

MEMORANDUM

April 6, 2017

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Proposed Port reorganization to further advance Port 2016-2021 Strategic Plan goals and objectives

DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

EXECUTIVE SUMMARY

The Port's great diversity of uses and connection to the San Francisco Bay draws 24+ million people to the waterfront each year for maritime activities, employment, transportation, education, exploration, entertainment, and recreation. Over 7½ miles of waterfront, the Port manages approximately 600 leases. The richness and diversity of these experiences, which generous public open spaces connect, are what make the Port's waterfront unique. The Port has a broad set of responsibilities to promote maritime commerce and to preserve and enhance the waterfront.

In February of 2016, the Port adopted the 2016-2021 Strategic Plan¹ which articulates the Port's vision for delivering its modern-day mission. This 2016-2021 Strategic Plan includes seven key strategies and 42 objectives. The Port currently has 245 employees working to accomplish this aggressive agenda. In addition to the 2016-2021 Strategic Plan, the Port benefits from a strong foundation of planning efforts including the 10-Year Capital Plan²

THIS PRINT COVERS CALENDAR ITEM NO. 9A

¹ Link to the staff report online

<http://sfport.com/sites/default/files/docs/Item%209C%202016-2021%20Strategic%20Plan.pdf>

² Link to the staff report online

<http://sfport.com/sites/default/files/Commission/Documents/Commission%20Meeting%20Staff%20Reports/2016%20Commission%20Meeting%20Items/DEC13/Item%2014A%20Capital%20Plan%20Informational.pdf>

and Waterfront Land Use Plan Update³ and is poised for pursuit of significant revitalization of the Port's unique properties.

As the new Executive Director appointed on October 12, 2016, I have conducted a review of the Port's internal communications and organizational structure. I have examined the department's staffing structure in the context of the aggressive agenda in the 2016-2021 Strategic Plan. The goal of this review is to harness the considerable capability, creativity, initiative, hard work and resourcefulness in our ranks so that the Port not only remains a great place to work, but continues to excel and innovate to provide excellent public service to San Francisco and California residents and beyond. While the Port is largely a successful organization that operates in concert with its mission, and excels in many areas, the department has more demands than staff resources. Staff struggles to prioritize work and feels pressure to do more with less. There are key improvements to the organizational structure that will improve the Port's ability to meet our objectives more effectively and ease pressure on our invaluable staff.

This report outlines proposed changes to the Port's organizational structure, with a specific recommendation to better integrate the business units - maritime, real estate and development - to provide a strategic framework and direction for asset development and management. The reorganization also includes broadening the Planning Division's essential services to expand support of maritime and real estate as clients, and add more resources to address longer range planning issues, principally resiliency planning to address seismic risk and sea level rise.

Initially, I will implement these changes through reassignment which falls under the Executive Director's authority, and will make these changes on a trial basis. This trial will allow the Port management team to work with staff on any needed modifications to fine tune the reorganization. In February of 2018, the proposed two-year budget will formally reorganize the department subject to Port Commission, Mayor's Office and Board of Supervisors' consideration and approval.

STRATEGIC PLAN CONFORMITY

The proposed Port reorganization supports all seven key goals of the 2016-2021 Strategic Plan with special emphasis on Renewal, Economic Vitality, and Stability which are foundational to achieving other key goals.

1. **Renewal**: Enhance and balance the Port's maritime and economic purpose, rich history, and changing relationship with the City, so the waterfront continues to be a treasured destination.
2. **Economic Vitality**: Attract and retain maritime and non-maritime commerce to contribute to the long-term viability of the Port and the City.

³ Link to the staff report online

<http://sfport.com/sites/default/files/Commission/Documents/Commission%20Meeting%20Staff%20Reports/2016%20Commission%20Meeting%20Items/AUG09/Item%2010A%20WLUP%20Part1%20Briefing%20Final.pdf>

3. **Stability**: Maintain the Port's financial strength for future generations by addressing the growing backlog of deferred Port maintenance and managing waterfront assets to meet the City's and the Port's long-term goals.

CURRENT STRUCTURE AND RATIONALE FOR CHANGE

The Port currently manages property and leasing in three divisions: Real Estate, Maritime and Planning and Development. Each division has specific goals for the use of Port property. The result of the work of these divisions is over 600 leases and \$250 million of private investment in Port facilities since 2006. These are notable accomplishments. However, the business units are separated and do not operate under one unified strategic framework. This structure results in a business model with three distinctive and separate business units – with different goals and objectives - that all impact property. This also results in staff working on separate assignments, reducing opportunities to collaborate unless self-initiated or specifically directed by management.

Over time, the Port has evolved to a more integrated approach to asset development and management to achieve better - more diverse and public serving - results for our properties, and to recognize the development constraints of aging and costly infrastructure, the regulatory framework and sea level rise. In contrast to the original vision of the 1997 Waterfront Land Use Plan, under which the Port would conduct maritime and interim leasing activities, but turn to private development partners for most major upgrades to Port property, increasingly, the Port has undertaken major development and leasing efforts on its own account, including:

- The James R. Herman International Cruise Terminal;
- Pier 9, which includes a curated mix of maritime, office and innovative PDR tenants like Autodesk;
- Public serving projects like Jamestown in the Pier 29 Bulkhead;
- Alcatraz Landing with the National Park Service at Pier 31; and
- Pasha Automotive at Pier 80.

