Port of San Francisco

10-Year Capital Plan
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I. EXECUTIVE SUMMARY

Introduction
The Port of San Francisco is one of the most diverse and vital ports in the nation. Commercial operations include restaurants, retail shopping, professional sports, and diverse maritime operations as well as regional transportation facilities. Port assets that are home to these operations include 39 pile-supported pier structures, 80 substructures including marginal wharves connecting the piers, 245 commercial and industrial buildings, over three miles of streets and sidewalks, and other assets such as drydocks, cargo cranes, and railroad track.

The Port enjoys numerous historic buildings, including the finger piers built between 40 to 100 years ago. In 2006, the State of California recommended that the National Park Service list the Embarcadero Historic District including piers along the northeast waterfront on the National Register. The Pier 70 area also includes 35 buildings and many other features recognized to be of historic significance.

When the State of California transferred the Port to the City in 1968, the Port’s assets were in poor condition. The City was also required to assume $55 million of the State’s bond debt, which hampered the Port’s ability to make capital improvements to its assets.

The age and condition of Port facilities, combined with their construction on filled tidelands in a high-risk seismic area, creates a stark challenge for the Port. Complicating this vulnerability is the fact that Port assets are reaching the end of their useful structural life at the same time. Together, these factors constitute a looming public resource and financial crisis for the Port.

The goal of this 10-year Capital Plan is to provide a basis for pursuing public funding and public/private partnerships to address the Port’s critical capital needs, and to prioritize spending based on public safety, fiscal responsibility, and the Port’s mission. The Plan will help identify facilities and/or piers that the Port may need to close.

The capital projects in this plan quantify the Port’s backlog of outstanding capital needs, arising from deferred maintenance and code (mostly seismic) work; it does not estimate the ongoing cost of maintaining capital assets that have properly reached the end of their lifespan. Such capital renewal work will be identified in future iterations of this report.

Port staff made other significant choices in developing the Capital Plan. The Plan employs an expedited facility review model rather than a life-cycle model, because the City’s life cycle model has never been used for a seaport, and life cycle modeling does not capture code compliance costs such as seismic upgrades.

This report uses specific engineering or developer estimates where available, and otherwise uses per-unit costs developed by Port staff, based on prior Port projects. All estimates for capital projects were screened through collaborative processes including Port Divisions.
That said, estimates made for capital planning purposes are imprecise by nature. Thus, the estimates in this report are largely suitable for planning purposes only; prior to commencement of capital work, specific engineering estimates suitable for bidding contracts will be developed, which may produce different cost estimates.

The 671 projects in the Capital Plan database were ranked based on 12 priorities, yielding a score between 1 and 100. For each project, Port staff assessed whether the project will:

- Address a facility with use restrictions?
- Provide return-on-investment?
- Address a code compliance condition?
- Provide a high-yield-per-dollar?
- Address regulatory compliance?
- Affect facilities that attract people to the waterfront?
- Protect existing revenue streams?
- Affect maritime facilities?
- Reduce the Port’s liability?
- Protect natural and cultural resources?
- Affect an existing facility?
- Provide a high-yield-per-dollar?
- Affect facilities that attract people to the waterfront?
- Protect natural and cultural resources?

Additional interdivisional staff review of projects on a case-by-case basis resulted in further refinement of project rankings.

The Port’s Needs Assessment
Most of the need for capital work at the Port lies in the Southern and Northeastern waterfront regions, as well as in the South Beach region of the Port’s waterfront, as those regions are defined in the Port’s Waterfront Land Use Plan:

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount Needed</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>$469,654,000</td>
<td>38</td>
</tr>
<tr>
<td>Northeast</td>
<td>251,556,000</td>
<td>21</td>
</tr>
<tr>
<td>South Beach</td>
<td>232,113,000</td>
<td>19</td>
</tr>
<tr>
<td>China Basin</td>
<td>110,862,000</td>
<td>9</td>
</tr>
<tr>
<td>Fisherman’s Wharf</td>
<td>65,135,000</td>
<td>5</td>
</tr>
<tr>
<td>Ferry Building</td>
<td>56,569,000</td>
<td>5</td>
</tr>
<tr>
<td>Portwide</td>
<td>38,000,000</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1,389,000</td>
<td>&lt; 1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,225,278,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

More than a third of the Port’s overall need lies in its Southern waterfront, due to the very substantial need of the Pier 70 area, totaling approximately $313 million, or 26% of overall need. The Port is close to losing the historic buildings at Pier 70 because their condition has become so frail. The Pier 70 work identified in the Capital Plan is a basic level of work aimed at keeping structures operable; this plan does not include full redevelopment and rehabilitation costs necessary to develop a new City neighborhood at Pier 70 (estimated at more than $1 billion).

Of the $1.2 billion in projects identified in the Capital Plan, 73% were estimated using a per-unit approach, and are associated with specific types of work. Other projects,
including Pier 70 projects, were not estimated in this manner. The distribution of types of work (e.g., substructure work), where it can be broken down into project types, is as follows:

**Graph 1: Distribution of $620M in "Work Type" Projects**

- Substructure Seismic Work, 22.5%
- Concrete Substructure Repair, 27.0%
- Substructure Demolition Work, 0.1%
- Fenders, 1.0%
- Roofing, 2.2%
- Streets, 1.4%
- Painting, 1.7%
- Utilities, 7.0%
- Building Repair, 10.3%
- Building Seismic Work, 10.6%
- Building Demolition, 1.0%
- Wooden Substructure Repair, 15.2%

It is noteworthy that about 50% of the costs of these projects (where divisions by work type are feasible) involve concrete substructure repair and substructure seismic work.

**Proposed Funding Sources and Uses**

The Port’s 10-year Capital Plan programs $415.6 million of the $1.225 billion total identified projects to be funded through various sources including: Port tenants, the Port’s operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds.

**Port Tenants:** For purposes of planning the funding of needed capital work, this report assumes capital work will be completed by a tenant if that tenant has a lease agreement longer than 10 years and lease provisions requiring that they conduct repairs. Conservatively, the Plan assumes that most tenants will perform work in the second five years of the 10-year capital plan. Table IV.1 on Pages 22 - 23 of this report identifies work defined in the Plan as Port Tenant Responsibility, totaling approximately **$33.9 million**.

**The Port’s Operating Budget** appropriates $5 to $10 million annually to relatively small, annually recurring or maintenance oriented types of work. Subject to approval by the Mayor and the Board of Supervisors, the Plan assumes an ambitious **$8.8 million**
budgeted annually (approximately $87.6 million over 10 years) for dredging, painting, street resurfacing, apron repairs, fender replacements and similar projects.

Revenue Bonds: The Port will fully repay its outstanding 2004 revenue bond debt by FY 2009-10. This plan assumes that the Port will be able to issue approximately $85.9 million in 30-year term revenue bonds in 2011, which will require annual payments of $7.9 million (including interest). This will require dedicating an additional $3.2 million in Port operating revenues above current expenditures for debt service coverage.

Port staff considered the following four issues when determining whether or not a facility was appropriate for revenue bond funding: 1) is the facility profitable and likely to remain so for another 30 years; 2) does the facility have potential to generate additional long-term revenues; 3) are most leases at that facility expiring within the next 10 years, thereby allowing for rental rate increases commensurate with bond-funded improvements thereafter; and 4) is the facility critical to supporting Port operations?

Based on these criteria, Port staff recommend utilizing an estimated $85.9 million in revenue bond proceeds to fund projects, including:

- Pier 9 sub- and super-structure improvements;
- Pier 19 sub- and superstructure improvements;
- Pier 50 Port Maintenance Facility upgrades; and
- Pier 80 Cargo Facility upgrades.

Public/Private Development Agreements: The Port’s primary tool to fund facility upgrades has been public-private partnership development projects, which involves a 50 to 66-year lease for Port property, secured financing, and developer project delivery. Successful examples of this approach include SBC Park, the Ferry Building, Pier 1, Piers 1.5, 3 and 5, and Pier 39.

The Plan identifies $190.6 million in projects funded by proposed public/private partnerships currently under consideration, including the Exploratorium at Piers 15-17, the Cruise Terminal at Piers 30-32, and the Piers 27-31 project.

Infrastructure Financing District (IFD): In 2005 the Port sought state legislation authorizing establishment of an IFD, a method of collecting property tax increment. To establish an IFD requires initial authorization by the Board of Supervisors, a proposed infrastructure financing plan, approval by affected taxing agencies and final approval by the Board of Supervisors. This plan identifies $17.5 million in IFD bond revenue, mainly to fund infrastructure work at Pier 70.

Unfunded Projects and Policy Options
After applying the proposed funding sources above, the Port is left with $809.7 million in unfunded projects. Table V.1 on page 37 identifies currently unfunded projects along the entire waterfront, including the Agriculture Building, Fisherman’s Wharf improvements
and Pier 80, 90 and 96 improvements. Perhaps the most critical unfunded project is $37.6 million in estimated costs to maintain the City’s principal Cruise Facility, Pier 35.

Speculating on potential funding options, this Plan identifies $557.2 million or 69% of the $809.7 million in Unfunded Projects, for future pursuit. Port staff have not secured any of these funds or development agreements. Funding options include public/private partnerships for development opportunities, as well as grant and other public funding.

