

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE SPECIAL MEETING JUNE 25, 2018

1. CALL TO ORDER / ROLL CALL

Vice President Willie Adams called the meeting to order at 10:02 a.m. The following Commissioners were present: Willie Adams, Gail Gilman, Victor Makras and Doreen Woo Ho. Commissioner Kimberly Brandon arrived at 10:20 a.m.

2. PUBLIC COMMENT ON EXECUTIVE SESSION

3. EXECUTIVE SESSION

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

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Items)

a. Property: Piers 31–33, located at Francisco and Bay Streets and The Embarcadero

Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate and Development

*Negotiating Parties: National Park Service: Laura Joss, Superintendent, Golden Gate National Recreation Area

4. RECONVENE IN OPEN SESSION

At 10:40 a.m. the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Woo Ho moved approval to adjourn executive session and reconvene in open session. Commissioner Gilman seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Adams moved approval to not disclose any information discussed in closed session; Commissioner Gilman seconded the motion. All of the Commissioners were in favor.

5. PLEDGE OF ALLEGIANCE

6. ANNOUNCEMENTS

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

7. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

8. 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. 18-39)

Michael Martin, Deputy Director for Real Estate and Development - I, along with the rest of Port staff, are excited to be before you for this special meeting as we continue to make progress towards hopefully resolving a number of the issues surrounding the approval of this important opportunity for the Port.

I wanted to acknowledge the assistance of a lot of the stakeholders here today in our discussions over the last week including a wide range of folks that you've heard from already. We also appreciate the opportunity to have briefed you on some of the issues that maybe weren't as clear as we came into the last meeting. Rather than dwelling too much on the specifics of the transaction, we

could get to the actual strategies that we'd like to address some of the issues that came up.

First, I will provide a brief overview of the project context and timeline as well as revisiting the financial analysis from the Port's perspective of what the benefits of this project are. From there, I'd like to invite our partners from the National Park Service and the Parks Conservancy to join us to talk about some of the things they've been working on since the last meeting. After that, I will walk you through the specific issues that have come up at both the February and June meetings and provide you with our recommendation on how to proceed from there.

This proposal is going to be located at the location that is currently the embarkation point, there's a natural intuitive sense that it's the same thing over again. But as you've learned over the past three meetings we've had this year with you, there's a new vision that frankly commenced with discussions between the Port and the National Park Service nine years ago. The idea was, how do we harness the financial success of this hugely popular visitor attraction nationwide to create a revitalized embarkation point for the kinds of maritime businesses that we at the Port want to foster?

In our normal environments, we usually partner with someone who can do a lot of capital improvements and recoup their dollars from the operations of those capital improvements. The Port and the National Park Service are both somewhat constrained in their ability to directly do that. The Port does not have the capital budget to put \$30 million in as is proposed in this project. In fact, \$30 million actually exceeds our entire capital budget for the next fiscal year. We oftentimes look for these partnerships as a way to leverage beyond what we can pay for directly out of our budget.

On the other hand, the National Park Service is, under federal law, unable to spend dollars on property it does not own. We've had to create what seems from the outside like a very complex set of agreements but was a way to say there are these revenues being generated. How do we translate that into a better product, which is the visitor experience at Pier 31½?

The strategy that we arrived at was a first-of-its-kind general agreement between the Port and the National Park Service. This agreement does not exist now. This is brand new for this proposal. The general agreement creates a partnership whereby the National Park Service partners with a ferry concessioner. It's undergoing its prospectus right now to select that concessioner as well as its non-profit partner, the Parks Conservancy, to deliver and operate a revitalized embarkation point that includes not only the ferry landing services but also a welcome center and food service, all things that enhance this already attractive visitor opportunity.

We went through a number of slides with you at the last meeting. This is an overall schematic of how the space will be divided up. The green areas are the Parks Conservancy's welcome center on the left side of the screen and the food

service area on the right side of the screen with associated back-of-house. The blue areas are the ferry concessioners' areas to operate the ferries themselves.

We went through a number of graphics to help you visualize what this is going to look like as compared to what's there today, obviously a new plaza area where people can comfortably await their ferries or disembark. We also have a new welcome center, which would be another way for people to engage in and begin their process of learning about Alcatraz. We see some instructive examples from other facilities associated with national parks that start people getting into the mode of being at a national park asset.

The Alcatraz Café, after a long trip to Alcatraz, people oftentimes want a nice experience of food and beverage to counter what happened while they were there. This is an opportunity to not only allow that but to do that in a first-class way along the lines of what the Parks Conservancy has put in place out at Crissy Field as well. We think this is a great addition to an already exciting offering to visitors.

As I mentioned, these discussions started nine years ago. Six years ago this month, the Park Service opened the public scoping period for their federal National Environmental Policy Act process. In 2014, the Port agreed to its role as a cooperating agency for the plan. The draft environmental impact statement was issued in 2015. Project staff began meeting with stakeholders including the Sausalito City Council.

The Port approved the term sheet for this project in June 2016, the Board of Supervisors in October of that year. We see the rapid-fire set of things that have happened over the last 18 months. The final EIS was published, consultations with BCDC, working through the Design Review Board on those issues, the city planning department's work on the preliminary mitigated negative declaration, informational hearings with you this past January, the EIS record of decision, NPS issuing its prospectus for the ferry concession also in January.

Planning approved the final mitigated negative declaration in February of this year followed by the second hearing of this commission on February 27, 2018. We followed up in June after an updated wage determination was issued.

We had your last meeting approximately 13 days ago where you heard this item again and continued it. We're back before you today to not only revisit that discussion but also to talk about what this means to the Port.

Here are the financial metrics that you had seen last time. This is a snapshot of how the different rental streams accrue to the Port's benefit. This is an estimate for 2020. It's approximately \$3.2 million of rent which comes down to \$3 million of rent credits amortized over four years. We'll get the full benefit of the rent from there.