These approaches compliment the still viable model of large scale public private partnerships for major rehabilitation, and are essential tools for the Port to deliver its modern-day mission.

The Port's integrated approach to asset management deploys a holistic view to achieve even better results for our properties. The Maritime and Real Estate Divisions, and Development group more and more leverage the talent of one another to maximize asset opportunities, and to more seamlessly coordinate development proposals through to lease execution and management. To recognize what staff has already initiated informally, the business units should be more tightly integrated structurally and have a senior resource dedicated to maximizing asset opportunities and providing strategic direction to the

portfolio of Port properties. Further, emerging issues like climate change and sea level rise affect the entire 7½ miles of Port property. Coordination across all divisions that impact Port property is essential to developing strategies and solutions which must be incorporated in future development projects.

PROPOSED CHANGES

The following are the proposed changes and high-level objectives of the reorganization:

- Senior Deputy Director: Chief Operating Officer. The Chief Operating Officer will manage Maritime and Real Estate Divisions out of the Executive Director's Office.
- Development staff will be reassigned from Planning and Development to Real Estate to create an integrated Real Estate and Development Division.
- A stand-alone Planning Division with enhanced resources will serve Maritime, Real Estate and Development, and perform long range planning for emerging issues such as resilience planning.
- Rescind prior plans initiated, but never fully implemented, for a new Operations Division to focus on safety, business and customer service, on-street and off-street traffic control and parking, Vision Zero, and special events.

Chief Operating Officer

The Senior Deputy Director serving as the Chief Operating Officer will direct the Maritime and Real Estate and Development divisions out of the Executive Director's Office. This added resource to direct Maritime and Real Estate and Development, the closer integration between Maritime and Real Estate, and the merger of Real Estate and Development will provide for several opportunities to streamline business processes and innovate asset development and management, such as:

- Ensure appropriate hand-off and coordination from lease negotiations to execution and management.
- Allow for more integrated teams to collaborate on interim and long-term projects.
- Develop and deploy best practices for lease management and compliance.
- Track new business areas and opportunities.
- Triage asset condition with Engineering and develop asset wide prioritization.
- Understand the Port's return on investment.

- Enumerate the value of the gateway (water access) so that maritime commerce is fully realized.
- Deepen understanding of events influencing Port facilities and stakeholders.
- Maximize public benefits on a portfolio wide basis.
- Develop a business plan to maximize maritime and public serving opportunities while ensuring integration with public/private partnership projects.
- Leverage support services for administration and reporting.

Planning Division Deputy Director

The reorganization includes a stand-alone Planning Division with responsibility for historic resources and stewardship, urban design and place making, land use and transportation planning, environmental permitting and stewardship, and long-range planning on emerging issues such as sea level rise, and the Waterfront Land Use Plan update. The Deputy Director of Planning will lead a team to support all Port Divisions, with key focus on Maritime and Real Estate and Development. The Planning Division staff will provide services to the business units that include:

- Planning strategies to revitalize Port properties and support a vibrant array of land uses, informed by effective Port stakeholder and community involvement.
- Policy framework and initiatives to recognize and enhance the Port's architectural, cultural and historic districts and resources, and public open space system along the Port's 7½ mile waterfront, and design review process procedures.
- Improving the Port's public realm, with coordinated transportation and public access improvements along the waterfront that also connect into upland neighborhoods.
- Partnerships with Water Emergency Transportation Authority (WETA), San Francisco Municipal Transportation Agency (SFMTA) and other transportation agencies to expand and improve water transportation, bicycle access and pedestrian safety, and preserve industrial goods movement and access needs for maritime and industrial tenants.
- Lead interagency coordination and community planning to define an overall framework and permitting process for Seawall Resilience Project improvements, sea level rise adaptation, and ongoing planning for waterfront resilience.
- Provide regulatory and policy review of large land use projects and initiatives, including coordinated review by the Bay Conservation and Development Commission (BCDC), State Lands Commission, and City agencies.

- Guide and support Port partners to navigate complicated waterfront permitting, regulatory compliance and environmental review requirements, and project efforts to meet or exceed City environmental sustainability goals and standards.
- Conduct major planning efforts such as the Waterfront Plan Update to provide long-range, strategic land use goals and policies that are coordinated with City, regional and State Lands mission objectives.

Next Steps

This report is for informational purposes. Subject to Port Commission and public input, the Port will proceed with the proposed reorganization outlined herein on a trial basis. This trial will allow the Port management team to work with staff on any needed modifications and on fine tuning. In February of 2018, the proposed two-year budget will include position changes and reassignments that formally reorganize the department.

Prepared by: Elaine Forbes
Executive Director