AGENDA ITEM
Public Utilities Commission
City and County of San Francisco

DEPARTMENT General Manager AGENDA NO. 10
MEETING DATE February 14, 2012

Adoption of SFPUC Land Use Policy: Regular Calendar
Project Manager: Michael Carlin

Adoption of SFPUC Framework for Land Management and Use

Summary of Proposed Commission Action:
Discussion and Possible action to Adopt a Framework for Land Management and Use relating to SFPUC lands not otherwise subject to specific policy guidance, including: 1) Leases or Permits for Secondary Uses on SFPUC Land, 2) Disposition of SFPUC owned Lands; and 3) Acquisition of Land by the SFPUC.

Background:
At the October 11, 2011 Commission Meeting, a Land Use Workshop was held to solicit input on the development of a land use framework to guide the decision making process for land management and use of SFPUC properties. Based on the input received, the “SFPUC Framework for Land Management and Use” (“Framework”) was developed for the Commission’s consideration. The Commission has established a number of land management policies (e.g. Alameda and Peninsula Watershed Management Plans), and the nothing in the Framework is intended to amend or revise those policies currently in place. The focus of this document is to affirm and identify general principles and/or considerations for the SFPUC in the management of real estate assets in three key areas for lands not otherwise subject to specific policy guidance: I) Leases or Permits for Secondary Uses on SFPUC Land, II) Disposition of SFPUC owned Lands; and III) Acquisition of Land by the SFPUC.

By adoption of the Framework, the Commission is seeking to advance the analytical and decision-making process surrounding the administration of real estate assets under the SFPUC’s exclusive jurisdiction.

Environmental Review:
Approval of this Framework to guide the administration of real estate assets is not a project within the meaning of the California Environmental Quality Act. Necessary environmental review for any decisions related to specific properties

APPROVAL:

DEPARTMENT / BUREAU

COMMISSION SECRETARY

FINANCE

GENERAL MANAGER

Todd L. Rydstrom

Ed Harrington

Mike Housh
Adoption of SFPUC Framework for Land Management and Use  
**Commission Meeting Date**: February 14, 2012

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<th>Schedule</th>
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<td><strong>Recommendation:</strong></td>
<td>SFPUC staff recommends that the Commission adopt the attached Resolution.</td>
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would be conducted as part of the lease or permit process, or as part of the disposition or acquisition process.
PUBLIC UTILITIES COMMISSION
City and County of San Francisco

RESOLUTION NO. ____________________________

WHEREAS, A Land Use Workshop was held at the October 11, 2011 Commission Meeting to solicit input on the development of a land use framework to guide the decision making process for land management and use of certain SFPUC properties; and

WHEREAS, Based on input received from the Land Use workshop, the “SFPUC Framework for Land Management and Use” (“Framework”) was developed for the Commission’s consideration; and

WHEREAS, As outlined in the Framework, the Commission previously has established policy guidance, including policies of broad applicability, such as the Environmental Justice and Community Benefit Policies, as well as detailed guidance specific to land management, such as the Alameda and Peninsula Watershed Plans, and nothing in the Framework is intended to amend or revise those existing policies; and

WHEREAS, The focus of the Framework is to affirm and identify general principles and/or considerations for the SFPUC in the management of real estate assets in three key areas for lands not otherwise subject to specific policy guidance: I) Leases or Permits for Secondary Uses on SFPUC Land, II) Disposition of SFPUC owned Lands; and III) Acquisition of Land by the SFPUC; and

WHEREAS, By adoption of the Framework, the Commission is seeking to advance the analytical and decision-making process surrounding the administration of real estate assets under the SFPUC’s exclusive jurisdiction; now therefore be it

RESOLVED, That the Commission hereby adopts the SFPUC Framework for Land Management and Use.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of ____________________________ February 14, 2012

__________________________________
Secretary, Public Utilities Commission
FRAMEWORK FOR LAND MANAGEMENT AND USE

By adoption of this Framework for Land Management and Use, the Commission is seeking to advance the analytical and decision-making process surrounding the administration of real estate assets under the San Francisco Public Utilities Commission’s (SFPUC) exclusive jurisdiction. Properties under the jurisdiction of the Commission shall first and foremost serve the mission of the SFPUC to provide our customers with high quality, efficient and reliable water, power, and sewer services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care.

