

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING JANUARY 8, 2019

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 2:00 p.m. The following commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman, Victor Makras and Doreen Woo Ho.

2. APPROVAL OF MINUTES – December 11, 2018

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

At 2:02 p.m. the Commission withdrew to closed session to discuss the following:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Item)
 - a. Property: Java House LLC, located at Pier 40½, under Lease L-14100
Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate and Development
*Negotiating Parties: Paul Osmundson, Frankie’s Java House, LLC; Michael Heffernan, Frankie’s Java House, LLC; and Sophia Papadopoulos, Java House, LLC
- (2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (DISCUSSION AND POSSIBLE ACTION)

- a. Discuss anticipated litigation matter and possible settlement pursuant to Section 54956.9(d)(4) of the California Government Code and Section 67.10(d)(2) of the City and County of San Francisco Administrative Code. ___ As Defendant X As Plaintiff

5. RECONVENE IN OPEN SESSION

At 3:20 p.m. the Commission withdrew from closed session and reconvened in open session.

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

Commissioner Adams reported that under Item (2)a, the Port will enter into a Memorandum of Understanding (MOU) with the Department of Recreation and Park (RPD) for the dock and the lease will terminate. South End Rowing Club will become a subtenant of RPD on the commencement date of the MOU. The parties will mutually release claims against the other.

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

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – Leah, LaCroix, Executive Secretary, announced the following:

- A. Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. 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. Election of Port Commission Officers

Commissioner Brandon – Is there any public comment on the election of Port Commission officers? Seeing none, are there any nominations for Port Commission President?

Commissioner Woo Ho – I would like to nominate Kimberly Brandon as President of the Port Commission. Commissioner Makras seconded the motion.

Commissioner Brandon - Are there any other nominations for president of the commission? Are there any other nominations for president of the commission? Are there any other nominations for president of the commission? The nominations for the president of the commission is now closed.

ACTION: Commissioner Woo Ho made a motion in favor of Commissioner Brandon being the president of the Port Commission. Commissioner Gilman seconded the motion. All of the Commissioners were in favor.

Commissioner Brandon - Thank you. Happy New Year to everyone. I look forward to this year. We have a lot of exciting projects going on. We have a wonderful staff. We have a wonderful commission. I am so looking forward to continuing the work that needs to be done here at the Port. Thank you so much for your support.

Commissioner Brandon - Is there any public comment on the commission vice president? Seeing none. I would like to open the floor for nominations for the vice president of the commission.

Commissioner Woo Ho - I nominate Willie Adams to be the vice president of the commission for this coming year.

Commissioner Brandon - Are there any other nominations for the vice president of the commission? Are there any other nominations for the vice president of the commission? Are there any other nominations for the vice president of the commission? Seeing none.

ACTION: Commissioner Gilman made a motion that we move forward with Willie Adams as vice president of the commission. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

Commissioner Brandon - Congratulations, Commission Vice President Willie Adams.

Commissioner Adams - Thank you to the best commission in San Francisco, the Port Commission. Thank you to my fellow commissioners. Thank you very much to Director Forbes and your fine staff. To the public, you make our job such a delight even when you come and you challenge us because one thing that we've learned as commissioners, sometimes you've got to be comfortable with being uncomfortable. Please continue to come out and challenge us

because this Port is the people's Port. Thank you and I look forward to serving another year as Vice President.

B. Executive Director's Report

- Commendation for Renée Dunn Martin, Port's Director of Communications, on her retirement

Elaine Forbes, Port's Executive Director - The first item I have is a commendation for Renee Dunn Martin, the Port's director of communication, on her retirement. Whenever the Port loses a long-term employee to well-earned retirement is both a joyful and sad occasion, joyful for the person leaving and sad for the organization.

This one is especially impactful for me because I've worked extremely closely with Renee for many years, both as a colleague and as a boss. Renee represents the very best in the nobility of public service combined with tenacity to get everything done -- and I mean everything -- while maintaining very positive relationships and having fun in the process.

She has been our communications director for 21 years. She has 21 years of service. She works tirelessly for our divisions. She has been working here since the adoption of the Waterfront Land Use Plan in 1997.

She's known for executing some of the most memorable events, large and small, including the Ferry Building's 100-year anniversary, the Port's 150th anniversary, Super Bowl Week, Fleet Week. If I read the list, I'd become totally exhausted. I know they were exhausting to put together but she's always done so with dedication and vision. Her gala for the 150th anniversary was stunning and amazing. All of us who were there remember it and her team had a great time doing it. She has been our media spokesperson.

She has maintained good relationships with key reporters and editors, issuing numerous press releases and media advisories resulting in an extensive amount of news coverage for the Port and for our key projects.

She always helps us put our best foot forward and tell our story. Her branding and messaging have been extremely strong. She has added so much caliber to the way in which we engage with the press. Her press conferences are renowned even from the mayor's office. Congratulations for amazing press conferences.

In recent years, her communications team has taken its portfolio into the modern era of strengthening our branding on social media platforms and launching a digital magazine, SFPort, and using all the chats and Twitters and every kind of way to get the message out, which has been very important.

In her retirement, she's looking forward to traveling and spending quality time with her husband Craig, family and friends. I want to thank you, Renee, for your outstanding leadership, dedication and service to the Port and to the residents of San Francisco, State of California and beyond.

You've been the wind beneath our wings really. With my whole heart, I thank you.

Kirsten Southey - I work under Renee in the communications division. We all know how hardworking Renee is and what a wonderful person she is. Thank you, Renee, for being so supportive for me as a new mother coming back to work and balancing that work-life transition period.

I would like to read a letter from the San Francisco Giants that we received today from the Executive Vice President Jack Bair.

"We have been in business with the Port for more than 20 years, about the same time Renee has managed communications for the Port. She has been a cheerful, friendly partner and collaborator in the many events throughout the years. It's hard to imagine now but Renee was with the Port before the first shovel entered the ground on the journey to build the ballpark.

Many years later, we have celebrated openings, championships and anniversaries. Together, we solved a few problems along the way. We wish her the very best in her retirement and look forward to seeing her enjoying more days in the sunshine at 24 Willie Mays Plaza."

Brad Benson - Renee, you've just been such an amazing colleague. You're so unflappable. You're always pleasant even when we're in these crises that sometimes happen with media coverage. I think Elaine said it well. You always help us put our best foot forward whether it's responding to these press inquiries or these big events that are such a focus of what we do or responding to sunshine requests.

You help hold our hands when the public wants that information. I don't know how we would ever be able to replace you. I want to thank you for everything that you've done for us. Regarding those sunshine requests, I have two words: Proposition F. I'm just kidding. Thank you, Renee.

Jay Edwards, Port real estate division - Renee, I want to thank you for all the assistance you've given our division. You have been like our right hand, left hand, whatever we want to call it. You've always been approachable. You've been responsive. You've been diligent. You have the best little swag gifts too that we always come to you. We really appreciate everything you've done for us. You've been really a great partner here in all our things that we've done. We have really felt your presence. We're going to miss you

so much. I know you have a good team and they're very helpful too but they won't be Renee. We're going to wish you the best in your retirement.

Diane Oshima - It's hard to add on to the feeling of love and regard that we have for you. I'm going to miss you. I really appreciate how much you've helped the public as well as your colleagues and the people in the city departments understand what it takes to run the Port through thick and thin and thin and thick yet keeping a smile, knowing how to celebrate all of the wonderful things that have happened along in your tenure, on your watch. The only thing that can be better than what you have done for the Port is the fact that you get to spend a lot more time with Craig because Craig also has been such a gift to the Port as well, such a supporter. I think that's a big part of why you've been so successful. Thank you.

Bob Davis - Renee, you've had to do double and triple duty as a black woman in a high profile position. You've carried a lot of weight. We're so proud of you. You've made our community proud of you. You've represented us so well. Thank you. Craig, who I've known since before our children, you are a great partner. We thank you, and we will surely, surely miss you. Thank you.

Darolyn Davis - Thank you so much. Renee -- I have a little story about Renee when she started 21 years ago. She had a choice between working for my firm, Davis and Associates, and going to the Port. And I was the loser for sure. It's funny that she's still here, and I'm still here. I wanted to say how much integrity Renee has, as a communicator, as a person in the profession of communications. She's looked up to across the city. She is looked at as a one-person show that no one can match. I work with a lot of agencies. They have much larger staffs and don't accomplish quite as much as she has done over the 21 years that she's been here. I wish her the very best as she sails off into the sunset and hopefully has an opportunity to enjoy our city in a different way than to be worried about whether a pier is going to fall down or we're building a new building here in San Francisco along the waterfront. It's been a pleasure, Renee, to work with you and your team. I love you. Thank you.

Paul Rose with the SFMTA - Congratulations, Renee. It's been a pleasure working with you. You represent a rare blend of communications professionals where both communications colleagues respect you 100 percent, and so do reporters and that's very hard to do.

Your grace, your experience has served you well. It's an example to a lot of us. Enjoy your time not answering your phone on the weekends and at night from reporters. Enjoy watching the news without being stressed out. Just enjoy your well-deserved retirement. Thank you.

Candace Sue, director of communications and marketing for the San Francisco Municipal Transportation Agency - I'm pleased to be able to

come and say a few words on behalf of Renee Martin and honor her for her work as director of communications at the Port of San Francisco.

When I first joined SFMTA in 2013, I had the opportunity to meet Renee. I think it might have even been through Darolyn. As a woman of color in a leading communications position, I saw you, Renee, as a role model and someone who could teach me a thing or two about working for the city.

As I got to know you, you lived up to that impression and so much more. I want to thank you for just making so many efforts to be helpful to me in my role at SFMTA to teach me about the city, to be collaborative, to help us build a team over at SFMTA. We are a bigger team.

I'll echo the sentiment that you are a one-woman show, and you have achieved so much. I also want to thank you for your support and being a proponent for the city communicators' group and bringing us together.

I know you don't always have the chance to come because you're doing so much over here but appreciate your support on that. Thank you for your service, for your friendship. I hope you are able to enjoy every moment of your retirement with your lovely husband. Best of luck to you.

Dan Hodapp, Planning and Environment division - Renee may be the most selfless and generous person at the Port. What she did is make everyone else's project happen. She made everyone look good, whether it's through press releases, events, marketing, you name it, all the tasks she did. We've come to rely on her over and over. We love to work with her, always positive, pleasant and making it all happen. What will we do? We wish her well in her next phase of life, and we will miss her. We'll miss Craig too. We congratulate her, and we thank her. Thank you, Renee.

David Beaupre, Planning & Environment - I, too, just wanted to thank Renee. I don't know if people recognize the breadth of work she does, anything from assisting with the press to sunshine requests, marketing the Port. Where I've worked most closely with her is on grand openings, ribbon cuttings and ground breakings, all of which don't go necessarily as planned and probably a lot of which we've requested at times that are off the peak hours such as in the evening, during a rain storm for the opening of Bayview Rise. I really wanted to recognize your efforts. I'll miss you quite a bit. Thank you very much.

Carol Bach - I'm afraid my colleagues have said it all, all of the words that I was going to say about Renee, integrity, professionalism, candor, putting the Port's best face forward. I know that we have all acknowledged how much Renee has contributed to putting on fun and festive events for the Port. Maybe the one place that I can add to every great thing that we have been saying about Renee is that, also, sometimes, Renee had to be our shepherd for communications through difficult issues. As the environmental

affairs manager, sometimes the things that I had to present to the public were stressful or confusing. I always felt that Renee had my back, that she was going to be my advisor and guide in presenting information in the best possible way, again with integrity. She had my back. Renee, I speak for all of Port employees when I say it's been a joy to work with you.

Mike Nerney, Maritime Division - Renee is a true San Franciscan. She is from Bernal Heights. She went to Woodrow Wilson High School so that's a great pedigree. When I came to the Port 20 years ago, Renee was already here. It's been mentioned how she does such a wonderful job coordinating events and parties and things like that. I like the way she would handle difficult situations. She has great poise. She was very calm. She would get the message out there and very much dependable. She's honest. She's accurate. She has a great sense of humor, which sometimes you need in those situations. She's got a great partner in Craig. They're a great couple. He's been so supportive. Some people think Craig actually works here at the Port. They've got a lot of fun times to look forward to together. I wish them all the best. Congratulations, Renee and Craig.

Amy Quesada - Hi, Renee. I echo everyone's comments and sentiments tonight about you. You are my sister. I've worked with you for the last 21 years. I love you and I will miss both of you. Craig, thank you for always being here with us. I love you, Renee.

Commissioner Gilman - Renee, I've only had the pleasure to know you for eight months. But as someone who's served on other commissions -- I won't name those departments -- the first thing I was impressed with was actually how much of a digital and electronic footprint the Port had. I was unaware of that before I joined. I've looked forward to retweeting your tweets and sharing your Facebook posts over and over again. I've been really impressed with the digital magazine. You really have ushered this department into the social media age, which I think is so important. You've impressed me every step of the way. I wish you good luck in your retirement.

Commissioner Woo Ho - Commissioner Gilman is at eight months. It's been eight years for me since I've met you. It's been wonderful to work with you whether it's been on something tactical holding my purse during a press conference or discussing what are the talking points that we're going to get across in some media presentation and working with you on a strategic level. I want to echo a little bit of what Commissioner Gilman said because I'd like to kind of step back. At the commission level, we don't work with you on a daily basis but we do see the results of your work. Since I've been on this commission for eight years, that we have made tremendous progress on the public relations and marketing front. Commissioner Gilman has picked up on the latest part, which is the digital sort of going into the social media stage. I can remember when we first came in terms of just the visibility of the Port, the fact that the image in the Port and the city overall

has improved tremendously. The press that we get, what we receive in the media on some of the projects that we have, the whole campaign against the seawall, how that was orchestrated, actually getting more and more professional at the Port with our marketing agencies and all of the marketing and media that we've done in addition to all the events. You have managed that beautifully. You have grown in this period. Even though you've been with the Port 20 years, I would say you've grown tremendously. You've kept up with the times, which is not easy sometimes when you're used to doing things a certain way.

