

DRAFT – SUBJECT TO PORT COMMISSION APPROVAL

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING MARCH 14, 2017

1. CALL TO ORDER / ROLL CALL

Port Commission President Adams called the meeting to order at 1:40 p.m. The following Commissioners were present: Commissioner Adams, Commissioner Brandon, and Commissioner Katz. Commissioner Kounalakis arrived at 1:45 p.m. Commissioner Woo Ho was excused.

2. APPROVAL OF MINUTES – February 28, 2017

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the February 28, 2017 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

- A. Vote on whether to hold a closed session and invoke the attorney-client privilege.

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 1:45 p.m., the Port Commission withdrew to executive session to discuss the following:

- (1) Discussion and vote in open session whether to meet in closed session regarding the following matter pursuant to California Government Code §54957(b) and San Francisco Administrative Code §67.10(d) (Discussion and possible action).

PUBLIC EMPLOYEE APPOINTMENT/HIRING

Title/Description of position to be filled: Port Real Estate Deputy Director

- (2) 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 Item)

- a. 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 CA: Kevin Ratner

5. RECONVENE IN OPEN SESSION

At 3:25 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 Katz seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon disclosed that at the February 14, 2017 Port Commission meeting, the Commission unanimously approved the appointment of Katie Petrucione as the Port's Chief Financial Officer and Deputy Director of Finance and Administration and moved approval to not disclose any other information discussed in closed session; Commissioner Kounalakis 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

- Pier 29 Bulkhead Term Sheet – Approved by the Board of Supervisors' Budget and Finance Committee on March 2, 2017

Elaine Forbes, Executive Director of the Port - I would like to give everyone an update on Pier 29. We started an RFP process in 2015 and as you will recall, the developer was Jamestown who we selected through a competitive solicitation process. The developer was becoming nervous because of some community opposition, while they also enjoyed community support and requested that the Port bring a Term Sheet to the Board of Supervisors. You all approved that Term Sheet and forwarded it along.

I'm happy to report that the Board unanimously passed the Term Sheet on first read today. Before that passed, the Term Sheet went to the Finance Committee on March 2, 2017. Supervisor Aaron Peskin who is the District Supervisor in the Pier 29 area recommended three amendments which the Port Commission will be very happy with.

First, he's requesting that when the lease returns to the Board of Supervisors that a minimum of half of the goods sold in the 20,000 square feet of retail space will be reserved for SF Makers. The developer has said that they can meet that requirement and we'll be talking more about that. I know the Commission had asked for more detail on the leasing program.

He also asked that we be very clear that the lease applies only to the bulkhead building as we advertised, and not to any other portion of the property, not to the shed of the property. Finally, he would like for us to come back and report to him and to the full Board of Supervisors in a report what we're learning through the Waterfront Land Use Plan regarding active recreation, what the Commission's recommendations are and how we're pursuing those recommendations. We have a specific time in which they'd like to have us back which is in February.

I'm happy to report that the Port Commission's vision for use of the property, the very well-run competitive solicitation process and your process has been confirmed unanimously today by the Board.

- Community Clean Team – March 18, 2017 from 9:00 a.m. to 12 noon

Elaine Forbes – On Saturday, March 18th, the annual San Francisco Public Works Community Clean Team event will take place from 9:00 a.m. to 12:00 noon at the Warm Water Cove which is located at 24th Street and Michigan Street. It's a very fun family event. There'll be lots of plantings of trees along

Cargo Way. Recology will be there handing out five gallons of compost for residents' gardens, so please bring your buckets. If you want to involve yourself in the planting and cleaning, wear closed toe shoes. Apparently there are goats, face painting and you can ride in a bucket truck. Please come and have some fun.

B. Port Commissioners' Report:

Commissioner Katz - I would like to request that we adjourn today's meeting in honor of Catherine Dodd who retired from the City yesterday and has done amazing things on behalf of the employees and retirees of the City during her tenure, most recently as head of the Health Services Commission where we saw rates that in most other areas for healthcare went up, we were actually able to bring rates down and hold steady. It save members significant funding.

Before that she'd served in the Mayor's Office. She served with Leader Pelosi as Chief of Staff, was an aide to Supervisor Shelley and even Nancy Walker and an advisor to so many of us. She retired from City service yesterday.

It doesn't mean she's retiring from contributing to benefit all of us with her knowledge and wisdom. She's staying on as the Chair of the National Committee to Preserve Medicare as, that's in her volunteer capacity. But I would love to adjourn in her honor today.

Commissioner Brandon - I would like to thank the staff. I had the opportunity to attend the Contract Opportunity Open House and it was such a great event. There was such a wonderful turnout. Almost 200 people were there in addition to the City and Port staff. Everybody was so happy and so excited that we did it. It was so successful. I want to congratulate the staff and Director Forbes for her foresight to do it. Because it was so successful, thank you Director Forbes for making it an annual event now.

10. CONSENT

A. Request authorization to advertise for competitive bids for Construction Contract No. 2766R, Pier 94-96 Storm Drain and Outfalls Repairs Project. (Resolution No. 17-13)

David Pilpel – I haven't been by in a while. I agree with Commissioner Katz, and appreciate your noting Catherine Dodd who's done great work for the City and survived and is doing well given her own health circumstances which is very courageous.

On Item 10A, I wanted to support this. It seems like a minor and routine item but this will actually make some significant, long overdue repairs at Pier 94-96. There are regularly minor league flooding events when it rains. I've seen that

going out to the Recology facility and this dovetails well with the presentation that we'll hear in a little bit on Item 11C. I just wanted to support the work here. I was going to ask why the resolution didn't include a whereas about the CEQA negative declaration but it appears to me that this is not the final approval action for Chapter 31 purposes, that this is just the authorization to bid so it's going to be back here for the award in the future. At that time, that'll be the approval action with the CEQA item.

ACTION: Commissioner Katz moved approval; Commissioner Kounalakis seconded the motion. All of the Commissioners were in favor. Resolution No. 17-13 was adopted.

11. PLANNING & DEVELOPMENT

- A. Informational presentation by the City of San Francisco's Office of Economic and Workforce Development (OEWD) on the Southern Bayfront (Mission Bay, Central Waterfront, Bayview Hunters Point, Candlestick areas) interagency coordination to guide community and citywide investment.

David Beaupre with Planning and Development - I'd like to introduce Ken Rich, Development Director for the Office of Economic and Workforce Development and Mike Martin the Project Director for OEWD. They will give you an update on the Southern Bayfront Interagency Coordination and Negotiating Framework.

As you may recall that in May of last year, the Office of Economic Workforce Development presented the Southern Bayfront Coordinating Strategy and they're here today to provide an update of what has been done since, some of the community outreach that's been done since last May and next steps.

Ken Rich - We were here in front of you last May to introduce the City staff collaborative effort that OEWD is leading to construct what we're calling a Negotiation Framework for a number of critical development projects along the Southern Bayfront including a couple of major Port projects.

We're happy to be back to provide an update to the Commission on a lot of work and thinking that has been done between then and now on how to negotiate public benefits from these projects on affordable housing, transportation and a host of other topic areas. 2017 is an important year in this process. We expect to be in front of you later in the year for approvals for two major projects, the Pier 70 Project which you're going to be hearing more about and the Mission Rock Project.

In addition, there's another important project that is not a Port project, the India Basin Project that we expect to take through approvals this year. I wanted to make the point that these large and negotiated projects, both the several that are in this part of town as well as others around the city are going to be providing the bulk of new housing units that we will be entitling in the next few years in the

city. Generally these large negotiated projects are able to provide a higher percentage of affordable housing than smaller projects.

We place a lot of importance on getting these projects through. We're working hard with your staff and other City staff to keep these on schedule and get them through the process in the shortest time we can without skimping on necessary outreach and vetting. We're going to go through a presentation and try to move through it as quickly as possible in the interest of your time.

As you know, in January of 2014, Mayor Lee pledged to construct 30,000 new and rehabilitated homes throughout the city by 2020 with at least 33% permanently affordable to low and moderate income families and the majority within financial reach of working, middle income San Franciscans. Three years into that pledge, the City has completed over 17,000 units, with over 36% of those permanently affordable. We have a funded pipeline of projects that will enable another 4-5,000 new, affordable homes.

In general, we are on track to make the 30,000 unit goal by the projected 2020. These Southern Bayfront projects will make a strong contribution to housing for working class middle income San Franciscans with at least 1,000 additional workforce units and 5,000 additional low and moderate income units.

Our waterfront is composed of very distinct zones. The first three of those zones are not places where we expect to see a lot of change. They're either in federal hands or in Rec & Park hands or possibly a lot of it is in the Port's hands. We will see modest, incremental change until you get down to the yellow zone where we do see the opportunity and a consensus that some change is warranted, not all, but some of those old heavy industrial lands go into a new use.

This slide is here to make the point that we are not operating on a blank slate. We've got 36,000 people already living nearby, 23,000 people already working. It is our charge to make sure that the planning we do on these new projects are adding value for those neighborhoods and residents.

These are all the different projects that are involved here. The Warriors' Arena and Hunters Point and Candlestick are already approved. There are several others and five major projects that will be going through for approvals in the next few years including as I mentioned two that are under Port jurisdiction. I want to call your attention also to the gray box approximately in the middle. That's the Pier 80-96 District which is intended to remain as an active industrial Maritime activity center. We're engaged in active discussions with your staff on how to make the most out of the ability to house those uses there over time.

The Negotiation Framework that we're going to talk to you about will serve generally the five projects that I'm about to list off in a moment that have yet to go through for approvals and seeking to transform those into assets for the community and a variety of public benefits. The idea being we don't want to do

one-off negotiations but we want to understand what we're asking for from all of the projects in advance of going through and doing these negotiations.

We've got the Mission Rock Project and the Pier 70 Project coming through for approvals by the end of the year, and also we hope to get the India Basin Project through by the end of this calendar year. A little further out in time because they're starting a community process are the former power plants, Portrero and Hunters Point power plants.

The projects are the Pier 70 Project which you will be hearing much more about, the Mission Rock Project which is another Port project, about 1,000 housing units with 40% affordability, a million and a half square feet of commercial space approximately and a lot of new public Open Space.

The India Basin Project further down south, it's a privately owned site, 1,240 units, 275,000 square feet of neighborhood scaled retail and in cooperation with Rec & Park about 1.500 acres of new public Open Space. A little bit further out in time, but equally important are the former Portrero power plant which was known until recently as the NRG site until it was acquired by another group. Again that's a project with about the same scale as Pier 70.

We don't know what it's going to provide yet but it's probably going to be a similar sort of mixed use environment to Pier 70. Hunters Point also is a large site, could be up to 1,200 housing units with some other opportunities for Open Space and other community assets. Those are the five projects that we're focusing on. My colleague Mike Martin will take you through the rest of the presentation.

Mike Martin, OEWD - As was mentioned this is our second trip around to a number of the interested Commissions. In addition since we saw you last May we've always had an opportunity to see a number of community groups along this stretch of the Southern Bayfront and that outreach helped us build out a lot of the strategic elements of what we're trying to go for in the various negotiations much of which you have seen in your projects and their Term Sheets so you're familiar with the items as we go through.

This slide tries to summarize a lot of the key feedback and a lot of it has to do with the current community wanting to know what are the projects going to do to augment and improve what's already there? Things like looking for affordable housing, prioritizing existing neighborhood residents in need, looking for workforce training for specific project employment opportunities to get ahead of those opportunities so that people looking for work from San Francisco can get those opportunities as part of the efforts to hire local workers and local firms.

Workforce training is a key part of that. In addition transportation and streetscape improvements, trying to keep pace with project implementation so the impacts of growth are met with the things to channel the impacts. Projects

limiting the amount of new car trips. People are seeing the gridlock and hoping that alternative modes of transportation can be a real help going forward. Access to new waterfront Open Spaces really giving an inviting sense for the people that already live here so the projects aren't seen as being built just for the people that are moving in.

Planning for Sea Level Rise impacts, obviously a waterfront district like this needs to look ahead and to look at that future and designing projects with innovative and strong sustainability principles.

As part of that community feedback as well as moving forward with conversations with each of the development partners, we have isolated a number of key areas and tried to identify a unified negotiation framework where each project isn't sort of a one off. That each of them not is only doing the most that it can for community benefits but is also part of a larger narrative about the revitalization of this part of San Francisco.

There are a number of topic areas that we've advanced quite a bit on since we last saw you and I'll summarize those briefly today. Housing affordability. We're seeking to achieve 33% affordability across all of the Southern Bayfront projects coming forward. This is meant to be an area wide target so each individual project may vary from this amount.

In addition, as Mr. Rich said earlier, these larger projects give us an opportunity to not only grow the pie of affordable housing but also to address hard to reach income levels and larger family units to get that moderate and middle income family housing, that workforce housing that doesn't currently have subsidies available for it the way that lower income housing does. How can we build that in to make sure that San Francisco doesn't continue to be a city of extremes?

In addition we want to build off of the aggressive local preference policy that's been set forth by the Board of Supervisors in recent transactions to try to bring some of the benefits of this new below market rate housing to those in San Francisco that need it, so that we can try to keep people from being displaced as that continues to move forward as a key issue in San Francisco.

Transportation is obviously a critical issue for this part of the city. There's a number of transportation investments that are coming forward and being implemented as these projects are coming forward for approval. A number of them are listed in the 2017 to 2020 timeframe, including the opening of the Central Subway so that's going to be a huge improvement in terms of headways especially at northern end of T-third and hopefully can create a lot of ways to limit the congestion that's coming, that's really going to frankly affect the existing Mission Bay neighborhoods and the Port projects that are coming forward.

There's additional other improvements that are also being implemented. One of the ones that obviously has been in the headlines lately is Caltrain electrification.

We're hopeful that still can come forward despite the current impasse because adding that kind of frequency on that corridor can also help alleviate this congestion.

