

**CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION**

**MINUTES OF THE MEETING
FEBRUARY 13, 2018**

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 3:15 PM. The following commissioners were present: Kimberly Brandon, Willie Adams and Doreen Woo Ho. Commissioner Katz arrived at 3:20 p.m.

2. APPROVAL OF MINUTES

The minutes of the January 30, 2018 Port Commission meeting will be presented at the next meeting.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

5. RECONVENE IN OPEN SESSION

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – Renee Martin, Communications Director, announced the following:

- A. Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Historic Pier 70 Orton Project selection as San Francisco Business Times Real Estate Deal of the Year

Port Executive Director Elaine Forbes - First, I would like to congratulate the Historic Pier 70 project and Orton Development. They've been selected to receive the Real Estate Deal of the Year under the category best rehab renovation program. This award is from the San Francisco Business Times.

On Tuesday, March 22nd, in the evening at 5:30 to 8:30, ODI will receive a prestigious award at the Real Estate Deal of the Year Gala honoring their outstanding contribution and other outstanding winners. The award rationale is despite challenges including a complex public/private partnership structure, historic constraints, environmental and structural challenges, a complex capital stack, tax credits. These beautiful buildings were historically renovated and successfully saved and leased. The repurposed buildings have served as the catalyst for the future redevelopment of the larger Pier 70 site. These important structures have been put back into revenue generation for the Port of San Francisco. The magnificent industrial architecture of a bygone era has been preserved and reincorporated into the surrounding Dogpatch neighborhood.

These proud structures inaccessible to the public since their original construction can now be viewed, experienced and appreciated by future generations. Congratulations to Orton Development, to Eddie Orton, to James Madsen, to Everardo Mora, to Will Johnson, to Plant Construction, to Nibbi Brothers and to the Port team led by Phil Williamson.

Everardo Mora with Orton Development Historic Pier 70 project - I'd like to thank first the Port Commission and Elaine Forbes for this opportunity to stand before you and also for the opportunity to bring these buildings back to the community, restore them. It was a very meaningful, difficult project for us. We're happy to be on the final stretch with them. We also look forward to coming back within about two months once we finalize the project to give you an update on where the project stands overall. We look forward to future opportunities on the waterfront. I want to give a big thank you to the Port staff at all levels at the Port, the engineering department, the environmental review department, historic department. They all had an incredibly important part of our success. Thank you very much.

Commissioner Kimberly Brandon – Congratulations!

- Update on the Mission Rock Project

Elaine Forbes - We're extremely proud of this project. I'd also like to update you on the status of Mission Rock. Since the Port Commission approved the transaction document and accepted CEQA findings at our last commission hearing on January 30th, the project team has been extremely busy.

On February 5th, the Board of Supervisors' Land Use and Transportation Committee recommended the project to the full board. They acknowledged the project's many public benefits.

On February 6th, the SFMTA board approved the project, development agreement and interagency cooperation agreement complimenting the team on its careful approach to right-sizing the future parking structure.

On February 7th, our team, led by Rebecca Benassini and, for the Giants, Fran Weld, appeared before the Board's Budget, Audit and Oversight Committee to explain the Port's financial structure and they earned the committee's recommendation to the full Board of Supervisors.

On February 12th, the team again presented the project to the city's Capital Planning Committee, on which I have a seat. They received a positive recommendation on the project's financing mechanisms, which was vitally important to the project's success. The project was forwarded to the full board with a recommendation.

Today, culminating from 11 years of concerted, patient and thoughtful effort and with gratitude to a focused, attentive and purposeful direction of this Port Commission, the project team is before the Board of Supervisors seeking final approval.

The board will sit as a committee as a whole to hear the financing and the board will also see the project. At the board's second hearing, the project will occur a final read on February 23rd.

Mayor Farrell will have 10 days to sign the transaction documents. The team is currently working with the State Lands Commission to explain the project's structure and a firm compliance with state legislation leading to an April request for State Lands Commission approval.

In May, my team anticipates approval of a major permit from BCDC for the project's permanent, publicly accessible open-space plan. In October, we anticipate initial site work to commence. We're very busy and pleased with the progress we have made just since your last hearing.

- Port Commission Hearing Room audio/video upgrade project and related changes to meeting location from the Ferry Building to Pier 1, Bayside conference rooms on February 27, March 13, and March 27.

This room is going to get an audiovisual upgrade. After dealing with equipment that was put in in the late '80s, it's time for an improvement. The upgrade will occur from February 26th through March 30th.

The modernization will improve the quality and consistency of sound and the video experience in this space. It will also improve what the viewers see on Channel 26. The recording quality of the meeting for the public will also now have high-speed Wi-Fi in the room, which will be a nice upgrade.

During the upgrade project, we're going to be relocating to Pier 1 for our Port Commission hearings. That means, for the Port Commission hearing on the February 27, March 13 and March 27 will be in the Bayside rooms at Pier 1. We very much look forward to reconvening the Port Commission meeting with the state-of-the-art technology here in April. I'd like to thank our business services, environmental and engineering groups for really skillfully overseeing the project.

B. Port Commissioners' Report:

Commissioner Adams - First of all, I just want to say to President Brandon it was an honor to attend your 20th anniversary on the San Francisco Port Commission, Madam President. A special shout out to Renee - thank you for coordinating the event and all the work and all the Port staff to make that a very historical evening.

For me also, it was historical in the sense that this being Black History Month and President Brandon's contribution to this community and to see her friends and family. Corinne spoke. Jack Bair from the Giants spoke, Mayor Brown, Mimi Silbert and then Kim's partner in life, Timothy Simon.

It was a very much of an honor to participate. Brother Dwayne Jones was there. It was just an honor to be a part of that. Thank you so much for allowing me to be there and playing such a small part.

Madam President, when you get done speaking, could we have a moment of silence for Madam Secretary Amy Quesada's mother who passed away?

Commissioner Brandon - Definitely. Thank you. I too want to thank Elaine and Renee and all the Port staff that had anything to do with the event last week. It was just so magical and memorable and just such an honor. I'm so humbled and thankful to have been able to take this journey with all of you for so long. I really want to thank everybody. It was just a great event. Sorry that everybody couldn't attend.

Commissioner Katz – Congratulations on 20 years. Unfortunately I had a prior commitment so I came at the tail end but people were still having a great time and talking about how wonderful it was. That is extraordinary in terms of the amount of dedication and commitment that you've given to the Port and the City of San Francisco. Thank you for your commitment to public service and service to the Port and just take a moment to reflect on how significant it is for somebody to give 20 years of service to a commission like this. It's no easy feat while carrying on all of your other community activities as well. I guess the old adage goes, if you want something done, ask a busy person and Kim, you are that. Congratulations on 20 wonderful years and perhaps 20 more.

Commissioner Brandon - Thank you.

Commissioner Woo Ho - Everything that should be said has been said but I just want to add my own personal congratulations. I remember Kim when I first came on the commission. She was very helpful because she had the history. She had the knowledge. She had the culture. he's been very persistent. I have a tremendous amount of respect for what she has done and contributed for the commission, for her community and for each one of us. It's very appropriate that she also gets to celebrate this anniversary as she is president this year. Congratulations again.

Commissioner Brandon - Thank you. Now, can we have a moment of silence for Amy's mother?

10. CONSENT

- A. Request approval for a member of the Port Commission to travel with Port staff to attend the Seatrade Cruise Global Conference on March 5-8, 2018, in Fort Lauderdale, Florida. (Resolution No. 18-11)
- B. Request approval for a member of the San Francisco Port Commission to travel to Washington, D.C. on March 21-23, 2018 for the San Francisco Chamber of Commerce City Trip. (Resolution No. 18-12)
- C. Request approval of the Port of San Francisco Drone Policy relating to the Port's use of drones on Port property pursuant to the City and County of San Francisco Citywide Employee Drone Policy adopted by the City's Committee on Information Technology. (Resolution No. 18-13)

ACTION: Commissioner Katz moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 18-11, 18-12, and 18-13 were adopted.

11. FINANCE & ADMINISTRATION

- A. Informational presentation on the Port's Fiscal Year 2018-2019 and 2019-2020 Biennial Operating Budget.

Meghan Wallace, the Port's finance and procurement manager - I'm here today to present on the proposed fiscal year 2018-19 and '19-'20 budget. I'll be focusing primarily on the operating budget, as our capital manager, Ananda Hirsch will be presenting on the capital budget shortly after me.

I also just want to note that putting together any budget is really a team effort. I particularly want to thank Tyrone Navarro and Marilyn Yeh from the real estate and maritime divisions. We actually have a new budget analyst, Margaret Doyle. She supported me tremendously. Of course, having our new CFO, Katie Petrucione, on board has been an amazing experience as well.

Going into any budget process, the mayor's and controller's staff really do a rigorous review of the city's economic and fiscal outlooks. We've been on a really long growth period for our local economy. We're starting to get warning signs that we need to be more conservative in our revenue outlooks and that is also being paired with the ongoing story of growing personnel expenses in particular.

Those two drivers are putting a real squeeze on the city's general fund. While we're not a general fund department and aren't being held to the same requirement of actually cutting our budget, we are being held to controlling our personnel growth, given that's one of the key drivers of ongoing growth within our budget.

Heading into the Port's budget process, we really did try to take a fiscally prudent approach of controlling our expenses. You'll see that we are recommending strategic increases. In terms of managing personnel, we're asking more along the lines of substitutions of existing staff, so we're not seeing growth in our ongoing operating support. We are actually requesting a good number of project-funded positions. These aren't held the same requirement as other positions in the city because they're contingent upon project funds. We really held to the budget instructions. Overall, we're managing trying to prepare our budget for a potential downturn moving into the next two fiscal years.

One great thing about the budget is it's putting our money where our mouths are in terms of our strategic objectives. It's really important that we look and make sure that we are investing in the areas that we want to see ourselves grow and improve in.

When it comes to sustainability, resiliency, livability, renewal, these are all things that we do support in a variety of ways within the budget. Also, economic vitality -- we are making some key changes within the structure of the department by consolidating real estate and development together -- a strategic approach to those leasing initiatives.

We do have a new chief operations officer to try to coordinate efforts between divisions more effectively. We believe all of these efforts do improve the overall economic vitality along the waterfront and in San Francisco.

The key focus for the budget you would tend to lead to is stability. We have a 15 percent operating reserve requirement to protect us in an economic downturn or other uncertainties. We do meet our capital policy requirements. Between this presentation as well as in the capital presentation, we are making an effort to invest in our facilities to stabilize our revenues into the future.

First I'm going to start with sources. It's important to note that the proposed budget for fiscal year 2018-'19 is \$192.6 million and this is comprised approximately of \$160 million of ongoing sources and \$32.8 million from one-

time sources. This is a \$46 million increase overall driven by fund balance and other one-time sources that weren't in the prior budget.

For the fiscal year 2019-'20, the budget is \$161.3 million. That's a \$31.3 million decrease from the proposed 2018-'19 budget and that's because you'll see that our capital program tends to be sort of lumpy.

We are spending down accumulated fund balances from prior years in the first year of the budget. We're requesting general fund support in the first year of the budget. In the second year, you see a drop in those sources.

It's important to note that the ongoing sources primarily support our operations. We look to secure funding sources to maintain our core functions. It's our capital program that's more subject to these fluctuations in one-time sources.

These pie charts show total funding over the two-year proposed budget. As you can see, the largest source are our operating revenues. Fund balance is the next largest source. Fund balance supports our capital program and it's the source for our operating reserve.

Our operating revenues is that biggest piece, almost 60 percent. It's mostly comprised of commercial and industrial rents from our 500-some-odd leases along the waterfront. Parking and then our various maritime business lines then each contribute about 20 percent of our overall operating revenues.

I do want to note that we're missing a familiar business line on the maritime side. You'll see that this budget does not reflect ship repair. As you know, our shipyard is currently closed. We didn't assume any revenue in this business line for the proposed budget.

Commissioner Katz - I know you didn't assume any revenue this time. Do you anticipate, or are you projecting a couple years out of not seeing any revenue on that as we have to do some repair on that as well?

Meghan Wallace - I haven't done a five-year outlook review. Time will tell. I'll look to our executive director and CFOs to maybe inform if they would like but for the budget purposes, we have not assumed anything. That would be an improvement. If we get new news heading into the spring, it's not too late to update the budget as long as we get it done before it's approved through the board of supervisors. For now, we're taking a conservative approach and not accounting for it.

Commissioner Katz - Thank you.

Meghan Wallace - Over the two-year period, we are looking for a net increase in revenues of only \$2.2 million. That's significantly less than in prior years. It's important to note that the key drivers of that are some revenue lines that are pulling that growth down.

Parking is one. As we see development coming in, we're actually going to be taking some facilities offline. Some of them are shifting to commercial/industrial rent so that helps the growth on that commercial/industrial rent side.

