

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING JUNE 11, 2019

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 1:45 p.m. The following Commissioners were in attendance: Kimberly Brandon, Gail Gilman, Victor Makras and Doreen Woo Ho. Commissioner Willie Adams was not present.

2. APPROVAL OF MINUTES – May 28, 2019

ACTION: Commissioner Makras moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. The minutes of the May 28, 2019 were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

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

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

At 1:45 p.m., the Commission withdrew to closed session to discuss the following:

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Items)
- a. Property: Seawall lots 323 and 324 and portions of Davis and Vallejo Streets, located at Broadway and The Embarcadero
Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate and Development
*Negotiating Parties: TZK Broadway, LLC: Darius Andersen
Under Negotiations: ___ Price ___ Terms of Payment X Both
- b. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally

by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

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

*Negotiating Parties: SWL 337 Associates, LLC: Jack Bair & Carl Shannon

Under Negotiations: ____ Price ____ Terms of Payment X Both

5. RECONVENE IN OPEN SESSION

At 3:15 p.m., the Commission reconvened in open session.

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

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

6. PLEDGE OF ALLEGIANCE

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

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

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Linda Richardson - I'm here on item 8. I know it is not on the agenda but I just wanted to be part of the hundreds more of San Franciscans that have already stated their support for the TZK project. That facility already for decades housed the ZinZanni. Now, you're going to be having a hotel there. I think the hotel is very compatible. As a member of the working group, this kind of project is basically what we are recommending for the Port to generate your revenue but also to enhance the Embarcadero. We are very excited. I also want to take the opportunity to talk about the developers. Having had the privilege to be part of the development at Treasure Island, I can attest to the excellent team player Mr. Jay Wallace and Darius

Anderson. They represent the community of stakeholders. We've already known what they are capable of doing for the city and county of San Francisco. Having them also be developing this critical space is a testament that we have a good respect for them for the way they conduct themselves and for the overall community benefits. Jobs are going to be created. I'm sure you're going to hear from labor. You're also going to be hearing from the other stakeholders. The arts community is on board. This is a win-win situation. I want to encourage you all to please, when you get to that item, look at the overall comprehensive benefits.

Alex Lantsberg. I'm here representing the San Francisco Electrical Construction Industry, which is the organized electrical industry with IBW Local 6 and the San Francisco Electrical Contractors Association. I'm here in support. I realize this is general public comment of the Teatro ZinZanni project. I realize you're not hearing it today but we really want to make sure that you're aware of the broad-based community support for this project. This is going to employ union members putting this up. It's going to employ union members operating it down the line. It's going to be a huge enhancement for the city. Personally, as the business manager of a circus was the first nonprofit job I had in town. It introduced me to the wonderful weirdness that is that community. Teatro ZinZanni folded up for America's Cup, I think the city lost a great deal both in terms of the opportunities for artists as well as just simply character. Bringing this project back and at the scale that is being envisioned right now is absolutely great. Hopefully, you can help make this an ongoing institution for years to come.

Beaver Bauer (Debra Bader) - I'm a work-in-theater artist in San Francisco. I was the resident costume designer for Teatro ZinZanni. I urge you to please bring it back. It provides wonderful work and opportunity to many people. It flourishes. We support the fabric stores and the dollar stores and the department stores. We buy and we make beautiful things to delight our audience. For myself, I have an opportunity to present the most wonderful creative and crazy things at ZinZanni and the most lovely. I'd like for myself to come back but, more than that, the other theater workers in the area to have jobs again. I design for ACT too and other places. The amount of work and how many places actually have a costume shop in the Bay Area is shockingly small for such a large town. I ask you to please bring it back and let us continue to give the gift of ZinZanni to the Embarcadero and San Francisco and the tourists and everybody else and a really wonderful and unique evening out on the town.

Kristin Clayton - I have been a San Franciscan since 1993 and a longtime Teatro ZinZanni performer and opera singer. I also want to piggyback on Beaver's comments about having missed this show as a performer. I have so many friends who constantly ask me, "When is it coming back?" I'm so pleased to be able to tell them it has not died. We are just having to go through all these important steps. I hope that we're close to the end of all the things that we needed to do to impress upon you what the Spiegel tent itself brings. It's such a unique thing to be able to go inside a theater that's pre-designed and it has velvet. The one up in Seattle I went to see, I remembered how patrons literally forget their lives for those three hours. You feel like you're in another time. I've just missed it. I've missed it so much as a

performer and as a singer. I want to stand here before you to represent all the artists. We have jugglers, musicians, magicians from all over the world, people that come to put this show together. We spend usually about three to four months doing one version. We recreate it again so that it's never boring. It's never something people constantly see. You're always going to see something new and a new combination of us. Also, I have a dear friend who is in Beach Blanket Babylon. I saw that show that was running and kind of almost like a landmark show for this city is closing at the end of this year. As sad as I am for them, I'm super happy that maybe ZinZanni can step in and be that unique thing that San Francisco offers to people. I think it's so important. We're not New York. We don't have all these Broadway shows to choose from. To have our own show again here would just be a dream come true.