You have managed it very adeptly, agilely. You've brought in staff to help you. I've been most impressed. Something that I will always remember is that you're always smiling. There's nothing that you can say that will get you upset. That's the greatest part of you, Renee. We'll miss you very much. Thank you.

Commissioner Makras - Congratulations on your retirement. Thank you for your extraordinary work with the San Francisco Port and San Francisco.

Commissioner Adams - Renee, as Frank Sinatra says, I did it my way. You're doing it your way. You're leaving at the top of your game. I just have to say you've had a stellar career. You're defined by your class. You have a personality that disarms people. People feel like they know you. Your generosity, you're just a down-home person with a good heart. My grandmother used to say that women are never stronger than when they arm themselves with their weakness. What that's saying is you are a remarkable woman. You are. You make other people better. The seven years that I've been on the commission, you help every commissioner. You've helped the staff. You've grown. You've transformed yourself.

I hate it that you're leaving but generations to come will benefit. Younger people will come behind you as we continue. You've raised the bar. I know one thing. You might talk about ports. But the Port of San Francisco has the Midas touch. Renee, it's a lot because of you and your commitment. I wish you the best in what you do. I know you're not leaving. You will be around. But please, enjoy life. For me, the highest moment a person can have is, when people can say something to you, that you hear it because a lot of times people say nice things at funerals and memorial services.

People never get to hear what people think about them. I hope you're taking all these words in because people are telling you from their heart. I'm speaking from my heart how I feel about you. I want you to have your flowers and your praises and your recognition while you're alive. I love you, and I wish you the best.

Commissioner Brandon - This is definitely bittersweet, definitely. Renee and I started days apart. She is one of the first people I met here at the Port. I have seen her grow and flourish over these last 21 years, she has

just become an amazing colleague and friend. I love her so much. She is a communications guru. She is an event planner extraordinaire. All of the events that she has done for the Port over the last 21 years has just been extraordinary and her leadership capabilities, to get everyone engaged and involved in such a successful outcome. She has led the communications team to new heights. I mean, I could just go on and on and on. But what I'm going to miss most is her professionalism and that beautiful smile, that beautiful, calming smile that says everything is going to be all right no matter what's going on.

Renee, we are definitely going to miss you. We know you're not going far. We know you'll be back hopefully for special projects maybe. But thank you so much for your dedication, your leadership, your support and all that you've done for the city of county of San Francisco but especially the Port.

We have a nice little plaque for you. It says, "In recognition of your retirement, Renee Dunn Martin, communications director Port of San Francisco, September 1997 through January 2019, with gratitude for your outstanding service, loyalty and dedication. Congratulations, and best wishes."

Renee Dunn Martin - First of all, President Brandon, Vice President Adams, congratulations on being re-elected again. Commissioners, Director Forbes, all the Port staff, our tenants, our consultants, our community and all my friends, thank you so much. From the bottom of my heart, I want to thank all of you for this wonderful commendation. It's truly been my honor to work with all of you and for all of you for the past 21 years. They say that time flies when you're having fun. Well, it's been a great ride. I've enjoyed every minute of the journey.

I'm taking with me so many good memories, numerous accomplishments to be proud of and friendships that I'll cherish for a lifetime. I'm so grateful to have played a very small part in the transformation of this beautiful waterfront here in San Francisco over the past 20 years.

Working with all of you has been the most rewarding experience for me. Thank you, commissioners, for your outstanding leadership, your wisdom and your vision for the Port. It's been a pleasure to work under your stewardship. I'm so grateful to know each and every one of you.

Director Forbes and my Port colleagues, thank you so much for allowing me to be part of your excellent team of hard-working, dedicated, brilliant team members and public servants here at the Port. Collectively, you've all made this waterfront an international destination, a great place to work, a wonderful place to have fun and just a beautiful place of open space for the public to enjoy.

This is all of your great work collectively. I'm so proud to be a part of it. I wish that I could thank each and every one of you. Time does not permit for that today and I'd probably be way too emotional. I do want to call out just a few people briefly that I work closely with every day. First, my communications team, Kirsten Southey and Kelley McCoy. Kelley is out sick today but I'm sure she'll review this later. Thank you so much for the hard work that you do on the communications team and working with me. I'm sure that the great work will continue after I'm gone.

Our consultants, Civic Edge, Davis and Associates -- you heard from Darolyn Davis earlier -- Next Steps Communications and Bonner Communications -- those are all the consultants that the communication team currently works with. Thank you all for the great work in helping me to make the Port look good.

To our senior staff and the executive team and all of the project managers and day-to-day folks that I work with at the Port every day, I just want to say thank you. Thank you so much. I love each and every one of you.

I wanted to call out on the executive staff Amy Quesada, who spoke earlier. She is my sister and my friend. We've worked side by side with each other from the first day that I arrived at the Port. I just want to also say to you, Amy, I love you. And thank you. And I will miss you terribly.

You've heard people talk about the great events that I'm getting credit for putting on. Yes. I might lead the team but there is a team of Port staff that volunteers all the time. Every time we have an event, they step up to the plate and they're there to help out. I wanted to call a few of them by name. That would be Amy Quesada, April Shaw, Josephine Fung, Denise Lum, Manny Pacheco, Demetri Amaro and our entire Port maintenance team. Without the maintenance crew coming in, setting up, cleaning areas, stepping up to the plate, we would not all look good.

I want to thank you for helping me with my job and making the Port look good. In my job, I have literally touched every person at the Port. I want to thank you all for your professionalism, for your passion in making the Port a great place to work and to grow, which I have done. Thank you very much.

I'm truly grateful to be part of the city family, to work with my fellow PIOs throughout the city -- you've heard from a couple of them today from MTA -- and to be part of the Port family.

Wild horses couldn't keep me away from returning to those Port barbecues and fun events that happen along the waterfront. I certainly will be back. I will miss you all for a short while. But just know that I'm monitoring your success in the news media. I'll be checking to see how things are going. I will always, always be a true friend of the Port. My very best wishes to all of you. Thank you very much for this commendation.

- San Francisco Giants Reclaim the Green Glove Award

Elaine Forbes – I'm happy to report that the San Francisco Giants have reclaimed the Green Glove award. It's a Major League Baseball award for environmental stewardship. They have been the recipient from 2008 to 2016 with a one-year hiatus and are back to win it again. That's 11 seasons of receiving this award, which is truly remarkable. They continue to set the industry standard for their waste-aversion numbers year after year. They diverted 93 percent of their waste from going to landfills. This is a very aggressive recycling and composting program. They've also installed LED lights and continue to make numerous changes that make the facility truly, truly green. In 2018, they diverted 19,000 tons of recycled and composted waste. Congratulations to the Giants for their absolutely superior leadership in this arena, which directly supports Mayor Breed's and the Port Commission's environmental policies.

- In Memoriam - Mike Denman, Founder of the Ramp Restaurant

On a sad note, I'd like to have an in memoriam for Mike Denman. He was the founder of the Ramp Restaurant. He passed away last week. He created this Ramp Restaurant, which I would consider now a cultural landmark. He started the place as a place to really rent skiffs and buy bait for fishing. I understand he then started selling hot dogs and beers out of a cooler. Then, the restaurant business emerged and grew to what it is today. He started Sunday Salsa, which was a really big hit. It's become a neighborhood jewel and destination. He hired from the community and was respected by his employees and community. He is a true gentleman and a very kind person. He will be deeply missed on the waterfront. Port staff requests that you close the meeting in Mr. Denman's honor.

- In Memoriam – Floristine Johnson, Retired Port Executive Secretary

I would also like to sadly announce that Floristine Johnston has passed away. She was the Port's former executive secretary of the planning and development group. We understand she was having a very happy retirement but passed away suddenly. She worked with us for also 20 years and retired in 2010, the year I arrived. I had an opportunity to meet her before she retired. She was very dignified and a proud public servant. She was extraordinarily organized. She had her hands full developing their file system and just helping them with all of their filing. They still refer to the filing system as the Floristine files, which is a tribute to her legacy. We'd like to send the best wishes to her family and request that the Port Commission also close the meeting in Floristine's honor.

Commissioner Brandon - Thank you very much. I would just like to acknowledge Former Commissioner Brian McWilliams here with us today.

C. Informational presentation on proposed changes to the Port's 5-year Strategic Plan.

Elaine Forbes - I would like to present the update to the Port's strategic plan. I'd first and foremost like to begin by thanking Dan Hodapp, who has helped to produce this report and plan. He's worked tirelessly with the various division leads, the deputy directors and all staff and has been very good at helping this plan come together. Thank you, Dan.

The strategic plan is a very important set of policies and priorities that helps us guide ourselves in a condition of constrained resources. I was last here in February of 2018. At that time, I told you we had about a third of the staff we need to do the work at hand. It wasn't exactly a perfectly scientific metric, but it is absolutely true that the Port staff does not have the resources that it does to accomplish the work that we have to do. It's very important that we prioritize.

The strategic plan, which first came forward in 2016, has been a very important tool at helping us achieve our objectives and goals. This plan moves the goals and objectives to the current year and five years forward. It also adds some clarification and accountability metrics, so we can measure our success and strengthens the language. Finally, when we were here in February, you all had comments, and the public had comments and those are reflected in this plan update.

In reflecting on this plan and where we've been since 2016, we are starting to turn our financial house around. You'll see this not so much in the plan today but in the five-year financial forecast and the capital plan. As you reflect on these goals and objectives that we're advancing for the next five years and what we've accomplished in our lookback, you will see how we've laid seeds that have come into bloom which are now helping us to become a more solvent and secure enterprise agency that can better meet our public trust mission.

This is critically important for us and you will see that demonstrated today. I'm very proud of the leadership you've shown to get us to this place. The strategic plan sets projects and programs to advance the Port Commission's policy priorities over the next five years. It's not an isolated plan. It is impacted by our governing documents, our other plans and policies. Of course, the Burton Act comes into the plan as does city policies and requirements and the waterfront plan.

We've just finished an update to that plan. We'll be undergoing environmental review this year. The capital plan and five-year financial forecast are also the guiding documents to create what we can achieve in this strategic plan. The implementing tools are the budget and the capital implementation program. When I first came to the Port in 2010, we were an agency that was very deeply structurally imbalanced. Our balance sheet was not growing.

We were adding to our capital backlog. I remember the first time a Port commissioner asked me, when will we resolve our \$2 billion backlog? It might have been you, Commissioner Woo Ho and my answer in my head was never. I think I gave a more eloquent answer because, at that time, we were generating net revenues of \$10 million a year. We had a capital backlog of \$2 billion and the most we'd receive from the city was a \$35 million general obligation bond for parks.

The development partners and outside sources were really the only notable, meaningful changes we were able to accomplish financially. That is just not the case today. You're going to see that, for the first time ever, our unmet and funded capital needs are balanced. We have operating surpluses in all of the financial models, low base and high case. I've never seen that. We are making decisions that are actually allowing us to grow our financial capacity, to add staff resources to do more, to achieve more on our public trust objectives.

Sometimes, people say the Port is about making money. The Port is not about making money. The Port is about having a healthy financial portfolio, so we can invest to meet our public trust mission because, when we make money, it's parks. It's open space. It's allowing for better public-serving tenants, etcetera. It is very positive what has come through very concerted efforts.

The plan is organized in a mission and a vision. It's the guiding statement that directs the strategic plan. We have seven goals that guide our work to rehabilitate the waterfront. We have objectives under those goals to achieve in the five-year period.

Evolution, which was formerly renewal, is about transforming the waterfront to respond to the changing public and Port needs. The renewal goal used to have a lot of business development items, objectives. We've moved those to business. This now focuses on the public benefit pieces evolving to meet the Port's needs whether it be transportation, open-space and parks and developing policies and priorities that help us guide our future.

Resilient -- this is to prepare the Port for natural and human-made risks and hazards. We are now in the business of climate change. All future Port Commissions will be in the business of climate change. Notably, we're working on Portwide resiliency for our seven-and-a-half miles of waterfront of which the Seawall Earthquake Safety Program is a piece of that effort. We have a desire to complete the multi-hazard risk assessment and select our projects toward construction in 2023 -- light-speed goals and objectives for this program. But it is a safety project. We know it's urgent, developing that Port-wide resiliency framework to address seismic and flood risks Port-side and emergency preparedness to ensure that we can work with city departments to prepare for when incidents occur. When the city is hit with a major earthquake, the waterfront will be a critical asset. We need to be ready to help the city recover.

Engagement -- increase the public awareness of the purpose and benefit of Port functions and activities. This is about our community engagement, engaging our advisory groups, having events and tours, the digital outreach, social media digital magazine and work with the media. We talked a lot about this arena in recognizing and honoring Renee.

Equity, which was formerly livability -- we have clarified that, with equity, what we're really trying to do is advance equity and public benefits and attract a diversity of people to the waterfront. We have started this conversation in earnest on work contracting.

This strategic plan reflects all of the goals that we have created to have more diversity in Port contracting, encouraging more local businesses to apply and to win and to do work for the Port. We are growing and improving in this arena. But we also want to move into other arenas of the Port's business lines including leasing, parks and open space and other areas where we can attract and retain a diverse community, so we truly create a public waterfront for everyone.

Sustainability -- this is, of course, incredibly important. It's our quiet constituent, the environment and the Bay, to practice environmental stewardship, to limit climate change and protect the Bay. We have the climate action plan that we will be updating to set transportation, energy and business practice goals, Bay protection related to natural infrastructure, biodiversity. We want to move our utilities above deck. The time is urgent. One day, we won't be able to do so, and it will be a problem. Clean fuels -- availability of those fuels and to study more clean fuels to add to the waterfront.

