

File No. 111363

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 11, 2012

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <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 checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |

OTHER

(Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young

Date: January 6, 2012

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



Orig: Victor (B/F)
c: Joy, Sup. Cho, COB

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2011 DEC 21 AM 11:12
AK

Date: December 20, 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 Brannan Street Wharf 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 \$9,000,000 in funding for the Port's Brannan Street Wharf Park project (File No. 031229; Ordinance No. 202-03; approved August 1, 2003). These funds were placed on reserve pending a budget for the Brannan Street Wharf Park project.

The Port plans to use the \$9,000,000, along with other funding, to finance the construction of the park. The park design and environmental review consistent with the California Environmental Quality Act (CEQA) is complete. Currently the project is under review by the California State Historic Preservation Officer (SHPO). The first phase of the project consists of the demolition of Pier 36 and will be undertaken by the Army Corps of Engineers. The demolition contract has been awarded by the Army Corps and this phase of the project is expected to be completed by the end of May 2012.

The contract for the construction of the Brannan Street Wharf Park is currently out for bid, with bids due January 12, 2012. The Port anticipates awarding the contract in February 2012 with construction expected to begin in June 2012. Substantial completion of the park is scheduled for June 2013, with final completion expected one or two months later.

The sources and uses budget for the Brannan Street Wharf Park is as follows:

Project Budget for the Brannan Street Wharf Park

Sources:

California Coastal Conservancy Grant	\$ 88,020
SWL 330 land sale proceeds	9,000,000
Port Capital Funds	6,000,000
2008 Clean & Safe Neighborhood Park Bonds	2,941,050
Army Corp of Engineers contribution	4,700,000
Interest earnings on project funds held by City*	<u>3,224,951</u>
Total Sources	\$25,954,021

Uses:

Project Design and Engineering	\$1,776,491
Project Management	139,055
Project Entitlement	297,299
Construction Management	1,416,350
Construction	
Pier 36 Demolition*	7,117,850
Brannan Street Wharf Park const.	<u>\$13,200,000</u>
Project Cost (base bid)	\$23,947,045
Bid Alternates	<u>2,006,976</u>
Total Uses	\$25,954,021

* earnings thru Oct 2011

** work to be completed by the Army Corps of Engineers

To date, \$10,788,020 in funding has been provided for the Brannan Street Wharf Park project consisting of:

- \$6,000,000 in Port funding,
- \$88,020 in California Coastal Conservancy grant funding, and
- \$4,700,000 representing a U.S. Army Corps of Engineers contribution to the project.

Funds from the \$9,000,000 currently on reserve are now needed to begin construction of the park. Funding is in place to finance the \$13,200,000 engineer's estimate for the park construction base bid, and the Port is anticipating that the current competitive bidding environment will permit it to fund one or more of the bid alternates.

A detailed project budget is attached.

Please call Lawrence Brown at 274-0446 with any questions. We request that this items be scheduled 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
Steven Reel, Port of San Francisco

#2726 BRANNAN STREET WHARF: BUDGET AND FUNDING SNAPSHOT (11/30/2011), by SJR - w/ USACE

Item	Description	Current Est.
1000	Funding	\$ 25,954,021
1100	BSW Interest (updated as of 10/2011)	\$ 3,224,951
1200	BSW Proceeds Land	\$ 9,000,000
1300	BSW Port Funds	\$ 6,000,000
	<i>Subtotal Port Funds</i>	<i>\$ 18,224,951</i>
	California Coastal Conservancy Grant	\$ 88,020
1400	GO Bond (projected 3rd sale)	\$ 2,941,050
1500	2007 WRDA (2010 Water & Energy Appropriations Bill)	\$ 4,700,000

