

File No. 111355

Committee Item No. 3

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 25, 2012

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget & Legislative Analyst Report          |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <input type="checkbox"/>            | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
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#### OTHER

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Completed by: Victor Young

Date: January 20, 2012

Completed by: Victor Young

Date: \_\_\_\_\_

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RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2011 DEC 16 AM 10:46  
ABC

**Date:** 16 December 2011

**To:** Angela Calvillo, Clerk of the Board

**From:** Elaine Forbes, Deputy Director, Finance and Administration  
Lawrence Brown, Financial Analyst

**Re:** Request for Release of Funds for the Pier 27 Mixed Use Cruise Terminal Project

Madam Clerk:

The Port Commission respectfully requests that the Budget and Finance Committee of the Board of Supervisors schedule a meeting to consider releasing \$8,450,894 in funding for the Port's cruise terminal project following completion of the California Environmental Quality Act (CEQA) review. Originally \$17,907,635 in funds representing deferred land sale proceeds from the sale of a portion of SWL 330 and Port proceeds from the sale of condominiums at the Watermark condominium development were placed on reserve by the Committee pending a budget for the cruise terminal project (File No. 031229; Ordinance No. 202-03; approved August 1, 2003). At the Committee's meeting on September 14, 2011, the Committee approved a partial release of these funds totaling \$9,456,741, and left the remaining \$8,450,894 in funding on reserve (Item No. 110926).

The Environmental Impact Report was reviewed by the Planning Commission on December 15, 2011. Pending completion of the CEQA review, the Port is ready to begin construction core of shell (Phase 1) of a new cruise terminal facility on March 1, 2012 at the Port's Pier 27 site, and the \$8.45 million on reserve is now needed to fund the contract with Turner Construction, the general contractor for the project.

Please call Lawrence Brown at 274-0446 with any questions. We request that this item be scheduled to be heard by the Committee at the Chair's earliest convenience.

cc: Supervisor Carman Chu, Chair, Budget and Finance Committee  
Harvey Rose, Board of Supervisor's Budget Analyst  
Leo Chyi, Mayor's Office  
John Doll, Port of San Francisco  
Kimber von Blohn, Port of San Francisco

**Item 3**  
**File 11-1355**

**Department:**  
**Port**

### EXECUTIVE SUMMARY

Note: This item was continued from the January 11, 2012 Budget and Finance Committee meeting.

#### Legislative Objectives

The Port is requesting release of \$8,450,894 previously appropriated by the Board of Supervisors from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Port's Pier 27 Cruise Terminal.

#### Key Points

- The new Pier 27 Cruise Terminal will be the Port's primary cruise terminal, replacing the existing cruise terminal on Pier 35, which has insufficient capacity for large cruise ships and has difficulty accommodating the operational security needs of the cruise industry. The Pier 27 Cruise Terminal project is a \$93.1 million development, funded by Watermark Condominiums and Seawall Lot 330 sales proceeds, 2010 Port Revenue Bonds, a planned 2012 General Obligation Bond issuance, General Fund contributions, and other sources. The Host City and Venue Agreement (HVA) between the City and the 34<sup>th</sup> America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34<sup>th</sup> America's Cup in 2013. The Event Authority is required to contribute \$2 million to relocate shore power.
- The Board of Supervisors determined that the Pier 27 Cruise Terminal project is fiscally feasible, in accordance with Administrative Code Chapter 29 (File 10-0920) in May 2011. At the time of the fiscal feasibility determination, the proposed Pier 27 Cruise Terminal budget was \$97.8 million. The total Pier 27 Cruise Terminal project budget has decreased by \$4.7 million since the Board of Supervisors' determination of fiscal feasibility, from \$97.8 million to \$93.1 million. Budget reductions are due primarily to cost savings for demolishing the Pier 27 shed
- In 2003 the Board of Supervisors adopted an ordinance, (a) directing the Port to set aside Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to pay for the development of the Brannan Street Wharf Park and the Cruise Terminal, and (b) appropriating and placing on Budget and Finance Committee reserve \$26,907,635 in sale proceeds (File 03-1229). The Budget and Finance Committee has previously approved release of \$18,456,741, retaining \$8,450,894 on reserve pending completion of the EIR. The Port Commission adopted the EIR on the Cruise Terminal project on December 16, 2011. However, two appeals of the EIR are pending before the Board of Supervisors.

#### Fiscal Impacts

- The Port currently has \$24,057,179 in available Cruise Terminal funding. Approval of the proposed appropriation of interest earnings of \$603,563 pending before the Board of Supervisors (File 11-1332) and release of reserves of \$8,450,894 (File 11-1355) would provide \$9,054,457 in additional funding, resulting in total available funding of \$33,111,636, or 53 percent of the Phase I budget of \$62,359,983 for the Pier 27 Cruise Terminal.

