

**CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION**

**MINUTES OF THE MEETING
FEBRUARY 12, 2019**

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 2:46 p.m. The following commissioners were present: Kimberly Brandon, Willie Adams, and Victor Makras. Commissioner Woo Ho is travelling and Commissioner Gilman is on sabbatical leave.

2. APPROVAL OF MINUTES – January 8, 2019

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

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

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

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

At 2:47 p.m. the Commission withdrew to closed session to discuss the following:

(1) PUBLIC EMPLOYEE APPOINTMENT/HIRING:

a. Title/Description of position to be filled: Maritime Deputy Director

5. RECONVENE IN OPEN SESSION

At 3:15 p.m. the Commission withdrew from closed session and reconvened in open session.

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

ACTION: Commissioner Adams moved to disclose that in closed session the Commission voted unanimously to approve the appointment of Andre Coleman as

the Port's Deputy Director of Maritime and moved approval to not disclose any other information discussed in closed session. Commissioner Makras seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

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

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

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Leo Cassidy - We have a project at 680 Illinois Street which is a restaurant. We got it approved by the city and county of San Francisco in 2016. We were looking for an encroachment permit. We have a 15-foot sidewalk that we submitted to the Port numerous times to no avail. We're looking for your help today to give us some direction. The sidewalk is 15 feet wide. We're looking for 6 feet, and we want to have seating for the restaurant on the outside. That's the purpose for our meeting today. I'm one of the owners of the property. James and Jonathan are my partners and they're going to say a few words.

Jonathan Moftakhar - As Leo mentioned, we've been in planning for quite some time on this restaurant. We're excited about it being at the final stages of completion. I wanted to mention a few points with regards to our interest in gaining approval from the Port of San Francisco for a mere 5 feet of sidewalk encroachment for sidewalk dining in referencing the following points: The property manager whom we've been in conversation with has brought up construction as a potential issue with regards to approval of the said encroachment. We would like to bring to light that the Crane Cove Park construction is currently under construction in its final phases, to be completed within a year. The main construction in this area is due to MTA having their Mission Bay Loop project under construction. However, I have confirmed by email just this morning that the said project is, in fact, to be completed this May and, therefore, the majority of construction at this location should cease and it should become a much more amenable situation for sidewalk dining. Currently there is nearly 100 feet of frontage inactivated due to this retail space being inactivated. A restaurant is proposed, however, not feasible without the said sidewalk dining. Therefore, it is critical that the Port of San Francisco approve this encroachment permit. The restaurant should be completed right around the same timeframe as the

completion of the park and, therefore, should coincide nicely with the termination of construction. There is very little retail connection between Pier 70 and Chase Center at the moment. We are located at 18th and Illinois Street and, therefore, would create additional pedestrian activation in addition to the proposed park, which should create a very nice synergy between the two uses. I would like to reference the Port's Strategic Plan, which states the following: "The Port's great diversity of uses draws more than 24 million people to the waterfront for employment, transportation, education, exploration, entertainment, recreation, or simply to enjoy the bay. The richness and diversity of these experiences connected by generous public open spaces with stunning views of San Francisco Bay are what make the Port a unique waterfront destination. Therefore, I feel like this restaurant meets that goal.

J. Nunemacher - We appreciate it. We've worked long and hard on trying to get a restaurant going here. David Beaupre from the Port's Planning division, whom we've worked with, in an email in December said clearly: "I believe the sidewalk width is 15 feet and that the building is built on the property line, we could allow an outdoor café. However, it should not be wider than 6 feet, leaving 9 feet for the pedestrian path to travel. Real Estate will need a license to use the area for a café." And that's what we're requesting that you take a look at. We don't want to lose this opportunity, and we're concerned at this point because of the delays and the cost of the delays. The financial responsibility on the ownership of the restaurant is significant -- to the point that it may not happen. It would be a shame and a lost opportunity should this not happen, especially across from what will become Crane Cove Park in less than a year. Keeping in mind that it does take time, even if and when we did get permission to do the restaurant, including the sidewalk seating, it's still going to take time to build that out, which is going to all coincide at a similar time as the Loop project as well as the park itself across the street. All these things take time. We respectfully request that someone look into this at the Port, allowing us to get that 6 feet or 5 feet of permission to have sidewalk dining.