Overall, it does appear to be a reduction. Ship repair, cargo and cruise are all maritime lines where we've either seen declines in business such as in ship repair. Cruise -- we're adjusting our parking assumptions. We are seeing some dips in passenger volume.

Cargo -- it's important to note that our overall business is doing quite well but we had to change the structure of how we budgeted for that business. It appears that our revenues are going significantly down. Overall, it's because we had to shift how we're reflecting this revenue line. Our gross revenues continue to be very strong.

For the commercial/industrial rents, I do want to note while we're being conservative on things like ship repair, we're actually being fairly aggressive on things like our projected lease revenue. That's really going to call upon our staff to push and try to get these facilities ready for leasing and get them out and up and running with new tenants. It's important that we push ourselves. We're seeing some easing in our revenue growth. It's important for our ongoing stability to make sure that we're getting these facilities leased.

On the uses side, the budget in the first year is \$192.6 million. In the second year, it's \$161.3. This is comprised of operating expenses, the capital budget and our reserves.

While we are seeing growth on the operating expense side, we did continue to make it a priority to make sure that we're designating sufficient revenues to capital so that we are having ongoing support for our capital improvement program.

Over the two-year window as these pies show, about half of our budget is invested in our operating expenses. The capital budget is 22 percent. The third largest line is the designation to capital. That's net revenues that we're putting away for future capital budgets. Within the operating expenses, personnel comprise almost half of that budget that's why it's so important to keep control on our expense growth in that line.

Work orders, debt service and other current expenses are our major expense lines. In terms of trends, the real drivers here for growing costs, primarily salaries and expenses, interdepartmental work orders also drive up costs. We have very high insurance needs. That's one of the key drivers of this growth. Director Forbes has requested that staff look into this and see if we can control growing costs in insurance in future budget years.

Some good news is we do have some other current expenses that we're seeing -- we're actually able to reduce by the second year of the budget. For staffing, we really did try to work within our existing footprint as much as possible and that makes for a lot of changes though administratively. We're requesting 29 position substitutions instead of adding staff to help us deliver the work that we need to get done, we're asking for substitutions that realign our staff to meet our current needs to be able to deliver our work.

We also have reassignments within the budget because we're consolidating development staff into the real estate division. We're redistributing staff from the operations division that had been created. We're putting staff back into the original divisions that they had been located in.

We are asking for some additional positions but we're going to offset those by an assumption of salary savings. For every new position we're putting in the budget, we're assuming we'll have to hold a position vacant to offset it.

Lastly, we are requesting 12 new project-funded positions. Ananda will talk quite a bit about this in capital. It's partly for a project management office, also for staff that we are requesting to be able to deliver our development project.

We'll be talking about Forest City later. We have a lot of staff resource needs that we're requesting to staff up so that we can make sure that we're getting through permitting, administering the project correctly and things like that.

Lastly, the capital designation -- I want to highlight that we're making sure that we're meeting our capital policy requirement. It is a significant portion of our budget. As you can see here on this slide, over the years since fiscal year 2014-'15 when we first started to implement this strategy, we've seen significant growth in that designation. Even though our capital program can have its ups and downs, we'll have one-time sources that have given us extra particularly strong years in budgeting. All in all, we're building up a sustainable source to make sure we're funding our capital program.

Staff is required to submit the budget to the mayor's office on February 21st. That's before I'll be back before you on February 27th for formal approval. I do want to note that, if you have any changes to the budget after we've submitted to the mayor's office, we'll work with mayor's staff to reflect those changes.

We're trying to follow city timeline requirements. The mayor will submit the budget to the board in May. The city needs to formally approve the budget by July 31st. In September, I'll be back before you with the budget update to let you know what happened in all those months in between.

Commissioner Katz - Thank you very much and as always, really fantastic presentation. It makes it easy when we're prepping in advance and then also when you present here. I thank you for that.

I had a couple questions that you may have answered. I noticed it's not a huge differential but what has allowed us to decrease our use of funds on the South Beach Harbor and Marina? Is that getting to where we want it to be? Is it stabilized? We're now in a good operational place, so we don't have to put as many funds into it?

Meghan Wallace - Part of what you might be seeing, if I'm looking at the overview table, is South Beach Harbor actually shows up in two places within the budget. On the uses side, it's in the operating expense. There's \$3.7 million. In the capital budget, there's \$1.1 million. So it looks like a decrease on the operating side. Maybe that actually does lead to your point that there's about \$300,000 more that we were able to allocate to the capital program that we are trying to complete facility repairs at South Beach Harbor and it's using the net operating revenues.

Commissioner Katz - For the repair?

Meghan Wallace - Within the facility. It is self-sustaining. We're trying to find ways -- just as with the Port Harbor fund -- of trying to designate funds to capital. We're trying to create a similar structure for South Beach Harbor.

Commissioner Katz - Perfect. It looks like a pretty significant increase in the general fund and other city investments. Can you articulate a little bit more what that relates to on the same chart?

Meghan Wallace - Ananda will go into more detail. It's for the capital program, particularly for the seawall and for the Mission Bay Ferry Landing projects.

Commissioner Katz - There's not that significant an increase in our operating reserve. Does that keep it at a comfortable level though?

Meghan Wallace - That's right. It's sized to be 15 percent of our operating expenses. Because we've been controlling those expenses, we haven't seen significant growth year over year in the reserve requirement.

Commissioner Katz - Right now, we're getting about 22 percent of our operating revenues from parking. As you pointed out, things are changing and we're acknowledging that change. As we move forward, it seems to me it's going to be incumbent upon us to figure out how we readjust to this decreased revenue at least over a pretty significant period of time till we start seeing an increase in the revenue from the projects that are coming in. Do you have any thoughts on that or what we should be looking to do to adjust for that?

Meghan Wallace - What we saw with the five-year financial plan is that a lot of these development deals that impact parking actually shift the revenue lines to commercial/industrial rent. We'll get the ground and percentage rents as a tradeoff but the best way to bridge that gap is to try to structure our deals to

make sure we're collecting rent as construction is occurring, so we don't have a period of time where we're not generating revenue from a site.

Commissioner Katz - Perfect. I think we've taken that into account in most of the deals that we've been looking at but are there any that you can think of that are coming up? You don't have to address it now, but perhaps when it comes back to us, ask that we take that into account and be reminded that that's something that we should be cognizant of as we go forward.

Meghan Wallace - Right.

Commissioner Katz - Is there anything else you think we should be alerted to or that you would highlight for us to be aware of as we go forward over the next couple of years?

Meghan Wallace - Ultimately, the challenge with this budget is that the demands on the Port are growing. We're such a diverse department. We have so many needs that we're trying to meet. Yet, we're trying to control our costs. When I first started in my role, I was gung-ho. Let's get as much money into capital. Now, I'm concerned. We're being told to control our operating expenses. Yet, to deliver that work, we need adequate resources. We're going to continue that dance of balancing, of conducting those tradeoffs between controlling operations but needing to deliver on capital. If we start to see an economic downturn and our revenues do decline, we'll need to consider how we're going to reprioritize the work we're doing but that'll be a citywide discussion.

Commissioner Katz - We have bigger problems. Thank you very much.

Commissioner Woo Ho - You've put together a very detailed presentation. I've generally learned that we're pretty conservative in terms of when we do budgets. In a separate conversation, I'd like to compare how we've done in the past versus our budget particularly on both revenue and expenses because we generally do better.

I understand the circumstances this year are a little bit different but I'd like to peel the onion a little bit more and just understand. We think that there's some negative trends and downturn in the market that we think are going to affect the next couple years.

On that sense, number one, does the city give you some assumptions so that every department uses those same assumptions so that you translate those negative factors equally or try to translate into your particular budgets without having each one of you do your own subjective analysis?

Meghan Wallace - The answer is yes. The city does give guidance. The controller's office in particular gives those guidance.

Commissioner Woo Ho - How do they translate it? What do they tell you?

Meghan Wallace - Personnel probably is the most complicated piece because, when it comes to salaries and fringe benefits, fringe benefits in particular --

Commissioner Woo Ho - That's a negative of saying you keep your salaries either flat or your FTE flat. But how do they translate what the impact on the economy of the city is? What trends are they pointing to?

Meghan Wallace - For impacting the economy? So not necessarily expenditure impacts on the --

Commissioner Woo Ho - You're saying the economy is going to slow down. What does that mean? How does that translate to each enterprise department or even other departments that are not enterprise? I'm trying to understand how the city's budget process works. I understand how they react to it in saying let's control personal expense. I understand that.

Meghan Wallace – It's a little trickier. The controller's office or the mayor's office do not give instructions to us about how to project our revenues. But we as a department are very well structured to look at those trends closely. We have analysts in the maritime and real estate divisions, each that are really deep in the numbers and looking at trends in terms of how many automobiles are we bringing in for cargo. What are cruise trends? What leases are coming up? So we don't necessarily get direction from the central departments.

Commissioner Woo Ho – Okay, that's good. I got it. I'm trying to understand how we then look at the negative trends and how it is assumptions beneath the budget. For instance, you just mentioned a couple but do we assume now the vacancy rate is going to go up? Our rate increases are slowing down. What were some of the assumptions? I don't need to know all the specific numbers but I want to know what you are considering when you say there's a slowdown. Is it vacancies going up? Rate increases will be slower? We have less leases that are coming up for renewal? Because that all translates eventually into dollars and cents.

Meghan Wallace - The primary way that we saw it in our budget was an impact to our percentage rents. We adjusted our trends based upon what we've seen in recent years to show that in the five-year financial plan, for example, our percentage rents were on a very strong trajectory. In the last year, we're seeing them ease a bit.

Commissioner Woo Ho - We're assuming that our tenants are not going to be doing as well on the revenue side.

Meghan Wallace - Yes.

Commissioner Woo Ho - That's what I was trying to get at. What are we assuming? We're saying they're not going to be as strong on the sale side.

Meghan Wallace - That's right.

Commissioner Woo Ho - So we won't be participating in that as much.

Meghan Wallace - That's correct.

Commissioner Woo Ho – We haven't obviously heard specifically from them but we're just projecting on their behalf.

Meghan Wallace - That's right.

Elaine Forbes - We're projecting they're not going to do as well as they've done in prior years. We're not saying that they're not going to be growing. It's just the rate is not as strong as in prior years.

Commissioner Woo Ho - The rate of growth is slower.

Elaine Forbes - That's right. Tyrone, you could add more detail to that. In terms of what the city provides us, the controller's office convenes a half-day economic forecast summit for all the financial staff in the city every year. In that forum, they bring in experts from tourism, hotel, office and all the sectors of the economy to discuss what kinds of trends they're seeing and that really does help the finance staff align what we're seeing at the department level with the larger city trend. That is one forum in which we get revenue-projection advice. But in terms of this budget here, Tyrone, you can add more on the real estate portfolio.

The maritime portfolio is very specific because the cruise bookings, for example, happen so far in advance we actually know exactly how many cruise ships are coming in. We see a slight decline in cruise revenues as a result of those bookings. Shipyard is shipyard. Cargo, as Meghan said, we've redone how we put the revenue in expense but cargo volume is actually on the rise. There's a range from projection to very detailed information that causes us to know almost to the dollar what we will receive.

Commissioner Woo Ho - The real estate side, I can understand some of the things that you've mentioned. On the maritime side, we're obviously struggling with what's going to happen with ship building and whether we're going to be able to get a tenant, etc. We're now seeing -- as on the cruise ship side, it seems like the special events are a little lower. We're not seeing as much cruise ship volume come in because it is booked in advance. I'm just wondering whether, besides this budget, we should be just thinking and doing a strategic review of what our maritime business strategy really should be in all these lines of business so that we have a longer-term view.

I think there is something that we need to address that is not just budgetary for the next two years but a little bit more strategically what can we do to improve this trend because it's important. You've got the South Beach Marina. You've got the cruising, the special events. You've got the ship building and harbor

services. We've always known that it's a hodgepodge of things. We should really be rethinking our maritime strategy because it is supposedly a priority of this Port. We want to make sure that we're not just swimming upstream.

Elaine Forbes – I agree. It is absolutely a priority. I've already been speaking to our chief operating officer, Byron Rhett, Peter Dailey, Mike Nerney about the cruise strategy and how the Port can grow in cruise. We know we'll be receiving bigger ships but where are our berths? Where are our strategic locations to welcome cruise ships? I think it would actually be something great to put on the forward calendar, so you can hear some of our thinking about how to grow in the near term and over time for the cruise business and also how to stabilize the revenues we have.

We know cruise is cyclical. It's not always up. There are downtimes. When the economy is in a recessionary period, definitely cruise declines but we want to stabilize a certain volume of trips to San Francisco, so we can ensure a profit to our cruise investment in Pier 27. It would be excellent to come back and talk specifically about cruise strategy. It's something staff is working on.