In connection with the operation of its water, wastewater and power systems, the SFPUC has jurisdiction over a wide range of property types both inside and outside the City and County of San Francisco. In total, the SFPUC has jurisdiction over:

- 210 miles of water pipelines rights-of-way, owned in fee title or by easement
- 280 miles of electrical transmission lines
- 900 miles of sewer lines and 1200 miles of water distribution lines
- Facilities including impounding and distribution reservoirs, dams, powerhouses, treatment plants, maintenance yards and warehouses, pump stations, tanks, electric substations, administration buildings, and various properties acquired for, or formerly used for these purposes.
- Tuolumne River and Bay Area Watersheds
  - In the Tuolumne River Watershed, the SFPUC owns some land in fee but operates water and power facilities primarily under right of way easements granted by the United States under the Raker Act of 1913. Primary responsibility for managing these lands lies with the National Park Service and the United States Forest Service, as described in agreements with the SFPUC (below). The SFPUC coordinates with and assists the National Park Service in its management of the 459-square-mile Tuolumne River watershed and the 79-square-mile Eleanor Creek watershed located in Yosemite National Park; and similarly coordinates with and assists the Stanislaus National Forest in its management of the 114-square-mile Cherry Creek watershed located within the National Forest boundaries.
  - In the Bay Area (Alameda and Peninsula Watersheds), the SFPUC manages approximately 60,000 acres of land acquired by the City and County of San Francisco (CCSF) primarily from the Spring Valley Water Company in 1930. The SFPUC manages these watershed lands pursuant to adopted Watershed Management Plans that incorporate policies for the purpose of protecting these watershed lands that surround the local water supply, to ensure a reliable and high quality drinking water for the Bay Area customers, and also address public use, secondary use, and acquisition and disposition of lands.
• Lake Merced Tract
  o Lake Merced is located in the southwest corner of San Francisco near Skyline and Lake Merced Boulevards. It consists of four inter-connected freshwater lakes: North Lake, South Lake, East Lake and Impound Lake that are fed by rain water and seepage from historic springs and creeks. Lake Merced is an emergency source of water for the City of San Francisco to be used for fire fighting or sanitation purposes if no other sources of water are available. The San Francisco Recreation and Park Department manages the recreational areas of the Lake under a 1950 agreement with the SFPUC. The SFPUC manages the water aspects of the Lake.

Existing Policies Related to Land Management
The SFPUC has managed most of these lands for decades, and the Commission has established a broad range of policy guidance specifically for their use and administration, including:

A. Water Enterprise Environmental Stewardship Policy adopted by the Commission in June 2006 to acknowledge responsibility for the protection of natural resources that affect or are affected by operation of the SFPUC water system. The Watershed and Environmental Improvement Program (WEIP) is an important Stewardship Policy implementation strategy – the WEIP will provide $50 million over 10 years to protect and restore natural resources within SFPUC watershed lands, including the acquisition of easements and/or title to additional watershed lands for protection of source quality water.

B. Hetch Hetchy Watershed Protection 5-Year Agreement with the National Park Service, initially adopted by the Commission in June 2005 and again as revised in August 2010, to meet federal and state criteria for source water protection instead of providing filtration. The Agreement sets priorities and schedules for water quality protection, environmental stewardship, and security activities in the Tuolumne River Watershed within Yosemite National Park by the Park Service using funding provided by Hetch Hetchy Water and Power.

C. Wild and Scenic River Management Plans. The National Park Service is preparing a wild and scenic management plan for the Tuolumne River within the National Park, and is scheduled to release a draft plan for public comment in 2012. The US Forest Service completed their plan for the reach of the Tuolumne River in the Stanislaus National Forest in 1988.