Commissioner Brandon directed port staff to report back to on the commission on the matter brought up in public comment.

Director Forbes confirmed Port staff will look into the matter, and update the commission at a future meeting.

9. EXECUTIVE

A. Executive Director's Report

- Commendation for Peter Dailey, Deputy Director of Maritime, on his retirement

Elaine Forbes, the Port's executive director - The first item we have is a commendation for Peter Dailey on his retirement. He was our longtime Maritime director. He retired just last month after 31 years with the Port. Peter worked under seven mayors and seven Port directors. He has seen

amazing changes here at the Port and the city, and he's been absolutely vital to the Maritime portfolio we have today. Early in his career, he managed the Pier 45 project. That stabilized fish processing here at the Port and ensured that Fisherman's Wharf will continue to be about the fishing community. When you go to Fisherman's Wharf, a lot of people don't associate that with Peter Dailey, but it is absolutely part of his legacy. He wrote the Port's first cruise-shipping marketing plan and directed and dedicated efforts to elevate cruising in San Francisco to the record volumes we have today. He was also absolutely instrumental on the building of the James R. Herman Cruise Ship Terminal at Pier 27. He's been tasked with seeking new markets and opportunities in the Southern Waterfront. He worked to develop batching operations at Pier 90-92 and the Hanson bulk-import terminal at Pier 94, and he was a big part of the sustainable intermodal operations at the Port rail yard. Most recently, he spearheaded the revitalization of Pier 80 as an import and export terminal with Pasha Automotive. Peter led the transitioning of our South Beach Harbors operation and staff to Port management, turning a budget deficit into a surplus. I had the opportunity to work with Peter both as his colleague and his boss. Among the things that I admire about him are: (1) his very true commitment to maritime business here at the Port and his love of the working waterfront. Peter is a softie for the working man and woman. We've had many conversations about it. (2) his real understanding of what it takes to keep a working waterfront going; and (3) his optimism and his kindness. Peter believes in the potential of every single person he interacts with, and he wants to see it through for every person. He led the Maritime Division with distinction, such that future generations will feel his contribution in the experience of our working waterfront. Peter, your work will carry on. About Peter's kindness, the Port will miss you. You've always been a kind ear to everyone having a bad day. I don't know where to send them now. In his retirement, Peter is looking forward to traveling, being a grandparent, and enjoying his life with his wonderful wife, Jodie, who is here today. We wish you the very best, Peter. We sincerely miss you and just hope that you stay in touch with us. You've been such an important part of our Port community. Congratulations on your retirement.

Brad Benson – Peter, you were here when I first came to the Port 15 years ago. You had already had a long service with the Port. I've had a few moments in my career where I've gotten the opportunity to work with you, and your commitment to the core value of the Port's public-trust mission, that maritime mission, has been unwavering in everything that you've done. There were times when we'd look at Pier 80, and the rest of us would think: "What's really happening there?" You carried this torch, and it was a force of your will that we have Pasha located at Pier 80. I got to work with you closely during the America's Cup. There were two different plans for the America's Cup. There was one plan that was focused to the south, and then we started brainstorming. You had that vision for the cruise terminal at Pier 27. We got to work together to align those two things so that the America's Cup really helped deliver that facility. That's

another jewel on the waterfront that wouldn't have happened without your being able to recover from the Piers 30-32 experience to make the Port embrace that vision. I have so much respect for your legacy on the waterfront and how you've dealt with everybody at the Port, how you've been a colleague and holding onto that vision. I applaud you.