		Current Est.	10% Cont.	Total Budget
2000	Soft Costs (Engineering, Entitlements, Mgmt)	\$ 3,299,268	\$ 329,927	\$ 3,629,195
2100	Project Management - Design	\$ 126,413	\$ 12,642	\$ 139,055
2110	PM (SJR \$90/hr x 22.75hr/wk x 135 wks)	\$ 276,413	\$ 27,642	\$ 304,055
2120	Legal	\$ -	\$ -	\$ -
2130	PM Credit from Corps (see 3160 below)	\$ (150,000)	\$ (15,000)	\$ (165,000)
2200	Design & Engineering (Design Phases 1&2)	\$ 1,614,992	\$ 161,499	\$ 1,776,491
2210	Port A&E	\$ -	\$ -	\$ -
2220	Consultant 1: W&K/Structs (Phases 1,2&Amend 1)	\$ 1,604,992	\$ 160,499	\$ 1,765,491
2230	Consultant 2: DPW Geotech	\$ 10,000	\$ 1,000	\$ 11,000
2240	n/a	\$ -	\$ -	\$ -
2300	Entitlements	\$ 270,272	\$ 27,027	\$ 297,299
2310	CEQA (Port & MEA, NIC)	\$ -	\$ -	\$ -
2320	BCDC Permit Fee	\$ 38,000	\$ 3,800	\$ 41,800
2330	Historic Impact Mitigation (Labor Rpt)	\$ 10,000	\$ 1,000	\$ 11,000
2340	Maher Compliance	\$ 50,963	\$ 5,096	\$ 56,059
2350	URS (Permits, Envir support)	\$ 171,309	\$ 17,131	\$ 188,440
2360	n/a	\$ -	\$ -	\$ -
	<i>Subtotal Design Soft Costs</i>	<i>\$ 2,011,677</i>	<i>\$ 201,168</i>	<i>\$ 2,212,845</i>
2400	Construction Management	\$ 1,287,591	\$ 128,759	\$ 1,416,350
2410	Port PM (SJR \$90/hr x 22.75 hr/wk x 16 mos)	\$ 143,325	\$ 14,333	\$ 157,658
2420	Design Support: W&K/Structs (Phase 3+Amend1)	\$ 192,266	\$ 19,227	\$ 211,493
2430	Resident Eng. (DPW - \$200/hr Fulltime, 16 mos.)	\$ 554,667	\$ 55,467	\$ 610,134
2440	Inspector (DPW - \$200, 1/2 time, 16 mos)	\$ 277,333	\$ 27,733	\$ 305,066
2450	Special Inspections	\$ 20,000	\$ 2,000	\$ 22,000
2460	Testing	\$ 100,000	\$ 10,000	\$ 110,000
3000	Construction	\$ 23,567,850	\$ 1,645,000	\$ 25,212,850
3100	Pier 36 Demolition (includes Corps Soft Costs)	\$ 7,117,850	\$ -	\$ 7,117,850
3110	Environmental	\$ 127,700	\$ -	\$ 127,700
3120	Civil Design	\$ 290,000	\$ -	\$ 290,000
3130	Construction Mgmt & Const	\$ 4,645,250	\$ -	\$ 4,645,250
3140	Real Estate	\$ 40,000	\$ -	\$ 40,000
3150	Program & Project Mgmt	\$ 149,250	\$ -	\$ 149,250
3160	Non-Federal Sponsor Labor Costs (Port)	\$ 150,000	\$ -	\$ 150,000
3170	Misc Costs	\$ 32,500	\$ -	\$ 32,500
3180	Engineering, Planning & Tech Services S&A	\$ 36,400	\$ -	\$ 36,400
3190	USACE Contingency (20% soft, 25% Const)	\$ 1,646,750	\$ -	\$ 1,646,750
3200	Brannan Street Wharf Const. (as of 11/30/2011)			
3210	Base Project	\$ 12,000,000	\$ 1,200,000	\$ 13,200,000
3220	Alt 1: North Wharf	\$ 2,870,000	\$ 287,000	\$ 3,157,000
3230	Alt 2: Shade Structure	\$ 360,000	\$ 36,000	\$ 396,000
3240	Alt 3: Concrete Float (& Portal & Gangway)	\$ 1,550,000	\$ 155,000	\$ 1,705,000
3250	Alt 4: Steel Float (& Portal & Gangway)	\$ 1,220,000	\$ 122,000	\$ 1,342,000
3260	Alt 5: SS Rail	\$ 516,000	\$ 51,600	\$ 567,600
	<i>Base + Alt 1</i>	<i>\$ 14,870,000</i>	<i>\$ 1,487,000</i>	<i>\$ 16,357,000</i>
	<i>Base + Alt 1 + Alt 2</i>	<i>\$ 15,230,000</i>	<i>\$ 1,523,000</i>	<i>\$ 16,753,000</i>
	<i>Base + Alt 1 + Alt 2 + Alt 3</i>	<i>\$ 16,780,000</i>	<i>\$ 1,678,000</i>	<i>\$ 18,458,000</i>
	<i>Base + Alt 1 + Alt 2 + Alt 4 (Use for budget)</i>	<i>\$ 16,450,000</i>	<i>\$ 1,645,000</i>	<i>\$ 18,095,000</i>
	<i>Base + Alt 1 + Alt 2 + Alt 3 + Alt 5</i>	<i>\$ 17,296,000</i>	<i>\$ 1,729,600</i>	<i>\$ 19,025,600</i>
	<i>Base + Alt 1 + Alt 2 + Alt 4 + Alt 5</i>	<i>\$ 16,966,000</i>	<i>\$ 1,696,600</i>	<i>\$ 18,662,600</i>
	Total Project Cost	\$ 26,867,118	\$ 1,974,927	\$ 28,842,045

