

File No. 100920

Committee Item No. 4  
Board Item No. 8

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance SUB-Committee

Date: May 4, 2011

Board of Supervisors Meeting

Date: 5/10/11

**Cmte Board**

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative 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 checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
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**OTHER**

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Completed by: Victor Young

Date: April 29, 2011

Completed by: Victor Young

Date: 5-5-11

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

8

11/01/2

1 [Finding of Fiscal Feasibility - Cruise Terminal Project at Pier 27 ]  
2

3 **Resolution finding the proposed cruise terminal project at Pier 27 is fiscally feasible**  
4 **pursuant to Administrative Code Chapter 29.**  
5

6 WHEREAS, Mayor Gavin Newsom established a blue-ribbon Cruise Terminal Advisory  
7 Panel in 2006 to evaluate the necessity of a new cruise terminal and its value to San  
8 Francisco and, if determined necessary and valuable, where that new terminal should be  
9 located and consider cruise terminal locations based on cost considerations, maritime  
10 functionality and potential funding; and,

11 WHEREAS, The San Francisco Port Commission accepted on September 27, 2007 the  
12 Cruise Terminal Advisory Panel recommendations to develop a single-berth primary cruise  
13 terminal at Pier 27 ensuring that this facility meets all of the industry standards for a home port  
14 cruise terminal; and,

15 WHEREAS, The San Francisco Port Commission staff ("Port staff") presented  
16 information to its Commission on October 28, 2008 regarding a consultant study determining  
17 the feasibility of cruise terminal site plan alternatives at Pier 27; and,

18 WHEREAS, On June 9, 2009, by Resolution No. 09-33, the San Francisco Port  
19 Commission authorized Port staff to enter into a Memorandum of Understanding with the San  
20 Francisco Department of Public Works to assist the Port by providing Project Management,  
21 Architectural and Engineering Services for the Pier 27 Cruise Terminal Project ("Project"); and,

22 WHEREAS, On July 14, 2009, by Resolution 09-39, the San Francisco Port  
23 Commission approved issuance of Port revenue bonds of which \$22 million of revenue bond  
24 proceeds from two separate bond issuances was identified for partial funding for the Project;  
25 and

1           WHEREAS, On November 10, 2009, by Resolution 09-70, the San Francisco Port  
2 Commission awarded a design contract to a joint venture team of KMD Architects and Pfau  
3 Long Architecture in coordination with Bermello Ajamil & Partners as the Cruise Terminal  
4 Specialty Consultant ("Design Team"); and,

5           WHEREAS, Port staff presented information to its Commission on April 13, 2010  
6 regarding the Pier 27 facility program which identified the potential uses within the site,  
7 including a Cruise Terminal and a Northeast Wharf Public Plaza; and

8           WHEREAS, Port staff presented information to its Commission on July 13, 2010  
9 regarding conceptual design options for the Project; and

10           WHEREAS, Construction of the proposed Project will exceed \$25 million and the  
11 predevelopment costs will exceed \$1 million; and

12           WHEREAS, The cost to construct the Project will exceed \$25 million and  
13 predevelopment costs will be in excess of \$1 million thereby triggering review by the Board of  
14 Supervisors to determine the fiscal feasibility of this proposed Project under Administrative  
15 Code Section 29.1; and

16           WHEREAS, Pursuant to Administrative Code Section 29.3, the Port has submitted to  
17 the Board of Supervisors a general description of the Project, the general purpose of the  
18 Project, and a fiscal plan; and

19           WHEREAS, Pursuant to Administrative Code Section 29.2, prior to submittal to the  
20 Planning Department of an environmental evaluation application ("Environmental Application")  
21 required under Administrative Code Chapter 31 and CEQA (as defined in Administrative Code  
22 Section 29.1) related to the proposed Project, it is necessary to procure from the Board of  
23 Supervisors a determination that the plan to undertake and implement the proposed Project is  
24 fiscally feasible and responsible; and

1           WHEREAS, The Board of Supervisors has reviewed and considered the general  
2 description of the Project, the general purpose of the Project, the fiscal plan and other  
3 information submitted to it and has considered the direct and indirect financial benefits of the  
4 Project to the City of San Francisco, the cost of construction, the available funding for the  
5 Project, the long-term operating and maintenance costs of the Project and the debt load to be  
6 carried by the Port; now, therefore, be it

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

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

**Item 4**  
**Files 10-0920**

**Department:**  
**Port of San Francisco**

## EXECUTIVE SUMMARY

### Legislative Objective

- Resolution finding that the Port's proposed Pier 27 Cruise Ship Terminal Project is fiscally feasible.

### Key Points

- The Port proposes to build a new primary Cruise Ship Terminal on Pier 27 to: (a) maintain current cruise passenger traffic, (b) provide an efficient and modern cruise ship terminal, and (c) accommodate the growing length and passenger capacities of future cruise ships.
- The proposed Pier 27 Cruise Ship Terminal Project would be constructed in two Phases to accommodate the use of Pier 27 by the Event Authority during the 34<sup>th</sup> America's Cup.
- As it relates to the five fiscal feasibility criteria established in Chapter 29 of the Administrative Code, the Port's proposed Pier 27 Cruise Ship Terminal Project: (1) would allow the City to maintain approximately \$31,200,000 in annual general economic activity in San Francisco, which is estimated to generate approximately \$892,000 in annual tax revenues for the City's General Fund, (2) is estimated to cost a total of \$90,308,846, (3) would be funded by up to \$78,393,200 of potential revenue sources, leaving a funding shortfall of \$11,915,646, (4) is not anticipated to alter the current ongoing operating and maintenance costs for the Port, and (5) would increase the Port's outstanding debt by \$20,000,000 or 51.3 percent.

### Fiscal Impacts

- Of the total estimated project cost of \$90,308,846, the Port has identified \$78,393,200 in various potential funding sources, leaving a shortfall of \$11,915,646. The Port is allocating this shortfall to Phase II of the project's construction, such that Phase I could be completed prior to the City's obligation to deliver Pier 27 to the Event Authority prior to January 1, 2013.
- The Port anticipates eliminating this shortfall by (a) using remaining contingency funds, (b) reducing or eliminating some project components, (c) identifying potential grants, (d) converting potential non-cruise use operating revenues (such as facility rentals and parking revenue) into project funding, or (e) reallocating capital funds from other projects.
- \$58,187,107 is needed to fund Phase I of the proposed project, of which \$30,295,257 has been previously appropriated and the remaining \$27,891,850 is subject to future Board of Supervisors approval or internal control of the Port.
- \$32,121,739 is needed to fund Phase II of the project. The Port has identified \$20,206,093 potential funding sources, of which \$11,083,150 would be subject to future Board of Supervisors approval or internal control of the Port and the remaining \$9,122,943 would be subject to voter approval.

### Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

## MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors to find that the plan for implementing and undertaking a project is fiscally feasible<sup>1</sup> and responsible 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 the plan to implement and undertake 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 limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review with the following provision:

"A determination by the Board (of Supervisors) that the plan for implementing and undertaking the project is fiscally feasible and responsible shall not include a determination as to whether the Project Sponsor or other unit of the government of the City and County should approve the project and it is the intent of the Board of Supervisors in requiring the determination to decide only whether the proposed project merits further evaluation and environmental review."

## BACKGROUND

According to Mr. John Doll, Project Manager at the Port, the Port has three berths available to cruise ships, including (a) a primary berth at Pier 35, located between Montgomery and Kearney Streets, which offers a functional but inadequate cruise terminal, (b) a secondary berth at Pier 27, located between Front and Battery Streets, which offers shed space but few of the amenities and capabilities needed to meet current cruise industry standards, but is used if Pier 35 is occupied or is too small for the arriving cruise ship, and (c) a tertiary berth at Piers 30-32, located between Brannan and Bryant Streets, which has no buildings or maritime infrastructure.

According to Mr. Doll, the existing cruise ship facilities at Pier 35 are inadequate because the Pier's length is too short, the substructure is failing, the apron<sup>2</sup> is too narrow, and the shed<sup>3</sup> is too small to accommodate the significantly larger cruise ships currently being built for 1,500 to 3,000 passengers. Mr. Doll advises that the existing cruise ship terminal at Pier 35 cannot

<sup>1</sup> Chapter 29 excludes various types of projects 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> According to Mr. Doll, the term "apron" refers to the open area available between the side of a pier where a ship is berthed and the nearest building or other obstruction. Mr. Doll explained that wider aprons allow for more efficient loading and unloading of passengers and provisions.

<sup>3</sup> A pier shed is a building located on or near a pier or wharf used for short-term storage of cargo in transit.

accommodate more than 600 passengers at one time and the layout of the Pier 35 terminal is inefficient which contributes to slower loading and unloading times, resulting in higher operating costs for cruise ships. In addition, Mr. Doll advises that Pier 35 does not have a separate area for cruise-related vehicular traffic, such that loading and unloading of cruise passengers often results in significant traffic congestion on the adjacent Embarcadero Roadway.

Mr. Doll advises that the proposed new cruise ship terminal on Pier 27 would: (a) maintain current cruise passenger traffic, (b) provide an efficient and modern cruise ship terminal, and (c) accommodate the growing length and passenger capacities of future cruise ships.

In addition, under the Host City and Venue Agreement for the 34<sup>th</sup> America's Cup, the Port's tertiary cruise ship berth at Piers 30-32 will be transferred to the America's Cup Event Authority under a 66-year lease, such that the Port will no longer have use of this tertiary cruise ship berth as of December 31, 2011. However, Ms. Elaine Forbes, Deputy Director, Finance and Administration for the Port notes that the Event Authority may choose to allow the Port access to Piers 30-32 temporarily after the 34<sup>th</sup> America's Cup event and prior to the Event Authority commencing any long term development construction at the site. If this occurs, the Port could use Piers 30-32 as a temporary cruise terminal until construction commences and the Port returns the property to the Event Authority. In addition, Ms. Forbes advises that it is possible that the Port will retain some access to Piers 30-32 for ship berthing purposes depending upon the Event Authority's development plans. According to Ms. Forbes, the Event Authority has not yet developed a project proposal for the long-term development of Piers 30-32 such that future Port use is not currently known.

On December 14, 2010, the Board of Supervisors approved the Host City and Venue Agreement which provides the terms under which the City will host the 34<sup>th</sup> America's Cup on Port property along the northern waterfront (File 10-1259). Under the terms of that Agreement, the Port must provide a license to the America's Cup Event Authority to use Pier 27 for a total of approximately 16 months including (a) ten months from January of 2013 through the completion of racing events in October of 2013, plus (b) an additional six-months from November of 2013 through April of 2014 to allow time for the Event Authority to remove the temporary improvements and transfer possession back to the Port.

According to Mr. Doll, construction of the proposed Pier 27 Cruise Ship Terminal Project would occur in two Phases, with the time between phases intended to allow for use of Pier 27 to be used by the Event Authority during the 34<sup>th</sup> America's Cup as described above. Therefore, (a) Phase I construction would extend from January of 2012 through December of 2012, (b) Event Authority Use would extend from January of 2013 through April of 2014, and (c) Phase II construction would extend from May of 2014 through October of 2014. Mr. Doll advises that the Department of Public Works (DPW) will be the Project Manager for the Pier 27 Cruise Ship Terminal Project at the Port.

According to Mr. Doll, Phase I construction will include construction of the core and shell of the facility, including passenger circulation improvements, such as escalators and elevators. Phase II construction would complete the interior of the facility, develop an adjacent 2.5 acre waterfront park called the Northeast Wharf Plaza and provide maritime amenities necessary to create a modern cruise ship terminal. Mr. Doll advises that a Construction Manager/General Contractor would oversee this project such that all of the construction subcontractors would be



selected on a competitive basis, in accordance with Section 6.68 of the City's Administrative Code.

Subsequent to a competitive Request for Quotes issued in July of 2009, the Port, through the Department of Public Works, selected the joint venture firms of KMD Architects and Pfau Long Architecture in coordination with Bermello Ajamil and Partners to design the proposed Cruise Ship Terminal. The design contractors completed a schematic design in late March, 2011. Final construction drawings are planned to be completed by December 31, 2011. Ms. Forbes advises that the Planning Department is planning to commence environmental review, pursuant to the California Environmental Quality Act (CEQA), upon approval of the subject fiscal feasibility legislation, and is expected to be completed by the end of 2011. Construction is expected to commence in January, 2012, with Phase I construction to be completed by the end of 2012, in time for use by the Event Authority in January, 2013.

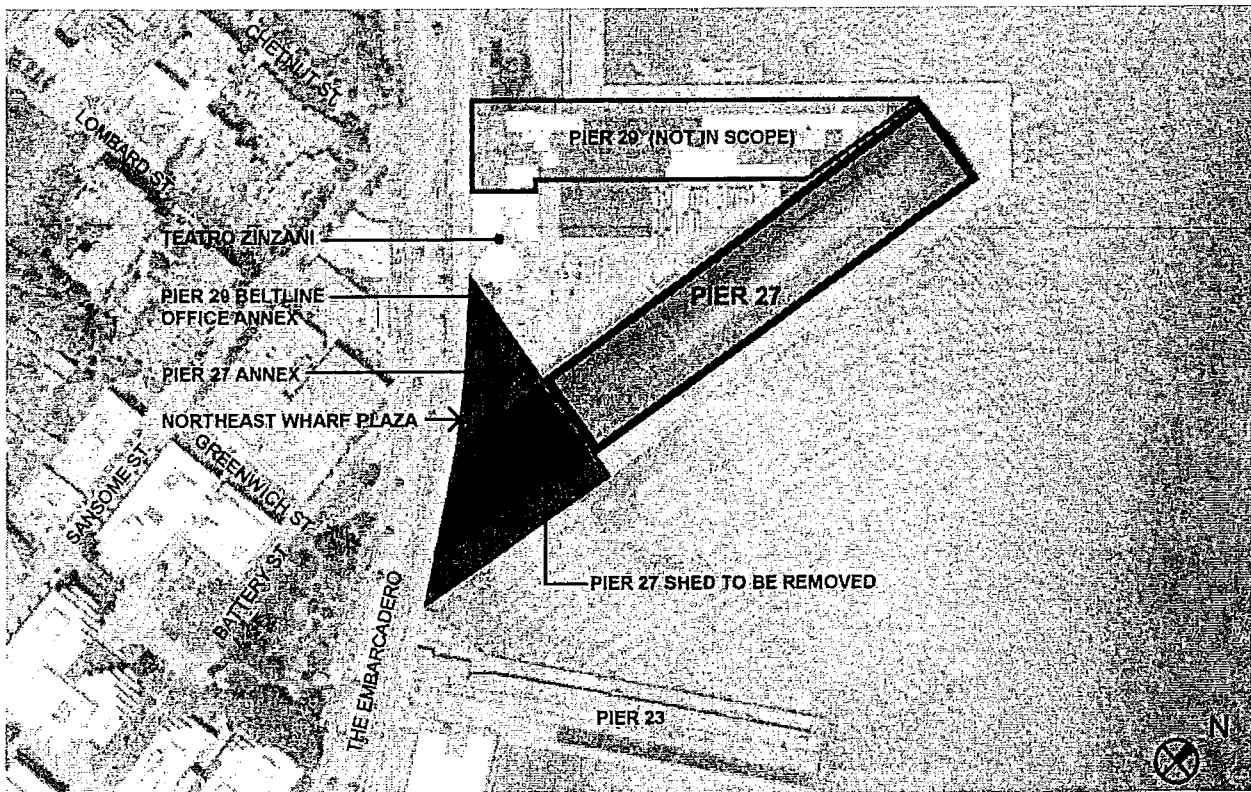
### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would find the Port's proposed Pier 27 Cruise Ship Terminal Project to be fiscally feasible, in accordance with Chapter 29 of the City's Administrative Code.

