

# CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

## MINUTES OF THE MEETING JUNE 14, 2016

### 1. CALL TO ORDER / ROLL CALL

Port Commission President Willie Adams called the meeting to order at 2:02 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon, Eleni Kounalakis, and Doreen Woo Ho. Commissioner Katz arrived at 2:20 p.m.

### 2. APPROVAL OF MINUTES – May 10, 2016

ACTION: Commissioner Woo Ho moved approval; Commissioner Kounalakis seconded the motion. All of the Commissioners were in favor. The minutes of the May 10, 2016 meeting were adopted.

### 3. PUBLIC COMMENT ON EXECUTIVE SESSION

### 4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Kounalakis moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

The Port Commission Secretary announced that Item (1)a. has been taken off the calendar.

At 2:03 p.m., the Commission withdrew to closed session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. \*This session is closed to any non-City/Port representative: (Discussion Items)

a. Property: Pier 38, located at Delancey Street and The Embarcadero  
Person Negotiating: Port: Rebecca Benassini, Assistant Deputy Director, Planning and Development  
\*Negotiating Parties: TMG Pier 38 Partners, LLC / Pier 38 Associates, LLC; Michael Covarrubias

**THIS ITEM WAS TAKEN OFF THE CALENDAR**

b. Property: Piers 31–33, located at Francisco and Bay Streets and The Embarcadero

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

\*Negotiating Parties: National Park Service: Christine Lehnertz, Superintendent, Golden Gate National Recreation Area

- c. Property: AB 4110, lot 1; AB 4052; 4111, lots 3 and 4; also known as the Pier 70 Waterfront Site, a 28 acre site generally bounded by Illinois Street to the west, 20th Street to the north, the Bay to the east and private property to the south (AB 4175), located near the intersection of 22nd Street and Illinois. Also including a City option to purchase privately-owned property comprised of AB 4110, lot 8A and AB 4120, lot 2, an approximately 3 acre parcel bounded by Illinois Street to the west, 22nd Street to the south, and Port property to the north (AB 4110, lot 1) and east (AB 4052).

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development

\*Negotiating Parties: Forest City Development California: Kevin Ratner

- d. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development

\*Negotiating Parties: SWL 337 Associates, LLC: Jack Bair

## **5. RECONVENE IN OPEN SESSION**

At 3:27 p.m., the Commission withdrew from closed session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in closed session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

## **6. PLEDGE OF ALLEGIANCE**

## **7. ANNOUNCEMENTS** – The Port Commission Secretary announced the following:

- A. Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any

person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## 8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

## 9. EXECUTIVE

- A. Executive Director's Report – Interim Port Director Elaine Forbes reported the following:

- Port Tenant Meeting regarding FEMA Flood Maps – May 24, 2016

Elaine Forbes, Interim Port Director – I'd like to give an update on the FEMA Flood Mapping process. This Commission will remember being informed in an informational item back in March on that process. On May 24, 2016 the Port and the City Administrator's Office hosted a meeting for FEMA and Port tenants.

Approximately 30 tenants attended the meeting. FEMA explained the mapping and insurance and presented the National Flood Insurance Program to our tenants. They reviewed the draft flood maps and explained the implications of being located in a special flood hazard area. Port staff is working with the City Administrator's Office to file an appeal to those draft flood maps. We are preparing that appeal for July and we will keep the Port and the public informed on this process which is being led through the City Administrator's Office.

- Fourth of July Festivities on the waterfront

Elaine Forbes - I would like to remind everyone of the festivities that will occur here at the waterfront on the Fourth of July. The Port typically draws about 150-250,000 people to this free public event at the waterfront. It's an absolutely great place to celebrate our nation's independence. We're working with our partners at the SFMTA, the police and the fire department to again ensure that this is a safe and enjoyable experience for everyone. As in past years, Pier 39 will provide a whole day of fun. Starting at noon, there will be performances from three fifth grade bands. At 5:00, the '80s band Tainted Love will perform. At 9:30 the City's firework show will commence. The fireworks will be launched from the end of the Municipal Pier and from barges north of 39. This is a free and open event and we encourage everyone to come down to the waterfront and celebrate with us.

- Legislative Update on AB 2797 related to Seawall Lot 337 Mixed-Use Development

Elaine Forbes - I would like to introduce our Special Projects and Legislative Affairs Manager Mr. Brad Benson to present.

Brad Benson, Director of Special Projects - Following on a presentation we made to you last month about state legislation that Assemblymember Chiu is sponsoring on behalf of the Port and the City related to development at Seawall Lot 337 and Pier 48. I have a brief update about a proposed amendment. It relates to the Public Trust and we have negotiated this legislation and prior legislation with the State Lands Commission. Essentially that collective legislation allows commercial office and residential development along with parks at Seawall Lot 337. The amendments get into some of the financial structure. We want to be able to use the land value of the site to finance all the infrastructure that needs to be built, streets, utility infrastructure and parks.

While we're waiting on public finance sources to come and repay that loan, we need the ability to do long-term leases, 75 years, that extend out into the future. There's a little piece of land called Parcel P20 that we need to add to the site. All of this requires state legislative authorization and it's all in the bill that passed the State Assembly this past month. The legislative history is that we've had unanimous votes all the way through, including consent on the Assembly floor. The next stop is Senate, government and finance tomorrow in Sacramento. We don't expect any controversy at that hearing.

We want to talk to you today briefly about some amendments related to Pier 48. We've been talking to BCDC about these amendments because they have to do with BCDC plans and policies. Essentially, BCDC treats Pier 48 differently than most of the other historic piers on Port property. It's a very unusual artifact of a year 2000 planning process. Essentially there are two old BCDC rules that apply to Pier 48 that don't apply to our other historic resources.

It's something called the 50% rule which states if you redevelop a pier, you have to turn half of it into open space and also water dependent use restrictions at the site which is a narrower list of uses than allowed under the Public Trust Doctrine. Pier 48's also listed in the Seaport Plan which is published by BCDC and MTC and it's listed as an inactive neobulk cargo facility. It has not been used for freight purposes for more than 30 years.

Working with BCDC, we asked the legislature if they can help us fix these two issues that would stand in the way of adaptive reuse and historic rehabilitation of Pier 48. BCDC doesn't have an easy mechanism to do this under their current plans. At the June 16, 2016 meeting of BCDC, we'll be presenting to the BCDC Commission to see if they agree with this proposal that BCD staff and Port staff has come up with.

If so, the state legislation would authorize BCDC to permit a project at Pier 48, consistent with the way they permit all of our other historic pier projects and amending out those designations in the Seaport Plan and the Special

Area Plan. We've taken this proposal to our Central Waterfront Advisory Group on May 18, 2016 and have received support from the Advisory Group for this proposal. They requested that we deliver the large park plan for Seawall Lot 337 early in the project by the end of Phase One and the Giants are looking at that.

We are going to BCDC on June 16th and we've talked to other special area plan stakeholders such as Save the Bay and San Francisco Tomorrow. So far no one has raised an objection to this idea. We will keep you all apprised about what's happening with the AB 2797.

- The Exploratorium – Honored as one of American Institute of Architects (AIA) 2016 Top Ten Green Projects

Elaine Forbes - The AIA Committee on the Environment has selected its 2016 Top Ten Green Project Award Winners. This award is very prestigious and it recognizes projects that exemplify sustainable architecture and design and enhance the environment. In May, honorees were awarded at the 2016 AIA convention in Philadelphia. I'm very proud to announce that our own Exploratorium was one of the 10 honorees.

This interactive science museum demonstrates innovation and sustainability in its design and construction. The building takes advantage of the historic pier's shed's natural light and the 800 foot long roof provides room for a 1.3 megawatt photovoltaic array. The water of the Bay is used for cooling and heating. Materials are used that are both sustainable and durable enough to withstand the harsh maritime climate.

The project is certified LEED Platinum and is very close to reaching its goal of being the country's largest Net Zero Energy museum and an industry model for what is possible at contemporary museums. We're very proud to have them on our waterfront and we congratulate them for this prestigious accomplishment.

- In Memoriam - Carla Jean Johnson

Elaine Forbes - With a sad and heavy heart, I'd like to announce that Carla Jean Johnson, the Director of the City's Office of Disability, passed away this last Sunday. She died of a rare and especially lethal form of breast cancer. She was diagnosed only three months ago. She had a big reach at the Port. She worked with our Architectural and Engineering staff on all Port projects. She worked both at DBI and also for the last seven years directed the Office of Disability but she started her career as a carpenter. I knew her for being a detailed and very meticulous carpenter. When she was trying to improve access for the disabled community in an emergency, she created this box that would allow people with disabilities to reach the phone and other devices to communicate in an emergency and that needed to be recreated Citywide.

The Department of Public Works said, "Well, we can do it, but it will take about 30 hours to do each box and we'll do it in about a year." That wasn't good enough for Carla so she worked in her own garage to ensure that those boxes could be made in about an hour and a half and used a stopwatch to ensure that they could be done that way and directed DPW on exactly how to do it. I ask that you close this meeting in her memory.

- Change of Venue for the July 12, 2016 Port Commission Meeting – James Herman Cruise Terminal at Pier 27

We will be holding our July 12 Port omission meeting at the James R. Herman Cruise Ship Terminal. Please note the change of venue..

Commissioner Katz - I want to echo the words of Interim Executive Director Forbes with respect to Carla. She's one of the lions of the City family. She touched so many lives. I was stunned when I learned of her passing. She always managed to solve problems whenever they came her way, do it with a smile, offered advice to people and as some of her friends have said, she was a giant amongst so many. She stood tall literally and figuratively as somebody that we all looked up to.

I know she was a huge friend of the Port's and really loved the Pot but more than that, she loved San Francisco, loved the city and just touched so many lives. I want to adjourn today's meeting in her memory.

B. Port Commissioners' Report:

Commissioner Adams - First of all, I want to thank Commissioner Woo Ho for putting us in touch with Secretary Carrie Lam from Hong Kong. She toured the Port with me along with Director Forbes, Peter Dailey, Mike Nerney and David Beaupre. She wanted to see how we do things in the Port of San Francisco. She was really impressed with our Cruise Terminal. They spent over a billion dollars building their cruise terminal in Hong Kong. They wanted to know how the structure was built at the Port, the parks and the Port Commission's role. She was really impressed. We took her out under the Golden Gate Bridge. We want to thank Commissioner Woo Ho for that connection.

Also I wanted to congratulate Ambassador Kounalakis for being reappointed to the Port Commission.

I'd like to have a moment of silence for the 49 dead victims in Florida, the 53 that were injured and their families. It's sad that we live in a society that people can hate you because of your sexual orientation, your race, your age or your political affiliation, or your religion. It's not right. That's not who we are, but it just lets us know that we live in a very, very fragile world. We could be here in a meeting like this and something could happen to each and every one of us.

As Americans we are learning how much our freedom means and we should not ever take that for granted. People were just going out and having fun on a Saturday night. Little did they know that would be the last time a lot of them would be seen alive. This is a tragedy. At this time, I'd like to have a moment of silence for the victims and their families, and for Carla Johnson. May they rest in peace.