The investment to the site is approximately \$33 million, \$3 million of which would be subject to rent credits so approximately \$30 million of improvements paid for by the ferry concessioner and the Parks Conservancy, obviously continuing to improve our facilities that need that improvement.

The annual projected revenue of the overall service is \$44-52 million with potential services -- 40,000 potential passengers to Fort Baker and a to-be-determined to Rosie the Riveter in Richmond. Those would be point-to-point ferries rather than excursions like the interpretive park cruises are.

I'd like to first invite up Laura Joss of the National Park Service to speak to you on her behalf.

Laura Joss - Thank you very much for holding this special meeting to vote on this important and exciting project. For over five years, the Port, National Park Service and Golden Gate National Parks Conservancy have been collaborating to identify the location, develop the vision and solidify the business terms that will enable the long-term Alcatraz Island Embarkation Site with benefits for all stakeholders and 1.7 million visitors.

These NPS visitors bring in nearly \$200 million to the city in total annual spending power, almost half of which is estimated to be spent in the vicinity of the embarkation site on meals, shopping and attractions. The Conservancy has been a valuable partner to the NPS for the past 30 years and is making critical investments in this project along with the future concessioner. We appreciate the rigorous approach the Port Commission and staff have taken to addressing issues that have arisen during the course of this multi-year process.

We sent you a letter on June 19th to address your most recent questions. In addition, since your June 12th meeting, the project team and Port staff have continued to meet and work through the vessel and interpretive park cruise questions.

Regarding vessel size, both the current and the previous concessioner used two large passenger vessels for Alcatraz service. It continues to be our position that two 700 and two 500-passenger capacity vessels are best for the future Alcatraz ferry service to satisfy both the operational schedule and the emergency needs of the island and the city. It's worth noting that vessel sizes were a significant consideration in the completed environmental compliance process as well. However, after hearing the concerns of interested stakeholders, we asked our consultant to update the initial investment analysis for these vessels. Their review determined that costs associated with building new or buying used boats has increased more than originally projected. The total initial investment in the fleet is now estimated to be \$17.9 million.

After considering stakeholder concerns regarding the interpretive park cruises, NPS has agreed to phase in the service over the first six years of the contract term and a re-evaluation of this service with the Port prior to the next concession

contract. These changes to vessel cost estimates and the interpretive park cruises will result in NPS decreasing the minimum required concession franchise fee by 3 percent. This is a savings to the future concessioner of approximately \$1.7 million per year.

Together, these are significant compromises by the National Park Service. Pending the outcome of this meeting today, we will amend the prospectus with this information and extend the solicitation to close on July 17, 2018. This provides interested parties just over three weeks to update their proposals and submit them on time. In summary, the nature and structure of this partnership is unprecedented in many ways. NPS is genuinely excited about what the future holds.

The \$30 million Port improvement project to be implemented by the next ferry concessioner and the Conservancy will provide a new 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. We are very excited to see the project move forward and know it will be a lasting legacy enjoyed by millions of visitors.

Michael Martin - I'd like to invite Greg Moore from the Parks Conservancy to say a few words. Then, I'll step back up to talk through the specific issues.

Greg Moore - First of all, thank you so much for holding this special hearing on a project important to our waterfront, the Alcatraz Ferry Embarkation Project. For about five years, you have watched this project develop. You have seen its vision grow. You've approved term sheets for leases and agreements. You've engaged with stakeholders and brought in public input. You've offered your advice, your questions and your guidance as we've moved forward. I really want to thank all of you for your diligence, your public service and what you've added to the project by fulfilling your role as Port commissioners.

I also want to extend my deepest thanks to Elaine Forbes and her staff. They have been truly stellar professionals to work with over the past five years. As a result of the Port's involvement and the public comment, this project has become a better and better project and a project that is worthy of your approval and support today. I say that because it fulfills the mission of all the partners. It serves millions of visitors to our waterfront each year. It provides for maritime businesses in jobs on the waterfront. It brings significant capital investment to Port facilities at a time when that investment is needed.

We are honored at the Conservancy to be part of the partnership that brings these public benefits forward. Many others in the community also believe in this project and endorse it including civic institutions such as SPUR, the Chamber of Commerce and SF Travel, waterfront businesses and tenants, environmental and historic preservation organizations and community-based organizations.

All can see the value of a high-quality, long-term gateway to Alcatraz Island, and all can see the economic benefit that this brings to the waterfront and to our city. This economic engine is truly critical in a city that depends on \$9 billion of travel and tourism funds each year.

After a long journey with you all, after extensive engagement with stakeholders and public review and public comment, I believe the Alcatraz Ferry Embarkation Project stands ready for your approval. As you know, there is a certain urgency to move this along because of the many milestones and deadlines ahead of bringing this bold vision into reality.

I'll close by thanking you once again for your critical and important role in advising this project, in making it better along the way. Given all the distance we've come, given all the adjustments we've made and, most of all, because of the many, many public benefits of this project, I sincerely hope that the commission will be able to approve the project today. Your approval will allow us to move ahead to meet critical milestone and bring this bold vision into reality.

Michael Martin - I'd like to walk through the four key issues that have been most prominent in your discussions and internal dialogue over the past two meetings starting with the wage issue that was just referenced a little bit in terms of the recent wage determination that came out of the Department of Labor.

As you saw at the last meeting, these wages have come significantly in the right direction in terms of reflecting the actual job classifications that would be employed at the site. We did hear that, because of the turnover of a new year of wages, that some of the operators whose wages were taken into account for this survey, that these numbers are now a small percentage out of date.

As we understand the federal process, before the final contract is issued, the Department of Labor will have to do a review to ensure that the wages are still up to date and accurate. There are also appeal rights that outside stakeholders can put in place.

We feel like, while these aren't exactly where we think they should be based on that testimony you heard last time, we think there are mechanisms in place to move forward on the basis of these numbers that are before you today, which, as this graph notes, are marginally above what we understand to be the WETA contract for 2017-2018.