Even this speculation leaves $252.5 million in needed capital work without funding options. That unfunded work includes Piers 28 & 28.5, Pier 38, Pier 50, Pier 54, Pier 90, and Pier 96. Port staff understand that these facilities may not be optimal candidates for development projects given the magnitude of the cost to rehabilitate them. If Requests for Proposals to redevelop these piers with mixed uses yield no viable responses, the Port may be left with simply using the piers through their useful life and then abandoning or demolishing them. Port staff do not entertain this notion lightly: several of these piers are contributing resources within the proposed Embarcadero National Register Historic District.

Conclusion
The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance and seismic work. The Port is hopeful that its maritime facilities may be eligible for funding in the State’s proposed infrastructure bond; however it is a very real possibility that this will not come to be, and that that the bond will only cover major cargo-related infrastructure costs in areas such as the Ports of Los Angeles, Long Beach and Oakland.

In short, the Port will be faced with the possibility of closing up to seven piers that have the largest currently unfunded needs. These piers include piers 26, 28, 38, parts of pier 50, and 54 in the central waterfront, piers 33 and 35 in the northern waterfront and parts of pier 80 in the southern waterfront. Pier 35 is the City’s principal cruise terminal, the closure of which could have significant economic impacts on the City. The Port is also close to losing the historic buildings at Pier 70 – some eligible for listing on the National Register of Historic Places – due to their frail condition. In addition, while in better condition than the piers identified above, we have been unable to identify funding options for Piers 90 and 96.

While Port facilities were marginally damaged during the 1989 Loma Prieta earthquake (centered in Santa Cruz), a strong, localized quake could have devastating public safety and economic consequences for San Francisco and its waterfront. The City needs its waterfront to be accessible and operable in the aftermath of such a disaster.

Implementation of the Port’s Capital Plan will require major changes. Policymakers will need to prioritize capital funding for Port “enterprise” facilities along with other pressing public needs funded by the City’s General Fund. The Port must also continuously ensure that it receives the highest fair market rental value for the use of its assets. The public, as the owners of this stretch of waterfront, will need to come forward to help the Port
undertake this challenge. Based on feedback from waterfront constituencies, Port staff believe the public may be willing to embrace this challenge.

Great waterfront cities have a dynamic relationship with their waterfronts. Such a relationship requires risk-taking. Due to the immediacy of the challenges presented by the Port’s Capital Plan, the choice for every waterfront stakeholder and constituency is simple: either we embrace a new vision for the waterfront or watch as historic piers buckle under the weight of decades of underfunding, and decay into waterfront blight.
II. INTRODUCTION

OVERVIEW

The Big Picture
The Port of San Francisco is one of the most diverse ports in the nation. Commercial operations on Port property include restaurants, retail shopping, ferry service, commercial fishing, Bay excursion, professional sports, bulk cargo, and cruise ship repair. To support these operations, the Port owns or has responsibility for a great number of capital assets. These assets include 39 pile-supported pier structures, 80 substructures (includes both piers and marginal wharfs between piers), 245 commercial and industrial buildings, over three miles of streets and sidewalks, and elements of the utility infrastructure that support them. Smaller, but no less important, are assets such as drydocks, cargo cranes and heavy equipment used by the Port’s maintenance division, which also must be maintained by the Port.

Most finger piers currently in use by the Port or Port tenants were originally constructed around 100 years ago, many in anticipation of the opening of the Panama Canal. Of those, only eight have been rehabilitated since 1950. Most bulkhead and shed buildings atop the Port’s piers are 40 to 100 years old and have a rich history. In February 2006, the California State Historical Resources Commission recommended that the National Park Service list the Embarcadero Historic District along the northeast waterfront from Pier 45 in the north to Pier 48 in the south on the National Register of Historic Places. If approved by the Park Service (a decision we expect in May of this year), this historic district would include 20 historic piers and eight other structures of historic significance. The Pier 70 area also includes 35 buildings and many other features also recognized to be of historic significance.

A Looming Problem
When the State of California transferred responsibility for the Port to the City of San Francisco 37 years ago, the Port’s capital assets were already in a state of great disrepair. By way of example, 23 of the piers transferred in 1968 were virtually unusable for maritime purposes because of their poor physical condition. Those piers which were structurally sound were only marginally productive because containerized shipping was already replacing breakbulk shipping at the time of the transfer.

To further complicate matters, at the time of transfer the City was required to assume $55 million of the State’s bond debt – debt that had not been effectively used to rehabilitate the Port’s capital assets. Additionally, the transfer required that the City issue $25 million in new bond debt. This debt hampered the Port’s ability to respond to deterioration of its capital assets.

The age and condition of Port facilities, combined with their construction on filled tidelands in a high-risk seismic area, creates a stark challenge for the Port. A crisis looms

1 This information is contained in a 1978 memo from Speaker Leo McCarthy to Members of the Assembly Local Government Committee, a copy of which is on file with the Port.
on the horizon because of this reality. Complicating this potential seismic vulnerability is the fact that Port assets are reaching the end of their useful structural life at the same time.

At some point in the near future, the Port will need to invest significant resources in its assets to continue providing current levels of commercial and recreational opportunities. The alternative will be to discontinue use of facilities, which may mean fencing off groups of piers along The Embarcadero.

**Complications**

Even with adequate funding, the development and rehabilitation of Port capital assets is an extremely heavily regulated affair. The constraints within which the Port must operate include those imposed by the Waterfront Land Use Plan, the Bay Conservation and Development Commission (through its Seaport and Special Area Plans), the California Environmental Quality Act and other state environmental regulations, the California State Lands Commission (interpreting public trust law), the Burton Act, the transfer agreement between the State and the City and County of San Francisco, the San Francisco Board of Supervisors, the City Charter and Administrative Codes, federal regulation, Port tenants and community interest groups.

These constraints complicate the Port’s capital plan in that they make the plan somewhat speculative. The disparate interests of all these authorities means that the probability that any one will engage in the process —slowing it down, or even halting it altogether— is significant. Further, at times these regulatory mandates are actually in conflict with one another, as with the Port’s mandate to preserve historic buildings and its public trust mandate\(^2\). The end result is a capital plan that may ultimately be realized on a very different schedule, if not in a different form. As such, we consider a certain measure of inaccuracy with regard to scheduling and completion of work as being “built in” to this report.

**The Goal of this Plan**

The goal of this plan is to provide a rational, transparent basis for proactively pursuing public funding and public/private partnerships to address the Port’s looming capital crisis, as well as a work plan that prioritizes capital spending in a manner that reflects the Port’s institutional values, which are 1) ensuring the safety of the public, 2) fiscal responsibility, and 3) fulfilling the Port’s mission of attracting people to the waterfront, supporting maritime commerce, navigation and fisheries, and protecting natural and cultural resources. Finally, this plan will help the Port identify facilities and/or piers that it may need to close as a result of insufficient funds.

\(^2\) The Port’s properties are State Public Trust lands that cannot be bought or sold like other state-owned lands. In addition, uses of public trust lands are generally limited to those that are water dependent or related, and include commerce, fisheries and navigation, environmental preservation and recreation. Public trust-consistent uses of Port property do not generate enough revenue to fund the historic preservation of Port structures.
This is the first time the Port has completed a comprehensive review of all of its capital holdings. The Port will update this 10-year capital plan annually to reflect changes in the condition of the Port’s facilities as well as changes in budget and financing assumptions.

**METHODOLOGY, ASSUMPTIONS, THE PORT CAPITAL DATABASE**

**Scope**
The Port’s Capital Database quantifies the Port’s outstanding capital needs, which consist primarily of repair and replacement work required due to deferred maintenance and code compliance (mostly seismic) work. The Port database only estimates the backlog of the Port’s capital projects as of 2006, or the “catch up” work; it does not currently provide any estimate of the ongoing capital renewal requirements of the Port. Estimates of how much the Port will need every year to replace capital assets that have reached the end of their operable lifespan will be incorporated into the FY 2006-07 iteration of this plan. However, this topic deserves a brief explanation in this report of the magnitude of the problem that the Port will be addressing.

For example, the capital database currently contains 44 projects totaling approximately $204 million for repair or replacement of concrete piling and decking on pier or wharf substructures. Port engineering staff consider these repairs to have an expected lifespan of approximately 40 years.

This means that the annualized replacement / renewal cost for this work alone is an estimated $5.1 million ($204 million/ 40 years). This does not take into consideration existing concrete substructures that do not currently require repair, but that may need to be replaced in 20-30 years. Add to this the fact that the $204 million specifically identified as concrete substructure work, at current, represents approximately 17% of the overall need identified in the Port’s database, and the magnitude of the annualized need for sustaining the Port’s current capital assets begins to become apparent.

**The Model**
While in prior years, the City of San Francisco has quantified its backlog by other means, in 2006, the City opted to use an integrated life-cycle model for developing a long term capital plan. This model uses life-cycle data only to determine both the ongoing capital renewal costs, as well as the backlog of deferred maintenance work. We chose not to use this model for two reasons. First, the Port’s seismic issues are considerable, and life-cycle modeling does not capture code compliance costs. Second, life-cycle modeling depends on having a good understanding of the life expectancy of elements of typical structures. The database the City used to estimate these expectancies has never been used.

