

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 27, 2018

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 2:42 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, Leslie Katz and Doreen Woo Ho.

2. APPROVAL OF MINUTES – January 30, 2018 and February 13, 2018

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the January 30, 2018 and February 13, 2018 minutes were approved.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

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

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:43 p.m. the Commission withdrew to closed session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER AND PROPOSED SETTLEMENT (DISCUSSION AND POSSIBLE ACTION).

- a. Discuss existing litigation pursuant to Section 54956.9(a) of the California Government Code and Section 67.10(d)(1) of the San Francisco Administrative Code.

California State Lands Commission, petitioner and plaintiff, v. City and County of San Francisco, et al., respondents and defendants; San Francisco Superior Court (Consolidated Case Nos.: CPF-14-513503 filed February 14, 2014 and CGC-14-540531 filed July 15, 2014)

- b. Possible approval of a proposed settlement agreement with the California State Lands Commission, subject to Board of Supervisors and State Lands Commission approval. The material terms of the proposed settlement are as follows:

State Lands Commission agrees:

- to dismiss its lawsuit challenging the validity of Proposition B, which was adopted by voter initiative in the June 2014 municipal election
- not to challenge the validity of Proposition B as applied to the Pier 70 and Mission Rock projects
- to partner with the Port to seek funding for the Port's Seawall Earthquake Safety Program
- to work with the Port to facilitate the placement of affordable housing on public trust lands where legally authorized
- not seek further reimbursement for State Lands Commission staff time spent reviewing the Pier 70 and Mission Rock project documents

The City agrees:

- to acknowledge that it is required to comply with the common law public trust doctrine and California Public Resources Code sections 6009 and 6009.1
- for Board of Supervisors legislation and Port Commission resolutions that approve a development project or substantial land use or zoning change on public trust lands, include public trust consistency findings in the legislation or resolutions
- to present to the Board of Supervisors a proposed ordinance amending the Elections Code to require that for voter initiatives that would approve a development project or substantial land use or zoning change on public trust lands, the ballot pamphlet include a statement that the measure involves the San Francisco waterfront, which includes sovereign lands that the State of California has legislatively granted to the City and which are protected by the common law public trust doctrine and held in trust for the People of the State of California

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER AND PROPOSED SETTLEMENT (DISCUSSION AND POSSIBLE ACTION).

- a. Discuss anticipated litigation matter pursuant to Section 54956.9(a) of the California Government Code and Section 67.10(d)(2) of the San Francisco Administrative Code: As Plaintiff
- b. Possible approval of a proposed settlement between the Port and Steph Mufson Creations ("Mufson") for property damage to the Port's electrical utility building at Pier 54 resulting from a motor vehicle collision. The material terms of the proposed settlement include Mufson's payment of \$40,000 to the Port, in exchange for the Port's release of all claims against Mufson relating to damage to the building, including loss of use.

5. RECONVENE IN OPEN SESSION

At 3:15 p.m., the Commission withdrew from closed session and reconvened in open session.

ACTION: Commissioner Adams moved approval to adjourn closed session and reconvene in open session. Commissioner Woo Ho seconded the motion.

ACTION: Commissioner Adams moved approval to disclose that in closed session, the Commission voted 4-0 to approve the settlement with the California State Lands Commission as described in Agenda Item 4.A(1)(b), subject to Board of Supervisors and State Lands Commission approval moved approval and voted 4-0 to approve the settlement with Steph Mufson Creations as described in Agenda Item 4.A(2)(b) and not to disclose any other information discussed in closed session. Commissioner Katz seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – Amy Quesada, Port Commission Affairs Manager announced the following:

- A. 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

- Informational presentation on Advancement and Updates to the Port of San Francisco Strategic Plan, 2017-2022.

Elaine Forbes - This month marks the two-year anniversary of our adoption of the Strategic Plan. I have the great pleasure of letting you know how we've done in the past year advancing the goals of the plan, highlighting some challenges that we see on the horizon and going over some changes that we're proposing to the plan.

The strategic plan is the operating guide to achieving the Port Commission's vision for a vibrant and diverse waterfront. The photo on the cover of the Strategic Plan does reflect much of what Port staff do while 24 million people

visit the Port every year, and there's so much maritime and commercial activities.

Our Port staff is doing the plumbing underneath the piers, working on the condition of our facilities and making what is so enjoyable and vibrant on top a wonderful experience for the public. The hard work that we do with our 250 full time employees (FTEs) in some ways goes unseen.

The Strategic Plan really is a complementary set of goals and objectives to accomplish our long-term plan goals and our adopted policies. The big two that we have is, of course, the Waterfront Land Use Plan.

Today, you're going to hear an update from our staff accompanied with stakeholders that have been working to update the 20-year-old Waterfront Land Use Plan. This is a comprehensive vision for how Port lands are used. We've come such a long way in executing that plan and are looking now to the next set of improvements that are going to bring the Port into a resilient future. The 10-year capital plan is an expression of the overall needs and values in terms of what we're going to spend our money and other sources on.

It also catalogs all the various needs that we have that we do not have sources to pay for. Our total now is about \$1.5 billion in capital need. This five-year strategic plan takes your goals and objectives, and it sets our focus on what we're going to accomplish in the five-year term to achieve as many results as possible in advancing our plans and policies.

It provides guidance on operations of the Port's projects, leases and finances. It communicates a shared policy platform for the public, expressing your values for me and my staff. It establishes priority tasks and projects for the Port to pursue in the five-year term.

It includes a vision and mission for the Port which you're familiar with. It's expressed in seven goals and several objectives for each goal. These seven values guide the Port work to rehabilitate this waterfront, integrate us with the city and deliver all the adoptive policies and long-term plans that I've described.

There are four to seven key work efforts to achieve each goal that is coming under the objectives. The first is renewal. Renewal enhances the balance and Port's maritime and economic purpose, rich history and changing relationship with the city, so the waterfront continues to be a treasured destination.

In this past year, we've made major efforts toward this goal. You will hear today the completed part-two analysis in the Waterfront Land Use Plan update effort. Both parts one and two are complete. We will have 150 recommendations to consider to bring us into the next era of a positive and

vibrant Port. This will include recommendations for leasing, transportation, resilience, sustainability. For Mission Rock and Pier 70, we've had two major projects approved on the heels of two decades of effort. It's 12 years for Mission Rock and 20 years for Pier 70. This entitles 56 acres of major development and signals a transformation of Dogpatch and Mission Bay neighborhoods, mixed-use -- mixed income neighborhoods rich with public benefits.

In our Historic Pier 70 project, we've seen private equity and investment go into renew and restore 20 Port-owned structures. These are very historically significant. We've also completed the first phase of Crane Cove Park.

If you go by the site, you'll see it's graded, and it's improved and ready for construction of the park. This will be a jewel in the Blue Greenway and a very important piece of the Pier 70 improvements. We completed the Pier 31 roof and structural repair project. This may seem like a smaller effort, but it's a very important Port land work with Port funds where we took a pier that had been slated for removal based on condition and saw its value in the Embarcadero Historic District. Now, it is ready for redevelopment and repurpose.

We've also initiated work on a request-for-interest process. This will look to our 14 under or unimproved pier facilities in our historic district. We're doing maximum due diligence to invite potential users to tell us what kinds of public-serving uses can we see in pier-restoration projects.

There may be ideas that we don't have. We need to test market-based concepts so that, as we rehabilitate our remaining finger piers that have not yet been improved, we maximize the public's use in those piers.

We do have a major risk to the renewal objective to achieve our maritime and economic purpose. This is the shipyard at Pier 70. The commissioners and the public have been aware of what's been going on at the shipyard since its closure in May 2017 after 150 years of continuous operation.

We are looking to put out a second RFP and attract an operator to bring back those important maritime jobs and see that shipyard renewed. I can't discuss renewal goal without pointing out the risk of the shipyard operation.

The next goal is engagement and the specific value it represents is to promote the richness the Port has to offer through education, marketing and maintaining strong relationships with the Port users and stakeholders.

In the time that I have been serving as executive director, I have learned that we accomplish almost everything we do at the Port not alone but through our partners. We have been working to put formal initiatives to outreach to the public and to engage the public more.

In one area, we had our first contracts open house, which brought a huge swath of potential bidders out to the Port to see what kinds of business opportunities we have. We will annually put on a contracts open house and the next one is scheduled on Thursday, March 15, from 8:00 to 10:00 a.m. here at Pier 1.

It is very important to the commission and to Port staff to get the word out about opportunities we have at the Port and to engage our surrounding businesses, small, local businesses in Port work. We also adopted the pilot fish sale policy, which I understand is bringing more public to the wharf to purchase fish.

We have had lots of social media efforts including the King Tide campaign. The earthquake safety program is a new way to engage San Francisco residents about the Port organization but also the major risk we have in our seawall, which is very vulnerable to earthquake damage.

The livability goal -- the value expressed here is to ensure Port improvements result in advances in the environment, social equity and quality of life for San Francisco residents and visitors. I would emphasize in this goal about social equity and quality of life because we have also a second environmental goal.

Here, we have done efforts to increase local business participation in our contracts but also in major leases. I'd like to point the work that we've done with Pasha Automotive, 50 percent of hires from District 10.

We are working on the Mission Bay Ferry Landing, advancing a key project to bring improvements to that neighborhood and needed ferry landing. We also have partners with the city on the homelessness issue. We provided shelter at Pier 80 a couple of years ago. But we also were able to move into business opportunity when it emerged, clear encampments in a humane way and open a navigation center, which opened in May of 2017. I'm very proud to say we have 64 formerly homeless people now sheltered in our navigation center.

In the area of resilience, this value is to lead the city's effort in addressing threats from earthquake and flood risk through improvements to the seawall and other Port property. I don't think I can overstate the level of effort and results we've had in this area of our plan. We've had really incredible results bringing the city together, understanding the risk. We completed our vulnerability study. We have our executive steering committee up and running. We have our consultant teams up and running. We achieved a federal interest determination from the Army Corps of Engineers, which is very key to the project's long-term success. We've earned a placement on the November 2018 ballot.

This project has been pole vaulted from an idea of a seawall that needed repair to a real program that is going to see improvements to the seawall for decades to come. Twenty years specifically is the program we're working on.

We've also been involved in the sea-level rise adaptation plan. Our chief operating officer, Byron Rhett, has co-chaired this effort to lead the city's sea-level rise response efforts. As part of that, there's a vulnerability analysis, a database of Port facilities to support the sea-level rise adaptation plan.

We're leading on the seawall project with the help of our city family. We're supporting and playing a major role in the sea-level rise conversation in the city. In the area of sustainability, the value is to limit climate change and employ strong environmental stewardship.

As you know, we have 500-plus tenants, very diverse operations. We have an environmental division that works very hard to go above and beyond and get the lightest touch and kindest use to the environment from all of our tenants and ourselves.

As part of my efforts, I've reorganized the organization. Part of that was putting planning and environment together to support cross training and collaboration and greater efforts on implementation of our sustainability programs.

There's been major efforts in this past year. First, we have a three-stream recycling now at Pier 1 and that ultimately will result in 80 percent diversion from our facility from the landfill. We've converted all of our vehicles and equipment to renewable diesel. That will reduce carbon emissions 60 percent. I'm very proud to say we achieved the Port's first beneficial reuse of dredge material, sending 65 percent of sediment from the Port's berth in 2017 to wetlands restoration in Solano County.

We have encouraged our ferry operators to also adopt renewable diesel and some have done so. We are looking at the feasibility of an electrical vehicle charging station. We continue to implement our under-pier utility inspection program to protect the Bay. We have put a lot of effort and we'll continue to put effort on our leases with our tenants for tailored, site-specific lease obligations that protect our environment in the San Francisco Bay including the San Francisco Bay.

For sustainability, this goal in short is to protect the Port's financial position and strengthen the Port's financial position. As you know, we have a major structural deficit. We just do not earn as much money as we need to repair the facilities we have.

It is always a challenge for the entire organization and for our finance team, now led by Katie Petrucione, to find ways to tackle the structural deficit. We will not be earning as much as we need to repair our facilities.

We have to target what we have in a very careful way. We target our capital reinvestment to maintain and improve our financial performance, so we continue to thrive as an enterprise. We invest 25 percent of operating revenue, actually more in the budget you're seeing today and in prior years to capital.

Our fiscal policies for the operating reserve and debt coverage keeps our operating budget small, which also pressures our staff. We did hire 72 new people including division directors. We transitioned to PeopleSoft, which is a very important move to integrate with the city.

Our books still look a bit like when we transitioned over from the state but we are now moving into the city's PeopleSoft system and that will help us get more data faster. We're also getting major legs and doing well on getting financial support from other people for our projects. The Seawall Earthquake Safety Program 2018 bond question is a key example of that, as is general fund support for the Mission Bay Ferry Landing.

In the area of economic vitality, the goal is business development, attraction and retention. We've seen very good results in this past year. The first I would note is the risk we took and the efforts we've made on Pier 80 in attracting Pasha Automotive. It's really increasing ship calls to the facility. This year, we're projected to earn a million dollars from the facility. It is growing. We will see that growth over time. We've also been working hard to compete for other cargo that harnesses San Francisco's competitive advantage. That includes proximity to our big Bay Area markets but also can overcome infrastructure challenges like rail. We're working toward a berthing plan to support the growing water transportation network.

We know that more and more Bay Area residents are commuting by water. We want to be there to support that and also other commercial calls as part of the reorganization plan which is made whole in the budget this year.

I moved real estate and development together. I created a chief operating officer position to guide the real estate and development division and the maritime division so they align business objectives.

The real estate and development division strengthens asset management and strategic leasing initiatives. It's really a next generation of our maritime leasing program where we're not looking just for interim uses but for intermediate and long-term uses that bring value to our organization and to the public and to the waterfront.

There are some Strategic Plan updates that you'll see in the report. They're shown in attachment one. It includes water transportation, specifics about the ferry and transit partners and an executed plan.

Transportation safety -- we've gotten increased calls. The MTA is really point on this issue but we are aware that there is a safety problem on the Embarcadero. We're working with our partners to implement changes for a safer waterfront for walkers, bikers and motorists.

The asset management strategy, which has begun in earnest to address short and long-term uses of Port facilities, integrating maximum maritime wherever possible.

We're trying to attract a shipyard operator and then really working on those cargo-leasing opportunities and other industrial activities to bring jobs, enhance community benefit and attract capital investment into our maritime terminals. They're in bad shape. They need a lot of investment. We're competing for cargo shipping again to utilize San Francisco's key value. W

We are initiating a nexus study on the economic impacts to evaluate waterfront benefits to the city. This nexus study needs to be updated and hasn't been updated for some time.

In terms of risks to the Strategic Plan, we have 247 FTEs in our organization. We probably have 600 FTEs of work. I made that number up as I haven't done a full analysis. But we need a lot more people to do what we have before us.

The Strategic Plan is a really good document to help us prioritize where we're going to put our attention. The efforts for the Port to achieve results take a lot of time and effort. You've seen that as commissioners with almost every item you see. They're complex. They take time, it involves multiple permitting agencies.

A lot of effort can end without a result so that is something that is a risk to the strategic plan. We have resource constraints because we don't earn enough money to buy the people or the capital investments we should be doing.

Our capital backlog is a real risk to the organization and just staff overload. The 247 FTEs we have work their hearts out for this organization and we work at a fast pace and it can be tiring. So putting our objectives together and understanding where we put our efforts is very important to maintain a positive work environment in this organization.

These very talented people continue to deliver and continue to be our employees.

Commissioner Katz - Thank you. Kudos to you and the staff. You can think about in the abstract but when you really see how much we have accomplished, how much we've done is startling when you said how recently we actually finished the Strategic Plan and have now put all this into place.

It really is remarkable. I know there's so many people to thank. I don't want to go through the litany. Our staff, as you pointed out, do so much with relatively little. It is a remarkable body of work that we have here, a little daunting sometimes looking at what's still ahead of us.

As you look at this, are there things that we missed? Are there things that we should possibly use to augment the plan or tweak it? Is there anything that would be helpful or useful from that standpoint? Were we more or less broad enough when we did our Strategic Plan that it covers and encompasses where we're going?

Elaine Forbes - That's an excellent question. Thank you, Commissioner Katz. We have been thinking about that. There are two areas that aren't fully expressed in our strategic plan and one relates to safety and security. Next year, Port staff can recommend a series of goals and objectives that relate to safety and security. I'm not talking about infrastructure security like the seawall project. I'm talking about the day-to-day work we do to keep our visitors and everyone who comes to the waterfront safe.

Because the Strategic Plan was developed through a commission effort, it's very good on expressing the values of a vibrant and diverse waterfront. There are some operational pieces related to maintenance and the work that we're doing to bring in different crews, so we can prepare in-house our pile-supported structures, to understand where wood piles are going over time environmentally and certain work that the maintenance division performs that isn't in a goal here in this plan as it is currently drafted.

Every division I can point to a goal that belongs to them but not to maintenance. We would likely suggest in an update that we can include a maintenance goal or morph a goal to belong to maintenance and include more on safety and security.

Commissioner Katz - You mentioned about our existing staff versus what it would be ideally?

Elaine Forbes - I made up the number but I know how many we have for sure. We have 247 FTE. It's at least only a third of what we need to do the work we have. We've constrained our operating budget for a long time and that is because of our earnings. But in terms of the work, we're growing so we've constrained our operating budget. Because of our good capital policies, our dollars for capital is so much higher. The projects we have in front of us like the Seawall Earthquake Safety Program are projects we have not had in the past. It's citywide, multi-generational efforts.

The two redevelopment-area-scale plans moving forward are complicated but we have the same staffing model. So we are very stretched. The way that we're trying to address that is taking away work where we can and focusing

on what's most important so setting priorities is really key and also just being very effective teams.