Commissioner Woo Ho - The other one was cargo because we were all excited about Pasha and we also had these conversations with BMW. In terms of where those trend lines are heading because if there's offsets, we should understand where that all fits into this.

In the corporate world, you do your budget but you have risks and opportunities. The sensitivity analysis of what could hurt you because some circumstances are beyond your control, as you mentioned, the market conditions but others are opportunities that you don't want to book because you're not sure but you want to know that you're on top of them. It would be nice to know what the risk and opportunities are besides just submitting in the formal process of the budget.

I understand that's a requirement we have to do and we're always conservative. We're never going to stretch too far. That's my experience so far in looking at these budgets for five years. Because every time we look at the actuals, we actually do better, even on the expense side. That's the other thing where I said, at some point -- not in this meeting -- but we should have a historical perspective of the trend line that we've been seeing over the last three to four years. So we do understand the finances of the organization, how it actually plays out and not what we think is going to happen because we only hear what we think is going to happen. We never actually go back and examine, what did we actually do? How did we actually perform? That's another separate analysis or presentation.

On the personnel expense, you mentioned the project management office. I can understand the need for that. I don't know whether this is a factor in this year's budget. Employee benefits keep going up for the City of San Francisco. Is that an issue for us in terms of the employee benefit ratio? Is that also what's causing personnel expenses to go up a lot? Because the healthcare costs, pension costs, etc., that's another factor.

Meghan Wallace - Right.

Commissioner Woo Ho - So it's more than just adding headcount.

Meghan Wallace - That's correct. By maintaining our headcount, even with our existing headcount, we're seeing expenses grow because the citywide goal on funding pensions needs to be met.

Commissioner Woo Ho - In other words, the unfunded pension liability has increased so at some point, you have to do something about it.

Meghan Wallace - That's right. Healthcare costs is the story that we're all familiar with. These things are all being incorporated into our existing employee expenses. In that regard, citywide, everybody is being asked to try to solve for ...

Commissioner Woo Ho - Right. Well, that's a mayor's office kind of look at the whole picture and figure out what to do because it's not something you, as a department, can figure out what you can do about pension or healthcare costs.

Meghan Wallace - That's right.

Commissioner Woo Ho - But there has to be a citywide issue to figure out how to reduce the rate of growth. You can't reduce growth, but you can reduce the rate of growth by different methods. I do understand what you're doing here. I always take a little more strategic view and say, tell us more about what's happening in the bigger picture and over time versus just what you're presented because what you presented is all very reasonable and understandable. But we then have to put it into the bigger landscape of where are we headed to.

Since we're concerned about having enough capital for the capital budget and now you're saying this is the first time you're concerned about the operating budget, that's a little bit concerning to hear that from the standpoint -- yet, we have hit over \$100 million in revenue, which a few years ago was like -- \$100 million didn't sound like it was difficult.

When Elaine was in the position of the CFO, I remember that but we've exceeded that now. It looks like we can be on that trajectory. I hope we keep looking for nuggets.

Meghan Wallace - I do want to add that the commercial and industrial rents do have a very strong, optimistic placeholder for future leases that we don't yet have. There's about \$5 million of revenue that we're assuming there for facilities that have not yet been filled. Those are opportunities that create a net revenue in our budget. Then, it's designated to capital. If they don't come through, it means less money to capital but we want to be optimistic and set those goals and have targets for ourselves to try to meet.

Commissioner Woo Ho - I know the Orton Development has, from a timeline, not been as fast as we'd like. But as I recall way back many years when we presented it -- it was once we got there, it should then to start to sort of generate revenue. Where is that reflected in this budget? Is Orton a contributor at all?

Meghan Wallace - It's not a contributor yet.

Commissioner Woo Ho - We've been at it for how many years now?

Elaine Forbes - We're going to get an update in March from Orton Development, as our guests today said. I know their revenue projections are stronger than what we've seen in the past so we'll be hearing about that.

Commissioner Woo Ho - So that could be an opportunity.

Elaine Forbes - That's an opportunity.

Commissioner Woo Ho - Whether it's in the two-year timeline, I don't know. That's something that we should be keeping our eye on.

Elaine Forbes - Yes.

Commissioner Adams - I really appreciate the interaction between the commissioners. I have a different point of view on this. First of all, I think what's in the lines in your presentation is very calm. I like people that speak that don't say uh, uh, uh. Clearly, you know what you're talking about.

Clearly, the Port is going through some changes. I think that we seem to be adjusting with that. You can kind of see what's happening with the stock market. What goes up definitely is going to come down.

I like what's going on. Some things, you can be conservative. Other things, you can be a little bit more out there. I just wanted to say to Commissioner Woo Ho and this is just my humble opinion. I know about ports. Corporations answer to their shareholders. Ports, our shareholders are the public. It's a totally different concept. I just wanted to throw it out. That's how I see things.

In the maritime aspect, clearly Pasha probably hasn't grown as fast. But I definitely think there's a plan in place. It was a week or two weeks ago, President Brandon and myself and Director Forbes and the maritime staff, we met to lay out some of your concerns, Commissioner Woo Ho.

In the cruise ship business, I don't even think we're five years old. It takes time for us to get to where we really need to go. I think it's continuing to grow. I know that I will be going with the Port staff. Metro will be there, and I know Local 10 -- we will be down in Florida attending the Seatrade Conference meeting with the CEOs of the cruise ship companies trying to promote San Francisco as the number-one destination on the West Coast.

We have to continue to do that and that's a work in progress. We keep working on it. Pasha's still out trying to get customers. I think we got some good news with Hanson and others.

It's going to take a little time. We have to be patient. We have to have a coming-to-Jesus meeting about the shipyard. The way we know the shipyard as it was in the past is going to be different.

Let's just face that. When we sent out the last RFP, we had one bidder put in. We know that. There may be a change the way we do things around here. That is okay but we've got to figure out what will work. But you know what? We regrouped. Port staff thought about it. They put their heads together and we're going to try it again. I don't know what it's going to look like. I agree with you, Commissioner Woo Ho. But we've got to find something that work. The ship repair is so competitive with all the other places doing it that are in the same business. If you really think about it, Portland took 60, 70 percent of our work. Vigor did up in Portland.

What do we do? I don't believe in living in the past. I believe sometimes you cut your losses. You look to the future. We find out what may have to go there. It may be ship repair. It may be something else. But I think we can get some revenue. I think this is a good plan, laying it out there. I think we've got some work to do. I truly believe that a port runs so different than a corporation. The shareholders of the port is the public.

None of these commissioners up here -- we don't get shares like a corporation do. It's totally run totally different. This is what I do every day dealing with all the West Coast ports for the last 40 years of my life. I clearly understand how that runs but I do understand Commissioner Woo Ho's concern. I think we'll keep talking about maritime. I think we keep going at it. There's a lot of different other facets to this.

I really think is a good report. As we move along on it and we make some adjustments, I think one of the hardest things that I see is getting staff hired. Bureaucracy is tough. I can't even imagine that. The commissioners come to a commission meeting maybe twice a month but we're not down in the trenches every day like the Port staff and the executive director. I think this is some great work.

I'm speaking just how I see it. Keep on doing what you're doing. Take all the commissioners' feedback what they think and let's keep moving forward. But I appreciate the report. Thank you.

Commissioner Woo Ho - I have to say something in response. I do have to say something.

Commissioner Brandon - That's fine but Commissioner Katz asked to speak first.

Commissioner Katz - I had forgotten there was one issue you sort of touched on it with Commissioner Woo Ho's questions. If I could ask Executive Director Forbes to put something on our future calendar to further address what's happening with some of the dip in revenue from the cruise ships and if we can take a look at ways that we might increase that revenue. I'm not sure if it's necessarily tied to broader economic issues or if there's something we can do substantively to increase more calls to the Port but I think it's worthwhile that we take a look at it. Thank you.

Commissioner Woo Ho - I think Commissioner Adams took my remarks in the wrong context. I have no issue with your budget. I think you should be submitting this with a lot of quality work and I think proudly on behalf of the Port. From my perspective as a commissioner, I do take and I do understand our shareholders are the public. Our job as a commissioner is to obviously do the best that we can for the shareholder and for the city in terms of what is fiscally responsible.

The things that I say are not meant to be critical of the Port staff or the Port. They're meant to be constructive to say here are some things that we should be looking at. I think sometimes we are not mired in the day-to-day looking at it day in and day out. We are coming in from afar. You could say we helicopter in twice a month, which has its advantages and its disadvantages. My comments are not meant to put you on the defense at all. If anything, it's to make the Port go on the offense on the opportunities.

I want it to be understood in that context and not in the context of making you all feel defensive of what you've put down on paper and that's the context that I want people to know. I think Elaine understands that. But if others did not, then I have to go on the record to say I feel very strongly about my responsibility to the public. I am not looking to the typical corporate shareholder response because I think we're here to see what we can do the best for everybody.

That's one of the things I've learned as being a commissioner on a public service board is how you take your community and your constituents, which are so diverse and different, into consideration and all the things that we do for the community, which is very different in a corporate environment. I appreciate that. I've learned a lot about it over time. I want to say that for the record because I think my comments were not criticism. In fact, I think your budget is fine but I do think there's opportunities to look at it. We would be remiss not to take a look at those opportunities and to figure out what we could be doing going forward and to understand them better.

Commissioner Adams - Commissioner Woo Ho, I didn't take it in that tone. I was just saying you used the word corporation sometimes. What I was saying was that a Port runs so different than a corporation. I understand your expertise in that and I don't come from the corporate world. I was just making a reference how I see the Port, as a commissioner. I support your comments. As a Port commissioner, the public is our shareholders and our community. The commission here, we're shareholders. We don't get paid. We have a

responsibility to oversee for all the citizens. That's the only thing I was saying but I support your comments. Thank you.

Commissioner Woo Ho - So we're aligned. So we're okay. Thank you.

Commissioner Brandon - Yes.

Commissioner Adams - President Brandon was happy.

Commissioner Woo Ho - It's democracy in action.

Commissioner Brandon - Meghan, thank you so much for this report. It's absolutely phenomenal that we have a record budget of \$192 million. I think that's absolutely incredible. All the staff should be extremely happy about this accomplishment.

There is also the expense side, which I think we've heard a lot about. I do have to say that the way it's presented, in the past, I've always been accustomed to seeing a detail report, not just a summary but the report behind the numbers to really understand what's going on here, which if we have that probably would answer a lot of the questions that came up today. Hopefully, we can get that prior to the next time you bring the budget to us. But the way it's laid out, it does look like we have issues with maritime and across the board, we're losing money.

It should be a point of consideration. Even though I know all the work that's being put into it and what's being done, we know way in advance what our cruise calls are going to be and the marketing that we have to do, which is why Commission Adams is going to Florida next month.

We need a maritime strategy. We have to look at those revenues and at all our departments to see which ones we're subsidizing versus which ones are profitable and where we really need to focus our efforts. It was also hard to understand 67 position changes without the details. I'm really looking forward to the detail budget.

Elaine Forbes - For clarification, President Brandon, when you say the detail budget, do you mean the budget book?

Commissioner Brandon - Yes. Where the money is going within each department.

Elaine Forbes - Okay. Meghan, have you provided that in the past? I feel like that's a document you produce later in the process. Maybe it's just more detailed attachments with the expenditure program.

Meghan Wallace - I think maybe more detailed attachments. I'll admit that, with the transition to the city's new financial system, I've tried to approach

development of the budget. We're restructuring it. That's why I'm so grateful to have Margaret on board. She's helping me turn that around but we can somewhat recreate what you're looking for. I'll try to go back through the different style of reports. I don't recall the level of detail on the positions. I can certainly flesh out some of the justifications more.

Commissioner Brandon - Usually, what I'm accustomed to is the detailed budget and it's broken out by departments. It shows what each of the positions are and the salaries, what they're for, etc. so we'll then understand now that we're creating new divisions such as...

Elaine Forbes - Real estate and development division and planning and environment division.

Commissioner Brandon – A new reporting structure to understand how it all works together.

Elaine Forbes - Yes. We'll work on what documents to prepare for next time. Meghan is right. The city has shifted to a new financial system. It's harder than in prior years to produce this detail but we will look at what we've produced in past years and definitely get you more detail.

I will say that the position changes are all taking that operations division that Executive Director Moyer created right before she left. I chose not to execute on doing that, creating the chief operating officer position, merging development with real estate, merging planning with the environment. You'll see how that looks. We can produce an organization chart as well to explain. So many of these changes have been in place since you appointed me executive director but the budget is catching up to what I implemented some time ago.

Commissioner Brandon - But they are changes within every division.

