislation and working with the San Francisco Board of Supervisors, the Port is now in the process of forming a second Port Infrastructure Financing District.<sup>13</sup> Government Code Sections 53395 et seq. ("IFD Law") allow public agencies to finance public infrastructure improvements by capturing and bonding against property tax increment generated in the IFD after it is established. To do so, the public agency must follow a multi-step process that includes approval of a financing and infrastructure plan by the Board of Supervisors.

IFD Law was crafted to allow IFDs to function much like redevelopment project areas. In this regard, IFDs do not increase tax rates; rather, they rely on increases in the property tax base within the IFD. Like redevelopment, the fundamental justification for tax increment financing is the notion that but for public and private investment made possible by tax increment financing, development and the resulting property tax increases would not occur. In contrast to redevelopment law, the IFD Law does not require the public agency to make a finding of blight or require a set-aside of a portion of the tax increment for affordable housing (except when the projects to be financed through the IFD displace housing).

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<sup>13</sup> IFDs function in a manner similar to redevelopment, by allowing local jurisdictions to establish a geographical district within which all growth in property and possessory interest tax above an established base year (typically referred to as "tax increment") can be pledged to service debt on bonds issued to fund capital improvements of communitywide significance. Note that although this mechanism uses property tax increment, it does not rely on a redevelopment agency structure and is not impacted by the recent elimination of redevelopment agencies in California.

By Resolution 110-12, the Board of Supervisors adopted a Resolution of Intention to Establish an Infrastructure Financing District for the City and County of San Francisco (Infrastructure Financing District No. 2, the “District”) for multiple sites on Port property, including Seawall Lot (SWL) 330, Piers 30-32, Pier 26, Pier 28, Pier 48, and Pier 70. Resolution 227-12 amended the District to include SWL 351 as a project area.

Port staff will likely recommend removal of Piers 26 and 28 from the District, because these piers are no longer likely development sites. Concurrent with recommending a Disposition and Development Agreement for the proposed development of SWL 337 and Pier 48 in conjunction with the Port’s development partner, Port staff will recommend that the Board of Supervisors amend Resolution 227-12 to include SWL 337. Concurrent with recommending a Disposition and Development Agreement for the Pier 70 Waterfront Site, it is likely that Port staff will also recommend adding 3 acres of adjacent private property owned by Pacific Gas and Electric, Inc. to the Pier 70 project area.

As Port staff advances individual development projects, there will be an associated Infrastructure Finance Plan for the Board’s consideration as the next step in forming the District. The Finance Plan will include a detailed description of the development plan for each project area and specify the type of projects eligible for IFD monies and the estimated value of the tax increment over the life of the projects. The development projects currently being negotiated are summarized below.<sup>14</sup>

In 2013, the Board of Supervisors adopted Resolution 123-13, adopting Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land Under the Jurisdiction of the San Francisco Port Commission (Port IFD Guidelines). Consistent with IFD law applicable to the proposed Port IFD, proposed uses of the Port IFD proceeds can include:

- Repairs and upgrades to piers, docks and wharves and the Port’s seawall;
- Installation of piles, both to support piers and to support buildings where soil is subject to liquefaction;
- Parks and shoreline improvements, where the Port has been unable to secure General Obligation bond funding to fund new parks;
- Utility infrastructure, including utility requirements to comply with standards imposed by the Regional Water Quality Control Board and/or the Bay Area Air Quality Management District;
- Streets and sidewalks;
- Seismic upgrades and improvements to the City’s seawall and other measures to address sea level rise;
- Environmental remediation;

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<sup>14</sup> Each of the development projects is subject to ongoing real estate negotiations which include the allocation of IFD to infrastructure costs. When City staff publishes each project term sheet for public review and consideration by the Port Commission and the Board of Supervisors, City staff will publish more detailed cost information related to the use of IFD.

- Historic rehabilitation; and
- Improvements to Port maritime facilities.

The Port IFD Guidelines establish minimum criteria regarding the formation of IFD project areas on Port property. These guidelines can be found in Appendix C. IFD Law is the subject of frequent legislative action in wake of California's repeal of community redevelopment law. This year, Governor Jerry Brown has signaled his openness to amendments to IFD Law that would permit its use for affordable housing in addition to infrastructure and facilities of communitywide significance. If the Legislature enacts such a change (or similar changes), the Port and the Board of Supervisors may need to consider further amendments to the Port IFD Guidelines.

### B.3 Development Projects

Since the 1970s, the Port's primary tool for redeveloping property has been public-private partnerships. In exchange for long-term leases (50-66 years) and other financial consideration (including rent credits, land value and IFD tax increment, for example), private developers assume much of the responsibility for rehabilitating and improving Port property for designated uses. This includes upgrades to meet current seismic building code requirements, repairs to adjoining segments of the seawall, and climate change adaptation improvements. The Port typically limits its contribution to development projects to existing facility improvements, along with Port staff, attorneys, and other consultants needed to coordinate and assist the developer. By engaging a development partner and allowing them to make a reasonable return on their investment, the Port is able to generate substantially more resources to address the Port's backlog of capital investment needs.

As noted in Table 2, development projects are forecast to be the largest financial source to address both state-of-good-repair (\$119 million) and enhancement (\$176.1 million) in the plan. The vast majority of enhancements that are contemplated are investments in new, publicly-owned parks and infrastructure, largely to support new neighborhoods planned at SWL 337 and Pier 70. A portion of expenditures on enhancements will also address seismic conditions.

The Port is engaged in an exclusive negotiations process with a private investor or partner in several project areas. The developers will make significant investments to rehabilitate and enhance these properties; however, the ten-year plan reflects only that portion of the investment necessary to repair or replace facilities to continue operating them for their current use, or for enhancements that benefit the general public. Funding for these projects may come from a number of both private and public sources; however, for purposes of this plan, all development project generated funds are shown on a single line item in Table 2.

Two of these projects (SWL 337 and Pier 70 Waterfront Site) involve proposed height increases that are likely to be subject to significant local debate. SWL 337 and the Pier 70 Waterfront Site are just starting the process of environmental review and urban design planning.

The teams working on these projects plan to entitle them within the current real estate market cycle. If any of the projects are not entitled within expected timeframes, Port staff will make corresponding adjustments to future capital plans.

**Pier 70 Area:** Pier 70 is located on San Francisco's Central Waterfront, an approximately 65-acre site, generally between 18th and 22nd Streets, east of Illinois Street. For over 150 years, some portion of the site has been in use for ship building and repair or steel production, as well as for other supporting heavy industrial uses. The Port completed an environmental investigation and risk assessment of the project area. Findings from the completed risk assessment do not indicate any immediate need for soil or groundwater remediation. Following a three-year community planning process, the Port Commission endorsed the Pier 70 Master Plan in May 2010. The Plan balances sustained ship repair, historic preservation, new waterfront parks and new development. It identifies over 3 million square feet of new building potential and 700,000 square feet of buildings to be rehabilitated. On April 17, 2014, the National Park Service approved the Port's nomination for the Union Iron Works Historic District at Pier 70 and listed the district in the National Register of Historic Places. Port staff continues to work with the State Lands Commission on public trust matters that impact the Pier 70 area.

The Port Commission authorized a developer solicitation for the Waterfront Site as well as a second solicitation for Historic Buildings:

**Pier 70 Waterfront Site:** Following a competitive process, the Port Commission selected Forest City California, Inc. as its development partner for the Waterfront Site and on July 12, 2011 authorized an ENA. This project area requires significant infrastructure investment and new land use approvals to redeploy a largely vacant portion of Pier 70 for new uses in new buildings. The ENA provides for a five-year period to develop plans for the project, negotiate required agreements, and secure required approvals. In May 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental deal terms for the project. The Board of Supervisors, in June 2013, added its endorsement of the term sheet and, in accordance with Administrative Code, Chapter 29, determined the proposed development fiscally feasible. Negotiations between the Port and the developer continue on the transaction details and documents, including the ground leases, the development and disposition agreement and financing plans.

