

MEMORANDUM

February 22, 2018

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation on Advancement and Updates to the Port of San Francisco Strategic Plan, 2017-2022

DIRECTOR'S RECOMMENDATION: Informational Only; No Action Required

SUMMARY

This presentation provides an update on the advancement of the Port of San Francisco Strategic Plan. The Strategic Plan is an operating guide to achieving the Port Commission's vision of a vibrant and diverse waterfront. This February 2018 marks the two year anniversary of the Strategic Plan, which was first introduced in February of 2016. The Strategic Plan supports the Port's 10-Year Capital Plan which provides an assessment of capital needs and available resources, and the Waterfront Land Use Plan which provides goals and policies for long-term use and improvement of Port property. Together, these documents provide coordinated direction on capital investments, Port operations and responsibilities that are informed by, and align with the Port's mission and long-term land use and stewardship policies. The Strategic Plan sets goals and objectives that organize work over the next five years, for the purpose of advancing adopted plans and policies that reflect the Port Commission's policy vision for the waterfront.

The Strategic Plan has guided the advancement or completion of significant projects and improvements since the Port Commission's last review in August 2016. Port staff proposes revisions to the Strategic Plan that recognize past accomplishments, and set next steps to continue efforts to maintain and improve Port assets and operations. The proposed changes to the Strategic Plan are shown in Attachment 1. Attachment 2 provides a list of Port accomplishments since the last Strategic Plan review in August of 2016.

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PROGRESS OVERVIEW AND ACCOMPLISHMENTS

The Strategic Plan provides a Mission and Vision for the Port, expressed in seven Goals and several Objectives for each Goal. The Port staff work programs are guided by these Goals and Objectives. The Strategic Plan provides a guide for rehabilitation of the waterfront, integration with the City, and delivery of the Port's long-term plans. The Port Commission, senior management, and Port supervisors employ the Strategic Plan to set operational goals, determine actions, and mobilize resources that will continue to maintain and improve San Francisco's vibrant waterfront. This framework is important for the Port since the organization has more demands than resources, and selecting priorities is critical to achieving results that advance the Port's mission.

This past year has been extraordinarily busy as the Port has advanced major maritime, development, rehabilitation, business and environmental initiatives. Much of this work included extensive community engagement and exchange, to build understanding and support for projects and strategies that will continue to improve the Port waterfront. Attachment 2 provides a detailed list of accomplishments for each Port Division, some of the major highlights includes:

RENEWAL

- Waterfront Plan Update - Completed Part 1 orientation on August 5, 2016, and completed Part 2 Portwide recommendations for land uses, new leasing strategies for the Embarcadero Historic District, transportation, public process, and resilience and environmental sustainability goals and polices on December 6, 2017. Part 3 is expected to conclude in May of 2018. The extensive Waterfront Plan community process will provide the Port Commission and the public a framework to achieve a safe and vibrant Port that supports our public waterfront and maritime activities today and into the future. The Waterfront Plan will also begin a process to align the Port Commission, the State Land's Commission, and the Bay Area Conservation and Development Commission (BCDC), and other stakeholders on the key values expressed in this update to the 1997 Waterfront Land Use Plan.
- Achieved entitlements for the Forest City project at Pier 70 and the Mission Rock project at SWL 337 and Pier 48. This is the culmination of over a decade of work and will result in 56 acres of major development of new mixed-income neighborhoods with substantial public benefits and economic opportunities, further connecting San Francisco to the Bay. Once built, the projects will produce significant new revenues to address the Port's capital backlog and will provide a reliable funding source for future needs which will benefit the Stability Goal.
- Completed the first construction phase for Crane Cove Park, which will be a key park in the Blue Greenway.
- Advanced Pier 80-96 Maritime Eco-Industrial Strategy to develop new maritime shipping and construction materials business proposals that harness San Francisco's competitive advance, and construction contract for site improvements of the Pier 90-94 backlands.

- Saw the substantial progress on construction of the Orton Development Inc. Historic Pier 70 Project, which represents \$60 million of investment in 12 Port-owned historic structures. The project is slated for completion in May of 2018.
- Completed Pier 31 Roof & Structural Repair Project and removed red-tagged status of Pier 31, saving a contributing resource to the Embarcadero Historic District.
- Initiated work on a Request for Interest process for 14 under or unimproved historic pier facilities to invite market-based concepts that expand public-oriented and maritime uses in pier restoration projects. The goal of this process is to better understand opportunities that can support the rehabilitation of historic piers, thereby informing future Request for Proposal processes to rehabilitate as many of our Embarcadero Historic District resources as possible while achieving financially feasible public and maritime uses.

