

# CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

## MINUTES OF THE MEETING OCTOBER 23, 2018

### 1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 2:30 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman, Victor Makras and Doreen Woo Ho.

### 2. APPROVAL OF MINUTES – September 25, 2018

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. The minutes of the September 25, 2018 meeting were adopted.

### 3. PUBLIC COMMENT ON EXECUTIVE SESSION

### 4. EXECUTIVE SESSION

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

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

At 2:31 p.m. the Commission withdrew to executive session to discuss the following:.

#### (1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER.

- a. Discussion and possible action on anticipated litigation matter pursuant to Section 54956.9(d)(4) of the California Government Code and Section 67.10(d)(2) of the San Francisco Administrative Code with City as plaintiff regarding the Pier 24 Annex and Pilara Family Foundation.

### 5. RECONVENE IN OPEN SESSION

At 3:30 p.m. the Commission withdrew from executive session and reconvened in open session.

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

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

**6. PLEDGE OF ALLEGIANCE**

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

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

**8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

**9. EXECUTIVE**

A. Executive Director's Report

- New Members of the Port Executive Team

Elaine Forbes, Executive Director - First, I would like to introduce two people we have on our line today. Ms. Michelle Sexton is our new general counsel. Welcome, Michelle. She has lots of finance and real estate experience and she's already hit the ground running.

Ms. Leah LaCroix, who is joining us from the Board of Supervisors. She was executive director of the youth commission. She is joining Amy and me in our executive team. You'll finally have a backfill for Amy and I'll get some extra support. She's already provided great value. Welcome to both of you.

- Parcel K North Sale Update

I have some good news to report on the progress of selling Parcel K North. As you will recall, last fall, as part of the Pier 70 approvals, the commission approved the Form of Vertical DDA for Parcel K North and authorized its future sale subject to Board of Supervisors' approval.

Parcel K North is the only parcel in the Pier 70 special use district that can be built upon without significant infrastructure investment. Its sale will provide

very important early revenues to the project to take out more costly associated developer return and investment. The construction of the Parcel K North project will provide important fees to the city, notably \$20 million in affordable in-lieu fees and the delivery of a plaza and an appropriate front door for Pier 70.

Earlier this year, Colliers International offered this site for sale on behalf of the Port. Based on feedback received from potential buyers, Collier recommended a few adjustments in order to maximize the value of the land, namely shifting the timing of payments of special taxes by one year and removing the requirements to commence construction within 24 months.

We've made those adjustments with Collier. We're happy to report that we received offers for the site that are in line with its appraised value. Staff will seek approval from the Board of Supervisors early next year. We will keep the Port Commission and the public informed on this important transaction.

- Ferry Building Sale

The Ferry Building lease was sold. The iconic Ferry Building lease closed in October 9, 2018. The buyer, a joint venture between Hudson Pacific partnership and Alliant Global Investors, paid \$291 million at closing. Under the Ferry Building lease, the Port has a right to a 30 percent share in net sale proceeds. Our staff and the city attorney's office have been carefully reviewing the lease and entered into negotiations with the seller. As a result, we will realize \$10.3 million at closing.

I'd like to compliment our predecessor staff and commission who put in the terms of participation at sale. It's a very important provision. It will be worth \$10.3 million to us this year. All the other lease terms will remain in place.

I would also like thank Equity Office Partners for its stewardship of the Ferry Building. It's obviously been very well managed over the years. We look forward to our new owners for their innovations and strategies to refresh this property. We look forward to working with them. I've also prepared a short memo for you. If you have any questions, we're happy to answer them.

- Historic Piers RFI Responses Due – October 31, 2018

Finally, the responses to the historic piers RFI are still due on October 31, 2018. We have 14 facilities in this RFI. It's been open for three months. During this period, we've engaged with a wide ranging outreach effort to make all potential small and large tenants aware of this RFI.

You'll hear much more about it when we come forward with the responses. I do want you to know that we've been fielding hundreds of calls. We have an intern on this job. We have social media posts, presentations. We've been to the Chamber, SPUR, Bay Area Council, the Port's advisory groups and

others. We had three well-attended gatherings for respondents, one online meeting, one meeting at Pier 1 and an open house tour within three of the facilities showcased in the RFI. Rebecca Benassini and her team are burning the midnight oil on this RFI. We're getting very excited about what we'll be able to bring to you.

B. Port Commissioners' Report:

Commissioner Adams - Commissioner Makras took me up on the offer. So we went down and saw where the new hotel is going to be built by Pier 70. We had a great lunch. We walked around. I really enjoyed hanging out with Commissioner Makras. He even had on jeans. Usually, he's GQ. David drove us down and showed us what was happening at Pier 70.

We even talked about trying to climb this tower, which would have been very fun. A lot of great things are going to happen down there. I like that Commissioner Makras is a lot like me. He doesn't like looking at pictures. He likes to be hands on. He likes to go down and see for himself and ask a lot of questions.

I just got back from Singapore. I attended a conference in Singapore with 125 different countries. Singapore, like us, is going through sea-level. Singapore is a very forward country, very forward thinking. They're out front on a lot of different things in Singapore. I also visited the port. I saw all the new automation and technology that they're doing. They're one of the largest ports in the world. At any given day, you'll see 300 ships just sitting out in the harbor, probably one of the safest cities I've ever been to and learned a lot.

Maybe sometime we could take a delegation over to Singapore because I think they're leading the world in ports, technology, automation, even with general cargo. The conference that I attended, they had robots walking around serving you coffee and drinks and stuff like that. Clearly, they're ahead of the world in electronics. I enjoyed it.

Commissioner Woo Ho - I actually didn't have a report but I just wanted to make a question on the executive director's report. It's great that we did get the extra proceeds from the sale of the Ferry Building. Because the sale was somewhat anticipated, we didn't actually know until the deal was done. I'd like to hear more about how we intend to apply the proceeds.

Elaine Forbes - We actually estimated the proceeds a little bit higher when we went through the budget process. We've already allocated the revenue in our general budget. So we had planned for it. We put it in slightly higher than it's come in. We've allocated it on the other side.

Commissioner Brandon - I would like to report that I attended the American Association of Port Authorities in Valparaiso, Chile a couple weeks ago. Commissioner Adams, Director Forbes, Maritime Director Peter Dailey and I

were all supposed to go but Peter Dailey and I ended up going. We had a wonderful time. It was a great conference. Valparaiso is a lot like San Francisco. It's right on the bay. The conference was held at their cruise terminal. There were probably about 600 attendees.

It was great content, great speakers. It was good to reconnect with Commissioners from around the world. It was a really good conference. I thought Peter Dailey was going to be here to give more insight into his thoughts about the conference but unfortunately, he's not.

It was a great conference. We had a great time. Sorry that you guys couldn't make it. It was a grueling flight but we survived.

## 10. CONSENT

- A. Request authorization to submit a Project Information Package and to enter into a Grant Agreement with the California Natural Resources Agency for the Port to accept and expend up to \$5,000,000 in grant funds to support the San Francisco Seawall Earthquake Safety and Disaster Prevention Program. (Resolution No. 18-56)
- B. Request approval to Issue Two Requests for Qualifications to Solicit Two Micro-LBE Set Aside Contracts for As-Needed Civil Engineering Services and Two Micro-LBE Set Aside Contracts for Construction Management Services, Each Contract in an Amount not to Exceed \$1,000,000 with a Term of Four Years. (Resolution No. 18-57)
- C. Request Approval to Issue a Request for Qualifications to Solicit a Maximum of Four As-Needed Engineering and Related Professional Services, Each Contract in an Amount Not to Exceed \$3,000,000 with a Term of Four Years. (Resolution No. 18-58)

ACTION: Commissioner Makras moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. Resolution Nos. 18-56, 18-57 and 18-58 were adopted.

## 11. FINANCE & ADMINISTRATION

- A. Informational presentation on the Port's Contracting Activity for Fiscal Year 2017-18 (July 1, 2017 through June 30, 2018).

Boris Delepine - I am the Port's contract administrator. This is an informational item to review the Port's contract activity for fiscal year 2017-'18. It covers the period from July 1, 2017 to June 30, 2018 as with past presentations.

Today we'll focus on chapter 14b of the administrative code in the local business enterprise ordinance and talk about the city's local hire ordinance. I will begin by

reviewing the numbers of certified LBE firms then discuss new contracts awarded and payments made on open contracts during the reporting period.

I am joined today by Tiffany Tatum, who is the engineering divisions outreach coordinator. Finbarr Jewell from the contract monitoring division is also here today and Albie Udom, who started with the finance administration division yesterday. Albie comes to us from the office of contract administration. He will be supporting the Port's contract unit, and we're very happy to have him on board.

The contract monitoring division, or CMD, certifies firms as small local businesses and classifies them as either minority businesses enterprises, or MBEs. Other businesses are OBEs, and women business enterprises are WBEs.

There are currently 1,290 firms that are certified by the contract monitoring division. That is 146 firms or 11% increase over the last time I was here with this report six months ago. The contract monitoring division has expanded their outreach efforts. They've expedited and automated the certification process, which has resulted in the significant increase in LBEs. We're happy with the work they're doing. An 11 percent increase in LBE firms is very significant. The program is expanding, and we're happy with that.