According to Mr. Doll, the Port is requesting to construct a new, approximately 85,000 square foot cruise ship terminal at Pier 27 because, unlike the existing facility at Pier 35 discussed above, (a) the length and apron of Pier 27 would accommodate the significantly larger cruise ships currently being built, (b) the more efficient layout of the proposed Pier 27 cruise ship terminal would accommodate greater numbers of cruise ship passengers, resulting in faster disembarking, (c) a ground transportation area and an elevated gangway system would separate passenger and baggage handling, reducing loading and unloading times and improving the operating efficiencies for cruise ships, and (d) the area between Piers 27 and 29 would allow for vehicular traffic, thereby reducing congestion on the Embarcadero during the loading and unloading of passengers. The new Pier 27 Cruise Ship Terminal Project would also provide for a new waterfront park called the Northeast Wharf Plaza, consisting of approximately 2.5 acres of publically accessible open space areas, to be located at the western end of Pier 27.

Mr. Doll noted that after completion of the Pier 27 Cruise Ship Terminal Project, the existing cruise terminal at Pier 35 would serve as a secondary terminal in the event that two cruise ships require berthing at the same time.

The aerial photograph shown below, provided by the Port, identifies the location of Pier 27, the anticipated site of the new Northeast Wharf Plaza, and the area between Piers 27 and 29 which would allow for vehicular traffic.



In accordance with Chapter 29 of the City's Administrative Code, the following sections discuss the Port's proposed Pier 27 Cruise Ship Terminal Project regarding: (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 Port.

### Direct and Indirect Financial Benefits

According to Mr. Doll, construction of the proposed Pier 27 Cruise Ship Terminal will allow the City and County of San Francisco to maintain the level of cruise ship traffic at current levels of between 40 and 80 calls<sup>4</sup> per year.

According to a 2008 consulting study conducted by Bay Area Economics for the Port at a cost of \$97,050, cruise ships deliver approximately 200,000 annual visitors to the City, and generate approximately \$31,200,000 in annual general economic activity in San Francisco, primarily from food and beverage sales, other retail sales, sightseeing and transportation. Such economic activity was estimated to generate \$892,000 in annual tax revenues for the City's General Fund, including (a) \$119,000 in Sales Taxes from food, beverage and retail purchases, (b) \$325,000 in Hotel Taxes from overnight passenger stays, and (c) \$448,000 in Parking Taxes from passengers driving to the Port and parking their cars in order to embark on cruises originating in San Francisco.

<sup>4</sup> A call is a specific instance when a cruise ship docks at a specific port.

### Construction Costs

The proposed Pier 27 Cruise Ship Terminal Project is estimated to cost a total of \$90,308,846 over two phases of construction, as shown in Table 1 below.

Cost Category	Phase I	Phase II	Total
Construction	\$36,645,753	\$23,442,500	\$60,088,253
Construction Management	2,833,366	780,553	3,613,919
Design and Other Consulting Services	11,298,557	3,497,861	14,796,418
Environmental Review	544,653	0	544,653
Permits, Fees, Administrative Costs	320,000	49,600	369,600
Contingency (18.13% of Construction) <sup>6</sup>	6,544,778	4,351,225	10,896,003
<b>Total</b>	<b>\$58,187,107</b>	<b>\$32,121,739</b>	<b>\$90,308,846</b>

### Available Funding

The Port has identified a total of \$78,393,200 from nine potential funding sources, to complete Phases I and II, as shown in Table 2 below.

Table 2: Funding Sources

Source	Phase I	Phase II	Total
1 Previously Appropriated Funds	\$30,295,257	-	\$30,295,257
2 Reallocation of Capital Budget Funds	2,225,000	-	2,225,000
3 Federal Emergency Management Agency Security Grant	1,166,850	6,333,150	7,500,000
4 2012 Port Revenue Bonds	15,500,000	-	15,500,000
5 General Fund Contribution	6,500,000	-	6,500,000
6 2012 General Obligation Bond	-	9,122,943	9,122,943
7 Cruise Terminal Operator Contribution	-	2,750,000	2,750,000
8 Passenger Facility Charge	-	4,500,000	4,500,000
9 Use and Subsequent Reimbursement of 2010 Revenue Bond Proceeds	2,500,000	(2,500,000)	-
<b>Total</b>	<b>\$58,187,107</b>	<b>\$20,206,093</b>	<b>\$78,393,200</b>

<sup>5</sup> According to Ms. Forbes, the cost of the Pier 27 shed demolition and the relocation of shoreside power currently located at Pier 27 is required to be performed by the Event Authority as an obligation of the Host City and Venue Agreement and therefore considered a project cost of the 34<sup>th</sup> America's Cup. Therefore, such work is excluded from the Pier 27 Cruise Ship Project to ensure that the cost of such work is not double counted. Because this work is the responsibility of the Event Authority and not the Port, the Port does not have reliable estimates of the cost of such work; however, at the time of the negotiation on the terms of the Host City and Venue Agreement, the Port estimated the cost of the Port demolishing the Pier 27 shed and relocating shoreside power at \$7,500,000.

<sup>6</sup> Ms. Forbes advises that the 18.13 percent contingency is the result of three separate contingencies added together. According to Ms. Forbes, DPW, the Project Manager for this Project, applied an initial standard 15 percent construction contingency. Second, when DPW uses Construction Management or General Contractor agreements, which will be used for this Project, DPW adds an extra two percent contingency to cover potential scope gaps between trade contracts. Finally, a \$400,000 standard contingency was added in case DPW needs to hire a consultant not originally anticipated. For example, a historical consultant was recently added to the Project. If the historical consultant fees increase as DPW works through the approval process, the contingency would be used to cover these additional fees.

- (1) **Previously Appropriated Funds:** \$30,295,257 for the proposed Pier 27 Cruise Ship Terminal Project was previously appropriated by the Board of Supervisors in the Port's FY 2009-2010 Budget, including (a) \$20,000,000 paid from a developer, San Francisco Cruise Terminal, LLC, to the Port for excess profits earned on the completed separate project, the Watermark Condominiums<sup>7</sup>, (b) \$10,075,089 in previously appropriated proceeds from the prior issuance of 2010 Port Revenue Bonds, and (c) \$220,168 in Port commercial operating revenues from various sources, including property rental, parking fees, and maritime fees. As shown in Table 2 above, all \$30,295,257 would be allocated to Phase I.
- (2) **Reallocation of Capital Budget Funds:** According to Ms. Forbes, the Port intends to shift \$2,225,000 of existing capital project funds that are not currently needed from other Port capital projects to the Pier 27 Cruise Ship Terminal Project, including (a) \$1,125,000 from the Port's capital project to replace aging floating fenders<sup>8</sup> and (b) \$1,000,000 from the Port's FY 2012-2013 annual repair and replacement capital project budget, which would be subject to future approval by the Board of Supervisors. Mr. Doll noted that the floating fender replacement project would be delayed from the original start date in FY 2012-2013 to FY 2013-14 as a result of such a reallocation and the reallocation of \$1,000,000 from the Port's FY 2012-2013 repair and replacement project budget would result in less funds being available for other, at this point undetermined, Port capital projects. As shown in Table 2 above, all \$2,225,000 would be allocated to Phase I.
- (3) **Federal Emergency Management Agency Grant:** Ms. Forbes stated that in January of 2010, the Port was awarded a \$7,500,000 grant from the Federal Emergency Management Agency (FEMA) to fund security improvements included in the Port's proposed Pier 27 Cruise Ship Terminal Project. This grant is subject to future acceptance and expenditure approval by the Board of Supervisors. Ms. Forbes advises that the Port anticipates submitting a resolution to request such approval in July of 2011. As shown in Table 2 above, of the total \$7,500,000 FEMA grant, \$1,166,850 would be expended in Phase I and the remaining \$6,333,150 would be expended in Phase II because Phase I would only include the soft costs and wiring improvements while Phase II would include the full costs to construct a Border Patrol office.
- (4) **2012 Port Revenue Bonds:** The Port anticipates issuing, subject to Board of Supervisors approval, approximately \$16,400,000 of additional Port Revenue Bonds in 2012<sup>9</sup>, including \$15,500,000 for the Pier 27 Cruise Terminal Project. Ms. Forbes stated that the interest rates and annual debt service on these 2012 Port Revenue Bonds have

<sup>7</sup>According to Ms. Forbes, as part of the development agreement between the Port and the San Francisco Cruise Terminal, LLC, San Francisco Cruise Terminal, LLC was granted development rights to build the Watermark Condominiums at 501 Beale Street (across from Piers 30 and 32) in exchange for constructing a new cruise ship terminal at Piers 30 and 32. However, San Francisco Cruise Terminal, LLC did not construct the cruise terminal, and, under the terms defined in the development agreement, San Francisco Cruise Terminal, LLC, was required to pay the Port a portion (determined by a formula in the development agreement) of the profits earned on the Watermark Condominium project totaling \$20,000,000.

<sup>8</sup> A fender is a cushioning device used on the side of a vessel or dock to absorb impact or friction.

<sup>9</sup> Ms. Forbes advises that this estimate of debt issuance is a preliminary estimate and may be subject to change.

not yet been estimated, due to market fluctuations until the anticipated issuance dates. However, the Port estimates that existing Port revenues are sufficient to support debt service for at least \$15,500,000 in Port Revenue Bonds. As shown in Table 2 above, the entire \$15,500,000 is anticipated to be expended in Phase I.

- (5) **General Fund Contribution:** As shown in Table 2 above, the Port anticipates a future contribution of \$6,500,000 from the City's General Fund, subject to separate approval by the Board of Supervisors. As discussed previously by the Budget and Legislative Analyst in the report accompanying the resolution to approve the Host City and Venue Agreement (File 10-1259), \$6,500,000 was initially anticipated to be needed for the Cruise Terminal Project and was therefore included in the estimated total City costs of hosting the 34<sup>th</sup> America's Cup. However, as shown in Table 2 above, additional Port and other sources of funding beyond this initial \$6,500,000 will be needed to complete the Cruise Terminal Project. The Budget and Legislative Analyst notes that the America's Cup Organizing Committee (ACOC) has committed to raising \$32,000,000 to offset the City's costs of hosting the 34<sup>th</sup> America's Cup, which if raised, could potentially offset this \$6,500,000 City General Fund contribution. As shown in Table 2 above, the entire \$6,500,000 General Fund contribution is allocated to Phase I.
- (6) **2012 Parks General Obligation Bond:** Ms. Forbes stated that the Port, together with the Recreation and Park Department, intends to submit a proposition to the voters of San Francisco, subject to approval by the Board of Supervisors, to issue a yet-to-be determined amount of General Obligation bonds in 2012 in order to finance various park projects. Ms. Forbes stated that this bond issuance would include \$9,122,943 to fund the additional amenities for the Port's new public waterfront plaza, including improved pavement, landscaping, seating, and lighting for the proposed Pier 27 Cruise Ship Terminal Project. Ms. Forbes noted that similar bonds for improvements to RPD and Port parks were approved by the voters in 2008 under Proposition A: The Clean and Safe Neighborhood Park Bond Proposition. Ms. Forbes however also notes that the proposed 2012 Parks General Obligation Bond, subject to a 2/3 majority vote by San Francisco voters, is uncertain but that \$9,122,943 is exclusively tied to construction of the Port's new public waterfront plaza, which would be adjacent to the new Cruise Ship Terminal, and could be delayed from the proposed project if necessary, until the Port identifies other funding sources for this public amenity. As shown in Table 2 above, the entire \$9,122,943 is allocated to Phase II.
- (7) **Cruise Terminal Operator Contribution:** According to Mr. Doll, similar to the existing agreement the Port has to provide cruise terminal operating services at the current primary cruise ship terminal at Pier 35, the Port anticipates entering into a new operating agreement for operation of the proposed new Pier 27 Cruise Ship Terminal<sup>10</sup>. Mr. Doll stated that the Port would include, as a requirement under such a Pier 27 cruise terminal operating agreement, a contribution of \$2,750,000 from the operator to fund the installation of a mobile gangway system which would provide for the more efficient

<sup>10</sup> According to Mr. Doll, agreements for maritime functions are not subject to Board of Supervisors approval under Appendix B of the San Francisco Charter, such that any new agreement for cruise terminal operations would not be submitted to the Board of Supervisors for approval.

loading and unloading of passengers. Mr. Doll advises that the Port will be able to find a cruise terminal operator willing to pay the \$2,750,000 since the installation of the mobile gangway system benefits the operator directly. However, Mr. Doll advises that if that is not the case, the Port would not install the mobile gangway system. As shown in Table 2 above, the \$2,750,000 Cruise Terminal Operator Contribution is allocated to Phase II.

**(8) Passenger Facility Fees:** Ms. Forbes stated that most cruise ship terminals on the West Coast charge cruise passengers a fee to offset the capital cost of new cruise ship terminal projects. San Francisco does not currently charge any cruise passenger fees. However, the Port charges wharfage fees of \$12 per passenger to cruise ships, which would not be impacted by the proposed new passenger facility fees. Ms. Forbes estimates that a passenger facility fee of \$3 per passenger would result in sufficient revenue to issue and pay debt service on \$4,500,000 in additional Port Revenue Bonds. According to Ms. Forbes, in accordance with the City's Charter, such a passenger facility fee would not be subject to Board of Supervisors approval. However, the issuance of \$4,500,000 in Port Revenue Bonds would be subject to future approval by the Board of Supervisors. As shown in Table 2 above, the entire \$4,500,000 is allocated to Phase II.

**(9) Use and Subsequent Reimbursement of 2010 Revenue Bond Proceeds:** Ms. Forbes stated that the Port intends to use \$2,500,000 in previously issued and appropriated funds from a 2010 issuance of Port Revenue Bonds to allocate to Phase I of the proposed Pier 27 Cruise Ship Terminal Project. However, such funds would need to be reimbursed from the issuance of the proposed 2012 Parks General Obligation Bonds discussed above, subject to the approval of the voters of San Francisco. As shown in Table 2 above, the expenditures would be made in Phase I and the subsequent reimbursement of the 2010 Port Revenue Bonds would be completed in Phase II.