Elaine Forbes - There are. There are cleanup changes within every division. We'll show you what all of those are. Some of them are clarifications of positions that individuals have sat on for some time based on the HR-recommended classification and those sorts of more technical matters but we will get you the details.

Commissioner Brandon - Great. That would be wonderful.

B. Informational presentation on the Port's Fiscal Year 2018-2019 and 2019-2020 Biennial Capital Budget.

Ananda Hirsch, capital manager on the finance and administration team - Last time I was here, I was here to talk to you about the 10-year capital plan of the Port. That document lays out where we are and what is achievable in coming years in regards to maintaining and enhancing Port property. The two-year budget represents what we're able to fund in the immediate timeframe from that

larger 10-year need. This year, to facilitate strategic analysis and bridge the gap between that broader 10-year time horizon and the immediacy of the two-year budget, the Port is developing its first capital improvement program.

This will allow us to take a five-year look at the capital projects we're going to deliver and think about them on a timeframe that it can take to conceive of, plan, design and deliver a capital project.

We will be bringing you the full five-year CIP in April but the capital budget presented now represents the first two years of that program of projects. As you're well aware, helps advance many strategic plan goals of the Port, most notably stability where our investments are supporting revenue and helping increase revenue.

In that 10-year capital plan, we identified a \$1.5 billion need for investment in state of good repair at the Port. That figure includes both a billion-dollar backlog as well as the need to invest \$54 million a year annually in renewals if we were to do renewals on our optimal cycle.

In the plan, we identify funding to cover about 40 percent of that state-of-good-repair need. If you look at the table on the right, it shows how we are doing relative to that annual renewal need in this capital budget with our existing resources.

True to the plan, there is a shortfall, which drives us to be as strategic as we can with limited dollars to make sure that we achieve as much as possible with those resources for the Port. As Meghan touched on earlier, our capital policy is a big piece of that. That encourages us to keep investing in capital as much as we can without jeopardizing the operating budget. Also, this five-year Capital Improvement Plan (CIP) gives us that strategic look to help us think about what this program of projects look like.

We continue to use a really deliberative criteria-based approach to prioritizing projects that are put forward in the proposal. This year, as we have since 2010, we convened an interdivisional group that's the capital technical review committee. That group sat down and reviewed more than 60 proposals and scored them against the criteria here to evaluate projects against each other for possible inclusion in the budget. In addition to those criteria and those values, we overlaid several funding principles when finalizing the recommendation, the first being to honor prior commitments.

There were several requests for additional funds for existing projects where, because of the bid environment and current costs or expansions to scope, additional dollars were needed for us to complete projects we'd already committed to. We wanted to make sure we got to those. Addressing health and safety, an obvious priority for us as well as completing capital improvements where they are necessary to help us get into an imminent lease where a lease is pending. Finally, we applied the funding principle of making sure we were

seizing opportunities to leverage Port funds. This meant both pursuing projects where outside funding sources are available for the work as well as looking at strategic investments that could yield future returns for investment in capital.

This two-year budget is 13 percent over the previous biannual budget. That's possible because of the Port's capital policy, both meeting our target of 25 percent operating revenue invested in capital as well as putting one-time sources to capital.

Finally, this does include a general fund request for two projects. As you will note, most of the sources are internal Port sources with fund balance in one time.

On the uses side, 55 percent of the overall budget is towards state of good repair. In our capital plan, we emphasize the desire to make sure that particularly internal Port sources are dedicated to state of good repair. If we were to look at that chart and focus solely on the internal sources, we'd see that 70 percent of the Port revenue is dedicated toward state of good repair in this budget.

I wanted to note simply on the sources side in the Port fund balance, that includes several reappropriations of funds. Noted in the left-hand column, this is really just clean up. These are closed projects. We are sweeping unused funds out so that they can be used for other projects.

On the right-hand side, these are projects where staff have reconsidered how the work might be delivered and current priorities and identified some places where the funds are no longer needed as they were originally budgeted.

Most notably here is the Ferry Building plaza improvements where staff have identified that we don't need the full amount that was programmed to get that project ready and teed up for possible inclusion in a later general obligation bond for parks and open space.

In the state-of-good-repair side, the leading investment here advancing our maritime objectives is dredging, which makes up 14 percent of the overall capital budget. Maintenance dredging is essential for continued use of the Port's deep-water berths. Further down the list of state-of-good-repair investments, we see things like routine maintenance such as the dry docking of the China Basin Floats, which help preserve and improve the longevity of Port assets.

On the enhancement side, the first two projects listed are both projects for which we are requesting general fund dollars. Another highlight on this side is the Pier 90 silo demolition project. This is funding for planning and design of that work. We'll see the construction phase when we come back to you with the full five-year capital improvement program and that's important both for safety objectives as well as for making more real estate available for achieving the vision of the Pier 80-96 Maritime Eco-Industrial strategy.

Further down the list of enhancements and safety projects, we see several fire investments including continuing funding of the fire protection engineer at the Port as well as one of the projects identified through the work of that fire protection engineer, which is the Pier 31 new fire standpipe system.

The things on the project delivery and strategic investment categories I'll touch on in my highlights. The only thing I wanted to note for you on this slide is the contingency fund where we are setting aside some dollars to help cover costs for unforeseen site conditions as well as the bid environment in which we're seeing projects come in over budget more often than we would like.

Highlights of the investments -- Meghan foreshadowed this one for me earlier. As we've heard from Meghan, we've had years of sustained strong revenues and investment in capital. This year, that made staff want to step back and take a moment to think about how we might seek efficiencies and improve our delivery on capital projects.

We reached out to Parsons/Lotus Water who has helped other city departments think about their capital project delivery methods. Out of their review and their recommendations, we're putting forward a proposal for a new project management office with five staff. They would complement the skillsets of existing staff to help increase capacity, speed project delivery and enhance our ability to gather and use data to improve our performance.

Finally, getting to those general fund requests, we've requested \$11 million for Mission Bay Ferry Landing. That represents the amount required in a match for a pending grant request that the Port submitted in January to the State for the project.

On the seawall side, we've requested \$6.75 million and that is the funding needed to keep that project going through a potential bond sale, which we hope to bring to voters in November of 2018. If that bond passed, this money from the general fund would be reimbursed by bond proceeds.

You'll hear more about this seawall and the bond later today. You'll also hear more about Pier 70 and Forest City today. But right now was the opportunity for the Port to consider an upfront capital investment in Forest City to earn a return as part of that development project.

This was put forward and considered by the capital technical review committee and it scored highly. Finance is recommending a \$6.5 million investment. That's \$1.2 million in the new budget as well as existing project balances. That is expected to bring in \$5.7 million discounted to present value net return over 10 years to the Port. We recognize that a larger contribution would generate even greater revenue for the Port. But this level of investment balanced against our other renewal and life-safety needs. We felt like this amount of money we could do, and doing more would have forced us to forego time-sensitive and mission-critical investments that are proposed with the rest of the capital budget.

Meghan has gone through most of the next steps for the budget. Here, I would just note that we are bringing the capital budget to the city's capital planning committee on February 26th, the day before we come back to you for final approval. They will review it and hopefully give us preliminary approval pending your final approval.

Commissioner Woo Ho - Thank you, Ananda. Thank you for giving us kind of what your actual presentation will be on the capital budget this year. Every year we hear about the \$1.5 billion backlog. What I didn't see this year is some of the things that we did eliminate last year and how much of that and how much we were able to find new financing or, in some of the larger projects that got absorbed. Since we are going through with Mission Rock and the Forest City project, which is mentioned -- the Port investment. I'm not sure I understand the movement in and out of because it's always \$1.5 billion or in that neighborhood. It seems like we have changes going on.

Elaine Forbes - Commissioner Woo Ho, I think that this would have helped us as well when we were looking at the operating budget to give some context of what we're doing every other year. So one year is our planning year where we do the five-year financial forecast, and we do the capital plan where you really see those ins and outs and how big our total need is. The next year is our budget-only year. This year, you're dealing with budget only.

You are asking many context questions that a five-year financial forecast would answer or a capital plan would answer but this year is the year we do budget only. Next year is the year we do plan only, development of the five-year financial forecast and the 10-year capital budget.

So Ananda won't be able to answer that particular question that you're asking her. Although, we are going to calendar financial updates relative to opportunities and challenges, so we can continue to have strategic conversations even when we're off planning cycle.

Commissioner Brandon - I still think that we should be able to see what's been completed, what's partially funded, what remains, etc.

Commissioner Woo Ho - What's put on for this next two years? That would be helpful. From my standpoint, I'm not in a position to say this project over that project because you guys know what you're doing. So from that standpoint, this is fine because I'm not going to add any value because you've described the process, the questions you ask, how you prioritize it, how you decide which ones come in. I'm fine with that. I think we're here to look at the bigger picture of how is this pipeline moving over time? It's a big challenge. We have the seawall and all these other issues to address as well.

From our level, we're worried about the bigger picture but we can't really help you on is this project better than that project. You guys know much better than we do what is more important and what has to be prioritized.

I do appreciate that you've balanced out the investment in Forest City in the sense that this is as much as we could afford at this time given that we couldn't ignore all these other issues that we've had in that regard. I think you've got a good process of how you've gone about selecting what you need to do in the budget process but we are looking at the bigger picture.

Commissioner Katz - Thank you very much. Again, it's a very cogent presentation. I appreciate that. I'm not really sure where to sort of address this question but as we look at the capital budgeting processing, I'm not sure I'd want to add points per se to this issue. But it seems that we have some projects that there may be some other sources of revenue that should come in. For example, the Mission Bay Ferry Landing, given the benefits to some of the adjacent businesses, it seems like there might be some opportunities to reduce our costs on that given the benefits to adjacent buildings and others there.

I'd like to see if there's some ways that we can explore projects that might have other revenue sources that we could then potentially have more projects by getting some allocation of funds from other sources.

Again, not necessarily with what we're looking at today but as we go forward, if we could start looking at being a little bit more creative in how we look at some of our expenditures because when it's public safety and those issues, absolutely it falls on us.

We want to make sure that we are completing those projects. But there are a number of others that provide significant benefits to adjacent businesses that, if we were to just reach out to them and share frankly the benefits to them and the significant cost to us, that really is somewhat insignificant to some of these businesses.

We might figure out ways to be creative in getting others to share on some of the costs of these kind of improvements, certainly with the Ferry Landing being one of those that we can explore some help for that might then free up some revenue for other projects.

Thank you for spreading this out. As we go through each project, I appreciate the way the point system was set out and how projects were evaluated because that's something that reflects some of the issues that we had raised previously. One other thing to look at is are these projects that will also then help us in terms of our longer-term revenue?

Ananda Hirsch - They do receive points for that. That is part of the scoring.

Commissioner Brandon - Just a lot of questions behind the numbers. It's a great summary but not a lot of detail behind the numbers. I would like to see what wasn't funded. I would like to see what requests there were that weren't funded and the rationale. Are all these new projects? Are these some carryover from five years ago? Thank you for all the time and energy and work that has gone

into this report. I know we have a lot of needs. I know that we have to come up with a scoring system. Are these all new? Have some been on the list for five years? Have they been on the list for 10 years? Do they keep getting ignored? Because we have such a laundry list of needs in our \$1.5 billion needs. I'm trying to understand what else needs to happen versus what's here and the rationale for what we're doing.

Commissioner Adams - I agree with my fellow commissioners. I think Commissioner Woo Ho said it in the last one. I think we'd like to get a little bit more in the weeds and a little bit more detail. The commissioners asked some really good questions. This is good but there's a lot more that we might want to get into. I don't know how we go about doing that. We want to peel the onion as far as we can so we can really understand it.

I think you and the Port staff understand it. We have to be able to get our head around that and we really want to understand. I think President Brandon said it too. Things that weren't funded so we know. We have to understand just in case somebody was to ask us. Port staff understands it but it stinks that the commissioners don't know.

If somebody was to come up, I'd like to say, yeah, this and that or whatever. Even the public, we all can use this education. It helps everybody. I believe in that transparency and clarity. We have nothing to hide here at the Port. We should put out whatever we can put out unless Eileen raises up her hand and says we can't. I think that kind of transparency is good.

Ananda Hirsch - I did want to note that a lot of these are things that I was hoping to present when I come back to you with the five-year CIP. I'll talk with Director Forbes about the timing and what we show. I'm excited that you want to see more detail because I'd be happy to share.

12. ENGINEERING

A. Informational presentation on the Port's Rapid Structural Assessment Program and overview of load restricted facilities.

Rod Iwashita, Chief Harbor Engineer for the Port - We are here to present an update on the Port's Rapid Structural Assessment Program. We manage about 200 buildings and 150 marine structures, which includes piers and wharfs and seawalls. Through this program, Port engineering regularly inspects our facilities for structural damage and deterioration.