Marvin Kasoff, Renew SF - I'm a resident of North Beach on Telegraph Hill. I'm the founder of a group called RENEWSF. We've been working in the community in North Beach, Telegraph Hill, the waterfront, the Embarcadero for almost 20 years. We're responsible for a grant of almost \$200,000 from Caltrans to remake Telegraph Hill, widen it and have opportunity for more outdoor dining. We were responsible for the Language of the Birds project, which some of you may know at the corner of Columbus and Broadway. We worked on an original study group with BCDC and the Port 20 years ago, which resulted eventually in the widening of Jefferson, the remake of Jefferson, the landscaping, all the benches and the wayfinding signs that are still yet to be finished thanks to Dan Hodapp. I'd like to speak on behalf of Teatro ZinZanni, which was displaced with a promise that they would have first crack at an opportunity when it arose. I suspect that all of you know that it's a much better use of a corner on the waterfront than a parking lot. I'm assuming that everybody knows that without any question. Teatro ZinZanni would be a wonderful addition to the neighborhood.

Timothy Reyff, Carpenters Local 22 - I'm a field representative with Carpenters Local 22. I'm also a native San Franciscan. I'm here to speak in favor of Teatro ZinZanni. TZK has been a great partner throughout this. You're getting a theater where there's nothing, a hotel in place of a parking lot. There's also a park that I believe is going to be put in place. This is a great project. San Francisco needs stuff like this.

Annie Jamison - I'm with Teatro ZinZanni. I just want to thank the commissioners and the Port staff for all that you've done and all the work that you've done to help bring Teatro ZinZanni back here and everything that it's going to take to move this into its final phases. We are still receiving daily requests from corporations and individuals and businesses from all over the area, all over the state to bring it back and have a regular show here. We're excited to be in these last phases. We look forward to these final steps and also to bringing the over 100 employees it will take of all kinds, kitchen, wait staff, theater workers, administrators, creative teams to get this back up and running. We look forward to these next steps.

John Corsa, UA Local 38 - I'm a business agent for Local 38 plumbers and steamfitters here in San Francisco. I'm here representing Larry Mazzola and all the

members of our union. We are in favor of the project. A hotel, a park and a theater, will bring lot of jobs during the construction and after to the city. We are speaking in favor of the project.

John Stewart, North Beach - I'm a neighbor and also a principal in The John Stewart Company, which has teamed with our partner, BRIDGE Housing. We are going to be neighbors with Teatro ZinZanni because we're developing 88 Broadway, which is going to be 178 total units including the property that's owned by the city. Congratulations. My hat's off to you as a public entity to support a project that has a portion of the units that are at 30 percent of AMI, formerly homeless -- a lot of people wouldn't do that -- and a portion that are 120 percent of AMI, the missing middle, teachers, first responders. It's going to be an interesting dynamic between people who are making very little money and people who are making \$10,000 or \$11,000 a month. It's going to be a great challenge. We've worked with Jay closely. We have tangency on Davis with some utility lines. They're very cooperative. We think they'll add excitement to the neighborhood. My only complaint is that Jay would not hire me as a former trapeze artist, and there will be litigation. Thank you.

9. EXECUTIVE

A. Executive Director's Report

- American Association of Port Authorities Commissioners Conference Boat Tour – June 20, 2019

Elaine Forbes, the Port's executive director - I have to announce two boat tours. The first one is June 20th. This will be in conjunction with the American Association of Port Authorities Commissioners Conference that's being held here in San Francisco June 18th through the 20th. As part of the program, we will be hosting a boat tour for approximately 50 port commissioners from across the nation. This will be June 20th from 9:30 to 11:30 a.m. It will be exciting to show off our world-class waterfront to port commissioners across the nation. The topics will be the waterfront plan, historic pier rehabilitation, our resiliency program, seawall and flood study, downtown ferry terminal and Mission Bay Ferry Landing.

- Water Emergency Transit Authority Boat Tour - July 13, 2019

Please mark your calendars for July 13th when we will have another boat tour with the Water Emergency Transit Authority (WETA). We will be hosting approximately 300 members. Staff will present the waterfront plan, historic pier projects and waterfront resiliency. WETA will speak about the downtown ferry terminal expansion project and Mission Bay Ferry Landing. If anyone is interested, please contact Kirsten Southey at 415-274-0407 or via email.

- Port Commission President Kimberly Brandon - Rosa Parks Award
Last but not least, on behalf of the Port Commission and its entire staff, we would like to congratulate our esteemed leader, President Kimberly Brandon, who is being honored with the Rosa Parks Award from the Philip A. Randolph Institute in San Francisco gala theme, Creating Legacy Through Community, which will be held Saturday, June 15, 2019 at the San Francisco Marriott. Our president is being recognized for her dedication and pivotal role for San Francisco through 20 years of public service, her advocacy for the Port, her advocacy for equity investments in our youth and communities. It's a very well-deserved and very prestigious award indeed. Congratulations to Port Commission President Kimberly Brandon.

Commissioner Brandon – Thank you.

10. REAL ESTATE & DEVELOPMENT

A. Informational presentation on the Fiscal Year 2019-20 Monthly Rental Rate Schedule, Monthly Parking Stall Rates and Special Events.

