

SAN DIEGO UNIFIED PORT DISTRICT

DATE: September 2, 2008

SUBJECT: BROADWAY PIER CRUISE SHIP TERMINAL PROJECT

- A) UPDATE ON BROADWAY PIER CRUISE SHIP TERMINAL AND DIRECTION TO STAFF**
- B) RESOLUTION AUTHORIZING RELEASE OF CAPITAL DEVELOPMENT PROJECT FUNDS FOR CONSTRUCTION OF BROADWAY PIER CRUISE TERMINAL**
- C) RESOLUTION APPROVING THE PUBLIC ART CONCEPT FOR THE NEW CRUISE SHIP TERMINAL.**

EXECUTIVE SUMMARY:

The Broadway Pier Cruise Ship Terminal Improvements project is a primary component of the Port's strategic plan. This planned development will assist the Port in meeting its strategic goals of fostering regional economic growth and maritime commerce by assisting local maritime and tourism businesses, addressing environmental concerns, and supporting waterfront businesses that generate new jobs and business activity on the San Diego region's bay front.

At the January 2008 Board Meeting, the Board authorized staff to proceed with the design of the Broadway Pier Cruise Ship Terminal with a projected Capital Development Project (CDP) total budget allocation of \$23.65 million (this number includes the \$12 million loan from Carnival Corporation). Staff was requested to seek funding participation from the City of San Diego and/or Centre City Development Corporation (CCDC) for the additional expense incurred as a result of upgrading the building from a pre-engineered metal structure to a fully designed steel frame building. This new public building incorporates sustainability features and public art and is designed to function as a special event venue and as public open space when not being utilized to serve the region's cruise industry. Due to budget constraints, it is not expected that the City of San Diego will participate in funding this facility. However, CCDC has agreed to fund its share of the Broadway Pier deck upgrade through the NEVP development plan in the amount of \$1.7 million.

Port staff held numerous public outreach efforts to reach a general consensus on the design that was presented and approved at the January 2008 BPC meeting. Since that time, staff has continued to work with the City of San Diego, CCDC, Port tenants and others to gain consensus on the overall building design, architectural features and public access. The design has also incorporated comments from the cruise lines and Customs and Border Protection (CBP)/Homeland Security.

This project is a CDP and as such, has a requirement for 1% of the hard construction cost to be allocated to public art. The public art component is achieved through incorporating artistic lighting design which provides architectural enhancement, pedestrian engagement and night time interest. The preliminary art concept was

approved by the Public Arts Committee at its May 2008 meeting, and the public artist is working closely with the architectural design team to integrate the art concept into the building design.

In support of the Board's direction, staff has identified a list of green opportunities that can be incorporated into the Broadway Pier Cruise Ship Terminal. Included in this list are increased energy and water efficiency measures, the use of low emitting materials and finishes, construction debris recycling and the use of renewable energy. Further, staff has determined that achieving LEED certification is feasible and is recommended. It is anticipated that costs associated with incorporating sustainable design features and LEED certification requirements will be offset by matching funds provided by the State, incentives and equipment from SDG&E and, if approved by the Board, the Port's Environmental Committee funds.

Additionally, staff has been working in cooperation with SDG&E, Carnival Corporation, the San Diego Air Pollution Control District (SDAPCD), and the State of California to incorporate cold ironing infrastructure into the design of the Broadway Pier development. To support this effort, Port staff applied for and received a \$2.4 million Carl Moyer Program grant from the SDAPCD. The grant will assist the Port in funding the installation of cold ironing infrastructure at both the B Street and Broadway Piers by January 2011, three years prior to the regulatory compliance date of 2014. This project will allow cold ironing-capable cruise ships to shut off their diesel engines while at berth, significantly reducing harmful air emissions. The shore power project for B Street and Broadway Piers will be presented to the Board for consideration in October 2008.

As a means to generate additional outside funding sources, staff has prepared a Request for Proposal (RFP) that would offer a sponsorship opportunity with brand name recognition focused at the new terminal building. The nationally advertised RFP would solicit proposals from firms to develop appropriate signage and other features that would highlight their firm's sponsorship. The RFP would solicit proposals for the naming rights program. Staff's recommendation is to establish a minimum bid of \$5 million for a 10-year naming rights commitment. Staff is requesting that the Board authorize staff to issue an RFP to solicit naming rights for the Broadway Pier Terminal Building.

Once design is completed in the fall, the terminal and gangway will be ready to advertise for construction bids. Construction is estimated to take from 12 to 15 months and be completed by the end of 2010. Carnival Corporation has been advised of the revised time table. The impact to the Port's cruise service is not anticipated to be substantial at this point. However, it is critical to expedite the project, to complete our commitment to Carnival, and to provide an auxiliary berth during the planned future construction and pier repairs of the "B" Street cruise terminal.

Regarding Broadway Pier, it is recommended that repairs and improvements be installed to accomplish seismic and fender upgrades. Engineering studies have been conducted and costs are anticipated to range from \$8 million to \$15 million. Staff is recommending that the work be done in phases over a 5-year time period and be

funded from the Port's Capitalized Major Maintenance budget. Design efforts will be focused on refining the design to minimize the ultimate cost of the pier work. This major maintenance effort will be before the Board for separate consideration in the FY 09-10 budget.