Looking ahead, you have other investments in 2020 to 2030 that also add some east-west capacity. We have these big boned capital projects coming forward and what we want to do is have the individual projects that are coming forward to benefit from those investments to engage with them. Finding ways to enhance transit reliability and capacity and fill gaps in our current network so that alternate modes for short trips such as walking and biking are effective so that everyone isn't forced to pick between crowding onto Muni and jumping on a car. There are other ways to get around local destinations.

Each individual project has an opportunity to support the spirit of the City's new Transportation Demand Management Ordinance in such a way as to not only seek to encourage the use of these other modes, but also to monitor performance and change strategies over time as these develops mature and as the different mixed uses sort of reveal themselves as to how they're affecting transportation patterns.

The site design has a lot to do with allowing people to get along this stretch of the waterfront. That's an important thing. Obviously all those things have to connect so that not only do we have the main arteries of transportation but also the capillaries to really get at these locations along the waterfront.

Moving to Open Space, 520 acres of new and renovated Open Space when you aggregate all of these projects together. It's a huge amount, half the size of Golden Gate Park and the vast majority of all planned new Open Space in the city. We need to find a way to make that not only accessible to the new residents, but also something that the current residents can see as a benefit and an improvement that comes along with the growth of the city.

Ultimately we've started a really good collaboration among the Port and Rec & Park and the developers to start thinking about, "How do we create a seamless user experience?" Even though as we know, the ownership of each of these sites is going to be different between the Port, between private developers with their own Open Spaces, between Rec & Park for example and India Basin. Having some sort of unified framework of wayfinding, having a unified place where people can go to make reservations or other things for the Open Space where we don't have to figure out who owns the park and then decide how to use it.

Those are the things we're hoping to build toward. This is one of the places where a strategic framework across projects can create more benefits than just the individual negotiations themselves..

Sustainability is the next item. I think you heard about your two projects which are very forward thinking but ultimately the opportunity for these large projects is

to use district strategies that individual buildings can't to more efficiently use resources like water and energy.

Looking at transportation as a key aspect of this. Again, the benefits of getting people out of their cars isn't just congestion. It's also air quality. Water is a critical issue, so trying to find ways to implement and demonstrate the City's forward thinking on the water reuse ordinance amendments that require large projects to find a way to use all of the potential resources effectively to limit the uses of potable water and then using the coastal adaptation strategies to create a living shoreline.

As part of the Sea Level Rise conversation, we're also looking at ways these parks along the waterfront, while they may not be inundated at all times, they'll be able to be resilient should there be a high tide event or a storm event. As the sea level rises, we'd like to see these areas be adaptable and resilient and still be functioning as Open Spaces effectively, also as ecosystems effectively.

Together, I think we're trying to take a Southern Bayfrontwide look at these key areas and the plans that have been advanced and the plans we think will be advanced, together we can achieve a lot of interesting and forward thinking things to help San Francisco meet its very aggressive goals going forward.

A 35% in building greenhouse gas emissions over a typical San Francisco development. Forty two million gallons of potable water saved every year as compared to a more generic single building once we've implemented all these buildings. Twenty five percent of this developed area dedicated to green space, when in other areas of the city with infill development, there isn't that much of an opportunity. This is something we'll try to make as part of the larger narrative and have each of these projects contribute to that and create that story.

Sea Level Rise, obviously the Port Commission needs no introduction to this topic. What we want to see is not only an initial build out that protects the developments themselves which as an investment of capital obviously those developers and those eventual landowners are going to require but we also want to find a way to help address the city's challenges with the other areas that don't have this investment coming.

The developments themselves will also include their own adaptation strategies, but what we would like to do is something that the Port has already done in its projects and that's use some of the public financial tools that are available to us to create out year funding strategies so that the future adaptation can get paid for not only for these developments but also for the areas near them.

Again as people question, "Why are you building along the waterfront?" I think this is part of our answer. It's not only is this a useful part of the city now and it's an area that we need to revitalize for the people that live here, but it also can create tools so we can protect other areas of the waterfront including the Port's

own Seawall. Ultimately this is going to be a negotiation on each individual project, but once we have that larger frame, we're more able to get to that kind of an outcome.

Community facilities is something that is challenging from a lot of directions because it's not always purely public facilities. These include things like child care centers or grocery stores or other private health centers or things that are delivered as part of a neighborhood as it grows, that we want to make sure are there to serve along with the public services that are needed like fire stations, police stations. schools and libraries.

We're working with the Planning Department to look at existing resources, think about what the best practices are for this incoming population of both workers and residents and seeing what are the kinds of facilities we need and whether we can negotiate space in these developments to accommodate those uses. This is a place where this Southern Bayfront wide look can help us balance needs from one direction from resources from another.

Workforce development as I described earlier is very critical and bringing home the benefits of these developments to San Francisco. We have opportunities to train for current trades and other potential end use jobs even that are currently going to be coming forward with these projects. We'd like to see San Francisco residents have those opportunities and create that virtuous circle of investment and bettering of the lives of residents in terms of moving up the employment ladder.

This is a well-travelled field in terms of construction trades but we have a lot of opportunities especially with mixed use developments to think about the kinds of businesses that are going to be there in the future and what we can do to get San Francisco residents into those jobs.

Our next steps, as Mr. Rich described, we have a couple of years of very intense negotiations and a number of approval dialogues at the various Commissions at the Board. We want to highlight that every project is not going to hit the entire laundry list we've gone through today, but again the benefit of having this approach and having done so ahead of the individual approvals is to be able to make efficient choices about which project contributes to which goal as long as we're reaching the overarching strategic goals as we've outlined today.

Commissioner Kounalakis - Thank you so much for this terrific overview. I am still the newest member and so these kind of bigger picture overviews of where the city is going with development projects relative to Port property in particular are extremely helpful.

What I am mostly wondering is, you have as part of your presentation the timeline on these things. Are these overlapping timelines? Are there concerns that things get delayed because other projects are moving forward? In terms of

the pipeline, is the pipeline overcrowded with all of this or is there a pretty good sense it's all going to move forward at the pace it's naturally progressing?

Ken Rich - Are you referring to the pipeline to entitle them or the pipeline to actually build the units and the office space or maybe both?

Commissioner Kounalakis - Mostly both. I'd be curious about that as well. I mean, there are some times where you feel like there is just construction on every single block and then there are times when it feels like it's less so. In the scale of all of these things happening at the same time, how do you think about this in terms of the timeline?

Ken Rich - Our job right now is to get these very complex projects through the regulatory process and through entitlements which means being approved by a number of Commissions including you when it's Port and the Board of Supervisors. I wish I could say that they lined up perfectly so each time we ended one the other one started, but life doesn't really work that way.

We are in the midst of the three projects that I mentioned in the earlier side which are Pier 70, Mission Rock and India Basin are all coming through probably within six months of each other with the two Port projects being first and Pier 70 being the first. We have to deal with that and get them through it.

We also have some other projects of this scale in other parts of the city that are also coming through at this point. Then we may have a bit of a break. Our workload isn't completely under our control, but we will get them done for sure.

In terms of when they're entitled and the units coming online, the biggest determiner and this might be to ask the, Forest City when they come through here, how they see the market in the future. But it's really going to be the market that determines how fast these things move. My understanding is that Forest City would like to move as quickly as possible.

The way that we understand the market working in San Francisco and the way we have seen it work is when the market is receptive and hot, you will get everything moving and when it's not you won't get anything moving. The only thing you will see moving, and it's a good thing, is public finance projects which we like to see happening during down times because it evens out those construction jobs.

We will probably see these projects for better or worse come together. They'll be clumped when the market is receptive and there's not a lot we really can do about that. If other folks that are going to present after me have a perspective on that, I'd like to hear it, but generally, we just probably are seeing may be leveling off on a huge boom and we saw everything happen during that boom. That's kind of the way it works here.

We'd love to even it out a little bit more and again with affordable housing and public projects we are able to do that, but with the private projects it's kind of subject to the market.

Commissioner Brandon - Thank you Ken and Mike for the presentation. This is wonderful and very much forward thinking, and I appreciate it. It's a great plan. We have all these projects and we have all these various commitments for the projects, but how are they prioritized? How do we decide what gets funded versus what doesn't? Do all the money go into one pot and then we divide it equally or do we give preference?

Ken Rich - I wish you would ask easier questions. This is a major challenge and it is one of the roles of you as decision makers is to validate and guide us about whether we are prioritizing things. I could tell you that on every project, we could do 50% affordable housing but we probably couldn't afford a lot of transportation improvement if we did that.

We could do a lot more Open Space which takes away the revenue producing parts of the development but I hesitate to tell you which one of the priorities is our highest. It goes without saying that the Mayor has charged all of us to wake up thinking about affordable housing and go to sleep thinking about affordable housing so that rises to the top.

If we don't deal with Sea Level Rise then that housing won't be there in a few years and if we don't deal with transportation then the people that we're inviting to come live here can't get around so I couldn't tell you. We try to do the best balancing act we can. To answer another part of your question, the way we approach these projects is we look at all of their economics, even the ones that are not on City property.

Obviously you've been through the pro forma for Pier 70. We model the pro formas of the private projects too to make sure we're asking for enough but not too much. You could come up with a total dollar amount of exaction that you could ask a project. We sort of do a version of this, a total dollar amount of exaction you could ask a project for before they won't make a profit and therefore won't go ahead. Then we have to slot it into the different categories.

It is basically a financially driven negotiation. In terms of how we prioritize, we do our best but there's no way to say which. They're all the highest priority.

Commissioner Brandon - As far as community outreach, you have done a great job, but I hope to include our CACs, especially the Southern and Central Waterfront Advisory Committees.

Commissioner Katz - Thank you Ken and Mike. It's helpful seeing all of this and I appreciate the focus on coordination because as you know that had been a big concern of all of ours. As we've seen all of the projects coming along and waiting to make sure that we get everything coordinated so I am pleased to see

everything that's being done. Thank you for trying to walk on water in this case and balancing all the different needs.

In legal parlance this would be a leading question, could you explain why we haven't done a larger area plan as opposed to working on the different projects?

Ken Rich - You know, we have done a lot of area plans, the Eastern Neighborhoods Area Plans and these projects. The reason we're going in a different direction is those area plans, the Eastern Neighborhoods, Market, Octavia, the other ones generally consist of a lot of small projects which added up together are a lot of units and a lot of development but they all are the projects that would go through under regular zoning.

On an area wide basis, we determine what sorts of fees and what sorts of community benefits and what sorts of heights and all of that. None of them are large enough to lend themselves to the specific opportunities that we have with larger projects. These projects are all very large and we think that we can get better community benefits from them if we do a one-off negotiation with each one.

For example, as Mike mentioned, this idea that we're all very excited about, of having some kind of taxation structure, a Mello-Roos tax, that stays around into the future to pay for Sea Level Rise improvements and protection against Sea Level Rise. I don't think we could negotiate that in an area plan that had a whole bunch of projects. When we have five projects and we're doing a negotiation with each, we can look at their finances.

Each one's going to need to pay its own rate. It's not going to be even. These projects are big enough that we do better by having customized negotiations that look at the finances of each project. What we do when we figure out, like the Central SOMA Plan which is going through now, has to model its exactions on the median.

It can't place exactions so high that half the projects will fail and not be able to go so low that too many are getting a free lunch so you have to go into the median. Here we can really ask for as much as we can possibly get from every project.

Commissioner Katz - As I started off, it was a leading question and that was the answer I was looking for. It's important. I just wanted to note for the public that this does give us an opportunity to be strategic about what happens around each project and how it all works together.

Thank you for the efforts in terms of addressing Sea Level Rise and figure out how we can work with the Seawall although I am sure there may be some folks down there that might want oceanfront property but probably don't want to have that happen. I want to thank you for the focus on sustainability as you move

forward. These are all topics that I am pleased to see they're coming to the forefront in all of these design efforts.

We touched on it just a little bit in terms of transportation coordination. There's a lot of changes and we're all talking about how transportation has been changing and we're probably going to be chasing it a little bit as all these projects come on, but in terms of trying to think about the next generation if you will in transportation how we look at some of the multimodal requirements, taking a look at being more creative in, a little bit like we did at Octavia Boulevard where we're viewed as a model for the rest of the world, how you have all of those different kinds of transportation elements in one location. Are we starting to look at incorporating that in the design along here such as keeping bicycle lanes a little bit separated from traffic and more public safety?

Mike Martin - I don't know if you all recall, there was a Waterfront Transportation Assessment that MTA led a few years ago and it had these interesting findings that the peak hour congestion in the Transbay area of SOMA was rippling down to the Mission Bay and the Mission Rock area because everyone that was trying to get to Transbay was blocking everyone trying to get locally anywhere.

It was revealed that if we could get some of those trips to get out of their cars and have a safer bike and pedestrian grid or a more effective and more frequent T-line service, that that would really have huge effects for local travel. The Transbay corridor is still challenged but that would do a lot for the rush hour congestion that these areas are seeing.

One other thing that we're pretty excited about investigating further is, "Is there an expanded water transportation service?" Not only ferries across the Bay, but also water taxis to this new population that's moving south from the current downtown? I know the Port has an existing water taxi service and we'd like to see all these projects work together to make sure that they could be plugged into a larger service in that way and opening up a new way to travel north and south along this same corridor.

Commissioner Katz - Not to put you on the spot, but as we're trying to figure out how to move the Caltrain electrification forward, how will that have an impact on some of the efforts we're doing here positively or negatively if we don't get all of the funding in on the time frame we would like to see it happen?

Mike Martin - The political uncertainties aren't something that I can probably opine on really well but I can say that the electrification was seen as something that was a big benefit, that it would move Caltrain closer to BART style headways. A lot more trains coming up again through the same corridor and with these mixed use projects that are employment centers as well as resident centers, it really would've been a helpful thing to link that from the peninsula to San Francisco.

There's a lot of efforts not only on Caltrain electrification but also the downtown extension and Transbay. All of those things are currently seeking dollars and currently trying to get done but when they do get done, and I do believe they will get done, hopefully it catches up with this growth and create a network that has a lot more connectivity than we have now. We are definitely experiencing the gaps in the network and that is one key piece we want to fill as soon as we can.

