

1 [Waiver of Certain Contract Requirements for Project Delivery Agreement for New Central  
2 Shops Facilities - Oryx LLC - \$55,000,000 Project Cost; Interdepartmental Property Transfers]

3 **Ordinance approving and authorizing the Director of Property of the General Services**  
4 **Agency’s Real Estate Division (“RED”) to execute a Project Delivery Agreement with**  
5 **Oryx, LLC (“Developer”) for the design and construction of proposed improvements to**  
6 **future City owned real estate at 555 Selby Street and 1975 Galvez Avenue (Assessors**  
7 **Block No. 5250, Lot No. 15, and Assessors Block No. 5250, Lot No. 16), and tenant**  
8 **improvements to future City leased property at 450 Toland Street (Assessors Block No.**  
9 **5230, Lot No. 18), to create new facilities for the relocation of the City’s Central Fleet**  
10 **Maintenance Shop (“Central Shops”) from 1800 Jerrold Street (portions of Assessors**  
11 **Block Nos. 5262 and 5270), with total anticipated project delivery cost of \$55,000,000**  
12 **from San Francisco Public Utilities Commission (“SFPUC”) Wastewater Enterprise**  
13 **funds; exempting the project from certain contracting requirements in Administrative**  
14 **Code, Chapter 6, by waiving the requirements of Administrative Code, Sections 6.61(b)**  
15 **and 6.61(c)(1) – (4), and approving the selection of Oryx LLC as Developer, and**  
16 **Developer’s selection of FM&E Architecture & Design as a Subcontractor to serve as**  
17 **the Project Architect and Charles Pankow Builders, Ltd., as a Subcontractor to serve as**  
18 **General Contractor, without competitive bidding; authorizing the jurisdictional transfer**  
19 **of 1800 Jerrold Street, from General Services Agency’s Office of Contract**  
20 **Administration (“OCA”) to the SFPUC Wastewater Enterprise, and the jurisdictional**  
21 **transfer of 555 Selby Street and 1975 Galvez Avenue, and the leasehold of 450 Toland**  
22 **Street, from the SFPUC to OCA, subject to the terms and conditions of the**  
23 **Memorandum of Understanding entered into between the RED, OCA and SFPUC; and**  
24 **finding the proposed transactions are in conformance with the City’s General Plan, and**  
25 **the eight priority policies of Planning Code, Section 101.1.**

1           NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
2           **Additions to Codes** are in *single-underline italics Times New Roman font*.  
3           **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
4           **Board amendment additions** are in double-underlined Arial font.  
5           **Board amendment deletions** are in ~~strikethrough Arial font~~.  
6           **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
7           subsections or parts of tables.

8           Be it ordained by the People of the City and County of San Francisco:

9           Section 1. Findings.

10          A.       Under companion legislation on file with the Clerk of the Board of Supervisors in  
11          File No. 151215 (the “Companion Resolution”), the Director of Property would be authorized  
12          to acquire real property located at 555 Selby Street and 1975 Galvez Avenue (Assessors  
13          Block 5250, Lot 15, Assessors Block 5250, Lot 16), and execute a lease for property located  
14          at 450 Toland Street (Assessors Block 5230, Lot 18) (collectively, the “Project Site”) using  
15          SFPUC Wastewater Enterprise (“WWE”) funds for WWE purposes. If the Companion  
16          Resolution and this Ordinance are adopted and final, jurisdiction over the Project Site would  
17          be transferred to OCA to create new facilities for the relocation of the City’s Central Shops  
18          from 1800 Jerrold Avenue (portions of Assessors Blocks 5262 and 5270), to facilitate the  
19          timely jurisdictional transfer of 1800 Jerrold Avenue to the SFPUC Wastewater Enterprise.

20          B.       In 1946, the City acquired real property for the construction of the North Point  
21          Sludge Treatment Plant near Islais Creek, now commonly known as the Southeast Water  
22          Pollution Control Plant (“Southeast Plant”), including purchase of Assessor’s Block 5262 in its  
23          entirety, and later the City purchased the portion of Assessor’s Block 5270 for that same  
24          purpose. Since the 1960’s, the City’s Central Shops, a facility providing repair services to the  
25          City’s non-revenue vehicle fleet, has been located on a portion of Assessor’s Block 5262, Lot  
26          No. 009, with an address of 1800 Jerrold Avenue. The OCA holds jurisdiction over 1800