Commissioner Katz - One of the things we've worked hard at here at the Port is to make sure that we have an open, supportive, inclusive environment for everyone. With respect to the LGBT, a group of us that are openly LGBT, formed a group for LGBT Port Commissioners and staff and that's now spread and it was adopted as an official organization within the California Association of Port Authorities.

We've certainly taken that role and we've recognized how important it is for people to be open and welcoming of others. The tragedy this weekend shows what happens when there isn't support for people that may be different and the self-hatred that occurs there results in such indescribable tragedies. As more and more are coming out about what happened, we're finding out that there is a lack of support for an individual who may have been LGBT or at least had some issues there.

I want to thank all of our staff and employees and other Commissioners for doing everything we can to support people in whatever orientation, religious differences, ethnic differences, backgrounds, because that's what enables people to feel comfortable and not feel like they need to lash out. That's something that should be noted. Thank you to our Port family for recognizing those issues and being so supportive.

## 10. CONSENT

Amy Quesada, Commission Secretary – I will call out Item 10C separately so I can read into the record the corrections to Attachment A of the staff report.

- A. Request authorization to award contracts to: (1) BAE Urban Economics, Inc., (2) Century Urban, LLC, (3) Economic & Planning Systems, Inc., and (4) Seifel Consulting, Inc., for as-needed real estate economics and planning services, each contract in an amount not to exceed \$500,000. (Resolution No. 16-23)
- B. Request authorization to award contracts to: (1) COWI/OLMM Consulting Engineers Joint Venture, (2) GHD/Telamon Engineering Consultants Joint Venture, (3) Moffat & Nichol/AGS Joint Venture, and (4) Parsons/Lotus Water Joint Venture, for as-needed engineering and related professional services, each contract in an amount not to exceed \$1,500,000. (Resolution No. 16-24)

Commissioner Woo Ho – Before we vote, I'd like to make a comment that as far as looking at the evaluation process for renewing these contracts and some of them have worked with the Port before which is good but I want to mention that

in the evaluation criteria, I'm not sure whether I understood that if they had worked with the Port that we have a formal evaluation rating for the work that they've performed before and that if that is the case, it should be called out. If it's not, then it should be a category.

Otherwise it seems like we're just renewing these contracts based on experience etc., which they may be qualified, but if we have worked with them, that we should have actual performance rating on their previous performance before we renew these contracts on a regular basis. I don't have any particular issue with any single contractor listed for engineering or service contracts, but I would like the process to reflect that the previous performance at the Port has been reviewed in this process.

Commissioner Brandon - And, and if they have met their LBE goals.

Elaine Forbes - Commissioners, if you could please pull the item from Consent so we can engage in this conversation.

Commissioner Katz - I move to pull the item from the Consent Calendar.

Commissioner Brandon – I second the motion.

Boris Delepine, Port's Contract Administrator - In terms of using past performance as evaluation criteria, we are prohibited from doing that in the Administrative Code. However there is legislation that was recently adopted by the Board of Supervisors to begin to use Best Value on construction contracts.

When we review a proposal, the evaluation panel puts blinders on and they don't use past performance or any relationships that they've had with the existing firm when scoring the proposal. They are only to judge the proposal that is before them. This is changing. The Board of Supervisors adopted legislation that will take effect next year where we will be able to use past performance as criteria for construction contracts or Chapter Six contracts.

Elaine Forbes - We recognize your comments, Commissioner Woo Ho, in this regard and that we have been serving on the advisory Group that is recommending these legislative changes and have represented the Port's position that we want to use prior performance in the evaluation process.

Commissioner Woo Ho - You were very specific to say construction contracts. So my question is that we have engineering and service contracts. So are they continued to be excluded?

Boris Delepine - No, it's actually Chapter Six of the Administrative Code which includes Construction, Architecture and Engineering contracts.

Commissioner Woo Ho - I think it's a good business practice. You've worked with people before, you should know what our experience in rating and I know



we've come up with this issue in the past as it relates to some people who have litigation with other departments, not with us, and why would we be considering doing business?

I know many of these firms are on a renewal basis but we should not make it sort of an automatic renewal. We should really objectively look at their performance and say that they continue to meet our standards. I agree with Commissioner Brandon that obviously we do look at LBE criteria and she just wants another checkpoint.

Boris Delepine - Understood

Commissioner Woo Ho - Other than that, I don't have an issue with looking at the specific resolutions in front of us.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Items on the Consent Calendar were approved. Resolution Nos. 16-23 and 16-24 were adopted.

- C. Request approval of Amendments to Port Tariff No. 5 regarding Indemnity, Wharfage Rates and Storage Rates and new Form Application and Agreement for Berth Assignment in Support of Operations at the Pier 80 Cargo Terminal. (Resolution No. 16-25)

Amy Quesada – The following are the changes to Exhibit A of the staff report: On page two at the bottom of the page, Item 270, "Over 700 meter rates," should be \$250.90 instead of \$285.38. On page four, Item 355, the close and open storage were transposed. The open areas should be \$2.30 and closed areas should be \$5.85.

ACTION: Commissioner Brandon moved approval; Commissioner Kounalakis seconded the motion. All of the Commissioners were in favor. Items on the Consent Calendar were approved. Resolution Nos. 16-25 was adopted.

## 11. REAL ESTATE

- A. Informational presentation on the proposed Term Sheet between Port and the National Park Service (NPS), for a 50-year Memorandum of Understanding outlining the business terms of: (1) a lease for ferry service to Alcatraz Island with a future concessioner selected by NPS and (2) a lease with the Golden Gate National Park Conservancy, located at Piers 31-33 on The Embarcadero at Bay Street.

Rebecca Benassini from Planning and Development – I'm before you today to present this informational presentation on a Memorandum of Understanding. As you know, Port staff have been negotiating with the National Park Service for ferry service and other amenities for visitors to Alcatraz Island from the Port. We

will return in July for endorsement of the Term Sheet. This is an informational item only.

To aid in your consideration of this item, we will be presenting the existing framework, site and business terms and you can compare that to what we're proposing for the future of the site. To elaborate on the site vision, I'll be joined at the podium by some of our guests who are here today, including Christine Lehnertz who is the Superintendent of the Golden Gate National Recreation Area and Greg Moore who is the President and CEO of the Golden Gate National Conservancy. They'll join me at the podium for this elaboration and then I'll complete the presentation with the next steps going forward.

Since 1972, ferry service to Alcatraz has embarked from Port property. Every 10 to 15 years there is a process that NPS engages in that's represented by this box. They publish a concession opportunity. They then contract with a concessioner subject to the ferry company securing a site with the Port. Then the Port executes a lease and that's the way that we've been doing it for more than 40 years now.

Under our proposed framework, we would collaborate with NPS right away. The collaboration between the Port and NPS would be codified in a Memorandum of Understanding which would explain each party's role and responsibility under the term of the agreement. What we are proposing today are the business terms. The business terms and some of the other responsibilities we envision NPS undertaking under the proposal include putting out the bid and contracting with the ferry concessioner as they have been doing.

We would then attach a lease that's negotiated with us at this time to that contract so all of the concessioners who bid would know what the terms of the lease are that they would be signing up for if they win the bid. They would do a similar process for the Conservancy. The Conservancy would be the selected retail, visitor center and food and beverage operator at the site. Similarly we would negotiate the lease with NPS and NPS would attach it to their contract with the Conservancy.

We envision there may be other roles and responsibilities that would be spelled out as we complete negotiations on the MOU, things like affirming some of the requirements of the lease just to have a belt and suspenders approach to the tenants where NPS and the Port would be speaking with the same voice in terms of the expectations for tenants. Under the MOU, the Port's main responsibilities would be to execute the lease with these, the selected ferry operator, with the Conservancy and also to invest a significant sum in needed repairs to the substructure at Piers 31½.

Currently at the site, we have a cafe in the Pier 33 bulkhead, a queuing ferry entrance facility on the marginal wharf on Pier 31½ that leads to two ferry berths and we have office tenants in the Pier 33 bulkhead. You'll see a lot more about the proposed project when I am joined at the podium.

The proposed project includes the movement of food and beverage operations from Pier 33 to Pier 31. Pier 33 would then become in the bulkhead area a large visitor entrance area where there will be interpretive signage. There'll also be some retail in that location and then improvements to this public plaza where Alcatraz visitors will queue up and learn more about the Alcatraz site while waiting for the ferry.

There would also be a new berth in the water which would facilitate NPS's vision for Park Cruises embarking from the site. These Park Cruises are under development but they may include transportation to other National Park Service locations like Fort Baker in Sausalito or Rosie the Riveter in Richmond. We'll hear more about that as we go through the MOU process. Those are still underdevelopment.

Currently the way the Port participates in revenue or gets paid rent from the site include percentage rate on ferry services at 7.5%. That includes participation in tickets and on board revenue like M&Ms that they sell on board and drinks and retail. We also get office rent and we get 7.5% on the food and beverage at the site that's on land, not on board. In the future we envision two leases. That's under one lease with the current operator at the site which is Hornblower.

Going forward under the proposed business terms in the MOU, we would have two leases. One with the ferry operator. They would provide ferry services, food and beverage on the ferries as well as retail. They would also rent the office space which is on the third floor. We wanted to note that these terms are limited to 10 to 15 years per federal contracting law for the concessioner so that's the limitation on the lease term that we would have. The Conservancy would operate the cafe and retail, and they could sign a lease for 30 years because there is no limitation on that term and that would help facilitate some of the investments they'll be making.

The terms summarized here are the proposed terms before you that we would like to hear your input on. They have been negotiated with the NPS staff as well as key analysis and other support from our Seifel Consultant who is our real estate economics firm. They've also been assisted by appraisal work that's been done by our consultant from that expertise.

The percentage rents are shown here by each component and each component has an associated base rent that's not listed on the table, but the base rent is consistent with the Port's Parameter Rent Schedule for the different types of uses contemplated.

I wanted to note the capital expenditures that would be needed to get to the vision that we have for the site. They include more than \$20 million. Of the \$20 million, the parties have agreed that \$3.074 million of that total is rent credibility meaning that it's building, core and shell or utility work. You can see in the pie chart what proportion of the total that represents. In addition, the Port would

commit to invest about \$5 million in the substructure which needs a lot of repairs and would be needed to continue to operate the site.

Shown here are expected stabilized revenues by year 2020. I wanted to point out that the top three rows of this table have to do with the ferry operator which comprise about 80% of the total revenue to the site. If you break that down, seventy of the 80% are based on existing operations continuing to inflate with inflation and about 10% is based on this new concept of these Park Cruises which would be a new type of service run out of the site.

The other 20% are based on the cafe sales, the retail sales and the office. Please note that the rent credit that's noted here would be paid back over a four-year period. We anticipate \$3.2 million in 2020 is a projection and for four years we would provide a rent credit of about \$770,000 per year. In year five the rent credit would be completely paid back.

Over a 30-year period, the proposed Term Sheet is projected to result in \$140 million to the Port. Under the current site revenues, if we look at what's going on there today, it's not fully occupied is sort of the key difference between these numbers and there's no Park Cruise. The current site, operated over 30 years would be projected to result in \$100 million to the Port. I also show the net present value of these two items over a 30-year period.