Commissioner Katz - Maybe that might be something as we look at opportunities that arise by not having a cookie cutter approach to the area, there may be some things we can look at from getting additional funding perhaps for some of the transportation efforts.

Mike Martin - I think that's one part of the strategy. Not necessarily Caltrain but just generally, can we aggregate? We know there are a bunch of transportation sustainability fees coming off of these projects. Can we aggregate those to use them locally in projects that do what we're talking about? The \$700 million price tag for electrification is probably outside the reach of these projects, but it's the same idea is like, "How do we create the better connections in all directions?"

Commissioner Adams - Mike and Ken, this is really an ambitious agenda. With the state of our country, it's really good to know that we're moving forward because San Francisco always marches to its own beat. Being a Sanctuary City, it's important that we move forward.

This Southern Waterfront, this is the next Renaissance in our city and we know how important housing is in the city as well as jobs. We've heard about transportation, congestion and when we think about the four most congested cities in the world, Los Angeles is number one. Moscow is number two. Los Angeles is number three and San Francisco is number four. You hit on something Mike, you and Ken both. Be it the subway, water taxis, ferries, biking, we've got to have some kind of transportation with success but with success you always have problems.

These are some good problems to have as we work through this. I appreciate the update and I ask that you continue to reach out to the community. The community has to go along. The transparency from our community has to be there. Because this Port, this City belongs to every citizen in San Francisco and everybody's got to feel like they're a part of it. They own this because we are moving to the next level in doing these things. When you prioritize these, how they come out Ken, do you think there's going to be any problems in funding or anything? Do you think we're going to be okay with our private partnerships and things that we have? We don't have to worry about federal funding from President Trump or the government. We're just going to do what we've got to do?

Ken Rich - Continuing the string of difficult questions to answer. I don't want to make commitments around federal funding. Unlike affordable housing where the

federal government has pretty much backed off of that a decade or two ago, it is important to note that the major funding source for major transportation is still the federal government. We were supposed to have someone from MTA here, but she was ill today. She probably could have answered this better but these funds are most helpful as matched to federal funds. If that changes significantly that will be a problem. I'm not in that enough myself to understand what that landscape looks like but we do need a lot of money from the feds. As an example, now that the feds have put on hold the Caltrain electrification money, that project is now in doubt and everyone is scrambling to find ways to make up the funding and we're hopeful that either the federal government will change its mind or we will make up the funding.

We will need that participation from the federal government to do major transportation projects. We're more self-sufficient on the local bike lanes and pedestrian-oriented projects, but on the major ones we are going to need it.

B. Informational presentation regarding the Forest City proposed Pier 70 Special Use District Design for Development for the area bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay.

David Beaupre with Planning and Development - I'd like to introduce Jack Sylvan and Kelly Pretzer of Forest City to present the Design for Development. The Port has been working with Forest City on the planning and entitlements of the Pier 70 area since early 2013 when the Port Commission endorsed the Term Sheet.

Since then Forest City has presented several times to the Commission, has done extensive community outreach and as recently as October 2016 presented an overview of the Land Use Plan and a high level overview of the Design for Development. This afternoon Jack Sylvan will walk through a more detailed overview of the Design for Development. That document is used. It provides direction to both the developer and City staff to make certain that there are criteria and direction for how new horizontal and vertical development and adaptive reuse of historic facilities will be constructed.

The Design for Development will make certain that the improvements maintain the integrity of the Union Ironworks historic district and that Pier 70 is an attractive and comfortable place to live, work, play and visit. The Design for Development will be included in the proposed Pier 70's Special Use District of the City's Zoning Code.

The draft Design for Development as presented today has gone through extensive review and collaboration with the San Francisco Planning Department, Public Works, Municipal Transportation Agency, the PUC and the Office of Economic and Workforce Development.

Jack Sylvan – I'm very excited to be here. Every time we come, it's becoming more and more real. I can almost feel the construction starting to happen. We've committed to being efficient with your time and we will do that. Just a reminder that this is now 10 years in the making. You could probably go back further than that but the Port's Master Planning process started in 2007. That was a three-year process. There was a year to select Forest City and we've now been at it for six years working with the community and all of the City family, your staff to move this forward.

Literally thousands of people have their eyes on the vision that has been put forward for Pier 70 and have an opportunity to provide input which has made the plans stronger, have more support and ultimately have a greater sense of ownership for what is created. A little bit of a reminder for context and this is also baked into the design guidelines that David mentioned. We're talking about a mixed use project that's centered around a node of historic buildings that are out at the site today, Buildings 12, 2 and 21 which you've all seen and we all know and love.

The Land Use Plan includes some development parcels that will be commercial office, some development parcels that will be residential, some parcels that could actually flex between office and residential which is very common in San Francisco. You see this in most of downtown and South of Market and allows us to be responsive to what ultimately is planned and implemented on the southern boundary of the site, both on the Portrero power plant property and the PG&E substation.

One of the things that we were encouraged to do by your staff and by the community was to be thoughtful about how we locate uses in the project that activate the site that create an authentic Pier 70 experience. There were examples that folks would give of development that's happened around the neighborhood where it doesn't, certainly there is residential and office, but didn't include the components that make San Francisco neighborhoods great. The space for arts, for PDR, for neighborhood services, for non-profits. We've actively programmed that in, as well as identifying key locations where there has to be retail or neighborhood services.

We've talked before about the specific attention that we've paid to creating a place that is really for walking, for wandering, for discovering the place. A series of pedestrian pathways. The majority of the waterfront site is a pedestrian priority zone exhibited by not having a road between the waterfront parks and most of the buildings.

This is something that to some degree you could argue has been part of the history of the place and the character of the place for decades. As we were going through the process with our design team thinking about how we create a new waterfront park network that honors Pier 70, that feels like Pier 70 and is

complementary to what else you find on the waterfront. Rather than recreating the Marina Green or Rincon Green, Pier 70 asked to be a more urban site.

Our landscape architect Field Operations for those of you who have been to the High Line in New York and know that the way that they have found to bring the history and the gritty character into something that is a modern experience, looked at the site and how it was used traditionally and where there were these open areas that were adjacent to buildings. It wasn't one large open area. There was a series of them and that became the framework for an Open Space program that we think of as a series of rooms that have a distinct character, a distinct design and a distinct use. So that at different parts of the day, at different parts of the year, you have a diversity of experience of who's coming and how they're using the place.

We talk about these rooms, and we use them. One of the ways that we've used to describe them to folks is to use local references. We talk about how this park network is five or six parks or San Francisco Open Space areas in one. The playground that will be adjacent to Irish Hill is not unlike the scale and the character that we see at the Dolores Park playground.

Around Building 12 is a series of platforms and an urban plaza that is not unlike what you find in front of this building, between the Embarcadero and the face of the building where there's lots of events and very active use. Along the southern part of the waterfront we have more of a waterfront promenade that is fronted by restaurants, bars, and scale-wise not dissimilar from the Embarcadero Rincon Park where Water Bar and Epic Roast House.

There's not many places in the Bay Area where you can sit on the water on a patio. There is no road between you and the water and the Bay Trail is right there. Slipways Commons which actually connects the waterfront to the historic buildings, not unlike the scale of South Park if you took the roads away and the buildings fronted right up on it. The northern most part of the site is more of a green space that is on par with the scale of the, not all of Crissy Field, but the picnic area of Crissy Field.

The design guidelines are about putting in place a framework for how do we make a great place out at Pier 70. It's one of the reasons that Forest City was chosen by the Port. We've shown in other places around the country how we've been able to do that. We have a project in D.C. called The Yards which we'd encourage you all to visit, and we'd be happy to host you. It's really a magnificent project and the parallels with Pier 70 are quite surprising.

We have a great design team that's been working on this and have appreciated working with the Port staff, the Planning staff, OEWD and everybody else who's been involved to create a framework that is what Pier 70 deserves. It's what the city deserves and ultimately it will create value for the Port and for Forest City.

There's no one characteristic that needs to be included in this framework. There's a series of elements to it that all have to be treated appropriately and balanced and then bound together. They're shown here and another way to think about it is three dimensionally so we want to create these great parks in an inviting public realm. The design and the character of the streets that we create requires a lot of attention and frankly a lot of battles with ways of doing things, ways of building streets that maybe aren't the best for pedestrians and bikes.

Providing robust public benefits throughout the buildings and in the parks through some of the programs that Mike mentioned, workforce programs, small business diversity programmed in some of the retail spaces. The rehabilitation of the historic structures, the treatment of the ground floor of the new buildings and then also importantly the design framework that we put in place to great buildings, great new construction buildings and how do we do that?

There's a thick document that we're really proud of that is the framework, the design guidelines which you'll sometimes hear referred to as a D4D, Design for Development. It talks about this land use framework, about the mix of uses, the Makers Market Hall in Building 12, the arts facility on the waterfront which will have the replacement studio space for the artists.

It has priority retail zones in the buildings. It limits the amount of ground floor office so you have that active public realm. It has a specific Open Space section and framework where it talks about some of the things that we must do and we can't do. We're not going to modify the remnant of Irish Hill, but we are going to put a playground next to it and honor that and maintain the view of it.

It talks about where is appropriate and what type of vegetation can be used. Given that it's a historic district, it prioritizing programming for certain areas. Where would you want to have an urban waterfront for eating and dining? Where is appropriate for play? Where is appropriate for picnicking? Where can we design something that's flexible enough that it could accommodate the Street Food Festival that we had a year and a half ago, where 30,000 people were out there. Which is something that we think is a great opportunity at Pier 70.

I talked a little bit about the streets and how we not make them overly wide but still able to get all of the utilities, be able to provide emergency vehicle service, and parking. It actually is one of the most complicated pieces of the entire project and the design guidelines are the launching point for what is a very detailed Streetscape Master Plan that we are working on as well.

Kelly will show you some of the design guideline elements, how they will play out through the renderings that we have to show you what that actually looks like. The framework has many of the things that are traditionally in design guidelines. How tall can the building be? How much massing? How many units?

One of the things that we think our design team has really pushed the envelope on is an innovative approach to provide boundaries around the building design that don't overly constrain the creativity of the architect. It gets into things that we've never seen before at least in design guidelines documents in San Francisco about preferred materials.

It's a historic district and it has beautiful, rich materials. There's actual discussion in there about what materials are preferred and even so far as how they may be treated so that they can be consistent with the historic district. This is a very high level of commitment that we are very comfortable with as we intend to build most of the buildings and we want that commitment to live with the design of buildings that we also don't build and deliver to be able to maintain the quality and the integrity of the entire district.

The slide that I have up here is one of our favorites. We jokingly call it, "The Rainbow Diagram." The colored bars are the different treatments and the different guidelines and standards that apply at all of the facades in the district. There are certain facades that are adjacent to historic buildings that need to have a particularly sensitive approach that may prohibit certain materials or require a setback, but ensures that we're not trying to mimic in new construction what is a historic building next to it.

One of the things that underlines the design guidelines also is if you go out to the site today, what you see are buildings that are actually quite large, have very long facades and they don't have what has often been the traditional approach to design for that type of building which is set it back, recess entries. What they have, they're actually are more or less boxes. They have different roof lines. But what they have is incredible materials that have weathered, that have a really rich texture.

What our design guidelines have incorporated, almost through a lead type framework, is the ability to choose do you want to spend more money on a facade and have that really rich texture or is a better treatment, maybe have a bit of a recess in a certain area that's along the waterfront that acknowledges the shoreline? Kelly will now go through the fun pictures and show you how through the renderings some of the treatments and guidelines would play out in the design.

Kelly Pretzer - Jack has just walked you through the conceptual frameworks that underpin all of the Pier 70 design documents. I now have the fun task of showing you depictions of what that might look and feel like once built and physically in place. In order to create the renderings that you see in this presentation, as well as to test some of the approaches and concepts presented in the D4D for City Commission local architects to prepare conceptual building designs that were compliant with the standards and guidelines of the D4D document.

We quite literally hired an architect, handed them the document and said, "Design a facade that meets all of the requirements within this draft document." To be clear, what you're seeing are not finished building designs by any means. More like a facade study. But what it did was it gave us a chance to test out our ideas and to see whether the D4D document produced the type of buildings that were authentic to Pier 70 and its industrial heritage and we were very pleased with the results.

This rendering that you see here is of 22nd Street with a rehabilitated Building 12 on the left. The structural frame of Building 15 is proposed to be retained pending structural feasibility assessment and 22nd Street will run directly underneath. Using the conceptual frameworks that Jack walked through previously, this rendering demonstrates a number of key requirements within the D4D. For example, the building across the street from Building 12 is required to relate to Building 12 and you can see that through the horizontal datum as well as additional requirements related to building massing and modulation. Allowable uses within the ground floor of Building 12 are limited to retail, arts, and light industrial. The streetscape design is shaped to promote pedestrian safety above all.

We know that great places aren't only defined by the physical realm and architecture. What this rendering also conveys are some of the other components of how we will make Pier 70 a complete neighborhood by addressing Sea Level Rise, by making considerable transit investments and by creating opportunities for all businesses and residents.

We do this by committing to a 30% local hire for construction jobs, committing to execution of a PLA for the project, as well as establishing an LBE requirement for contracting relating to the project. Forest City has its own Subcontract for Diversity program under which we are committed to providing the Port with ongoing monitoring and reports as well.

This next rendering is at the water's edge. You can see the drydock of the Ship Repair Facility and the city skyline in the distance. Again the D4D prescribes a host of controls to ensure that buildings, the public realm and Open Spaces are successful and authentic to the site. Requirements include extension of the Bay Trail, reuse of building materials as part of the Open Space design and prioritization of arts uses to activate the waterfront are also a part of the design controls.

Again thinking that great places are defined by more than their architecture, what this rendering is also conveying is replacement studio place for Noonan tenants, preservation of the Crane Way structures and making them available for people to get closer to the water and shoreline at Pier 70.