Funding Balance (Shortfall)	\$ (2,888,024)
------------------------------------	-----------------------

Total Costs Various Award Scenarios	Soft	Const	Contingency	Total	Status
Base Only	\$ 3,299,268	\$ 19,117,850	\$ 1,529,927	\$ 23,947,045	\$ 2,006,976
Base + Alt 1	\$ 3,299,268	\$ 21,987,850	\$ 1,816,927	\$ 27,104,045	\$ (1,150,024)
Base + Alt 1 + Alt 2	\$ 3,299,268	\$ 22,347,850	\$ 1,852,927	\$ 27,500,045	\$ (1,546,024)
Base + Alt 1 + Alt 2 + Alt 3	\$ 3,299,268	\$ 23,897,850	\$ 2,007,927	\$ 29,205,045	\$ (3,251,024)
USE Base + Alt 1 + Alt 2 + Alt 4 (USE THIS)	\$ 3,299,268	\$ 23,567,850	\$ 1,974,927	\$ 28,842,045	\$ (2,888,024)
Base + Alt 1 + Alt 2 + Alt 3 + Alt 5	\$ 3,299,268	\$ 24,413,850	\$ 2,059,527	\$ 29,772,645	\$ (3,818,624)
Base + Alt 1 + Alt 2 + Alt 4 + Alt 5	\$ 3,299,268	\$ 24,083,850	\$ 2,026,527	\$ 29,409,645	\$ (3,455,624)
Base + Alt 1 + Alt 4	\$ 3,299,268	\$ 23,207,850	\$ 1,938,927	\$ 28,446,045	\$ (2,492,024)

Items 7, 8 and 9
Files 11-1332, 11-1355 and 11-1363

Department:
Port

EXECUTIVE SUMMARY

Legislative Objectives

- The Port is requesting (a) appropriation of \$4,442,514 of accrued and projected interest earnings from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Port's Pier 27 Cruise Terminal and the Brannan Street Wharf Park (File 11-1332); (b) release of \$9,000,000 previously appropriated by the Board of Supervisors from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Brannan Street Wharf Park (File 11-1363); and (c) 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 (File 11-1355).
- The Port is also requesting appropriation of \$2,941,050 in Clean and Safe Neighborhood Park Bond proceeds to partially fund the development of the Brannan Street Wharf Park, which is the subject of Item 12, File 11-1334 of this report.