#### Recommendation

- Approve the requested release of \$8,540,894 of funds, previously reserved by the Board of Supervisors, for the Pier 27 Cruise Terminal project subject to the Board of Supervisors final determination of the pending appeals of the EIR.

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Administrative Code Section 3.3 provides that the Board of Supervisors' committee that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place any proposed budget expenditures on reserve until released by the Budget and Finance Committee

**Pier 27 Cruise Terminal**

The new Pier 27 Cruise Terminal will be the Port's primary cruise terminal, replacing the existing cruise terminal on Pier 35, which has insufficient capacity for large cruise ships and has difficulty accommodating the operational security needs of the cruise industry. Pier 35 will serve as the secondary cruise facility for the Port. The Pier 27 Cruise Terminal project is a \$93.1 million development, funded by Watermark Condominiums and Seawall Lot 330 sales proceeds, 2010 Port Revenue Bonds, a planned 2012 General Obligation Bond issuance, General Fund contributions, reallocation of existing capital project funds, passenger facility charges, and other sources.

**34<sup>th</sup> America's Cup Event Authority**

The Host City and Venue Agreement (HVA) between the City and the 34<sup>th</sup> America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34<sup>th</sup> America's Cup in 2013. The Event Authority is required to contribute \$2 million to relocate shore power. According to Ms. Elaine Forbes, the Port's Deputy Director of Administration and Finance, the revised HVA and Disposition and Development Agreement, which will be considered by the Budget and Finance Committee in February 2012, removes the obligation of the Event Authority to demolish the shed on Pier 27. According to Ms. Forbes, the Port's decision to assume demolition costs was due to project schedule and site control requirements; also, the Port determined that paying Pier 27 shed demolition costs was preferable to repaying the Event Authority later, through rent credits.

**Board of Supervisors Determination of Fiscal Feasibility**

In May of 2011, the Board of Supervisors determined that the Pier 27 Cruise Terminal project is fiscally feasible, in accordance with Administrative Code Chapter 29 (File 10-0920). At the time of the fiscal feasibility determination, the proposed Pier 27 Cruise Terminal budget was \$97.8 million, of which the City's obligations were \$90.3 million, and the Event Authority's obligations were \$7.5 million to relocate shore side power (\$2.0 million) and demolish the Pier 27 shed (\$5.5 million).

### Pier 27 Cruise Terminal Budget

The total Pier 27 Cruise Terminal project budget has decreased by \$4.7 million since the Board of Supervisors determination of fiscal feasibility, from \$97.8 million to \$93.1 million. Budget reductions are due primarily to cost savings for demolishing the Pier 27 shed.

In order to meet the requirements for the 34<sup>th</sup> America's Cup, the Pier 27 Cruise Terminal Project, with a total budget of \$93,121,722, will be divided into two phases:

- Phase I will involve construction of the core and shell of the facility including passenger circulation improvements such as escalators and elevators, completion of the interior of the facility, design and initial site improvement for an adjacent 2.5 acre waterfront park called the Northeast Wharf Plaza. Phase I will include minimal site improvements to allow the America's Cup Event Authority to install temporary tenant improvements for the America's Cup racing events. Phase I is expected to be completed in March 2013. As shown in the Attachment provided by the Port, the budget for Phase I is \$62,359,983.
- Phase II will take place following completion of the America's Cup racing events. Phase II includes the build-out of offices for the U.S. Customs and Border Protection as well as the installation of a glass enclosure in the lobby, additional escalators, certain interior finishes and installation of maritime equipment and amenities necessary to create a modern cruise terminal. Phase II, at the Port's option, may also include related site improvements to the Northeast Wharf Plaza and the ground transportation area, pier repair work, and interior renovation of a portion of the adjacent Pier 29 shed. Phase II is expected to be completed in October 2014. As shown in the Attachment, the budget for Phase II is \$30,761,739.

## DETAILS OF LEGISLATION

In 2003 the Board of Supervisors adopted an ordinance, (a) directing the Port to set aside Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to pay for the development of the Brannan Street Wharf Park and the Cruise Terminal<sup>1</sup>, and (b) appropriating and placing on Budget and Finance Committee reserve \$26,907,635 in such sale proceeds (File 03-1229).

In June 2009 the Board of Supervisors appropriated \$1,622,880 in Watermark Condominiums and Seawall Lot 330 sale proceeds interest earnings in the Port's FY 2009-10 budget to partially fund development of the Pier 27 Cruise Terminal.

Table 1 shows the total appropriation of Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to date.

<sup>1</sup> In 2003, the Port had not yet identified Pier 27 as the site for the Cruise Terminal.

