

# SAN FRANCISCO PORT COMMISSION

## MINUTES OF THE MEETING AUGUST 8, 2017

### 1. CALL TO ORDER / ROLL CALL

President Willie Adams called the meeting to order at 2:00 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon, Leslie Katz and Doreen Woo Ho.

### 2. APPROVAL OF MINUTES – July 11, 2017

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. The minutes of the July 11, 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 Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

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

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. \*This session is closed to any non-City/Port representative: (Discussion Item)
- a. Property: Boudin Properties located at Seawall Lot 301 at Fisherman's Wharf  
Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate and Development  
\*Negotiating Parties: Boudin: Lou Giraud
- b. 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: Brad Benson, Director of Special Projects

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

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

At 3:17 p.m., the Commission 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 moved approval to not disclose any information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

## **6. PLEDGE OF ALLEGIANCE**

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

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: 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. Announcement of Time Allotment for Public Comments: 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**

Wendy Proctor - I'm Senior Architect and ADA Coordinator for the Port of San Francisco. I am here to read a statement on behalf of a member of the public as a reasonable accommodation as they cannot do so themselves.

"Port Commissioners, the Port is required to report all private usages on public land. The Port's practice of reporting all usages is grossly inadequate and violates the law. Revenue and Tax Code 480.5 and 480.6 and the San Francisco Administration Code Section 23.38 and 23.39 require that the Port to report mandatory information to the Assessor.

The State Board of Equalization requires that all public usages to be reported on prescribed form BOE 502-P. The Port is in violation of the law by not conforming to the statutory laws, codes and regulations that require private usages. Reports shall contain mandatory reporting information.

The Assessor annually sends the Port a letter requesting all private usage reports including short-term usages. The letter cites the relevant codes, statutes, regulations and tax rolls. The Port is negligent in not complying with providing the specific mandatory information as specified in the Assessor letter.

The Port's reporting practice for the past 15 years has been to only report rent paid to the Port by the Master Use Grantee. This practice is grossly inadequate because the Master Agreements allow for other private third party usages by subtenants, sublicenses and sub-permittees to occupy the public land.

These private subtenant usages on public land are not being reported by the Port to the Assessor as required by law. Executive Director Elaine Forbes has been informed of the reporting violations for over a year and has yet to make any corrective action or seek direction from the Port Commission as requested.

I hereby request the Port Commission to agendaize my complaint at the next Port Commission meeting. This reporting complaint is very serious. Because when the Port fails to perform its required reporting duties, subtenants' separate taxable usages escaped assessment because the Port failed to report the subtenant usages which is the only method of triggering the tax assessment process.

Grantees and subtenants are not required to report to the Assessor individual private usages. Instead the legislators impose the reporting duty upon the landowner government agency as stated in the Revenue and Tax Code 480.6.

Commissioners, this reporting violation is widespread at all Port properties and is not limited to AT&T Park. Signed, Shawn Karl Mooney."

## **9. EXECUTIVE**

### **A. Executive Director's Report**

- Port of Osaka 150th Anniversary – July 2017

Elaine Forbes, the Port's Executive Director - Maritime Deputy Director Peter Dailey will describe Port Commission President Willie Adams and his attendance at the 150th Anniversary of the Port of Osaka on July 12-14, 2017. President Adams and Mr. Dailey attended this celebration because Osaka is our Sister Port, our oldest Sister Port relationship.

Peter Dailey, Deputy Director of Maritime - As Elaine mentioned, the Port of Osaka invited representatives from Port community around the world to

come celebrate their 150th Anniversary that the Port of San Francisco celebrated a few years back.

In addition to their 150th Anniversary celebration, they had a Asia Global Ports Conference. Our Sister Ports from Melbourne, Australia, Le Havre, France, Shanghai, Manila were in attendance as well as Ports of Colombo, Kaohsiung, Port Klang, Yangon, Jakarta, Saigon, Busan and others.

It was an intense day where each Port gave a presentation, discussed best Port practices going forward on economic development, safety, environment and security. It was a very rewarding opportunity to listen to other ports from around the world.

Here's a picture of Commissioner Adams who sat at the big table with the Presidents and CEOs of the other Ports.

We gave the Port of Osaka on behalf of the Port of San Francisco, Renee Dunn, our PR Chief, found some beautiful art from a local artist, that represented San Francisco and Osaka in a traditional Japanese style that were very well received by our friends at the Port of Osaka.

Mr. Dailey showed a video of President Willie Adams delivering a speech at the conference.

Peter Dailey - It should be noted that this was in front of close to a thousand attendees, including the Mayor of Osaka, the Governor of the Prefecture or the State, members of the diplomatic community and the Asian shipping community. It was very well received and the point is that of all the ports that were represented there, the Port of San Francisco was asked to make the presentation on behalf of all the ports that were represented since we are the oldest Sister Port with Osaka.

All in all, it was a fantastic experience for me. The hospitality of our friends from the Port of Osaka was unsurpassed and it was a very fulfilling activity.

- [San Francisco named a Top-Rated US & Canada Cruise Destination in Cruise Critic's 2017 Cruisers' Choice Destination Awards](#)

Elaine Forbes – I am pleased to announce that both Cobh, which is our Sister City in Ireland, Cork, and our own Port of San Francisco were recognized as the Top Cruise Destinations in our region. This recognition is based on customer feedback that is submitted for the whole entire year.

Cork's Cobh was named the second best cruise destination in Western Europe by Trip Advisors, and San Francisco is named a Top-Rated US & Canada Destination in Cruise Critic's 2017 Cruisers' Choice Destination Awards. Congratulations both to our James Herman Cruise Ship Terminal

and all the Maritime staff that work so hard to make it an excellent customer experience. Congratulations to our Sister City in Cork.

- Union Iron Works Historic District nomination to receive President's Award from the California Preservation Foundation – October 13, 2017

Finally, I am pleased to announce that the Port's Union Iron Works Historic District nominations will be honored by the California Preservation Foundation which is the 2017 President's Award. This award will be presented by the California Preservation Foundation in a ceremony October 13, 2017 at 6:00 PM at the Mark Hopkins hotel. The California Preservation Foundation recognizes this 250 page nomination that was prepared by Carey & Company and Port staff for its importance in the rehabilitation and stewardship of the district and for being particularly detailed.

Each year, the Preservation Foundation honors individuals and organizations deserving of special recognition for their outstanding preservation efforts. We have been acknowledged for the formation of our Embarcadero Historic District in 2009, a Preservation Design Award in 2013 for the Pier 29 Fire Reconstruction and now for this designation. I would like to recognize our Port staff, Mark Paez, our Port leadership, the Commission being a custodian of the Historic Union Iron Works District is a huge and massive endeavor and this shows we are taking our responsibility very seriously.

- In Memoriam - Janet Pasha, accomplished and joyful matriarch of the Pasha family.

Staff ask that you close the meeting in honor of Janet Pasha. Janet Ryan Pasha passed away July 16, 2017. She is the mom of John and Maureen Pasha who are our Maritime Terminal operators at Pier 80. She lived a life of inspiration, social justice and faith and she nurtured her large family. Many Port staff had the honor to meet her at our groundbreaking at Pier 80 last year. She expressed to me how proud she was that Pasha had come back to San Francisco where the company had started. Her passing is deeply felt by her family and the larger community. We ask that you close the meeting in her honor.

B. Port Commissioners' Report:

Commissioner Woo Ho - I did want to mention that we do get periodic reports on the Port's revenues and expenses. We have just finished the Fiscal Year and I would like to congratulate and comment that we have exceeded the revenue forecast for the budget this year, which is a good sign and we have also come in lower on our expenses. That means that we have generated a nice, positive surplus in excess of what we forecasted.

First, I'd like to congratulate staff and to request an update in open session regarding periodic progress on what the financials of the Port are. I would

suggest maybe every six months. This is obviously the end of the Fiscal Year. We have generated a little bit more surplus than we expected. There was one unexpected transaction that generated more revenue so that we also understand how those excess funds will be applied for the Port's benefit.

Commissioner Adams - I would like to say a few words about our trip to Osaka for their 150th Anniversary and our 50th year Sister Port with the Port of Osaka. Peter Dailey did a great job. Peter and I travelled together and Peter made a presentation that morning and they asked everyone to keep their presentations to eight minutes. Peter was the only one that did. Some presentations went 20-30 minutes.

I want to thank Peter for his hard work. For a Port our size, we might be a welterweight, but we punch like heavyweights. We took center stage on the world stage in Osaka at that Port, being there with ports from all over the world. We did a tour of the harbor at Osaka. Over in Japan, they kept talking about Mark Chandler who works in the Mayor's Office as the international rep for the City of San Francisco. Mark is well known and very well loved.

The Mayor of Osaka is a very young guy. He's about 42 years old. He looks like a rock star. He, like myself, is a hipster. I normally don't wear a suit. I'm a hipster. He's come over to San Francisco several times as the guest of Mayor Lee. He and Mayor Lee went up to Silicon Valley to meet with all the tech companies. He's looking forward to coming over at the beginning of the year. Peter and I invited him for a tour of the Port of San Francisco.

I had the honor with Director Forbes, Peter Dailey, Mike Nerney and Brendan O'Meara to attend the memorial service of Janet Ryan Pasha. The Pasha family is old school San Francisco. Janet Pasha is the monarch of the family - very regal lady, class act, humble, a gentle soul and a very tough spirit. When we were at the cathedral, you could feel the love from the people that came, out of respect for her, her five kids and 15 grandkids.

When we die, people come to our memorial service and funeral to show us that respect and honor. We live in such a busy world, so that says something about the lives and the amount of people that we touch. The service was very well packed and very well received from people from all walks of life. Everybody can make a difference. At this time, it's only appropriate that we'll have a moment of silence for Janet Ryan Pasha. Sister Janet Ryan Pasha, may you rest in peace.

## 10. CONSENT

- A. Request authorization, subject to Board of Supervisors' approval, to accept and expend \$1,059,000 in 2016 Infrastructure Protection Program Port Security Grant Program funds from the U.S. Department of Homeland Security for security improvements at the Port of San Francisco. (Resolution No. 17-34)

- B. Request approval and certification of the Port Sanitary Sewer Management Plan. (Resolution No. 17-35)

ACTION: Commissioner Katz moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. Resolution Nos. 17-34 and 17-35 were adopted.

## 11. REAL ESTATE & DEVELOPMENT

- A. Informational presentation regarding the Pier 70 Special Use District Transaction Structure between: (1) the Port and Forest City Development California, Inc. for the 28-Acre Site, located between 20th, Michigan, and 22nd Streets and San Francisco Bay (Assessor's Block 4052/Lot 001 and Lot 002 and Block 4111/Lot 003 and Lot 004); (2) the Port and Third Parties for the "20th/Illinois Parcel" along Illinois Street at 20th Street (Assessor's Block 4110/Lot 001); and (3) the City and a Third Party for Pacific Gas and Electric Company-owned parcel subject to a City option to purchase called the "Hoedown Yard," at Illinois and 22nd Streets (Assessor's Block 4120/Lot 002 and Block 4110/Lot 008A).

Brad Benson, Director of Special Projects - On behalf of a very large and talented Pier 70 team, Byron Rhett, Mike Martin, Meghan Wallace, David Beaupre, Rebecca Benassini, Christine Maher and our fabulous City Attorneys Joanne Sakai and Grace Park.

This is a big team effort at the Port. I'm going to be sharing today's presentation with Rebecca Benassini and Christine Maher. This is the first time that we will have presented the entire transaction to you. We're going to be presenting the planning context, the public benefits of the project, the infrastructure needed to build this new neighborhood, the financial structure of the document and some of the financial results. We look forward to your thoughts as to this collective work heading into what we hope will be project approvals in the fall.

Pier 70 is a very large effort, more than 70-acre site. This transaction deals with 35 acres, the 28-acre waterfront site that Forest City will be developing, some Illinois parcels between 20th and 22nd Street but there's a lot more happening at Pier 70.

Our Shipyard is a key focus and goal for the Port. There's going to be an RFP that will be issued for a new Shipyard operator. We're working with Orton to secure the Shipyard and improve the Shipyard for that new operator. Orton Development is doing a fantastic job. It's amazing to see the work that they're doing on the 20th Street historic buildings, creating that vital historic core to the Pier 70 Project.

David Beaupre's been working with Steven Reel on Crane Cove Park, the first six acre phase publically funded park. It's going to be serving the entire Eastern

Neighborhoods, the Dogpatch Neighborhood, attracting people down to this area of the waterfront for the first time in 100 years.

We started dialog with our current tenants at Pier 70. We do have some tenants at Pier 70. We're always careful to talk through the issue of development with our tenants. There are a number of artists in the Noonan Building and they will be able to remain in the project as it's built out. We have Paul's Stores, a long-term warehouse tenant. We've started talking about relocation with him. Ernest Rivera, Michael Rios and we have Affordable Self-Storage down there, a large self-storage operation. We're talking about relocating them to help with PG&E cleanup at the site.