In response to Proposition B (June 2014), Forest City redesigned its development concept for the Waterfront Site and drafted and qualified Proposition F for voter consideration on the November 4, 2014 ballot. As described above, San Francisco voters approved Proposition F to increase site zoning from 40 to 90 feet, which is not higher than the tallest point at the tallest historic building already at this project site. Subject to all required public review processes, this initiative encourages a development project and sets policy direction for identified major uses and supporting infrastructure improvements. The measure sets forth major uses to include: (i) nine acres of waterfront parks, playgrounds and recreation opportunities on and adjacent to the Project Site; (ii) below market-rate homes, representing 30% of all new housing units; (iii) construction of between approximately 1,000 and 2,000 new housing units, a majority of which will be

rental homes; (iv) restoration and reuse of currently deteriorating historic structures essential to the creation of a new Union Iron Works Historic District; (v) substantial new and renovated space for arts, cultural, small-scale manufacturing, local retail and neighborhood services; (vi) preservation of the artist community currently located in the Noonan Building; (vii) between approximately 1,000,000 and 2,000,000 square feet of new commercial and office space (which is in addition to reuse of historic structures); and (viii) accessory parking facilities and other transportation infrastructure.

Forest City's development concept for the Waterfront Site is subject to review and approval under CEQA. Forest City has filed an environmental application for CEQA review which commenced in late 2014, with potential consideration of final transaction documents and a Waterfront Site Special Use District by the Port Commission, the Planning Commission and the Board of Supervisors in 2016.

**20th Street Historic Buildings:** The 20th Street Historic Buildings are six buildings on or near 20th Street at Pier 70. These historic resources, some dating to the 1880s, are in need of substantial investment to return to active use. Following a competitive solicitation process, in May 2012, the Port entered into an exclusive negotiations agreement with Orton Development Inc. for a public/private partnership to rehabilitate these buildings. In September 2014, the project's Lease Disposition and Development Agreement ("LDDA") was executed. The LDDA is the document that describes the obligations of each party to implement the rehabilitation project including a detailed schedule of performance describing a phased construction schedule.

The Port and Orton Development expect to close escrow and execute a lease to convey the site to Orton in 2015. In total, these buildings have over 250,000 square feet of building space with potential in some cases, for additional mezzanine construction. The current capital cost estimate is \$76 million. The Port will contribute \$1.5 million to the project (repositioning funds previously committed to a temporary shoring of one of the buildings). Orton will invest up to \$14 million of equity in the project and secure the remainder of the funding from leasehold mortgage, historic tax credit investors and a Seismic Safety Loan administered by the Mayor's Office of Housing and Community Development. The Port defers its rent from the project until Orton's equity investment is repaid.

**BAE Ship Repair:** The BAE Ship Repair leasehold is 15.1 acres of leasable land and 17.4 acres of leasable water on the northeastern edge of Piers 68 and 70. It includes 19 buildings, six functional cranes, and two floating drydocks. It is under a lease to BAE generating approximately \$1.8 million dollars in annual revenues to the Port. A capital improvement plan is being developed for further improvements to infrastructure that will sustain the Ship Repair facility for the next 25 years. These improvements will be reflected in future capital plans upon completion of negotiations with BAE.

**Seawall Lot 337 & Pier 48:** In September 2010, following a one-year community planning and developer selection process, the Port entered into an exclusive negotiation agreement (ENA)

with Seawall Lot 337 Associates, LLC (an affiliate of the San Francisco Giants) for the mixed-use development of Seawall Lot 337 (SWL 337) and the adjacent Pier 48. Pursuant to the ENA, the developer submitted its Revised Proposal in March 2012 which contemplates a flexible mixed-use development at the site balancing residential, office, retail, exhibition and parking uses distributed over a network of city blocks – with expectation that the combination of uses will evolve to meet market demands and to reflect community and regulatory concerns, and be responsive to certain requirements to ensure mixed-use diversity.

In March 2013, the Port Commission endorsed a non-binding term sheet describing the fundamental negotiated elements and proposed financial terms for the lease and development of the project site and, in May 2013, the Board of Supervisors added its endorsement of the term sheet and also found the proposed development to be fiscally feasible under Administrative Code, Chapter 29. Following these approvals, the ENA allows the developer three years to complete the project entitlement process. The total cost of the project, as planned, is estimated at \$1.8 billion.

The project team is pursuing project entitlements including a thorough environmental review in accordance with the California Environmental Quality Act ("CEQA"). The Port anticipates that this project could generate new lease revenues and result in higher property values. The project schedule previously anticipated completing the CEQA process and gaining project approvals in early 2015 with lease payments commencing on sub parcels beginning in 2016. However, Proposition B (June 2014) requires voter approval of the height increases required for the project, as proposed (per the non-binding terms endorsed by the Port and City). In light of Proposition B, Seawall Lot 337 Associates, LLC is re-examining the proposed heights and density with the expectation that the Project would be presented to the voters for approval on a future ballot.

**8 Washington/Seawall Lot 351:** This two-thirds of an acre site is currently a surface parking lot located along the Ferry Building waterfront at The Embarcadero and Washington Street. It is to be merged with the adjacent 2½ acre tennis and swim club property in a \$345 million residential-commercial development agreement between the Port and San Francisco Waterfront Partners ("SFWP"), including dedicated public parking for the Ferry Building area, improvements to approximately ½ acre of public open space and \$5 million in public funding for sidewalk widening and street furnishings recommended in the Northeast Embarcadero Study ("NES").

As described above, the approved project is the subject of a recently passed legislative referendum rescinding the increase in building height granted the development. SFWP, therefore, is considering its options to reevaluate the proposed development, including project funding structure. The Port is awaiting the developer's decision on proceeding with this project following its reevaluation.

**Pier 38 Bulkhead Rehabilitation:** Pursuant to Port Commission authorization, the Port issued a request for proposals ("RFP") for the Pier 38 Bulkhead in November 2012, seeking a development entity to rehabilitate the Pier 38 bulkhead building and limited shed improvements for re-occupancy in the near-term. Responses were received in March 2013 and the Port

Commission selected TMG Partners in December 2013. Lease negotiations consistent with the Port Commission's goal to expeditiously rehabilitate and re-tenant the bulkhead building are nearing completion. Under the proposed agreement, TMG would invest approximately \$7.2 million to correct code violations, improve public access and upgrade the float on the north side of the pier. The Port expects the lease to commence in 2015.

#### **B.4 General Obligation Bonds**

The Port Commission and Port staff remain grateful for the infusion of funding approved by voters to create waterfront open space through the 2008 and 2012 Clean and Safe Waterfront Parks General Obligation Bonds. The following bond-funded projects, totaling \$34.7 million are in various stages of conceptual development and permitting:

- **Crane Cove Park, Phase 1:** Crane Cove Park is an approximately 9 acre Blue Greenway waterfront park located in the Central Waterfront generally between 19th and Mariposa Streets east of Illinois Street. Initial park concepts include shoreline cleanup and stabilization, restoration of historic cranes, historic interpretation, bay access, and a facility for human powered boats. The total cost for the entire project is expected to be \$45 million dollars, which is greater than the current available funding. As a result, the project will be phased as funding is secured. Available funding for the 1st phase of the project is \$23.3 million, including (a) \$10 million from 2008 Clean and Safe Neighborhood Park G.O. Bonds, (b) \$10 million from 2012 Clean and Safe Neighborhood Parks G.O. Bonds, (c) \$1 million from grants from the Metropolitan Transportation Commission and California Coastal Conservancy, and (d) \$3.3 million in other Port funds.

