

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING

MARCH 26, 2019

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 3:15 p.m. The following commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman, Victor Makras and Doreen Woo Ho.

2. APPROVAL OF MINUTES – March 12, 2019

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. The minutes of the March 12, 2019 meeting were adopted.

3. PLEDGE OF ALLEGIANCE

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

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

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

William Glasgow - I'm a resident at Brannan and Delancey Street, around the corner from the proposed Navigation Center at Seawall Lot 330 that is before you in the coming weeks regarding a lease of what is currently a parking lot to the city for a 225-bed Navigation Center for the homeless. I oppose this facility for many reasons. But I wanted to focus today on the fact that I believe the Port has a responsibility to ensure that its property is being used for productive purposes that do not harm surrounding neighborhoods and are not at cross purposes with its own objectives. First, I would point out that the city has not articulated publicly how this Navigation Center will benefit the city or, conversely, how it will adversely affect the surrounding area. For example, Mimi Silbert, who is the renowned founder of the Delancey Street Foundation, which over its 40-year history has helped some 18,000

individuals, has publicly stated that this is the wrong location for such a facility and is worried that the prevalence of addicted people as well as the mentally ill around her 200-odd residents who are recovering from prior addiction and other social problems may put them at risk. This is just one example of potential consequences that have not been publicly considered in evaluating whether there is a net benefit to this location. As far as the Port's own objectives, I don't pretend to know all of those things, which is within your sphere of influence. But it's pretty clear to me and I think virtually everybody that the promenade along the seawall that stretches from the Ferry Building all the way up to say AT&T Park is a major public amenity, which you've no doubt invested money in and taken time to make sure it's available to both the residents of San Francisco and numerous tourists. This abuts a section of that. It will be a major daytime location for the residents of this Navigation Center if it goes forward. I believe it will materially impact the ability for people to use it whether they're walking, cycling, recreating on that space or going from the Ferry Building or the BART to the Giants games, which attract 40,000 people a night, 80 games a year or eventually, coming up in the next year, the Chase Center, which is scheduled to have some 200 events throughout the year. The consequences of this particular location are potentially severe. I think the Port needs to evaluate it and it needs to be on the public record.

Bruce Goldetsky - I live in the same neighborhood in District 6. At the last meeting, there were lots and lots of people who told you that they were against the Navigation Center that was just spoken about. I am not going to go over the reasons again. It was like 99 to one. My real question is, does it matter to the board what the local residents think?

Commissioner Brandon - Are you done with public comment?

Bruce Goldetsky - I have a question.

Commissioner Brandon – Right, but this is not on the agenda so we can't answer, unfortunately.

Bruce Goldetsky - You can't help but know what the local community thinks. It's impossible. If it doesn't matter, it's kind of a waste of time for everybody.

Marcus da Cunha - My wife and I remain opposed to a homeless shelter on the Embarcadero. While we continue to support the fight in the causes of homelessness and will continue to donate and volunteer for the cause, this proposed shelter on the Embarcadero is an epic failure in understanding the surroundings. Our South Beach, Rincon Hill and East SoMa area is home to over 10,000 people from newborns to elderly, from athletes to folk in wheelchairs. On a fair weather day, over 600 people use the to-be-sheltered sidewalks per hour during the weekday rush hours. Usage during the weekends and Giants games is much higher. This shelter will wreck our surrounding blocks. Homeless folk aren't easygoing. I have experienced volunteering at the shelter. I know the drill. They have problems. In plain numbers, 225 beds, each occupied by a different person in average every seven weeks. That's 1,600 new neighbors per year. Over the minimum lease period

of four years, that's over 6,000 new neighbors. That's more than half of the population of our neighborhood. That's insane. There are many problems to list but to focus on one alone, dogs. Homeless folk don't own cuddly Shih Tzus. They have pit bulls and mixes thereof, oftentimes aggressive dogs not accustomed to play nice with other dogs and humans and rarely vaccinated and neutered. That's insane. The Embarcadero is the wrong location for a homeless shelter. I've attended four presentations about the shelter. Officials and employees list a long criteria for choosing this location: public land, access to public transportation, etcetera. Public outreach and acceptance aren't on the list. Or if it is, it's never mentioned. I urge you to work with the mayor and the city to find a better place for this shelter.

Marc Dragun – I'm here to oppose the Navigation Center on Seawall Lot 330. Last week, you heard widespread neighborhood opposition to this proposal. What I want to focus today on is your role in approving or disapproving this. I'd urge you to postpone the vote next April 23rd. The principal reason is the process is just occurring too fast. It's not giving the neighborhood a chance to engage with the city to create a win-win situation. By moving this quickly, you run the risk of citizens and the neighborhood specifically losing belief in the city's ability to take their interests into consideration, the neighborhood losing faith in the city to consider their interests, to protect their interests. I encourage you, when it comes to the vote next month, that you not move forward until the neighborhood has had a chance to engage with the city because the risk is that citizens come to believe the government is the problem, not the solution to the problem. I don't think that's what you want the political legacy of the Port Commission to be. Once again, I'm opposed to the Navigation Center. I hope we postpone the decision to allow the neighborhood to engage with the city.

Christy Scrivano - I live at 38 Bryant Street. I thank you for listening to the residents of District 6 two weeks ago at this same meeting. I'm here again today to underscore my concern over the proposal for Seawall Lot 330, which is directly across from the building that has been my home for the last eight years and is 20 yards away from my three-year-old son's bedroom. Since the last Port meeting, I've learned further details about the mayor's proposal. I'm alarmed by what I've heard, particularly the fact that the HSH recognizes that, in order to keep the area around the center safe, police will patrol the streets four times a day directly in front of my own building. I think about the harmful images my young son will see when he looks out the window or what he could encounter walking to and from school and hear falling asleep to the sounds of profanity and street conflict just outside his window. I can't risk raising my child in that environment knowing that he would be exposed daily to what HSH has already expected could endanger our neighborhood if this center is built. While a few people outside of my district suggest that it will all be fine, I am one of the countless parents who is not willing to take a risk on my own child. I already made the choice to live in this current safe neighborhood and raise my son. The city is forcing out families with this proposal and I will be forced to move out. It's clear that it's being pushed ahead with very little due diligence, and city leaders are neglecting to truly understand the impact that it will have on such a large population of families. Port Commissioners, it is within your power to halt this fast-paced proposal and ask the city to pause and conduct the necessary analysis to determine

the lasting effects that this could have around the area around Seawall Lot 330 before it's too late. I ask you to please make the decision after much empathetic deliberation, putting yourself in the place of a parent who only wants to protect the wellbeing of their child.

Wallace Lee - I have prepared a report. There's been a lot of talk today about how there's very little information. I've tried to gather the information that is available. It's taken me quite a bit of time, so I hope that the commissioners do take a look at it. I'll give you some highlights on the report. On page five of the report, I mentioned the U.C. Berkeley study that we heard Director Kositsky talk about at the last Port Commission hearing. He said that the study showed that there is no increase in crime around Navigation Centers but it took me a while to find it because it's a student paper. What I found was that the number of respondents to her survey who said that crime increased rather than decreased was a three-to-one ratio. For every three people who said that crime increased, only one person said that crime decreased. Somehow, this is being used to support the conclusion that crime hasn't increased around Navigation Centers. I've also cited other academic studies from other cities. In Vancouver, a study found that proximity to a homeless shelter increased residential breaking and entering by 82.5 percent and thefts from vehicles by 42.9 percent. In a study done in Los Angeles County, they found that proximity to a homeless shelter was only behind prior drug arrests as a predictor of crime by homeless persons. On page six and seven of the report, is a list of crime history for the last six months around the Dogpatch Navigation Center. As you may know, there's nothing on the block of the Dogpatch Navigation Center other than the entrance to a muni depot and the center. There were six crimes in the last six months reported on that block. Three of them are assaults and batteries, an auto theft, a burglary and a firearm call to the police. On page eight of the report, I tried to show that Navigation Centers haven't been able to control encampments, which is one of the supposed benefits to the community that Director Kositsky talked about. Figure five shows two people sleeping r 10 feet away from the entrance of the Division Circle Navigation Center. Figure six shows six tents right outside the Bryant Navigation Center. Figure seven shows a tent just from this week right outside of the Dogpatch Navigation Center. On page 10, I talk about drug use and how Director Kositsky estimates that a third of homeless persons are drug addicts and how the Navigation Centers don't allow drug use but allow drug users. Therefore, those drug users need to go out into the surrounding community to use drugs. I don't mean any of this to denigrate homeless persons. I know that they suffer a lot. But the point I'm trying to make is that it's not appropriate to bring these problems to a residential area. On page 13, I talk about the demographics of the area. In the last five years, there's been a 25 percent growth in population of the census tract we're in, which is half a mile around the Navigation Center, and a 50 percent growth in children.

Paul Scrivano - I've lived in South Beach for almost 10 years. I strongly oppose the proposed Navigation Center at Seawall Lot 330. I have grave health and safety concerns about the Navigation Center. The city is racing to put up the Navigation Center without any due process or evaluation on the impact of the neighborhood. There is a rush to judgment here. There are many other viable sites in the City of San Francisco that have been arbitrarily turned down. We have simply even told

with conclusory statements that all of these other sites don't simply work, no explanation, no third-party independent assessment. The city is also trying to circumvent or ignore a number of existing laws. Many homeless are sex offenders. Yet, we have heard nothing about whether or not any of these homeless people will be required to register under the California sex offender statutes. The Port Commissioners have a fiduciary duty to safeguard Port property. This is tantamount to giving away Port property at a massive discount. There needs to be public inquiry and adequate time to assess the health and safety consequences on South Beach of putting up this Navigation Center. As you know, South Beach is densely populated, 10,000 residents, over 25 preschools, daycare centers. Small children are uniquely vulnerable to the homeless, many of whom have substance abuse problems, mental health and other issues. The city and the Port need to slow down. They need to do the smallest amount of diligence as to what effect you are going to have by bringing this Navigation Center, the largest San Francisco has ever put up, and placing it in a densely populated area.

6. EXECUTIVE

A. Executive Director's Report

- SAFE Navigation Center Community Meeting – April 3, 2019 at 6 p.m. at Delancey Street Foundation, 600 The Embarcadero, San Francisco

Elaine Forbes, the Port's executive director - I wanted to let everyone know that there will be another community meeting about the proposed Navigation Center on Seawall Lot 330 April 3rd, 2019 at 6:00 p.m. at Delancey Street Foundation located at 600 The Embarcadero.

- San Francisco Giants Opening Day - Friday, April 5, 2019

Also, baseball season has arrived. Opening day for our San Francisco Giants is next Friday, April 5th, versus the Tampa Bay Rays. Opening night is Monday April 6th versus the San Diego Padres. We wish our home team the best of luck.

7. REAL ESTATE & DEVELOPMENT

- ### A. Informational presentation on policy considerations regarding potential extension of Fisherman's Wharf retail leases beyond expiration of their initial 66-year terms.

