

File No. 140222

Committee Item No. 3

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

## COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date April 16, 2014

Board of Supervisors Meeting

Date \_\_\_\_\_

### Cmte Board

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Completed by: Linda Wong Date April 11, 2014

Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Finding of Fiscal Feasibility - Plot 700 Development Project - San Francisco International  
2 Airport]

3 **Resolution finding the proposed Plot 700 Development Project at San Francisco**  
4 **International Airport fiscally feasible pursuant to Administrative Code, Chapter 29.**

5  
6 WHEREAS, The City and County of San Francisco owns and operates San Francisco  
7 International Airport (SFO), which is the primary commercial service airport for the San  
8 Francisco Bay Area; and

9 WHEREAS, SFO is a commercial airport and provides ground transportation services  
10 to passengers and operates shuttle buses for the travelling public; and

11 WHEREAS, The Airport is responsible for the maintenance and operation of the shuttle  
12 bus fleet and regulation of ground transportation operations; and

13 WHEREAS, The Airport proposes to initiate the Plot 700 Development project to  
14 relocate and reconstruct the existing Ground Transportation Unit (GTU), Radio Shop and Bus  
15 Maintenance (BMF) facilities to Plot 700 at a cost of \$31 million; and

16 WHEREAS, Chapter 29 of the San Francisco Administrative Code requires that a City  
17 department that sponsors a capital project which is projected to have construction costs  
18 greater than \$25 million and use more than \$1 million in public funds must prepare a fiscal  
19 feasibility study and submit it to the Board of Supervisors for approval; and

20 WHEREAS, On December 3, 2013, by Resolution No. 13-0256, the Airport  
21 Commission authorized the Airport Director to submit a Plot 700 Development Project Fiscal  
22 Feasibility Study to the Board of Supervisors; and

23 WHEREAS, Materials related to the Project on file with the Clerk of the Board of  
24 Supervisors in File No. 140222, are hereby declared to be a part of this resolution as if set  
25 forth fully herein; and

1           WHEREAS, Pursuant to Administrative Code, Section 29.3, the Airport has submitted  
2 to the Board of Supervisors a general description of the Project, the general purpose of the  
3 Project, and a fiscal plan; and

4           WHEREAS, Pursuant to Administrative Code, Section 29.2, prior to submittal to the  
5 Planning Department of the environmental evaluation application (Environmental Application)  
6 required under Administrative Code, Chapter 31, and CEQA (as defined in Administrative  
7 Code Section 29.1) related to the proposed Project, it is necessary to procure from the Board  
8 of Supervisors a determination that the plan for undertaking and implementing the proposed  
9 Project is fiscally feasible and responsible; and

10          WHEREAS, The Board of Supervisors has reviewed and considered the general  
11 description of the Project, the general purpose of the Project, the fiscal plan and other  
12 information submitted to it and has considered the direct and indirect financial benefits of the  
13 Project to the City of San Francisco, the cost of construction, the available funding for the  
14 project, and the federal mandate for the Project; now, therefore, be it

15          RESOLVED, That the Board of Supervisors finds that the plan to undertake and  
16 implement the Project is fiscally feasible and responsible under San Francisco Administrative  
17 Code, Chapter 29; and, be it

18          FURTHER RESOLVED, Pursuant to San Francisco Administrative Code, Chapter 29,  
19 the Environmental Application may now be filed with the Planning Department and the  
20 Planning Department may now undertake environmental review of the proposed Project as  
21 required by Administrative Code, Chapter 31, and CEQA.

**Item 3**  
**Files 14-0222**

**Department:**  
San Francisco International Airport (Airport)

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed resolution would find that the Airport's proposed Plot 700 development project, which includes relocation and reconstruction of the Airport's Ground Transportation Unit and Bus Maintenance Facility, is fiscally feasible under the provisions Administrative Code Chapter 29.

### Key Points

- The Airport's Ground Transportation Unit and Bus Maintenance Facility are both housed in inadequate facilities that were originally intended to be temporary. Due to a recent modification to lease terms with United Airlines, approximately six acres of space known as Plot 700 has become available for Airport use. The proposed project will relocate both the Ground Transportation Unit and Bus Maintenance Facility to Plot 700.
- The Ground Transportation Unit functions as the permitting and inspection agency for all passenger-carrying Airport vehicles operating at the Airport. This includes permit issuance, training, washing, fueling, inspection of vehicles, and maintenance of radios in the Radio Repair Shop. The Bus Maintenance Facility houses the Airport's shuttle bus fleet, which is managed by the Airport's contractor, SFO Shuttle.
- Relocation and construction of the Ground Transportation Unit and Bus Maintenance Facility are estimated to cost \$30,204,929. These projects are included in the Airport's Five Year Capital Plan, which was approved by the Airport Commission and City's Capital Planning Committee in February 2014. The proposed \$30,204,929 project would be financed entirely by Airport bonds. Funding of this project is contingent upon Board of Supervisors approval of the Airport's issuance and appropriation of \$1.97 billion in Airport bonds also pending before the Board of Supervisors (File 14-0237 and 14-0232).
- Chapter 29 of the City's Administrative Code states that the Board of Supervisors shall evaluate a project's financial feasibility, if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000. Chapter 29 states the Board of Supervisors shall review the project's financial feasibility, in five areas including: (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long-term operating and maintenance costs, and (5) debt load carried by the relevant City Department.
- Based on the Airport's evaluation of the costs and financing of the proposed project, the Budget and Legislative Analyst considers the proposed Plot 700 development project to be fiscally feasible.