The competitive concerns that were raised as to the existing excursion operators from the National Park Service comments from Ms. Joss, you just heard that they took a hard look at the technical requirements and whether they were still in place. As she said, they were but they did recognize that the size of the required investment had been larger than originally intended. I think that is a benefit moving towards a more competitive process, which we all think would benefit the project.

In addition, Ms. Joss alluded to the compromise discussions we've had about the passenger limits for the interpretive park cruises. Again, for context, these are the cruises that begin and end at the embarkation site and do not land at another Park Service location. Under the original proposal, the passenger limits were 90,000 passengers a year. Through discussions with various stakeholders who have been before you, we've come to a compromise that we think is accepted on all sides that phases this service in from a starting point of 45,000 passengers. But then, by year six, it increases to 90,000 through the remainder of the initial concession lease, which is a 15-year term, a total reduction in passengers of about 200,000, which does affect the Port's revenues.

At the same time, we feel like the compromise and the concerns that were raised were reasonable ones. We certainly want to see a thriving, competitive environment for our excursion operators throughout the Port. This is going to be part of our recommendations to you to adopt as part of this project if you decide to move forward.

In addition, I wanted to highlight that the mechanics for this would create an actual mechanism to enforce this limit, which doesn't exist in the current arrangement so that we would attach these specific limitations to the operations plan that's in the ferry concessioner lease now. The operations plan is something that they're required to satisfy as they operate. There are existing processes for defaults including remedies that would include all the way up to termination if there was a material default.

We'd also propose adding a provision to the operations plan that, for any year that they go over the limit, aside from those remedies that are already in the ferry concessioner lease, we'd reduce one for one the limit in the subsequent year to bring back the number of rides to what was agreed. Then, we're also going to recommend adding a provision that would create a mutual option for the parties -- the Port and the National Park Service -- to decide on each party's sole discretion whether to proceed with interpretive park cruises as part of the next concessioner lease after the first lease term expires.

In closing, you've received a number of comments regarding the Fort Baker service that is not yet being put in place primarily from the City of Sausalito. A couple points I would like to make, and then I'd like to invite my colleague, Ming Yeung, to talk a little bit about some of the more environmental-review-focused parts of these comments.

First of all, the general agreement and the operations plan is consistent with the final mitigated negative declaration issued by the San Francisco Planning Department. That includes a limitation of Fort Baker cruises to weekends only. Aside from the 40,000, it can only be on the weekends. In addition, as I just mentioned, because this is in the operations plan, a failure to uphold the operations plan is a material default under the lease.

Ming Yeung, Port planning staff - As background, the Port relies on the expertise of the city's environmental planning department and its transportation staff and its consultants for the analysis of transportation issues in a final mitigated negative declaration (neg. dec.) The city's environmental planning department evaluated the impacts from the Fort Baker service and the points raised by the City of Sausalito in its appeal. The planning commission upheld the final mitigated neg. dec. in its appeal in February.

After receiving all of the additional letters from the City of Sausalito, we consulted with the city's environmental planning staff. Unfortunately, an environmental planning staff member couldn't be here today but their environmental review officer provided a statement that I wanted to just read into the record after reading the letters.

“The San Francisco planning department's principle transportation planner and transportation consultant, Fehr & Peers, have reviewed the Parisi Transportation Consulting report dated March 19, 2018 that was attached to Sausalito's final mitigated neg. dec. appeal letter dated March 21, 2018. The report does not represent substantial new evidence of transportation impacts of Fort Baker ferry service. Much of the report is premised on Sausalito's claim that the project would expand from that described in the final mitigated neg. dec. project description to include future additional ferry trips, bicycle rentals and shuttle bus services to Muir Woods and other destinations.

The planning department determined that no additional transportation analysis would be needed to respond to the Parisi report in our final mitigated neg. dec. appeal response. We have also reviewed the two letters from Sheppard Mullin to the Port Commission dated June 22, 2018 and do not find any new substantive issues related to the final mitigated neg. dec. that were not addressed in our February 15, 2018 response to the final mitigated neg. dec. appeal. We continue to remain confident that the mitigated negative declaration for the Alcatraz Ferry Embarkation was appropriately issued.”

Michael Martin - That concludes the bulk of our presentation today. I wanted to end with our recommendation to you, which is to approve the resolution as before you with certain amendments. I'll read the amendments into the record. We also have printed copies we can share with you. As you know, this would be a motion that you would make and obviously vote on in addition to the motion to approve the item. These resolution clauses address the interpretive park cruise issue as well as the last one that Ming just described, the Fort Baker/Sausalito comments. The proposed amendments to the resolution are as follows:

“Resolved that, prior to the execution of the initial ferry concessioner lease, the operations plan included in the lease will be updated to reflect the following annual limits for interpretive park cruises: 45,000 passengers in years one and two; 46,125 passengers in year three; 47,278 passengers in year four; 48,460 passengers in year five; and 90,000 passengers annually in year six through lease expiration after year 15.

And be it further resolved that, in addition to the remedies the Port may have for any violation of the operations plan including but not limited to the declaration of a material default, the initial ferry concessioner lease shall provide that any violation of the limits noted above in a given year will result in an equivalent reduction of the interpretive cruise passenger limit in the following year.

And be it further resolved that a provision shall be added to the GA to prohibit interpretive park cruises from any subsequent ferry concessioner lease without the prior consent of both the Port and NPS at each such party's sole discretion.

And be it further resolved that an acknowledgment of the concerns raised by the City of Sausalito as to future construction at Fort Baker, the general agreement should be amended to include a statement that the parties intend to comply with any required environmental and regulatory reviews and approvals for any proposed changes to the vessel landing operations at Fort Baker.”

