




MEMORANDUM

November 22, 2024

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

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request for approval and appropriation of the third bond issuance in the amount of \$124.0 million of 2018 Proposition A General Obligation Bonds, known as the Embarcadero Seawall Earthquake Safety Bonds, to support program advisory services, early projects, and the San Francisco Waterfront Coastal Flood Study General Investigation ("Flood Study").

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 24-55

EXECUTIVE SUMMARY

On November 6, 2018, residents of San Francisco passed Proposition A with 82.7% voter approval, authorizing a \$425.0 million General Obligation Bond known as the Embarcadero Seawall Earthquake Safety Bond (Proposition A). On March 12, 2019, the Port Commission approved Resolution 19-08, authorizing the first issuance of Proposition A in the amount of \$49.7 million. On January 24, 2023, the Port Commission approved Resolution 23-05, authorizing the second issuance of Proposition A in the not to exceed the amount of \$42.0 million with an actual issuance amount of \$39.0 million.

The purpose of this staff report is to request approval and appropriation of the third issuance of Proposition A in the amount of \$124.0 million to support the Waterfront Resilience Program, as further described in this report and companion reports for Item 12A and Item 12B on the November 25 Port Commission meeting agenda, which are incorporated by reference herein.

THIS PRINT COVERS CALENDAR ITEM NO. 12C

The Controller's Office of Public Finance ("OPF") manages debt financing for large-scale, long-term capital projects and improvements in San Francisco, including Port debt-financed capital projects. As part of its charge, OPF often coordinates the sale of bonds to finance projects across multiple departments.

As shown in Table 1 below, with approval of the third bond sale, appropriations for WRP will total \$230.9 million.

Table 1: Funding Sources (\$ millions)

Funding Source	FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	TOTAL
Port Capital	2.9		1.1		1.7	0.6	1.5	1.6	1.6	11.0
Loan: Port Harbor Funds				11.5	-11.5					0.0
Loan: City Revolving Fund	1.0	3.0	5.0	-6.0	-3.0					0.0
SFMTA	0.5	0.5								1.0
SF Planning Dept	0.5	0.3	0.3							1.0
CA Natural Resources Grant			5.0							5.0
FEMA BRIC Grant									0.2	0.2
2018 GO Bond - First and Second Issuance					49.7		39.0			88.7
Sub-Total of Current Appropriations	4.9	3.8	11.4	5.5	36.9	0.6	40.5	1.6	1.8	106.9
2018 GO Bond - Third Issuance									124.0	124.0
TOTAL	4.9	8.7	20.0	25.5	62.4	63.0	103.5	105.1	230.9	230.9

In addition to the sources shown in Table 1 above, the Port is pursuing \$58.7 million in federal and state grant applications, including a \$50.0 million and \$150 thousand Federal Emergency Management Agency (FEMA) Building Resilient Infrastructure and Communities (BRIC) grants which have tentatively been awarded.

STRATEGIC OBJECTIVES

The Port's Waterfront Resilience Program supports the goals of the Port's Strategic Plan as follows:

Engagement:

By leading an inclusive stakeholder process to develop a shared vision, principles, and goals for the Waterfront Resilience Program and Flood Study.

Equity:

By developing a program-wide equity strategy that is integrated into the Port's Racial Equity Action Plan, focused on centering voices of marginalized communities through robust engagement, developing resilience projects to serve these communities, and ensuring equitable hiring and contracting to support the Program.

- Centering the voices of communities of color, low-income communities, and disadvantaged and historically marginalized communities through robust, meaningful, and inclusive public outreach and engagement.
- Developing, and investing in resilience projects that reduce flood and seismic risk in and around disadvantaged and historically marginalized communities.

- Ensuring equitable hiring and contracting practices and supporting the development of a diverse workforce to design and deliver projects associated with the Waterfront Resilience Program.

Resiliency:

By leading the City's efforts to address threats from earthquakes and flood risk through research and infrastructure improvements to the entire Port shoreline and adjoining buildings and other infrastructure.

Evolution:

By developing adaptation options with a long time horizon as well as near-term actions, envisioning strategies to adapt the waterfront and its uses over time, and recognizing that decisions made today influence the options available to future generations who will be addressing different environmental and social conditions.

Sustainability:

By incorporating nature-based features into the Draft Plan and Early Projects to enhance the quality of the Bay water and habitat.

Productivity and Economic Recovery:

Through the investment of Proposition A Seawall Earthquake Safety Bond funding and other Port and public funding sources, and by developing strategies to defend or floodproof Port maritime and industrial facilities.