As shown in Table 2 above, the Port has identified \$78,393,200 in existing and projected funding sources, or \$11,915,646 less than the estimated project cost of \$90,308,846. As shown above by comparing Tables 1 and 2, in order to complete Phase I of the project prior to the Pier 27 delivery date to the America's Cup Event Authority of January 2013, the Port would fully fund the projected \$58,187,107 Phase I project. However, a comparison of Tables 1 and 2 above also shows that although the cost of Phase II is \$32,121,739, the Port has identified only a total of \$20,206,093 for Phase II and is proposing to allocate the entire funding shortfall of \$11,915,646 to Phase II. Mr. Doll noted that allocating the entire shortfall to Phase II (a) allows the City to meet its contractual deadline to deliver Pier 27 under the Host City and Venue Agreement, and (b) provides the Port additional time prior to the beginning of Phase II construction in May of 2014 to eliminate the projected funding shortfall.

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

As discussed above, the Port has an existing agreement with Metro Cruise Operators to provide cruise ship terminal operation services to cruise ships berthed at Pier 35. Under the terms of this agreement, which expires on April 30, 2011, Metro Cruise Operators (a) pays the Port fees averaging \$13,750 per month for the right to sell cruise terminal services to cruise lines, and (b)

is required to maintain the interior of the existing primary cruise ship terminal at Pier 35<sup>11</sup>. Ms. Forbes advises that the Port is currently negotiating with Metro Cruise Operators to extend that agreement through the 34<sup>th</sup> America's Cup. The Port believes that this is necessary because Metro Cruise Operators has the local experience to meet the space planning challenges the 34<sup>th</sup> America's Cup will create due to decreased availability of piers but increased cruise ship traffic in conjunction with the racing events. As discussed above, the Port anticipates issuing a new agreement for similar cruise ship terminal operation services at Pier 27. According to Mr. Doll, the Port anticipates that the terms would be similar to the existing agreement with Metro Cruise Operators, and the new operator would be required to operate and maintain the terminal, such that the Port would not incur any additional maintenance costs as a result of the proposed Pier 27 Cruise Ship Terminal Project.

Other operating costs which the Port incurs include (a) dredging, (b) renovation of mooring systems, (c) maintenance of pier substructures, (d) utility infrastructure costs, (e) Police Department security and traffic control, (f) promotion and advertising, (g) restrooms, and (h) lighting and emergency power generators at secondary pier facilities such as Piers 30-32 and currently Pier 27. Ms. Forbes advises that total Port costs are not anticipated to change significantly from current levels, although the location of the spending will shift from the current primary Pier 35 cruise terminal to the proposed new Pier 27 location.

### Debt Load of the Port

According to Ms. Forbes, the Port currently has approximately \$38,983,184 in outstanding Port Revenue Bond debt and other debt. As shown in Table 2 above, the anticipated issuance of (a) \$15,500,000 of 2012 Port Revenue Bonds, and (b) \$4,500,000 of Revenue Bonds resulting from the creation of a Passenger Facility Fee, for a total of an additional \$20,000,000 of Port Revenue Bonds, would increase the Port's debt load from \$38,983,184 to \$58,983,184, an increase of 51.3 percent. The issuance of these new Port Revenue Bonds would be subject to Board of Supervisors approval. Ms. Forbes advises that the Port has assured the rating agencies that the Port plans to keep their average debt service coverage of total annual revenues to total annual debt costs above 2.0. The Port currently estimates that their current annual debt service ratio is at least 3.32 such that there is some room for additional debt issuance. The Port also anticipates new revenues from parking meters, the backlands project,<sup>12</sup> and the creation of new office space at Pier 33<sup>13</sup> which can potentially be used as additional debt service coverage for the proposed \$20,000,000 in new debt.

The Budget and Legislative Analyst notes that the \$9,122,943 in 2012 Parks General Obligation Bond would not impact the debt load of the Port because General Obligation Bonds are supported by Property Taxes that would be paid by all property owners, if approved by San Francisco voters.

<sup>11</sup> Section 8.1 of the Port's agreement with Metro Cruise Operators states "the Management Contractor also shall be responsible for maintenance and repair of the following areas of the facility..." and lists various categories of the interior of the cruise terminal such as walls, ceilings, floors, lighting, fences, gates and doors, electrical systems, rest rooms, heating and air conditioning, plumbing, interior office space, and security systems.

<sup>12</sup> The backlands is a parcel of undeveloped and unfinished land at the southeast end of Port property, near Pier 92 and Hunters Point which is currently vacant. The Port is projecting to generate revenues from leasing that space.

<sup>13</sup> The Port plans to make minor improvements to Pier 33 to enable the leasing of new office space.

**FISCAL IMPACTS****The Port currently projects a funding shortfall for the Pier 27 Cruise Ship Terminal Project of \$11,872,943.**

As shown in Tables 1 and 2 and discussed above, the Port has identified \$78,393,200 in potential funding sources to meet the estimated project cost of \$90,308,846, creating a funding shortfall of \$11,915,646.

Ms. Forbes advises that the Port anticipates eliminating any remaining shortfalls prior to the beginning of Phase II construction in May of 2014 by (a) using remaining funds from the \$6,544,778 budgeted construction contingency included in Phase I after construction has been completed, (b) reducing or delaying some components of the project scope, (c) identifying new potential grants such as those specific for stormwater and for Leadership in Energy & Environmental Design (LEED)<sup>14</sup> aspects of the project, (d) developing a mechanism to convert potential non-cruise use operating revenues (such as facility rental or parking revenue) into project funding, or (e) the reallocation of additional capital funds from other lower priority projects to the Pier 27 Cruise Ship Terminal Project which are not maritime related. Ms. Forbes advises that, if unsuccessful at eliminating the projected funding shortfall, the Port would use the core and shell of the Cruise Terminal that will be completed in Phase I and use any funds the Port is successful in receiving to build the best Cruise Terminal possible with such limited funds, with plans of completing the entire scope of the Project at a future date in additional phases.

**Various Identified Funds Have Yet to be Approved**

\$58,187,107 is needed to fund Phase I of the proposed project. Of this total, as shown in Table 2 above, \$30,295,257 has been previously appropriated. The remaining \$27,891,850 is subject to future Board of Supervisors approval or internal control of the Port.

As shown in Table 1 above, an estimated \$32,121,739 is needed to fund Phase II of the Cruise Terminal Project. The Budget and Legislative Analyst also notes that, of the \$20,206,093 identified in Table 2 above for Phase II, \$11,083,150 would also be subject to future Board of Supervisors approval or internal control of the Port. The remaining \$9,122,943 (\$20,206,093 less \$11,083,150) would be subject to voter approval and outside of the control of the Board of Supervisors or the Port. While the Port is optimistic that San Francisco voters would approve a 2012 General Obligation Bond measure by more than a 2/3 vote, based on prior approval of the 2008 Clean and Safe Park Bonds, Ms. Forbes noted that the requested 2012 General Obligation Bonds would fund the Northeast Wharf Plaza, which would not be a functioning part of the

<sup>14</sup> LEED is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies intended to improve performance in metrics such as energy savings, water efficiency, CO<sub>2</sub> emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.



Cruise Ship Terminal. Therefore, if voters did not approve this future General Obligation Bond, construction of the Northeast Wharf Plaza could be delayed until other funds are identified, without directing impacting on the completion of the Cruise Ship Terminal.

**RECOMMENDATION**

Approval of the proposed resolution is a policy decision for the Board of Supervisors.



April 21, 2011

Ms. Angela Calvillo  
Clerk of the Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: San Francisco Pier 27 Cruise Ship Terminal Project  
***Fiscal Responsibility and Feasibility***

Chapter 29 of the City's Administrative Code requires that certain City projects be subject to a fiscal feasibility review at the Board of Supervisors before the City Planning Department may begin environmental review of the project under the California Environmental Quality Act ("CEQA"). The fiscal feasibility ordinance applies to projects proposed by the City for which (1) the implementation and construction cost exceeds \$25 million, and (2) the project sponsor reasonably estimates that, at the time of filing an application for CEQA review, a portion of the predevelopment, planning or construction costs in excess of \$1 million (excluding City personnel costs) will be paid from public monies.

The Port of San Francisco ("Port") is the sole project sponsor of the proposed cruise ship terminal project at Pier 27, which is a public improvement project ("Project"). The Port is submitting the attached Fiscal Responsibility and Feasibility Report and Resolution for the Project because:

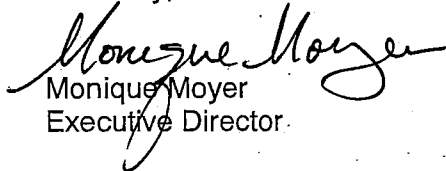
1. The implementation and construction cost of the Project will exceed \$25 million; and
2. Predevelopment costs exceed \$1 million.

Accordingly, the Port respectfully requests a Board of Supervisors determination in the form of the attached draft Resolution that the Project is fiscally responsible and feasible in accordance with the standards of Chapter 29.

The Port and its Commission are very excited about the Project and look forward to presenting the Project to the Board of Supervisors. We will be happy to answer any questions that the Board may have regarding this important City project.

If you have questions, feel free to contact me directly at (415) 274-0401 or John Doll at 274-0639 from my staff.

Sincerely,

  
Monique Moyer  
Executive Director.

Thanks!  
How exciting  
MM

## FISCAL RESPONSIBILITY AND FEASIBILITY REPORT

Administrative Code Chapter 29

### 1. Project General Description

The Port of San Francisco ("Port") intends to develop a primary cruise terminal at Pier 27 to replace the existing terminal at Pier 35. The existing terminal at Pier 35 does not have sufficient length, passenger capacity or passenger-handling equipment to accommodate the new, Post-Panamax<sup>1</sup> cruise ships.. Further, the substructure of Pier 35 requires investment to continue to serve as a Port cruise terminal facility. Pier 27 is currently used as a back-up cruise ship berth, but does not have any amenities within the maritime shed.

The Port proposes the development of a new, approximately 88,000 square foot, two-level cruise terminal on Pier 27 that would serve as the primary cruise ship terminal, while the cruise terminal on Pier 35 would be used as a secondary terminal in the event that two or more cruise ships require berthing on the same date<sup>2</sup>. The Port envisions the new, primary Pier 27 Cruise Terminal to be named in the honor of James R. Herman, former Port Commissioner and President of the International Longshore and Warehouse Union<sup>3</sup>. The James R. Herman cruise terminal would be designed to meet modern ship and operational requirements of the cruise industry and provide an appropriate, welcoming gateway to the City.

As explained below, the Port will build the cruise terminal facility in phases. The Port's cruise terminal project will include the Northeast Wharf Plaza, an approximately 2.5 acre public open space to be located along the west end of Pier 27, along the Embarcadero Promenade.

#### Cruise Terminal

The Port is assisted in this public improvement project by the Department of Public Works ("DPW"), which is providing project management assistance, and by a joint design team led by Kaplan, McLaughlin & Diaz Architecture and Pfau Long Architects in association with cruise terminal design consultant, Bermello, Ajamil & Partners ("Design Team"). Under the proposed site plan, the existing Pier 27 maritime shed and a non-historic portion of Pier 29 shed will be demolished.

Passengers departing and arriving in San Francisco would pass through the terminal, which would house ticketing, baggage and a U.S. Customs and Border Protection Area and security operations. The cruise terminal improvements would include installation of new maritime equipment, including a mobile overhead gangway for boarding passengers along the Pier 27 apron. The cruise ship shoreside power infrastructure would be in place to provide electricity to power the ship while in berth, allowing cruise ships to cease running their on-board engines.

The paved triangular area between Pier 27 and 29, referred to as the valley, is proposed as the Ground Transportation Area ("GTA") for the cruise terminal. The GTA would be approximately 3 acres providing sufficient space to support access, drop-off and exiting by trucks, taxis, buses and passenger vehicles to meet provisioning and passenger loading needs of the cruise terminal. The GTA circulation and operation plan includes vehicle queuing space and is proposed to meet all transportation needs off-

<sup>1</sup> Post Panamax refers to a class of ship size with maximum dimension capable of transiting the Panama Canal. When the Panama Canal expansion modifications are completed in 2014, very large Post-Panamax cruise ships will be able to transit the Panama Canal and call on ports along the U.S. west coast.

<sup>2</sup> For example, in 2012, the Port of San Francisco will experience 5 days when two or more cruise ships are in port simultaneously.

<sup>3</sup> James R. Herman served as President of the Port Commission in 1990 and 1991 and President of the International Longshore and Warehouse Union from 1977 to 1991.

street, in an effort to remedy traffic congestion and transportation conflicts currently generated from Pier 35 cruise terminal operations impacting The Embarcadero.

In recent years, the Port has received cruise ship calls that have fluctuated between 40 and 80 calls per year, which is expected to continue for the foreseeable future. If a new cruise terminal is constructed, the relationship of the cruise facilities at Pier 27 and Pier 35 would be reversed from current conditions; Pier 27 would become the primary cruise terminal and Pier 35 would serve as a secondary facility. While the annual number of ship calls is expected to remain the same in the future, cruise ship size is growing, holding larger numbers of passengers. The level of improvements and equipment proposed in the Pier 27 cruise terminal would be designed to optimally handle vessels carrying 2,600 passengers (base design load) and would provide some additional capacity at key areas to serve vessels carrying up to 4,000 passengers (peak design load). Additionally, the facility would continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ships Festivals and visits by oceanic research vessels and the 34<sup>th</sup> America's Cup races.

#### Northeast Wharf Plaza

The proposed Northeast Wharf Plaza would provide an approximately 2.5 acre open space at the western end of Pier 27. Pursuant to the planning policies and objectives in the Port's Waterfront Land Use Plan and San Francisco Bay Conservation and Development Commission's ("BCDC") Special Area Plan ("SAP"), the Northeast Wharf Plaza would be designed to serve as a major waterfront park resource to support passive recreational enjoyment and expansive public views of San Francisco Bay.

The Design Team has developed various design concepts for the Plaza, integrated with the cruise terminal facility and has considered various topographical, material and landscaping treatments and characteristics. The open space would include a "piazza" feature along the western edge of the valley, which would require the demolition of the Pier 27 Annex office building. The historic Pier 29 Beltline Office building would be preserved and integrated within the Plaza design.

The Northeast Wharf Plaza would provide a gathering area for passengers and the general public to view cruise ships when in port, although physical access to the ships would be restricted in accordance with Federal Homeland Security regulations. These regulations would require temporary security fencing along the Pier 27 apron when cruise ships are in berth. When no cruise ships are berthed, fences would be opened to restore public access to the maximum practicable.

#### Shared Uses

While the cruise terminal would be a permanent facility, the building is designed to accommodate other uses during periods when cruise ships do not call at Pier 27. During these times, the design for the cruise terminal provides for approximately 60,000 square feet of space for shared uses to generate revenues when cruise ships are not berthed. The shared use area, which may extend into the GTA, would accommodate special events, conferences and other public or private gatherings.

In addition, the Project may include limited commercial revenue-producing uses, such as restaurants, that are ancillary to the terminal operations. The public space and commercial components are intended to complement the cruise terminal, but also to thrive independently of cruise terminal operations.

