

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

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4 **Ordinance approving and authorizing the Director of Property of the General Services**  
5 **Agency's Real Estate Division ("RED") to execute a Project Delivery Agreement with**  
6 **Oryx Development I, LLC, a Nevada limited liability company ("Developer" or "Oryx") for the**  
7 **design and construction of proposed improvements to future City owned real estate at**  
8 **555 Selby Street and 1975 Galvez Avenue (Assessors Block 5250, Lot 15, Assessors**  
9 **Block 5250, Lot 16), and tenant improvements to future City leased property at 450**  
10 **Toland Street (Assessors Block 5230, Lot 18), to create new facilities for the relocation**  
11 **of the City's Central Fleet Maintenance Shop ("Central Shops") from 1800 Jerrold**  
12 **Street (portions of Assessors Blocks 5262 and 5270), with total anticipated project**  
13 **delivery cost of \$55,000,000 from San Francisco Public Utilities Commission ("SFPUC")**  
14 **Wastewater Enterprise funds; exempting the project from certain contracting**  
15 **requirements in Administrative Code Chapter 6 by waiving the requirements of**  
16 **Administrative Code Sections 6.61(b) and 6.61(c)(1) – (4), and approving the selection**  
17 **of Oryx Development I, LLC as Developer, and Developer's selection of FM&E**  
18 **Architecture & Design as a Subcontractor to serve as the Project Architect and Charles**  
19 **Pankow Builders, Ltd. as a Subcontractor to serve as General Contractor, without**  
20 **competitive bidding; authorizing the jurisdictional transfer of 1800 Jerrold Street, from**  
21 **General Services Agency's Office of Contract Administration ("OCA") to the SFPUC**  
22 **Wastewater Enterprise, and the jurisdictional transfer of 555 Selby Street and 1975**  
23 **Galvez Avenue, and the leasehold of 450 Toland Street, from the SFPUC to OCA,**  
24 **subject to the terms and conditions of the Memorandum of Understanding entered into**  
25 **between the RED, OCA and SFPUC; and finding the proposed transactions are in**

1 conformance with the City’s General Plan, and the eight priority policies of Planning  
2 Code, Section 101.1.

3 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
4 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
5 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
6 **Board amendment additions** are in double-underlined Arial font.  
7 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
8 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
9 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

1 No. 009, with an address of 1800 Jerrold Avenue. The OCA holds jurisdiction over 1800  
2 Jerrold Avenue, where the City's Department of Technology Public Safety Division is also  
3 located.

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

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

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

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

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

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

1 the development, design and construction of the Proposed Project, subject to obtaining  
2 authorization to waive the competitive selection requirements in Administrative Code Chapter  
3 6, Sections 6.61(b) and 6.61(c) (1) – (4).

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

14 I. The OCA, RED and SFPUC have determined that the design-build project  
15 delivery method is necessary and appropriate to achieve anticipated time efficiencies and that  
16 the use of the design-build project delivery method is in the public’s best interest. The  
17 proposed PDA is a design-build agreement with two phases. During the first phase, for a  
18 negotiated price of not more than ten~~eight~~ million three~~four~~ hundred ~~thirty~~ thousand dollars  
19 (~~\$810,300~~430,000), the Developer and its approved subcontractors will complete design of  
20 the proposed improvements, permitting and initial construction work to prepare the Project  
21 Site and install piles. The proposed PDA would obligate the Developer to design the project  
22 based on RED and OCA’s budget of fifty five million dollars (\$55,000,000), and in recognition  
23 of the City’s desire to obtain beneficial occupancy by June 29, 2017. When its Architect  
24 completes 100% construction drawing to the City’s satisfaction, the Developer will provide the  
25 City with a proposed Guaranteed Maximum Price and schedule establishing the duration for

1 completion of the construction work. If the Guaranteed Maximum Price does not exceed \$55  
2 million, and the schedule is acceptable, the City may authorize the second phase of the  
3 contract, and issue a Notice to Proceed to the Developer for the construction, subject to  
4 approval by the Mayor and Board of Supervisors, in their sole and separate discretion. If the  
5 Guaranteed Maximum Price of the Proposed Project exceeds the \$55 million in SFPUC funds  
6 as provided in the MOU, then OCA and RED will work with the Developer to amend the scope  
7 of the Proposed Project to bring it within budget, or seek the Mayor and Board's approval of  
8 supplemental authorization.

9 J. Entering into the PDA with Oryx is appropriate and in the City's best interests. If  
10 the Proposed Project is developed, the City would functionally replace existing Central Shops  
11 at 1800 Jerrold Avenue with a state of the art facility in close proximity to the existing  
12 operation. The development would involve significant participation of local trades and  
13 businesses to bolster the local economy. ~~Based upon the information provided by the Office~~  
14 ~~of Public Finance and the Real Estate Director~~ The Proposed Project is required in order to  
15 meet the needs of the SFPUC Wastewater Enterprise capital program, as determined by the  
16 SFPUC in Commission Resolution No. 15-0241, and SFPUC is funding the Proposed Project  
17 under the terms of the MOU, therefore, the Board finds that the Proposed Project is exempt  
18 from the provisions of financially feasible consistent with Administrative Code Chapter 29,  
19 pursuant to Section 29.1(c)(4) of Chapter 29.