Diane Oshima - I think Brad really set the arc well. But having been here almost as long as you but not quite as long as you, I have an appreciation for the challenge that you've had to manage because the city has changed so much in the 31 years, from where the Port was hidden behind a freeway and able to do its own thing and focus on its maritime business lines pretty much unfettered as compared to today. The orchestration and the choreography that it takes to keep 10 maritime- and water-dependent industries alive and strong -- the public loves it. That's the mission that they recognize, even though they want these other things, too. But the hard work of orchestrating it so that those businesses still thrive and are alive, along with everything else that's happened in your tenure over the last 30 years, with strategic support from our Port commissioners, especially President Brandon, for the Southern Waterfront is mind-blowing. That's what I see as your legacy. I really appreciate all of your efforts and your heart, and I am so excited about what awaits you in this next chapter. While we're neighbors, I'm having a feeling I'm not going to see you that much because you're going to be traveling all over the world and spending it with grandbabies.

Byron Rhett - I just wanted to mention that I met Peter 20 years ago or so, when I was project manager for Hunters Point Shipyard. I want to acknowledge his good judgment. I was trying to convince him to have the Port get involved in the cleanup and management of the shipyard, and he said, "No." I know he's a very intelligent manager. In the last couple of years I worked closely with Peter, getting directly involved in the Maritime Division. I've really enjoyed that relationship and learned so much about Maritime operations at the Port through that. I'm hoping that even in his retirement he'll return my phone calls and will be available to support us as we move forward.

Dan Hodapp, Planning & Environment Division - "Figure it out now. Solve it now. Do it now." Do you think you understand where I'm going with my interactions with Peter? Peter is a person of action. He's something that you take a problem to. He helps you work on it. You get direction to go forward. You solve it. It's been such a pleasure working with him on improvements, through Fisherman's Wharf and particularly on the James R. Herman Cruise Terminal. I have really enjoyed it. I've seen a lot happen with Peter's direction behind it. Thank you, Peter. I really appreciate all you've done for the Port.

Anita Yao - I wrote something to take this opportunity to thank you, Peter. You have done a good job. You've been a great supporter to me over the

years. You told me: "I hired you. I protect you, and I trust you can do a good job." That trust really means a lot to me. I'm Chinese, so I would like to introduce a Chinese proverb. Over the years, you provided me very strong support in Maritime Division, where I can grow and I can learn and improve. It is very sad that you're leaving us, and very sad you retiring. You're going to be very missed. Thank you.

Cathryn Lucido with Metro Cruise Services - Peter, I'd like to thank you for being such a friend to Metro Cruise Services and so instrumental in our beautiful Pier 27. I hope that you come back and cruise out of our terminal so I get to see you again. Have a great retirement.

Gerry Roybal, Maritime Division and former marketing manager – I started being a part of Peter's Maritime Department in the late '90s. Prior to that, I had come to the Port in 1993 and reported through the Real Estate Division back when containers were king and the cruise business was sort of waning and the ship repair business was a conundrum. I came in focused on the Real Estate side because ship repair was thought of as a ground lease and cruise was thought of as a destination of retail more than a maritime thing. Then there was some reorganization during the Dennis Bouey days. Peter and I, and Jill Simpson, Jeff Bauer and Renee Martin were put together as a marketing department, which was the first time I had an opportunity to work with Peter and understand and respect and value his creativity. Peter always remarked to me that I was the Lennon to his McCartney and that we worked really well together when we collaborated. I saw what he was saying, but many times I thought: "Well, everybody else might look at me as a Stanley Laurel to his Oliver Hardy." But still, we had fun. He was creative. Peter's legacy: He was at the helm of the Maritime Division for thirty-one years. A true dedication to Maritime. That was, I think, the spirit that buoyed the Maritime Division -- pun very much intended -- and kept us afloat through even the darkest times. Getting back to Peter's creativity and things that kind of sparked me was I recall that when the Port was moving its offices from the Ferry Building to Pier 1, Peter was the first person I ever heard bring up the idea of: "Well, we have to change all of the business packages and all of the envelopes and all the business cards, so why not change the logo?" That was the impetus of the money that gave us the ability to hire a consultant and work as a team, four of us internally -- Dan Hodapp, myself, Renee and Peter -- and we came up with the logo that we're still using to this day. It was a logo that broke the bondage of a bureaucratic seal, which is what we had before, and thrust forth an image to the world that the Port of San Francisco was vibrant, lively, colorful, active, and some place you'd want to be. Peter, I would like to thank you for putting up with me for so many years, and also just being an inspiration and a true rock in the middle of a stormy sea. I wish you well. As McCartney would say: "It's a long and winding road." But Lennon would say: "Yeah, but it's not the end."