Sausalito Mayor Joan Cox - I do want to thank and acknowledge the efforts of the National Park Service and Laura Joss and her team, the Port Commission and its executive director, Elaine Forbes, and Mayor Farrell to negotiate mutually agreeable solutions to the issues that Sausalito has raised. We appreciate the additional language that is contained in the amended resolution that appears in front of you today. We appreciate the MOU negotiations that are continuing with the National Park Service. That being said, these additional measures do not yet satisfactorily address the issues that Sausalito has raised. Our preferred solution is to simply sever the Fort Baker project from the overall project until this project can be fully planned and studied.

Alternatively, another acceptable solution would be to adopt the three simple regional transportation solutions we have provided to you as part of our correspondence. The National Park Service has acknowledged its long-term plans to connect its various facilities to one another. That makes these regional transportation solutions all the more important. In addressing the comments you heard this morning, there is nothing in the project description or project agreement that prevents the Fort Baker project from expanding from its current projected two weekend day trips to 200.

Nothing in the project agreement prevents a tremendous expansion of the initially planned Fort Baker service. That is why our three mitigation measures are so critical to us. This is a 50-year project. So there is lots that can happen in 50 years. We have it as our job today to try to predict an uncertain future. That's why we have proposed these three very simple regional transportation solutions that will address impact regardless of whether it's two weekend trips per day or 200 weekend trips per day.

The three solutions are as follows: (1) National Park Service shall ensure that any shuttle services provided to transport arriving Fort Baker passengers to other National Park Service sites proceed southward to Highway 101 rather than through Sausalito.

(2) National Park Service shall coordinate with public transportation providers in Marin County to ensure the availability of connecting shuttle bus service to transport arriving Fort Baker ferry passengers between Fort Baker and Sausalito and the region; and

(3) National Park Service shall require that the selected Fort Baker ferry concessioner provide one-way return service from Fort Baker to Pier 31 for passengers and passengers with bicycles. We think these are three simple solutions that will address our long-term concerns.

Carol Parlette, Barbary Coast Neighborhood Association - We represent the northern waterfront neighbors. BCNA is for the projected Alcatraz landing and we think it will enhance the visitor experience.

Staci Slaughter - Thank you for holding this special meeting on the Alcatraz embarkation project. I have served as a trustee for the Golden Gate National Parks Conservancy for 12 years. I am currently a board vice chair. In my professional life, I am the executive vice president of communications and senior advisor to CEO Larry Baer at the San Francisco Giants. I have been with the Giants for 22 years and was involved with the development of AT&T Park and am currently involved with the Mission Rock project.

I am very familiar with the mission and goals of the Port and the Port's need for high-quality, dynamic waterfront uses that serve the community, provide economic return and contribute to the greater well-being of San Francisco. The project you are considering today embraces those goals and provides a bold pathway to achieve them. I strongly encourage you to approve this project today as it represents over five years of planning, design, environmental review and community input.

Commissioners, you have done a great job of being very thoughtful and deliberate through this process. Let's not forget that Alcatraz is a critical anchor to our city's tourism industry. It was recently awarded the number-one landmark in America by TripAdvisor and generates millions of dollars in economic activity for our city.

This world-class landmark is worthy of a world-class embarkation site that will only generate additional economic benefits for our city. Simply put, this project is good for our waterfront, for our economy and for our community. And it represents a golden opportunity to further activate our beautiful waterfront. I strongly encourage your support today.

Mark Buell - For 15 years, I was on the board of the Golden Gate National Park Conservancy. For eight years, I chaired that board. During that time and in previous years, the total amount privately raised philanthropically by the Conservancy for the National Park exceeds \$400 million. This is by far and away greater than any other organization that helps parks including the national organization. In the course of that time, the Conservancy built Crissy Field. They

did the warming hut there. They did the Golden Gate Bridge visitor center. They did the Lands End visitor center. They did the Muir Beach visitor center. When you think of all these partnerships with people, they've all been both successful in their goals as well as economically successful and winners of many awards for the kind of projects that they've put together.

Three organizations that have broad reach are the Port of San Francisco, the Conservancy and the National Park Service. When you think just geographically of what that involves, there's going to be stakeholders that are all interested in what you do.

Today's opportunity for a \$30 million expenditure and a world-class facility simply requires that we all use our best thinking of how to make it happen, not to do an up or down vote but to say, how can we please the greater number of people to make this work? It's all of our responsibility. I urge you to look at it in those terms, and I urge you to support it completely.

Fei Tsen - I'm president of the Treasure Island Development Authority, which is another jewel in the Bay. I speak here today as chairperson of SPUR, which is an advocacy organization, which is supporting good planning and good government in this city. SPUR has been a long-time partner with the Golden Gate Parks National Conservancy. We very much support this project. I've got to say that there's really three points that I'd like to make.

First, this is an incredible partnership between the Port, the Conservancy and the National Park Service. Particularly in today's political environment, to have a partnership between the federal government and our local government to do a major civic project like this is so important.

I would say also that these types of civic projects, as we well know at Treasure Island as well, take such an inordinate amount of concern by citizens, a lot of time with input. It is so fragile in some ways, these civic projects, which actually take so much time to put together.

After nine years, they are here before you today. It's so important to support that effort and to make something happen in the city. You've got an incredible team of designers: EHDD, which did the Exploratorium, another great project on your waterfront; and also CMG, which is the landscape architects who are also working with us on Treasure Island to design great parks and public spaces. This is an incredible team that's going to design this project with great sensitivity. I'm sure that what they will design here and what will be built will be something which we can celebrate in the city.

As stewards of the public realm, which we are as commissioners in various commissions whether it's park and rec, Port or Treasure Island, we are the stewards of the public realm. This is a great project on the San Francisco waterfront. As stewards, we need to support it and to make sure that it comes into fruition. Please support it.

Alex Mitra, I'm the manager of public policy for the San Francisco Chamber of Commerce. I am joining you today to represent the interests of thousands of local businesses and express our support for the Alcatraz Embarkation project. We've submitted a letter to you that outlines the reasons why we're supporting it. But listening to testimony today, it strikes me that as San Francisco faces challenges and thinks more regionally, the steps that you're taking now are creating a framework for San Francisco to work with different jurisdictions that future commissioners and government leaders will follow.

