

1 [Supplemental Authorizations for Interdepartmental Property Transfer - MOU Amendment
2 No. 1 - Central Shops Relocation - Increasing Transfer Price by \$8,578,429 to an Amount Not
3 to Exceed \$82,278,429; Authorizing Notice to Proceed - Oryx Development I, LLC]

4 **Resolution approving supplemental authorizations for the jurisdictional transfer of**
5 **1800 Jerrold Avenue (portions of Assessor's Parcel Block Nos. 5262 and 5270) from the**
6 **General Services Agency's Office of Contract Administration ("OCA") to the San**
7 **Francisco Public Utilities Commission ("SFPUC") Wastewater Enterprise; and the**
8 **jurisdictional transfer of 555 Selby Street and 1975 Galvez Avenue (Assessor's Parcel**
9 **Parcel Block No. 5250, Lot Nos. 15 and 16), and the leasehold of 450 Toland Street (Assessor's**
10 **Parcel Block No. 5230, Lot No. 18), from SFPUC to OCA (collectively "Project Site"),**
11 **subject to Amendment No. 1 to the Memorandum of Understanding previously entered**
12 **into between the Real Estate Division, OCA, and SFPUC to create the functionally-**
13 **equivalent facilities for the relocation of the City's Central Fleet Maintenance Shop**
14 **("Central Shops") from 1800 Jerrold Avenue; increasing the total transfer price**
15 **by \$8,578,429 to an amount not to exceed \$82,278,429 from SFPUC Wastewater**
16 **Enterprise funds; authorizing the issuance of a Notice to Proceed for the next**
17 **construction phase under a Board-authorized design-build Project Delivery Agreement**
18 **with Oryx Development I, LLC, for the construction of facilities to relocate Central**
19 **Shops to the Project Site; and finding the proposed transactions are in conformity with**
20 **the General Plan, and the eight priority policies of Planning Code, Section 101.1.**

21 WHEREAS, By Ordinance No. 8-16, this Board approved the jurisdictional transfer
22 of 1800 Jerrold Avenue to SFPUC from OCA, and the Project Site to OCA from SFPUC,
23 subject to the terms and conditions of a Memorandum of Understanding entered into between
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1 the OCA, SFPUC and RED, which is on file with the Clerk of the Board of Supervisors under
2 File No. 151226 (the “MOU”); and

3 WHEREAS, The City’s Director of Property determined that the current fair market
4 value of 1800 Jerrold Avenue is less than the reasonable and necessary expense required to
5 relocate Central Shops to facilities that are functionally equivalent to Central Shops’ existing
6 facilities, including property acquisition costs, rent, development, design and construction of
7 replacement improvements; and

8 WHEREAS, At that time, the MOU established a Transfer Price of \$73,700,000, from
9 SFPUC Wastewater Enterprise funds, based on the estimated expense required to acquire
10 the Project Site and construct new facilities to relocate Central Shops; and

11 WHEREAS, On February 14, 2017, the SFPUC adopted Resolution No. 17-0028, on
12 file with the Clerk of the Board of Supervisors in File No. 170193, authorizing Amendment No.
13 1 to the MOU, to increase the Transfer Price by \$8,578,429 to an amount not to
14 exceed \$82,278,429, due to increased costs of securing possession of the Project Site,
15 unforeseen conditions on the Project Site, and increased construction costs for the new
16 Central Shops facilities based on final design documents; and

17 WHEREAS, SFPUC, OCA and RED executed Amendment No. 1 to the MOU on
18 February 16, 2017, and now seek Board approval of the proposed jurisdictional transfers,
19 subject to the MOU, as amended; and

20 WHEREAS, On October 28, 2015, the Planning Department’s CEQA Coordinator,
21 Timothy Johnston, issued a notice that this project is categorically exempt under California
22 Environmental Quality Act (CEQA) Guidelines Section 15332 (Infill Development, Class 32);
23 and

24 WHEREAS, The Planning Department, through a General Plan Referral letter dated
25 November 5, 2015, which is on file with the Clerk of the Board of Supervisors under File

1 No. 151226, verified that the City’s acquisition of 1975 Galvez Avenue and 555 Selby Street,
2 and lease of 450 Toland Street, together with the jurisdictional assignments and transfers
3 noted herein, are all consistent with the General Plan, and the eight policies of Planning Code,
4 Section 101.1; and

5 WHEREAS, In Ordinance No. 8-16 this Board found that the Proposed Project, and
6 jurisdictional transfers of 1800 Jerrold Avenue from OCA to SFPUC and the Project Site from
7 SFPUC to OCA, subject to the terms and conditions of the MOU, is consistent with the City’s
8 General Plan, and the eight priority policies of Planning Code, Section 101.1 and incorporated
9 the General Plan Referral letter by reference as though fully set forth in that Ordinance; and