Mark Lozovoy, Assistant Deputy Director of Real Estate and Development – This is an informational presentation on the rental rate schedule that comes to you every year on a regular basis. Property Manager Demetri Amaro and I are going to present this item. We're going to tag team this. I hope this information is fruitful and informative for you.

Our portfolio spans seven-and-a-half miles of waterfront. It is a very diversified portfolio. I manage everything between a single parking stall all the way to a major league ballpark and everything in between. It's very diversified, very dynamic and fairly large. The Port currently has 387 separate tenants. We manage 583 separate leases, licenses and other contracts for the control of Port property. Our current available portfolio for lease is 22.7 million square feet of commercial space. Of that, we currently have 21.4 million under contract to these 387 tenants. This is a breakdown of where the space allocations are for those various uses.

Thirteen million is industrial shed and land space. Approximately seven million are the development and land leases. Just a little bit more than 500,000 is for our parking lot concessions, 362,000 for restaurants and our retail and just a little more than 300,000 for our office space.

Now, I want you to pay particular attention to the first category, which is industrial shed space and land, and the last category, which is office space, because those are the two categories that are directly affected by our parameter rent program. The other three in between, development deals, parking concessions and all of our retail -- those are unique deals that we do. They all come to you for approval. They're either RFPs or bigger development deals or business opportunities of one kind or another.

We actually don't have parameter rates for those deals specifically for that reason. They're case-by-case approvals by the Port Commission. Parameter rates, parameter leases -- what's it all about? Why are we here?

In 1993, the Port Commission delegated the authority to Port staff that, under a certain framework and under certain criteria, Port staff could lease property without coming back to the commission for an approval for each and every small lease that we do. The caveat or the conditions were that all leasing was done on a Port-standard boilerplate lease, which is approved by the city attorney. The term of the lease would not exceed more than five years. These parameter rates, the annually approved commission rates, are applied to those leases. The caveat to that is that none of these leases could exceed a million dollars for the reason that the city's administrative code requires all leases or licenses or contracts that generate revenues of a million dollars or more goes to the Board of Supervisors for approval and, hence, as a matter of practice and principal, we always bring those deals to you first before moving them on to the board.

That's the framework of our parameter leasing program. I'm going to hand the podium over to Demetri. He's our data guru. He's got all the nuts and bolts and all the numbers behind the program. Once he's finished, we will both be available for question and answers.

Demetri Amaro, Property Manager - The first slide that we have here is to describe the current statistics that we have for parameter leasing in the current fiscal year. So as a portion of base rents, parameter rents currently represent 61 percent of the revenue that we generate whereas the remaining 39 percent is generated by Port Commission-approved leases, as Mr. Lozovoy mentioned.

Those parameter rents actually represent 20 percent of our total revenues when participation rents from restaurants, retail opportunities and parking are included. It's a routine part of our business. It's a small part of the total revenue that we generate.

In the last fiscal year of 2019, we executed 47 parameter leases, representing about a quarter million dollars in revenue. Annualized, it's just over \$3.1 million. The square footage is just under a million square feet. One of the great things about that is not only has our portfolio grown year over year, we expanded from just over 20 million square feet last fiscal year to 21.4 this year. Not only did we expand in total square footage, but we also became more efficient per square foot.

The average asking rate increased from \$1.81 to \$1.91. When we were preparing the proposal today, we looked at different market reports from various companies including Kidder Mathews, Cushman and Wakefield, Jones Lang LaSalle, Cornish and Carey as well as TRI Commercial Real Estate. We also reviewed our own leasing activity and are having our rates reviewed by a third-party consultant. With that in mind, the first area I'd like to begin with are

our proposed office rate increases. The increases that you see here generally represent stable market demand that we have for our spaces as well as our ongoing low vacancy rate.

Of the approximate 330,000 square feet that we have available, our vacancy rate has been historically low. We've continued to lease those spaces up as turnover became available. We also occupy an interesting space in the city.

The majority of our office leases are between 1,000 and 10,000 square feet, which is different than the private practice across the street where much larger office leases are done. It's a unique advantage that the Port has in that area. We particularly cater to smaller local businesses as well.

On our pier shed and land rates, we have increases along the entire waterfront beginning in the north at Pier 45 and Fisherman's Wharf all the way down to the area in China Basin. These increases generally are to keep pace with the demands of the market as well as keep pace with inflation and represent modest increases to the area.

In the southern waterfront while we proposed to increase the rates in the eco-industrial complex due to the ongoing stability we have in the area, we're actually very lucky in that it's been a success with the co-location of our parking tenants that are providing services to the industrial tenants as well as the access to the highways that we have in the area.

In the fishing industry, we proposed to make modest increases to keep pace with the rate of inflation. Finally, we have two new rates that we're proposing. There's a subterranean land rate that represents underground utilities and other types of subterranean infrastructure as well as a small cell site to represent cell-site technology improvements that don't require the same footprint as previously required under cell phone technology.

Currently our vacancy rates for both office and industrial are relatively low, especially Port wide. We're experiencing about 5.8 percent vacancy total. With all of that in mind, we're proposing to change exactly 32 rates and leave unchanged 43 of them of our grand total of 75 rates.

