

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Government Audit and Oversight Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 18, 2021 Government Audit and Oversight Committee Meeting

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<p>Item 6 File 21-0877</p>	<p>Department: Port</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would (1) approve a Memorandum of Understanding (MOU) between the Port and the Parks Alliance, (2) authorize the Port to accept and expend up to \$7 million in grant funds, in-kind donations, and other donations from the Parks Alliance Crane Cove Park Fundraising Campaign, (3) waive the inclusion of indirect cost recovery from the grant budget, and (4) allow the Port to modify the MOU so long as such modifications do not increase the liability of the City. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Crane Cove Park is a new nine-acre coastal public park under construction near Pier 70, on Illinois Street between Mariposa Street and 19th Street. The new park will include landscaping, a pier, restoration of historic cranes and buildings, and new pathways. The park development budget of \$36.7 million is funded by General Obligation bond proceeds, Port Infrastructure Financing District bond proceeds, and grants. The open space portion of the park is complete and open to the public. The remaining project, restoring Building 49 at the center of the park, is expected to be complete by the end of 2021. • Under the proposed MOU, the Parks Alliance would provide to the Port grant funds, and in-kind and other donations for Crane Cove Park projects with a value up to \$7 million, including two children’s play areas, a dog run, and preservation of two historic cranes. The purpose of the proposed MOU is to govern the activities of the Port and the Parks Alliance, a non-profit, in their efforts to raise private money to fund Crane Cove Park expenses for park furniture, fixtures, and amenities. The MOU defines the responsibilities of the Port and the Parks Alliance over the five-year term of the MOU. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Parks Alliance grant would pay (either through direct grants or in-kind services) for historic restoration of two cranes (\$4.0 million), two children’s play areas (approximately \$900,000), a dog run (approximately \$656,000), and project management, contingencies, and Parks Alliance fee. • According to the Port, \$3.25 million has been raised by the Parks Alliance for the Crane Cove Park project since November 2019, provided in the form of cash donations. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The September 24, 2020 Public Integrity Assessment issued by the Controller’s Office and the City Attorney’s Office recommended that City Departments formalize their relationships with outside “friends of” organizations such as the Parks Alliance through memoranda of understanding. Because the proposed MOU is consistent with the recommendations of the Public Integrity Assessment report and provides funding for public park improvements, we recommend approval of the proposed resolution. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval. The Code Section also requires that grants include indirect cost recovery, unless waived by the Board of Supervisors.

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more are subject to Board of Supervisors approval.

BACKGROUND

Crane Cove Park

Crane Cove Park is a new nine-acre coastal public park under construction near Pier 70, on Illinois Street between Mariposa Street and 19th Street. As shown below in Exhibit 2, the new park will include landscaping, a pier, restoration of historic cranes and buildings, and new pathways. The park development budget is summarized in Exhibit 1 below, which shows the total available sources of funding and actual and projected spending. According to Port staff, the open space portion of the park is complete and open to the public. The remaining project, restoring Building 49 at the center of the park, is expected to be complete by the end of 2021.

Exhibit 1: Funding Sources and Actual Spending on Crane Cove Park Development

Sources	
2008 and 2012 GO Bonds	\$25,855,454
Port IFD Bond	9,295,655
EDA Federal Grant	517,441
MTC Federal Grant	1,000,000
Total Sources	\$ 36,668,549
Actual Spending	
Project Management	\$664,738
Design	4,701,445
Construction Management & Permits	1,325,997
Site Preparation	4,789,793
Hazmat Abatement	227,055
Park Improvements and 19th St Parking Lot	19,516,190
Roadway Improvements	2,870,452
Building 49	2,067,560
Total Uses	\$36,163,230

Source: Port

Notes: GO bonds refer to General Obligation bonds. Port IFD Bond refers to Port bonds secured by the Port’s infrastructure financing district revenues. EDA refers to the federal Economic Development Administration. MTC refers to the Metropolitan Transportation Commission.