With respect to recent communications with the California Coastal Commission, District staff has been working closely with Commission staff to address their concerns. The California Coastal Commission staff has requested that the Port issue an administrative document, referred to as a diminimus amendment, to the Port's Master Plan. This action is planned to be before the Board for consideration in October 2008.

The following future board actions are anticipated on this project:

- A) Award of the public works contract with the construction contractor for the terminal.
- B) Award of the agreement with the gangway manufacturer for procurement of the mobile gangway
- C) Selection and award of a consultant agreement to provide construction management services
- D) Approval of the naming rights
- E) Major maintenance fund allocations for FY 09 – 10 and beyond to accomplish the pier repairs and seismic upgrade

RECOMMENDATION:

Broadway Pier Cruise Ship Terminal Project

- A) Update on Broadway Pier Cruise Ship Terminal and direction to staff.
- B) Adopt Resolution Authorizing Release of Capital Development Project Funds for construction of Broadway Pier Cruise Terminal.
- C) Adopt Resolution Approving the Public Art Concept for the new Cruise Ship Terminal.

FISCAL IMPACT:

The FY 2009-2013 CDP currently contains funding in the amount of \$23.65 million for cruise facilities interim improvements for Broadway Pier Cruise Ship Terminal and "B" Street interim improvements. This amount includes approximately \$10 million of the \$12 million loan from Carnival, plus funds allocated from the Port's CDP budget. The CDP budget for the project is based upon the Board action in January 2008 which authorized allocation of the funds, pending discussions with the City of San Diego and others regarding additional funding sources.

Updated cost estimates recently developed by the project architects have resulted in a revision in the budget estimate for the project of approximately 18%, or \$4.23 million. The estimated increase is based primarily on increased cost for construction materials and contract and construction administration. Cost increases may be offset by a competitive bidding climate during the bid advertise period. The updated CDP budget

projection (hard and soft costs), which is based upon the latest cost information, is attached. Should the Board authorize advertisement of the project for construction bids, the budget will be refined based upon the actual bid values.

Pier improvements, which are not part of the current 5-year major maintenance program, are planned to be completed in phases over a 5-year time period and are recommended to be funded through the Capitalized Major Maintenance budget. Expenses are expected to begin in FY 09/10. Current consultant estimates range from \$8 million to \$15 million. Design efforts will be focused on refining the design to minimize the ultimate cost of the pier improvements required.

Funding Sources

Carnival has loaned the District a maximum amount of \$12 million for improvements to the B Street and Broadway Piers. Of the \$12 million loan amount, \$10 million will be applied to the Broadway Pier construction.

The majority of the costs for the sustainability (LEED) portion of the project are being offset through funding from the Port's Environmental (\$800,000) grants program. Similarly, the cruise ship cold ironing project will be partially funded through the Carl Moyer grant funds.

The naming rights program may provide a minimum of \$5 million to fund this project.

DISCUSSION:

Background and History

The Broadway Pier cruise ship terminal design concept has evolved significantly since the Fall of 2005, when a minimal cruise ship facility was envisioned, predicated on a limited amount of investment proposed by the cruise lines at the time. Initial project concepts consisted of a pre-manufactured tent structure to be used as the terminal, limited structural upgrades to the pier, limited gangway equipment allowance and a construction schedule of one year.

In the early design stages, the tent structure concept was modified as a result of stakeholder input from the City of San Diego Fire Department, U.S. Customs and Border Protection (CBP) and U. S. Homeland Security. To meet Homeland Security, CBP and Fire Department requirements, the design concept was modified to a pre-engineered metal building structure.

During the summer and fall of 2007, the Broadway Pier Cruise Ship Terminal project generated significant community interest, due in part to its being the initial element to be constructed under the Port's cruise ship facilities program. Port staff held meetings with the City of San Diego and the Mayor, and participated in several design charrettes in conjunction with the North Embarcadero Visionary Plan. In response to comments

received through the public outreach, a refined building concept was developed in November 2007 which enhanced the building roofline, increased the use of glass, and increased incorporation of public artwork. The revised building concept was subsequently presented by the project architects (Bermello Ajamil & Partners, Inc.) at the North Embarcadero Visionary Plan Public meeting on November 9, 2007 and also at the November 13, 2007 Board of Port Commissioners meeting.

At the January 2008 Board meeting, the Board authorized the design concept for the new building, directed staff to proceed with design development and approved the budget of \$23.65 million pending discussions with the City of San Diego and others regarding additional funding sources.

Terminal

In recent months, the project architect has proceeded with the design of the terminal and gangway. The 90% design plans and specifications were received at the Port on August 15, 2008 and the final bid documents are targeted for completion in the September/October 2008 timeframe.