### Recommendation

- Approve the proposed resolution contingent on Board of Supervisors approval of the pending resolution authorizing issuance of Airport revenue bonds (File 14-0237) and related supplemental appropriation (File 14-0232).

## MANDATE STATEMENT

### Mandate Statement

Chapter 29 of the City's Administrative Code requires projects<sup>1</sup> to be submitted to the Board of Supervisors to approve the fiscal feasibility of the project prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000. Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also states that a finding of fiscal feasibility means that a "project merits further evaluation and environmental review."

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would find the Airport's proposed Plot 700 development project to be fiscally feasible, in accordance with Chapter 29 of the City's Administrative Code. Approval of this resolution would allow the Airport to proceed with environmental review for the project. An ordinance appropriating funds for this project is included in the Budget and Legislative Analyst's report of April 11, 2014 to the Budget and Finance Sub-Committee under File 14-0237.

### Plot 700 Development Project

San Francisco International Airport occupies approximately 5,171 acres of land, of which the Plot 700 Lot (Plot 700) comprises approximately 6 acres. Due to a recent modification in the Airport's lease terms with United Airlines, Plot 700 was turned over to the Airport and is currently used as an employee overflow parking lot as need arises. The lot is bounded by North Access Road on the north, North Field Road on the east, United Airlines Maintenance and Operations Center (UAMOC) on the south, and the United Airlines employee parking lot on the west.

The Airport's FY 2014-15 Five-Year Capital Plan, approved by the Airport Commission and the City's Capital Planning Committee in February 2014, provides for the development of Plot 700 to construct new facilities, including the relocation of the Ground Transportation Unit and the Bus Maintenance Facility<sup>2</sup>. The construction of the improvements under Plot 700 development project is expected to take three years and cost an estimated \$30.2 million.

<sup>1</sup> Chapter 29 excludes various types of project from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) a project which was approved by the voters of San Francisco.

<sup>2</sup> Relocation of these two facilities includes relocation of the associated radio shop, gas station and car/bus wash.

**Ground Transportation Unit Relocation**

The existing Ground Transportation Unit facilities are located along South McDonnell Road in the South Field Area and were originally developed for temporary rental car operations during construction of the Airport Rental Car Center. The main building was redeveloped in 1999 to house the Ground Transportation Unit and Radio Shop by adding interior modifications and the addition of a Four-Bay Inspection Garage and Radio Repair Shop. The car wash rack and vehicular fuel station are used only by the Airport and are operated and maintained by the Airport’s Auto Shop staff. A total of 17 Airport employees work on Ground Transportation operations. The Ground Transportation Unit functions as the permitting and inspection agency for all passenger-carrying Airport vehicles operating at the Airport. The Radio Shop repairs and maintains radios, transponders and antennas for all Airport-operated vehicles, including the Fire Department and Police Department units located at the Airport.

The existing Ground Transportation structure is a repurposed temporary structure and is not adequate to handle ongoing Airport needs. The Airport states that existing facilities are outdated, unsafe, and inefficient.

**The Bus Maintenance Facility Relocation**

The existing Bus Maintenance Facility is located along North McDonnell Road adjacent to the *Clean Energy* Compressed Natural Gas (CNG) fueling station. The Bus Maintenance Facility services and repairs the Airport’s shuttle bus fleet. The facility’s original maintenance bays were constructed in 1992, also as a temporary building with the expectation that AirTrain would be extended to the Long Term Parking lot. Trailers were added to accommodate increasing demand for office and storage space approximately 15 years later. The facilities are occupied and operated by the Airport’s shuttle bus contractor, SFO Shuttle, which has 98 employees.

The Airport states that the condition of the Bus Maintenance Facility is beyond its useful life and was designed to accommodate a fleet of ten shuttle buses, not the current fleet of more than 30. The functions of the Ground Transportation Unit and Bus Maintenance Facility are summarized in Table 1, below.

**Table 1: Primary Functions of the Ground Transportation Unit and Bus Maintenance Facility**

<b>Ground Transportation Unit</b>	<b>Bus Maintenance Facility</b>
Ground Transportation Unit Offices	Bus Maintenance Facility Offices
Inspection Bays	Maintenance Bays
Radio Shop	Clean Natural Gas Fueling Station
Car Wash Rack	
Vehicular Fuel Station	

**Proposed Facility**

The proposed Plot 700 development project includes the construction of a new facility to co-locate the Ground Transportation Unit and Bus Maintenance Facility on Plot 700 in the North Cargo Area. The new facility will be a permanent structure that will more adequately address the needs of the two units. The recent return of Plot 700 to the Airport due to modified lease terms with United Airlines provides an opportunity for relocation and replacement of these facilities.