This Blue Greenway Project benefits from significant planning conducted through the development of the Port's Pier 70 Preferred Master Plan and the Blue Greenway Planning and Design Guidelines community planning process. The Park Master Plan and Schematic Design were approved by the City's Waterfront Design Advisory Committee and the BCDC Design Review Board in July 2014. Phase 1 of the project, comprising approximately 5 acres, will start construction in 2016 and is expected to be complete by 2017.

- **Bayview Gateway:** The \$3.9 million Bayview Gateway Project will create a new one acre public open space along the southern bank of Islais Creek in San Francisco's southeast waterfront. The project site is bound by Islais Creek on the north, Cargo Way on the south, 3rd Street on the west, and Illinois Street on the east. The project will demolish the existing timber wharf, rehabilitate the seawall, and transform the asphalt lot into a public park with walkways, plaza spaces and green spaces from which to enjoy the Bay. In addition, the project will serve as both a gateway to and an amenity for the Bayview neighborhood. The project is under construction, and is expected to be completed in 2015.

- **Agua Vista Park:** The \$2.5 million 20,000 square foot Aqua Vista park within 2,000 linear feet of shoreline access will be renovated and connected to the recently improved edge of Bayfront Park (with 2008 Neighborhood Parks bond proceeds). When completed, Aqua Vista Park and the future Bayfront Park combined are expected to include 2,000 linear feet of new shoreline access, continuous walking and bike paths, and dramatic views of ships being worked on at the Pier 70 ship yard and dry dock. Improvements may include new pathways, seating areas, interpretation and fishing facility improvements. Aqua Vista is a waterfront park at the southern edge of Mission Bay located on Terry Francois Boulevard at 16th Street that was originally improved in the 1970s. The project is expected to be completed in 2017.
- **Islais Creek Improvements:** The Islais Creek Shoreline Access improvement project is expected to complete the pathway system along the northern shore of Islais Creek from I-280 to Illinois Street. New public access would connect the Islais Creek Promenade at Tennessee Street to the historic Third Street Bridge. Improvements budgeted at \$2 million are expected to include a new waterfront walkway and scenic look out points. This site currently is partially unimproved, but improvements would close a gap in the Islais Creek system of open spaces, the Blue Greenway, and Bay Trail. The project is expected to be completed in 2017.
- **Warm Water Cove Park:** This existing 2 acre park is located along the bay's edge. Currently, it has a walking path, sitting areas, and native shoreline plantings. This park is expected to be renovated and expanded as a bay-side open space for gathering, walking, picnicking and historic interpretation, at a cost of \$1.5 million. Originally improved in the 1970s, the park is in need of new plantings, site furnishings, pathways and lighting. The park also is expected to be expanded to connect with 25th Street to close a gap in the Blue Greenway and San Francisco Bay Trail network. The project is expected to be completed in 2017.
- **Fisherman's Wharf Plaza:** The Port and the San Francisco Bay Conservation and Development Commission are conducting a community planning process to define improvements for a public plaza in Fisherman's Wharf. Improvements will complement the existing Pier 43 Bay Trail Promenade. The area will offer places to sit, picnic or stroll, along with dramatic views of the historic Pier 43 Ferry Arch and Alcatraz Island. The \$1.5 million plaza will be in the heart of Fisherman's Wharf, connecting and expanding upon shoreline open space.

#### B.5 Grants, Direct Appropriations and Other Funding Sources

As part of the plan of finance for the Port's capital requirements, Port staff is working with local, state, and federal governments and organizations to identify and secure grants and other contributions. Table 2 above lists several sources of funding that will support both state-of-good-repair and enhancement projects.

- **U.S. Department of Transportation, Federal Railway Administration** – In 2012 the Port was awarded \$3 million to improve reliability and efficiency of rail movement through

track and switching upgrades to the Port's primary rail spur, the Quint Street Lead. The award is strategically important for the Port, as it supports the larger goal of (and is a necessary component to) creating a robust export terminal at Pier 96 serviced by six-axle locomotives. The project assumes iron ore as the export commodity, with appropriate weight capacity and resiliency built in to associated infrastructure improvements. The remaining \$3.8 million in funding (which includes \$1 million in additional Port capital funds allocated by this year's proposed supplemental appropriation) will be expended by the Port in FY2016.

- ***USACE, Continuing Authorities Program Section 107, Central Basin Dredging*** – The Central Basin is the approach to the Pier 70 Shipyard's primary drydock facility. Dredging of this area is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under Continuing Authorities Program Section 107. A 35' depth Central Basin dredge project has been approved and is scheduled for construction in 2016. The Army Corps will provide up to \$10 million in federal funding, which is 63 percent of the \$15.8 million estimated cost of the dredge project. The Port's proposed supplemental appropriation for this year includes \$2.9 million and BAE will provide \$2.9 million to fund the project, providing for a \$5.8 million local match. After this initial dredge, the Army Corps will then assume all costs for future dredging of the Central Basin, which will require several million dollars of federal funding every decade..
- ***USACE, Water Resources Development Act of 2007 (WRDA07)*** – In 2006, Port staff worked with Mayor Gavin Newsom's Office to successfully petition the Office of House of Representatives Speaker Nancy Pelosi to carry a new bill for federal authorization of a number of the Port's facilities. WRDA07 was approved by Congress and, in Section 5051 authorizes USACE, in cooperation with the Port of San Francisco, to seek appropriation of \$25 million for "...repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port's redevelopment plan." In 2011, Congress appropriated \$4.8 million of this authorization for removal of Pier 36, leaving \$20.2 million in authorization remaining. All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

In 2008 Congress placed a hold on project-based authorization, determining them to be "earmarks." As of the writing of this plan, the United States Congress continues to operate under a two-year moratorium on congressionally directed spending, i.e., direct "project" funding. However, because this moratorium has a differential impact across funding sources – in particular, the budget for the USACE is more affected than others – there is a great deal of speculation that the definition of "earmark" may be revised. The Capital Plan assumes that the remaining authorization of \$20.2 million will be appropriated in the FY2020-24 period.

- Department of Homeland Security, Port Security Grants*** – Since 2007, the Port’s Homeland Security Division has applied for and been awarded over \$28 million in State and Federal Port Security grant Programs. Over the next five years, the Port plans to apply for an additional \$6.3 million in federal funding provided by FEMA under the PSGP (Port Security Grant Program). PSGP funding will provide enhanced security capabilities, establish boundaries, and provide controlled access where required and authorized, as well as enhance threat detection and prevention, and increase security measures for berth and passenger terminals that are consistent with Department of Homeland Security and United States Coast Guard requirements. It is expected that FEMA will continue to require a 25 percent match, which the Port will provide from the capital budget. Individual security projects may include lighting, high security fencing, closed-circuit television (CCTV) cameras, intrusion detection systems, and vessels.
- San Francisco Bay Area Water Emergency Transportation Authority (WETA)*** – WETA is proposing to utilize federal and state funding to support a two-phased project to improve the Downtown Ferry Terminal (DTFT) at the San Francisco Ferry Building. WETA and the Port have entered into a Memorandum of Understanding (MOU) to undertake a coordinated planning effort for the DTFT expansion project in accordance with the Port’s objectives for stewardship of the San Francisco waterfront and WETA’s mission to provide ferry service and emergency operations. The project would expand the number of ferry gates, improve pedestrian circulation and ferry patron boarding, and enhance emergency response capabilities to evacuate people from San Francisco in the event of a major catastrophic event. The remaining work in the project plan includes funding from state and local sources, including California Proposition 1B, Proposition K (½ cent sales tax) and RM2 (bridge tolls) and addresses \$7.6 million in state-of-good-repair and \$2.1 million in seismic needs.