You probably are aware but this organization works well together. They advance the ball well together. These are some of the best, hardest working teammates that the city has.

Commissioner Katz - We've all said that up here too. We're aware of that. I don't know whether this would be part of the Strategic Plan, but perhaps it is, which would be interaction and maybe extraction of support from other city departments. A lot of what we do benefits the Port but also the city as a whole and there is a little bit of overlap. Perhaps we could figure out a piece of it that would have that kind of interplay and work with other city departments to pick up some of the effort there or to assist with it where possible and have perhaps some additional FTEs or support.

Elaine Forbes - That's an excellent comment. Part of the plan really expresses the value of an integration with the city. In some areas, we've integrated fully with the city. In other areas, we still maintain our force mains. We still have plumbing water infrastructure that I would argue the PUC would be much better suited to maintain than our staff and my engineering group would agree with me. We are still building, maintaining and programming parks and open space.

This may be our competitive advantage and something we want to do. Or we may want to work more closely with rec and park department on some of those operational needs. Those are just two examples of where we are really a port city in how we manage ourselves. I agree with you.

Commissioner Katz - Bigger than a lot of cities.

Elaine Forbes - Yes. I agree with you. Integration with the city would take the load off of staff and the work diminish and we can catch up with the work at hand.

Commissioner Katz - I'm not sure if this would be the time but perhaps request that as part of the Strategic Plan, have staff look at whether there would be some opportunities to either move something to another city department or bring them in as partners with us or whatever potential hybrid situation there might be that it would be beneficial for all of us.

Elaine Forbes - Excellent.

Commissioner Katz - Overall, this report is very exciting. Thank you again everyone who has worked on this. I'm blown away by how much has been accomplished. Even though we've been sitting here and listening to the updates throughout the year, seeing it all in one body really hits home how

incredibly talented our staff, our teams are. Thank you for your leadership. It really is a wonderful group. The rest of the city is figuring it out now too.

Commissioner Woo Ho - First of all, I want to compliment again. I think the framework to do a Strategic Plan, which we established is great in terms of all the various categories. It allows us to put it into a framework that we all understand and that we can agree with. It also ties in with other things that we're doing. Also the fact that you've adopted it in every staff report, all the categories, so we know how it kind of connects together and helps to prioritize as well it's tied indirectly also with the Waterfront Land Use Plan, which is still under development.

In terms of what has happened and the things that you have already recapped, it's excellent. In that regard, it's a good framework of thinking. As far as the updates and everything, the only one area that I would like to point out a little bit is in terms of going forward. I think we talk about the financial condition of the Port and wanting to make sure that we have a strong financial condition and we reference it in terms of our capital and our policies related to either the Port capital policy or the fiscal policies. But what I still think is a missing puzzle for me is a going-forward financial strategy, which is not about how much can I borrow? It's not about how much do I put aside in reserves?

It's understanding the pace of revenue, the pace of expense. It's a little bit of what Commissioner Katz said. Could we become more efficient if we delegated some of our tasks to other city departments, so we could redeploy our resources? And that translates into financial strategy. It's a little bit uncommon in public sector to talk about that because everything is done with cash accounting. The public sector accounting is different but I still think this is an enterprise department.

We still can use what I would consider good corporate financial strategy. I would recommend that one of the other things that we should add in a going-forward basis is not just to say do we have policies regarding capital or whatever -- and you are given a lot of guidelines in terms of your FTE and your expense growth from the city.

You're not totally independent. We do not have a financial strategy for the Port. It really does feed eventually into whether you want to call it stability or sustainability because we do have to be sustaining. We don't have access to the general fund unless there's an exception made periodically, which happens with the seawall.

We need to understand how we're going to survive on a self-standing basis with the fact that we have so many needs. I think that it's not just a balance sheet. It's an actually income statement. It really is something that is still a missing piece in this puzzle, which I would strongly urge that you all spend more time on going forward and it's not a budgeting exercise.

Elaine Forbes - I hear what you're saying. I think you're strongly suggesting bolstering the stability goals and objectives to have a strategic financial strait, have a financial strategy and have that reflected in the goals and objectives under stability.

Commissioner Woo Ho - And we have some elements. I'm not saying that any of these things of the Port capital policy or the fiscal policies are not right. They're all elements of it but I think we can go further.

Elaine Forbes - As we think through our financial strategy, it's a Port-wide effort because it really involves the asset-management strategy and the property strategy because they're very closely connected. What we do at Piers 80 through 96 or how quickly we get and for what purpose the vacant historic piers up and running -- these are very key efforts that will hit the income statement and balance sheet. I will work with the finance team and the real estate and development team and the maritime group to put in place some new statements on financial strategy.

Commissioner Woo Ho - Because we're going to see the Waterfront Land Use Plan later and we just had this discussion on the settlement with the State Lands Commission that we are able to work within the framework of the public trust and what does that mean? In some cases, is it trust consistent where we can sort of have a little more leeway? It does tie in eventually to our financial strategy of what we want to do to sustain ourselves and to do the things that we want to do for the public.

I'm talking also just about parks and open space but if we don't have a strategy, we don't know unless it's transactional. Each time we have something we go out and do a bond issue or something. We find some money but it's a little bit of knowing how you manage your own future.

Elaine Forbes - How we get there. I hear what you're saying. Thank you for the suggestion. Staff and I will work on it.

Commissioner Adams - Director Forbes, good report. I'm glad that there's a lot of transparency in this report. It's good that our public is out today. Our public and our community are our shareholders. I'm glad you talked about what we're going to have to do for the shipyard at Pier 70. Those are 350 great union jobs that we lost. We're going to have to get creative to get another customer at Pier 70 and revitalize that.

It's about local hire. I see Chris Christensen is here from Local 10. I was going to ask you about Pasha coming in and their commitment to 50 percent local community hire because it's about hiring locally in our community and being able to live in the city of your birth. How are we doing in that aspect of hiring people from the community for local hire and being able to exist and make a good wage living in San Francisco? Any update on that?

Elaine Forbes - A key part of our economic purpose in our industrial lands is to provide skilled jobs. Historically, the Port provided many skilled jobs from our industrial lands. Our numbers are down because of economic changes and changes in our tenancies. Pasha Automotive has met the requirement of 50 percent. I believe they exceeded it. I'm going to get you a report but I'm going to speak from what I know then I'll follow it up with real numbers. The number of jobs that we've projected when we came to you and asked for approval has come in lower than what Pasha said at the time because Pasha is not doing the level of auto processing that we had thought. They still do plan to grow in the arena of auto processing. Imports require lots of auto processing. Exports require not as much auto processing. The staff that Pasha has on site -- more than 50 percent are from the District 10 community.

There have been excellent employees and jobs created, skilled work but the numbers aren't there. I would say we're in the 15-to-17-employee range. We had thought we would get up into the 30-40 range at this point in time. It really has much more to do with the kind of work that they're doing, more exports, less processing. So securing some import work is critical to bringing up the jobs numbers.

Commissioner Adams - I'm also excited about this new ferry terminal being built but also what Mike is doing with the cruise business and then the water taxis because it's amazing the congestion that we have in this city.

We have the third-worst congestion in the world in San Francisco. We're trying to get as many people to go by water or alternative methods of transportation. I think that's something we're going to have to figure out to take less people off the road because 20 percent of the people come to the Giants games by ferry.

We have a beautiful Bay but we don't talk a lot about the human cargo that takes the ferries. I know that traffic congestion is very important to Commissioner Woo Ho.

Are you going to see partners of yours that are dedicated to affordable housing? This is pretty rare in San Francisco because of the homeless problem that we have here. It's something that we all have to get our heads around because anything could happen to any of us. We all could wind up homeless. Something bad could happen to you in your life. I really like that Forest City and Giants are running a business, but they haven't forgotten their humanity.

Not all people that are probably tenants in our Port have that kind of humanity. But clearly, the Giants have that kind of humanity. You can still make a lot of money and get rich and still do something for your fellow man, brother and sister. That's the same as what the Forest City project is doing.

I'm happy about that and that we can have people that live in the city because so many people have had to move out of this city. This is the most expensive city to live in in the United States. I'm glad that the Port is participating in this project.

Elaine Forbes - Thank you.

Commissioner Brandon - Thank you. Director Forbes, thank you so much for this report. It's remarkable how much has been done over the past couple of years. I, too, really want to thank the Port staff for helping us achieve a lot of these goals that we have over the last couple years.

It's great that we have the Strategic Plan as our guideline for what we're trying to accomplish going forward. My fellow commissioners have had some great recommendations on how to make the plan a little better.

Commissioner Adams and I just met with the City's Office of Contract Management and the Port's contract management division regarding our contracting and how we do contracts. One of the ideas that came up was what we want from our contractors should be in our Strategic Plan. It should start there. We should have a stated goal of what we would like to accomplish in that area. We should add that to the plan. It's a great document and we're following it wonderfully.

Elaine Forbes - Thank you all for your support from my staff and from me.

B. Port Commissioners' Report: None

10. CONSENT

Commissioner Brandon - I had a request to take item 10C off of the consent calendar.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

- A. Request authorization to advertise for competitive bids for construction, Contract 2786 Pier 94 Backlands Improvement. (This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 18-14)
- B. Request authorization to award Construction Contract No. 2771R Public Restrooms Project in Pier 45 Shed A and Islais Creek Park, to G.Y. Engineering Company, Inc., in the amount of \$673,000, and authorization for a contract contingency fund of 10% of the contract amount (or \$67,300) for unanticipated contingencies, for a total authorization not to exceed \$740,300. (Resolution No. 18-17)

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 18-14 and 18-17 were adopted.

- C. Request approval to execute an amendment to the contract with AECOM Technical Services, Inc., to increase the contract amount by \$770,000 for an amount of \$4,079,396 and extend the contract term for master planning, preliminary design, and final design and construction support for Phase 1 of the Pier 70 Crane Cove Park project. (Resolution No. 18-18)

Steven Reel, project manager with the engineering division for Crane Cove Park - This is an action item to request approval to execute an amendment to the contract with AECOM to increase the contract amount by \$770,000 for a total amount of \$4,079,396 and to extend the contract term from August 31, 2018 to June 20, 2020.

Crane Cove Park is located within the Pier 70 area and, upon completion, will be one of the signature new parks within the Port's portion of the Blue Greenway. Crane Cove Park is being delivered with multiple construction packages.

Construction package one, site preparation and surcharging is complete. Construction contract two, park improvements, was advertised for bid in July of 2017 and the results were unsuccessful. All the bids were coming in much higher than the estimate.

Since rejecting all bids, staff has prepared a strategy to deliver the park through the value engineering of the park design, attracting more competitive bidding by reducing the number of bid alternates and by separating out Building 49 into a stand-alone bid package, which would be the fourth bid package, and then conducting additional outreach to qualified bidders.

The new strategy requires additional design work and an extension of the project duration. This proposed contract amendment includes the following additional services: detailed design services for additional design and engineering to modify the design to reduce construction costs including a simplified design of the Crane Plaza and to develop associated construction documents; additional design and engineering service to revise bid package two and to develop separate bid packages for the 19th Street roadway and Building 49; additional services related to the extended duration including additional management, meetings and design studies; and additional construction support services to support the multiple bid packages.

The total park funding today is approximately \$35 million. This contract is being funded by the 2008-2012 Parks General Obligation Bond except for work associated with 19th Street parking lot, which is funded solely with Port capital funds.

The city contract monitoring division has set a 19 percent LBE subcontracting goal on Crane Cove Park projects. AECOM is currently exceeding the goal with an LBE participation of 24 percent.

The proposed contract amendment includes approximately 53 percent LBE subcontracting participation. We fully expect this amendment to be the last.

Commissioner Woo Ho - I understand the last piece where you said you couldn't get the right bids in so you had to break it up but it's going to cost us more. It started out as a small project. It's just gotten bigger and bigger. Each time, we seem to be incurring more and more cost. That's the reason I want to have a little more discussion so that we all fully understand what we're approving.

You said Crane Cove Park is going to cost \$35 million. What would be its equivalent with some other parks that we've developed in terms of the cost?

Steven Reel - The Brannan Street Wharf Park was I believe about \$26 million all said and done but that was a park fully over water, included demolition of a historic finger pier and building a new pier and a park on top of that pier. It's actually a much smaller area than Crane Cove Park.

Our other parks are much smaller and simpler than Crane Cove. Crane Cove includes transformation of what was the prior ship-building area into a new jewel of a waterfront park. It includes building a new beach. There's shoreline work, renovation of historic cranes and a historic slipway.

There's a historic building that's also part of the park. There's construction of a new roadway. The 19th Street roadway extension, which goes from Illinois Street into the shipyard area and over to 20th Street.

We also added construction of a parking lot to the park project so that's some of the contribution to the increased cost.

Commissioner Woo Ho - So we split this project up into various phases. It sounds like what we're approving now is just getting us through the design and it's not actually building the park yet.

Steven Reel - This is for design services only. It includes some redesign work and it includes design support during construction.

Commissioner Woo Ho - When we initially conceive it, what was the cost that we thought to get us to this point? What was the original estimate?

Steven Reel - I believe it was about \$2.6 million.

Commissioner Woo Ho - So now, we're at \$4.7 million and \$35 million in total. I'm trying to reconcile how we went so far off.

Steven Reel - The 19th Street parking lot was an addition to the park after that \$2.6 million and then, we also got additional funding through the general obligation bond from 2012.

Commissioner Woo Ho - Is part of the answer we changed the actual scope of what we want in the park?

Steven Reel - We had originally envisioned the first phase of the park to be confined around the slipway and to not include the northern beach area. The community really requested that we deliver the beach area in phase one. That drove up costs considerably.

David Beaupre with Port planning and environment - The project has been going on for a long time. When we originally started this contract with AECOM was in 2010. We hadn't been to the voters yet for the 2012 bond. A quick timeline of the total project funding might help. In 2010 when we brought on AECOM, our total project budget was \$8 million. We knew at that point in time we were getting close to the 2012 bond and that we set up the contract knowing that the contract amount may grow because the project budget may grow.

In 2012, we went to voters again and got an additional \$10 million for the project. Then, we continued to pursue additional sources of funding. We went to the Coastal Conservancy and got a priority conservation area grant for a million dollars to help us with the 19th Street roadway.

We worked with the Transbay Cable Project folks to put community benefit funds into Crane Cove Park and that added an additional \$5 million. We sought other Port capital funds for the 19th Street parking lot and other projects that have, over time, gotten our project budget up to \$35 million.

With that project growth and with the unsuccessful bid package too, we've had to go back to the consultant team and said, all right. We're extending the duration of time to deliver the project. That costs more money.

We're dividing it up from what was going to be three bid packages -- the site grading, the park improvements and the 19th Street project -- now into four packages, which takes additional time and additional resources.

Because the costs came in so high, we also have to look at value engineering, as Steve mentioned, Crane Plaza, Building 49 and, to some extent other park improvements that we have to meet regulatory requirements.

Commissioner Woo Ho - I'm definitely in favor of having this park. I don't want anybody to misunderstand that. It's the way that it got developed from when it was in the beginning to here. Dave, you've given us a good explanation of that. But in terms of just reading through the staff report, it just looked like one more amendment, one more amendment. You were just letting these costs kind of run faster than we could manage them.

We didn't seem to have the whole design upfront. Obviously, we want community input but sometimes, if they don't have to write the check, then they can ask for everything. We have to write the check. I understand, and I participated. I was actually co-chair of that bond issue in 2012. I'm very happy to know this is one of the projects where we're not worried about the funding side.

Usually, we worry about the funding. That's one of the biggest issues of the project. This one is not where we don't have the funding. We do have the funding but I still think we have to worry about what we're spending. That's the reason I've asked these questions.

Commissioner Katz - Commissioner Woo Ho's touched on most of the issues. My understanding is we have already approved one of the major increases in the contract from the third amendment. It's an increase but there's been a change in the scope of work.

This actually helps us decrease some of the construction costs in theory, if I understand correctly, by improving the design or reconfiguring the design. It may cost a bit more in the design phase but will hopefully help us keep costs down in the construction phase.

Steven Reel - There should be a net savings.

Commissioner Katz - This is roughly about a little more than a 20 percent increase in the contract?

Steven Reel - Yes.

Commissioner Katz - I'm excited to see the park come along. With the 19th Street parking lot you referenced, can you explain or refresh my recollection on what exactly that's connected to with respect to the Crane Cove Park?

David Beaupre - The 19th Street parking lot is directly adjacent to 19th Street between the historic core and 19th Street. We have AECOM and their team on board doing the civil design for both 19th Street and all of the park.

For efficiency sake, we thought bringing that project in to their contract as well as bidding it with the park would provide us the most efficient and cost-effective way of delivering it.

Commissioner Katz - So the parking lot has nothing to do with the park.

David Beaupre - We're delivering the project as a way to also support the arena project. But again, it's a Port capital project that scored well as a part of our capital planning process and was approved by the commission prior.

Commissioner Katz - We're lumping in basically a parking lot and a park together now. Is that correct?

David Beaupre – Yes, as a part of the project delivery. One of the good things that came out of the bid package that we were not successful with is that our theory that project may come in a little bit under bid by delivering them. That was the one part of the project that came in under the estimate so our theory worked. It was just the rest of the project that didn't come in successfully.

Commissioner Brandon - I, too, have several questions regarding this contract because I just couldn't imagine how it went from \$700,000 to \$4 million+. I had several questions and I'm okay with the responses. I also know that these could have been dealt with differently instead. To keep giving contracts to the same contractor when others could be brought in to do the same work is an issue that we have sometimes.