According to Airport staff, because both the Ground Transportation Unit and Bus Maintenance Facility are considered back-of-house operations, and are more appropriately located away from their current locations on McDonnell Road, which is a major roadway that provides public access to the Airport terminals and the Rental Car Center. Relocation of these facilities to Plot 700 will move traffic associated with these units off McDonnell Road to the North Cargo area.

In accordance with Section 705 of the San Francisco Environmental Code, the proposed facility will have sustainability and energy-efficiency measures that will achieve, at minimum, LEED Gold certification.<sup>3</sup>

**Fiscal Feasibility of the Plot 700 Project**

In accordance with Chapter 29 of the City's Administrative Code, the following five areas are to be considered by the Board of Supervisors for determination of fiscal feasibility: (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department.

**Direct and Indirect Financial Benefits**

According to the December 2013 *Fiscal Feasibility Study* ("Study") of the proposed Plot 700 Project; prepared by the Airport, direct financial benefits include new jobs and maintenance of revenues to the Airport and the City's General Fund.

***Employment Benefits***

According to estimates provided by Regional Economic Models, Inc., approximately 158 construction jobs and 69 related jobs, totaling 227 new jobs, would be created by this project. These are limited-term jobs for the approximate three-year duration of the project.

***Revenue Benefits***

In addition, because both the Ground Transportation Unit and Bus Maintenance Facility are essential to moving passengers throughout the Airport, inefficient operation of these units

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<sup>3</sup> Leadership in Energy & Environmental Design (LEED) is a green building certification program that recognizes sustainable building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve certification. Gold is the second-highest of four certifications.

could decrease passenger traffic at the Airport and negatively impact Airport revenue, which would decrease the Airport's Annual Service Payment to the City's General Fund and tax revenues to the City. The FY 2012-13 Annual Service Payment was \$36.5 million.

### *Indirect Benefits*

According to the Airport's *Fiscal Feasibility Study*, the indirect benefits of the proposed project are due to the economic activity of the Airport, which includes tax revenues attributed to the Airport. State and local taxes attributed to the Airport in 2012 are estimated at \$2.5 billion.

### **Construction Costs**

The fiscal feasibility of a project must be determined, pursuant to Administrative Code Chapter 29, for projects with (a) total costs over \$25,000,000, and (b) construction costs over \$1,000,000. The proposed Plot 700 Development Project is estimated to cost \$25,420,387 in construction costs and an additional \$4,784,542 in related planning, design, permitting, project and construction management, inspection and other costs (soft costs), as shown in Table 2 below. The total estimated cost is \$30,204,929.

**Table 2: Estimated Construction and Non-Construction Costs**

	Ground Transportation Unit	Bus Maintenance Facility	Total
Sitework	\$3,120,575	\$3,924,000	\$7,044,575
Facility Construction	\$6,610,356	\$3,469,456	\$10,079,812
General Conditions (10%) <sup>1</sup>	\$973,000	\$739,000	\$1,712,000
Contractor Fee (5%) <sup>2</sup>	\$535,000	\$407,000	\$942,000
Wrap-Up Insurance Program (2%) <sup>3</sup>	\$225,000	\$171,000	\$396,000
Sustainability (5%) <sup>4</sup>	\$573,000	\$436,000	\$1,009,000
Design and Estimating Contingency (20%) <sup>5</sup>	\$2,408,000	\$1,829,000	\$4,237,000
<b>Construction Costs</b>	<b>\$14,444,931</b>	<b>\$10,975,456</b>	<b>\$25,420,387</b>
Estimated Soft Costs <sup>6</sup>	\$3,046,802	\$1,737,740	\$4,784,542
<b>Total</b>	<b>\$17,491,733</b>	<b>\$12,713,196</b>	<b>\$30,204,929</b>

<sup>1</sup> General Conditions are ancillary costs attributable to construction, such as site offices, temporary utilities, and construction cleaning.

<sup>2</sup> Contractor Overhead and Profit is the fee charged by the contractor to manage the project.

<sup>3</sup> Wrap-Up Insurance is a contractor-controlled liability policy that protects all contractors and subcontractors on the project.

<sup>4</sup> Sustainability is contingency funding for sustainability measures in the structure, such as LEED Gold Certification, as called for in the SFO Strategic Plan.

<sup>5</sup> Design and Estimating Contingency is a percentage to account for design changes, omissions or errors, or unforeseen conditions or risks. At the conceptual phase of a project, it is calculated at 20% of the project cost.

<sup>6</sup> Soft costs include project management, design, inspection, and construction management.



The Plot 700 development project is proposed over a three-year timeline beginning in FY 2014-15. If approved, the Airport will begin the environmental permitting process in April 2014 and construction will start approximately one year later.

### **Available Funding**

The Airport proposes funding the entire \$30,204,929 using Airport bonds, for which a resolution approving issuance of these bonds (File 14-0237) and an ordinance appropriating the bond proceeds (File 14-0232) is included in the Budget and Legislative Analyst's April 16, 2014 report to the Budget and Finance Committee. Funding of the Plot 700 development project is contingent upon approval by the Board of Supervisors of the issuance and appropriation of the revenue bonds. The debt service on the future issuance of these revenue bonds would be paid by the Airport from operating revenues, including airline and non-airline revenues.