1 Jerrold Avenue, where the City's Department of Technology Public Safety Division is also  
2 located.

3 C. The City owned property at 1800 Jerrold Avenue is approximately 6 acres in  
4 size and located adjacent to the Southeast Plant. The Southeast Plant facilities are in need of  
5 substantial maintenance, repair and replacement, and the adopted WWE Capital Plan  
6 includes an allocation over the next ten years of \$164,000,000 toward treatment plant  
7 improvements, together with various other allocations for repairs and replacements. The  
8 SFPUC seeks to secure a large parcel of land in proximity to the Southeast Plant to support  
9 capital improvements necessary to maintain essential utility services, and there is a very  
10 limited supply of such available land. OCA would consent to a jurisdictional transfer of 1800  
11 Jerrold Avenue to the SFPUC, provided that OCA receives compensation sufficient to enable  
12 occupancy of functionally equivalent facilities and for necessary incurred relocation expenses.

13 D. The OCA, SFPUC and RED have entered into a Memorandum of  
14 Understanding, which is on file with the Clerk of the Board of Supervisors under File No.  
15 151226 (the "MOU"), to establish the terms and conditions of such jurisdictional transfers.  
16 The City's Director of Property has determined that the current fair market value of 1800  
17 Jerrold Avenue is less than the reasonable and necessary expense required to relocate  
18 Central Shops to facilities that are functionally equivalent to Central Shops' existing facilities,  
19 including property acquisition costs, rent, development, design and construction of  
20 replacement improvements.

21 E. City staff have developed a conceptual design for the Project Site that meets the  
22 operational needs of Central Shops, and involves the demolition of all existing improvements  
23 at 555 Selby Street and 1975 Galvez Avenue, and new construction of an approximately  
24 54,000 square foot, 35-foot-high building to be used for maintenance and repair of medium  
25 and heavy duty vehicles, such as fire trucks, heavy equipment transporters, dump trucks,

1 and street sweepers, as well as for administrative offices, support functions, and employee  
2 amenities; and tenant improvements to 450 Toland Street modifying the existing  
3 approximately 45,000 square foot building's interior to provide for three functional programs  
4 (Light Duty Vehicle Shop, Body/Paint Shop, and Ladder Shop), associated building systems, and  
5 related employee amenities (collectively, the "Proposed Project"). The MOU provides that  
6 SFPUC will pay OCA not to exceed \$55,000,000 for the cost of OCA's Proposed Project on the  
7 Project Site, inclusive of contingencies and Developer fee.

8 F. On October 28, 2015, the Planning Department's CEQA Coordinator Timothy  
9 Johnston issued a notice that this project is categorically exempt under California  
10 Environmental Quality Act (CEQA) Guidelines Section 15332 (Infill Development, Class 32).  
11 The Planning Department, through General Plan Referral letter dated November 5, 2015,  
12 which is on file with the Clerk of the Board of Supervisors under File No. 151226, has verified  
13 that the City's acquisition of 1975 Galvez Avenue and 555 Selby Street, and lease of 450  
14 Toland Street, together with the jurisdictional assignments and transfers noted herein, are all  
15 consistent with the General Plan and the Eight Priority Policies under the Planning Code  
16 Section 101.1.

17 G. Due to time constraints brought on by the challenges of finding suitable relocation  
18 sites for Central Shops in the current extraordinarily competitive real estate market for industrial  
19 land, and the SFPUC's pressing need for land to accommodate its WWE capital improvement  
20 program by the summer of 2017, the Director of Property informally approached entities  
21 capable of executing the Proposed Project and identified one team reasonably available and  
22 deemed capable of carrying out the Proposed Project within the time frame required and  
23 within the budget developed. The City and Oryx, LLC, the Developer, subsequently entered  
24 into negotiations for a Project Delivery Agreement (the "PDA") for Oryx to complete the  
25 development, design and construction of the Proposed Project, subject to obtaining

1 authorization to waive the competitive selection requirements in Administrative Code Chapter  
2 6, Sections 6.61(b) and 6.61(c) (1) – (4).

3 H. Under the proposed PDA, Oryx shall enter into, manage, monitor, and oversee  
4 all contracts required to complete the Proposed Project for the City (the “Developer  
5 Services”). The Developer has selected, subject to City approval, FM&E Architecture and  
6 Design (the “Architect”) as the architect and Charles Pankow Builders, Ltd, (the “General  
7 Contractor”), as the general contractor for the Proposed Project. The Developer shall  
8 negotiate, with assistance from the Director of Property consulting with the Director of Public  
9 Works, contracts with the Architect and the General Contractor for the design and  
10 construction of the Proposed Project. Such contracts, and all other contracts required for the  
11 completion of the Proposed Project (the “Project Contracts”), will be entered into by Developer  
12 as set forth in the proposed PDA.