We communicate our findings to other Port divisions, the Port tenants and the public. Matt Bell has been managing the program since joining the Port in 2016. He'll go into the details of the program and the current status of our facilities.

Matt Bell, civil engineer with the Port - The goal of the structural assessment program is to ensure safety by identifying and assessing damaged facilities.

Load-restricted facilities are yellow tagged and will typically have load limits posted or uses limited to prevent excessive weight on the damaged areas. Fully restricted facilities are red tagged and are barricaded to prevent access. Through our inspections, we also make recommendations for structural repairs and preventative maintenance, which can be the starting point for future repair projects.

While ensuring safety is the mandate of the program, information on the structural condition of our facilities is used to make decisions about asset management, potential changes in use and long-term capital planning. We've worked with finance on the update to the 10-year capital plan and with planning and the waterfront land use update process to help demonstrate the capital needed to maintain our aging facilities.

Since engineering's last commission update two years ago, our inspections have revealed some new yellow-tagged and red-tagged areas. Over the same time period, we've made a significant number of repairs to previously restricted facilities.

Here is the current structural rating map for the entire Port with each structure color coded with its rating. Overall, you see a lot of green showing that most of our facilities do not have any load restrictions. However, I want to emphasize that many of our green-tagged facilities, especially the historic piers, do have repair needs. And that green does not mean it's in like-new condition. A green rating simply means that the structure can still support the loads that it was designed for.

These ratings also do not say anything about a facility's vulnerability to earthquakes or sea-level rise, which is something you'll be hearing more and more about as our seawall program progresses. The Port and its partners have recently taken a number of facilities that were rated red or yellow two years ago and performed repairs to bring them closer to like-new condition. I'd like to highlight a few of these projects to show the variety of ways we've accomplished these improvements.

Here's the Port pile crew installing replacement piles at Pier 9 south apron. Design, environmental permitting, funding and construction of this project were all done entirely in-house by Port staff. Port maintenance is currently working on a similar but larger project to repair the timber apron at Pier 92, which is the location of the only ready-mix concrete plants in San Francisco.

Orton Development partnered with the Port for the Historic Pier 70 project and has substantially completed construction on most of the buildings in the historic core area. As you all know, this project has been more than just restoring once-vacant buildings to their original condition.

There, in fact, have been major upgrades to seismic safety, fire safety, energy efficiency and additional square footage. Port engineering performed design and construction management for the Pier 31 roof and structural repair project.

This building, as you can see from the shoring installed, was on the verge of collapse. After a major effort by the project team, the timber structure has been repaired. The new roofing will preserve the work that has been completed. This was just a sample of some of the structural repair projects that have resulted in an upgrade to the facility rating. Now, I'm going to review typical damage seen in our red and yellow-tagged facilities focusing particularly on our marine structures.

As you can imagine, structures built over the water experience more rapid deterioration that isn't readily apparent unless you go out in a boat and actually inspect it. These images show examples of some of our reinforced concrete piers in areas that are currently yellow tagged.

Saltwater induced corrosion of steel rebar in the concrete causes strength loss by weakening the rebar and by causing the concrete covers to fall off. Because these piers were originally designed for heavy cargo loads, they still have reserved capacity and can support lighter uses after damage like this occurs.

But once the rebar is exposed, additional corrosion will occur more quickly, so we need to implement conservative load limits and monitor these conditions closely. Timber structures are also subject to accelerated deterioration in seawater due to the presence of wood-boring organisms in the Bay.

Wood piles are treated with chemicals and wrapped with heavy plastic to prevent this kind of decay. But eventually, these measures break down and lose effectiveness. These two photos in particular were taken at low tide. You can imagine that, when the water is higher say by five or six feet, you probably wouldn't notice the full extent of the damage that you see in these photos. The areas above these two particular photos are red tagged and have been barricaded.

Some of the photos that I've shown have funded projects to repair some or all of the damaged areas of the pier. In other cases, there is not currently a funding source identified. Ananda's presentation that you just saw described how the Port prioritizes which projects get funding for the two-year cycle.

Obviously, the Port has also been successful working with tenants, developers and other government agencies to fund repairs to our facilities. A lot of good work has been accomplished in the past two years.

Port staff are working hard to continue this trend because, obviously, there's a lot more work out there to be done. Trying to look at a little bigger picture, you can see from this chart that more than 20 percent of the Port itself is built directly over the water. Most of our high-value uses depend on the connection between

water and land that our marine structures provide. This is especially true along the Embarcadero where nearly half of the Port's area and the vast majority of our buildings are over the water.

Additionally, almost all the "dry land" in the Port's jurisdiction is fill, which is retained by seawalls fronting the Bay. Port engineering inspects these structures to find the kinds of issues I showed in the photos and to monitor the deterioration we already know about.

In conclusion, structural inspections are a regular, ongoing process that is critical to ensuring the safety of the people who use our facilities.

Commissioner Woo Ho - Thank you for this report and a picture is worth a thousand words. It tells you the situation. It describes it very well so I appreciate that. We just had the discussion on the capital project. I'm not sure whether all of the things that you are mentioning here -- I think the red tag ones probably fit into the capital budget somehow. The others may or may not because some you've mentioned we've repaired ourselves. What percent of the things that you're talking about here are within the operating budget versus the capital?

Matt Bell - I think all the repairs are funded typically with capital budget funds. We do these inspections. When there's an unsafe condition, we will red tag and vacate the area. There may not be a project in this next two-year cycle to repair every single red-tagged facility but it is reflected in our 10-year capital plan. It's part of that \$1.5 billion backlog.

Commissioner Woo Ho – Is the engineering department part of the panel discussion within the Port to determine how we prioritize these projects?

Matt Bell – Yes, Engineering has representation on the capital budget committee.

Commissioner Woo Ho - So you're giving input based on your determination and findings of the various projects?

Matt Bell: Yes. You can see there's a lot of factors that need to be weighed when deciding what project gets funding.

Commissioner Woo Ho - In a sense, what you're doing here today is just to reinforce to us the issues that we're hearing described from a financial perspective, but you're giving us the physical aspect of what needs to be done.

Matt Bell - Correct.

Commissioner Katz - Commissioner Woo Ho summed it up perfectly. A picture is worth a thousand words. It's rather frightening looking at some of those supports or lack thereof. In terms of some of the red-tagged or even the yellow restricted use, are there things that can be done that are not as costly to either allow some

further access? The red tagged facilities, is there nothing that can be done without significant capital outlay to even access any of the facilities?

Matt Bell - That is typically the definition of the red-tag facilities is that they really are not safe to be used unless repairs are undertaken. Or in some cases, it's gotten to the point where demolition would be more cost effective than a repair.

Commissioner Katz - And there aren't portions of it that can be pulled off either at the front of the some of the sites or anything like that?

Matt Bell - When we do a repair, you can be more cost effective by repairing it to say a lower capacity than it was originally designed but it's still useful for the kinds of uses that we typically see. These used to have very heavy cargo loads, loaded railcars on them. We don't see that too often anymore.

Commissioner Katz - That's my question, if there's something that may not be as intense a cost or the prior use might be too significant. Do we take a look at whether with some lesser infusion of cash and repairs, that we could get some use out of it that would be meaningful?

Matt Bell - That's correct. When we go into a repair project, that's one of the first things we do is set the loading criteria for the uses that we think are going to actually occur on this pier or on this apron and then, we design to that. We don't just blindly repair to the old capacity.

Commissioner Katz - Are there opportunities that we can look at to get some use out of either the red-tagged facilities rather than totally cordoning them off or demolishing them or once they've been red-tagged, there's really not much we can do? And we've got to either do massive repairs or demolition?

Rod Iwashita - That's correct. A lot of the pictures here show damage to the piles, the vertical support system. If we're going to mobilize a repair to do that, that means a pile-driving crane that's on a barge. That's typically quite an expensive piece of machinery to bring out. It makes sense to repair all of those piles at one time because the mobilization cost can be quite high.

Commissioner Katz - As we go through the yellow tagged facilities, it seems that would potentially be a better use of our funding to bring those back as they're not quite as heavily damaged as unsafe? Or is that really going to be dependent upon the potential use?

Rod Iwashita - I think that some of the red-tagged areas are still manageable. They are small pieces of the pier. Pier 54 has a couple of discrete areas where there's a red tag because those particular piles have been damaged beyond repair.

Matt Bell - What Rod said is correct.

Commissioner Katz - Thank you. That was actually what I was getting at is are there discrete portions?

Matt Bell - Typically, an entire pier is not red tagged. Typically, you find the worst area first and that raised the flag up.

Elaine Forbes - I think what might help is to take a look at exhibit number one, which has a description of all the yellow-tagged facilities. You'll see the portions of the facility that is under that restriction, whether or not there is funding available. Exhibit number two is the very smallest of red-tagged facilities and whether there is funding available to fix the condition or not. You'll see that it typically is a portion of a facility that's either fenced off or barricaded away from public use.

Commissioner Katz - Got it. Thank you.

Commissioner Adams - Matt and Rod, you guys make a good team, I have to tell you. Matt, you're a little shy just a little. Next time, just look up a little bit. I appreciate your comments and stuff. But every once a while, a little eye contact with the commissioners is good but good presentation.

This is probably one of my favorite part of the presentation because this is so important. The structural and then, it goes into the seawall. These are just like billion dollars of investments that's for the safety of our community and just long-term investments that we have to make. It's not something you talk about that sounds cool but it's so important. It really is. It's really an investment. I really enjoy this because I look at our Port. I know that there is money that we do need for structural damages.

If we do want to have more tenants in there, there's work that has to be done. We have to put our priorities, what's here and what's there. This is a great presentation. I know it's preparing us for the seawall. These are the discussions that the community has to understand about the investment that we're going to have to put back into our Port.

This is huge. These piers are very, very old. This Port is over 100-something-years old. Some of these piers have been around a long time. For safety purposes and -- we have 30 million tourists a year. We've got people running and walk up and down. We have people working in these piers, customers and stuff like that. We have to have safety. We're going to have to put money into structural stuff. It will last us hopefully another 100 years. But these are things that we've got to look at. I really appreciate the work that you're doing. I understand that it's a hard thing sometimes to talk about but these are things that are important.

When you've got to red tag a facility or something, then that facility can't make money for the Port or different things like that where it's unsafe for tourists or

people to walk around because we have an open Port. I appreciate your presentation today.

Commissioner Brandon - Thank you very much for this presentation. This is really good and really detailed. I really like the fact that we've changed some red to green. That's a great thing but we have a very long list. For me, it would be helpful to know the cost not just whether funding is available or not. We keep saying \$1.5 billion but what does that really mean? What would be the cost to fix or repair some of these things?

I also noticed that, under the red tagged, there are several pier structures that are collapsed that we've been talking about for a long time. It also says that they're partially funded. I've been told over and over that the pier removals are funded and will happen.

Elaine Forbes - I believe most of them are waiting on CEQA. I thought we had a pier-removal-strategy slide? Did you not go over that today? It was an optional slide. We are going to present it next time we come. We have all that detail about the strategy on the pier removal of collapsed facilities that are orphaned in the Bay and when they will actually be taken out of the water. We'll have that for you next time.

Commissioner Brandon - Are they funded?

Elaine Forbes - They are funded but we will include that. We can actually add to this attachment cost information and provide that to the Port Commission. Where we don't have it, we can explain why. But we can add that intel and provide it to the commission as well.

Commissioner Katz - On the pier-removal issue, I noticed last couple times I was in New York they've actually turned some of those abandoned piles into art exhibits. Is there any opportunity?

Elaine Forbes - We're taking them out but we should definitely take a look at what you're discussing and see what options we have.

Commissioner Katz - If there's some that might be an opportunity for an artistic project, they do look pretty fabulous at certain times of the day. I know others warrant being removed but if there is any scenario that we could turn it into an art installation much as was done in New York, that might then free up some funding for others to be removed that make more sense.

Commissioner Brandon - I saw in the capital budget funds for painting cranes. Is that art?

Elaine Forbes - We took money away from painting cranes and gave it to another project. We actually have funds for demolishing the grain silos, which have beautiful art on the grain silos. But the structures are very, very unsafe.

That's a place where the challenge is we're taking out art to provide for a safer place but we definitely are always looking for art opportunities especially in the southern waterfront.

Commissioner Brandon - Thank you very much.

B. Informational presentation on the strategic community engagement strategy for the San Francisco Seawall Earthquake Strengthening and Disaster Prevention Program (San Francisco Seawall Program, or SFSP) from Port staff and Civic Edge Consulting, LLC.

Brad Benson, Director of Special Projects - I'm really subbing today for Renee Dunn Martin, who is leading this communications effort and prepared the staff report for you today.

The purpose of the presentation is to give you an update about the strategic community engagement strategy for the Seawall Earthquake Safety Program. We have a new name for this effort, reflecting the fact that this is a program that will be executed over decades. It will require continual funding over time. It will have multiple phases rather than being a single project.