We're very mindful about how new development affects existing tenants. Pier 70 is resting on about as strong a planning framework as you can imagine. The City obviously pursued the Central Waterfront Plan as part of the Eastern Neighborhoods. That plan emphasized the preservation of production, distribution and repair uses, a major goal of the Forest City Project.

The Office of Economic and Workforce Development has been leading the Southern Bayfront Strategy. We've had presentations on this at the Commission level, more than 30,000 units of housing expected through a number of projects on the eastern side of the city. The Southern Bayfront Strategy is a coordinated negotiation strategy to make sure that we're delivering the transportation, affordable housing, Sea Level Rise, and other public benefits that we've come to expect out of these major development efforts.

The Waterfront Land Use Plan envisioned Pier 70 as a mixed-use development opportunity site back in 1997. There was a first effort to develop the site in 2001. It was a bit too much of a pioneering location at the time. A recognition that we had to wait for more of Mission Bay to be built out in order for Pier 70 to be a success. We do plan a Waterfront Land Use Plan amendment to make the Pier 70 SUD be reflected fully in the Waterfront Plan in the Design and Access element.

David Beaupre led a three-year Master Planning process. The Port Commission endorsed the Pier 70 Preferred Master Plan in 2010 which was the launching point for our competitive solicitations and the idea of the Union Iron Works Historic District which we subsequently nominated to the National Register. We've also worked extensively on the Blue Greenway and this project will provide nine acres of new parks as part of the Blue Greenway, a key connection between Mission Bay and points south.

The project itself has a number of very major historic resources, Buildings 2, 12 and 21 that are all contributors to that district that will be rehabilitated as part of this project.



The project meets major goals of the Five-Year Strategic Plan. Renewal, we are seeing over \$160 million in our Capital Plan Backlog addressed by this project. There have been over 120 community meetings, so Engagement has been a central focus. There's a 30% affordable housing commitment in this project to promote Livability. We're addressing Sea Level Rise and Stability in terms of new funding streams for the Harbor Fund.

Given the National Register Historic District, a lot of effort has been put in by Forest City and its team to the Design for Development document. This is going to be published on the Port's Web site and the Planning Department's Web site. This will be the guide for new development at Pier 70, how the parks will be built out, how the buildings will respect the Historic District in terms of materiality, articulation, how the buildings meet the ground floor, the street level throughout the project.

Both Planning and Port staff will review new building proposals for consistency with this design for development document and make a recommendation to the Planning Director. For historic buildings, they will continue to be reviewed through the Port's building permit process by our historic preservation experts on Port staff in consultation with Planning Department staff and ultimately be approved by the Executive Director.

Parks are going to go through a public design review process and they'll be brought to you at the schematic level for your approval as we do with all other parks on Port property. The approvals that are required for this project are extensive. We're negotiating the final terms of a trust exchange with the State Lands Commission that was authorized by AB418. This will remove the Public Trust for commerce and navigation and fisheries from certain areas of the site, put it over the Shipyard, the parks and the streets leading to the Bay and leave for development other areas within the site.

BCDC will need to approve a major permit for the Shoreline Park. I mentioned the numerous community outreach meetings that Kelly Pretzer from the Forest City Team have organized and attended. It's been a great follow-on to the Preferred Master Plan effort that David led. There really is community buy-in to the design vision at the site.

The public benefits of the project: (1) Affordable housing. We have an affordability crisis. Based on the midpoint residential project, we're projecting 470 affordable units in the project. This will be accomplished through 20% inclusionary housing in the residential rental buildings in the project and then the condominium parcels and the office buildings will contribute fees coupled with tax increment to build three dedicated, 100% affordable housing buildings in the project site. There's been great care by Sarah Dennis Phillips at OEWD to make sure that we will have enough money on hand to build those buildings.

Sea Level Rise. The site is going to be increased in height eight to 10 feet in some locations to deal with worst case scenario projections for Sea Level Rise of 66 inches by 2100. A little less near the shoreline area, so in the future some of the shoreline area may flood a little. But the project also includes an adaptive management financing mechanism. We're going to have special taxes available to further raise and protect the project site and protect it from Sea Level Rise. In addition, the project is going to generate that kind of special tax revenue to help the Port with its other Sea Level Rise and flood risk problems along the Bay.

The project will have significant Transportation Plan including Transportation Demand Management commitments to serve the residents and the tenants in the site. There will be shuttle service to Regional Transit operators. The site design, it's been amazing to watch all the City department staff at SFMTA, the Planning Department, Public Works, folks focused on the street design to make sure that it's a walkable site, it's a bikeable site and it's safe for people.

The Office of Economic and Workforce Development has also negotiated good economic benefits of the project. A million dollar contribution to CityBuild and TechSF. CityBuild trains people for construction jobs. TechSF trains people for entry level positions in offices. There's a 17% LBE hiring goal.

In terms of Parks and Open Space, I mentioned the nine acres of Open Space in the project, including a new playground on Irish Hill Park. We will have 50,000 square feet of production, distribution and repair space. Building 12 is going to be a marvelous Market Hall in the project providing for retail and makers to spill out into some of the public Open Spaces.

I mentioned earlier the rehab of Buildings 2, 12 and 21. There's an interesting feature over the proposed 22nd Street. The idea of retaining the frame of Building 15 over the street. There will be community facilities funded through the project including on-site childcare and \$2.5 million for community space either on the site or in the immediate vicinity of Pier 70.

Finally, I mentioned the Noonan tenants in the Noonan Building. They will get replacement space in the project. We'll have an Arts Building in the project up to 90,000 square feet. A very large building right on a park to house up to three non-profit arts organizations. We'll have an exciting arts center at Pier 70.

Christine Maher - One of the early and most important steps in the project is the creation of separate legal parcels. Forest City will work with Public Works and the County Surveyor to divide the larger site shown at the top of the slide in red into smaller parcels shown in blue that will be served by streets and infrastructure.

The construction of the infrastructure itself is obviously another major component of the project. Forest City has already completed the concept level

infrastructure plan and the more detailed Master Utility Plans and the final design will be approved by Public Works.

Next is Permitting, done by the Chief Harbor Engineer followed by construction of the infrastructure by Forest City or in some cases, vertical developers. Inspections are then done by Public Works in consultation with other City agencies. The final step is of course acceptance of the completed infrastructure by the Board of Supervisors.

The total cost to deliver the horizontal improvements is currently estimated at \$262 million over three phases. Forest City will initially finance construction of all of this horizontal work and ultimately be reimbursed from public financing and land proceeds.

One of the more unique infrastructure improvements Forest City is planning for the site is the district blackwater system. It will be a centralized plant that essentially cleans sewage and then distributes the clean water back into the project for uses such as toilets, landscaping and cooling towers. The plant will serve the project as well as Crane Cove Park and the historic core and will be housed in Building 108.

One of the key transaction documents covering the project is the Disposition and Development Agreement between Forest City and the Port which is the main agreement governing the project. The DDA provides the overall roadmap of the project covering horizontal and vertical developments, public benefits and the financial structure.

In general, Forest City will be responsible for the horizontal work, including entitlements, site preparation, subdivision infrastructure. All of that will be according to a schedule that's attached to the DDA. The Port in turn will be responsible for things like mass releasing the site to Forest City, entering into vertical DDAs with affiliates or third parties and coordinating with City agencies for acceptance of infrastructure.

Next is the Development Agreement (DA) between Forest City and the City. Essentially, the DA sets the developer's entitlements and fees and exactions for the project in exchange for a certain level of public benefits that is higher than what the City would otherwise get. These public benefits, many of which Brad discussed, include affordable housing, Noonan Building replacement space, PDR space, onsite childcare, transportation improvements and workforce and LBE goals.

The developer and Port will enter into a Master Lease of the 28-acre site that allows for construction of the horizontal improvements. Then the Port will subsequently enter into vertical DDAs with Forest City affiliates or third parties for vertical improvements.

As I mentioned, shortly after project approvals, the Port will enter into the Master Lease with Forest City. The lease will give Forest City access to the site for construction of the horizontal improvements and interim uses like parking. As horizontal improvements are completed, individual development parcels will be pulled out of the Master Lease so that vertical development can occur.

Once a parcel is actually ready for vertical development, the next step is to determine the Fair Market Value of a parcel either by appraisal or by competitive bidding. The first step in this process is a joint appraisal. If both parties agree, the joint appraisal actually sets the Fair Market Value of the site. If the parties don't agree, then one or both of the parties can order separate appraisals, and then a binding arbitration process can be used to set the Fair Market Value. Once that value is set, Forest City can elect to option a parcel or if Forest City declines, then the Port can go ahead and competitively bid a parcel.

The Vertical Disposition and Development Agreement (vertical DDA) lays out the process for the acquisition of a development parcel by a vertical developer after a reasonable due diligence period and option period. It also spells out the requirements for construction of vertical improvements and any adjacent deferred infrastructure.

The development parcels will either be leased or sold. Generally the leases will be for 99 years and in most cases, rent will be entirely prepaid. However, after the developer reaches an 18% return, the Port can elect a hybrid lease which means that the developer's share of rent would be prepaid, but the Port's share would be paid over the term of the lease.

The Port will also earn participation rent beginning in year 30 and 1.5% of proceeds from any sales or refinances. Development parcels at the Port will sell, which is in this case is mainly condominium parcels, will be conveyed by deed. Even though these condo parcels are being sold, the Port will still have an ongoing revenue stream in the form of a 1.5% transfer fee on each condo sale after the initial sale.

Rebecca Benassini - I'm going to rivet you all with the Funding Strategy and then I'll close the presentation with the financial analysis and next steps.

How are we going to deliver all of these things that Brad and Christine have just described? The critical piece of our Funding Strategy is the Community Facilities District. This will be a district that we'll ask the City to form that will allow special taxes to be charged on the properties within the district. The special taxes play a dual role. Using special taxes allow us to sell bonds. Bonds have a much lower interest rate than developer money.

That's the first key benefit of the CFD. The second key benefit is that we can issue those bonds earlier than other types of public financing sources. That's one of the critical pieces of the funding strategy that revolves around the CFD.

The second critical piece revolves around the Infrastructure Financing District (IFD). This is another district which we'll form through the project approvals process that will allow the site to capture the tax increment that's generated from the site. These are the taxes that would typically be paid by any property owner in San Francisco. This formation will allow the project to use those taxes generated from the site to support all of the public infrastructure that we've been describing thus far.

One other key benefit of the IFD is that the Port will be able to retain about 8% of that tax increment for other uses throughout Pier 70 that are off the project site, particularly those historic buildings which are north of 20th Street that currently do not have a funding source associated with their rehab.

This is our favorite upside-down waterfall. If you picture all of the water coming from the bottom, these are all of our funding streams that we're using to support all of the different project costs. The key funding streams that we've described previously are the developer capital. The Port could also put on capital if we elect to do so.

The IFD will be the bulk of the funding streams to support project costs. We'll also be using land value that's created by creating developable parcels. Those will first go to project cost, developer return, Port return and then the parties split the remaining land proceeds that remain after all of the public infrastructure is repaid. The split is 55% to the Port and 45% to Forest City.

We have poured for years over financial modeling to determine how this project will work over its 20-year build out, how each of the parties will retain monetary benefits through that time period. As the Port signs 99-year leases, what we'll achieve over that unimaginably long 120-year cashflow that we've developed.

The returns shown on this table represent our best estimate even going back just a couple of weeks. Up-to-date costs, up-to-date revenue streams. This is our best estimate of the future. We recognize this is not going to be right in 20 years but I want to describe for you how we've tried to make it very flexible to ebb and flow as markets do what they do. We all know what they end up doing.

Our current projection is that the developer will receive about an 18.3% return. Their net present value return of net of their cost and the revenues they receive is about \$80.6 million. Overall the Port's revenue streams including revenues from real estate as well as from different taxes at about \$157 million.

I want to point out the items that I've checked with a box indicate the types of revenue streams which are not dependent on the project receiving the 18.3% IOR. These are revenue streams we'll see even if the developer doesn't achieve that preferential 18% return.

The Port's revenue is about 17% and those are the revenue streams that are dependent on the developer receiving the 18% return. We've worked very hard to get a diversified stream of revenues that come in independent of overall project performance.

A third way of looking at the financing is that the return to the Port, over time, will fluctuate greatly. This is the 120-year chart. It shows all of these different revenue streams coming in over time. At the beginning, the Port sees only a little bit of revenue from a couple of different funding streams because much of the revenue is going in to support public financing for public infrastructure. Once that public infrastructure is in place, then we see those out year special taxes and then also real estate based fees from participation rent that Christine mentioned earlier in her presentation.

The first transaction that you'll be seeing from the approvals is Parcel K North. Parcel K North is a project which is not one that Forest City will take down. It will be a site that will be used for condominiums. Right now the Port is undergoing due diligence and we're working very closely with the Department of Real Estate who have experts in their pool of consultants, brokers, appraisers who have a lot of experience disposing of condominium land.

We've been consulting with them and our intention is to work with them to set Fair Market Value, to begin to market the site. We'll get approvals for how we will transact on this property through the Port Commission and the Board of Supervisors. We anticipate that that will be done later in the year. By early 2018, we'll be going out to buyers and seeking offers with potential close mid-2018.