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3 The need for capital renewal is annualized because the construction date and end-of-life date of individual assets varies across the Port’s portfolio. Every year, one or more capital assets will reach the end of its intended life. Annualizing costs and allocating a capital renewal budget allows capital renewal to be conducted in a sustainable fashion.
for a seaport, and lacks information on piers, harbors, seawalls, and other structures which make up the Port’s capital holdings.

Instead, we chose to use a simplified individual facility assessment model, using per-unit (usually per square foot) costs of projects with which the Port has had experience to estimate the cost of our future capital projects. We estimated the amount of work required for structures as a proportion of the overall structure (e.g. 30%), and multiplied that percentage by the total square footage of the structure, as well as the cost per square foot for rehabilitation (see below). Performing detailed facility assessments was not a viable option due to the enormous amount of time and cost that would have been involved in performing such work. Additionally, our plan was not expected to identify funding for much of the needed work (and in fact, does not), and many of the projects that are funded in this 10-year plan are funded in the latter half of that plan. This means that precise estimates would be completely outdated for the majority of projects in our database by the time the work was actually put out to bid. Thus, obtaining precise estimates now would ultimately add little value to this process.

There are many projects in the Port’s capital database that have cost estimates based on other specific sources. In fact, when calculating a project total, the database defaults toward a manually entered “non per-unit cost estimate” if one has been developed through separate means. In the absence of a good specific estimate, a per-unit estimate is generated. The strong majority of projects in our database have per-unit estimates.

**Current Dollars vs. Future Dollars**

We chose to represent the Port’s Capital Plan in current dollars (2006), both because the City is using this approach, and because it is standard practice, generally speaking, for long-term capital planning. Furthermore, as mentioned earlier, given the current lack of funding and a myriad of other constraints, it would be difficult to escalate our Plan with any credibility.

**Definitions / Variables**

**Project Type** – This variable allows data to be sorted by basic type, which are 1) deferred maintenance repair / replacement, 2) code compliance, and 3) capital enhancement.

- Repair and replacement work is defined as that work which is required to put a facility into good working order for its current use, such that routine maintenance will ensure that the full lifespan of the facility will be realized.

- The requirement for seismic upgrade work is more complex, as it is uncertain whether the seismic code would be triggered by any given repair/replacement work. For the purposes of building this database, we determined that the Port should bring its facilities to current seismic standards, whether or not compelled to do so by construction-triggered code since most of the Port’s facilities are located in the liquefaction zone for a major earthquake (see Appendix B for an analysis of the Port’s seismic risk). Except for those facilities, such as the Ferry Building, ATT Park, Piers 1.5, 3 and 5, Pier 1, Pier 48, and Pier 39 that have been
recently constructed or reconstructed, Port engineers believe that Port facilities face a high danger of major damage or collapse during a major earthquake.

- Capital Enhancement projects are those projects that fall into neither of the above two categories. These are typically projects that could increase the revenue generation of a particular area or sector of Port operations, or provide a public amenity.

**Tenant Responsibility** – Indicates that the Port considers a tenant to have contractual responsibility for the project pursuant to lease obligations. For planning purposes, we considered the capital work associated with a property to be the responsibility of a tenant if that tenant is in a long-term lease agreement, “long-term” defined here as a remaining lease term of 10 years or longer. Additionally, although the Port has chosen to seismically retrofit out-of-date facilities regardless of whether or not construction or use has triggered seismic codes, we have not included seismic work not specifically triggered by code in our definition of tenant responsibility.

**Units Type, Units** – Usually ‘square feet’, occasionally ‘linear feet’, and the number of those units.

**Work Type** – Refers to one of the 19 work types the Port’s database uses to generate per-unit cost estimates, such as ‘concrete decking’ or ‘roofing.’

**Per-Unit Cost Estimate** – This is the value that is associated with the “work type” variable. For example, the work type “Substructure – Concrete Piles” has a per-unit rehabilitation cost estimate of $144.43 per square foot. Per-unit cost estimates for each type of work are derived primarily from prior projects performed by the Port, but also on accepted industry figures and/or the general experience of the Port’s engineering staff.

**Area Affected** – This value is usually reflected as a whole percent, and is based on the Port engineering division’s estimation of the portion of the structure which requires rehabilitation in order to bring it into good working order, with maximum life-cycle sustainability.

**Relevant to Work Type** – This variable provides a way to account for multiple work types within a single project, e.g. a building that is part office space and part warehouse space will have different per-unit costs associated with the two sections of the structure. For

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4 This approach assumes that long-term tenants would be motivated to complete capital work by the mere deterioration of their facilities, irrespective of contractual obligations under the lease. Where this report identifies capital work as the responsibility of a tenant, the tenant has a lease obligation to perform that work. The use of the term “tenant responsibility” in this report is for 10-year capital planning purposes only, and does not preclude the Port from enforcing tenants’ contractual obligations to maintain and repair property in shorter term leases. Further, while this plan may list a given project as being the responsibility of the Port, that designation is, again, for planning purposes only, and not an assumption of liability or responsibility on the part of the Port; the Port reserves the right to enforce contractual obligations with any lessee of that property as well.
example, a project for a building could have two line items for this variable, with one reading for “90%” for warehouse utilities and “10%” for office space utilities.

**Per-unit Total** – This is derived from the following formula:  
$$ \text{Per-unit Total} = \left( \text{Units} \times \text{Relevant to Work Type} \times \text{per-unit cost estimate} \times \text{area affected} \right) \times \left( \frac{\text{percentage of work needed}}{100} \right). $$

For example, in a project for a 2,000 square foot substructure that is supported 100% by concrete piles (as opposed to partially supported by wooden piles), where our per-square-foot estimate for concrete piling is $144.43/sq. ft, and Port engineers have estimated that approximately 25% of the substructure’s piles should be repaired or replaced, the database would calculate a per-unit sub total for concrete pile work needed at that structure to be $72,215 (2000 x 1.0 x $144.43 x .25).

**Non Per-unit Total** – Non per-unit estimates are estimates developed specifically for a given facility, using other than per-unit means of estimation. If a non per-unit estimate is entered for this project, the database will default toward this value, and use it for the Project Total, even if a per-unit cost estimate also exists on that record. Say, for example, a private developer has conducted a detailed engineering study of the 2,000 square foot substructure in the example above and estimated the cost of needed concrete piling work to be $68,500. This number would be recorded in the “Non Per-unit Total” field, and its source recorded in the notes field for that record.

**Project Total** – A non per-unit cost estimate for a record if one exists. If none exists, this will be the per-unit total. The database defaults toward non per-unit estimates, because they are more specific than our per-unit estimates. Continuing with the example above, the Project Total field would show $68,500.

**Region** – This variable indicates which of the six Port regions, as identified in the Port’s Waterfront Land Use Plan, each project falls within, which allows calculation of regional totals along multiple variables. Those regions include Fisherman’s Wharf, the Northeast Waterfront, the Ferry Building area, South Beach, China Basin, and the Southern Waterfront. Maps of these regions may be found at the end of Section IV of this report.

**Validation of Capital Data**

The Port developed the list of capital projects through a series of inter-divisional meetings, all of which had a representative from each of the Port’s Engineering, Maritime, Real Estate, Planning, Maintenance, and former Environment, Health & Safety divisions. We conducted this review, as a group, by systematically working through each of the Port’s Facility ID Codes (which together constitute the universe of the Port's properties), soliciting staff for all capital projects in those areas, and ensuring that none of the Port's holdings was overlooked.

There were also several reviews that were narrower in scope, of smaller subsets of data. For example, at the end of the group review process, we generated reports listing all properties and their status as Port or tenant responsibility, and had the Port’s Real Estate division separately review them for accuracy of this single variable.
We also took the additional step of re-reviewing the 20 highest cost substructure projects, in order to be sensitive to the margin of error of per-unit estimations for such large scale, high cost projects. The Chief Harbor Engineer and his staff confirmed or adjusted the official engineering division estimates for the percentage of those structures in need of repair / replacement work.

However, as discussed throughout this report, our best efforts are necessarily imprecise. We can give no assurances as to their accuracy and we caution our readers that actual work may produce different costs.

**The Priority Matrix**

Given the number of projects we developed for the database, it became clear that the task of ordering all 671 of them from highest priority to lowest priority would be very difficult. This was, in part, due to the sheer number of projects, but also due to the great diversity of projects and unique considerations for some, which made them difficult to compare to one another. To assist with this work, we developed a series of 12 descriptive, binary variables (i.e. “yes-no” variables) that asked questions about whether or not a project addressed one of the Port’s areas of priority. We then assigned each variable a point value, such that the total for all 12 variables equaled 100 points.

Port staff met over the course of several months to score each project, assigning a “yes” or “no” to each variable, which the database then used to calculate a total score for each project, between zero and 100 points. This total project score variable then allowed us to list projects for any given area in order of priority score, from highest to lowest. We then used this suggested order as a starting point for further analysis, and made adjustments to arrive at our proposed prioritized list of projects.

The priority matrix variables fall into 3 general categories: Public Safety, Asset Management, and Port Mission.

