

## MEMORANDUM

November 6, 2007

**TO:** MEMBERS, PORT COMMISSION  
Hon. Ann Lazarus, President  
Hon. Kimberly Brandon, Vice President  
Hon. Rodney Fong  
Hon. Michael Hardeman  
Hon. Stephanie Shakofsky

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request approval of the Environmental Risk Management Policy and Financial Assurance Requirements for Real Property Agreements.

### **DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION**

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This document describes and clarifies the Port's existing policy regarding financial assurance requirements for real property agreements to address potential environmental liabilities, and the roles and responsibilities of Port staff with respect to ensuring compliance with these requirements. Every lease, lease renewal, lease amendment, sublease, assignment, license, and permit to enter shall be subject to review for applicability of financial assurance requirements.

### **Background**

Under federal, state and local environmental laws, the owner of property is strictly liable for the environmental condition of its property, regardless of its lack of culpability in creating the environmental harm. Consequently, the Port can be held liable for environmental problems created or left behind by its tenants, licensees and/or permittees. (For purposes of this staff report and the attached Policy, the term "tenant" shall include licensee and permittee.) This could include Port expenditures for staff time, laboratory analyses, regulatory fines, removal of abandoned materials, site investigation, remediation of soil and groundwater, and other unfulfilled tenant obligations with respect to the condition of Port property. To minimize these environmental liabilities and their associated costs, the Port requires financial assurances for industrial and commercial activities that present significant environmental risks to the Port. Port staff performs an analysis of the potential environmental liabilities and risk to the Port for all leases, lease renewals, lease amendments, subleases, assignments, licenses, and permits to enter and if appropriate, the environmental assurance provisions are incorporated into such documents.

**This Print Covers Calendar Item No. 10B**

Through this policy, the Port is seeking to manage risk and minimize potential Port liability. The goal is to establish an approach that reasonably reflects risk to the Port while trying to maximize trust assets through commercial and industrial leasing opportunities, and to employ a consistent methodology that fairly characterizes and protects the Port against such risks. Numerous regulatory precedents exist at both the federal and state levels and these have been used to inform this policy.

### **Port Staff Community Meeting**

On August 7, 2007 Port staff presented this policy to the Port Commission as an informational item. On October 18, 2007, Port staff presented this policy to the Maritime Commerce Advisory Committee. The presentation focused on the purpose of the policy, the mechanisms by which additional security is provided to the Port, and the impact this has on tenant obligations.

### **Recommendation**

Port staff recommends that the Port Commission approve this resolution clarifying the Port's Environmental Risk Policy and Financial Assurance Requirements, per the attached Exhibit.

Prepared By: Richard Berman  
Environmental Regulatory Specialist  
Real Estate Division

For: Monique Moyer  
Executive Director

## **PORT OF SAN FRANCISCO ENVIRONMENTAL RISK MANAGEMENT POLICY AND FINANCIAL ASSURANCE REQUIREMENTS**

This policy explains the financial assurance requirements for real property agreements to address potential environmental liabilities, and the roles and responsibilities of Port staff with respect to ensuring compliance with these requirements. Every lease, lease renewal, lease amendment, sublease, assignment, license, and permit to enter shall be subject to review for applicability of financial assurance requirements.

### **BACKGROUND**

Under federal, state and local environmental laws, the owner of property is strictly liable for the environmental condition of its property, regardless of its lack of culpability in creating the environmental harm. Consequently, the Port can be held liable for environmental problems created or left behind by its tenants, licensees and/or permittees. (For purposes of this Policy, the term "tenant" shall include licensee and permittee.) This could include Port expenditures for staff time, laboratory analysis, regulatory fines, removal of abandoned materials, site investigation, remediation of soil and groundwater, and other unfulfilled tenant obligations with respect to the condition of Port property. To minimize these environmental liabilities and their associated costs, the Port requires financial assurances for industrial and commercial activities that present significant environmental risks to the Port. Port staff performs an analysis of the potential environmental liabilities and risk to the Port for all leases, lease renewals, lease amendments, subleases, assignments, licenses, and permits to enter and if appropriate, the environmental assurance provisions are incorporated into such documents.

Through this policy, the Port is seeking to manage risk and minimize potential Port liability. The goal is to establish an approach that reasonably reflects risk to the Port while trying to maximize trust assets through commercial and industrial leasing opportunities, and to employ a consistent methodology that fairly characterizes and protects the Port against such risks. Numerous regulatory precedents exist at both the federal and state levels and these have been used to inform this policy.