I've made it very clear that this is the last time I want to see an amendment to this particular contract. It's time for us to have an update on what's going on with Crane Cove Park and the growing cost, where we are, etc.

We put out a contract proposal and it came in way over, are we working with Rec & Park on this? This may be one of those things where we can get other city departments to help us with it if we're not quite sure what we're doing because we've never done anything on this scale before.

It would be a great time to have a presentation on this project and where we are and where we're going with it.

Steven Reel - We can certainly do that.

ACTION: Commissioner Adams moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 18-18 was adopted.

11. FINANCE & ADMINISTRATION

A. Request approval of the Port's Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Operating Budget. (Resolution No. 18-15)

Meghan Wallace, Port's Finance and Procurement section within Finance and Admin – I'm here today to seek approval of the proposed fiscal year 2018-19 and 2019-20 budgets.

I provided the Commission an informational on this item when I was last here on February 13th. Today, I'm going to actually address some feedback and questioning that you had provided about the budget. In particular, I want to touch upon some trends in terms of looking back, providing some details about positions and seeing if there are any additional questions that you may have.

First of all, I do want to touch upon the overview of the Port's budget in the larger city context. As of the time of the mayor's instructions coming out, the mayor's

office was projecting a general fund shortfall of about \$88 million in the first fiscal year and \$173 million in the second fiscal year. It's due to concerns about the economy cooling, not having revenue grow as quickly as it had in recent years as well as growing expenditure costs particularly on personnel. As an enterprise department, the Port isn't constrained by the general fund. However, we have been asked to control our position growth. We are looking at our revenues and wanting to be conservative about our projections for growth in that area.

You'll see in the proposed budget that we are working to control costs and that any position changes that we are requesting, that it's offset by holding other positions vacant -- so I call that salary savings or attrition -- as well as by filling positions as project funded.

Those positions are contingent upon available capital funding. Appropriate with the prior item on the strategic plan, it is true that the budget supports pretty much the entire strategic plan by putting the resources in place necessary to implement our various objectives. Ultimately, stability is something that is a common theme that I'll be talking about within the budget and looking at these trends both looking out for the Port's resources and thinking about capital investments.

The proposed fiscal year 2018 and 2019 budget is \$192.6 million. This includes \$159.8 million in ongoing sources and \$32.8 million in one-time sources that are primarily dedicated to supporting our capital program.

That budget overall is a \$46 million increase from the 2017-18 budget. While we do have ongoing sources growing within this proposed budget, the majority of that growth actually is from one-time sources that will be supporting capital.

The proposed 2019-20 budget is \$161.3 million and that's a \$31.3 million reduction from the proposed 2018-19 budget. As you can see, that is largely due to the reduction of fund balance. There's a \$20 million reduction of fund balance that we would be spending down resources that have accumulated from prior years. Additionally, there's a \$17.5 million reduction in general fund support that we're requesting for the Seawall Earthquake Safety Program and the Mission Bay Ferry Landing Project.

In terms of expenses and how we're using those funds, you can see that our proposed budget of \$192.6 million for fiscal year 2018-'19 is comprised of operating expenses, capital and reserves. The growth in the budget is primarily a combination of operating expenses and the capital budget. In the second year, you can see that the capital budget does go down. That's the primary driver in the reduction as we spend down general fund resources that we're requesting.

There are a lot of questions in the budget from the commissioners about how the Port revenues from various divisions support expenses within various divisions. It's fascinating to see that our real estate and development division provides the majority of the income to the department.

Maritime holds its own with a fifth of our income generation but those funds aren't spent directly on those divisions. Those revenue sources support the whole organization. I wouldn't be here today in finance and administration if it were not for these two revenue sources.

Finance and administration and maintenance are the two largest non-revenue-generating divisions within our organization. I do want to note that finance and administration is so large because we carry over \$7 million in annual debt service for prior debt issuances as well as \$3.6 million for our insurance program for property insurance, auto insurance, for our employees and the like.

I particularly want to point out an expense that it's not actually a division. Our designation to capital actually stands right in there with finance and administration and maintenance as one of the primary investments that we make year over year within our annual budget.

There was also a question about FTEs. Where are we investing in our personnel. You can see that maintenance actually carries the largest in this area. Finance and administration actually had some very large investment costs in each year. It's not entirely in its personnel. There are 17 shops in maintenance as well as our health and safety and administrative sections within that division. In maintenance as well as in finance and administration, we have a wide variety of different staff necessary to help carry the organization.

In terms of personnel changes that are being proposed in the budget, we are trying to do a lot of cleanup in the budget to reflect our new executive leadership. We're dissolving the operations division.

We're consolidating environmental staff from various divisions and putting them into the planning and environment division. Those are all reassignments within the Port operations. Additionally, we're trying to make do within our existing personnel footprint through substitution so recognizing that there are certain job classifications that might help us get farther within our operations than in their existing job classifications and making do with what we have than adding additional personnel within our budget.

Some key objectives that we're trying to achieve through these changes are realigning staff with duties, reorganization and then strategic classifications that there are just some positions that we needed to reclassify in order to get them filled and make them more effective within the organization.

We have three-and-a-half new FTEs proposed within the operating budget. While that would typically add to our FTE count, we've actually offset those with attrition. According to the mayor's office, that's neutral from a personnel standpoint. We are proposing 12 new project-funded positions but there are other project positions that we haven't been filling that we're proposing to delete. We'll have three-and-a-half net-new project-funded positions.

This table represents our operating staffing. The top half of this table represents FTE changes, full-time equivalents of our personnel. I've detailed it by division. You can see the number of FTEs currently within each division. Working your way from left to right, you can see that we're proposing three-and-a-half new FTEs within maritime, finance and administration and maintenance but those are being offset by salary savings within maintenance and executive. From an FTE standpoint, that's neutral -- as well as reassignments. There's a lot of movement going on.

Even at this vantage point, it's hard to tell who is going where but you can see that, from an FTE standpoint, it's neutral. All in all, we're ending up with 246.9 budgeted FTEs within our operating budget.

The bottom half of the table shows the cost of these personnel. This is important because you can see the 2016-'17 personnel budget was about \$38 million. The cost of existing staff alone is growing just from inflation within salaries, fringe benefits such as health insurance and pension.

All of these things are increasing our budget by about \$1.9 million. Taking into account the new positions offset by salary savings and then substitutions, we're proposing to increase our salary and fringe budget by \$585,000.

All in all, we're proposing a \$2.5 million increase for our personnel budget. I hope this helps demonstrate though that the proposals that we're making are actually quite a small portion of the increase of our personnel budget that, just by doing nothing, the cost of personnel is growing.

There were a lot of questions about what is this proposed budget in context to how we've been doing in prior years?

This chart attempts to illustrate is that, in recent years, we've had good one-time revenues. The green represents those one-time bump ups. Overall, each of our revenue lines starting from real estate rents to parking to maritime and other have all been following an upwards trajectory in recent years.

The one thing that is changing, as you can see in the 2017-'18 budget, there's a higher-than-usual bump up in our revenues that we're now trying to right size. We're projecting in the current year. The star indicates the 2017-'18 budget.

From there, we're projecting lower revenue than we had budgeted. For the 2018-'19 budget, we're building and growing off of our current-year projections. If you look at the trends from 2016-'17 actuals to 2018-'19 and on to 2019-'20, we're actually still doing very well.

We're trying to right size ourselves for some over budgeting that we did in 2017-'18. I do want to note that the key drivers in growth in our revenues are assumption of percentage increases on our ground rents. If we did nothing to those, they still do increase by an annual inflation rate. We are assuming one-

time revenues of \$15 million in each fiscal year. We are looking at master lease sales, potential affordable housing credits.

Both of those sources are critical to supporting our capital program but this budget does also assume new leasing opportunities. There are facilities in the northern waterfront that we're trying to complete capital projects.

They generate \$1.6 million in the first year and \$5.6 million in the second year. We need to get those projects completed and get new tenants on board in order for those to be realized.

I'm trying to show just year over year, 2016-'17 to the proposed budget, the real drivers of the change. Real estate rents -- that's the largest proportion within our budget and then parking, maritime, one-time sources.

The key driver of the growth from 2016-'17 to the proposed budget is these one-time revenue sources but other than that, growth in our rents and parking are the biggest portions of what's growing.

We talked a little bit about cargo. I wanted to make sure that I made it really clear what's being assumed in our budget as well as highlight that cargo is doing incredibly well now relative to prior years that -- having Pasha on board -- prior to 2016, we had zero revenue coming from that site. Now, we're projecting a million dollars in the current year.

We over-assumed our revenues in 2017-'18. We previously assumed \$1.7 million in net revenues to the Port. Now, we're bringing that down to a million dollars within the budget.

In terms of overall trends, the pace of growth and expenditures relative to the pace of growth in revenues is highlighted here. In the conversation about the strategic plan, I couldn't stop looking at this chart because, over time, the budget has grown steadily but what's absorbing that growth is primarily the designation to capital. While all of our expenditure lines particularly personnel actually grew by \$10 million over this time period just through salary and fringe growth and we've added some. It's primarily the growth and expenses that we really can't control.

The Port's been dedicating our increased net revenues to capital. Over this period from 2014-15 and to the proposed budget for 2019-20, the designation to capital is our primary investment.

In terms of our overall expenses within the budget, personnel is a key driving cost but again, the designation to capital very well holds its own. Work orders also grow. We're seeking other departments' services and those costs are largely driven by the cost of personnel as well and that is increasing.

Lastly, I wanted to make sure that we touched upon some risks and opportunities. Looking ahead and going into this budget cycle, the mayor's office and controller's office want to highlight that we've been in one of the strongest economic booms in recent history.

It's very likely that we might see some cooling so that is something that we need to be aware of, that we could continue to see percentage rents decline if our tenants' gross receipts decline. These leasing opportunities that I discussed in the northern waterfront, if those are delayed, those could further impact our budget.

Furthermore, within increasing vacancy rates, if we don't backfill new vacancies, we'll see decline in our revenues. I also mentioned that capital is critical. We really need to deliver on our capital projects.

Furthermore, our real estate and development teams need to step in and get those vacancies filled. If we don't, then we could see a decline in these projected revenues. It's important to note that going into fiscal year 2019-'20, the city will be opening up labor negotiations. Any potential cost increase in personnel aren't currently factored in our personnel expenses. If the economy does remain strong, we could see percentage rents improve compared to budget.

Furthermore, keeping in mind that these one-time transactions that are assumed in the budget, those are just base assumptions. They're based on good judgements of what we expect to have in hand. They could come in higher than expected. Those would be additional funds that we would be available. We all remain optimistic that the shipyard could bring in a new operator. On the budget, that could actually improve our revenues and/or reduce expenses that we've assumed in order to keep that facility open.

In terms of next steps, we did submit the budget on February 21 as required by the city but if there are changes requested by the Port Commission, staff will work with the mayor's office to make sure that they're reflected in our submission.

I am seeking your approval of the budget today. On May 1st, the mayor will introduce the budget to the Board of Supervisors. Heading into the end of July, we should have a city-finalized budget. I'll return to you in September for an update.

Commissioner Woo Ho - I want to commend you that, since the last time we met and we had an overview and you did get some feedback. We also sat down and went over it. You have improved the presentation. The budget numbers themselves have not changed. We did not change it. You are not going to be requested to go back to city hall with any changes but we wanted to understand what the numbers were telling us and to understand better what the thought process behind it. What is the story that you're trying to tell us in this format?

Because you like to use source and uses of funds, which is a very public-sector way of budgeting and thinking on a cash basis.

When I look at this, is that we have put aside every year and it says Port capital appropriations regardless of the year that we're talking about. In the bottom, we have designation to future capital and then a reserve that sort of balances out to match your total sources.

In essence, if I were to look at just an example, 2017-18, you were spending \$17.8 million of projects that we already decided on the capital side. You had another \$29.1 million available on other projects going forward. Is that the right way to interpret that?

Meghan Wallace - You're looking at the expenditures on capital appropriations, is that correct?

Commissioner Woo Ho - I'm looking just at your uses of funds. I was looking at 2017-18. I was just looking at that and saying, Port capital appropriations of \$17.8 million. You're proposing that to go up to \$35.3 million in 2019.

Below, you have designation to future capital and 15 percent operating reserve to balance out to match your sources on the top which says that you are spending \$17.8 million on capital projects but you have put aside \$29.1 million going forward. Is that the way I should interpret that?

Meghan Wallace - \$21.5 going forward. That's correct. So the designation to future capital represents our net operating revenue. We typically budget our available fund balance to capital. So that's actually the line item to keep in mind when you're thinking about how much we're spending for our capital in a given year. The estimated fund balance of \$45.2 million helps cover our capital appropriations and our 15 percent operating reserve. We want to make sure that we have the cash sitting in the bank for our reserve. For the sake of our capital appropriations, we want to make sure that it's there and in hand as we write our checks to our contractors.

Commissioner Woo Ho - In terms of looking at future financial strategy, not just looking at what is proposed in terms of how we actually spend money year to year as well as looking at what we've done in the past. It's like trying to understand how the designation to future capital and the operating reserve can continue to increase over time and that's a different presentation, not today but that's just the basis of how we should understand the numbers.

I think that helps to explain part of what we were trying to get to. As requested, you have now explained to us where the uses are by department and where the FTEs are, which we appreciate that you did the pie charts. They're very helpful.

Because of the way you do fund accounting in public sector, the designation to capital throws it off a little bit because it distorts the chart, which normally you

wouldn't see that because it's separate in normal accrual accounting but I can understand that here. The information is more helpful. I know that Commissioner Brandon may have more questions about the FTE but I think the changes in the FTE and the reorganization is much clearer to us as well as where all the FTEs are moving, not that we were questioning. We just wanted to understand it.

This is very helpful. I applaud you for the short timeline that we gave you and for putting in the historical information and trend lines. I thank you for giving that and it helps to understand that at least the trend lines look like they're going positive if we look at the past. That will help guide us for the future and understanding the drivers of growth. This is a tremendous improvement from the last presentation. I appreciate it. You were able to tell the story much better than just giving us the numbers that we're putting in the budget for next year. Thank you.

Commissioner Katz - Meghan, thank you. I concur with Commissioner Woo Ho that's a really solid, cogent presentation, which cuts down on some of the questions we have.

Knowing how the budget process often works and the requirement that different departments have to scale back, do we have any fluff in here in the eventuality that there may be some pushback on our budget from city hall?

Meghan Wallace - The main areas that we tend to prioritize for reevaluation are equipment such as vehicles. Our Port vehicles are aging. They're in dire need of replacement but that's an area where we can defer an additional year.

We typically might end up delaying replacement of vehicles here and there. I think we are asking for a lot of position substitutions. The deputy directors all recognize that we're all asking for a lot. We're trying to get to an optimal staffing level of detail for what positions we have on board.

The deputy directors did submit their priorities. If we were asked to scale back on what we're requesting, we would have to start working our way from the bottom in terms of those priorities.

Commissioner Katz - The vehicles raise something that I've touched on a bit earlier. I know we have a vehicle pool for the city. Is there some way that we might be able to get some help from vehicles that might have lost their usage with other departments but that are better than what we might have? Can we reach out in that way potentially?

Meghan Wallace - If there's any potential there, it might be for sedans, like vehicles that we have here at Pier 1 that don't have a utility requirement. Our maintenance crews really require specific equipment on heavy duty trucks. It's harder to share.

Commissioner Katz - I don't necessarily mean share. For example, I would imagine there might be some vehicles that the PUC might have uses or even the

fire department or others that might have a more intensive use for them that we could perhaps commandeer for a little bit longer life cycle.

Meghan Wallace - There may be some possibility there. With the gasoline efficiency requirements and the general trend of delaying replacement of vehicles that pool of potential reusable vehicles might be pretty small but we can certainly talk with staff within the city.

Commissioner Katz - I know that's like a drop in the bucket. My bigger concern was the ability to have some flexibility as the process moves forward. I do agree with you that when we're looking at some of the risk factors, we have to be mindful that the economy is not going to stay in this state and this might be for a bigger discussion elsewhere. I would like to have us look at opportunities for some of our other parcels or other things. It's time that we take a look at what we're going to do with those sooner rather than later to take advantage of a strong economy where we might see a greater return now or greater opportunities than if we wait too long.

Lastly, as we're talking about FTEs and moving staff around, this is a general question not necessarily tied to budget per se but we should take advantage of the training opportunities that would be afforded us with internships from our local universities. We have an abundance of talent throughout the Bay Area from the educational sectors from City College to SF State to Cal.

I think there's a lot of opportunities that we might be able to bring in. I know we have done that. Given that we're focusing on our Strategic Plan like we did earlier and there's some other opportunities where some additional support might be able to be brought in that would relieve some of the pressure on some of our staff and help in that front as we do that.

We can start exploring a bit more there. That might help us on the FTEs as we shift folks around. It's a win-win for the students and or the fellows or whatever we want to refer to them.

Commissioner Adams - Thanks, Meghan. I appreciate you coming back with the answers that we had. Sounds like you met with President Brandon and Commissioner Woo Ho because the salaries of the staff weren't in here. If you have a college degree, do you make more money than someone that doesn't have a college degree in the department?

Elaine Forbes - I think the answer would be it depends. There are definitely many classifications in the city that require college degrees. There are some that do not require college degrees. In some of the crafts, the earnings are quite high in the skilled work and can be much higher than a college degree, entry level like an 1823 classification. Those are the analyst classifications. It depends on the classification. Under Mayor Lee, the city was looking at issues of diversity and equity. One of the questions that was coming up a lot for department heads was,

could we relax the college degree requirement on some of the classifications and get more diversity?