The Water Emergency Transportation Authority (“WETA”) is now pursuing Phase 2 of the Downtown Ferry Terminal to add up to three new ferry gates, weather-protected areas for queuing, and a new public plaza between the Ferry Building and the Agriculture Building, which also will support emergency staging and evacuation in the event of a major catastrophe. Construction of Phase 2, at an estimated cost of \$97 million, is expected to begin in 2016 and be completed by 2020.
- Environmental Clean-up and Open Space Projects*** – As part of a settlement agreement with the Cosco Busan following a collision with the Bay Bridge in 2012, the Port and Department of Recreation and Parks were awarded \$1.37 million in funding to be used for environmental clean-up and open space projects. The Port will use its \$685,000 share of the award to stabilize the shoreline at the future site of Crane Cove Park in the Port’s Pier 70 area.
- California Coastal Conservancy Grant*** – The California Coastal Conservancy has awarded the Port \$620,000 for repair to the Port’s historic Copra Crane, and for related removal of portions of Pier 84. The Copra Crane, operated by Longshoremen, was last utilized in 1974 to remove copra (dried coconut) imported from the Philippines from cargo vessels. It is an important part of Port labor history, as it is the last remnant of

manually operated machinery for loading and unloading cargo on the San Francisco waterfront.

Table 2 lists several additional sources of funding that the Port staff has identified, but not yet secured, that could contribute significantly to future capital plans. Staff will make a concerted effort to realize these funding sources.

- ***City Match to USACE WRDA 2020, Seawall Repair*** – Though WRDA legislation is intended to be biennial, as a matter of practice these new authorizations are passed into law much less frequently. For the next WRDA, Port staff will submit language to amend the Port’s existing WRDA07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings. This Authorization assumes a conservative estimate of \$60 million for a comprehensive rehabilitation and modernization of the San Francisco seawall. The USACE share of this project would be two-thirds, or \$40 million. The balance of funds, or local match for the seawall rehabilitation described above, is one-third, or \$20 million. Because this capital requirement is so high relative to the Port’s capital budget, and because the beneficiaries of this project extend far beyond the Port, the plan assumes that financing for the local share of the project would come from a general fund source that recognizes its City-wide benefit.

#### B.6 Transferrable Development Rights

Each of the pier sheds and associated bulkhead buildings on the Port's historic finger piers are collectively recognized as part of the Embarcadero Waterfront Historic District listed on the National Register of Historic Places. Any alteration or historic rehabilitation undertaken for these resources is required under Port Commission policy to comply with U.S. Secretary of the Interior Standards for Historic Rehabilitation (Secretary Standards). The Port has relied on the Federal Historic Tax Credit Program as one essential financing tool to assist in paying for the high cost of rehabilitation to meet the Secretary Standards. However, given the age of the piers and increasing costs of repair, structural and/or seismic interventions necessary to meet current codes, other financing strategies are required to save these historic resources and continue the Port's waterfront revitalization efforts.

The Port has initiated discussions with the Board of Supervisors, Planning Department, San Francisco Architectural Heritage and other preservation stakeholders to consider allowing the City's Transfer of Development Rights (TDR) program to be applied to historic rehabilitation projects defined by the Port Commission that would rehabilitate historic resources in the Embarcadero Historic District. TDR is an historic preservation incentive tool that allows unused development air rights on sites containing recognized historic resources of public value to be sold and applied to other development "receptor" sites. The City's TDR program requirements and provisions are contained in the San Francisco Planning Code and administered by the San Francisco Planning Department. Any historic building that receives benefit from the TDR program would require that the allowable development of that site be reduced by the amount sold through the TDR program.

The Port sees TDR as an important financing tool that could generate significant funding to support historic rehabilitation costs of its historic pier resources, particularly at Piers 19, 23 and 29 in the Northern Waterfront.

In 2013, the Port participated with City Planning in a study of the current program to determine how the current TDR market is functioning and to what extent the addition of Port piers into the program would impact the existing market. The study concluded that there is some limited capacity in the local TDR market for addition of publicly-owned buildings, and that the City should remain open to the Port's proposal to use TDR for Piers 19, 23 and 29.

In 2013, the Planning Department and Capital Planning Committee endorsed the use of TDR for designated historic Civic Center Buildings including the War Memorial, only the second time in the history of the program that TDR has been used to help finance rehabilitation of publicly-owned historic buildings. The Planning Department and the Capital Planning Committee have determined that further use of TDR for publicly-owned buildings (including the Port's piers) should wait until market impacts of the War Memorial TDR allocation can be determined.

If the War Memorial allocation indicates that there is sufficient market demand to accommodate the Port's finger piers, the Board of Supervisors would have to adopt legislation authorizing the Port to participate in the TDR program. The Port has already succeeded in gaining State authorization to participate in the local TDR program through enactment of AB 2649 (Assemblymember Tom Ammiano).

## VII. CONCLUSIONS

The Port's Ten-Year Capital Plan continues to evolve since its inception nine years ago. The Port has employed the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Since the first plan in 2006, the Port has used this document to guide a total in investment exceeding \$220 million in non-developer funding. Still, a persistent gap remains between the Port's available resources and its ever growing need. It is a clear challenge, but one the Port has demonstrated it has the fortitude as an institution to meet. While the plan is a forward looking document, it is our history of continual improvement that has generated opportunity for growth, and leveraged even greater opportunity. The plan was integral to the Port's issuance of its revenue bonds as well as to the Port's preparations for the 34<sup>th</sup> America's Cup. It provides a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences.

As a road-map, the plan has enabled stronger application for federal grant funding, and stronger footing for inclusion in future City-sponsored general obligation bonds. The plan also served a vital role in supporting legislative changes to the Port's ability to develop Seawall Lot 337 and Pier 70 by securing tax increment to pay for public infrastructure investments in these proposed development project areas.

The Port's review of the Waterfront Land Use Plan highlighted that the Port is more unified with its waterfront than it has ever been, with industry, commerce and residence all existing in a harmony of contrasts. A South Beach resident might walk from her home to attend a San Francisco Giants game, and between innings, watch from her seat as one of the largest ships in the world is lifted out of the water for repair at the Port's Pier 70 shipyard. However united we are as a Port, we continue to need to grow in our connection with those away from the shore.

The controversy around height limits that so dominated discussion around the waterfront in 2014 changed the prism through which the Port must view development. With the passage of Proposition B, the community that is actively weighing in on the Port's development is no longer nearby and neighborhood in character, but rather an entire City of civic-minded voters. Moving forward, the Port must be ever mindful of the larger presence our work has in the San Francisco consciousness.

The next big capital planning challenge for the Port is to involve sister City agencies and regulatory partners in examining the Port's 100-year-old seawall to address its structural stability facing both a seismic event and future sea level rise. The long-range improvements to the City's seawall and marginal wharf will require a coordinated planning and funding strategy that will need to be reflected in future updates of the Port's Capital Plan.

Finally, the preliminary success of the Port-BCDC planning study and the Port's desire to reposition its northern waterfront piers for different uses through a public process underscore the need for strong public outreach and comprehensive planning. The Port must always take care to

ensure that there is a strong local and regional public consensus regarding the future of one of the most beautiful public waterfronts in the world.