D. Alameda Watershed Management Plan. This comprehensive Plan thoroughly examines all aspects of land management in the Alameda Watershed, and was adopted by the Commission in 2000. The primary goal of the Plan is the
protection and enhancement of source water quality. The purpose of the Plan is to provide a policy framework for the SFPUC to make consistent decisions about the activities, practices, and procedures that are appropriate on Alameda Watershed lands. The Plan divides the watershed between the primary watershed (areas tributary to the SFPUC’s drinking water sources) and the secondary watershed (areas downstream of drinking water intakes, primarily the Sunol Valley). The Sunol Valley Resource Management Element of the Plan guides the SFPUC’s quarry leasing activities in Sunol Valley. Finally, the SFPUC is developing a 50-year habitat conservation plan to protect certain sensitive species in the SFPUC’s Alameda Watershed lands while allowing operation, maintenance, repair and replacement of water supply facilities.

E. Peninsula Watershed Management Plan. This comprehensive Plan thoroughly examines all aspects of land management in the Peninsula Watershed, and was adopted by the Commission in 2001. The primary goal of the Plan is the protection and enhancement of source water quality. The purpose of the Plan is to provide a policy framework for the SFPUC to make consistent decisions about the activities, practices, and procedures that are appropriate on Peninsula Watershed lands. The Peninsula Watershed is also covered in large part by two scenic easements administered by the United States Department of the Interior through the Golden Gate National Recreation Area. The scenic easements prohibit certain activities in the watershed and generally seek to preserve open space values.

F. Right-of-Way Encroachment Policy. In 1999 the SFPUC adopted a Right of Way Encroachment Policy intended to safeguard the water, power and sewer utilities and other related appurtenances on right of ways through lands controlled by the SFPUC or the City. The Right of Way Encroachment Policy provides guidance for the types of secondary uses and legal arrangements that should be authorized in these situations. The Commission amended the policy in 2007 to further address situations raised by the construction of projects under the Water System Improvement Program regarding permitted uses, or encroachment on the Rights of Way, by adjacent property owners.

G. Vegetation Management Policy. This Policy was adopted by the Commission in 1999 to establish guidance for secondary uses of the Right of Way with respect to permissible vegetation incorporated in third party landscaping and gardening uses. For example, the Policy generally prohibits the planting of trees on the right of way to protect the pipelines. The Commission also adopted site specific mitigation measures when it approved the various WSIP pipeline improvement programs (e.g. Bay Division, San Joaquin Pipeline) that specify the types of permissible vegetation for use in post construction restoration of the right of way.
H. **Real Estate Services Guidelines.** Currently there are approximately 100 properties under lease and another approximately 300 properties where permits are issued. Leases and permits for certain uses on SFPUC lands are managed by SFPUC Real Estate using the Real Estate Services Guidelines. These Guidelines, and the Commission approved forms of specific lease or permit agreements, reflect policies for the protection of land and facilities, as well as the SFPUC’s financial interests.

I. **Environmental Mitigation and Monitoring Plans.** The Commission, in approving the Water System Improvement Program, projects within the WSIP, and other construction projects by all SFPUC enterprises, also has adopted environmental mitigation and monitoring plans or approved project related regulatory permit conditions that may include provisions for the protection of habitat, cultural resources, and water quality related to that specific project or property under construction.

J. **MOU/MOAs.** The Commission has authorized Memorandum of Understanding or Agreement (MOU/MOA) with other governmental agencies, or city departments, concerning certain properties that incorporate policies for the use and management of those SFPUC lands. For example, there is an MOU between SFPUC and the Recreation and Park Department for the use and management of the Reis Tract, a pipeline right of way in Visitacion Valley, relating to surface improvements for community use. Another MOU with San Mateo County addresses use and access to the Sawyer Camp Trail System. An MOU between SFPUC and the Recreation and Park Department for the Lake Merced Watershed is under development and review by the Commission as a replacement for the 1950 resolutions of the two departments that generally assign responsibility for managing surface recreational uses to the Recreation and Park Department.

K. **Policies of General Applicability.** Many other Commission policies of general applicability also guide the administration and use of SFPUC lands — including Community Benefit, Environmental Justice, Sustainability, and Storm Water Management Plan.