Exhibit 2: Crane Cove Park Architectural Rendering

Source: Port

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a Memorandum of Understanding (MOU) between the Port and the Parks Alliance, (2) authorize the Port to accept and expend up to \$7 million in grant funds, in-kind donations, and other donations from the Parks Alliance Crane Cove Park Fundraising Campaign, (3) waive the inclusion of indirect cost recovery from the grant budget, and (4) allow the Port to modify the MOU so long as such modifications do not increase the liability of the City.

Memorandum of Understanding (MOU)

The purpose of the proposed MOU is to govern the activities of the Port and the Parks Alliance, a non-profit, in their efforts to raise private money to fund Crane Cove Park expenses for park

furniture, fixtures, and amenities. The MOU has a five-year term and contains the following provisions summarized in Exhibit 3.

Exhibit 3: Summary of Proposed MOU Terms

Term	Five years
Parks Alliance Role	Fundraise up to \$7 million in cash or in-kind grants for Crane Cove Park project
Port Role	Approve use of funds, design project components, deliver park
Budget	Up to \$7 million in fundraising
Parks Alliance Fee	11% of funds raised
Ownership	Port will retain ownership of all fixtures funded through the grant, and be responsible for all maintenance and operations of Crane Cove Park.
Donors	Parks Alliance will post on its website and report to City any donors contributing more than \$100. Funds may not be contributed anonymously.
Reporting	Parks Alliance will provide the City monthly fundraising status reports and the organization's audited financial statements.
Naming Rights	Port and Parks Alliance may work together to develop donor recognition program, including naming rights, subject to Port Commission approval.
Indemnification	Port and Parks Alliance indemnify one another against claims by third parties related to the MOU.

Source: Proposed Memorandum of Understanding

According to the proposed MOU, the Port and the Parks Alliance may enter into future grant agreements governing cash grants and in-kind contributions for design services, including for the Parks Alliance to hire professional service contractors to design improvements of the park. According to the Port, certain park improvements that are expected to be funded by private donations have not yet been designed and would therefore benefit from in-kind donations of design firms. The proposed MOU provides the ability for the Port to approve and monitor the provision of such in-kind donations.

FISCAL IMPACT

Exhibit 4 summarizes the allowable uses of the funds to be granted to the City by the Parks Alliance.

Exhibit 4: Use of Funds

Tot Lot	717,567
Rigger Yard	80,853
Dog Run	655,763
Crane Tops	4,000,000
Project Management	111,656
Contingency (10%)	556,584
Total	6,122,423

Source: Proposed Memorandum of Understanding

Notes: Tot Lot refers to a children’s playground. Riggers Yard refers to an area of the park with structures of varying heights. Crane Tops are the rehabilitation of two cranes that have historic designation.

According to the Port, \$3.25 million has been raised by the Parks Alliance for the Crane Cove Park project since November 2019, all of which has been provided in the form of cash donations. The proposed MOU allows the Parks Alliance to raise up to \$7 million for the Crane Cove Park project. Any funds above the \$6.1 million amount in Exhibit 4 above may be used for any element of the Crane Cove Park project.

POLICY CONSIDERATION

According to the September 24, 2020 Public Integrity Assessment issued by the Controller’s Office and the City Attorney’s Office regarding gifts to City Departments, the former Director of Public Works, now indicted by the U.S. Attorney’s Office on public corruption charges, solicited donations to accounts held by the Parks Alliance and directed spending from those accounts. The report recommended that City Departments formalize their relationships with outside “friends of” organizations such as the Parks Alliance through memoranda of understanding that include compliance with donor naming requirements in the Administrative Code, the Sunshine Ordinance, providing the Controller audit authority, regular reporting, reporting donations on the contractors’ website, and clearly defining the City’s control over spending. Because the proposed MOU is consistent with these recommendations and would provide funding for public park improvements, we recommend approval of the proposed resolution.

RECOMMENDATION

Approve the proposed resolution.