Outreach to project stakeholders, including the City and Centre City Development Corporation, has continued, with meetings held February 21, 2008, April 16 and 21, 2008, and June 19, 2008. Also in mid-May 2008, a Value Engineering workshop was conducted to evaluate and explore potential cost savings that might be achieved through design changes. Overall, the design was found to effectively meet the functional needs of the facility and cost savings measures were identified, which were subsequently incorporated into the design (simplification of the roof over the single story portion of the structure and replacement of glass at some locations along the sides of the building and roof).

The Public Art component being recommended will be accomplished by Light Projects, Ltd. and lighting artist Leni Schwendinger. This artist is also working on the North Embarcadero Visionary Plan and was selected with the cooperation of the San Diego Arts and Culture Commission.

An objective of the design has been to incorporate sustainability features to the maximum extent feasible. A LEED Accredited Professional was retained to be a part of the architectural team and has been working with the Port and the architects on identifying design features which would qualify as "credits" towards LEED certification. In addition, a Commissioning Agent has been identified who is coordinating with the architect and design team. The project has been registered with the U.S. Green Building Council (USGBC) and the LEED certification and commissioning efforts are to be continued throughout the design and construction process.

With respect to the pier, there have been numerous improvement projects implemented over the past several years as a continuing component of the Port's major maintenance program. The pier consists of three distinct construction areas: the original 1913 pier

construction of 800 ft., the 1930 addition of 200 additional feet, and a 1989 apron upgrade based on maritime uses at that time. Pier improvements completed in 2007 have included a structural deck upgrade and pile encasements installed under the 1913 section. These pier repairs have increased the life cycle of Broadway Pier by another 50 years.

Recent engineering studies have developed conceptual designs for additional pier upgrades. The proposed concept, planned to be installed over a 5 year period, consists of repairs and upgrades for seismic and fender pile/mooring improvements. Preliminary cost estimates for the repair work range from \$8 million to \$15 million (total hard and soft costs). Staff is recommending that the funding for this project be allocated from the major maintenance program.

Provisions have also been made in the Broadway Pier design to include a cold ironing conduit that will allow compliance with the State of California's shore power regulation. This infrastructure is also an important part of the Port's Clean Air Program and will significantly reduce air emissions from cruise ships while at berth. To facilitate this work, the Broadway development team has been working collaboratively with the shore power project team to ensure the objectives of both projects are realized. The shore power project team has secured \$2.4 million in Carl Moyer Program grant funds that will aid in funding the estimated \$6 million shore power infrastructure on the B Street and Broadway Piers. Also, a decision analysis was conducted to evaluate feasible locations for the shore power equipment. A variety of stakeholders participated in the analysis, including the City of San Diego, CCDC, SDG&E, and Port staff. The shore power project for B Street and Broadway Piers, including information on the acceptance of grant funds and the equipment location, will be presented to the Board for consideration and funding in October 2008.

In summary, there has been significant progress in implementing the Broadway Pier Cruise Ship Terminal Improvements project as authorized by the Board at the January 2008 BPC meeting.

Potential long term benefits of project implementation include:

- 1) Ensuring retention of regional economic benefits estimated at \$2 million per homeport cruise call
- 2) Improved public access to the pier, including a 400 ft. forecourt area in front of the 50,000 sq. ft. building, plus public access to the building for civic and corporate special events
- 3) Providing a long term third berth for cruise, military and visiting ships
- 4) Providing enhanced opportunities to showcase environmental outreach and public art with the incorporation of the sustainability features
- 5) Providing shore power infrastructure by 2011, three years earlier than State regulatory requirements by 2014
- 6) Eliminating the annual cost of using temporary tents at Broadway Pier and the related cost of offsite check-in facilities (estimated to total over \$1 million per year)

Port Attorney's Comments:

Not Applicable. No document requested.

Environmental Review:

This proposed Board action is not subject to CEQA, as amended.

Equal Opportunity Program:

Not Applicable.

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**BROADWAY PIER CRUISE SHIP TERMINAL
COST ESTIMATE AND CDP BUDGET SUMMARY**
August 11, 2008

	Budget/Cost Estimate (millions)	
	Jan 08 (CDP)	Aug 08
Hard Costs		
Terminal	13.6	15.8
Gangway	1.7	1.8
Pier Deck Upgrades	2.7	2.7
Subtotal Hard Costs (Broadway)	\$18.00	\$20.30
Soft Costs		
Administration (Design, CM, Other)	3.65	4.75
Material Testing, Inspection, Fees		0.42
Contingency	0.96	1.37
Interest	0.43	0.43
Subtotal Soft Costs (Broadway)	5.03	6.96
Total Broadway (Hard + Soft Costs)	\$23.03	\$27.26
Completed B Street Improvements	1.07	1.07
Previously "Expensed" B Street Improvements	-0.45	-0.45
Subtotal "B" Street (includes credit for "expensed")	0.62	0.62
Total Estimated CDP Cost/Budget	\$23.65	\$27.88

Notes:

- 1. Current approved CDP Budget (FY09-13) - Authorization to be confirmed by Board**
- 2. Costs do not include pier improvements (fender piles, seismic, pile encasements)**