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, reallocation of existing capital project funds, passenger facility charges, and other sources. The Host City and Venue Agreement (HVA) between the City and the 34th America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34th 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 January 2012, removes the obligation of the Event Authority to demolish the shed on Pier 27.
- 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, 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). 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. However, the City's costs have increased by a net of \$0.8 million because the City has assumed Pier 27 shed demolition costs previously the responsibility of the Event Authority.
- The Brannan Street Wharf Park will be a new 57,000 square foot public park over the water and parallel to The Embarcadero between Piers 30-32 and Pier 38. The Brannan Street Wharf Park has estimated costs of \$25.9 million with expected completion by June 30, 2013.
- 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 \$9,456,741, retaining \$17,450,894 on reserve for the Cruise Terminal (\$8,450,894) and Brannan Street Wharf (\$9,000,000).

- The Port is requesting appropriation of \$4,442,514 in interest earnings on Seawall Lot 330 and Watermark Condominiums sale proceeds. Interest earnings include actual interest earnings to date, plus projected interest earning for the eighteen-month period from January 2012 through June 2013. The proposed appropriation ordinance would place the projected interest earnings on Controller's reserve. Under the proposed appropriation, (a) Brannan Street Wharf Park would receive \$3,224,951 in actual interest earnings and \$247,000 in projected interest earnings would be placed on Controller's reserve; and (b) the Cruise Terminal would receive \$603,560 in actual interest earnings and \$365,000 would be placed on Controller's reserve.

Fiscal Impacts

- The Phase I budget of the Pier 27 Cruise Terminal project is \$62,359,983. The Port currently has \$24,057,179 in available funding for the Cruise Terminal project. Approval of the proposed appropriation of interest earnings (\$603,563) and release of reserves (\$8,450,894) 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.
- The Port currently has \$19,788,020 million in available funds for development of the Brannan Street Wharf Park. If the Board of Supervisors approves Files 11-1332 and 11-1363, which are the subject of this report, and File 11-1334, the Brannan Street Wharf Park Project will have an additional \$6,413,001, resulting in total funding of \$25,954,021, which is the amount necessary to complete the project, as well as \$247,000 in Watermark Condominiums sale proceeds' interest earnings on Controller's reserve.

Policy Considerations

- Two appeals of the 34th America's Cup EIR are pending. Therefore, the requested release of \$8,450,894 currently on reserve to partially fund the Pier 27 Cruise Terminal project has been continued (File 11-1355). Due to the pending EIR appeals, the Budget and Legislative Analyst is recommending that the proposed appropriation ordinance be amended to (1) approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation (File 11-1332)

Recommendations

- Continue File 11-1355 to release \$8,540,894 currently on reserve for the Pier 27 Cruise Terminal, until the pending appeals of the 34th America's Cup EIR are resolved.
- Amend File 11-1332 to approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation.
- Approve File 11-1363 to release \$9,000,000 currently on reserve to fund the Brannan Street Wharf Park project.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Charter Section 9.105 requires that amendments to the Annual Appropriation Ordinance be approved by ordinance of the Board of Supervisors, and may not be adopted unless the Controller certifies the availability of funds.

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.

34th America's Cup Event Authority

The Host City and Venue Agreement (HVA) between the City and the 34th America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34th 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 January 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

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, 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

As reflected in the table below, 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. However, the City's costs have increased by a net of \$0.8 million because the City has assumed Pier 27 shed demolition costs previously the responsibility of the Event Authority.

In order to meet the requirements for the 34th America's Cup, the Cruise Terminal Project 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.
- 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 table below, the \$4.7 million budget reduction resulted in a Phase I budget reduction of \$3.4 million due to cost savings for demolishing the Pier 27 shed and reductions in the contingency budget, offset by the transfer of \$1.4 million project in architectural design costs from Phase II to Phase I. As shown in the table, the transfer of architectural design costs to Phase I resulted in a Phase II budget reduction of \$1.4 million.