The Public Safety variables ask the following questions:

- Does the project address a facility that currently has restricted use?
- Does it address a code compliance condition (e.g., seismic, fire codes)?
- Does it address a regulatory compliance condition (e.g. BCDC, environmental regulations)?

The Asset Management variables ask:

- Does the project protect existing revenue streams?
- Does it create new revenue streams?
- Does it reduce the Port’s liability?
- Does it affect an existing asset (as opposed to it being a new facility)?
• Is it a return-on-investment project?\footnote{Return-on-investment projects are projects that are not necessarily needed as repairs, but rather as upgrades that improve efficiency, lowering long-term costs. A good example of this would be an upgrade of a lighting system that significantly reduced monthly electricity costs to the Port.}

• Is it a high-yield-per-dollar project?\footnote{This variable is intended to capture the idea of “bang for the buck,” and refers to a project where much work can be done with relatively little funding.}

The three Port Mission variables are:

• Does this project affect facilities that attract people to the waterfront?
• Does it affect facilities that provide for maritime commerce, navigation and/or fisheries?
• Does it protect natural and/or cultural resources?

We decided upon the relative weights of the different elements of the Priority Matrix through a collaborative effort, with representatives from each of the Engineering, Maritime, Real Estate, Planning, Maintenance and former Environment, Health & Safety divisions participating.

The result of review of the 12 repair priority variables served only to suggest a preliminary order for approaching capital projects; we ultimately prioritized projects on a case-by-case basis, taking into consideration the entirety of each project. However, beyond the results, the process itself was very valuable. During project review, staff also regularly made adjustments to other elements of project records (beyond the 12 priority variables), which effectively added another measure of quality control to the information in our database.

Our method of prioritization serves a very useful technical purpose for Port staff, though this report recognizes the bounds of that methodology. We understand that matters of current and future policy may supersede the ordering we have set out here, and to that end, this report recognizes that the Port Commission, the Board of Supervisors, and the Mayor must review and approve the capital work we have identified.
III. THE PORT’S NEEDS ASSESSMENT

The purpose of this section is to provide the reader with a more general view of the Port’s overall need. A full specific discussion of the Port’s 10-year capital plan can be found in Sections IV and V of this report, as well as in Appendix A.

As noted elsewhere in this report, the Port’s assessment of its capital needs included review of 39 pile-supported pier structures, 80 substructures (includes both piers and marginal wharves between piers), 245 commercial and industrial buildings, over three miles of streets and sidewalks, as well as elements of the utility infrastructure that supports them. This review of the Port’s capital assets resulted in the development of 671 capital projects, totaling over $1.2 billion, primarily in needed seismic and deferred maintenance work. This section of the report breaks down some of the larger trends, along a few different axes.

**Geographic Breakdown**

As illustrated by Table III.1, most of the need for capital work at the Port lies in the Southern and Northeastern waterfronts, as well as in South Beach. The regions listed below are the same regions defined in the Port’s Waterfront Land Use Plan, which are illustrated on maps contained in *Section IV Proposed Funding Sources and Uses*.

Table III.1 below shows the Port’s need distributed among the six regions of the Port waterfront, as well as those needs that are portwide (“Portwide”) in scope, and those that are not readily classifiable by region (“Other”), in order of largest dollar need:

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount Needed</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>$469,654,000</td>
<td>38</td>
</tr>
<tr>
<td>Northeast</td>
<td>251,556,000</td>
<td>21</td>
</tr>
<tr>
<td>South Beach</td>
<td>232,113,000</td>
<td>19</td>
</tr>
<tr>
<td>China Basin</td>
<td>110,862,000</td>
<td>9</td>
</tr>
<tr>
<td>Fisherman’s Wharf</td>
<td>65,135,000</td>
<td>5</td>
</tr>
<tr>
<td>Ferry Building</td>
<td>56,569,000</td>
<td>5</td>
</tr>
<tr>
<td>Portwide</td>
<td>38,000,000</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1,389,000</td>
<td>&lt; 1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,225,278,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

As illustrated above, over a third of the Port’s overall repair, replacement and seismic need lies in its Southern waterfront. This is due to the very substantial needs of the Pier 70 area, which lies within the Southern waterfront. Specifically, the Port’s estimate for the Pier 70 area totals approximately $313 million, or about 26 percent of the Port’s overall need.

**Work Type Breakdown**

Of the $1.2 billion in projects identified in the Port’s capital database, approximately 73% were estimated using a per-unit approach, and are associated with specific work
types. Of the 27% not estimated this way, approximately one fourth is made up of Pier 70 projects. Graph 1 below accounts for both these factors, and only represents a breakdown for the $620 million in projects that are clearly identifiable to a specific work type.

Graph 1: Distribution of $620M in "Work Type" Projects

As illustrated above, approximately 65% of the work-type project need is for substructure work to the Port’s piers. Most of the capital work needed at Pier 70 (excluded from the $620 million represented in this graph) is required to repair and maintain superstructures, i.e., buildings. Thus, this distribution is not necessarily representative of the entire Port Capital Plan.

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7 Pier 70’s unique needs and challenges led us to estimate capital needs for those structures using all-inclusive per unit estimates (i.e. using a single value per-square-foot that includes seismic work, structural work, historic preservation work). Because of the way this value was derived, we cannot separate out the different elements of that work for analytical purposes, so we are unable to include the seismic portion of Pier 70 in Graph 1.
**Priority Type Breakdown**
The graph below shows the percentage of the Port’s 671 capital projects that have been identified as fulfilling each of the Port’s priorities. These variables are not mutually exclusive, so any given project may be associated with a single priority variable, or all 12 priority variables. For further discussion of these priority variables, see the methodology section of the report, Section II.B.

![Graph 2: Percentage of Projects in Each Priority Area](image)

This high inclusion of projects in six of the above 12 categories above is illustrative of the larger objectives of the Port’s 10-year capital plan. First, the 85% of projects that fit the category “Affects Existing Port Assets” are a reflection of the fact that the Port’s capital projects are directed toward taking care of existing structures, as opposed to completely replacing them with new ones. This is in part because in most cases, maintaining current capital assets is more cost-effective than completely replacing them. It is also a reflection of the relatively high number of projects (35.5%) that were included in the “Protects Natural and Cultural Resources” category. The Port’s historically significant structures must be maintained because they cannot be replaced.

The 29.6% of projects that fall under the “Addresses a Code Compliance Condition” category (which includes seismic code) reflects the magnitude of the seismic problem facing the Port. As Graph 1 shows, roughly 33% of the $620 million in work-type projects are seismic in nature. This is substantial, considering that, as noted above, the work-type projects do not capture all the seismic work needed at the Port (e.g. Pier 70’s seismic needs are not included in that Graph 1 because they are inextricably mixed in with overall building rehabilitation estimates).
The high number of projects falling within the priority categories, “Provided Facilities that Attract People to the Waterfront” (29.7%) and “Provides for Maritime Commerce, Navigation and Fisheries” (58.2%) simply reflects the amount of capital work needed on facilities that are important to the State’s mandate to the Port and to San Francisco’s maritime industry, as well as San Francisco’s critical tourism industry.

Lastly, the 68.1% of projects that we identified as “Protecting Existing Revenue Streams” are a stark reminder of the fiscal consequences of not properly maintaining the Port’s capital assets. Without investment in these projects, the Port will be forced to close facilities, thereby further reducing our current and future financial viability and operational sustainability.
IV. PROPOSED FUNDING SOURCES AND USES

The Port’s 10-year Capital Plan identifies $415.6 million of the $1.225 billion total identified projects to be funded through various sources including Port tenants, the Port’s operating budget, Port revenue bonds, development projects, and Infrastructure Financing District bonds. This section describes each of these sources of funds, the methodology for determining the amount available in the next 10 years, the basis for determining which source could fund which project, and the proposed projects and uses of each funding source.

The pie chart at the end of this section identifies the overall $1.2 billion need broken down by the total amount funded by each funding source and the total amount unfunded. The maps at the end of this Section identify which piers are funded through each funding source and which ones are unfunded. Please note that a small portion of the unfunded work will be covered through the Port’s annual repair and replacement budget.

Port Tenant Responsibility

As noted earlier in this report, we considered the capital work associated with a property the responsibility of a tenant if that tenant is in a long-term lease agreement, “long-term” defined here as having 10 years or longer remaining in a lease obligation. Additionally, although the Port has chosen to seismically retrofit out-of-date facilities regardless of whether or not construction or use has triggered seismic codes, we have not included seismic work not specifically triggered by code in our calculation of tenant responsibility.

To be conservative, we assumed that all but one of the Port tenants would do the identified work in the last five years of the 10-year capital plan. However, it is possible that some if not all of the tenants will make repairs in the first five years.