Very importantly, Alcatraz has captured the imagination of our nation. It's seen by attracting 1.7 million visitors, creating \$175 million in annual spending power. We are in support of this project, as it will continue to drive this engagement and support our local businesses. The San Francisco Chamber of Commerce respectfully encourages the commission to approve this significant project so that the public may soon realize the benefits.

Martin Rock - I'm here as the associate director of communications for the Exploratorium. I'm here to indicate strong support of the proposed Alcatraz Embarkation project that would be our close neighbor and part of the community of visitor destinations and businesses along the Embarcadero.

We appreciate the diligence that has gone into the review process. We believe the Port has addressed the appropriate elements in moving it forward thus far. We also very much support continued activation of the waterfront and feel this project will work toward establishing the Embarcadero as one of the premier visitor destinations in San Francisco.

The Exploratorium hopes to see the Embarcadero community continue to grow with appropriate and well-considered projects such as Alcatraz embarkation project. For this reason, we felt it important to be here in person today to show our support for the project.

Sly Hunter, Master, Mates and Pilots regional rep - First, I'd like to thank you for not only asking the questions but getting the answers to some of these tough issues. I'd like to thank Elaine and her staff for working with labor to ensure a level playing field. Obviously, these things are difficult. I'd like to thank the Park Service for being patient. I know this is a tough contract that's going to go out. On behalf of Master, Mates and Pilots, we support this contract moving forward provided the provisions are approved. We look forward to working with the Park Services in the future.

Robert Irminger, Vice Chairman of the San Francisco region of the Inlandboatmen's Union - I would like to read a statement from our national president, Marina Secchitano, regarding the issue on the agenda.

"President Brandon and Port Commissioners, I'd like to thank the commissioners and Executive Director Elaine Forbes for your diligent work to resolve issues surrounding the National Park Service's Alcatraz ferry contract lease

agreements. The Inlandboatmen's Union appreciates all the Port has done to urge the NPS to address the items raised during previous commission meetings in order to have a more competitive bid. We understand the NPS recognizes and will address the need for a more realistic dollar amount to build two 700-passenger vessels, and the wage requirements will be updated.

We strongly disagree with the NPS's inclusion of Bay cruises in the Alcatraz RFP as they are not in their statutory mission. They will compete unfairly against our legacy private employers. However, a compromise was reached that we can support that allows the Port to realize improvements to the pier.

After the 2000 bid was awarded to Hornblower, the NPS lost a federal lawsuit requiring payment of the prevailing wage for the workers. IBU and MMP spent a half a million dollars in that fight. Twelve years later, we had the same issue. It has taken over a year with prodding by Nancy Pelosi's office as well as the Port's efforts to once again compel the NPS to include local prevailing wage in the RFP. Thank you for all the commission has done to that end.

If the NPS had worked with us from the beginning, we could have avoided that delay. The NPS has always required its Alcatraz ferry concessioner to provide three boats that can hold at least 300 passengers. Multiple ferry boat operators in San Francisco have qualifying fleets that can meet this requirement. However, the new RFP includes a clause requiring larger vessels despite the NPS maintaining their existing limits on passenger loads to Alcatraz. The result is that only one bidder, Hornblower, can comply with the apparently arbitrary terms of the new RFP. Hornblower failed to live up to their claims of using hybrid and solar-powered boats. And the NPS did nothing.

Hornblower failed to comply with terms in their concessions agreement that call for creating a new visitor center with expenditure of at least \$5 million. No visitor center was built, and the Park Service did nothing.

Hornblower might be the only bidder for the Alcatraz service even though they've long violated federal wage laws, failed to deliver on past promises to build new solar vessels and done little to improve the visitor center as required by the previous contract.

We call on the National Park Service to ensure this is a fair bidding process for interested parties and not one skewed toward the existing concessioner. Sincerely, Marina Secchitano, President Inlandboatmen's Union."

Michael Bennett - Before I talk a little bit about the project, I want to talk about me personally and how much this project has helped me professionally. I was introduced to the project five years ago working at the Bayview YMCA as a wellness coordinator. My primary goal as a wellness coordinator is working with the community that have been suffering from community violence and health disparities. At that time, the place where we used to walk was up and down Third Street. Then, when we got introduced to this project with the shuttle, it was

like a breath of fresh air. That has allowed residents from the Bayview to start going out in the parks and what a great impact that was moving forward.

Folks start going to the parks, loading up the shuttles and creating wellness opportunities and walking across the Golden Gate Bridge, getting introduced to Lands End. Some people, like myself, started looking at educational goals. I moved on to receive my bachelor's degree at San Francisco State for rec and park. This program has impacted the Bayview/Hunter's Point community immensely. It's a way for our seniors and our youth to get out. This program have created job opportunities for our youth and our seniors working at Crissy Field.

I also have been involved in the projects at India Basin and Heron's Head along with Candlestick State Park. This project is right in alignment with the whole regional efforts of activating the shoreline. I am here as a stakeholder. I've been involved for the last five years, as I mentioned. I'm hoping that we can approve this project today.

Pat Murphy - I have a letter that I'm going to read into the record that's co-written by myself and Taylor Safford, the CEO and president of Pier 39. Before I do so, I just wanted to thank Elaine and your staff for addressing our issues since the June 12th meeting and meeting vigorously with us to get this done before today.

“Dear Elaine, we are writing to express Blue and Gold Fleet's support to approve the lease between the Port and the National Park Service for the Pier 39 embarkation site to Alcatraz Island. We had previously expressed concern about the negative impact the park cruises will have on our local Bay cruise market. We now understand that there is a tentative agreement between the Port and the NPS to limit the park cruises during the first five years of the lease. During the initial five-year term, we understand that the park cruises will be capped at a level that current Alcatraz concessioner is carrying today.