**Changes in Cruise Terminal Project Budget
Since Determination of Fiscal Feasibility (\$ millions)**

	Original Budget			Revised Budget			Increase/ (Decrease)		
	Port	Event Authority	Total	Port	Event Authority	Total	Port	Event Authority	Total
Base Budget	58.2	0.0	58.2	59.2	0.0	59.2	1.0	0.0	1.0
Shore Side Power	0.0	2.0	2.0	0.0	2.0	2.0		0.0	0.0
Shed Demolition	0.0	5.5	5.5	1.2		1.2	1.2	(5.5)	(4.3)
Total Phase I	58.2	7.5	65.7	60.4	2.0	62.4	2.2	(5.5)	(3.3)
Total Phase II	32.1	0.0	32.1	30.8	0.0	30.8	(1.4)	0.0	(1.4)
Total Budget	90.3	7.5	97.8	91.1	2.0	93.1	0.8	(5.5)	(4.7)

Source: Port

Pier 27 Cruise Terminal Funding

The proposed Pier 27 Cruise Terminal project has identified \$86.2 million in funding sources, resulting in a shortfall of \$6.9 million in Phase II, compared to the current total budget of \$93.1 million. The current funding shortfall of \$6.9 million is \$5.0 million less than the estimated shortfall of \$11.9 million in the May 2011 Fiscal Feasibility Report. The Port reduced the projected Phase II shortfall by (1) increasing assumptions about revenue from the Passenger Facility Charge by \$2.8 million, (2) shifting \$1.4 million soft costs to Phase I and (3) reducing repayments of 2010 Revenue Bond funds by \$0.9 million. However, the budget continues to be preliminary as Port staff continues to review project sources and uses of funds.

Brannan Street Wharf Park

The Brannan Street Wharf Park will be a new 57,000 square foot public park over the water and parallel to The Embarcadero between Piers 30-32 and Pier 38. The major project components include a 400-foot length lawn area, a waterside walkway with seating, a shade structure, and a small-craft floating dock for kayaks and recreational water vessels. The Brannan Street Wharf Park has estimated costs of \$25.9 million with expected completion by June 30, 2013.

The park design and environmental review consistent with the California Environmental Quality Act (CEQA) is complete. Currently the project is under review by the California State Historic Preservation Officer (SHPO). The first phase of the project consists of the demolition of Pier 36 and will be undertaken by the Army Corps of Engineers. The demolition contract has been awarded by the Army Corps of Engineers and this phase of the project is expected to be completed by the end of May 2012.

The contract for the construction of the Brannan Street Wharf Park is currently out for bid, with bids due January 12, 2012. The Port anticipates awarding the contract in February 2012 with construction expected to begin in June 2012. According to the Host City and Venue Agreement, the Port is obligated to make the Brannan Street Wharf available to the Event Authority. The Brannan Street Wharf project must be completed by June 30, 2013 so that the Event Authority can use it as a public viewing space.

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, and (b) appropriating and placing on Budget and Finance Committee reserve \$26,907,635 in 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.

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

Watermark Condominium and Seawall Lot 330	Cruise Terminal	Brannan Street Wharf Park	Total
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
Total	\$19,530,515	\$9,000,000	\$28,530,515

Source: Budget and Legislative Analyst

In September 2011, the Budget and Finance Committee approved release of \$9,456,741 of the \$26,907,635 on reserve to partially fund the Pier 27 Cruise Terminal project, with the balance of \$17,450,894 remaining on reserve pending completion of the Environmental Impact Report (EIR) (File 11-0926). The Port Commission adopted the EIR on the Cruise Terminal project on December 16, 2011.

Table 2 shows the \$26,907,635 appropriation and the amount on reserve.

Table 2
Watermark Condominiums and Seawall Lot 330 Sale Proceeds' Appropriation and Reserves

Sales Proceeds	Appropriation	Release of Reserves (File 11-0926)	Appropriation on Reserve		
			Cruise Terminal	Brannan Street Wharf Park	Total
Seawall Lot 330	\$9,324,000	\$324,000	\$0	\$9,000,000	\$9,000,000
Watermark Condominiums	17,583,635	9,132,741	8,450,894	0	8,450,894
Total	\$26,907,635	\$9,456,741	\$8,450,894	\$9,000,000	\$17,450,894

Source: Budget and Legislative Analyst

Files 11-1363 and File 11-1355

The Port is now requesting release of the remaining reserve balance of \$17,450,894, including \$9,000,000 to partially fund development of the Brannan Street Wharf Park (File 11-1363), and \$8,450,894 to partially fund the Pier 27 Cruise Terminal project (File 11-1355).