Christine Lehnertz will now provide the site vision and then I'll come back to talk about next steps.

Christine Lehnertz - Thank you so much for the opportunity to be here. We appreciate the fact that you and your staff have worked tirelessly with the National Park Service to identify options and opportunities and we're so happy to be here today with the opportunity to share with the public and get feedback from you all on this proposal.

For many years, the National Park Service has been working to identify a long-term ferry embarkation site for visitors to Alcatraz Island. We've been looking for a site that can provide an inspiring and an important gateway to this National Park Service site, Alcatraz Island, where over 100 million people visit every year. We want to provide a quality visitor experience for those that go to Alcatraz but also for those who decide not to go across the Bay, for those who may stay in the area of the Embarcadero. We believe this proposal will be able to get us that.

We know that we share so much in common between the missions of the Port of San Francisco and the National Park Service at Golden Gate National Recreation Area. Both agencies are fully complementary in what we seek to accomplish for our historic resources, for visitors to our sites and for a vision of the future.

We have found an important partner in the Port of San Francisco and we are really pleased with the opportunity to work directly with the Port for the first time with the National Park Service. The proposal that you heard today reflects the idea of a vital gateway between the waterfront, the historic San Francisco waterfront and the natural, cultural and scenic resources of Alcatraz Island. We believe this proposal is an opportunity to make visiting the waterfront and the destinations beyond the waterfront a world-class experience and a lifelong memory.

A few specifics about our shared vision. A welcoming gateway would be centered between Piers 31 and 33 in the waterfront historic district which can be fashioned after the popular and well known National Park Experience. It would integrate indoor and outdoor public spaces and create a distinctive one acre public park on the Embarcadero. There would be access to the water's edge and views of the Bay. It would be open to the public and be a completely car free area with limited parking in the Pier 31 shed for disabled visitors.

This beautiful site could integrate the talents and skills of four key partners. The Port of San Francisco, the National Park Service, a yet to be selected ferry transportation provider and our primary park partner, the non-profit Golden Gate National Parks Conservancy. As Rebecca said, we're joined today by Greg Moore, President and CEO of the Parks Conservancy and he will more fully address their contribution in just a moment.

Here at the marginal wharf shown on the screen, the National Park Service, the Port, the Conservancy will combine leading edge interpretive exhibits and programs with essential services for the visitors including ticketing, public seating and gathering areas, educational displays, visitor comfort areas, sheltered queuing areas and two ramps to the ferries.

The Pier 33 bulkhead could gracefully welcome and orient the visiting public and provide Park Ranger contacts and interpretation. Books and other retail items will be available and combined with exhibits from the Park's museum collection. Flanking the Pier 33 bulkhead, the neoclassical Pier 31 bulkhead would become future home to food and beverage service oriented toward visitors to Alcatraz, visitors on the Embarcadero and open to the general public.

Part of our work over the last many months with the Port staff has been about learning each other's organizations, missions and goals. We have learned just how much we share in our public purposes. A new important relationship that we can share, is an incredible partner in the Golden Gate National Parks Conservancy. They have helped the National Park Service elevate our services to visitors across the GGNRA, our conservation mission and our historic preservation beyond compare. The Port will also find the Park's Conservancy and Greg Moore incomparable.

Greg Moore - For the Parks Conservancy we're very honored to be here today to have your consideration of this future vision for Piers 31 and 33. We believe

as you do it will be an important gateway to Alcatraz, to the waterfront and to our city.

The Parks Conservancy has been in the business of serving visitors to San Francisco and San Francisco residents for about 30 years now and are responsible for working with the Parks Service and other public agencies at many iconic destinations in our City including Crissy Field, the Presidio, the Golden Gate Bridge and Land's End. In the course of a year, we reach about 5 million visitors at these park sites, providing information, interpretive exhibits and ongoing educational programs.

About four years ago, we were tasked with revitalizing the visitor experience of the Golden Gate Bridge by building a new welcoming plaza that you see here and by opening a new Welcome Center. The Welcome Center has been open for four years now and includes the type of museum exhibits, visitor greeting, visitor information and interpretive retail that we offer for Park visitors coming to this landmark destination in our city.

Moving out to the Land's End area, it was the same year that we opened the Land's End Visitor Center to provide a quality visitor center at that location along with improving park trails and overlooks and opening this new facility which includes inside interpretive exhibits, retail experience, a cafe, and welcoming information for Park visitors.

We're happy to serve as a visitor serving partner to the National Park Service and now possibility to the Port at the Alcatraz Pier and have a long experience in Alcatraz providing the educational audio tour in the cell house, an award winning tour reaching about 1.6 million visitors a year. As well as the museum store which was renovated about four years ago and has won many awards for the quality of its presentation of the Alcatraz story.

We're honored to be considered as a partner of the Port. We value the incredible work you do on behalf of the city, how you revitalize the waterfront and how you make our city more livable for everyone. Thank you very much.

Rebecca Benassini - To sum up, we've come a long way but there is still a long way to go. We are happy to hear your comments and questions on this Term Sheet. If it's endorsed in your next meeting in July, we'll then take it to the Board of Supervisors for endorsement of the business terms. We'll then update our Advisory Group NEWAG on the project, and continue negotiations with the MOU, the ferry concessioner lease and the lease with the Conservancy.

Concurrently we anticipate NPS would begin conducting CEQA and initiating conversations and consultations with the other permitting agencies, BCDC and potentially the Army Corps of Engineers. The MOU and the leases would, once they clear CEQA, be brought back to the Port Commission and the Board of Supervisors.

In conclusion, we are very excited about this project. We are very excited to partner with NPS and the Conservancy and the to-be-determined ferry operator on executing the vision of this site. We'll be excited to have a stable location for visitors to go to get to Alcatraz. We welcome your questions or comments.

Anthea Hartig - I have the distinct honor of serving as the Executive Director and CEO of the California Historical Society and prior to that as the Western Regional Director for the National Trust for Historic Preservation whose offices are also here in San Francisco. It's truly been a pleasure to interact with the Port and NPS and the Conservancy for decades now in my professional career. I want to commend you all on your remarkable partnership that is about to take a wonderful next set of steps in writing its history. The Port and the National Park Service and their Conservancy's work together is exemplary and lasting and a raw testament and an example to the rest of the United States and the world.

I'm here as both a friend to the Port and to the Park Service and to the Conservancy. Anything that we can do in the historian and historic preservation communities, we would be honored to do so as you move towards a lease for Piers 31 and 33. It's a remarkable opportunity to continue the preservation efforts of the incredible Embarcadero Historic District. Knowing all of you, it'll be carefully designed, beautifully developed and very well reviewed and it will truly enhance an already remarkable educational resource that is Alcatraz.

Thank you for the opportunity to speak and best of luck and let me know what we can do.

Ambassador Kounalakis - I know we're going to have a long string of congratulations but I do think they're in order. This is such an important part of the profile of San Francisco. People come here from around the world to visit Alcatraz and just seeing your elevations, clearly we have a lot of great things that are going to be in store for both this community and for all the tourists and folks who come to town to go and visit Alcatraz.

I'm looking very much forward to seeing the next iteration, the next profile of what the terminal's going to look like. I know that a lot of work went in on both sides to come to an agreement relative to how the business side of the deal goes forward. I want to thank the National Park Service for working so closely with our staff to make sure everybody's accommodated. It was done in a very transparent way and we can now look forward to what comes next.

Commissioner Woo Ho - I also want to thank the National Park Service and our staff. I know we have worked on this very hard and it wasn't easy at all times. It took a long time to get all points of views on the table and get the information and to get the facts on the table and how to come to an agreement that was a win-win for both sides. We now have a great Term Sheet that is a win-win. We're very supportive. The Commission has gone over it in much detail many times.

I don't think we have to reiterate anything in particular. The one question that I did have is when this agreement is signed and since you are obviously operating the ferry service today, if you could give us a feeling and for the public, how you're going to continue to operate and improve the site at the same time and what will be the transition plans.

Rebecca Benassini – Christine, you're welcome to come up and augment what I'm about to say. We've been beginning conversations about that and that is certainly of the utmost concern to us as well, the continued operation at the site while phased construction is going on. We'll be working with the National Park Service Planning staff to ensure that operations continue seamlessly and that the visitor experience is only marginally impacted during that time period.

Christine Lehnertz - It's something we have indeed begun conversations on. We know that there are improvements that will come. We will phase those in a way to make sure that access is still available. Safety is paramount as we go through those sites and see the construction happen. We're focusing on that 2019-2022 timeframe to make sure those are staged and make logical sense as well as operational sense. We're giving us a three-year window as we talk about this, 2019-2022, make sure that everything is wrapped up.

Commissioner Katz - I want to thank the Port staff who have worked so hard on what was an extremely complex project. Not the least, the terms but also the public sentiment and everything else that weighed in. I'm very pleased that we've reached a point where all of us are happy with the results but more importantly the public and visitors to San Francisco will really benefit by an improved experience.

I want to thank the Park Service and the Park Conservancy for figuring out ways to expand that experience for our visitors. It's something that we all value and treasure here in the Bay Area. I'm excited as we go forward and as Commissioner Woo Ho mentioned, we've gone over many of these terms and are fairly well versed, but it shows with some tenacity, good people can all come together and reach very solid results. I thank everyone for their participation.

Commissioner Brandon - I echo my fellow Commissioners and thank the Port staff and the National Park Service that for coming together and bringing this wonderful proposal to us who is going to continue to help us with our mission of bringing more people to the waterfront which is absolutely wonderful.

I have one question in the business terms. In the presentation, you have a list of business lines, ferry service, retail and it has a 10 to 15-year lease and the cafe retail Conservancy has a 30-year lease. But in our MOU it's a 30-year lease with two 10-year options. Can you just explain the difference?

Jay Edwards, Senior Property Manager - The MOU term is 30 years with two 10-year options as stated in the report. The lease with the Conservancy would be



for a 30-year term to coincide with the initial MOU term that we're contemplating here in the Term Sheet Commissioner.

Commissioner Brandon - Well, in this presentation you have future selected ferry concessioner, 10 to 15-year lease.

Jay Edwards - There are two leases. There's a lease with the Conservancy and a lease with the concessioner. The concessioner lease would be shorter term, it would be a 10 to 15-year term per the selection process of the NPS concession contract agreement.

Commissioner Brandon - Do we have three leases?

Jay Edwards - We have an MOU and two leases.

Commissioner Brandon - We have an MOU with the National Park Service for 30 years with two 10-year extensions. Then we have two leases, one would be 10 to 15 years.

Jay Edwards - Correct.

Christine Lehnertz - Let me explain the vagaries of federal programs, because it's just so not obvious. The National Park Service is limited by law for the length of term we can have a concessioner. By law we can only go 15 years in a contract with a concessioner. So the 30-year Memorandum that we'll have with the Port will include at least two leases with concessioners. If they go 10 years, it could be three. Those are the vagaries of our dear friends in Washington, D.C. helping us get our concessions contracts finalized in either 10 or 15-year terms. Does that help?