This is a key part of the transaction because through the sale of this condominium site, we kick the site off. We establish Fair Market Value. We repay the developer's entitlement costs and we begin the flow of CFD special tax money which is one of the key parts of the funding stream for the project.

Near-term next steps. We will answer all the questions you have today and listen to the public comment. We'll go to the Planning Commission first, later on in August, and then we'll be coming back to you in September for full transaction approvals. Then we'll be going to the Board of Supervisors in October.

Corinne Woods - I'm a member of the Central Waterfront Advisory Group and have been since the first Pier 70 Working Group started. We had a presentation last night. Brad did a really good job of explaining the entire project at Pier 70. It's an amazingly complicated project and Port staff, OEWD, everybody has done a tremendous job pulling this all together. It's so complicated.

CWAG did have some questions that we're going to continue to work with Port staff on mainly around transportation. Ongoing review by the CWAG of the project as it moves forward and making sure that the CFD lasts long enough to keep funding the ongoing maintenance of the project. It was well received by

CWAG. We've all been involved in this for so long that it's just unbelievable that we're this close to the end of really getting it going. We're looking forward to working with staff on our ongoing issues.

Katy Liddell - I'm the co-chair of CWAG. Like Corinne, we enjoyed Brad's presentation tonight. I wanted to be absolutely certain I was here today to reinforce our concerns about transportation. Corinne and many of us have been working with the MTA for a long time with transportation issues around Dogpatch, Potrero, Pier 70, South Beach, and Rincon Hill. We're not at a place where we're happy at all. So we need to keep talking. We need to get the Port and the MTA talking to each other. You're talking about building a whole new little city down there. A lot of people, a lot of workers. We need to pay real good attention to transportation options.

Commissioner Woo Ho - First of all, I want to say this has been amazing in terms of both the staff report and the presentation that all of you have put together as a team. It's very impressive. It represents the hard work of many years and also of the collaboration with Forest City, Orton and all the other people involved with the open space.

We have been over many different parts of this project and terms. The questions today are going to be somewhat isolated in terms of specifics, not necessarily overall because we have discussed this in both open and closed session many times. This was a tremendous overview. We thank you to be able to give us the whole picture again today and the various parts.

I had one very specific question in terms of whether it is the intention of Forest City to only do the horizontal development or also play a major role in the vertical development.

My other question relates to, in the staff report we do refer to the transfer rights. I wanted to have a little more detail on how those transfer rights work for the vertical developer and it does mention a couple of issues that the Port can step in and also have input. I would like to see something stronger in terms of the ability for the Port to have truly a partnership on that and to be able to not find ourselves, since this is a 20-year project, that we end up with a vertical development partner that the Port is not happy with or that we understand how that choice can be made together with Forest City.

Brad Benson - To your first question about Forest City, whether they intend to develop just the horizontal project or also the vertical project. We have Jack Sylvan here representing Forest City so he can answer this question as well. Forest City has a focus as a Real Estate Investment Trust on core urban markets like San Francisco. We had the pleasure of visiting their Yards development in D.C. They have developed a beautiful first phase of that project including vertical buildings.

They do focus on residential rental and office development, not so much on condominiums is what we've heard anecdotally. They will have the rights to take down all of the parcels in the project unless they decline that option right. It's our expectation that Forest City will want to be involved in the vertical development. If Forest City has something else to add to that, they're welcome to.

With respect to transfers. There are two types of transfers that are contemplated in the project. Under the Disposition and Development Agreement that Christine described, there is the ability for the horizontal developer to transfer their rights to another master developer with the experience and net worth requirements that are described in the DDA. They have to have taken on a project of similar complexity to have the experience requirement.

As to the net worth requirement, we're still discussing this, but the current thinking is \$25 million in net worth per phase that is transferred and that will escalate over time so that that value doesn't lose a time value of money. For parcel leases, there's also the idea that either under the Vertical Disposition and Development Agreement, they could transfer to a new developer. Or once the building is built they could transfer to a new property manager who would have to have the appropriate experience requirements and at least \$15 million net worth to meet the financial capacity requirements.

Commissioner Woo Ho - Let me follow up. I did see the experience and net worth and now you gave the specifics on that and so I appreciate that. If they present an experienced person and they have the net worth requirement, that the Port has no say? Or it's with some input from the Port to agree to go forward with a new vertical developer for a parcel.

Brad Benson - I want to make sure I get the answer to this right. I'm going to consult with the City Attorney.

Commissioner Woo Ho - You can respond later. I want to make sure that what you respond in terms of how the actual legal document reads, that's something that we would want to have some understanding. If you can't answer it today, that's fine.

The second part of my question, and then I'll cede it to the other Commissioners, is that we do know that this is a long time period, right? It's over 20 years. We all know real estate goes through cycles up and down. There's nothing that says in here how we know whether the pacing of this project will continue and that we don't necessarily all of a sudden, because there's a slowdown in the market, that this thing gets dragged out.

What is the balance? I understand that we don't want to go into something that's uneconomic. On the other hand, you don't want this thing to now drag out for 30 or 40 years. How do we strike the balance to make sure that this project is going to get completed in a timeline?



Brad Benson - We've presented the idea of a Schedule of Performance in previous presentations. It's probably something that we should add to this staff report and presentation for the public approval process. There is an expectation that Forest City will start phases, and there are expected to be three phases of this development, start phases on time, complete public infrastructure within those phases on time. Parks have to be constructed within 12-18 months of adjacent buildings as an example.

They would have an outside date to take down all of the development parcels within each phase. The total term of the DDA is 25 years, or five years after completion, substantial completion of all the infrastructure in the project subject to administrative and related delays.

Commissioner Woo Ho - I would suggest in your final report on the September 12<sup>th</sup> that you actually put down the timeline of the phases, and that is obviously understanding the circumstances, the conditions of the market today, so that we have a good understanding, both ourselves at the Commission, the staff and the public in terms of what the timeline is of this. Because it is a brand new neighborhood. It's very exciting, very needed in San Francisco. We don't want to think that it's going to happen and then things don't happen the way we think.

Brad Benson - We will include that in the next report.

Jack Sylvan - Thank you President Adams and Commissioner and Director Forbes. I didn't want to miss the opportunity to say that Brad did a good job of explaining why Forest City as a Real Estate Investment Trust is motivated to build buildings that generate operating income. But it's not just that. When the company looks at the opportunity to be in San Francisco long term and in particular invested in a place like Pier 70 with a partner like the Port, it's not just about the development of the land. It is about building buildings and building a place that will create community benefit and economic value over the long term. I would also add that we are required to rehabilitate two of the three historic buildings. Whether we wanted to do the vertical or not, we will be doing at least two of the historic buildings. Actually, we'll do all three. Two of them are required.

Commissioner Katz - Thank you everyone. As Commissioner Woo Ho said, we've heard this a number of times in different pieces. It's great to see it all coming together and put together in one presentation. I want to thank all of our staff for all the hard work that went in, not only in today's presentation which is very cogent, but to getting to the point where we have a presentation to make. I want to thank you for all your hard work. Thank you as well to the folks at Forest City who have been very decent negotiating partners, I know through all of this. I know, as was just said, a commitment to the city as well and to the broader place making focus of this project.

I had just a couple specific questions. We talk a little bit about transfer option, but what I'm wondering, in terms of our financial projections that do rely to some degree on transfer fees, if there's an economic downturn or the value of the parcels or the units stay stagnant or drops, if we see another downturn of some sort, how would that impact our financial projections? Or what sort of percentage are we relying upon those transfer fees?

Rebecca Benassini - We will ebb and flow with the market and what we feel confident in is that the rental projections we have are consistent receiving Fair Market Value. It will now be a famous area chart for everyone here. Somebody will show this to me in 20 years, and say, "You weren't right!" The dark blue portion of this chart is the one that relies upon real estate turnover and that we're getting percentage rents based on the performance in the project.

Certainly our performance will fluctuate with the success of this project. Luckily, since 2010, we've been tracking how this area has been developing in San Francisco and we all feel very proud of the fact that we're about to come to market with a project that is in one of the best parts of the city at this point. This is a 100-year timeframe. I agree with you. We could very easily see another 2008 during this time period which would bring things down a bit.

But as the long-term land owner, we are going to ultimately retain an ongoing interest in the site and have certain abilities to make sure that the site is being well-maintained because we will be on leaseholds with all of our partners. We'll have a little bit of control to make sure that the site is steering in the right direction through those ebbs and flows of the real estate market.

Commissioner Katz - Can you explain again, while you have your famous chart up, the drop in roughly year 2130, what accounts for that drop and then comes back up?

Rebecca Benassini - Those are the chunky revenues where we're seeing our 55% of the land value towards the end of the project come through in lump sums. We have a couple of lump sum revenue sources at that time and we get those and we use them in whatever way our Capital Plan thinks we should use them at that time and then they drop back down.

That's that drop there. You'll see other drops in the chart as the IFD, our ability to capture tax increment goes away and those revenues go back to the City's General Fund. Those are the other drops that you're seeing over time as the special taxes and the tax increment goes back to the General Fund.

Elaine Forbes - As a clarification, that tax increment also has the option to go to our Seawall Project. It's a ways away. Future Board of Supervisors will decide.

Rebecca Benassini - Right. That's a good point.

Commissioner Katz - I'm just confirming. All of the inclusionary fees will go to onsite projects. Is that correct?

Rebecca Benassini - Yes. That's correct.

Commissioner Katz - The big question on office allocation. Because some of this does go to the office allocation. Could you perhaps address that and the impact of the city having reached its office cap or close to it at this juncture?

Brad Benson - So this is an issue, right? Prop M sets an annual limit for the amount of new large office space that can be built each year. If unused, it goes into sort of a bank that is maintained by the Planning Department. For the first time the City is looking at totally withdrawing all the available allocation from that bank. We've been working with the City Attorney's Office and the Office of Economic and Workforce Development. It looks as though there will be a way for the Port to be able to take the bank negative but we're going to carefully monitor that so the project can go forward and deliver the trust benefits that are promised by the project. That's the basic reason. Even if the bank is empty, we will have some flexibility to address the office needs in the project. We're going to be careful about that because the rest of the city needs allocation as well.

Commissioner Katz - As the project is phased in, is there some way that we can push out to get some of the allocation in out years even though we're filing sooner? Is that one option?

Brad Benson - This will happen on a phase by phase basis and we'll look and see whether or not there's any available allocation in the bank. There's a way to monitor the allocation so that if there are other City projects that can take advantage of that available amount in the bank, they can do that. The Port can take the bank negative for the amount of office allocation that we need in the phase but again, that's going to be a very carefully metered process through the Port's building permits.

Commissioner Katz - Perhaps at a future presentation, or you might be able to get an overlay of the timetable that, maybe almost an overlay of Rebecca's famous map or chart here, with the timing as it pertains to the developer so we can see the phased in efforts of both.

Last question I have is, the issue was raised a bit by two of our speakers during public comment on transportation. I know that wasn't necessarily the focus of today's presentation but I'm hoping that perhaps at a subsequent meeting we could have a discussion on the transportation issues, perhaps jointly with some folks from MTA so that we can get a handle on what's happening and making sure that as transportation patterns are rapidly changing in the city, we're adjusting our assumptions for those changes and making sure that we're ahead of the curve a little bit so that we don't get caught in gridlock amongst other problems.

Brad Benson - We will both respond to the questions we heard at CWAG. They wanted to see a copy of the Transportation Plan for the project which we'll distribute and we'll include in our next presentation. The key issues that people are concerned about in the Dogpatch Neighborhood and how SFMTA, OEWD and the Port are trying to address those issues.

Commissioner Katz - Maybe efforts to ensure that we continually update the Transportation Plan as opposed to keeping it a static document.

Brad Benson - I saw Kathleen Diohep in the audience who is a Port Development Project Manager who launched this solicitation for the waterfront site and led to the staff recommendation for the selection of Forest City. I wanted to thank Kathleen as well.

Commissioner Katz - Kathleen you should stand up so we can give you a little bit of applause because this really has been your baby. Just to put a fine point having been here during the tail end of the time when Kathleen did shepherd this through, it really was a unique approach to the site. Without Kathleen's vision, I'm not sure where we'd all necessarily be. Thank you for doing that.

Commissioner Katz - We won't hold it against you that you're now in the East Bay.

Kathleen Diohep - I now live in what's called Up Bay but, it's exciting to see how you've all brought back together what seemed a little bit crazy to people when we broke it apart, the different pieces. I think the piece that's hanging now for you is the Shipyard. But it's very exciting and in my career I've worked on, I worked at the Presidio well before the Port which kind of held it all together was government ownership. Then more recently worked at Mare Island which sort of said, "Oh, let's just private sector all of it." That's really where the devil comes into the details.

You should talk to the 254 homeowners on Mare Island who are carrying the CFD that was intended to be being paid by over 1,000 units and a million square foot of development. It's all in how you phase it. But I think this really worked to make sure you go for park monies, to do the parks early. Go for preservation specialists to do the preservation and then go for big master planning specialists to do the whole stuff. I'm proud to be here, but I'm really impressed with what this team's taken forward.