### **FINANCIAL ASSURANCE REQUIREMENT**

The financial assurance requirement ensures that adequate funds are available to cover the costs of a tenant's environmental obligations to the Port. It has two basic components which are usually used in combination:

- Environmental Oversight Deposit
- Environmental Performance Deposit

The standard security deposit is used to compensate the Port for routine expenses incurred or damage caused by the tenant. Common examples include unpaid rent or other bills for which the Port might be liable, as well as damage to property such as windows, flooring, and fencing. Additionally, these risks are consistent enough to be addressed as a function of rent, so that a standard security deposit is commonly assessed at the value of no less than two months.

Over recent decades, however, this traditional notion of property damage has evolved to reflect advances in environmental and health sciences and an improved understanding of the potential for harm associated with commercial and industrial activities. These trends have been accompanied by more restrictive regulatory mandates which often impose retroactive liability on broadly defined responsible parties, including property owners. In the context of the standard security deposit, these risks and liabilities are significant and extraordinary. They might include contamination to soil and groundwater, improper handling of hazardous waste, or significant regulatory fines. The costs can vary by orders of magnitude, and commonly exceed \$100,000 but can easily rise above \$1,000,000. As a supplement to the standard security deposit, the environmental financial assurance deposits protect the Port from the unusual and extraordinary environmental risks that can arise from certain tenant activities.

The Environmental Oversight Deposit is a cash deposit to reimburse the Port for additional staff time and administrative expenses due to a notice of violation or other regulatory order that is issued to a tenant. Administrative expenses include staff time for inspecting and monitoring the condition of the tenant's premises, corresponding with regulatory agencies, and otherwise enforcing and administering the tenant's environmental obligations. Because administrative staff costs are predictable and because the environmental oversight deposit is replenishable, staff has determined that \$10,000 is sufficient for the environmental oversight deposit, when needed.

The Environmental Performance Deposit is secured to cure any defaults on the part of the tenant, or to compensate the Port for any damage it might incur as a result of the tenant's failure to perform its obligations, environmental or other. It is a component of the security deposit to be applied as such, without restriction. The need for and amount of the Environmental Performance Deposit is determined by Port staff and is based on staff's analysis of environmental liabilities and risk. Because tenant activities and their associated risks vary widely, a separate determination is made for each tenant. The amount of the Environmental Performance Deposit can range from thousands of dollars to more than one million dollars. If the Port is requiring that the tenant carry pollution legal liability coverage, upon request by the tenant the Port may review the deductible required under that policy, relative to the face value of the letter of credit. The tenant may also present evidence of financial assurance required by third parties that would protect the Port against such risks.

## **TYPES OF FINANCIAL ASSURANCE**

A variety of financial assurance mechanisms are available to the Port and a determination of the most appropriate mechanism is dependent upon an array of factors. Examples of financial mechanisms include:

- Cash Deposit
- Letters of Credit
- Corporate Guaranty

When identifying the most appropriate financial mechanism(s), foremost consideration is given to the Port's ability to access the necessary deposit in a timely manner. Difficulties such as bankruptcy or the required consent of a third party institution increase the risk that the Port will not be able to access the financial assurances.

As a rule, a cash deposit is the Port's preferred mechanism of financial assurance for environmental obligations. A letter of credit may also be acceptable provided that the letter of credit is irrevocable, stand-by, unconditional and negotiable, and may be drawn by the Port in the financial/downtown district of San Francisco.

In limited situations, the Port may accept an unconditional guaranty from a third party entity, such as a corporate parent, that has the financial capability to guarantee all of a tenant's obligations. Because a corporate guaranty poses additional risks to the Port that cash deposits or letters of credit do not have (such as guarantor fails to abide by the terms of the guaranty requiring Port to sue and guarantor goes bankrupt), the corporate guaranty should be used by the Port only in conjunction with a cash deposit or letter of credit.

Acceptable forms of financial assurance to the Port are restricted to cash deposits and letters of credit, and either of which may be supplemented with a corporate guaranty. Port staff is not authorized to accept any other form of financial assurance without Port Commission approval.