**Table 1**  
**Appropriated Watermark Condominiums and Seawall Lot 330 Sale Proceeds and Interest Earnings**

<b>Watermark Condominium and Seawall Lot 330</b>	<b>Cruise Terminal</b>	<b>Brannan Street Wharf Park</b>	<b>Total</b>
Sales Proceeds (File 03-1229)	\$17,907,635	\$9,000,000	\$26,907,635
Interest Earnings (FY 2009-10 Budget)	1,622,880	0	1,622,880
<b>Total</b>	<b>\$19,530,515</b>	<b>\$9,000,000</b>	<b>\$28,530,515</b>

Source: Budget and Legislative Analyst

The Budget and Finance Committee has previously approved release of \$18,456,741 of the \$26,907,635 in Watermark Condominium and Seawall Lot 330 sales proceeds, previously reserved by the Board of Supervisors, to partially fund the Pier 27 Cruise Terminal project and the Brannan Street Wharf Park, with the balance of \$8,450,894 for the Cruise Terminal remaining on reserve pending completion of the Environmental Impact Report (EIR). The Port Commission adopted the EIR on the Cruise Terminal project on December 16, 2011. However, two appeals of the EIR are pending before the Board of Supervisors.

The Port is now requesting release of the balance of \$8,450,894 previously reserved by the Board of Supervisors to partially fund Phase I of the Pier 27 Cruise Terminal project.

## **FISCAL IMPACT**

### **Pier 27 Cruise Terminal**

The Phase I budget of the Pier 27 Cruise Terminal project is \$62,359,983, as shown in the Attachment. Table 2 below provides details of the funding sources for Phase I of the Pier 27 Cruise Terminal project, including the subject requested \$8,450,894 previously placed on reserve by the Board of Supervisors.

**Table 2**  
**Cruise Terminal Project Phase I Budget**

<b>Funds previously appropriated by the Board of Supervisors</b>		
<u>Watermark Condominiums and Seawall Lot 330</u>		
Sales proceeds	\$9,456,741	
Interest earnings (FY 2009-10 budget)	<u>1,622,880</u>	
Subtotal, Watermark Condominiums and Seawall Lot 330		11,079,621
<u>Other funds</u>		
2010 Port revenue bonds	10,139,456	
Port operating budget	295,905	
Capital budget appropriations	1,375,347	
FEMA security grant (File 11-0660)	<u>1,166,850</u>	
Subtotal, other funds		<u>12,977,558</u>
<b>Subtotal, appropriated funds</b>		<b>24,057,179</b>
<b>Pending and reserve funds</b>		
<u>Watermark Condominiums and Seawall Lot 330</u>		
Interest earnings (File 11-1332) <sup>1</sup>	603,563	
Sales proceeds on reserve (File 11-1355, subject of this report)	<u>8,450,894</u>	
Subtotal, pending and reserve funds		<u>9,054,457</u>
<b>Total, appropriated funds and Files 11-1332 and 11-1355</b>		<b>33,111,636</b>
<b>Funds not yet appropriated by the Board of Supervisors</b>		
Event Authority contribution to relocation of shorepower	2,000,000	
Repurposing 2010 Port revenue bonds and reimbursements	17,300,000	
Capital budget supplemental appropriation	3,448,347	
FY 2012-13 General Fund contribution	<u>6,500,000</u>	
Subtotal, funds not yet appropriated		<u>29,248,347</u>
<b>Total</b>		<b>\$62,359,983</b>

<sup>1</sup> Appropriation of \$603,563 is pending before the Board of Supervisors. In addition to the \$603,563 in actual interest earnings, the Port is requesting \$367,000 in projected interest earnings to be placed on Controller's reserve pending receipt of the actual funds (File 11-1332).

As shown in Table 2 above, if the Board of Supervisors approves (a) \$9,054,457, including \$603,563 in interest earnings pending before the Board of Supervisors (File 11-1332) and (b) the subject requested \$8,450,894 on reserve (File 11-1355), the Board of Supervisors will have appropriated \$33,111,636, or 53.1 percent of the Phase I budget of \$62,359,983 for the Pier 27 Cruise Terminal project.

The Port has awarded architecture and design and construction contracts through a competitive selection process, as noted below. The Department of Public Works is providing project management.

<b>Contract</b>	<b>Contractor</b>	<b>Amount</b>
Construction	Turner Construction	\$45,408,424
Architecture and Design	KMD Architects	9,173,292
Management	Department of Public Works	7,778,267
<b>Total</b>		<b>\$62,359,983</b>

The Port has expended \$8.9 million to date on Phase I Pier 27 Cruise Terminal project costs, including \$5.9 million for architectural and design services provided by KMD Architects, \$2.8 million for project management and other soft costs provided by DPW and \$0.2 million for preconstruction activities conducted by Turner Construction.