File 11-1332

The Port is requesting appropriation of \$4,442,514 in interest earnings on Seawall Lot 330 and Watermark Condominiums sale proceeds. Interest earnings include actual interest earnings to date, plus projected interest earning for the eighteen-month period from January 2012 through June 2013. The proposed appropriation ordinance would place the projected interest earnings on Controller's reserve.

Table 3 shows the proposed appropriation of Watermark Condominiums and Seawall Lot 330 sale proceeds' actual and projected future interest.

Table 3
Watermark Condominiums and Seawall Lot 330 Sale Proceeds' Actual and Projected Interest Earnings

	Interest Earnings
Source of Funds	
Actual Interest Earnings as of December 2011	\$3,828,511
Projected Interest Earnings January 2012 through June 2013	614,000
Total	4,442,511
Use of Funds	
Brannan Street Wharf Park Appropriation	3,224,951
Pier 27 Cruise Terminal Appropriation	603,560
Subtotal Appropriation	3,828,511
Brannan Street Wharf Park Controller's Reserve	247,000
Pier 27 Cruise Terminal Controller' Reserve	367,000
Subtotal Controller's Reserve	614,000
Total	\$4,442,511

FISCAL IMPACT

Pier 27 Cruise Terminal

The Phase I budget of the Pier 27 Cruise Terminal project is \$62,359,983, as shown in Attachment. Table 4 below shows total funds currently available; Watermark Condominiums and Seawall Lot 330 reserves and interest earnings; and pending funds for development of the Pier 27 Cruise Terminal.

Table 4
Cruise Terminal Project Phase I Budget

<u>Available funds</u>		
Watermark Condominiums and Seawall Lot 330		
Sales proceeds (File 11-0960)	\$9,456,741	
Interest earnings (FY 2009-10 budget)	<u>1,622,880</u>	
Subtotal, Watermark Condominiums and Seawall Lot 330		11,079,621
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>
Subtotal, available funds		24,057,179
Watermark Condominiums and Seawall Lot 330 (Files 11-1332 and 11-1355)		
Interest earnings (File 11-1332)	603,563	
Sales proceeds on reserve (File 11-1355)	<u>8,450,894</u>	
Subtotal, Files 11-1332 and 11-1355		<u>9,054,457</u>
Total, available funds and Files 11-1332 and 11-1355		33,111,636
<u>Pending</u>		
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, pending		<u>29,248,347</u>
Total		\$62,359,983

¹ 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.

As shown in Table 4, if the Board of Supervisors approves \$9,054,457, which is the subject of this report, the Port will have \$33,111,636, or 53.1 percent of the Phase I budget of \$62,359,983.

According to Ms. Meghan Wallace, Port Budget Manager, the Port intends to submit a supplemental appropriation request to the Board of Supervisors in early 2012 to (a) appropriate Port fund balance (\$3.45 million); and (b) re-appropriate 2010 Port Revenue Bonds (\$1.8 million) for use on park design costs, which will be reimbursed in Phase II of the project with 2012 Clean and Safe Neighborhood Park Bonds should it be approved by the voters in November 2012. The Port is also working with the Controller's Office of Public Finance to issue \$15.5 million of new debt, which will be appropriated in later legislation.

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

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

The Port has spent \$8.9 million to date on 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.

Brannan Street Wharf

The Brannan Street Wharf Park project budget is \$25.9 million, as shown in Table 6 below.