## 2. Project Purpose and Objectives

### Background

In September 2006, Mayor Gavin Newsom appointed a Blue Ribbon Cruise Terminal Advisory Panel to evaluate the necessity of a new cruise terminal and its value to San Francisco and, if determined necessary and valuable, where that terminal should be located based on cost considerations, maritime functionality and potential funding sources. The Port Commission accepted the Advisory Panel recommendations in September 2007 which directed the Port to develop a strategy to build a modern cruise terminal to meet the evolved security and passenger demands of the cruise industry while also allowing for meeting and special event uses when not occupied for cruise purposes. In February 2009, the Port completed a feasibility analysis of Pier 27 and in June 2009, the Port Commission entered into a Memorandum of Understanding with the DPW to help implement the Pier 27 cruise terminal project. In November 2009, the Port Commission authorized Port staff to execute a design contract the Design Team.

### Goals and Objectives

The Port desires to develop an exceptional home port cruise terminal that reflects the values of San Francisco residents and the City's leadership, meets international cruise terminal standards, and complies with regulatory requirements, including the Port's commitment to the stewardship of waterfront historic resources within the Embarcadero Historic District.

The Port has established a set of goals and objectives to build a modern cruise terminal to meet the evolved security and passenger demands of the cruise industry while also allowing for meeting and special event uses when not occupied for cruise purposes. The major objectives for the James R. Herman Cruise Terminal and Northeast Wharf Plaza Project ("Project") include:

- (1) Transform Pier 27 into a year-round cruise terminal that will meet the evolved security and passenger handling demands of the cruise ship industry.
- (2) Develop an efficient facility that will lower the Port's operational costs by the use of effective space planning and equipment to handle passenger circulation and provisioning.
- (3) Configure the cruise terminal in a way that will create opportunities for the Port to allow special event uses when the terminal is not occupied for cruise purposes. The special event uses could result in additional revenue to the Port to support debt payments for the Project and will enhance the City's ability to meet convention business demand.
- (4) Demolish approximately 220,000 square feet of all of the existing Pier 27 shed plus the non-historic portion of the Pier 29 shed. In part, this demolition will create the required open space plaza along The Embarcadero that will serve as a major attraction to visitors and residents and connect the Port's continuity of public spaces along the waterfront.
- (5) Develop a Project that supports the Port's Waterfront Land Use Plan and BCDC Special Area Plan by creating the Northeast Wharf Plaza, a major public open space integrated with public access on Pier 27, promoting public views of the bay that also promotes recreational enjoyment in a maritime district.
- (6) Develop a core and shell terminal building that can be used by the America's Cup Event Authority in 2013 for the running of the 34<sup>th</sup> America's Cup.

(7) Develop a Project that embodies the City's commitment to sustainability principles by following the guidelines from the U.S. Green Building Council and achieve a LEED certified Silver or better rating and comply with the City's and Port's recently adopted Green Building regulations.

### **3. Project Delivery**

DPW initiated environmental review of the Project under the California Environmental Quality ACT ("CEQA") by engaging Environmental Science Associates to assist in the preparation of a project description. DPW will be implementing an Integrated Project Delivery ("IPD") method to coordinate the services of a Construction Manager/General Contractor ("CM/GC") to offer constructability review and cost estimating services as well as to plan and organize the sequence of construction activities. DPW, Port staff, the Design Team and the CM/GC will work in close collaboration and deliver the Project in a sequence of bid packages. This delivery method has been successfully applied in past projects such as the California Academy of Sciences rebuild project and is also being used on several other complex and high profile public works projects such as the new San Francisco General Hospital Mission Bay campus and the new San Francisco Public Utilities Commission headquarters building on Golden Gate Avenue.

### **4. Project Work Performed to Date**

#### Facility Program

In April 2010, the Design Team completed a comprehensive Facility Program Statement that included input from multiple stakeholders obtained through a series of workshops. The workshops were aimed at identifying project requirements that will support the operational functions during cruise days, determine the vessel service fleet that will be accommodated, establish the relationship between the terminal and the site amenities, identify spatial adjacencies necessary for optimal efficiencies and form the basis for the construction budget.

#### Concept Design Options

Based on the Facility Program Statement, on June 30, 2010 the Design Team submitted two conceptual design options to either convert or replace the Pier 27 shed into an operationally efficient cruise terminal that meets evolved security and passenger handling demands of the international cruise industry. Scheme A included a renovation of most of the existing Pier 27 shed while Scheme B proposed demolishing most of the Pier 27 shed and replacing it with a new building. These design options were presented to the Port Commission on July 13, 2010. Based on stakeholder input, the Design Team submitted to the Port Commission an enhanced Scheme B, known as Scheme B2, as its preferred concept option that also would provide a larger baggage area designed to better meet cruise industry standards for the foreseeable future based on increasing vessel size and passenger volumes.

#### Preferred Concept Design Option

On December 14, 2010, the Port Commission approved the initiation of schematic design work on the preferred conceptual option, known as Scheme B2 that would create a new terminal building. This preferred design scheme is consistent with the Cruise Terminal Advisory Panel's recommendation for a facility that meets the current and future needs of the cruise industry.

#### Schematic Design

The Design Team has submitted schematic design in late March 2011 and Port staff has requested that a value engineering exercise to align the Port's budget to the project cost. On April 12, Port staff presented to its Commission a strategy to fund the initial phase of the cruise terminal project which included a revised Scheme B2.

### 34<sup>th</sup> America's Cup

On December 31, 2010, the City's bid to host the running of the 34<sup>th</sup> America's Cup was accepted and executed by the America's Cup Event Authority. The bid includes use of Piers 27-29 as the 34<sup>th</sup> America's Cup village. This use provides funding support from the America's Cup Event Authority for the overall Project costs. Additionally, it provides improved viewing experience of the 34<sup>th</sup> America's Cup events for the public. As a result of this additional use of Piers 27-29, the Port's Pier 27 Cruise Terminal Project is carefully aligned to the staging of the 34<sup>th</sup> America's Cup event and requires careful staging of improvements and a compressed Project delivery schedule.

Under the Host and Venue Agreement ("HVA"), the America's Cup Event Authority is required to demolish the shed at Pier 27 and a portion of the shed at Pier 29, and pay up to \$2 million to relocate shoreside power to a different spot on Pier 27. The City is responsible for building the Cruise Terminal's core and shell by January 2013. This requires Project construction in two phases so that the America's Cup Event Authority can utilize the core and shell of the building as a spectator event center and spectator viewing area and the Pier 27 apron for team hospitality berths for races scheduled in 2013.

Subject to the City's completion and certification of a final environmental impact report for the Project and approval of the Project by the end of 2011, Phase 1 would consist of demolition of the Pier 27 maritime shed, partial demolition of the non-historic portion of the Pier 29 shed, relocation of the shoreside power equipment, and the construction of the core and shell of the Cruise Terminal project. The America's Cup Event Authority will install temporary improvements for the duration of the 34<sup>th</sup> America's Cup racing events and relinquish the site no later than April 2014.

At the Port's option, the America's Cup Event Authority would be required to return the premises to the Port free of all tenant improvements. The Port would then begin Phase 2 to build-out the remaining portions of the cruise terminal building (e.g., the U.S. Customs and Border Protection areas), install maritime equipment such as the mobile gangway as well as fenders and bollards, and complete improvements to the Northeast Wharf Plaza and the GTA.

## **5. Project Schedule**

The Project has a total duration of approximately six years starting the spring of 2009 when the Port began to work with DPW on the predevelopment phase to establish basic Project parameters such as budget, scope and schedule. Below is list of major milestones.

**Table 1: Project Schedule**

Milestone	Timeframe
Pre-development	May 2009 – December 2009
Programming	January 2010 – April 2010
Concept Phase	April 2010 – December 2010
Design & Entitlements	January 2011 – January 2012
Phase 1 Construction	January 2012 – January 2013
America's Cup Use*	January 2013 – April 2014
Phase 2 Construction	May 2014 – October 2014
Cruise Terminal Opening	November 2014

\* Although the 34<sup>th</sup> America's Cup races are expected to end in October 2013, the HVA stipulates that after the last racing event, the America's Cup Event Authority has 180 days to remove all temporary improvements on Pier 27.

## 6. Project Costs

The total project budget based on the revised schematic design for the Cruise Terminal is estimated at approximately \$90,308,846, divided into two phases as illustrated in Table 2 below. The construction costs noted below are based on schematic plans, not detailed design drawings. All the program components required in the final design and engineering phase are not known at this time and any omissions could significantly impact the accuracy of the estimated costs.

**Table 2: Estimated Total Project Costs**

		Phase 1	Phase 2	Total
Construction Costs		\$36,145,753	\$23,242,500	\$59,388,253
Construction Contingency	15.0%	5,421,863	3,486,375	8,908,238
Other Contingency*		1,222,915	664,850	1,869,765
<b>Total Construction</b>		<b>42,790,531</b>	<b>27,393,725</b>	<b>70,184,256</b>
Design & Engineering, Project Management & Entitlement Costs		14,996,576	4,328,014	19,324,590
Program Contingency		400,000	400,000	800,000
<b>Total Project Costs**</b>		<b>58,187,107</b>	<b>32,121,739</b>	<b>90,308,846</b>

\* includes 2% scope gap for CM/CG and preconstruction contingency

\*\* does not include demolition and shoreside power costs which is the responsibility of the America's Cup Event Authority pursuant to the HVA.

As noted above, the Phase 1 cost allows for a "core and shell" building to be completed for the 34<sup>th</sup> America's Cup event. When the Pier 27 site is returned to the Port in early 2014, Phase 2 begins and completes interior improvements as well as the installation of maritime equipment needed for a fully functional cruise terminal. In addition, under Phase 2, the Northeast Wharf Plaza and the GTA would be completed.



## 7. Sources of Funds

In December 2010, Port staff presented a total budget of \$114,095,757 to the Port Commission. However, as noted above, this budget was not aligned with funding sources. Since that time, Port staff has (1) moved from conceptual to schematic design budget estimates, (2) refined available funding sources, (3) performed a value engineering exercise to identify and integrate cost reductions, and (4) deferred certain Project scope items to Phase 2 to close the funding gap. Given the pressure on the Project schedule driven by Project phasing outlined in the HVA requiring Phase 1 delivery by January 2013, and the opportunity to deliver a legacy cruise terminal Project after the 34<sup>th</sup> America's Cup, funding of Phase 1 is a high priority of the City and the Port.

As described below, the funding plan for Phase 2 includes several proposed non-Port sources which require additional work to secure. Additionally the shared program uses and related revenue generation requires additional work to reliably estimate revenues.

Project funding is expected to be provided through a combination of sources, including the Port revenue bond proceeds and capital budget allocations, plus a variety of other sources, such as an approved FEMA security grant, proceeds from an anticipated 2012 General Obligation bond measure and a future passenger facility charge.

As shown in Table 3, secured funding sources total \$46.5 million, planned funding sources total \$16.5 million, and proposed funding sources total \$22.9 million for a total of \$85.9 million. The phasing of these funds is shown in Table 4.

The revised Scheme B2 design allows for Phase 1 funding, but defers a budget gap of \$11.9 million to Phase 2. Port staff will work to secure the proposed additional funding sources for Phase 2 between now and 2013. Additionally, Port staff will better refine program uses and related revenue generation. Phase 2 may require an incremental approach to Project delivery and may also require value engineering.

However, Port staff has not fully considered the future economic opportunities arising from the cache and prestige of having been the 34<sup>th</sup> America's Cup Village and both the start and finish lines of the 34<sup>th</sup> America's Cup Final Match scheduled for September 2013, should the 34<sup>th</sup> America's Cup project be approved. Port staff is optimistic that securing the proposed funding sources and resolving the \$11.9 million funding gap to Phase 2 of the Project is achievable.

### Proposed Funding Sources

#### *2012 General Obligations Bond*

The City's adopted 10-Year Capital Plan, for several years, has included a proposed schedule for a second General Obligation bond measure to assist in funding additional waterfront parks. In 2008, with the help of Mayor Gavin Newsom and the Board of Supervisors, voters generously approved Proposition A, which included \$33.5 million in funding for new and enhanced waterfront parks. The City's Capital Planning Committee recommended that the second bond measure for waterfront park improvements move from a 2014 election schedule to November 2012 to allow seamless Project delivery of the Northeast Wharf Plaza at the foot of Pier 27. The Northeast Wharf Plaza is the last major park envisioned in the BCDC's or the San Francisco Waterfront.

Port staff will consult with the Mayor's Office, the Board of Supervisors, the Port Commission, Department of Recreation and Parks staff, and the Capital Planning Committee to formulate the Port's general obligation bond funding request. The Phase 2 Project budget assumes \$9.1 million in proceeds from such General Obligation bond measure, should it be adopted by the voters.

#### *Cruise Operator Contribution*

This funding source would be specifically provided for the mobile gangway system which would make the terminal more efficient in getting passengers off and on cruise ships. This \$2.75 million equipment could be funded by the Port's cruise terminal operator<sup>4</sup>, as part of a negotiation of a long-term contract extension in exchange for such investment into the cruise terminal project.

**Table 3: Total Funding Sources**

	Port Funds	Other	Total
<i>Secured</i>			
Watermark Sale Proceeds	\$20,000,000		
Series A & B 2010 Port Revenue Bonds*	10,075,089		
Operating Budget – Workorder	220,168		
Capital Budget Appropriation	1,225,000		
Event Authority (“EA”) Appropriation		7,500,000	
FEMA Security Grant		7,500,000	
<i>Subtotal: Secured</i>	<b>\$31,520,257</b>	<b>15,000,000</b>	<b>46,520,257</b>
<i>Planned</i>			
2012 Port Revenue Bond Debt*	\$15,500,000		
Capital Budge Appropriation	1,000,000		
<i>Subtotal: Planned</i>	<b>\$16,500,000</b>		
<i>Proposed</i>			
Repurposing Existing 2010 Debt*	2,500,000		
Reimbursement	-2,500,000		
City Contribution		6,500,000	
2012 General Obligations Bond		9,122,943	
Cruise Operator Contribution		2,750,000	
Passenger Facility Charge		4,500,000	
<i>Subtotal: Proposed</i>	<b>0</b>	<b>22,872,943</b>	
<b>Total Sources</b>	<b>48,020,257</b>	<b>37,872,943</b>	<b>85,893,200</b>
<b>Total Sources w/o EA** Contribution</b>	<b>48,020,257</b>	<b>30,372,943</b>	<b>78,393,200</b>

\* Includes interest earnings

\*\* EA means America's Cup Event Authority provided that the running of the 34<sup>th</sup> America's Cup is certified and approved in late 2011.

<sup>4</sup> The Port's cruise terminal operator is currently Metro Cruise Services. The operating agreement expires on April 30, 2011. An amendment to agreement is currently under negotiation.