Financial mechanisms should extend throughout the full term of each tenancy plus any time necessary to perform a proper exit inspection (typically 45 days to nine months). In the event that the Port should need to avail itself of these funds before a tenancy ends, a replenishing requirement should be included.

## **APPLICATION OF FINANCIAL ASSURANCE REQUIREMENT**

Determinations about financial assurance involve complex environmental issues and the applicability of this requirement to prospective and renewing tenants are made after review and consideration of each leasing application or request for renewal or amendment. Although a single methodology does not apply to all scenarios, some general guidelines can be identified. Risk analyses and recommendations for financial assurance are generally prepared by the Real Estate Regulatory Specialist who is responsible for environmental affairs in conjunction with leasing and property management. This recommendation is then presented for consideration to the Port's Risk Manager and to the appropriate Deputy Directors of the Real Estate, Planning & Development, and Maritime Divisions. The Risk Manager and Director(s) may accept, revise, or reject the amount of the recommendation; they may also select a different financial assurance mechanism from among the approved types. Approval of any other type of financial mechanism such as a surety bond would require approval of the Port Commission.

Risk to the Port from a tenant's activities can be manifested in many ways that can lead to the imposition by staff of a financial assurance requirement. Certain regulatory thresholds and permit requirements can indicate an elevated environmental risk. Similarly, activities such as the storage or movement of large quantities of soil or construction materials can indicate elevated risk levels. On the other hand, many businesses do not require environmental permits, store hazardous materials, or otherwise present significant risk to the Port; such businesses are, therefore, unlikely to trigger financial assurance. Business activities that typically do not trigger financial assurance include office use, restaurants, or fish processing. Finally each determination is predicated upon the analysis of risk only, independently of the remaining lease terms, including rent which in many cases has no relationship to the potential environmental liabilities presented by a particular tenant's operations.

## **ENFORCEMENT OF FINANCIAL ASSURANCE REQUIREMENT**

Failure by a tenant to maintain and provide proof of financial assurance constitutes an event of default under the lease, subject to immediate enforcement by Port staff. Port staff with responsibility for administration of a lease, license, or permit to enter shall immediately consult with the Deputy Director of Real Estate (or the Deputy Director of Maritime or the Deputy Director of Planning & Development) and, in consultation with the City Attorney's Office, initiate written enforcement of the terms and conditions of the subject agreement. Note that this is the responsibility of the Real Estate or Maritime staff managing the property and not that of the City Risk Manager, Port Risk Manager, Environmental Staff, the Real Estate Management Assistants, or the City Attorney's Office

## **HAZARD AND RISK**

A common and important distinction is that between 'hazard' and 'risk'. While hazard is understood to be the potential to cause harm, risk is a consideration of the hazard together with the likelihood or probability that such harm will occur. Both hazard and risk will be considered in determining whether financial assurances will be required and in what amount.

A common and low hazard event such as the release of hydraulic fluids from a vehicle storage yard might not warrant a financial assurance. Similarly, a worst-case scenario can be highly improbable and might, therefore, be a poor basis on which to require financial assurances. As an example, abandoned soil contaminated with chlorinated hydrocarbons might be the most costly scenario for a given operation, yet might be a very unlikely occurrence. Abandoned soil contaminated with lead would be less costly but much more likely to occur and could better serve as a basis for the determination of financial assurance.

Certain regulatory thresholds and permit requirements are indicators of concern that can also represent an elevated environmental risk to the Port. A Department of Public Health Hazardous Materials Unified Program Agency (HMUPA) permit is an example. This permit is required by the State for businesses that generate hazardous waste, store threshold quantities of hazardous materials, or operate underground or aboveground storage tanks. In particular, the generation of large amounts of hazardous waste or the operation of an underground storage tank presents sufficient risk that financial assurance is mandated in state law. Port tenants that are subject to a commercial/industrial storm water permit will also be candidates for financial assurance. This likelihood will increase as the permit level increases from the

- General permit for industrial facilities to
- Industry-specific general permit to
- Individual National Pollution Discharge Elimination System (NPDES) permit

## **DETERMINING RISK and CALCULATING FINANCIAL ASSURANCE**

When analyzing the risks posed by a Port tenant, it is useful to estimate the greatest hazard or worst-case situation. This analysis can help Port staff to understand the likelihood of a given range of hazards to determine the risk. Once the risk is characterized, the financial impact to the Port should be calculated, including potential regulatory costs.