This project does not meet the requirements for grant funding under the Federal Aviation Administration's (FAA) Airport Improvement Program because the project does not include improvements related to enhancing airport safety, capacity, security, and environmental concerns. Priority is given by the FAA to runway and taxiway projects.

### **Long Term Operating and Maintenance Costs**

The long-term operating and maintenance costs from the proposed project are minimal. Because there is no proposed change in staffing or processes other than relocation of the Ground Transportation Unit and Bus Maintenance Facility, operating costs should remain stable. Maintenance activities will be performed by Airport Maintenance and/or SFO Shuttle staff and include typical costs to maintain Airport buildings. Because of the age of the existing facilities, the current costs required to maintain these facilities exceed new maintenance costs for the proposed facilities.

In addition, Plot 700 facilities will be designed to LEED Gold standard at minimum. Facilities will comply with or exceed all other applicable Federal, State, and City and County of San Francisco sustainability standards. Due to this, future operations and maintenance costs are expected to be equivalent or less than costs associated with the current facilities.

### **Debt Load of the Airport**

The fiscal feasibility of the Plot 700 development project is contingent upon the approval of the issuance and appropriation of up to \$1,969,830,773 in Airport bonds by the Board of Supervisors (File 14-0237 and 14-0232). The \$30.2 million in Plot 700 development project costs make up 1.5% of this supplemental appropriation. As a portion of the \$4.4 billion is presently outstanding capital debt, the \$30.2 million Plot 700 Development Project would make up less than 0.7%.

Based on the five areas described above, the Budget and Legislative Analyst concurs that the Airport's proposed Plot 700 Project is fiscally feasible. Approval by the Board of Supervisors of the resolution would authorize the Airport to move forward with environmental review under CEQA.

#### **FISCAL IMPACT**

As discussed above, funding of the Plot 700 development project is contingent upon the approval by the Board of Supervisors of the issuance and appropriation of up to \$1,969,830,773 in Airport bonds (File 14-0237 and 14-0232). Annual debt service on the proposed bonds is paid from annual Airport operating revenues, which include annual payments to the Airport by the airlines under their lease agreements with the Airport, and Airport concession and other Airport revenues.

As a result of the Airport's "residual rate setting methodology" (a breakeven policy) used by the Airport to determine rental rates, landing fees, and related fees for all Airlines, increases in the Airport's operating costs due to increased debt service will be funded by increased annual payments by the airlines to the Airport under their lease agreements with the Airport.

#### **RECOMMENDATION**

Approve the proposed resolution contingent on Board of Supervisors approval of the pending resolution authorizing issuance of Airport revenue bonds (File 14-0237) and related supplemental appropriation (File 14-0232).

San Francisco International Airport

March 4, 2013

Ms. Angela Calvillo  
 Clerk of the Board  
 Board of Supervisors  
 City Hall  
 1 Dr. Carlton B. Goodlett Place, Room 244  
 San Francisco, California 94102-4689

Subject:

Dear Ms. Calvillo,

Pursuant to Administrative Code Chapter 29, I am forwarding a Fiscal Feasibility Report for a project at Plot 700 at the San Francisco International Airport for Board of Supervisor consideration.

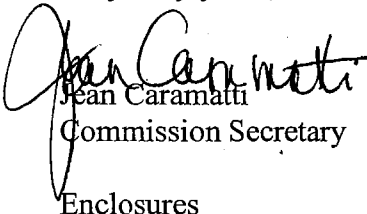
The Plot 700 project is being proposed to relocate and reconstruct the existing Ground Transportation Unit (GTU), Radio Shop and Bus Maintenance facilities (BMF) at Plot 700 at a cost of \$31 million. As the cost of the project will exceed \$25 million, the Airport has prepared a Fiscal Feasibility Report for Board of Supervisors approval, as required by Chapter 29 of the San Francisco Administrative Code.

Two sets of the following documents are enclosed for review:

- Proposed Board of Supervisors Resolution
- Approved Airport Commission Resolution No. 13-0256
- Plot 700 Feasibility Report

Please contact Cathy Widener , Airport Governmental Affairs at 650-821-5023 if you have any questions or concerns regarding this matter.

Very truly yours,

  
 Jean Caramatti  
 Commission Secretary  
 Enclosures

RECEIVED  
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**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

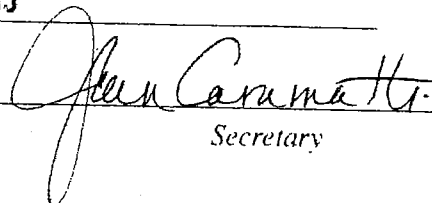
RESOLUTION NO. 13\_0256

**AUTHORIZE THE AIRPORT DIRECTOR TO SUBMIT A FISCAL FEASIBILITY STUDY FOR THE PLOT 700 DEVELOPMENT PROJECT TO THE SAN FRANCISCO BOARD OF SUPERVISORS WHEN READY.**