One thing that we are proposing to do this year is to start a pilot program for our special event fee waivers. There's been rules developed where a company needs to be under \$2 million in annual revenues and have an office located in San Francisco. If they are located in that location and meet those qualifications, they can apply for a fee waiver through the Port and then would be presented to the commission for approval. We also would continue to delegate the Film Commission permitting, as we do currently, to the SF Film Commission.

Commissioner Gilman - Thank you for this report. It was very comprehensive. I want to commend staff as this was something that I raised almost nine months

to a year ago around how we're charging our nonprofit entities for events, some that have been historic in nature for over a decade. It is mentioned on page 14 of the staff report I'm very supportive of the fee waiver for the entities you outlined in the staff report and piloting this program. I would just hope that, if we vote on this in July as is, that we let our nonprofit partners know this and let folks know that it's also a way to attract events to the waterfront from a civil service, sort of societal cause to get more folks to come forward and do this. I appreciate the capping of \$2 million. I have one small edit to say that the major activities of the nonprofit, not just an office, need to be in the city and county of San Francisco. That's just one suggestion I have so that we really are targeting grassroots, San Francisco-based, small nonprofits with this. I have no other questions. I'm generally supportive.

Demetri Amaro - Thank you very much. We'll take that feedback in consideration.

Commissioner Woo Ho - The report was, as Commissioner Gilman mentioned, very comprehensive. I know you did extensive market surveys. As you mentioned, you talked to a number of real estate firms. As a result of that, you made some decisions on rental increases. Where would you say that put us in the market? Is it median? 50th percentile? 75 percentile? Where are we relative to where the market is with these increases? Where are most of the unchanged rates? What sectors? Just to get a sense that we benchmarked, we analyzed it, but where did we end up?

Mark Lozovoy - For most of our spaces, we're actually bumping up from market for those specific properties in terms of their condition, we're fairly high. In fact, some of the increases that we're contemplating are as high as 13 percent, 20 percent to make sure we're pushing that market.

Commissioner Woo Ho - Would we be at the 90th percentile? The 100th percentile? I'm trying to benchmark ourselves and where we would be in others. I know you did the research. I'm not sure how the research correlated to the decisions that we made.

Mark Lozovoy - We start with actually what the market is for that specific type of property and then, kind of like an appraiser would, add indices to reductions for things that are perhaps wrong with the property and reduce that. But when you're saying 90 percentile, 80 percentile, I think we're probably within that percentile.

Commissioner Woo Ho - Is that kind of a goal of ours to benchmark ourselves at that level?

Elaine Forbes - Yes.

Commissioner Woo Ho - I think it's also sort of a strategy question.

Elaine Forbes - Yes. Our goal is to benchmark our rents as high as they can earn. We have an amazing location and really unique, one-of-a-kind properties but our properties are distressed. We earn more than the condition of the property but we can't completely overcome the condition of our properties. As you see in the staff report on table three, the vast majority of our properties are class C, some class B, no class A property at this point that we are directly managing.

Commissioner Woo Ho – Yes, but even for class C, you would know where you are relative to other class C.

Elaine Forbes – Yes, we are very strong in our class C portfolio relative to other class C properties because of the location and the uniqueness of our properties.

Commissioner Woo Ho - You have 43 unchanged rent rates. Just so we have an understanding, what types of properties fall in there for the unchanged rates?

Mark Lozovoy - It's a mixture. Some are office but it's basically pier sheds that are not fully full. There's still some vacancy there that we want to fill up. We're hitting some price points that we can't penetrate right now especially in the northern waterfront. We're not going to attract larger warehouse users because of some of the traffic conditions that we have and that sort of thing.

Our tenant is really the smaller tenant. It's the contractor who needs space. It's the wine merchant who needs a small warehouse space for overflow. It's merchants at Fisherman's Wharf and that sort of thing, same goes for the office space. As Demetri pointed out, our office space is not large office space. It caters to the small businessperson. It's the LBEs and that sort of thing. I actually cited two deals in the staff report that were going on in -- I call it the big city. One for 500,000 square feet for Pinterest, and one was 300,000 square feet for Salesforce. Those are large-block office spaces for large tech tenants. Just that one tenant is using up more space than we had in our entire portfolio for these small businesses. To a certain degree, we're a certain amount of a last stop for a lot of small businesses. If they're priced out of our property, they're usually leaving San Francisco or going to work at home.

Commissioner Woo Ho - Even though it is obviously under our development deals and our master lessors, do we ever compare what they're charging the subtenants so that we understand what the subtenant rates are relative to our parameter rents?

Mark Lozovoy – Yes, we are more and more. Unfortunately, most of those properties are class A. The Port competes in the class A market through this building, which we don't directly manage but it is class A space. As you know, we will get an overage for that.

Commissioner Woo Ho – But can we get some information so we know what they're charging so we can compare?

Mark Lozovoy – Yes, that's part of our collaborative networking that we do to get these rates to begin with.

Commissioner Makras - The report was well done. I have no questions. Thank you.

Commissioner Brandon - Thank you very much. You guys did a great job on the report. We look forward to it coming back.

11. ENGINEERING

A. Informational presentation on Mission Bay Ferry Landing Project to be located at 16th Street and Terry Francois Boulevard.