David Beaupre with Planning & Environment - I just wanted to take a minute to thank Peter for his work. Maybe some of the attributes that weren't mentioned was Peter's great sense of humor. No matter what, you'd stop down in his office or be traveling with him, and he would always be smiling and just keep things in a very joyful, positive way. Thanks, Peter, and enjoy your retirement.

Captain Lynn Korwatch - I'm the executive director of an organization called the Marine Exchange at the San Francisco Bay Region. We were founded in 1849, and our legacy is that we put the telegraph up on Telegraph Hill in order to communicate all the ship arrivals and departures into San Francisco Bay Region. I've had the honor and the privilege of having Peter on my board of directors for pretty much the last 18 years I've been with the organization. His knowledge, his expertise, his wisdom has fostered our organization, both, and me professionally. I want to thank you, Peter, for all of the things that you've brought to the table in support of not only the Port of San Francisco, which we have heard has been unique and special, but also to the maritime industry as a whole. The Port of San Francisco is just one component of our larger Bay Area Region. Due to his support and wisdom, it's all fostered and we've all grown and benefited by that. Thank you, Peter, for all you do.

Commissioner Makras - Congratulations on your retirement. Thank you for your service.

Commissioner Adams - Peter and Jodie, I can say that you can't call a lot of people a friend, but Peter Dailey is more than just a colleague to me. He's a friend. Peter is the true essence of what a Renaissance man is when you think of 31 years here at the Port, six-seven mayors, six-seven Port directors. He's been able to transform himself, and Peter has changed with the times. I've had an opportunity to travel with Peter and Jim Maloney. We've been to China, to Shanghai. We've been to Japan. We've been to the Philippines, and the sister city with Manila was because of Peter. Peter is a man of action. But if you really want to learn the soul and core of a person, you see how they are with their family. I know how Peter loves his wife, Jodie, and his two sons. I've been around Peter, and Peter has shown me what balancing your life means. Work is great, but you've got to have that balance of family. Peter lives that. He's very well respected throughout the maritime community. People from all walks of life, they know Peter. Peter mentored young Brandon and other people, and Peter has served as a mentor here at the Port to a lot of people. As I said, Frank Sinatra said: "I did it my way." Peter is leaving on his own terms. The Port and everyone in the City owe Peter a debt of gratitude because it's hard. Leadership is when everything goes wrong. Anybody can be a manager. Leadership is when you step up when everything goes wrong and you see your way through it, and you're calm. Peter has shown that. Peter, I know you're going to enjoy your retirement, but I want to say personally as a friend: Thank you so much for what you've done. I know you and your

good friend, Mike Nerney, went to the same school. To me, your commitment to the community and to San Francisco is just overwhelming because you always put the Port first. 31 years, I know it went fast. You deserved it. Now you and Jodie go out and enjoy your life. Thank you so much for what you've done for Maritime, having a vision, being bold and not being afraid of change and everything. Once again, Peter, this Port, this commission, staff, we all owe you a debt of gratitude. Clearly, you're a working-class hero. You also were a lightning rod between labor and the Port, and you were comfortable on both sides of the table. You were able to bring labor and business together, and the Port together. It's something that those people in Washington, D.C. can learn something from.