- WHEREAS, Chapter 29 of the San Francisco Administrative Code requires that City departments proposing a project that is estimated to have implementation and construction costs greater than \$25 million and use more than \$1 million in public monies prepare a feasibility study and submit it to the Board of Supervisors for a finding of fiscal responsibility and feasibility before environmental review; and
- WHEREAS, the Plot 700 Development project will relocate and reconstruct the existing Ground Transportation Unit (GTU), Radio Shop and Bus Maintenance (BMF) facilities to Plot 700; and
- WHEREAS, the Plot 700 Development project was included in prior Capital Plans; and,
- WHEREAS, the Plot 700 Development project, with an estimated cost of \$31 million, requires a feasibility study; now, therefore be it
- RESOLVED, that this Commission authorizes the Airport Director to submit the Plot 700 Development Fiscal Feasibility Study to the Board of Supervisors.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of* \_\_\_\_\_

DEC 03 2013

  
Secretary

# **San Francisco International Airport**

## **PLOT 700 DEVELOPMENT**

*Fiscal Feasibility Study*

December 2013





## I. Introduction

The City and County of San Francisco owns and operates San Francisco International Airport (SFO), which is the primary commercial service airport for the San Francisco Bay Area. The Airport serves the Bay Area with domestic and international passenger flights as well as all-cargo flights. SFO is one of the busiest airports in the United States and provides economic benefits to the City of San Francisco and the entire Bay Area. According to Airport Council International (ACI) data, SFO was ranked 7<sup>th</sup> in the United States in terms of total passengers with 44,399,885 and ranked 19<sup>th</sup> in terms of air cargo in calendar year (CY) 2012<sup>1</sup>. SFO is one of the country's principal international gateways for Pacific Rim traffic, it serves as a hub for United Airlines, and it is Virgin America's primary base of operations.

San Francisco International Airport occupies approximately 5,171 acres of land, of which the Plot 700 Lot (Plot 700) comprises approximately 6 acres. Due to a recent modification to lease terms with United Airlines, Plot 700 was turned over to the Airport and is currently used as an employee overflow parking lot as need arises. The lot is bounded by North Access Road on the north, North Field Road on the east, United Airlines Maintenance and Operations Center (UAMOC) on the south, and United Airlines Employee Parking on the west.

The existing Ground Transportation Unit (GTU) facilities are located along South McDonnell Road in the South Field Area and were originally developed for temporary rental car operations during construction of the Airport Rental Car Center. The main building was redeveloped in 1999 to house two SFO agencies, the GTU and Radio Shop, in the existing structure with interior modifications and the addition of a 4-Bay Inspection Garage and Radio Repair Shop. The remaining car wash rack and vehicular fuel station became Commission-use only and are operated and maintained by the SFO Auto Shop staff.

The existing Bus Maintenance Facility (BMF) is located along North McDonnell Road adjacent to the *Clean Energy* CNG fueling station. The original maintenance bays were constructed in 1992, also as a temporary building with the expectation that AirTrain would be extended to the Long Term Parking lot. Trailers were added to accommodate increasing demand for office and storage space approximately 15 years later. The facilities are occupied and operated by SFO Shuttle.

The GTU functions as the permitting and inspection agency for all passenger carrying Airport vehicles operating at SFO; the Radio Shop repairs and maintains radios, transponders and antennas for all Airport operated vehicles, including the Airport SF Fire Department and Airport SF Police Department; and the BMF services and repairs the SFO Shuttle Bus fleet. All are essential facilities; however they are considered back of house operations and are more appropriately located away from SFO's main frontage road. The recent reassignment of Plot 700 provides the ideal opportunity for relocation and much needed replacement of these deficient facilities.

Pursuant to Chapter 29 of the San Francisco Administrative Code, prior to submitting an environmental application form to the Department of City Planning for environmental review of

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<sup>1</sup> 2012 Airports Council International (ACI) and Airports Council International- North America (ACI-NA) Airport Statistics

a proposed project, as defined by the California Environmental Quality Act, which is estimated to have implementation and/or construction costs greater than \$25 million and use more than \$1 million in public monies, the project must be submitted to the Board of Supervisors to determine whether the plan for undertaking and implementing the project is fiscally feasible and responsible. The proposing City department must prepare a feasibility study and submit it to the Board of Supervisors prior to submitting the project to the Planning Department for environmental review.

The Airport is submitting this fiscal feasibility study to the Board of Supervisors to comply with Chapter 29 of the Administrative Code, since the total project cost for the Plot 700 Redevelopment project is in excess of \$25 million and the project will require a CEQA review.

## **II. San Francisco International Airport**

San Francisco International Airport is owned and operated by the City and serves as the primary airport for the Bay Area. The Airport is governed by the Airport Commission, as outlined in the City Charter. The five-person Airport Commission is primarily a policy-making body, establishing the policies by which the Airport operates. The Airport Director oversees the operation and management of the Airport. SFO also operates under the regulations of the FAA and the Transportation Security Administration (TSA). The Airport's mission is to provide safe and secure facilities for airlines, tenants, employees, and the traveling public and to be fiscally prudent and contribute to the health of the local economy<sup>2</sup>. The Plot 700 Development project will significantly enhance safety and efficiency for SFO employees and patrons of the GTU, Radio Shop and BMF.