The cap would increase annually by 2.5 percent. In year six, the cap would step up to a maximum of 90,000 passengers per year for the duration of the initial 15-year term of the lease. We believe this temporary limitation is both reasonable and appropriate and gives time for the existing Bay cruise operators to address their marketing strategies to mitigate the additional passenger capacity beginning in year six of the lease. With these changes, we can now fully support and approve the new embarkation site to Alcatraz Island. Taylor Safford, Pat Murphy.”

Rudy Gonzalez - I'd like to express some thanks from the San Francisco Labor Council and its affiliates to Director Forbes. I know everyone has put a lot of energy and time and passion into working out some of the particulars so that, when we say interested stakeholders, we're also including working people in the city who depend on some of these more technical and process-driven footnotes, unfortunately.

The wage determination is an important factor. I'll reserve thanks to the NPS once that final review is done. Nothing personal, but that's an important piece that needs to be taken up again later on down the road, fully understanding WETA's current numbers. I think we need to look at that again closely.

I'd welcome more comments from the deputy director of development on what this rollover one for one really means. I'm cautiously optimistic on the whole project but if the existing concessioner or the future concessioner goes over their limit and that just rolls over, it's probably likely they'll go over their limit again and again.

I would hate to see us put in a remedy that Blue and Gold or any other employer sees as something that's a reasonable compromise only to see that it's blown through. The inevitability is year six and thereafter, and you're over the limit still.

I am curious about what remedy can be sought there. Generally, we're cautiously optimistic that, because of the hard work of Director Forbes and the commission support, that this will move forward in a way that the gentleman from the Conservancy said it best, that is really looking at how to accomplish this in the best possible way, not necessarily a straight up or down vote.

I think that was well said. We certainly recognize the support the Conservancy has offered to the community and to a lot of these projects. With that, the labor movement in San Francisco stands united behind the Inlandboatmen's Union, the Master, Mates and Pilots. We're appreciative of the staff's work so far. We want to see that work continue and in concert with our city elected officials.

Tom Escher – I am an employee at the Red and White Fleet. This project has one word to me. I think that word is patience, patience of the staff what they've gone through, patience of the Port commissioners and patience for the National Park. Red and White Fleet is here to support this project. We support the way it's written. Again, we want to compliment everybody on their patience.

There are two comments I want to make: (1) The vessel size is a misnomer because we have maritime support for all vessels to go to the aid of anybody that has problems in the Bay. I disagree with the consultant. (2) We have to look at an overall responsibility. The National Park is very good at preserving, protecting and educating the public but one of my concerns is the environment. If we don't have a clean environment, there won't be anybody to ride the ferries to Alcatraz. Just think about that. We can't keep kicking the can down the road. We have to address the environment. I would like the next time this comes up that the National Park look at all the national parks, and the City of San Francisco looks at everything.

We're at the stage now where San Francisco and the National Park Service can be a leader or a follower. The Port and the National Park should take a focus on the environment. If we all are dead because of pollution, there's no customers. There's no visitors.

In conclusion, I want to say that we support this but we think that we should take a higher view of the whole environment. We have to start in San Francisco. Again, I want to thank the National Park and the Port commissioners for being so patient. Also, we have to think about the staff -- Elaine and her staff but also Mr. Martin and the rest of the gang that's taken a lot of beatings. I think this is a great opportunity.

Commissioner Brandon - Prior to the commissioners' discussion, Mike, do you want to address any of the concerns brought up?

Elaine Forbes - Mike, can you address the enforcement issue and any others you choose to?

Michael Martin - That was definitely one that I wanted to come back and speak to. So right now, under the lease, the operations plan is a set of covenants the underlying operator has to fulfill in their operations. The lease contains a set of events of default under which, if they violate the operations plan, we can issue an event of default. There could be something as small as a fee for the notice to send out to say, "Hey, you did something wrong," a slap on the wrist. But it could extend all the way up to a material event of default, which will result in termination.

The other thing I mentioned earlier about reducing the subsequent years' rides was not to be the remedy. Aside from the lease remedies, we're going to say that you have fewer rides next year to sort of add back up to zero from what you took extra this year. But we still hold the ultimate right of termination for someone that habitually goes through these limitations. That is a right we do not have now under our current relationship with the ferry concession.

Commissioner Woo Ho - For the record, I and certainly the commissioners that have been on this commission have always been supportive of this project from the very beginning but as we have learned through the process, the devil is in the details. It has been a long journey. This is a 50-year lease so we have taken our time. I appreciate Tom's comment to say that patience has been a very important part of this process. We've had many delays. Each time that we thought we were almost through the issues, some other issues surfaced. I feel that we're going to be ending in a good place because it was important for us to hear from all the stakeholders.

First, I do want to say that we've learned many lessons. I want to thank the Park Service and our Port staff for working through lots of these issues. In the beginning, it was very difficult for us to get all the requisite information that we needed to even determine some of the economic terms of the lease, which we have now and to understand how the concession would work going forward and the impact on our other existing Port tenants which are the other boat operators in the Bay, which they're our tenants. Our objective has always been to be fair, to be fair to labor, to be fair to our existing operators and a deal that is fair to the Port and the National Park Service.

Most of those issues have been addressed. As it relates to some of the issues that were raised today by the City of Sausalito, I want to say that, on the one hand, I hear you. But on the other hand, I would be very reluctant to commit to certain mitigation terms tactically speaking over 50 years because the situation over 50 years could change as well. I would not want to be committed in writing. I think the resolution that we have written today gives a lot of leeway. It's broad enough to be able to address some of the issues. We understand your concerns.

It would be also difficult for us to commit to terms that we don't know what's going to happen over 50 years in terms of tactically speaking, in terms of traffic patterns and other plans from the Port. We believe that NPS will, in good faith, address the concerns as they are raised over time and that we have put into this agreement something that addresses that. That's the only issue that I heard today that we haven't been able to resolve to the satisfaction of the stakeholders.