BACKGROUND

In 2015, the Port launched the Waterfront Resilience Program, a major City and Port effort to improve earthquake safety and performance of the Embarcadero seawall, provide near-term flood protection improvements, and plan for additional long-term resilience in the face of sea level rise. WRP work can be categorized into three major efforts: (1) Early Projects, (2) Waterfront Adaption Strategies, and (3) Flood Study.

On November 6, 2018, residents of San Francisco passed Proposition A, with 82.7% voter approval, authorizing a \$425.0 million General Obligation Bond.

On March 12, 2019, the Port Commission approved Resolution 19-08, authorizing the first issuance of Proposition A up to \$50.0 million (\$49.7 million issuance), including issuance costs, to support the planning and preliminary design phases of the WRP. On January 24, 2023, the Port Commission approved Resolution 23-05, authorizing the second issuance of Proposition A in the not-to-exceed amount of \$42.0 million (\$39.0 million issuance). Table 2 below shows the projected bond budget at the time of Port Commission authorization and the bond expenditures through September 2024.

Table 2: First and Second Bond Issuance Projected Budget and Current Expenditures (\$ millions)

Program Scope	2019 Budget	2023 Budget	Actuals to Date
Port Labor	5.9	8.9	9.0
Program Management		7.1	14.6
Planning/Engineering/Environmental	30.0	4.7	19.1
Engagement		0.8	3.4
USACE Flood Study	8.9	3.5	6.4
Pilot Projects		0.4	0.9
City Agencies and Regulatory Approval	1.0		0.5
Embarcadero Early Projects		13.2	8.5
Cost of Issuance	3.9	0.4	1.4
Total	49.7	39.0	63.8

WATERFRONT RESILIENCE PROGRAM

Early Projects

On December 14, 2021, WRP staff presented the selected 23 early projects¹ that will:

- Reduce life safety risks identified during the Embarcadero Seawall Multi-Hazard Risk Assessment,
- Reduce disaster response risks identified through the Port-San Francisco Department of Emergency Management sponsored disaster response task conducted in August 2021, and
- Address existing high-consequence flood risks identified through the Flood Study.

The early projects prioritize urgent seismic and flood risk using a people-first approach to support the Port as it makes critical life-safety and disaster response decisions.

The WRP has also conducted an adaptation strategy planning process for the Port's southern waterfront, including the Southern Waterfront Earthquake Assessment with Port Engineering. Collectively, the projects identified along the Embarcadero and in the Southern Waterfront are called Early Projects.

The third issuance will fund advancing six Early Projects from predesign to detailed design:

- Wharf J9 Replacement & Resilient Shoreline Project
- Pier 15 Seawall Earthquake Safety Project
- Pier 9 Seawall Earthquake Safety Project
- Downtown Coastal Resilience Project (formerly the Pier 5 to 22½ Near Term Coastal Flood Risk Reduction Project)

¹ Item 12A Staff Report:

<https://sfport.com/meetings/san-francisco-port-commission-december-14-2021>

- South Beach Resilience Project (Piers 24.5-28 to Piers 38-40)
- Pier 50 Earthquake Improvement Project

Construction of the Wharf J9 Float & Gangway has already begun with completion expected by the end of 2024.

Funding from the third bond sale will advance the design of Early Projects and initial construction costs. Subject to pending Port leadership decisions as to whether to move these projects into detailed design and construction, the projects currently projected to move into construction first are the Pier 15 Seawall Earthquake Safety Project and the Pier 9 Seawall Earthquake Safety Project, followed by the Wharf J9 Replacement and Resilient Shoreline Project. These projects are the candidates for construction funding through this 3rd bond sale.

The Downtown Coastal Resilience Project and the South Beach Resilience Project are both potential early implementation actions of the USACE Draft Plan; detailed design, environmental clearance, and permitting are expected to take longer before construction of these projects can commence. Construction of these projects would be funded under a later bond sale.

USACE San Francisco Waterfront Coastal Flood Study

The Port of San Francisco (Port) has partnered with the U.S. Army Corps of Engineers (USACE) on the San Francisco Waterfront Coastal Flood Study (Flood Study), a general investigation of flood risks to the Port's entire 7½ mile jurisdiction. The Flood Study is a planning-level feasibility study that analyzes coastal flood risk from 2040 through 2140, identifies and evaluates adaptation strategies, and conducts robust public engagement to inform the development of a Draft and Recommended Plan.