Productive -- attract and retain tenants that build an economically viable Port. Looking at the maritime portfolio, we want to do more automobile shipping -- it is certainly our competitive advantage -- more bulk cargo, increase cruise capacity at Pier 27 and beyond, and activate the shipyard at Pier 70. In reflecting on last year, the shipyard is the project which we had the least success and certainly need to figure out a new future for the shipyard. Assist in the development of Mission Rock and Pier 70, 68 acres of new neighborhoods that have been entitled and one under construction, the other soon to be under construction. To prepare the development and implementation of the Piers 80-96 maritime industrial strategy -- we are primarily industrial land owner. We have the ability to intensify the uses of our land, which will add values in jobs and in economics and in opportunities for our community. We're very anxious to continue to increase the use of those lands.

Stability is about maintaining the financial strength of the organization by addressing that deferred maintenance issue, maximizing the value of our property and increasing revenues. You will see in the five-year financial forecast we will hit that \$125 million goal by maximizing Port income. We continue to target investments in projects that generate revenue for the organization, so we can turn that back into public benefits. For the capital

funding, we're targeting investments in projects that generate revenue and continuing to secure external sources, which are very critical to us. It is absolutely important that we learn to deliver capital more effectively. We've gone from a \$10 million capital budget to a \$30 million capital budget in only a couple of years. We need to get our improvements in the ground. We'll be increasing staffing, increasing contracting and establishing a contracts management office.

I would like to do a little boasting about what we accomplished last year in 2018 because your Port staff have been working very hard to achieve objectives for the organization following this plan. These accomplishments yield better results down the road for us as the efforts mature.

This is a lookback at just this last year. I'm combining two goals, evolution and equity. We have entitled Mission Rock, 1,500 new homes, 40 percent affordable, six acres of parks. We have 88 Broadway approved, which is 100 percent affordable housing project, 130 low-income families and 55 senior homes. We've entitled Pier 70, and they have broken ground on a 28-acre site up to 2,150 homes, 33 percent affordable, waterfront parks, community, retail and space, just an amazing array of accomplishments.

Working with our partners at the MTA, we started to put in meaningful short-term improvements to address the safety concerns that you heard loud and clear from the bicycle and pedestrian community. With the downtown ferry terminal, we've coordinated WETA to open Gate G, the first of three new ferry gates. Mission Bay Ferry Landing Project is readying for \$40 million of construction, expected to begin in 2019. RM3 funding does need to be worked out but that project is on schedule minus that RM3 issue.

For the Pier 70 20th Street historic project, the Eddie Orton, ODI project, which there is another item today to talk about, all six buildings have been complete or are nearly complete. The financials are stronger than we anticipated.

You've approved Crane Cove Park. We've executed the contract. We will see those seven acres of park improvements done this year but lots of work done on it last year. You've approved the Alcatraz Embarkation project that's an important long-term lease agreement as a gateway to Alcatraz.

We've done several public arts and open-space installations: Pier 27 "Point of View", the beautiful 30-foot polar bear in the Harry Bridges Plaza to celebrate climate change. We removed 500 piles at Islais Creek and replanted the entrance of Heron's Head Park.

In the area of resilience, we passed the bond with over 82 percent, which is historic. New Army Corps of Engineers new start, one of only six in the nation, one of only two flood-control projects, which will offer a potential opportunity of up to \$1 billion of improvements to the shoreline.

We've done lots of geo-tech studies completing 100 borings to understand the seawall program. We've defined a framework to tackle the whole seven-and-a-half miles of waterfront strengthen, adapt and environment to guide a resilient Port future.

Engagement was an incredibly banner year. The Waterfront Land Use Plan received unanimous support. We had a minority business mixer, 160 attendees. We've had contracting workshops. We've reached almost 100 attendees.

We've had a contracts opportunity open house with 140 attendees. We put out an Embarcadero Historic RFP request and engaged 52 respondents. The seawall program outreach is extraordinary. We participated in 60 neighborhood events, 100-plus stakeholder presentations, etc.

I won't read the statistics, but it's quite remarkable. Many members of Port staff engaged in those efforts. In sustainability, we've had the beneficial reuse of dredge materials. That's an important improvement for the environment to reuse the materials in the wetlands for habitat benefit.

In collaboration with the mayor's office, we've secured cleaner fuels for our ferries, excursion providers, and they will be all transitioning by 2020. In Fisherman's Wharf, we have new restrooms, new waste-disposal facilities and a renewable diesel fueling station for fish processors. We continue to work with our tenants to improve air quality. We worked with the Amador Street tenants on dust-control protocols for maritime leases. We got our new rail locomotive, which will improve air quality, continuing to reduce truck trips.

In the area of productive, which is the business side, we have 30 new calls scheduled for 2020. That's a very dramatic expansion and growth for the Port. We continue to grow Pier 80. Pasha has signed agreements with an auto manufacturer. It's the first time in decades that we're near capacity at Pier 80. We had record cargo volumes. We have our new 15-year lease with the SF Bay Railroad.

We've had record investments in capital. We have a new five-year plan. We've maintained all the while our rating of A, which is excellent. We had 345 building permits with a total value of 247. We had \$5 million from new leases that were annualized. We did those rent increases, bringing in 500,000 more annually.

You will see through this process that the planning and the effort and attention that we're paying on the strategic framework is helping us see long-term projects to success from the planting, nurturing, fighting off weather to the bloom and harvest.

I see that in things like the backlands, the 20th Street historic core, ZinZanni, the Pier 48 parking improvement, which is because we improved Pier 31,

Alcatraz ferry, etc. I do think that this process of prioritizing is helping us achieve very important results for the enterprise.

I thank you all for your attention. I ask if you have any comments or recommendations on the proposed strategic plan.

Commissioner Gilman - Thank you, Director Forbes, for this update. First, I want to congratulate you and your staff for those incredible accomplishments in 2018. You achieved a lot, by any department standard here in the city. It's something we should commend and the growth under your leadership that you and the agency has had. I like the equity reframe of that section. I appreciate it, and that resonated with me.

I'm excited to see what we can do in 2019 and what we can achieve. We're on a really good path. I do want to also articulate that strategic plans are so important for city departments, for agencies to keep you and your team on track so that, when there is a new temporary option or something new that comes up, that we all don't go racing towards that new idea or that new concept, and we stay true to our vision, our direction and our commitments to the community. I was really happy for the update. Thank you.

Commissioner Woo Ho - I've been at the beginning of this exercise, when we first came up with the strategic plan and have seen it evolved over time. In concert with what you just heard from Commissioner Gilman, the evolution of plan to fit what we are trying to do on our agenda makes a lot of sense. The new category -- I did like economic vitality, but productive is okay. I don't think I'm going to quibble about that. But vitality had a certain element to it too in terms of what it meant for the Port.

The fact that we have a strategic framework, which I recall asking for many, many years ago, and the fact that we have now adapted ourselves to have all of the things that we do fit into one or more of these categories helps us to prioritize. The fact that you have been able to put all the 2018 into the major accomplishments into this framework is a lot of progress. It's the first time we've seen it actually come back in the terms of the results in this framework.

I think it's excellent. It was a great year. A lot was accomplished. Sometimes, we get caught up with the individual items. We have to stand back and look at the whole landscape of what has happened. The Port is a very, very busy agency. We have a lot of responsibilities across the board to the community, to ourselves to make sure that the waterfront is preserved. It is vital for San Francisco. Yet, we also manage it from a viability standpoint because we have to sustain the Port and its resources since it is very capital intensive as you mentioned.

I don't think that there's anything here that I would find that doesn't work. I'm glad to see some of the transportation improvements in particular because

that's been an issue with the public and with us in terms of just the congestion on the waterfront.

Obviously, more work has to be done. But I'm glad to see that we've made some progress in that in 2018 on a tactical level on the Embarcadero. But we know that there's a lot more that has to come in that regard. I'm not pulling that out in particular but it just seems that is almost one of the hardest for us to make significant progress is on transportation. The rest, the Port has a little bit more control over. Our own projects are coming to fruition nicely. We have made a lot of progress. Thank you.

Elaine Forbes - Thank you, commissioner.

Commissioner Makras - Very good plan. Thank you for the presentation. I think it's a 12-month cycle of a lot of accomplishments. Congratulations.

Elaine Forbes - Thank you so much.

Commissioner Adams - Clearly, this is a plan that had a lot of due diligence. I want to congratulate you and your team. It's well thought out. I agree with Commissioner Woo Ho. Sometimes, we forget about all that was accomplished last year with the seawall and so much that was up. I want to say continue to keep moving forward. I like the strategic plan. I just hope we can continue to build on it. To me, it was well thought out and we keep measuring. Our small victories are just as important as our big victories as we move forward. I believe this year will be a good year for us. Thank you.

Elaine Forbes - Thank you.

Commissioner Brandon - Thank you, Elaine, for this report. This is great, very detailed. It just expresses what a record year we had last year and all that was accomplished. A huge congratulations should go out to you and your team. The staff has just been moving along with lots of different projects and activities. We're just soaring to new heights with all the stuff that we're doing. I like the changes that you made to the plan. My only question is, do you think that we need to update the plan in any way other than renaming certain categories?

Elaine Forbes - Well, we updated the goals and objectives, which you noted, to reflect the new year. We are doing a public-benefit framework. So that's part of the plan objectives. We'll see what comes out of the public-benefit framework. The idea is to have some very measurable, actionable items that we will fold into the strategic plan but the annual process is right. We come back. What did we do? What were our opportunities? Where did we have challenges?

The shipyard was clearly something we continue to have challenges in. We can take a look back and then update the next year for what's coming forward. At this point, this plan is good to go for the current year. But we're always trying

to operationalize it more. You'll see there's many more targets and numbers and timeframes than in prior plans. That helps us when we come back and tell you how we did. We can measure against those targets. But I think that this, as proposed, is very good. I don't think I thanked staff. The Port staff works really hard. I do want to thank them in following me on this journey to really work hard to produce a lot of results because we all understand that, if we can get these results and these projects in the pipeline, we'll have more capacity to do more. Staff has just been tenacious in moving these objectives forward. We appreciate your support in helping us move and achieve these kinds of results.

D. Port Commissioners' Report: None

10. CONSENT

- A. Request authorization to (1) apply for, accept, and expend up to \$300,000 in Proposition K Sales Tax funds for Downtown Ferry Terminal – Pedestrian Circulation Improvements from the San Francisco County Transportation Authority; (2) enter into one or more Standard Grant Agreements with the San Francisco County Transportation Authority for the Downtown Ferry Terminal – Pedestrian Circulation Improvements; and (3) enter into a Memorandum of Understanding between the Port of San Francisco and the San Francisco Bay Area Water Emergency Transportation Authority for delivery of the Downtown Ferry Terminal – Passenger Circulation Improvements. (Resolution No. 19-01)
- B. Request approval to issue a Request for Proposals to solicit youth employment services organizations for a maximum of two contracts to administer the Port's Youth Employment Program, each contract with a term of four years. (Resolution No. 19-02)

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the -02 motion. All of the Commissioners were in favor. Resolution Nos. 19-01 and 19-02 were adopted.

11. MARITIME

- A. Update on the retail fish sales from boats at Fisherman's Wharf.

Michael Nerney, assistant director in the maritime division - This report is to provide an update on a one-year pilot program that the Port Commission approved in September 2017 to allow retail fish sales from commercial fishing vessels at Fisherman's Wharf harbor. The purpose of this update is to seek Port Commission guidance on any adjustments that may be necessary to the program and direction as to whether to extend the program beyond the one-year trial period.

The retail fish sales pilot program was the result of several public meetings, including two Port Commission meetings in 2017, one in July and one in September. The Port Commission supported a retail fish sales pilot program to

expand commercial opportunities for fishers and to provide more customer experiences at the wharf.

The role of the Port in this pilot program was clarified to permit the fish sales but not regulate them. Regulation is the responsibility of state and local officials, namely the California Fish and Wildlife, California Food and Agriculture, San Francisco Public Health and San Francisco Environment.

If the Port were to become aware of any complaints or violations, the appropriate regulatory agency would be notified. The fish sold to retail customers is the same quality product as is sold to wholesalers. The Port is not aware of any problems in this area. All fish sales are recorded with California Fish and Wildlife in accordance with regulations. There are three commercial fishing boats currently participating in the program. The Pioneer at Berth 500A, the Smeagol at Berth 53 and Take Time at Berth 60.

The quantity and price of the fish sold are determined by the fishers and the consumers. Fishers are responsible for their own advertising and business promotion. Retail fish sales are limited to salmon, tuna, rockfish, halibut and bycatch. Crab is excluded so as not to interfere with established crab stand businesses at Fisherman's Wharf. The fish sales program is intended to help commercial fishers but not harm other parts of the fishing industry, such as fish processors.

The wharfs where the fish is sold are already public access areas and safe for pedestrians. Sales are permitted during daylight hours only. No customers are allowed onboard the vessels. This new enterprise has attracted many more people to Fisherman's Wharf and contributes to the neighborhood's vitality.

The three participating boats are at Pier 47, basically surrounding Scoma's Restaurant. During the past year, Port staff has monitored the program. Here are the results. Three permanent berth holders obtained permits in the first year. Approximately 40 other licensed commercial fishing boats at the wharf are candidates to join the program. Public support has been strong based on sales statistics.

The average monthly fish sales have been over 18,000 pounds a month. The record month was December 2017 when 57,000 pounds were sold. That month, the Pioneer needed to hire 10 more crew to assist with sales, which included rose fish, a type of rockfish that had previously been dumped back to sea.

While not desired by wholesalers, it was popular with retail consumers. In July, SFGovTV did a report on retail fish sales at Pier 47 featuring interviews with satisfied customers. There were a few minor problems encountered at the outset but nothing major. A railing was installed without a permit, and it was removed. An advertising sign was posted on a fence, which was not allowed, and that was removed.

Scoma's Restaurant, which is adjacent to the fish sales berth, raised concerns about congestion, line management and dock cleanliness. All of these issues have been addressed. There were no regulatory violations reported.

The permit fee of \$225, which is comparable to the fee charged at other regional fishing harbors such as Half Moon Bay and Bodega Bay, has been adequate, as minimal staff hours were needed for the administration of this program.