The following is a list of Port facilities for which a Port tenant is responsible and the estimated costs in the 10-year capital plan excluding seismic upgrade work:

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8 Infrastructure Financing District bonds are discussed in more detail at the end of this section.
9 On average, the Port is able to dedicate approximately $3.5 million annually to repair and replacement projects. See also the discussion below titled, “Port Operating Budget.”
10 Since the State Building Code doesn’t require seismic upgrades to these facilities, we’ve assumed the tenant will not seismically upgrade these Port facilities. Nonetheless, we’ve included the estimated cost to seismically upgrade these facilities in the capital plan and identify them as unfunded since it’s the Port’s goal to seismically upgrade all of its facilities. The two exceptions relate to Pier 22.5 and Pier 90 occupied by the San Francisco Fire Department. Since the California Building Code requires fire stations to be seismically secure, we have assumed the Fire Department will fund seismic upgrades in addition to repair and replacement work.
Table IV.1: Port Tenant Responsibility

<table>
<thead>
<tr>
<th>Pier</th>
<th>Scope of Work</th>
<th>Total Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pier 9 – located on the Embarcadero Roadway at Broadway.</td>
<td>Apron repairs</td>
<td>$368,000</td>
</tr>
<tr>
<td>Pier 22.5- Fire Station – located on the Embarcadero Roadway near Harrison Street</td>
<td>Sub-structure and super-structure repairs and seismic upgrades &amp; utility upgrades</td>
<td>$2,875,000</td>
</tr>
<tr>
<td>Pier 23.5- located on the Embarcadero Roadway near Greenwich Street</td>
<td>Sub-structure and super-structure repairs &amp; utility upgrades</td>
<td>$2,103,000</td>
</tr>
<tr>
<td>Pier 38.5 – located on the Embarcadero Roadway near Townsend Street</td>
<td>Sub-structure and super-structure repairs &amp; utility upgrades</td>
<td>$655,000</td>
</tr>
<tr>
<td>Pier 4011 - located on the Embarcadero Roadway near Delancey Street</td>
<td>Sub-structure and super-structure repairs, painting, apron repairs, &amp; utility upgrades</td>
<td>$17,033,000</td>
</tr>
<tr>
<td>South Beach Marina including Java House – located on the Embarcadero Roadway near Delancey Street</td>
<td>Sub-structure and super-structure repairs and interior utility upgrades</td>
<td>$2,164,000</td>
</tr>
<tr>
<td>Pier 47 - located on the Embarcadero Roadway near Jones Street</td>
<td>Sub-structure and super-structure repairs &amp; utility upgrades</td>
<td>$769,000</td>
</tr>
<tr>
<td>Pier 49 - located on the Embarcadero Roadway near Taylor Street</td>
<td>Sub-structure and super-structure repairs &amp; utility upgrades</td>
<td>$1,513,000</td>
</tr>
<tr>
<td>Pier 90 – Fire Department – located at 3rd Street and Cargo Way</td>
<td>Sub-structure repairs, super-structure seismic upgrade &amp; interior utility upgrades</td>
<td>$211,000</td>
</tr>
<tr>
<td>Pier 98 – located near Cargo Way</td>
<td>Install restroom</td>
<td>$135,000</td>
</tr>
<tr>
<td>World Trade Center located behind the Ferry Building at the foot of Market Street</td>
<td>Super-structure repairs &amp; other pier improvements</td>
<td>$994,000</td>
</tr>
<tr>
<td>SWL 302 – located in Fisherman’s Wharf near Leavenworth Street</td>
<td>Sub-structure and super-structure repairs &amp; utility upgrades</td>
<td>$4,350,000</td>
</tr>
</tbody>
</table>

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11 The San Francisco Redevelopment Agency (SFRA) leases Pier 40 from the Port through September 2050 to support SFRA’s South Beach Harbor operations. However, in conversations with SFRA, they indicated that they wouldn’t be constructing all of the improvements at Pier 40. However, they will be undertaking some sub-structure repair work in the next year that has been identified in the Port’s 10-year capital plan.
Port Operating Budget

The Port typically appropriates $5 to $10 million annually for capital projects. For this 10-year Capital Plan, we assumed the Port will appropriate approximately $8.8 million annually for capital projects in 2006 dollars. While this is a somewhat ambitious goal, we believe it is obtainable if we further increase annual operating revenues and/or reduce annual operating expenses. This target also provides the Port with an annual financial goal, since revenues not required to cover annual operating expenses are available to fund the annual capital budget.

The basis for deciding which projects to fund through the Port’s operating budget are as follows:

- The project is relatively small – under $1 million.
- The project is an annually recurring project such as dredging.
- The project is maintenance in nature such as painting, street resurfacing, apron repairs, and fender replacements. We included some of these projects in other funding sources if they might be part of a larger project.
Based on these criteria and the estimated available funding, we’re proposing the following annual operating budget allocations:

### Table IV.2: Annual Operating Budget Allocations

<table>
<thead>
<tr>
<th>Annual Operating Budget Category</th>
<th>Average Annual allocation 2006 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dredging</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Annual Facilities Condition</td>
<td>300,000</td>
</tr>
<tr>
<td>Annual Facilities Condition</td>
<td></td>
</tr>
<tr>
<td>Survey, Project Planning, &amp; Design by Outside Entities</td>
<td></td>
</tr>
<tr>
<td>Emergency Facility</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Maintenance &amp; Repair</td>
<td></td>
</tr>
<tr>
<td>Equipment to Support the Port’s Maintenance Division</td>
<td>347,000</td>
</tr>
<tr>
<td>Street, Sewer, &amp; Sidewalk Repairs</td>
<td>579,000</td>
</tr>
<tr>
<td>Annual Repair &amp; Replacement Projects (pier repairs, roof replacement, painting, &amp; utility repairs)</td>
<td>3,536,000</td>
</tr>
<tr>
<td><strong>Total Average Annual Allocation</strong></td>
<td><strong>$8,762,000</strong></td>
</tr>
</tbody>
</table>

We will propose the specific annual capital budget projects from the list of projects in the 10-year capital plan in order of priority for the Port Commission, Mayor and Board of Supervisors’ review and approval.

**Port Revenue Bonds**

The Port will fully repay its outstanding 2004 revenue bond debt by FY 2010-11. As a result, at that time, if net revenues remain constant, the Port will have approximately $4.7 million available annually to repay new debt. We’ve assumed the Port will be able to issue approximately $85.9 million in revenue bonds in 2011 that will require the Port to have a total of $7.9 million in available Port revenues annually to repay the debt assuming a 6.5% interest rate and a 30-year term. The $7.9 million is $3.2 million more than the $4.7 million that will become available after we pay-off all of the Port’s existing debt. Thus, this 10-year capital plan assumes we will be able to increase available Port operating revenues by an additional $3.2 million by 2011. While this is a somewhat ambitious goal, we believe it is reasonable to expect the Port to achieve it. Again, it provides the Port with an annual financial goal in addition to the $8,762,233 annual capital budget goal identified above.
In short, this 10-year capital plan anticipates that by FY 2011-12, the Port will be able to generate a total of $11,962,233 ($8,762,233 to fund the operating capital budget plus an additional $3,200,000 to repay new revenue bonds) in surplus operating revenues after covering annual operating expenses to fund both annual capital projects and provide additional funding to repay a new revenue bond.

We proposed the following basis for deciding which projects the Port will fund through revenue bonds; however, the final determination will be made by the Port Commission, Mayor and Board of Supervisors:

- The facility is currently a profitable facility and making an investment will help ensure continued profitability for another 30 years. Such determination would ensure that the benefit of new or continued revenues matches or exceeds the cost of long-term debt.

- The facility has potential to generate additional long-term revenues because it is under-utilized and making an investment will help the Port market it to new tenants and/or increase rents.

- The facility’s only or major leases expire within the next 10 years which gives us an option to lease it for more than the current square footage rental rate, commensurate with our improvements.

- The facility is critical to supporting Port operations.

Based on the above criteria, we’ve identified various piers that could be funded with Port revenue bonds beginning in FY 2011-12. However, there are more piers that require upgrades than the $85.9 million revenue bonds that we have estimated to be able to issue. Thus, before we finalize this capital plan, we should reduce a list of potential projects to those that we propose to fund with available revenue bonds. We can modify that list in subsequent capital plan updates if necessary. Prior to issuance of any new debt, a final list of bond funded projects will be set by the Port Commission, Mayor and Board of Supervisors. But, for planning purposes, it’s important to identify which projects we’ll fund with revenue bonds.