In January 2024, the Port and USACE published the Draft Integrated Feasibility Report and Environmental Impact Statement (Draft Plan). The Draft Plan consists of coastal flood defenses, floodproofing, and water management features to adapt the Port's 7½ mile bayside waterfront to sea level rise over time, with subsequent adaptation actions to respond to higher future water levels. The proposed solutions are estimated to cost \$13.5 billion plus inflation. If approved by Congress, the Federal government may pay up to 65% of the construction cost. Cost estimates are preliminary, high-level, and subject to change.

Recommended Plan and Final IFR/EIS

The Port and USACE are working to complete the Flood Study and publish the Recommended Plan by mid-2026. The Recommended Plan will include an Implementation Strategy that will identify how the plan can be built in phases as funding becomes available over time, including identifying potential early implementation actions.

Under the current schedule, staff expects to publish a Final IFR/EIS and a Chief of Engineer's report with a recommendation to Congress in 2026 (Chief's Report). On October 18, 2024, Major General Kelly, Deputy Commanding General of USACE Civil Works and Emergency Operations, approved a resource request to the Assistant Secretary of the Army requesting an increase to the Flood Study budget of \$3.2 million to complete the Study.

This increase in the Study budget, if approved by the Assistant Secretary of the Army, would be cost-shared 50-50% with the Port. Port staff will seek approval from the Port Commission for this increase at the December 10, 2024 Port Commission meeting.

Under the expected schedule, Port staff will present a revised Draft Plan (Recommended Plan) to the Port Commission and the Board of Supervisors in 2026 with a request to consider endorsing the plan before it is submitted to Congress.

Flood Study Next Steps

As described in Item 12A on this Port Commission meeting agenda, staff recommends an agreement with USACE² to advance planning and design for the Flood Study project area prior to Congressional authorization of the Draft Plan. Under this scenario, the City, with the Port as the lead agency, would lead planning and design for the Draft Plan with an integrated City department team and USACE oversight.

This scenario would capitalize on public interest and engagement with City departments and resource agencies to advance waterfront planning and design starting in 2025, with a goal of achieving **up to** a 10% level of conceptual design by 2028/29 and an implementation plan to guide design and construction in more targeted areas of the waterfront. These activities – which are proposed under stage gates to meter spending to available sources – are more fully described in Item 12A on the November 25, 2024 Port Commission meeting agenda (Item 12A).

Funding from existing sources will advance the Flood Study through its completion and submission to Congress in 2026. Funding from this proposed bond sale and the planning and design effort described above is subject to Port Commission approval of competitive

² USACE Section 221 Flood Control Act of 1970, as amended, enables non-federal sponsors to advance design and construction of USACE projects. USACE Section 221 implementation guidance can be found here: https://www.publications.usace.army.mil/Portals/76/Publications/EngineerRegulations/ER_1165-2-208.pdf

solicitations for these services and subsequent authorization to enter these contracts. As shown in Table 3 below, these planning and design activities are projected to cost \$20 million over the next 3 years, which will enable the completion of the first stage gate under the proposed planning and design contracts to advance the USACE Draft Plan.

Program Advisory Services Contract

Staff recommends advertising a competitive solicitation for Program Advisory Services to assist staff in the design and delivery of Early Projects and advancing waterfront planning and design to advance the Flood Study (Program Advisory Services Contract). Item 12B on this Port Commission meeting agenda describes the proposed Program Advisory Services Contract, which would be funded by Proposition A and Port Harbor Funds.

Table 3: Third Bond Issuance Spending Plan (\$ millions)

Program Scope	2025	2026	Mid-2027	Total
Port Labor	1.9	2.0	1.0	4.9
Program Advisory Services/Engagement	3.4	6.6	3.6	13.6
USACE Flood Study	5.0	10.0	5.0	20.0
City Agencies and Regulatory Approval	0.7	0.9	1.4	3.0
Early Projects	23.9	33.2	20.7	77.8
Cost of Issuance	4.7			4.7
Total	39.6	52.7	31.7	124.0

Table 3 shows the projected scope and expenditures of the third bond issuance over the next two and a half years through FY26-27. A fourth issuance in late 2027 will be required to finance the construction of selected Early Projects, as well as continuing funding for advancing planning and design of the USACE Draft Plan.

BOND SALE SCHEDULE

The tentative schedule for the third Proposition A issuance is:

October 8, 2024	Office of Public Finance staff introduced sale resolutions and appropriations ordinances to the Board of Supervisors requesting authorization for the third Proposition A issuance. The sale resolutions and ordinances combine Proposition A with the Earthquake Safety & Emergency Response (2020) and Affordable Housing (2019) Bonds.
November 4, 2024	Port staff received approval from the City's Capital Planning Committee (CPC) to move forward with the third Proposition A issuance.

