



MEMORANDUM

February 19, 2021

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request approval of the Port's Ten-Year Capital Plan, Fiscal Years (FY) 2022-2031.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution No. 21-09

EXECUTIVE SUMMARY

Attached to this report is the Port of San Francisco's 10-Year Capital Plan ("Plan") for FY 2021-22 to FY 2030-31, which provides a full inventory of the Port's capital needs and projected funding sources to allow staff to identify and develop strategies for addressing unfunded need. This report was first issued for the February 9, 2021 Port Commission meeting. Attachment 2 was added in response to Commissioner questions.

The Plan differentiates capital needs into two categories: 1) capital projects that help maintain the Port's facilities in a state of good repair ("SOGR"); and 2) enhancement projects that add value to the Port property. Table 1 below summarizes the total funding need compared to available funds in each of those categories, resulting in an unfunded gap of \$2.2 billion.

Table 1: Unfunded Capital Need (\$ millions)

	State of Good Repair	Enhancements	Total
Need	1,994.0	1,931.0	3,925.0
Funding Sources	503.1	1,239.6	1,742.6
Unfunded gap	1,490.9	691.4	2,182.4
% Unfunded	75%	36%	56%

These findings represent a \$392.8 million increase to the total capital need compared to the prior Plan. This increase is primarily due to improved estimates of repairs to selected facilities, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the 10-year window. The Plan also highlights the progress the Port has made over the past two years to improve the condition of its assets. This success has been made possible by the Port’s multifaceted approach of dedicating one-time revenue sources and operating revenues to capital; securing new external sources of funding; and targeting available funds to strategic projects.

STRATEGIC OBJECTIVES

The Port’s 10-Year Capital Plan for FY 2021-22 to FY 2030-31 is central to meeting the Port’s Strategic Plan objectives:

- **Evolution:** The Capital Plan is essential for understanding the size and nature of the funding necessary to bring Port facilities into a state of good repair and lays out a vision for seeking non-Port revenue for resiliency work and public-private partnerships that improve state of good repair, enhance the waterfront, and generate revenue for future capital investments.
- **Equity:** The Port is committed to eliminating racial and social disparities and promoting equity in the services delivered by the Port’s facilities and infrastructure.
- **Stability:** The investment of Port revenue in capital is a key piece of the Port’s strategy for addressing its historic backlog of need and has helped the Port achieve many of the accomplishments detailed in the Plan.
- **Productivity:** Strategic capital investment allows the Port to attract and retain tenants that build an economically viable port. Capital investment maintains the Port’s financial strength by addressing deferred maintenance, maximizing the value of Port property, improving space for future leasing and increasing revenue.

BACKGROUND

Under Administrative Code Section 3.20, the City and County of San Francisco (“the City”) is required to prepare a 10-year capital plan in odd numbered years that identifies

both the City's capital needs and potential sources to fund that work. The purpose of this item is to provide an overview of the Port's proposed 10-Year Capital Plan for FY 2021-22 to FY 2030-31 and to solicit Port Commission and public feedback.

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

The Port's capital plan aligns with the Citywide 10-Year Capital Plan and will begin to intentionally integrate racial equity into the capital planning process and identifying capital priorities. The Port is committed to ensuring equity enters the capital review process and addressing severe racial disparities only made worse by COVID-19.

Since the prior Capital Plan update, the Port's major capital accomplishments include: completion of Crane Cove Park, a seven-acre waterfront park in the Central Waterfront, substructure repairs to Alcatraz Ferry Embarkation, improvements to Pier 94 Backlands, installation of a ground transportation shelter at the Pier 27 Cruise Terminal, completion of the first round of Facility Inspection Repair Program Assessments, and successful RFP for redevelopment of Piers 30-32 and Piers 38 and 40.

CAPITAL NEED

The prior Plan identified a \$3.5 billion total need, including \$1.7 billion for SOGR and \$1.9 billion for Enhancements. This Plan represents a \$392.8 million increase in total need due to improved facility condition data resulting from the Facility Inspection Repair Program Assessment program, inflation, unfunded needs from prior years rolling forward, and the addition of new years to the 10-year window. The total SOGR and Enhancement need is now over \$3.9 billion for FY 2022-31, including almost \$2.0 billion SOGR need (see Appendix A to the Attachment for details on need by facility).

The Port's 10-Year Capital Plan also includes a conservative estimate of \$605.0 million for conditional seismic work. As the Port determines the best use for its facilities through development negotiations with private parties, identification of projects in the Waterfront Resilience Project, and has better cost data through the FIRPA process, this figure will be refined and allocated more specifically to each pier.

Notably, the Plan does not reflect the full need of the Waterfront Resilience Program. Port staff currently estimates the full cost at \$5 billion, however that figure is subject to substantial variance as the specific projects that comprise the program are selected and designed. Given the scale and variability of the Resilience Program's total cost compared to available funds, Port staff has only included costs to the extent funding sources have been identified in the 10-Year Capital Plan. The Port will include future resilience costs as specific projects are selected and when cost estimates and funding sources are identified.