**Table 4: Funding Sources by Phase**

	Phase 1	Phase 2	Total
<i>Secured</i>			
Watermark Sale Proceeds	\$20,000,000		
Series A & B 2010 Port Revenue Bonds*	10,075,089		
Operating Budget – Workorder	220,168		
Capital Budget Appropriation	1,225,000		
Event Authority (“EA”) Appropriation	7,500,000		
FEMA Security Grant	1,166,850	6,333,150	
<b>Subtotal: Secured</b>	<b>\$40,187,107</b>	<b>6,333,150</b>	<b>46,520,257</b>
<i>Planned</i>			
2012 Port Revenue Bond Debt*	\$15,500,000		
Capital Budge Appropriation	1,000,000		
<b>Subtotal: Planned</b>	<b>\$16,500,000</b>		<b>16,500,000</b>
<i>Proposed</i>			
Repurposing Existing 2010 Debt*	2,500,000	(2,500,000)	
City Contribution	6,500,000		
2012 General Obligations Bond		9,122,943	
Cruise Operator Contribution		2,750,000	
Passenger Facility Charge		4,500,000	
<b>Subtotal: Proposed</b>	<b>\$ 9,000,000</b>	<b>13,872,943</b>	<b>22,872,943</b>
<b>Total Sources</b>	<b>\$65,687,107</b>	<b>20,206,093</b>	<b>85,893,200</b>
<b>Total Sources w/o EA Contribution</b>	<b>\$58,187,107</b>	<b>20,206,093</b>	<b>78,393,200</b>

\* For budgeting purposes, the demolition and shoreside power relocation project components are external work outside of the budgeted Project scope and, as a result, future budgets will exclude the proposed \$7.5 million America’s Cup Event Authority contribution as a budget source.

*Passenger Facility Charge*

Several west coast ports, including the Port of San Diego, have utilized passenger facility charges, a component of their operating tariffs, as a means to offset capital costs of new cruise facilities. This concept is very similar to that used by airports for capital expansion and repair, including San Francisco Airport. Imposition of such charges requires careful consultation with cruise lines to ensure that the Port remains a competitive location for cruise berthing. Port staff is initiating discussions with the Port’s main cruise lines about a potential passenger facility charge to fund a portion of the Project

Port staff is considering a potential passenger facility charge of \$3 per person. Enactment of such passenger facility charge is currently proposed by Port staff as an amendment to the Port’s Operating Tariff No. 5. Port staff estimates that such a passenger facility charge of \$3 would be assessed on approximately 150,000 passengers annually for a levy period of 20 years. Proceeds from such fees could support approximately \$4.5 million in additional bond proceeds. to be repaid from this charge.

Strategies to Fund Phase 2 Shortfall

Given a projected shortfall of \$11.9 million in Phase 2, Port staff will be: (1) reviewing economic opportunities at this location that would be revenue generating, including special event use, parking and other commercial opportunities discussed in detail in Section 8 below, (2) developing cost estimates to determine which Project line items can be reduced, (3) identifying other grant funds that the Port could use to fund portions of the Phase 2 project, (4) identifying Project elements that can be deferred to a future date, and (5) reallocating unused funds from other capital projects.

Although the Port has not yet covered the Phase 2 funding gap, the Port is requesting the Board of Supervisors to consider the fiscal feasibility of the entire Project in order for the City to meet its obligation to deliver the "core and shell" of the cruise terminal building to the America's Cup event Authority by January 2013.

## **8. Operating & Maintenance Costs**

Metro Cruise Services currently serves as the Port's cruise terminal operator under Non-Exclusive Management Agreement #13562 responsible for operations and maintenance of the existing Pier 35 cruise facility and the back-up facility at Piers 27<sup>5</sup>. The Port anticipates entering into a similar management agreement for stevedoring services at Pier 27.

Based on a comparative analysis performed in 2003, San Francisco had the highest operational costs as compared to other U.S. West Coast cruise ports. Port staff estimated that an average home ported vessel at Pier 35 cost the cruise lines approximately \$160,000 per call which was 52% higher than at the Port of San Diego and 30% higher than at the Ports of Los Angeles and Seattle. In 2010, the Port of San Francisco's costs have increased to approximately \$176,000 per call. Although there is no comparable data regarding the other West Coast ports for 2010, it is assumed that San Francisco still has the highest operational costs. These costs are due to the number of exposed areas requiring security guards and physical constraints of the facility which prevents efficient baggage handling (and in turn requires additional staff time).

High operating costs are a disincentive for cruise lines to visit San Francisco. The envisioned program for the Pier 27 Cruise Terminal Project will provide for a more efficient operation. The Project will result in fewer exposed areas which require security, faster baggage handling through a proposed baggage conveyance system, and faster passenger embarkation and disembarkation through a new overhead gangway system. Furthermore, taxis, buses and privately-operated vehicles will have better access to the cruise terminal because of the Project's expanded ground transportation area that would take vehicles off of The Embarcadero and allow for quicker drop-off and pick-up of passengers.

Based on the new cruise terminal design plan, Port maritime staff expects more efficient baggage and passenger handling will result in greater cost savings allowing San Francisco to be more competitive with other West Coast ports. The Port expects that this new operational plan will reduce costs by approximately 25%. By making the Pier 27 terminal more competitive, the Port may attract more cruise ships to San Francisco. An increase in terminal revenue in conjunction with new net revenue associated with the Project is expected to offset the cost to dredge the berth and maintain the new public plaza in the future.

## **9. Yearly Revenue-Generating Uses**

<sup>5</sup> On the rare occasion Piers 35 or 27 are unavailable, cruise ships can berth at Piers 30-32 with Metro Cruise Services providing terminal operation services. However, due to the lack of any amenities on Pier 30-32, which is currently used as a parking lot, it is only used as a tertiary location.

The Port has considered additional uses that are envisioned to generate on-going revenue to the Port, serve as a community benefit and/or activate the Northeast Wharf Plaza so that it can be used year-round. These estimates stated below are preliminary and there is a wide range of variation of future new net revenue to the Port. Accordingly, the economic analysis of these uses will be updated throughout the design process to better predict the new net revenue flow to Port.

### Special Event Use

Special event use is subordinate to cruise terminal operations. In recent years, cruise ship calls have fluctuated between 40 and 80 calls a year and will likely remain the same for the future. Within this range, most ships will berth at Pier 27 and some will berth at Pier 35<sup>6</sup>. Given a range of one to three days of exclusive use required for each call, the cruise industry could occupy as many as 240 days a year, or 66% of all available time at Pier 27. Availability for special events will be dependent on the needs of the cruise industry.

While the cruise terminal design has not been finalized, space within the terminal can also be used for meetings and special events on non-cruise days. The designated terminal areas do not require additional investment for special event use. The most marketable space would be the passenger waiting room and the baggage lay-down area could also be effectively used either together with or separately from the waiting area. It is also conceivable that a user would rent the ground transportation area either in conjunction with rental of the indoor spaces or as stand-alone event space.

Assuming about 40 events a year, the Design Team believes that a "best-estimate" projection of annual net revenue might be approximately \$929,988 per year, depending on the number of Pier 27 cruise calls and security requirements restricting availability. The estimated range of annual net revenue is \$453,478 to \$1,645,231.

### Parking

The new construction of the terminal building will be narrower thereby increasing the footprint between Piers 27 and 29. This increased footprint allows for expanded parking and vehicular circulation in the ground transportation area of the valley area. The Design Team projects a "best estimate" of approximately \$210,320 per year. The estimated range of annual net revenue is \$56,000 to \$364,320.

### Commercial Leasing

Current lease revenue generated at Pier 27 may be reduced if current tenants are not able to be re-located within Port property. The Design Team has considered the feasibility of approximately 10,000-20,000 square feet of new food and beverage space whose primary purpose is to enliven the public plaza throughout the year. As an interim solution, leasing of spaces within the Plaza for movable carts and kiosk stalls could be accomplished, assuming that basic utilities are provided. Optimistically, annual revenue is estimated at up to \$10,000 a year.

The "best estimate" for new net annual revenue of the three revenue-generating uses, described below, is approximately \$1,140,308 with a range of between \$499,478 and \$2,019,551.

## **10. Environmental Review Process**

<sup>6</sup> Very few ships are anticipated to use the tertiary cruise ship berth at Pier 30-32. Notably, Pier 30-32 is included in the facilities to be leased to the America's Cup Event Authority under long term leases such that after the transfer the Port will no longer have the ability to berth cruise ships at Pier 30-32.

CEQA review will be conducted by the City's Planning Department and the City's Planning Commission will consider the environmental impact report prepared for this Project. To meet the Project and the 34<sup>th</sup> America's Cup schedules, the CEQA process will commence after the Board's fiscal feasibility review and is anticipated to be completed by the end of 2011.

#### **11. Coordinating with Regulatory Agencies**

The Project will be presented for review and public comment regularly to the Port Commission, as well as at public meetings with waterfront advisory groups, community and waterfront stakeholders and regulatory agencies. The project will require many regulatory approvals including BCDC. The Port anticipates the Project will require amendments to BCDC's Special Area Plan ("SAP"), a part of the San Francisco Bay Plan, as well as a BCDC major permit. Accordingly, Port and BCDC staff are working in close coordination to evaluate existing policies, solicit early direction and conduct public outreach to help shape and review a concept design for the cruise terminal and Northeast Wharf Plaza which will help determine the scope of BCDC SAP amendments. Public workshops will be scheduled to review and comment on the design progress.

The Project will be presented to the San Francisco Planning Commission as part of the CEQA EIR process. Informational briefings may also be scheduled for the San Francisco Planning Commission and Historical Preservation Commission, given the importance of the Project and its location within the Embarcadero National Register Historic District. The Port also works in close coordination with the California State Lands Commission to manage projects to comply with public trust requirements under the Burton Act and the public trust doctrine.

#### **12. Benefits of the Project to the City and County of San Francisco**

As part of the Cruise Terminal Advisory Panel deliberation process, an economic consultant, Bay Area Economics, was commissioned to study the benefits of a new cruise terminal to San Francisco. This 2008 study, entitled "Port of San Francisco, Economic Impact Study," identified economic benefits from expenditures by the cruise lines, passengers and crew. This study determined that the Port has potential to gain additional market share if it could continue to market itself as a cruise home port and destination, build relationships with cruise lines, and improve its facilities to handle larger ships by developing a new terminal at Pier 27. Bay Area Economics concluded that it could create approximately \$29.4 million<sup>7</sup> annually in direct economic activity. If indirect and induced economic impacts are included, then a total of \$42.2 million in total economic activity is produced, creating a total of 408 jobs within San Francisco. Dividing total impacts (\$42.2 million) by the direct impacts (\$29.4 million) yields a citywide multiplier of approximately 1.43. Thus, every dollar that the cruise industry spends within San Francisco generates \$1.43 in total economic activity. This projection supports the generation of 410 jobs within the City. In addition, the industry generates approximately \$900,000 annually in direct tax revenues that accrue to the City's General Fund.

Regionally, Bay Area Economics estimated \$43.4 million in direct impacts and \$66.9 million in total impacts. This yields a regional economic multiplier of 1.55, or every dollar that the cruise industry spends within the region generates \$1.55 in total economic activity. Under this scenario, the cruise industry would support approximately 470 jobs in the Bay Area.

It should be noted that the recent BAE Ship Repair Systems/Princess Cruise Lines joint \$5 million investment enlarged the drydock facilities at Pier 70. This improvement allows the largest cruise ships in the world to be repaired and maintained in San Francisco and provides an incentive for cruise lines to call in San Francisco not only for periodic drydock work, but potentially as a home port for passenger service.

<sup>7</sup> All Bay Area Economics numbers represent 2008 dollars and have not been escalated.

The Port has already experienced additional cruise ship berthing as a result of having the Pier 70 facilities. These state-of-the-art ship repair facilities are expected to continue to promote cruise calls at the Port of San Francisco, especially Pier 27, and, in the reciprocal, to result in visiting cruise ships scheduling repairs at Pier 70.

Finally, each cruise ship call at the Port of San Francisco generates significant work for members of the International Longshore and Warehouse Union, truck drivers, supply companies and harbor service providers. Drydock work for a cruise vessel at the Pier 70 shipyard creates thousands of hours for skilled union jobs, utilizing ten different marine trades, making it one of the City's largest generators of blue collar employment.

In brief, the Pier 27 cruise terminal Project provides economic benefits to the City and County of San Francisco both in terms of economic activity and direct tax revenue, preserves and promotes maritime employment, and supports San Francisco's tourism industry. The Pier 27 cruise terminal will also be a community asset by providing meeting and special event space on non-cruise days. Development of a new primary cruise terminal with a major waterfront public plaza will solidify and enhance the achievements already made on San Francisco's waterfront.

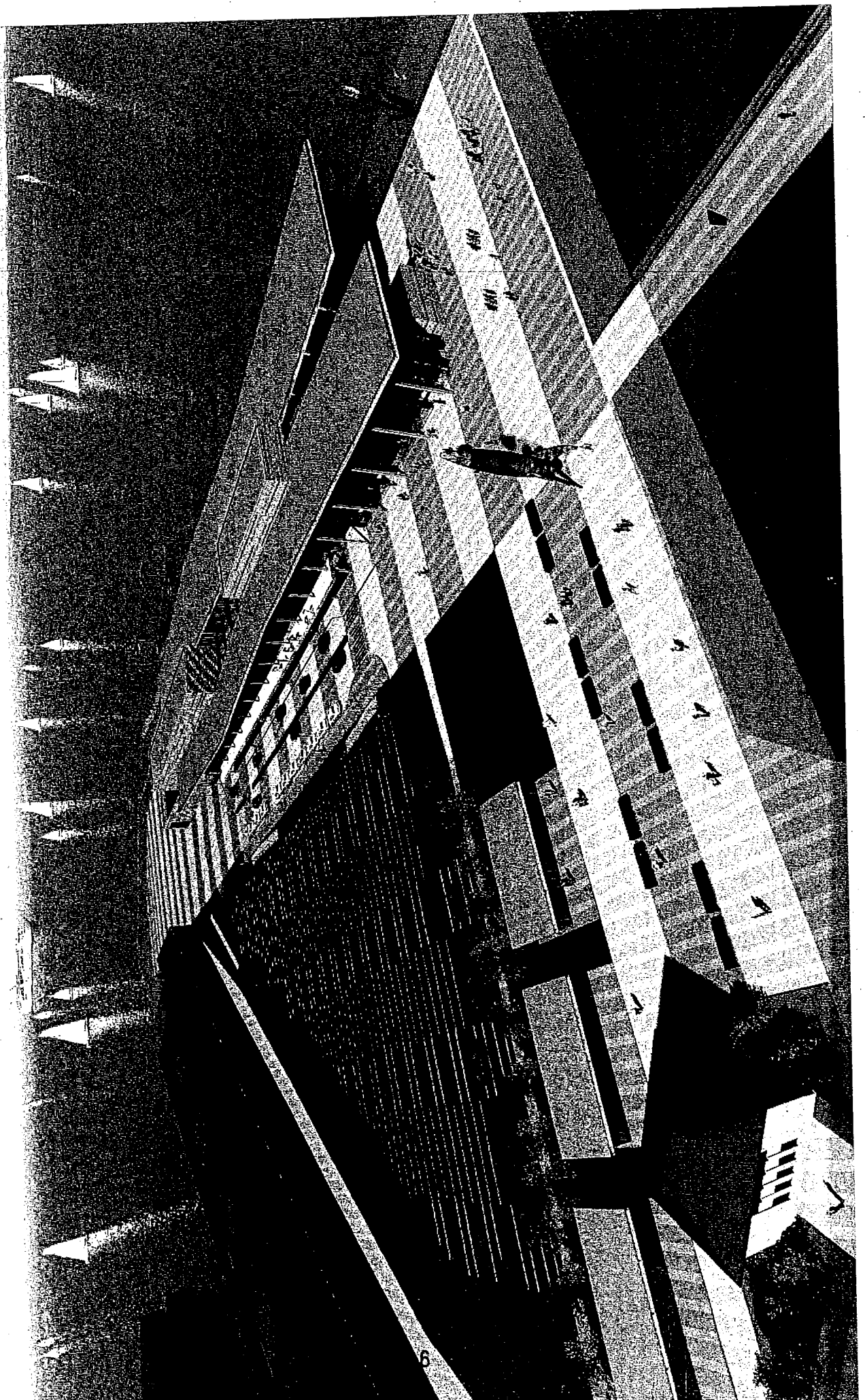
### **13. Conclusion**

The proposed cruise terminal development is a crucial project not only for the Port, but also for the City and County of San Francisco. For the Port, part of its core mission is to preserve and promote maritime commerce. The cruise business represents one of the last major maritime activities still thriving in San Francisco. Through this Project, there will be substantial economic benefit, directly and indirectly, to San Francisco. The Project preserves and produces maritime employment.