Commissioner Brandon - It does. Who has the overall responsibility for paying the Port?

Christine Lehnertz - The two lessees. The Parks Conservancy under one lease and then the ferry operator under the other lease which could be a series of two or three operators depending on the length of contract they have with the National Park Service.

Commissioner Brandon - So if there is a lapse between leases?

Rebecca Benassini - What would happen is kind of what is happening right now which is our tenant is on a month-to-month basis because we're waiting for the time period at which NPS goes out to bid for a new concession contract. The MOU will set forth their responsibilities. They won't be paying us any rent. Their responsibility will be to put our lease on their concession contracts and ensure that whoever is selected is prepared to sign our lease at the terms that are negotiated but our direct relationship will be with the tenants. We'll get paid by the tenants. If there is any problem with federal contracting, perhaps we have a

lease term that needs to be extended, we would anticipate going on a month-to-month basis while we're waiting for the concession contract to go forward. So that's the ferry service. The Conservancy lease will be a little bit more straightforward. It'll be a 30-year lease. We'll have plenty of time to figure out during that time period what the extension might be, what the market reset might encompass.

Commissioner Adams - Rebecca, Byron, Jay, Elaine, great work. Rebecca, I know you've only been here a couple months but you articulate so well, so crystal clear.

Rebecca Benassini - Thank you.

Commissioner Adams - You just lay it out the terms so anybody can understand. Everybody can't articulate it like that, but you're really clear and I just want to compliment you on that and I'm glad that the Port hired you.

Elaine Forbes - We are too.

Commissioner Adams - This was a war. This was like the Warriors and the Cavaliers. This was a war with the Park Service. Two competitors that were both fighting to get the best deal for the Park Service and the best deal for the Port. Thank staff for what we got. I know a lot of things got thrown out there, Fort Mason, a lot of things happened and a lot of rhetoric but at the end of the day, this is a good agreement and I support it.

I commend both sides for standing their ground and doing the best that they could get. I hope that the one million visitors a year that you get at the Park Service and at Alcatraz, that we can get those same one million visitors one day down at our Cruise Terminal and that would add to our maritime.

B. Informational presentation on the Fiscal Year 2016-17 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, Special Events and Filming Rates.

Jeffrey Bauer, Port's Leasing Manager – I will present the informational item on the upcoming proposed changes to the 2016-2017 Rental Rate Schedule, the Parking Stall Rates and the Special Event and Filming Rates.

In 1993, the Port Commission delegated authority to the Executive Director to execute leases, licenses and Memorandums of Understanding if those agreements met certain business parameters such as the term of the lease is less than five years, the tenant signs a boilerplate lease with no substantive changes and the rental rates are at least the minimum parameter rents. Parameter rents, they're a large part of our activity or our work. This year we've executed 100 leases, but they're a smaller part of our overall revenue stream. This year, it's 18% of the total real estate revenues.

The real estate market obviously in San Francisco has continued to increase. We are proposing to raise a majority of our parameter rates listed approximately 85%. We list 62, we're proposing 53 increases. The remaining balance of nine, we would keep the same and we're not requesting decreases to any. The average increase is 5-15%. I might note that last year it was 10-13%. We've had some pretty good increases over the last years.

As I've said, we've executed 101 property agreements. You can see the monthly rent is \$472,000. Annualized revenue is \$5.7 million. This depicts the different categories of our portfolio that we have at the Port and the percentages, the square footage amounts.

Rate setting methodology. Every year, Port staff takes a few months to review the commercially available data. We review our recent transactions, our last 12 month transactions. We consult with a third party consultant, in this case Keyser Marston and we talk to some of our key tenants to get a sense where the market is. From that, we propose changes to Exhibit A of your Staff Report, the Minimum Monthly Parameter Rental Rates. Keyser Marston agrees with our analysis. We've been pretty aggressive with our rates this year. Our overall vacancy rate on office is 3.5%. Industrial is 4%. Again, we have 62 rental rate categories and we're proposing to raise in 53 or 85% of those categories.

The other category in the rental parameter rates is parking. We have about 450 resale parking stalls Portwide. The majority are rented to Port tenants. We're proposing to raise those 10-15% across the board. Special Event and Filming Rates, Special Event Rates were trying to be a little more aggressive. There's a high demand for Port property for Special Events so we're increasing those. I will return to you on July 12th for approval and I would be happy to answer any questions you might have.

Commissioner Katz - Your presentation was very detailed and concise too. Why don't we include Pier One in our Class A space?

Jeffrey Bauer - These are the delegated authority. They're a tenant of ours. We could include that so that is a fair point. What we're trying to list is market comparables.

Commissioner Katz - I understand. I was just wondering why that was left off. Because we do have a little bit of Class A.

Jeffrey Bauer - We do.

Commissioner Katz - Is there anything that has jumped out at you that is significant in terms of the proposed increases? Any surprises?

Jeffrey Bauer - In the northern waterfront, we were a little surprised that Class B has increased overall greater than any of the other across the board. We've kept pace with that and you'll see that's our largest proposed increase. Currently it's

\$375 per square foot per month. We're proposing to go to \$425 per square foot per month.

Commissioner Woo Ho - Thank you for the report and I know we go through this every year. I understand you are answering the question of the delegated to the Executive Director to approve within those parameters. But I think from the Port Commission perspective, I'd like to know how all of our rents are doing and where we are charging so that we have a sense of how the portfolio as a whole, whether it's delegated to the Executive Director to make a decision or whether it's brought to the Port Commission if it goes beyond the parameters.

We just talked about NPS in a previous discussion where they used parameter rents. It gives us a chance from a Port Commissioner more global perspective to see the total portfolio and how our rents are being charged and where the market is so we get an update overall. Out of this you're talking about two million square feet that fall within this parameter. I think the total square footage that is under lease is much greater. Is that correct?

Jeffrey Bauer - That's correct.

Commissioner Woo Ho - So that's closer to what in terms of total lease square footage? Whether it's a master lease or a direct lease from the Port.

Jeffrey Bauer - We have 1,000 acres of land, so you could probably count that 60% of that is leased.

Commissioner Woo Ho - We're only seeing a portion of it under this schedule then.

Jeffrey Bauer - You're seeing the parameter rents. Real estate's revenue is about 86% of the total revenue of the Port. We have parameter rents. We have ground leases. We have retail. We certainly can provide you with a report showing the current rents of all of our tenants.

Commissioner Woo Ho - We want to see the global picture of where it falls so we have a sense of the whole development. I know I've raised this issue in the past that when we say we have Class B or Class C, it's a little bit of in terms of the actual quality of the building. How do we add in the price list's value of the location and view and when we ask our third party, how do they help us evaluate what that's worth even if the building is not necessary of a Class A quality?

Right now in tech happy San Francisco, industrial open space is valued more than in a typical urban metropolis where they're looking for the fancy building space. The more gritty the space is, the more people feel like it fosters creativity and everything else.

Jeffrey Bauer - I wish we had more of it. If we were able to do what we wanted and turn some of these piers into offices but under a highly regulated environment.

Elaine Forbes - The purpose of this report is to prepare you for approval of our Parameter Rent Schedule and that is to allow us to execute leases within that range under my delegated authority. But what you're asking for and the questions really relate to more of a Portfolio Report about how all of our real estate assets and maritime assets are performing. We've provided such reports in the past and we can do so again. I think it's timely so I would suggest perhaps putting that on the forward calendar.

Commissioner Woo Ho – Okay. Another question I have is when we look at, even parameter rents, looking at the premium, do we actually include a premium for location and view?

Jeffrey Bauer - We do. Listed on the parameters, we have the Agriculture Building. It has a window office which is \$335 per square foot. We have interior office which is \$1.55. We have similar schedule at 401 so the answer to your question is yes. The higher up you go and the better view you have, the more it costs.

Commissioner Woo Ho - So that's the market price?

Jeffrey Bauer - Yes it is.

Ambassador Kounalakis - As you come up with these parameter rents, do you consult with San Francisco brokers? What was your methodology for coming up with the rents other than just raising them a certain percentage above where they already are?

Jeffrey Bauer - We review all the commercially available data, all the big brokerage houses. We review that and we compare that to 12 months of transactions that we've done. It's somewhat of an art. The problem with commercially available data and with brokers is you're going to get the ask rate, you're not going to get the contract rate. If you walk across the street and you rent an office, you're going to get a TI allowance. I can paint the office and put carpet in it. Unless you specifically know the brokers, I don't know what those contract rates are. It's an exhaustive review. We do talk to brokers. We work with brokers. We talk to some of our larger tenants to get a sense where the market is and what they're actually charging.

Ambassador Kounalakis - Since the Port's parameter rents are public, does that affect what the offers look like?

Jeffrey Bauer - The educated tenant is going to go on our Web site and find this information out but this is not a price list. This is a delegated authority to Director Forbes to execute leases. It's not helpful when the tenants know and can

sunshine our records. It's a bit of a disadvantage but our property is highly sought after.

Commissioner Brandon - Jeff, thank you so much for a very thorough report. I'm happy to hear that we have such a low vacancy rate and we are increasing revenues in all areas.

Jeffrey Bauer - In particular, last year when I gave this presentation, 501 was half empty and now we have zero vacancy.

Commissioner Brandon - That's great. Thank you.

Commissioner Adams - I think my fellows Commissioners have said it all. I appreciate the presentation. I'm looking forward to the next time you come back in front of us.

- C. Request approval of Lease No. L-16141 between the Port of San Francisco and SP Plus - Hyde Parking Joint Venture for: (i) a five year lease for SWL 321, bounded by The Embarcadero, Front Street and Green Street; and (ii) a three year lease with two one-year Port options to renew for SWL 323-324 surface parking lots bounded by The Embarcadero, Broadway Street and Davis Street; and (iii) interim parking at (a) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street, (b) Pier 19½ on The Embarcadero at Greenwich Street, and (c) Pier 29½ on The Embarcadero at Chestnut Street. (Resolution No. 16-26)

Jay Edwards, Senior Property Manager - I'm joined at the podium by Bob Davis, Principal Administrator Analyst and also our expert Community Liaison. We're delighted to be here to request your authorization for Lease 16141 as read by the Commission Secretary. I will describe the financial terms of the lease and then Bob will discuss the joint venture framework.

First of all, we'd like to remind you of the process that we went through to be here today and that started out roughly a year ago when we were here to request the authorization for the request for proposal. This was an innovative approach to put together a joint venture between established parking operators and a Local Business Enterprise (LBE). We went out to the marketplace and got four terrific proposals. In March of this year, we requested Port Commission authorization to move forward on the Joint Venture Agreement with SP Plus and Hyde Park Management. They're here today and excited about this opportunity.

The lease is quite advantageous for the Port. We expect to generate approximately \$3 million annually in these five lots. They're comprised of three surface lots and two shed spaces and that's going to be a \$200,000 plus increase over our existing operation. We have a great partnership. We have a great financial opportunity here.