Because especially for lower-income people, getting access to college and finding a way to pay for college is a real barrier. As a manager, I've worked with many people that have a barrier to getting that college degree and are very skilled, very talented. The way life has worked out, it's just much harder when you're low income to figure out how to pay for college. It's a discussion in the city around diversity and equity but there is no clean-cut answer as to a yes or no. I will say not having a college degree right now as the civil service classifications are currently structured prohibits a lot of upward mobility.

Commissioner Brandon - Thank you, Meghan. As Commissioner Woo Ho said, this is a wonderful presentation since the last one and since our meeting. Thank you so much for clearly stating some of the changes in the historic trends and the major proposed changes in the FTE.

This is very clear and very helpful. I really appreciate you and the finance team taking the time to put this presentation together because it's a very good one. It really explains what our budget looks like and where we're headed and where we've been.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 18-15 has been adopted.

B. Request approval of the Port's Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Capital Budget. (Resolution No. 18-16)

Ananda Hirsch with the Finance team – I'm here to present some response to the request for information we heard from the commission when I was here to present the capital budget two weeks ago. What we heard primarily were requests for some broader context for how this capital budget fit into our overall capital work and capital program as well as a request for some additional specifics.

Much of this information is captured in an addendum to the staff report. The \$19 million represents the amount of capital work the Port has completed in fiscal year 2017 based on the Port's financial statements for that year. The highlighted gray box shows the meat of the work coming over the next five years. This is expanding the view to that full five-year perspective that we've talked about being useful as we think about developing capital projects.

We have approximately \$105 million of prior appropriations or capital work. These are projects the Port is working on now. The two-year budget includes \$40 million toward projects that are underway as well as \$33 million toward new projects.

These projects are listed specifically in that addendum. Those additional funds for projects underway are sometimes funds for projects where this is simply the next phase of work. That includes money for the general fund request for Mission Bay Ferry Landing and the seawall as they move into later phases.

It's also for cases where the scope has been expanded or because of the bid environment, additional funds are needed to complete projects. The new number here is that \$65 million. Those are projects programmed in the out years of the capital improvement program. They are highlighted in the addendum. We'll be bringing you more detail when we come back with the full CIP.

Finally, there's the piece that we couldn't get to with our existing funds. There were \$93 million of projects proposed by staff for consideration in this five-year period that we are unable to fund with the existing resources we have. These would be priorities should more funds become available or things for which we would seek outside funds if opportunities arise. Those projects are listed by name in the back of the attachment as well.

Looking ahead to another specific question that was raised by President Brandon was an update on our southern waterfront pile removal. We now have a funding plan for all of the pile-removal work including the Pier 90 grain silo, demolition and pile removal that is now proposed in the capital budget as well as with construction funds in the out years of the CIP. The crews are going to go out and start removing piles in Islais Creek in the next few weeks. We will see some of that work started quite soon.

I'm looking forward to coming back to you in April with the capital improvement program and some more highlights of those out-year projects. We are now seeking your approval of the capital budget.

ACTION: Commissioner Adams moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 18-16 was adopted.

12. PLANNING & ENVIRONMENT

- A. Informational presentation on completion and outcomes of the Part 2 Waterfront Land Use Plan Update public process, and initiation of Part 3 of the planning process.

Diane Oshima, Deputy Director for planning and environment and the lead for the waterfront plan team - We are very happy to be here today to give you an informational briefing on an enormous leg of work that's been completed by the waterfront plan working group. We have a fairly detailed staff report.

The staff report itself is further supported by even more detail and backup of the depth and the course of the public discussions in the attachment in the part two final report.

I'd like to first acknowledge that we have several members of our waterfront plan working group including co-chair Rudy Nothenberg sitting here in the front row. Unfortunately, Janice Li, the other co-chair, had to leave for another commitment.

There's nothing that staff could possibly say that would reflect our gratitude for the investment that they have all made. This presentation will be made by different members of our core waterfront plan group.

Kari Kilstrom worked with me on some of the land-use recommendations that you will hear about. We will also hear from David Beaupre, who will be sharing this presentation, who worked with Brad Benson on the transportation work.

Carol Bach will be also presenting resilience and environmental sustainability information working with Anne Cook of our team. I also wanted to acknowledge Rebecca Benassini, who was a key member of the work that was completed in part two.

This presentation will describe a bit of the part-two process. The staff report indicates that part one was a comprehensive orientation on the Port. That surfaced a number of key policy issues that were the focus in part two to develop Portwide policy recommendations to Port Commission and Port staff that would guide us in drafting amendments to update the Waterfront Land Use Plan.

The recommendations reflect the public's values and the direction. We're seeking any questions and concerns from the Commission so that staff can take into account a good understanding of both commission, the public and the working group's insights as to what should be included in Portwide policy updates to the plan.

We've got some next steps that I will cover in the staff report as well including part three of the planning process. Part two was the lion's share of the work that was completed.

We have additional items that we'll focus on part three and some following steps to complete the public review process. With respect to the part two process, there was a wide array of Portwide policy issues that were flagged for discussion.

They were so broad that the most efficient way that we thought for tackling those with your direction, we identified three different subcommittees of the working group to be able to tackle more interactive discussions to come up with these recommendations.

The land use subcommittee was headed by Alice Rogers. The transportation subcommittee, by Linda Fadeke Richardson. The resilience subcommittee was headed by Pia Hinkle, all of whom are here today.

The working group wanted to make sure that there was some framework for all of these committees to operate within. They set forth guiding principles that set forth seven points of highlights and priorities that focused on maintaining an eye towards resilience planning for looking at the future of the waterfront, the importance of the Embarcadero Historic District and the need to look at creative ways of being able to maintain the integrity of that district.

Transportation improvements -- those policies are somewhat weak in the waterfront plan. There was a lot of focus on that and those points of view also set an organized focus for all three of the committees.

The committees met from November 2016 to September of 2017. It was enormous amount of work, 24 different meetings by these committees, very deep, in-depth assessments of the details imbued in each of these categories, which we'll just highlight in a few minutes.

The tradeoffs and the choices that were raised -- because many were competing objectives -- were also included. There was a very rich debate and discussion. All of it, very respectful and civic and sophisticated.

The committees came up with 161 recommendations that are all in that part two final report. They brought it to the full working group from September to December. The working group had a series of meetings to review all of those recommendations, to make sure that everybody understood what the touchpoints were, to consider the financial implications, which were another main consideration of this working group from the outset, particularly with the direction of Co-chair Nothenberg.

Of those 161 recommendations, 160 of them were accepted by the working group unanimously as direction that should be forwarded to the Port for its consideration and drafting amendments to the waterfront plan. The work involved in this yearlong process was quite incredible. It was an honor on the part of all of us Port staff to be able to be part of that.

Port staff was not the only members involved in this. It takes a village kind of effort. Just as your strategic plan discussions, your budget discussions have reflected, we are a city family. The interface between the Port and the city and all of its different functions are very numerous. We have representation from all of the public agencies involved. We also had seven advisory teams for the waterfront working group that also lent their expertise.

We hired consultants as well to provide focused analysis and guidance to ensure that we had well-grounded, well-founded information to the working group which supported the recommendations.

For the land use recommendations, I'll be giving the summary. Following me will be David presenting the transportation recommendations and Carol Bach on the

resilience and environmental sustainability recommendations with a big shout out to Kari Kilstrom, Anne Cook who worked with Carol, and Brad Benson who worked with David on the transportation subcommittee.

With respect to land use subcommittee, they looked at many issues related to how our parks and open spaces and recreational uses of those facilities should be programmed. The waterfront parks are precious. They're very highly valued. They're an important resource for the whole city. We were lucky to have the State Lands staff including executive officer Jennifer Lucchesi participating in these discussions because some of the issues in the past have been about how the parks are programmed.

Overall, right now, most of the parks are for passive public access and recreational enjoyment. What we were hearing from the public was the need to have a broader array of activities and recreational pursuits that are supported in our open spaces and parks that still were responsive to public trust principles that were administered by State Lands.

Jennifer Lucchesi and her staff, Reid Boggiano, were very helpful in educating us all as to the range of public-trust-related recreational pursuits that are worthy of the parks that were responsive to some of the public comments we were getting about broadening the range of recreational activities.

People would like to see more active recreation. They'd like to be able to see more programmed events, perhaps pilot programs to be able to try out different kinds of activities and fun things to do.

All of us took away from that the fact that there could be, through design, the ability to support both ranges of activities on the public trust front as well as the local and regional front. It's not an either-or thing as to whether parks serve locals versus regional audiences.

The one concern that was expressed by the working group and the land use committee was to make sure that Port parks are not substituted as municipal parks that the rec and park department administer.

Those types of municipal park facilities should be in addition to Port facilities. Related to open space and parks was the recommendation to increase water recreation opportunities. There's a lot of land-side opportunities for public access but the water-side access for rowers, boaters, swimmers, and a diversity of activities is a relatively new area of water recreation. That was promoted in the recommendations coming out of the land use committee that were accepted by the working group.

The land use committee also focused a great deal on maritime and the maritime industries and public access. We have a lot of maritime industries, and people love them. San Francisco's diverse maritime portfolio is a high point for the public. They respect that. At the same time, they respect public access to the

edge of the piers. There was a lot of discussion about how do we share and balance public access and make sure that those piers are available for maritime berthing as well.

We have a growth in water transportation. We need more berthing space. We're going to have to come up with some criteria that can help thread that needle. Sometimes, sharing public access and maritime berthing works.

Other times, maritime berthing is not safe and compatible with public access but the land use committee recognized the ability to see all of these different types of vessels adds a visual interest.

The visual public access should be something that counts as public access and was very heartening for the maritime staff in particular to hear that. With respect to public-oriented uses, historically State Lands has looked at what serves the public interest, the public trust interest of allowing people to enjoy the waterfront perhaps more narrowly than the range of uses that were allowed in the waterfront plan.

The working group came up with the clear statement that we want more public-oriented uses. State Lands was in this conversation with the working group. They understand, looking over the last 20 years with the Exploratorium that some of these uses that they might in a different waterfront context not consider to be trust consistent, a museum, is actually in our historic district along the Embarcadero one of the things that makes our historic district so successful.

We were really happy, frankly, that State Lands and our local public could come together and embrace the notion of not just retail and restaurants as being the traditional trust uses but assembly and entertainment, recreational enterprises, museums, cultural institutions and academic institutions also are public gathering places that can really help to make our historic district come alive.

We've got an enormous, wonderful Embarcadero Historic District on the water side that people love. They are very beholden to trying to maintain for as long as possible. On the city side along the Embarcadero, we have a few seawall lots left over.

They're basically in-fill sites. There was a lot of discussion about what kinds of uses should be allowed. What is the character of the improvement of those sites? By and large, the waterfront plan policy is now saying they should be improved consistent with the complexion and the character of the neighborhoods that surround them was embraced by the working group, that housing, office, hotel and retail -- even though some of those uses are not trust uses -- are appropriate.

In that light, the working group embraced and recognized that lifting the trust use restrictions on some of these seawall lots to allow for housing or office is a valid objective given the context of each project.

If it's done on a case-by-case basis carefully, that's something that they recognize as being a valid objective of the plan. Whether you lift the trust-use restrictions or not, that ground floor active use for pedestrian and public-oriented uses was an important objective because that's how you keep the waterfront alive and available for the broadest range of people that come here.

Until we do some of those big, long-term improvements, they also spent quite a bit of time talking about parking. Parking was recognized as being a trust use to service the people who are visiting from the region or the state or beyond who may not be able to take transit.

There was a recognition that parking lots have their place for supporting trust uses and Port businesses and, on an interim basis, for generating revenue to meet the harbor fund needs and some of the capital demands that we've been talking about today.

A lot of energy invested in the Embarcadero Historic District. People are troubled by the high cost of what it takes to maintain and improve these facilities and the types of activities that people would like to see.

The work that I'm going to summarize is a major milestone, for the public, for State Lands, for the Port staff to all come into one frame of understanding that hopefully will help us rehabilitate and get the most out of these gorgeous bulkheads and our piers and, frankly, the agriculture building too.

It's sort of its own landmark but it's also in the Embarcadero Historic District. With State Lands staff present, we talked about those challenges of the historic pier improvements. For that reason, we hired Moffatt and Nichol engineering firm and EPS led an economic and design team so that we could analyze the condition of our piers and the costs associated with them for various types of improvements? What kinds of uses can pay what kinds of revenues? What kinds of lease terms do we have to be considering in order to be able to make these piers improve and rehabilitate these piers and yet still respond to certain public trust objectives?

That discussion brought State Lands and the public and the Port to an understanding that the unique condition and the qualities of the Embarcadero Historic District warrant a rationale for a unique set of public trust objectives that they would not be looking at for applying at other Tidelands trust properties in the state.

The EPS findings, emphasized the enormous costs that we're looking at, \$74 to \$100 million in pier rehab and seismic upgrades depending on whether you've got a pier that's in fair to not-so-great condition or fair-to-better condition.

We looked at two different scenarios that way, a pier that was in good condition and one that wasn't in such good condition. There were market studies to look at different types of public-oriented uses and what kinds of revenues can they pay.

Generally speaking, most of those public-oriented uses, while very desirable for these piers, many of which could use the shed space or the bulkhead space, wouldn't be able to finance pier improvements.

There was a need for revenue drivers to be able to finance those and that there was a recognition that office or some of the tech PDR types of spaces that can pay higher rents, actually there was a rationale because they could rehabilitate and respect the historic resource and then be able to subsidize and carry some of the public benefits and trust objectives.

But the lease terms that were needed to be able to support many of these types of improvements needed to be more flexible than just the short-term zero-to-10-year-term leases or the long-term 50-to-66-year development deals.

There's that middle range that we needed to start getting into. The EPS team also included design and historic review to assess whether any of these finger piers could accommodate a hotel use. A hotel is a trust use being workable with the historic preservation objectives for the piers. While they did find that it was indeed a financially feasible use, the working group did not find any consensus for revisiting the Prop H hotel prohibition on the pier. But it is found to be financially feasible. The terms of the public trust objectives that we have discussed with State Lands, there are different categories.

Historic preservation, which we've discussed quite extensively, but preservation that meets the highest federal standards, the Secretary of Interior historic preservation standards, which also then triggers and gives access to our partners to be able to access federal historic tax credit dollars that are very important to helping to pay for improvements to the piers.

From the State Lands' perspective, this is the state and the city's soul. This is how the waterfront started for the state and San Francisco is the maritime port and the history behind it, the people who worked to put California on the map. That's what's important to the trust in that the rehabilitation that reopens these piers to the public is an important trust purpose.

Seismic safety and repair - in order to open up these piers for public improvement and engagement, we have to upgrade them as well as fix the deferred maintenance along the way.

There is a scale where the State Lands is willing to look at activities that would deliver repairs and seismic improvements and consider the lease terms and the types of uses that would be needed to finance that as part of the public trust rubric.

Maritime and public access - just to emphasize how important those two categories of activities are to the trust where we try and seek that public access but we also need to make sure that we accommodate the needs of all those

maritime industries and to identify criteria to prioritize when they make sense together and when they might have to be provided exclusively.

Finally, in terms of the pier uses, again revisiting the notion of broadening the palette of public-oriented uses that can be allowed and would be recognized by State Lands as being legitimate contributors to historic rehabilitation in the Embarcadero Historic District including revenue-generating uses, office and PDR that are necessary.

We would not be able to achieve these projects without those types of activities. Even so, if we can find ways of getting public-oriented uses like restaurants, like Pilara would be another good example of a public-oriented use that was unexpected that we found could make it in a pier but in this case with a subsidy provided by a well-endowed partner there.

If there are Exploratorium fundraising capabilities, philanthropic or well-endowed partners that can help to finance public-oriented uses throughout a pier, great. But otherwise, if your dollars are limited, look at the bulkhead and the areas of the pier closest to the Embarcadero to prioritize for your public-oriented uses because that's where most of the people are.

Finally, PDR workshop tech space -- the pier sheds -- they're industrial spaces. They're well suited for many of these types of new tech activities. The revenues that they can generate are things that make waterfront rehabilitation feasible.

Lease terms - zero to 10 years are our bread-and-butter leases to maintain small business opportunities and to use raw storage space but that space is diminishing given the deferred maintenance and the repairs that our facilities require.

The intermediate leases term is defined as 10 to 49 years in the discussions that we've had with the public that recognize that you need longer terms to amortize the higher costs and that people understand the rationale for that.

Long-term development, 50 to 66 years, is the same as what we've been seeing in the past 20 years. Those intermediate-term leases can deliver some seismic improvements. You might get some incremental improvements and that's something that the public has an interest in seeing.

As we talk about longer lease terms for intermediate and long-term 10 to 66 years, while the public is open to looking at or recognizing the need for those, they're also wanting to make sure that the level of engagement and comment and discussion between our Port advisory committees, our public and the Port Commissioners is enriched.

There's a level of exchange and a level of understanding that people expect in order to be comfortable with approving leases for more than 10 years long.

There was a lot of time spent on public process recommendations in part two of the process that set forth step-by-step check-ins between our Port advisory committee meetings to enrich those discussions, make sure that they have a good understanding of what the Port Commission and the Port staff are grappling with, that provide input into competitive bid solicitations for intermediate and long-term non-maritime leases, that include members of the Port advisory committees on review panels so that the community perspective is included and that competitive bid leasing opportunities are very important.

They are the policy. They are important. But there was a recognition that sole-source proposals are part of what has been some opportunities for good things to happen on the Port, not all the time. The Exploratorium was probably the singing example to illustrate that. The waterfront plan now does not have any process requirements for sole-source proposals. The recommendations produced by the working group set forth guidelines and criteria for, if there is a sole source proposal, that it would come to the Port Commission, that the proposer would have certain types of information that they should provide to the public and the Port Commission to justify the rationale for their proposals before the Board of Supervisors considers whether to waive the competitive requirement. Those were the land-use recommendations.