Commissioner Brandon - Brad, Christine and Rebecca, thank you so much for such a wonderful presentation. You guys did a great job of taking a lot of information and laying it out so nicely and so easily to understand and follow. Thank you for that. I also want to thank the staff for doing an excellent job of negotiating on behalf of the Port. Jack and the Forest City team might not be so pleased, but you guys did an excellent job of negotiating this complex deal and

protect, getting the Port protections and benefits, the best terms for the Port. I really appreciate that and thank everyone.

I think a lot of my questions have been answered. I had questions regarding relocation of the tenants and the trash co-op and the workforce development program, the community facilities, but I think you went over all that and answered most of those questions.

I did want to know about the Port capital investment and at what point might we decide if we're going to invest or not?

Rebecca Benassini - This has also been a point of negotiation. Director Forbes noted that this will be part of our Capital Planning process, that as we bring our Capital Plan forward, any Port capital that might be invested in this site needs to compete with or be considered along with other investments we might make elsewhere in our building. We'll be going through that process, we were discussing, early next year.

For our development partners' timing, they will also need a commitment from us as to whether or not we're investing in any particular phase at the time that they bring a phase forward. There will be a point in time where we will come to the Commission and review the phase budget and that will be our opportunity to then elect whether or not to put money in.

We've even negotiated a little bit farther down the line. Once we pass that phase budget moment, we could also invest a little bit later but it has to be before the phase begins. We negotiated even better than that, even farther down the road than that. Okay, thank you Brad for correcting me.

We have several points in time where we get an opportunity to decide but ultimately it has to be consistent with all of our other priorities and we'll have to decide whether or not this is the best investment for us. But we see some good opportunities in several of the phases.

Commissioner Brandon - So we can invest in any phase, not necessarily the first or the second?

Rebecca Benassini - That's right. Right now they're anticipating three phases.

Commissioner Brandon - Corinne and Katy brought up a good point and that's reviewing the project. Because this is a new community. It's a new city and it's the first time we've ever done it. What will be the process for us to be updated on what's going on and where we are within the build out of the project?

Brad Benson - With respect to the parks which I mentioned earlier, there will be a public design review process by a design review body appointed by the Executive Director. They'll make a recommendation to staff who will make a

recommendation to you. You'll see the schematic design of parks approve or disapprove the schematic design. With respect to the buildings, there will be a staff process for reviewing the proposed buildings but there will be a public hearing opportunity on each of the buildings.

We're still trying to figure out all of the details about whether that happens at the beginning of the phase or at what point is the right point to bring forward the proposed buildings. This is something that we heard at CWAG last night, a desire for the public to be able to comment on the buildings. We know that you are very interested in the design of this site and will want to see these schematic designs. We'll continue refining the timing of when we have those public presentations before they're approved.

Commissioner Brandon - We also want to make sure that everyone is doing what they said they would do. Whether it's the City agencies, whether it's us, whether it's Forest City. If we could come up with some kind of schedule just to update the Commission, whether it's annually, biannually, whatever the need is. But some type of structure going forward to make sure that we keep on top of what's going on.

Brad Benson - We want to make sure that we are briefing you on a schedule that works for you and we'll work with Elaine to figure out what's the appropriate timing. There may be more activity around the beginning of phases. Maybe when we're closing out phases there's more activity to report to you. But it's whatever schedule the Commission desires for staff to come and report.

Commissioner Brandon - My last question is how does this project fit into the Southern Waterfront Beautification and Benefit Fund?

Brad Benson - It's a good question. The public benefit package that I described to you is the way that it meets that policy. It's definitely in the area covered by the Southern Waterfront Beautification Policy.

Commissioner Brandon - Right, I'm talking about the fund piece of it.

Brad Benson - That's a good question. We've got IFD revenues that are dedicated for historic resources within Pier 70 that would be consistent with the Fund. The workforce dollars are consistent with the Beautification Fund. But you're looking for direct financial investment into the Fund?

Commissioner Brandon - Yes, into the Fund.

Brad Benson - Let us consult with Elaine and come back with a proposal for you at the approval item as to how we could take some of the project revenues for the Southern Waterfront Beautification Fund.

Elaine Forbes - Thank you for the opportunity to speak, President Adams. I'm very proud of staff. Corinne's comments that it's just incredible that we're getting so close to the end here. I know that it's nice to see Kathleen Diohep and there's been so many different staffers who've touched this project. Jennifer Matz and her total enthusiasm for this project and how she negotiated the structure of the Term Sheet that has mostly held. We would argue how much it's held to this end of the project.

There's been so many different staffers who have touched this and have made it what it is. I'm very appreciative that we selected Forest City. You all have been very willing partners. I love the Shoreline Tax as you know. I'm very appreciative for it. This project will create such change in the area, such change we're all so eager to see. It's the result of so much talent brought to bear on it. I'm very proud of everyone who's participated in this project. A special thanks to Brad and Rebecca and Christine and welcome Christine.

Commissioner Adams – I wanted to say excellent job to the team. We are going to deliver on this project. This is going to be a game changer for San Francisco. This will change San Francisco as we know it. Clearly we're heading into San Francisco 2100. I wanted to say thank you to what Corinne and Katie had to say about transportation. I know we're all listening to everything going on. I appreciate the community involvement and the feedback.

To staff, we're going to be able to get this thing right. This thing is like a helicopter. It's got a lot of moving parts to it, but we are refining it and we're talking and we're interfacing. I wish MTA was here. But we need to know what people have as far as Dogpatch and the different constituent groups that say, "This is the transportation." But we're going to get this right.

I'm really looking forward to this. I want to thank my Commissioners for asking a lot of really good, tough questions. I love this Commission more because this is the best Commission in the city and the audience comes out and the community. We participate, everybody has an opinion and engages. Not talk and then go, "Why'd you do this?" Or, "Why you do that?"

This is the place to come, spill your guts, get it out there and say what you have to say. This is a true work engagement not only of Forest City, the Port and the community.

- B. Informational presentation regarding a proposed transaction between the Pacific Gas and Electric ("PG&E") Company and the Port related to public and privately-owned property at the former Hunter's Point Power Plant (Assessor's Block 4580) and a proposed forty-year lease of two acres of the Port's Western Pacific Property north of Pier 80 (Assessor's Block 4310, Lot 1 and a portion of Maryland Street) to PG&E.

Brad Benson - This is a proposed transaction between the Port and PG&E that's been in conversation in one form or another dating back to 2005 at least with respect to the former Hunters Point Power Plant site.

There are really two components to this. A proposed transaction, some land that PG&E and the Port own at that former Hunters Point Power Plant site and a PG&E owned parcel right at the doorstep of Pier 70 called the Hoedown Yard. The City has an option to buy that parcel and it's being rezoned by Forest City.

We're here on an informational basis to get feedback from the Commission on this proposed transaction, hear public comment on it.

Unbeknownst to PG&E or probably the City, the Power Plant was built on some streets that were actually Public Trust streets. They came to the Port as part of the Burton Act conveyance. It wasn't until PG&E went through bankruptcy that some very smart City Attorneys figured out that there may be a City claim. The City filed that claim of trespass. There was a negotiated settlement in 2005 that the Port Commission approved.

That Settlement Agreement required PG&E to pay rent for the use of the site and be under a License Agreement while they conducted cleanup. PG&E's been working in good faith. They're cleaning that site to residential standards which is quite a lift, but they have completed that work. They've also constructed some shoreline improvements in the area.

The Port owns the red and blue streets. The red streets are in the shoreline band. That's not really a topic of today's conversation. The blue streets are outside of the shoreline band. This is underneath the former Hunters Point Power Plant site.

PG&E, as part of the 2005 settlement, wanted to negotiate for the long-term lease or sale of these streets to PG&E dating back to 2005. So the proposal would be that we would sell almost an acre of land to PG&E at Fair Market Value. We actually have authorizing state legislation that would permit that sale subject to your approval and State Lands Commission approval. PG&E owns the green, which is the shoreline area. The BCDC 100-foot shoreline band. It's in private ownership.

Bay Trail policies, BCDC policies, Port policies, all point to public ownership of the shoreline. The proposal would be that the City would acquire what's in green, not necessarily the Port, again at Fair Market Value.

We think this is a good transaction. The Port would receive some money for land that it's not really using for a trust purpose. The City would acquire this shoreline property for future park land. There seems to be great public benefit to this.



The next steps, if you direct us to move forward on this, would be that we would develop appraisal instructions jointly with PG&E. State Lands would review those appraisal instructions and provide comment. We would go ahead and appraise the two properties that I've spoken about and determine the Fair Market Value. We would conduct a CEQA process. We would have to vacate these streets that we would want to sell to PG&E and we'd work with Public Works on that.

The Port Commission, the Board of Supervisors, State Lands would all have to approve the transaction. Going forward, PG&E owns other land in this area. They're in the process of doing a visioning along with the Office of Economic and Workforce Development and the Planning Department as to what could be built on this site. The Port would not be part of that effort. That's the first part of the proposed transaction.

Now I want to move north to Pier 70 and Pier 80. On the left-hand side of the slide, this is looking down 22nd Street towards San Francisco Bay. PG&E owns about a three acre lot called the Hoedown Yard which is one of the best names of a piece of property I've ever heard. They park trucks on it and they do soil recycling on it. This is basically the gas utility taking soil out of trenches to do utility work, storing it, and then putting it back in the ground.

It's a regulated activity. They follow all of the rules in terms of how you have to handle this material. This is the type of heavy industrial use that's not compatible with the Forest City Project that we just saw. This is the doorway to the future Pier 70 neighborhood connecting Pier 70 and the Dogpatch neighborhood. We got PG&E's agreement as part of a prior transaction that the Port entered with PG&E for Forest City to rezone this site. It's being rezoned as a residential use.

We think that is a more fitting use on this corner. I've just talked about the rezoning and the residential use is shown in yellow here for the Hoedown Yard. The City has an option to acquire that Hoedown Yard site for \$8.3 million no later than 2021, subject to PG&E finding a suitable relocation site.

We've done some pro forma analysis of what we think the value of this site is and net of the purchase price it might be as much as \$35 million. The Resolution approving the City's option would dedicate those funds to the Hope VI Projects, Sunnydale and Potrero, very low income housing rebuild projects that the City is pursuing. A needed source of revenue.

We told PG&E to go out and find a privately owned site. They have not been able to find two acres of industrial land near freeways in San Francisco. We also hired a broker through the Department of Real Estate and there was no suitable land that the Department of Real Estate was able to find. That broker report is attached to the staff report.

As a result, the Port is the biggest owner of available industrial land. We have identified two acres just north of Pier 80 on a piece of property called the Western Pacific Property that we would recommend to you as a place that PG&E could move their current operation to under a 40-year lease.

PG&E is along 22nd Street. They would move to a two acre lot, north of Pier 80. They would enclose the operation in a facility. It's open air today. We think it's better for a soil recycling facility to be enclosed. It would be a temporary structure. We would propose a 40-year lease for this. PG&E has said that that's the minimum term lease. The uses would be consistent with what the uses are today at the current site. They would pay a market rent based on appraisal. We'd use the Department of Real Estate to come up with a Fair Market Value for the two acre site.

The Port would have a termination right. If we needed these two acres for a trust purpose and the City could identify other suitable industrial property for PG&E, we could give notice for PG&E to move out and take that other property. PG&E would also have a right to terminate if they found other property which we would feel comfortable with.

They would operate under an Operations Plan and they would make public improvements to the surrounding area consistent with the Southern Waterfront Policy that we were just discussing. They would also gift to the Port, or to the City, the improvements that they've made around the Hunters Point Power Plant site.

Those are the proposed terms of the 40-year lease. This proposed transaction has enormous financial benefits to the Port and to the City. To name a few, I've talked about the incompatible use at the front door of Pier 70. Changing that use will allow private investment to come in at Pier 70. Affordable housing, up to \$35 million for Hope VI. We've also gotten the City's staff's agreement to recommend to the Board of Supervisors forming an Infrastructure Financing District over the Hoedown Yard to fund affordable housing in Pier 70 to the tune of about \$10 million.

We would form a CFD like Rebecca was mentioning earlier over the Hoedown Yard that would generate a total of \$15 million, 10 of which could go to create a park on the site, the Irish Hill Playground. Up to \$5 million of which could be available to purchase that shoreline property for the City. There would be good public and financial benefits of the transaction. Forest City's landscape architect came up with this conceptual design for the children's playground area.

The overall benefits of the deal. We've received an initial favorable public response. We've been to CWAG. We've been to the Southern Waterfront Advisory Committee. We're clearing the path the Pier 70 development, a new children's playground, Fair Market Value to the Port for the various components of the transaction. We would end a long-standing dispute with PG&E dating back

to 2005. Overall we think that the proposal would meet key Strategic Plan objectives and provide key benefits to the Public Trust.

Finally this not a typical trust use. It's a utility use. Typically we're not allowed to do non-trust uses for more than 20 years or so on Port property. The Burton Act actually has provisions allowing for utility use or industrial uses and we've done an initial consultation with State Lands and in the context of this broader transaction, they would agree that the Burton Act would authorize this use for 40 years.