Jonathan Roman, project manager for the Mission Bay Ferry Landing - This project is for the designing, permitting and construction of a ferry landing in Mission Bay. Today's presentation is an informational update on the project, which was recently mentioned at commission meetings by Port staff. Our objectives for this presentation are to provide background information for future actions that we will ask you to consider to support scheduling milestones. Later, I will be discussing in-water work-window restrictions that could impact completion and funding.

This is a bird's-eye rendering of the project. We're looking north at Terry Francois Boulevard from Mission Bay. Mission Rock development is to the north. The Chase Center is in the middle. Pier 70 and the dry dock are to the south. As we will discuss throughout this informational presentation, the project will support the Port's strategic plan for stability, livability, sustainability and economic vitality.

In particular, the Port is proactively working with our transportation agency partners to ensure integrated traffic plans to ease congestion along the waterfront. This is the location of Mission Bay. The white lines show the existing ferry routes. Mission Bay is one of the fastest growing areas of the city. Already planned or recently constructed are 11,000 new housing units, seven million square feet of office and commercial space, one million square feet of retail space as well as 70 acres of public open space. Also nearby is the UCSF Mission Bay Hospital, San Francisco's life sciences community and the Chase Center, new home of the Golden State Warriors. WETA has had plans to develop ferry service at Mission Bay.

However, they did not have the capacity to undertake the project at this time. The Port wanted to assist. So, the Port, working with WETA, conducted a planning study to analyze several candidate locations. The selection included criteria to be near transit, housing, commercial and retail space while

minimizing impact to maritime operations and the environment as well as conforming to applicable seismic, wave and coastal requirements.

The location at Terry Francois Boulevard and 16th Street was the best fit. In 2017, the Port Commission approved an engineering contract to proceed with design and entitlement. We are now finished with the design. This is a site plan, which shows several projects after they are complete, some being performed by the Port and some by others. Terry Francois Boulevard is shown after it is relocated. The new Chase Center is at the bottom of the screen.

The Mission Bay Ferry Landing will be located just south of 16th Street at the top of the picture. The Ferry Plaza is shown in red. As a separate project, the Mission Bay Development Group is starting construction at Bay Front Park.

The Port potentially may build a water taxi landing, which is included in the project's design and entitlement. However, it is not funded at this time. Agua Vista Park is to the right and the Port already has funding for this. Public Works is performing the design.

Port staff intends to include it in the ferry construction contract. This is a close-up view of the plaza. The landing will have a float that can accommodate two vessels at a time. It is designed for all WETA and Golden Gate ferries. A gangway and fixed pier will connect the float to land. A plaza will then connect the pier to the rest of Mission Bay. The plaza was also designed for emergency response by San Francisco Fire Department as well as provide a connection into the newly extended auxiliary water supply system.

These are some prospective views and renderings of the landing. The fixed pier, gangway and float will include a canopy to protect passengers from inclement weather. The Port wanted to convey design principles of welcoming, layering and light as well as guide people to and from the landing. We felt this was best conveyed using a translucent canopy design, as seen here. The fixed pier was also designed for sea-level rise. Commuter circulation is anticipated in the lines shown. Benches and decorative bollards as well as signage will encourage queuing for commuters.

WETA estimated 750 commuters into and out of Mission Bay each weekday. There would be 11 vessels in the morning and 12 in the afternoon. Throughout the day, WETA is planning to have a linked service from the downtown ferry terminal to Mission Bay. In the afternoon, WETA plans to have direct service back to Oakland, Alameda and Vallejo. Golden Gate and WETA also plan to have special event services after all 41 regular-season home Warriors games as well as preseason and playoff games.

In addition, WETA also plans to provide additional service for selected events if they are deemed economically feasible. For now, a total of 80 special events would have WETA ferry service. It is assumed that fans would come to the area by commuter service.

In summary, nearly 6,000 passengers may use the ferry landing on any given day, 1,500 commuters each workday, up to 2,100 passengers after special events and up to 2,100 passengers to special events.

New dredging is required for navigation. This was identified as a large cost element and was considered in a site-selection process. Approximately eight acres will need to be deepened. Unfortunately, required sediment studies revealed elevated concentrations of hydrocarbons in approximately two acres, which will need to be removed and disposed of as landfill.

We are working with the applicable agencies to finalize the details for required protective cap shown in the dark area here. The cap will include two feet of clean sand as a buffer to the contamination. It will then have a grout-filled marine mattress specifically designed for this application to prevent prop scour by ferry propellers.

The mattress will also allow clean sediments to be deposited by the tides, encouraging new habitat for marine, flora and fauna. This is a summary of the use of funds. A peer review of waterside construction costs was recently performed and confirmed our estimate.

Contract contingency as well as escalation have been included. We do not have contingency for steel prices or tariffs at this time. Port staff has secured the following funding. We're working to secure remaining funding through private contributions and Regional Measure 3.

RM3 was passed by voters in June last year. However, a citizens group filed lawsuits on its validity. As of two months ago, the lawsuits were believed to be invalidated after indications that the claims were not reasonable.

An informational presentation was given to WETA's board last week, and we expect to request to return later in the year for the RM3 funding process. However, at that meeting, we received new information that a group may be filing an appeal, after they originally indicated they would not do so.