The Board of Supervisors has also established policies applicable to the management of all City owned properties, including the Recreation and Open Space Element of the San Francisco General Plan, Green Building Ordinance, Pesticide Ordinance, Graffiti Removal, among others. In addition, the Charter and San Francisco Administrative Code contain policies and procedures governing land acquisition, disposition, leases and permits.
Focus on Land Management Guidance for Secondary Uses, Acquisitions and Disposition of SFPUC Lands

As detailed above, the Commission has established a number of land management policies, and the nothing in this Framework is intended to amend or revise those policies currently in place. The focus of this document is on SFPUC land management in three key areas for lands not otherwise subject to specific policy guidance (e.g. Alameda and Peninsula Watershed Management Plans): I) Leases or Permits for Secondary Uses on SFPUC Land, II) Disposition of SFPUC owned Lands; and III) Acquisition of Land by the SFPUC.

I. Leases or Permits for Secondary Uses on SFPUC Land

The primary use of SFPUC land is for the delivery, operation, maintenance and protection of its water, power, and sewer systems. Secondary uses of lands devoted to these purposes may be permitted if those uses do not in any way interfere with, endanger or damage existing or future operations or the security of those systems, and there is a benefit to the SFPUC in permitting that use.

Due to the diverse nature of the SFPUC properties, each property must be evaluated individually to determine the appropriateness for secondary uses. To determine if a secondary use is allowed, the SFPUC staff will evaluate the use in light of the following additional economic, environmental, and community considerations.

ECONOMIC: Leases or permits for secondary uses may be allowed when:

1. There is no other primary SFPUC use for which the land is required at the time, and the use is compatible with the existing or anticipated future SFPUC use of the land.

2. Fair market rent or fees are received, except as provided in the SFPUC Real Estate Services Guidelines ("RES Guidelines"), and such use is at least revenue neutral.

3. The terms of the lease or permit are consistent with the SFPUC RES Guidelines, including provisions related to the forms of agreements approved by the Commission.

4. The use is subject to conditions that preclude improvements that would adversely affect the SFPUC’s ongoing use of the land.

5. The use does not displace secondary uses that are more consistent with the SFPUC’s mission and policies.
6. The use requires no ongoing maintenance by the SFPUC, unless specifically described and agreed to in the lease or permit.

7. The use creates no new legal liability for the SFPUC.

8. The use does not rely on use of any other SFPUC land to function.

9. Following the secondary use, the SFPUC may use the parcel for other SFPUC uses or purposes, without remediation, in a timely manner.

ENVIRONMENTAL: Secondary uses may be allowed when:

1. The use is consistent with existing SFPUC policies.

2. The use is subject to appropriate environmental review so that the environmental effects of the use, if any, can be considered and mitigated to the extent feasible.

3. The use does not pose unacceptable health or safety risks for SFPUC employees or others on or near the land.

COMMUNITY: Secondary uses may be allowed when:

1. The use is consistent with the SFPUC's Environmental Justice and Community Benefit policies and objectives.

2. The applicant is required to obtain all required permits and authorizations from the local jurisdiction.

3. If the proposed use involves a change of use from the existing condition, the applicant is first required to obtain SFPUC authorization to seek any necessary approvals of the local jurisdiction, and approval of the permit or lease is subject to SFPUC first considering the adjacent community's or local jurisdiction's concerns.

4. The use does not hamper emergency access to any surrounding SFPUC parcels.

II. Disposition of SFPUC Lands

In certain instances, land owned by the SFPUC may no longer serve a primary utility purpose, nor an anticipated future purpose, for use by any of the utilities under the SFPUC jurisdiction (water, sewer, power). Parcels that may be subject to a determination by the Commission that the property in question is surplus to the needs of any utility may be sold or transferred to another city department.
The sale or transfer of surplus property must achieve fair market value compensation for the benefit of ratepayers, and is subject to bond covenant provisions protecting the bondholders' security for SFPUC indebtedness. Sales of property and interdepartmental jurisdictional transfers are also subject to Board of Supervisors approval, and that of the receiving department, consistent with the City Charter and ordinances.