Next steps. The State Lands review of appraisal instructions. We would continue public outreach. Conduct CEQA. Look at street vacation for those streets. Come back to the Port Commission with a proposed lease and authorization to sell the streets. Seek Board of Supervisor's approval of the transaction and State Lands approval of the sale of the streets.

Corinne Woods - I'm wearing a different hat this afternoon and that is my involvement with the Blue Greenway since 2006. This transaction just blows me away. How many different moving parts. How many different agencies. How many pieces, and I really commend the Port and every other agency that has come in to put this together. I just hope it works.

Commissioner Brandon, Beautification. Let's get some money for Warm Water Cove Park somehow out of this. Let's do something for the Blue Greenway on the Southern part of the waterfront. Please approve it.

Commissioner Brandon - Brad, thank you very much for this very complex deal. I know you've been working on this for a long time and there's a lot of moving pieces. Thank you so much for your patience and persistence to make this finally happen. What were the recommendations or responses from the Central and Southern Waterfront Advisory Committees?

Brad Benson - It seemed to me generally supportive. David was there as well at both of the presentations in 2016. We wanted to brief the Commission first but it's time for us to go back with this level of detail and report back their more detailed thinking. I think people wanted to see that the facility would be enclosed. I think there's a general view that when we have industrial operations like this, they should be enclosed. We should avoid fugitive dust in the future.

A desire to see public improvements to the Public Realm out of transactions like this. Because there are two parts, a northern portion and a southern portion, SWAC was referring more to CWAG and the Dogpatch Neighborhood Association as to the Hoedown Yard component of the transaction and likewise CWAG felt like they had less jurisdiction over the Hunters Point Power Plant area which is understandable.

We have not yet been to the Dogpatch Neighborhood Association. That's one of our recommended next steps is that we visit with them, talk to them about this proposal and get their feedback as well. That's where we stand right now.

Commissioner Brandon - When do you plan on coming back to us?

Brad Benson - We would love to be back to you in the late fall, early winter timeframe. It's really dependent on CEQA and what the level of CEQA review is that is required for this. We're talking about moving an existing industrial operation about eight blocks. The question is whether or not there are any environmental impacts associated with that move.

The rest of the land transaction probably not, just a land transaction, not creating environmental impacts. We'll give a report back to you about the expected timing after we consult with the Planning Department on CEQA.

Commissioner Brandon – Do you have the design and the layout of where it's going to be and how it's going to look?

Brad Benson - We will show you what we think the site will look like before coming back for any authorization on the project.

Commissioner Brandon – What is the approximate value in each of these transactions besides the up to \$35 million?

Brad Benson - So we know more because we have a pro forma about what we think the improved value is of the Hoedown Yard and the amount of public financing proceeds. Our industrial values in this area of the waterfront are a bit old in terms of appraised values. We think that the two acres of the WP site based on figures that are a couple of years old, it's probably worth in fee about \$5 million. What the annual rent would be is dependent on some of the assumptions that the appraiser would make in conducting the site appraisal.

We think that the streets that we would sell might be worth a little bit north of \$2 million. There are some potential good revenues to the Port out of this but we want to conduct those appraisals and have formal numbers for you to review.

Commissioner Brandon - With the benefits to the Port and the City, and you say up to \$35 million, and then \$10 million to fund Pier 70 affordable housing, \$10 million CFD. What are we doing with the funds? How are we funding the \$10 million and the \$5 million?

Brad Benson - The \$35 million is the improved land value. It's the entitled land value of the Hoedown Yard when it switches from industrial use to residential use. That's based on today's values which are high. It's subject to change. Real driver there is what happens across the street with that Switchyard. The Port and the City's been working with PG&E to get that Switchyard enclosed as well

which is also something that PG&E is pursuing down around Hunters Point. It's much better to have enclosed Switchyards.

We won't know the actual land value until you or the City authorizes a competitive sale for the Hoedown Yard for that option. The \$10 million in the IFD to fund Pier 70 affordable housing, that's based on tax increment growth. There's going to be a large increase in property taxes for the Hoedown Yard when new residential development goes on the site.

Commissioner Brandon - So that has nothing to do with us. That's after it's sold.

Brad Benson - We're also going to put a special tax on the residential properties. Our projection is that we'll be able to realize a \$15 million bond right at the building permit for the last parcel. There are three residential parcels on the proposed Hoedown Yard. At the third building permit, we would be able to issue a bond that we project today would be worth \$15 million funded through special taxes on the site. Ten million would go to build the playground, \$5 million would go to help pay for the shoreline down around the Hunters Point Power Plant.

Commissioner Brandon - So that's after we sell it?

Brad Benson - That would be, so we're hoping to get PG&E off of this option, off of the Hoedown Yard by 2020. Within a year or so, we would want to make sure that we sold that parcel to a third party developer and the Department of Real Estate would manage that sale.

We expect that there will be a Schedule of Performance as part of that transaction and that within a year they would apply for building permits to start construction of the residential buildings on the site. The \$15 million, you're wondering when will it happen? Somewhere in the range of 2021 through 2023.

Commissioner Brandon - I'm still trying to figure out where it's coming from.

Brad Benson - Special taxes.

Commissioner Brandon - Okay, which has nothing to do with this sale. This is totally separate.

Brad Benson - If you approve a move of the Hoedown Yard to the Western Pacific site, the City has an option to buy the Hoedown Yard and sell it to a third party developer for residential development. That residential development will be subject to CFD special taxes. The City will be able to issue a bond, we project \$15 million.

Commissioner Brandon - This is the City, not us.

Brad Benson - But they'll be funding the park.

Commissioner Brandon – I got it. How does all of this fit into the Southern Waterfront Beautification Fund?

Brad Benson - It's another good question for staff.

Elaine Forbes - I would focus on the prepaid lease from PG&E for the Western Pacific site. That would definitely be subject to the Southern Waterfront Beautification Fund.

Brad Benson - And also probably the sale of the lands.

Elaine Forbes - Probably the sale. So we will look at that question and when we come back, we'll be able to enumerate exactly which of the revenues would be subjected to the Southern Waterfront Beautification Fund requirement.

Commissioner Katz - If we do the 40-year lease but if we find another trust use, we'd have to do another one of these complicated transactions to find another site? Which this is apparently the only one currently. Have we spoken with Pasha about their plans and are they comfortable with this?

Brad Benson - The Maritime Division has talked to Pasha about this. Pasha wants to expand into the Western Pacific site. We're very hopeful that they will expand and reach the volumes that require that expansion. We think that this two acres and the expansion area work together on the Western Pacific site. If Pasha is so successful that they need more land, that's a happy problem that we'll address, looking south of Islais Creek.

Commissioner Katz - It looks like all the remediation that would be required both at the Hunters Point Power Plant site and at the Hoedown site, would that be done before it's turned over?

Brad Benson - They have closure on that site. The City's option had a very complicated set of environmental requirements for new development on the site that a new developer is going to have to follow consistent with the Site Closure Plan similar to the requirements that we have under the Pier 70 Risk Management Plan. Not identical, but pretty similar.

Commissioner Katz - Putting on my Port only hat, I certainly see the benefits to the city and the funding for some of the affordable housing. The funding on the affordable housing on the Pier 70 site, does that reduce any of our costs then?

Brad Benson - Yeah, if we did not have this external \$10 million source, the voters have still approved a 30% affordable requirement for the Pier 70 site and so we would have to be looking to the economics of the 28-acre site to make up that \$10 million. That's a direct financial benefit to the Port.

Commissioner Katz - In terms of the 40-year lease, arguably that's a lease that we currently don't have and we might not necessarily even have a regular tenant on that site. Is that accurate?

Brad Benson - Currently, that part of the Western Pacific site is leased to Affordable Self Storage. They are doing marshaling work for the Moscone Center. They have base premises. When they're very busy periodically, they expand into other portions of the Western Pacific site. We might've earned about \$90,000 from this two-acre area over the last year. We think that we will do much better under an appraised rent for the entire site that's consistent.

Commissioner Katz - As part of this whole transaction, does this also include that last little piece on the Blue Greenway that we've been trying to get through or is that a different parcel?

Brad Benson - You're talking about the site now owned by Associated Capital, the former Potrero Power Plant site. Are you talking about the area that's privately owned?

Commissioner Katz - I'm not sure. I'll recognize it when I see it.

Brad Benson - There are very few privately owned shoreline areas along the Bay waterfront. There is the area that Associated Capital is developing now. It's the former Potrero Power Plant site.

Commissioner Katz - The site I'm thinking of is slightly south of the Hunters Point Power Plant.

David Beaupre - The City acquired the portions just south of the Hunters Point Power Plant. There is one other place that's south of the former Potrero Power Plant that the DHL has and that gap will be closed once Pier 70 and the Potrero Power Plant is redeveloped. There's already an established BCDC Public Access requirement but it's not triggered until those two sites develop.

Commissioner Katz - At least this portion of what we're talking about with the Power Plant site being turned over would add more open space along our Blue Greenway.

David Beaupre - Yes. Once we get the shoreline around the former Hunters Point then it would add an improved connection to India Basin.

Commissioner Katz - Exciting and I would've loved to have seen the flowcharts you guys used to put this all together but thank you very much for bringing this forward. I look forward to hearing more about the details.

Commissioner Woo Ho - I'm going back to some fundamentals so you're going to have to refresh me a little bit on this transaction. The City, and through the General Fund, will purchase from PG&E. Is that correct?

Brad Benson - The goal right now is to use non-Port dollars to acquire the shoreline around the Hunters Point Power Plant site. Rec and Park could provide that funding through its Open Space Acquisition Fund. We've also got the CFD that I talked about over the Hoedown Yard teed up as a potential source of funding. The source of funding will ultimately be a decision for the Board of Supervisors.

Commissioner Woo Ho - This site will be affordable housing. It is separate from the 30% requirement for the parcels of land that Forest City controls but it will be considered. I just wanted to understand the difference in the players here. We understand the need for affordable housing. This is going to be a City project for the Hoedown Yard but it still counts for the overall 30% for Pier 70, is that correct? Even though Forest City's not directly involved with the Hoedown Yard.

Brad Benson - There's a Pier 70 Special Use District. It includes the Forest City project which is on the 28-acre site. It includes these Illinois parcels. One is Parcel K North that Rebecca talked about earlier. The other is the PG&E Hoedown Yard. Those collectively are seven acres. Those sites are going to be condominium sites under the proposed plan today. They are going to meet their affordable housing obligations as parcels by paying a fee, equivalent to 28% of the units in the buildings multiplied by MOHCD's cost of building an affordable housing unit.

Those fees don't go into Pier 70. They go to the Mayor's Office of Housing and Community Development to do affordable housing development wherever that gets built. The tax increment from the Hoedown Yard will generate \$10 million. We've had a little bit of trouble getting to this 30% figure. We could take it out of the land value in Pier 70. But Forest City and the Port working together are rezoning the Hoedown Yard. We've put effort into creating the value here. The City agreed that we could capture the property tax increment to help pay affordable housing in the Pier 70 Project. Pier 70's 30% affordable housing units will all happen within the 28-acre site and a site called Parcel K South.

Commissioner Woo Ho – In the discussion of the Broadway affordable housing, somehow we tied that to satisfying Pier 70's affordable housing requirements too, correct?

Brad Benson - It's true. You're referring to a piece of legislation. We tried to get authorization to do affordable housing on the 88 Broadway site. That's a non-trust use so we need the approval of the State Lands Commission. We needed approval of the State Legislature to do that. State Lands Commission said, "It's fine if you want to do this. We can make the findings to help you do this, but you



have to be paid for it." The Mayor's Office of Housing and Community Development did not have the money to be able to pay for that site.

We wrote into the state law at the time, we knew Pier 70 was coming down the pike and it would be generating some of these affordable housing fees that we've been talking about. We said to MOHCD, "Can we use some of those fees to pay us for this affordable housing parcel?"

Commissioner Woo Ho - Are you saying that the Broadway site and what it was going to do to contribute to Pier 70's affordable housing is no longer operative because there was no funding to pay for the site? I just want to understand. That has been cleared out.

Brad Benson - I'm saying something different which is that the affordable housing fees at Pier 70 are going to pay the Port for the land value at the 88 Broadway site. We currently estimate that land value to be \$15 million. MOHCD didn't have the money up front to do it, so we pointed to Pier 70 fees as a way that MOHCD could pay for it.

Commissioner Woo Ho - Okay. I got it in reverse. I understand that better. PG&E needs another site and this is the other Western Pacific site. We are doing a 40-year lease. There was no discussion or consideration in terms of -- and maybe because it's part of a bigger site and maybe prohibited by trust -- that we could have sold two acres to them. I'm trying to figure out how to get the cash balance here.

You just mentioned the \$5 million and then there's another \$2 million at the streets. Instead of having to go through a 40-year lease and capture revenue over a longer period of time.