## **III. Project Overview**

The purpose of this project is to relocate and rejuvenate the existing GTU, Radio Shop and BMF facilities to Plot 700, an available back of house location. As the structures were originally intended for temporary use, the existing facilities do not adequately accommodate the current organizational functions and are inefficient for safe operations.

An estimate of probable construction costs is provided in the table below. More details regarding the project costs are shown in Appendix I.

<sup>2</sup> San Francisco International Airport, "Strategies and Goal 2007 – 2012", pg. 3.



**Table 1**  
**Plot 700 Development Construction Costs<sup>3</sup>**

<b>Plot 700 Development Project Component</b>	<b>Amount</b>
Ground Transportation Unit Relocation	\$14,444,931
Bus Maintenance Facility Relocation	\$10,975,456
<b>TOTAL</b>	<b>\$25,420,387</b>

The Plot 700 Development project components are diagrammed in Appendix II, and include:

- **Ground Transportation Unit (GTU) Relocation**—This component will include relocation of the GTU office building and inspection bays, as well as the collocated Radio Shop, car wash rack and vehicular fuel station, to Plot 700.
- **Bus Maintenance Facility (BMF) Relocation**—This component will include relocation of the BMF offices and maintenance bays to Plot 700 and will provide on-site CNG fueling for the SFO Shuttle Bus fleet.

#### **IV. Environmental Review**

An Environmental Evaluation Application for environmental review has yet to be filed with the City and County of San Francisco’s Environmental Planning Department (SFEP), the lead agency under the California Environmental Quality Act (CEQA). Once the Board of Supervisors approves the fiscal feasibility study, Airport staff will submit the Environmental Evaluation Application for the current project proposal to SFEP for review of potential environmental impacts for each of the 17 resource categories, conducted according to the procedural requirements of CEQA (California Public Resources Code Section 21000 et seq.), State CEQA Guidelines (California Administrative Code Title 14 Section 15000 et seq.) and Chapter 31 of the San Francisco Administrative Code. Airport staff will submit an Initial Study at a future date, which will include environmental analyses of the CEQA resource categories; staff anticipates the SFEP Environmental Review Officer will issue a (Mitigated) Negative Declaration rather than requiring preparation of an Environmental Impact Report.

The environmental permitting process will be conducted concurrently with the environmental review process to expedite the project. Such permits must be coordinated with the design process to ensure final key design conforms to the conditions and analyses provided in the permit applications to various federal, state, and local regulatory agencies. Staff anticipates permits will be required from the San Francisco Bay Regional Water Quality Control Board (RWQCB), Bay Area Quality Management District, San Mateo County Environmental Health Department, and the City and County of San Francisco. Airport staff estimates completion of the environmental review and permitting process for this project within 12 - 18 months from the start of the environmental process.

<sup>3</sup> The cost estimates presented here are based on planning-level requirements and design drawings and are preliminary in nature as developed by SFO. Final cost estimates will be prepared once the environmental process is complete and detailed design drawings are prepared.



## V. Fiscal Feasibility Analysis

Under the provisions of the San Francisco Administrative Code §29.2 there are five criteria to evaluate the project's fiscal feasibility. The five criteria to study the fiscal feasibility are as follows:

- (1) Direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;
- (2) The cost of construction;
- (3) Available funding for the project;
- (4) The long-term operating and maintenance cost of the project; and
- (5) Debt load to be carried by the City department or agency.

The fiscal feasibility of the Plot 700 Development project is analyzed based on the five criteria below.

### (1) Financial Benefits to the City

The Airport provides both direct and indirect financial benefits to San Francisco, including employment and tax revenues. The project plans to redevelop Plot 700 and relocate the Bus Maintenance and GTU operations are critical operational elements in the overall airport operation. Failure to implement this project could potentially result in a reduction in customer service accommodations by not providing sufficient shuttle bus operations and could result in the failure to meet the increased demand in permit requests for passenger carrying Airport vehicles operating at SFO. In addition, the existing Shuttle Bus Maintenance Facility was designed in 1980s for maintenance of 10 buses and with the increased passenger traffic the bus fleet is now over 30 buses.

#### Direct Financial Benefits

The City receives numerous direct financial benefits resulting from the operation of the Airport in the most efficient and effective manner possible. The Plot 700 Development Project is critical to ensure customer satisfaction with sufficient bus operations and safe operations of the passenger vehicles operating at the Airport. These functions will ensure the City continues to receive the maximum financial benefits including tax revenue generated by visitors, job creation benefits, and the Airport's annual service payment into the General Fund. The Airport's economic activity also provides financial benefits to the entire Bay Area economy.

#### City Revenue

Under the current Lease and Use Agreement between the Airport and the airlines, SFO provides 15% of gross concession revenues to the City's General Fund. These General Fund revenues can be applied to any use determined by policy makers. Without undertaking this mandated project, aircraft operations, passenger volumes, and concession revenues could be reduced, and the City's General Fund could see a loss in revenue due to potential reductions in annual service payments.



The annual service payments provided by the Airport to the City’s General Fund over the previous five fiscal years totaled \$155.6 million. In FY 2013, the Airport transferred \$36.5 million in revenue to the City. The five-year breakdown of the annual service payments is shown in the table below.