You'll recall that, about a year ago last January, you authorized an RFP for this communications contract. There were seven bidders on that contract. In March, you selected Civic Edge Consulting. Amber Shipley is here representing Civic Edge who will give an update about the work that we've all been doing together over the last year.

About 75 percent of the funds in this contract are for LBEs. We have several of the LBE firms here today as well. Amber is going to start and do the first part of the presentation talking about community engagement, our roadshow, our presentations that our speakers bureau is now conducting and some of the other marketing and outreach efforts.

Dave Metz IS here representing FM3, our public opinion research firm. The Port's had the opportunity to work with Dave in the past. He's really expert at public opinion polling. we've got two good presentations about the seawall for you today.

Amber Shipley - I'm a partner with Civic Edge Consulting. I'm excited to give you an overview of our community engagement efforts to date and then tell you a little bit about what we're planning this year. We have a really big team on the Civic Edge community engagement team. We have the fine folks from RDJ here with us. They're going to say a little bit about our work in the southeast. FM3 is here as well. We have 10 firms that are working on this on the communications front.

We're working seamlessly with the CH2M stakeholder folks on their side. This is a seamless project and sort of the Port logo is on top. That's Renee who is just

kind of telling us what to do at all times. It's an honor to work with her. Our first task when we were brought on was to create a community engagement plan. This is this document. It's like 80 pages now. We're on draft three. It's an iterative document, a living document.

It includes all the chapters that you see here. I'm going to give you a very quick overview of what we're planning and what we're thinking for each of these pieces. So we have three overarching communications or community engagement goals especially for this year.

The first is to increase public awareness and support for the Embarcadero seawall and this project across the city. It's a citywide project. Number two is to create a sense of citywide urgency for the program and make sure people understand why there's this urgent seismic risk and we have to take action now.

Three is to establish the Port of San Francisco as a trusted steward of public funds. People don't necessarily know who the Port is. We have this great opportunity to introduce you guys as great managers of big projects like this.

We have very large and ambitious goals that were set by our Port team; 250,000 residents engaged over the next year is a big goal but we think it's really obtainable. You'll see that many of these numbers have non-English-speaking targets here. We know that 45 percent of San Franciscans live in a home where English is not the language spoken. We want to make sure that all of our outreach is culturally appropriate and in language and we're doing that.

I'm going to gloss over this slide about what we know from our public research polling. It's such a privilege to be able to have that information as we put together our community engagement efforts. The most important thing is that we know that, when people hear about the seawall and they hear about the program that you guys have undertaken, they support it. They understand what's going on. As we've seen in our outreach already, they're making the connections themselves. We don't really have to lead them to it. They get why it's important.

In any big program like this, our first step -- and we've worked really closely with Renee and the seawall team at the Port -- is to come up with key messages that will guide our work. This seems obvious to you all because you know the seawall so well. You understand the project but we want to make sure that we're all on the same page so that everything we make from the website to little pieces of collateral, which I've brought for you, kind of carry these four key messages with us.

The key messages are: San Francisco faces safety risks; the Port has a track record of success with large-scale projects; we can't afford not to take action; and a resilient Embarcadero seawall is part of San Francisco's vision for a safe city. We want to make sure that those four messages are carried through all the work that we're doing. I put in the messaging stages here, so you could see how we're thinking about different messages for different rooms.

It's a little more complicated. The exciting work around our graphic identity -- I think we're almost there. This is sort of the look and feel of the project that we're moving toward.

You'll see some fun stuff coming out in the next couple of weeks and months. As we're doing all this planning and moving forward, we're already at work on our stakeholder-involvement strategy. That involves a stakeholder assessment. We're working very closely with the CH2M team. The Port has directed us to conduct stakeholder interviews to understand how best do people want to tell us about what they want for the waterfront?

We're conducting these interviews. We're doing a stakeholder survey. We're making sure that the ideas and the feedback that we're getting is going to come and be put into this document so that our plans represent what we're hearing.

We've already started, as Brad said, the community presentations roadshow. I think we have about 50 or 60 of them that we're starting to schedule. Staff is burning the midnight oil or the 5:00 to 8:00 p.m. oil doing roadshow presentations about the seawall.

We're going to start our conversations with Port tenants, big businesses along the waterfront. Obviously, there'll be stakeholder meetings. Like I said, making sure that all the strategies that we hear and the feedback that we hear are incorporated into our planning, and it's a living document.

In addition, we're already out there on our community outreach. We've seen a few of you as we've done community outreach. We have an ongoing citywide community outreach campaign at big events like Sunday Streets and festivals around the city and then smaller intercept opportunities like farmers markets and libraries, that kind of thing.

We know from FM3's work that people really identify with the waterfront. They love the waterfront. It's a nice sell to say, "Hey, why do you love San Francisco's waterfront? Did you know about the seawall?"

We're getting some really great feedback from the residents that we've talked to so far. They're very happy that the Port is out there without an ask because we're not asking them for anything. We're just telling them about the seawall at this point.

We've gotten some great feedback. "Wow. Thanks for being out here, and thanks for talking to us." This is a quick map for you so that you can see citywide. As we keep going over the next few months, many more stars will fill up this map.

In addition to meeting people on the streets, we're meeting them online. We have some fun social media ideas. We're building on the great work that the Port has already done. They have a great following.

We're going to add seawall messages to what's already happening. I will note that this Facebook post here on this slide reached 18,000 residents, which is pretty incredible that you can reach that many people with one post.

It's so fun that we get to work on innovative outreach on this project. In addition to some social media, like a waterfront photo contest and fun social media ideas, we're also working on a mapping partnership where we're working with companies that create maps that people know and see like Strava to make sure that the seawall is literally on the map.

Ritual Coffee is one of our first makers partnerships. Companies in San Francisco that make things that we all like, why not put the seawall on a bag of coffee? This summer, we're going to have an espresso blend from Ritual Company. It'll be a seawall espresso.

We're kind of joking about jolts or how we can make a joke about the seawall. Anyway, so that's a way to reach people where they might not expect it and reach a broader group of folks. I'm very excited to have Dwayne Jones and Rosie Dilger here with me. They're going to say a little bit about the work that they're overseen in Southeast San Francisco.

Dwayne Jones - First of all, congratulations Commissioner Brandon. Twenty years is a fantastic milestone. I echo the hope that you do 20 more in your seat.

With regard to this project and this team, one, it's a fantastic team. As you saw, there's a large number of LBEs. What is unique and fantastic about this team is that there's been a unique assembly of partners in this team where folks are in very narrow lanes but the lanes that they are probably best at.

With regard to this project, we have the opportunity to address the issues within the southeast community. Commissioners, you may know from, one, living there and just being around in general, the southeast in general feels like they've always been excluded and/or isolated from the city as a whole. This project allows them to be on the front end of that communication just as all the other parts of the city are on the front end of this particular communication strategy. What we've employed for this particular project is somewhat of a three-tiered strategy where we are initially coming out to provide general awareness.

This is also a community that has a lot of meetings on a regular basis about a lot of projects. So since this is not something that has a hard ask from them, a general awareness campaign is our first wave followed by an education campaign and then a real genuine engagement strategy.

With that trifecta, what we hope to do is figure out how to leverage pre-existing systems and partners that already exist in the community. So through that vein, we want to host a series of mini receptions that we've partnered with retail establishments within the neighborhood along the Third Street corridor along with the community-based organizations.

You might see a combination of the Bayview Senior Center I concert with the Southeast Facilities Commission hosting a reception at Auntie April's to actually just talk about the seawall, what it is, how it works, why they should be interested and what this whole movement is really about moving forward.

As Amber said earlier, you will begin to see many of the stars begin to kind of light up over the next two months, as we have a lot of those meetings in the queue.

Rosie Dilger - The only thing I would add is that, like the overall communications plan, our FAQ for the southeast will be ever-evolving. Everything that we hear in the community, we bring back and use it to fine-tune our message as we move along.

Dwayne Jones - In closing, what we have learned in our many years of experience is that the messenger matters. What we're going to leverage is kind of thought leaders that already exist in the community to educate and give them the awareness necessary so that they carry that message back to their respective CAC, church groups, PTAs and community-based organizations so that we can disseminate the information as quickly as possible.

Amber Shipley - I brought some goodies for you guys as well, some of our fun outreach swag. So my last slide is just walking through what to expect in the year ahead. We have Dave coming up to tell you a little bit about our polling results, which are very exciting. Again, it's a great resource to be able to refine our community engagement strategy based on tested messages. We have the results of the stakeholder assessment that will ground our stakeholder strategy development as we continue to refine it. We have our ongoing citywide outreach, thoughtful outreach to undeserved communities, making sure that we have that in our minds at all time, continued innovative engagement with the partners like Ritual and Strava. A media relations effort will begin in earnest as you saw the Chronicle published a great piece on the poll. We're getting started on that work as we go.

Dave Metz - I'm a partner with FM3 Research. I'm pleased to walk through and highlight some of the key findings from our recent voter survey to assess public support for a potential bond measure.

The methodology we employed here is very similar to the methodology we've used in the surveys that we've conducted for the city's capital planning program over the years and a recent survey that we did for the transportation authority.

We reached out to 955 likely voters who, based on their past voting behavior are considered likely to cast ballots in November. We interviewed them online, on cell phones and on landline phones. Given the high proportion of renters that San Francisco has, the number of people that move in and out of the city, the relative youth of the population, we find it's important to have as many different mechanisms for encouraging people to take the survey as possible.

We conducted interviews in English, Spanish and Chinese to try to make sure that all linguistic communities had a chance to participate. Many of the key findings of the survey echoed what we saw in some of the initial research we did last year under the grant that you all received from Living Cities.

Perhaps not surprisingly, we found that voters were relatively unfamiliar with the seawall. A total of 35 percent said they were at least somewhat familiar with it. Frankly, in our profession, we tend to think that number reflects what we call social desirability bias and what you probably call lying, which is that top number, those who are very familiar, is probably more reflective of those who really have a functional knowledge of the seawall.

There's a natural inclination to not want to admit that there may be a gap in your knowledge about an important piece of public infrastructure like this. But what that means is that there's an educational task ahead of us in terms of needing voters to understand what the seawall is, where it is and why it's important to the community.

The good news is, when we give the respondents a draft of what bond ballot language might look like -- and this is typically the best way of understanding public support for finance measures like a bond measure. At the very beginning of the survey, we show them a model of what that 75-word ballot question might look like because we know it's the one piece of information that every voter will receive before they cast a ballot.

They may not read their voter pamphlet or the newspaper or any other public education materials that are out there but they will see this question. When presented with language for a potential \$500 million bond, 73 percent indicated they would vote yes, 16 percent no, 11 percent undecided, in excess of the two-thirds supermajority that is required for approval.

Now, this polling is very favorable when compared to a lot of the other recent infrastructure bonds that the city has put forward. In fact, it polls as well as or better than many of the other earthquake safety and emergency response bonds that have recently been on the ballot.

I will note that the support is relatively soft however. Only 31 percent say they will definitely vote yes. Most of those who are inclined to vote yes qualify their support by saying either they'll only probably vote that way or are undecided. That likely reflects their lack of familiarity with the seawall and underscores the importance of a public education process. There are relatively few major differences within the San Francisco electorate in support for the potential bond measure.

The biggest one is along partisan lines where more than seven in 10 Democrats and Independents are supportive. But among Republicans, support drops to 57 percent. Even then, among Republican voters, we still have almost two-to-one

support, which is impressive given the typically skeptical view that many Republicans take of public finance ballot measures.

Among a variety of different improvements that would be funded through the bond measure, we asked the respondents to evaluate the relative importance of each one on a four-point scale as either extremely, very, somewhat or not too important.

What you'll see here are the things that they rated as the most urgent priorities for investment from the measure. You'll see that a lot of it focuses on protecting city infrastructure whether it's utilities or transportation from the impacts of an earthquake or disaster and also ensuring that emergency services can operate in the event of such a disaster.

Obviously, the seawall's location means that it could put all of those services in jeopardy if it isn't prepared to withstand an earthquake. I will also note that one of the things we saw in last year's focus groups is that residents tended to put more urgency on earthquake safety than on preparing for sea-level rise. While they recognized that both are extremely important, they saw sea-level rise as gradual and predictable. An earthquake obviously is something that can be sudden and very unpredictable.

Over the latter part of the survey, we also walked through the kinds of things that supporters and opponents of a bond measure might say to try to understand how the public back and forth of a campaign might impact voters' willingness to be supportive. What we found was that the impacts were really minimal. A more detailed explanation of what the measure would do and arguments in favor of the measure raised support to 78 percent and opposition message dropped it down to 71.