## RECOMMENDATION

Approve the requested release of \$8,540,894 of funds, previously reserved by the Board of Supervisors, for the Pier 27 Cruise Terminal project subject to the Board of Supervisors final determination of the pending appeals of the EIR.



CRUISE TERMINAL PROJECT BUDGET		Approved by Port Commission (12/16/11)		
		Phase I	Phase II	Total
		Appropriation Date		
<b>USES</b>				
<i>Construction</i>				
Construction Purchase and Installation (IPD)		\$ 40,257,833	\$ 23,242,500	\$ 63,500,333
Construction Contingency		\$ 3,927,676	\$ 3,486,375	\$ 7,414,051
Construction Mngr./ Gen. Contractor Svcs.		\$ 1,222,915	\$ 664,850	\$ 1,887,765
	<i>Subtotal, Construction</i>	\$ 45,408,424	\$ 27,393,725	\$ 72,802,149
<i>Other</i>				
Design & Engin'g, Project Managem't & Entitlement Costs		\$ 16,951,559	\$ 2,988,014	\$ 19,919,573
DPW, Program Contingency		\$ -	\$ 400,000	\$ 400,000
	<i>Subtotal, Design &amp; Contingency</i>	\$ 16,951,559	\$ 3,368,014	\$ 20,319,573
<b>Total Uses</b>		\$ 62,359,983	\$ 30,761,739	\$ 93,121,722
<b>SOURCES</b>				
<i>Secured - Port</i>				
Watermark Sale Proceeds		\$ 20,134,075	\$ -	\$ 20,134,075
Actual Sale Proceeds	7/15/2003	\$ 17,583,635	\$ -	\$ 17,583,635
Deferred Land Sale Proceeds (SWL 330)	7/15/2003	\$ 324,000	\$ -	\$ 324,000
Interest Earnings (Port Capital Budget FY09-10)	7/1/2009	\$ 1,622,880	\$ -	\$ 1,622,880
Interest Earnings as of 06/30/11 (Condo Funds not yet Appropriated)	Pending	\$ 603,560	\$ -	\$ 603,560
Series A&B 2010 Port Revenue Bonds		\$ 10,139,456	\$ -	\$ 10,139,456
Operating Budget - Workorder, including prior year carryfd	7/1/2009	\$ 295,905	\$ -	\$ 295,905
Capital Budget Appropriations		\$ 1,375,347	\$ -	\$ 1,375,347
	<i>Subtotal, Port</i>	\$ 31,944,783	\$ -	\$ 31,944,783
<i>Secured - Other</i>				
Contribution to Shorepower, Event Authority	Pending	\$ 2,000,000	\$ -	\$ 2,000,000
FEMA Security Grant	FY2011-12	\$ 1,166,850	\$ 6,333,150	\$ 7,500,000
	<i>Subtotal, Other</i>	\$ 3,166,850	\$ 6,333,150	\$ 9,500,000
<b>Subtotal, Secured</b>		\$ 35,111,633	\$ 6,333,150	\$ 41,444,783
<i>Planned - Port</i>				
Repurposing Existing 2010 Debt & 2012 Revenue Bond Reimbursement	03/01/12, Planned	\$ 15,500,000	\$ -	\$ 15,500,000
Capital Budget Appropriation	03/01/12, Planned	\$ 3,448,350	\$ -	\$ 3,448,350
<b>Subtotal, Planned</b>		\$ 18,948,350	\$ -	\$ 18,948,350
<i>Proposed - Port</i>				
Repurposing Existing 2010 Debt & Go.O Bond Reimbursement	03/01/12, Planned	\$ 1,800,000	\$ (1,600,000)	\$ 200,000
	<i>Subtotal, Port</i>	\$ 1,800,000	\$ (1,600,000)	\$ 200,000
<i>Proposed - Other</i>				
City Contribution	7/1/2012, planned	\$ 6,500,000	\$ -	\$ 6,500,000
2012 G.O. Bond	Pending	\$ -	\$ 9,122,943	\$ 9,122,943
Cruise Operator Contribution	Pending	\$ -	\$ 2,750,000	\$ 2,750,000
Passenger Facility Charge	Pending	\$ -	\$ 7,250,000	\$ 7,250,000
	<i>Subtotal, Proposed</i>	\$ 6,500,000	\$ 19,122,943	\$ 25,622,943
<b>Subtotal, Proposed</b>		\$ 8,300,000	\$ 17,522,943	\$ 25,822,943
<b>Total Sources</b>		\$ 62,359,983	\$ 23,856,093	\$ 86,216,076
<b>PROJECT BALANCE (Shortfall) / Surplus</b>		\$ -	\$ (6,905,646)	\$ (6,905,646)