## APPENDIX A – Ten-Year Capital Needs, By Facility

### Definitions

*Building Type:* This is the fundamental structure type, where a ‘simple’ building is a warehouse or garage structure with limited subsystems, a ‘basic’ building is a standard commercial structure with appropriate subsystems, ‘small’ buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a ‘pier’ is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

*Backlog:* The accumulation of all overdue needed repair work, as of year one of this Plan.

*Ten-Year Renewals:* Costs for replacing building subsystems that will reach the end of their life between year one and year ten of this plan.

*One-Time Costs:* Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
000	Leased Piers	Port Wide	\$0	\$46,664	\$0	\$46,664
0000	Equipment	BASIC	\$0	\$0	\$10,664	\$10,664
0000	Port-wide Projects	Port Wide	\$0	\$324,482	\$208,220	\$532,702
1001	Downtown Ferry Terminal	BASIC	\$760	\$0	\$2,621	\$3,381
1010	Pier 1	Piers	\$0	\$88	\$0	\$88
1010	Pier 1 - Office Building	BASIC	\$0	\$3,481	\$0	\$3,481
1015	Pier 1 1/2	Piers	\$0	\$0	\$0	\$0
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	\$0	\$467	\$0	\$467
1020	Pier 2	Piers	\$4,631	\$0	\$2,210	\$6,841
1030	Pier 3	Piers	\$8,476	\$0	\$6,558	\$15,034
1030	Pier 3 - Bulkhead/Shed Building	BASIC	\$0	\$754	\$0	\$754
1050	Pier 5	Piers	\$0	\$0	\$0	\$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	\$0	\$553	\$0	\$553
1070	Pier 7 Public Pier	Piers	\$0	\$0	\$0	\$0
1075	Pier 7 - The Waterfront Restaurant	BASIC	\$319	\$113	\$178	\$609
1075	Pier 7 1/2	Piers	\$0	\$0	\$0	\$0
1090	Pier 9	Piers	\$12,724	\$0	\$10,590	\$23,314
1090	Pier 9 Bulkhead/Shed Building	BASIC	\$9,580	\$7,044	\$3,780	\$20,404
1095	Pier 9 1/2	Piers	\$835	\$0	\$687	\$1,522
1140	Pier 14 (Public Pier)	Piers	\$0	\$0	\$0	\$0
1150	Pier 15	Piers	\$141	\$0	\$0	\$141
1150	Pier 15 - Bulkhead/Shed Building (contains trailer)	SIMPLE	\$3,239	\$597	\$4,098	\$7,934
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	\$0	\$0	\$0	\$0
1155	Pier 15/17 Valley - demolition	Piers	\$9,527	\$0	\$0	\$9,527
1170	Pier 17	Piers	\$105	\$0	\$0	\$105
1170	Pier 17 - Shed Building	SIMPLE	\$3,350	\$883	\$3,439	\$7,672
1175	Pier 17 1/2	Piers	\$1,552	\$0	\$510	\$2,062

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1190	Pier 19	Piers	\$4,415	\$0	\$6,850	\$11,265
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	\$1,416	\$179	\$2,882	\$4,477
1195	Pier 19 1/2	Piers	\$5,522	\$0	\$3,049	\$8,571
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	\$671	\$82	\$1,289	\$2,043
1225	Pier 22 1/2	Piers	\$2,483	\$0	\$1,074	\$3,557
1225	Pier 22 1/2 - Fire Station	BASIC	\$715	\$0	\$146	\$861
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	\$0	\$0	\$0	\$0
1230	Pier 23	Piers	\$6,557	\$0	\$10,870	\$17,427
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	\$666	\$0	\$2,956	\$3,622
1235	Pier 23 1/2	Piers	\$3,068	\$0	\$504	\$3,572
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	\$0	\$0	\$0	\$0
1245	Pier 24 1/2	Piers	\$4,723	\$0	\$3,701	\$8,424
1245	Pier 24 1/2 -Bulkhead/Shed Building	SIMPLE	\$647	\$0	\$824	\$1,471
1260	Pier 26	Piers	\$16,147	\$0	\$16,224	\$32,371
1260	Pier 26 - Bulkhead/Shed	SIMPLE	\$3,141	\$2,349	\$3,786	\$9,276
1265	Pier 26 1/2	Piers	\$3,558	\$0	\$2,869	\$6,427
1265	Pier 26.5 - Bulkhead	BASIC	\$2,330	\$952	\$0	\$3,282
1270	Pier 27	Piers	\$0	\$0	\$0	\$0
1270	Pier 27 - Office Annex	SMALL	\$588	\$0	\$0	\$588
1280	Pier 28	Piers	\$10,371	\$0	\$15,303	\$25,674
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	\$2,465	\$405	\$2,266	\$5,136
1285	Pier 28 1/2	Piers	\$510	\$0	\$387	\$897
1285	Pier 28 1/2 - Hivive Restaurant	SMALL	\$216	\$0	\$0	\$216
1290	Pier 29	Piers	\$10,207	\$0	\$0	\$10,207
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	\$0	\$0	\$4,564	\$4,564
1295	Pier 29 1/2	Piers	\$0	\$0	\$0	\$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	\$1,508	\$100	\$1,547	\$3,155
1310	Pier 31	Piers	\$5,132	\$0	\$17,408	\$22,540
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	\$3,145	\$1,446	\$2,801	\$7,393
1315	Pier 31 1/2	Piers	\$3,834	\$0	\$3,152	\$6,986
1320	Pier 30 and 32	Piers	\$43,903	\$295	\$57,582	\$101,780
1325	Pier 32 1/2 Marginal Wharf (Brannan St)	Piers	\$0	\$0	\$0	\$0
1330	Pier 33	Piers	\$6,801	\$0	\$11,337	\$18,138
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	\$2,055	\$1,951	\$2,620	\$6,625
1335	Pier 33 1/2	Piers	\$0	\$0	\$495	\$495
1335	Pier 33 1/2 - Bulkhead Building	BASIC	\$114	\$0	\$0	\$114
1345	Pier 34 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	\$5,801	\$13,836	\$5,372	\$25,008
1350	Pier 35 Cruise Terminal	Piers	\$42,791	\$274	\$10,031	\$53,095
1355	Pier 35 1/2	Piers	\$0	\$0	\$5,402	\$5,402
1380	Pier 38	Piers	\$19,106	\$0	\$16,933	\$36,039
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	\$411	\$1,850	\$3,269	\$5,531
1385	Pier 38 1/2	Piers	\$656	\$0	\$539	\$1,195
1390	Pier 39	Piers	\$0	\$0	\$0	\$0
1390	Pier 39 - Retail Shops	BASIC	\$4,337	\$4,879	\$7,699	\$16,915
1390	Pier 39 - Underwater World	BASIC	\$313	\$854	\$0	\$1,167
1395	Pier 39 1/2 Marginal Wharf	Piers	\$0	\$0	\$0	\$0
1400	Pier 40	Piers	\$5,487	\$0	\$10,887	\$16,374