During the fiscal year, we awarded 14 new contracts valued at \$63.5 million. Ten, or 71 percent, of those contracts went to LBE prime contractors. We awarded more contract dollars in this fiscal year than we have in the prior four fiscal years combined. That was in large part due to one contract in particular, the Seawall Earthquake Safety Program, a \$36 million contract awarded to CH2M HILL, a non-LBE firm. As you can see from the first table on the slide, when we include the Seawall Earthquake Safety Program, our overall LBE performance is 35 percent. However, when we exclude it, our LBE percentage climbs to almost 60 percent. During the reporting period, we successfully awarded four contracts as micro LBE set asides. These are small, informal contracts set aside for competition amongst the smallest LBE firms.

The pie chart on the left shows the 14 contracts awarded this fiscal year by LBE type. Four contracts went to non-LBE firms. The remaining 10 went to LBEs including three awards to women-owned businesses, three awards to other-owned businesses and four contracts to minority-owned firms.

The pie chart on the right shows the breakdown of minority contract awards. Asian American firms won three contracts. African-American-owned firms won one of those awarded to minority firms.

In becoming a certified LBE, a firm must self-select either women-owned or minority-owned certification status. During this reporting period, Bonner Communications was awarded one of our as-needed public relations contracts.

Though the firm is owned by an African American woman, the contract is represented in this chart as a woman-owned contract award rather than a minority-owned award based on the firm's self-selection and certification status.

Over \$19.8 million were paid on Port contracts in fiscal year 2017-'18. Forty-nine percent of those payments went to LBE firms. During the reporting period, construction and as-needed service contracts exceeded their average LBE subcontracting goals while professional contracts met their LBE requirement.

Overall, the Port is exceeding the CMD-set average of 17 percent with 24 percent of all payments going to LBE subcontractors. It is important to note that each of these contract categories identified in the table are made up of many individual contracts with their own individual subcontracting goals.

There are a few exceptions to the as-needed real-estate contracts not meeting their CMD-set LBE goals. We're working with the prime contractors to bring those up before the contracts close. However, most of the other active Port contracts are either meeting or exceeding their CMD requirements. Details of all current contracts and their LBE performance are included in attachments two, three and four of your report.

Commissioner Woo Ho, in the past, you've asked whether our contracts are on time and on budget. Per our engineering division, all eight of our current active construction contracts are on time and on budget. All of our professional service contracts are also on time and on budget. This includes the Seawall Earthquake Safety Program, the Mission Bay Ferry Landing, the Crane Cove Park design project -- that's come before you for contracts amendments. It is on time and on budget -- and the Seawall communications contract.

The top table in this slide compares awards made this fiscal year against the previous four fiscal years. Again, when we exclude the seawall contract, we find that almost 60 percent of dollars awarded went to LBE firms as opposed to 35 when we include it.

Almost 50 percent of all payments made went to LBE firms and that exceeds the mayor's aspirational goal of 40 percent. This is another view comparing awarded dollars and contracts to LBEs by fiscal year.

This graph excludes the seawall design project. The good news is that we're maintaining the positive trend we established last year. We are always beholden to the type of work required for any given project and to the pool of local firms available to perform that work.

However, over the past few years, through micro set-asides, by lowering minimum qualifications and providing targeted outreach, we've been able to award over 50 percent of all projects to local firms. It will be difficult to sustain these numbers as our contract sizes and projects increase or become larger like the seawall project, for instance. Regardless, we'll continue to employ the

strategies we've learned over the past few years to continue to (1) expand the pool of available local businesses and, (2) to catalyze opportunities for the smallest firms whenever possible.

Construction projects over one million dollars are subject to the city's local-hire requirements. Since the inception of the local hire ordinance in 2011, 19 Port projects have been subject to the program. All 19 have met their local-hire mandates.

The city's local-hire ordinance is managed and implemented by the Mayor's Office of Economic and Workforce Development, or OEWD. We currently have four open projects subject to the ordinance. Three of the projects are in compliance. The Pier 23 roof repair project is below the 30 percent threshold. However, OEWD anticipates that the prime contractor, Roebuck Construction, will meet the requirement by the end of the contract's life.

The local-hire ordinance is unique in that it allows contractors to come into compliance through negotiated off ramps such as offsite credits or by sponsoring apprenticeship opportunities. Over the past year, thanks to Tiffany Tatum and others, we put significant emphasis on outreach events here at the Port.

We held the second-annual contracts open house on March 15, 2018. Around 120 individuals attended that event to learn about upcoming contract opportunities. In partnership with the San Francisco African American Chamber of Commerce, we cohosted a minority business mixer and matchmaking session on Thursday, September 27th at Pier 1.

The event is part of our ongoing effort to encourage and promote diversity, equity and inclusion in contracting and leasing opportunities. We take this mandate from you seriously. The mixer was attended by over 150 individuals representing over 100 small San Francisco businesses. At the event, large prime contractors networked with small local business owners to connect and build relationships for upcoming contract opportunities.

On November 7th, we will be hosting a technical workshop with Meriwether and Williams Insurance Services. It's a brown bag luncheon event specifically tailored to our upcoming as-needed engineering RFQ that you approved in the previous item. At the workshop, we'll provide consultants with information about proposal preparation, tips on building winning proposals and how to avoid submittal pitfalls.

We'll be hosting a similar event for the upcoming as-needed engineering micro-LBE set-aside contracts coming in January. As far as upcoming contracts go, we have our formal, as-needed engineering RFQ that you just approved. That'll be hitting the street five days after the technical workshop on November 13th. This RFQ will have four \$3 million as-needed engineering contracts. We have four as-needed real estate, economic and planning contracts also coming in



November and four as-needed engineering micro-LBE set-asides valued at \$1 million each coming along in January.

We also have some small construction contracts designed for high LBE participation like the Pier 23 restroom upgrades project. In conclusion, 35 percent of dollars were awarded to LBEs. While 71 percent of contracts went to LBE prime contractors, when we exclude the seawall design contract, that number climbs to 59 percent.

Almost half of all payments on open and active contracts went to local firms. Three of the four projects currently subject to the local-hire ordinance are meeting their local-hire obligations.

Our team is committed to coming up with innovative partnerships and programs, like our technical workshop series, to build the capacity of LBEs to better compete and win public contracts.

Commissioner Gilman - I wanted to comment that I was impressed by the community outreach and activities. I hope we can continue to do that on a regular basis. Also, if possible, while I understand our offices are at Pier 1, I would like staff to entertain maybe sorting them out along the waterfront, southeast, and northeast, to attract folks, to create less barriers. I commend you for the nice job on the community outreach and the growth of the numbers, particularly between last fiscal year and this fiscal year.

Boris Delepine - If I can make one comment, we do host many of our construction pre-proposal meetings at the Small Business Assistance Center at the PUC's facility in the city's southeast center.

Commissioner Makras - Great presentation. Good number. Thank you.

Commissioner Woo Ho - I think it's a great presentation. I think you're going to hear from your toughest grader in a minute, Commissioner Brandon. As far as I can tell, we've made a lot of great progress this year both in terms of quantity as well as quality. You anticipated my question already and said on budget, on time, which is also very important for us and to be able to make sure that you also report on that. The numbers are great. Are we satisfied that we can continue to grow these numbers? Or do we think we're peaking at this point?

Boris Delepine - It's tough. We're beholden to the type of contracts that we award. The more specialized contracts equal a decrease in LBE participation. We've had a sweet spot over the last few years with construction contracts that are under \$5 million. As those continue to happen, I think we can sustain those numbers. We will do our best to unbundle contracts and create opportunities for small firms.

Commissioner Woo Ho - I'm not obviously aware in all the other city departments but it seems like we do have a business model that's working very well in terms of outreach and our results are showing it. Our numbers are good. I think we have a best practice here. Are we sharing this best practice so that other departments can also learn from how we're doing it?

Elaine Forbes - I think we have a best practice too. We collaborate with the other Chapter Six departments. The PUC has been a leader in this arena as is DPW. We've been learning from them but we've also been learning what works here at the Port to expand our numbers.

The one thing that we do that other city departments don't do is we track our metrics. We bring them forward to the Port Commission. That's a level of accountability that we have in our program that we don't see. Kudos to us for not only having the goal but measuring ourselves to it.

Commissioner Woo Ho - If you inspect what you expect, then you do get the results better. I have to give some credit here to our president who has been on this track for quite some time. We can see now in the results that it's working. Hopefully, she's going to be more complimentary this time than last time.

Commissioner Adams - I like that one. Boris, this is great. Congratulations to you and your team. We've come a long way. Clearly, President Brandon has been relentless keeping your feet to the fire. She doesn't take no for an answer. She'll just keep pushing you and pushing you and pushing you. You continue to raise the bar. I like what Commissioner Gilman said about the outreach to the community. I think that's good because it's all about our beloved community and providing opportunity. Sometimes the same people will get contracts.

It's good to spread the wealth around a little bit. It shouldn't just be the 1 percent. Everybody needs to have a fair opportunity. There's a lot of talent out there. I appreciate that you're tapping into a lot of resources and people out there. Sometimes, all they really need to do is be given an opportunity.

Director Forbes, having these breakfasts and reaching out to the community, that's saying something a lot different. This will be your trademark with President Brandon as you've been stepping out a little bit more, raising the profile of the Port because a lot of people don't know there's a Port in this city. We all know that we have the best commission in the city. Hands down. I'm being very modest but we have to lead by example. I hope we continue to keep leading and let our work speak for itself. Once again, Boris, to you and your team, thank you and mahalo.

Commissioner Brandon - Boris, thank you so much for this report. When I first looked at the agenda and where this item was placed, I said, we have good news. Usually, we try and put it at the bottom of the agenda and hope everybody has gone.