Risk to the Renewal Goal:

- After a failed sale and associated legal dispute, the Pier 68 and 70 Shipyard closed in May of 2017 after 150 years of operation. This closure represents a major risk to the Renewal Goal and the Port's maritime purpose. The Port is engaged in a solicitation process for a new operator to refresh the facility, update its business plan, and bring jobs back to the labor force that traditionally worked at this longstanding maritime facility. The Port's goal is to have a new operator identified by June 2018. The Port and the selected operator will need to address facility condition, the addition of West Coast yards which have increased ship repair supply without commensurate repair work, and the economic reality of sustaining industrial work in a high cost urban environment. Nevertheless, the Port's commitment and collaboration with labor to bring back ship repair, the two deep water berths, and the strategic location of the yard may overcome the obstacles.

ENGAGEMENT

- Organized the Port's first Contracts Opportunity Open House to provide a networking opportunity to firms, large and small, from across San Francisco, to meet and collaborate on proposals for upcoming Port contracts. Achieved the highest ever recorded LBE participation in Port contracting and deepen engagement with minority business enterprises (MBEs).
- Expanded the Port's marketing and social networking outreach program.
- Conducted numerous public meetings of the Waterfront Plan Working Group and Subcommittees to develop policy and solution recommendations for the Waterfront Plan Update.
- Approved a pilot program to allow sale of fresh fish from fishing boats in Fisherman's Wharf.
- Conducted King Tides social media campaign that received over 28,000 impressions.
- Received wide press coverage on the Seawall Earthquake Safety Program to educate the public.

LIVABILITY

- To increase local business participation and promote living wage jobs an implementing provision was included in major Waterfront leases, including Forest City at Pier 70, Mission Rock at SWL 337, Teatro ZinZanni at SWL 324, and with the City on SWL 322-1.
- Secured consultant to advance the Mission Bay Ferry Landing project for planned completion in 2021, which is currently ahead of schedule.
- Worked with the City to address homeless shelter needs, clear encampments, and offer a forward leaning navigation center solution at the end of 25th Street to support the City's innovative and humane efforts to tackle the difficult social problem of homelessness. The 64 bed Central Waterfront Navigation Center opened in May of 2017.

RESILIENCY

- Seawall Earthquake Safety Program: Completed and released the initial Earthquake Vulnerability Study of the Seawall. Created a City executive steering committee to build understanding and project support. Worked with the US Army Corps of Engineers to achieve a Federal Interest Determination for a CAP 103 Project. Hired CH2M and Civic Edge consultants to support the Seawall Resilience Project. Earned placement on the November 2018 General Obligation Bond schedule.
- Co-chaired the City Sea Level Rise Coordinating Committee to develop a Sea Level Rise Adaptation Plan.
- Developed a vulnerability analysis and database of Port facilities to support development of the Sea Level Rise Adaptation Plan.

SUSTAINABILITY

- Consolidated environmental staff under the Planning and Environment Division to support cross training and collaboration and enable the Division to plan for and implement sustainability programs.
- Implemented three stream recycling at Pier 1, which will ultimately result in the diversion of 80% of the building's waste from landfill.
- Achieved the Port's first beneficial reuse of dredged material, sending 65% of the sediment dredged from Port berths in 2017, to be used in a wetland restoration site in Solano County. This reuse enabled sediment that would otherwise been disposed as waste in the open ocean to instead be used as a resource to create wildlife habitat.
- Converted all Port vehicles and equipment to renewable diesel, reducing carbon emissions by 60% from petroleum fuels.
- Collaborated with Port maritime tenants, other City departments, engine manufacturers, and regulatory agencies to promote use of renewable diesel in maritime transportation. Some tenants have converted to renewable diesel and virtually all are actively engaged in investigating feasibility for their operations.
- Working with the City's Electric Vehicle Working Group, investigated feasibility of developing electric vehicle charging infrastructure on Port

property. The Port completed a request for information and is preparing a request for qualifications to bring electric vehicle charging to Port property.

- Developed the legal, administrative, and technical capacity to implement the City's Erosion and Sediment Control requirements in Port's own construction and enforce the requirements applicable to tenants' and permittees construction in Port jurisdiction. Preventing erosion and sediment runoff to storm drains and/or the bay reduces a significant source of pollution in San Francisco Bay.
- Continued the under-pier utility inspection program, which identified and instigated repair of leaking water and wastewater lines. As a result, reportable discharges to San Francisco Bay have been reduced from a high of 17 in one year to two leaks and four leaks discovered in the past two years respectively.
- Continued a robust process of reviewing leases and development agreements to tailor lease/development agreement obligations to the specific environmental risks posed, and in some cases to require appropriate risk management measures.