Brad Benson - There is a way to get the money up front for the 40-year lease if PG&E agrees to it and that would be through a prepaid lease where they essentially pay all of the rent payments for the 40 years up front. There would be a discount rate that would be part of that negotiation, but it'd be close to that \$5 million figure that we talked about earlier depending on how the appraisal came in. That is a possibility and if the Commission directs us to negotiate for that, we can.

The only challenge with that strategy is if we want to remove PG&E. We've got a trust use and we decide we want to use the land for a maritime purpose or something like that. Then, do we pay them to move out having accepted prepayment of the entire lease? An annual rent makes it a little easier.

Commissioner Woo Ho - I did hear you mention that with Pasha and don't know what the expansion needs are. We would like to hear some consideration or weighing of those options before you complete all these negotiations so that at least we see what is possible. I'm thinking cash-cash. Where's the cash going

out? Where's the cash coming in? While I do understand the City's coffers is different from the Harbor Fund, if we put our City hat on, we're still looking at how this works.

Brad Benson - We will give you a range of options as to how you can transact these parcels. If you want money up front for your Capital Plan or other needs, we can accommodate that or we can create annual rent.

Commissioner Adams – Director Forbes, do you have any comments on this issue?

Elaine Forbes - This is very complicated, Brad. It was a lot of good questions and we have good feedback. We are going to the neighborhood advisory groups next. It's been over a year since they've heard of this proposal, so we need to go back and hear their thoughts. We got some very good direction here of things we should consider. When we come back to you again, we'll have some answers to your questions and some options for your consideration. Thank you for all the good spirited questions.

Commissioner Adams -Brad, thank you. I'm not going to say anything. We've kind of beat this thing up pretty good. My fellow Commissioners really dug down into this and this has been a long time going. Thank you and I look forward to when it comes to fruition to the Commission. I think it's a good idea.

Brad Benson - Thank you very much.

- C. Informational presentation regarding the Financing Plan for the Mission Rock Development Project at Seawall Lot 337 and Pier 48, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay (AB 8719/Lot 002; AB 9900/Lots 048, 048H, & 62).

Meghan Wallace with Port Finance and today I have the pleasure of talking with you about the Mission Rock Special Use District Financing Plan. It's part of a road show for Mission Rock. On June 13, 2017 you received an overview of project design controls and design standards required to get through planning approvals. On July 11, 2017 you heard about a series of transaction documents such as the Transportation Plan, Infrastructure Plan and Sustainability Strategy.

Today I'm going to focus on the Financing Plan which talks about how we are actually going to manage the funds necessary to complete all of these investments. A lot of this will feel similar to the Forest City Financing Plan presentation that I gave a couple months ago. It's quite helpful for staff that a lot of the structure is similar. I hope you'll find a little bit of the common themes helpful to help it all sink in further.

I'm going to talk about the strategic objectives of the project and the Financing Plan, the major goals of the Financing Plan, funding sources, funding structure, other significant benefits and talk about next steps with project approval.

This Financing Plan makes investments that support the Livability objective of the Strategic Plan with about 1,600 units of new rental housing, 1.4 million square feet of new commercial and office space, manufacturing retail space, waterfront parks. These investments will go a great deal into improving the livability of our city.

For Stability, the investments made here further will actually improve ongoing revenue streams to the Port which will help us in our future capital investments for renewal in our existing infrastructure. The Financing Plan helps finance improvements to our shoreline to adapt to Sea Level Rise and create ongoing funding streams for future adaptation.

Overall the goals of the Financing Plan, first and foremost, is to get stuff built. Let's get the horizontal improvements built in coordination with vertical improvements. We seek to maximize use of public financing sources including tax exempt debt in an effort to maximize land value that in turn leads to greater benefits to the Port as well as our partners.

Protecting the City's and Port's funding streams and obligations. The Financing Plan is constructed to preserve the Harbor Fund as well as protect the City's General Fund. Provide market rate returns to both the developer and to the Port, provide ongoing maintenance funding sources. Meet voter approval for affordable housing and provide funding for adaptation to Sea Level Rise.

What are our funding sources? In 2016 the City, through the Board of Supervisors created a district over the Port property. Within the Infrastructure Financing Plan included a project for Mission Rock. This district will enable us to capture tax increment that will go directly into refinancing debt, largely that will come from the Community Facilities District that we'll form at least one CFD over the project area to generate early funds into the project.

As you've heard, CFDs actually are a useful form of debt because we can capture special taxes early in the project. It also is a lower cost of debt issuance.

Developer capital. The developers do have the opportunity to receive 18% return on their investments into the project as does the Port have the opportunity if we so choose. We're not obligated to put capital into this project, generating a 10% return. We'll have the opportunity to generate land proceeds, reinvest it into the project as well as to have returns going to the Port as well as the developer.

The project site includes the China Basin Park and overlaps Pier 48 and the existing parking lot areas currently managed by the Giants. This area is where we'll be capturing future tax increment. Sixty-five percent of this revenue will go

into new public infrastructure including streets, utilities, parks, historic rehabilitation and shoreline protection.

In addition to the IFD, a CFD will be formed over the project area. This is the same area where we'll establish the special tax early on in the project to generate revenues and issue debt. The later actually will be repaid through the tax increment generated in the IFD. Over time, the district will actually go away. As you can see that the image to the left depicts where the CFD will be and over time it will go away aside from an ongoing services tax.

The Mission Rock Project is described in five phases if you include predevelopment. We're currently in the predevelopment phase. This shows that over time we'll have additional four phases of establishing horizontal infrastructure enabling future vertical development.

This shows the flow of funds where we the developer is the primary source going into the predevelopment phase. Over time as we go through the different phases, we'll both have developer equity as well as proceeds from the CFD flowing into the projects ultimately resulting in returns to the Port as well as the developer.

As you might recognize this slide, this is sort of the reverse waterfall. Again showing the same flow of funds into the various project phases, but ultimately resulting in returns to the developer and to the Port with excess land proceeds being distributed between the two parties.

One of the roles of the Financing Plan is to think about how to maximize the land proceeds. I like to call it the icing on the cake with this image and thinking about ways that we can maximize that land value including limiting the amount of developer capital required for the project. One of the ways you do that is by maximizing public financing. To the extent possible of using tax exempt debt, we can lower the cost to the project and further improve returns, available project proceeds being distributed between parties and then there's Port capital.

For other major benefits from this project, the Financing Plan does support investments in affordable housing. Per voter approval, the project needed to meet at least 33% of affordable housing. The developer is aiming for a 40% affordable housing goal.

Additionally, the Financing Plan is structured to ensure that we have strong fiscal policies in place. Limitation on Port and City resources points to the developer's investment, having the developer bear the risk involved with moving forward with the development and limiting access to City and Port funds with the exception of Port capital that we opt to put in with the intent of earning a return.

As with other projects, we're going to be establishing a special fund. We'll have a trustee in place to make sure that the flow of funds are correctly distributed

between parties and to the project and ensures compliance with the Financing Plan. It's a complex document. It's important to have a trustee in place to make sure that the funds are being managed correctly.

For budget controls, thinking that all horizontal costs need to be commercially reasonable and the Port Commission will have opportunities to review the budget and make sure that we're aligning with the requirements of the Financing Plan periodically. For payment controls, we will have controls such as being able to do periodic audits.

The ongoing maintenance tax is critical for the stability of the Port moving into the future. Making sure that there's a special tax in place over this area that will fund the maintenance and repair of the parks and roads, provide security services and other needs in the area that might otherwise fall on the Harbor Fund. This is a standard that we're applying for the Mission Rock Project as well as for Forest City. It is an important way of protecting the Port down the road.

The shoreline tax will be collected into perpetuity. It will be part of the maintenance tax which will be collected into perpetuity and be available not only for the project site but elsewhere along the Port waterfront.

Next steps. Here we are today just covering the Financing Plan but at the September 26th Port Commission meeting, staff will be bringing a larger overview of the transaction for this project and later proceed on to the Board of Supervisors.

I want to note that I'm accompanied by Phil Williamson and Rebecca Benassini as well as members of the developer team and we welcome your questions.

Katy Liddell, co-chair of CWAG - I heard the words maintenance and operations and funding. My point is we want to make sure that there is a tool that is put in place for quality of life issues. We love the Giants. They are fabulous neighbors. But one thing that does not work currently is around baseball games and events at the ballpark. They take care of safety and security in the ballpark and right around the perimeter but when it comes to quality of life, cleanliness, safety, security in the immediate neighborhood. Several years ago we asked the Giants what they were going to do about that. They said they pay the City money to take care of that. They told me to talk to Greg Suhr, to talk to Mohammed Nuru. So we did. But what happens is the Giants pay money to the City, it goes into the General Fund. It goes into a black hole. It does not come back specifically to our neighborhood. We need a tool in place to make sure that any monies that are going out for safety, security and ongoing issues like that, that they aren't going off into a black hole. That they're coming back and being invested in our neighborhood.

Corinne Woods, long-time neighbor of the Giants - I want to echo everything that Katy has said. We need to keep the money in the neighborhood to take care of the impacts to the neighborhood which aren't going to get any less.

Commissioner Adams - Thank you Corinne. I do see we have Fran here from the Giants and also Roscoe. Thank you being here today.

Commissioner Katz - Thanks for the presentation, Meghan. I always love your presentations. They're always so clear and much appreciated. I'm going to touch on something that wasn't in the presentation but it's been in the press a little bit and that's the impact generally on financing to potentially fund a different use and/or tenant for the Pier 48 portion of the project. Do we have any sense of the impact that might have or is just going to be back ended?

Mike Martin - In previous presentations, we had already shown Pier 48 moving to a later phase. In part because since the term sheet, the orientation of the first phase has moved to the northern end of Seawall Lot 337 and to have both of those projects in full construction would've been a tough coordination challenge with the way that the Giants are lifting the whole site for Sea Level Rise.

I think what we're going to do is work with the Giants and continue to look at Pier 48 first as an interim use and then figuring out what the long-term use is that would hopefully improve the pier, give it a longer lifespan, have a better idea of how it's going to deal with Sea Level Rise. We're certainly interested in continuing conversations with Anchor via the Giants. But we'll also hopefully have other potential trust consistent uses that could help us save that pier as well.

Commissioner Katz - Thanks. We've talked about this before and have gone over this, but the phased in aspect of the project is seemingly working well for us as we do these major projects. It gives us both some breathing room and also some added time to figure out the best approach to putting both our time and capital, in terms of time as well as finances in.

Tying into the point that was raised during public comment about funding that goes for some City services that's paid currently by the Giants for the games. Once this project starts moving forward, will there be funding for the added City services? I would imagine that would then come onto the site as a result of our various different switchovers.

Meghan Wallace - The structure of the IFD is capturing that local taxes. Rather than having those funds flow to the City to provide those services, that's where the maintenance CFD is necessary to help provide services such as security on site and ongoing park maintenance. Things that might've otherwise have been funded through local taxes that are instead going into our infrastructure.

Commissioner Katz - So it'll go to the site itself.

Meghan Wallace - That's right. It's going into building the site so the maintenance CFD allows us to still provide a quality level of service.

Commissioner Katz - And then some of the adjacent areas is subject to future negotiations. Is that the best way to look at it?

Meghan Wallace - At the project site? Yes.

Commissioner Katz - I'm getting at the concerns, we want to be a good neighbor. Given that this was brought to our attention, we have to figure out ways that we can address some of the concerns that the City services may not be. I know that's not our purview but they are our tenants. We want to make sure that adjacent neighbors are being heard.

Mike Martin - I think that's right. We are in conversations with the Giants and the Mayor's Budget Office in particular about these broader issues. Meghan's exactly right that the institution of the CFD operations and maintenance funding source will allow us to address the Seawall Lot 337 area. But as we know and as we've heard, these impacts sort of expand from there.

There were some references about finding a funding source in the ballot proposition. The Giants pursued Prop D. We don't necessarily think that the specific ones called out in there work in part because a lot of the tax revenues are getting captured already. We have some ideas that we'd like to bring back to you with the project approvals and not kick the can down the road but say, "This is how we think we're going to address this." We just don't have that picture fully built out at this time but hopefully we will over the next couple months.

Commissioner Katz - Perfect. That was the answer I was looking for that at least we're looking at addressing it sooner rather than later.

Commissioner Woo Ho - I'm just going to ask some very general, high level questions. We've had two presentations today. Thank you very much for this one on Mission Rock. Obviously, we had a very detailed one on Pier 70. Could any of you just quickly summarize the similarities? I know there are differences too. What is common? What is different?

Rebecca Benassini - I can definitely cover it from the financing standpoint which is what you're focused on right now. The key similarities are the waterfall. They both have CFD. They both have IFD. We're using developer capital. We're splitting land value in different ways out of the backend.

The differences are first of all, Pier 70 has more of the tax dollar. They have the ERAF share, if you kind of think of the one dollar tax dollar as the 1% tax. Pier 70 has more tax increment than Mission Rock. Mission Rock has \$0.65 compared with Pier 70's \$0.91 or \$0.92.

Elaine Forbes - And that's the state's share.