10 WHEREAS, Based on the recommendation of the Directors of Property and
11 Purchasing, the SFPUC General Manager, and the Mayor, this Board, by Ordinance No. 8-16
12 determined that the jurisdiction of 1800 Jerrold Avenue shall be transferred to the SFPUC,
13 and the jurisdiction of the Project Site shall be transferred to OCA, subject to the terms and
14 conditions of the MOU; and

15 WHEREAS, To accomplish the design and construction of new facilities for Central
16 Shops on the Project Site, the departments sought Board approval to waive the competitive
17 selection requirements in Administrative Code, Chapter 6, Sections 6.61(b) and 6.61(c) (1) –
18 (4) in order to authorize the City and Oryx Development I, LLC (the “Developer”), to enter into
19 a Project Delivery Agreement (the “PDA”) for Oryx to complete the development, design, and
20 construction of the Project with FM&E Architecture and Design (the “Architect”) as the
21 architect, and Charles Pankow Builders, Ltd (the “General Contractor”) as the general
22 contractor for the Project; and

23 WHEREAS, The OCA, RED and SFPUC determined that the design-build project
24 delivery method was necessary and appropriate to achieve anticipated time efficiencies, and
25 that the use of the design-build project delivery method is in the public’s best interest; and

1 WHEREAS, By Ordinance No. 8-16, this Board recognized that the Project is occurring
2 at one of the most robust construction periods in the history of San Francisco, and as such,
3 there were limited availabilities of design and construction teams led by a developer entity
4 willing and able to perform the Project within the budget and timeline provided by the City, and
5 determined that the design and construction of the Project by Developer was exempted from
6 the requirements of Administrative Code, Chapter 6, Sections 6.61(b) and 6.61(c)(1) – (4),
7 which would otherwise require a competitive selection process for the proposed design-build
8 PDA; and

9 WHEREAS, The Board of Supervisors approved the selection of the Developer, the
10 Architect, and the General Contractor as set forth in the PDA, without competitive bidding, and
11 authorized the OCA and RED to enter into the proposed PDA, subject to the Mayor’s
12 approval; and

13 WHEREAS, The PDA approved by the Board of Supervisors requires compliance with
14 the procedures and requirements for procurement of trade work (subcontractors) consistent
15 with Administrative Code, Chapter 6, Section 6.61(c)(5); and

16 WHEREAS, The PDA also requires compliance with Administrative Code, Chapter 6,
17 Sections 6.61, subsections (d) (e) (f) and (g), among other provisions, which incorporate by
18 reference City requirements governing contract terms and working conditions in
19 Administrative Code, Chapter 6, Section 6.22, including but not limited to provisions for
20 Insurance, Prevailing Wage, Local Hiring, Liquidated Damages, Bonds, City Right to
21 Terminate for Convenience, Employment of Apprentices, Contractor Prompt Payment to
22 Subcontractors, and Administrative Code Chapters 12 and 14; and

23 WHEREAS, On March 21, 2016, the City entered into the PDA with Oryx
24 Development I, LLC. The PDA is a design-build agreement with two phases; and
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1 WHEREAS, During the first phase, for a negotiated price of ten million three hundred
2 thousand dollars (\$10,300,000), the Developer and its approved subcontractors were to
3 complete design of the proposed improvements, permitting and initial construction work to
4 prepare the Project Site and install piles; and

5 WHEREAS, The proposed PDA obligated the Developer to design the project based on
6 the RED and OCA's then estimated total budget of fifty five million dollars (\$55,000,000); and

7 WHEREAS, When the Architect completed 100% construction drawing to the City's
8 satisfaction, the Developer was required to provide the City with a proposed Guaranteed
9 Maximum Price and schedule establishing the duration for completion of the construction
10 work; and

11 WHEREAS, Phase II consists of new construction of an approximately 54,000 square
12 foot, 35-foot-high building to be used for maintenance and repair of medium and heavy duty
13 vehicles, such as fire trucks, heavy equipment transporters, dump trucks, and street
14 sweepers, as well as for administrative offices, support functions, and employee amenities on
15 the property at 555 Selby Street and 1975 Galvez Avenue; and tenant improvements to 450
16 Toland Street modifying the existing approximately 45,000 square foot building's interior to
17 provide for three functional programs (Light Duty Vehicle Shop, Body/Paint Shop, and Ladder
18 Shop), associated building systems, and related employee amenities (collectively, the
19 "Project"); and

20 WHEREAS, Ordinance No. 8-16 further provided that if the Guaranteed Maximum
21 Price of the Project exceeds the \$55 million in SFPUC funds as provided in the MOU, then the
22 OCA and RED will work with the Developer to amend the scope of the Project to bring it within
23 budget, or seek the Mayor and Board's approval of supplemental authorization; and