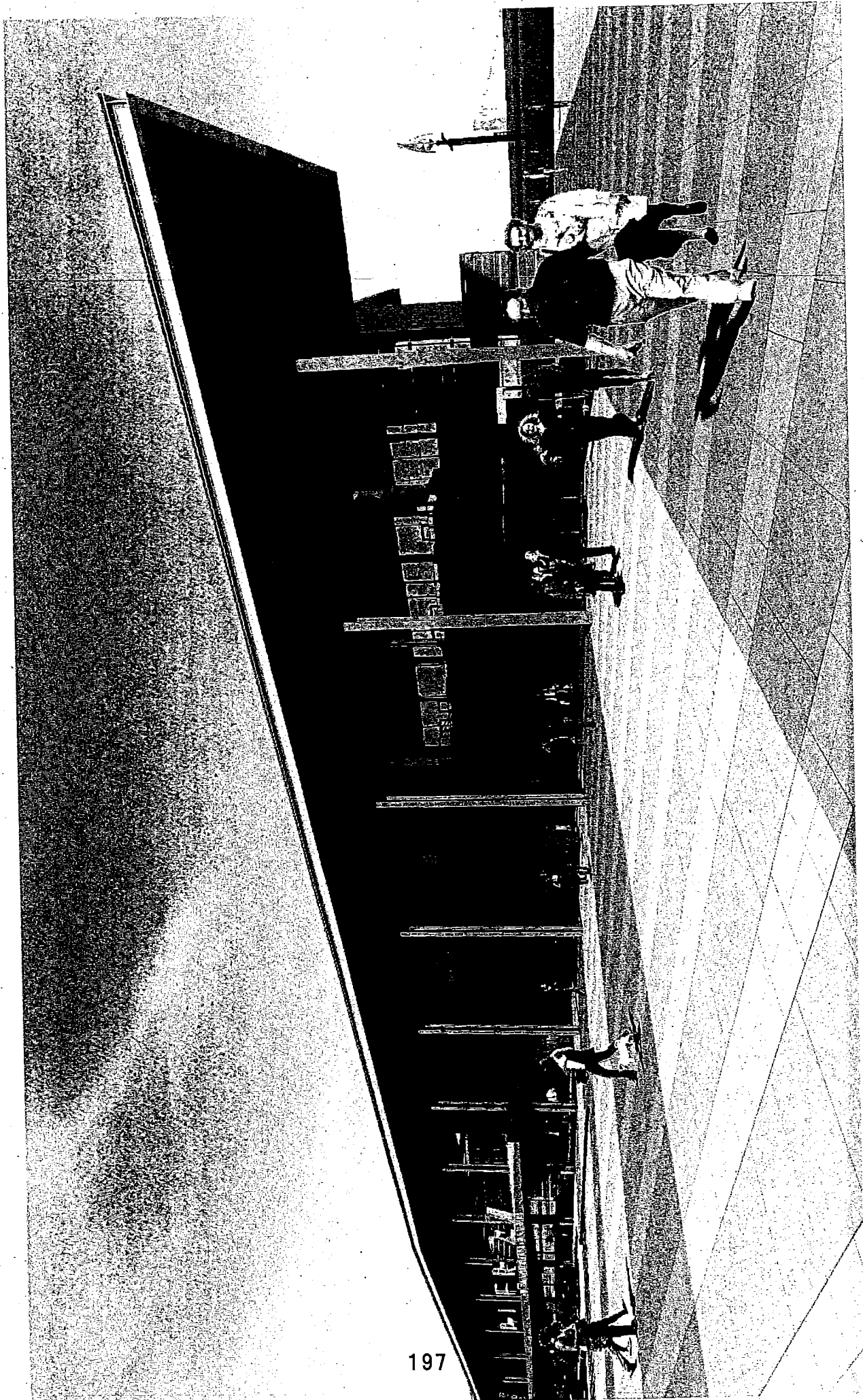
The Port envisions a new primary cruise terminal that will enhance the City's reputation as a world class, waterfront city and tourist destination. The public improvements will have a regional public benefit, by attracting cruise passengers, meeting planners, waterfront tourists and neighborhood residents.

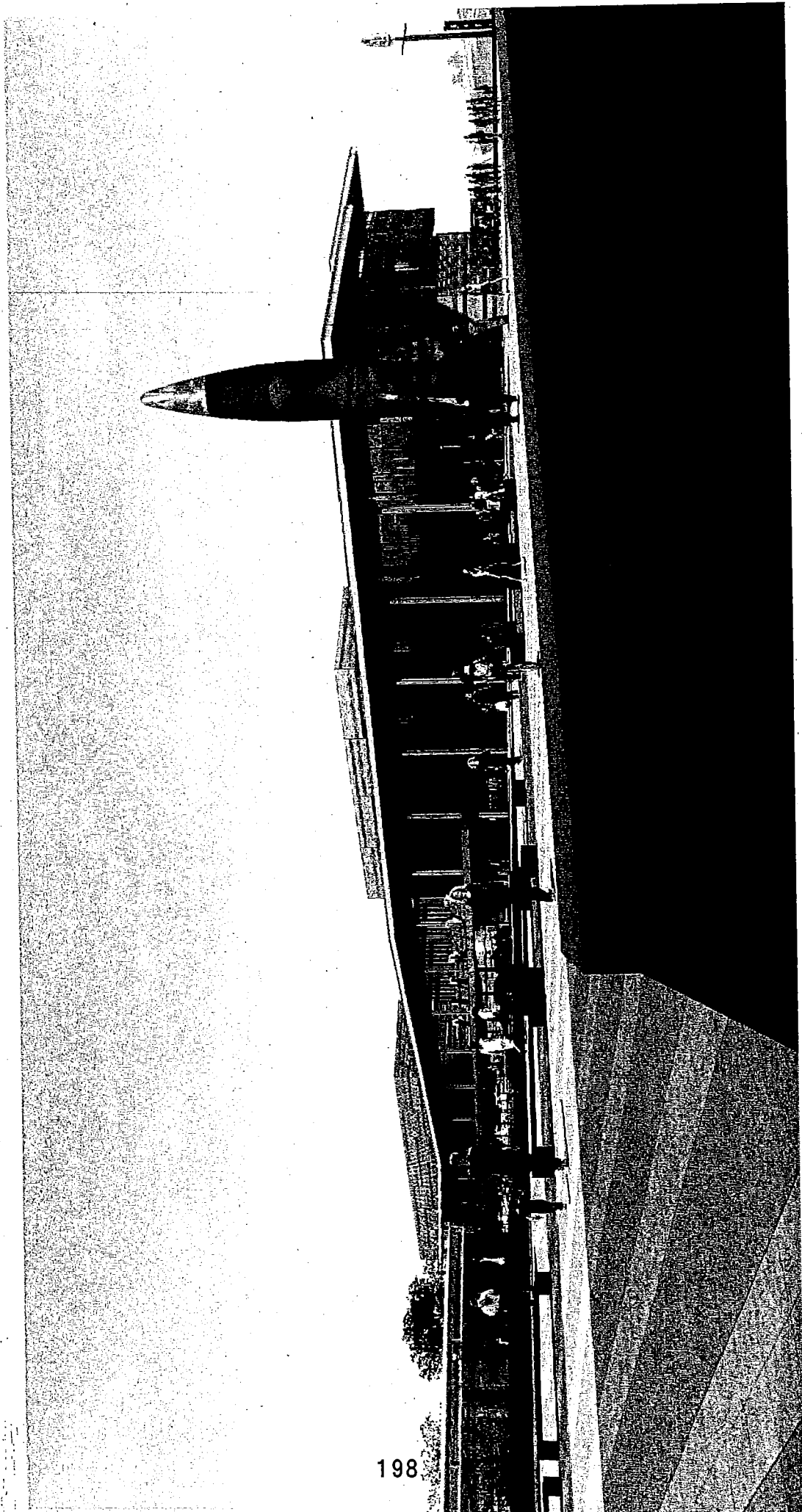
#### **Exhibits:**

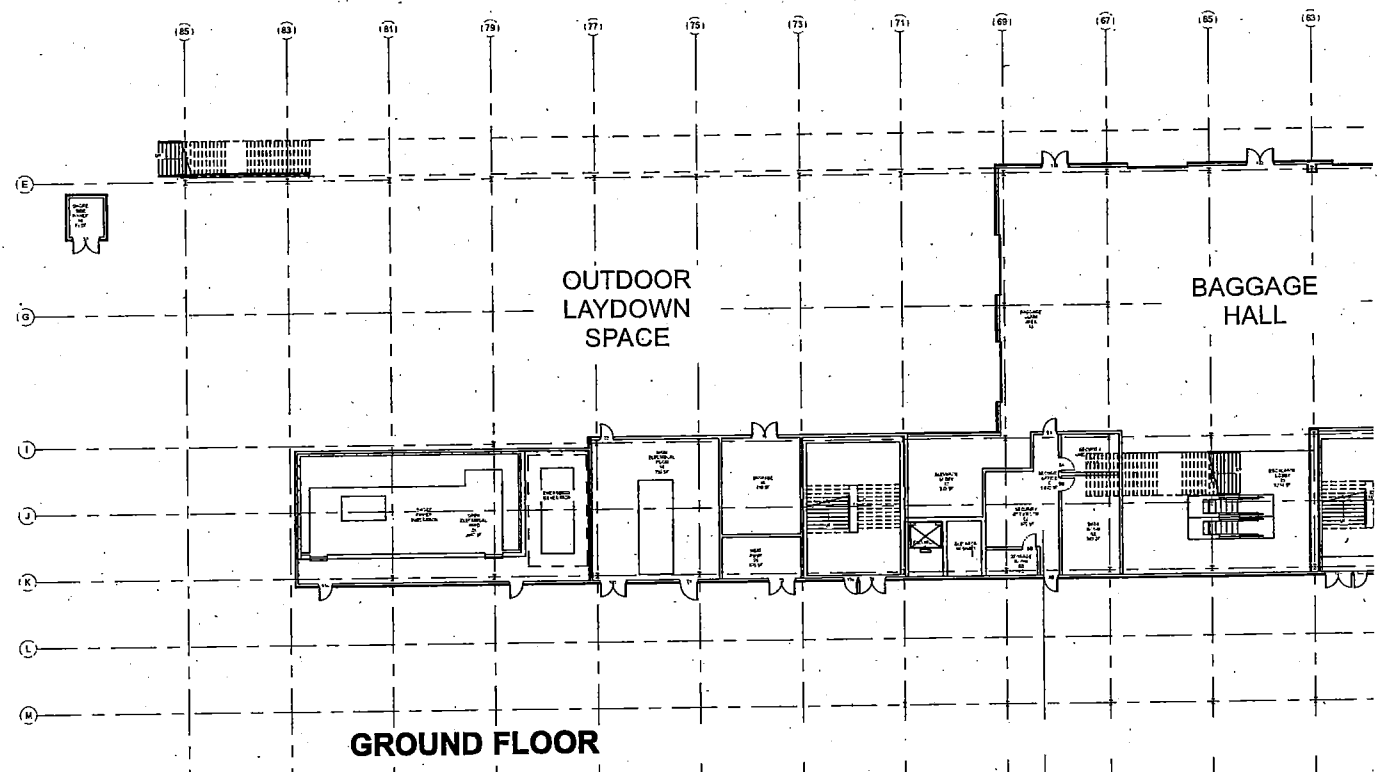
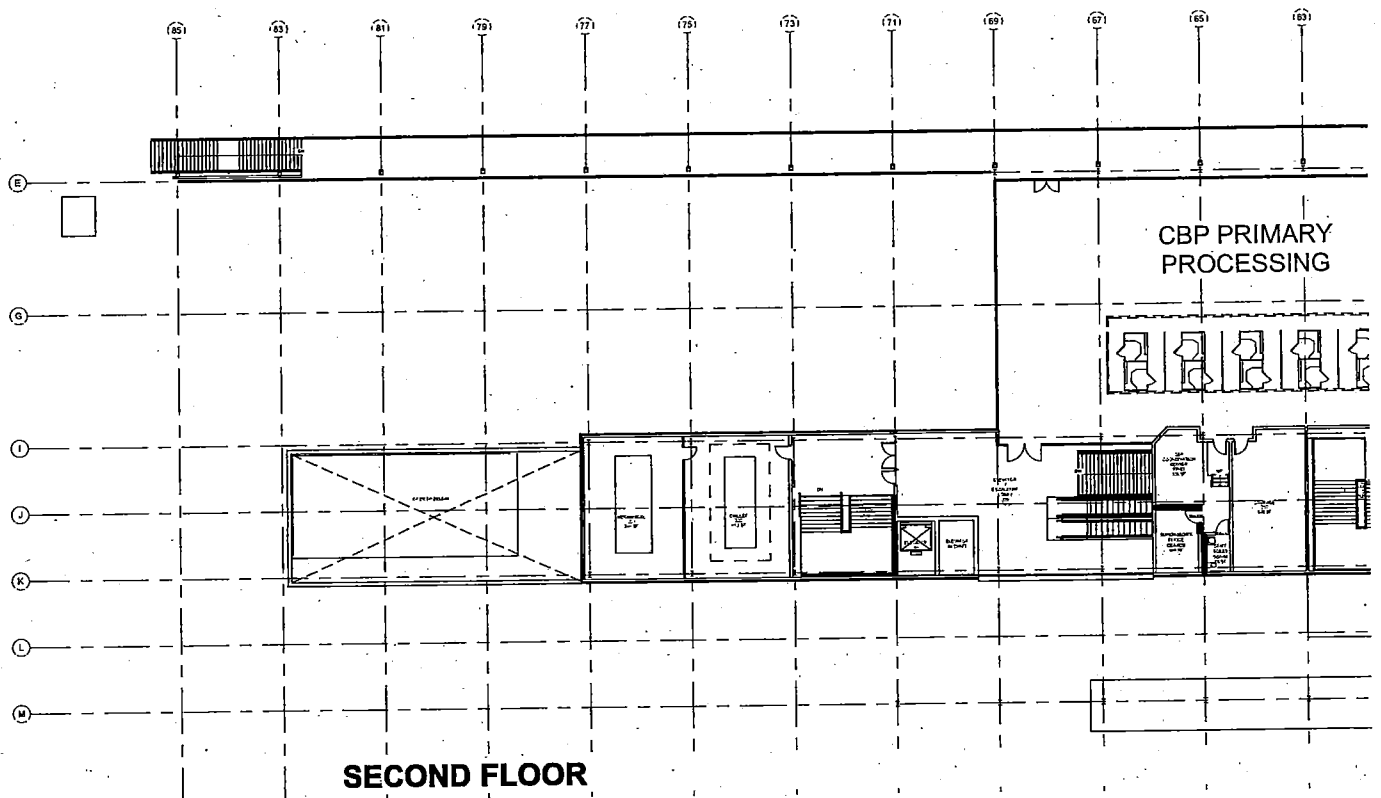
- A. Schematic Terminal Plan
- B. Phase 1 Site Plan
- C. Phase 2 Site Plan
- D. Terminal Renderings
- E. Board of Supervisors Resolution