David Beaupre - I wanted to recognize Brad Benson, who helped co-facilitate the transportation subcommittee, and Linda Fadeke Richardson, who chaired the group. We, too, went through an extensive process, held a number of meetings over that 11-month timeframe and organized our deliberations through developing nine different topics that we went and ended up with 54 recommendations.

I'm going to briefly go over those nine topics and not get into those 54 recommendations in detail. The first topic was to develop an integrated transportation system. Essentially, to make certain that we work with the transit providers, so MTA, WETA, Golden Gate Ferry and make certain that, in working with them, that we collaborate and provide transit in a way that's connected and easily accessible from one mode to another along the waterfront.

The next one was improve walking and bicycling options up and down the waterfront. Diane mentioned this earlier, and Meghan did as well as a part of our operating and capital projects. There is an increased need for improving safety along the waterfront.

We do get a number of complaints that are on the rise as it relates to pedestrian and bicycle safety. The city has a Vision Zero program that we want to leverage against and work again with our partner agencies, primarily MTA, on how to improve bicycle and pedestrian safety up and down the waterfront.

The next one is to improve goods movement and commercial access. We are an active port. If you think about the types of uses that Diane was talking about for

our pier sheds including PDR types of uses, you think about the fish processing on the northern waterfront and our cargo in the Piers 80 through 96 area.

We need to maintain access for our tenants for goods movement and for commercial deliveries for our more commercial type tenants like the Ferry Building out front or even for provisioning of our cruise ships.

One of the things that we do need to recognize is that, when we're providing access for goods movement and commercial deliveries, that does not always work the best with bicycle and pedestrian accesses, particularly as they cross the Embarcadero. We'll need to work with MTA. We'll need to work with our tenants in making certain that, while maintaining and providing access for goods movement and commercial deliveries, that we design things in a way that makes it safe for people to access pedestrian and bicycles up the waterfront.

We also want to work on how we manage the use of our curb space so that it's not just for parking but we manage it based on the primary land use within the sub-area so for those areas that need it for loading and unloading to provide access to our tenants, we reserve it for loading and unloading. Places we might be able to use it for bike share, we accommodate that type of use and we also maintain areas for visitor parking.

Another one was developing transportation demand management strategy for our tenants and improved parking management water-wide. Essentially, a transportation demand management is to offer our tenants a variety of tools that they can use to limit single occupancy vehicles and encourage people to use public transit where possible.

If we can get more people out of cars, it'll make it easier for our tenants to access the facilities. It might make it more enjoyable for our visitors to visit the waterfront. What we're talking about with parking management is work with our parking operators to effectively manage and understand the data that's coming in and out of our parking lots, knowing what types of people are parking there, when they're parking there and where the demand is.

We know that a number of our parking lot operators rely on commuter parking patrons that pay monthly fees or just use it for commuter parking and that's not what we want them used for. We want them more there for our visitors. However, we need to recognize that there is a potential conflict on it or a loss of revenue if we begin to discourage too much commuter parking. So again, it's kind of balancing what we need from a revenue standpoint to operate but also making certain that we aren't providing a resource for people that could otherwise be taking public transit to get into the city.

A lot of conversation about supporting the public transportation again on land and water, so working with MTA to provide the facilities they need to service up and down and along the waterfront and getting people to and from the waterfront but also working with WETA and Golden Gate Transit and our private ferry water

taxi operators to make certain that they have the facilities they need in order to encourage people to use the various modes of transit.

Lastly, it's working with the Department of Public Works. This is something that came up in the conversation about the capital budget. Is the Port the best agency to be taking care of our streets? Are there ways that we can work with public works to bring all of our streets up to current pavement standards and transfer this responsibility back to public works and the other agencies that it really belongs in.

Carol Bach, the Port's environmental affairs manager - Waterfront planner Anne Cook and I staffed the resilience subcommittee of the Waterfront Land Use Plan working group. We supported the subcommittee chair, Pia Hinkle, and subcommittee members. We owe a great debt of gratitude for all the hard work that our subcommittee members put in as well as the contribution from our technical advisory team led by Max Lowenstein.

The resilient subcommittee had a little bit different task than the other two because, instead of updating an existing Waterfront Land Use Plan section, we were charged with creating new policy recommendations for two subject areas that the 1997 Waterfront Land Use Plan had touched on only lightly or not at all and those were environmental sustainability and resilience.

On the subject of the Port's environmental sustainability, the subcommittee began with a briefing on what the Port and city are already doing to protect and enhance the environment. Subsequent discussions produced 20 policy recommendations for the Waterfront Land Use Plan update that generally fall into four broad topic areas: climate change and air quality; water quality and conservation; natural resources; and green building leasing and development.

Within those four general topic areas, there were some common themes that came up throughout. Those were pushing beyond minimum requirements. For example, although the State of California and the City of San Francisco have very environmentally progressive policies and regulations, the subcommittee was urging the Port to do more than what is required and really be a leader in the area of environmental sustainability.

We heard a lot across all topic areas about enhancing habitat and ecosystem functions, promoting biodiversity and educating stakeholders about ecosystem values.

We heard a lot again on all fronts about looking for multi-benefit solutions. For example, in new construction and development, a storm-water feature that's designed to improve water quality and storm-water runoff can also be an urban-greening or micro-habitat project.

We were urged to educate and engage our stakeholders in our environmental and resiliency efforts. So resilience is a completely new subject for the Waterfront Land Use Plan. It wasn't really a thing in 1997.

Resilience is a widely used term that has many definitions that many cities and ports all over the world are working on in the last few years. We found that the definition that best captured the focus of our resilience to subcommittee was resilience as a capacity to maintain function and vitality in the face of natural or human-caused disruption.

The subcommittee's discussion produced 13 policy recommendations for the Waterfront Land Use Plan and other recommendations that fit best into other Port plans such as the Strategic Plan or Emergency Operations Plan.

This photo shows a gathering on the waterfront that occurred during Super Bowl 50 but it reflects the kinds of crowds that we think might gather on the waterfront after a major earthquake and the kind of situation that the Port needs to be prepared to respond to.

Some of the resilient subcommittee's recommendations addressed the Port's capacity to respond to and recover from a disaster like a major earthquake. Building that capacity to respond and recover relies on a couple of key things: land and maritime operations that can function to move people and goods including post-disaster removal of debris; and coordination with state, regional and city agencies and other organizations working on emergency response and disaster recovery.

The resilient subcommittee recommends that the Port improve the seismic stability of the Embarcadero seawall and other vulnerable Port buildings and that we work together with our tenants to prepare for an earthquake.

Recommendations from the resilient subcommittee included taking an adaptive management approach to sea-level rise so that flood control and sea-level rise adaptation measures taken in the near term also allow for further future adaptive measures that can be taken as conditions change and also allow for different solutions to be implemented in different portions of the waterfront where physical conditions differ.

The subcommittee again recommended seeking multi-benefit projects for sea-level rise adaption. For example, a shoreline resiliency project that incorporates natural shoreline elements can also be a habitat enhancement project.

Another topic that emerged from the resiliency subcommittee's process is the important role of social equity and social cohesion in resilience. We learned that the most resilient communities are those that have worked together to plan and prepare for an earthquake where there's a shared sense of common identity and a sense of personal investment in the community.

In the Port's case, protecting our historic resources, which comprise such an important component of our identity involving our tenants and neighbors in emergency planning and promoting equitable access to economic and recreational opportunities at the Port and other Port resources. All of those efforts would contribute to making our Port more resilient.

Diane Oshima - That's as succinct as we can be about 161 recommendations coming out of these subcommittees over a year. We're presenting these portwide recommendations to you today. We welcome your comments and any questions because this is the direction that would guide Port staff to draft amendments to the waterfront plan to update it. But there are a few items that are still left that were not covered in part two that we wanted to cover in part three, our final leg of the public planning process.

The part really focuses on the public realm, along the Embarcadero, the sidewalks, the open spaces. The way that the public engages with the waterfront along the Embarcadero really relies on the interconnections and the integration and design of the public spaces.

In the last 20 years, there's been a lot of new thinking and evolved ideas and strategies for improving the quality and the services from our public streets, our sidewalks, our parks, our public access areas based on work that the planning department has done in the rest of the city as well as Dan Hodapp, in particular, urban staff at the Port has learned along with our development partners.

There are policy updates that the staff already pretty much is well aware of that we intend on incorporating that we want to share with the public to describe what this Embarcadero public realm actually means, to solicit comments and to make sure that people have an understanding of that before we come up with proposed amendments to the waterfront plan.

We propose to have an open house and public workshop to engage those public discussions. We also want to have the opportunity to educate people closer to the ground as to what the recommendations coming out of part two mean for potential improvements in the northeast and the south beach areas of the waterfront.

We just talked a lot about the Embarcadero Historic District. We've talked a lot about seawall lot improvements. But we thought that, as an educational and outreach piece, it would be helpful and important to make sure that we've kind of brought it down to ground through walking tours and just interactive discussions with members of the public supported by our new experts on the waterfront plan working group and the advisory teams to educate what the recommendations and the conclusions are from the body of work that's been completed in part two.

Within the south beach area in particular, we all understand the challenges and the hopes for Pier 30-32 through prior development projects, which were not successful as well as seawall lot 330.

We didn't have that site-specific discussion during part two. Since we're doing a focus on the south beach sub-area in part three, we also wanted to have a public workshop meeting to focus in on what are our strategies and needs for Pier 30-32 improvements and for seawall lot 330.

The Port Commission received Port staff analysis presentation last year on Piers 30-32, which frankly would be the focus of the workshop that we're planning for part three. We have a proposed schedule for these meetings and walking tours.

We had actually set Saturday, March 24th as one of the dates but we're going to have to reschedule that in light of the latest new march that is scheduled on the 24th. We will be back to you as soon as possible with a new date on a walking tour for the northeast waterfront.

The other dates here are indicated. We will have those published on the Port website and send out noticing for that. The walking tours and the workshops and open houses have been completed, Port staff will gather the comments that we receive and convene the working group again on May 30th to report back out any new information that would be appended to the part two recommendations.

Collectively, the part two and part three results would be then brought back to the Port Commission for review prior to Port staff than taking counsel from all that direction and input to then draft proposed amendments to the waterfront plan.

The part three segment of the work is expected to go from March and be completed in May. This summer, we would come back to the Port Commission and report out and then start work on drafting amendments to the plan. Over the summer, we would also plan on working with BCDC. We have filed an application to amend the BCDC plans because our objectives are to make sure that city, BCDC and Port policies for Port lands are all in alignment with each other. There will be work on that front.

Then, we will also have to do CEQA environmental review on these amendments to the waterfront plan before you can be in a position to approve them. To that end, we will be having to hire an environmental consultant that would work with the planning department.

We are proposing that we come back to your March 13th meeting to seek your authorization to issue an RFP to hire that environmental consultant.

Somewhere in the neighborhood of late 2019 is when we expect to have completed the CEQA review and the work with the BCDC to be in a position to approve the plan amendments.

Many, many thanks to the members of the working group, our advisory teams and the interested public who has made this a very rich process. We're happy to take questions.

Alice Rogers - I had the privilege to serve as the chair of the land use subcommittee. I want to thank enormously the staff, Diane Oshima and Kari Kilstrom and also Rebecca Benassini for her part on the real estate analysis. They all put in enormous amount of time and provided really comprehensive resources for our committee to do the work at all hours. As an outsider, I know that these people are stretched thin, weekends, nights. No matter, they were available.

I also want to say how tightly the whole team worked together. I was in one subcommittee that all of the other staff and all of the other subcommittees and the other chairs made sure that there was clear communication between the committees and that our thinking didn't run sort of counter to each other.

I especially want to thank the members of the subcommittee who worked so diligently. We were the last committee standing. We had 14 meetings. By intent, our committee was very diverse and had very, very different viewpoints.

I have to say our proceedings were exceedingly collegial. I think it was fundamentally possible to work through to recommendations where we had unanimous consent because we really had shared values that were fundamental across the board for supporting authenticity at the waterfront and unique, site-specific, San Francisco-only waterfront and a waterfront that was diverse and had something of interest for everyone.

Thank you so much for giving us this opportunity to feed into your process.

Aaron Hyland - I'm on the working group with the update plan. I'm a commissioner on the Historic Preservation Commission and that was my role on the working group. Although my comments today are my own personal views and not of the commission.

I'd like to thank the staff. The process and the chair -- it went very well. I'm very pleased with the report. My comments on the report kind of come into three categories. One is the structure of the process. The other is the funding, and the third is the vision.

I think what's needed from here -- and hopefully, as we get into part three -- is a big vision for our waterfront. Our structure with the three subcommittees in my opinion created a very siloed list of recommendations. The instructions from the chair to frame our work kept this kind of ceiling over us on funding. We need to be able to afford what we're trying to accomplish.

This was part of our continued dialogue and our number-six guiding principle. It stated that we need to be aspirational, but we need to understand that we have limits. Right. I'm recommending and suggesting two of our recommendations in the resiliency committee, #38, which talked about the aspirational views and the solutions being holistic and crossing the silos.

That recommendation needs to come out and be a kind of overarching goal for the entire project as we move forward. As we identified siloed problems, they come with myopic solutions. Those myopic solutions end up with unintended consequences.

A few items that we're currently pursuing, the seawall -- we're looking to do a bond measure of up to \$500 million. We have 73 percent approval from the community but that won't deal with sea-level rise. We're looking to seismically brace and upgrade the finger piers and our consultants have said that's about \$100 million to \$160 million. That will have to be borne by the development. We have traffic with bikes and people and vehicles. We have transit issues.

What I'm suggesting is we really need a big-ideas competition. The Big Dig that Boston did, we need that for San Francisco waterfront. I was hoping that the Resilience By Design competition ideas would tackle our waterfront. Maybe we'll get some ideas out of that. But I would suggest and urge this commission to fund a big-ideas competition.

BART is going to have a \$3.5 billion bond measure coming up in November to try to get a second Transbay terminal or tunnel. Central Subway cost \$950 billion dollars. I think that \$160 million or \$500 million seems like a lot of money but if we really tackle this in a really aspirational and big-vision perspective, if it's \$2 billion, \$3 billion, maybe we can put a bond measure out to do that. I won't take credit for this idea. It came up through our committee and was actually Ellen Johnck, one of my fellow commissioners, came up with this idea of what if we had a muni tunnel from Mission Bay all the way to Fisherman's Wharf, connected with the Central Subway tunnel or maybe even all the way out to Golden Gate Bridge.

If we put that outboard of the bulkheads, that could provide the seismic bracing for the piers. I have no idea how politically that would fly, whether we could get that through BCDC, but it's a great idea. If we had a big-ideas competition, we might be able to come up with some others.

Commissioner Brandon - That's a great recommendation. Thank you.

Linda Richardson - My first statement that I want to make actually is to thank Mr. Nothenberg. Thank you, sir. His leadership was very instrumental in keeping everybody in line and making sure that we stay focused to this grand task that all of us were given in the last 18-and-a-half months.

The first meeting, I listened to Commissioner Adams where he made it clear that the exercise we were about to undertake that we should think outside the box. I took that at heart because the Port of San Francisco is San Francisco number-one asset. It's the number-one asset.

We need to make sure people understand the relevance of that, the number-one asset of this great city in the West Pacific. As we went about the exercise, your

Director Elaine, finest leadership in making sure that we have all the resources that we needed.

We went through this exhaustive process where we had all kinds of data. David Beaupre, Brad Benson, Diane Oshima and all the rest of the staff -- we were comparing notes. I made sure at that time as the chair of the transportation subcommittee, I understood very well some of the complexities and the issues that we've had to undertake.

What came out of my committee and I want to make sure is that the southern waterfront also must be a key part of that. I know that Commissioner Brandon -- this is a baby of hers that is yet to be done.

Most of your infrastructure improvement are going to take place there. It's an area that we foresee will also help to generate a lot of revenues to making you a full-fledged agency.

Right now, there is a competing way. You have rail. You have pedestrian. The southern waterfront is golden. We foresee, when you finally get there together, you will be committing a lot of capital improvement.

I came on board, not only as the director of Treasure Island and the Port is the gateway to Treasure Island. Somehow, we know that the first-class improvement in the waterfront will benefit all this other development.

I also wanted to accentuate the previous speaker's comments that you are going to need more than \$500 million. It's the first opportunity to educate the public. The estimate is that, throughout this process in a 20-year period, you are going to be needing something like \$20 billion or more.

Why not? That's basically what you're going to need. Messages] must resonate to the public to San Francisco because they understand the value of this waterfront. I served on Mayor Brown's 12-member task force for the San Francisco Public Utilities Commission where we came up with the first \$1.5 billion capital improvement.

Mayor Brown message was let's get with this dollar first. Subsequently, you are going to be having an opportunity. PUC, SFO are enterprise agencies like you. They have already set the precedent. \$500 million is just the tip of the iceberg. You are going to need that. The framework and the mindset must be established right now so that the people in San Francisco can carry you along. You should also talk about the airport. Look at the infrastructure improvement that the airport. The airport is building all kinds of things right now because of the down payment on the \$1.5 billion. What you are doing here is actually not new because the precedent had already been set in San Francisco.

you are just now coming out of the gate. It has been a privilege for me and an honor to be part of the celebratory system. Thank you commissioners and the staff who allowed me to be part of this. We will get this job done.

You will all be proud at the end of the day when you finally get the opportunity after the environmental review to approve this wonderful plan that is going to be model for the rest of the country.