## **Regulatory Precedent**

There are many examples of regulated commercial and industrial activities which the federal or state government has determined presents sufficient risk that financial assurance is required.

### EXAMPLE 1

#### Hazardous Waste Facilities

California Code of Regulations – Title 22 §66264.140 et seq.

### EXAMPLE 2

#### Hazardous Waste Treatment Units

California Code of Regulations – Title 22 §67450.13 et seq.

### EXAMPLE 3

#### Household Hazardous Waste Collection Facilities

California Code of Regulations – Title 22 §67450.30 et seq.

### EXAMPLE 4

#### Underground Storage Tanks

Code of Federal Regulations – Title 40 Part 280 §280.90 et seq.

California Health and Safety Code – Section §25299.30 et seq.

California Code of Regulations – Title 23 §2805 et seq.

### EXAMPLE 5

#### Tankers and Barges That Transport Oil in Bulk Across State Marine Waters

California Code of Regulations – Title 14 §791 et seq.

The first example mitigates the risk that an operator of a hazardous waste facility might declare bankruptcy and abandon a facility filled with hazardous waste. As the regulating agency for hazardous waste, the state has an interest in ensuring that responsible parties are held accountable for the materials they handle. The Title 22 regulations include guidelines for determining which businesses are subject to the requirement and a methodology for estimating financial assurance. The requirement applies to specific generators and handlers of hazardous waste that are deemed to pose the highest risks; these include treatment, storage and disposal facilities (TSDFs) and facilities that treat hazardous waste under a Permit-By-Rule (PBR). It does not apply to activities that the state has determined pose lesser risks such as the generation of used motor oil. The methodology requires the estimation of the maximum amount of waste that can be stored (the maximum risk), thus providing a foundation for calculating maximum disposal liability. The methodology also excludes any potential recovery value from the waste materials as part of the financial assurance determination, thus preventing the underestimation of risk. It also requires an annual adjustment of the financial assurance to reflect inflationary costs, adjustments within the industry, and changes in an operation.

This methodology could be adapted to a variety of prospective Port tenants, such as an electronics waste collector. Electronics waste is regulated as hazardous in California but is not subject to the state's financial assurance requirement. Nonetheless, the prospect of an abandoned leasehold filled with hazardous electronic waste would present a financial risk to the Port that

would require mitigation. The Title 22 methodology could serve as a foundation for this mitigation.

Each subsequent example cites similar regulations for different activities that would require risk mitigation. Although the activities vary, these requirements establish precedent as well as a variety of methodologies for determining the amount and form of financial assurance for Port tenants that present heightened risk. Although these examples might not translate directly to a specific tenant activity at the Port, reference to these financial assurance models also promotes consistency in application of this policy. Staff shall use its best professional judgment in applying and adapting these and other models to fairly and objectively assess the risks associated with tenant activities at the Port.

### **Materials**

An assessment of the tenant's operation is fundamental to calculating financial assurance and begins with a materials inventory that includes associated hazards, storage containers to be used (drums, yard boxes, open land, etc.), storage capacity (which might exceed intended storage quantity) and understanding materials flow in the operation (including the generation and management of any waste materials, maintenance schedules, training, and more). The generation and management of hazardous waste is both a common source of risk and a regulated activity. It is critical to know all of the hazardous materials/waste to be used and generated on site in calculating the level of required financial assurance.

The possible unintended introduction of materials is also important and can be the source of significant risk to the Port and the basis for a financial assurance recommendation. Businesses that handle debris from construction and demolition operations can encounter a variety of problem materials; common examples include contaminated soil and building materials which contain asbestos or lead. While a tenant might have no intention of handling hazardous materials, it might unwittingly accept such material. Careful review of operational screening protocols can help to understand the likelihood of this occurrence and, in turn, help to realistically portray the risk to the Port. The tenant's own protocols for managing risk as well as its environmental record will be considered in determining whether financial assurances are required and at what amount.

A financial assurances cost analysis for hazardous materials use and storage should begin with an accurate inventory of types and quantities of materials to be used. Disclosure of such inventories is required in federal and state laws, sometimes known as community-right-to-know laws (CRTK) including:

- U.S.C. Title 42, Chapter 116, Subchapter II, §11022
- 40 CFR 370 Section 312
- CCR Title 19, Division 2, Chapter 4, Article 4 §2729.2
- Uniform Fire Code Article 80

Local enforcement authority resides with the SF Department of Public Health – Hazardous Materials Unified Program Agency (HMUPA).