Rebecca Benassini – That was what the state was able to contribute to Pier 70 because of the special legislation that the Port pursued before I came on board. Because of this, Mission Rock has decided, unlike in the Forest City case, to add even more of a special tax to themselves. Because we have that \$0.65, that's not quite sufficient to fund all the public infrastructure that's needed with raising the site and creating all these fabulous new public spaces. Seawall Lot 337 has an additive special tax to fund infrastructure and that is something that the Port would benefit from in the out years because after 30 years the project doesn't need that to support their bonding anymore. We can then use that money for shoreline.

I would say from the financing standpoint, those are the key differences that have driven the projects to take different approaches to how much they're willing to tax themselves.

Commissioner Brandon - Meghan, thank you so much for this report. You make it very easy to follow. Thank you Commissioner Katz for asking about Pier 48. I think we were all wondering how that would fit into this. In the funding structure, if we were to participate, when will we get our return back?

Rebecca Benassini - We anticipate, we can structure it in different ways. The way we've been talking thus far with our development partner is we'd put in some money, they'd put in some money. When the repayment structure comes out, we would get repaid in proportion to how much we put in. We'd get paid back as they got paid back.

All of our modeling indicates that a phase comes in. It takes a couple years to build out. We're repaying the cost for that phase in relatively short order because of how developer return left outstanding tends to eat away at, it costs a lot of money if we leave it out there. If we put in Port capital, we get repaid a couple years later.

Commissioner Brandon - Before or after the developer return? I'm looking at the chart and how it flows. It has the Port first and then the developer.

Rebecca Benassini - That is not a perfect illustration. If we put in 10% of the money, and they put in 90% of the money as an example, we'd get 10% of the money that comes out and they'd get 90% of the money. So we'd kind of get paid together.

Commissioner Brandon – Okay. I was looking at next steps. You're going to come back in September with the transaction analysis or structure. When will we see the Community Benefit Plan, the Transportation Plan, the Workforce Development Plan, all that good stuff?



Rebecca Benassini - Phil is reminding me that we've done something similar to that in June. We did the Transportation Plan, the Housing Plan, Infrastructure Plan, Sustainability structure. The thing we haven't talked about, which is still being negotiated is the Workforce Plan and other types of benefits. Those are the items that are still outstanding that we will bring in September when we do the full project informational, similar to what Pier 70 did today.

Commissioner Adams - Thank you, Meghan, as far as the finances. Phil and Mike and Rebecca, you guys all hit it well. I want to thank our community partners, Katy and Corinne. Roscoe and Fran are out there from the Giants and I hope that you're listening to our community partners as we're trying to tighten this thing up and get it all together.

My questions have been answered. I'm looking forward to seeing a review, Phil, with the transportation plan and a lot of those other issues because it's been a while since you've been in front of us on those issues. We know that you're working on them. I'm pleased so far to where we're at.

## 12. ENGINEERING

- A. Request authorization to award a contract to CH2M HILL Engineers, Inc., (CH2M) for planning, engineering, and environmental services for the Seawall Resiliency Project in an amount of \$36,349,740 and authorization for staff to increase the contract amount, if needed for unanticipated contingencies, by an additional \$3,634,974 (10% of \$36,349,740) for a total contract authorization of \$39,984,714, with a term of ten years and the Port's option to extend the term for one additional year. (Resolution No. 17-36)

Meghan Wallace, Port Finance - Our Seawall Administrator presented the informational item but I have the pleasure to announce, his wife actually delivered a baby boy on July 24, 2017 which is appropriate because we're talking about the future of our Seawall for our future generations.

We are seeking a contract, authorization to award a contract for \$36.4 million. Staff is seeking authorization to increase the contract by a 10% contingency in the amount of \$3.6 million for unforeseen costs for a total contract amount of \$39,984,714 for a term of 10 years and an option to extend for one year.

As you know, the mission of the Seawall Project is to develop a program to repair and replace the Seawall and design and construct the most critical improvements. We're dealing with threats of advanced age and deteriorating conditions. Earthquake vulnerability is the near-term risk whereas coastal flooding and threats due to Sea Level Rise are the longer-term threat. Or as Director Forbes says, "The dual threats that we're facing through this project."

We are looking at an up to \$5 billion expense in the long term for full replacement of our three mile Seawall with an estimated \$500 million project in the near term for the most critical improvements.

This project is important for some key strategic goals within our Strategic Plan. Resiliency for improving our ability to bounce back in an earthquake and flood risk. We are seeking high LBE participation through this contract as part of our Livability goal. We're seeking to promote knowledge about the Seawall Improvement Program, so we're engaging with the community and our partners. Stability, we need to find funding sources that aren't just the Harbor Fund for this project.

The primary scope of particular contract as proposed is for planning and program development, environmental review, preliminary design and engineering, management assistance, review of final design and construction with the central skills based around a wide range of engineering skill sets to support the planning, program development and management.

We did go out for a solicitation for this contract in April of this year. We had a broad range of participation in our presubmittal meeting and we had a very strong evaluation panel that ultimately evaluated five proposals including AECOM, CH2M HILL Engineers, Parsons, Seawall Innovations and Stantec.

These five firms went through both written and oral evaluations. All five made it through the written phase to get through to the oral evaluations. Ultimately, CH2M HILL Engineers scored the highest of the five firms. Today we come with a recommendation to award a contract of just shy of \$40 million over the 10-year period to CH2M HILL (or CH2M), along with 24 subcontractors including 12 LBE firms.

They did meet their CMD established requirement of 21% of subcontractor participation. As you've heard before, they have very strong experience in addressing resiliency based projects within the United States. I should note that they also have significant partners internationally as well.

Overall I want to give you a snapshot of how this contract is broken out. It does service over 10 years because it covers three phases of the project. We're estimating about \$10.2 million to go towards the planning phase, \$18.5 million for environmental and design, and \$7.6 million for construction support for a total of \$36.4 million plus the 10% contingency for the total authorization request of \$39.984 million.

We have a good set of funding sources on hand. The Port, MTA and Planning as well as the City's General Fund all have funds on the table within the project. Moving forward for a GO bond in the November 2018 ballot is really critical, not only to the project, concurrently for the sake of this contract, it is a significant

funding source to get us not only through the first phase but as well as the second and third phases.

For the LBE utilization, \$6.7 million is represented through 21% of LBE utilization. It's primarily weighted towards women-owned businesses at 48% but it's also distributed at 20% to African American businesses within San Francisco as well as 31% towards Asian American firms. The bulk of those services are being provided through construction management, geotechnical engineering, civil engineering, structural value quality engineering.

Recent news since our informational item was the potential merger of CH2M with Jacobs Engineering Group. This firm is a very large Fortune 500 publicly traded firm. It was established in Pasadena, CA in 1947. They recently moved to Texas within the last year, but the firm, from review online, they publicly prioritize their diversity and put forward a strong set of customer-oriented values.

They have done some work here in the Bay Area, including the San Francisco General Hospital Rebuild Program. I want to highlight some of the key details that Port staff have evaluated in looking at this. That the proposed merger is not complete. It's subject to vetting by both firms. If the approval process is successful, the potential merger would occur approximately in the first quarter of 2018 and both companies will continue to operate as separate companies.

The San Francisco Administrative Code 12X is a key point of concern for staff. We looked at this very closely that's why I'm emphasizing that it does prohibit City departments from entering into contracts with firms that are headquartered in states with anti-LGBTQ laws or where any or all of the work will be performed in that state, including Texas. As of September 1st of this year, firms located in Texas would not be eligible for City contracts.

I want to make it very clear that the proposed contract is with CH2M which is headquartered in Colorado and so the proposal on the table is with a firm that is eligible for us to enter into contract with.

Moving forward, I want to note that we've had a good road here. That we did the informational presentation in July. Since that time, staff did spend a good deal of time negotiating a contract that we feel brings together an excellent team through CH2M that is going to help push this project forward and be a wonderful partner with the Port as we move forward with the Seawall Resiliency Project.

We are requesting the Port Commission's authorization to award the contract after which point we'll be going forward to the Board of Supervisors which has to approve awards greater than \$10 million. Steven Reel, the Project Manager is here with me and we also have staff from CH2M available to answer specific questions.

Dwayne Jones - This a fantastic opportunity for my firm and the other LBEs that have been assembled on this particular project. Typically, LBEs are not necessarily contacted on the front end in any real substantial way for many of these projects. President Adams, you said it earlier in terms of what the intent of this Commission is and that this Commission doesn't just talk about things. They actually do the things that they talk about.

I remember being at a Commission meeting several months ago where there was a whole discussion about LBE participation and staff made a fantastic presentation on the things that they were doing to increase LBE participation. I think today is a great example of the Commission's intent and fulfillment of that particular promise. I'm excited to be on this team because they have been consistent in terms of being proactive around finding every LBE that could participate on this project in any substantial way. I'm excited and I urge you to support and approve this project.

Andrew Wolfram - I'm a Principal at TEF Design and we're architects and preservationists. We're very excited to be part of this extraordinarily qualified CH2M team as the team's architects and one of their historic preservation specialists.

We are a San Francisco firm. We are celebrating our 20th year in business this year. My first connection to TEF actually started 19 years ago when I was the Project Architect for the renovation of the Ferry Building with SMWM led by Cathy Simon who's also part of our team here.

At that time, TEF was the LBE partner to SMWM for the renovation of the Ferry Building. One of our responsibilities was the design of this room that we're in as well as the Port's offices at Pier One. Since that time, one of our main focuses of work has been the design of projects that have helped activate the San Francisco waterfront and we're very proud of them. They include Piers 1½ through 5, Pier 40, the South Beach Harbor Pavilion Building and recently the home for Swissnex and Swiss Consulate at Pier 17.

The Seawall Project is an incredibly important project to the city. We're excited to be part of this team and to bring our long experience with historic preservation and activation of the Port to this team. We urge you to approve this project.

Emilio Cruz - I am with Carollo Engineers and we are a subconsultant on this team. I've spent 29 years of my career here in the Bay Area. I've had the fortune to serve as a public servant for 14 of those years here in the City and County of San Francisco. I was Director of Operations right here at the Port when I was appointed by Mayor Brown as his Chief of Staff.

In the first several months of his administration, he appointed the first Latino Chief of Staff, the first Asian American Police Chief, the first African American

Fire Chief, the first gay Director of Public Works, the first African American City Engineer and that list goes on.

It was the best education that a young person could have. Under his tutelage, I learned the importance and the power of diversity and that impact of personal commitment to that diversity. I learned that you could write laws to prevent discrimination but not mandate tolerance and acceptance. Only people can make diversity a reality. Therefore, you empower people who see the value of diversity.

Today, you have an opportunity to empower people who believe strongly in diversity, to continue to champion that cause within our engineering industry. I had the option to participate on more than one team in this pursuit. I chose CH2M because I saw firsthand their commitment to putting the client first, to offering meaningful roles and mentorship to LBEs, to understanding the community that is San Francisco and to putting together a team of talented, qualified individuals that I dare bet was the most diverse team that you interviewed with the highest LBE percentage.

The people who are on this team are individuals that no matter who they work for exhibit an immense professional ethic and pride, a genuine personal commitment to diversity. Most of us are an anomaly in an industry that is typically white and male, because more of us are not white, most of us are not male and most of us are not typical. We care about our communities at a deeper level than engineering companies tend to do. We care because we know we affect these communities by what we build, by where we build it and how we communicate with those communities when we're working in them.

Today we've heard that 12X does not apply to this contract and that this contract meets all applicable City laws. We've also heard that we went through a fair process that the Port led, that CMD monitored and we were selected number one. But just as importantly, you won't find a team more aligned with your social values, your ethical practices and your hard work attitude.

If you approve this contract, we will do right by you. We will represent you well. We will deliver the technical work necessary to develop a plan. We will engage with our friends, our neighbors and our associations to pass the bond. We will champion the social causes that are near and dear to this collective that we call San Francisco. We only ask for an opportunity.

Commissioner Adams - Thank you very much and clearly Mayor Brown had the political courage and clearly Mayor Brown is trailblazer.

Steven Reel – This was the best contracting process that I've been involved in since I've been with the Port. Everyone was interested. This is the project. Teams put together incredible efforts. It was fair. They spent an incredible amount of time and energy and were given a fair process.

CH2 came out on top. I fully support the decision. I think that they'll be wonderful to work with. I hope that you will approve this contract and let this project move forward with CH2 as our partner. It's important that we stay on time. CH2 deserves the shot.

Commissioner Woo Ho - That was a very good presentation on the contract. As Steven said, it's one of the most significant contracts that we could award currently both in terms of the dollar value as well as the strategic value of what the Seawall represents. I appreciate very much the LBE content and all the speakers' comments about the diversity aspect. I do think that diversity of thought, both in terms of background as well as different backgrounds helps us to be stronger. I'm a strong believer in that.

I wanted to address one question. It's something that is not a criticism of the firm that we wish to award this contract to but I do know history of mergers, that change does happen and that it's going to happen. There's an integration office. You're talking about a privately-owned company now becoming part of a public company. The reasons for this merger in terms of the interest of the acquirer in the UK business of CH2 and obviously CH2M has more water business which is of value to Jacobs Engineering.