24 WHEREAS, Since the adoption of Ordinance No. 8-16 (1) the Developer obtained
25 actual costs for design of industrial equipment and construction based on completed

1 schematic design drawings in August of 2016, resulting in Developer's Guaranteed Maximum
2 Price proposal increasing to \$60.9 million with the price increase attributable to unforeseen
3 soil conditions requiring a more robust foundation system, further development of design and
4 industrial equipment requirements, and market cost escalation for labor and construction
5 materials as reflected in actual bids; (2) Developer and City engaged in value engineering
6 efforts to reduce the price resulting in Developer lowering its Guaranteed Maximum Price
7 proposal to \$60.2 million based on design development phase drawings issued in December
8 of 2016; (3) Developer's final proposed Guaranteed Maximum Price remains at \$60.2 million
9 based on final construction documents issued on February 1, 2017; (4) the Public Utilities
10 Commission voted on February 14, 2017, to amend its MOU with GSA to fund the increase of
11 Developer's Guaranteed Maximum Price in the PDA from \$55 million to \$60.2 million; and (5)
12 the OCA and RED now seek Board approval of the supplemental authorization to issue the
13 Notice to Proceed for Phase II of the PDA; and

14 WHEREAS, Under the MOU, as amended, the SFPUC has agreed to increase the
15 Transfer Price to an amount not to exceed \$82,278,429, from Wastewater Enterprise funds
16 appropriated under Project Number CWWSIPPRPL91, allocated as follows: (1) \$11,303,429
17 previously expended to acquire properties at 555 Selby Street and 1975 Galvez Avenue, as
18 authorized by this Board in Ordinance No. 525-15; (2) not to exceed \$2,200,000 to secure
19 possession of the Project Site from, and pay relocation assistance to, the existing tenants
20 at 555 Selby and 1975 Galvez Avenue; (3) not to exceed \$60,200,000 for the Guaranteed
21 Maximum Price under the PDA with Oryx; (4) not to exceed \$2,025,000 construction
22 contingency, at the SFPUC's discretion, for expediting the construction schedule and
23 necessary change orders during construction due to changed circumstances or unforeseen
24 conditions; (5) not to exceed \$250,000 to relocate existing electric service facilities at 1975
25 Galvez Avenue; (6) not to exceed \$6,000,000 toward the cost of a ten-year lease of 450

1 Toland Street, reflecting offset of \$900,000 in OCA/RED rent receipts from Project Site since
2 acquisition; and (7) not to exceed \$300,000 for reimbursement of moving expenditures to
3 OCA; and

4 WHEREAS, The MOU, as amended, establishes a schedule for transfer of funds from
5 SFPUC funds appropriated for this Project to OCA; and

6 WHEREAS, The Planning Department has determined that the actions contemplated in
7 this Resolution comply with the California Environmental Quality Act (California Public
8 Resources Code Sections 21000 et seq.); and

9 WHEREAS, Said determination is on file with the Clerk of the Board of Supervisors in
10 File No. 151226 and is incorporated herein by reference; and

11 WHEREAS, The Board affirms this determination; now, therefore, be it

12 RESOLVED, That the Board reaffirms that the Project, and jurisdictional transfers
13 of 1800 Jerrold Avenue from OCA to SFPUC and the Project Site from SFPUC to OCA,
14 subject to the terms and conditions of the MOU, as amended by Amendment No. 1, is
15 consistent with the General Plan, and the eight priority policies of Planning Code,
16 Section 101.1, as determined by the Planning Department General Referral Letter
17 incorporated by reference in Ordinance No. 8-16; and, be it

18 FURTHER RESOLVED, The jurisdiction of 1800 Jerrold Avenue shall be transferred to
19 the SFPUC, and the jurisdiction of the Project Site shall be transferred to the OCA, subject to
20 the terms and conditions of the MOU, as amended by Amendment No.1, executed by the
21 SFPUC, OCA and RED; and, be it

22 FURTHER RESOLVED, That this Board authorizes the second phase of the PDA, and
23 issuance of a Notice to Proceed to the Developer for the construction of the Project, subject to
24 the SFPUC funding obligations in the MOU, as amended; and, be it

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1 FURTHER RESOLVED, That the Board of Supervisors authorizes any additions,
2 amendments, or other modifications to the MOU or PDA, and any other documents or
3 instruments in connection with same, that the SFPUC, Director of Property and the City
4 Administrator determine, following consultation with the City Attorney, are in the City's best
5 interests, do not materially decrease the City's benefits or materially increase the City's
6 obligations or liabilities, and are appropriate and advisable to complete the proposed
7 transaction, such determination to be conclusively evidenced by the execution and delivery of
8 any such additions, amendments, or other modifications.

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