**Table IV.3: Potential Revenue Bond Funded Projects**

<table>
<thead>
<tr>
<th>Pier</th>
<th>Current Use</th>
<th>Rationale for Inclusion in a Future Revenue Bond</th>
<th>Total Capital Plan Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pier 9 – Embarcadero Roadway at Broadway Street</td>
<td>Mixed use - office space and maritime support facilities on the aprons</td>
<td>The Port earns a net of over $1 million annually from Pier 9. It is one the Port’s most profitable facilities. The $17.1 million fully funds sub-structure and super-structure repairs, seismic upgrades, and interior utilities.</td>
<td>$17,100,000</td>
</tr>
<tr>
<td>Pier 19 – Embarcadero at Front St</td>
<td>Warehousing to support maritime activities.</td>
<td>The Port earns over $500,000 annually from Pier 19 after deducting direct expenses. The current lease expires in December 2008 which gives the Port an opportunity to increase rents particularly if it can make improvements to the facility. The $16.2 million fully funds sub-structure and super-structure repairs, seismic upgrades, and interior utilities.</td>
<td>16,200,000</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Pier 50 – Terry Francois Blvd at Mission Rock St</td>
<td>Port maintenance facility, storage, office and other maritime uses</td>
<td>Pier 50 houses the Port’s maintenance facility. Therefore, it is a high priority for the Port to at least repair it such that it can continue to provide that function. The $26.6 million will cover repairs and seismic upgrades required for the valley between Sheds A&amp; B to allow access to Pier 50 and some sub-structure and superstructure repairs on the rest of the pier.</td>
<td>26,600,000</td>
</tr>
<tr>
<td>Pier 80 – Illinois and Cesar Chavez Sts</td>
<td>Bulk and break-bulk cargo facility</td>
<td>Pier 80 is currently under-utilized. There is potential to increase the volume of cargo processed through this facility to increase net revenues. Thus, financing the required repairs could be covered by increased revenues if the Port is better able to market this facility. The $26 million will cover most super-structure and sub-structure repairs but won’t cover the sub-structure seismic upgrades.</td>
<td>26,000,000</td>
</tr>
</tbody>
</table>

**Total Potential Revenue Bond Funded Projects** $85,900,000
### Other Potential Port Projects that Could be Funded with Revenue Bonds

<table>
<thead>
<tr>
<th>Pier</th>
<th>Current Use</th>
<th>Rationale for Inclusion in a Future Revenue Bond</th>
<th>Total Capital Plan Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pier 35 – Embarcadero Roadway at Bay St</td>
<td>Cruise Terminal</td>
<td>Pier 35 is currently the Port’s primary cruise terminal. When the new cruise terminal at Piers 30-32 opens, the Port plans to continue to use Pier 35 to receive cruise ships on days when the new cruise terminal is fully booked. If we can’t secure public funds and/or a development project at Pier 35, we’ll consider it for revenue bond funding.</td>
<td>$38,372,000</td>
</tr>
</tbody>
</table>

**Total Potential Port Projects that Could be Funded with a Revenue Bond – $38,372,000**

### Development Projects

For several years, the Port’s primary tool to fund upgrades to its facilities has been public-private partnership development projects. A developer enters into a 50 to 66-year lease with the Port for property, secures financing, and is responsible for project delivery. The developer renovates the facility to accommodate new uses such as AT&T Park, the Ferry Building, Pier 1, Piers 1.5, 3 and 5 (currently under construction), and Pier 39. As described in the table below, the Port’s 10-year capital plan identifies Port development projects underway in one form or another as funded through development projects. Section V of this report identifies potential development projects for which the Port hasn’t issued an RFP to develop the facility nor has it entered into negotiations with a potential developer.

### Table IV.4: Pending Development Projects

<table>
<thead>
<tr>
<th>Pier</th>
<th>Development Project</th>
<th>Capital Plan Scope of Work</th>
<th>Capital Plan Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piers 15 &amp; 17 – Embarcadero at Green St.</td>
<td>Exploratorium – interactive science museum</td>
<td>Super-structure &amp; sub-structure repairs and seismic upgrades, interior utility upgrades, painting, demolition of the valley, and replacing roofs.</td>
<td>$57,139,000</td>
</tr>
<tr>
<td>Project Description</td>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------</td>
<td>---------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piers 30-32 – Embarcadero at Bryant St, Cruise terminal, mixed use office, retail and restaurants, Sub-structure repairs and seismic upgrades</td>
<td>$65,247,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piers 27-31 – Embarcadero at Battery St, Mixed use recreation, retail, restaurants &amp; office space, Super-structure &amp; sub-structure repairs and seismic upgrades, interior utility upgrades, painting, demolition of valley, and replacing roofs</td>
<td>$68,228,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Development Projects $190,614,000**

**Infrastructure Financing District**

In anticipation of the Port’s 10-year capital plan, in 2005 the Port sought State legislation through Senator Migden’s Office authorizing the Port to establish an Infrastructure Financing District (IFD), an alternate method of collecting property tax increment under State law, which does not require a finding of blight.

IFDs are authorized under California Government Code 53395 et. seq. (the “IFD Law”). IFD Law allows public agencies to finance public infrastructure improvements by capturing and bonding against tax increment generated in the district after it is established. The City collects possessory interest taxes from Port tenants, in lieu of property taxes.

Public agencies seeking establishment of an IFD must perform environmental review as required under CEQA. Additionally, IFDs function much like redevelopment project areas. In this regard, IFDs do not, on their own, involve tax increases. 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). Unlike redevelopment, adoption of an IFD does not affect the land use requirements or zoning designations.

To establish an IFD, the public agency must follow a multi-step process. First, the legislative body of the public agency (here, the City’s Board of Supervisors) must approve a resolution of intent to form the district. The public agency must then prepare and distribute a proposed infrastructure financing plan, which must include, among other

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12 Redevelopment can only be used in areas that suffer from adverse physical and economic conditions, defined in the law as “blight.” The following types of adverse physical and economic conditions have been observed in redevelopment areas to be examples of blight: aging, deteriorating, and poorly-maintained buildings, sometimes interspersed with well-maintained buildings; inadequate and obsolete infrastructure, (i.e. utilities, storm drainage, sewers, street lighting, and confusing and inefficient street systems); vacant and underutilized land or buildings; and high incidences of criminal activity, sometimes equated with an over-concentration of bars, liquor stores or adult stores.
things, a description of the infrastructure, a limit on the tax increment to be used, and an analysis of fiscal impact. The legislative body must then adopt a resolution approving the proposed infrastructure financing plan, but only after the affected taxing agencies have approved the plan. As of the writing of this report, the City has not adopted an IFD for the Port of San Francisco. We are currently working on issues related to district formulation, including the drafting of authorizing legislation.

The 10-year capital plan assumes that the Port will issue debt in the last two years of the plan because the tax increment needs to accrue before we can issue debt against it. Based on known Port development projects that will increase the City’s possessory interest tax collections and an annual receipt growth of $100,000, we conservatively expect to be able to issue approximately $17.5 million in IFD bonds.

**Proposed Use of Infrastructure Financing District Bond Funds**

We currently propose to use proceeds of any IFD bonds to fund a portion of the infrastructure work needed at Pier 70. However, the final determination of the use of IFD bond funds will be made at the time of issuance by the Port Commission, the Mayor, and the Board of Supervisors.

A more detailed description of Pier 70 is contained in Section V. Unfunded Projects and Policy Options. The 10-year capital plan programs funds to cover Pier 70 infrastructure costs which consist of $20 million to construct streets, sewers, water mains, sidewalks, and street lighting. We chose to fund Pier 70 infrastructure work because it consists of traditional public improvements that redevelopment agencies typically fund with tax increment funds. In addition, the Port would be better able to attract a developer for Pier 70 if it can invest Port funds in the infrastructure portion of the project.

**Summary of Identified Funding Sources**

As noted in the Table IV.5 below, 66% of the identified need is unfunded and the balance is funded among tenant responsibilities, revenue bonds, Port operating budget, development projects, and the Infrastructure Financing District bond funds. The six maps following on pages 30 - 35 identify facilities by proposed funding source, including those for which no funding source has been identified.

**Table IV.5: Total 10-year Capital Plan by Funding Source**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Total 10-year Amount</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Responsibility</td>
<td>$33,918,000</td>
<td>2.8%</td>
</tr>
<tr>
<td>Port Operating Budget</td>
<td>87,620,000</td>
<td>7.2%</td>
</tr>
<tr>
<td>Port Revenue Bonds</td>
<td>85,900,000</td>
<td>7.0%</td>
</tr>
<tr>
<td>Development Projects</td>
<td>190,614,000</td>
<td>15.6%</td>
</tr>
<tr>
<td>Infrastructure Financing District</td>
<td>17,500,000</td>
<td>1.4%</td>
</tr>
<tr>
<td>Unfunded</td>
<td>809,727,000</td>
<td>66.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,225,279,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
V. UNFUNDED PROJECTS AND POLICY OPTIONS

The 10-year capital plan includes $809.7 million in unfunded projects. These are projects for which the Port (1) does not expect to have sufficient funds to cover the estimated costs to repair and upgrade the facility, and (2) has not issued an RFP or entered into negotiations with a developer to finance the upgrades. This section of the report identifies those facilities, their overall estimated costs, and identifies options to address the funding shortfalls.