To recap what Jack had mentioned and what we had attempted to do with our Design for Development document is to bring together all of the disciplines that shape the places that we experience, not just architecture but compatibility with

historic character, how the way the ground floor feels to you as a pedestrian as well as a healthy mix of uses to promote an active place both during the week and the weekend.

In a short recap, this is a slide that you've seen previously and was woven into the renderings that I presented, but the project also delivers on a host of public benefits, both those described in Proposition F in 2014 as well as additional benefits that have been worked on with the Port and OEWD keeping in mind the Southern Bayfront strategy that you saw a presentation and seeing how Pier 70 fits into the larger context and that larger planning picture.

Last but not least, I get to give you the wonky approvals process procedure, my favorite part. Some of the key documents that are underway for Pier 70. The Environmental Impact Report being the foundation for which all project approvals are based. In addition, preparation of a Special Use District that David mentioned and this Design for Development document which is incorporated by reference into that SUD.

Alongside that, development of a Development and Disposition Agreement and then an Infrastructure Plan outlining the obligations of Forest City as far as delivery of infrastructure and site wide amenities.

When new buildings come forward for approval, what this slide is depicting is that they're evaluated against the requirements outlined in the SUD, in the D4D, as well as the EIR and the associated mitigation measures and finally the City of San Francisco and the Port's building code. A vertical developer submits an application to the Port. A staff report is prepared and submitted to the Planning Director.

If a building is fully compliant with the SUD and D4D, there is Planning Director approval of that design review. That also allows for buildings that have what's referred as a, "Minor Modification," or a deviation of less than 10% of certain standards that are outlined in the D4D. In the event that a building is proposed that includes a major modification and that means a deviation of greater than 10% from a quantitative standard within the D4D, then that building would go forward before the Planning Commission for a hearing and approval.

The process for evaluation of historic rehabilitation should look familiar to you. It's very similar to what already happens with the Port property. Again guided by the SUD, D4D and the EIR as well as building codes, a vertical developer would submit an application to the Port. There would be a staff report and the Port Director would ultimately issue approval of that proposed rehabilitation.

Finally talking about Open Space schematic design, this again being governed by the requirements of the SUD, D4D and EIR, the Master Developer, Forest City, would submit schematic design. There would be review and comment both by Design Advisory Committee as well as Port staff and ultimately that

schematic design would go before the Port Commission for decision and approval.

David Beaupre - Thanks Kelly and Jack. I also wanted to recognize that beyond the City team that we've been working with to develop this and all the effort and time that Forest City has put into it and their consultant team, a large amount of Port staff have gone into it and deserve recognition including Brad Benson who's led the project management of the team, Byron Rhett, Diane Oshima, Steven Reel, Wendy Proctor, Mark Paez, Dan Hodapp, Kevin Masuda and Carol Bach. As you can tell, it was a large interdivisional effort to deliver this.

Commissioner Katz - Thank you for the presentations and I won't repeat all of the staff involved, but thank you for your diligence and focus on this project. It's something that I've long said, this is one of the most significant projects to hit the City in a long time in terms of the impact it's going to have for generations to come. I'm excited to see all the thought that's going into it.

Kelly and Jack thank you for your presentation. It was very thorough. I've spoken to you about some other locations around the world that have waterfront sites and I'm a broken record when it comes to talking about the High Line and hoping we have some design consistency similar to that. Also, in terms of how a project of this size can be integrated along the waterfront and create all of these spaces for different uses.

Another area that's a big focus of mine is with respect to the trees. You talked about some of the landscaping that's going in and the sites that require shrubbery. What are the plans in terms of tree planting and creating that opportunity?

Jack Sylvan - One of the robust discussions that we have been having across the Planning Department, Port staff and our design team is what is the appropriate way to build new streets and parks that are livable, attractive, that will create value, that when we go out and we're looking to attract an anchor office tenant they will feel like they're coming to a place that has a little bit of softness to it? We have been trying to strike the right balance. There have been certain recommendations about the historic district that didn't have greenery so we shouldn't have that in certain areas. We would certainly like to be able to strike a balance there.

Commissioner Katz - Great, thank you. I will give you my bias as I look at some of the other world class cities and the fact they have a lot of trees such as Paris and other places where you're able to incorporate the trees in with the communities there. Could you talk a little bit more about just how you're going to address Sea Level Rise and how that potentially impacts the project or what's being done to minimize?

Jack Sylvan - At its simplest, what we're doing is raising the grade of the site. Over the course of the planning of the project, the state's recommendation for what Sea Level Rise could be at 2100 has gone from 55 inches to 66 inches. It's a range. We've taken the high end of that range. We actually adjusted it up and said, "We're going to make sure that all of the buildings are set at least at that level." By the time you actually slope the site back towards Illinois Street, you get up a little bit higher because you need the drainage for stormwater and wet utilities. What we're doing at the shoreline portion of the park is setting the Bay Trail to 2050 levels and recognizing that if we could build the waterfront up to accommodate 66 inches of Sea Level Rise today but it would separate people from the Bay today, a portion of the shoreline that they really haven't had access to.

For a condition that won't exist for decades, maybe my daughter will never even be affected by that. The design team came up with effectively an informal path at the level of the site today along the shoreline. Those Crane Ways that Kelly mentioned, the short piers that stick out 25-30 feet to the water, we'll keep those at the level that they're at. It could be a great location for fishing or just sitting quietly out at the Bay.

The treatment from that informal path will actually accommodate the rising of tides over time so that the use of the park, initially all day, every day, all year, you'll be able to use all of the park. In 20 years, there will be a certain number of days a year when there's a storm event and you likely won't want to be on that informal path but the rest of the year you can be.

In 60, 70 years, maybe they're actually the concrete steps that lead down to the path, maybe that fourth concrete step up is now the informal path along the shoreline. It gives us the ability to give people access today but have that managed retreat and then of course, and I think Mike may have mentioned this mechanism, there will be a funding plan in place to be able to make future adaptive improvements when they're necessary in whatever that scope is that's necessary.

Obviously the Port will have control of that. But that's obviously really important piece, not just the creativity of design but the creativity of having a financing program that is able to respond to future conditions at the point that is needed.

Commissioner Katz - Where are we in terms of falling under the current office cap and how that will have an impact on the project?

Jack Sylvan - It's certainly something that will have to be worked out.

Ken Rich - The city's got eight or 10 million square feet of office that wants to be built and right now about a million square feet in the cap and 875 is added each year. It's a challenge and we will have to be sharpening our pencils.

Commissioner Katz - Thank you all very much. I am excited about the project with or without office space -- kidding.

Commissioner Kounalakis - Thank you so much for the presentation. With every iteration the Pier 70 Project becomes more clear in my mind of what it's going to look like. It is such a tremendous development opportunity down there. There is really nothing else like it and you've done such a wonderful job in connecting the old and the new and the past and the future.

My only question is on timeline. You have a timeline at the beginning of your presentation that says mid-2016 project approval. I am wondering then going to the end of your presentation when you talk about the entitlement process for EIR, Special Use District, D4D, Development Agreement, Infrastructure Plan and Disposition and Development Agreement -- where are all of those on the timeline? What's your projection for when you think you're going to break ground?

Jack Sylvan - Apparently we didn't update the slide in the presentation. We are not approved as far as we're aware. We are hoping that the project approvals will happen late this summer which is why we're saying we can already hear the cranes moving. All of the documents that you mentioned are the project approvals documents.

Super Tuesday at the Port Commission and then Super Thursday at the Planning Commission and then Super Tuesday again with the Board of Supervisors. We would hope that would be happening between July, August, September. As we have mentioned in the past, the company is leaning into this project. We are hoping to catch the momentum of this cycle even as it is leveled off a little bit.

We feel good about where it's headed. We think that Pier 70 is a good long-term investment. These early years are the most important for the economic success of the project. Currently, we are on a parallel path with preparing the design guidelines and the DDA, Streetscape Master Plan, we're starting to do work with the Port's Engineering Team, with DPW, with the PUC and preparing the Phase One Infrastructure Plan.

At the point that the project is approved, we would be construction ready. There is probably a two week permit process. Maybe it's a couple of months. But our hope would be that we're getting in the ground on starting the infrastructure end of this year, early 2018. We're going to be spending several million dollars at risk because this is not typically what's done.

Typically a developer waits until the project is approved and then take it to that level of construction drawings. We think there is an advantage of timing. We think there's advantage of certainty with the City agencies who have to sign off on the engineering drawings that we've seen in other projects where they

thought they had agreement and it turned out because they weren't at that level of detail, they didn't and it caused delay later.

We're leaning into it in the hopes that we can be in the ground relatively quickly and implementing something that has thus far felt like it's had pretty broad support.

Commissioner Brandon – Jack, Kelly and David, thank you so much. Thank you so much for this presentation. It's very good. It's hard to believe that it's only been 10 years. It seems so much longer, but I am happy that we are finally at a place where we might actually put the shovel in the ground. It's such an exciting project and it's absolutely wonderful.

I want to commend you on the extensive outreach and community engagement that you've had throughout the process. That's absolutely wonderful. I think most of my questions have been answered regarding the Sea Level Rise and the approval process. The one thing, Kelly mentioned Contract Diversity Program that you have in place. Can you tell me more about that?

Kelly Pretzer - This is an initiative that Forest City has taken on as a corporate citizen to encourage diversity in Forest City's contracting processes. We have an internal, self-imposed reporting mechanism whereby we prioritize a use of minority-owned businesses, women-owned businesses and veteran-owned businesses and then diverse business ownerships

One of the mechanisms that we have been in discussions with the Port as well as the Contract Monitoring Division is a way to share that reporting that Forest City is already doing for itself to monitor its own performance and to share that with the Port as well.

Commissioner Brandon - How are you doing so far?

Kelly Pretzer - That is for construction level. We don't have that for the predevelopment yet. We do have our LBE goal for our predevelopment Phase One which we have exceeded every quarter thus far. We are doing quite well on our LBE utilization for the EIR phase as we call it.

Commissioner Adams - To Jack, Kelly, David and even all the Port staff, and a special thank you because I know Director Forbes, you and Ken had to get involved and probably will have to stay involved. I had just come on the Commission about six years ago. Me and Commissioner Katz came out and you gave us a tour around those dark buildings out there. This vision you were laying out to us, I am so glad that it's starting to come into fruition.

But the community outreach that you guys have done, has been great. You've listened and you went back and forth and one of the smartest and courageous things that I think you guys did was you went to the ballot. I thought that was so

good when you guys went to the ballot and let the citizens vote-- that was smart. That was thinking out of the box and that was very good.

I want to commend you for your patience and your due diligence. This is tough.. This thing is so complex. It has so many moving parts to it. It's like a helicopter but you're just being patient and you're working through it. The last time you were here, I asked you a question. You were a little bit worried about the market going soft. What are your thoughts? Is that something that you guys have been thinking about as an organization?

Jack Sylvan - Absolutely. we are constantly assessing the market both nationally and locally. We feel good about where the local market is. We've seen a softening in rents more on the apartment side than the office side. But long-term we actually think that's more sustainable. Rather than seeing a big drop off, there will be a little bit of an ease off. But what we're seeing here right now, that it's a strong location. Companies want to be here. Jobs are still being created. Interest rates sounds like they're going to go up. Is that going to have implication? What's going to happen with some of the tax credit programs? There's been talk about corporate tax code changing and it's softened the value of tax credits.

We're not prognosticators of the national economic situation, but right now the best indicator is that we're spending money that we don't need to be spending to move the first phase forward 12 months earlier than otherwise which is an indication of the belief that we have long-term in the San Francisco market.

C. Informational presentation regarding Recology's proposed integrated Materials Recovery Facility (iMRF) at Pier 96.

Brad Benson, Director of Special Projects – This is another exciting potential project for the Southern Waterfront. Recology is a major tenant in the Southern Waterfront today. At Pier 96 they operate Recycle Central, a major recycling facility for the City's blue bin material. There's a potential opportunity to add to that construction and demolition debris recycling in a new facility that would be added on in an area just adjacent to Recycle Central.

We want to present this proposal to you today. We have Maurice Quillen here representing Recology and Jack Macy from the City's Department of the Environment. I will give you a little bit of overview of the idea. Then I'll invite Maurice to present Recology's proposal for C and D recycling and then I will come back up and describe the proposed next steps primarily around public outreach.

Recycle Central has been at the Port for quite a while now, since around 2000. They operate within the Pier 96 Lash Facility. There's a mechanized processing of blue bin material that comes from the trucks that pick up at the curb around the city and also handles commercial recycling from office buildings in the downtown area.

Recology also has another lease on the Port's backlands. Sustainable Crushing is a Recology affiliate. That facility handles concrete recycling and concrete, mixed concrete and asphalt recycling on about seven acres of the Port.

Recology is a big company handling a lot of materials in San Francisco. Their main facility is at 501 Tunnel Avenue. That's home to the Transfer Station for organic material on the way to composting. The black bin material trash is handled through that site. It's also home to C and D, our construction and demolition debris recycling today.

This is an image of the sorting work that is happening at Recycle Central today. This is the hard work of being a sustainable city. We appreciate all the diversion activities that go on here. Recycle Central employs 175 people. These are well paid positions with promotive opportunities throughout the company. Recology has an excellent record of hiring in the zip codes in the neighborhoods around the facility -- 94107, 94124, and 94134. They've hired 161 employees.

City's got very strong standards for recycling and landfill diversion. In 2002, I was working at Supervisor Ammiano's office when he offered this resolution requiring landfill diversion of 75% by 2010. Ultimately the Environment Commission set a goal of Zero Waste to landfill by 2020 along with policies establishing that the City should always pursue the highest and best use of materials that are recycled and that consumers and producers have a responsibility for the waste streams that they create.

Since that resolution and since the construction of facilities like Recycle Central, the City has done an excellent job of reducing the amount of material sent to landfill. Through policies like the mandatory C and D recycling requirements, so anytime there's a demolition project in the city, materials have to be sorted and recycled.