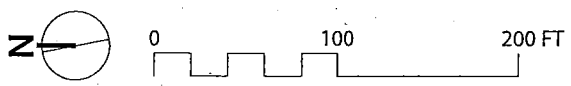
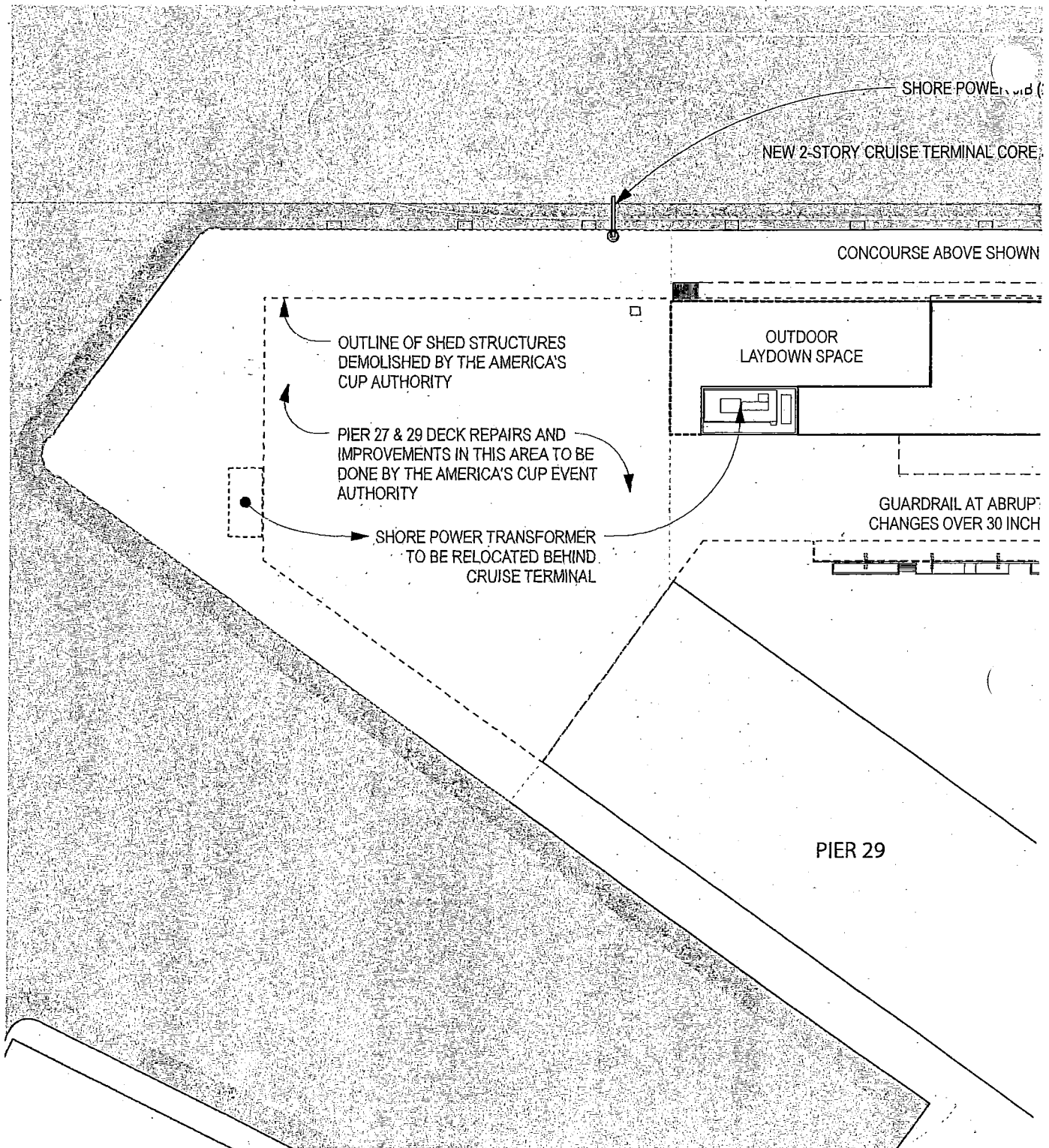




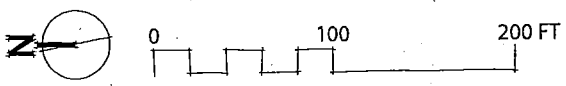
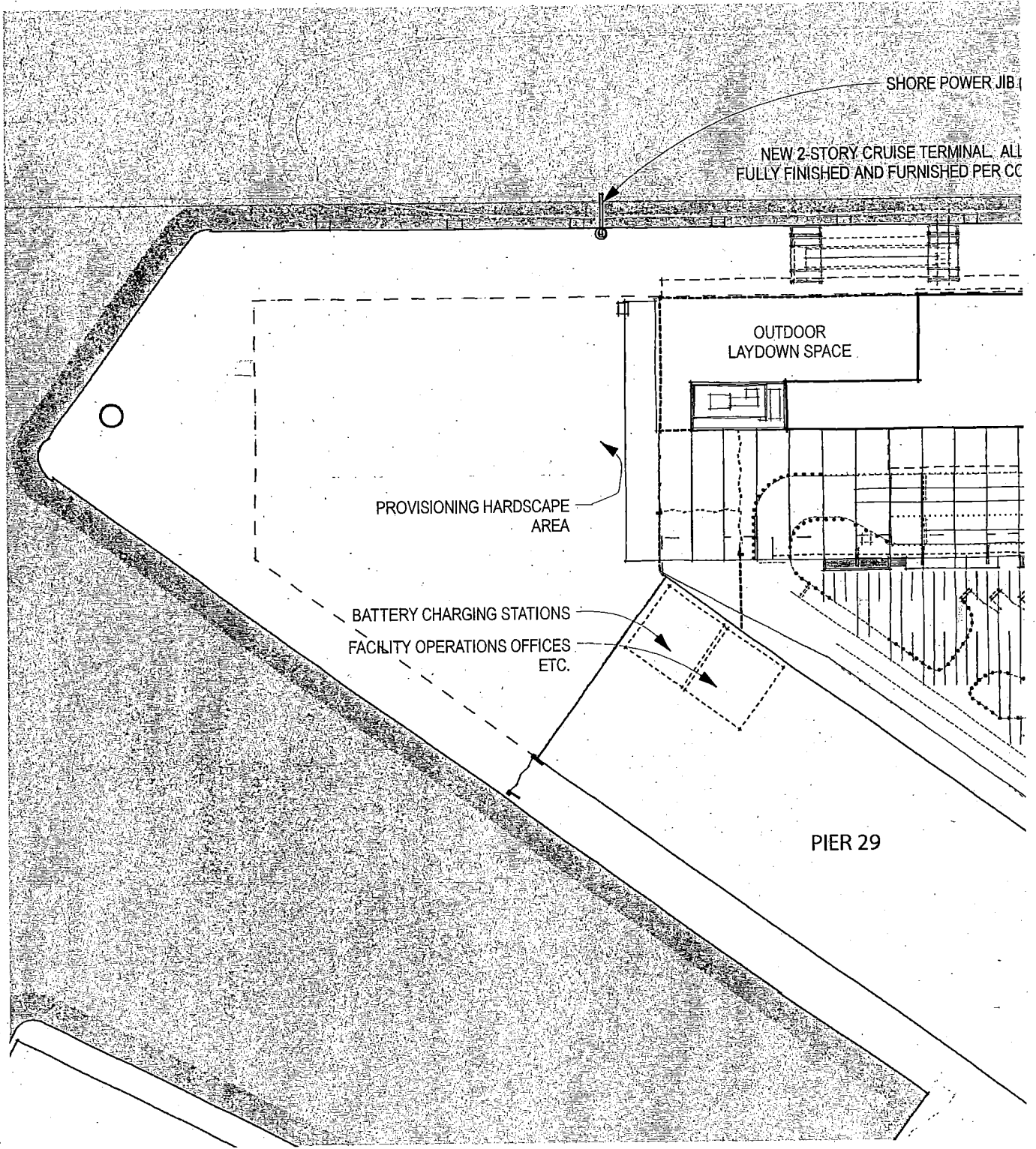




**PIER 27 - CRUISE TERMINAL AND NO**



**PIER 27 - CRUISE TERMINAL AND N**



**PIER 27 - CRUISE TERMINAL AND N**



# PIER 27

JAMES R. HERMAN INTERNATIONAL CRUISE  
TERMINAL & NORTHEAST WHARF PLAZA  
Budget & Finance Subcommittee, May 4, 2011

PF AU GNO 1

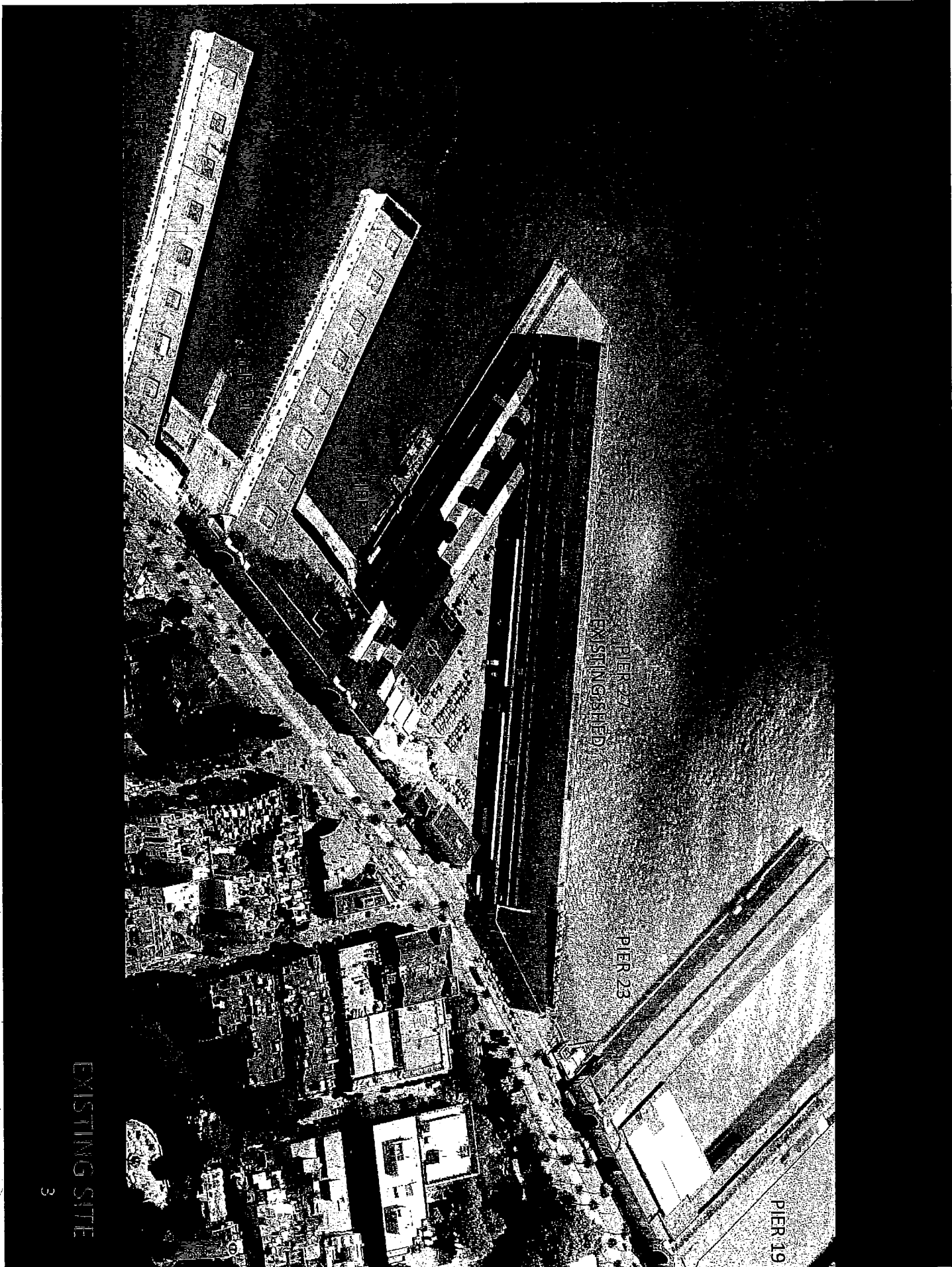


KMD

# Fiscal Feasibility Requirement

- Chapter 29 of City's Administrative Code requires the Board of Supervisors to determine if the plan for implementing and undertaking the proposed project is fiscally feasible and responsible to merit further evaluation and environmental review.
- Chapter 29 applies to projects for which: (1) implementation and construction costs exceed \$25 million, and (2) at the time of filing for CEQA review, a portion of the predevelopment, planning or construction costs is in excess of \$1 million (excluding City personnel costs) will be paid from public monies.