The inventory can then be used to estimate costs for removal, transportation, and disposal (including long-term disposal liability). The cost analysis should be based on estimates from two



or more vendors of each service that will be required, ideally from vendors who have existing contracts with the City.

### **Abandoned Materials**

Abandonment of materials, and hazardous materials in particular which can be especially expensive to remove, is a recurring category of concern and can pose a significant cost to the Port. Materials such as crushed concrete, piles of contaminated soil, drums of used oil, radio transmission towers, all constitute a burden to the Port when abandoned by tenants. Some materials can be costly to remove but otherwise innocuous (abandoned steel), while others may exhibit hazardous properties (friable asbestos insulation).

The potential for abandonment of materials by tenants is, in part, reflected in the strength of the business model. Business models that discourage stockpiling of material or which involve recovery value will decrease the likelihood that large volumes of material will be abandoned. The possibility of abandoned materials should be assessed for routine and planned materials in addition to possible unintended materials. Additional consideration should also be given to the long-term liability the Port incurs as 'generator' of such materials if the responsible party is unknown, unavailable or insolvent.

Cost analysis for assessing the potential environmental risks of abandoned materials should include the costs of testing/characterization, removal, transportation, and disposal (including long-term disposal liability). With proper disclosure the quantities and materials can usually be estimated with reasonable accuracy. The cost analysis should be based on estimates from two or more vendors of each service that will be required, ideally from vendors who have existing contracts with the City

### **Releases**

The release of hazardous materials is always a concern and the complexity of the operation is one indication of this potential. Regardless of intent, releases can and do occur, examples include leaking drums of used oil, burst hydraulic lines, and mismanagement of waste grit from blasting operations. General considerations in determining whether financial assurances are required include understanding the connections, dependencies, and complexities of a tenant's normal production sequence. Careful review of tenant's own operational screening protocols and training as well as infrastructural controls such as secondary containment and berms can also help to realistically portray the risk. Potential sensitive receptors are another important consideration when evaluating the hazards of a materials release. Proximity to residential neighborhoods and the Bay increase the seriousness of any potential release.

Cost analysis for financial assurances to cover potential releases should include the costs of testing and characterization, clean up, transportation, and disposal (including long-term disposal liability). Proper disclosure of materials is helpful as the nature and quantities of the materials will affect these costs. The location, timing, and nature of a release are also important. Location analysis should consider whether materials are stored, moved, transported, or processed on the leasehold or Port property. Additionally, consideration should be given to the potential environmental media to which a release might occur. For example, a liquid release onto a bermed and impermeable concrete pad is very different from a liquid release to soil and groundwater, and different yet again from a release to surface water such as the Bay.

### **Tenant's environmental risk management protocols and history.**

Finally, the reputation and credibility of the tenant are important factors and are evident in the tenant's sophistication and internal risk management protocols, its permitting requirements and compliance history, and in training documents and protocols. All of these help to understand the risk that any business brings to the Port.

### **Summary**

In summary, the approach to financial assurance calculation shall be methodical and based on a risk approach that distinguishes hazards from probabilities of occurrence. General considerations shall be given to the following:

#### HAZARD

- Materials inventory
- Hazard assessment (including unintended materials, waste materials, etc.)
- Use of less hazardous alternatives where possible
- Storage (quantity, type, capacity)
- Regulatory requirements and potential violations
- Identification of potential points of release and potential receptors

#### PROBABILITY

- Of Unwanted Materials
  - Likelihood of introduction – (varies with quantity and source of material, recovery value)
  - Mitigation - (training, screening)
- Of Abandonment of Materials
  - Likelihood (increases with poor regulatory/compliance history, the business model, etc.)
  - Mitigation (incentives not to stockpile, financial assurance, provisions restricting quantities)
- Of Release of Materials
  - Likelihood (varies with complexity of operations)
  - Mitigation- (training, compliance history, infrastructural controls: berms, secondary containment, alarms)

#### AMOUNT OF ASSURANCE/POTENTIAL COST TO PORT

- Confirmation of the materials to be used (including properties, storage, quantities)
- Costs for testing, transporting, disposing of materials
- Costs from release of materials and potential receptors (assessment, remediation)
- Potential for regulatory fines
- Estimates from multiple vendors

## **TYPES OF FINANCIAL ASSURANCE**

### **Cash Deposit**

A cash deposit can be provided to reimburse the Port for expenditures in response to a tenant's failure to perform its lease obligations.