Boris, thank you so much. This is wonderful. The numbers look so much better. It's so wonderful that we are doing so much more outreach and partnering with the African American chamber, with Meriwether Williams, with all the chambers to make sure that the local businesses know of all of the opportunities here at the Port because, going forward, we have a lot of opportunity.

I want to thank you and Tiffany and Bob and everyone and the new addition to your team for going out and letting everybody know what's going on here at the Port and just making us look really good. I really want to thank you for that and for all your creative, innovative ways to spread out the contracts and to attract new LBEs.

With our professional services, it seems like we always lack in that area. I wanted to make sure that, going forward, as we put out these as-needed contracts, that is taken into consideration when we're considering who to choose next because, if we have the same people who can't meet those goals, then we're not doing something right. I wanted to know if there's some way to be able to incorporate that in the RFP or what we can do.

Boris Delepine - Using the as-needed engineering RFQs as an example, in the past we've issued one RFQ with four awards for \$4 million. This time before you, items 10b and 10c today, we unbundled those and split them. There are four contracts that are going out there at \$3 million. But we've also set aside four contracts at \$1 million each that are only available for competition among micro-LBE firms, the smallest, most disadvantaged LBE firms.

Commissioner Brandon - Are we going to do that for real estate also?

Boris Delepine - It all depends on the availability of the pool. When we looked at the availability of firms with the contract monitoring division, there are a lot of firms certified under the engineering categories. There are fewer when it comes to real estate, economics and planning.

Some of our work has to be put towards increasing that pool and reaching out to firms that are in the city. They may not know about the LBE program and assisting the contract monitoring division to increase that pool because it's not there in certain disciplines and real estate economics is one of those.

Commissioner Brandon - Thank you. I really appreciate all the hard work that you and your team are doing on this.

## 12. PLANNING & ENVIRONMENT

- A. Request approval of the Jefferson Street Phase 2 Project, authorizing the San Francisco Public Works Department to reconstruct the street and sidewalks of a three block section of Jefferson Street between Jones and Powell Streets. (Resolution No. 18-59)

Dan Hodapp with the Port's planning and environment division - On September 25, 2018 I presented the informational item on the Jefferson Street reconstruction project in Fisherman's Wharf. I'm back today to present to you for your consideration and adoption of the project. I have with me David Froehlich of the San Francisco Public Works Division that'll be a resource for you following my presentation, should you need it. I will briefly summarize some of the high points of what I went through in September and then add in one other item of greater information about that.

Jefferson Street is five blocks through Fisherman's Wharf. Phase one was the first two blocks between Jones and Hyde. Those are the two westerly blocks. This phase two is for the three easterly blocks going from Powell to Jones Street. It is a complete reconstruction of the street, the sidewalks and utilities in that area. The project goals are to improve the safety for everybody down there.

There are conflicts with bicycles falling into the rail tracks. There's a huge amount of pedestrian traffic, vehicles that have the ability to move a little too fast on the street. Safety is the primary purpose and it's also to improve the visitor experience and to encourage return visits to the wharf by creating a more pleasant environment down there.

This is an image from before Phase 1 was done where it was 37 feet curb to curb in that area with street parking, very narrow sidewalks that were often very crowded and a couple of images from after that was completed where the sidewalks are widened. The street is narrowed. The textured paving, which slows traffic down -- the crossing distances at the intersections for pedestrians are shorter increasing safety. There's more activity there and, overall, a higher-quality visitor experience which has led many merchants and the Fisherman's Wharf Community Benefit District to so strongly support phase two project.

The project is funded by a group of agencies within the city led by San Francisco Public Works. It's a \$13.783 million project in total. Public Works has contributed \$3.1. MTA has contributed \$2 million. The San Francisco County Transportation Authority is at \$1.4 million. The Port contributed \$250,000 but the city has since reimbursed the Port for that contribution. The other half of the funding comes from a local LLP grant. The project, at this point, does have complete funding as we go forward.

Following phase one, the wharf area has seen over \$300 million in investment and over half that's been in lodging but it's also included the many other sectors in the area. There's a lot of faith in what's being done at this time. The Jefferson Street project can certainly take credit for part of that although, there could be other reasons as well..

The Port contracted with Seifel Consulting to look at this project. They also prepared the retail strategy report for the Fisherman's Wharf community benefit district. A summary of that was that the phase 2 improvements are important to

the long-term economic sustainability of Fisherman's Wharf and the Port's properties within the wharf.

When the Port acted on phase one, it acted to remove parking from all five blocks. Three of those have occurred with phase one. One side of the street on two blocks will occur with phase two and that does represent a loss of parking.

Our indications are that we have a chance of making that up in parking on two of our seawall lots and from increased retail sales as we share a percentage rent with business throughout the area. The overall long-term improvement of the wharf as well may show benefits of those. Those are estimates.

An item that attracted a lot of attention from the commission last time was the area adjacent to the intersection of Jefferson and Taylor. At this intersection, there is a triangle parking lot. There's a corner of that that currently is used for a variety of events throughout the year that the project proposes to improve.

As shown in the image here, this corner lot is home to the annual Christmas tree that's up from Thanksgiving all the way through New Year's. It has events at Fleet Week, Fourth of July, the Wharf Fest which just occurred, crab season opening, the Italian American heritage parade complete with grandstands. There are other events that do occur in this space throughout the year.

The problems associated with this space in addition to being unsightly are its uneven surface, poor drainage. It's got a curb on some edges but not on all edges. It's got a chain and bollards used as seating actually due to the shortage of seating in the area. People have fallen off those chains, and they've also tripped over them at times. There are safety issues associated with this corner in addition to the current condition not accommodating the uses that are occurring here.

The Jefferson Street project does not change the use of this space. It is to make it safer and more appropriate for the uses that are occurring there now. Per the commission's request at the last meeting, staff will be returning at a future meeting with an analysis describing the benefits and impacts of using the space as a shared use or for a single use, possibly plaza full time or the impacts of parking part-time. Staff will also reach out to nearby tenants to understand their views of the space as most appropriate and report that information back to you.

Here is a plan view of the proposed improvements there. It would bring the paving up to snuff with the rest of improvements on Jefferson Street roadway. It will add some landscaping at its edges. There will still be some subtle striping for parking cars on there should that use continue.

There will be greater seating around the edges. The hazards and tripping problems will be eliminated as part of that. Regarding community outreach, this project started back in 2008 to 2010 with the community planning process to do a concept design for that. It then moved into more detailed community outreach

to address the phase 1 construction. Since then, community outreach has begun again to look at phase 2 design. It's gone to a number of different meetings, whether it's a larger meeting or a more targeting meeting with certain stakeholders, whether they be the community benefit district board or their general meetings or the Fisherman's Wharf Restaurant Association.

I believe it was not part of the agenda for the Fisherman's Wharf Community Benefit District today. However, Public Works will be continuing to meet with these groups to look at construction impacts, which is a primary concern. Construction impacts are very real. It took closing the street down. These projects impact businesses. It is a complete reconstruction of the roadways and improvements to utilities. The tenants have a reason to be quite concerned.

One of the ways this is being addressed is with schedule. The project is three blocks long. It's going to be reconstructed generally one block at a time. So the first block would be the westerly-most block between Jones and Taylor Street. That block would be closed completely for a couple of months. I don't know the exact amount of time. One intersection will be closed at that time too. When that's complete, then it shifts to another block. The second block would actually be the most easterly block. The third block would be the center block, which would be done during very low season. The center block is between Mason and Taylor Street.

All these are being done to try to create the least amount of construction impact. That will be an ongoing discussion with the tenants, the San Francisco Public Works and the Port being involved in that as well.

Commissioner Makras - I look forward to seeing what we come back with for the Jefferson/Taylor corner. Is it fair to say that from the presentation, it sounds like a six-month construction job? But from the presentation in writing, it's a much longer construction job. What's the impact on each block of commercial?

Dan Hodapp - Regarding the construction period, it's estimated to be at 14½ months. Public Works hopes to bid the project before the end of this year and hopes to begin in April of 2019. The idea being that it occurs during one summer season, which is the heaviest commercial season but doesn't go into a second summer season. It's not a six-month job. It is estimated to be a 14½ month project.

Commissioner Makras – Is the street going to be closed one third of the time for each block?

Dan Hodapp - No. There is one block that will be closed completely during construction and that is the block between Jones and Taylor. The other two blocks have a rail line on them that can be used for circulation as part of the time that will not have construction on that. The construction impacts vary a little bit from block to block.

Commissioner Woo Ho - We all look forward to all these improvements and agree that's going to make Fisherman's Wharf and Jefferson Street look much better. My question was on that corner. In what phase of these three block improvements will that corner lot be addressed? Is it in the beginning or at the end?

Dan Hodapp - The project will be generally thought of in three phases based on the three blocks. The third one would be the center block between Taylor and Mason. It would be part of that one so it is expected to occur towards the end of the project.

Commissioner Woo Ho - So you'll come back later with a more detailed description of what the use of that space is.

Dan Hodapp - Yes.

Commissioner Woo Ho: - But the design is going to look the way you have presented it.

Dan Hodapp - That's correct.

Commissioner Woo Ho - And the cost of what that's going to be is presented in there as well.

Dan Hodapp - The cost is included within the contract amount here and it is funded.