**Table 2**  
**Annual Service Payment**  
**FY 2005 to FY 2013**  
**(in millions)**

<b>Fiscal Year</b>	<b>Annual Service Payment</b>
FY 2009	\$ 26.8
FY 2010	\$ 28.1
FY 2011	\$ 30.2
FY 2013	\$ 34.0
FY 2013	\$ 36.5
<b>Total</b>	<b>\$ 155.6</b>

*Source: San Francisco International Airport Annual Financial Statements*

The average annual payment received by the City over the most recent five fiscal years was \$31.1 million and have increased by over 35% over the past five-years. The current Lease and Use Agreement between the Airport and signatory airlines operating at the Airport includes the annual service payments through FY 2021. The Airport expects the annual service payments to continue to increase with passenger volumes and concession spending during that period.

Direct Employment

San Francisco International Airport is an economic driver for the City and County of San Francisco and also the entire Bay Area. A key measure of economic activity is the direct employment based on activities related to the Airport. These are jobs that would not exist without the Airport, and they would be impacted by any reduced airport activity. These jobs are within the aviation sector, transportation, professional services, or construction services.

According to Economic Development Research Group, Inc., a total of 33,580 direct jobs are dependent on the activity of SFO. These jobs would be discontinued immediately if airport activity ceased. Also these jobs would be impacted as a result of changes in number of flights and passenger levels.”<sup>4</sup> The table below provides a breakdown of the types of direct jobs by category created by the Airport.

<sup>4</sup> Economic Development Research Group, Inc., “2013 Economic Impact Study of San Francisco International Airport”, May 2013, pg. 11.

**Table 3<sup>5</sup>**  
**Direct Job Impacts from SFO for 2012**

<b>Job Category</b>	<b>Direct Jobs</b>	<b>Percent</b>
Passenger Airlines	14,520	43.2%
Airport Retail & Concessions	3,987	11.9%
Limos/Buses	2,961	8.8%
FBOs & General Aviation & Aviation. Services	2,104	6.3%
City of San Francisco Airport Commission	1,528	4.6%
Vans/Transit	1,409	4.2%
Security Firms	1,362	4.1%
Federal Government	1,191	3.5%
Capital Construction	949	2.8%
Taxi Cabs	948	2.8%
Freight Airlines & Couriers	875	2.6%
Rental Car	725	2.2%
State/Local Government	571	1.7%
Other	450	1.3%
<b>Total</b>	<b>33,580</b>	<b>100.0%</b>

*Source: Economic Development Research Group, Inc., May 2013*

Failure to proceed with this project may impact passenger levels at SFO that could in turn impact the number of direct jobs. The total payroll from direct jobs in Fiscal Year 2012 is \$2.1 billion. These jobs provide tax revenue to the City and County of San Francisco and throughout the Bay Area.

The shuttle bus operations at the Airport, provided by a third party, provide direct employment for 98 people. The GTU operations are performed by Airport employees. In addition to the jobs directly associated with the activities of SFO, the Plot 700 Development construction project will employ significant staff. Based on the construction costs of the project an estimated 227 jobs would result from this project in the City and County of San Francisco, including 158 construction jobs.

<sup>5</sup> Economic Development Research Group, Inc., "2013 Economic Impact Study of San Francisco International Airport", May 2013, pg. 26.

**Table 4**  
**Plot 700 Development Project Job Impact**

<b>Plot 700 Development Project Component</b>	<b>Amount</b>	<b>Construction Jobs Impact</b>	<b>Total Job Impact</b>
Ground Transportation Unit Relocation	\$14,444,931	90	129
Bus Maintenance Facility Relocation	\$10,975,456	68	98
<b>TOTAL</b>	<b>\$25,420,387</b>	<b>158</b>	<b>227</b>

*Source of employment impacts: Regional Economic Models, Inc. (REMI).*

The construction impact is a one-time job creation impact for the City and County of San Francisco, but the project duration spans several years.

### **Indirect Financial Benefits**

The indirect impact of jobs resulting from the economic activity of the Airport is significant:

- A total of 10,831 of indirect jobs are generated in the local economy from purchases of goods and services by firms completely dependent upon activity of SFO<sup>6</sup>.
- A total of 15,586 jobs are induced in the region from purchases of goods and services by the 29,555 direct jobs created by activity at SFO.

In addition to the indirect job impact, activities from SFO generate significant tax revenues for San Francisco and the Bay Area. State and local taxes linked to the Airport are estimated at \$2.5 billion in 2012<sup>7</sup>.

## **(2) Costs of Construction**

The Airport projects that the total cost is \$30.2 million for the entire Plot 700 Development project. This amount includes construction costs, internal costs for Airport staff, external professional services to provide project management and construction management support, and associated design and engineering work for the project. The full breakdown of the project costs including construction costs and soft costs are shown in the table below.

<sup>6</sup> Ibid. pg. 27

<sup>7</sup> Ibid, pg 2.