The pilot program was discussed at the September meeting of the Fisherman's Wharf Waterfront Advisory Group. Generally, the feedback from participating fishers and customers along with neighborhood merchants has been favorable. But some fish processors are opposed. You will hear from these interested parties today during public comment. In addition to getting the Port permit, there were several other things that the fishers have to do to participate in the program including get a San Francisco business registration certificate.

The retail fish sales policy supports two goals of the Port's strategic plan. This is the old strategic plan. But I think these items are still in there, namely engagement. It brings a lot more people down to the waterfront including San Francisco residents and also economic vitality, helping commercial fishers in their businesses.

In conclusion, a retail fish sales program was originally permitted by the Port Commission back in 1999 and 2000 but it expired. In response to requests from commercial fishers in 2017, the Port Commission allowed a pilot program for a year, which has now passed.

Port staff would appreciate your guidance as to any adjustments you feel might be necessary and direction as to whether to extend the program, which would give commercial fishers the option for retail fish sales in the future.

Ryan Carter - I am the deck boss of fishing vessel Smeagol. We've collaborated with Mr. Giuseppe on the Pioneer to help make this program take off. It'll provide us with the ability to get rid of some things like smaller fish. A lot of the processors and buyers down on the wharf don't want fish weighing less than five pounds. Other people that want to come to the boat, and they don't want to feed 20 people with a big five-pound fish want one to three to four-pound fish. It's been a pleasure to be able to have a market to be able to sell these fish. We appreciate your letting us do this. We hope you continue to let us do this.

Larry Collins - I'm president of the Crab Boat Owners Association, which is the commercial fishermen's association down at the wharf. Historically, guys have sold fish off their boats for well over 100 years at Fisherman's Wharf. We did it years ago. I sold salmon for three years off the boat when the price got down too low, and there wasn't that much fish. The fishermen need to be able to sell some of their fish to the public when they're just scratching and times are

tough. When the fishing is really good, you basically want to come in and unload and get back out. That's when most of the fish, 90 percent goes to the processors. It's a historical thing. It does bring people down to the wharf. People like to get to know the people that provide them their food. It's important that they're able to come down and meet and get to know their local fishermen. That way, they can eat sustainable, local food in season. It's healthier for everybody. I would encourage you to extend this program in perpetuity. Thank you.

Brian McWilliams - Happy New Year to everybody. Thank you for the opportunity to speak here. I'm in support of the program. Mike's report is right on, hits the nail right on the head. Just to add to what the others have said, I want to let you know that there are opportunities to bring other boats in that aren't home ported in San Francisco. I own a boat. When I had fish and I was selling fish on the dock, I would take my whole load, everything to Half Moon Bay where I could sell it or Bodega Bay where I could sell it and then offload to the processors. I couldn't do that in San Francisco. If there's an opportunity in the future, if you can share this vision with me where there's a public dock where other boats can come in and do the same thing and provide more opportunities for our processors and our local people and tourists, it's going to be a good thing for the Port. It's going to be a valuable asset for all of us and it's just getting going now. We need the opportunity to let it grow and become what it could possibly be.

Guiseppe Pennisi - I want to thank you for giving us the opportunity. This was really a wonderful year being able to meet so many nice people and share a lot of things with the community. What you did when you allowed us to sell fish, there was so much that we got to share with the community. When there were hard times like when the Napa fires were going, we partnered with Glide Church and processed fish. We're bringing it to the churches and stuff.

Glide Church have always been a big part of everything we've been doing. I'm just so impressed. I want to thank all these ladies here. These women work so hard. I am telling you, they clean all this fish for all these people. They're my little heroes. George, Tina and everybody, there are some great people in our community that we were able to network with. It became just a big family.

Every time we'd come in from fishing, we were able to share all this fish with everybody and it was touching. I still can't believe this to this day that we have this wonderful friendship. We have so many great people that are supporting us here. The fishing industry hasn't had much of a voice for a long time. We don't have a large fishing industry anymore. There are crab boats. There are salmon boats. We're a trawler. We're the last one that's left. If there's going to be a future for an industry here and to be able to share fish with our community and be part of it, we need to try to do what we can in a positive way to help support it.

There's a lot of things that people don't really know about the fishing industry. This is one way that they're going to learn more about their ocean, the type of fish we have here. Being able to bring these beautiful fish in and share them with all of our friends and do a lot more with the community is kind of where I'm headed. It was a very positive thing that you allowed us to do this.

I really hope that we can continue it because it's the only way we're going to get our fishing industry back to have this kind of relationship with the public and also the people that come down. They want to watch the boats unload.

They see all the fish iced, and the totes sitting on the docks. They pull out their cameras. It's really a fun thing. I wanted to thank you and thank everybody for coming out and supporting us. These ladies, I can't tell you how much my heart goes out to them because they work so hard.

Randall Scott - I'm the executive director for the Fisherman's Wharf Community Benefit District. I apologize for not being on your list. I probably should have signed up. With regard to the retail sales fishermen on the wharf, I'm here to support and speak on behalf of our board to support the fish sales on the pier. Part of our retail strategy moving forward is to further engage with the fishermen and bring back the Fisherman's Wharf that was talked about in the recent San Francisco Chronicle article that came out just after part of the new year. Historically speaking and just by the name Fisherman's Wharf, we feel that there's a special connection that can be made with the fishermen and with the retail sale of the fish on the wharf. That's why I'm here today on behalf of our district. Thank you very much for your time.

Alice Rogers - I sat as the chair of the land use portion of the Waterfront Land Use Update. I am spontaneously here to support this program. It really resonates with the goals and the values and the visions that were articulated again and again during our land use year-plus of hearings. Authenticity was a huge factor and this program is just the embodiment. I would encourage you to support and expand the program and move it down a little to the southern waterfront near the south beach area too. Thank you.

Commissioner Makras - For me, I support the program. I think we should make it permanent and give the operators the confidence of time in front of them. I would encourage staff to come back with some ideas on how to expand it and where to expand it, particularly if it's one large area where people can go. One of the criticisms that we hear is not enough San Franciscans go down to Fisherman's Wharf. Believe me, if you're selling fish at a greater rate, you'll have a lot of San Franciscans going down. You will draw them for sure. From a global perspective, we will better manage our waterfront if we do that. It's a tourist attraction. It's good service to our public. If there's anything that's important today, it's your green print, and it's local farming. It's local everything and this falls right into it. It's rare you don't have opposition to something, and there is no opposition that we're hearing. We should be smart, pick up on a good idea and expand it.

Commissioner Woo Ho - I also have been very supportive of the program. I'm very happily surprised with the success of it because there hasn't been that much publicity but I guess the public has gotten to know about it. I'm sure that there are a lot of repeat customers that know now that they have this resource. Obviously, fresh fish is very popular. Getting it right off the boat is much better than waiting three or four days to get it through a supermarket.

The other piece of it, which was sort of answered in a sense, that it's the smaller fish not the large fish, which is more obviously consumer friendly because we were worried in the beginning between what would be the definition of retail versus wholesale by size.

It sounds like we've got a happy medium and understanding now that five pounds seems to be the right border and that's not crossing territories. We were also concerned that some people might take advantage of coming down and pretending to be retail when they were really wholesaling. We still have the limits even though we are not the regulator in terms of how much any individual can buy in any single transaction. 57,000 pounds of fish, which is at the high point, can we translate that into how many actual consumers came?

It would be nice to know what the kind of traffic of people that we are seeing as a result. I would imagine the weekends are busier than the weekdays. I would like to hear more information about what the foot traffic is and what it's doing.

I did hear the comment to expand the program. If it expands beyond even the immediate footprint of where it is, Fisherman's Wharf, and to open it up to boats from other areas, I guess more suggestions in this regard. I'm aware of some other interest in San Francisco to see how you can bring more fresh fish right to the public. I think there's some more ideas here but we'd really like to hear how we can expand. Is it just only in the Fisherman's Wharf area that we could see this? Are we open to boats from other areas? I don't know what the right answer is but I'd like staff to explore that and come back with some information.

Commissioner Gilman - I'm an enthusiastic supporter of this program. I was excited when the Port Commission launched it before my tenure. I concur with the comments of Commissioner Makras and Woo Ho. The one thing I also would like to see is whether it's through our own staff internally or maybe through the Fisherman's Wharf CBD to do more advertising. As someone who lives within 10 blocks of these locations, I still sometimes can't figure out where to go to get fresh fish. If we're driving towards locals, which this is a farm-to-table or sea-to-table experience, if we can provide technical assistance through our incredible communications team or the Fisherman's Wharf CBD can be of some service, I think more advertising would be really helpful to drive more locals and more people from there.

I agree with Commissioner Woo Ho. I'd like to see options for expansion to other parts of the waterfront and also the idea of bringing in boats that don't

berth with us, what that would look like. I'm very interested, and I support continuing the program.

Commissioner Adams - I have seen the commitment of this commission to the fishing community. I remember when I went down to see Larry Collins when they were having a bad crab season. The Port we reduced their rent. Mayor Lee led the charge on that. Larry and I had a long talk about that. Larry came to the commission. When this pilot program was brought forth to this commission, there was a lot of argument for and against. I remember Mr. Tom Creedon from Scoma's, got up and said, "I don't have a dog in this fight. I think it's a good thing." I support it then. I support it now. Long live our fishing community. Let's pass this thing and move on.

Commissioner Brandon - Thank you, Mike, so much for the presentation. I want to thank everyone for coming out and showing support of this program. It sounds like it's a very successful program. I want to hear from a staff perspective how the program is running and what your recommendation is.

Michael Nerney - Obviously, today there hasn't been a contrary word. Our goal in this program is to support the fishing industry but we don't want to support one aspect of the industry and step on the toes of another industry. That's one of the reasons why we excluded crab from the program because of the crab stands at Fisherman's Wharf already. We're supportive of the program. We would like to make it permanent. We want to give these fishers an option. If they can make more money delivering the fish to the processors at Pier 45, that's great. But if maybe the fish are too small or something like that, it gives them an option to sustain their business. That's where we're coming from.

Commissioner Brandon - What are the next steps?

Michael Nerney - That's what we're asking you. I heard some suggestions about possibly expanding the footprint, possibly having a place for out-of-town boats to participate so we will look at that. But we would like to get your green light to work on those issues and come back to you. This is just an informational presentation. We'd like to come back to you at a future meeting with some of those questions addressed and ask you to endorse the program with some enhancements and make it a permanent program that not only the fishers but also the customers can take advantage of. There are a lot of customers here. If you look at that video, there's a lot of people surrounding the boat and it's an interesting thing to look at.

Commissioner Brandon - We look forward to you coming back for a recommendation with a long-term solution for this item. I agree that we need more advertisement, so we can all go and enjoy fresh fish.

Michael Nerney - It's great that the CBD came today. We can certainly work together with them and get the word out and grow the program.

12. REAL ESTATE & DEVELOPMENT

A. Project Update for the Pier 70 Historic Core Pursuant to Port's Lease Disposition and Development Agreement and Master Lease L-15814 with Historic Pier 70, LLC (aka, Orton Development, Inc.).

Phil Williamson, Port's Real Estate Department and the project manager for the Port's Pier 70 Historic Core Rehabilitation Project - I am pleased to provide you with a comprehensive project update. My presentation will cover items one through four on this slide. Everardo Mora and Eddie Orton from Orton Development will come forward to present items five through eight. Afterwards, I'll be available along with Orton to answer any questions you may have.

Prior to this project, the Pier 70 Historic Core was in very poor condition with portions of the project site at risk of imminent collapse, particularly Buildings 113 and 114 and Building 104, two unreinforced masonry buildings on the site. The project's buildings were the most important historic structures at Pier 70 and, as mentioned, were in dire need of saving. Restoring, preserving and repurposing the Historic Core will serve as a gateway to the larger Pier 70 area, helping to meet a strong community and public desire for access and meaningful site activation of the Historic Core and Pier 70 down the road.

This timeline shows the various milestones the Port and ODI have achieved to date with approximately 12 months of additional work ahead of us. As the foundation for these accomplishments starting during the economic recession of 2007-2008, the Port worked closely with the community to develop a preferred master plan for the entirety of Pier 70.

The preferred master plan was achieved over three years and more than 50 public meetings. Five goals emerged through these efforts to guide the future of Pier 70, to establish the National Register District for the area, create new open space, retain an area for ship repair, bring activity to the site through adaptive reuse of historic facilities and remediate contamination and install upgraded infrastructure.

The Pier 70 preferred master plan served as a framework and a guide to the Port moving forward. It has served the Port and the Port's partners' implementation efforts over this past 8 plus years since the plan's adoption. We have nominated and successfully achieved the listing of the Union Ironworks Historic District, established an infrastructure financing district, commenced Crane Cove Park construction, partnered with Orton, as you're hearing today, and also partnered with Brookfield, formerly the Forest City entity, to build a new neighborhood at the waterfront site adjacent to the Historic Core.

However, the Pier 70 master plan also acknowledged that development of the site must be responsive to the challenges of historic rehabilitation, real estate market conditions and, yet-to-be-determined at the time, environmental

mitigations, the preferred master plan having been done prior to any CEQA analysis of the project site.

This slide indicates specific ways the master plan evolved over time in response to these challenges at the Historic Core, Crane Cove Park and the Brookfield/Forest City site. In this slide, the Historic Core is circled. You'll see the buildings outlined on both sides of 20th Street, with the buildings shown in dark red, all the buildings in the core except for Building 14, identified as both the most historically significant buildings at Pier 70 and also the most at risk of collapse.

As mentioned, Buildings 113 and 114 and Building 104 were of unreinforced masonry construction type. Buildings 113 and 114 were red tagged and cordoned off from public access and any access due to safety concerns about its collapse.