Commissioner Gilman - Thanks for the presentation. I'm really excited about this. I actually went to the Wharf Fest. I actually had to jump over the bollards and the chains to get to it from Jefferson Street. I'm really excited about it. I think those improvements are needed. I know this isn't part of it. I just want to check there's been a traffic study because there was a lot of misses, like near accidents when I was down there between people merging pedicabs and tour buses. So this will improve traffic flow?

Dan Hodapp - Based on our experience from phase 1, it better handles the people that are down there now. A study done prior to doing phase 1 indicated that most of the people down there are not in cars. Most of them are walking. So it took space but the space between the buildings was primarily dedicated to vehicles. It responded to that by narrowing the vehicle space and expanding the pedestrian space. In doing so, it made it safer to cross the street. It brought the speeds down, which, should accidents occur, they tend to be safer.

Commissioner Gilman – Thank you. I was just curious. I'm super supportive of the project. It's really needed. I look forward to it. Like my fellow commissioners, I look forward to seeing what we do with this triangle once we improve it.

Commissioner Adams – Thanks Dan for the update. It's been 10 years, that's a long time. We heard from the merchants last month. I understood that at some point recently, Boudin had an issue but everything has been worked out. Is that good?

Elaine Forbes - Yes.

Commissioner Adams - And Public Works? So now we have a love fest?--

Elaine Forbes - It's worked out.

Commissioner Adams - All right then. I'm supportive of it. I like the first phase. Last month, Commissioner Makras was hoping they could have got it done in half the time. He was talking about maybe working two shifts if it's 14 months. But if the merchants are okay and we can work around it and it doesn't really affect Pier 39 and our 30 million tourists a year to come to our great city, I think it's going to be great for our city. It's long overdue. I support it.

Commissioner Brandon - Dan, thank you so much for this presentation. When you came last month, the commission had a lot of questions regarding this and the lot. I'm not quite clear. I understand that you're going to come back to us in the future regarding the lot. But in the meantime, what's happening? If we approve this today, it's just as is. I don't see anything in the resolution saying that you have to come back to us. Then, we will decide if we're going to keep it as parking or if we're going to use it as a plaza, or we're going to do a combined thing. So when does that piece happen?

Dan Hodapp - The project improves that corner of the triangle lot, which affects anywhere from 17 to 23 spaces depending on whether you park them regular or do tandem valet parking on it. The way it currently operates now is how we anticipate it. The project doesn't propose to change that at all. It proposes to put a new surface on it and other amenities that make it more appropriate for that and reduce some of the safety concerns on it.

Elaine Forbes - What Dan is saying is that a couple times a year right now it's used a plaza. It's primarily used as parking. But a couple times a year, it's used as plaza for things like Wharf Fest and that will continue but that we will come back after talking with the merchants to talk with you about any recommendations to further expand a plaza use there.

Commissioner Brandon - But when you say amenities, you're talking about seating. You're talking about permanent things that will preclude parking. I know from the last meeting we asked, what does that really mean taking away those 17 to 23 spaces?

Elaine Forbes -- Dan, if you could go back to the rendering.



Commissioner Brandon - So you are making a decision now to move forward, do the plaza and then come back and tell us what you've decided?

Elaine Forbes - No.

Commissioner Brandon - I'm confused here.

Dan Hodapp - The plaza has some planters and seating at its edges, which enhance the sidewalks in those locations and provides a little more space around the iconic Fisherman's Wharf sign at the corner. In the pavement, it will have dots embedded into it that show the parking spaces. There are no plans to put any seating that would obstruct the use of those spaces for parking. It will be able to continue. All the improvements are at the street edges, the ones at the north part, are really planters. You could probably hurt yourself on the edge of it.

Commissioner Brandon - So what is this concrete thing in Z shape?

Elaine Forbes - Can you go back to the existing conditions slide?

Dan Hodapp - Right now, there is a curved bench at the corner. You see the back side of a concrete curved bench. That will be replaced with a little bit larger seating area to provide a little more circulation, a little more room for the street artists that perform in that area.

Commissioner Brandon - It will take away parking spaces. What I'm trying to be clear on is we had a lot of questions regarding this plaza. We were not, at that point, supportive of this being a plaza until we understood what the parking impact was going to be, what the community concern was going to be, if any. We're here again now because we want the project to move forward. But the plaza is still questionable. Some way, somehow, I think you guys have to come to us once you do the community outreach and once you understand the impact of parking.

Elaine Forbes - We can put in the resolution a requirement to come back and discuss this area. From what I understand, the project improves the parking area. Let's call it a parking area. It improves the front door experience because obviously there's a lot of pedestrians in the front of this area and along Jefferson Street. So it's separating it a bit more and improving it but I didn't understand it's actually removing parking spaces. Would it be like one or zero?

Commissioner Brandon - There's still a question of do we want it a permanent plaza or do we want it plaza and parking?

Elaine Forbes - This is designed for parking. It will be striped for parking. It will be used for parking but it also can be used as it is currently for a plaza space.

Commissioner Brandon - Then, you should probably show us that slide.

Commissioner Makras - I appreciate that we're saying it's parking. I think that's what the calendar item is but what you looked at looks like a plaza. Since this is what you're asking us to approve with the diagram in front of us, how do the cars get in there and park?

Dan Hodapp – The cars enter in the upper right hand corner of that image.

Elaine Forbes - Which is the same way they do now. Go back to the existing condition because I think the commissioners need to see. It's all bollard around now. The cars come in on that upper side in its current condition and there's also a separation from the pedestrian realm.

Commissioner Makras - Can we go back to the diagram?

Commissioner Brandon - I don't want us to get ahead of ourselves and put it out there that we are building a new plaza. Then, we can no longer park there and then, we have community concerns and our retail clients who demand parking as part of their existence.

Commissioner Makras - The way you can accomplish that is you should take away the planter boxes that you see in between the parking. That is a very small space in the upper right-hand corner to bring cars in. You're going to be coming up right against our tenant and using that as a driveway to go in. We should take all the planter boxes across it and let it be open into the parking lot. That's not what I want. I want it to be a plaza. But I also don't want any miscommunications on what is there and what the real world is going to be. This is not going to work for a parking lot.

Commissioner Gilman - As someone who was just there on Saturday, right now, there are big stone boulders and chains where the planters are that I had to walk over.

Commissioner Brandon – To me, it is very clear that it's a parking lot now. The new design looks like a parking lot plaza. We have not decided which it's going to be. At this point, we're saying we're going to do the improvements. We're going to make it into a plaza but we might still put parking there.

I want us to be clear on the direction that we're going with this corner instead of with this showing that it looks like a very beautiful plaza but then, we have a community that wants a plaza and open space. Then, we might have tenants that need parking. I want to make sure that we look at all that prior to making this decision, which is I thought the conversation we had at the last commission meeting.

Elaine Forbes - The conversation we had at the last meeting was we didn't want DPW to get off schedule in delivering these great improvements and we want to move forward.

Commissioner Brandon – Right and we want to move forward but we're still not clear on this.

Elaine Forbes - And that we were going to work with tenants to discuss the use of this parking area and utilize it for the way it's being utilized now, which is overwhelmingly parking and sometimes open to the public on big events like the one you were at this weekend. We would come back to the commission and report those concerns. It is in the Port's discretion to say more parking, less plaza, less parking, more plaza. We would have that conversation with you at that time.

Commissioner Brandon – After losing the \$240,000 in revenue, what additional revenue will be lost?

Elaine Forbes - In terms of revenue loss, Dan corrected that we are being reimbursed from that initial investment. That was a timing-of-cash issue. But you're talking about the parking.

Commissioner Brandon - I'm talking about when we take 20 parking spaces.

Elaine Forbes - That is street parking.

Commissioner Brandon - A lot of plaza parking, the impact of the plaza.

Elaine Forbes - The idea of the plaza versus parking is the way that the parking lot is managed now is that there's a lot of stacking and a lot of parking on most days. Sometimes, when there's a big public event where there's spillover public and there's less cars, they'll utilize this area because they know it's that kind of event. So that's not a day we lose revenue on parking because we have more pedestrians that day than parking. But this is the kind of information we need to get into with our parking operator and our tenants.

Commissioner Brandon - Because right now, we use it as parking every day unless we're having a big event. So we would lose revenue if we use these spaces. So I asked at the last meeting, what is the impact? And what is our real investment in this if we choose to do a plaza?

Elaine Forbes - So we are proposing to use it exactly as we use it today, no change. We're not proposing to add more plaza at this point. We're proposing to use it as it's used today, which is primarily for parking. If we were to propose anything different, we're going to go through the conversation with the community and the merchants and come back to you before we would recommend any change to what exists on the ground today.

Commissioner Brandon - But we're building a plaza.

Elaine Forbes - It's not exactly a plaza.

Commissioner Brandon - With seating and trees.

Elaine Forbes - Yes. It's an improved area from what exists there today.

Commissioner Makras - It's a plaza to me.

Commissioner Woo Ho - How much money are we actually putting into this lot?

Dan Hodapp - Zero. This is an improvement.

Commissioner Woo Ho - How much is the city putting into this project?

Dan Hodapp -- We don't have a breakdown on that.

Commissioner Woo Ho - You do not know how much is being used to improve it? Because I think we're all hung up here. It is not very attractive as it is. I agree that if you're going to improve everything else around it, you should improve it to a certain extent. Then, we're also now trying to debate on the use of it.