Commissioner Brandon - I have had the honor of knowing Peter for over 21 years, and I just so admire his commitment and passion to Maritime and to the Port of San Francisco. Peter, Jodie and I have traveled all over the world together. Peter, our first trip was to Mexico City and Acapulco to sign the Sister City Agreement, which was one of the best trips ever. Our last trip was to Valparaiso, Chile, which is so fitting because their port reminds me so much of San Francisco and this port. It was absolutely wonderful to spend time with you there. Peter is so well respected by his peers, his colleagues, his employees. He is such a wonderful advocate for the Port of San Francisco, and he is truly going to be missed. He has left so many legacies. I know that you probably tried to complete four or five different cruise terminals, but we actually did it and it's beautiful. We did it all by ourselves under your leadership. What a legacy! On behalf of this Port commission, you have huge shoes to fill. The new maritime director is going to have a big road to climb to get to where you are as such a well-respected person in the maritime community. I, too, consider you and Jodie friends. I do hope that you continue to come back and be a part of all that's happening here on the waterfront because it started with you. Thank you so much. We have a plaque for you, it says "In grateful appreciation for your leadership, loyalty, and service. Peter A. Dailey, Maritime Director, Port of San Francisco. August 1987 through January 2019. Best wishes in your retirement."

Peter Dailey - Thank you, everybody. First of all, I want to thank the Port commissioners for the wonderful comments that you said. Commissioner Makras, I haven't had a chance to work with you very much, but good luck going forward. Kim and Commissioner, you're right: We've known each other for a long time, through thick and thin, some great times and tough times. We've represented the city and the Port around the world. I want to thank the commissioners. Most of the people in this room are here because we're getting paid. You're not. You guys are giving something back to your community by being here and the time that you guys put into being Port commissioners and leading this great staff of colleagues that I have here. The Port staff are so smart and so dedicated, and work so hard to better the city and the Port of San Francisco and the maritime interests.

It's an amazing team to be a part of, led by Elaine, who's just such a strong, wonderful boss. I'm going to miss you, Elaine.

Elaine Forbes - I'll miss you, too.

Peter Dailey - I want to thank my wife, Jodie, who has been so supportive of me over the years, in the good times, the bad times. Since it's Valentine's Week: I love you, baby. I know you have a lot on your agenda. In closing, I am proud about the cruise terminal that we all were part of. Commissioner, you were on the first advisory committee back in the day, with Stephano and a few others. Kim, from the get-go you were involved with it. That we were able to pull that off in this kind of climate of, anything development-wise is so difficult to do here. Now to see the success of our market share growing, record levels of cruise ships on the waterfront. At Pier 80, there are ships left and right down there with automobiles. Since I'm not working at the Port, I can say with Tesla's being exported to Asia and Europe, it's been another success. In closing: I love all you guys. Thank you very much. Fair winds and following seas.

Elaine Forbes - Congratulations, Peter. I would also like to introduce Mr. Randy Quezada. Randy is the new Communications director replacing long-term employee Renee Martin. He comes to us with lots of experience. He worked for OEWD and most recently for the Department of Homelessness. Before coming to the city to serve in a communications role, he worked for UCSF. Randy is a New Yorker. He comes from Washington Heights, which he tells me is so far east it's not the Upper East Side. He's also a Harvard graduate, but we won't hold that against you. We're very happy to have Randy. Welcome aboard, Randy.

- Port Employees and Team of the Year, 2018

Elaine Forbes - Continuing on the theme of great employees and contributions to the Port, I would like to announce our Port Team and Employees of the Year for 2018. They were honored in our eighth annual Breakfast of Champions event last month. Thanks to our HR director, Lavena Holmes, for managing the nomination and selection process and for hosting the event along with the Employee Recognition Committee. Any employee can nominate, whether they're a subordinate, peer, or supervisor of the individual. The Employees of the Year represent Port staff election. The Dive Shop, the Team of the Year, is actually in a safety training today. The team members are Matt Valbusa, Larry Derrington, Ryan Dunbar and Drew McEwing. This crew caught over 500 piles in zero visibility using open-blade underwater chainsaws and salvaging 2 tons of concrete structures buried in the mud and they did so without any injury. This project was estimated to take over a year to complete but, instead, was done in 30 working days. This, of course, is the pile-removal and concrete-debris-removal project, and it's the largest project we've taken on to date. Congratulations to the team. But they are very much deserving of the Team