We are not yet certain of the impacts of this new development. We'll apprise you shortly. Port staff will be working with the Port Commission on upcoming considerations and actions for the funding process with WETA, the Board of Supervisors and Metropolitan Transportation Commission. It should be noted that the major schedule constraint is regulatory in-water work windows for pile driving and dredging. This is limited between June 1st through November 30th in any given year. A significant delay may not allow us to drive enough piles in the work window, sacrificing another year, exposing us to additional cost escalation estimated to be \$1.2 million to almost \$2 million and possibly forfeit \$8 million of OCII funds, which are required to be spent by August 2020.

Port staff will be returning soon to ask for your consideration to approve authorization to advertise for construction management/general contractor

(CM/GC) contracting strategy. Rod Iwashita, the Port's chief harbor engineer, gave an informational presentation to the Port Commission last month on alternate contracting strategies.

He mentioned that CM/GC will allow us to collaborate with a qualified contractor to develop a guaranteed maximum price that meets our funding and schedule. In the meantime, Dominic Moreno will soon be speaking to you later in this meeting to discuss interim service until the Mission Bay Ferry Landing is complete.

For next steps, Port staff will return to the Port Commission for authorization to advertise for CM/GC in July, continue to secure all environmental permits, which is expected in September and return to the Port Commission for actions regarding funding sources in early fall.

Commissioner Woo Ho - Thank you. It was a very good update. This is a project that many of you know has been near and dear to the commission's heart and particularly to mine in terms of supporting more water transportation. I think it's a very important step. I have a couple questions. One, you mentioned there's an appeal that's being filed. What is the basis of the objection to this ferry landing?

Katie Petrucione, the Port CFO - The Howard Jarvis Taxpayers Association sued on behalf of the taxpayers. Their argument is that the toll increase that is funding RM3 was a tax and not a fee increase. As a tax, it required two-thirds of the voters' approval. The measure did not receive two-third voter approval. My understanding is there were two suits that were filed. The first suit was dismissed. Initially, the taxpayer's association said that they would not file an appeal. They were concerned about the precedent that they might set if they lost but they have since notified that they are intending to appeal. There is a second lawsuit that is to be heard in the next couple of weeks. The hope is that that suit too will be dismissed, and at that point, they will simply give up. We have no way of knowing necessarily how the litigation is going to unfold.

Commissioner Woo Ho - So it has nothing to do with what we're trying to accomplish?

Katie Petrucione - Absolutely not.

Commissioner Woo Ho - It really has to do with the theory of what is tax and not taxation.

Katie Petrucione - Yes.

Commissioner Woo Ho - But in the meantime, we are proceeding. We're not stopping anything that we're doing.

Katie Petrucione - That's correct.

Commissioner Woo Ho - This cost us \$45.7 million. I'm wondering if this is the average cost every time we want to put in another ferry pier. What are we learning about this? Can we be more effective in the future? I've always asked about floating piers because we want to figure out how we can continue to add to the network of the ferry landings. This is obviously the first one that's come up in terms of us looking at a specific cost.

Elaine Forbes - I'd like to primarily defer your question to when we answer your other question, which is about what the economics are of delivering water transportation infrastructure. Specifically, how can floating piers be part of that equation? We are working on that internally, and we'll be bringing that to the commission. On this project, I would not call this a typical cost structure for a ferry landing because there is a lot of dredging, capping, in-water improvements here. The land side would be similar. But the contamination that you heard about and the capping is a driver of cost that may not be an equivalency in other locations. I would say this is a little above the average. If you break down the components of the budget, there's also a lot of landside improvements to deal with sea rise. What is the cost of the ferry landing itself?

Jonathan Roman - It's approximately \$21.5 million plus the shore side so about \$27 million if you add in all the soft costs. I'm going off the top of my head. It would be \$21.5 million if we didn't have any dredging, some amenities on the shore side, so \$2.5 million and then construction management.

Commissioner Woo Ho - That's useful to know. We don't necessarily use this as the only benchmark if we want to continue in this path. The last thing is on your schedule. We obviously want to encourage that you do not incur that delay so that we lose the \$8 million of funds. I know that you want to point the risk out to us. What's the probability here?

Elaine Forbes - We are going to problem solve for this funding issue. We had originally had a request into the general fund for a gap measure for funding as this litigation is reconciled. Because we've gotten good news on the lawsuits, we didn't receive that funding. If we continue to see delays, Katie will be working hard with her team to figure out a way to keep the project on schedule. We would need to do a reimbursement resolution. We would need to get a lot of ducks in a row but we aren't intending to delay this project due to this funding issue.

Jonathan Roman - Also, the CMGC contracting strategy could help us meet that as well.

Commissioner Woo Ho – Is there anything about even just the timeline from the OCII side to work that issue as well, an extension of timeline?

Katie Petrucione - There isn't a lot of flexibility on the \$8 million from OCII because that's funding that's coming from tax-exempt bonds that their counsel has said must be sold by a certain period of time. At this point, losing that \$8

million is a real driver for us in terms of figuring out the funding that allows the project to move forward so that we can spend the \$8 million. We're very conscious. We don't want to lose that money.