I understood that it was going to continue to be mostly parking and what it's used today for a plaza, that's not going to change. The debate is whether it should be used for more plaza and that we have not made a decision on that but it will not replace or take away the parking but there is an investment here. You can't tell us how much investment is going to be made to make it look better to match everything else that's going on in the neighborhood.

Dan Hodapp - That's correct. There is a public investment that the Port would benefit from on the improvement.

Commissioner Woo Ho - It's a public investment. It's not our money but it's still the city's money. It's the citizens' money.

Dan Hodapp - As drawn, it probably eliminates about two parking spaces. If we improve the parking area in this corner as shown, we would probably lose about two spaces. The entry up in the corner has been looked at by Public Works. It is considered suitable to access this space. Right now, vehicles do not access from that driveway.

Commissioner Woo Ho - Actually, when I visited Boudin's, I was in this space. I believe I parked my car there. I see the utility of the parking aspect of it. I'm not arguing against that.

Commissioner Gilman - It's really just a cosmetic fix that will make someone like me not almost trip over when I want to go to the four or five times a year we use it for some other use. I can walk between the planters now. And the seating, I'm assuming it's staying. The seating exists now; we're just making the seating look better.

Commissioner Brandon – No, we’re adding. It will take two parking spaces. I think we need to amend the resolution to say that, if we decide that we want to do anything other than parking, we have to come back to the commission.

Commissioner Gilman – That makes sense.

Commissioner Woo Ho - Other than the current uses of the lot today because there is some plaza use.

Commissioner Brandon - Definitely.

Elaine Forbes - Yes. We'll make an amendment.

ACTION: Commissioner Adams moved approval to amend the resolution; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. Resolution No. 18-59 was adopted.

### **13. REAL ESTATE & DEVELOPMENT**

A. Informational presentation on Current Vacancies at Port Facilities and Proposed Interim Leasing Strategies.

Mike Martin, Real Estate and Development - In response to your request, we came forward with a staff report on our vacancy report but I'd like to also walk through those statistics and some of our key vacancies but also talk about some of our upcoming strategies and analysis relating to filling some of these spaces as our different opportunities for both short, intermediate and long-term leasing are before us.

This shows our vacancy rate against some market report benchmarks for the third quarter of 2018. For our office space, we have a lower vacancy rate.

Our office space is, by and large, class C office space. We probably have an even larger spread between our office vacancy rate and that class C space rate. We are at a vacancy rate that's higher for industrial warehouse and shed space than the San Francisco peninsula market. We use the broader market that includes the northern part of San Mateo County just because, in the San Francisco market, we are a preponderance of industrial space as industrial spaces get snapped up for other uses.

We felt like this larger geography is a better comparison point. I'll have a lot more to say about some of our prime spaces that we'd like to lease going forward for these industrial warehouse and shed spaces.

For restaurant and retail, we have a 5.3 percent vacancy rate, which is above the market vacancy rate. I note that the Anchor Hospitality lease you approved

for Pier 33½ will bring us pretty much in line with the overall market vacancy rate for restaurant and retail once it's finally leased.

Overall, our vacancy rate is 7.65 percent. The staff report broke down most of the major spaces listed on the attached vacancy report in terms of specific narrative notes. If I had it to do over again, I'd probably retitle this slide vacancies that soon will change in character. It's not just that they're notable. But for example, you have Piers 19, 23, 29, 31 and the Roundhouse building at Seawall Lot 318. Those are all undergoing capital work with various completion dates starting in the first quarter to the third quarter of next year. We're very much gearing up for what we can do in those spaces.

With the pier spaces, I'll have a lot more to say in relation to our RFI at the latter part of the presentation. But those we see as opportunities to take those off the vacancy roll and into productive revenue-generating leases.

At Pier 33, there is some space that we are holding back that we anticipate will be used for Alcatraz ferry concession laydown space but we're not able to advance on that until the National Park Service makes it selection with a concessioner.

Pier 38 was specifically mentioned when this request was made. We have been evaluating different opportunities at Pier 38 including potential special-event and ballgame parking, much like we do at Pier 48. That requires sprinkling and other life-safety upgrades that made it challenging in terms of the term we were willing to give. So we have not yet leased that space.

Pier 54 bears noting. The most recent substructure condition report reflects deterioration including some red-tagged areas, although not in our leased properties on that pier but it's something where we're taking a strategic pause. We're meeting with those tenants to make sure they're aware of the conditions of the pier. We're thinking about what is the best next step, seeing as how that pier is unlikely to be improved in the near term. That's one that I don't know that we have a good strategy going forward except to try to keep our tenant safe and being well aware of any further deterioration.

A more broad step back into real estate market trends and some of the analytical factors we're seeing. If I'm doing a round two of this presentation, I'd change a lot of things. I'd probably move construction cost escalation to number one. That is top of mind with a lot of folks in terms of looking at high-dollar opportunities or long-term opportunities. I think we're seeing that in a lot of sectors of development in San Francisco that the challenges of the construction market are dampening what otherwise in the first bullet is a very strong economy here in the Bay Area in terms of the fundamentals.

On the Port side, we're seeing a decreasing volume just in the raw number of lease proposals coming through our pipeline under our parameter rent policy. That is an interesting fact and something we want to talk to you some more

about in this presentation about how we'll try to position our vacant facilities that are going to be available in the coming months.

Seeing a lot of chatter not only in terms of people coming to us but also in the broader market of these what people are calling pop-up spaces, so very short-term rentals, leases, a light touch in terms of tenant improvements, a lot of brand-recognition types of activities or short-term retail opportunities.

We feel like we have a lot of spaces that are attractive for that in terms of visibility. We've been talking with a number of these either promoters of these spaces or other people with ideas to see if they're a fit for some of our spaces, especially along the Embarcadero.

I wanted to close the presentation with our leasing strategy for our RFI facilities. Our request for interest encompasses 14 facilities in the Embarcadero National Historic District, which includes the Agriculture Building and 13 piers. A number of the piers that we saw on the soon-to-be-completed capital repairs list are among those piers as well. We're looking at a situation where we're going to be hopefully issuing request for proposals for competitive solicitations for long-term rehabs of a number of these historic piers.

The number and which ones are going to be highly dependent on what kind of responses we get back to the RFI. In the Waterfront Land Use Plan update, the working group developed, with the help of our planning and environment department, a number of recommendations for how to manage the different kinds of Port leases.

Coming into that process, we had two flavors of leases. The short-term lease is zero to 10 years. We used to call those interim leasing and that was really the Port's bread and butter. There weren't a lot of trust restrictions on that leasing. The idea was to benefit the trust through the revenues of the leases. Ultimately, that has very much been the case. About 79 percent of our leases are in this less-than-10-year term.

Almost half of our base rent comes from these leases. It's obviously a critical part of our asset management strategy. On the other end of the spectrum, the 50 to 66-year long-term rehabilitation leases are the ones that are full size, make upgrades, public occupancy. A prime example of that is the Exploratorium. Those were sort of the two paths you could go down.

During the Waterfront Land Use Plan update, we've now brought forward this concept of an intermediate-term lease. The idea of these intermediate-term leases would be to target where the improvements go to things like public-oriented uses that require public occupancy. Put those in the bulkhead but consistent with the Port building code standards, allow for other parts of the building to not be improved to such a high degree so that we can allow for limited areas of high revenue uses that would pay the cost.

We'd have others that would be improved but not necessarily costly improvement so they'd probably retain the character of the current industrial maritime or low/limited capacity of that pier. Ultimately, this is giving us a new tool in our tool chest to try to generate revenues and prolong the lives of these historic assets.

One thing we've seen with the commission and Port staff's management of leases is the challenge of having current short-term leaseholders in a place where you want to do a long-term project. We've had recent examples of this at Pier 70 where we had a number of smaller tenants in that area that we had to clear out in favor of the waterfront site project with Forest City. At times, that creates legal disputes. It creates a requirement to put out dollars in terms of settlement or relocation. In a vacuum, you'd say we'd rather not be in that position but at the same time, we also have the ongoing demands of generating revenues for the Port.

We're trying to take as thoughtful an approach as we can with the RFI piers. On the one hand, we're able to generate revenues where we need to. But on the other hand, we're not complicating what is already a very challenging effort to get a long-term full, seismic rehabilitation of a pier property.

With that, we settled on the four strategies that we laid out in the staff report:

1. Parking is a vital part of the Port's revenue generation. It allows people to get to the waterfront. This is something that was acknowledged in the Waterfront Land Use Plan update process.

The goal of the working group and the goal of the Waterfront Land Use Plan update was to strike a balance so that we're not parking everywhere. But certainly, at those piers that it's currently authorized and currently managed in a way that is respectful of the other uses in the area, we want to continue those to generate revenues until there is a longer-term use that displaces that that the commission supports.

2. We want to find ways to do very short-term revenue generating occupancies where we have those opportunities. We have a number of sheds that people favor for special events. We have a non-exclusive license with our cruise terminal operator, Metro Ports, to put on special events in Piers 29 and 35.

That gives them a streamlined process to get their permits and give us our share of those revenues. It's a good way to generate revenues without tying up the piers for a long period of time.

These pop-up opportunities, a similar profile, short term but revenue generation frankly activating the pier, perhaps exciting people's imaginations of what could be there. All the things that would come of that without tying the Port down into a long-term relationship that could complicate what we're looking for in terms of the concepts we have of these historic structures.



3. For those locations without parking or special event opportunities, target short-term leasing activities i.e. shorter than 10 year term. If we're able to find piers that make sense for that, targeted tenants who pose a reduced risk of complicating future long-term rehabilitation efforts.