13 I. The OCA, RED and SFPUC have determined that the design-build project  
14 delivery method is necessary and appropriate to achieve anticipated time efficiencies and that  
15 the use of the design-build project delivery method is in the public’s best interest. The  
16 proposed PDA is a design-build agreement with two phases. During the first phase, for a  
17 negotiated price of eight million four hundred thirty thousand dollars (\$8,430,000), the  
18 Developer and its approved subcontractors will completed design of the proposed  
19 improvements, permitting and initial construction work to prepare the Project Site and install  
20 piles. The proposed PDA would obligate the Developer to design the project based on RED  
21 and OCA’s budget of fifty five million dollars (\$55,000,000), and in recognition of the City’s  
22 desire to obtain beneficial occupancy by June 29, 2017. When its Architect completes 100%  
23 construction drawing to the City’s satisfaction, the Developer will provide the City with a  
24 proposed Guaranteed Maximum Price and schedule establishing the duration for completion  
25 of the construction work. If the Guaranteed Maximum Price does not exceed \$55 million, and

1 the schedule is acceptable, the City may authorize the second phase of the contract, and  
2 issue a Notice to Proceed to the Developer for the construction. If the Guaranteed Maximum  
3 Price of the Proposed Project exceeds the \$55 million in SFPUC funds as provided in the  
4 MOU, then OCA and RED will work with the Developer to amend the scope of the Proposed  
5 Project to bring it within budget, or seek the Mayor and Board's approval of supplemental  
6 authorization.

7 J. Entering into the PDA with Oryx is appropriate and in the City's best interests. If  
8 the Proposed Project is developed, the City would functionally replace existing Central Shops  
9 at 1800 Jerrold Avenue with a state of the art facility in close proximity to the existing  
10 operation. The development would involve significant participation of local trades and  
11 businesses to bolster the local economy. Based upon the information provided by the Office  
12 of Public Finance and the Real Estate Director, the Board finds that the Proposed Project is  
13 financially feasible consistent with Administrative Code Chapter 29.

14 K. The SFPUC unanimously approved Resolution No. 15-0241 on November 10,  
15 2015, authorizing the SFPUC General Manager to execute the MOU, subject to approval by  
16 the Board of Supervisors and the Mayor of the jurisdictional transfer of 1800 Jerrold Avenue to  
17 the SFPUC consistent with the terms of the MOU, and setting forth the total amount of costs  
18 to be incurred and paid by SFPUC of seventy three million, seven hundred thousand dollars  
19 (\$73,700,000), which is the not to exceed sum agreed upon in the MOU to acquire and lease  
20 the Project Site and complete necessary improvements and relocate Central Shops to  
21 functionally equivalent facilities. On December 8, 2015, the SFPUC will consider a revised  
22 resolution, consistent with this Ordinance, and if approved, that SFPUC resolution will be on  
23 file with the Clerk of the Board of Supervisors under File No. 151226. If both the proposed  
24 Companion Resolution and the Proposed Ordinance become effective, the Project Site  
25 acquired by the SFPUC will be placed under the jurisdiction of OCA, subject to the condition

1 that if Central Shops fails to occupy, vacates, or ceases to use the acquired property for  
2 Central Shop functions (the “Triggering Event”), OCA will owe payment to SFPUC within thirty  
3 (30) days after the Triggering Event in an amount equal to the unamortized value of the  
4 acquisition and improvement cost of 555 Selby Street and 1975 Galvez Avenue. The  
5 amortization schedule shall be straight-line depreciation of land and improvements over thirty  
6 (30) years, commencing on the date of receipt of a Temporary Certificate of Occupancy  
7 (“TCO”), with a first year value of \$50,000,000. For example purposes only, should the TCO  
8 date be June 1, 2017, and the Triggering Event date be June 1, 2037, the payment amount  
9 due SFPUC shall be \$16,666,666 (20 years of 30 years total = 0.33 remaining life,  
10 \$50,000,000 x 0.33 = \$16,666,666).

11 L. The Director of Property, SFPUC General Manager, and Director of Purchasing  
12 all recommended to the Mayor that the SFPUC can more advantageously use 1800 Jerrold  
13 Avenue and that jurisdiction to 1800 Jerrold Avenue be transferred to SFPUC, and that  
14 jurisdiction to the Project Site be assigned to OCA, in accordance with the terms and  
15 conditions of the MOU.