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1400	Pier 40 - Shed Building	SIMPLE	\$274	\$728	\$1,353	\$2,356
1400	Pier 40 Restaurant & Robert Steck Chandlery	BASIC	\$55	\$228	\$235	\$519
1405	Pier 40 1/2 (S Beach Harbor Wharf)	Piers	\$2,899	\$0	\$477	\$3,376
1405	Pier 40 1/2 - Java House	SMALL	\$0	\$0	\$0	\$0
1410	Pier 41	Piers	\$0	\$0	\$3,376	\$3,376
1415	Pier 41 1/2	Piers	\$2,195	\$0	\$0	\$2,195
1415	Pier 41 1/2 – Blue & Gold Bldg.	BASIC	\$0	\$1,359	\$435	\$1,794
1430	Pier 43	Piers	\$0	\$0	\$316	\$316
1430	Pier 43 - Arch	SMALL	\$248	\$0	\$0	\$248
1435	Pier 43 1/2	Piers	\$0	\$0	\$0	\$0
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	\$659	\$267	\$421	\$1,347
1435	Pier 43 1/2 - Red & White Tours	SMALL	\$0	\$35	\$0	\$35
1450	Pier 45	Piers	\$1,130	\$2,696	\$0	\$3,825
1450	Pier 45 - Shed A	SIMPLE	\$732	\$1,447	\$2,133	\$4,312
1450	Pier 45 - Shed B	SIMPLE	\$736	\$1,455	\$2,145	\$4,336
1450	Pier 45 - Shed C	SIMPLE	\$1,033	\$1,210	\$2,184	\$4,427
1450	Pier 45 - Shed D	SIMPLE	\$728	\$1,252	\$1,937	\$3,916
1461	Pier 46B China Basin Ferry Terminal	Piers	\$958	\$0	\$0	\$958
1470	Pier 47 – Guardino's Storage Bldg	SMALL	\$0	\$64	\$0	\$64
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	\$0	\$0	\$0	\$0
1470	Pier 47 - Scoma Storage Bldg	SMALL	\$0	\$103	\$0	\$103
1470	Pier 47 – Scoma's Restaurant	BASIC	\$387	\$1,221	\$365	\$1,973
1470	Pier 47 – Scoma's Storage Shed	SMALL	\$0	\$0	\$0	\$0
1470	Pier 47 - Wharf J6, J7, J8	Piers	\$1,963	\$0	\$4,565	\$6,528
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	\$143	\$92	\$192	\$427
1480	Pier 48	Piers	\$10,461	\$0	\$1,598	\$12,059
1480	Pier 48 - Shed A	SIMPLE	\$2,031	\$443	\$0	\$2,474
1480	Pier 48 - Shed B	SIMPLE	\$2,086	\$455	\$0	\$2,542
1485	Pier 48 1/2 – Jelly's restaurant	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Alioto's Restaurant (Wharf J-1)	BASIC	\$0	\$436	\$355	\$791
1490	Pier 49 – Fisherman's Grotto No. 9 (Wharf J-1)	BASIC	\$0	\$678	\$552	\$1,230
1490	Pier 49 – Fisherman's Memorial Chapel	SMALL	\$0	\$166	\$0	\$166
1490	Pier 49 - Guardino's (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 -Sabella & LaTorre (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 – Tarantino's Restaurant (Wharf J-1)	BASIC	\$0	\$377	\$210	\$587
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	\$0	\$185	\$0	\$185
1490	Wharfs J-1 and J-3 (Pier 49)	Piers	\$0	\$906	\$3,485	\$4,391
1500	Pier 50	Piers	\$24,943	\$1,973	\$20,445	\$47,361
1500	Pier 50 - Shed A	SIMPLE	\$2,375	\$953	\$2,190	\$5,518
1500	Pier 50 - Shed B	SIMPLE	\$1,233	\$1,234	\$2,221	\$4,688
1500	Pier 50 - Shed C	SIMPLE	\$1,847	\$1,441	\$2,668	\$5,957
1500	Pier 50 - Shed D	SIMPLE	\$1,515	\$1,018	\$3,081	\$5,615
1505	Pier 50 1/2	Piers	\$0	\$0	\$393	\$393
1520	Pier 52	Piers	\$0	\$0	\$4,515	\$4,515

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1540	Pier 54	Piers	\$27,870	\$0	\$9,374	\$37,244
1540	Pier 54 - Office Bldg	SMALL	\$554	\$0	\$0	\$554
1540	Pier 54 - Oil Shed	SMALL	\$132	\$0	\$0	\$132
1540	Pier 54 - Shed Building	SIMPLE	\$433	\$350	\$725	\$1,508
1540	Pier 54 - Storage Shed	SMALL	\$0	\$0	\$0	\$0
1600	Pier 60 - Wharf - wood piles	Piers	\$1,218	\$0	\$527	\$1,745
1620	Third Street Bridge House	SMALL	\$0	\$27	\$0	\$27
1640	Pier 64	Piers	\$3,010	\$0	\$300	\$3,310
1645	Pier 64 1/2 Kelly Mission Rock Resort Restnt	BASIC	\$0	\$460	\$0	\$460
1680	Pier 68	Piers	\$7,919	\$43,104	\$7,855	\$58,878
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	\$0	\$66	\$0	\$66
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	\$0	\$0	\$9	\$9
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	\$0	\$0	\$70	\$70
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	\$308	\$0	\$241	\$549
1680	Pier 70 - Pier 68 - Building #149	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg.#38	SIMPLE	\$0	\$0	\$450	\$450
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	\$0	\$0	\$197	\$197
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	\$0	\$0	\$95	\$95
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	\$352	\$48	\$2,732	\$3,132
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	\$538	\$49	\$4,403	\$4,990
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	\$66	\$0	\$0	\$66
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	\$0	\$0	\$177	\$177
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	\$7,231	\$0	\$5,736	\$12,967
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	\$4,568	\$0	\$5,127	\$9,695
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg.- Bldg #111	BASIC	\$6,397	\$1,447	\$11,695	\$19,539
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	\$1,087	\$0	\$2,067	\$3,154
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	\$0	\$0	\$51	\$51
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	\$1,488	\$803	\$2,210	\$4,500
1680	Pier 70 - Pier 68 - Shipwright Building -#108	BASIC	\$6,733	\$0	\$11,937	\$18,670
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	\$0	\$102	\$0	\$102
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	\$0	\$0	\$157	\$157

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	\$331	\$0	\$1,124	\$1,455
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	\$0	\$0	\$87	\$87
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	\$0	\$0	\$500	\$500
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	\$0	\$0	\$1,000	\$1,000
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	\$0	\$0	\$25	\$25
1700	Pier 70	Piers	\$55,359	\$0	\$49,864	\$105,223
1800	Pier 80	Piers	\$11,505	\$1,468	\$67,804	\$80,777
1800	Pier 80 - Entry Canopy	SIMPLE	\$270	\$0	\$325	\$595
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	\$1,227	\$129	\$1,147	\$2,503
1800	Pier 80 - Office Bldg #2	SMALL	\$116	\$0	\$0	\$116
1800	Pier 80 - Service Building	SIMPLE	\$1,341	\$1,408	\$911	\$3,660
1800	Pier 80 - Shed A	SIMPLE	\$0	\$1,857	\$25,275	\$27,132
1800	Pier 80 - Shed D	SIMPLE	\$3,289	\$1,400	\$4,970	\$9,659
1800	Pier 80 - Terminal Office	SMALL	\$294	\$0	\$0	\$294
1800	Pier 80 Office Bldg #1	SMALL	\$116	\$0	\$0	\$116
1840	Copra Crane	BASIC	\$896	\$0	\$0	\$896
1900	Pier 90	Piers	\$11,737	\$0	\$0	\$11,737
1900	Pier 90 - Fire Department Building	BASIC	\$81	\$29	\$184	\$294
1900	Pier 90 - Maintenance Bldg	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Old Powerhouse	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Storage Bldg	SMALL	\$0	\$39	\$0	\$39
1900	Pier 90 - Truck Pits	SMALL	\$0	\$108	\$0	\$108
1920	Pier 92	Piers	\$4,483	\$0	\$0	\$4,483
1940	Pier 94 - 96 wharf area	Piers	\$5,582	\$0	\$8,387	\$13,969
1940	Pier 94 - Wharfside Building	SMALL	\$0	\$66	\$0	\$66
1960	Pier 96 - Administration Building	BASIC	\$1,147	\$633	\$457	\$2,236
1960	Pier 96 - Entry Canopy	SIMPLE	\$244	\$0	\$294	\$538
1960	Pier 96 - Exit Canopy	SIMPLE	\$145	\$0	\$174	\$319
1960	Pier 96 - Gatehouse Bldg	SMALL	\$0	\$240	\$0	\$240
1960	Pier 96 - Maintenance Building	BASIC	\$1,540	\$1,123	\$890	\$3,554
1960	Pier 96 - Office/Restroom	SMALL	\$0	\$0	\$0	\$0
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	\$2,626	\$4,865	\$5,483	\$12,974
1960	Pier 96 - Storage	SMALL	\$0	\$159	\$0	\$159
1960	Pier 96 - Truck Scales	SMALL	\$0	\$41	\$0	\$41
1980	Herons Head Park	BASIC	\$0	\$0	\$226	\$226
2000	Fac. 2000 - Ferry Plaza	Piers	\$633	\$390	\$0	\$1,024
2500	Hyde Street Pier	Piers	\$0	\$0	\$0	\$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	\$0	\$166	\$0	\$166
2505	Pier 50 Administration Building	BASIC	\$2,019	\$546	\$573	\$3,138
2740	Fac. 200 - World Trade Club Restaurant	BASIC	\$338	\$1,156	\$883	\$2,378
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	\$0	\$484	\$360	\$844
2750	Fac. 274-275 Ferry Building	BASIC	\$0	\$12,995	\$8,772	\$21,767
2750	Ferry Building: Fac. 274 - 275	Piers	\$0	\$0	\$0	\$0