We have a number of city-agency tenants that pay rents and parameter rents. Obviously, there's a limited risk of having a legal battle with them down the line. Small storage tenants, contractors where we know that they're working on a project with a specific time limit so we're being strategic about where we place those leases so that we don't complicate our efforts going forward.

4. Lastly, for those facilities that are not included in the initial set of RFPs for the full 50 to 66 year seismic we have of the pier, evaluate what those leasing opportunities are if they're not in the first couple years of that effort. Some of those piers probably don't have much more than interim leasing opportunities but some may have the potential for intermediate leasing that you would be able to see some of those public-oriented uses that come in under the RFI. Try to activate the bulkhead with those uses. Then think about the revenue generation that happens in the rest of the pier so that we don't have to spend all the money on the rehab. But some of the money actually comes to the Port in revenues.

Ultimately, it's going to be a challenge but an exciting challenge in terms of how we structure those RFPs to understand what the right amount of seismic upgrade is so that we don't wind up choking off all revenues from the district because all of that money has to go to seismic upgrades.

That's an extreme case. Ultimately, it's going to be a balance between how much rehabilitation we can do and how much revenue we can generate. We're going to have to keep our eyes open on that as the RFI process moves forward into the RFPs. That's the overview of our strategy on those pier locations.

Commissioner Gilman - Thanks for the presentation. I can relate to the struggle between the short-term and interim leasing and how to balance those short-term leases with something longer and more sustainable, which would bring more investment to our pier.

Thanks for acknowledging that struggle when you're looking at your strategy and also how much the Waterfront Land Use Plan has now shaped in a different way how we do this leasing work. I know you've heard from the commission already that, once we have concepts or ideas that come in, doing deeper dives into financial analysis and business planning is important to us. This was a really good update. I'm really excited to see what the RFIs bring around uses to us. Thank you for your thoughtfulness.

Commissioner Woo Ho - Thank you for putting this together. It's something that we've always been interested to understand how we look at our real estate as a

portfolio and an asset management strategy rather than transactional and lease by lease. I've been preaching that message for a while.

I'm glad to see that we're actually executing in terms of how we think and the strategy here which reflects that. I appreciate that. These are some very good ideas. I think the Waterfront Land Use Plan has contributed to give us a little bit more clarity of how we think about this in terms of the three buckets of leases going forward.

I want to know and understand a little bit more about the short-term rentals and pop-up. How short term do we really consider that? I guess it was Teatro ZinZanni that had a short-term pop-up lease that lasted 12 years? We want to know what the dangers are too of that as well.

Mike Martin - It's a really good point. Ultimately, these pop-ups in our parlance, we would probably consider them more special events. In our Port code, there's a short-term, six-month period that's an interim use that governs things that are unique and for things like high-occupancy items. For example, you'd have to have special things in place if the pier is not code compliant for high-occupancy events. I think that's the max for those.

The pop-up is just to note what's happening in the market, which is, as the demise of brick-and-mortar retail continues, merchandisers still seem to like to have that physical location where people are but they're not interested in signing long leases or otherwise burdening themselves for that.

Commissioner Woo Ho – Yes, it could be seasonally driven too.

Mike Martin - Exactly. I think we get a lot of interest for these types of things but it doesn't always work out. .

Commissioner Woo Ho – Like in Europe, they have a lot of festival kind of fairs such as the Christmas fairs in Germany, etc. They're really interesting. They're fun to go to and they're just short term in nature. The other thing to take in consideration here in terms of the parking -- and this really relates to just the transportation planning, which we've talked a lot about on the Embarcadero, and where the balance could be is that we may eventually have to give up more street parking if we want to widen and give access to not just cars but pedestrians and other mobile vehicles, pedicabs. Now, we're back into the scooters. So I think that using the sheds in a different way to perhaps, not necessarily 100 percent because we still want to be more transit first. But on the other hand, we cannot totally be transit first.

Not everybody is going to be able to use some sort of transit transportation. You're still going to have cars. But to think about our strategy in terms of how do we replace street parking if we have to change the way the Embarcadero is managed in the long run, where could we put some of that street parking? Some

of it's still necessary. So I would put that under your hat as something to think about as well.

Mike Martin - It's definitely a point well taken. There's also the challenges if that redesign of the Embarcadero happens, how do you get cars from the travel lanes onto the water side of the Embarcadero without dealing with that two-way bike lane if that comes to fruition?

We have a lot of pointed thinking to do especially if any of these pier projects displace what is now parking because that's more cars that are looking for somewhere to go in an already congested environment.

Commissioner Woo Ho - I think we're going to let the guru on my left here now opine.

Commissioner Makras - I'm going to start off by your page three. Bullet point number six talks about the Department of Elections wanting to lease on our space. Could you enlighten us on that?

Elaine Forbes - He's talking about Pier 31, the Department of Elections on Pier 31.

Mike Martin - They currently are a tenant of ours at Pier 48, Shed B. It is primarily storage in between elections. Obviously, that activity picks up around an election as they bring their assets to where they need to be. Under that MOU, which is the city version of a lease, when the Pier 31 capital work is done, we'll relocate them to this site and then be able to use Pier 48 for additional parking and special events, as the rest of the pier is currently used.

Commissioner Makras - Whenever I see a vacancy list, first let me say it was good. I was able to walk through it, understand it real good and get my arms around where we're at. Tell me what the public sees on us marking all of this, so we can fill it. Could I go online and find all of these? What is the way we are advocating filling them?

Mike Martin - We do not post our vacancy report online but it's an interesting idea. In terms of the RFI periods, we've been putting together an outreach plan. As you know, the commission's policy is not to use brokers. We would try to use our communications consultants to advertise to brokers and those looking for space. But I don't believe our website is the place that you would be able to say, that's where my opportunity is.

Commissioner Makras - Can we put them LoopNet, as an example?

Mike Martin - On LoopNet? I'm not familiar with that.

Elaine Forbes - I was just learning from Jeff we have a Tombstone ad that lists all the industrial spaces and it has vacancies. It asks for interested parties to call Jeff Bauer, our leasing manager. So there is one ad available.

Commissioner Makras - I think that's something we should look at because, at the end of the day, the marketplace demands putting out what you have for rent.

Mike Martin - It's a fair point especially to my earlier point about seeing our applications declining. I think that's what we really have to react to.

Commissioner Makras - We have a policy of hiring no broker. Do we also have a policy of not paying a real estate commission? If a client brings in a broker, will we work with them? Will we pay that broker?

Mike Martin - I believe the policy is not to pay broker commissions but I'm not entirely certain.

Jeff Bauer - I'm the leasing manager. We work and communicate a lot with brokers. Ten years ago, I've paid a number of broker commissions. The city attorney determined that the broker commission was a sole-source contract so we had to abandon that policy.

Commissioner Makras - But the department of real estate hires brokers.

Michelle Sexton - They have a pool.

Elaine Forbes - They have a competitive solicitation process to establish a pool similarly to what we did in the consent items where we set up an as-needed pool.

Commissioner Woo Ho - One thing I remember is that the interested lessee can use a broker if they're willing to pay the broker a fee.

Jeff Bauer - I have two or three I'm working now with.

Commissioner Makras - We couldn't prohibit them from that.

Jeff Bauer - No. We respect the broker relationship.

Commissioner Woo Ho - But is this idea of a pool something we should explore?

Elaine Forbes - We can use the real estate pool but we have a policy that says we're not using brokers affirmatively. This has actually been something we've spoken about internally. I've asked staff about this a couple of times. We think that we have sufficient staff resources to do that work. We have had a model that we are looking for these interim uses, not trust consistent that will pay us parameter rent and get them in as quickly as possible. First come, first served

has worked in our old model. But as we try to curate spaces that are more public serving coming off the RFI, we may need to revisit this concept.

Commissioner Makras - The broader it would be marketing our property and how we market it as a whole. I have been working hard on trying to find one company that does it themselves without advertising. I can't think of one company that everyone goes and knocks on their door and says I'd like to be your tenant. You're really playing a little bit of Russian roulette on what's empty and that's why people put for-rent signs on. That's why people advertise.

Jeff Bauer – For rent signs are the best advertisement.

Commissioner Makras - In principle, we should have a proactive rental program, so we can fill our rentals up. With a proactive program, you will do it faster. Therefore, you're increasing revenue. It makes us flow a little bit better.

Jeff Bauer - Word spreads pretty quickly. I had talked to a brokerage firm about space at Pier 70. All of a sudden, I'm getting calls and calls and calls. It's a very small community.

Commissioner Makras - On the internal component of leasing, do we have any parameters on turnaround time with prospective tenants? Do we call them back the same day? Is there a policy on that? Do we have a standard application online?

Jeff Bauer - Twenty-four hours, standard application. You can fill it out online and send it to me. We like to turnaround our leases in two to three weeks depending on the complexity of the lease. We have a process where we enter each lease into the pipeline. It's vetted through various divisions such as engineering, environmental and legal so we have a system. We're doing 75 to 100 leases a year this way.

Commissioner Makras - That's a good number. We have about 500 tenants?

Jeff Bauer – We have about 375 tenants. We have about 600 leases, with tenants having multiples leases.

Commissioner Makras - I was a little intrigued with this presentation this afternoon in looking at the building codes and dividing out a building for occupancy and risk and all of that. Is that something we decide internally to do?