### **Letter of Credit**

A letter of credit is a document issued by a financial institution which provides that the financial institution will honor demand for payment by the beneficiary upon compliance with the conditions stated in the letter of credit. The parties to a letter of credit will include the applicant (e.g. Port tenant), the issuing bank (e.g. the financial institution providing the letter of credit), and the Port as the beneficiary who is to receive the money. Once the Port makes a presentation in compliance with the terms and conditions of the letter of credit, the issuing bank is obliged to honor the payment request up to the face amount of the letter of credit. The letters of credit shall be irrevocable, (i.e. cannot be amended or cancelled without prior agreement of the Port and the issuing bank).

The letter of credit allows a tenant to provide a higher amount of financial assurance to the Port without having to put out the actual cash amount. For example, the tenant may provide Port with a letter of credit worth \$1 million. The tenant, however, will only be out of pocket the "fee" that the tenant will pay to the financial institution for issuing the letter of credit. The "fee" is usually determined as an annual percentage of the value or face amount of the letter of credit, which commonly ranges anywhere from .5% (or less depending on the tenant's relationship with the financial institution) to 1% per year of the face amount of the letter of credit.

### **Corporate Guaranty**

A corporate guaranty is a promise by another company that has a significant interest in the tenant operations to assume financial responsibility for the environmental lease obligations. The Port must be satisfied that the guarantor has the financial capability (i.e. appropriate tangible net worth) after review of its financial statements, and any other information requested by Port to determine the guarantor's financial capability, all of which should be certified by a senior corporate officer such as the Chief Financial Officer. The guaranty should be issued by a parent company, if one exists. The use of a corporate guaranty requires approval from the Executive Director of the Port.

## **REVENUE v. RISK**

As a corollary to the financial assurance requirement the Port also seeks to balance prospective revenue opportunities with the risks they bring. This can be understood in terms of a revenue/risk ratio. A high revenue/risk ratio would indicate that the revenues to Port are high while the environmental risks to Port are low, a desirable situation. A low revenue/risk ratio is less desirable because the revenues to Port are low but the environmental risks to Port are high, a less desirable situation. Tenant applications will be considered within this context. For tenant applications where the revenues to Port are low but the environmental risks are high, Port's receipt of adequate financial assurance may reduce Port's environmental risk sufficiently to permit Port to enter into a real property agreement with such tenant.

| <b>SCENARIO</b>                                 | <b>Revenue</b>                   | <b>Risk</b> | <b>Revenue/<br/>Risk</b> | <b>DESIRABILITY</b> |
|---|----------------------------------|-------------|--------------------------|---------------------|
| Office Use                                      | High<br>e.g. \$15,000 /<br>month | Low         | <b>High</b>              | <b>HIGH</b>         |
| Storing roll off<br>bins with<br>excavated soil | Low<br>\$400 / month             | High        | <b>Low</b>               | <b>LOW</b>          |

**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 07-81**

WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and

WHEREAS, The Port Commission is committed to protecting the integrity of Port property and the public health; and

WHEREAS, State, federal, and local laws hold the owner of property strictly liable for the environmental condition of its property, regardless of its lack of culpability in creating the environmental harm; and

WHEREAS, Certain operations on or uses of Port property by Port tenants, licensees, or permittees increase Port's administrative oversight costs and increase Port's risk of environmental liabilities; and

WHEREAS, The Port Commission staff has developed and have been implementing an Environmental Risk Policy and Financial Assurance Requirements for certain real property agreements that increase Port's risk of environmental liabilities and Port's administrative oversight costs, as further outlined in the staff report accompanying this Resolution; now, therefore, be it

RESOLVED, That the Port Commission hereby formally adopts the Environmental Risk Policy and Financial Assurance Requirements for Real Property Agreements that have been in practice and directs Port staff, in consultation with the City Attorney's Office, to include in all real property agreements that increase Port's risk of environmental liabilities and Port's administrative oversight costs, as further outlined in the staff report accompanying this Resolution, the provisions effectuating the foregoing Environmental Risk Policy and Financial Assurance Requirements.

*I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of November 13, 2007.*

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Secretary