**Table 5**  
**Plot 700 Development Total Project Costs**

<b>Plot 700 Development Project Component</b>	<b>Total Amount</b>	<b>Construction Costs</b>	<b>Soft Costs*</b>
Ground Transportation Unit Relocation	\$17,491,733	\$14,444,931	\$3,046,802
Bus Maintenance Facility Relocation	\$12,713,196	\$10,975,456	\$1,737,740
<b>TOTAL</b>	<b>\$30,204,929</b>	<b>\$25,420,387</b>	<b>\$4,784,542</b>

\* Soft costs include project management, design, inspection, and construction management.  
Source: SFO

Detailed construction cost estimates are included in Appendix I. The direct construction costs are \$25.4 million and the construction costs related to the project include site work to bring utility services to Plot 700; foundation installation; new structures erection and equipment installation; mechanical, electrical, and plumbing system installation; and the incorporation of sustainability elements. Standard general conditions and design contingency allowances for the conceptual design stage are also shown.

### **(3) Available Funding**

The Airport anticipates having sufficient funding for the Plot 700 Redevelopment project. The Airport’s Plan of Finance and the Airport’s Five-Year and 10-Year Capital Improvement Plan (CIP) includes these projects for the Airport. The Airport anticipates funding this project with internal sources.

As a large-hub airport with a robust capital improvement program, the Airport included the costs of the project into the annual 5- and 10-year capital plan. The Airport currently has remaining appropriation from the \$502.2 million supplemental appropriation for capital projects. The Airport will utilize debt financing through General Aviation Revenue Bonds (GARBs) to fund the project. The Airport will likely seek additional bond appropriation authority from the Mayor and the Board of Supervisors when the project expenditures peak in calendar year 2014.

### **(4) Project Long-term Operating and Maintenance Costs**

The long-term operating and maintenance costs from the proposed project are minimal. These activities will be performed by SFO Maintenance and/or SFO Shuttle staff and include typical costs to upkeep Commission buildings. Because of the age of the existing facilities, the current costs required to maintain these facilities exceed any new maintenance costs.

The Plot 700 facilities will be designed to LEED Gold standard at minimum. In addition, facilities will comply with or exceed all other applicable Federal, State, and City and County of San Francisco sustainability standards. Due to this, future operations and maintenance costs are expected to be equivalent or less than costs associated with the current facilities.



## **(5) Debt Load Carried by the Airport**

The Airport will have to finance the construction costs associated with this project, and thus will incur additional debt. The Airport has an active debt finance department to fund capital projects that also manages the Airport's \$4.3 billion debt portfolio.

The amount of the Plot 700 Redevelopment funded by debt would be \$30,204,929 based on project budget. The issuance of debt for the project matching funds would result in debt service payments of approximately \$2.4 million per year or a total of \$72.5 million over the 30-year term of the bonds<sup>8</sup>.

The debt service costs associated with this project will not impact the General Fund. Rather, the debt service payments will increase the costs borne by the airlines doing business at the Airport, through the rates and charges they pay the Airport. The Airport anticipates debt requirements for the project will be spread out of multiple years, and as a result, it is likely that the full debt service amounts will not impact the Airport's budget until FY 2017.

## **VI. Conclusion**

Implementing this proposed Plot 700 project is essential to improving SFO's Ground Transportation, Radio Shop, and Bus Maintenance operations. Existing facilities are outdated, unsafe, and inefficient. The Airport believes this project is fiscally responsible and fiscally feasible. The project will enable the City of San Francisco to maintain a world class airport and continue to be the airport of choice for the Bay Area. The project will continue to provide the City and the entire Bay Area region with significant economic benefits.

If the Plot 700 Development project is not implemented, the Airport will need to relocate all GTU and BMF operations offsite until another relocation opportunity is available. Consequently, the Airport would incur significant operational and cost impacts, as a result of offsite operations. This could in turn adversely affect Airport revenue, reduce annual service payments by the Airport to the City's General Fund, reduce employment provided from Airport activities, and impact the City's economy.

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<sup>8</sup> This assumes an all-in true interest cost of 5.15% and a 12 month capitalized interest period.



**Appendix I  
Detailed Plot 700 Development Construction Costs**

	Site Work	Foundations and Structural Work	Buildings and Equipment	Mechanical, Electrical, and Plumbing Systems	Sustainability	General Conditions	Design Contingency*	Total Construction Cost
Ground Transportation Unit Relocation	\$ 3,120,575.00	\$ 2,297,212.00	\$ 2,095,591.00	\$ 2,217,553.00	\$ 573,000.00	\$ 1,733,000.00	\$ 2,408,000.00	\$ 14,444,931.00
Bus Maintenance Facility Relocation	\$ 3,924,000.00	\$ 1,365,350.00	\$ 1,099,406.00	\$ 1,004,700.00	\$ 436,000.00	\$ 1,317,000.00	\$ 1,829,000.00	\$ 10,975,456.00
<b>Total Plot 700 Development Construction Costs</b>	<b>\$ 7,044,575.00</b>	<b>\$ 3,662,562.00</b>	<b>\$ 3,194,997.00</b>	<b>\$ 3,222,253.00</b>	<b>\$ 1,009,000.00</b>	<b>\$ 3,050,000.00</b>	<b>\$ 4,237,000.00</b>	<b>\$ 25,420,387.00</b>

**Notes**

\* Design contingency amount is consistent with industry standard of approximately 20% at conceptual design stage.

## Appendix II Plot 700 Development Project Overview