The actual terms of the lease are flexible. It's not a straightforward lease because it has a five-year term on Seawall Lot 321 which services primarily the Exploratorium visitors. Then we have a three-year lease on a future development site for our friends at Teatro Zinzanni and Kenwood Investments for the boutique hotel. The other surface lot, 322-1 is going to be a wonderful affordable housing project that's put in by the Mayor's Office of Community Housing.

On the two shed lots, they're on interim month-to-month leases and those are percentage rent leases. The structure of the lease is two base rents, Seawall Lot 321, we have a base rent of \$73,000 a month or the greater of 66% of the gross revenue less parking tax. On the Seawall Lot 323 and 324, we have a \$78,000 base rent or the greater of 66% as I mentioned earlier.

The other three lots are interim lots and they're all on percentage rent so that provides us with a lot of flexibility due to the development, due to the changing nature of our waterfront properties. For that it's been a challenge to put it together and we have a partnership that's signed up on those terms. It does allow us the rate to terminate or cancel any of these lots with 180 days' notice which gives us additional flexibility.

We have financial returns. We have flexibility in the lease. In addition to that, we have a partner that is going to invest in our property. They're going to put in new pay, new revenue control stations, new signage, clean the lots up, make them unified and really make them visitor friendly. In addition to that, they've agreed to take on a project on behalf of the Port of roughly up to \$200,000 for an LED energy efficient lighting project on the Exploratorium lot and they're going to do that on our behalf and receive a corresponding rent credit.

On top of that we have an Operation Plan that allows us to be able to work with our partners closely on hours of operation, customer service, maintenance, repair and we have a little bit of flexibility in there if they do in fact need additional personnel at our request then we can go ahead and bring those additional help on.

There's one other component about it to make it a truly flexible lease and that is, at our request, we can require our partner to further improve or correct code violations of up to \$100,000 in total amount of improvements and a corresponding rent credit in a 24-month period.

It's a very flexible lease. I'm very proud of what we've been able to do with this partnership and the financial terms and the flexibility that we've negotiated. Bob will now talk about the joint venture framework.

Bob Davis, Real Estate Division - When the Commission authorized staff to negotiate the lease, there were several areas of focus that the Commission requested that Port staff work with the Joint Venture Partners on. They included ways to enhance the partnership, ways to increase equity, a clearer

understanding of how they were going to implement mentorship and how the two entities were going to grow and become something that the Commission wanted in the beginning which was to increase the number of viable entities that can work at the Port.

To that end, I visited the offices. We met with them more than five times since the last meeting. Watched them in their offices work and asked them to go back to their individual leadership groups to determine ways in which we could increase the equity or that they felt that they could increase the equity.

I felt the results were positive. We came up with a framework that allows for a one year revisiting, an analysis of the previous year with the options of how to move forward, how to enhance the partnership. Some of this is based on how they operate. But the framework allows for increased equity. It allows the Port to sit down with them, look at their overall operation. Although we will be looking at it during the year as well. It allows us to investigate the mentorship.

Is the small company learning the back office skills? Is it getting the credit enhancement that a small company that wants to grow is going to get? After my meetings, I felt very, very comfortable that the partnership, they work well together. In the offices, they know each other. They bring different skill sets to the table. This is the first step that the Commission wanted to see us provide more opportunities across the board for small local businesses. We're pleased at the progress. We know we have work to do, but we think that we have the framework to push this forward in a positive way.

Ambassador Kounalakis - I remember the presentation from last time. I think it all looks great so I'm comfortable.

Commissioner Woo Ho - Ditto. It sounds like there's been a lot of progress made and hopefully that also engaged more dialog between the partners because it's always good up front to understand each other more. If we did ask you to sit down and had more questions and the Port staff helped to mediate that because we do have the objective to make all parties successful in the long run. We see this as a combination of a business opportunity, development opportunity and we hope that our support is helping you in that venture going forward.

Commissioner Katz - I echo the thanks. I appreciate all the work that the Port staff has put into this. I'm proud of the work that the Port does to try and go above and beyond what's required and see opportunities to do something that benefits all of San Francisco.

In particular, this is a program we ran it through a lot of different tweaks and I'm pleased to hear that the results show that we did get what we wanted in that there's an opportunity created for a local business to get that experience and grow and expand. I hope we can use this as a model for other opportunities as they come along to use our ability to support local businesses in San Francisco.



Commissioner Brandon – I want to add my thanks to both companies for their participation in this and showing that it can work and how it works. I wanted to send my thanks even though none of you came up to the mike which you were certainly welcome to do.

Bob and Jay, thank you so much for bringing this opportunity to the Commission. I know you both worked very hard at making this a reality and so I want to thank you two for sticking with it and bringing this to us.

I want to thank SP Plus for stepping up in this mentorship role and becoming a partner and creating a collaboration with Hyde Park Management and in all of it, increasing the revenue to the Port, which is the best part. I wish you guys well and I hope that really works out and that this is not the last of these opportunities to come to the Commission.

Commissioner Adams - Thank you Jay and Bob. Very thorough, job well done. We know this is one of our pilot programs. We look for this program to be very successful and I'm echoing Commissioner Brandon's comments. We hope this is not the last as we build on this program and we look forward to seeing you a year down the line and let us know how it goes.

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. Resolution Nos. 16-26 was adopted.

## 12. PLANNING

- A. Informational presentation on site conditions and assessment of trust use options of Piers 30-32, located adjacent to The Embarcadero between Bryant and Brannan Streets.

Brad Benson - I'm here in a supporting role to Senior Planner Dan Hodapp who is the lead on this presentation. Piers 30-32 has been the site of a lot of development negotiations in the past, most recently the Warriors. The Commission requested an update from staff about this site and we're here to respond to that request.

Staff is also working with a Waterfront Plan Working Group to update the Waterfront Land Use Plan. Piers 30-32 is one of the most notable sites in the South Beach area of the waterfront. A great deal of community interest about the site and what might the Port do with it in the future through that Waterfront Plan process. This presentation is intended to look at what's happened in the past and what we've learned from it.

Dan has worked with our finance staff to look at a number of Public Trust consistent options for the site and the financial feasibility analysis for those options that would inform future Land Use Planning. This is very much a first step in looking forward to what can happen at Piers 30-32.

Starting with our key takeaways, and Dan will amplify on this at the end of the presentation. We know the piers are in very poor condition. They're some of the oldest piers on Port property. There are no historic sheds on Piers 30-32, therefore, the Public Trust limits the range of use of the site unless the state legislature authorizes flexibility which is done two times in the past.

The regulatory context at this site is very challenging. We've learned a lot through these prior development efforts how difficult it is to get a project permitted at this site. Our hope is that this body of knowledge and the financial feasibility analysis will aid the Waterfront Plan Working Group and its deliberations to come up with recommendations for the Commission. It's a bit of a model for how we should be looking at all piers along the Port as well.

This is a 13 acre site at Piers 30-32, just south of the Bay Bridge. It's a striking location. The views from this site are amazing across to the East Bay Hills. The piers were originally constructed in 1912. They were extended in 1926 and then the piers were connected in 1950 with a sunken area to create truck loading opportunities to the piers. Unfortunately, the piers burned down in the 1980s.

The site has been in the past used as a tertiary cruise berthing site. The last cruise visit was in 2012. The new International Cruise Terminal, James R. Herman facility at Piers 27 and the Pier 35 north and south berths provide adequate cruise capacity.

This east berth is a naturally self-scouring berth and it's still used for Fleet Week and ceremonial berthing. The remainder of the pier has been used for periodic Special Events. The primary use of this site is for parking such as commuter parking and parking for Giants games.

The Port Engineering division through its pier substructure analysis work periodically goes under the pier. They've identified very poor conditions. There are exposed steel that is reinforcing the concrete that is starting to deteriorate, deteriorating slabs and beams through the pier. There are load restrictions that engineering has placed on portions of the site, primarily over Pier 32 but also portions of Pier 30 where trucks cannot travel as a result of the poor condition. The condition is expected to deteriorate over time so those load restrictions and restrictions on the use of the pier will expand over time unless there's additional capital investment.

There've been three major development at the site. The Bryant Street Pier being the first. The America's Cup and then the Warriors more recently. Bryant Street Pier Project was the Port's first effort after the Waterfront Plan to obtain that new international cruise terminal, a two berth facility proposed for the site along with a mix of office and retail to make it a financially feasible proposal, at least that was the hope.

The RFP was issued in 1999. Negotiations started with San Francisco Cruise Terminal, a then lease affiliate in 2000. It was intended to be a three phase

project with the Watermark on Seawall Lot 330 being the first phase, and the only phase that was constructed due to very high costs for the cruise terminal. Lend Lease walked away from an almost fully entitled project. They had obtained state legislation authorizing the project and a BCDC permit but notably no Army Corps of Engineers permit for the project.

Then we had the America's Cup and there was a lot of excitement around the team bases, the competitors to Team USA being located at this location. There was initially the plan for the event authority to invest their own money in improving the waterfront for the America's Cup and be repaid through future development rights.

During the America's Cup, there were a lot of those improvements to the waterfront. The Cruise Terminal benefitted from joint entitlement with the American's Cup. Pier ½ got removed. The Pier 19 South Apron got improved. The event authority was looking at up to \$90 million at pre and post-race improvements to Piers 30-32. Those costs kept on creeping up through the due diligence of the site.

The long-term development rights at this location and other locations were not defined. They would be subject to later CEQA. Ultimately the event authority terminated development negotiations after a first successful Board vote on the LDDA. After that, the City and the Port took on the costs of preparing for the race including \$2 million invested at Piers 30-32 mainly near the marginal wharf area for safety improvements.

Then we had the Warriors Project and it drew very strong positive and negative responses. Some people thought that the architecture by Snohetta was stunning and beautiful for this area of the waterfront. Other people were concerned about heights and whether an arena was an appropriate use for a pier over water.

We learned a few lessons with the Warriors Project. One, their approach to the pier was that they were going to build a new pier on top of the existing pier, basically using the existing pier as a concrete form. This had to do with the condition of the pier, the load requirements for the arena, the need to adapt to Sea Level Rise. They were planning for 36 inches of Sea Level Rise so they were rebuilding a new pier.

We learned that high profile projects like this benefit from a site selection discussion. The public really wants to participate in that. Early consultation with our regulatory partners is a key. We actually learned through this process that the Army Corps of Engineers was looking potentially permitting all the new piles for the Warriors Project as fill under the Clean Water Act and that would bring restrictions under the Clean Water Act of being a water dependent use where there could be no feasible upland location. It could've caused a real problem for the Arena Project.

Finally the neighborhood was very clear. Transportation in this area of the waterfront is already very difficult due to backups, people trying to get on the Bay Bridge. So what is the Port and the City going to do about transportation for development at this site?

State Lands has always advised if there are going to be non-trust uses at this site, there is a need for new state legislation. That would probably be the case for a future project involving non-Trust uses. The Waterfront Land Use Plan, we've talked about this working group process and the need to have public consensus around the mix of uses at this site.

BCDC wants to see parks, maximum feasible public access, and they're very concerned about any proposal to park too many cars on the pier as part of a long-term development. FEMA has now listed 30-32 in the draft Flood Insurance Rate Maps and Port staff is preparing an appeal of that determination. So we'll see where that leads.