Pia Hinkle - I wanted to start by thanking Rudy and Janice again for herding all the cows that were involved in this process. It was a very, very big team. I actually started out as an advisory team member for recreation.

When someone fell off of the resilient subcommittee, I moved up and co-chaired the resilience subcommittee. When Dilip, our co-chair, had other competing interests, I took over as chair. It just goes to show that, as a member of the public, as a city resident, if you come in, you never know where you're going to end up in terms of a planning process.

Resilience -- Port staff was amazing. Diane and Carol and Anne made it really easy for all of us chairs to come in and take a ton of information and try to turn it into something that could go into a working document.

Because we were tasked with updating the waterfront plan and we did have huge ideas and great ideas. I do hope that we will have some kind of big-ideas competition come out of the Port because look at this waterfront. It deserves it.

As resilience, what really struck me is we are the Port. The Port lands are the protector of the City and County of San Francisco. The ability of us to communicate not just the beauty and the public use of that space but also the fact that, when the earthquake finally does come, when sea-level rise finally is inevitable, what the Port does is going to affect everyone in the city.

I'm glad that I had the opportunity to move resilience up to where it belongs in the Port strategic planning. Thank you all.

Rudy Nothenberg - I'm not going to take any amount of your time. I do want to acknowledge that I did have a co-chair who is not here at the moment, as she had to leave, Janice Li. I wanted to make sure she gets her due share of credit even while she is not here.

It is also quite true that whatever we accomplished along with the staff would not have been possible were it not for the good will, the dedication, the depth of knowledge and the civility with which this large group of divergent interests came together to come up with these recommendations to you.

It is to their credit and not to Janice's or mine or the staff's because it is their product. I've been doing a lot of these for a while and this was the most civil, the most rational but the best process that I have encountered over the years.

The staff and the committee is due a great vote of confidence and thanks. I want to end on a note of caution. There was a considerable amount of discourse about the enforcement of these recommendations once you adopt them.

Many of them will not be codified because they are directed to you and the way in which you operate. They are not self-enforcing. So we would plead with you -- and I think I can speak on behalf of the working group -- that you take them seriously.

They're directed to you and how you operate, how you conduct your business as commissioners and how the staff proceeds in its duties to make this land use plan a living entity and that depends upon your actions.

It is entirely up to you to enforce it, to take them seriously and to follow them to the best of your ability and, assuming that you accept them and they're not codified, that you follow them.

There is no enforcement but make these recommendations. Many of them are to you. We hope very seriously that, when the time comes, when you're tested, that you will follow the recommendations we've made. Thank you.

Ellen Johnck - Rudy, you kept our toes on the line. Maritime, last but not least, rings very well throughout the maritime process and discussion that we had in the planning committee. Thanks to all the staff who helped support the goals as I was a liaison from the Maritime Commerce Advisory Committee.

My goals on behalf of the maritime tenants were to ensure that the public continues to pay great attention to the value of the industry and its needs to survive on the waterfront. We were very pleased with at least more than one recommendation that's come out of the plan.

The extension -- longer-term leases, very important. The beyond 10, up to 49-year leases we think that will be very helpful to the industry. The recognition that there are safety and security needs of the industry can't always have the public walking around in the back end of the operations.

I think this will carry forward with BCDC. We want to share the piers with the public, of course but theirs need to be protected. Overall, what was most impressive to me about the plan is seeing the culmination of the process since 1997 when the city barely recognized its connection but beginning its connection to the Port.

Over this period of time, 20 years, we now have a full confluence of the city and the Port with a recognition of the bond issue and the ballot. We hope this continues. As my colleague Aaron Hyland said, the big vision is we need more dollars to support the Port and its implementation of public trust for maritime historic preservation and the environment.

I was honored to serve on the committee on behalf of the industry and we'll continue the good work. Thank you.

Commissioner Katz - First, I'd like to take a moment to have Rudy, Pia, Linda and Alice to stand up, so we can thank all of you. The other committee members, could you also please stand up and join them? It was an extraordinary commitment to the city from the committee members.

I really want to thank all of you. I certainly feel like it's already exceeding our expectations for the work product that's coming from these efforts. It was a very dynamic group. I attended some of the meetings, watched many of them online.

I'm frankly in awe of the dedication all of you put in. One of the groups met 14 times in less than seven months. That's really such an amazing commitment to public service. Thank you.

Diane, thank you for your stewardship. I think you've all recognized what an extraordinary team member and leader we have in Diane. I want to thank you and your staff and all of the other Port staff that participated.

You've all been mentioned throughout, but it really was an extraordinary effort from so many people. I think we all recognize that this waterfront plan update is going to have a long-term impact on the future of the city and as the initial waterfront plan did in its day, this update is going to have an impact for decades to come.

We really are at an inflection point. I do recognize the importance of thinking big, being creative, dreaming yet also recognizing some of our constraints. Rudy, thank you for not letting it get so far out there that we couldn't implement it. I think that's the beauty of having that balance is that people were encouraged to think big. We still want that but within some of the confines that we find ourselves. I know there's certainly things we'd all like to do if we could have a larger budget. If you have ideas on that, we always welcome those as well.

I know there's a lot that's been said. It's very dense. I'm excited about seeing how all of this gets pulled together too. One of the committee members sort of commented on being a little bit siloed. I think that was the nature of what needed to happen at this point. I guess one of the things that struck me was the efforts of the resiliency group really do overlap with everything. It's not resiliency separate from the rest. But resiliency is, in some respects, almost a foundation for everything as we move forward.

That's been the hallmark of the city. We have been resilient. We've been through a lot and that's another example of how we all have to rest on the resiliency efforts. We're facing some new challenges with climate change, sea-level rise as well as potential other natural disasters, some manmade disasters in Washington.

We are facing a lot of challenges. Resiliency will have to run through all of that and that's something to keep in mind and see how the interplay occurs here. Along that front, I don't want to get too much into the weeds. I'm hoping, in the future, we will be able to have each of the groups come and present to us in a bit more detail, the recommendations and where they are on the next steps but have this large presentation, if we could have each of the areas come with an umbrella from the chairs, the co-chairs.

But for the resiliency, one of the things I think that would be helpful too is guidelines for tenants as we go forward. It's something that I'm concerned about is what we think about this for the Port and our efforts. Even in our leases, we've thought about, what do we put in our leases going forward? What do we need from our tenants? That might be something to look at is how this can be a useful tool as well for our tenants for them to consider.

One of the other things too is going back again to resiliency and transportation, if we think about what happened in the 1906 earthquake, it was the water transit that was there for everyone. The transportation and resiliency and emergency preparedness and even land use, making sure that we have those resources available. It's all interconnected. That's something that I do want to bear in mind.

For those that don't have a copy of all of it, it's an extensive report, slightly over 50 pages. I would urge everyone to actually read it. Those of you that are watching us, it will be found online at the SFPort.com/waterfront-plan-update. It is useful reading. It's worth looking at the recommendations and thinking about where we want to go. Going back to the big vision -- and this is a group of dedicated San Francisco citizens that we all recognize we're looking at the future.

What I'd want to hear from all of you is what were the surprises good and bad? What sort of keeps you up at night? What are the things that you would want us to most take away from the work that you performed in this process, what we should look at as the next phases come in? What would be most useful? It was mentioned enforcing it. Some of it becomes codified potentially. Others are recommendations to us.

How would you best recommend that this be useful for us as was pointed out, it's an iterative process, sort of a living, breathing document that we can continue to use and that can inform our actions both as it gets codified but also some of the other comments or recommendations that may not be something that you necessarily put forth in specific guidelines but something that would inform our decision-making process or things for us to think about.

As we look at the land-use process, I know we've been at the forefront in sustainability and it was mentioned. There is a need to take a look at the interplay and the overlay of sustainability and again both for transportation, which it's certainly part of, but also for land use, how that sustainability aspect does play into everything that we're going to be doing moving forward.

Certainly our cruise ship terminal was an example of what can be done with it being the most sustainable. The cruise ship terminal is not the only one like that in the world now, that others have followed that example. It really was designed to be one of the greenest, most sustainable facilities and set an example. I know, for those of us that have gone to conferences with other ports from around the world, it's a big discussion point of what we learned from that project. That's something we should apply going forward.

I appreciate the recommendations and the interplay from all of the recommendations from the committee members. I'm going to spend probably a lot of time going back over and over again on these recommendations as we move forward.

I would call on the committee members to reach out to all of us on the commission if there are things that you think are important to highlight, things that you want us to be aware of. I'd appreciate calls and contact rather than just waiting for presentations.

It would be helpful to be able to hear from you if there are things that you think should be noted especially as we wait for the final product. There are things that come along. It would be helpful if there's takeaways that have been discussed from the committee members that could be applicable.

I want to thank all of the committee members, the committee, chairs, subcommittee chairs, the committee chairs and our Port staff for moving this project along. This is really something that's going to have such a big impact for generations to come. So thank you.

Commissioner Woo Ho – Wow! That's my first comment, Wow!. You guys have done a tremendous job. It's taken a lot of work and timeline. I know that, when we first started this, I had a little trepidation with the fact that we convened so many different people in the community, which we knew had different points of view. To hear what Rudy said about the process in terms of the civility and the values that the group was able to maintain for this whole period, we are not short of not being vocal in San Francisco, as we know. We are very diverse. Everybody has their point of view.

I think that Commissioner Katz has already mentioned -- and I won't go into thanking and commenting -- but the amazing dedication and the values that you maintained. I really respect that you all maintained those values and that process is my first comment.

Second would be it is about a vision. The nice part about all this, we've been working on the Strategic Plan, which we've just had an update on that from Executive Director. To assure you, Rudy, all the pieces are coming together. This is just another piece that helps us with the roadmap that we need in the Port. We have a Strategic Plan which touches upon some of the things that you've already talked about.

This whole Waterfront Land Use Plan was to make sure that we were engaged with the rest of the city, with the various communities to give us a blueprint. While you may think that we're headed towards a final product, as far as I'm concerned -- and I speak personally for myself -- we're just starting the journey.

The journey on a big vision, which I'd love to see. We just heard earlier about our five-year capital plan and how we have all this pipeline of things just to maintain the Port is already a huge, daunting task.

It's very inspirational for us to hear what you all have done. On a high level, all the recommendations that I heard today -- and I know there's a lot of detail behind that. There is nothing there that I would say, wow. That's not something that the commission would be not in agreement with.

I think it's a question of prioritization. It's not a question that I didn't see anything in here that I would disagree with. It's all good recommendations. I don't know what that one that you didn't agree upon that you wouldn't unanimously vote -- you may want to comment on that later -- 160 but one was not put forward.

Also the integrated approach and the fact that you got the State Lands Commission involved, that is tremendous because they are a tremendous stakeholder for us because they decide what we do in terms of consistency of trust. They have to agree and approve certain things. You're going to go to BCDC. The piece on resilience, which is very much a part of our Strategic Plan but that's brilliant to have it incorporated as another additional part of this whole effort.

There are obviously going to be some tactics that we'll hear about as we go forward. I would agree with Commissioner Katz that we need more updates. For instance, like on the open space, even though we just had a big discussion questioning how we were spending dollars on one of our parks today, the question is, do we have enough open space?

I wasn't sure. Activating water recreation, what can we actually do? These are all things that we'd love to hear more about. What are the specifics? We did do an RFI that talked about the piers that we don't use today.

We sort of scratched our head. We came up with ideas on Piers 30-32, Piers 38 but we didn't quite get where we wanted to be. We have to start over again. So we are looking for ideas from the public and what we can do to sort of make these viable.

I hope that those are some of the things that you're looking at. The ideas of having a big-ideas competition, maybe that sort of ties in with a little bit in the formal way. It's our RFI saying come and tell us what you think you can use these piers for.

The big-ideas competition is a good idea. We have to constantly be challenged. We have a very defined process here. We have a budget process. We have a capital plan. We go through all these things. We have agenda items of projects that we approve but we do need to get us in a framework. The combination of what we are doing on the Strategic Plan, what we're doing with this Waterfront Land Use Plan gives us the bigger framework to be bold. Eleanor said it earlier.

I remember when I first came on this commission. We sort of talked about how we were trying to connect with the neighborhood. As a commission, we made tremendous progress to say, we're not just trying to connect with the neighborhood. That's important. We have a lot of neighbors here that really are very vocal too.

We want to be for the whole city. This plan now does speak to that and as well as what we're trying to do with the strategic plan. We are an asset for the whole city. We're an asset for the whole West Coast, for the country and for the world and we need to shine.

It is ambitious. Our problem is how are we going to figure out how to get there but that's a good problem to have. I commend all of you for giving us and passing that challenge onto us and to the staff of how to figure that out. We'll continue to work on it. I'm very inspired and excited to see this work today. Thank you.

Commissioner Adams - I'm not going to beat a dead horse. I know this commission up here -- we could talk under water. I'm not going to do that. I wanted to say thank you because I know we have other items. I want to thank the community, the staff and everything. We've got other things to do. Rudy, I hear what you're saying about taking things under consideration. Thank you, Madam Chair.

Commissioner Katz - It was actually just more mundane. That's why I didn't want to interrupt when you mentioned some of the next steps and the walking tours. If it would be at all possible to get some sort of video recording and then posting it onto YouTube and getting some of the bloggers and others that are influencers on social media, I think that would be a great opportunity for us to have further outreach. Particularly if we're going to be having committee members on these tours speaking, I think that would be a great opportunity to share that information even more broadly.

Commissioner Brandon - I truly would like to thank all of the committee members, Rudy and Janice for leading this wonderful effort because it sounds like everybody just got along.

It sounds like the ideas just kept flowing, and the committee just got along really well. I want to thank Linda and Pia and Alice for chairing the committees. I want to thank all of the committee members for your dedication.

So many meetings in the last 18 months and coming up with so many great recommendations because I've read through them and they're great recommendations. I also think that Commissioner Katz idea of the committees coming and talking about each of their recommendations in a little more detail, so we get a feel and understanding of where they're going with that would be great.

I love the thought of a big-idea contest. It might be the same as our RFI that's going out and big ideas to come for what we can do with our various piers and spaces.

I want to thank Diane. Diane was here through the first Waterfront Land Use Plan, which was a huge effort and she's still here. I want to thank Carol and David and Brad and especially thank Kari and Anne for coming back. You guys are a great team. Thank you so much for working with the community. I am just so impressed with everything that has happened with this. I'm looking forward to the next steps and what we see next. Thank you, Diane.

13. REAL ESTATE & DEVELOPMENT

- A. Request adoption of the Final Mitigated Negative Declaration and the Mitigation Monitoring and Reporting Program for the Alcatraz Ferry Embarkation Project (2017-000188ENV) located at Piers 31-33 on The Embarcadero at Bay Street (Site) pursuant to the California Environmental Quality Act; and

Request approval of three transaction documents: (1) a General Agreement between the Port and the National Park Service (NPS) for a thirty-year term with two ten-year options for use of the Site primarily as the embarkation to Alcatraz Island including: (2) a form lease with an initial ferry concessioner to be selected by NPS for site improvements and ferry services including from the Site to Alcatraz Island coterminous with the ferry concession contract; and (3) a lease with the Golden Gate National Parks Conservancy for site improvements and to operate visitor amenities including a visitor-contact station and café for a thirty-year term with two ten-year options coterminous with the General Agreement.

(This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to San Francisco Administrative Code Section 31.04(h).)
(Resolution No. 18-19)

Rebecca Benassini, assistant deputy director with the Port and waterfront development. I am pleased to be here with you for the second time. We were with you on January 9th for the informational.

Today, I'm supported by our ever-present team of Byron Rhett, Michael Martin, Jay Edwards, Jamie Hurley and Rona Sandler. We're pleased to have a big contingent from the parks service and the conservancy here to answer questions.

Specifically, Superintendent Laura Joss will join me at the podium for part of the presentation. Jessica Carter, Anne Altman and Brian Aviles are also here along with other staff members to make sure that we get all of your questions answered.

The outline includes a little bit of review from our January 9th item. Items one, two and three I'll go through relatively quickly because you all remember it so well. Then, we'll be focusing on sort of new information.

We want to get back to you on the questions that were raised at the January 9th meeting and the questions that we've been getting, Parks Service has been getting and I know that others have been getting relative to the prospectus that was issued in the interim between our two meetings since we saw you last.

The Alcatraz project is located at the current Alcatraz embarkation site between Piers 31 and 33 on the Embarcadero near Bay Street intersection. The current embarkation site is envisioned to be improved -- as I was listening to Diane Oshima's presentation, I was thinking this has a lot of the elements that the land use subcommittee came up with.

We are improving the site under the project to include more pedestrian access. We're removing some of the parking that's on the site and moving it into the shed, so it's all a full pedestrian-access site.

Getting more access to the water for the public and consolidating and rationalizing the embarkation site where passengers get onto the ferry to access Alcatraz and other locations and then where they disembark.

Also, historic preservation -- we're facilitating through the project site improvements through the Pier 31 bulkhead where a new café will be activated and also significant investments into the Pier 33 bulkhead, also one of our historic facilities and also adding new waterfront floats and capacity to the ferry side of the site.

We started with environmental review actually initiated by the National Park Service. The Port and National Park Service both sought an opportunity to get a long-term site for the embarkation site to Alcatraz.

The Port was vying heavily to keep it on Port property. Park Service did their due diligence and eventually settled on the site where we currently have the embarkation. The draft EIS, consistent with NEPA requirements was issued in 2015.

The Port term sheet was endorsed by the commission as well as the Board of Supervisors in 2016. All of the business terms in the documents that I'm going to very briefly go over are consistent with the business terms that were in the term sheet.