This goes to the City's broader Climate Action Plan. This is the 0-50-100-Roots Strategy that's been adopted through the Environment Commission. There are four main strategies to reach the City's climate goals. Zero to waste to landfill, 50% of trips by sustainable modes, eventually 100% renewable energy and what can we do to protect and grow the carbon sink and composting is a major component of that strategy.

Maurice Quillen from Recology will describe the proposed Construction and Demolition Debris Recycling Facility at Pier 96.

Maurice Quillen - I am the General Manager for Recology San Francisco. Recently the Recology Company submitted a refuse rate application to the City and County of San Francisco with several key initiatives targeted towards increasing diversion and furthering the City's Zero Waste goal. Recology has proposed revamping a residential collection program by combining the organics and trash collection systems into one route truck and the collection of recyclables into a separate truck.

The change in the collection methods will significantly reduce the number of truck trips going to Recycle Central at Pier 96. In addition to the reduction in truck trips, the routing change will allow for substantially more capacity on the blue cart routes.

As part of the Citywide rerouting efforts, Recology will also be providing smaller trash containers and larger recycling carts to our customers to actively decrease the amount of trash being generated, increase the levels of diversion and provide adequate capacity for additional recycling. The route based changes will also require Recology to look towards processing additional material derived from the black carts. Given the nature of this material, the black cart material must be processed in our Tunnel Road facility which is currently very space constrained.

The project before the Commission this afternoon contemplates moving Recology's Construction and Demolition Recycling Operation to Pier 96 to allow us to retrofit the existing C and D building to process unsorted trash or essentially what remains in the black bin. Relocating the C and D operation to Pier 96 allows Recology the opportunity to modernize the C and D processing operation, enabling us to source and employ the newest processing technology available and move from our arguably out dated manual sorting process to a more modern mechanical sorting system that will easily be capable of diverting an additional 20% more construction and demolition debris.

Recology is looking to work with the Port of San Francisco to amend our existing lease on the Pier 96 facility to include an additional seven acres of land to the west of our existing leasehold. We're also interested in securing a lease for any additional space within the MNR building which sits to the west of our existing leasehold. The image on this slide shows the existing MNR building, the proposed Recology C and D building and the existing Recycle Central shed in the background.

The image also shows a new shared scale plaza that we would be installing as part of this project which would allow us to effectively and efficiently scale our trucks for the new C and D operation and also the existing Pier 96 operation. This proposal represents a significant investment in the City's solid waste infrastructure. The investment in the structure as well as the equipment in the building will be nearly \$70 million and generate over \$1.7 million per year in additional rent to the Port of San Francisco.

Not only will this proposed project revitalize an underutilized portion of the Southernmost Waterfront, it will represent a commitment to the City's Zero Waste goal. The facility will increase the City's ability to process more C and D material to keep up with our robust economy and construction cycle. We will generate higher C and D diversion rates from the tons that are processed and it will provide the Recology employees with a modern, state-of-the-art facility.

More importantly, it will free up valuable land at the Tunnel-Beatty complex to allow us to pursue very robust waste processing opportunities.

Brad Benson – Thinking about Pier 96 today, this is the area between Pier 96 Shed and Heron's Head Park. Maurice talked about that Maintenance and Repair Building that's got a number of tenants in it. We have some tenants that are using some of the paved land in this area. We believe that we've identified relocation space for the interim non-Maritime tenants.

Under the proposal we would keep the Maritime access. This is shallow water in this area. It's a depth of about six feet the Maritime users are barge users that can navigate to this area. A lease would accommodate that continued use. We have rail in this area too both along the stringer next to Pier 96 then out to Pier 94-96 Terminal actively used by SF Bay Railroad. We'd accommodate that continued rail use in the area.

Unfortunately Pier 96 has sunk since it was constructed in 1972 by about three feet so we have periodic flooding particularly in king tide events. This is a real opportunity, given the size and scope of this project, to address the problems with the Pier 96 Seawall and the flooding that we see out there today as well as address some future flood risk.

This is a plan view of the new building next to the Pier 96 shed in between that shed and the Maintenance and Repair Building. As you can see, some of the Maritime barge activity that goes on today and would continue.

The level of investment that is considered here according to Maurice is \$70 million, \$50 million of that would be this new building, paving the area, new stormwater improvements. The other \$20 million, that new recycling equipment that would increase C and D recycling rates for the City.

We've done a little bit of a preliminary analysis of this proposal to share with you today. The Pier 96 Maritime Terminal, the Cargo Container Terminal closed in 1998. The Pier 96 Lash Facility itself has a very limited water depth and we would continue that berthing activity that I mentioned. This is zoned as a M2 area, heavy industrial area which would permit industrial uses. We believe the use that Recology proposes is consistent with the Piers 80 through 96 Maritime Eco industrial Strategy. There's a link to that strategy in the staff report for this item.

It would bring substantial investment to the area. Piers 80 through 96, this area is already designated by the City as a potential location for debris after an earthquake. Having the C and D recycling capacity there adjacent to the deep water berths and rail would be good for the City in terms of recovery from a major event. We think that the lease proposal, it's 12 years plus two five-year options, is consistent with the Waterfront Land Use Plan policies for interim leasing in the Southern Waterfront for a project of this scale.

This is a big proposal, and with the Commission's direction, staff would conduct significant public outreach to the Southern Waterfront Advisory Committee, the Maritime Commerce Advisory Committee, the India Basin Neighborhood Association. The EcoCenter at Heron's Head Park would be a perfect place to get together with various constituencies to discuss the proposal because you can see the area right from the EcoCenter. We would also do outreach to members of the Board of Supervisors, President Breed, District 10 Supervisor Malia Cohen.

I would like to go over a few of the steps that would be required if this project is to go forward depending on the results of that public outreach. We would need to prepare a more formal Public Trust and Waterfront Plan analysis of the proposed use. Part of that would be developed in consultation with BCDC and State Lands. We would propose to the Port Commission that we enter an Exclusive Negotiating Agreement and negotiate a Term Sheet.

Given rent credits that are contemplated in this agreement, we think that there would need to be both Port Commission and Board of Supervisors endorsement of a Term Sheet and Fiscal Feasibility Analysis prior to starting CEQA. We would come back to you with those items at a later date, after public outreach.

David Pilpel - I want to speak strongly in support of this proposal and the next steps that Brad outlined and the importance that Maurice talked about. This is a major facility and relocating the C and D processing from Tunnel to Pier 96 would go towards the City's Zero Waste goals, improve our capacity, not just the capacity but the diversion, because right now they're limited in both ways, would allow the repurposing of the facility at Tunnel to process black bin waste.

I agree with all the next steps that Brad talked about. Just a couple of quick comments though. I am not sure if the Fiscal Feasibility needs to happen before the CEQA review or if they can run concurrently. I think if there's a way to begin the CEQA process on the proposed facility at risk while the Fiscal Feasibility is being pursued, that would optimize the schedule so that this might actually be built and operational sooner rather than later.

Because it's a tight time frame in order to get to the City's Zero Waste goal by 2020. If we're going to actually process black bin material by the end of 2020, then this facility needs to up and running sooner rather than later.

The stormwater issues I talked about a little bit with the earlier item. The rail access is important. I support the continued operation of Dave Gavrich's Bay Rail. But I think we could also require as part of both the existing Recycle Central and the iMRF that a minimum amount of trips or amount of cargo be transported from the facilities by rail to reduce the truck trips and have a great nexus with the Maritime and industrial uses in that area.

I am sure the community will want improvements to Cargo Way for a variety of reasons and so reports back from the robust outreach, but also from Visitacion Valley and the changes that are contemplated there which are not in Port jurisdiction but would certainly be related to the changes here I think would be helpful to the Commission. I look forward to your support and hope that they'll be back as soon as possible with good staff work to make this project a reality for all of us.

Ayanna Banks - I have been an employee with Recology for 17 years now. I'm a native of San Francisco, born and raised in the Bayview area. I would like to thank Recology for giving us an opportunity in Bayview, allowing hiring in from those certain zip codes, giving us the opportunity to work. Recology is a great company. We hire from there because we're employee owned. We don't have too many employee-owned companies in San Francisco and to say I'm a part of that is a great thing because a lot of companies don't offer that. We give back to our communities. That's another reason I love working with Recology. We did a toy drive for the Bayview Hunters Point Boys and Girls Club. We've been doing it for the last four years. We re-beautified the Bayview Boys and Girls Club. Recology is a great company. It will open up opportunities for more residents in those areas to have employment.

Commissioner Katz - You mentioned participating in the toy drive. Can you tell me the percentage roughly of the employees that participated in that?

Ayanna Banks - A hundred percent. We reached out to all the companies in San Francisco.

Commissioner Katz - That was the answer I was looking for. Thank you very much for doing that. It's really extraordinary.

Damon Wilson - I've been working for Recology for about three years. I am a native of San Francisco by way of my grandparents. They also stayed in the Bayview Hunters Point and over in the Ocean Avenue area. Going through life, things changed. I moved out. I worked for a company called New United Motors. They were around about 10 years ago. I was one of the displaced workers there. It was an excellent company to work for. A lot of bad things were said about the company, but I had a different view. That company allowed me to buy multiple pieces of property at a certain time of my life, in a short period of my life. It allowed me to travel the world and see different things that I never saw before. When I was let go there, I didn't know what I was going to do. I didn't have a degree. Even though I worked with people with degrees right next to me. We were all jumping into same bag. We were all jumping into this layoff system. But we had families. We had homes. We had different things we had to take care of too. Coming back to San Francisco being with my family, I found myself in a different position, changing the career and looking for a different job. That happened to be Recology. They gave me the opportunity of a lifetime not only to sustain my life, but to sustain my family as well. With the benefits that they had, I

have two new kids -- it's been awesome. If it wasn't for Recology, I couldn't say where I would be right now. I wanted to share that with you and thank you for your time.

Jesus Torres - I have been with Recology for about a year and four months. When I moved to San Francisco and I learned about Recology and their ideology it immediately encouraged me to work for the company. After several times of applying for the position, I was able to land an interview. At the time, I got the opportunity to work for Pier 96 Recycle Center. It was a satisfying feeling and it made me feel like I had reached a goal in life. Working for Recology allows me to provide for my wife and kids, just being able to have a retirement plan and having full benefits makes me want to give it my all for the next 30 years at a great company like Recology.

Joe Jason - I am a resident of India Basin and I live on Innes Avenue, probably live about 300 yards from the facility. I live across the Bay. I'm of neutral opinion right now about this, but I just wanted to share that there is a lot of audio issues, a lot of decibels. We can hear the forklifts. We can hear the trucks and we can hear the train horn going quite a bit in regard to this facility. With respect to transportation, there's a lot of trucks going in and out of the Cargo Way and the associated area and they travel at a very high speed. Obviously I don't know the exact speed, but it's a known issue is, "Stay away from the Recology trucks when you're on your bicycle because they go very fast." It's an observation and once again, I just want to say I'm of neutral opinion here.

Commissioner Kounalakis - So they're bringing in a lot of trash. Are there ever smell issues?

Joe Jason - We don't have smell issues but I don't know because I live southeast of it so I don't know if that has anything to do with it. I guess the wind does travel north. Just a lot of audio. I can hear the forklifts going in the middle of the night.

Eric Smith with the San Francisco Bay Railroad - A hard act to follow, all these great speakers and great to see Mr. Benson there. For those that have been at Pier 96 and seen how flooded it gets out there, I think this is a golden opportunity. Recology's been a great neighbor to the railroad out there, so I'm supportive of that. We only blow our horns when we're crossing intersections. That's required by law but this is a great opportunity. I'm glad they'll be vetting it through the community and I'm gratified to know that rail service will still continue out there and there's plans to relocate the rail so I'd be remiss if I didn't mention that for Mr. Gavrich. This is a great opportunity for the infrastructure out there and everything else that's going on and they're a very good company too.

Commissioner Brandon - Brad and Maurice, thank you so much for this presentation. I think it's wonderful and I would like to thank Recology for being such a good tenant and for hiring from the various communities. Thank you very

much for that. Would any Maritime tenants have to be relocated due to this project?

Brad Benson - Silverado is the main Maritime tenant in this area. We also have Westar doing berthing along the stringer. We expect those uses to continue. I believe that Maurice is already in touch with representatives of Silverado who is a Marine Demolition Contractor that occupies some of this space. We think that there is a way to make it all work together and to promote Maritime activities through this lease.

Commissioner Brandon - Would this lease have any type of Maritime component?

Brad Benson - As to Recology's activities, we think that there may be opportunities for rail. C and D recycling produces metal that needs to be recycled, and so it is a potential to have it on rail. We will continue to work with Recology on whether or not there are water transit options for other materials. It looked like wood was a possibility for a while. It now appears that there's not a local market for wood. But we will work with Recology to see whether or not there is a Maritime component for some of their materials.

Commissioner Brandon - The \$1.7 million in revenue, is that in addition to what we're getting or is that combined with the total project?

Brad Benson - That's in addition to what we're getting. We're going to have to look at the various site improvements. The Pier 96 Seawall is almost 50 years old. There have been some holes in it. Port Maintenance has had to go out and patch those holes. It may be that that Seawall needs to be replaced and this might be a funding strategy to accomplish that. We'll have to look at whether you want to invest some of the \$1.7 million a year in improvements to the Maritime terminal and those options we'll bring forward in later presentations to the Commission. This is new rent.

Commissioner Brandon - There was some mention in the report about rent credits.

Brad Benson - There would be site improvements, new paving in the area, things that normally would fit the Port Commission's policy for rent credits. Any proposed capital improvements that would be subject to rent credits would be subject to the Commission's consideration and approval like the Seawall improvement.

Commissioner Brandon - Would this facility be able to help with the existing piles that we have out there now?

Brad Benson - Commissioner Brandon I believe you're talking about the sustainable crushing piles on the backlands. We know that Recology is

advertising this material actively right now. We've got the potential that Pasha may need some of it for the WP site. The Warriors are also looking at this material. Port is planning to use some of the material as part of the Backlands Improvement Project.