Dan Hodapp, Port's Planning and Development Division - I will cover a few key site considerations on Piers 30-32, review several use concepts and speak to the financial viability of those concepts.

Piers 30-32 could be configured in many different ways with many different possible uses. Staff developed a range of concepts in response to the Commission's request and as Brad mentioned, to further inform the Waterfront Plan Update process. What we set out to do was analyze if Trust consistent uses could work on Piers 30-32 and if what the public has told us thus far could be a project or could be a part of a project.

The first few slides are simple but very important considerations we have heard from the public or know from our experience. This is a very valuable large ship berth. It is naturally deep water. The public always emphasizes this. We enjoy seeing them out there. It requires very little dredging so almost all options look at how can we continue to support this use on the piers.

As Brad mentioned, the views are also important in this area. The views are from the Embarcadero, from Brannan Street Wharf, from the other streets that lead towards it and from the pier itself and across the Bay so there's a lot of use. This always come up in the review of the projects that were just discussed.

Part of your earlier review this spring, seismically reinforce the Seawall and the implications of that. It has to be considered on this site. Sea Level Rise has become a consideration in all projects at this point in time.

As Brad said, we're considering this the Warriors were looking at 36 inches over the life of their project. We're anticipating about 16 inches by 2050, 36-66 by 2100. These are not our numbers but the City's numbers in their study on this. We incorporate a few different options very simplified on how a project here could look at this issue. Conceptually, one is to raise the Seawall with whatever

we do here to accommodate that and that of course is part of this larger project we'll be doing. We'd incorporate that into our concepts and into the costs associated with anything here.

The second is to build a higher wharf at this location. Because raising the Seawall is one but what you step out onto is going to have to be 36 inches higher for that use. The existing pier runs into trouble about 2050-2060 with increased flooding at that time. Reusing the existing one has a limited life span. A new use would have to consider a higher elevation, if it wants to go beyond that date.

Another concept we looked at is a floating pier in place of the existing pier. You'll see this concept come forward at the fire station proposal in the coming months. But what if we were to do something very different? We're looking at different types of concepts in that range.

The concepts we've prepared are illustrative. They're based in part on ideas that members of the public have previously mentioned. As I go through, please keep in mind that none are intended to be an actual design or proposal for a project, but a collection of ideas in analysis. A few rules we applied are we believe all could be found to be Trust consistent and as Brad mentioned, the concepts respect the regulatory framework described. All could provide significant public access. All remain within the pier's footprint and this is because of the regulatory environment. They consider the public values that were covered, the ship berth at the end, the views, the approach to Sea Level Rise.

We looked at construction costs, operation expenses, revenues and ran 30-year financial analysis. The first of those is to continue what we're doing today out there which is largely parking on a daily basis. We also do events and ship berthing.

Parking generates about \$700,000 a year. The pier has limited use due to its current condition and that is expected to become more limited in the future. In our financial analysis, we plugged in about \$1 million in five-year increments to be able to continue using the pier. About 30 years out give or take, we expect that the pier will no longer be usable due to Sea Level condition.

This is the option that comes out with very good return on investment, about 350% based on the revenue that comes through. The revenue is most all from the parking use and not from the events or the ship berthing uses although those are important uses for the program of the Port and what we do.

Second use we looked at is one we heard from the public many times and it is removal of the pier to create a very large open water area between Piers 28 and 38. It adds 13 acres to that open water area. It does so at a cost. It takes about \$40 million to remove that facility and the Port would be out about \$700,000 a year in revenue. There is an expense in two ways associated with that but that has come up many times.

Then we started getting creative with different uses. We have heard from the public that what if we were to do a large open space on this site. We looked at a couple of different ways to do it. This one spells out what if we do it with a floating open space. Again, the pier would have to be removed and there's a cost associated with that. The Seawall would need to be seismically strengthened and raised to accommodate such a use. A new float would be constructed. We looked at cost associated with the proposed fire station to help us do this.

Revenue would be very slight because it's an open space use. Construction cost would be very high, about \$450 million. Very predictable financial outcome but we wanted to illustrate the idea.

We also looked at this idea if we were to seismically strengthen the existing pier and that comes at a significantly less cost. It's somewhere around \$175 million and a limited life span. Because with Sea Level coming up, the pier would become unusable in a period of time. The pier would continue to suffer deterioration and a lack of ability to fix it. I'm not showing it but that's a brief summary of that.

Another one, a collection of uses. All of these if you've noted, continue to allow ship berthing at the end. This one includes removal of the pier. It constructs a new marina. It also does retail along the Embarcadero edge for revenue. A ship berth at the end serviced by floating structures to control cost and meet Sea Level Rise consideration. The retail area with public access would be pile supported at a higher elevation.

The marina was done similar to South Beach Marina as far as slip size, revenue production, operating cost, although it's only about half the size of South Beach Marina. Construction cost about \$250 million rising to a total capital cost over the project life of about \$45 million with the revenues from those uses not beginning to cover the costs associated with it.

We also recognize there are many ways to organize these uses I just discussed that are Trust consistent uses. A ship berth. A marina. So we broke them apart and did individual analysis. We looked at a thin floating ship berth and the cost associated with that and the revenue. We looked at an event facility similar to the size of the Pier 27 Cruise Terminal which can serve as cruise events out here and other uses.

We looked at revenue projects from that. We looked at doing a marina as a stand-alone and looked at the cost of that. Marina's also have the cost of dredging to construct it and they need breakwaters on all sides of that due to the exposed location in this area. We also separated out the stand alone cost for retail adjacent to the Embarcadero.

The result for all that analysis is none of the individual uses financially supported themselves with only the retail and the event uses coming anywhere close.

Those uses would be necessary to be part of a larger project in order to achieve Trust consistency. We expect the Commission and the public will have more ideas and hopefully our analysis will help inform that thinking in the future.

The pier is in poor condition. Not only that, it doesn't meet anticipated Sea Level Rise. The Public trust limits possible uses on it. The regulatory environment is challenging. It's not insurmountable, but it's challenging. This analysis was done for the Waterfront Plan.

Other conclusions or findings: This is a site where location is very valuable. The location, if something is going to happen here, may depend more on its extremely unique location than on some of the uses I just covered here. If that were to go forward, it would require state legislation because it would have to change some of the rules associated with that.

Another interesting part that covered more detail in the Staff Report is that when the Lend Lease proposal came through, Seawall Lot 330 was partially developed. That Lot has the potential for greater tax increment funding. Staff has recommended that the funding from that should go to other Port capital needs that have a higher priority and instead of some of the uses that are described here which have alternatives for some of their location on it.

Those are our analysis at a very high level. In the group here today is Meghan Wallace and Uday Prasad from Engineering. In case any questions do come up, we are all here to address them.

Paul Scrivano - How would Proposition B interplay with any of the options?.

Brad Benson - The current height that is permitted under City zoning for the site is 40 feet. Staff didn't analyze any use proposal that was higher than that. If somebody proposed something with greater height than 40 feet, it would take a vote of the people to permit that higher height.

Ellen Johnck - In my role as Co-Chair of the Maritime Commerce Advisory Committee, that was a great report and analysis of some ideas about these piers. The MCAC, during the time of the Golden State Warriors' proposal, wanted to emphasize to the public that this is one of the few remaining piers where you can dock a deep draft ship and that there is some dredging needed but there's deep water there. We wanted to keep reminding people of the value of the maritime use for this pier.

However, we did go and have discussions with the Supervisors etc. at that time saying, "Well, if an arena went there or if a non-trust use went there, or a use that was considered okay for non-trust purposes but with some combination of such, that there should be room in the design of any future use, for the berthing of a deep draft ship." I was amazed. Everywhere we went to discuss that, it didn't seem as if folks really understood or grasped how important that pier was for maritime and the fact that this is one of the few remaining piers for a deep

draft vessel. I wanted to bring that up again as we look at a future uses. I thought some of the options, and we'll be having more discussion, and I'm on the Waterfront Planning Committee and we'll be looking at more uses, but I wanted to bring that up and make sure everyone has that kind of historical context to the discussion.

Alice Rogers - I live in the South Beach area. I served on the Piers 30-32 CAC and we've been in contact with your Port staff over the years in the aftermath of this. I feel that the report that you were given really fairly characterizes a lot of the input, or all of the input, that the Port has received from the general public. We really appreciate the thoughtfulness with which they processed the various ideas. Our neighborhood isn't unified in what anyone of us would like to see. They're a broad range. I think we all do want to see it serve the Port in the best way it can, however that is and to respect the maritime tradition.

Commissioner Woo Ho - Thank you for that very detailed report from Brad and Dan. I think that you have demonstrated, and it's clear obviously from the public comment that you have gone above and beyond to make sure that we have thought about this.

Obviously there is such a long history related to this pier as you have relayed in all the various possibilities that have been viewed. Even with all the options presented, it's still murky in terms of what path to take. Because all of them have particular consequences and impacts and costs and things and so it's not an easy task.

On the other hand, I think as some of the public speakers have mentioned, we don't want to just lose the pier and just throw it away as, but on the other hand, all the other options have a lot of issues and consequences attached to them. I guess the first step which I think we've taken today is to take inventory of what the input has been. I'm glad to hear that the public feels that we did take their thoughts into consideration.

There still may be some other thoughts out there that the Waterfront Land Use Plan Advisory Group will come up with any more thoughts. I'm digesting all the different options. I'm not sure that I know in particular what option we should be going down. It's important for us to have that dialog. The only thing we do know is that the use that we currently have can continue for a period of time. We do have a little time left if we just leave it to parking if we try to noodle this.

I'm not sure whether we have made a decision that's the long-term future given that also requires a certain amount of investment even to keep it as a usage as it is today. I'm rambling a little bit, normally I'm pretty clear where I think. I'm not sure until I digest this some more of where I think the next step should be.

I think it is the first step and that we need to continue to have lots of dialog with the various groups to see whether there is a clarity in how we proceed with this and protect the waterfront and the interests of everybody. It sounds to me that



whatever we choose to do, it will be a bit controversial, and not everybody will be signed up. Hopefully we can explain as we go along if we do come to a conclusion that we have chosen a wise path and taken all the factors into consideration.

Ambassador Kounalakis – If I haven't already in my first few months on this Commission revealed my roots as a developer, I'm going to do it right now. You know, this is an incredible development opportunity for the City of San Francisco that we have in our jurisdiction. I think that the graph that staff showed, the Big Idea proposals that have been coming now with increasing frequency, as San Francisco continues to build out, that they're going to be coming with even greater frequency. Unless, there comes a point where they give up because it seems that it's impossible.

So I put my developer hat on and think, "What do you do when you have an asset of this size, of this magnitude, of this potential, with incredible constraints as well, and a multitude of stakeholders?" I think that the answer is, you start to look at how you can solve some of those development constraints, the ones that you can, that increase your flexibility and increase your likelihood that you can do something with it.