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
2770	Pier 2 – Sinbad's	BASIC	\$0	\$0	\$0	\$0
2780	Fac. 278 Agriculture Bldg Substructure	Piers	\$5,668	\$0	\$3,107	\$8,775
2780	Fac. 278 Agriculture Building	BASIC	\$3,729	\$288	\$652	\$4,669
2800	Pier 80 Administration Building	BASIC	\$4,874	\$1,450	\$2,309	\$8,633
3010	SWL 301 - Andre Boudin Pavilion	SMALL	\$0	\$0	\$0	\$0
3010	SWL 301 - Andre Boudin Restaurant	BASIC	\$0	\$460	\$0	\$460
3020	Street - Pier 47, Fish Alley, Al Scoma Way	Street	\$417	\$0	\$0	\$417
3020	SWL 302 - Alioto Fish Co.	BASIC	\$0	\$1,735	\$465	\$2,200
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	\$0	\$142	\$0	\$142
3020	SWL 302 - Crab Boat Owners Asso.	BASIC	\$404	\$0	\$79	\$483
3020	SWL 302 - Firewood Cafe	BASIC	\$0	\$409	\$117	\$526
3020	SWL 302 – Pompei's Grotto	BASIC	\$0	\$324	\$121	\$445
3020	SWL 302 - Port Harbor Office	SMALL	\$0	\$63	\$0	\$63
3020	SWL 302 – Scoma's (Smoke House)	BASIC	\$0	\$177	\$141	\$318
3020	SWL 302 - United Shellfish Warehouse	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 Castagnola Rest.	BASIC	\$0	\$534	\$435	\$969
3020	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	\$0	\$485	\$615	\$1,100
3020	SWL 302 Costal Marine Retail Space	SMALL	\$0	\$301	\$0	\$301
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	\$0	\$610	\$0	\$610
3020	SWL 302 Franks Fisherman Supply	BASIC	\$102	\$431	\$241	\$773
3020	SWL 302 Substructure (Wharf J-9)	Piers	\$5,833	\$0	\$2,055	\$7,888
3020	SWL 302 United Shellfish Processing	SIMPLE	\$0	\$45	\$50	\$95
3030	Street - Hyde Alley, Fish Alley	Street	\$309	\$0	\$0	\$309
3030	SWL 302 Cal Shell Fish Shed	SMALL	\$0	\$122	\$0	\$122
3030	SWL 303 - Alioto Fish Co,	BASIC	\$266	\$710	\$216	\$1,192
3030	SWL 303 - Cal Shell Fish	BASIC	\$156	\$172	\$144	\$472
3030	SWL 303 – Cioppino's/(Hoppe)	BASIC	\$0	\$748	\$336	\$1,084
3030	SWL 303 – Franceschi's Restaurant	BASIC	\$0	\$195	\$109	\$304
3030	SWL 303 - GP Resources	SMALL	\$34	\$0	\$0	\$34
3030	SWL 303 - SP Tarantino's/Martell Ins	SMALL	\$0	\$0	\$0	\$0
3030	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	\$0	\$439	\$245	\$684
3110	SWL 311 Pier 39 Garage	SIMPLE	\$0	\$942	\$7,121	\$8,063
3130	SWL 313 Embarcadero Triangle Lot Assn.	SIMPLE	\$0	\$428	\$3,376	\$3,804
3150	SWL 315 Office Building (HHC Investment limited)	BASIC	\$0	\$8,241	\$3,889	\$12,130
3160	SWL 316 Houston's Restaurant	BASIC	\$0	\$1,056	\$371	\$1,427
3170	SWL 317 Office Building	BASIC	\$0	\$9,047	\$4,268	\$13,315
3180	SWL 318 Roundhouse One	BASIC	\$367	\$923	\$592	\$1,882
3180	SWL 318 Roundhouse Two	BASIC	\$1,115	\$181	\$804	\$2,100
3180	SWL 318 Sandhouse	SMALL	\$0	\$238	\$0	\$238
3190	SWL 319 Fog City Diner	BASIC	\$0	\$163	\$137	\$300
3220	SWL 322 ABC TV	BASIC	\$0	\$6,341	\$4,984	\$11,325
3270	Epic Roasthouse	BASIC	\$0	\$149	\$0	\$149
3270	Waterbar Restaurant	BASIC	\$0	\$149	\$0	\$149
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	\$0	\$6,007	\$4,820	\$10,827

Bldg. No.	Building Name	Building Type	Backlog	10 Year Renewals	One-Time	Total
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	\$0	\$0	\$1,862	\$1,862
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	\$331	\$0	\$0	\$331
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	\$206	\$275	\$227	\$708
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	\$175	\$24	\$188	\$387
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	\$211	\$0	\$1,243	\$1,454
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	\$297	\$0	\$1,383	\$1,680
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	\$384	\$0	\$1,704	\$2,088
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	\$568	\$0	\$790	\$1,358
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	\$0	\$247	\$60	\$307
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	\$612	\$0	\$938	\$1,550
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	\$577	\$0	\$2,404	\$2,981
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	\$577	\$0	\$5,184	\$5,761
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	\$721	\$0	\$281	\$1,002
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	\$288	\$0	\$4,731	\$5,019
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	\$1,234	\$0	\$7,652	\$8,886
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	\$517	\$0	\$2,531	\$3,048
3490	Pier 70 - SWL 349 Heavy Machine Shop - Bldg #113	SIMPLE	\$2,758	\$0	\$21,765	\$24,523
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	\$0	\$0	\$531	\$531
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	\$0	\$0	\$464	\$464
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	\$0	\$0	\$4,062	\$4,062
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	\$0	\$0	\$33,321	\$33,321
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	\$734	\$0	\$649	\$1,383
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	\$0	\$0	\$18,395	\$18,395
3520	SWL 352 - Backlands Redevelopment Street - Hyde N of Jefferson to Hyde St Pier	BASIC	\$2,748	\$0	\$0	\$2,748
4001	Street - Jefferson from Leavenworth to Hyde	Street	\$250	\$0	\$0	\$250
4002	Street - R.H. Dana Dr. (Leavenworth) N of Jefferson	Street	\$135	\$0	\$348	\$483
4003	Street - Jefferson btw Jones and Leavenworth	Street	\$154	\$0	\$0	\$154
4004		Street	\$130	\$0	\$0	\$130