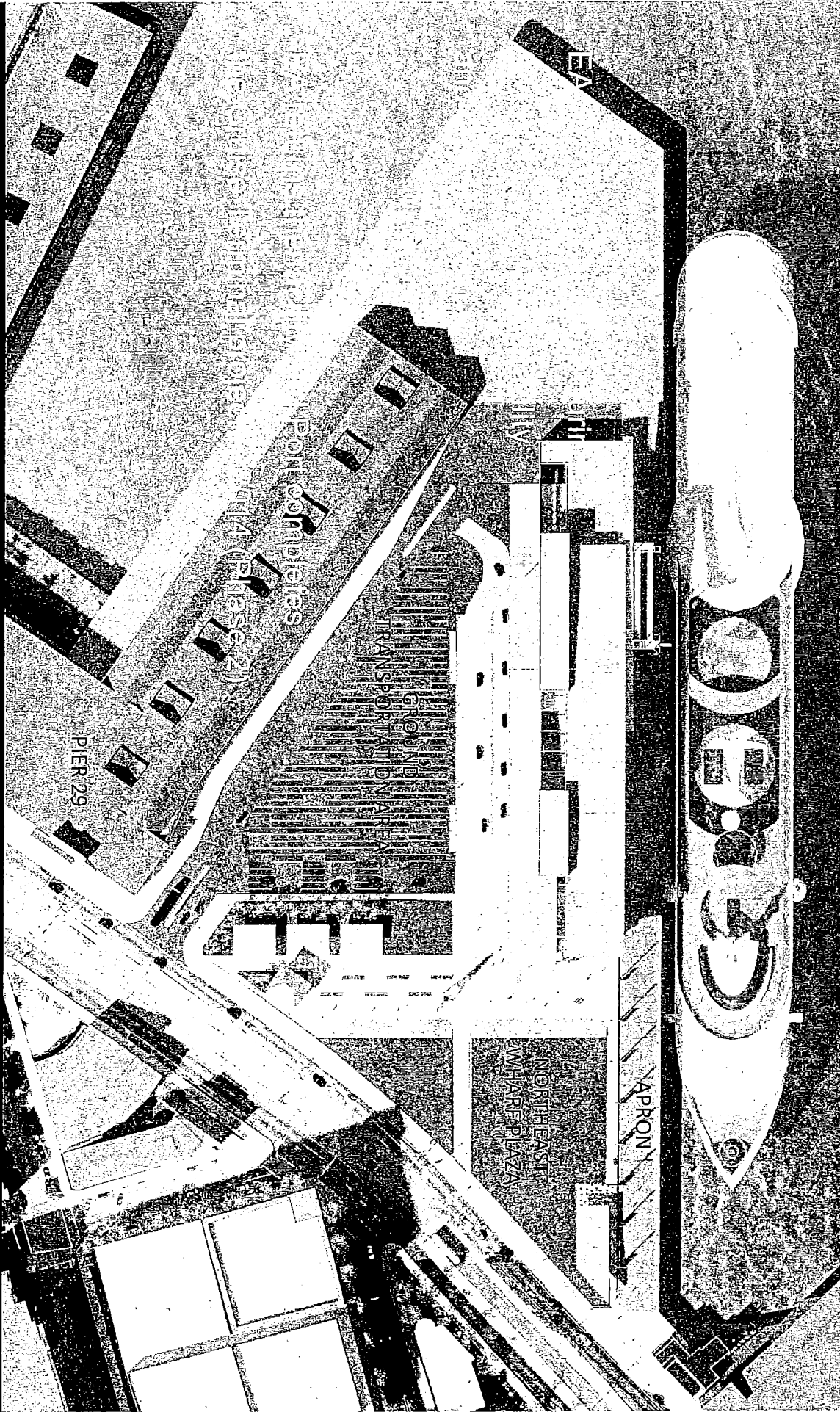


EXISTING SITE

3

Host City and Vantage Agreement requires EA to demolish Pier 27 portion of Pier 29 and  
shore side power relocation

Allows the Port to construct core and shell building during 2012 (Phase 1)



Proposed Site Plan for Piers 27 & 29 4

# Project Cost Estimates (April 2011):

## Phase 1:

Core & Shell/Site Improvements	\$ 58,187,107
Demolition & Shoreside Power Relocation	<u>\$ 7,500,000</u>
	\$ 65,687,107

## Phase 2:

Project Completion:	\$ 32,121,739
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Total Cost:	\$ 97,808,846
Total Cost, excluding EA obligations	\$ 90,308,846

# Overall

Secured	Phase 1	Phase 2	Total
Sources	58,187,107	20,206,093	78,393,200
Uses	58,187,107	32,121,739	90,308,846
Surplus/(Shortfall)	-	(11,915,646)	(11,915,646)

Funding Sources: Pre-development through Phase 1 (Construction, January 2012 – 2013)

ITEM	Amount
Watermark sale proceeds	20,000,000
Series 2010 A&B Port Revenue Bonds with Interest Earnings	10,075,089
2012 Port Revenue Bond Debt with Interest Earnings	15,500,000
Repurposing Existing 2010 Port Revenue Debt	2,500,000
Operating Budget - Work order	220,168
Port Capital Budget Appropriations	<u>2,225,000</u>
<i>Subtotal - Port Sources</i>	50,520,257
City Contribution	6,500,000
FEMA Security Grant	<u>1,166,850</u>
<i>Subtotal - Other Sources</i>	<u>7,666,850</u>
<i>Total Sources</i>	58,187,107
<i>Total Uses</i>	58,187,107
<i>Surplus/(Shortfall)</i>	-

**Funding Sources: Phase 2 (May 2014 - October 2014)**

<b>ITEM</b>	<b>AMOUNT</b>
FEMA Security Grant	6,333,150
Reimbursement of 2010 Port Revenue Debt	(2,500,000)
2012 GO Bond	9,122,943
Metro Contribution	2,750,000
Passenger Facility Charge	<u>4,500,000</u>
<b>Total Sources</b>	<b>20,206,093</b>
<b>Total Uses</b>	<b>32,121,739</b>
<b>Surplus/(Shortfall)</b>	<b>(11,915,646)</b>

Funding Sources Overall:

	Phase 1	Phase 2	Total
<b>Secured</b>			
Watermark sale proceeds	20,000,000		20,000,000
Series 2010 A&B Port Revenue Bonds	10,075,089		10,075,089
Operating Budget – Workorder	220,168		220,168
Capital Budget Appropriation	1,225,000		1,225,000
FEMA Security Grant	1,166,850	6,333,150	7,500,000
<b>Subtotal: Secured</b>	<b>32,687,107</b>	<b>6,333,150</b>	<b>39,020,257</b>
<b>Planned</b>			
2012 Port Revenue Bond Debt with Interest Earnings	15,500,000		15,500,000
Capital Budget Appropriation	1,000,000		1,000,000
<b>Subtotal: Planned</b>	<b>16,500,000</b>	<b>-</b>	<b>16,500,000</b>
<b>Proposed</b>			
Repurposing Existing 2010 Port Revenue Debt	2,500,000	(2,500,000)	0
City Contribution	6,500,000		6,500,000
2012 GO Bond		9,122,943	9,122,943
Cruise Operator Contribution		2,750,000	2,750,000
Passenger Facility Charge		4,500,000	4,500,000
<b>Subtotal: Proposed</b>	<b>9,000,000</b>	<b>13,872,943</b>	<b>22,872,943</b>
<b>Total Sources</b>	<b>58,187,107</b>	<b>20,206,093</b>	<b>78,393,200</b>

# Options to close \$12M estimated shortfall to Phase 2

## OPTIONS

## ESTIMATE

- AB 664: Pending legislation to create Infrastructure Financing Districts related to future development of 34<sup>th</sup> America's Cup sites, capturing the State's ERAF share  
\$20M
- Further review opportunities to generate additional revenues, including special events, parking and commercial leasing  
5M
- Identify new funding sources (e.g., grant funding)  
3M
- Reallocate unused funds from other capital projects  
3M
- Benefit of positive bidding environment (5% of hard costs)  
(1.2)M
- Select components that might be deferred to a future date  
(3.4)M
- Consider further project cost reductions  
TBD

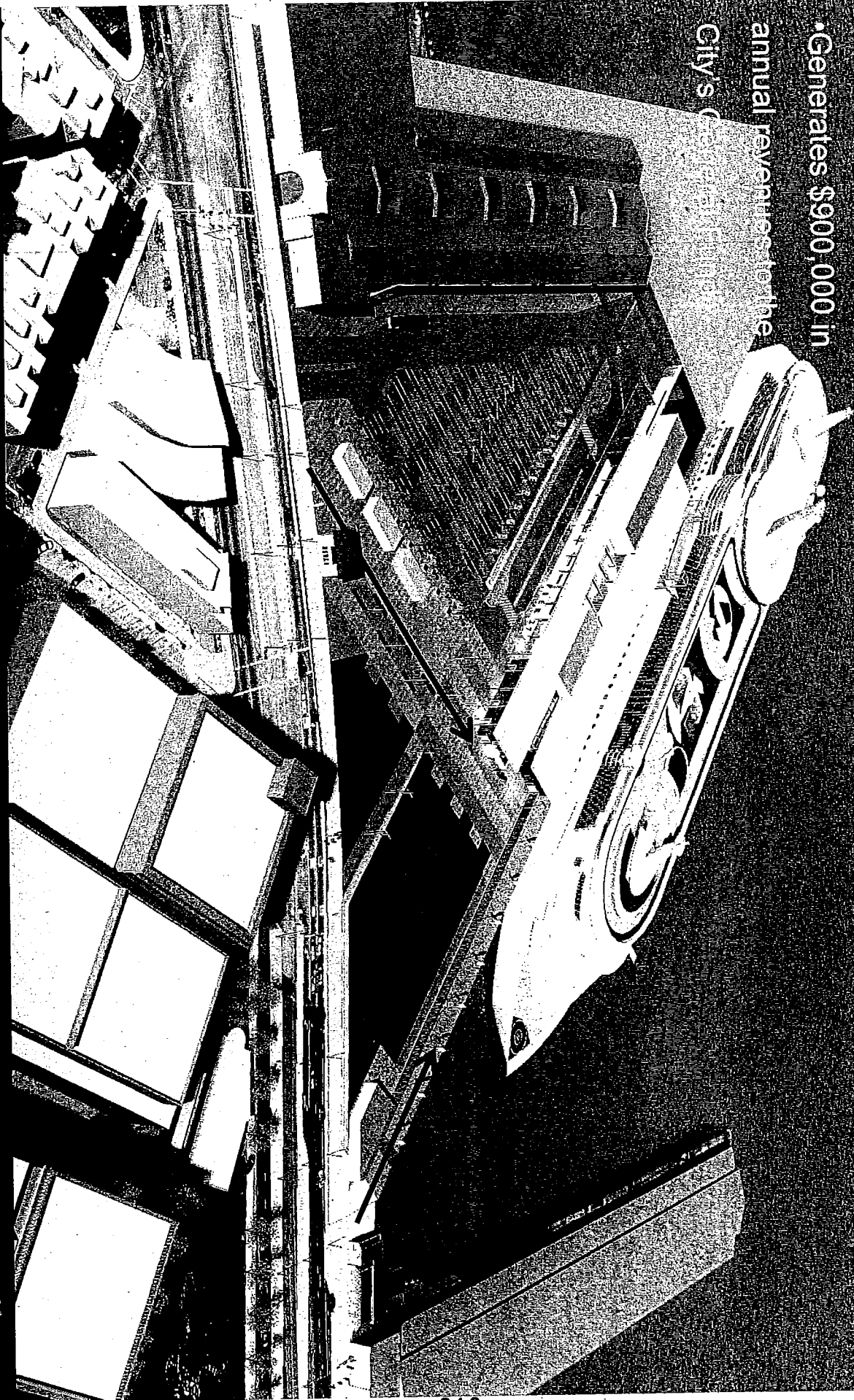


The Cruise Industry brings 200,000 passengers and crews to the City generating approximately \$30 million annually in direct economic activity and supports approximately 400 jobs within the City

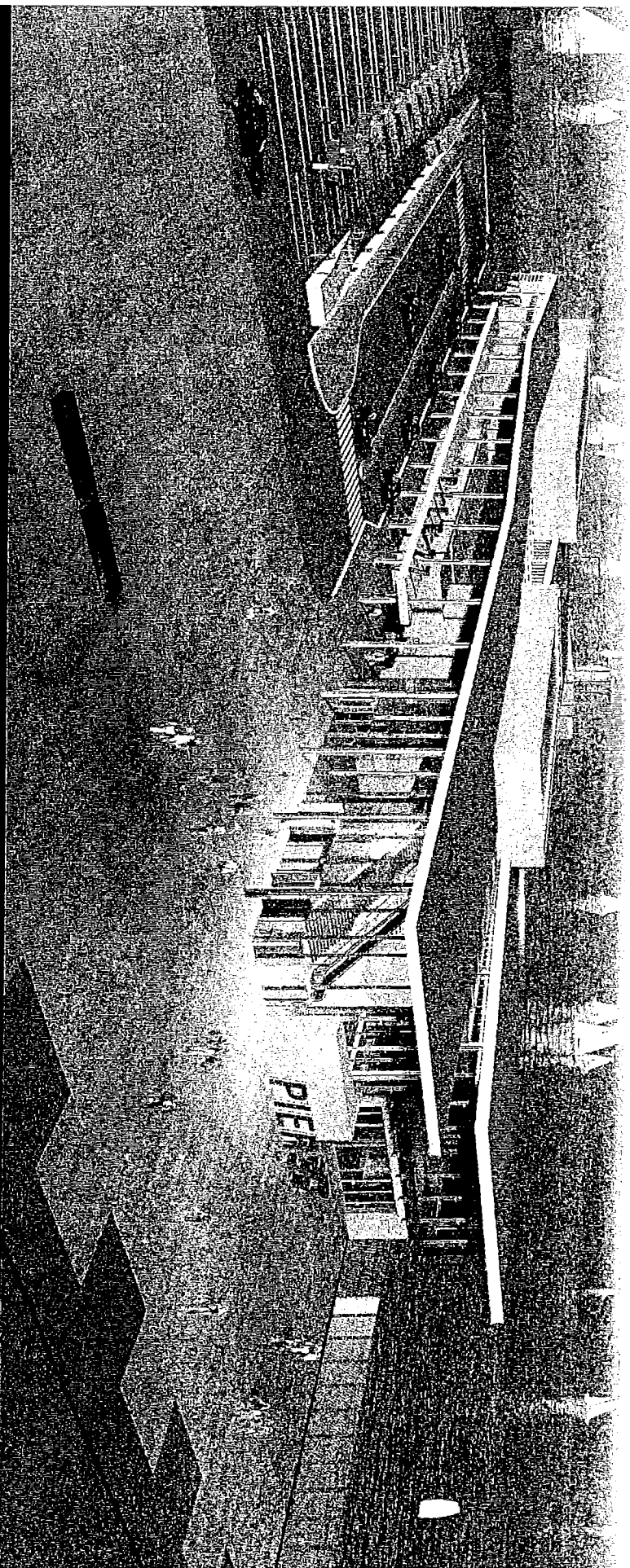
•Generates \$900,000 in

annual revenues for the

City's Government



- ✓ Enhances City's reputation as a tourist destination
- ✓ Increases demand for maritime businesses



- ✓ Continues and integrates Northern Waterfront improvements
- ✓ Will serve as the lasting legacy of the 34<sup>th</sup> America's Cup

Overall Benefits

# Conclusion

- A new cruise terminal is long overdue and needed for San Francisco
- Construction of the project is coordinated with the 34<sup>th</sup> America's Cup event in 2013
- In consideration of the project's public benefits and the plan to implement and undertake the project, the Port requests a determination that the cruise terminal project is fiscally responsible and feasible to merit further evaluation and environmental review, in accordance with Chapter 29 of the Administrative Code