Mike Martin, Real Estate and Development – I'm here today to talk to you about our long-term retail leases at Fisherman's Wharf and considerations around potential lease extensions. The first slide shows a lot of why we're coming to you today. We had 10 separate retail leases that were originally issued in 1970 that were issued for the full 66 years that were allowed under state law.

Last year, during the policy and action discussions regarding the Boudin properties lease extension at 260 Jefferson Street, a number of these operators came forward and wanted to discuss with Port staff how that process went and how we consider potential lease extensions when their leases approach their expiration. We saw that as a real opportunity because there's a lot of considerations around Fisherman's Wharf in particular that we thought were common to all these leases. It was worthwhile to generate a discussion. We invited all 10 of these operators to come and meet with us. Representatives of seven of these operations did meet with us. We had a robust discussion on the things we learned last year and how we see different emerging issues playing out in the Fisherman's Wharf area.

Today, we wanted to come back to you and report out on those discussions, get your feedback on the considerations that we're seeing that could be part of those potential lease-extension applications and then obviously answer any questions and think about how we move forward if and when those operators come forward.

It was important as we were writing the staff report to think about how this relates to our strategic plan. On one level, it's basic business sense to lay out a set of criteria that everyone is aware of both from the commission's perspective and the operator's perspective. We're all playing the same set of objectives and rules. That certainty allows people to make investment decisions, allows people to think ahead for their own business planning and obviously allow staff to take a thoughtful approach and be efficient in what they bring forward to you in the future.

In addition, the stability objective of the strategic plan is to find a way to look at these lease-extension opportunities as a way to inject new investment to renew this vital neighborhood of the city and this vital section of the Port's property. By doing that in a thoughtful way, we can do a lot of things to refresh and renew this great tourist destination for the benefit of the Port and the city.

I wanted to emphasize that as staff, we are looking at these potential lease extensions along the lines that we've talked to you about both in the Boudin discussion and in other retail-lease-extension discussions, really centering around the existing approved Port's retail leasing policy and particularly the direct negotiation exception to competitive bidding under that policy.

I think the two key factors of that, as we've discussed with you quite a bit over the last couple years, performance standards -- so reserving these extensions for operators that provide rent on a per-square-foot basis that's above average in relation to other like tenants. Additionally, and I think this one is critical, linking any term extension or the length of that extension to the specific capital investment that's required under the proposed lease amendment that allows for an option to take down that extension, as we saw in Boudin. This leads me to say pretty conclusively that any extension of these current 66-year leases would have a term significantly less than 66 years or, in keeping with our other

operations so that we have more opportunities to sort of course correct, see whether these investments are doing what they should and not be locked into a relationship that extends past the useful life of those improvements.

The second thing that we think applies on the basis of our recent discussions is the timing for these extensions. When is it that we come to you with those? There's a certain predisposition to not want to bring these forward too soon but we've seen a number of considerations that may prompt us to begin discussions with you and the operators sooner than the expiration in 2036. One of those would be the financing for the capital improvements.

Oftentimes, operators need to be able to show lease term to be able to get loans or other financing to do the improvements. Oftentimes, it makes sense to us that we'd structure it as we did with Boudin to make the extension an option so that they have to make that expenditure before they actually get the term.

In addition, there's another situation that we want to keep ourselves open for. If there's an improvement plan that repositions the facility or speeds up a needed refresh, there may be good arguments to bring that investment in. We want to come in sooner. Again, we make any extension term an option-based term on the completion of those successful improvements to improve the revenue-generating capacity of the operation.

This set of three contractual provisions have emerged as we've worked on leases over the past couple years that are really important and that we'd want to see in any lease extension at Fisherman's Wharf or anywhere along the Port's waterfront.

The first is participation in net proceeds of sales and refinancings. This is a provision that doesn't exist in these existing leases. It's not something we negotiated for back in 1970 but it's something that we've seen a growing value of going forward. Because the Port can't generally sell its land, these provisions are our way of participating in the increase in market value of a property during the term of the lease. We see that as a real key to keeping the Port's revenue strong during the cyclical ups and downs over the course of a lease.

Sea-level rise and flood protection, obviously an issue that's top of mind for the Port. We've worked in my division with the chief harbor engineer and our legal department to develop provisions for leases that address sea-level rise and flood protection where the Port and the chief harbor engineer is able to direct the taking of certain measures to protect from flood impacts or life-safety issues surrounding access to buildings and other things that may affect the continued use of those buildings. We think those provisions, frankly, are necessary just to make sure everybody knows their rights and responsibilities as flooding and sea-level rise becomes more pronounced over the course of the coming decades.

Third and somewhat related is the Embarcadero seawall program. I say somewhat because it's also looking at seismic resilience. But we know that, especially with momentum picking up with the Army Corps new start as well as the passage of the bond last year here at the local level, that the seawall project will become more and more evident. There will be projects that actually emerge in locations including Fisherman's Wharf. We want to make sure we're keeping in good coordination and communication with our tenants and the general public and also any projects that we're doing on the seawall or that the tenant is doing on their own property is well coordinated so that we're reinforcing each other's benefits rather than working at cross purposes. These are provisions that we've negotiated in recent leases. We'll continue to refine those as we know more about what the projects look like going forward.

Additional considerations, I would say these are things that we don't necessarily have the exact recommendation yet. But they're things that sprang to the top of our minds as we engaged in these meetings with the operators. The first is substructure maintenance. The leases for these operations allocate responsibility for substructure. To be clear, a number of these restaurants are over pile-supported structures, effectively wharfs. The ones that have the responsibility to maintain that substructure. That's obviously beneficial to the Port in the fact that we have plenty of substructures to maintain elsewhere. We can devote our finances elsewhere. We do assist in monitoring the condition of that substructure and definitely cooperate and strategizing about the best way to maintain. Going forward, in talking with the chief harbor engineer, we may want to consider leaving ourselves room for a different approach where the financial obligation for maintenance remains with the operators. But we can find a way to perform those improvements more collectively. The reason stems from the fact that these are interrelated pile-supported systems. So if one operator is doing what they're supposed to do in terms of maintaining the substructure but another one isn't, the effects of the substandard maintenance may attach to the operator that's actually doing what they're supposed to.

Obviously, that's not a good situation for anyone to be in, including the Port, which owns the property. We're not sure of the exact tool to do this, but we think that the idea that all of these extensions will likely come forward generally concurrently sometime between now and 2036 allows us to negotiate provisions that could knit these together in a different approach once we work with you on what the right approach would be.

Secondly, the Bay Conservation and Development Commission's Replacement Fill Policy, which is the 50 percent rule, requires that major seismic upgrades or structural improvements of existing pile-supported structures used for restaurants and commercial recreation businesses must reduce the footprint of the business to 50 percent of the site. In association with the Waterfront Land Use Plan update, our planning and environment division has engaged in productive discussions with BCDC to talk about this policy and its goal of looking at improving public access and also looking at the things that Port has

already done to remove pile-supported structures and bay fill in this Fisherman's Wharf area.

The combination of that and the other public access we're delivering with public projects to satisfy the goals of the 50 percent fill policy but at the same time still allowing these businesses to retain their footprint and do the capital improvements that require them to have another generation of successful operation.

There's still work to be done with BCDC. We'll want any negotiation of a lease extension to operationalize that understanding going forward. But it's obviously something we want to make sure we're aware of as we do lease extensions that require capital improvements.

Lastly, as a general rule, we want to be opportunistic. There's a lot of public investments going into this area, including the next phase of the Jefferson Street improvements. It was highlighted by the Fisherman's Wharf CBD's retail strategy that the public investments enhance and attract private investment. We want to find ways to look at what these operators want to do and how it interacts with this public investment both on our property and in the public realm and do it in a way that, again, enhances and revitalizes the Fisherman's Wharf area for the benefit of the Port financially, for the benefit of the city in terms of its culture and, obviously, visitors and residents alike.

We're interested in your feedback that we could take back as we continue discussions with our operators.

Commissioner Woo Ho - Thank you, Mike, for a very complete presentation. I want to make sure that I understand clearly. The leases that you mention in the first part of your presentation are the only ones that are currently along with all of the Port with 66-year leases in terms of retail. Is that correct?

Mike Martin - To the best of my knowledge, I think that's true.

Commissioner Woo Ho -. So this group is somewhat different and unique from our normal retail leasing policy, which is 10 years with extensions. Is that correct?

Mike Martin - Can I amend my prior statement because we have retail operations under 66-year leases in like pier projects, etc. I think these are the only ones that are free-standing restaurant leases that are on 66-year leases.

Commissioner Woo Ho - Okay. But outside of Fisherman's Wharf, most of the leases that we would do for retail free-standing operations would be more like 10 years with options to renew.

Mike Martin - Yes.

Commissioner Woo Ho - So this was kind of a unique category that was done a long time ago.

Mike Martin - Correct.

Commissioner Woo Ho - I did hear you say that you somehow want to sync up the existing leases that we have under the existing policy and these that were grandfathered because they were done in a different time. I'm still not clear how we're going to sync that up.

Mike Martin - It's not so much syncing up. I think the idea is these leases are going to expire. Just like any of the other leases that don't have 66-year terms, we'll have to either decide if that lease is just going to expire and we'll be able to offer that opportunity somewhere else or, if the operation qualifies, we could directly negotiate an extension.

What we're laying out here for you today is we'd expect that extension to look like the ones we've talked to you about over the last few years and not what happened in 1970, that the capital improvements and the amortization of those improvements would drive the length of that term and that's why we think it's closer to the 10 years that you described.

Commissioner Woo Ho - Okay. They want to do it before the end of the 66-year lease. They want to come in and talk to us about the capital improvements, and we could be in agreement in terms of what we need to do and to give the incentive to continue to operate. But then, the new lease that would be extended would be more likely 10 years from the expiration of the existing lease?

Mike Martin - Boudin is probably the best example for these because of these operations where Boudin actually was well in advance of its 2045 expiration date. But it allowed for an option to take down 10 years on the performance of two million dollars of improvements. During that 10 years, they had to do another million dollars of improvements. Those are just the round numbers we wound up in that deal because we hadn't determined what it was. I think what we're seeing is you don't just get the term. You need to show us the capital improvement. Once you complete that, you then have the option to extend the term by a set amount that we think is the right level for that capital.

Commissioner Woo Ho - I think your proposal is saying that we're not going to enter into an extension of another 66-year lease.

Mike Martin - It's unlikely to see any of the specific operations we're talking about today that could do enough capital to justify 66 years because, when we see 66 years now, it's usually in the context of a seismic rehabilitation of a pier. These operations are much smaller. They certainly need capital upgrades but it's not going to be a dollar amount that justifies that nor do we think they could justify that investment based on their business.

Commissioner Woo Ho - Okay. How many of these lessees have already approached us?

Mike Martin - We had a couple that reached out. We invited all 10 to come. As I said, seven of them came in to meet. We had a good discussion. None have made specific proposals about capital. We told them we were coming back to you. We'll probably follow up with meetings if they want to talk about it now. I think they certainly would like an extension. But when we talk about, as we did today, the things that we would need to see, they need to do more thinking, sharpen their pencils and think about what it is and when it is that this would make sense.