Following a competitive RFP process and extensive negotiation, the Port's master lease with Orton Development was executed in July of 2015. The master lease includes a financial structure to incentivize investment for the mutual benefit of the Port and ODI. It includes subleasing provisions similar to other Port master lease developments and includes public benefits such as public access, historic rehabilitation and tax increment to fund Pier 70 infrastructure.

As I mentioned, you will hear from ODI about subleasing at the Historic Core. This slide before you now is an update to slide six in your staff report. It schematically shows the current land uses at Pier 70 broadly and the Historic Core specifically with PDR and light industrial uses shown in purple and office uses shown in light blue. The slide also shows a new restaurant in orange behind Building 101 on the north side of 20th Street at the corner of Illinois Street. At full build out, the project will put back into productive use eight historic structures totaling 338,000 square feet.

While the overall mix of office and PDR spaces is similar to that envisioned at project approvals, the locations of these uses have evolved in response to the market. With regard to the project's financial performance, staff have drawn some interesting conclusions by comparing anticipated costs and revenues at approvals with the actuals more than four years later.

Chief among them are that cost and revenues have both increased appreciably. Total cost increased by about 55 percent. Annual revenues increased by about 90 percent. The overall balance is that the project is doing financially better than anticipated at approvals. The Port expects to receive significantly more revenue in the near term and mid-term with annual revenue over \$2 million by the year 2024.

Everardo Mora from Orton will provide an update on construction, subleasing and workforce outreach.

Everardo Mora - I'm here to give you a project update. I'd like to share that six buildings have been completed at the pier with two under construction. Our estimated completion is first quarter 2020, which doesn't seem too far away but it's coming. With regards to our local contracting and hiring commitments, we have local business enterprise goal initially of 17 percent, currently at 18 percent. Our actual number is 18 percent. The local hire goal for the project was 25 percent and our actual is 28 percent.

The photo on this slide is the photo is of one of our previous apprentice carpenters named Sean Zavala. The letter next to it is a letter I received in recognition from Jewish Vocational Services for an employee of the year award that was given to him in 2016. Sean Zavala was recommended by Local 22 business representative Peter Garza as a new high school graduate, also a graduate of their pre-apprentice carpentry program at one of the local high schools here. Peter explained to me that, in order for Sean to enter the workforce, he needed to be sponsored and nominated into a company, a general contractor or a current signatory to the carpentry union. He reached out to me and asked if I had any available openings for him. I did. I interviewed him. We hired him. He was one of our key apprentices at the time. The construction project required a lot of hands-on, intensive carpentry work.

One of our buildings was brick and timber. We had a substantial amount of window restoration on the project. Luckily, we've had great success in recruiting and retaining top talent in the trades from Local 22 especially with the carpentry union. Sean Zavala had a great opportunity as an apprentice to join the workforce and train under the direction of a lot of experienced carpenters. For me personally, it was a great opportunity to see this apprentice and the other apprentices that have joined us at the construction site grow.

I also went through an apprenticeship with Local 5 UFCW as a butcher. I'm still a butcher to date. You never lose your license through the State of California. I understood, when he came to me as his both project manager, superintendent, foreman, with his desire to learn and to be educated by his fellow construction workers. It was a great opportunity for him and for us to have him help us with the efforts.

The next slides are going to show the hard work and the results of these construction tradespeople over the years. This is an image of what Building 113 through 116 looked like before construction. This was taken in 2014 when we started construction. This is what it looks like now. This is an image of Building 115-116 before construction 2014. This is what it looks like now -- another interior image of Building 115-116. This is an image of Building 113 through 114 pre-construction. This is an image of what it looks like now.

Another image of 113 through 114 -- this is what it looks like now. This is Building 14 preconstruction. This is what it looks like now. This is the courtyard preconstruction. This is what it looks like when there's a party going on in it.

This is from the San Francisco Heritage Soiree. It's very much open now. This is Building 104 preconstruction. This is what it looks like now. This is Building 104 again preconstruction. This is what it looks like now.

A big component of our project is achieving public access and site activation. We've initiated the second great listening tour, which is the part two of our efforts in the community. Part one was the great listening tour, which started the project.

We're reaching out and listening to the Central Waterfront Advisory Group, Dogpatch Neighborhood Association, Potrero Neighborhood Association and individuals. Our goal is to reconnect the community to the formerly inaccessible buildings and the creation of new, publicly accessible spaces exceeding the master lease requirements. Some of those publicly accessible spaces are a new rooftop access at Building 101, piazza and the courtyard, the atrium at Building 113, atrium restrooms as an amenity, the entirety of Building 101 [be] accessible and building lobbies in our historic cores.

Now, in addition to that, we as a company aren't in it for the credit or for the awards. But these buildings are incredibly important, and they are yours. They are the public's. We felt it important to provide a list of the design and preservation awards that the project has won to date. I won't read them off but it's been recognized quite a bit and we're very proud of that.

Eddie Orton - The subleasing update, I'll go through it chronologically. Our first tenant was Restoration Hardware. That included a PDR + restaurant in the back. The entire roughly 60,000, 70,000-square-foot structure is a gallery that's open to the public including a new rooftop garden that does have extraordinary views.

Our second tenant was in Building 104. It was the Tea Collection, which was a Dogpatch-based group of women who were designing girl's clothing and that was about 45,000 feet.

Our third tenant was Building 14, Obscura Digital, the world famous light masters who light city hall and many other projects. After them, we leased to a company that was then called Auto. It was a firm that was designing systems to have self-driving trucks. During the lease negotiations, that company was acquired by Uber. That facility became Uber's very high tech garage. Our final lease was to a company called Gusto, who is a web-based HR and payroll processor for small and mid-size companies.

We have two small retail spaces in the atrium that remain available. Subsequently, Tea Collection informed us that they were not going to occupy the space. We entered into a complex series of negotiations, which resulted in a sub-sublease to a very controversial tenant by the name of JUUL PAX.

We have heard loud and clear everybody's concerns about this tenant. We are in direct communication with the city attorney's office. We have responded to a series of document requests and have some further document requests that we are responding to next week. I think we're in full compliance and we continue to cooperate.

Phil Williamson - Thank you, commissioners. That concludes our presentation. We are available for questions and answers.

Calvin Chin - I am a business owner located in Dogpatch. I am here to speak out against JUUL. This space was originally intended to be a community space. The use of this space by a private company with very controversial business practices is unacceptable for this type of public space. In the five-year strategic plan that Director Forbes just shared with us, one of the things that came up several times is the public benefit. I don't see any public benefit from this company being a tenant of this space.

Peter Linenthal - I've lived on Potrero Hill for 40 years and have been with the Potrero Hill Archive Project for over 30. We advise developers on Pier 70 plans, particularly for Irish Hill. They changed their plans to preserve views and access to Irish Hill which was terrific. I really can't describe how disappointed and shocked I was to find out that JUUL would be a tenant at Pier 70. Pier 70 will be a great public benefit. It's JUUL's clear mission to addict young people to flavored nicotine. Please do whatever you can do to find a tenant more appropriate to the vision of San Francisco and the Port and San Francisco for the future.

Toby Levine - I'm the co-chair of the Central Waterfront Advisory Group. The Central Waterfront Advisory Group has been following this project and many others for many years. In my case, probably pretty close to 20 -- not Orton but the whole area. We're very excited and very happy with the work that the Port has done and that Orton has done with the rehabilitation of the buildings. It's almost a work of art. If you go and look at those buildings and see what they've done, it's fabulous. Someday, hopefully, you'll get an award for being so artistic. The problem that has occurred, which has to do with the particular subtenant that is not popular at all in the neighborhood and in the city and probably around the rest of the world -- although, they seem to make great profit. That doesn't always mean that it's a great use.

The question you have to ask yourself and I've been asking myself as I've been listening to all of this is what could we do to keep this from happening again. Obviously, the Port has an important agreement to recognize the developers, especially developers that are putting in so much funding into making this project terrific and in paying so much attention to the detail work. Asking questions about exactly who they're going to sublease could cause people not to want to lease there because of the questioning that might go on or could go on. So how could that be avoided?

You do have something called the Central Waterfront Advisory Group. The first time we knew about JUUL was last November and that was an exciting meeting, let me tell you. After that, in December, we didn't have a meeting. We have our next meeting a little bit later after you. I think that there should be a way for interesting and unusual subleases such as JUUL to, first of all, pass it to the Port, through whatever structure is the right structure so that the Port staff can get a feeling for what this particular or those particular subleases are going to be.

If, in fact, it's going to be something like a bazooka manufacturing company or something that we all would prefer not to have in San Francisco, that then, at that point, perhaps it's time to let the community to know that this is going to happen or this is not going to happen, but this is being considered. Then, the community has an opportunity to respond. As it was in this case, it just came and it suddenly exploded. So possibly, what you could when organizations like Orton are subleasing, which they have to do, you can have some provisions for a time period especially if it's something that's going to be as dramatic as this -- when it can be absorbed by the community. Maybe there should be a 30-day waiting period -- that's what they should be doing for guns. Maybe we should be doing it for other things.

I think that what you need to be thinking about is ways where this does not happen again because this has not been a pleasant experience. However, by the same token, the fact that the city attorney is involved, I think that does help. At least people can say, well, the city attorney has looked at it and he or she thinks whatever he thinks. Please try to think about what you can do so this doesn't happen again.

Basil Ayish - I'm a parent here in San Francisco raising my children. I care about children's issues. I also care about our ports and our shoreline. San Franciscans love our shoreline, our ports. San Franciscans are willing to pay to protect them, as evidenced by the tremendous support for the seawall measure. What we are not willing to pay for is enabling JUUL's success by providing historic and prestigious public facilities for that company to base its operations. JUUL has become a tremendously valuable company because its clever way to deliver tobacco products and create new markets for addiction, key among those new markets are youth. When it comes to capitalizing on tobacco addiction, the younger your customers are, the longer your revenue stream.

Whether JUUL was provided Port property because someone closed their eyes and held out their hand or because someone pinched their nose while holding out their hand, JUUL should not be permitted to utilize public trust property. We can say no to some things. There should be no real gray zone in this case. I want to know what the Port is doing to end JUUL's use of Port property and what will be done to ensure that the public's trust is protected from future poor choices in managing our Port properties.

Alice Rogers - I was at the November CWAG meeting when this issue came to the fore. There is a secondary level of concern. I'm not addressing the subleasing issue. That's very complicated and very difficult but the public access and public vitality and inclusion issues in the public realm aspects of these buildings don't seem to be delivering on their promise. I can't speak highly enough for the quality of the reconstruction and the engagement of the developer, the Orton company, during the process. It comes as quite a surprise that the lobby areas, the ground floors, the piazza area -- the wonderful picture of the party notwithstanding -- are not really being activated in the way that we all anticipated.

I'm truly hoping that the second great listening tour will help rectify that. I think this is really important not only for this Historic Core project but also for what we're hoping to achieve as a result of the Waterfront Land Use Plan update and the kind of vitality and the kind of diversity and the kind of authenticity that we're looking for across the entire waterfront.

This project has so much hope. It really is a posterchild for fabulous development. I hope that we can yet pull it off to integrate it better into the community. I can't speak firsthand but at the CWAG meeting, there were testimonies of people actually being turned away from the lobbies and some other very unfortunate things. I don't want the public access issue to get lost with this other very large and important issue so I just want to bring it to your attention.

Commissioner Woo Ho - Well, first of all, I do want to thank Eddie and Everardo for the update and Phil Williamson. This was one of the first projects that we've addressed in 2012 when I first came on this commission. It has been six years. Before we get into some of the issues that we're trying to address, I do want to commend everybody's effort to get us to where we are today. I've been at the site several times, saw it when it was in its original state, saw how horrible. At the time, we were extremely pleased at the Port to have a developer step up just to maintain the buildings. Obviously, we've gone much further than just maintain the buildings and build them back into where they are today and to being productive under your strategic plan terms, very productive for the Port.

I don't want to lose sight of the fact that that's a major contribution. I wish to thank our development partner for getting us to that point. We obviously now are dealing with some issues. They're not minor. I'd like to suggest that we hear a little bit from staff. I'd like to hear a little bit about the public access issues. I'm not sure that I was aware that, if there are some discrepancies in understanding about public access, we'd have both either Phil or Eddie Orton help to address where the understanding on that and how we can resolve that. Why don't we address that one first? I do have another question as it relates to the other issue.

Phil Williamson - The lease is quite specific about public access requirements. There's an exhibit to the master lease that spells out what views will be preserved inside the buildings, what access will be provided into the buildings, and what exterior views will be preserved. To my knowledge as project manager, ODI is meeting those requirements. As I think you heard, there are two buildings still under construction. When those buildings are done, Building 102 and Building 101, they will also meet the requirements for public access.

To the specific point of site activation, that is a major part of this project. Bringing the public to these buildings is one of the reasons why we did it. It really is the gateway to Pier 70 and will be that once Pier 70 is built. I think it's a wonderful gateway. It's a very inviting gateway. But if you go there today even with six buildings done, it's still a construction zone. I mentioned the Brookfield project. They're just getting underway and rebuilding 20th Street, which is the main entrance to this site.

It's going to be a construction zone for the next 12 months at least. It's not super inviting to the public today, but we are working closely with Orton. We received a public access site activation proposal before the holidays. We expect Orton to polish that up over the next week or so and bring it to the CWAG at their January meeting for CWAG comment and CWAG input.

The developer will continue the process that they've begun outreaching to these different neighborhood associations, going specifically to CWAG with a proposal, getting feedback so that, once the project does finish the next two buildings, once 20th Street is rehabilitated and reopened, we'll be ready to go with a meaningful site activation plan.

Everardo Mora - As Phil mentioned, the construction project is still underway. I'm there every day and it's greatly improved. One of the best moments for me was taking the fences down and putting sidewalks in, so people can walk on flat ground. Our neighboring construction projects are going to be a challenge. We're going to have to come up with creative ways to negotiate that in the interim but our goal is to provide a series of programming that we're currently working on to activate the space while construction is still going around our project, the Forest City lots and also the improvements along 20th Street.