Our shared goal is get those piles down and to examine whether or not to continue accepting that mixed asphalt and concrete material on the backlands because it doesn't appear to have a long-term market in San Francisco.

Commissioner Brandon - Hopefully when you come back, after you do your outreach, you will have concrete answers to those questions.

Brad Benson - Concrete answers. I love that.

Commissioner Brandon – Hopefully with this new facility, the equipment will be more modern and it won't make so much noise for the neighbors.

Brad Benson - Noise is an issue that would be examined through the CEQA process. We're aware that there are a lot of users out there. They're both residents in India Basin and folks out using Heron's Head Park as well as wildlife, so we're going to need to be aware about sound.

Can I reference the odor question that came up earlier? There's not a vector problem at Pier 96. It's handling mainly dry recyclable materials, not a lot of food waste. The same would be true about the C and D stream. It's a pretty clean stream with not a lot of vector problems associated with it.

Commissioner Brandon - I think there is an odor problem out there. Not that Recology has it but I think some of the tenants out there do have an odor problem that we probably do need to investigate.-

Brad Benson – We're familiar with what you're talking about.

Commissioner Kounalakis - Commissioner Brandon asked so many great questions, I think that I'm covered. I just would like to commend the Recology staff for coming in and telling your stories. It's really great to hear from all of you.

Commissioner Katz - Similarly, Commissioner Brandon asked the questions that I had been pondering also. I was going to ask you about the odor, to explain that. I want to thank Recology for being such a great participant in the fabric of the city. It's home grown company that does give back as the employees were talking about. I do want to highlight the phenomenal participation of the employees in their charitable activities in the community. I don't think you find too many companies that really have that kind of participation. I just want to note that again.

I am excited about this project. It goes towards the City's effort of Zero Waste. San Francisco has set the standard and it's been in no small part due to the partnership with Recology and working to reduce the waste in throughout the city. I want to thank them and I am looking forward to seeing this project continue and looking forward to seeing more people getting employed locally in San Francisco as the facility moves into the Pier there.

If and when it does, it will bring in some new workers and as attrition occurs in the existing workers, we hope to see more locals San Franciscans employed in those spots as they open up. Again, thank you for all your efforts on this and I'm excited by the project.

Commissioner Adams - Brad I appreciate the presentation. I want to thank the workers for Recology also. As Commissioner Kounalakis mentioned, thank you for sharing your story. I am a union man. I understand, when you're in a Port or anywhere, there's always going to be smells. There's noise. That's just how it is. It's like going up and down the waterfront, you're going to hear noise. This is a place of life. It's vibrant and that's just kind of how it goes. I'm looking forward to you coming back and I think that this could be a great opportunity and to employ people, we just got done talking about affordable housing. Now we're talking about jobs and to be able to empower our community and stuff like that. That's what we're supposed to be doing so I'm looking forward to you coming back and seeing how we can make this thing work.

I know Commissioner Brandon's concern about the Maritime component. I think Eric made mention about the rail. The rail is important for us in the Port to have a freight rail. Right now the Governor's biggest thing is high speed rail. But we need freight rail so things can go in and out of the Port and if it can take some trucks off the road and cut down on some congestion by rail, I think it would be more efficient, and it would be better for the community.

Commissioner Brandon - Can I ask when you plan on coming back?

Brad Benson - We haven't talked about it so I'm going to offer an off the top answer which is we need probably about a month for the community outreach component. I think we might be able to be back in front of you at some point in April to talk about some of the next steps, the ENA, Term Sheets, etc.

12. REAL ESTATE

- A. Informational presentation regarding the Request for Proposals (RFP) for a Restaurant Opportunity at Pier 33 North, located at Bay Street and The Embarcadero.

Jay Edwards, Senior Property Manager - I am joined here by Sandra Oberle. She is the Northeast Waterfront Property Manager and she's going to share in the presentation with me. We're here to talk to you about an informational item

and it's a discussion about this upcoming Request for Proposals that we're planning on issuing for Pier 33 North.

I'm going to share with you a brief overview of the site, our vision and a couple key business terms and Sandra's going to take you through the selection criteria, our LBE outreach and also our schedule.

This is an overview of the location and the site. This was occupied by the Butterfly Restaurant which had a good run of 10 plus years. It's been operating as a restaurant site for 30 continuous years. There's been a variety of other restaurants there and it's a very good location between Alcatraz, our nearby Cruise Terminals. There's business parks across the street and there are a number of residents in the area.

We are hoping to attract a wide variety of customers for this site. We think that it's time for a refreshed concept. Butterfly was innovative when it first opened, but there's a lot of competitive pressure out there for restaurants. The space is now vacant and we're ready to roll out a new Request for Proposal.

This is a rendering of a photo of the bulkhead building where you see the red awnings are actually where the former restaurant was located and as you can see, it's got very good prominent identity along the Embarcadero. It also has a high pedestrian traffic count and there's a parking lot right across the street.

Now we're looking inside the restaurant and if you look on your right, you can see there's really great Bay views. That looks out to Pier 35 and 33 on the other side and then there's high ceilings. It's open but it's got an intimate feeling and we're hoping to capitalize on that.

Our vision of this new operator would be casual, fun, affordable and also as I said earlier, appeal to a wide variety of customers. What we're proposing is that the key business terms would be a 10-year lease with possibly for an option to extend depending on the capital improvements that are invested. The rent would be the greater of a base rent or percentage rent all based on fair market value.

The capital investment would be sufficient to bring the property up to all the codes, any type of regulatory requirements, plus give this an attractive and appealing look, a refreshment of the site if you will.

Sandra Oberle - We'll move on to the selection criteria here. Our primary goal is to identify and attract qualified experienced restaurant operators to this location. In addition the RFP is expected to identify numerous opportunities for LBEs to participate in permitting, design, construction and operations of the proposed restaurant. So keeping all of that in mind, we developed the five primary selection criteria.

First is the proposed concept. We'll be looking at overall appeal to prospective customers. The marketing plan, the plan for maximizing sales, attracting customers. Operating plan hours, how long are they going to be open? What days will they be open? What's the menu going to look like? What is the pricing going to look like or the price points of the menu items?

Design and capital investment. We'll be looking at what their proposal is for the interior and exterior of the design, renderings, floor plans and so forth when they submit the proposal. What is the initial capital investment amount that they intend to put into the construction of the improvements?

Experience and financial capacity. We want to see that proposers are experienced in running a full service restaurant for five of the last seven years at a minimum. We're looking with somebody with experience with running a larger, full service, sit down kind of a restaurant. We'll also be looking at the source of funding for improvements, how much cash are they investing? Loan sources, that kind of thing.

We'll be looking at rent and their business plan. Our intent is to establish a minimum base rent and a minimum percentage rent for this project, but we'll also be looking at their pro forma for operations, where their ongoing operating funds are coming from, projected revenues. Is the revenue stream from the restaurant going to support the operating expenses of that restaurant for the long haul?

We'll be looking at local business participation. We want to see obviously if we have a proposer who is an LBE or if they're partnered with an LBE. But we are not requiring necessarily a specific LBE operator. We will be considering whether the team, the proposer forms and submits including professional services from LBE propose, or LBE partners. That could be architects, design, construction, that sort of thing. As well as operations services that could be provided once the restaurant is open.

We had a table at the Community Contract Open House that was hosted by the Port. Commissioner Brandon was present at that open house. We had this fact sheet for this opportunity available. We had a lot of interest from the community, particularly with respect to those support services, design, construction, operations and so forth. We're really encouraged by that.

We've had outreach and presentations made to community organizations for the past several months. We will have also an RFP partnering session as part of our pre-proposal conference and outreach and give people again an opportunity to make connections and create partnerships with each other. Part of that will also be during that meeting, the site tour and so forth, where people can make connections and proposers can solidify their team.

Jay Edwards - Here's the tentative schedule that we're proposing to move forward on, to deliver this by the end of the year. That's our goal. There's a

number of steps right here outlined in front of you. We'll be back to see you again shortly with the RFP in hand to get that approval to go out. We're interested in receiving your feedback.

Commissioner Katz - I'm excited to see something new and lively coming in there hopefully. Some of the criteria in terms of the capital investment that you anticipate would be required there, do we have a ballpark of what we think that will be?

Jay Edwards - We're actually doing a facility assessment right now to see what that may be. There's going to be a pretty substantial investment in new equipment and also the aesthetic piece of it. But we want to ascertain what the code upgrade costs are. At this present time we don't have a number specifically for you Commissioner.

Commissioner Katz – In terms of experience, you mentioned roughly five years. Is that of a five-year history.

Jay Edwards - Yes, a minimum of five years during the last seven of running a similar type of restaurant.

Commissioner Katz - We've tried to do outreach to finding a little bit more diversity in terms of the tenants along the waterfront. It's sort of a Catch 22 but I would like it perhaps if we have the RFP worded in such a way that it would allow a partnership that might enable, at least in some scenario, there might be a partnership of more financial backing that would bring in a more dynamic restaurateur that might not have the requisite five of seven years' experience per se but could meet that criteria having operated something smaller and ready to step up. If we could at least perhaps leave some flexibility in that, that might be nice.

Jay Edwards - Yes, absolutely we can.

Commissioner Kounalakis - What is the square footage of the site?

Jay Edwards - It's approximately 4,000 square feet for the actual restaurant and there is potentially up to another 2,500 square feet of support space that could be available.

Commissioner Kounalakis - So this is the first kind of briefing of its kind since I have been on the Commission. I am really curious how the process varies from, say if you were leasing a restaurant space through an ordinary process. For instance, if it were a privately owned piece of property, then you would hire a brokerage firm. They would advertise it and it wouldn't necessarily be an RFP, right? You would just wait until the user came along that bid, that submitted a bid that you thought was good and that was market rate. Then you would move forward.

I'm wondering, from your point of view, how this process is different. Do you feel that the advertising gets out there, so that anyone looking right now for space in San Francisco to open a restaurant knows this is an option?

What kind of hurdles are there for a Cheesecake Factory or a great little cafe that has opened up in a part of the city that's local, a mom and pop shop? What kind of hurdles do they have? Is there anything I'm missing here in terms of what makes the leasing of this site to a restaurant different than if it were just an ordinary private sector process?

Jay Edwards - Thank you for your questions. The RFP process and the way we're proposing it here, gives us the qualitative approach and maybe a little bit of the private sector. Having been in the private sector, it's more quantitative. It's more, "What's the rent?" "What's the best credit?" "Do we have an existing relationship?"

In this case, we're trying to use a qualitative approach and that's why we have this criteria that we set up. It allows us to look at the operator, how they're going to do it, what approach they're going to take. A lot of details that you would normally not see perhaps in the private sector.

It gives us a chance to provide some sort of analysis and it's a panel too. That's another difference between a private sector. You would do it internally. Here we're bringing in an outside panel of people that have restaurant experience so you're getting another perspective, an outside perspective.

Even though it's more laborious for everyone here, I think we do get a fully vetted process. It's a fair process and it's transparent and that's what the public wants.

In terms of the outreach, it's our commitment to do the maximum outreach. We've already started that. Bob Davis who's here with us, he can talk about it a little bit if you'd like. We are trying to get this out to the public and that's why we wanted to be included in the Community LBE Open House. We wanted this to be featured as an opportunity for the public.

With those efforts, combined with a good overview and panel, criteria panel and your input, we hope we're going to get somebody special for this site and that would fit in with our other portfolios. That's the final piece of it is, we look at things on a portfolio basis whereas in the private sector you may just look at this particular location you have. We need to take a broader perspective.

Commissioner Kounalakis – Sandra, do you have anything to add from your perspective. You're the leasing agent, right? Is that the equivalent?

Sandra Oberle - Sort of. I guess you could call me that.

Commissioner Kounalakis - Do you feel like this gets advertised widely across the city and beyond for people who are out there looking for restaurant sites in San Francisco?

Sandra Oberle - I think it does. Between the outreach to a lot of the community organizations, the event that we held, interest lists that we have been developing and continue to develop, it gets out in the community that this restaurant space is available and people start calling. The network in that industry is out there and we're getting phone calls from people, and taking down information to let them when the RFP is actually released and it's available.

Commissioner Brandon - Jay and Sandra, thank you so much for this presentation. This is a wonderful opportunity. It seems like there's been multiple restaurants at this location. Do you know what the challenges are of this location? Why there's not a lot of success?

Jay Edwards - We have thought about this and Rob Lam did a good job running the restaurant. He had success in its own way. I think that the challenge that I see, or that we see collectively, is it's busy there. There's a lot going on, so it can get kind of lost in the mix a little bit. You've got the Alcatraz. You've got a lot of pedestrian traffic. You've got potentially cruise dates that are happening all around it. It's a little bit of mid-block somewhat, so it's in a long stretch of a bulkhead building. In terms of the challenge, you have to appeal to the market that's there. I'm not sure that has been done yet. I don't think the operators have, and if you go back in history things have, a lot of things have changed. But if you look at the amount of people that are in the neighborhood that are going by daily. All of us, we've gone by, almost a couple of times a week at least. I think if somebody can capitalize and provide a wide variety to meet a kind of a broad, diverse population, I believe they'll have some success. But that's why we're excited to see what we get and see what happens.

Elaine Forbes - One of the things that Jay have told me along with Sandra is that the dining experience has been long. Long dining, a higher price point and staff is really targeting a more grab and go or a lower price point market that reflects more the market that you're describing which is more casual and on the go.

Commissioner Brandon - So that's what we're looking for, not fine dining but grab and go?

Elaine Forbes - Yes.

Commissioner Brandon - With the selection criteria, say you have five proposals and they all have the minimum qualifications. How will you differentiate between the proposals and select one?

Jay Edwards - That's a bit of art. It's going to be on a panel basis. We're going to put together a good panel. That's key. Some of the people that have experience with this so it's not just our thoughts. It's outside groups that can really contribute. It's one those things where we'd know it if we saw it a little bit.

Commissioner Brandon - But how would I know it?

Jay Edwards - You will know it when you see it.