Commissioner Woo Ho - Okay. It sounds like we were on the right track to start the process and start the dialog. It sounds like we still have a lot of areas that we're not really clear such as how the terms and the details of how this would operate. But we're opening up the process to talk about it.

Mike Martin - Yes. This was a really early chance to talk to you outside the context of any particular proposal to get your feedback. Are there other things we're missing that you're going to be concerned about, so we can take that back to those discussions? But also for us, it's a chance to say, this is really what we've learned so far both in terms of these conversations and our general work with you on lease extensions. This is how we expect to move going forward.

Commissioner Woo Ho - So one principle in here, which I thought I understand is that basically the existing tenant in whatever program we come up with would basically have the right to extend. There would be no open bidding process for any new tenant to come in.

Mike Martin - No. That's not true. These are discretionary at your discretion. When we laid out the retail leasing policy, we said there are standards in that policy that we've worked with you on. One of them is being an above-average performer in terms of rent on a per-square-foot basis. That means there are going to be some below-average performers that aren't currently eligible under that framework. We'd expect you to say that's not something we're willing to do. The good thing about doing it this early though is it gives those people an incentive. Can we improve our business? If they want an extension, that's one way to do it is invest in their business, improve their performance and then hopefully qualify and justify an extension that way.

Commissioner Woo Ho - In your report, you did say they also have to be a tenant of good standing, which means they've obviously paid their rent on time.

Mike Martin - Exactly. That's a huge one as well.

Commissioner Makras - this tenant in good standing is interesting to me how we do it. Will it be a tenant in good standing today? Or will it be a tenant in good standing for the 66 years that they're operating with us?

Mike Martin - we have an adopted tenant-in-good-standing policy. I believe it really speaks as to a snapshot. obviously, I think the commission is within its discretion to consider whether there's been rougher periods in the tenant's history. I will say, over the course of 66 years and thinking about the cyclical nature of the tourism business, it wouldn't be surprising that one or more of these have had a rough patch here or there. But I think the totality of the picture is something you'll take into account.

Commissioner Makras - I understand that. I would expect it to be currently in today's value for going forward. I think that's a fair way to do it But I would hope that we have a very clear lens on what tenant in good standing is and maybe have some guidelines on what it is. For an example, if we're out there looking at a person's roof and they're responsible for the roof and it looks like it has not been repaired properly, and it looks like it may be caving in, whether we call that out or not, we have the obligation to say that's not the maintenance program we would have on that roof. I would believe that would be a tenant that we should put in the category of not being in good standing. I'm just calling that out as an example.

Mike Martin - In a hypothetical sense, I see where you're going with that. In fairness, much like we do with collections of rent, we probably should be putting them on notice if we believe that. But certainly, if we're noting that, I don't think it's a smart investment of the Port's land to say that this is going to continue if that's not remedied.

Commissioner Makras - Maybe a suggestion would be, if a person wants to enter negotiations for further lease, that we go out and actually inspect the premises and maybe give them a checklist on the condition we believe the premises should be in for being a tenant in good standing no matter who was at fault on not doing the repairs. when we cross over that magical line, we can all look each other straight in the face and say that's a tenant in good standing with the monetary part of their lease and with the commitment part of their lease. I think it's fair to the agreement. I think it's fair for going forward on good standing. it's probably fair for the other 500 tenants that are looking at every action we do and have some consistency in what good standing mean.

Mike Martin - That's a helpful suggestion. I think we'll do that.

Commissioner Makras - Could you give me a bit of history first? I see on these 10 leases on page two that you brought us, all 10 of them expire on April 30, 2036. was that a busy day in April 30, 1970 that we approved 10 leases? Walk me through the history of that, not that you were there so I can understand how we got so many of them all in one day and maybe all the positive stuff of why they were concentrated to be approved in one day.

Mike Martin - My understanding is 1970 is when the state transferred the Port to the city. I believe this was a date that these actions could have been taken now that the city was in control, to try to spur economic development at this location on the waterfront.

Commissioner Makras - Would you believe that this concentration of 10 restaurants as the core and maybe top percentile of the best that we have?

Mike Martin - I certainly think it's the core of Fisherman's Wharf and what people traditionally think of Fisherman's Wharf. I think that the performance levels vary. For example, Boudin, which we talked about, wasn't a 66-year lease. That's probably our top performer in the area in terms of per square feet although some of these smaller restaurants on a per-square-foot basis have done really well as well. I don't know that it's a core of top performers without exception.

Commissioner Makras - Is the real basic question that is in front of us or that staff is contemplating is we're going to take some very prime real estate that businesses traditionally are doing or should do some of the best business restaurants can hold and whether we should put them out to bid or whether we should continue leases and have them be sold in the marketplace rather than for the city to put them out to bid? Is that really the crux of what we're dealing with here?

Mike Martin - If you look at it in the context of some of the other policy discussions we've had with you, you can see that it's going to put those questions in front of you and in front of us in the near term. More of what we want to do here is to say, if the path is to stick with this current operator, what is the right set of things we want to see from them? What is the right set of things we want to put in the lease to stay with that operator? We've talked about the considerations on whether some of them might not be in that and that would result likely in the expiration of the lease and a bid.

What we've learned from you especially on things like participation in sale and refinancings is, if we're expecting that they're getting this extension to try to monetize the lease to the next operator, we'd want to see that benefit come to the Port financially. We'd want to make sure that those improvements were done the way the lease called for.

Commissioner Makras - Yeah. But the other reality is that we're taking it out of the bid process to give everyone a fair shot at that space. That's more of a policy decision.

Mike Martin - That is definitely a policy decision. That's absolutely the idea we're advancing before you based on the precedent of that policy to date and the implementation of the retail leasing policy which came about after these 66-

year leases were put into place, that's how we see this playing out going forward based on what we've learned from you and from the other situations.

Commissioner Makras - Out of these 10 operators, what do you think the annual rental income is to the city for the 10 operators?

Mike Martin – Our estimate is about \$10 million for this group of 10. And that's rental to the Port, not the city.

Commissioner Makras - Yes. Thank you. What's driving this more? Is it our interest to improve the real estate as one example? Is it our interest to improve revenue? Is it our interest to just renew leases? What's driving this discussion now for our benefit?

Mike Martin - It's the fact that we have 10 of these expiring on the same day in 2036, which is 17 years away. As we learned in the Boudin discussion, that's not that far away in lease extension time because some of these operations brought up pretty large capital improvements they wanted to do and they may need a lot of term to do that. I don't think we want to feel that they're limited by their term in doing that to renew their facilities and refresh and improve their revenue generation for us. As I said earlier, we want to be opportunistic. If there's a good opportunity that we bring to you, why not now?

Commissioner Makras - I appreciate the opportunistic. I'm not trying to bear bringing it in front of us. I'm trying to ascertain the crux of what's bringing it to us and I'm talking about money, improvements.

Mike Martin - I think we want all of that.

Commissioner Makras - I have a guess on what it is. Is it the tenants wanting their leases longer now driving it?

Mike Martin - I think we had the inquiries. And we thought that, as we talked to more of them, we wanted to talk to all of them because they have a bunch of similar interests being located in the same area and having the same expiration date. We thought, rather than getting further down the road with any of them because all of them are going to look at that first one that comes through and say, "I want that deal," or, "That's not fair." We wanted to have this conversation with you outside the context of that to set the rules of the game in the sense of here's what the commission told us. We're going to deliver on that. This is how we're going to deliver on that.

Commissioner Woo Ho - These current leases, are they at the current market value of our rental schedule or not?

Mike Martin - Market value varies according to where you are on the Port and foot traffic, etc. They are in the general range of what we see in most of our

retail restaurant leases. We actually use them as comps for some of our lease extensions.

Commissioner Woo Ho - If we're going to negotiate extensions and if there's any gap between where the existing rent is and fair market value on Fisherman's Wharf, it seems to me we need to bring it up.

Mike Martin - I think that makes a great deal of sense. We had a similar discussion in Boudin because we wanted to set it at the fair market value at the time the option took place. We'd use a similar appraisal structure if that's the structure because if we do one ahead of the expiration, we don't want to lose the chance to capture market value at the time of the expiration. That's exactly the goal to make sure that everything gets marked to market at the time of the extension.

Commissioner Gilman - Mike, thanks for the report. My fellow commissioners explored everything I wanted to. I have no other questions.

Commissioner Adams - Mike, I appreciate the report. It's amazing because we're not a political board. We're a policy board. This is something that happened in 1970. If we're going to go a different direction, now would be the time. Mike, you laid that out. You're asking for a different direction or a decision. Commissioner Makras had some really good things that he brought up. These are long-term customers that have been with the Port for a long time. I think the question in front of this commission is, do we continue? Do we want to go a different direction? I've never liked long terms. I think 66 years is a long time. I think that's a long time.

There are a lot of changes just in this time from 1970 up to 2036. Most of us up here will probably be dead by then. It's just reality. How do we prepare? Because everything changes. Where San Francisco was in 1970 and where it is today has totally changed. The average age in the city is 27 years old. There's a different dynamic in this city today than San Francisco was in 1970.

Going forward, how do we change with the times and prepare, Mike? How do we carve out leases, that we move forward, that we don't get behind but yet stay competitive and be loyal to the customers, those that have been with us? How do we move forward into something that it's not so far out, but we have the flexibility to adjust it? Because sometimes, we may need to adjust something. Sometimes, our customers like what happened with Boudin may need to adjust it.

In the new world we live in, we've got to have more flexibility to be able to move and have more flexibility just to be set into something for 66 years. We constantly keep doing the same thing. To this commission, if we have a problem, we need to deal with it now and give the staff some direction on how we want to go. Or you tell us, what do you think that would make it more competitive? Or as Commissioner said, we open it up to more. There's

something about loyalty, to me and you don't see a lot of that today. Loyalty is important. The companies have been here a long time. I don't see Scoma's on the list but a lot of these are legacy companies. They've been here forever. They're like the sun. They shine every day.

What do you think is the direction we need to go? I understand Commissioner's point of trying to get the most we can to give them the flexibility but also for the Port to get as much revenue as it can. They make the proper investments. I sometimes wonder, with everything going on with technology, etc. the day will come that many people won't be going out to eat. So many people now have their food delivered to them. How many of these customers eventually will drop off this list? With technology and everything, a lot of people eat at home, or they order out. Nothing ever stays the same.

Mike Martin – Commissioner, all of the things that you described are layered into what we're talking about today. I think each situation is going to be different. But I think there are some general rules that your work has really helped us understand, as we brought other transactions forward. That's what we do as staff. We apply what we hear and try to make the best business decision we can in the next one. Getting the feedback we've gotten today from all of you helps us go and have that next conversation.