So as I look at the ones that you listed out, we should start thinking about how we might be able to invest to remove some of those constraints. Whether it's sitting down with the Army Corps of Engineers over this question of whether or not improving the piers constitutes fill and I do know what that entails, which is significant. I imagine it was the Warriors consultants that started down that path. But maybe these are conversations we should have.

I think it warrants a discussion on some level, and President Adams, you know how this moves forwards. You know, so I defer to you. But if there is a conversation to be had about the Trust uses, Trust constraints and whether or not there is some level of a legislative process to remove some of the shackles, and gives us some more flexibility, even before we know what that final use might be. When you're talking about the magnitude of the property and the potential relative to the profile of the City of San Francisco,, I think that those conversations are probably warranted.

Commissioner Katz - Thank you very much for the presentation. As you know I've been asking about this site for quite some time. In particular, I appreciate the exploration of the floating pier concept. I'm not necessarily sure it's the answer I wanted, at least not with respect to cost. I do have a couple questions. As Commissioner Kounalakis alluded to, Brad could you talk a little bit more about the Army Corps designation and what that impact for the site means?

Brad Benson - Actually after the Cruise Terminal Project terminated, I had worked with Leader Pelosi's office, then Speaker Pelosi, to get some legislation for this area of the waterfront. We obtained it in 2007 that we thought exempted the pier from Army Corps permitting. The Port has that kind of exemption in the

Northern Waterfront north of the Bay Bridge. That legislation was written a little differently than the Northern Waterfront exemption. We had received some advice around 2010 saying, "Yes, you're exempted from getting permits for piles, but you're not exempt from the Clean Water Act under that 2007 legislation."

The Warrior's Project really confused the Army Corps discussion. They said two things to us. One, they said, "You're not exempt from permitting for piles. You need to get permits." So regardless of whether the Corps regulates this project as pile supported or fill, their position is we need to get permits. The permit process is easier if it's treated as piles than the fill, if you could have mixed uses on the pier.

We have started the dialog with the Army Corps. Byron and I were in Washington D.C. earlier this year and we opened this conversation with the Corps with a focus on the Seawall and how the Army Corps is going to approach the Seawall as a key priority. But we had questions about how they would treat a new development at Piers 30-32. We think that there is new staff at the Corps in their Permitting Division that might be open to this kind of dialog.

Commissioner Katz - In terms of the cost and lessons learned, in your presentation, in the Golden State Warriors' proposal, the cost to develop the new pier grew to over \$165 million. Was that in part because of the weight load that they were looking at or is that a base case for any project that would now come on that site?

Brad Benson - Certainly the arena being 120 feet tall required a number of piles underneath the arena portion of the pier that would be unusual compared to potential other uses. That was an all-in figure based on all of the substructure that they planned. That was actually removing some of the existing pier. That was the open space cost on the pier. There was a substantial amount of open space cost on the pier and seismically strengthening the marginal wharf area as well.

The cost was higher than we had projected before in part because of this approach to Sea Level Rise and building a new pier. We only had \$120 million worth of sources to be able to pay for that so the project wasn't penciled in.

Commissioner Woo Ho - I thought the number went even higher than \$165 million when everything was counted in.

Brad Benson - I'm just talking about substructure pier. I'm not talking about full facility costs.

Commissioner Woo Ho - No, I meant substructure.

Commissioner Katz - It started out at \$95 million and then it went up.

Commissioner Woo Ho - I know the \$120 but I heard there was even more, closer to \$200 and then that's in addition to the billion whatever it was.

Brad Benson - The last number that was reported to us at the staff level was \$165 million. They could've been carrying different numbers internally. We had the cost situation at the end. We had the Army Corps situation. Then we had the height debate. All three combined led to the Mission Bay site.

Commissioner Katz - In terms of some of the exploration that was done, did we look at sort of a hybrid? Maybe some portion floating because I know there's that middle portion that has been a bit more reinforced, the reinforcement we did for the America's Cup. Keeping some, sort of a mix and match or is that just even infeasible?

Dan Hodapp - In answer to, "What did we look at?" Yes, we did explore different ways of doing it. We don't begin to believe we explored the only ways. You could arrange this in different things. There's a center section of the pier that was built in 1950. It's in better condition. It's also about 44 inches lower than the other piers because it's a loading dock. So just relate that to Sea Level Rise problem there. The ability, not only its potential to flood, but the Port's potential to maintain it from underneath so it's a different elevation. Although it looks like a solution, it's a bigger problem right there.

We did two options for each of those options we showed. A floating, a fixed pier option, so we could compare the costs and we gave you a few samples here today. As I mentioned, we broke apart individual uses to see what if you were to rearrange those in any way. We tested the ship berth all by itself. The ship berthing fees did not begin to pay for the cost of doing a thin floating structure.

We looked at an event center that might function as a terminal, much the way the Pier 27 Cruise Terminal does, but also get revenue use for Special Events. We looked at the rates we were getting and the frequency of those at Pier 27 as our model. That got better, but it didn't quite pay for itself. It didn't make it there.

We looked at the retail on the wharf. We looked at the marina separately. We said, "If you want to arrange these differently, fine. Here's our construction costs, our operating expenses and our revenues and arrange those and see if it works." We couldn't put together a financially viable option out of any of that because each one of the uses lost money.

There was nothing that carried the very substantial cost of building a pier structure or if you're going to do a float and bring boats in, the very substantial dredging cost below the existing piers or breakwater cost for some of that. Which brought us to the final conclusions that location is very big here and it may take a thinking that's beyond what staff was comfortable of doing, what staff was looking at trust consistent uses for. That's what we were analyzing.

Commissioner Katz - Would a Star Wars museum perhaps fit in there?

Brad Benson - There actually was quite a bit of neighborhood support for the Lucas Museum proposal when it was considered briefly for Piers 30-32. I wanted to underscore the point that Dan was just making that we did not in this effort look at non-trust uses that might generate more revenue, that might require the kind of legislative relief that you were referring to earlier Commissioner Kounalakis. We thought that might be getting out ahead of the planning process and the public discussion, but the results do speak volumes about the need for some Big Idea. Maybe an idea where location is more important than cost.

Commissioner Brandon - Dan and Brad, thank you so much for that presentation. It's hard to believe that I was here for all three of those failed opportunities. Lend Lease was our second attempt at trying to build a cruise terminal at Piers 30-32 so this pier has had a long history.

As Commissioner Kounalakis said, it is such an opportunity, such a valuable site. Hopefully we can spend a little more time doing our due diligence and meeting with the various governing agencies to understand what is and isn't acceptable. So that if we really try and do something in the future, at least maybe we can remove some of the hurdles and barriers and actually be able to get something done if someone comes up with hundreds of millions of dollars.

Commissioner Adams - Brad and Dan thanks. This is why it probably needs to take some billionaire that wants to do their own thing. More probably about ego than anything else. I mean huge. Really off the grid. Because when you're talking about the Army Corps, the Burton Act, BCDC, the public, there's a lot out there. There's a lot of land mines. Now what we got on the plate is the Southern Waterfront. You've got the Giants. You've got Orton's. You got Pier 70 -- you've got a lot of stuff out there.

This is something that would take a lot of work, very creative, and there are lots of components to it. It's like a helicopter. It's got a lot of moving parts to it. Director Forbes, I'd like to ask what your thoughts are on that.

Elaine Forbes - Thank you for asking President Adams. This has been an excellent conversation first of all. The comments from the Commissioners have been spot on in terms of understanding the constraints at this site and recommending that Port staff explore ways to break through some of those barriers to open potential avenue for development here.

I agree that there are landmines on this site and we have a long history to tell the tale of those land mines but I do believe it's a one of a kind location and it is an incredible piece of property, though very expensive. Staff has said a couple of times, "Location has to matter more than cost." I think the other piece I would add is any development partner who's successful here can't have a real hard stop related to time. They have to be very patient because of all of the regulatory decisions that would need to be made. This conversation has been wonderful and it's kudos to staff for doing such good work that yielded such good dialog about this site.

Ambassador Eleni Kounalakis was excused and left the meeting at 5:30 p.m.

B. Informational presentation on the Port's Master Lease to Historic Pier 70, LLC for the rehabilitation, restoration and re-use of the 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70.

Phil Williamson, Senior Project Manager at the Port – I am before you today to provide a brief update on Port and developer efforts to rehabilitate the San Francisco Pier 70 historic core along 20th Street in the Shipyard Area.

In today's presentation, you will hear what has been happening at the pier site since our last presentation to you in April of 2014. It's about two years since you've seen an update and we've accomplished quite a bit in those two years.

The Port Commission approved the Port's Strategic Plan and asked staff that the projects that are presented to you discuss how the project is meeting these important goals. This project meets the following goals of Renewal through the adaptive reuse of these buildings, Engagement in a meaningful public participation process that has been going on since the beginning and continues today. Livability, this project brings jobs to the neighborhood. Takes part in hiring commitments with Local Business Enterprises and Local Hiring Programs and provides light manufacturing space for businesses to grow in San Francisco and also adds Open Space, important livability components.

The project does a huge step forward in improving these buildings' seismic strengthening condition, the Resiliency component of our plan. Sustainability, this project has a Zero Waste Program in place, Storm Water Management Programs in place and other measures that increase and improve the sustainability of the site. Economic vitality is one of our goals. This project will non-maritime commerce to the site. Through these measures, this project adds stability to our portfolio, it increases private investment in the Port and adds to our portfolio of diverse tenants to help the Port weather economic cycles with a diversity of uses.

One of the important sources of funding is a historic tax credit. The project must be designed with respect to the Secretary of the Interior's standards which means that the project is often and repeatedly before the State Historic Preservation Office and the National Parks Service to ensure that the designs and the plans for the site meets these requirements.

The team has also been working closely with Port Engineering and Port Building Inspection Department staff. I'd specifically like to mention John Sims who is the Port's Construction Manager and doing a great job of keeping this project moving. Also Robert LaRose in our Building Inspection Department is doing a wonderful job of being responsive and timely in his inspections of the project site.

At this time I'd like to introduce James Madsen from Orton Development to discuss the rehabilitation efforts to date, the project schedule, his team's marketing efforts to find subtenants for these spaces, a status report on the hiring commitments that Orton has committed too and finally a community engagement update.

James Madsen - Thank you for the opportunity to present. It's very exciting to be back about four years into the project and to have the opportunity to actually report that we are building and that we are underway and we've gone from the talking portion of the project to the doing portion of the project which was very important as the buildings were falling down.

There are a number of pictures over the next couple slides showing work that's been underway for about a year and a half. Like Phil said, we are in deep consultation with the State Historic Preservation Office and the National Park Service who have approved quite a bit of the core and shell work for the project and who continue to review submissions on a rolling basis for tenant improvements.

Pictured on this slide is Building 104, one of the two unreinforced brick buildings on site which is undergoing a mandatory seismic upgrade. At the top row are a number of windows that have been restored. They are almost all original wood. Below the first row is a row of what the windows looked like before they were fixed. This is a picture of building 113-114 about a year and a half ago. This is the windows being fixed. We actually set up a window shop onsite. We have about 35 people who work directly for our company either in the Carpenters' Union or the Laborers' Union who are doing a number of self-performed tasks including window repair and who have successfully fixed about half of the windows onsite and who will continue to do that over the next year and a half in addition to quite a few other scopes. We also have two general contractors on site who are doing a lot of the foundation and seismic work.