We are very committed to that goal. We heard the community loud and clear at the CWAG meeting in addition to the other meetings that we've been having with individual stakeholders and community stakeholders. We look forward to activating the space in a meaningful way. It's just a matter of time before we start rolling that out, and people can start feeling that level of warmth in the space that it deserves and that was intended from the beginning.

Eddie Orton – This is just to reiterate that this is an interim report. This is not the final report and Building 101 is the keystone to the project. It is the statement building. That is the building that is not going to be completed until first quarter of 2020. 20th Street has tremendous work planned for it this year.

The activation will be in very good shape when Building 101 is done and 20th Street is passable.

Commissioner Woo Ho - That sounds great. I hope that there's more communication and discussion with the community on that. Addressing the subtenant issue, I'd like to hear a little bit from Director Forbes where the Port stands in terms of what we can do at this point and, more importantly, as Toby has pointed out, is what we can do going forward in future leases. I will have some thoughts to offer on that but I'd like you to at least comment on the current status.

Elaine Forbes - Toby's statement about what can we do so this doesn't happen again is a really good structure and question to ask in a go-forward manner. The master lease does require that every tenant comply with local laws and policies, and we have a broad range of social policies that are required of our leasees. That was all negotiated and included in the lease packet that Orton signed, and we are enforcing.

I say we are not aware of because you heard that the city attorney, Dennis Herrera, is asking for documents. We are not aware that JUUL's tenancy violates any policy, city policy, law, regulation. We're fairly certain it doesn't violate any rule or regulation in our lease. The city is very progressive in terms of tobacco. We had a city tobacco policy. You can't advertise tobacco in the city but there is nothing that prohibits vaping or tobacco firms from being located on city property.

From our perspective, it's very important that we think through how to avoid things going forward. We're always open to looking if our requirements are broad enough. It is an important principle for us that what we agree to with our investors and our developers is forward looking and that there is certainty for them. We want to provide the public benefits upfront and have them meet those requirements. It is hard for private partners to deal with a shifting sand of regulation. If we are to explore how to avoid this happening in the future, we would look toward a policy that is clear and concise and that everyone who signs up with us can understand and we can enforce.

As the Port's executive director, I don't make an affirmative decision as it relates to the subtenants. The way our deal is structured we do allow for a non-disclosure agreement for subtenants but I have to exercise reasonable discretion with those. I don't actually sign up or down the subtenants. Our agreement is with Orton. The agreement with then was structured to provide for flexibility in leasing. This is true of other master development agreements we have on Port property as well.

Commissioner Woo Ho - You've pointed out something important in terms of the city's policies. There's nothing at the current time that would preclude that we or Orton could not lease this property. That is the legality of the situation. We do understand the social concerns of the community here. The suggestion

that I have since we have some other policies and we could go into all sorts of things, e.g. marijuana. We accepted Anchor Steam on our property, we didn't have a problem with that and they sell alcohol. You can have all sorts of issues. Being on the corporate governance side, myself in public companies, where ethical, social governance is becoming more and more important, it is important to have policies. I think these have to be adopted, unfortunately not just at the Port level. It has to be adopted at the city level. The suggestion I have is that we need to adopt at the city level if we think that these types of enterprises are not to be on city property.

We cannot do one-off transactions because everybody has their own opinion about being on one side or the other side of a particular company and their purpose in life. We have to have broad social policies. I'm sure the retirement fund or the pension funds, which many often do have these types of policies, to describe what industries that we can sanction or not sanction. That's the guideline that we should adopt going forward. As I mentioned, we've discussed in the past about a company like Anchor Steam and we don't have a problem with but that's alcohol. Teenagers drink alcohol and get drunk. I can point to a lot of issues.

I do understand the concerns of the community here. I'm not saying that that's not legitimate. I think we have to have a broader policy that guides our leases and that we do not transact at the Port Commission level and decide based on a small, narrow group of values here that we can't because I don't think we could legally justify that either. We need to tackle this on a much more strategic level and at a city level to address this.

Commissioner Makras - I do agree with you, commissioner, but I think it's a broader issue when it comes to compliance. For instance, lots of agreements have in it no smoking of cigarettes 25 years ago. They didn't really contemplate smoking marijuana or marijuana becoming legal. When you have a no-smoking provision in your lease and your tenants say I want to smoke marijuana because marijuana is legal, I think it's a fair interpretation of the provision that was struck of no smoking cigarettes to deal with the no-smoking-of-marijuana issue.

It's not an issue of where we stand socially on all of this. It's a lease provision we should look at. Let's take a step back and say, what happens if our tenant came and just asked us to make an interpretation on this? Let's take it from a very positive perspective, not where we're at today. What happens if they just simply wrote a letter and said, "We want this company to come in. And how do you interpret it with your no-tobacco policy, which in their lease is on page 102?" If you read it, it is a rather broad paragraph. It's fair for us to address it because we have a tenant. A landlord is going to address it even in their reputation with the tenants. We owe it to the community to say this is how we look at it rather than just hiding behind the lease.

For me, if you look at the face value of the no tobacco, it's concerning to me. If you turn to the FDA and you look at what they've done -- and they have issued 1,300 action notices to retailers and five to major manufacturers -- that's a fact associated with page 102 of our lease in the provision of tobacco at least in principle.

I believe we have a large operation here. We're the policymakers. We have to deal with these issues whether we like it or not. They're finding us. We're not seeking problems. We have an issue, a moving target similar to the no cigarette smoking and the marijuana smoking with the vapor component to it. I think it's fair for us to address that concern.

Commissioner Gilman - First off, I really want the public who came out to understand the commission hears you in all the emails and letters that we got. As someone who is new to this project, Orton has done a great job with the rehabilitation of the buildings and the plazas from what I saw. I do think you should get credit from that. But I really hope that you hear this commission and you hear on your second listening turn the outrage of the community to have almost 65,000 square feet in two separate spaces being leased, even though they're not doing retail sale on the property, to an entity that has recently been fined by the FDA for not doing their community benefits from a nationwide perspective that is targeting tobacco to children.

While I agree with Commissioner Woo Ho that we need a citywide policy that deals with office and PDR of any kind of tobacco production on city property and I hope that our staff can urge the city attorney's office to move as quickly as possible on that, I do feel in some ways, as a new commissioner, that the developer should have consulted with Port staff or the commission before bringing on such a risky tenant. While I know, according to your master lease and development agreement, we have very little power to influence who your sublessors are, it's sort of an act of bad faith because we have a gem of this project that we're reactivating for the community that has so much public trust, has access issues, has land.

I feel like this is almost like a smudge on what we're trying to achieve on this incredible development opportunity. I hope the public hears that we hear you. I agree with Commissioner Woo Ho and with what I've heard from the director that our hands are tied. There's very little we can do on this instance. I hope, moving forward, we have stronger provisions in who our sublease tenants are, particularly when it comes to controversial topics, whether it's tobacco, alcohol, firearms. Many affordable housing projects have prohibitions on any kind of retail or office sales in theirs because they have public funds. I think we should consider that the same.

Commissioner Adams - This is an issue that gives me a heavy heart. The public came out today. They have a legitimate concern about their children and this tenant. Eddie, I think you've done some great work. But on this lease to JUUL, I think you missed the mark. I have to tell you that, with all the love that I

have for you because I know your heart and soul is doing the right thing. I don't think they were vetted properly.

I understand that we have to follow the law. I don't like what I heard, but we have to follow the law. I would like to know how long is that lease. If we don't like it, we've got to change the law. I want to know how long is that lease with them because something has to be done.

Rebecca Benassini – We believe the sublease for 102 and 104 are for 10 years.

Commissioner Woo Ho - And they've been in there how long already?

Rebecca Benassini- It's 10 years beginning from late last year.

Commissioner Adams - Maybe I should address this to the city attorney, what would you have to do to change an existing sublease?

Michelle Sexton, General Counsel - You would negotiate with the existing tenant.

Commissioner Adams - So Orton could do that?

Michelle Sexton - Yes.

Commissioner Adams - I just wanted to know that because we had another commission meeting where parents came. They were really upset about this issue and then, the letters, the fines and things like this. It just seems like to me JUUL doesn't portray themselves as a good citizen. Orton does. JUUL doesn't. Eddie, that there's some community work that needs to be done with the parents and those that are really concerned. I know, as commissioners, we can't do anything.

I think some work needs to be done to assure them that you could try to work with them to resolve this issue. It might not be everything that everybody wants but it needs to be dealt with. This is just me, as one commissioner, talking. I feel the pain of the community. It's kind of like this country that we've got right now, all these people going to work, and they're not getting paid. They're feeling a lot of pain right now. Or the parents that come out here and the people that come out here to this community, these are the people, Eddie, that's going to be bringing you money, that's going to be coming to your property, going to be coming to Orton Development.

Whatever we do, we can't lose that human touch. I ask that you think about that and whatever can be done and to work with the concerned families and parents to try to come to a resolve. The city attorney said that you can negotiate out of this lease. Clearly, JUUL is not a good citizen and doesn't fit what a good tenant should be. I just don't think enough oversight was done to

really look at them and their practices because, if that was done, a lot of this would have come out. This is just me as one commissioner speaking. I'm not speaking on behalf of all the other commissioners but the public deserves to be heard and have their concerns taken strongly.

Commissioner Brandon - Phil, Eddie, Everardo, thank you so much for the presentation. When we started the planning for Pier 70 in 2007, it has been a very long process. We have come a long way because, at that point, we didn't know if we would find anybody to restore these buildings. We thought we would have to pay them. This project has been extremely successful. You have done a work of art out there at Pier 70. We really appreciate that. We do need to stay on top of the public access benefit of this project and make sure that is happening because the public has been behind this project since day one. They've spent a lot of time monitoring and looking at every detail of this project. I hope that we can do the public benefit piece.

I understand, like my fellow commissioners, that Orton is not obligated to do anything with the JUUL lease at this time. I would listen to Commissioner Adams and see if there's any way you can shorten that lease or anything you can do to maybe get them out because the public does not like them.

I think this is a big deal. I know our hands are tied and we have to honor our lease. It's just like the Ferry Building. It's like Pier 29. It's like the Giants. It's like any of our large master tenants. We have no control over the subleases. We know that but just from your own conscience, hear what the public is saying. Hear how people feel about this particular company and maybe something can be done. I would like to direct the staff to advocate through the Board of Supervisors, through the mayor's office to try and come up with a city policy or some type of ordinance to prohibit companies like this from leasing on city property.

Commissioner Makras - Just so I'm clear, so it's on the record, I withheld wanting to say this, just more that it is as a discussion item but there's a lot of discussion saying that our hands are tied, and we cannot do something. I want to be perfectly clear. I do believe that there may be one or more lease violations based on this. On the face of it, I believe it's a lease violation under the tobacco component of the lease. I will share offline with the director and with the city attorney's office my views of where I believe we have jurisdiction under the lease.

I may agree that they could have sublet but I believe that the violation is under the lease with the tenant. I will elaborate further on all of the provisions because I have reviewed the lease carefully. I have notes on all of the areas where I think that the smoking component is primary and in one other that I believe that may be in violation at this time.

Commissioner Brandon - If there's any new information that needs to be brought back to the commission's attention, we definitely look forward to it.

Elaine Forbes - In response to Commissioner Victor Makras' statement, the city attorney is carefully looking at this from our own review and from our city attorney. We do not believe we have a violation here but that doesn't mean with second set of eyes, the city attorney's office, who is walled off from us appropriately, is pouring over the lease. I want to give you all the confirmation that that is occurring. Thank you.

Commissioner Adams – Phil, Eddie, Everardo, thank you for the presentation. Thank you to the community for coming out. This is the place that we need to talk about these issues. I'm glad to hear for and against and your true feelings. As I said, Eddie, you're doing a great job. But this is one issue that needs to be resolved. To the public, please keep coming out hammering. We need to hear what you have to say. We want you to know you can come here. We're listening. We hope that there could be some way that there could be a resolve.

13. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's Five-Year Financial Plan for Fiscal Year 2019-20 to 2023-24.

Meghan Wallace, finance and procurement manager for the Port - As you may know, under city charter, the city and county of San Francisco is required to prepare a five-year financial forecast every other fiscal year. This forecast needs to look at expenditures and revenues. For any year that reflects a shortfall, the city needs to develop solutions and proposals to improve that shortfall. I'm here today to present on the Port's five-year financial forecast for fiscal years 2019-20 to 2023-34 and receive your consideration and feedback.

I'll be back on February 12th to receive final approval on this item. Today, I'm going to go over the city's outlook briefly, go over the Port's financial overview including our base, low and high-case scenarios and discuss some strategic considerations to take into mind as we move forward into the next five years.

First, looking at the city's outlook, the city's five-year financial plan was actually released this last Friday on January 4th. While the city continues to forecast strong economic growth, because we're in the ninth year of expansion in this economic period, there is a concern that that growth is actually starting to slow.

The forecast for revenue generation is starting to ease on the citywide outlook. Additionally, by looking at expenditures, there are some major hindrances from the citywide front. Personnel cost, for example, as you can see outlined here for employee benefits, are extremely high with 19 percent average growth for pension contributions, 6 percent average for retirement -- retired and current employee healthcare.

Like the city, the Port is actually following assumptions for CPI growth for personnel and non-personnel costs. But at the citywide level, unfortunately the

expenditure growth is significantly higher than revenue generation. For the general fund, there is forecasted shortfalls for each fiscal year.

Keeping this in mind, the mayor is really wanting to keep a focus on equity and accountability for city departments and also wanting to maintain current levels of service. The effort to try to address these structural issues is being addressed but through a variety of things from generating more revenues, looking at citywide costs and departmental costs. And a very fundamental element of this piece is looking at employee costs so trying to figure out how to address the growth in pension and healthcare.