If we need to come back and refine some of this based on what we're seeing that isn't working for some or is working for others, I think that's what we need to do. I totally get the value of loyalty. But we also have a fiduciary duty to the Port to make sure everyone's doing all they can to make the money that allows to pay the rent and do all the things we need to do for the seawall and our deferred maintenance. That's sort of the balancing act we have to pursue. I feel confident that what we laid out in the staff report and in the presentation today are things that make sense in any business conversation. We'll just have to see where that goes from here.

Commissioner Brandon - Mike, thank you for the presentation. I thank all the commissioners for your comments. I think that this is going to be an interesting effort to get through because, other than the date that the leases were approved, I'm not quite sure at this point these restaurants have a lot in common. I think that some are in a better place than others. Like most of our leases, not one shoe fits everything. We're going to have to take it case by case. We can have some minimum parameters but they're all going to be dealt with differently.

Considering how long these tenants have had these leases and the amount of revenue they've been able to make from them, that it is our fiduciary responsibility to bring them to market at whatever point and then, throughout the term, make sure that we're participating in the increases in revenue and not just in percentage rent but that their minimum rents are increasing, because a lot of these have changed hands several times. But yet, we haven't benefitted

from that. Whatever our policies are going forward, they need to look like our current leasing obligations.

Mike Martin - Absolutely.

Commissioner Brandon - I think there's going to be a lot of work to do but I don't want to put it out there that, because they've had these leases for 66 years, they're going to get an automatic renewal.

Mike Martin - That's a fair statement. That makes a lot of sense. We have to make sure that we're doing the right thing by the Port but by the same token, even though they've been there for 66 years, if they are looking at that next generation and saying we're moving our operation to fast casual or something that's going to create more money for everybody, that's something we want to have you consider, in the right circumstances. That's what we're trying to have the room to do.

Commissioner Brandon - We really have to focus on the substructure, the seismic and the flood risk in all of our leases.

Mike Martin - But these especially are really challenging because, obviously, when we need to do the seawall work up there, that's going to be dislocating for the retail businesses. When they need to do their maintenance, we had the comment earlier I made about how do we do that and make sure that everyone is doing their fair share? As you point out, there's going to be some challenges.

Commissioner Brandon - We should start figuring that out now regardless if we do an extension or not.

Mike Martin - Certainly, we should be monitoring that they're fulfilling their obligations and looking at are there ways to do it better, so we can be more confident going forward.

Commissioner Makras - I'm not opposed to renewing leases that are long term like this. What I'm opposed to is not having a policy and it applying to everybody because, when we add years, we are adding value to these restaurants besides the rents we get, besides the capital improvements we get. We are creating an asset by the mere fact that we are putting a 30-year term. My guess is these have all passed hands many times over the years that they've been for these 10. The question is, did anybody drop out? Out of all of these leases, are these the 10 that started 10 years ago, and we have 10 today? Or did we start off with 12, and a couple of them went broke and turned back their leases? Do we have a 100 percent batting average of success among these leases?

Mike Martin - We think these are the full set of 66 years. If there was a failure in the past, it just changed hands and continued over that term.

Commissioner Makras - That's my guess. The point I'm trying to make is they're very valuable. I'm not going to call any particular person or business out but if they've got 17 years left on the lease and they're grossing \$5 million and that restaurant is going to be worth \$3 million today, the reality is, if we extend it by 20 years, that \$3 million may just jump up to \$10 million in value. We are creating the value. As long as we're square with ourselves and we tell everyone that they can do that, I'm happy to explore it. But the net result is we're not going to put things out to bid. The policy decision for staff and this commission is going to be that the ones we put out to business are the vacant ones.

The ones that are occupied that are doing good, that we're going to have tabletop dealing. We're going to make honest deals that are good policy and good business and go forward and that's okay. But then, when people call up the Port and say, "I want a lease," I think it's fair for us to say that the ones we put out to bid are the ones that are vacant, that don't have an operation to them and that we improve our holdings by trying to get the best operators for those empty ones.

In a perfect world, we're like a shopping center that's 100 percent full. We will be the Port of San Francisco that will be 100 percent full. Whatever is making money will change hands on the private-sector part. We'll take our carve out that we agree to carve out. I'm happy to explore it but I just want us to be perfectly clear and have some fairness across the board because it appears to me that it's being sold that this is for the large operators but not all the operators. I want to call that out. If your recommendation is just these 10, I'm going to deal and make the policy based on that. But the wider decision for me is fair play for all of our holdings and all of our tenants.

Mike Martin - I don't think we're proposing any rules that are different from other operations on Port property. We're applying the retail leasing policy to these leases. What we're suggesting in this presentation is plus additional considerations that come with leases that have been in place this long, leases that have substructure responsibility, leases that are located along our seawall on pile-supported structures. I think we agree. I don't think it benefits us to have different rules for different players so that's what we're going to try to do.

Commissioner Makras - What I think would be helpful at least for me and I'm sure it would be helpful to everybody is to quantify what type of expenditures we believe we want in order to extend the lease and how you gauge that because a 40,000-square-foot blueprint will be different in a 1,000-square-foot blueprint. Are you going to do a per-square-foot capital improvement cost no matter how they spend it? And then, they get an add-on to their lease? I'd like to understand the mathematics of how you earn your extension through capital improvements. Whether it's below grade or above grade, I'd like to see how we're coming up with those numbers.

Mike Martin - We'd be happy to show you that. It's going to be a big part of our discussion. We'll do that.

8. FINANCE & ADMINISTRATION

- A. Request approval of the first bond issuance request, in an amount not to exceed \$50 million, for the \$425 million General Obligation Bond to support Phase I of the Seawall Earthquake Safety and Disaster Prevention Program. (Resolution No. 19-08)

Petrucione, deputy for finance and administration - I'm here this afternoon to ask that the commission request that the Board of Supervisors approve the first sale of the 2018 seawall GO bond. Since I was here two weeks ago, the Office of Public Finance has revised the bond request up to a not-to-exceed amount of \$50 million.

As you know, the budget for phase one of the seawall program remains at \$500 million. Port staff continues to seek sources to fund the \$54 million gap in our budget. When Port staff and the seawall finance working group began to identify funding sources for the seawall program, we had hoped to capture the state share of ERAF through an infrastructure financing district.

Last year, we unsuccessfully pursued state legislation to achieve that goal. Now that the city is generating excess ERAF, Port staff realized that we must identify other funding sources to close our phase one gap. Ideas that we are currently pursuing include possible inclusion in a statewide resilience bond, tapping into state cap-and-trade revenue and a new general fund request from the state. Last year, as you'll recall, the state awarded the Port \$5 million for the current-year budget.

We hope to duplicate that success although hopefully at a higher amount for next year's budget. We are also working to create a work plan to develop a waterfront community facilities district to collect special taxes to support the seawall program. This \$50 million sale primarily funds planning and design activities including funding for Port staff, program development, project planning such as geotechnical investigations, a multi-hazard risk assessment, pilot projects, stakeholder engagement and environmental review, preliminary design, eligible costs related to the Army Corps of Engineers flood study and some workforce development efforts related to the seawall.

As I discussed last week, this first sale would include \$45.8 million in project funding. It also includes up to \$4.2 million in transaction costs including a reserve for market uncertainty, costs of issuance, an underwriter's discount and internal city fees.

I do want to note that the Office of Public Finance assures me that it is highly unlikely that the city will need to use the \$2.99 million reserve for market

uncertainty. They have put that in the not-to-exceed amount for the bond sale as a precaution to ensure that the Port gets a full \$45.8 million in project funds.

Just a reminder that this first bond sale will fund seawall program activities through June of 2021. Staff was at the capital planning committee yesterday. CPC recommended that the bond measure go to the Board of Supervisors for approval. We are hoping to receive Port Commission approval for this issue today and are planning to introduce at the Board of Supervisors on April 2nd. If we are able to keep to that calendar, we expect to have the board approve the bond sale on April 23rd. The Office of Public Finance will then sell bonds in the middle of May. We would have proceeds in hand at the beginning of June.

Commissioner Gilman - Thanks again for the report. Do you anticipate any concerns at the Board of Supervisors? Have we done any due diligence with them just to make sure that they're positive in moving this forward exponentially?

Katie Petrucione - We haven't introduced anything at the board yet. We haven't begun the due diligence process but we certainly will.

Commissioner Woo Ho - Thank you. In terms of your funding sources and what you're planning to use the bond, this is a city general obligation bond. What are the repayment sources?

Katie Petrucione - City property tax.

Commissioner Woo Ho - Right now, while I understand we're currently in March and this is not going to market till June, but has there been a forecasted interest rate on the bond? Is it going to be tax exempt?

Katie Petrucione - Yes. It will be tax exempt. I have the memo from the Office of Public Finance. I'm just looking to see if it actually speaks to what the forecast interest rate is. I don't believe that it does. I can certainly find out for you.

Commissioner Woo Ho - Obviously, it changes day to day, week to week. We're an inverted yield curve right now, which means this is a great time to go to the market. By June, I don't know what the yield curve is going to look like.

Katie Petrucione - I spoke to the Office of Public Finance today specifically to get some information about the reserve for market uncertainty. Staff in the Office of Public Finance feel that it is unlikely that market conditions are going to change significantly between now and when we go to sale.

Commissioner Woo Ho - This bond will be rated from a credit rating standpoint. What credit rating will it carry?

Katie Petrucione - It's the city's credit rating.

Elaine Forbes - It's AAA credit rating. The city has historically sold bonds at some of the lowest interest rates in recent years. But the Office of Public Finance typically projects 6 percent in their numbers. But they have come in lower historically for many, many years.

Commissioner Woo Ho - Okay. Since the repayment source is city property tax, in terms of our budgeting process because you have moved some things that were initially in our capital budget to be funded by this source, right? We're going to have to keep a separate budget which is because it's really outside of your normal budget to keep track of where the bond proceeds go?

Katie Petrucione - Yes. The bond proceeds are set aside. We budget for them specifically in a project that is a bond project so that we're able to track them separately.

Commissioner Woo Ho - But are we going to consider the bond proceeds as revenue coming into the Port? No. Because it's a city obligation.

Elaine Forbes - Actually, we will book it as other sources of capital on our balance sheet. It will be seen as an asset to the Port because we're investing it in our infrastructure. It will appear on our balance sheet just as the GO bond.

Commissioner Woo Ho - But it won't be in the income statement.

Elaine Forbes - It will be listed as external contributions to capital.

Commissioner Woo Ho - It will be other sources of funding then.

Elaine Forbes - That's right.

Commissioner Woo Ho - And the impact on the capital budget as far as our surplus is concerned?

Katie Petrucione - The seawall is listed in our capital plan as an enhancement. In the last version of the capital plan, we showed this \$425 million as a source to offset that need.

Commissioner Woo Ho -You'll have to keep lots of different figures and numbers separate to keep track of it.

Katie Petrucione – Yes. We know that from the beginning. It's easier to do it always from the beginning rather than to recreate.

Commissioner Makras - No questions. I support the item.