We have gone over this agreement with a fine-tooth comb. We have heard many discussions. Individual Port commissioners have spent time on the issues both here in the commission as well as offline briefings. I don't have any further questions of staff. At this point, we have really talked this thing through. I think we are prepared to move forward today. I am prepared to vote forward today.

Commissioner Gilman - First of all, I want to thank the staff from the Port, the National Park Service and the Conservancy for coming together from where we were two weeks ago. The show of public support and stakeholder support versus what we heard two weeks ago is a testament to your hard work. Thank you. I'm really happy that we were able to look at both how to scale the park cruises in a way that would not competitively hurt our long-term folks at the Port. I also really like the acknowledgment about the wage issue.

I would recommend that the National Park Service, if not already in your contracting practices with the new concessioner, puts in the CPI increases or any other union increases that would normally take place in other contracting apply to this contract whether or not the operator ultimately chosen is a union shop. I do think that's something that could be in your discretion so that we don't have wage issues in the future. That's just a comment. I also wanted to echo Commissioner Woo Ho's statement about the City of Sausalito.

Our resolution notes it and has this move forward. Unfortunately, we're not a regional transportation authority. That's not our role. While we can work with you collaboratively, which this amendment says we should moving forward, I think it's a larger issue that needs to be taken up with the appropriate bodies and authorities that look at regional transportation for the whole region in the Bay area. I feel it's a little outside our scope. Our staff is doing the best they can to note it and move forward. I'm really happy with the progress and with the community support. I see myself too in a place where I can move forward and be supportive of this project.

Commissioner Makras - I will support the item as put together today. I want to be globally clear that I support competitive bidding in the widest sense that we could. The Board of Supervisors gave an exemption to competitive bidding for this project, particularly the park cruises. In a perfect world, I think it should be put out to bid. I went back, and I looked at the board resolution on November 16, 2016. Very oddly, in the entire document, it is six pages long. Nowhere in that document did it talk about opening up park cruises, and that portion being exempted. It's somewhere, but it's buried in the back of the document in a term sheet. But even the public notice that went out for that with the Board of Supervisors was silent to that. I believe that's an error in the big picture of things.

If we want to competitively bid and we're going to give an exemption, the first line of the board resolution should say competitive bidding exemption for the Park Services and for the cruise line, for extra business that we're giving in this contract. I'm going to look at these very carefully. I'm also going to talk to members of the board and candidly ask them how aware they were of it because the competitive bid situation is huge in my book.

If the fair wage component was not in this contract, I would not be supportive of it. I would expect future things that come our way to have the prevailing wage. I would expect the Park Services to be first in line voluntarily putting in their contract that they will float with the contracts of the union.

For me, I have a slightly different take on the Sausalito component of this. The minute we leave our shores and we're out there, I believe that we want to be good neighbors with everyone. Just as we brought all the stakeholders together and we have moved in two weeks from something that had lots of concerns to everyone being on board, I believe that our neighbors, whether it be San Mateo County or Sausalito or whoever it is, that we have to look at these decisions in a neighborly way, in a global way. I'm more open to Sausalito's concerns the same way I would hope that they're open to ours if we had issues here in San Francisco that we wanted them.

Mark Buell spoke about the great group he was chair for eight years and a member, I believe, for 15 years. Their decisions are more than San Francisco's borderlines. Their group worked on more than just San Francisco. We should do the same thing at all times.

If there was a way for us to deal with how the boats move and to keep them away from Sausalito and keep them to 101, we should look at that openly. I'm not going to not go forward today because of that. But I do believe it is a very valid discussion to have. It's something that, if we can contract and make agreements, then we have more stakeholders on board. We have a regional approach to it that everybody can sign on to. With that, Madam Chair, I would be prepared to support the item.

Commissioner Adams - This project is kind of like a pot on a stove. It was boiling over and you've got to take the lid off sometime. I think that's what's happening. I'm glad that I was here at the inception of this. I thank Robert Irminger from the IBU, and Rudy from the Labor Council.

This project left a lot of bad taste in a lot of people's mouth before. It left a lot of bad taste in the unions' mouth, some of the excursions' mouth. It didn't turn out very well. Hornblower didn't live up to none of the promises. It just left a lot of people in a lot of bad places because this used to be a waterfront that was union and it was working class.

It just left a lot of bad taste. It took me a long time to get there. It was a lot of frustration dealing with the Park Service in the beginning. They had threatened to go to Fort Mason even though we know that was just a threat. It just seemed like they never could get their head around it. We might not even be here today if they had come out with the right wage determination in the beginning. Don't you learn from something you've done 11 years ago? And you go out and do the same mistake again. I don't kind of get that. What left a bad taste in my mouth as well as Director Forbes, and President Brandon was the Port had to go to D.C.

We met with the Department of Labor. The Park Service didn't do that. A lot of the work that I think the Park Service did, the Port and staff winded up doing that work. That left a bad taste in my mouth. Finally it seems like the Park Service has come around somewhat. There was some behind-the-scenes things that went on in D.C. They were very slow in responding to Leader Pelosi's letter. She expressed that she didn't feel they gave her the respect responding to her.

I don't know about bureaucrats. I'm just a working guy. But sometimes, things get caught up in bureaucrats. It just gets stuck up in the file and they can't seem to figure it out. I believe simplicity, one and one is two, two and two is four. I'm a working guy. Sometimes, bureaucracy just blows my mind. We can't get through that. That being said, it seems like the union has made some strides forward. The Park Service made some strides.

You heard Tom Escher. You heard Pat. They're willing to go forth. I want to thank the Port staff. You guys went beyond. You did a lot of the Park Service' work. You carried their water. I think they could do better in the future. They didn't show me that they could have done as much as they could do. That being said, I feel this needs to go to the next phase. It needs to be in their hands because at the end of the day, this is a political decision.

That's where the Board of Supervisors make these decisions. I'm hoping in the future that the Park Service will step up, not make the same mistakes and because, in San Francisco, we seem to work together to try to get things done. There needs to be cohesiveness. When decisions are made in Washington D.C. where the bureaucrats are at, they're not down here on ground zero. You need to be on the ground. I don't blame Laura.