Commissioner Woo Ho - Thank you. Obviously I'm very supportive of this project and appreciate the update.

Commissioner Makras - I am also very supportive of the project. I just want to clarify. I'm hearing and I'm seeing in your presentation the cost of \$45.7 million. Could you walk me through on page six where it says use of funds? I also see the similar \$45.7 number but the figures don't add up. I don't want to be missing something here and the sources of funds don't line up. The use of funds there total \$84.4 and the source of funds totals \$91.3.

Jonathan Roman - That was meant to be a subtotal. The \$38.7 was a subtotal and I could see how that could be confusing. The subtotal of \$38.7 was \$21.5, \$12 million, \$2.5 and \$2.7. So that comprises the \$38.7 million. Project management, design and entitlements are \$7 million, which has already been secured.

Commissioner Makras - No. No problem. I just wanted to be sure. I'm very supportive of it, happy to see the LBE opportunities and the numbers that are showing. I look forward to supporting this item.

Commissioner Gilman - I'm very supportive as well. I have no questions at this time. Thank you for your report.

Commissioner Brandon - Jonathan, thank you so much for this report. What was the original estimate of this project?

Elaine Forbes - It was actually \$37.5 million. That's my first time entering into dealing with this project. We were at \$37.5, and that was many years ago.

Elaine Forbes - This estimate has been pretty consistently strong and good. There weren't many surprises in terms of expanding costs or unforeseen conditions.

Commissioner Brandon - Where did the new sources of revenue come from?

Elaine Forbes - There was some fundraising and RM3 and city general fund. We didn't have a fully financed project when it was at \$37.5 million when it was in conceptual state. We had a real cost estimate of this figure in the very proximate to \$45.7 when we started seeking our capital stack.

Commissioner Brandon - The potential water taxi location at Agua Vista Park, is that something in planning stages or just something that is a possibility here?

Elaine Forbes - We are fully designing that ferry landing if there is a demand for it and we can find a funding source for it, it's ready to go. We kept it in the project in terms of design and CEQA. So, it will be shovel ready for us if we want to move forward with that infrastructure.

Commissioner Brandon - Or if we have any funds leftover.

Elaine Forbes - Exactly. If we have cost savings from this project, which is a possibility.

Commissioner Makras - A follow up to the president's question on fundraising, could you walk me through who decides that? Was it a policy of the board to decide to do fundraising for some of these projects? Where did the determination come from?

Elaine Forbes - It was led out of the mayor's office to help us. The mayor's office has been incredibly supportive of this project and were helping us problem solve a gap in funding. They helped us with RM3. They worked on the ballot initiative and made this a priority project with the State. They helped out with the fundraising. They helped out with general fund. We owe a big debt of gratitude to the mayor's office for the entire funding picture here.

12. MARITIME

- A. Request authorization for the Port to enter into a Memorandum of Understanding and short term lease with the San Francisco Bay Area Water Emergency Transit Authority ("WETA") and Golden Gate Bridge and Highway District ("Golden Gate"), for the planning, construction, and operational management of the Interim Ferry Landing in Pier 48½ water basin, located generally east of Terry A. Francois Blvd. at Seawall Lot 337. (Resolution No. 19-23)

Dominic Moreno, Port Maritime Division - The item before you is an action item to recommend approval to authorize the Port to enter into a memorandum of understanding and associated short-term lease with WETA and Golden Gate Ferry for the planning, construction and operational management of the proposed interim ferry landing at Pier 48½. This item will facilitate a temporary solution to regional water transportation access into the Mission Bay area prior to the completion of the Mission Bay Ferry Terminal. This temporary landing will assist in mitigating traffic congestion anticipated by the opening of Chase Center later this year and will serve to promote public use of water transportation into the southern waterfront.

This MOU will serve to identify rules and responsibilities of each participating agency including operating agreements and funding strategies. This project complies with several of our Port-wide strategic goals including: livability by working with transportation agency partners to ensure an integrated transportation plan that includes: programs to ease traffic congestion along the

waterfront and expand public transportation; stability by seeking traditional and innovative solutions to the Port's capital plan funding gap, by maximizing external investment capital for project funding; and economic vitality by expanding the system of active water berths, visiting commercial, transportation and recreational vessels.

As my colleague, Jonathan Roman, just described, the Port and WETA have been engaged in a ferry landing project since 2016 that will construct a new two-sided terminal at the foot of 16th Street and is estimated to be in operation by 2021. Last year, a multi-agency team began looking for a temporary solution to support water transportation to the southern waterfront and the Mission Bay area ahead of 2021. A handful of locations were reviewed.

With careful consideration given to weather protection, operating depths, infrastructure stability, public health and safety concerns, accessibility and proximity to Chase Center, Pier 48½ was determined to be the most valuable site. In collaborative partnership, WETA volunteered the use of their regional emergency float, gangway and piles. Golden Gate Bridge Highway and Transportation District has coordinated the engineering. Port staff has shepherded the permitting process and led overall project coordination.