With respect to schedule, we have a couple tenants that we have signed. We do think that a lot of our work will be done toward the end of this year in a number of buildings with the first tenants opening their door first or second quarter of 2017. We hope to be completely done with the project at the end of 2017 or into early 2018. So we do expect to be able to invite the public into the site, into the publicly accessible parts to the site mid next year and to have the project fully populated with at least 500 jobs by early 2018.

One of the major components of the project is seismic. We're doing mandatory upgrades in the two brick buildings on site which in addition to building 104 also includes building 113. This is a picture of the inside of building 113 from a week ago. There's significantly more steel in there now. We're working six days a week, double shifts on Saturdays to install the steel.

The steel is connected to new piles which go down between 40 and 60 feet to bedrock. Essentially what we're creating is a new building within the existing

building and will reach 100% code compliance for seismic inside this building which exceeds the historic requirement of 75% force loads. When we're done, the building should behave as well as a new building in an earthquake which is a substantial improvement for a building that you could see the light through cracks as recently as 18 months ago in the walls.

With respect to tenanting, we've announced two tenants. In building 101 which was the former Bethlehem Steel headquarters built in 1917, Restoration Hardware has signed a lease to create a publicly accessible showroom. So almost the entire building will be open to the public which is significantly more than was originally anticipated. It will be five levels of showroom with a proposed rooftop deck. Their improvements are going through historic review right now. I believe they're targeting late 2017 or early 2018 for an opening.

Building 104 is the other building we've announced a tenant for. It's a local Dogpatch company called Tea Collection. It's a group of women who design children's clothing. They've been in business for over a decade in the Dogpatch. They outgrew their current space and they're a wonderful PDR use that involves a lot of creative design for different seasons of children's clothing. It's primarily a design studio. They may have an ancillary friends and family store. They're still figuring that out. They will be opening in early 2017 as well, so that building is very much underway.

Building 102 we have several very wonderful San Francisco restaurateurs who have expressed interest in the building. Port staff has been working quite hard over the last two years to find a solution to move an existing power plant out of that building so it can be redeveloped. The power plant currently serves BAE Shipyards and needs to be rerouted in order to make the building available for development. We believe that will be developed a little bit after than the rest of the project, but we do have strong tenant interest for a restaurant which was the original proposed use.

On the South side of the project, in addition to the publicly accessible spaces, the atrium and the outdoor plaza, we have Building 14 which has been designated for PDR use. We're deep in discussions with a local PDR company and we hope to announce them in the next two to three weeks. They should be a very strong addition to the tenant mix and to some of the public amenities in the plaza.

In buildings 113, 114, 115, 116, we're talking to a number of different uses and we do hope to finalize and announce a tenant for these buildings in the next two to three months which would allow us to finish the leasing of the largest pieces and would satisfy all banking requirements for preleasing.

There are a number of smaller spaces that will be infilled. There are at least four spaces for various types of food and beverage support which will be a priority to local Dogpatch companies. We've gotten expressions of interest that range from wine tasting rooms or small local coffee shops and bars to fitness and bike

repair and the final mix of uses will be determined once the bigger tenanting is figured out and the timing of those tenant improvements is solidified.

With respect to the project goals, we have had a great working relationship with CMD and the City. We're constantly growing the crew. We're exceeding our Local Business Enterprise goal by about 50%. So we're at 24% against a goal of 17% and we expect that to continue as the project continues. We're meeting our local hire goal of 25% or exceeding it slightly.

We are also hiring a significant number of employees through the City's First Source Hiring Program on both the construction side and we have a number of Project Assistants who have also come through local City hiring programs.

We are very grateful for the support we've gotten from the community groups. The groups that we have been consulting with the most closely over the last four years are CWAG and the DNA and we continue to meet with them as the project progresses. Everyone is very excited for the construction to finally be done and for the public to have opportunities to get into the site and into some of these buildings that have never been publicly accessible before.

We're down there every day. Our doors are always open. We get a lot of feedback from individual community members. People roll up on bikes or walk down all the time and take photos and want to know what's going on. There's a lot of strong support that's continued throughout the project.

Quite a few jobs have been created, 450 construction jobs estimated. At least 500 permanent jobs. I think there's a good chance that there will be more than 500 subject to the final tenanting. There's definitely a growing reconnection of the existing buildings to the community. The safety and security of the site has increased dramatically. We have 24-hour security on site and have stopped a lot of the attempts to break in or vandalize the buildings which is really been helped by fixing windows and openings into the buildings. Opportunities for local business that we touched on and also publicly accessible spaces.

We're so grateful we've got Phil and the rest of Port staff helping us with this project. It really is a partnership and it's been a very strong partnership and we've got a tremendous amount of work over the next 24 months but there's a light at the end of the tunnel and we're quite excited to get there.

Commissioner Woo Ho - Thank you Phil and James. Since I was at the site yesterday, I had a chance to do an onsite physical review of everything that you've said today and have been updated in terms of the progress and so I am very pleased to see that you have made progress and it certainly does look like a site that is totally under development with all the fencing and we did walk through some of the buildings and the windows look wonderful.

Obviously they're there to look wonderful as well as to keep unwanted people out and I heard all about the critters too. We have more than just humans that



you're trying to keep out and control. I'm glad to hear about the progress of the project. It's important that we get that piece done along with the Port's Crane Cove Park and hopefully what else happens as we go further down with Forest City and the rest of Pier 70.

It's good to see that it's on its way and I know there have been some unexpected things as it normally does happen with a development but it seems like you are all taking that in stride and we understand that there's some adjustments that are being made that we will also be further informed upon as well.

Commissioner Katz - Thank you also to both James and Phil. I too was able to take a tour of the site and it was wonderful to see what's been happening. It's definitely a construction site but you can see dramatic improvements from what we started with. Had one sort of detailed question, or with respect to the street coming through, given the timing and looking like we might have some of our first tenants in by 2017, what are the plans for the infrastructure for the street and sort of coming into the space?

Phil Williamson - That's a very good question Commissioner. There is a Public Realm Plan in place. We are discussing how to implement that plan and to fine tune the scope to make sure we build what will service these future tenants, but not over build. Because in the future, Forest City will be coming in or the development of the larger area will come in and do a more full and complete rebuild of these improvements.

The next step will be to agree on the final scope of these sidewalks, street repairs, street lighting, things of that nature to make sure that the future tenants have a safe access route to their buildings and it looks good, of course. We can work with ODI through our LDDA to possibly be the performer of that work. We will negotiate that with them over the next few months. Hopefully start construction on that later this summer or fall.

Commissioner Katz – Will we be able to meet that 2017 tenaning timeframe?

Phil Williamson - Yeah, we definitely want to have that work done prior to the first tenants coming to the site.

Commissioner Katz - We sort of glossed over it and I appreciate in the interest of time, but I'm really pleased to see what's happening in terms of the Local Business Enterprise. The goal was 17%. I know you said this, but I just want to highlight it again that ODI has hit over 24%.

I'm really pleased to see that and working with the local hire and I think you also mentioned City Build has had a big role in being involved. The training that's taken place for the skilled union workers that are now part of the Carpenters' Union that are now working on site. I was really pleased to hear all of that as well and that's an added benefit and the numbers are really exciting.

Is there any kind of timeframe in terms of moving the electrical out of 102? I know you alluded to it, but do we have a sense of when that may be able to take place?

Phil Williamson - The Port has been active in coming up with a program to move that electrical equipment out of Building 102 so that we can make it available to Orton to lease and to find a subtenant for. There are two parts to the equation. One the Port has to come up with the plan and money which we've done. The second part would be for the Port to work with BAE to accept the power we bring them and distribute it throughout their facilities.

That turned out to be a little more expensive and involved than was originally contemplated. We're not looking at some options that reduce that cost and reduce the scope a little bit. We don't have an answer for you at this moment but we do have a promising proposal that we're looking at right now that we should be able to hopefully come to a recommendation on in the next few weeks.

As far as getting the work done, I would say if we were able to reach an agreement on the proposal by July or August, it would take another six to eight months to move it out so the building could be available early to mid-2017.

Commissioner Katz – I'm so excited about the project and I think it's going to be such a gateway to this whole area and really appreciate all the hard work that ODI and Port staff have undertaken to get us to this juncture and also all the work that's being done in terms of outreach to the community and the neighborhood. I've heard nothing but good things coming back on the work and the historic preservation portion of the project and so I just want to thank everyone who's involved in that.

As Commissioner Woo Ho mentioned, I know it's on the Port to see Crane Cove Park get up and running not only Phase One but get going on Phase Two as well. I'm so very excited about that and that will be such a spectacular entryway to the whole space. I'm very, very pleased to see that all moving forward.

Commissioner Brandon - James and Phil, thank you so much for that wonderful presentation. Commissioner Adams and I actually had lunch with Eddie Orton and James yesterday and we were able to discuss the project in detail and then we took a tour of the site. It's amazing to see the progress that has been made to these historic buildings in such a short time and to see such a diverse workforce out there and all of the individuals that you guys are employing on this job site was just wonderful. Congratulations on exceeding your Local Hire goals and the LBE Contracting goals. This is just a project that we never thought we would see happen and it is actually happening, so thank you so much.

Commissioner Adams - Phil, James, thank you very much. I think my fellow Commissioners have said everything. This was a very difficult project. Off the grid. I'm glad that Eddie Orton & James took it on because it's something unique. It's something different. I really appreciate you taking this on even

though you've had your ups and downs with it, it is something that this community will cherish.

Those old buildings bring back the old days of San Francisco that will never be lost and the memories. It's like a jewel that will always be kept in a case. I appreciate that. Thank you. We look forward to you getting back in front of us.

### **13. NEW BUSINESS**

Elaine Forbes - I heard Commissioner Woo Ho's request. I'd like to make a recommendation to put on the forward calendar a general real estate update.

Commissioner Brandon - I would like to know the Port's strategy for dealing with the homeless encampments. They seem to be popping up all over.

Commissioner Woo Ho - We were going to have an interim report from the Waterfront Land Use Committee. Has that already been calendared?

Elaine Forbes - Yes it is on the forward calendar. We were planning to do so in the late summer, early fall.

Commissioner Woo Ho - I want to make sure we understand the direction of the input that's coming back. As we keep talking about the transactions that we're dealing with that we're all on the same path and not divergent paths.

Elaine Forbes - Diane Oshima has been careful to calendar it before we begin Phase Two, after the completion of Phase One which has been primarily educational and informational and context setting. We will be coming forward before the very meaty policy discussions initiate.

Amy Quesada – Commissioners, this particular item is on the August 9th forward calendar.

### **14. ADJOURNMENT**

**ACTION:** Commissioner Brandon moved approval to adjourn the meeting in memory of the shooting victims in Orlando, Florida and Carla Jean Johnson, the Director for the Mayor's Office of Disability; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Adams adjourned the meeting at 5:59 p.m.