STABILITY

- Targeted capital reinvestment in Port assets that maintain and improve financial performance. The proposed Capital Budget will result in a net revenue benefit of \$26.3 million over the next 10 years (figure is discounted to adjust for inflation).
- Adherence to Port's Capital Policy to invest 25% of operating revenue in capital has resulted in bigger capital budgets and investment in Port facilities.
- Adherence to critical Port fiscal policies for maintaining prudent operating reserves has constrained Operating Budget growth to achieve long term financial stability.
- Hired 72 people including appointment of a new Chief Operating Officer (Byron Rhett), new Chief Financial Officer (Katharine Petrucione), new Chief Harbor Engineer (Rod Iwashita), new Deputy Director of Real Estate and Development (Michael Martin), and new Deputy Director of Planning and Environment (Diane Oshima).
- Completed a strategic assessment of the Port's legacy financial system in preparation for transition to the City's new PeopleSoft financial system.
- Completed FY 2015-2016 financial audit on schedule with no adjustments and no findings.
- Participated in the Living Cities Accelerator Program in collaboration with the Mayor's Office, the Capital Planning Program and the Controller's Office, to develop equitable funding sources for the Seawall Earthquake Safety Program. This effort results in key funding source recommendations which are all under active investigation.

ECONOMIC VITALITY

- Supported Pasha Automotive at Pier 80 resulting in increased ship calls and employment that will result in positive revenue from the facility (\$1 million projected this year).

- Competed for expansion in cargo that harnesses San Francisco's competitive advantage, which includes proximity to the larger Bay Area market, and can overcome infrastructure challenges like rail capacity.
- Working toward development of a berthing plan to maximize vessel access and support the growing water transportation network.
- Funded numerous capital projects supporting Maritime and Real Estate that will encourage economic activity along the entire waterfront.
- Consolidated the Development and Real Estate staff to strengthen asset management and strategic development and leasing initiatives.
- Created a Chief Operating Officer position to align the business objectives of the Maritime and Real Estate and Development divisions.

UPDATES TO THE STRATEGIC PLAN

Port staff proposes revisions to the Strategic Plan which are shown in Attachment 1. These revisions update status, describe additional work to advance strategic projects, and clarify some of the Strategic Plan objectives. The Strategic Plan revisions include the next phases of technical and planning analysis to determine options and details of the Seawall Earthquake Safety Program, and coordination with the City to plan for resilience of the entire Port waterfront. Other proposed changes include:

- Work with ferry and water transit partners to develop a plan of water transportation facilities along the waterfront, including the development of the Mission Bay Ferry landing to introduce water transportation in the Southern Waterfront.
- Work with transportation agency partners to improve safety for all users, implement improvements that ease traffic congestion, expand public transit bicycling and walking, and preserve access for industrial goods movement.
- Develop a comprehensive asset management strategy for short and long-term use of Port facilities to find new maritime and commercial leasing opportunities that maximize value and income stream to the Port.
- Develop San Francisco's GreenPort Program to advance environmental regulatory compliance and stewardship initiatives to meet or exceed City environmental sustainability policies and standards for maritime, industrial, commercial, and recreational facilities and operations.
- Attract and contract with a new Pier 70 shipyard operator that will safeguard and support a sustainable business with steady employment of skilled trades.
- Continued progress on the Piers 80-96 Maritime Industrial strategy to provide skilled jobs, enhance community benefits, attract capital investment, and maximize Port revenue from these maritime cargo terminals and industrial lands.
- Compete for global cargo shipping business, including automobile and other bulk cargo to regain full utilization of the Port's cargo terminals.
- Conduct an updated nexus study and Port economic impact analysis to evaluate the waterfront's benefits and opportunities for the City.

NEXT STEPS

Staff invites the Port Commission and public to review and comment on the updated Strategic Plan, which will be printed and republished. Port staff will return to the Port Commission with the Strategic Plan on an annual basis to ensure the Goals and Objectives stay current in addressing the needs of the Port, and to provide the Port Commission and public with the opportunity to review and provide feedback.

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ATTACHMENTS

1. Proposed Changes to the Strategic Plan
2. List of Accomplishments