of the Year Award. In the Engineering Division, the award goes to Joseph Dominguez. Mr. Dominguez performs countless surveys and provides mentorship to our Engineering interns. He provides exceptional customer service to Port property managers, project managers, engineers. He's very timely in his work. One example of his responsibilities is serving the Pier 70 Redevelopment Area, which is a very difficult assignment. Congratulations to Mr. Joseph Dominguez. In the Executive Division, we have Kirsten Southey. She won the award this year because of her incredible work communicating the Seawall Program to our public stakeholders in new and very creative ways. The numbers that she reached were just staggering, and she used very innovative approaches to communicate a complex project to the community. We're very thankful to her. In the Finance & Administration Division, the winner was Priscilla Balibag. She has won the award for her incredible work on the Self-Service Time Entry Project. She was instrumental in shaping Payroll policies and procedures so we could go from, if you can believe it, paper timesheets to a fully automated process. Thank you so much, and congratulations on your win. In the Maintenance Division, the award went to Tim Felton. Tim is our superintendent in the Maintenance Division, and he is known department-wide as a doer and problem solver. He's also very funny. But regardless of administrative hurdles, he gets everything done timely. He's also very dedicated to safety. He has orchestrated for many years an annual HAZWOPER safety training that trains more than 100 employees, and he's helped deliver numerous safety projects. The pile-removing project that I described is another example of how our Maintenance Division keeps itself safe while performing quite heroic work. Congratulations to Tim. Also in the Maintenance Division is Paul Rodriguez, our laborer. He won the award because his nominator says he's the hardest-working laborer at the Port. He does whatever he's asked without complaint, and he does a great job with a smile. For Paul and for all the laborers at the Port, they often go unsung but they really make a huge difference in the public's experience of our waterfront. Congratulations to Mr. Rodriguez. In the Maritime Division, the award went to Denise Lum. She's another unsung hero until now, because she won the award. She keeps all the back-of-house work going for the Maritime Division. She serves as the captain for Combined Charities. She did the transition to electronic timesheets. She serves as the secretary for the Advisory Committee, and she does all the administrative functions in Administration & Procurement. Congratulations to Denise. In Planning & Environment, the award went to Kathryn Purcell. She is very hardworking and conscientious. According to her nominator: "While she looks like one woman, she does the work of three. She's very organized, extremely knowledgeable in Environment Permitting & Compliance. She owns her role and never drops the ball." That's an excellent description of Kathryn. Congratulations to her. Finally, in the Real Estate team, Tina Lee-Lam won the award. Tina Lee Lam is responsible for all of the insurance documents for our leases, and she's in between the keys and the compliance work. Sometimes she's under pressure, but she makes sure that all of the insurance is correct and works with the brokers and addresses all deficiencies. She protects us from

quite a bit of liability. Despite the stress, she does a great job. She takes huge pride in her work. Congratulations to all our Port Employees of the Year.

- Commissioning of USS Tulsa - February 16, 2019, at Piers 30-32

Elaine Forbes - This Saturday, February 16, Piers 30-32 will be the site of commissioning the *USS Tulsa*. She is an independence-class littoral combat ship, LCS, and she will be assigned a squadron run in San Diego after the commissioning. *Tulsa* is the 13th LCS to be delivered to the Navy. The Navy has been commissioning ships since 1775. Until 1984, ships were commissioned in the yards where they were built. But in 1984, the Navy started a tradition of commissioning ships along coastal cities. The *USS Tulsa* was named in 2015 after the second-largest city in Oklahoma. The former mayor of Tulsa, Kathy Taylor, will join our mayor, Mayor London Breed, the current mayor of Tulsa, and several other Oklahoma electeds for this occasion this Saturday. The ship will depart for San Diego Tuesday, the 19th.