<table>
<thead>
<tr>
<th>Port Facility</th>
<th>Unfunded Cost Estimate</th>
<th>Funding Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Building – Embarcadero at Mission St</td>
<td>$9,545,000</td>
<td>Development Project and/or Other Public Funding</td>
</tr>
<tr>
<td>Downtown Ferry Terminal– Embarcadero at Mission St</td>
<td>25,715,000</td>
<td>Transportation Grant Funding or State Infrastructure Bond</td>
</tr>
<tr>
<td>Pier 26 &amp; 26.5 – Embarcadero near Harrison St</td>
<td>45,898,000</td>
<td>Development Project</td>
</tr>
<tr>
<td>Pier 28 &amp; 28.5– Embarcadero near Bryant St</td>
<td>28,447,000</td>
<td>None Identified</td>
</tr>
<tr>
<td>Pier 30-32 - Embarcadero near Beal St</td>
<td>1,800,000</td>
<td>Environmental Air Quality Grant Funding</td>
</tr>
<tr>
<td>Pier 33 &amp; 33.5 – Embarcadero near Francisco St</td>
<td>22,273,000</td>
<td>Development Project</td>
</tr>
<tr>
<td>Pier 35 – Embarcadero at Bay St</td>
<td>37,554,000</td>
<td>Development Project and/or Public Funding</td>
</tr>
<tr>
<td>Pier 38 - Embarcadero at Delancey St</td>
<td>41,636,000</td>
<td>None Identified</td>
</tr>
</tbody>
</table>

13 This portion of Pier 30-32 costs relates to a desire to implement shoreside power at the Port’s new cruise terminal. It is not a cost funded by the existing development project.
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Funding Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pier 43 &amp; 43.5–Embarcadero between Powell &amp; Mason Sts</td>
<td>Transportation Grant Funding</td>
</tr>
<tr>
<td>Pier 45 – Embarcadero between Taylor &amp; Jones Sts</td>
<td>Grant funding and/or other Public Funding</td>
</tr>
<tr>
<td>Pier 48 &amp; 48.5 – Terry Francois Blvd south of ATT Ballpark</td>
<td>Development Project</td>
</tr>
<tr>
<td>Pier 50 - Terry Francois Blvd south of Pier 48</td>
<td>Balance not funded through revenue bond - None Identified</td>
</tr>
<tr>
<td>Pier 54 - Terry Francois Blvd south of Pier 50</td>
<td>None Identified</td>
</tr>
<tr>
<td>Pier 52 – Public Boat Ramp</td>
<td>Grant Funding</td>
</tr>
<tr>
<td>Pier 52 – Breakwater</td>
<td>Grant Funding</td>
</tr>
<tr>
<td>Pier 70 – Total Complex</td>
<td>Balance not funded by IFD - Development Project and/or other Public Funding</td>
</tr>
<tr>
<td>Pier 80 - balance not funded through revenue bond</td>
<td>Other Public Funding</td>
</tr>
<tr>
<td>Pier 90</td>
<td>None Identified</td>
</tr>
<tr>
<td>Pier 96</td>
<td>None Identified</td>
</tr>
<tr>
<td>Intermodal Transfer Facility</td>
<td>Transportation Grant Funding and/or Other Public Funding</td>
</tr>
<tr>
<td>All Other Port Facilities</td>
<td>None Identified</td>
</tr>
</tbody>
</table>

| Total Unfunded Projects                                                             | $809,727,000                                              |
| Total Funding Options that Could be Identified                                     | $557,199,000                                              |
| Total Projects with No Identified Options                                           | $252,528,000                                              |
Discussion and Analysis
As described in the table above, Port staff have identified potential funding options for $557,199,000 or 69% of the $809,727,000 in Unfunded Projects. Port staff have not secured any of these funds or development agreements. Rather, these options are for planning purposes. The following is a discussion of the identified options to fund Port projects and the basis for selecting projects for each funding source.

Transportation Grant Funding
Port staff have identified the following four projects that could be funded by transportation grants:

- **Downtown Ferry Terminal Project** including adding new ferry berths for $25.7 million. This project will most likely be funded by the Regional Measure 2 (RM2) funds approved by the voters in November 2004 and allocated to the Water Transit Authority (WTA) to expand ferry berthing at the Ferry Building.

- **Pier 43 and 43.5 Transportation Enhancements Project** for $10.2 million. This project will improve access to a new ferry landing, improve transfer between multiple transportation options, and allow access to the fishing industry and visitor businesses. This project includes removing a failing pier and walkway that are public safety hazards, reconstructing a portion of the seawall, and constructing a new pedestrian promenade, a plaza, and multiple transit loading areas.

- **Intermodal Container Transfer Facility Project** including enlargement of rail tunnels 1 and 2 to allow larger containers to be transported through them to Piers 80 and 96, as well as repairing the rail and asphalt at the Intermodal Container Transfer Facility (ICTF) freight yard for $21.3 million.

- **Pier 52 Public Boat Ramp Project** would complete the Port’s boat ramp at Pier 52. The Port received a small amount of State Boating and Waterways grant funds for this project. The $800,000 would fully fund construction of the boat ramp. It is possible that the Port could secure another State or federal grant to fully fund this project.

As noted above, the Downtown Ferry Terminal Extension project is already included in the RM2 Fund expenditure plan. However, Port staff will need to submit grant applications for the Piers 43 and 43.5 Transportation Enhancement Project and the Intermodal Transfer facility project when appropriate funding opportunities arise. For example, the Pier 43 and 43.5 Transportation Enhancement Project would be a good candidate for various federal and State transportation enhancement grant programs. The Intermodal Transfer Facility may be eligible for funding under the proposed State infrastructure bond that is anticipated to be on the November 2006 statewide ballot. It may also be eligible for other State and federal transportation grant programs.
**Other Grant and/or Public Funding**

Some of the Port’s facilities, such as the Pier 80 cargo terminal and Pier 45 fish processing center, provide a maritime benefit not only to San Francisco but also the State of California by handling and supporting cargo shipments. Unfortunately, revenues generated by these maritime activities barely cover the Port’s operating costs and do not cover the infrastructure replacement and enhancement costs required to continue to operate sustainably. The State is considering putting an infrastructure bond on the November 2006 ballot that may include funding to repair, replace and enhance the State’s maritime facilities. While still under discussion as of the writing of this report, it is possible that the Port of San Francisco could qualify for funding under the proposed State infrastructure bond. The Port would use these funds to help fund repair and replacement work at the following facilities:

- Pier 45 – Fish Processing Facility at Fisherman’s Wharf
- Pier 35 – Cruise Terminal
- Pier 80 – Cargo Facility

Finally, the Piers 30-32 cruise terminal project anticipates requiring shoreside power estimated to cost $1.8 million to reduce air emissions of the cruise ships while docked at the new cruise terminal. The developer of Piers 30-32 did not include shoreside power in its project scope or financial plan. It may be able to secure grant funds from the Environmental Protection Agency (EPA) or other environmental agencies to cover the $1.8 million needed for shoreside power equipment.

**Development Projects**

Port staff have identified the following five Port facilities as good candidates for development projects:

- **Agriculture Building** – The Agriculture Building is the yellow brick building south of the Ferry Building on the Embarcadero Roadway. The current uses include office use and the Amtrak ticket office and reception area. The building needs sub-structure and super-structure repairs and seismic upgrades and interior utility upgrades at an estimated cost of $9.5 million. The WTA has expressed an interest in 5,000 square feet of office space in the Agriculture Building and the potential for a transportation center on the first floor that would provide transit services for their facilities. Meanwhile, the Port has started a study of the Agriculture Building to more precisely determine the rehabilitation and seismic costs and to identify its potential uses with pro-formas of those uses. We expect to complete that study in Fall 2006 which will help determine whether the Agriculture Building is a potential private/public partnership development project. In addition, the Port will use the study to explore ways in which the RM-2 funds can be leveraged in a development project.

- **Piers 26 and 26.5** – Piers 26 and 26.5 are located on the Embarcadero Roadway south of the Bay Bridge and are currently being used primarily as
warehouse space with some office space. Port staff estimate it will cost a total of $45.9 million to repair and seismically upgrade the sub-structure and super-structures as well as upgrade interior utilities and aprons. Because of its proximity to the new cruise terminal at Piers 30-32 and new Rincon Hill residential development, Port staff believe this would be a good candidate for a mixed use development project. However, Port staff have not begun the planning process to further evaluate its potential uses to determine whether there would be interest in a private-public partnership.

- **Pier 33** – Located just south of Pier 35 houses restaurants and fish processing facilities. Port staff believe that the location of this pier makes it an attractive site for future development. It is unlikely that the Port will be able to attract developers, however, until the fish processing tenants located at Pier 33 can be relocated to Pier 45.

- **Pier 35** – Located on the Embarcadero Roadway at Bay Street just south of Pier 39, Pier 35 is currently the Port’s primary cruise terminal. When the new cruise terminal at Piers 30-32 opens, the Port plans to continue to use Pier 35 to receive cruise ships on days when the new cruise terminal is fully booked. However, Port staff believe Pier 35 could be developed as a mixed use facility that includes a cruise terminal using a private developer and investing public monies for some of the public amenities. Again, Port staff have not begun the planning process to further evaluate its potential uses to determine whether there would be interest in a private-public partnership. Because Pier 35 is a maritime facility, it may be eligible for funding under the proposed State infrastructure bond that is anticipated to go to the voters in November 2006. As noted in Section IV. Proposed Funding Sources and Uses of this report, we’ve identified Pier 35 as a candidate for revenue bond funding if we are unable to secure other public funds and/or a development project to address Pier 35’s repair, replacement, and seismic upgrade needs.

- **Piers 48 and 48.5** – Located south of AT&T Ball Park across the 3rd Street bridge, Pier 48 is currently unused. Pier 48 was recently repaired after a fire in the mid 1990s. However, it still requires various repairs such as fender and apron repairs, replacing some of the roof, sub-structure repairs, painting, and repairs to the connecting wharf that total $12 million. Given its proximity to the Ball Park and the Mission Bay development, as well as its relatively good condition, Pier 48 is a good candidate for a private/public partnership development. Port staff have not begun the planning process to further evaluate its potential uses to determine the extent to which there would be interest in a private-public partnership.