The SFPUC's ratepayers bear the costs of significant seismic and operational upgrades to the SFPUC's utility systems. Revenues realized from the sale of surplus assets reduce the need to recover a comparable amount of funding from ratepayers through utility rates. Accordingly, the sale or transfer of a particular parcel under the jurisdiction of the SFPUC should be preferred over retention in instances where (i) such parcel is not currently being used for a primary utility purpose, (ii) staff has determined that there is not a reasonably foreseeable utility purpose for which the parcel would be uniquely suited by any of the utility enterprises under SFPUC jurisdiction, (iii) the sale or transfer of such parcel would achieve a financial return consistent with SFPUC's fiduciary duties to ratepayers and bondholders, and (iv) sale or transfer of such parcel would not result in the permanent loss of a significant asset to the cultural history of the City and County of San Francisco and the SFPUC. Additionally, the following economic, environmental, and community criteria should be considered:

**ECONOMIC CRITERIA**: Land may be sold or transferred when:

1. The sale or transfer does not jeopardize the future use or potential sale of functionally related and/or adjoining SFPUC land.

2. The sale or transfer will result in savings of operational costs expended to manage the property.

3. The sale or transfer does not result in a change of use of the property that would increase SFPUC exposure to liability related to conditions in the soil or structures that are not warranted by the return to SFPUC from the sale or transfer.

**ENVIRONMENTAL CRITERIA**: Land may be sold or transferred when:

1. The sale or transfer is subject to appropriate environmental review, so that the SFPUC can consider the environmental effects, if any, and determine whether the sale or transfer is consistent with existing SFPUC policies.

**COMMUNITY CRITERIA**: Land may be sold or transferred when:

1. The sale or transfer is evaluated under SFPUC Community Benefit and Environmental Justice policies and objectives.
2. The sale or transfer would not significantly adversely affect the implementation of an adopted resource agency plan for the area.

3. The sale would not increase the risk of loss, injury or death to SFPUC employees or others on or near the parcel.

4. Use of the land sold will not to result in activities creating a nuisance.

III. Property Acquisitions
From time to time the Commission actively seeks out or is presented with opportunities to acquire or exchange additional land, or an easement, that would be beneficial to the SFPUC’s utility operations or objectives. In such instances staff shall perform an evaluation of the utility need or objectives that would be addressed by such proposed acquisition, including whether there are other feasible alternatives that would also achieve comparable objectives while mitigating the costs or liabilities associated with the property acquisition opportunity. Staff shall present the result of such evaluation to the Commission in connection with its consideration of the acquisition. The acquisition of property is also subject to approval by the Board of Supervisors, following a determination by the Planning Commission as to the consistency of such acquisition with the San Francisco General Plan. The following additional economic, environmental, and community criteria should be considered when making the decision to acquire property.

ECONOMIC CRITERIA: Land, or easements, may be acquired or exchanged when:

1. Acquisition of the land or easement provides additional resources to further the SFPUC objectives.

2. The price does not exceed fair market value.

3. Acquisition of the land or easement would mitigate against future SFPUC costs, for instance, where SFPUC utilities are located on property owned by third parties and thus subject to displacement.

4. Current uses of the land are not compatible with adjoining SFPUC land usage, in a manner that interferes with SFPUC utility objectives.

5. A proposed exchange of surplus property for lands to be acquired can reduce the need for an appropriation of funding derived from ratepayers for the acquisition.
ENVIRONMENTAL CRITERIA: Land may be acquired when:

1. The acquisition is subject to appropriate environmental review, so that the SFPUC can consider the environmental effects, if any, and determine whether the acquisition of the land or easement furthers the SFPUC’s existing policies (e.g., Water Enterprise Environmental Stewardship Policy, Alameda and Peninsula Watershed Management Plans).

2. There is no unwarranted site remediation the SFPUC would be required to undertake.

3. The acquisition and use can be found to be consistent with any adopted resource agency plan for the area.

4. The acquisition enables the SFPUC to secure one or more resource agency permits for the construction or operation of utility facilities.

COMMUNITY CRITERIA: Land may be acquired when:

1. The acquisition is evaluated under SFPUC Community Benefit and Environmental Justice policies and objectives.