Table 6
Brannan Street Wharf Park Budget

Sources of Funds	
<u>Files 11-1332, 11-1334, and 11-1363</u>	
Watermark Condominiums and Seawall Lot 330 interest earnings (File 11-1332) ¹	3,224,951
Watermark Condominiums and Seawall Lot 330 sales proceeds (File 11-1363)	9,000,000
Clean and Safe Neighborhood Park Bonds (File 11-1334)	2,941,050
Subtotal, Files 11-1332, 11-1334, and 11-1363	15,166,001
<u>Port Capital Funds</u>	
2007 WRDA (2010 Water & Energy Appropriations Bill)	4,700,000
California Coastal Conservancy Grant	88,020
Subtotal, Port Capital Funds	10,788,020
Total Sources	25,954,021
Uses of Funds	
<u>Design and Permitting</u>	
Project Management Design	139,055
Design & Engineering	1,776,491
Entitlements and Permits	297,299
Subtotal Design and Permitting	2,212,845
<u>Construction</u>	
Construction Management	1,416,350
Pier 36 demolition	7,117,850
Brannan Street Wharf construction, base bid	13,200,000
Bid Alternates	2,006,976
Subtotal Construction	23,741,176
Total Uses	25,954,021

¹ In addition to the \$3,224,951 in actual interest earnings, the Port is requesting \$247,000 in projected interest earnings to be placed on Controller's reserve pending receipt of the actual funds.

The Port currently has \$19,788,020 million in available funds for development of the Brannan Street Wharf Park. If the Board of Supervisors approves Files 11-1332 and 11-1363, which are the subject of this report, and File 11-1334, the Brannan Street Wharf Park Project will have an additional \$6,413,001, resulting in total funding of \$25,954,021, which is the amount necessary to complete the project, as well as \$247,000 in Watermark Condominiums sale proceeds' interest earnings on Controller's reserve.¹

The Port has spent \$4,691,882 to date for design and environmental review, which are complete. As noted above, the Army Corps of Engineers is contributing \$4,700,000 to demolish Pier 36 with expected completion in May 2012. The Port is currently undergoing a competitive bid process for the construction contract.

POLICY CONSIDERATION

Two appeals of the 34th America's Cup EIR are pending. Therefore, the requested release of \$8,450,894 currently on reserve to partially fund the Pier 27 Cruise Terminal project should be continued (File 11-1355). Due to the pending EIR appeals, the Budget and Legislative Analyst is recommending that the proposed appropriation ordinance be amended to (1) approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation (File 11-1332).

RECOMMENDATIONS

1. Continue File 11-1355 to release \$8,540,894 currently on reserve for the Pier 27 Cruise Terminal, until the pending appeals of the 34th America's Cup EIR are resolved.
2. Amend File 11-1332 to approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation.
3. Approve File 11-1363 to release \$9,000,000 currently on reserve to fund the Brannan Street Wharf Park project.

¹ According to Ms. Elaine Forbes, Port Deputy Director for Finance and Administration, the Port's proposed budget for the Brannan Street Wharf Park contains bid alternatives to the base project budget, which will be funded by the \$247,000 in interest earnings if the interest earnings are realized.

ATTACHMENT

CRUISE TERMINAL PROJECT BUDGET		Approved by Port Commission (12/16/11)		
		Phase I	Phase II	Total
USES				
<i>Construction</i>				
Construction Purchase and Installation (IPD)		\$ 40,257,833	\$ 23,242,500	\$ 63,500,333
Construction Contingency		\$ 3,927,675	\$ 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 & Eng'g, Project Managem't & Entitlement Costs		\$ 16,951,559	\$ 2,968,014	\$ 19,919,573
DPW, Program Contingency		\$ -	\$ 400,000	\$ 400,000
	<i>Subtotal, Design & Contingency</i>	\$ 16,951,559	\$ 3,368,014	\$ 20,319,573
Total Uses		\$ 62,369,983	\$ 30,761,739	\$ 93,121,722
SOURCES				
<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)	7/15/2009	\$ 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
Subtotal, Secured		\$ 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
	<i>Subtotal, Planned</i>	\$ 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
Subtotal, Proposed		\$ 8,300,000	\$ 17,522,943	\$ 25,822,943
Total Sources		\$ 62,369,983	\$ 23,856,093	\$ 86,216,076
PROJECT BALANCE (Shortfall) / Surplus		\$ -	\$ (6,905,646)	\$ (6,905,646)

Source: Port