- **Pier 70** – The Pier 70 area is a 65-acre site that lies between Mariposa and 22nd Streets off Illinois Street. Long a ship-building and ship-repair site, Pier 70 now houses the most important collection of historic industrial buildings west of the Mississippi but owing to age, type of construction, deterioration,
lack of code compliance and absence of site utilities, roads or walkways, most of the 35 buildings on the site are not used and only a few are leased.

The Capital Plan identifies a total of $313 million related to the Pier 70 complex including: environmental remediation, construction of streets, sidewalks, street lighting, sewer and water systems, open space development, and historic building preservation. This comprises a portion of the site, principally along 20th Street, which is lined with the site's most beautiful and valuable historic properties, stretching to the waterfront.

The Phase 1 project envisions bringing most, but not all, of the historic buildings and artifacts (fences, cranes) up to current code, repairing or replacing all building utilities and building systems, but not adding any square footage. Work would be done to meet the standards of the U.S. Secretary of the Department of Interior in keeping with the buildings' eligibility for the National Register. Creation of new public open space along the edge from Pier 66 to the SF Drydock leasehold is another element of the project.

As noted in Section IV Funding Sources and Uses, Port staff projects to be able to issue $17.5 million in Infrastructure Financing District tax increment bonds that would be used to fund Pier 70’s infrastructure improvements – roads, sidewalks, street lights, and sewer and water systems. Thus, the estimated cost to upgrade the salvageable historic buildings, piers, perform environmental remediation and build the new public open space area on the water’s edge is $296 million. The public open space portion of the project is estimated to cost approximately $2.66 million. Since the open space portion of the project provides a public recreational amenity, we are assuming it could be funded through a future City General Obligation bond for City parks or a state grant to build a park.

Unfortunately, the Port has sought developers for Pier 70 in the past without success primarily due to the condition of the historic buildings and cost to remediate hazardous materials. The Port is working on completing a viable master plan that includes: 1) a survey of the historic resources and development of preservation options; and 2) an economic and planning feasibility analysis of development options for Pier 70. We expect to complete enough of this master plan in the next 18-months to draft and issue a development RFP for Pier 70 by mid 2007.
**Port Facilities without Identified Funding Options**

Port staff have been unable to identify options to fund the repair, replacement and seismic upgrade costs associated with the following Port facilities:

Table V.2: Port Facilities without Identified Funding Options

<table>
<thead>
<tr>
<th>Port Facility</th>
<th>Unfunded Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pier 28 &amp; 28.5</td>
<td>$28,447,000</td>
</tr>
<tr>
<td>Pier 38</td>
<td>41,636,000</td>
</tr>
<tr>
<td>Pier 50</td>
<td>26,184,000</td>
</tr>
<tr>
<td>Pier 54</td>
<td>33,182,000</td>
</tr>
<tr>
<td>Pier 90</td>
<td>14,880,000</td>
</tr>
<tr>
<td>Pier 96</td>
<td>15,377,000</td>
</tr>
<tr>
<td>Other Port Facilities</td>
<td>92,822,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$252,528,000</strong></td>
</tr>
</tbody>
</table>

Port staff do not believe Piers 28 and 28.5, 38, 50 and 54 will be optimal candidates for development projects because of the cost to repair and upgrade the facilities. The $26.2 million cost estimate for Pier 50 covers the sub-structure repairs and seismic upgrades in the non-valley areas that aren’t covered by the revenue bond.

If a public Request for Proposals to redevelop these piers with mixed uses (pursuant to the Waterfront Land Use Plan) yields no viable responses, the Port may use Piers 28 and 28.5, 38, and 54 through their useful life and then decide to abandon or demolish them rather than repair them given the costs of repairs. Port staff do not entertain this notion lightly: three of these piers are contributing resources within the proposed Embarcadero National Historic District. Optimally, the range and extent of interim uses within these facilities could be expanded to increase revenue during the remainder of their useful life. However, this would likely not be consistent with public trust law regarding interim uses of facilities that are not “reserved” for potential future maritime use.

The Port will try to make repairs to Piers 90 and 96 to continue to use them since the overall repair costs aren’t prohibitive and the facilities provide a useful function for the City including providing space for concrete companies and construction companies as well as Norcal’s recycling facility. To do so will require the Port either to forgo funding of repairs to other higher priority Port facilities or generate operating revenues greater than the $11.9 million net operating revenue goal set out in this 10-year capital plan to cover the annual capital budget and to repay future revenue bonds. We are not, at this time, comfortable assuming that net annual operating revenues greater than $11.9 million will be available for additional capital projects. However, it is possible (although not probable) that future capital plan updates may reflect more favorable projections of available Port operating revenues for capital projects.
The remaining $92.8 million in unfunded work at Port facilities constitutes miscellaneous repairs that will add to the Port’s back-log of deferred maintenance. At this time, the Port does not have a financial plan to cover these repair costs.

In summary, there is a total of $809,727,000 in unfunded projects in the 10-year Capital Plan. Of that amount, Port staff have been able to identify a total of $557,199,000 potential funding sources and a total of $252,258,000 for which it has been unable to identify funding sources as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Projects</td>
<td>$422,857,000</td>
</tr>
<tr>
<td>Grants &amp; Other Public Funding</td>
<td>134,342,000</td>
</tr>
<tr>
<td>No Funding Identified</td>
<td>252,528,000</td>
</tr>
<tr>
<td>Total Unfunded Projects</td>
<td>$809,727,000</td>
</tr>
</tbody>
</table>
VI. CONCLUSIONS

The Port of San Francisco faces significant challenges in the years ahead to address the enormous back-log of deferred maintenance. As described in this 10-year capital plan, the Port has identified $1.2 billion of repair, replacement and seismic upgrades required for the continued use of its facilities. The 10-year capital plan identifies $415.6 million as funded through the Port’s tenants, development projects, the Port’s annual budget, revenue bonds, and an infrastructure financing district.

While this capital plan also identifies policy options that the Port can pursue to fund a portion of the remaining $809.7 million in unfunded projects, the Port has not secured any of those options. Each new funding option will require substantial staff time to develop and implement as well as support from the City’s policy makers and, in the case of potential development projects, the support of the State Lands Commission and BCDC. In the Port’s recent experience, these hurdles can be daunting, but not impossible.

We are hopeful that some of the Port of San Francisco’s maritime facilities will be eligible for funding in the State’s proposed infrastructure bond. However, it is quite possible that the bond will only cover infrastructure costs of major cargo ports such as Los Angeles, Long Beach and Oakland.

In short, the Port will be faced with the possibility of closing up to seven piers that have the largest currently unfunded needs. These piers include piers 26, 28, 38, parts of pier 50, and 54 in the central waterfront, piers 33 and 35 in the northern waterfront and pier 80 in the southern waterfront. Pier 35 is the City’s principal cruise terminal, the closure of which could have significant economic impacts on the City. The Port is also close to losing the historic buildings at Pier 70 – some eligible for listing on the National Register of Historic Places – due to their frail condition. In addition, while in better condition than the piers identified above, we have been unable to identify funding options for Piers 90 and 96.

Port facilities survived the 1989 Loma Prieta earthquake (centered in the Santa Cruz mountains) with moderate damage. Pier 45 was significantly damaged and subsequently rehabilitated as a modern fish processing facility. A strong, localized quake could have devastating public safety and economic consequences for San Francisco and its waterfront. The City needs its waterfront to be accessible and operable in the aftermath of such a disaster. Preserving waterfront accessibility and operability should rank high on everyone’s priority list.

Implementation of the Port’s capital plan will require more than just identifying $809.7 million to fulfill its capital funding shortfall. It will also require a massive change of perspective from policymakers, regulators, tenants, neighbors, and most of all, from its owners, the general public.

Policymakers will need to prioritize capital funding for Port “enterprise” facilities along with other pressing public needs funded by the City’s General Fund. The Port will also
have to continuously ensure that it receives the highest fair market value of each of its leases.

The public, the rightful owners of this stretch of waterfront, faces the biggest challenge.

Forty years ago the State of California transferred Port lands to City administration in the wake of what were considered inappropriate waterfront development proposals. Some of these schemes involved so much bay fill, privatizing of public lands, and obscuring of bay views that they literally spawned modern bay fill regulation, helped form local environmental groups that remain active today, and forced adoption of forty foot height limits that govern much of the waterfront today. The Port is mindful of this history.

The capital plan is an extension of the Port’s public mission, which includes:

- Economic use of the waterfront, through activities such as fishing, cruise-based tourism, ship repair and regional public transit via ferry;

- Public enjoyment of the waterfront through construction and maintenance of parks and the waterfront promenade, places to dine and shop, cultural destinations and waterfront recreational access points;

- Restoration of contaminated, bay-fronting industrial brownfields, mainly through redevelopment; and

- Preservation of the Port’s historic maritime resources, also via redevelopment.

If the Port is to succeed in this mission, the public must assist it in doing so. We sincerely hope that all interested parties come forward to help the Port undertake this challenge. Great waterfront cities have a dynamic relationship with their waterfronts. San Francisco is and must continue to be a great waterfront city, not just a great city.