- In Memoriam – Peter Magowan, Former Owner of San Francisco Giants

Elaine Forbes - Finally, Port staff requests that the Port commission close the meeting in honor of Mr. Peter McGowan. In reflecting on Mr. McGowan's contribution, much has been said about his love of baseball and passion for the Giants, which led to an incredible legacy and gift to San Francisco in our ball park. Mr. McGowan was the driving force, keeping the Giants in the city when many teams were moving out to the suburbs, and his decision preserved an important part of the culture and identity here in San Francisco and the Bay Area. Being on the front lines as Mr. McGowan pursued his vision of creating a waterfront ball park, Port staff owe him special gratitude and admiration. With Larry Baer and Jack Bair at his side, Port staff witnessed how his passion drove a tireless effort to address the doubters and skeptics about the appropriateness of building a Giants ball park here, which ultimately was embraced by San Francisco voters. According to staff, he didn't flinch. He backed up his vision by privately financing the development, and he sold the concept to the whole city. And what an important change he made. In addition to championing the project, he also chose an excellent architectural team and devoted such attention to the ball park that baseball fans love it, but the whole community is in love with the ball park. In San Francisco, this is an amazing achievement of its own, but we also recognize the gifts those efforts bestowed. The opening of PacBell Park in 2000 was a pioneer development deep in South of Market. The city had invested in transformation of the waterfront, but the ball park was the first time it awakened people to the idea that you could stroll down the waterfront and enjoy those views and this has caught on. The ball park was a major catalyst in the evolution of our waterfront, and we are indebted to Mr. Peter McGowan. We wish to honor his memory.

B. Port Commissioners' Report:

Commissioner Brandon - This morning I had the opportunity to attend the City Beat Breakfast, and former Commissioner Rodney Fong has been named CEO of the San Francisco Chamber of Commerce. I would like to congratulate him. Afterwards, Commissioner Makras and I also attended the opening of Brown Sugar Kitchen right downstairs in the Ferry Building. Everybody has to try it. It was so wonderful. The mayor came, and we did a ribbon-cutting and then she served chicken and waffles. It's great to have them here at the Ferry Building.

10. CONSENT

A. Request approval of the Port's Five-Year Financial Plan for Fiscal Year 2019-20 to 2023-24. (Resolution No. 19-04)

B. Request approval of the Port's 10-Year Capital Plan for FY 2019-20 to FY 2028-29. (Resolution No. 19-05)

ACTION: Commissioner Makras moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution Nos. 19-04 and 19-05 were adopted.

11. PLANNING & ENVIRONMENT

A. Informational Presentation on the Water Emergency Transportation Agency (WETA) Small Vessel Feasibility Study

David Beaupre with Planning & Environment - I'm here primarily to introduce Kevin Connolly, the director of Planning for the Water Emergency Transit Agency. I'm also joined by Dominic Moreno from our Maritime Department. Both Dominic and I sat on a technical advisory committee helping provide guidance on WETA's small-vessel study. You may recall that back in June of 2018 we came in front of the Port Commission to give the commission an update on the Port's efforts to enhance water transportation along San Francisco's waterfront. We gave updates on both the Downtown Ferry Terminal, where we're a partner with WETA; the Mission Bay Ferry Terminal, where we're also a partner with WETA; and our privately operated public ferries, such as Tideline Marine Group. Since July, there has been significant progress on both the Mission Bay Ferry Landing Project, where 100 percent of design has been completed; and in the Downtown Ferry Terminal, where Gate F and G were complete and are open for operations as of January. WETA is working on rebuilding Gate E and completing the plaza, which should be significantly complete by the end of this year.

Kevin Connolly - It's a pleasure to be with you this afternoon. I'm going to walk you through a little bit of draft-study conclusions that we've just completed and we presented to our board in January. We're going to do a two-step process

with our board and present it next in March. In January, we were presenting it just as the information item. We appreciate your input, as well.