<b>Bldg. No.</b>	<b>Building Name</b>	<b>Building Type</b>	<b>Backlog</b>	<b>10 Year Renewals</b>	<b>One-Time</b>	<b>Total</b>
4006	Street - Taylor Street btw. Jefferson and Embarcadero	Street	\$319	\$0	\$301	\$620
4008	Street - Embarcadero from Taylor to Powell	Street	\$0	\$586	\$0	\$586
4017	Street - Lombard btw Sansome and Embarcadero	Street	\$187	\$0	\$0	\$187
4020	Street - Green between Davis and Front	Street	\$175	\$0	\$0	\$175
4022	Street - Broadway btw Embarcadero & Vallejo	Street	\$527	\$0	\$0	\$527
4033	Street - T. Francois along China Basin	Street	\$525	\$0	\$0	\$525
4034	Street - T. Francois btw China Basin and Mission R	Street	\$5,494	\$0	\$0	\$5,494
4036	Street - 20th east of Illinois	Street	\$479	\$0	\$0	\$479
4038	Street - 24th from Michigan to Maryland	Street	\$667	\$410	\$596	\$1,673
4040	Street - Marin east of Michigan	Street	\$175	\$0	\$0	\$175
4041	Street - TN, IN, MN btw Tulare and Marin	Street	\$918	\$0	\$0	\$918
4043	Street - Amador and extension	Street	\$2,117	\$442	\$0	\$2,558
5470	Wharf J-4	Piers	\$0	\$0	\$0	\$0
5470H	Joint Operations Center / Hyde Harbor Office	SIMPLE	\$0	\$0	\$0	\$0
5470H	Wharf J-11	Piers	\$0	\$0	\$0	\$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	\$4,003	\$11,738	\$5,041	\$20,782
<b>PORT TOTAL</b>			<b>\$569,376</b>	<b>\$570,186</b>	<b>\$956,320</b>	<b>\$2,095,883</b>

## APPENDIX B - Allocation Strategy for Port Capital Funds

The Port's process for allocating its own limited capital funding involves a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group (“CP Group”). The CP Group developed the Port's evaluation criteria for capital projects, and weighting for each criterion. Annually, the CP Group allocates a total score to each capital project proposed by Port staff.

These first set of criteria address public safety concerns and conformance with the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969, and are scored as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15

The review process also employs two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second the scale of the financial impact:

What is the payback period, if 10 years or less?	10
What is the total ten-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a payback period of three years would score 8 points in this category.

To determine the score assigned for the ten-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every \$500,000 worth of benefit within the ten-year period. For example, a \$4 million project that would generate \$1 million per year in new revenues would score 12 points in this category [(\$10 million - \$4 million) / \$500,000].

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

### Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?

- Is the project substantially matched by outside funding sources?

De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

The project review process concludes with a proposed programming of Port capital funds over two years based on the above evaluation, which becomes the Port's two-year capital budget. For the remaining years of the ten-year capital plan, expenditures are assumed to be proportional to the categories funded in the two-year budget.

## APPENDIX C – Criteria for Formation of Port IFD Project Areas

The Port IFD Guidelines establish the following minimum criteria regarding the formation of IFD project areas on Port property:

1. **Port land.** Consistent with the IFD law, the Port IFD may initially be formed only with Port land.
2. **Annexing non-Port land.** If an owner of non-Port land petitions to add adjacent property to a waterfront district in accordance with the IFD law, the City will consider on a case-by-case basis whether to annex such property and to what extent tax increment generated in the non-Port land but not used for waterfront district infrastructure should be subject to the City IFD Guidelines.
3. **CEQA.** Although the City may initially form the Port IFD to include all of the Port land, neither the Port IFD nor any project-specific project area will be authorized to use property tax increment until the City has completed environmental review of the proposed development project and any proposed public facilities to be financed with property tax increment from the project area.
4. **Priority of improvements.** Waterfront districts must finance improvements that are consistent with the IFD law, the Port’s then-applicable Waterfront Land Use Plan, the Public Trust (if constructed on trust property), and the Port’s 10-Year Capital Plan.
5. **Economic benefit.** The Infrastructure Financing Plan (“IFP”) developed for the Port IFD will include a projection for each project area/waterfront district of the amount of total revenue that the City’s General Fund is projected to receive as a result of the proposed development project and the number of jobs and other economic development benefits the waterfront district is projected to produce, similar to the type of analysis that City staff and consultants perform to comply with Chapter 29 of the Administrative Code to determine that projects requiring public funding are fiscally feasible and responsible.
6. **State and City matching contributions.** In those cases where the IFD Law authorizes the allocation of the State’s share of property tax increment to a waterfront district in proportion to the City’s allocation of tax increment to the waterfront district, the City will allocate to the waterfront district the amount of tax increment that will maximize the amount of the State’s tax increment that is available to fund eligible projects in the waterfront district.
7. **Amount of increment allocated.** The waterfront districts will fund eligible waterfront improvements necessary for each proposed development project in an amount up to \$0.65 per property tax dollar, or, where permitted by State law, up to \$0.90 per property tax dollar, until the costs of required infrastructure are fully paid or reimbursed. The allocation should be sufficient to enable the Port to (a) obtain fair market rent for Port leases, and (b) enable proposed development projects to attract private equity. No

increment will be used to pay a developer's return. The Board of Supervisors in its discretion may allocate additional increment to other waterfront projects that require funding. Increment will be disbursed to the project area to fund (a) debt service and debt service coverage for bonds issued under the Mello-Roos Act ("Community Facilities District Bonds" or "CFD Bonds") or IFD bonds, and/or (b) eligible costs on a pay-as-you-go basis.<sup>15</sup>

8. **Excess increment.** Tax increment not required to fund eligible project-specific infrastructure will be allocated to the City's General Fund or to improvements to the City's seawall and measures to protect against sea level rise.
9. **Port annual capital program.** If the Port issues Port revenue bonds<sup>16</sup> repaid by tax increment revenue generated in one or more waterfront districts, to further the purposes of Port Commission Resolution No. 12-22, adopting the Port's Policy for Funding Capital Budget Expenditures, the Port will annually invest in its annual Capital Program any tax increment revenue allocated to the waterfront district for the purpose of providing debt service coverage on Port revenue bond debt payable from tax increment.
10. **Funding for infrastructure maintenance.** Tax increment will be allocated to the Port IFD from a waterfront district only when the Port has identified a source of funding for the maintenance of any infrastructure to be financed. This source could be in the form of: (a) private financing mechanisms, such as a homeowners' association assessment; (b) a supplemental special tax (such as a community facilities district formed under the Mello-Roos Act) or assessment district (such as a community benefit district); or (c) the Port's maintenance budget or other allocation of the Port Harbor Fund.

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<sup>15</sup> For example, one vehicle for efficiently leveraging tax increment to finance public infrastructure would involve (i) formation of a community facilities district ("CFD") under the Mello-Roos Act and an IFD project area -- the boundaries of which are coterminous with the boundaries of the private development -- prior to construction of the public infrastructure, (ii) issuance of CFD bonds early in the development cycle, i.e., prior to generation of significant tax increment that can be allocated to the IFD, (iii) application of special taxes levied in the CFD to pay debt service as long as tax increment is not available and (iv) use of tax increment, when available, to pay debt service on the bonds, which allows a reduction in the amount of special taxes levied for that purpose.

<sup>16</sup> City staff currently assumes that the preferred method for debt issuance would be a CFD bond repaid with IFD proceeds.