Commissioner Adams - Good work, Katie. I'm really interested in the state because I hope that we can get more money from the state. I was just up there

recently, had a meeting with Governor Newsom. He's the governor. He's from the Bay Area. He understands the importance of the Bay Area.

Hopefully, he can use his bully pulpit as the governor to step up to help the Bay Area. I think he really understands. He's from here. The lieutenant governor is from here, Eleni Kounalakis, who was a Port commissioner. We've got to weigh in heavy because Speaker Rendon is from L.A., and politics is a funny thing. You've got Southern California. You've got Northern California. Senate pro temp Toni Atkins is from San Diego. But the two top positions in the state, the governor and lieutenant governor, are from here. They're from the Bay Area. We've got to get in front of them. We've got to get some money from the state because this is a good thing.

Gavin understands that, being the mayor of the city at one time. he's definitely got to use that bully pulpit, weigh in and try to get more money in the budget, so we can help for these bonds, etc.

I appreciate all the work, Katie, you and Brad and all the work that you're doing up in Sacramento but we've got to keep beating on those doors and knocking on those doors. One thing about politicians, you've got to constantly knock on their doors, pull them down. You've got to be relentless with them. That's the only thing that they understand. Let's get Governor Newsom down here to the Port. Let him see the seawall. Let him know. He's from San Francisco and use that bully pulpit.

Commissioner Brandon - Thank you. Katie, thank you so much for the report. This is exciting all the work that needs to be done on the seawall. We finally have funds to do that. I know that most of these funds are designated and contracted. We're basically reimbursing or paying for work that we've already approved to be done. If we don't use the reserve, how will those funds be allocated?

Katie Petrucione - They will not. The Office of Public Finance is assuming that we will be paid a certain face value for the bond. If during the sale it turns out we were to be paid less than that and we would therefore need to issue more bonds, then that's where that \$2.99 million comes into play. If in the sale we receive the amount that we're counting on, then the \$2.99 million doesn't get issued. It will be available for the next bond sale.

Commissioner Makras – Yes, it won't be a good sale if they do.

Commissioner Gilman - What would happen if we issue them and we get more than what we're anticipating?

Katie Petrucione - I don't know the answer to that question.

Commissioner Woo Ho - You're talking about an oversubscription.

Commissioner Gilman – Yes, what happens if it's oversubscribed.

Commissioner Woo Ho - It's up to the city to decide that they do not allow everybody to buy who wants to buy. But if they want to allow the oversubscription, they can.

Commissioner Brandon - What is the amount that we need to receive?

Katie Petrucione - Our project amount is \$45.8 million.

Commissioner Brandon - So we're trying to get as close to that as we can.

Katie Petrucione - Almost certainly we will get to \$45.8 million.

Commissioner Makras - I think the reality is they'll bid it down in price. That will be the net result that we will see. If there's, in view, an oversubscription, when they go to market and they go to price it and there's an oversubscription, they'll drop in basis points and they'll meet the mark. We'll benefit in the interest rate.

Commissioner Woo Ho - I know it was raised in the last Port Commission discussion when I was not present the pricing of the bond-cost issues, is that a sliding-scale percentage of the proceeds? Or is it a flat fee?

Katie Petrucione - The cost of issuance is a percentage.

Commissioner Woo Ho - The question is, because we know that we'll eventually continue to issue more bonds, if it is a percentage, then it's a variable. But if it's a flat fee, then you obviously want to have a larger bond issue.

Katie Petrucione - Yes. We are very conscious of the fact that, if we had a smaller bond issue, we would want to partner with a different GO bond sale, whether with health and safety or rec and park so that we would be spreading the costs of issuance.

Commissioner Woo Ho – Do we know who the underwriter is? I know we don't get a choice. The Office of Public Finance picks the underwriter.

Katie Petrucione - The Office of Public Finance has a pool that they've selected through a competitive process and they work through their list. Commissioner, that I don't know the answer to that off the top of my head.

Commissioner Woo Ho - In the future, we should know who the underwriter is.

Elaine Forbes - We'll get back to you on that point.

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion. Resolution No. 19-08 was adopted.

9. PLANNING & ENVIRONMENT

- A. Request adoption of a Port policy in support of San Francisco Board of Supervisors Resolution No. 107-18 establishing local biodiversity as a citywide priority and endorsing interagency collaboration to achieve biodiversity goals. (Resolution No. 19-09)

Carol Bach, the environmental affairs manager in the Port's planning and environment division - I'm here this afternoon to talk to you about biodiversity in San Francisco. Biodiversity is a term that refers to the variety of life on earth. It refers to diversity at the genetic level so the variation that exists in the gene pool of a particular population. It refers to biodiversity at the species level. How many different species are present in an ecosystem? It refers to diversity at the ecosystem level. How many ecosystems are present on our planet? Biodiversity creates healthy and resilient ecosystems that provide our food, raw materials, clean water and medicine.

Biodiversity also supports our physical and mental health and our personal and social resilience. In 2018, the San Francisco Board of Supervisors unanimously passed a resolution that established biodiversity as a citywide priority and articulated five goals for the city to pursue in support of biodiversity.

The Port's strategic plan includes a goal to implement the citywide biodiversity policy. The Port's strategic plan also includes related goals of protecting the Bay and its ecosystems and providing equitable access to public benefits on the waterfront.

Biodiversity is the basis for many of the ecosystem services that health ecosystems provide to us. Ecosystem services is kind of an economist's way of referring to all the things that nature provides to us. Ecosystem services include soil formation, pollination, nutrient storage and recycling, water filtration, food production, pharmaceutical production. It's interesting to note that more than 40 percent of the pharmaceuticals that are in use today are either extracted directly from plants, or they are copies made in the laboratory of compounds extracted directly from plants.

Plants and biodiversity provide climate stability. Plants capture and sequester carbon and plants in the urban environment help reduce heat-island effects. Biodiversity is declining rapidly worldwide as species are becoming extinct at a faster rate than any time since the mass extinction of the dinosaurs.

Habitat loss is the primary cause of extinction. Biodiversity hotspots are areas that are particularly rich in diversity and also at particular risk of loss of that habitat diversity. The International Union for Conservation of Nature has identified 35 biodiversity hotspots in the world. California is one of them.

In the San Francisco Bay Area, more than 30 percent of the historic size of our San Francisco Bay has been filled. In San Francisco, 95 percent of the land

has been developed. Yet, San Francisco retains valuable biodiversity. San Francisco is home to approximately 300 species of birds, 35 butterflies, 150 bees, approximately 470 plants, 22 of which are rare, threatened or endangered. Some of those rare and threatened species are found on Port property.

Biodiversity can exist in our open spaces but it can also exist in the built environment. We can promote biodiversity through encouraging living roofs and appropriately designed landscaped areas. For example, a study that was recently published by the Smithsonian Institution regarding a particular species of chickadee that lived in the neighborhoods, the suburban areas surrounding Washington D.C. was initiated because the population of this chickadee was dropping rapidly. Researchers from the Smithsonian Institute tried to look at what was causing this rapid decline in population and found that the chickadee had evolved and was adapted to eat a particular type of caterpillar. That caterpillar had evolved and was adapted to live on a particular native plant. That native plant was not found as much in this suburban area.

So they started a campaign with homeowners in the area to start planting that native species again and found that, within four years, the bird population had recovered to a sustainable level. This is just an example of how even small changes in the urban environment can have a really powerful impact on biodiversity. They actually found that, on a neighborhood scale, a 70-to-30 ratio -- 70 percent native plants to 30 percent non-native plants -- was what was needed to keep this bird population sustainable.

The city's first biodiversity goal is to maintain biologically rich ecosystems. The Port strives to protect and enhance its Bay and shoreline ecosystems during its maintenance and construction projects as well as in its development projects with development partners. The Port also partners with others including the Department of Recreation and Parks and the Audubon Society to maintain habitat quality in our southern waterfront open spaces. The city's second biodiversity goal is to provide equitable access, awareness and experience of nature.

The Port supports equitable access to nature through its support for environmental education programs and public participation programs for youth and adults at Heron's Head Park. Also our partners at the Audubon Society provide similar programs at the wetlands at Pier 94. Underlying this goal of equitable access is the understanding that access to nature is a health equity issue. Many studies of the interaction between nature and health have found that time spent in nature reduces anxiety and depression in adults. It creates improved cognitive development and happier, more self-confident children. Time spent in nature can help prevent and treat chronic illnesses including hypertension and diabetes because it promotes exercise, relaxation and social bonds, all of which have a profound impact on health.

The Children's Hospital of Oakland is so moved by the findings of all of these studies that they have taken to prescribing time spent in nature to their young patients and their families and have established partnerships with the East Bay Regional Park District to provide transportation and incentive to get their young patients out spending time in nature.

The city's third biodiversity goal is community and ecological stewardship, which means bringing our city residents to experience nature in a hands-on way and participate in the care and support for biodiversity in the city. The Port partners with the recreation and park department's youth stewardship program, which leads education and volunteer programs and the Greenagers program, which gets teenagers from the southeast out into our open spaces. The Audubon Society also leads school-based programs and adult and volunteer opportunities at Pier 94 and Heron's Head Park.

The city's fourth biodiversity goal is ecological planning and design, which refers to considering habitat value in planning and design of our urban environment. As evidenced by that study of the neighborhoods in Washington D.C. that I was just telling you about, consideration of plant selection in urban landscapes can have very powerful effects.

The San Francisco Department of the Environment has developed the plant finder, which is an interactive Web-based tool that planners, architects, home owners, ecologists can use to choose habitat-friendly plants that are also adapted to even their neighborhood-level specific microclimate and soil type.

The Port routinely uses plant finder to specify landscaping in all kinds of projects from very small to very large. Bayview Gateway is a great example of ecological design in an urban waterfront setting. Bayview Gateway includes many native plants that were selected specifically to thrive and provide biodiversity in an urban environment. Similar to designing land-based projects that support biodiversity, the Port can also design shoreline projects that promote biodiversity.

In the vernacular of coastal planning, such projects are referred to as being on the gray-green continuum. So a gray shoreline would be a hardened steel or concrete or similar kind of material whereas a green shoreline might be a purely natural shoreline with just vegetation. There are all other kinds of shoreline treatments that fall on that continuum in between. The Port's seawall project, for example, is probably going to be on the gray end of that spectrum just because of the physical and other demands that it has to meet.

But elsewhere on the shoreline, Port staff are planning and designing a living shoreline stabilization project at Heron's Head Park that's going to involve a dynamic sand-and-gravel beach with shoreline plantings and oyster reef structures that will serve as habitat and also wave attenuation features. A project like that would be a little closer to the greener end of that spectrum.

Another example of small ways that the Port is working to support biodiversity on our property is a recent effort undertaken by our maintenance division with encouragement and technical advice from the Golden Gate Audubon Society.

That image in the upper-left-hand side of your view there is of two ospreys, Rosie and Richie, who have been raising chicks on a crane at Port of Richmond for the last several years. They're on a live webcam and have over 3,000 followers because we're just all suckers for cute babies of all kinds.