20 K. The SFPUC unanimously approved Resolution No. 15-0241 on November 10,  
21 2015, authorizing the SFPUC General Manager to execute the MOU, subject to approval by  
22 the Board of Supervisors and the Mayor of the jurisdictional transfer of 1800 Jerrold Avenue to  
23 the SFPUC consistent with the terms of the MOU, and setting forth the total amount of costs  
24 to be incurred and paid by SFPUC of seventy three million, seven hundred thousand dollars  
25 (\$73,700,000), which is the not to exceed sum agreed upon in the MOU to acquire and lease

1 the Project Site and complete necessary improvements and relocate Central Shops to  
2 functionally equivalent facilities. On December 8, 2015, the SFPUC will consider a revised  
3 resolution, consistent with this Ordinance, and if approved, that SFPUC resolution will be on  
4 file with the Clerk of the Board of Supervisors under File No. 151226. If both the proposed  
5 Companion Resolution and the Proposed Ordinance become effective, the Project Site  
6 acquired by the SFPUC will be placed under the jurisdiction of OCA, subject to the condition  
7 that if Central Shops fails to occupy, vacates, or ceases to use the acquired property for  
8 Central Shop functions (the “Triggering Event”), OCA will owe payment to SFPUC within thirty  
9 (30) days after the Triggering Event in an amount equal to the unamortized value of the  
10 acquisition and improvement cost of 555 Selby Street and 1975 Galvez Avenue. The  
11 amortization schedule shall be straight-line depreciation of land and improvements over thirty  
12 (30) years, commencing on the date of receipt of a Temporary Certificate of Occupancy  
13 (“TCO”), with a first year value of \$50,000,000. For example purposes only, should the TCO  
14 date be June 1, 2017, and the Triggering Event date be June 1, 2037, the payment amount  
15 due SFPUC shall be \$16,666,666 (20 years of 30 years total = 0.33 remaining life,  
16 \$50,000,000 x 0.33 = \$16,666,666).

17 L. The Director of Property, SFPUC General Manager, and Director of Purchasing  
18 all recommended to the Mayor that the SFPUC can more advantageously use 1800 Jerrold  
19 Avenue and that jurisdiction to 1800 Jerrold Avenue be transferred to SFPUC, and that  
20 jurisdiction to the Project Site be assigned to OCA, in accordance with the terms and  
21 conditions of the MOU.

22 Section 2. Waiver of Administrative Code Chapter 6, Section 6.61 (b) and 6.61(c) (1) –  
23 (4). The Board of Supervisors recognizes that this Proposed Project is slated to occur at one  
24 of the most robust construction periods in the history of San Francisco, and as such, there are  
25 limited availabilities of design and construction teams led by a developer entity willing and

1 able to perform the Proposed Project within the budget and timeline provided by the City.  
2 Accordingly, the design and construction of the Proposed Project by Developer shall not be  
3 subject to the requirements of Administrative Code Chapter 6, Sections 6.61(b) and 6.61(c)(1)  
4 – (4), which would otherwise require a competitive selection process for the proposed design-  
5 build PDA. The Board of Supervisors approves the selection of the Developer, the Architect,  
6 and the General Contractor as set forth in the PDA, without competitive bidding, and  
7 authorizes OCA and RED to enter into the proposed PDA, subject to the Mayor’s approval.  
8 Competitive bidding for subcontracting opportunities shall be as set forth in the subcontract  
9 between Developer and the General Contractor, as approved by the City in accordance with  
10 the terms of the proposed PDA, and that subcontract will comply with the procedures and  
11 requirements regarding procurement of trade work (subcontractors) consistent with  
12 Administrative Code Chapter 6, Section 6.61(c)(5). The proposed PDA shall also require  
13 compliance with Administrative Code Chapter 6, Sections 6.61, subsections (d) (e) (f) and (g),  
14 among other provisions, which incorporate by reference City requirements governing contract  
15 terms and working conditions in Administrative Code Chapter 6, Section 6.22, including but  
16 not limited to provisions for Insurance, Prevailing Wage, Local Hiring, Liquidated Damages,  
17 Bonds, City Right to Terminate for Convenience, Employment of Apprentices, Contractor  
18 Prompt Payment to Subcontractors, and Administrative Code Chapters 12 and 14.

19 Section 3. Jurisdictional Transfers between SFPUC and OCA. The Planning  
20 Department, through General Plan Referral letter dated November 5, 2015 (“Planning Letter”),  
21 which is on file with the Clerk of the Board of Supervisors under File No. 151226, has verified  
22 that the City’s acquisition of 1975 Galvez Avenue and 555 Selby Street, and lease of 450  
23 Toland Street, together with the jurisdictional assignments and transfers noted herein, are all  
24 consistent with the General Plan and the Eight Priority Policies under the Planning Code  
25 Section 101.1. The Board finds that the Proposed Project, and jurisdictional transfers of 1800



1 Jerrold Avenue from OCA to SFPUC and the Project Site from SFPUC to OCA, subject to the  
2 terms and conditions of the MOU, is consistent with the City's General Plan and Eight Priority  
3 Policies of Planning Code Section 101.1 and incorporates the Planning Letter by this  
4 reference as though fully set forth in this Ordinance. Based on the recommendation of the  
5 Directors of Property and Purchasing, the SFPUC General Manager, and the Mayor, the  
6 jurisdiction of 1800 Jerrold Avenue shall be transferred to the SFPUC, and the jurisdiction of  
7 the Project Site shall be transferred to OCA, subject to the terms and conditions of the MOU.

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

17 Section 5. Effective and Operative Dates. This ordinance shall become effective 30  
18 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor  
19 returns the ordinance unsigned or does not sign the ordinance within 10 days of receiving it,  
20 or the Board of Supervisors overrides the Mayor's veto of the ordinance. This ordinance shall

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1 become operative upon its effective date or upon adoption of the Companion Resolution,  
2 whichever is later.

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4 APPROVED AS TO FORM:  
5 DENNIS J. HERRERA, City Attorney

6 By: \_\_\_\_\_  
7 Noreen Ambrose  
8 Deputy City Attorney

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