Throughout the poll, we were well over that two-thirds threshold that is required for approval. We also tested a range of potential arguments in favor of the measure. We have a fuller report on the survey results, which can be available to you, which will show you the wording of all of the messages that we tested. We asked the respondents to rate each message as either very convincing, somewhat convincing or not convincing. We've ranked them here by the proportion that rated each one very convincing, which are the dark blue bars. We have an abundance of very effective messages but the strongest ones tend to focus on the threats, whether it's sea-level rise, earthquakes or simply the age and deterioration of the infrastructure at the seawall.

These initial survey results are very encouraging. They suggest that the public, even if it isn't totally familiar with the seawall, recognizes the urgency of preparing for seismic risks and for sea-level rise and are initially inclined to support a significant investment in strengthening San Francisco's seawall.

Commissioner Katz - It's exciting to see the outreach. Correct me if I'm wrong but it seems like we're starting with a pretty high level of engagement and

support, all things considered, which certainly from a variety of perspectives is good. I know we're having a lot of physical presentations and discussions, what we need to do to sort of tailor some of the strategies, to handle some of our probably newer residents get their information through different sources, aren't as involved in the fabric of the city from the standpoint of organizations and meetings and how we are tailoring our message and outreach and also the polling as well. When we do polling, it's always hard to reach people that no longer have landlines or communicate the way we used to from a polling perspective. We can just talk a little bit about that a little bit and if there's anything we should be looking at in those trends.

Amber Shipley - I can't speak to polling but I can let you know that, on the community-engagement side, we have so many different channels or ways or reaching people. There are the community meetings that the Port staff are going to present at. There are big festivals like Sunday Streets where we're going to capture maybe a thousand email addresses in one Sunday and then smaller intercept activities where we're kind of catching people at a library or on the way to the grocery store.

We're trying to coordinate with community groups as well understanding that there are going to be a bunch of people here at this one time. Maybe we could send some Chinese-speaking outreach ambassadors there to bring some seawall literature, that kind of thing.

We're doing our best to have a very broad-reaching, citywide outreach and engagement effort so that we're hooking all the people in at the various places where they might land. Does that help?

Commissioner Katz - A little bit. One of the things that I'm seeing as a more and more effective tool for reaching people that are engaged in the community to some degree is Nextdoor. I know public agencies can't necessarily post or access the neighborhoods but it seems finding a spokesperson in each neighborhood, on each little Nextdoor community can keep their fellow neighbors apprised of what's going on. I know I'm in the Bayview and people have been really good about posting activities that are coming up, events that are happening more so than in priorities that I've seen.

I think that would be a very fertile opportunity to figure out if you can get captains, so to speak, in each of the neighborhoods.

Amber Shipley - Love it. Very innovative. Thank you.

Dave Metz - From the perspective of the polling, Commissioner, I would just say -- again, we did the survey online, on wireless phones and on landline phones. About half the interviews were conducted online, about half on the phone. Of those conducted on the phone, a majority were conducted on wireless phones. Only about a quarter of our sample was on landlines, which in our industry 10 years ago, that was the only way we reached people.

It reflects the evolution in the ways that we reach out to people to conduct these kinds of interviews and particularly in San Francisco. The number of people we contacted on wireless phones or online is much higher than most other communities for all the reasons that you indicated.

Commissioner Katz - In terms of the outreach efforts, trying to get that viral marketing going, we have the physical swag but I'm thinking of the virtual swag, Pinterest, Instagram, Facebook posts, etc..

Amber Shipley - Totally. We would love your support in sharing once that stuff is out there with your networks as well.

Commissioner Katz - Great.

Amber Shipley - Help us go viral.

Commissioner Katz - Great. Thank you. It really is exciting to see how much engagement is going on and the focus as well on the neighborhoods and not just those along the waterfront but the effort to engage the whole city because this is affecting all of us.

Amber Shipley - Thank you for your leadership.

Commissioner Woo Ho - Thank you. This is a great result from the investment we've made from when we engaged you. I remember that contract discussion. Because this bond issue is so important and to understand how to position it correctly with the voters, I think this investment in research is extremely helpful and insightful to know what's going to resonate with the voters.

At this point, we have no idea what else we'll be competing with in that particular election of when this bond issue would be going up but we're going about it very smartly. I think this is helping to inform how to position it.

Good work. Let's keep going. Let's figure out how to keep fine tuning and refining this and understanding how we can go to the ballot. In this case, what kind of vote will we need? Sixty-six?

Elaine Forbes - Sixty-seven percent.

Commissioner Woo Ho - This is really critical to get us to that 67 percent number. We really have to do a lot of homework here. This is just a step in the right direction. That's tremendous to know that we are making that progress. What timeline do we have in terms of when we think this would go?

Elaine Forbes - We are currently slated for November of 2018. Port staff will be working diligently with the city family on assessing public information and voter information up to the point at which the board of supervisors presents the question which will be in June.

At that point, we will be in campaign mode and we'll do that as volunteers. One of the important pieces to acknowledge right now is that we are at the beginning of a multi-generational effort. In addition to talking about that earthquake safety and our first phase, introducing the citizenry 250,000 of them to the seawall and understanding that we have a project today and a project into the future to address sea-level rise is critically important because it's not just us that will be tackling this project. We're in the long game with this infrastructure.

Commissioner Woo Ho - I couldn't agree more. We're trying to figure out how to get to the 67 percent, which is goal number one. The question would be what's the opposition going to say? How do we present ourselves in terms of thinking about opposition wording?

I'm not sure if it's formal or informal even if it's just in the voter's mind, not to say that there would be groups necessarily going on the ballot measure against it. That's something we have to tackle as well, which I'm not sure we know enough about at this point.

Amber Shipley - We do have feedback from our outreach. When our outreach ambassadors are out at like a Sunday Streets event, people will ask them questions. We've created with the Port staff an internal FAQ document that's like a living document where we're adding all those questions each day and each time we're out with the public.

For the most part, the questions are obvious. How much is it going to cost? What is the timeline? Questions we usually ask.

Commissioner Woo Ho - Can we afford it?

Amber Shipley - Less so from our outreach experience. But as we move into a campaign situation, that's a whole other story.

Brad Benson - The early feedback that we're getting is very positive. It's quite conceivable that a measure like this enjoys broad support across the city and there isn't an opposition. We are going to have to be very careful.

We've had training from the city attorney's office. When this measure is on the ballot and if there is an opposition, that's not a matter for us as public servants to be addressing. That will be addressed through a private campaign that does not involve the Port in any official capacity.

We'll keep you up to date about how the outreach goes. Obviously, we're taking notes about the feedback that we get in these meetings. We'll share any concerns that we hear from the public with you along the way.

Elaine Forbes - I would add that what we're learning through the outreach are things that help us deliver a better project. Some of the questions we're getting are on cost, the definition of the project. What are we doing in the first phase?

Everyone is very eager to have us answer that question. We have a lot more detailed engineering work to do to answer that question. What about the southern waterfront? What about the rest of the city in terms of sea-level rise? Looking for more context in the overall city plan. We are documenting all the questions we're hearing as we're out there. It is helping the Port perform a better project but also helping the city family in addressing some of the larger issues as well.

Commissioner Woo Ho - We have seen some media coverage discussing this, which is helpful. There's got to be a separate strategy that we're focusing on how do we keep cultivating the media strategy? Will you talk to the editors at the Chronicle, etc. having those discussions so that they're fully aware about continuing coverage on this issue?

The November election is going to be an interesting election just in general in terms of what's happening in the politics in the city right now. We're assuming that we will probably have good voter turnout.

Elaine Forbes - Yes. I think so. November tends to be a high turnout ballot.

Commissioner Woo Ho - Right. 67 percent is the goal.

Commissioner Adams - I really enjoy this discussion and the comments of my fellow commissioners. There's always opposition. A kite always flies against the wind. But in saying that, I appreciate your honesty because we have a president that says sea-level rise is fake news. Right.

You're right. In this city, we think about earthquakes. We think about the homeless problem. That's what we talk about in this city. Commissioner Woo Ho just hit on something, our politicians. We know Mayor Lee was all in. Ed Lee was out front. He had the banner high in the air. It was go, Ed, go and he was going. I'm sure Mayor Farrell is doing that. Is any of the politicians that are running have this on their platform? Are they coming out strong and bold in saying this is something that's a part of their agenda? When you're a leader, you need to be publicly stated what's on your platform, what you're for and what you're against.

Secondly, I was going to say to get out to all communities, the underserved communities, every community. Being in a city with the average age of 27 years old, when my union was in a West Coast lockout years ago and the media came down, we did radio ads. We did commercials.

Like the Giants, they sell out almost every game. Would the Giants be willing to use that to say something like that? Because look at all the young people that go to the games. Especially the way the younger generation communicates is so different. They don't look at fliers. That's not how they move or how they roll. How do you gain some excitement? Or is this a mellow, kind of subdued campaign? Or is this something that you raise it as you go along?

It's good that you're reaching out to the business community but the younger people in the schools, high school students, etc. and even the Warriors. This is something that they're going to be moving back over here.

I'm wondering would some of these athletes be willing to do a commercial? When I lived in Seattle, I had a lot of friends that played for the Seahawks and some that played basketball. They would say to me, a lot of times people never ask us to do anything. Only thing they can do is say no. There are people that are willing to do something for the community. All you've got to do is ask them. Would they be willing to do something?

Would Buster Posey be willing to do something on TV? I see him in commercials all the time as well as Steph Curry? This is something for future generations. This is for what's good not only for San Francisco but for this whole region.

In San Francisco, we lead the nation. We don't have to worry about what's happening in Washington but we have to appear here. If you're running for office, what is on your platform? Where are you at? There's a guy like Tom Steyer from Genentech that's out there, and the things that he's done. Would he be willing to make commercials? I understand he wants to impeach the president.

Can we get a seawall built here in San Francisco, which might be a little easier? I'm just throwing it out there. We've got a commission here. We have a lot to talk about here.

I hope you think about different things, but it's something to think about. Sometimes, you've got to put on your political thermometer and find out where people are at and they've got to step up.

Amber Shipley - Thank you, commissioner. Those are great ideas.

Commissioner Brandon - Thank you. Amber, Rosie, Dwayne and Dave for the presentation. In the short few months since you've received the contract, I've seen you at several events. You guys are doing a great job at community outreach and I love the creative collateral that you have.

Amber Shipley - I brought some for you, some fidget spinners.

Commissioner Brandon - Yeah. Because it's for kids and adults, everyone is engaged and involved. Commissioner Adams has a good point in that we probably do need to focus on the younger voter somehow now that San Francisco has so many young people, which is a good thing.

According to the statistics, older people love this. We have to get it out to the young people and make sure that they're aware. Maybe we can get Mark Zuckerberg, to do a commercial.

This is great. You guys have done an absolutely wonderful job. Your efforts are absolutely wonderful. I wish that the vote was in June instead of November with such good numbers.

Amber Shipley - Give us some time. We'll do better.

Commissioner Brandon - Thank you very much. We really appreciate it.

C. Informational presentation on the Request to Advertise for competitive bids for construction, Contract 2786 Pier 94 Backlands Improvement. (Resolution No. 18-14)

Ken Chu, project engineer for the Pier 94 Backlands Project - The Project site is located near Amador Street and Cargo Way in San Francisco.

The Project scope includes grading the site, construction of an access road, storm water management system, perimeter landscaping, street lighting, and capping the regulated landfill area at the northeast corner of the site. The Project improvements will turn the vacant land at the Backlands into approximately 16 acres of leasable property. The improvements will accommodate the site for future leasing opportunities such as construction laydown, vehicle parking and storage types of uses. The Port contracted with San Francisco Public Works to develop the detailed design and construction documentation to support the capital investment required to improve the site. The estimate for the project is \$7 million.

The budget for the project is \$8.5 million. Taking out the soft costs, this will be enough funding to fund the construction of \$7 million plus 10 percent contingency. The LBE goal for the project is 20 percent. We are trying to complete the project construction by the end of the year.

We plan to advertise the project by the end of February or March and seek Port's Commission approval to award the project in April. Notice to proceed work on the project sometime in May for a six-month construction and bring the project completion by the end of December of this year.

Commissioner Brandon - Is this informational?

Elaine Forbes - It's informational at today's meeting and staff will be coming back to you at the next meeting for approval.

Commissioner Woo Ho - This looks like it's just one of those infrastructure maintenance required projects. Is that true, Tom?

Commissioner Brandon - Thank you for asking. I'm going to have Rod answer that.

Rod Iwashita - This project is in support of the Piers 80 to 94 eco-industrial project, It's meant to establish a platform for development on these lands. David Beaupre has been helping out quite a bit. He's probably more suited to talk about this.