16 Section 2. Waiver of Administrative Code Chapter 6, Section 6.61 (b) and 6.61(c) (1) –  
17 (4). The Board of Supervisors recognizes that this Proposed Project is slated to occur at one  
18 of the most robust construction periods in the history of San Francisco, and as such, there are  
19 limited availabilities of design and construction teams led by a developer entity willing and  
20 able to perform the Proposed Project within the budget and timeline provided by the City.  
21 Accordingly, the design and construction of the Proposed Project by Developer shall not be  
22 subject to the requirements of Administrative Code Chapter 6, Sections 6.61(b) and 6.61(c)(1)  
23 – (4), which would otherwise require a competitive selection process for the proposed design-  
24 build PDA. The Board of Supervisors approves the selection of the Developer, the Architect,  
25 and the General Contractor as set forth in the PDA, without competitive bidding, and

1 authorizes OCA and RED to enter into the proposed PDA, subject to the Mayor’s approval.  
2 Competitive bidding for subcontracting opportunities shall be as set forth in the subcontract  
3 between Developer and the General Contractor, as approved by the City in accordance with  
4 the terms of the proposed PDA, and that subcontract will comply with the procedures and  
5 requirements regarding procurement of trade work (subcontractors) consistent with  
6 Administrative Code Chapter 6, Section 6.61(c)(5). The proposed PDA shall also require  
7 compliance with Administrative Code Chapter 6, Sections 6.61, subsections (d) (e) (f) and (g),  
8 among other provisions, which incorporate by reference City requirements governing contract  
9 terms and working conditions in Administrative Code Chapter 6, Section 6.22, including but  
10 not limited to provisions for Insurance, Prevailing Wage, Local Hiring, Liquidated Damages,  
11 Bonds, City Right to Terminate for Convenience, Employment of Apprentices, Contractor  
12 Prompt Payment to Subcontractors, and Administrative Code Chapters 12 and 14.

13 Section 3. Jurisdictional Transfers between SFPUC and OCA. The Planning  
14 Department, through General Plan Referral letter dated November 5, 2015 (“Planning Letter”),  
15 which is on file with the Clerk of the Board of Supervisors under File No. 151226, has verified  
16 that the City’s acquisition of 1975 Galvez Avenue and 555 Selby Street, and lease of 450  
17 Toland Street, together with the jurisdictional assignments and transfers noted herein, are all  
18 consistent with the General Plan and the Eight Priority Policies under the Planning Code  
19 Section 101.1. The Board finds that the Proposed Project, and jurisdictional transfers of 1800  
20 Jerrold Avenue from OCA to SFPUC and the Project Site from SFPUC to OCA, subject to the  
21 terms and conditions of the MOU, is consistent with the City’s General Plan and Eight Priority  
22 Policies of Planning Code Section 101.1 and incorporates the Planning Letter by this  
23 reference as though fully set forth in this Ordinance. Based on the recommendation of the  
24 Directors of Property and Purchasing, the SFPUC General Manager, and the Mayor, the  
25



1 jurisdiction of 1800 Jerrold Avenue shall be transferred to the SFPUC, and the jurisdiction of  
2 the Project Site shall be transferred to OCA, subject to the terms and conditions of the MOU.

3 Section 4. Additions, Amendments, and Modifications. The Board of Supervisors  
4 authorizes the Director of Property to enter into any additions, amendments, or other  
5 modifications to the PDA, and any other documents or instruments in connection with same,  
6 that the Director of Property and the City Administrator determine, following consultation with  
7 the City Attorney, are in the City's best interests, do not materially decrease the City's benefits  
8 or materially increase the City's obligations or liabilities, and are appropriate and advisable to  
9 complete the proposed transaction, such determination to be conclusively evidenced by the  
10 execution and delivery by the Director of Property and the City Administrator of any such  
11 additions, amendments, or other modifications.

12 Section 5. Effective and Operative Dates. This ordinance shall become effective 30  
13 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor  
14 returns the ordinance unsigned or does not sign the ordinance within 10 days of receiving it,  
15 or the Board of Supervisors overrides the Mayor's veto of the ordinance. This ordinance shall  
16 become operative upon its effective date or upon adoption of the Companion Resolution,  
17 whichever is later.

18  
19 APPROVED AS TO FORM:  
20 DENNIS J. HERRERA, City Attorney

21 By: \_\_\_\_\_  
22 Noreen Ambrose  
23 Deputy City Attorney

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