November 25, 2024 Port staff seeks recommendation from the Port Commission that the Board of Supervisors approve the third Proposition A issuance in a not-to-exceed amount of \$124.0 million.

November 26, 2024 Board of Supervisors approval of OPF's resolution.

January 2025 Third Proposition A issuance.

BOND ACCOUNTABILITY

Managing General Obligation Bond proceeds will require the Port to provide regular reporting to the City. The Port will submit a Bond Accountability Report to the Board outlining the proposed uses of bond funds and the expected expenditure schedule. Since the completion of the first GO Bond sale, the Port has provided updates on the expenditure of the funds to the City's Citizens General Obligation Bond Oversight Committee.

WRP EXPENDITURES

As shown in Table 1, the WRP has received \$106.9 million in funding from the first and second bond issuance, a state and federal grant, and Port Capital. Table 4 below shows the combined projected budget and expenditures through September 2024.

Table 4: Total Program Projected Budget and Expenditures (\$ millions)

Program Scope	Provider	Projected Budget	Actuals to Date
Port Labor	City Staff	18.2	11.9
Program Management	Contract	7.1	14.6
Planning/Engineering/Environmental	Contract	45.1	23.6
Engagement	Contract	3.1	4.9
USACE Flood Study	City Staff/Contract	13.4	6.4
Pilot Projects	City Staff/Contract	0.4	0.9
City Agencies and Regulatory Approval	City Staff	2.1	0.7
Embarcadero Early Projects	City Staff/Contract	13.2	8.5
Cost of Issuance		4.3	1.4
Total		106.9	72.9

CONCLUSION

The Waterfront Resilience Program is a critical effort to improve the infrastructure that supports the City's waterfront. This third bond issuance of \$124,000,000, including the costs of issuance, will continue the USACE Flood Study, enable further planning and design of the USACE Draft Plan, and complete the final design for selected Early Projects, preparing the program to move into the next phase of project construction.

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Waterfront Resilience Program

For: Nate Cruz, Deputy Director
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Brad Benson, Director
Waterfront Resilience Program

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

RESOLUTION NO. 24-55

- WHEREAS, On November 6, 2018, San Francisco’s voters approved a \$425 million Embarcadero Seawall Earthquake Safety General Obligation Bond measure (Proposition A) for the Seawall Earthquake Safety and Disaster Prevention Program (Seawall Program, subsequently renamed the Waterfront Resilience Program); and
- WHEREAS, On March 12, 2019, the Port Commission approved Resolution 19-08, authorizing the first issuance of Proposition A up to \$50.0 million; and
- WHEREAS, The first issuance of Proposition A issued in 2020 totaled \$49,675,000; and
- WHEREAS, On January 24, 2023, the Port Commission approved Resolution 23-05, authorizing the second issuance of Proposition A up to \$42.0 million; and
- WHEREAS, The second issuance of Proposition A issued in 2023 totaled \$39,020,000; and
- WHEREAS, The City and County of San Francisco is planning the third issuance of Proposition A in or around January 2024; and
- WHEREAS, The Board of Supervisors requires the Port Commission to approve the issuance amount of each bond sale; and
- WHEREAS, Port staff have identified \$119,267,000 to be included in the third Proposition A issuance for the Seawall Program to fund, among other things: (1) final design and engineering of Early Projects; (2) Waterfront Adaptation Strategies; and (3) costs related to ongoing efforts to advance the United States Army Corps Flood Study; and
- WHEREAS, The initial Proposition A issuance amount includes \$4,733,000 in bond-related costs (\$238,534 for the City Services Auditor Fee (CSA Audit), \$120,470 for the Citizens’ GO Bond Oversight Committee, \$241,646 in Cost of Issuance, \$602,350 in Underwriter’s Discount; \$3,530,000 reserved for market uncertainty; and
- WHEREAS, Port staff recommends that the Port Commission approve the sale of the third issuance of Proposition A bonds in an aggregate principal amount not to exceed \$124,000,000, and recommends that the Board of Supervisors consider and approve the third issuance of Proposition A; now, therefore be it

- RESOLVED, The Port Commission hereby approves the third Proposition A sale in an aggregate principal amount not to exceed \$124,000,000; and, be it further
- RESOLVED, The Port Commission hereby approves the appropriation of Proposition A bond sale proceeds to the Waterfront Resilience Program budget and to pay for any associated costs of issuance; and, be it further
- RESOLVED, The Port Commission hereby recommends that the Board of Supervisors consider and approve a third issuance of Proposition A bonds in an amount not to exceed \$124,000,000.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of November 25, 2024.

Secretary