We are going to award the contract, but I would like to see that as we go down the road, and having been in several mergers myself, things do change. There's a reason why there's a merger and there is also cost savings and other things that happen and the way business is done.

I would very much hope that this is not the case, but I would like our attorneys to make sure that as we go through each phase, the Port has the right to review the progress of that phase. If we're not satisfied with everything that is being presented today which is very positive, and I'm very supportive, but if that changes, then we need to have the ability to review again and decide what happens with this contract going forward.

That's protection for us and that it's not here for any of the people from CH2M to defend their company because they probably do represent what we want to see in this contract. As I said, things change in a merger and you can't predict the future. It's something that we have to protect ourselves against.

Commissioner Adams - That should be noted.

Commissioner Katz - Thank you for the presentation. For all of the teams, the hard work that went into responding to the RFP as everyone acknowledged, it's probably one of the more exciting projects not just in San Francisco but in the Bay Area. There's a little bit of irony here that one of the features that made this team so attractive was its diversity and commitment to the principles that we all propound and abide by here in San Francisco.

It certainly was not lost on me that this team was led by women, was vastly more diverse in its presentation but also in support of the LBEs that are part of the process. I know CH2M HILL's commitment to the principles that we follow.

That being said, the merger and I would argue even if it potentially becomes an acquisition. Certainly, there's a potential sale of stock and it becomes a bit of a semantic game, has not taken place yet. We've seen these transactions fall apart. As it currently stands, there's nothing that would require in our decision or the staff's recommendation to pick the team that came in at the highest level.

I know some discussions have been taking place and there's some guidelines that, as we develop the contract terms, hopefully those can be incorporated and included. These are things that certainly will be reasonable and will be able to be accomplished. The 12X Ordinance states that..."The Ordinance amending the Administrative Code to prohibit City funded travel to states that have enacted laws after June 26, 2015 reversing anti-discrimination protections for LGBT individuals or permitting discrimination against LGBT individuals and to prohibit City contracting with companies headquartered in states that have enacted such laws or where work on the contract would be performed in such states."

As of September 1<sup>st</sup>, Texas gets added to this list as one of those states. Unfortunately, Jacobs moved their headquarters from California. I don't know why they'd do that, but moved their headquarters from California to Texas so it's presented a prospective problem.

What we can do is take this as a moment to hopefully call upon our friends at CH2M HILL to educate their potential merger partners. I know the team has indicated that they are willing to and excited about doing that kind of education and demonstrating that diversity makes us all that much stronger.

Hopefully there will be advocacy within the State of Texas to reverse the discriminatory legislation that's taking effect September 1<sup>st</sup>. We hope CH2M HILL will use their leverage in their role with the new merged companies. One of the other things that's important is if CH2M stays as a standalone subsidiary, its headquarters will continue to be in Colorado. That's something that is important because Colorado is not on our list. That was once one of the leading states.

It shows that our movements and our efforts can make a difference. I recall the days where we were all upset with Colorado and here we are saying, "Colorado's done right by us." One of the things we can take a look at as well in the contract is ensuring that efforts to articulate the importance of diversity.

Hopefully, Jacobs will recognize that this team was selected in large part because it represents the best of the Bay Area and what really makes the team that much stronger is its diversity.

Finally, I hope that we can incorporate into the contract language that would ensure that all the staff working on this project remains outside of the State of Texas, because that would put us definitely afoul of the Administrative Code 12X language. We would want assurances in the contract that none of the staff working on this project are located in Texas. Hopefully that can be put in the contract.

The City Administrator has the ability to take a look at contracts as they're going through the process. If there are changes, the City Administrator has broad authority to review and certainly work with us on this to make changes and one terminology would fall into place would be contract novation and that often occurs when there's been a merger and acquisition. In this case, something to be considered too is the team before us is a joint venture between Arcadis and CH2M.

In the event that if things don't go as currently articulated, there would be an opportunity to figure out how the team could stay in place and figure out other language and other leadership terminology so that we would not have to disrupt the team and the flow, but make sure that we're not entering into a contract and contracting with a company headquartered in Texas.

There's ample opportunity along the way to address the concerns but in the absolute worst case, the City Administrator does have the ability to make some changes that would make sure that we're in full compliance with 12X. With that understanding, I'm excited about moving forward on these efforts.

Commissioner Brandon - Meghan, thank you so much for this presentation. For me, not a lot has changed since the last meeting. I'm happy about the diversity of the team. I'm happy about the group that will be leading this effort and it's an exciting effort. I want to be clear on what we're adding to the contract as far as our protection with this, if this new firm doesn't work out and what we're saying about the LGBT -- what exactly are we doing here?

Elaine Forbes - First, we're going to make sure that the Port has the right to review every phase in the project and ensure that we're happy with the phase. Port always reserves the right to terminate if we feel there's non-performance but we will have specific language about evaluation of each phase subject to Commissioner Woo Ho's comments.

Related to 12X, as Meghan has represented and as our City Attorney has informed her, CH is currently in compliance with 12X being headquartered in Colorado. This is a proposed merger. It has not occurred. It may or may not occur. City Administrator Kelly is the shepherd of the 12X ordinance and she will review any change or acquisition once it does occur, if it occurs, in 2018.

We will be adding language subject to the Port Commissioner's recommendation and subject to Board of Supervisors' approval that ensures efforts to articulate



the importance of diversity within the company. I know this is a very important goal of CH and we would assume that we would require in the contract that our team continue to articulate the importance of diversity. We would also add language ensuring that staff assigned to this project remain outside of Texas. I believe CH is comfortable with that amendment to the contract. We can make those changes to provide additional protections for the Port that we remain in compliance with the spirit of 12X.

Commissioner Brandon - I hate to jinx this but what happens if the bond doesn't pass?

Elaine Forbes – if the bond doesn't pass, we are pursuing multiple funding strategies. Right now, we have a request to our state legislature that we are included in a bond that is currently under development for \$200 million. We're working with the Mayor's Office on that and we're talking with our delegation about that.

The City Administrator and Brian Strong recommended six top funding sources which include the Army Corps of Engineers, a state GO bond, a local GO bond, CFD or special tax for our business partners. We are pursuing funding on all fronts. I believe strongly that the voters will approve this project if we do a good job of explaining why we need it and the importance of an investment in a seawall but we do have other irons in the fire as it relates to funding.

Meghan Wallace - If I may invite CH2M staff to the podium as they have some thoughts to reinforce their commitment along what we've been discussing.

Patrick King - I appreciate the opportunity to make a statement. You didn't ask direct questions. We were prepared to answer some direct questions if they were asked but in considering what may be asked, we prepared for this meeting. Summer and I feel like it's an opportunity to convey to you our level of commitment and the commitment of this team to delivering this project successfully.

I'm Patrick King, the Executive Sponsor for our team within the company. I've had 27 years in the Maritime Engineering field and I've never been part of a greater team. I'm also a merger survivor in reference to your earlier comments. I've actually been part of one acquisition and another merger.

In every case, I can honestly state, while it has been difficult, the merged firms have been better organizations than they were when they began. In every case, our Port and Maritime practice has been able to grow and flourish and serve our communities better. I anticipate that if and when this goes ahead, and that's an important distinction that Director Forbes pointed out that this is a possibility, not an inevitability. If it does go ahead, we will have tremendous opportunities to improve both organizations to the benefit of the City.

Summer Bundy - I am Vice President with CH2M and an Environmental Engineer by training and I am responsible for San Francisco business. I wanted to provide my personal commitment as the CH2M HILL Executive Sponsor to carrying forth the intent of the 12X requirements. We would extend our contract commitment not only to prohibit ourselves from doing work in Texas, but in any 12X state so that it would be more broadly consistent with the intent.

Over the course of the past several days, our team has had a lot of conversations, sharing stories about the injustices, indignities, and discrimination that our LGBTQ friends and family members have personally suffered and from family isolation to violence and workplace discrimination. We know that as a country we have a lot of work to do and if you told me two decades ago when I graduated from Engineering school that I would be part of a conversation about equality and human rights, I don't know that I would've believed you but here we are today.

I have deep personal commitments as does our team in equality, diversity and equal rights. Corporate leadership has assigned me a role in the merger process to reflect San Francisco's values and carry forth the conversation about equal benefits and equal rights. I am hopeful that I can use my sometimes strident voice to carry forth CH2M's values into the merged companies if that does occur. I'm committed personally to doing that on behalf of San Francisco and this team.

Commissioner Katz - Thank you. While you're both up here, just confirming that you're comfortable with our incorporating into the contract language that staff would be precluded from working in the 12X banned states.

Summer Bundy - We would be pleased to have a role in not contributing to creating jobs in discriminatory states.

Commissioner Katz - Thank you very much and thank you for your commitment and your words to the support of equality for all. I'm excited that they have given you a role in the integration because we need to have voices like yours at the leadership there.

Commissioner Adams - Before I say my comments, it's only fitting that we hear from Director Forbes who started about a year ago. This is probably one of the biggest projects that she's had to deal with on her watch and the time that you've put in with the Mayor, going back to Washington, D.C., lobbying, meeting with the Army Corps of Engineers. This has been one of your biggest challenges and as our Executive Director of this Port, we need to hear from you.

Elaine Forbes - This project is one of the biggest challenges we are facing as an organization and as a city and it will become a national crisis as harbors all over the country deal with Sea Level Rise. As Commissioner Brandon asked what

happens if we don't win the 2018 bond, we didn't even know we had a 2018 bond several months ago.

This is a project that is gathering a lot of momentum and support as we move along. I have not briefed anyone who hasn't come out as a real supporter of this project whether that be our federal delegation, Senator Feinstein, Senator Harris. These are two fierce champions now of our Seawall Project. Our state delegation, Senator Wiener's Office is eager to sponsor legislation as is Assemblymember Chu.

This is when we explain what is facing us, we have so many supporters with us that want to see us rebuild our harbor in a way that saves lives, that keeps this beautiful place vibrant in a way that is environmentally sustainable, that is forward leading. Folks want to see us lead in tackling our challenge so they understand how to tackle their challenge. We've assembled an amazing project team internally. We specifically decided we would learn and we would empower staff to learn.

Some projects, they're able to give everything to great consultant teams, but we know we're in a multi-generational effort here so Port staff will be learning along the way. I believe this team and its LBE partners are the best team possible to be our partner on the project. I'm so thrilled that we're kicking this project off in earnest. Today we talked about Pier 70. We're coming to the end of a phase with Pier 70, which is fantastic. Here we're beginning a chapter.

It's very rewarding to see us begin this chapter together and we'll have lots of innovation and exciting things as we move through it together. It is a definite, major challenge but it's also a major opportunity. Thank you for the opportunity and thank you Meghan for such a lovely presentation.

Commissioner Adams - Clearly this is a historical time for our Port. This is game changing. For me this is a binary experience. A lot of people in the community say now the Port under Director Forbes' leadership, we're flying too close to the sun but that's okay.

The diversity. We know that several years ago Seattle did it. We know San Francisco and the Bay Area, we lead and the rest of the nation follows. It's our time in the chute now. It's time for us to lead. We're going to be fine. I'm very excited about this and I want to say another special thanks to Steven Reel. You know, Tesla has Elon Musk. We have Steven Reel. He's a genius.

I did not want to have this item on Consent as I wanted to hear from every Commissioner. As I said, this is the best Commission in the city. You heard from all four Commissioners. I wanted you to hear their input. I wanted you to hear from the community. Dwayne, I love you. I appreciate everyone coming out today and you're talking. This is mind-blowing. As I said, I call this project, San Francisco 2100.

ACTION: Commissioner Brandon moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 17-36 was adopted.

### **13. NEW BUSINESS**

Elaine Forbes: I have recorded a couple of items for us. First we are going to have a financial report on a regular schedule. Six month and year end would be acceptable. We are going to bring back transportation issues at Pier 70 and perhaps at one point in the future have a joint meeting with the SFMTA Commission on transportation issues.

We're going to be looking into and calendaring a manner in which the Commission can ensure that everyone is doing their part in implementing the Pier 70 Project, whether that be other City agencies, the Port or Forest City.

Commissioner Adams - I want to say a very special thank you to SFGovTV. I know our last meeting went to almost 7:30 p.m. You hung in there. You're always here and you need to be acknowledged. Thank you so much. We appreciate that.

Commissioner Woo Ho - When it's appropriate, Pier 48 needs to come back to the Commission as well as our favorite topic, Pier 38.

With regards to the financial report, I would like to see something and I think we can share the numbers even in midyear.

Elaine Forbes - Yes, absolutely.

Commissioner Woo Ho - We're doing well financially but the public should also know that we still have huge gaps in terms of our funding sources for all of our Capital Budget but every little bit helps.

Commissioner Katz - You've covered the issues. I know we keep getting correspondence that was read at the beginning of the Commission meeting and wondered if we could just get a response prepared for us at a future date.

Elaine Forbes - We are working on a response and we will get that to you.

### **14. ADJOURNMENT**

ACTION: Commissioner Brandon moved approval to adjourn the meeting in memory of Janet Pasha; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Commissioner Adams adjourned the meeting at 6:20 p.m.