FUNDING SOURCES AND USES

The Capital Plan identifies an estimated \$1.7 billion in funds that will be available during the Plan period. Overall, the plan reflects a balanced expenditure of funds, with most of the Port's flexible internally generated funding directed towards SOGR projects and externally generated funding directed to enhancement projects. SOGR projects include emergency facility repair, dredging and repair and reinvestment. Enhancement projects that are primarily funded by external sources include tenant facility improvements, development projects (Pier 70, Mission Rock, and others), Mission Bay Ferry Landing, and the Waterfront Resilience Program.

Table 2: Detailed Sources and Uses

<i>All figures in \$1,000s</i>							
Program / Project	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 - 2031	Plan Total
SPENDING PLAN							
State of Good Repair							
Emergency Facility Repair	100	103	106	109	113	615	1,146
ADA	100	103	106	109	113	615	1,146
Dredging	7,090	6,245	7,030	3,027	7,000	38,279	68,671
Repair / Reinvestment	66,154	32,165	61,369	25,311	31,321	215,782	432,102
State of Good Repair Subtotal	73,444	38,616	68,611	28,556	38,546	255,292	503,066
Enhancements							
Facility Improvements	4,409	5,388	6,462	7,021	7,763	65,087	96,130
Development Projects	240,170	138,842	59,889	24,922	28,548	103,157	595,528
Waterfront Resilience Program	32,600	108,000	92,500	92,300	63,500		388,900
Mission Bay Ferry Landing		29,000					29,000
Waterfront Safety Project					130,000		130,000
Enhancements Subtotal	277,179	281,231	158,851	124,242	229,811	168,245	1,239,559
TOTAL	350,623	319,847	227,462	152,799	268,357	423,537	1,742,625
REVENUES							
Internal Funding							
Port Capital	8,800	13,300	15,000	15,450	15,914	87,022	155,485
Port Tenant Improvements	9,332	13,443	42,886	8,973	14,747	95,030	184,411
Internal Funding Subtotal	18,132	26,743	57,886	24,423	30,661	182,052	339,896
External Funding							
Seawall Bond	31,300	102,300	92,500	92,300	63,500		381,900
Waterfront Safety Bond					130,000		130,000
Orton IFD Tax Increment	649	668	688	709	730	3,994	7,439
Pier 70 - CFD Shoreline Tax				114	116	3,312	3,542
Mission Rock - CFD Shoreline Tax			652	922	1,482	7,868	10,924
Federal & State Grants	2,000	2,060	2,122	2,185	2,251	12,309	22,928
US Army Corps of Engineers						20,200	20,200
Regional Measure 3, MBFL		25,000					25,000
MBFL Anticipated Private Contributions, MBFL		4,000					4,000
Development Projects	298,542	159,076	73,614	32,145	39,616	193,802	796,795
External Funding Subtotal	332,491	293,104	169,576	128,376	237,696	241,485	1,402,728
TOTAL	350,623	319,847	227,462	152,799	268,357	423,537	1,742,625

CONCLUSION

The need captured in this plan paints a clear picture: Port assets require substantial investment due to their age and condition and delay in making those improvements

comes at a price as construction costs continue to escalate, seismic risk is unmitigated, and high water levels inch up each year.

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

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

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Attachment 1: 10-Year Capital Plan FY 2021-22 to 2030-31

Attachment 2: Calendar of Finance Items

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

RESOLUTION NO. 21-09

- WHEREAS, In 2006, the Port of San Francisco completed its first 10-Year Capital Plan, assessing the Port's capital needs to support and guide Port Commission capital expenditure and investment decisions; and
- WHEREAS, Port staff updates the 10-Year Capital Plan in odd numbered years to reflect changes in the condition of the Port's facilities, new structure evaluations, completed work, changes to funding sources, and changes in budget and financing assumptions; and
- WHEREAS, The Port's 10-Year Capital Plan for Fiscal Years 2021-22 to 2030-31, a copy of which is attached to the staff memorandum accompanying this resolution, identifies \$3.9 billion in capital repair, \$2.0 billion of which is in required state of good repair ("SOGR") work and \$1.9 billion of which is in enhancements, inclusive of \$605.0 million in potential conditional seismic upgrade needs, over the next ten years; and
- WHEREAS, Of the \$1.7 billion in proposed funding for this period, \$503.1 million is projected to cover state of good repair needs and \$1.24 billion is projected to cover enhancements and seismic work; and
- WHEREAS, The \$1.7 billion in proposed funding will leave the Port with an unfunded SOGR capital need of \$1.5 billion and an unfunded enhancement need of \$691.4 million through Fiscal Year 2030-2031;
- RESOLVED, That the Port Commission hereby adopts the Port's 10-Year Capital Plan for Fiscal Years 2021-22 to 2030-31 attached to the staff memorandum accompanying this resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 23, 2021.

Secretary