David Beaupre, Planning and Environment - This is a capital project. It's a project we've been working on for a number of years to improve approximately 20 acres of the Backlands, as Ken indicated, with a new roadway, storm-water infrastructure, landscaping around the perimeter. It'll allow us to do interim leasing of the Backlands for the areas that are currently unimproved. It is a capital project.

Commissioner Brandon - So this is just for the infrastructure to make it available.

David Beaupre - Right. Take the piles of concrete that we have, spread them around, create a roadway so that each of the parcels are accessible and then work with the real estate group to begin to lease the property up and generate revenue from the site.

Commissioner Woo Ho - What would be potentially the usages once we put this infrastructure in place?

David Beaupre - The uses that we've worked on through the planning process with the community, the Southern Waterfront Advisory Committee is primarily construction laydown, storage and parking types of uses. So there's no structures being constructed as a part of this. It's essentially leveling the surface, again spreading out the aggregate material, creating a roadway so that the sites are accessible and also creating a cap over a regulated landfill portion of the site.

Commissioner Brandon – Ken, thank you so much for the presentation. We look forward to you coming back at the next meeting. David, thank you for the information.

Commissioner Katz - Could I ask that, when you come back at the next meeting, share with us prospective tenants and uses so that, when the improvements are made, we'll know what we're looking at in terms of being able to maximize use of the site?

Commissioner Brandon - It may be good to have a budget of specifically what it is we're doing with the \$7 million.

13. REAL ESTATE & DEVELOPMENT

- A. Review of Forest City Pier 70, LLC's Phase 1 Development of the 28-Acre Site at Pier 70.

Christine Maher, development project manager with the Port - As you know, last fall, we reached a really big milestone with the Pier 70 project with approval by this commission in September followed by Board of Supervisors' approval in October. We are here today with another big milestone for the project, which is the phase submittal for phase one of the project. Forest City will walk you through the phase submittal.

Consistent with the disposition and development agreement, staff is currently reviewing the phase submittal for completion. Once staff finds it complete, we will forward it to the Port director for her review. The Port director will then approve the phase submittal within 30 days if she finds that it's consistent with the DDA and the other regulatory approvals and develops a balanced mix of market-rate development infrastructure and public benefits.

On the other hand, if the Port director were to find that the phase submittal included major changes to what was approved as part of the DDA to the phasing plan, the project schedule performance or it didn't allow for that mix of development, then she would refer the phase submittal to the Port Commission for its review.

Jack Sylvan - President Brandon, congratulations.

Commissioner Brandon - Thank you.

Jack Sylvan - We've been excited each time that we've come here. This time, we're really excited because we're literally on the cusp of breaking ground. I made this comment at the Planning Commission and the president made a joke that this is actually true. I don't know that this is true but I suspect that, for a project of its scale, we will be the quickest from project approval to starting construction, which is pretty exciting.

I will talk about some of the things we're doing to make it a successful first phase from the standpoint of the community and the place that's being created and then talk through schedule and what we think the budget looks like.

One of the great things about starting the work that we're doing is that we're not actually starting at Pier 70. One of the things that you all have put in place is the momentum from the work that Orton is doing rehabbing buildings, the work that you're doing in the first phase of Crane Cove Park.

We're really excited to be able to leverage that and to connect to that. Obviously, we need to connect to the adjacent neighborhood, Dogpatch so bringing the street grid down and building the new infrastructure loop which you see here on Maryland Street.

The first phase focuses on two of the three historic buildings on our portion of the site. They're about 90 percent of the square footage. They're the two marquee historic buildings on our site, Building Two and 12.

One of the things that we are working very hard with your staff and other city agencies, something can be a little bit challenging because people are not used to designing and building streets that go under a historic structure. But if we are successful, it will be quite a special moment as you arrive at Pier 70 and you see the Bay out beyond. Each of the phases has a mix of commercial uses, residential uses and residential both affordable, rental and for sale.

We have all of those components in the first phase. In terms of total program, it's on the portion that we will build, we think it's about 665 residential units. That doesn't include the Parcel K North parcel that you all will actually sell through a competitive bidding process to a condo developer. So call that another 240 units. So there will be about 900 units -- it's good for getting the place established -- a 275,000-square-foot new office building and then the 150,000 square feet in Building 12, which is retail, local manufacturing and office users on the top floor.

This is to some degree a bit of a pioneering location. People love Dogpatch. What's happening at Pier 70 gives us that momentum. But we're going to be out at the edge of the Bay to a place that people are not used to coming to. For us, it's really important to deliver a place that feels like a community from the beginning and has the amenities that can draw residents and people to work there. Building 12 will be the heart and soul of that.

We're also excited about building a portion of the park program out to the waterfront to give people access to the water. We're very excited to come back to you with the designs that we have for the parks. As they've been evolving, we think that it really is an opportunity to create something that will be unique in the Bay Area.

You've seen this rendering before. This is walking between Building Two and 12. You're headed out the park to the waterfront. That public open space will all be built in the first phase. Not all of the buildings will.

Similarly, this is the portion of the waterfront park that will be built in the first phase. The buildings that you see in the background are in later phases including that waterfront arts facility.

Each of the phases -- and this is true of most master development projects in San Francisco -- spread the public benefits in the project proportionately through the project. For us, that means both building affordable, inclusionary units in the rental buildings that we will build as well as the first -- each of the three phases have an affordable housing building that are funded by the fees that are paid by the project.

It's not actually 15 million in fees that are generated in the first phase. It's 27 million and that covers the majority of the gap funding.

The PDR use, the maker uses in Building 12, transit fees -- and there's a whole TDM program that we're developing. All of the work that we're doing to integrate access to jobs and business opportunities for people in the construction process and as we start to build out some of the retail spaces.

Currently, we are in the process of talking to folks about being a liaison to the LBE community to help us get paired with folks who can succeed in both the design and the construction phases of the project.

We're also going to be working with YCD to do the job training and placement for the local-hire component of the project. We haven't yet brought on a retail broker but we hope to do that in the next six months.

We'll then start working with OEWD and some of the players that understand some of the local retail and entrepreneurs we can start guiding to opportunities in the first phase of the ground floor spaces.

In terms of the actual physical work that we'll do, the first thing that we'll do is take down some of the structures that, going back to the master plan that your staff did in 2010, have been anticipated to come down. That'll take two or three months. Then, we spend six to nine months doing the grading of the site. We're raising the grade of everything in the site from four to nine feet.

Then, we come back in, and we put the utilities into the roads, which is the next thing that we'll do is we'll build the backbone infrastructure loop, all the wet and dry utilities and some of the key backbone infrastructure for wastewater treatment and the pump station.

The fourth component of the infrastructure work is the actual construction of the parks, which is the last in the sequence because you want to do that as your buildings are completing, and you've already built your infrastructure.

The draft schedule is geared to deliver all of the buildings that we will develop and open roughly the same time with the infrastructure in the park so that we're not opening a building that has a bunch of construction happening around it and doesn't have the amenities that you want to have that building be successful.

We hope to start the structural demolition next month. We're hoping to get the documents in place to be able to support that. The grading lags a little bit. The goal there is to get that work done before the rainy season starts this winter if, in fact, we have a rainy season at the end of 2018.

Once that work is underway, then they can come in and start building the infrastructure lines. The parks construction is pushed out to the point that we're trying to defer as much of that cost as possible to be as economically efficient as possible but to have it deliver at the same time that the buildings are open.

We are underway with our design team for two of the buildings, Building 12 and then E2. It's a new apartment building. We hope to be underway with the design and the leasing process for the other two buildings, which is the historic rehab of Building Two and the new-construction office building in the next couple of quarters.

We're turning the massive ship that used to be called project approvals, entitlements into the ship called implementation. In terms of the cost to do this from the horizon -- the master development perspective, the direct hard costs are about \$86 million. The infrastructure and the streets is the biggest component of that followed by the open space and some of the shoreline improvements followed by the grading and the site prep.

It's a little less than half of the overall hard costs for the entire project and that is common for a project like this where you have to build that backbone infrastructure early to support the new buildings and the users.

When you add in some of the soft costs, we're at a total project budget of about \$125 million for phase one. This is out of the pro forma that was the basis for the financing plan and the DDA that you all approved.

About \$87 million is the value of the first-phase land parcels. There is a series of public financing mechanisms just from the buildings and the taxes that are generated in phase one, are about another \$105-110 million.

This doesn't all happen immediately. It's all about timing. How quickly can we get to building the buildings so that they're generating the taxes that create the public financing mechanism. But the revenues are there. The project has the revenues to support the costs. It's a question of how quickly can we get to generating those.

We are super excited to be able to be making this happen so quickly. We're hoping to catch the tailwinds of an economy that still seems like it's strong in the Bay Area. There's still people looking for major blocks of office space. People are still renting units. It's not the fervor of late 2015 but it's still really strong. We're excited to get underway and to make this place the place that we can all be proud of. Frankly, you all set the stage for many, many years ago and your staff. We're hoping to step in and do right by it.

Commissioner Woo Ho - I want to thank the team and thank Jack for presenting. I think we've heard a lot about Pier 70. It's great to finally see -- as he said, to go into the ship of implementation because we've been hearing about all the various phases and to see now that it's finally starting to happen and while we're still kind of in the design phase but to actually see this is going to move along.

I don't really have any specific questions because I think we've been informed along the way. I'm very excited to see that this is finally getting to the point where we can see the light at the end of the tunnel. The team has done a

fantastic job. The Port staff has done a great job as well as working with Forest City and I'm very pleased to hear this progress report.

Commissioner Katz - Thank you, everyone. When a report is put together so well and so cogently, it belies the incredible work that's gone into getting us to this point. It underscores how much work has gone into it. As you say, very exciting to be here. We're all equally excited with you that we're finally at this point. We really haven't thanked the board of supervisors for their approval of the project not all that long ago that has allowed us to get to this point. That support was unanimous. It's nice to be in this place and get unanimous support. I'm pleased to see where it's going. We've spent a lot of time on the project but it's exciting to see the phasing. We won't hold you to that but it looks like a very reasonable and doable timeline. One concern I would have is just lining up -- from what I'm hearing on so many construction projects in the area, just getting the workforce lined up is significant.

I imagine that's already been in play but just want to underscore again that's one of the things that's important to us about this project is that it really is enhancing opportunities for our local workforce. Getting the appropriate steps put in place so that we won't have to have any lag time while putting teams together to start the project will be significant.

I did have one question though I think it's probably premature. I'm pleased that, in phase one, there will be the childcare facility. I'm assuming that, once that's constructed, then an operator will be found for that to run that facility?

We've never really talked about that piece of it before in terms of community improvements. At some other point, we could talk about how that will be run and how an operator will be selected for that and how the 50 children will be chosen to be part of that because that's certainly something important in the area.

It also underscores that we are looking to have families come into the project in the site and we're planning for that. That's something significant to point out. But again, mostly, I'm just excited.

You sort of answered one of the questions I had which was with respect to the parks and open space, putting them towards the tail end so they'll be available there for the residents. I'm not sure what kind of maintenance will be needed as things are phased in to keep those areas safe and that, whatever work is done, that it's continually maintained. I'm sure that's going to be in the plan as well. Thank you very much. I'm excited to be at this point.

Commissioner Adams - Wow. Thank you, Jack. This is awesome. Brad, I can see your heart beating through your shirt over there. This is good. I'm really liking this. I can't wait to see it finished. I'm looking forward to seeing the beginning of things going to come together. It took us so long to get there. Now, I think things are just going to come together so fast. This is going to change the landscape of San Francisco in that area. For us, there's no turning back. We're

going to have a whole new area in San Francisco. I know this has been the dream of President Brandon for years.

It's going to be like another city out there. It's going to be so much to the city even though it's not that big. It's just going to be this really hip, cool neighborhood out there that's just going to be so different and encompass so much.

I'm thinking of the housing and your commitment. I'm hoping that more people will be able to stay in the city and enjoy the city of their birth. People will be able to live in this city. I'm really excited.

Commissioner Brandon - Jack, thank you so much for the presentation. This is definitely exciting. I can't wait for the groundbreaking. It's just so exciting to have the project actually starting and a proposed schedule that looks really wonderful.

Hopefully, you're able to achieve that and just get the project going. This is just so needed. I know you have put so much time and energy and work into this. As Commissioner Adams said, this is going to be a whole new community and it's going to be a great one. Thank you.

14. NEW BUSINESS

Director Elaine Forbes - I have two items to put on the forward calendar. One is an informational item on the cruise strategy for review and comment. The other, which I took the liberty of adding, is an item on revenue challenges and opportunities in the maritime and real estate portfolios. Is there any other new business?

Commissioner Adams - There's a joint statement from me and Commissioner Woo Ho. We agree.

15. ADJOURNMENT

ACTION: Commissioner Katz moved approval to adjourn the meeting in memory of Amy's mom, Remedios Quesada; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Brandon adjourned the meeting 6:04 p.m.