Jeff Bauer – Absolutely. Pier 9 is a good example where Autodesk is our tenant. There's a trigger that's going to trigger the seismic code. So by adding square footage, Autodesk builds out space. They put in a mezzanine. We had to calculate exactly what they can come up to without triggering a seismic upgrade. Yes, we do think about that. We think about the S1 and the S2 occupancy, the B occupancy.

I know Pilara might have been talked about today. That's an S2 occupancy. That was a way to get them in without a seismic upgrade. It's a storage use.

Commissioner Makras - Would you say we're proactive with the people of interest when it comes to things like that?

Jeff Bauer - Absolutely. We want to disclose as much as possible. The worse thing we want to do is have some unforeseen occurrence happen.

Commissioner Makras - I hear the Port building code so I'm assuming there's a Port code, and there's a city code.

Jeff Bauer - We follow the California Building Code essentially.

Elaine Forbes - Could the chief harbor engineer describe that because we do have a Port Building Code.

Rod Iwashita, Chief Harbor Engineer - The Port does have its own building code. It is based on the California Building Code. There are specific Port amendments that have been incorporated to deal mainly with structures over water, wave loading and such.

Commissioner Makras- Because the state code didn't go far enough?

Rod Iwashita - Right. They don't typically deal with structures over piers and waters.

Commissioner Makras - Okay. I'm not sure if this is true. So I'm asking it as a true or false observation. I'm told that our earthquake code is more strict than the San Francisco code. Do you believe that that's true or false?

Rod Iwashita - I do not believe that is true. We also have an existing building code that allows the reduction of the seismic load by 25 percent for uses that are proposed if they meet certain requirements.

Commissioner Makras - So you actually have a formula to come down from the city code up 25 percent.

Rod Iwashita - That is correct.

Commissioner Makras - Excellent. I'm sure it's not public. But is it available to the commission to look at rent rolls, to look at our aged roll, to look at lease expirations?

Mike Martin - Yes. All those.

Commissioner Makras - When leases are in negotiation, how long do they take?

Elaine Forbes - We do send you the aging report. We need to make sure you're receiving that. The rent roll is a public document.

Commissioner Makras - Past due? All that?

Elaine Forbes - Yes.

Commissioner Makras - Great. I'm going to limit my questions to that. I'll dive into some of those reports and share my thoughts.

Commissioner Adams - Good job, Commissioner Makras. You're like a dog with a bone with plenty of meat on it. You went right at it. I really like the part about the advertising and getting it out there.

Mike, I know we stole you from the Office of Economic and Workforce Development. That's like us getting Kevin Durant from Oklahoma. We're going to win some championships. It's their loss. Anyway, very well done. I like your style, very calm, well thought out. You don't waste words. It seems like you want to take this in a different direction. I like that. Commissioner Makras has some really good thoughts about what we do. Are you happy about where we're at right now with the vacancy rate? Being head of Real Estate, what would you like to see?

Mike Martin - I'm not happy. I think that there are a number of piers along the Embarcadero that are really inviting places and they're not currently occupied. That sort of eats at me. The reason I took four slides to lay out that strategy is that's what I think about probably most of the time in this job is how do we make those things mesh where we're able to succeed on the objective of the RFI and the thing that the community wants to see, which is preserving these assets but also make them productive for the Port to do all the things in the meantime we need to do?

This conversation has centered in the north. We have similar opportunities with the backlands and in the industrial lands where, with the dwindling industrial land in the city, we're an opportunity. I think bringing the investment dollars that want to see that happen and the makers that want to see that happen in San Francisco, I think those are opportunities for us. But they're also things that are going to require quite a bit of work. I would say those are the two centers of gravity for what keep me thinking that we're a little high.

Commissioner Makras – If you don't mind me commissioner if I can add in -- the best of the best go out and find their tenants. They do not sit back and wait. The best shopping centers, the best office operators, they have their tenant before they build a building. Think about that. They go to the bank. They say, this is my tenant. We should be looking at the world and seeing the best operators we think would be a good fit. I promise you we are a great city. If we lay out the right business plan to the right people, there's venture money out there that will fund everybody.

We don't have to just rely on the individual company to have the money. They'll get investors to come. Our piers are big, expensive operations to do. Forgive me. They're not going to drive by and look at a for-rent sign and make a deal. They're going to make a deal because someone puts the idea down and cultivates the idea and puts the time and energy into the deal to motivate a company to be behind it, motivate that company to want to expand into another region.

Then, they'll go out to their bankers or their investors or a venture team to put it together. These large piers are going to be one, two, three years in the making for us to put it together. I promise you, as much as I'm looking optimistically to the RFI being responsive, they're not going to put a lot of money into the RFIs.

If we get 30 of them and we get 70 of them, I would be very surprised if any one of those had more than \$50,000 worth of money power into putting them together but yet, you can have a contract at the PUC that has \$30 or \$40 million. They'll spend a million dollars putting that contract together to win.

These are big projects. I believe that we should door knock, or we should figure out a formula to reach out to the best of the world to do it. I don't want to use the example of Vegas or a Disneyland. But how are the best restaurants in Las Vegas in every hotel? Every single owner of those hotels went out and found those people. They didn't go to Vegas and say I want to open up in Vegas. The owners and operators of the hotels that went and bargained with the best chefs to woo them into their operations. If we want the best, I believe we're going to have to start to think out of the box and go down that road.

Commissioner Adams - Thank you, Commissioner Makras, for your passion. Thank you. Mike. Do you think our marketing strategy has been successful in advertising? I'm sure you've heard a lot of different things and I hear this from time to time. Do you think the public or people that want to do business with the Port think that the Port is easy to do business with? I think maybe Commissioner said it one way or the other but I'm redirecting it in another way. How do you think the public sees the Port? How are we viewed as far as doing business? I hear from a lot of people that they find it hard to do business with the Port. You're like an analytical thinker, Mike. How do you see it and everything?

Mike Martin - I think it is not easy to do business with the Port. I would say most of that is because of the condition of our facilities, because of our status as a government agency caught between the city and the state. We have three different regulators that we have to get to say yes to every project, challenging seismic codes, challenging filled lands with geotechnical conditions.

There are times when we're not staffed up to deal with a very sophisticated counterparty and sometimes, that forces staff who don't want to make a mistake to slow down. I've seen this from the outside. I mean, working at the mayor's office during America's Cup, I heard that in one ear and the Port in the other ear. I think there's a lot of really impressive professionals here.



The things that people have done in terms of the complex deals that have moved I'd put up against any public agency I've ever seen. I'm not saying all those people aren't right. I don't think it's easy to come here.

To Commissioner Makras' point, I fully agree. We have to do extra legwork to get that topline tenant in here. Today wasn't a light bulb going off. We've already talked about how are we going to get the word out when we're sort of opening the gates for one of these piers to do these short-term leases because our goal is to get as many people in there fast, get those leases going and get the revenues. I think we could always be better. The Port and all its divisions have people that not only love the Port but are good at what they do.

Commissioner Brandon - Mike, thank you so much for this report. This is very good. It's very insightful. Thank you very much.

- B. Request to approve the proposed Port-related transaction documents in connection with the San Francisco Recreation and Park Department (RecPark), Build, Inc., and the Office of Economic and Workforce Development (OEWD) India Basin project located at Innes Street between Earl and Griffith Streets: (1) consent to Development Agreement between the City and India Basin Investment, LLC; (2) approval of an Open Space Covenant regarding the India Basin lands proposed to be exchanged into the Public Trust under a subsequent Trust Exchange Agreement; and (3) delegation of authority to Port's Executive Director to enter into one or more Memoranda of Understandings with various City agencies, including RecPark, the San Francisco Public Utilities Commission (SFPUC), the San Francisco Public Works Department (SFPW), and the Department of Building Inspections (DBI), relating to the roles and responsibilities for the lands subject to the Public Trust. (Resolution No. 18-60)

Mike Martin - I do want to say that, despite the positioning at the end of the agenda, there's good news here as well. We were before you at the end of September with an information item. I'm joined by representatives of the Office of Economic and Workforce Development and Build, Inc. and the Recreation and Park Department, who will be here to answer questions.

I wanted to summarize the changes since last time and then hand it over to Ann Taupier from OEWD to talk about the project's progress through a number of other hearings. The action items before you are the same that we discussed last time. There would be a consent to the relevant portions of the development agreement for the project, approval of the trust exchange agreement, approval of declaration of open space covenant for those trust lands and the delegation to the Port's executive director to enter into MOUs for other city agencies to assume the responsibilities associated with the land.

This is a project where the Port is stepping in to be the trustee for the trust exchange and facilitate a beneficial park project. Obviously, we want to be supportive of this but we're also mindful that we have plenty of our own

responsibilities. We don't want to be overextended financially towards a project that isn't our project but one we support. We've had a great deal of support from the other city agencies and OEWD to make that work. These MOUs will put into place a structure we needed to have to achieve that goal.

The trust exchange agreement itself is still under review by State Lands but the form of it and the terms are pretty locked in place at this point. We're having you approve the form for final execution.

Compared to the last time, we're placing into trust an additional 0.8 acres in the middle of the future Big Green space, which would bring the total of 10.3 acres of non-submerged acres placed in the trust. Added to the trust exchange agreement, 17 acres of submerged lands and a 6,000-square-foot area of shoreline in the Big Green that will be added to the trust as well but only following full cleanup and remediation activities.

Here are some maps to sort of describe those changes. These yellow areas are the areas that previously were not part of the trust exchange. You see the submerged lands to the top and to the right of this diagram and then also the small narrow shapes in the middle of the land side, the yellow shapes, those were added more recently.