The project is the same as what was endorsed under the term sheet. Between the term-sheet endorsement and through 2017, we've been negotiating the agreements with National Park Service as well as the Conservancy. We've been continuing and completing the environmental review required under CEQA.

There are four entities that are going to have to work together to make this site operate even better going into the future for 30, 40, 50 years. The Port's role is to oversee the leases with the concessioner that will be selected by National Park Service. Over time, there will be more than one concessioner and to oversee the lease with the Conservancy.

We also will sign the agreement, once approved, with National Park Service. We call that our general agreement (GA). That is our operational agreement where we both work together to facilitate and to fulfill the goals of the embarkation site operationally, revenue generating, public access, interpretation, all of the goals that are embodied in our partnership.

Park Service's role is to work on the interpretation and interpreting materials with the Golden Gate National Parks Conservancy through their agreements as well as to conduct the federally mandated contracting processes that result in the selection of a ferry concession contractor every 10 to 15 years under current practices and current regulations.

The transaction documents that are before you for approval are the general agreement. It's a 30-year agreement with two 10-year options between the Port and Park Service.

The other key document is the lease. We call it a form lease with the ferry concessioner. It's a form lease because we don't know who the ferry concessioner will be. It will be the form of lease that the ferry concessioner, when selected, will be required to sign. The term of the lease will be coterminous with the Park Service's concession contract, which is now known to be 15 years.

The final document is the 30-year lease with two 10-year options with the National Parks Conservancy. Their role is to provide visitor contact station services as well as to operate the café.

We've conducted all of the environmental review that's necessary, which is why we're able to come to you for approvals today. The EIS was completed in 2017. The Preliminary Mitigated Negative Declaration (MND), which is what was determined to be required under CEQA has been completed.

An appeal was filed during the public review process. That appeal was heard last week. The planning commission upheld the MND. Thus, we have a final MND, which was signed last week as well.

Going forward, we will require permits from all of the regulators that have jurisdiction over the site, including BCDC, the Army Corps of Engineers,

Regional Water Quality Control Board. The GA specifies what roles each party has in attaining these permits with the Park Service facilitating and initiating some of those processes.

The Port and the Conservancy and the future ferry concessioner will be operating under the permit and will be conducting the work under the permit, then work together to complete the permitting processes.

This is a bit of new information I wanted to put in front of you to provide more information on the prospectus that has been issued since we last saw you. It provides some of the key metrics that the ferry operators, as they're looking at the prospectus, probably are going to be looking at.

What's the scale of the service? The scale of the service, as estimated in the prospectus and projected by Park Service is anticipated to be about 1.7 to 1.8 million passengers to and from Alcatraz.

There also is an existing service that is called Island Hop that goes to Alcatraz and Angel Island, about 30,000 to 40,000 passengers through that service. There is also a new service, which is described in the prospectus and was also analyzed through the environmental review process.

That is called a park cruise. It's anticipated to serve about 80,000 up to 90,000 passengers maximum per year. The Park Service envisions the park cruise being an interpretive cruise where the attendees could go onto a boat, which touches National Park Service waters.

They would receive cultural and historical information about Park Service sites such as Fort Baker, Fort Mason, Marin Headlands and other areas. For context on the size of this cruise, we looked back at a couple of different Port staff reports. In a recent Port staff report, we noted that one of our current tenants at the Port has about 490,000 passengers that they served in 2015.

We have other data on other operators but just to give you context of how large the 80,000-to-90,000-person park cruise service is anticipated to be. Also I wanted to note that the annual projected gross revenue from this contract is between \$44 and 52 million per year and the contract is for 15 years.

The Port's financial metrics is identical to what was projected at the term-sheet level. It provides the rents that we anticipate through the services. The total from the whole site is anticipated at build out around 2020 at stabilization to be \$3.2 million.

This is slightly above what we currently receive from the site. We'd also be providing rent credits over a four-year period totaling \$3 million for the investment in the site that we view as base-building, rent-creditable improvements.

Speaking of investment in the site, we wanted to note how much revenue will be directed to Port facilities through this contract and through this project. The ferry concessioner over three phases is anticipated to expend about \$30 million.

We have a rent credit that we were providing up to \$2.5 million for that work. The Conservancy will expend about \$3.6-3.7 million with a \$500,000 rent credit for a total of \$33.7 million invested in the site.

I'd like to invite Superintendent Joss to provide some information that responds to some of the questions we heard in January.

Laura Joss - I appreciate your interest in this project and allowing us to come and speak. I also want to thank all the Park Service staff who have worked on this project for many years along with our partners and the Port staff.

I've been general superintendent at Golden Gate for exactly three months today. I came from our regional office. I was regional director for a year and a half. This project though has been going on for a number of years.

The Park Service has been collaborating to identify the location, develop the vision and solidify the business terms that will enable a long-term Alcatraz Island embarkation site with benefits for all stakeholders.

I'm happy to be here today with the final business agreements before you. The nature and structure of our partnership is unprecedented in many ways. The Park Service is genuinely excited about what the future holds, which is a new, high-quality, welcoming gateway to Alcatraz Island centered on Piers 31 and 33 in the Embarcadero National Historic District.

The site will provide a seamless, integrated experience for visitors and create a distinctive one-acre public waterfront plaza for millions of visitors each year. The updates on the prospectus are that we've been busy since the informational session with the Port Commission on January 9th.

As you heard, last Thursday, the Planning Commission approved the CEQA document for the project. Their action upheld two very thorough, independent environmental analyses from both the National Park Service -- we completed an environmental impact statement -- and San Francisco city planning staff's mitigated negative declaration.

Additionally, the solicitation for the Alcatraz ferry contract, also known as the prospectus, was released on January 31st. We held a site visit for interested parties on February 6th and the solicitation is due to close on May 31st with the goal of selection by fall.

The direct concession contract requires the future concessioner to provide a number of services consistent with those envisioned in the general agreement

and that's been the Port and National Park Service as well as being detailed in the ferry concessioner lease including Alcatraz passenger ferry service.

That's the heart of the business opportunity, serving over 1.6 million visitors each year, passenger ferry charter transportation to and from Alcatraz for NPS-permitted special events and a new interpretative park cruise, as Rebecca mentioned.

The park cruise will provide a unique chance for visitors to learn about the National Park Services natural and cultural resources around the Bay Area and include a minimum 45-minute onboard narrative program in multiple languages as described in the operating plan for the draft concession contract.

The service will be educational and highly interpretive for visitors who are interested -- focused on a National Park Service experience. As you heard, it will serve a maximum of 90,000 visitors per year consistent with the CEQA mitigated negative declaration.

We see it as an opportunity for people who maybe can't get out to Alcatraz directly but want to learn about the Bay Area National Park sites. Food and beverage onboard vessels is also a required service of the concessioner.

The future concessioner will also be authorized to provide certain visitor services subject to National Park Service oversight should they elect to do so. Those include souvenir photography, passenger ferry charter transportation to other NPS locations subject to NPS approval and appropriate infrastructure at charter destinations.

Future passenger ferry service to Fort Baker and Rosie the Riveter are contemplated. Those services would be provided in accordance with the NPS final environmental impact statement as well as the CEQA document. They cannot commence until Park Service works through details regarding the connection points in both Fort Baker and Richmond. We would first need to make a significant investment in the Fort Baker pier infrastructure as well as better understand infrastructure and partnership opportunities in Richmond. We're committed to working with respective stakeholders prior to moving ahead in order to enable success.

I'm going to talk a little bit about the National Park Service commitment. We know that there are questions regarding minimum wages applicable to the Alcatraz ferry service concession contract. I'd like to assure the commission and the community that the National Park Service is absolutely committed to a fair and legal competitive process and concession contract, which includes fulfilling our obligations with respect to the Service Contract Act, the SCA, and appropriate wages for concessioner employees who provide these important visitor services.

I'd like to go into a bit of detail about the roles and process by which minimum wages are established. Under the SCA, only the U.S. Department of Labor, DOL, has the authority to issue required wage determinations. National Park Service does not have such authority but rather relies on DOL to determine appropriate wage rates based on locality. NPS applied to the DOL for the 2016 Alcatraz ferry concession contract wage determination using DOL's established E98 procedure. The NPS has applied to DOL for both the 2018 wage determinations for the current contract, which we're required to do every two years, as well as for the draft concession contract using the same DOL E98 approach.

We want to acknowledge that this has been a learning curve for the National Park Service because we actually have a very limited number of concession contracts around the country. One such learning opportunity was with respect to the wage determination for the non-standard positions, particularly maritime. Relative to the wage determination for the draft concession contract in the prospectus, we initially misunderstood our responsibility to request a new wage determination for the draft contract but upon realizing the mistake, Park Service quickly prepared an application to the DOL. It was submitted last Tuesday via the e98 process and we just received the results back and the results do appear to be higher.

We will release a prospectus amendment with that complete wage determination shortly by the end of next week. It does have to go through a couple levels of review for that release but we will push it quickly. With three months left in the solicitation period, we believe this will provide sufficient time for all interested parties to prepare a proposal accordingly. I also want to be clear that, for these E98 applications, the National Park Service has provided accurate, relevant information to DOL about the location and nature of the concession contract services, namely that it is a passenger ferry operation in San Francisco as well as a list of applicable occupations.

In 2016, DOL provided a wage determination to NPS for the local San Francisco region for standard occupations. It also provided a supplemental wage determination for four non-standard occupations of captain, deckhand, engineer and general vessel assistant that references harbor tug operations and is nationwide applicable on the East, Gulf, West Coast and Hawaii.

Park Service, as the contracting agency, does not have the authority or expertise to evaluate the adequacy of specific wage rates. However, interested parties affected by DOL wage determination including prospective contractors and representatives of employees may request that DOL reconsider the wage determination if they have evidence to support such a request.

We understand this is something local stakeholders may be interested in undertaking and we support such an effort. Ultimately, we understand that quality visitor services start with appropriately compensated, safe and happy concession employees. That is our shared goal.

For the project schedule, May 8th is the deadline for the new concession contract to become effective. A delay in the Port Commission approval of the general agreement and leases will trigger delays in subsequent required approvals and could very possibly result in the need for National Park Service to pursue a temporary concession contract.

By law, National Park Service can extend concession contracts for a maximum of three years. The current Alcatraz concession contract expired on May 9, 2015. Park Service has extended it for the full three-year period through May 8, 2019 in order to accommodate the completion of embarkation site planning, the approval of associated business agreements and the solicitation and selection process for the next concession contract.

Our concession contract schedule is very compressed due to the complex and lengthy planning and development phases for this important project. We've also committed to providing 30 days between the mayor's approval of our final business agreements and the close of our solicitation period for the full transparency for all stakeholders. Thus, any delay in approval of the Port and NPS business agreements could cause NPS to miss the May 8, 2019 deadline for a new contract.

If that were to happen, the National Park Service would enter into a temporary contract to avoid a gap in service to Alcatraz likely via negotiations with the existing concessioner to continue to provide services under the temporary contract. That's what we've seen occur in other locations. Specific terms and conditions would need to be negotiated. In the case of Alcatraz, a temporary contract would introduce complications the embarkation site leases, services and improvements as we've presented them to you.

We'd miss a key regulatory construction window in the fall of 2019 to install waterside infrastructure to support new services and lend greater flexibility in terms of laydown space for site construction. There would be proportionate delays to all landside improvements to be made under the next concession contract and those by the Conservancy. The new visitor services and associated revenue streams to the Port would not be introduced until the new concession contract is effective. All of this results in lost opportunities for us as partners and, importantly, for our visitors to Alcatraz and the embarkation site.

The next slide discusses the specific scheduled milestones in greater detail. And I look forward to achieving them together as we begin to implement this exciting project in the year ahead.

Rebecca Benassini - If we are able to remain on schedule, we'll be seeking approvals through the Board of Supervisors. Once we seek and get those approvals, NPS can put onto the prospectus that we have final agreements and final approvals. The prospectus respondents can be assured that that's the final lease that they'll be working under. The evaluation process, as Superintendent Joss mentioned, would go into next year. Construction would then be phased in

over the various windows with the first window coming up later this year when the Conservancy would be able to take possession of the now-vacant 31 bulkhead and begin construction there.

As Superintendent Joss mentioned, the next in-water construction window would then occur in fall 2019. So that would be the next phase of construction with the ferry concessioner phasing in those three phases of work over a three-and-a-half or four-year period.

The Conservancy would then do the second part of their work in the Pier 33 bulkhead anticipated to occur in 2020 with full site improvements needing to be complete by 2024.

Thank you for allowing us to come back to answer some of the questions. Thank you to everyone in the audience for staying this late. We look forward to hearing your questions and comments as well.

Commissioner Katz - I need to recuse myself.

ACTION: Commissioner Woo Ho moved approval; Commissioner Brandon seconded the motion for discussion purposes.

Daniel DeBolt with Blue & Gold Fleet and San Francisco Bay Ferry and IBU - I want to speak to concerns about maintaining a certain standard of compensation for deckhands that work on the Bay. I've been very fortunate to work as a deckhand since April of last year. It's been a huge thing for me to have a sense of dignity and to be compensated fairly. Most of my life I'm unable to save any money to plan for retirement and that is very important. For 10 years, I was a newspaper reporter. I sat through a lot of city council meetings, people talking about building, nice plans for physical spaces, talking about success in a certain way. Sitting through this meeting, I was thinking about what success means? What does resilience mean? I hope it means more than just for your facilities. I hope it also is about the people that work here on the Bay. You have a lot of power in working on this contract to maintain a good standard of living for deckhands that work on the Bay and deckhands that will be around when there's an earthquake. Ferry boats are going to be critical in responding to the emergency. Those are some things to think about.

Joe Buttarro, IBU - I've worked on the San Francisco waterfront for 22 years now with the Blue and Gold Fleet as a member with Masters, Mates and Pilots and Inlandboatmen's Union. I've been a captain, a deckhand, a bartender. Due to the well-paying union job that I have on the waterfront here in San Francisco, I recently became a homeowner, which I never thought would happen in the Bay Area. Part of the plan for the use here seems like a back doorway for the Park Service to get into the Bay cruise business and simply call it by a different name. It's going to go by the same landmarks, have the same narration. If it looks like a Bay cruise and sounds like a Bay cruise, it's probably a Bay cruise. It seems to be an attempt to skin off the existing business of the existing Port tenants and

long-time maritime employers on the waterfront. We'd like to see that the decision or the awarding the contract be tabled until we have in our hands and can see the actual numbers of the local wage determination because I don't think anybody wants to go through what happened last time where we had to sue to get the current contractor to pay the bare minimum of the prevailing wage.

Robert Estrada - I've been a deckhand for 30-plus years. I started in March 1985. I've recently become the regional director of the Inlandboatmen's Union of the Pacific, which is the maritime division of the ILWU. We represent nearly 300 mariners in this region between the members and registrants in this region. We have great concerns on two fronts as you know. Our first concern centers around the idea that this late into the process, this late into the game, we still don't have an accessible Department of Labor wage determination that meets the sniff test. Now, I heard it said that this has been a learning experience. But what I don't understand is why not 2006 being the learning experience when our two unions had to spend half a million dollars fighting this exact issue. That was a learning experience for us. We would hope that that would have been a learning experience for the National Parks. That was a long, drawn-out process. Ultimately, it cemented a contract with a concessioner based on two big lies.

The promise of a big, fancy interpretive museum never materialized. A spaceship-looking solar that even the boatyards were saying was never going to happen, and it never did. Two big lies and a violation of federal law, Service Contract Act. Once we fought that and we won it nominally, what was the remedy? The remedy was they get to keep the contract but they'll bump the wages up in the backend. They were given nearly a doubling of the ticket price to help pad that.

Because this was a learning experience for us, what I don't want to see again is a contract handed on a wink and a nod, a promise that we'll get to it and then have to deal with it at the backend. Here is the opportunity to have it done right. Since 2006 when this contract was given, they were required by that same service contract act to revisit the prevailing wage every two years. As we understand it, that didn't happen until two years ago.

When it was finally revisited after all those years, that would be a little bit of a bump up from where the wage was. The new wage was down to \$12 an hour for a deckhand, \$19 an hour for a captain. I've got to tell you that that's less than half of the reality.

What we are asking you with all due respect -- and I would also like to pause and say thank you, commissioners, for helping to at least get the Park Service to say that they will submit this Department of Labor wage determination. That's not lost on us. We very much appreciate that. Thank you for those efforts. That and the idea of the Bay cruises sucking off the work of our very good employers, our legacy employers, Blue and Gold and Red and White, to help pay for this

\$30 million infrastructure -- that museum, that visitor center should have already been built.

Captain Ezra L. Hunter, Jr. - I'm a 30-year retired captain from the Blue and Gold Fleet. I'm also the regional representative for the Masters, Mates and Pilots United Inland Group, Pacific Maritime Region. I'm a San Francisco native, born and raised, Hunter's Point, Bayview, Lowell High, St. Mary's College. What I heard today about not understanding things and not knowing what I'm doing, I'm sorry. I'm not the only college graduate in the room. I don't think you have to be to understand you can cut a dog any kind of way you want. It's going to be a dog. I don't care what you breed it with. I'm a little offended by some of the things I've heard. I also want to say I'm worried. I'm worried when we see paragraphs in some of these what looks to be innocuous statements inside of a federal document.

I represent 251 members alone right up the street where I've worked for 30 years, that Blue and Gold Fleet. These are rough numbers. Don't hold me to it. Let's say we do 2,000 Bay cruises. If you're going to do 450 Bay cruises where we employ 250 members, it looks like a 20 percent reduction in my workforce and in my labor group. That's offensive to me. I don't understand how you package that any other way when the jobs that are being done are in jeopardy.