A working group made up of staff from the Port, Golden Gate Ferry, WETA, the San Francisco Giants and Golden State Warriors continue to meet to work through the asset-allocation, engineering, permitting, operational and service opportunities for the interim ferry landing. This project will be amending an existing BCDC permit between Pier 48 and Pier 50. We anticipate all environmental entitlements including Army Corps of Engineers, Regional Water Quality Board and local permits to be in place by mid-July.

The construction and installation costs will initially be paid for by WETA with expected reimbursement through Golden Gate Ferry and other outside organizations. Golden State Warriors have expressed interest to financially support this project.

Port has contributed staff hours and project management coordination and environmental entitlement application. With this MOU, a short-term lease will be drafted based on the commission-approved downtown ferry terminal expansion project at Gate F and G. This lease will identify insurance requirements and indemnification.

In consideration of WETA providing the facility equipment for the interim ferry landing, we propose waiving permit fees, landing fees for the construction and management of this landing. We anticipate the lease term will expire when the permanent Mission Bay Ferry Landing is operational in 2021.

The location on the south side of Pier 48 will facilitate safe access for the ferry vessels and safe queuing for ferry passengers. Port real estate and planning have assisted in developing a queuing and path-of-travel strategy for Warriors

fans and special-event goers to and from Chase Center along Terry Francois Boulevard. While there will be a short walk, approximately four-tenths of a mile, the distance is shorter than sports fans walk between the Warriors current location at Oracle Arena to Coliseum BART and between Oracle Park to BART after a Giants game.

The interim ferry landing at Pier 48½ is a temporary solution. As previously shown, Mission Bay Ferry Terminal will be directly across Terry Francois Boulevard from Chase Center. If you authorize this MOU today, staff will continue to work diligently to deliver this project in a timely manner in partnership with WETA, Golden Gate Ferry and the Golden State Warriors.

The interim ferry landing at Pier 48½ is expected to be operational no later than the first tipoff between the Warriors and Lakers on October 5, 2019. In conclusion, we respectfully request that you approve authorization for the Port to enter into this memorandum of understanding with WETA and Golden Gate Ferry to continue planning for the installation of our newest addition to water transportation along the southern waterfront.

I'm joined by David Beaupre from our real estate division, Kevin Connolly from WETA, Jim Swindler from Golden Gate Ferry and Yoyo Chan from the Golden State Warriors. We're all available to answer questions.

Commissioner Makras - I'm supportive of the item. Just to be clear, it is rent free, correct?

Dominic Moreno - That's correct.

Commissioner Gilman - I'm supportive of the item as well. Thank you, Dominic for a great report.

Commissioner Woo Ho - I'm supportive of the item as well. I'm looking at the map. There are a few blocks between the future Mission Bay Ferry Landing site. Would we leave it open if there was any reason to keep the site on a permanent basis as well?

Elaine Forbes - It's WETA's emergency float so we need to return it to them. They may need it during this period, hopefully not, but we can't keep it indefinitely. Our plan is, when the new two-sided, permanent facility is open, that will be the permanent facility. There is a ferry landing right at China Basin for the Giants. We believe that the Mission Bay Ferry Landing plus the current China Basin float is adequate. We won't need the interim landing to stay online.

Commissioner Woo Ho - I guess this is in pretty good shape. So, there isn't a lot of improvements needed to get this up and running?

Dominic Moreno - That's correct. We've been working with Port maintenance to get the shore side ready for landing.

Elaine Forbes - I did want to say it is a temporary facility. It's a makeshift facility. It's not going to be perfect in terms of the public amenities. We're trying to get some weather protection through the shed and venting with valet parking. It is not at the standard that we're delivering the permanent facility. I wanted people to have interim expectations about this landing.

Commissioner Woo Ho - I understand interim expectations but even sometimes interim requires at least some minimum standards.

Elaine Forbes - Yes.

Commissioner Brandon - Dominic, thank you so much for this report. I think it's absolutely wonderful that so many agencies and organizations came together to collaborate on how to get this temporary float. I just want to make sure on the terms. As far as the Port is concerned, we're only volunteering staff time. No money?

Elaine Forbes - That's correct, the Port is not dedicating any cash. We are dedicating Dominic's time as well as David Beaupre's time and engineering time. We're putting a good deal of staff effort into this collaboration. We're not charging rent, as you pointed out. That is our opportunity cost on this project.

Commissioner Brandon - How much is the project going to cost and who is paying for it?

Jonathan Roman - WETA's board unanimously approve to move forward with this project. They issued an IFB last Friday that'll close on the 28th of June. We won't know specific costs until the bids come in.

Elaine Forbes - It is our understanding that Golden Gate and WETA are sharing the cost of getting the facility in place. We're still working on a plan for the exit strategy.

ACTION: Commissioner Makras moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. Resolution No. 19-23 was adopted.

13. NEW BUSINESS

Commissioner Makras - Would it be possible to have some type of report? I'm understanding that there's some issues at Fisherman's Wharf associated with the food trucks and permitting. I understand that there are some management issues and some concerns of our tenants in the Fisherman's Wharf area? Could you brief us on that, so we all know what's happening?

Elaine Forbes - Absolutely. I'll get a report written.

14. ADJOURNMENT

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

Port Commission President Commissioner Brandon adjourned the meeting at 4:20 p.m.