Over the past few years, it was brought to our attention that there was a pair of ospreys who were scoping out locations in the Pier 94-96 area that might be suitable for nesting. In an effort to get them to choose something that would not impede our Port operations, we installed an osprey nesting platform, which consists of the Zena bird nest, a plastic bucket basically at the top of a very tall and very smooth pole. The pole has to be very smooth so that urban predators like rats and raccoons can't climb up and get the eggs.

On the far right there, you see one of our Port laborers with the assistance of a man lift provided by our tenant, Hanson Aggregates, carefully placing sticks in the Zena nest that were selected to provide an attractive nesting opportunity for ospreys. So they're out there. They're kicking the tires. We're hoping that we will have a successful osprey nest this year.

I ask your approval of the proposed resolution to support and implement the citywide biodiversity goals.

Eddie Bartley - I'm the president of the California Native Plant Society, the local Yerba Buena Chapter. We are encouraged by and highly endorse the biodiversity resolution that was passed in 2018. We strongly encourage your agency to embrace the resolution to its fullest extent. You may know that San Francisco, despite our environmental credentials, we have one of the lowest native vegetation palettes of any major city in the Americas. We're probably somewhere between 10 and 20 percent best guess. There's not been many studies along that line. But in comparison, New York City has undertaken a study to look at their ecology and they're somewhere over 50 to 60 percent native vegetation there. A lot of this is because of our very mild Mediterranean climate but also, there have been a lot of plants that have been brought in by the commercial gardening industry and pretty much have become the normal here for exotic plantations to happen.

Historically, the agencies in San Francisco have, to some degree through their policies, also encouraged exotic plantations. Of course, we'd like to see that changed a bit to where now that we know a lot more about how co-evolutionary principles work, we'd like to see a real push to put native plantations back into the plant palette. They're suggested at the landscape-design level.

We encourage the Port to fully consider the local biodiversity whenever any landscape design is considered and that includes existing and new building

development. As Carol had mentioned, there's a lot that can be done with landscaping around buildings that would help out our wildlife quite a lot.

Noreen Weeden - I'm with Golden Gate Audubon. Golden Gate Audubon engages people to experience the wonder of birds and translate that wonder into action. We protect native bird populations and their habitats. Golden Gate Audubon has been connecting people with birds, their habitat and protecting our local environment for over 100 years. We've partnered with the Port of San Francisco at Pier 94 and at Heron's Head. Last year, over 1,000 volunteers participated in events, planting native plants, removing non-native, invasive weeds, collecting native seed and learning more about our local native environment. There are over 400 bird species that rely on San Francisco either as a winter habitat, as a valuable resting area during migration or as important foraging area, roosting and nesting along the shore and within the city.

These birds evolved with the native plants. So they depend upon them for nectar, for seed and for the insects that are attracted to the plants. San Francisco is in the midst of the Pacific flyway, which is a major migratory route for birds. The Bay is recognized as a site of Western Hemispheric importance for shore birds. Now, we're faced with protecting our environment and our natural heritage despite increasing urban density and climate change. Golden Gate Audubon supports biodiversity and encourages the implementation of the resolution and the biodiversity leadership of the Port. We look forward to our continued partnership.

Bob Hall - San Francisco is a leader in composting, recycling and with having access to parks. Now, the city is stepping up to address the biodiversity crisis. I urge the Port Commission to pledge to do all they can to support the biodiversity resolution passed by the city but also by the state of California. They just passed their own in September. Why? Urbanization and habitat loss and pesticides as well as the climate crisis are causing a worldwide biodiversity crisis. In places where long-term insect data are available, mainly in Europe, insect numbers are plummeting. A study last year showed 76 percent decrease in flying insects in the past few decades in German nature preserves. The food web appears to be collapsing from the bottom up. One of the biggest impacts of insect loss is on the many birds, reptiles, amphibians and fish that eat insects. If this food source is taken away, all these animals starve to death. The Port Commission can make a huge difference by simply planting local native plants in all their new projects. Native plants support wildlife because they've co-evolved together over thousands of years.

Native plants help clean water naturally because they generally have deep root systems that anchor soil and act as filters collecting dirty runoff from streets and rooftops and separating out pollutants while absorbing water and decreasing flooding. Native plants are beneficial to maintaining shorelines and decrease erosion by slowing down incoming waves and anchoring soil on the shore. Native aquatic plants produce oxygen for fish and take in phosphorus, reducing mid-summer algae blooms and murky green bay water.

The biodiversity resolution is an approved roadmap for you to follow. Now, I hope you get on board and follow it to the fullest extent and do the best you can by planting more native plants and helping biodiversity.

Peter Barstow - I work at the Department of Environment actually. I'm here representing the Department of Environment. I've been working with Carol for many years so really happy that she gave such a wonderful presentation. I'm a tennis fan. I was watching tennis today. When your opponent hits a good shot, you hit your racket like that once. That's what I felt like doing while she was talking. I don't have to say much because Carol gave a great presentation and then the poignant comments by our colleagues in the conservation community. But I just wanted to kind of introduce myself and say how thrilled we are that you all are talking about this today and supporting the board of supervisors resolution that we passed last year and that we are all working together as a community within the city family, 15 agencies actually including the Port, to collaborate and try to lift up our work on biodiversity.

Carol and I and others in the Port, we've mostly been thought partners, strategic partners on projects over the years. But with this resolution that we passed at the board and now with the work that we're doing to go around to the different departments and the different commissions, we're really trying to elevate the level of partnership and the amount of collaboration and the success of working toward our biodiversity goals. I look forward to working together.

Ellen Johnck - I'm here both as co-chair of the Maritime Commerce Advisory Committee and also as a member of the Waterfront Land Use Planning Workgroup. First of all, like Peter, I was delighted to see this on the agenda, the resolution asking you to support the biodiversity goals, which we, the maritime committee, heartily supports and me personally. We had wonderful conversation about biodiversity at the waterfront land use planning sessions. Peter came to that, encouraged us with a lot of ideas. I was pleased to see some of the policies coming out of that. You might say why is this important to the maritime industry? Well, we operate and the Port operates in the crucible of life, water, plants, wildlife in San Francisco Bay. And of course, this happens all over the world. A resolution like this enables us to be more successful in caring and stewarding our environment in which we operate. That's, first of all, one reason. You are enabling us to be more successful in stewarding. Going up to the next level, any project that happens on this waterfront, there are enumerable environmental regulatory permits to secure. The better we can do in saying here is a resolution, has the words, has the policies in it, we endorse these and can use these in our statements of avoidance, minimization, mitigation, the whole panoply of ideas. So that's why this is important to those of your tenants on the waterfront.

Commissioner Makras - First, I support the item. If we approve today, then all future projects and everyone would implement lots of what's in there. Is that accurate?

Carol Bach - Yes. It's not intended to be a regulation or a sort of hammer that we're going to put on ourselves or our tenants or our development partners. It's more of a statement of intent and aspiration that this is something that we believe in, that we're going to work to achieve these goals and that we're going to do that in partnership with our tenants, our development partners, non-profit organizations and the community.

Commissioner Makras - I'd have a follow up to that to tell you the truth. So it's optional then. I prefer that it not be optional. But the way you're describing it is optional if, say, the developer didn't want to do it.

Carol Bach - It's not a regulatory requirement. You could construe that as being optional.

Commissioner Makras - In your presentation, you referenced water filtration. Could you walk me through where that would happen?

Carol Bach - One of our commenters described it well when he was talking about native plants and how they function on land in terms of absorbing water and being deep rooted and helping get water trapped into underground where it's filtered. Nutrients are removed. But that process works the same way in the water and on the shoreline where shore line plants absorb contaminants and release oxygen back into the water.

Commissioner Makras - So it's a natural process versus a filtration plant or running the water through something to filter it to get a different result.

Carol Bach - Yes. Perhaps that was an awkward choice of words. But what it's meant to convey is that's a process that healthy ecosystems provide naturally.

Commissioner Gilman - Carol, thank you for the report. Sort of in the same line as Commissioner Makras. I support the item. Not for today but maybe as a follow up to staff, I'd like to see whether or not we could incorporate these goals in future, not existing, RFPs that we have coming up since we have the historic piers. We eventually will have some developments at Piers 30-32 to see if this could be some sort of either bonus points or additive to applications if folks choose to opt into these since it's my understanding the Board of Supps did not pass regulatory. They just passed a statement of intent.

Commissioner Gilman - Once we get our nests up and birds there, I will definitely subscribe to our view cam. I was really excited to hear about that.

Carol Bach - We haven't got the camera yet.

Commissioner Gilman - I know. But it's a way to engage the community.

Carol Bach - I'll keep you posted.

Commissioner Gilman - I do think though, for us and our ecosystems and we're charged with the public trust with maritime and recreation, this is even more important to us as an entity within the city ecosystem itself. I'd like to see us make it as mandatory as we can.

Carol Bach - Thank you.

Elaine Forbes - I just wanted to clarify one point as it relates to policy versus regulation. Because it's not regulatory, it's not required to get a permit. But because it's your policy, we will say at any point if we are recommending a diversion from it or we can't comply for one reason or another. You will see that upon approval. It is always our intent that everyone complies with the policy so it's not that it's optional. It's a policy statement once adopted from the commission.

Carol Bach - I also wanted to thank you for that suggestion about making this policy explicit in RFPs. I wanted to let you know that our development partners really are already on board with this idea. The two biggest projects that we have going forward right now, Pier 70 through Brookfield Development and Seawall Lot 337 with the Giants -- both of those teams are well informed about ecological design in landscaping. I've been in communication with the landscape architects with both of those projects. They're already embracing making these kinds of policy decisions that support biodiversity in their planning.

Commissioner Woo Ho - Thank you, Carol. It was a great report. I think I was educated. I didn't realize that we had so many different native species in San Francisco. I learned a lot. Obviously, all of us do subscribe to biodiversity. I think it's a good term in terms of it's holistic. It's ecological. As a policy, it's a good idea that people know that we are serious about it and that we hope that we can see it executed in terms of how people go forward doing about their business and not necessarily a regulation per se. It adds to the richness of what we're doing.

Commissioner Makras - Well said.

Commissioner Adams - I'd like to acknowledge the original owners of the land, past and present, Native Americans. You were here first. Carol, you're awesome. I can feel your passion about this. You don't come here very often but you've laid so much out. For me three years ago, when I went to Antarctica with National Geographic, I didn't even realize what was happening in my own backyard. You've been making these presentations. And I've just been so inspired. What I've really liked is you're bringing the next generation along. Looking at most of your slides, you had younger people and you're taking the time. It's so nice that they get to understand this property and all the stuff that we have here and these different species, etc.

It's going to be up to them to preserve this legacy. I appreciate your hard work. Every time you lay something out, I just look at it more and more. I really like it. I always look forward to your presentations. Do you take these presentations out to the schools?

Carol Bach - I do not.