Commissioner Brandon - Are you giving certain scores to each of these criteria? The local business participation, where does that play into it? Is it just like, "Well, yeah, we want it. But you don't get anything extra for it."

Jay Edwards - It's a point system and how you set up the points and these are all, I wouldn't call them heavily weighted on one side or the other. We're looking for a balanced approach. We don't want to see too much of one or too much of another. You'll get a chance to see because we're going to have more categories put in there with some points. When we come back with the RFP you'll see more detail. It's lacking in detail right now, but we'll provide that.

Commissioner Adams - Jay and Sandra, good work. I want to follow up on Ambassador Kounalakis' question. Are you limited just to a certain type of restaurant? Because to me is, can they pay? I used to eat at Butterfly's quite often. you've got 4,000 square feet. Should it be open to anybody that can come in and maybe transform that? We live in a city where we have 30 million tourists a year and millions and millions of people walk up and down that Embarcadero, whether they're coming from the cruise ship or Alcatraz or stuff like that. I think sometimes it's how you run a restaurant. Not everybody is good at it and you might run it in different styles. Butterfly was there for ten years. That's a good run.

It's like a stock. You might buy a stock and it might be good for a couple of years and then you have to dump that stock and get another stock. That's kind of how it is, right? In sports, sometime you win. Then you go through a period you don't win anymore. Then you get traded. Is it open to anybody? Have you reached out to all over the city? Because maybe somebody wants to come in there that has a specialty restaurant. There are people in the city that own three and four different restaurants and maybe they don't want a big restaurant, but they want a smaller restaurant and it can be nice. I like to go to Kokkari's, one of my favorite places to go. Is that open to everybody?

Jay Edwards - From the Port staff's perspective, we'd like it to be as diverse and as open to everybody. We're serving a really diverse population and the operator is key. That's why we're looking for more experience here. If you go out to restaurants as you do Commissioner, you can see a well-run operation that's why we're focused on the experience part of it. They can have partners. They can bring in the LBE components. We want that. We're encouraging them to do

so. We want them to take a team approach. We really look at this, it's maybe back to Commissioner Brandon's question, we're really evaluating the team that they're putting in front of us. It's going to start with the operator who can rally this great team around him.

With that we would then get something that maybe we haven't seen or even thought about. The outreach component of it is going to be really important and that's what we're going to focus on in this next phase. How do we get the word out? How do we promote this as a great opportunity?

Commissioner Adams - You want a good professional to come in. Right off the bat, you don't want somebody coming in and struggling. You want somebody to come in that's well established, know what they're doing and knows how to win and knows how to run an efficient restaurant so we can have a great restaurant there.

13. FINANCE AND ADMINISTRATION

- A. Request approval to Issue a Request for Proposals for Program Management / Engineering Consultant Services to Support the Seawall Resiliency Project. (Resolution No. 17-14)

Steven Reel, Seawall Project Manager, Engineering Division - Both I and Boris Delepine, Contracts Coordinator from Finance Administration, will present this item. This is an action item to request Commission approval to issue a Request for Proposals for Program Management and Engineering Consulting Services to support the Seawall Resiliency Project.

This project supports the Port's strategic goals of Resiliency by leading the City's efforts to address threats from earthquakes and flood risk. Livability by increasing the proportion of funds spent by the Port on Local Business Enterprises. Engagement by promoting knowledge of the Seawall Improvement Program and the City and Port's relationship with the Bay. And Stability by increasing innovative funding solutions.

The Seawall Resiliency Project is a major Port and City effort to improve earthquake safety and flood protection along the Northern Waterfront. The mission is to develop a program to repair or replace the Seawall and to design and construct the most critical improvements by the end of 2025. Threats to the Seawall include advantaged age and deteriorated conditions.

Earthquake vulnerability and near-term risk. There's a 72% likelihood of a major earthquake by 2044 and coastal flooding due to extreme storms and Sea Level Rise. Level of the Bay increased eight inches over last 100 years. It's expected to increase between 36-66 inches by the end of this century.

At this early conceptual phase, the estimated cost for full Seawall upgrades of the three miles from Pier 35 to Mission Creek is between \$2 -5 billion. \$500 million is currently estimated for critical upgrades and this is the initial budget we are carrying forward subject to modification during development of the overall program.

Current project funding is \$9.5 million and we are scheduled to go before voters in November of 2018 for approval of \$350 million in General Obligation Bond funding.

To advance the project, we have established phased budgets and a general timeline. We've completed the initial studies to define earthquake and flood vulnerabilities, have commenced the planning phase with the goals to define overall objectives, engage stakeholders, develop alternatives and to develop an overall program and we'll complete preliminary design and engineering and environmental review on the initial critical improvements followed by final design and construction.

I'll note that the budgets that you see here are total budgets and include Port and City staff, consultants contracts and project contingencies. To complete this project we will need additional resources and expertise beyond Port and City staff. The strategy we've developed includes the following contract opportunities. The Program Manager and Engineering Consultant. This is the subject of today's RFP request.

The PMEC will provide planning, engineering design and environmental services to help develop the overall Seawall Program and to complete preliminary design and environmental review for the initial improvements. This contract value is up to \$40 million with a term of 10 years.

This contract will provide marketing strategic communications and public outreach for the project through planning and design phases. The RFP is currently advertised. Final design, this may be one or more contracts to complete final design of the initial improvements.

One or more construction contracts will issued to construct the initial improvements. I'll note that delivery strategy will be chosen during preliminary design phase and may include traditional design, bid build, design build or a construction manager at risk contracts. We anticipate construction support services will be required to assist Port and City Construction Management Groups.

Program Management and Engineering Consultant contract is vital to moving the project forward. The primary scope includes planning and program development, environmental review, preliminary design and engineering, management assistance and review of final design and construction by others.

Essential skills and expertise of the PMEC include infrastructure planning, program development and management, coastal engineering, structural and geotechnical engineering, earthquake engineering and seismology, environmental assessment and permitting, waterfront urban design including historic preservation.

Boris Delepine - I'm the Port's Contract Coordinator. I'm also joined by Finbarr Jewell who is the Contract Monitoring Division Compliance Officer that's assigned to the Port. In terms of a schedule our goal is to commence the RFP advertisement and issue the solicitation in late March. Two weeks after issuance, we will hold a presubmittal meeting at our Pier One office. Proposals will be due in late April. We anticipate reviewing the proposals and selecting a winner by the end of May and then returning to you for contract award in June.

The resulting contract is a solicitation of over \$10 million which also requires a Board of Supervisors approval. Our goal would be go to the Board in July and then commence this contract Notice to Proceed in August.

The Contract Monitoring Division set a 15% LBE subcontracting goal for this project. The potential roles for LBEs include geotechnical engineering, structural engineering, civil engineering, cost estimating, environmental services, testing and inspection services. There are a number of contracts as Steven mentioned that are resulting from the Seawall Resiliency Project.

The first was issued last week. That's our communications contract. It has a not to exceed amount of \$1.7 million and 21% LBE subcontracting goal. The bulk of the LBE subcontracting dollars allocated from the Seawall Resiliency Project will come out of the final design and construction work. Based on similar projects that we've researched, we anticipate that goal to be about 20%, that LBE subcontracting goal.

In working with CMD to set the goal for this project, we looked at similar programs Citywide. The closest in terms of size and scope were programs that were issued through the Public Utilities Commission. We looked at the SSIP or Sewer System Improvement Project and the WSIP, the Water System Improvement Project. Those were similar large scale, multi-year contracts. SSIP had a 10% LBE goal. The WSIP stretches out to Hetch Hetchy. That had a DBE, federal DBE goal of 13%.

We'll work to go higher than 15 on this specific contract, but we'll also be able to increase the overall program goal with the final design and construction contracts, which at this point we're estimating to be about 20%.

In terms of the selection process, similar to the last presentation, we'll appoint an evaluation panel. The selection panel will be made up of at minimum of two Port employees and then two non-Port employees. The selection panel will have expertise and knowledge of the project area and our program objectives.

Once the proposals are submitted, we have an internal group that will review all of the minimum qualifications and determine whether they have met all of the formatting requirements, the LBE requirements and whether the proposals are responsive and responsible to the RFP.

After that happens we convene the panel. The scoring criteria will include the experience of the firm, their knowledge of the Port, the experience of the project team, the work approach, how they will, how they will approach each of the different disciplines, how they will work with Port staff. We'll also score references. Written proposals will be worth 100 points and we will invite the top four highest ranked firms to return for oral interviews.

The oral interviews will have a similar breakdown. They'll be worth 100 points. We will, the final score, the highest ranked proposal will have the highest combination of oral and written scores. We will negotiate the highest rank, with the highest ranked proposer and then return to you for award of the contract.

In terms of outreach, we formally initiated the RFP process on March 1st with our Contracts Opportunities Open House. Over 200 individuals attended that event. It was very successful. This initiative and RFP was really the trigger for that event. We featured it prominently. Once we issue the RFP we will also post it on our Web site, the Contracts, the Office of Contract Administration Web site.

I have attended meetings. I've gone to the African American Chamber of Commerce to promote this opportunity. We'll continue going to other Chambers. We'll outreach directly to LBEs. We will hold, as I mentioned before, a presubmittal meeting in April which will have another networking opportunity for prime and subcontractors. At this point I think we feel good about the outreach, the word is out. I think there's a lot of contractors standing behind me now, so they know this is coming and there's a lot of interest in working with the Port and on this initiative.

In conclusion we respectfully request your authorization to issue the RFP and Steven and I are here to answer any questions that you have.

Commissioner Brandon - Boris and Steven, thank you so much for this report. You guys did such a thorough job that I don't have any questions.

Commissioner Kounalakis - I have a couple. I'm trying to remember from the last time we talked about the Seawall. It seemed to me it was still unclear what the best solution was going to be in terms of repairing, or rebuilding or where? You have the estimated cost of the conceptual level between \$2 billion to \$5 billion for a full replacement or critical upgrades of \$500 million and the scope of that to be determined. But then schedule and budget, it looks as though you've decided we're going for critical upgrades. My first question is, is that correct? Is that what I am reading?

Steven Reel - That is correct.

Commissioner Kounalakis - Between the last time we had a presentation on this and now how did we come to that conclusion?

Steven Reel - The Earthquake Vulnerability Study and the Flood Protection Study that was completed previously, we've identified a zone around the Ferry Building that appears to have both seismic risk, has flood risk, initial flood risks today and has a lot of our critical facilities. We've kind of honed in on that to set up our initial \$500 million budget. However, it's important to note that we have not done the extensive stakeholder engagement and program development that's needed to finalize a first package. We're definitely focused on life safety improvements, critical infrastructure improvements that need to be functional post-earthquake for the City Disaster Response functions.

There may be other criteria that comes out as we get into the program development phase. For example the constructability of some of the retrofits, how much impact they do. If they're spread out in different areas, would we want to attack different areas with an initial project? We may find out that the \$500 million is not enough. The initial improvements are higher than that and we would be searching for additional funding to carry that out. We've got to start somewhere and this, with what we know right now, this is the best we've got.

Commissioner Kounalakis - Because that's a fairly big leap to have made that determination and further to have also identified that we're not looking at rebuilding the Seawall. We're looking at fixing the Seawall in the critical area around the Ferry Building.

Steven Reel - Not necessarily. We have to go through the planning process to determine what that project is going to be, those critical improvements. We have ideas now, but they're very much internal ideas. They need to be informed with extensive engagement and a thorough process of additional engineering study, alternatives analysis, and alternatives refinement. That's the planning phase.

Commissioner Kounalakis - Because there are engineering consultants who could look at figuring out how to do critical repairs but they may not be able to draw the lens back on this bigger question which is the vulnerability of San Francisco from flooding or earthquake. What kind of level of analysis did Venice do? There are different kinds of consulting firms that could figure out how to fix what's there and others that could take the wholesale innovative look to, "What do you do about this problem?" Will you be targeting firms that have that ability to look at this complex problem from multiple angles?

Elaine Forbes - Yes.

Steven Reel - Yes, definitely the latter. We need to look at it from all the angles.

Elaine Forbes - This is considered the planning phase of the project and while the engineering will be a big part of this contract, planning and design will be a big part as well. We'll be looking to set a conceptual framework for how to respond to Sea Level Rise along our vulnerable Seawall.

We have earthquake risk which is a current risk and Sea Level Rise which is emerging threat. We'll be looking to what areas we should make secure first. But we will be in this planning phase developing a conceptual framework to tackle the entire Seawall.

Commissioner Kounalakis - That's what was my understanding and so that's why I was surprised by this sort of leap from replacing the Seawall to critical upgrades and that that was decided.

Elaine Forbes - It's in part decided by the money. We are on the bond schedule for \$350 million in 2018. We're looking to come up with \$500 million for the first phase of investments and we feel that there are critical improvements that relate to San Francisco's Emergency Response etc. that should be addressed first and that tackling the entire replacement or repair of the Seawall now is not realistic from either a funding standpoint or a project delivery standpoint. As staff recommended, we start with critical repairs first, and eventually tackle the larger Seawall fix or replacement.

Commissioner Katz - Thank you Steven and Boris, again, very thorough. Given that it's going to be broken out with the large share going to the preliminary design environmental work, Is there anything that would preclude a successful bidder on that phase from then being involved in the subsequent final design and construction phases?

Steven Reel - the Program Manager will be on board through final design playing a review role and assisting us. they would not be able to compete for final design work.

Commissioner Katz - This isn't really going to be necessarily a lowest bidder, but the whole panoply of services and the best, as they're ranked it will be somewhat based on a range of responses?

Steven Reel - They are ranked purely on their qualifications. We negotiate with the highest qualified firm to come to an acceptable contract value and scope. We'll give ourselves a time limit to do that. If we cannot do that, we'll stop negotiations and move to firm number two.

Commissioner Katz - Just confirming. Again, thank you too for all the outreach that was done to the community. This is a significant project on so many levels and having gone above and beyond in terms of outreach to ensure that we get a broad cross section of people aware of what we're doing is great.