When I first started working, I was a college student. I made a conscious choice to stay in San Francisco. I went to school on a basketball scholarship. When I graduated, I had a bunch of big schools that I could have left the state to go play. One of the reasons I chose St. Mary's was its proximity to San Francisco. The 30 years I spent at Blue and Gold and the additional years I spent with other companies to me seems worthless in this new market.

What do I tell my kids who are graduating from college? Can you spend 30 years in a career in the maritime industry in San Francisco? What do I tell my sons about to graduate from high school and attend college? Can you spend 30 years in a maritime institute in San Francisco? What do you guys think is my question when you read some of this stuff? The Bay cruises supports families, men, women, children, grandchildren. To tell 20 percent of my workforce you have to find another job, is unacceptable.

Keith Madding - I'm a resident of San Francisco, professional mariner. I've been a mariner for 40 years, Cal maritime grad, 1976. I worked on the waterfront here out of San Francisco for 30 years. To see substandard concessioners come into the neighborhood and pay their employees a substandard wage is unconscionable on the Park Service contract. The union members earn a wage that can send their kids to college.

Commissioner Adams mentioned earlier the problem in the Port for kids having a college degree to get promoted. These wages are important to the community. I couldn't afford to live in this town even at the wages I make now if I didn't have a rent-controlled apartment. I don't know how these people at this concessioner

can even live in town in the neighborhood. They're super commuters now. They're driving from Fairfield and Sacramento just to go to work here in town. I hope you listen to our pleas.

Gerald Norton - I've worked on the IBU for about nine years. I'm kind of new at this. Everything I've heard about Hornblower seems like they have lied and cheated and not lived up to their contract. I think that they should not be able to continue with the Alcatraz cruises.

Jennifer McCarthy - I'm a deckhand with the Inlandboatmen's Union. I've been a deckhand for about 20 years. With that job, I've been able to save enough money to afford to buy a house in Oakland. That was about 15 years ago. I'm terrified that the concessioner that comes in will provide another Bay cruise service and siphon off passengers from Red and White and Blue and Gold, companies who've been doing business in San Francisco for years. What will happen to our union members? Is everybody going to have to leave town? Another point too is the wage determination. I would hope you don't make any decisions until we get a wage determination to see if the workers will be adequately paid. In my other union, Local 510, we've had trouble with the Park Service for setting up shows at Fort Mason, jobs that used to be ours. The Park Service has let contractors come in from Denver and use non-union labor. I'm not sure what their wages are, but I'm sure they're substandard. It's terrible to lose all of these jobs. None of us Bay Area residents will be able to stay here anymore.

Anthony Stamps - This is now my 15th year in the union. I started off pretty young. I wanted to see if I get my members to stand up, so you can see a count of us that's representing today. I would even ask our owners from Red and White to stand up, and Local 10 as well. You guys heard a lot of people talk about wages today. They're speaking on wages because, when the Hornblower came in and took over the Alcatraz bid, they really undercut us. If you guys think about a bid of \$19 an hour for a captain when our captains are receiving \$45 an hour and a deckhand receiving \$12 an hour when our deckhands are receiving \$30 an hour, if you think about what that means, that means they can significantly undercut a bid. The wages are a big difference. I'd ask Park Service to consider working with the unions and keeping San Francisco like a union shop instead of doing business with Hornblower or at least if you're going to do business with Hornblower, make them a union shop so that, most of the Hornblower people will come to the union at some point because they're coming here to get union wages. They're leaving Hornblower, and they're talking about their wages over there. The wages that they're paying right now at Hornblower is the same wages we were making in 2005. Think about that.

Keith Oshins - I am a deckhand with the Inlandboatmen's Union and also a fourth-generation San Franciscan, both grandparents in the fire. I also have worked, before working as a deckhand, 12 years as a tour guide all up and down the wharf. I know that the Alcatraz concession is one of the driving engines of tourism in San Francisco. Having the concessioner running out of the Alcatraz

docks doing Bay cruises, taking away from, as my brothers and sisters have said, legacy businesses like Red and White that would be injurious not just to the deckhands but to the other businesses up and down the Fisherman's Wharf area because people who come out of Alcatraz or cannot get Alcatraz tickets, which is always a concern, will then go down the wharf and go to bus tours, to Bay cruises, to Blue and Gold, to Red and White or even take one of the commuter ferries to Vallejo or Oakland. On their way, they go through Pier 39 and the other concessioners and businesses around Pier 39 and the North Beach area and continue to fund small businesses, large businesses, jobs. Having that one point where the Park Service concessioner will be essentially doing jobs of other local legacy businesses would actually lead to, frankly, less income for the other businesses in the tourist industry in the Fisherman's Wharf area.

In her initial presentation, Director Forbes mentioned restoring maritime jobs in the area as one of the goals of the commission in this project and the increases in water transport. Having these jobs particularly as a deckhand at prevailing wages would provide a labor base for that increased ferry service, which is also important for possible emergencies and would provide a broader array of public use for the entire wharf area.

Tom Escher - I'm the president of the Red and White fleet. We're one of San Francisco's few registered legacy businesses. Our roots go back to 1892. We're a tenant in good standing with the Port. However, sometimes I question that. We support both the National Park and the Port of San Francisco's efforts for creating a long-term lease for the Alcatraz embarkation location. This is good for the National Park. It's good for the Port. It's good for the visitors of the city, and it's good for the entire country. Our review of the available documents, we have not been able to find any written requirement that the Port and the National Park Service have agreed all Alcatraz concessioners -- all Alcatraz concessioners -- all Alcatraz concessioners are required to pay local prevailing wage. National Park typically completes this documentation and follows the Service Contract Act before these contracts are signed. At Red and White fleet, we deal exclusively with the Inlandboatmen's Union. We pay local prevailing wage and are proud to hire the best mariners on the Bay. In summary, we request that the commission approves item 13A after or as long as there's a written agreement specifying local wage determination has been completed by both the National Park and the Port as this is a way to protect all women and men working at the Alcatraz concession.

This evening, the National Park was very nice to share additional data that surprised me. We are on the bidders list, and we're going to attempt to be awarded the concession. These items that they brought up are new to us. We have not been informed of that. It's very nice for us to hear that. I don't know if the other concessioners have been informed of this. If you've informed us first before them, that's not fair to them. All the Red and White fleet wants is to have a level playing field. If we can't win on a level playing field, that's fine. I'll take the losses but we need a level playing field. We don't like lies. We don't like people

that do one thing and do something else. That's not the way we operate. In light of the updates given today, I would ask the National Park to give any concessioner, all concessioners more time to analyze what you want.

Eric Platt – I appreciate all the work you do. I wanted to defer to all of the people that I've just heard speaking. I'm a deckhand and a San Francisco resident. I'm an IBU member. I can't qualify for the below-market rent, housing in San Francisco even with a union job. I think that what everybody else here has said is particularly relevant. It was heartening for me to see today in that other presentation that the Port was committed to livability in San Francisco because this is my community. I love being here. I'd hate to see that undercut in any way.

Christopher Christiansen - I'm with the ILW Local 10, which is the longshore division. The IBU falls under our umbrella. They are part of the ILWU family. Before I started down here, I was part of the Masters, Mates and Pilots Union. I'm going to echo what Robert, my officer counterpart for the IBU, and Ezra, my officer counterpart from the Masters, Mates and Pilots has said. We don't think this is fair that you approve this now. This needs to be held over because NPS has not informed you of the supplemental wage determination correctly. We also believe that their park cruise is a way for them to undercut some of the legacy businesses here in San Francisco like the Red and White fleet and the Blue and Gold, who right now are undertaking sizable improvements to their facilities and their docks. We want NPS to pay a fair, prevailing wage for union workers here in San Francisco. With what they have provided, it doesn't look like they are.

I sit on the San Francisco Labor Council as a delegate. When we have our next meeting next week, this is going to be a huge topic of discussion about what the NPS is doing. Sitting on the labor council comes union solidarity. It's not union solidarity here in the city with the maritime unions only and the building trades and the construction workers or the electrician or the plumbers. It's union solidarity together. If this gets rubber stamped and approved tonight, that this will go to the labor council and be a huge contention. We hope that you'll hold this over until we have further information with the supplemental wage determination and with what they want to do with the park cruise.

Vincent Hoenigman - I'm a current board member of SPUR, the San Francisco Planning and Urban Research Association, and a former board member of the National Parks Conservation Association (NPCA) and currently sit on its regional council covering California. I cannot comment on a lot of the information that you've heard about wages and that whole issue. I'm actually sad that I go first. I'm commenting specifically on things that we support. While SPUR and NPCA have not taken a position on this project, we believe this project supports a lot of the goals that we have for the Port and for the waterfront and for the city and for our National Parks. One, it preserves historic structures. It provides increased revenue for the Port or continued revenue. It creates a great public space on a heavily traveled promenade that will have 1.6 to 1.8 million customers and at least a million and a half casual visitors. It's creating that pearl of gems along the Port property and the Embarcadero that we want to see along this waterfront. It

facilitates more people experiencing the National Parks, which is a big goal of NPCA's, and provides a much better park experience. The current facility is kind of a substandard facility from a parks perspective. This new one will not only create a better experience but hopefully also generate more revenue for the Park Service that they can use to maintain and update their facilities. This project will help activate the waterfront with a maritime use and make the Port properties around it even more valuable so that you can enhance those and get other people to come in and make investments there. In terms of its impact on the city, it will also enhance the economy of San Francisco by further enhancing this great tourist resource that we have. Those are the reasons that we support this project. Our understanding or my understanding on the other issues is not as in depth as what you're going to hear from a lot of other people. We urge you to approve this project to keep it from being delayed perhaps up to a year it sounds like if it's not approved shortly.

Katherine Toy - I'm a fourth-generation San Franciscan. I serve as the executive vice president of partnerships and programs for the Golden Gate National Parks Conservancy. Alcatraz is certainly an international tourist destination, I wanted to speak briefly about its many community connections to San Francisco as well. It turns out that I have a special relationship to the islands here in San Francisco Bay. I also serve on the board of the Angel Island Immigration Station Foundation and served as its first executive director, a project I've been involved with for more than 20 years. Although I speak here, my role is a San Franciscan and my role with the Conservancy. You know that Pier 31½ also serves as embarkation for the Island Hop, which allows visitors to experience both Angel Island and Alcatraz on the same day.

As a community member, I've seen very powerfully the first-hand power of Alcatraz and the stories and the impact it has on the local community through Conservancy-sponsored exhibitions like the Chinese artist Ai Weiwei, who was at Alcatraz a few years ago exploring the issues of human rights and freedom of expression. Our Art in the Parks program uses international and local artists to illuminate the deeper and unknown stories of Alcatraz regarding human rights, Native American rights and modern issues of justice and incarceration. Our Art in the Parks programs are just one way in which the Conservancy and the National Parks Service are committed to making Alcatraz relevant and of service to our local community.

The Conservancy is a vast network of community partners in San Francisco including 94 schools and over 120 community-based organizations. We also sponsor community-access programs, which makes visits affordable to thousands of community members every year. Alcatraz is more than a tourist destination. It's also an outdoor classroom for our youth, a place to explore contemporary issues on education and an enjoyable community outing for groups with a deep connection to both immigration and incarceration at Angel Island as well. I encourage you to improve the embarkation agreements that will lead to the revitalization of this area. It's a gateway for us to begin to explore

these stories and continue to be of service to the citizens and community in San Francisco.

Mark Buell - For 14 years, I served on the board of the Golden Gate National Park Conservancy, 12 of those years as the chair of the board. I watched over those years as the conservancy raised in those particular years over \$300 million for the National Park. They're up well past \$400 million now. Some of the projects you'd be familiar with are Crissy Field and some of the improvements that have been made around the park, the warming hut at Crissy Field, the visitor center out at Lands End, the Golden Gate Bridge visitor center is a collaboration with the Bridge District.

There are seven bookstores around the Bay Area. All this material is presented by the Conservancy. I mention it because they take great pride in how they edit what they sell and make sure it's of the highest quality. They make sure what they build is the highest quality. The Lands End visitor center got an architectural award for the building that stands there. Coming down to the harbor to make an improvement for this embarkation will be yet another great jewel for the Port. I really believe that. For that reason, I would urge you to approve this.

I recognize that this is a long-standing issue with labor in San Francisco that the federal government has standards that preclude the Park Service from issuing a contract with a labor agreement by virtue of the federal rules. So the challenge, it seems to me, for you is to say as openly and honestly is how do you get to the highest prevailing wage that can be incorporated in the contract so that you achieve to the degree you can give federal rules the best deal because you're getting such a wonderful deal in this collaboration between the Conservancy and the National Park. I thank you for your attention and your yeoman's work staying so late to do the people's job.

Commissioner Adams - First of all, I appreciate everyone that has spoken on this issue. Eventually, it will happen. For now, I would like to hold this issue over for 30 days. The sister from the Park Service said they got the proper wage determination from the Department of Labor. We need to see that. That's legitimate. It needs to be seen by the Port and needs to be disseminated to the commission.

Tom Escher made a legitimate point about Bay cruises. Red and White, Blue and Gold, everybody deserves a fair opportunity. Mark is right about the Park Service when he said that you can't tell them who to hire, but they go out to bid. I think everybody wants a fair bid. I say we hold this over for 30 days. We get the information. Elaine Forbes, our director, has said that she's going to look at all this, make a recommendation, work with all the parties. We can come back because, eventually, we will get there. I appreciate everybody's work. I think this is legitimate. When she says she just got it today, we all need to look at the information, get it, make sure it's right. I'd appreciate, colleagues, if you support me and we just hold it over for 30 days.

I don't know how long it takes to get something back from the Department of Labor. But Director Forbes said she is also going to check on that. I would hope the IBU and others that you get the correct information so we can have all that information, and we can have a discussion. Eventually, we can get this thing done.

Things need to be done right. Tom, I appreciate it. I wish Blue and Gold had been here. I wish Patrick would have spoken because we need to hear everybody and we want to be fair. That's one thing about this commission. We want to be fair. We want it to be done right.

Commissioner Woo Ho - I would concur with holding it over. I believe in the project. We've worked very long and hard. From my standpoint, it's very disappointing to find us today that we have this issue outstanding on labor. I think it's been bandied about for a while. It's not like all of a sudden it came up. I understand in terms of all the public that has come up to speak. We need to find out the information and figure out what is the way to solve the puzzle in terms of trying to get to something that is more mutually acceptable to everybody involved.

The other piece, which was a surprise for me today having followed this topic for a long time was the Bay cruises. That was not something I remember from previous presentations. That was a little bit of a surprise. I think that's not the key topic here. We do have an open market and people can do various things here. I think the bigger issue is to get the information. I know we worked so hard in trying to work with the Conservancy and the design and the visitor center and it sounded great.

I know we've worked very hard with the Park Service. We've done lots of hard work and collaboration. I'm very disappointed that we, again, find ourselves not able to cross the finish line because, in our heart of hearts, we want this project to go. We do want it to be a fair situation. Whoever wants to bid on the ferry concession, there's equal opportunity for everybody. At this point, I don't think my conscience would allow me to go ahead and trust that this is going to work out because we've had a couple of other hiccups along the way on this project. This is not the first one. It seems we can't quite get it to the finish line. I agree with Commissioner Adams that we just have to solve these questions before we can finalize it but we do want to get this done.

Commissioner Adams - I'll share this with the public. The reason I didn't second the motion today is because the commissioners got a letter about a potential lawsuit that was sent to the superintendent at the Park Service. I don't know what's going to happen with that. We're not involved with that but a letter was sent. It goes all the way back from 12 years ago talking about all the allegations of what the Park Service has done. President Brandon was here 10 or 12 years ago. What I don't understand is you keep doing the same thing and get the same results. We had the same issue happen. Maybe President Brandon can talk about that. They had to sue then to get everything. There was a letter and

I'm sure she can get up and say she got that letter today. That's why I'm gun shy when I'm talking about somebody getting sued. I've got to think about where the Port's at. I would like the executive director, staff and the commissioners deal with it and come back in 30 days.

You weren't aware of this possible lawsuit that could be hanging over the National Park Service that was sent out. We all received the letter today from an attorney. I just wanted to tell you that. You need to know everything. It's not to put anything down but I believe in transparency.

Commissioner Brandon - I personally think this is a great project. I think we have come a long way. It's taken a little bit but we're here. I'm glad that we were able to discuss it today and that everyone was here to express their feelings. The prevailing wage is something that we have to work on. We have to know if it's included or not. We have to be fair. I'm not sure we need to hold it over 30 days but we need to hold it over until the staff can come back with the document either authorizing the local prevailing wage, or we understand what we're dealing with here.

Elaine Forbes - I would actually recommend March 27th. I don't know how staff feels but I feel like we need some time to digest what we heard this evening and do some more due diligence. That's a better calendar for us than to try to strive for a staff report on Friday. March 27, which happens to be 30 days from today, is the preferred calendar for this item.

14. NEW BUSINESS

Elaine Forbes – Under new business, we're going to provide an update on Crane Cove Park and we're going to ask each subcommittee of the Waterfront Land Use to provide an informational presentation to the Commission.

15. ADJOURNMENT

Commissioner Katz - I wanted to request that we adjourn our meeting in memory of Sharon Hewitt, who was a force of nature, a grandmother to so many activists, changed a generation of lives both by her mentorship of those who are out there doing good work and by those whose lives she changed. Also in memory of Joannie Libby, another community activist who's left a mark in San Francisco.

Commissioner Adams - Let's also adjourn the meeting in the memory of the 17 young kids that were killed in Florida.

ACTION: Commissioner Woo Ho moved approval to adjourn the meeting in their memory; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Commissioner Brandon adjourned the meeting at 7:45 p.m.