For the Port's financial outlook, I ended up taking the citywide assumptions for personnel and non-personnel costs. You can see these inflation rates -- 19 percent for pensions, 6 percent for healthcare costs and CPI for non-personnel costs. These were all taken into account in the Port's base case. The base case represents what we think will most likely happen. We assumed moderate revenue growth at 2.5 percent and looked closely at projected revenue generation from new leases, development projects, efforts on the maritime front particularly with cargo and for cruise.

I looked a low case and assumed that we might hit another economic downturn and considered 2 percent revenue generation impacts to our percentage rents, assuming that, if the economy were to take a hit, fewer people would be coming out to the waterfront. Our tenants wouldn't do as well. Therefore, we would not do as well and more limited growth on revenue initiatives related to cruise and cargo.

The high case, on the other hand, assumes that we would continue to yield higher rates of revenue growth so assuming an average of 3 percent annually, that our lease and development initiatives which would come across in those best cases, that we would do as well as we think we feasibly could in this five-year period and that cruise and cargo particularly would also bear some good fruit.

This chart helps give a good outlook. As you can see, we are showing surpluses in each scenario for each fiscal year. I'm happy to be here today to say that I don't need to propose solutions for problems that we're facing.

Even on top of that good news, the green line here indicates our prior five-year financial forecast. You can see that, even the low-case scenario in red is turning out better than our prior base-case scenario in our prior forecast.

When it comes to capital, this is also a very good story. What this chart represents is our projected capital spending in all three scenarios, base, low and high, and compares that projected capital investment with two key metrics. First, our depreciation rates, so on average, we're projecting 20 million of depreciation of Port assets. We're at least meeting that in every case and every fiscal year.

The less good news is that our 10-year capital plan, which we hear about next, projects very high renewal needs for our infrastructure. If we were to keep up with our current forecast of renewal requirements over the next 10 years, that would average 61.5 million in spending for capital. We're not quite there but we're doing much better. We'll just keep working at it.

I just want to go in a little bit to the key elements of revenue projection and operating expenditure projection in the base case. The really great news is that, in the base case, we're projecting that we'll hit the \$125 million target in operating revenues by the third year of the financial plan. Really developing new sources of revenue that are diverse is a critical piece to meeting this target.

Development projects, new leasing opportunities -- we are going to be coming forward with a proposal for a cruise fee increase or a passenger facility charge. The great partnership with Carnival Cruise Lines will certainly help and cargo expansion in the southern waterfront.

As you can see, this is an extremely diverse pie. This represents the different areas that are contributing to our revenue growth. It's a wonderful array of all of the different things that the Port Commission has helped guide the Port as long as I've been at the Port, seven years while we're all counting.

On the operating expenditure growth, you can see that personnel is driving Port costs as well. We're aligned with the city message that the cost of personnel is significant. While salaries are definitely a contributor to this growth, the benefits represent 49 percent of our overall increases to our expenditures over this period of time.

Work orders are actually projected to grow at CPI. We're assuming 3 percent inflation, also significant. The Port relies on other city departments to provide services. They're just a large component of our budget. Therefore, we naturally reflect growth in that cost line.

This chart is intended to help explain a bit more about why we're forecasting strong capital investments. This is showing trends year over year in the different types of operating expenses. They're all expenses. As you can see, the capital budget is represented through the yellow portions of this bar. The reason why we have money to make those investments is because of the areas in green, which represent our annual surpluses.

This is a pairing of expenses compared to revenues. The green represents that net income that we're generating year over year. In the 2019 base, that surplus is then invested in capital in 2020. The 2020 surplus is invested in 2021 and so forth. We're hitting these high targets of 125 million and ever growing through the end of the forecast is really generating a significantly positive outcome in terms of capital.

On the not-so-positive news, if we were to hit an economic downturn and face this low-case scenario, we still aren't projecting deficits. But we would expect to see impacts to our percentage rents, as we did during the last economic slowdown. Our leases would be delayed. We would expect more vacancies. For cruise and cargo, we would expect to have fewer agreements fall in place, particularly for cargo. For cruise, we would foresee lower passenger demand.

This results in 24 million average capital spending, which is still quite good compared to prior years. For the high case, if we're really maximizing our potential, the real story is more around continued enhancements of revenues where we would expect to get higher revenues from the new leasing and development initiatives underway.

We would expect cargo could generate additional deals at Pier 94. The story around cruise comes down to not only the increase to our passenger facility charge but also how the Port is able to adapt to new California air quality regulations that will require us to plug in ships at shoreside power. The high case actually assumes that the new regulations coming from the state would allow us to have five additional non-shoreside power-equipped cruise calls. For ongoing expenditure controls, we would assume that we would not be hiring additional personnel during those more difficult times.

We would continue to just invest any surpluses in capital. In the high case, we would have \$30 million in average capital investments.

In closing, I really just want to talk about our strategic considerations. When you look at this list, it feels a lot like reviewing our strategic plan. It's all about stability. How do we continue to be a strong, stable Port in the highs or the lows as we move forward? Continuing to deepen our revenue base is number one. Just knowing that, as we continue to diversify and create new revenue streams, those are all things that not only will protect us during an economic downturn, if you have that diversity, then maybe some areas of our portfolio will weaken while others will stay stronger therefore protecting us in an economic downturn.

In the meantime, having that diversity and that deep bench of revenues will only allow us to invest more in capital and further improve our credit ratings, which we all like. All of this comes into the Port's ability to actually deliver on our projects.

As Director Forbes stated earlier, as we have these higher level of capital budgets, we need to be able to actually deliver these projects. We're compiling our project management office. We're pursuing public-private development opportunities. We're also looking at different ways of structuring our contracts that can enable more effective delivery. For leveraging special use districts, we are becoming more and more comfortable with our infrastructure financing districts and community facilities districts.

We'll continue to look for opportunities to utilize those additional revenue streams. Finance staff will continue to look at our fiscal policies. That's the final point, we have really good policies in place between our operating reserve and our capital policy but there's probably more we can do. Over this next year in particular, we're going to take another look. It's been a while since we've brushed them off. We just want to make sure that we're doing everything we can to position ourselves for the highs and the lows.

Commissioner Woo Ho - Thank you. I think every year this presentation becomes clearer and good. The trend lines are great. I really appreciate that.

On the pension, the 19 percent, you said the mayor's office wants to find ways to figure out how to cut down. Pension has been on the mayor's office agenda for many years even prior to this current mayor. I don't know exactly whether there's anything being done to figure out the way the pensions are being managed, so the cost can come down. I don't know whether it's you just put 19 percent across the board, or you look at your specific population. Actually, we have a retirement board expert over here who probably knows this in detail whether you apply it to your demographic, so you understand whether that's just 19 percent across the board or you look at your demographic and age and understand whether your actual pension allocation or whatever is going to be more flexible than the standard 19 percent. That's one question.

In looking at your presentation, my sense is that your revenue line moves more variably between the three scenarios, and your costs move less so because they're more fixed in all three scenarios. The only thing is maybe you don't add staff. That's the only variable that I could find.

Meghan Wallace - In the low case, that is the primary variable.

Commissioner Woo Ho - So there's no other areas. In the corporate world, one is much more aggressive when it comes to figuring out how to make your costs more variable when your revenues are coming in less. I just wanted to point that out.

What I didn't quite understand, in the interim dip and we saw this before, and you improved upon it this time where we showed the green line going down. If you look at the new columns, it's smoothed out. But now, on the low scenario, it's on the fiscal year 2021. Maybe you can explain how that dip goes down so much more. It's pushed out from your previous forecast.

Meghan Wallace – I will answer your questions from last to first. For this chart, I averaged it out over the last two years because the prior plan ended in fiscal year 2021 and '22. But I wanted to still give a reference of what that would look like through the end of this financial plan. 2022-'23 and '23-'24 are averages. They're not actually from the prior plan. I don't want to say made-up numbers. It's a placeholder. The reason why you see that dip from 2019-'20 to '20-'21

and then back up is really a result of how we had to adapt to the capital plan in the prior plan.

One thing we don't actually have to do here but we have done historically is we designated operating revenue to capital. When you have to meet that 20 or 25 percent requirement is you're absorbing some of those resources that would have otherwise supported operating. This is net operating revenue as well. What you're seeing is that we had expenses coming in to support that designation to capital that creates that deficit in that fiscal year. We ended up having much more of a kind of up-and-down forecast in the prior five-year financial plan because we were adjusting for different requirements of the capital policy.

Elaine Forbes - Meghan, isn't the one-time sources we know about in 2019-20 also factor and not having certainty going forward?

Commissioner Woo Ho - I was going to actually ask about that.

Elaine Forbes - In that first year, we have all the one-time sources that are known. This is something that we always struggle with is one-time sources that we know of and how to project them going forward and the unknown.

Commissioner Woo Ho - It turns out we always have some one-time sources, which help the revenue. Even in your low scenario, it's more conservative. When you said in the low case, you reduced the percentage rents, what about vacancy? What was your vacancy assumption that went up to?

Meghan Wallace - No. I did not apply an adjustment to vacancy. What I did is just adjusted down the revenue growth.

Commissioner Woo Ho - Percentage rents, so if all the tenants would not do as well, we would not do as well.

Meghan Wallace - That's right. In terms of commercial rents, our rate of growth would be reduced to 2 percent instead of 2.5 percent. That was just one way of going about what could very well be a higher vacancy rate. I just chose one variable to bring down and ease that rate of increase. It's not an outright drop in the same way that the percentage rents were in this forecast where I reduced it by 10 percent by the second year.

Commissioner Woo Ho - I'll ask two more questions and yield the floor to others. One is on the Orton Development. We've just heard that costs doubled but the revenue also doubled. How does that impact you in this forecast?

Meghan Wallace - The beauty is that I don't see the cost in this forecast. I only see the revenue. In this chart, it's the operating revenue growth pie chart. You can see that 20th Street Historic Core contributes 15 percent. 20th Street

Historic Core is 15 percent of that growth. By the fifth year, I'm assuming the \$2.1 million income from those new leases.

Commissioner Woo Ho – I did see that and that suggests to me the sooner we get these projects on stream, the better. You can see the significance of what they do in terms of revenue growth.

Meghan Wallace - It significantly helped this forecast. These revenues were not assumed in the prior forecast. Some of these revenues did exist. We did have backlands, for example. Pier 48 and the impacts of Mission Rock -- all of those, we had some assumptions built in. But the true new one is the Orton project.

Commissioner Woo Ho - You mentioned in the base case your revenue reaches \$125 million. If I look at the charts on the high case, what does the revenue reach?

Meghan Wallace - Between 2021 and 2022 is when we hit the \$125 million. By 2022, we're forecasting \$128 million so we're exceeding the goal. It's about a \$3 million increase compared to the base case.

Elaine Forbes - The final plan year is \$135 million.

Commissioner Woo Ho - I'm expecting you're going to beat that. I'm just going on record.

Meghan Wallace - Now, it's on record.

Elaine Forbes - I told you, you should have reduced those figures.

Commissioner Woo Ho - You always beat it so let's just go on record. That's the expectation.

Meghan Wallace - I don't want to skip your question about pension. Just to clarify, 19 percent is an average. I just say that for the simplicity of the presentation. But within the financial forecast, we actually use the city's specific annual increases, which range anywhere from 20 percent growth and actually reduces down to 15 percent growth by the fifth year. It's not an average across. The advantage of using the city's assumptions is the controller's office is really in the weeds on understanding what the pension requirements are going to be. So that's actually an area where we're wholly reliant on the city to come up with these larger solutions either through labor negotiations, additional charter amendments to address pension needs. Otherwise, our only control is around hiring.

Commissioner Woo Ho - In terms of your own population base, which we don't customize this forecast to, but if you did your own analysis, what would you say

is the age of your population higher then on average than the rest of the city or less than?

Elaine Forbes - We are higher. We actually get that report. We get a report from the Department of Human Resources that shows the average age in the workforce, years to eligible retirement. We are older and closer to retirement than the average city department.

Commissioner Woo Ho - So that cost is really quite real.

Meghan Wallace - People like to work here.

Commissioner Makras - Just a couple on the pension stuff that may be helpful - if the pension is 19, I'd just like to call out the employment benefit that we're looking at in the program is a much larger number. It's more like 40 percent. That's how you should look at pension and benefits. It's wages plus the package. The package is really set by the city. I don't believe age has anything to do with it. You don't pay in more to the pension fund because of your age. It's all blended out. It's averaged out by your pay. My estimate is it's going to stay at the 40 percent or thereabout for a long time. That's just my own observation. But there's no real 19 percent number out there. It's a 40 percent number.

Commissioner Woo Ho - I understand. Yes.

Commissioner Makras - On your base-case assumption under key assumptions, I'm going to call out two items. Item number 10 is your RFI sites. You have \$2.3 million income estimated for 2020. Walk me through where you think we're going to bring that much money on the table for something that hasn't been brought to us yet in such a short period of time.

Meghan Wallace - The key sites that I looked at and categorized as RFI included Pier 29, 23, 19 and 38. The assumption was that Pier 29 throughout would actually be used for cruise special events base. I believe that's about \$300,000 a year. I actually carried that throughout, that would remain.

For Piers 23 and 19, the assumption in the base case was that both of those would be used for interim rents just for storage so one of our lower parameter rates at 80 percent leasing. By the fifth year, one of those sites -- and I happened to just plug in Pier 19 -- we assumed would actually be vacated from that storage leasing and be prepared for a development site.

Pier 38 throughout, we actually assumed light storage, which just generates about \$50,000 a year. It's Piers 19 and 23 where we generate good money in that interim period.

The irony is that we actually make more off of those sites in the base case than the high case because, in the high case, we actually assumed that we would

be able to vacate Pier 19 by the fourth year. We would vacate Pier 23 by the fifth year.

All in all, we probably lose upwards of \$5 million between those two sites over that two-year window. But the trade-off being obviously that we would be developing a long-term solution for those facilities.

Commissioner Makras - I understand. I just hope that we can hit that target for 2020. I think it's aggressive but I like being impressed.

Meghan Wallace - Noted.