I don't know if a lot of people know. We've been through three Park Service directors. When this thing started, one person comes in. Then, another person comes in. There hasn't been any continuity.

The meeting I was in in November, Mark Buell was there. Mark Buell was right. He said, "Commissioner, I know with the unions, but you know what? Everybody here is a part of this dynamic. It's San Francisco." No. We're not like L.A. In San Francisco, we have a way of coming together and putting our differences aside to get things done. I would ask the Park Service in the future that you be more inclusive and think about what you're doing and include everybody because we want things done.

Hornblower didn't live up to any of those things. We want the best service for our people here because so many people come up here. It benefits our people that come here on cruise ships and everything and the tourism of 30 million. I'm moving forward. I also understand at times the union kept moving the goalposts. So there's a little bit for everybody there. I'm going to vote for this today. I'm going to put it in the hands of the Board of Supervisors where it needs to be.

You guys are great – Rebecca, Jay, Mike. You guys stepped up. You did a lot of their work for them. President Brandon, this thing kind of got off track. You got it back on track as our president of our commission. To my fellow commissioners, thank you.

Commissioner Woo Ho - I have one clarifying question. There was some public comment regarding the National Park Service has increased in terms of the value of the size of the boat. We heard from Tom Escher in terms of being concerned about the environment. We also heard comments about inherent bias to the existing concessioner. Mike, if you could comment and maybe the National Park Service as well but my understanding is, just because the existing concessioner has the size of boats does not necessarily bias the transaction because, in years past, Blue and Gold had this concession.

When Hornblower took over, Hornblower bought the boats from Blue and Gold. To me, that doesn't represent inherent bias from the beginning of an existing concessioner. I'd like the National Park Service to perhaps comment on what will be the key criteria to evaluate the concessioner.

Michael Martin - In response to your question, I understand the same thing about how things worked in the transition between Blue and Gold and Hornblower, obviously before both of our times. But I did understand that to be a transaction that happened so that would be one way for another concessioner to take over if that turns out to be the case. Obviously, that would be an elective sale. There wouldn't be a forced sale that Hornblower would have to sell.

In terms of availability of vessels, which was one of the things brought up at a prior meeting, that is one mechanism by which a new operator could operate. In terms of the other specifics, I'd defer to the National Park Service.

Laura Joss - I do want to reiterate, as I mentioned at our last meeting, the Park Service is required by law, regulation and policy to adhere to a very strict standard for our concession contract and Golden Gate follows that closely. It's a very rigorous process. This is a very large contract for the National Park Service. All components of it go through the competitive process. It is overseen by our Washington office because of its size.

Jessica Carter - I'll just speak for a moment to the criteria in which the prospective offers will be evaluated. I don't have the full prospectus and solicitation with me right now but we do have two criteria that they'll be evaluated on regarding their vessels. Those certainly cover things like the vessel size, the minimum requirements which we've discussed at length here as well as amenities for comfort, accessibility, other components. There is a really rigorous element related to environmental performance as well. The minimum requirement will be at tier three per the EPA. There are explicit details in the prospectus for how the proposals should be developed to meet both the operational needs and the performance specifications.

Commissioner Woo Ho - Can you give us in plain English what tier three environmental standards mean?

Jessica Carter - I believe it's the most progressive at this point that the Environmental Protection Agency has out. It's related to emissions and the general operations of the vessel.

Commissioner Woo Ho - Is this something from the past to going forward that we would expect that the vessels will be more environmentally friendly and protective?

Jessica Carter - Yes. We are definitely endeavoring to ensure that.

Commissioner Adams - I want to direct this to Director Forbes. What is your opinion about Sausalito when you heard this when it came to you? Can you tell us what it was?

Elaine Forbes - Sausalito has very legitimate concerns about how traffic will be managed for future prospective embarkation at Fort Baker. There needs to be more study in order to manage those impacts. The National Park Service has said that they will take part in more study. It is legally required that there be more study. I echo Commissioner Gilman's comments. It's not in our domain. However, I would like us to acknowledge Sausalito's concerns and to include the language to say we've heard it. It needs to be studied, and it needs to be addressed.

We need to give our partners in the National Park Service our regard and our respect that they've said they will do this work. It is also legally required that they do so. I feel the language that Mike Martin presented is as much as we can do. We have endeavored to understand their concerns to the fullest extent possible.

Commissioner Brandon - Mike, Laura and Greg, thank you so much for this presentation. Thank you so much for working with everyone to come to where we are today. I especially want to thank my fellow commissioners for asking the hard questions and really digging in and making sure that this was the best contract for the Port long term. It may have ruffled a few feathers. But as everyone said, over the past five years, this project has just gotten better and better and better. Could it get better? Yeah. But we won't be too greedy.

I especially want to thank Director Forbes and her team for the patience and due diligence of crossing the T's and dotting the I's and making sure that everybody's questions were answered and bringing us all together, to get labor, National Park Service, almost the City of Sausalito together to make sure that this project could move forward because this will be a great project for the Port of San Francisco. To have anyone come and invest \$30 million in our piers is just phenomenal. I'm happy that we were all able to work together, that for the most part everybody is happy.

Eileen Malley – Staff is recommending that you have two motions. The first would be whether to approve the amendments to the resolution that Mike Martin read into the record. Then, the second motion would be whether to approve the resolution as amended.

ACTION: Commissioner Makras made a motion to approve the amendments to the resolution. Commissioner Adams seconded the motion:

ACTION: Commissioner Woo Ho made a motion to approve the resolution as amended. Commissioner Adams seconded the motion.

9. NEW BUSINESS

10. ADJOURNMENT

ACTION: Commissioner Adams moved approval to adjourn the meeting. Commissioner Gilman seconded the motion. All of the Commissioners were in favor.

Port Commission President Kimberly Brandon adjourned the meeting at 11:55 a.m.