Commissioner Adams - I think it would be great to take it out or even to put a video together because they're so informative. More people really need to know about this. Madam President's two grandkids are here today. This is important. This is the next generation that's going to have to really take care of this. Eddie, I really appreciate you coming out. This should be an education for the whole public. Just like we talked about sea-level rise, this biodiversity is so important about San Francisco moving into the future but also maintaining what we have and preserving this legacy for generations to come. Carol, thank you very much.

Carol Bach - Thank you for your kind words. I also wanted to thank you because you commissioners have been voting every time you vote on the Port's budget to support the environmental education and community engagement programs that we're doing. Thanks. That's why there are those young people out there.

Commissioner Brandon - Carol, thank you so much for your report. This is definitely a significant issue. Thank you for bringing it to our attention. Thank you for keeping us up to date on the total environmental front because you are the steward of the waterfront when it comes to that area. Can you just give us an example of how these goals will be incorporated in Crane Cove Park?

Carol Bach - Crane Cove Park's plant palette is designed with ecological value in mind. All that you've heard today about the value of native plants is going to be incorporated into the landscaping at Crane Cove Park. Crane Cove Park also is going to have storm-water gardens that are planted with native plants but that are designed specifically to do that water purification step that Commissioner Makras was asking about. Those will be places where storm water is funneled into certain locations and filtered through plants and into the ground rather than being discharged directly to the bay where it would carry sediment and other pollutants.

I think those are probably the two biggest things that an urban park like Crane Cove Park can do. We've learned how important those things are. They may seem like minor steps, but they're very impactful.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 19-09 was adopted.

B. Informational presentation on PG&E Sediment Remedial Investigation and Remedial Action Planning from Pier 39 to Pier 43½.

Kathryn Purcell - I work in the Port's planning and environmental division. I'm here today to review with you the sediment investigation work and upcoming remedial action planning within this project area. As shown on the waterfront map in front of you, working from the bottom of the page in the yellow box, our project area starts at what we call Pier 39 East. It works our way up past Pier 41, past Pier 43½ and up to the Pier 45 East at the top of the page water area.

To help understand today's project, I want to briefly look at the historical development along the area of the waterfront we're referring to as Pier 39 to 45. As shown in this 1905 map, the Port's seawall has been completed to Mason Street by 1905. The landside area has been filled. I want to point out the black demarcated lines around one parcel, one block of the city. This was basically starting at the turn of the century, a coke and coal gas production facility.

This is adjacent to Port's property along the Embarcadero and then out to the Bay side. As shown in the 1913 map, the area behind the seawall, as you can see, continues to be filled in to the west moving towards Fisherman's Wharf. The Belt Railroad now runs along the Embarcadero ending at Mason Street. What's important to note here again is the black demarcated block. Pacific Gas and Electric has purchased this what we call a former Beach Street manufactured gas plant in 1911 and reportedly operated it until approximately 1931.

Jumping forward into this photograph from 1938, it's quite interesting working from the right to the left of this photo. This is the historic footprint of what was Pier 37 to the right. Moving left, you had the original Pier 39 footprint over to Pier 41 and Pier 43. All of these had been built by 1938 and are sitting adjacent to and the waterside of the former Beach Street MGP plant, which is again outlined in a black demarcated line.

Briefly, Pier 39. It's a fascinating picture. When you look at the left, the 1969 aerial shows you the historic Pier 39 flanked to the right by Pier 37 and to the left by Pier 41. By 1976, all of these overwater structures have been removed to make way for the new Pier 39 facility. The 1980 aerial on the right shows the new Pier 39, which is a pile-supported pier structure. To the right side is their east small craft harbor marina. On the left is the west marina where excursions have taken place out of.

The entire Pier 39, when constructed in the late 1970s, is protected by rock breakwaters and what we call a fishing pier. Moving left away from Pier 39, we move over towards what we call Pier 41½. This area was occupied starting in 1979 by Blue and Gold Fleet, who was operating pleasure cruises out of an area within the Pier 39 west harbor.

In the early 1990s as Pier 41 was completely taken down, the Blue and Gold Fleet expanded operations to now service ferries coming out of San Francisco to Alameda and Oakland. The aerial on the right, the 2011 aerial, shows you the current Blue and Gold Fleet, which is a key operator of SF Bay Ferries out of Pier 41½ to various locations along the Bay.

Stepping just a little bit to the left again from Pier 41½ to Pier 43, what you see here in 2011 was you can see Pier 43 is actually being demolished. The 2014 area, you now have what we have today along that waterfront, a refurbished ferry arch, which is a historic site, and the Pier 43 Bay Trail Promenade for both walking and bicyclists.

Lastly, I just want to point out Pier 43½. It's had a very important history along this part of the waterfront with the Red and White Fleet sightseeing tours originally moving here in 1950. Over the years, as the old Pier 43½ pile-supported parking lot was removed, as the new pedestrian and bicycle promenade came in and to what you now see on your far right in this 2014 aerial is the San Francisco Bay's Crowley and Escher family Red and White fleet, who continue to operate the excursion company out of Pier 43½.

Why is all of this important? We look at this demarcated area, which was the historic Beach Street manufactured gas plant. This site was sold in the 1950s, razed in the 1960s and turned into a hotel operation. In the mid-1990s, the hotel embarked on an expansion and uncovered some contamination remaining subsurface to the hotel. Subsequent to that, Pacific Gas and Electric entered into a voluntary agreement with the California Department of Toxic Substances Control.

Over the next four or five years, 2011 to 2015, conducted investigations in this block, soil, gas, groundwater. Ultimately, in 2015, PG&E and the hotel owner did receive a no-further-action from the DTSC specific to the parcel bounded in black. Unfortunately for the Port, in 2011 and 2013, our tenant Pier 39 was conducting pre-dredge sediment characterization and identified some elevated contaminated sediment in both their east marina and their west marina. It had been related to the historic manufactured gas plant site.

Fast forward to 2017, the California Regional Water Quality Control Board ordered PG&E and the Port, as the property owner, to further investigate sediment. What you see in this current figure is a red-bounded area for what we now refer to as the Pier 39 to 45 investigation area. It expanded from the original west and east marinas to carry all the way over to the Pier 45 basin. It extends approximately 1,000 feet offshore. Since 2017, PG&E with support from the Port have completed a series of investigations and determined the extent of PAH contamination in the sediment.

This figure that you see here with all of the dots signifies all of the boring locations where samples for sediment and poor water have been collected and analyzed. What you see behind the seawall along the shoreline are soil borings

in the upland area and wells. Again, this is all in proximity to the historic Beach Street site.

In December of 2018, the remedial investigation report with all of this data was submitted to the Water Board. There were a number of areas identified for evaluation for remedial alternatives. I want to briefly note that on the figure you see here, we have a number of areas.

A is an offshore area adjacent to the Red and White Fleet 43½. B sits off of the Pier 43 ferry arch. C is sitting within our Blue and Gold Fleet ferry operations. D is sitting within the Blue and Gold Fleet excursion operations. E is sitting within Pier 39's small marina harbor.

These are all areas that we are now working towards remedial alternative evaluation. The Water Board is requiring a series of project work to take place over the next year and a half. What I wanted to show you here was we've got to finalize the investigation report this next spring. At the same time, PG&E is embarking upon studies to support a remedial action plan, geotechnical survey work, conceptual design to come forward to the Port and our stakeholders and the agencies later this year on what remedial concepts could work within this very diverse area.

Then, simultaneous to this remedial action planning, the Water Board as the lead agency is embarking on a CEQA study. That, too, would be completed in its draft format early next year. Once the remedial plan and the CEQA study are adopted, we anticipate that the Water Board will issue a cleanup order for PG&E to remediate and the Port, as a property owner, to participate.

It's important to note that this highly visible project has included quite a bit of outreach and engagement. Port staff have actively worked with PG&E project manager, program manager and staff to engage regulatory agencies, our stakeholders, our tenants including Pier 39, Blue and Gold, Red and White over the past two years. We've been working to facilitate review of the investigation requirements, to assist in scheduling site access and to try to limit impacts to the ongoing tenant and Port operations during investigations.

Critically, due to the rather dense nature of the subject matter, we've had a number of briefings to try to walk stakeholders, agencies and tenants through results and through what the agencies will be requiring to be in compliance with environmental regs. We will continue to engage agency stakeholders and tenants as we move through the next years' worth of remedial planning and the CEQA study. What's key here is we're working with engineering, real estate, maritime, environmental and planning to ensure that whatever is put forward for remediation, the objective is to complete this work as timely as possible while minimizing impact and protecting the environment.

Future opportunities for stakeholder outreach include the Water Board will have public meetings as their remedial action plan and their CEQA study progress.

We anticipate having project pre-application meetings with agencies to review and discuss remedial alternatives and develop a permitting strategy for this ultimate remediation program. Once the Water Board cleanup order is in a draft format, of course, that will undergo public review and comment. The team anticipates an updated information presentation to the Port Commission later this year, early next year as the progress on the remedial plan and the CEQA document progress.

Sheridan Noelani Enomoto - Aloha mai kakou. I'm here representing Green Action for Health and Environmental Justice. I want to thank you, Commissioner Adams, for acknowledging the first people of this land, specifically Ohlone territory, Muwekma, I believe, and the village of Yelamu. I hope to see that in the future in the beginning of every meeting there's an acknowledgement of that. I'm actually here unfortunately to talk about kind of an elephant in the room when it comes to the other "C" word, which is contamination. In relationship, it is a new reality when we talk about contamination, the shoreline and the onset of sea or water-level rise. Now, it's not a surprise to the commission when I say that, on March 13, 2019, Los Angeles Times came out with new research and an article stating that the greatest impact that we're going to see in California is not going to come from wildfires or earthquakes because of climate change but because of sea-level rise. So what this project really exemplifies is going to be an ongoing reality of what we're going to do with the reality of contamination in relationship to the waterfront and the shoreline and shoreline communities and its impact.

Now, what was not fully mentioned in the presentation was the part of the remediation of this plan is to leave contamination at the shoreline in place and also dredging. I don't know if you've been noticing or paying attention. But when it comes to capping, it has proven not always to work. Hurricane Katrina is a great example of that. Severe impact of flooding, a lot of that capping lining broke. I do recognize this is a new type of research. There's not enough to look at that but we need to start thinking about that. This needs to be a more ongoing conversation and maybe incorporating a policy to take a look at that or a measurement or another kind of filter to think through when we make these decisions around development, especially around the shoreline and contamination and leaving it in place.

It also undermines, unfortunately, conservation efforts. Contamination doesn't work well with conservation. It's kind of cliché when say haste makes waste. But let's also recognize that haste in a remediation plan of leaving hazardous waste in place can have very severe, irreversible impacts.

Julia Alvarez - I'm with Green Action for Health and Environmental Justice. I wanted to bring up the concern of the methods that are going to be used for remediation, which in the memorandum was stated as dredging and capping. But through some research, I found that capping is not the best method for contaminants that are in the soil. They tend to migrate. My concern is what are the methods for surveillance of those contaminants once they've been capped

and what the effects will be on the population when those contaminants begin to migrate, what those health effects will be on the populations and the communities around the pier.