Commissioner Makras - I want to go to your item 11 under key assumptions, again that category. Under item number 11, you have a large jump in revenue from 2021 to 2022. Then, it jumps up relatively large the next year. Walk me through why you think the rent is going to go up 60 or 70 percent in that business operation between those two years.

Meghan Wallace - The first two years reflects leasing during the time of construction whereas the following three years represent completion of the project and then establishment of a solid revenue stream. As far as the jump between the third and fourth years, since I don't have it broken down quite at that detail for myself, I would assume it's a partial year in that third year.

Commissioner Adams - Meghan, you're lucky. I wish you were up first. Do the fireworks last, and everybody would still be here.

Meghan Wallace - We're all relaxed now.

Commissioner Adams - I want to go back to what Doreen and Victor were saying. That's the pension and health and welfare, right?

Meghan Wallace - Yes.

Commissioner Adams - With the tariffs that the president has, I don't know if it will affect the Port of San Francisco. But in the larger ports, we're being affected by soybeans with these tariffs and other things. China basically has stopped buying soybeans from us. Now, they're going to South America. I know we're trying to do cars. We're trying to do general cargo. But these tariffs, at some point, could they hurt our bottom line?

Elaine Forbes - Possibly.

Commissioner Adams - Maybe it's too early to tell.

Elaine Forbes - I think it's a very good question. Exports in particular could be affected by tariffs. We have a lot of export auto customers at Pier 80. It's very possible that the business is impacted. However, we've moved from an

underutilized asset to now moving to full capacity at Pier 80. What you see is gravy revenue projected.

Meghan Wallace – Yes, it's still growth. It might just be modified growth.

Commissioner Adams - Secondly, you said shoreside power. Is that going to allow us to have 30 more Carnival Cruise Line ships come in?

Meghan Wallace - We're expecting that CARB would take effect in fiscal year 2021, which it's actually mid-year for us. In this time period between now and when CARB would take effect, we're expecting to have an increase of 30 cruise calls from Carnival. Once CARB takes effect, we're actually forecasting a dip, a reduction, of 20 cruise calls. Assuming that we're still maintaining that Carnival business but, for those non-shoreside-power-equipped ships, we would have to reject 20 calls.

The forecast has a nice climb right up front and then, it drops down as CARB takes effect. Thankfully, it appears that our partners are going to be equipped for shoreside power and be able to come to the cruise terminal and use that facility. If the cruise lines weren't ready and we couldn't fully utilize our own facility, then the forecast would certainly be looking much worse.

Commissioner Brandon - Meghan, thank you so much for a detailed report. In the likeness of the hour and the fact that I'm losing commissioners, I think all my questions have been answered. Thank you very much

Commissioner Woo Ho - I have just one because I won't be at the February meeting. On the events, are we happy with the number of special events in the cruise ship terminal? Do we think Metro is on track? Or are they behind what they thought they would be?

Meghan Wallace - I'll try to channel Mike Nerney's enthusiasm. They're very happy with it. I actually dropped in a special section in the report just on special events because I knew that this was an important topic. He feels we're meeting our capacity at special events, given that we're having to alternate events from cruise ships to events. We're very happy with it.

Commissioner Woo Ho - Thank you.

B. Informational presentation on the Port's 10-Year Capital Plan for FY 2019-20 to FY 2028-29.

Ananda Hirsch, capital director at the Port - We are doing our update to the 10-year capital plan, which we do every two years along with the rest of the city. This will be a thematic presentation. Like Meghan, I'm here with an informational item today and will be back with a request for approval in February.

Going to start off looking at some accomplishments again, a theme of the day as well, and the strategic approach we've applied to achieve those accomplishments. We'll then look at the plan itself, the sources and uses assumed over that period and finish up with a look at strategies going forward.

I will not go through every accomplishment. We've heard about many of these with the strategic plan today. I would note that these have really been possible thanks to the commission's leadership because of our three-part approach to addressing our capital renewal need and backlog and that we have continued to dedicate those one-time sources and a portion of our operating revenue to capital. We're targeting our available funds to strategic projects that generate revenue and securing new external sources of funding to keep growing the pie. We see those successes in many instances here.

For example, with the Orton project, that's reduced our capital need by \$78 million in this plan so seeing the benefits of that now. Similarly, the Alcatraz success story has been made possible in part by a strategic investment from the Port in that facility and is bringing in additional money, \$34 million of enhancements to that site, so proving its capital value.

Through the Waterfront Land Use Plan update, we've gained clarity and flexibility on the management of our historic districts. This gives us more flexibility in terms of lease terms and high revenue-generating uses and recognizing a broader array of public-oriented uses as we think about the future of those facilities.

We also have some strategic investments such as repairing the China Basin Float to keep maintaining the public transit access to that facility. Looking at the plan itself, it's divided into two main categories: state of good repair and enhancements.

On the state-of-good-repair side of the equation, we have our backlog, the renewals we didn't get to do on time. We have the upcoming renewals, if we could do them on an optimal cycle, we would do those in the next 10 years. We have one-time code compliance and non-cyclical needs. We see that, from the prior plan to this plan, our state-of-good-repair need has gone from 1.5 billion to 1.7 billion. The changes here are from several different factors.

One is work completed. As we do work, it comes out of the plan. For example, repairs to the roof at Pier 23 have been taken out as well as modernization of the elevator at Roundhouse 2. We also update cost estimates.

As we get better estimates in developing our capital improvement program, those numbers are reflected here. Most significantly at this time was the passage of time. Like the rest of the city, we escalate costs to reflect the increasing cost of doing work in San Francisco.

The city's capital planning committee sets a rate after doing an analysis. We follow their same rate. For the past two years, this reflects escalation of 5.75 and 6 percent respectively. On the other side of the equation, we have enhancements. The city capital planning committee determines that everything is an enhancement if it makes a facility better than its original state.

You see seismic repairs and renewal of the seawall here on the enhancement side even though that has many facets that feel like state of good repair to us. Because we're making it better than it originally was, it shows up under enhancements. The other enhancements here are development projects as well as the conditional seismic, which is a category of potential costs that could occur if change of use or major expansion of a structure on a pier occurred.

Similarly, we've seen the number go from 1.8 billion to 1.9 billion. From again work completed, the Orton work reduced our seismic need by \$38 million. Updated cost estimates, particularly as some development projects look like they will cost more as well as the passage of time. You see the seawall cost go down because seawall work will have been completed from the prior plan to the time that we reach this plan.

That leaves us with a \$3.5 billion total need. Now, we turn to looking at the funding sources that we have projected in the 10-year period. We're forecasting \$1.7 billion being available in projected funding over this period. If you look at the pie chart on the right, you'll see in blue the internal Port sources, which go primarily to state of good repair, as they have in the past. In green, we see the external sources, which, while a significant portion goes to enhancements, they also play an important role in our ability to do state of good repair.

Breaking those down further, we see that the internal sources are made up of Port capital, and the tenant improvements as well play an important role. On the external sources side, development projects continue to contribute the largest portion there. But we're happy to now be able to show that Seawall Earthquake Safety bond as well mixed in with grants and some other external sources.

Putting those together, looking at that full \$3.5 billion need, how close do we come to being able to fund that? We anticipate funding 48 percent of that total need in this 10-year period. A portion of the unfunded is that conditional seismic, which is only a potential need, which leaves us with a \$1.2 billion unfunded need identified in this plan, which is primarily state-of-good-repair need. That mostly inspires us to keep striving and to keep working those strategies to narrow the gap. I just want to circle back to those three strategies briefly. As we look at the chart, this reflects the Port's commitment at the commission's guidance to keep dedicating funding to capital.

We see in the gray bars the annual capital budget generally increasing over time and having bumps as we get one-time sources. It goes up, not smoothly but up consistently. We see the designation to capital as well going up.

As we just heard from Meghan, thinking about the years past, this plan right now looks good, that we will be able to continue this trend in dedicating more to capital and narrowing our gap. We also continue to target available funds to strategic projects. As we move into preparing our next capital budget and capital improvement program, Director Forbes is encouraging us to make sure that we're reviewing our evaluation criteria and making sure that we are being strategic about those investment decisions. You'll see more of that from us in the coming year.

As you've heard several times today, we are also continuing to secure new external sources of funding for capital needs. Meghan already touched on the local special use districts and our increased ability to use those to help really expand the pie of sources available for projects. We've seen new subareas of infrastructure financing districts set up for Pier 70, waterfront and Mission Rock this year.

Another key piece that will hopefully help shape the next capital plan has been the Embarcadero Historic Pier's request for interest. Those facilities represent \$250 million of state-of-good-repair need in our plan. As we are able to advance those, we hope to see development projects in some instances that can help address that need and address state of good repair and bring enhancements and new use and life to the waterfront and that would be reflected in future plans.

Commissioner Woo Ho - On the seawall, we've identified what we have from the bond but we have not identified what the long-term capital need is in total yet in this plan.

Ananda Hirsch - That is true. We talk about the long-term potential up to \$5 billion need in the narrative section but have not set that number in this 10-year time period.

Commissioner Woo Ho - So we're just saying we have the funding in place for what we got out of the fund and what we will accomplish with that. If we were to add the 5 billion, then your number goes up quite a bit.

Ananda Hirsch - It does. Although, mine will always look at a 10-year period.

Commissioner Woo Ho - It would be good for us to know within the next 10 years how much that would be because we do need to get a better fix on what that number is. We know that the 500 million only addresses some short-term needs.

Elaine Forbes - Definitely. The wonderful thing about the phase one of the seawall segment of the waterfront resiliency effort is that we're prioritizing 30 years of needs in this phase. We'll have a good, long-term horizon view of the seawall segment. We're also working in the southern waterfront in assessing needs and getting data and information, so we can start to get numbers and understanding of prioritizing those investments as well. But it's very positive that this phase includes that 30-year planned-out view to help us with planning.

Commissioner Woo Ho - I think that a lot of people say we passed the bond and it's over. But that's just a start. I say it's up to 5 billion but I can't say how long that 5 billion is going to take. If we knew the number for the next five years or for the next 10 years, it would help because we do get asked that question and to be able to answer the question. Most of the questions are, what sources are you looking at? Obviously, we say state and federal but we know that the Port is not going to generate 5 billion. So that answers very quickly.

I do think that's one of the biggest things because we raised so much visibility about the issue. Now, we get asked about it all the time. We're a victim of our own success.

Elaine Forbes - We will get many more answers for the commission and to think through the policy objectives of the program. We're still in an exploratory phase with the multi-hazard risk assessment. When we have those results, we'll have much more definition on where we're headed.

Commissioner Woo Ho - Ananda, we're making progress in terms of trying to be able to bucket things and being able to show the change from year to year. We're hopefully getting more operating surplus. But it's still slow going except for the seawall side, it's not getting far worse. The seawall is the big kahuna there.

Commissioner Brandon - Thank you so much for this presentation. You did a wonderful job. I look forward to the item next month.

14. ENGINEERING

A. Request adoption of Protest and Appeal Process for Personal Wireless Service Facilities Site Permits. (Resolution No. 19-03)

Rod Iwashita, Chief Harbor Engineer - I'm asking the commission to adopt a protest and appeal process for personal wireless service facility site permits. The Port uses the substantive provisions of the city's public works code in issuing certain types of encroachment permits including permits for personal wireless service facility sites and rights of way under Port jurisdiction.

Article 25 of the city's public works code establishes permanent procedures for personal wireless service facility sites including a protest and appeal

procedure. The Port would like to develop a clear and equivalent process to that used by public works.

The Port follows the procedure that has been developed and used by public works. The only differences are in the red dashed box and the red process boxes where we'd like to substitute the chief harbor engineer for the director of public works as the decision maker on the initial protest.

If the decision is appealed, we would like to use the Port Building Code Review Board instead of the City Board of Appeals to decide the action.

Commissioner Woo Ho - You have to take me back to helping me understand exactly what personal wireless service facilities means. Does this mean a company wants to put something in separate? We're not talking about the AT&Ts or Verizon's or whatever.

Rod Iwashita - This is actually the Verizon's and AT&Ts. In the 4G cellular network that we have now, it's typically large antennas that are fairly good-sized installations. The reason why we're in front of you now is there are a couple of permits that we are dealing with that close some holes in one of the carrier's networks in the north area of the Port. You can see on the slide some photo simulations. The photos on the right show the difference between what the antenna looks like and the pole without the antenna.

Commissioner Woo Ho - Looking at future technology when 5G comes, is it going to be hardware wise similar or is it going to be really something different?

Rod Iwashita - My understanding is that 5G will utilize many devices like this. It's going to be a lot smaller devices and not big antennas. It's good for the Port to own a process where we can hear protests and appeals kind of contained within the Port jurisdiction.

Commissioner Brandon - Thank you for the very brief presentation. Why would there be an appeal?

Rod Iwashita - Say you're in an apartment or you're living in your house and there is an antenna that's stuck, and it actually blocks your view or something. You should be able to protest that installation. The Federal Communications Act or a communications act limits what you can appeal or what you can protest. They don't allow local jurisdictions to hear protests on radiofrequency health effects. They've already set those guidelines. This is for when it's blocking your view.

Commissioner Brandon - Have we had any appeals?

Rod Iwashita - No. We have not but with the advent of 5G, I feel like this is something that may actually come up.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 19-03 was adopted.

15. NEW BUSINESS

Elaine Forbes - In terms of new business, we're going to come back with a long-term retail fish sales policy for the Port Commission's review. We are going to work with the Board of Supervisors and Mayor London Breed's office to develop a city policy to prohibit companies like JUUL from leasing city property. We will bring that back to the Port Commission and update you on our progress. Is there any other new business?

Commissioner Adams - I just wanted to tell the young lady there good job today.

Leah LaCroix - Thank you, commissioner.

16. ADJOURNMENT

ACTION: Commissioner Adams made a motion to adjourn the meeting in the memory of Mike Denman and Floristine Johnson. Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

Commission President Kimberly Brandon adjourned the meeting at 6:50 p.m.