Commissioner Adams - Boris and Steven, I think you guys are both geniuses. I know you had a chance to go to Amsterdam last year to do some of the studies about Sea Level Rise and stuff like that and saw what was happening over there. In October, Director Forbes and Commissioner Brandon, we were in New Orleans and we got to visit the Port and see what happened in New Orleans, how they tried to fix the levees in New Orleans. It wined up costing about \$8 billion. I really appreciate your question Ambassador Kounalakis.

I know a delegation is going with the Chamber of Commerce next month to Washington, D.C. such as Commissioner Brandon. I'm hoping that they're going to be carrying the banner of the Port of San Francisco because the Mayor's on board and talking to Leader Pelosi. This is her district. Also Senator Feinstein and Harris and then talking to the Army Corps of Engineers, trying to get some money from the Army Corps of Engineers. I want to do something because, and really go for it, because if something happens and we're not prepared where it might be \$2 billion to fix it and then we'd be like New Orleans, we're not prepared. Then it winds up being \$8 or \$10 billion and where are we going to come up with that kind of money?

I'd like to get out in front of that. I was just up in Sacramento recently, and there's close to a half a billion dollars in the transportation bill. We need to get out front. David Chiu's up there, he's an assembly member, Scott Wiener. We need to be asking them, "Hey, you guys need to try to get some money. We need some money for San Francisco." That money's out there and we need to get on top of this. You need to meet with Elaine Chao and tell her, "Secretary Chao, maybe you come out here to San Francisco and see what we're up against." We can do this the easy or we can do this the hard way. We pay now. We get out front. We look like heroes or if not, if something happens here, which you know could happen, then we're going to have to come up with all this money.

I know this is a priority for the Port. Elaine and a delegation of business people will be in Washington, D.C. You need to be knocking on doors in D.C., Democrats and Republicans and saying, "Hey, we need to get out front on this issue, We need money for San Francisco. That bond measure's \$350. We need close to \$2 billion." I'd like to fix the whole thing.

What you said, would you work on it from the inside or would you work on it from the water side in? Because if you work on it from the outside, that shuts down the Embarcadero and people being able to do business, right? We don't want to hurt people doing business. This is our city tourism. Do you work on it from the water side in? Can you explain that to me?

Steven Reel - Right now there are very high level concepts about how to improve seismic safety on the waterfront. They deal with ground improvement landside, it's highly disruptive to businesses. Disruptive to the Embarcadero. We also looked at a water side construction technique. We would actually go out into

the Bay, do your construction out there and buttress the existing wall. Let life on the waterfront exist while this is going on water side. That is controversial because it includes Bay fill. The environmental review and approval process would potentially take much longer but it may actually be a less cost alternative. So it's a very valid alternative.

In this planning phase, we need to look at all alternatives. We need to get everything on the table and then develop those, rank them, refine them, start to whittle that down and that's the intent of this planning phase. Our goal is to be complete with the planning phase by 2018 so that we have a good idea of what works along the entire waterfront.

Commissioner Adams - Have you guys had any discussions with the Army Corps of Engineers and have they said anything?

Steven Reel - We sure have. We are working on the final strategy with the Corps. There are some pitfalls. At the next Commission meeting we'll be bringing to you a Feasibility Cost Sharing Agreement with the Army Corps of Engineers for a CAP 103 project which is a Continuing Authorities Program. It's a maximum federal interest of \$5 million. It's looking at a portion of the waterfront for flood protection improvements just south of the Ferry Building. That's our start with the Corps. We think that can pivot to a larger General Investigation Project. We do have our foot in the door with the Corps under the CAP study. They've determined federal interest for us. They're ready to kick off a feasibility study in partnership with us. Our goal is to turn that into a General Investigation.

Commissioner Brandon - This is a huge project.

Commissioner Kounalakis - But, it's exciting and historic as well.

Steven Reel - It's historic.

Commissioner Kounalakis - Of course there are lots of changes afoot with regulation. Who knows whether or not there's going to be staff at the Army Corps. Who knows if there is massive deregulation? Who knows if there is an EPA tomorrow? All of these are really difficult, hard to predict scenarios. We're in such a fortunate situation that the Mayor is prioritizing it and putting it in the GO Bonds. It's up to us to be ready to be able to tell the public how we fix it quickly and for the best engineering solution at the right price. So Stanford okay. Maybe Berkeley would have been better but, it's really a huge challenge and a huge opportunity.

Steven Reel - It's a huge challenge. The dual threat, the earthquake threat which is at our doorstep any day and then the Sea Level Rise threat which is emerging. Trying to balance those, what actions we can take now, it's going to be extremely difficult to hone in on a project that supports both.

Commissioner Adams - Well, I support you being very proactive. Thank you and Boris, Director Forbes and everybody for going out on this and doing what we've got to do.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 17-14 was adopted.

B. Informational presentation on the Port's Report on Contracting Activity for the First and Second Quarters of Fiscal Year 2016-17 (July 1, 2016 through December 31, 2016).

Boris Delepine, Port's Contract Administrator – I'm here with Finbarr Jewell from the Contract Monitoring Division. The matter before you is an informational overview of the Port's contract activity for the first two quarters of Fiscal Year 2016-17. That's the period that covers July 1 to December 31, 2016. This is a follow up to the last report that we had here with you on September 27, 2016.

I'll be talking about the LBE ordinance, LBE certification, the number of certified firms, new contracts that we've awarded, payments made on open contracts. I will talk about local hire and upcoming opportunities.

The Local Business Enterprise program as you know was designed to level the playing field for small local businesses bidding on City contracts. It affords bid discounts and subcontracting goals for certified LBEs. There are currently 1,197 certified LBEs. That's an increase of 30 since the last time I came here.

I had a conversation at length with the Contract Monitoring Division's Certification Manager. They've made some changes and they have seen a net growth in LBE firms for the first time in a few years. Over the last five months, there's been a steady increase. In our next report, we'll see even more, a larger increase in LBE firms. I think that's a very positive note.

They've also made some administrative changes and the time to become certified has gone from 60 days to 45 days. That's a 25% increase in the certification process. The breakdown of firms is about 23% women owned, 40% other business enterprises and 37% minority-owned firms with 45% of minority-owned firms is Asian American, African American firms make up about 25% of the currently certified LBEs and Latino American firms are about 23%.

In terms of our contracts awarded during this period, for the first six months of the Fiscal Year, we awarded \$9.2 million in contracts through six new contracts. Five of the six contracts went to LBE firms as prime contractors. That's 83% of the contracts we awarded went to LBE firms at the prime level. The bulk of the contract dollars that we awarded during the reporting period came through two specific, individual contracts. They were the Mission Bay Ferry Landing and the

Crane Cove Park Site Preparation Contract. Those combined were responsible for 92% of the contracts that we did award. The remaining contracts, however, we issued as micro LBE set asides. We set them aside as small contracts. Put them out to bid for only LBEs and overall we were able to award 41% of all dollars to LBE firms.

Here's another look at the prime contracts we awarded. Again six valued at \$9.2 million. Five of the six contracts went to minority-owned businesses. Of those five contracts, three went to Asian American-owned firms and two went to African American-owned LBE businesses. Whereas the last slide showed the number of prime contracts awarded, this slide represents the actual contract dollars.

As you can see from the pie chart on the left, our LBE performance was 41% with OBEs receiving 4% of contract dollars, women-owned firms attained 12% of awards and minority-owned businesses won 25% of the contract awards. Those MBE dollars can be further broken down by ethnicity. The pie chart on the right shows that 82% of dollars in the MBE Minority Business Enterprise slice of the pie went to Asian American-owned firms and the remaining 13% was split between African American-owned and Latino-owned firms.

As I mentioned before, these charts were really dominated by two contracts. Ninety-two percent or \$8.5 million of the dollars awarded came through the construction contract at Crane Cove Park and the engineering contract for the Mission Bay Ferry Landing. The lesson here is that we need to continue to come up with more diverse ways to increase our dollars awarded to LBE firms and encourage diversity at the subcontractor level.

We've been on message at the Contract Open House, with the contractors when we have presubmittal meetings that this is something that we want to see when you do business with the Port.

In terms of payments, we issued \$6.2 million in payments during the reporting period, 31% of those went to LBEs. Overall we are, our professional service and construction contracts are meeting or exceeding the average LBE subcontracting goals. Our as-needed contracts fell 2% below but we expect that to increase as the different scopes of work come online.

This slide compares the contract awards and payments over the first six months of the past three fiscal years. We awarded six contracts in the first half of each of the last three fiscal years. This time we've gone down a bit with 41% going to LBE firms, but we did really well in the previous two fiscal years. We're still exceeding the Mayor's Citywide aspirational LBE participation goal of 40%.

In terms of Local Hire, these are construction projects that are over a million dollars. They're subject to the Local Hire Ordinance which is implemented by the Office of Economic and Workforce Development. Since the inception of the

ordinance back in 2011, there have been 15 contracts at the Port that have fallen under the ordinance and its requirements. They have all met the ordinance requirements.

Currently we only have one contract that falls under the threshold. That is the Pier 31 Roof Repair Project. The threshold currently for Local Hire is 30% of hours worked must be done by local San Francisco residents. That project is currently at 40%. During the reporting period through the Director's delegated authority we awarded two LBE micro set aside contracts. One was to Butler Enterprise Group and the other to RDJ Enterprises.

The goal of the work that they're doing for us is to link residents in the surrounding communities, Supervisorial District 10 to Port employment opportunities. Though the contract is new, one of the contractors, RDJ Enterprises has hit the grand running at Pasha. They've recruited and hired three D10 residents at Pasha and they have an additional seven individuals that have been cleared and awaiting start dates.

Bob Davis is managing the other project with Butler Enterprise Group to recruit and promote and hire local residents from the city's southeast sector on Port jobs and we're excited about that initiative and the work that Bob and that team's doing. We have a ton of contracts coming in the next three months, four months. They include the one that you just heard before that.

We had the Contract Opportunities Open House. People want to come and work for the Port. There is a lot of buzz out there. Some of those opportunities include construction projects like the Pier 31 Utility Upgrade. We have the Beltline Building Core and Shell. There are seven construction opportunities coming in the next seven to eight months. We have a number of professional service contracts. Not only do we have the Sea Level Rise Resiliency Program Management. We also have the two communications contracts out on the street now. We have our as-needed environmental service contracts that are coming on line next month. So there's a lot of activity and a lot of opportunity here at the Port. All our projects, we work to have at least a 20% LBE subcontracting goal and that is a floor and not a ceiling. We've been able to exceed a lot of those goals.

Finally, in conclusion the LBE performance for the last six months, 41% of dollars awarded to LBEs, 31% of payments. We have one project that's falling under the Local Hire Ordinance. We have some contract initiatives that are happening on a parallel track and then just a lot of work coming down the pike in the next six months to a year.

Commissioner Katz - As always Boris very, very thorough, so I appreciate your presentation. Are there trends you see or things that you think we should be aware of and start thinking about as we focus on improving our outreach efforts

or where we see some other things that we might want to address that would reduce barriers for participation?

Boris Delepine - I think in the contracting realm, there are a lot of like insurance requirements and barriers that come through working on water for instance and things of that nature. We've been working. I'm on the LBE Advisory Committee which is a group that's made up of representatives from different City departments. We've been looking at that and bonding and those types of initiatives.

I think that's one area where we could have some bonding support that would help firms bid on some of this work. We try to break up contracts as much as possible by awarding micro LBE set asides and that's kind of the first level of getting into the City contracting process. We had four during this period. I think continuing on that line is important.

Commissioner Katz - Is it at all helpful for us to encourage the Port to explore the feasibility of providing some of that bonding support to potential contractors? I know you're working with Citywide but maybe there is something we at the Port can do to back that up?

Boris Delepine - We have been talking with the Contract Monitoring Division. They have a program through Merriwether & Williams that we want to bring to our next Open House and feature and talk about some of the resources that are available at the City for bonding and things of that nature.

Commissioner Katz - Great. Thank you.

Commissioner Adams - Boris, Commissioner Brandon didn't have anything to say, so you're fine. Commissioner Kounalakis will be next. Commissioner Brandon is happy.

Commissioner Kounalakis - Actually that was a great presentation, very thorough. Thank you and it's terrific. It really is great to see the progress and ensuring that local businesses can really have a good crack at doing work for us and the work to create diversity in terms of hiring practices seems like it's really doing what was hoped when these initiatives were first put into place. That's terrific.

Commissioner Brandon - I have nothing to say. Boris thank you so much for this report. I really appreciate all of the effort and everything that has gone into making these numbers what they are today. This is really a great, much better than the last report. Thank you for that.

I think the Contract Opportunity Open House was really great. It was really well attended and it generated a lot of interest and I agree that we need to find some way to try and diversify our outreach and interest in all the opportunities that are coming online here at the Port.

I had the opportunity to introduce our Executive Director to Ingrid Merriwether last month and I hope that we can bring her in prior to next year's annual Open House. Hopefully we can find some way to at least start the dialogue sometime soon.

Elaine Forbes - I think that's a really excellent suggestion and she's done tremendous work for small contractors and businesses in the city through the bonding program that the City has already adopted and is working through creative ways in which we can make it easier to do business with the Port of San Francisco. Boris and I will make sure to reach out to her directly.

Commissioner Brandon - Thank you so much for all of this. Thank you everyone for making these opportunities available and a priority.

Commissioner Adams - I second all what all of my Commissioners have said. Boris, thank you. Director Forbes, thank you. You guys have been listening. This has been a long going process and we're getting there. It's getting better. I'm really sorry that I missed the breakfast that day but I understand from Commissioner Brandon and Director Forbes that it was great. It was over 200 people so I want to thank you very much.

14. NEW BUSINESS

15. ADJOURNMENT

ACTION: Commissioner Katz moved approval to adjourn the meeting in honor of Catherine Dodd on the occasion of her retirement. Commissioner Kounalakis seconded the motion. All of the Commissioners were in favor.

Port Commission President Commissioner Adams adjourned the meeting at 6:35 p.m.