Commissioner Gilman - I wanted to thank staff, and I wanted to thank the public for coming out. It seems through your presentation there will be many points in time where this will come back to the commission. We can look more deeply into what the actual game plan is for all of this because it indicated that the order has not been issued yet and that the CEQA has not been done, which I'm sure would examine all of these issues that were raised by the public since environmental integrity is important to us at the Port.

Kathryn Purcell - Correct. The next phase of work is to take the results of the investigation, which has confirmed contamination at various depths and at levels and develop remedial alternatives and to study the feasibility. As PG&E puts forward the proposed remedial alternatives, we will be conducting our review both from an engineering, an environmental, a planning, a sustainable standpoint. This will go through interagency review and comment.

I don't anticipate we'll know what the remedial plans are for at least a year while dredging and sediment capping and other methods have been put out there in the remedial investigation report as potential approaches until the feasibility study and the various impact studies are completed. There's no decision on what that will look like. That's really where we'll come back in a year.

Commissioner Gilman - Thank you, Kathryn. That answered my questions. I just want to make sure we keep in mind what we heard from public comment as we move forward in this process.

Kathryn Purcell – Absolutely.

Commissioner Woo Ho - Thank you. It sounds like this was a pretty exhaustive study having gone through it from almost the beginning of time. Thank you very much for doing that and educating us in terms of where all the various piers have been and some of them that are no longer with us today to understand this issue. In the staff report, you talked about PG&E's role and we didn't really talk about it in the presentation. Going forward and given where the state of PG&E is right now as we know in bankruptcy, what is the role of PG&E vis-à-vis ourselves at this point?

Kathryn Purcell - Joining me today is the PG&E program manager, Darrell Klingman, who manages their manufactured gas plant program.

Commissioner Woo Ho - Because they are taking the primary role in the mediation effort, we need to understand what's going to happen as we all know about the current state of PG&E i.e. changing the timing or the planning, etc. so that we understand that.

Darrell Klingman - I'm with the environmental remediation program at PG&E. As I guess everybody in this room is aware, on January 29th, we did file for Chapter 11 bankruptcy protection due to some potential liabilities associated with wildfires. What you probably are not aware of is, on that same day, we filed first-day motions as part of that procedure. That included such things as continuing with our environmental program for those projects that have recovery mechanisms in place. These projects that we're talking about fit into that bucket. There are rate recovery processes in place. The bankruptcy judge has given us permission to go ahead and proceed.

Commissioner Woo Ho - Time wise, it sounded like we just talked about having a report a year from now. What's going to happen between now and a year?

Darrell Klingman - A lot of engineering studies to figure out what is the right way to come to the right remedial answer for each of those areas, A through E.

Commissioner Woo Ho - For us to understand, what's the definition of remediation? What does remediation actually cover? Does it cover full contamination?

Darrell Klingman - It will cover everything from full dredging. It will look at capping. It will look at other solidification techniques. It'll look at the whole range of what's available in the palette that we're aware of. It'll look at the technical feasibility of each of those different remedial options and how that fits with the Port's plans and their tenants' plans for working in the future.

Commissioner Woo Ho - To understand exactly, what's the Port's role over this coming year?

Kathryn Purcell - PG&E has been leading all investigations and reporting as the lead, potentially, responsible party. The DTSC and the Water Board have orders in place with PG&E as the primary. The Port is named as a secondary, as we're the land owner. Our role has been and will continue to be technical review of all work within our property, outreach and ensuring that impacts to premises and operations are minimized. We will continue to work with the PG&E staff and the agencies and all of the stakeholders as this project moves towards remedial design.

Commissioner Makras - Thank you. First, your presentation was great. Well done. Since PG&E is in the primary-role position and the notice from the Water Quality Board named them number one, have they taken full responsibility for the cleanup? Or is there still an outside question of who is responsible for the cleanup? I would say that PG&E has been the primary responder to development of all work plans, implementation of all field work, reporting of all work. They're currently working to respond to the Water Board's requirement for remedial design. Port legal is working with PG&E legal on cost-share agreements and future contractual agreements. Until we have an image of how remediation might look at each of these areas and the footprint could very well

differ, all of those agreements have not been finalized. But today, PG&E has worked very cooperatively with us and responsibly and continued after this pause from the bankruptcy filing.

Commissioner Makras - You said in your report that the Water Quality Board was to initiate CEQA. Is that correct?

Kathryn Purcell - Correct.

Commissioner Makras - So PG&E wasn't going to initiate it, and we're not?

Kathryn Purcell - The Water Board, as the lead agency for approving this project, has taken on the role as the lead CEQA. They will be directing the consultant on the CEQA study. They expect and turn to both PG&E and the Port to provide information to help the CEQA study progress. But in remediation projects such as this, the Water Board has and will take the lead CEQA role.

Commissioner Makras - I think I'm going to direct this to our director. Has this been discussed at all in closed session? Or is this just an open-session item and never came before the commission in closed session?

Elaine Forbes - It has not been discussed in closed session at this point. This is an open-session item. If there was a point at which we were in dispute, we would immediately bring it into closed session. Or if there are terms of the negotiation relative to cost sharing that we'd like to work with you in terms of payment, we would bring it into closed session as well. At this point, it's been a cooperative arrangement.

Commissioner Makras - I'm not trying to elevate it but you know, there are clear questions in my mind on competing interests. We may want a full cleanup with no capping. PG&E may think capping is better or cheaper and we're going to be in conflict on what the end result is going to be. I would limit that single issue of different interests between us and PG&E. And maybe offline, we can have some discussions. I believe it would be in our best interest to be proactive and not let a lot of time run by us and the statute of limitations catch up with us if we are going to call out a dispute or a different point of view or looking at it from a different lens or looking at it to have a different result than PG&E would have.

Elaine Forbes - Very good. We'll keep a close eye on when a closed session might be appropriate.

Commissioner Adams - I think my fellow commissioners have hit on every issue. Very well done, very thorough. I look forward to you coming back. All my questions were answered.

Commissioner Brandon - Kathryn, thank you so much for this presentation. I learned a lot of detail that I didn't know. This was great. During your discussions with our stakeholder, your engagement, is there any opinions or comments that you feel should be brought to our attention?

Kathryn Purcell - What's been really critical on keeping this project moving forward is tenant maintenance projects and tenant operations. The regular communication and meetings have been collaborative. It's an ongoing back and forth between our permit, our engineering, our team and the PG&E folks. I don't have anything that we're not addressing. I think that net will expand as the remedial plans begin to be conceptually designed and brought forward.

Commissioner Brandon - Do we have any tenants with concerns?

Kathryn Purcell - I have a few tenants here today. We're working with Red and White Fleet and Pier 39 to make sure we understand the breadth of tenant improvement projects, maintenance projects, the timing and how to work those in and around this remedial design project. In highlighting how some issues have been addressed, Pier 39 did incur and will be incurring increased dredging costs for dredging and disposal of contaminated sediments. PG&E has been working directly with that tenant on cost sharing negotiations and payment. There is an active effort to address those kinds of issues.

Commissioner Brandon - Thank you very much. I really appreciate this.

Commissioner Makras - Do you know when the first notice from the Water Quality Board was?

Kathryn Purcell - In 2013, the Water Board issued requirements under the Port's maintenance dredge permits to conduct additional investigations. Then, in August 2017, the Port and PG&E received a 15.267 letter directing the investigation.

10. NEW BUSINESS

Jeanne Lyons - As I stated before, I'd love to implore you to consider the reasons not to give the Seawall Lot 330 on the Embarcadero to the city for the homeless shelter. I feel like it's the blinding glimpse of the obvious. The impact on the neighborhood was not considered, let alone the impact of the businesses and most didn't know about it until three weeks ago. As I mentioned, I had canvassed about 18 businesses at that time and they didn't know from Safeway to the VIA Hotel to the 21st Amendment. As you know, the mayor is working handily to fast track legislation to forego the process for all Navigation Centers. Unlike the shelters on Fifth and Bryant and in the Dogpatch, the one on the Embarcadero is extremely densely populated. By the way, the Fifth and Bryant one is in District 6. As Commissioner pointed out today, San Francisco is changing. So as of 2017, there was almost 14,000 people that live approximately a half mile within the proposed Navigation Center. This is an increase of 25 percent over the last five years. You

mentioned that the median age was getting younger. They're trying to have families. The number of children has increased by 49 percent and let's not forget the people over 60. There's a lot of people that's also increased in our neighborhood. The highest concentration of schools and childcare facilities in San Francisco are within the walking distance of the proposed Navigation Center. The stats and the experience of the homeless shelters do not support the location, the crime, encampments and the drug use. The center will allow drug addicts but not doing drugs within the facility so they'll be doing it outside. One of my fellow residents, as you've probably heard, recounted the fact that a child has to get HIV tested because they were pricked by a discarded needle where they were playing. Mimi Silbert from the Delancey Street opposes this. She stated at the last community meeting at the Delancey Street community meeting that she's got an extremely successful program where her residents are off of drugs and are starting a new life. She does not need this next-door setup. Studies in Vancouver in L.A. show homeless shelters increasing breaking and entering by 83 percent and car vandalism by 43 percent. As far as the Nav Centers are concerned, 12 percent of the Nav Centers leave due to violence. Twenty percent who exit successfully are subsequently booked in jail. 21 percent of the sexual offenders in San Francisco are homeless. What does that mean for the residents of the area and the Navigation Center? As you probably heard again at another meeting, a neighbor conveyed that a woman in our neighborhood had to have a homeless person pulled off of her as she was nearly raped, let alone the children and the increase of the children population. Pets are also allowed. If 50 percent of the 225 people at the Nav Center have dogs, that's 100 dogs. Quite frankly, a lot of these dogs are not taken care of and they're typically off-leash pit bulls.

Commissioner Brandon - Thank you so much. We really appreciate your comments.

Commissioner Woo Ho - It's sort of related to what we've been hearing. I think it's important that we do hear and ask for Port staff to give us the go-forward plan since we discussed it two commission meetings ago in terms of our plans to issue an RFP for Piers 30-32 and Seawall Lot 330. It's also important to point out for the public record that, while we're discussing the Navigation Center on that site, any development of that lot and the piers is going to take some time. It usually takes years. So an interim use is not necessarily something that we cannot consider in parallel. I'm not here to answer the questions. I think the community has raised lots of questions about the Navigation Center. There has to be a lot more work done to address those concerns and the issues of the community. I think that's something that has to be done with the city. I think the various agencies that need to be involved are aware of that. We are not in the best place to be able to answer all of the concerns about safety, location, etcetera, the type of model that it should be. But I do think the Port, and I've been on record to say that this is not the right long-term highest and best use for that particular piece of land. The Port needs to continue to proceed in parallel to understand what the long-term future is and that the interim path is something that has to go through its due process with the community and with the mayor's office and all the other departments of the city.

11. ADJOURNMENT

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

Port Commission President Commissioner Brandon adjourned the meeting at 5:45 p.m.