Here's the new picture of how the trust exchange will look post trust exchange. It's largely similar but hopefully addressing the uncertain trust status of even more lands in this area and obviously serving the benefits of the trust in that way.

We did refine a bit the description of how the MOU will work with respect to issuing permits for parklands and accepting those lands. At the direction of the chief harbor engineer, we negotiated further with OEWD and Public Works because we saw that the Port engineering staff probably has more experience and more expertise with respect to shoreline improvements.

The chief harbor engineer thought that it would make more sense for us to retain that responsibility while leaving the remainder of the landside improvements to Public Works to work with RecPark to accept. DBI would still be involved on an as-needed basis.

Largely, this was something we thought was coming. Frankly, all sides agree that this division of responsibility made sense. This is a diagram. The blue area along the shoreline is what we're considering to be the shoreline improvement area that would be still the responsibility of the chief harbor engineer.

We'll refine this and finalize it for the MOU. Largely speaking, it's the wetland areas to the edge of the shoreline. To reiterate the conditions prior to closing on the trust exchange, each party must approve the condition of title and the property. Obviously, cleanup activities for those areas are important. We will have had to enter the MOU. Although, it may be with multiple departments or

multiple MOUs. But ultimately, we need to have those responsibilities taken care of.

To address a question or comment that Commissioner Gilman had, we did basically reinforce and make sure that the trust exchange can't happen until the developer has spent the money and received entitlements for his first development phase so that we won't have the trust exchange far in advance of when there actually would be development of the park.

Ann Taupier, project manager with the Office of Economic and Workforce Development - We are very happy to be here this afternoon seeking this commission's approval actions for the India Basin project.

Since we were last here in September, the project has been adopted by the RecPark Commission, the PUC Commission and finally approved unanimously by the Board of Supervisors. As a quick refresher, the project seeks to build 1,575 residences at the 700 Innes site, 394 of which will be below-market-rate units achieving a 25 percent affordable housing obligation.

A minimum of 319 of those units will be built on the 700 Innes site. At full build out, the project will provide an open space that includes a total of 14 acres of publicly accessible parks, plazas, bicycle trails, pedestrian pathways. Twelve of those acres will be comprised of improvements to the existing six-acre RecPark-owned waterfront open space as well as nearly six acres of private land that will be developed into what is identified as the Big Green.

This new six-acre park will be dedicated at no cost to the city to become part of the city's southeast waterfront network of public parks. Once completed, these open spaces will connect the nearly 1.5 mile continuous waterfront park beginning at the Port's Heron Head Park to the north and eventually terminating at the shipyard's north side park.

The project sponsor is committed to providing a CFD, which will yield \$1.5 million annually for enhanced maintenance and operations, support for all the public parks and open space and will yield \$43 million for the city's use to mitigate future sea-level rise along the shoreline outside of the project boundary.

The city has reserved the right to draw up to \$750,000 from these CFD dollars to use toward job training in the areas of landscaping, horticulture, sustainable infrastructure and open-space management at the project site.

Additional community benefits include the construction of an open-air community market, a potential future grocery store, first-source job opportunities for both construction and permanent onsite jobs, local-hire requirements for infrastructure work on existing city streets and parks and an 18 percent local enterprise business target as established by the Office of Contract Monitoring.

The project will make an approximately \$10 million contribution to offsite transportation improvements as well as construct neighborhood transit, bicycle and pedestrian network improvements including a class-one bike lane.

The project sponsor will deliver 3,000 square feet warm shell to a certified Bayview childcare provider as well as establish an endowment fund to be used at the sole discretion of the selected childcare provider for tenant improvements, rental subsidy or discounted rates to neighborhood families for the first eight years of occupancy on the project site.

Finally, the city reserves an option on 5,000 square feet of commercial space for a possible future community facility such as a reading room, library or other community-serving space.

Jill Fox - I have lived for 26 years on Innes Avenue. By the way, it's Innes Avenue, not Innes Street. I'm here today as the chair of the India Basin Neighborhood Association. This project has long been our dream and our vision for our community. We support this project and encourage you to approve this transaction. In addition to thousands of new neighbors who will be joining us in a range of housing sizes and affordability levels, you also heard about all these great amenities that we have been working on with the developer so that we have a more livable neighborhood so that we're like the rest of San Francisco with food and entertainment. But most importantly and where you guys come in is the new and improved park space. This project will provide links in the Bay Trail and in the Blue Greenway, which we know the Port is already very involved in. It'll provide a class-one bike path, which gives us safe and scenic transportation alternative for all of these people living, working and playing in our neighborhood. India Basin is a rich part of San Francisco's maritime history. In the big picture, this project will allow people to come down, see and learn about the scow schooners that were built at India Basin, be able to have a maker's place to learn how to build boats. We encourage you to approve this so that we can get going on this beautiful project, which we think will be a wonderful addition to the maritime history of San Francisco.

Michael Hamman - I'm a long-term resident of India Basin and a member of the neighborhood association that supports this project. We support it because we helped craft it. The developer actually worked with the neighbors and incorporated many of our ideas and wishes into this project as it is finally shown. Through several years of collaboration with the neighbors, this plan evolved in a way that preserves the wild essence of the space that it is now and yet accommodates 3,500 new residents into our community. Not only are there over five acres of wild open space, but by concentrating the buildings into more dense, taller building up near the hill and keeping the lower buildings at the water's edge and having fewer buildings in total and more space between the buildings, this development creates a spacious open feeling unlike any other project in the Bay Area. This is a good plan that avoids most of the negative impacts and adjusts and mitigates those that are unavoidable. This project will be an outstanding addition to our city. It is supported by most of the neighbors

who live here. The planning commission approved this project unanimously. And when doing so, it characterized it as excellent and outstanding. I urge you to approve the necessary land swaps with the public trust, so this unique project can move forward and become one of the great San Francisco neighborhoods.

Commissioner Woo Ho - Thank you for all the presentations that we've had. I think it is a marvelous project. I haven't had a chance to go down there, though it's scheduled. We're going to try and go down there to actually take a look at the property even though it's really not our project per se but just to get a sense of how it fits in and the fact that we have Pier 70 nearby so just to get a sense of how all the neighborhoods are going to come together. I'm very supportive of the project. I don't have any specific questions. Obviously, our role is a little bit different than some of the other projects that we've been involved with. I think that it's a strong project.

We're happy to collaborate with all the parties in the city family and it's nice to hear from the neighborhood association that you are very supportive because, in our projects, we always have our neighborhood associations also very involved. It's good to see that that process has been followed here. So congratulations to everybody on this.

Commissioner Makras - I think it's a very nice project. I'm also supportive of it. I have one technical question. I'm not sure who this would be directed to but on the conditions prior to closing, it says that all the parties will approve conditions of title of the property. Is there a survey? Do they get title insurance on the parcels when it's over? Or do we risk the title issues that is associated with swaps?

Mike Martin - As I understand it, the swap requires that there is a survey and title insurance..

Commissioner Makras - Great. Thank you.

Commissioner Gilman – I, too, am very supportive of the project and happy to see the neighborhood association come out. Mike, thank you for changing the timing on the transfer to ensure the project is moving forward. I appreciate that adjustment. I know there had been some questions at the informational hearing around the affordable housing component. I just want to say to the city's team and to the developer, kudos to you for getting unanimous approval at the planning and at the Board of Supervisors. That's not really our jurisdiction. I'm going to assume all of that was resolved and is in really good shape. I'm very supportive of the project.

Commissioner Adams - Mike, great presentation. To everybody, I'm very supportive. This is good that the Port gets to play a small role in this. Once again, this is only going to enhance all the neighborhoods in the southern waterfront and especially the housing component in the City. I just wish that's a community I could afford to live in. I support it.

Commissioner Brandon - Mike, thanks for the presentation. This is wonderful. What is the total amount of acreage going into the trust?

Mike Martin - At the end of all cleanup activities, you've got the 10.3 acres on the land and then 17 submerged acres.

Commissioner Brandon - Originally, it was nine or 10?

Mike Martin - It was 9.5 on land.

Commissioner Brandon - What's the reason for the addition?

Mike Martin - The simplest thing is State Lands was looking to clarify more what's in and out of the trust including these submerged lands which are less important to us. They wanted to make sure that they were part of the trust, and there wouldn't be future development proposals there. As I understand, it just came out of those discussions.

Commissioner Brandon - Future development proposals on the submerged land?

Mike Martin - In the pre-Save The Bay here, that was the reason for creating these lots. I think it was just confirming those in the trust. Confirming the obligation to clean them up, which was a key one. All of that wrapping together to create a better diagram that's clear with what's where.

Commissioner Brandon - What type of MOUs are we delegating the authority for?

Mike Martin – The Memorandum of Understanding (MOU, since you can't have contracts with one entity, it's basically a contract between us and these entities for the responsibilities associated with owning land. RecPark would do all the programming, all the maintenance. PUC is responsible for the things its bringing into its enterprise.

Otherwise, you would assume the land owner had those responsibilities. We wanted, as a condition to us getting title, if there's something that needs to happen with maintenance to the park, we know it's going to be RecPark and not us to actually pay the bill for that.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 18-60 was adopted.

#### **14. NEW BUSINESS**

#### **15. ADJOURNMENT**

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

Port Commission President Commissioner Brandon adjourned the meeting at 5:25 p.m.