This is a great stop for us in our continuing partnership, as Dave says. We entered into this partnership almost a year ago. Our board chair appointed a committee of our board of two members to work with staff and a consultant to look at some ideas about smaller vessels. We operate larger ferry vessels. They range in size from 250 to our new vessels that can accommodate 450 passengers. What we don't have are smaller vessels and, over the last 10 years or so, we've been gravitating towards larger and larger boats to address the demand that we have. But there is an idea that these could cost a little bit less, that they could cover some markets that we don't cover very well. For example, some periods of low demand, such as late-night service, where a larger vessel may not be the most cost-effective way to do it. Then in infrastructure, how can we use our facilities that we are building today in a more effective way, in a 24-hour type of a system? Finally service, if we had smaller vessels, how can they work with our larger vessels to create a not-one-size-fits-all model, which we have today and a lot of transit agencies have? Some interesting areas of research that came right away once we started the work is geography. We were looking at areas of low demand. We certainly have demand throughout the day. We have it in the middle part of the day. We have it late night. But it's often not enough to fill up a 400-passenger boat. In terms of access, we look at various markets that would like to have ferry service. Things like dredging become a significant obstacle, usually, that prevent us from doing something with our larger draft vessels.

In terms of what we do today, we are leaving people behind. This afternoon, we will definitely leave people behind on our 5:15, 5:30 trips leaving the Ferry Building. That's a daily occurrence Tuesday through Thursday. Can our small vessels be used to help address that situation as a Band-Aid solution? Finally, can they provide an interim service? We have several projects that are in the works. We have a Berkeley project, for example. Could we introduce service to Berkeley earlier than we normally would have using a small vessel that's a little bit more flexible and that can use existing marina facilities? What is a small vessel? This was the key part of the beginning of the study, and it can range in size from six passengers up to 140. It could be about 100 tons. It could be anywhere from 30-65 feet but we landed on a specific definition, which is about 75 passengers. In the transit world, a 48-passenger boat is essentially a bus except for it costs 10 times as much as a bus to operate. So what we did was say 75 passengers is the right size in terms of what we're looking to serve. It's more efficient than a 48 or a smaller boat, which is used by the private operators. We looked at our small-vessel service as a transit service in keeping with our current model. We were not interested in running an on-demand type service, fireworks type of trips, etc. We also wanted to work within our existing network and infrastructure. So whatever we decided to operate with a small vessel had to be compatible with what we're building today out in the Ferry Building or in places like Richmond, where we just opened a service.

However, there are future areas of study. We don't think that one model fits all here. We could be looking at a potential turnkey type of operation where an operator can come in and provide the vessels, which is different than what we do today, where WETA itself owns the vessels and we have a contract operator so that's a To Be Determined.

A little bit about cost. This is a complicated chart, but I'll try to simplify it. Up on the top is a comparison. On the left side is a conventional WETA vessel. We average about 267 seats versus a small vessel, which we assumed was 75. A small vessel is about half the cost of a larger WETA vessel. However, there's about 3 times the number of seats on a WETA vessel. The cost to move one seat a mile is less for a bigger vessel but it really amounts to the demand. We used one example, which is our Harbor Bay service, one of our lower-demand services out there. It's on the eastern end of Alameda Island. When you look at it and you do a head-to-head comparison, the larger vessels make sense. They would cost about \$10.50 per passenger versus a smaller boat, which would be about \$11.75. Nevertheless, this exercise helped us determine that there is a threshold, there is a breakpoint that says: Below this breakpoint a smaller vessel is the right type of fit. We have those fits all throughout our system. Those led us to principles. We had some compatibility with our existing facilities I mentioned, that we'd look to have a fleet of these vessels. Not just one that we'd operate once in a while but have up to eight to 10 that we can use interchangeably as a network. We also see that we can deliver these boats faster. Our typical larger vessel takes over two years to deliver, from beginning to end. We see a small vessel as under one year, so it's something that we could be a little bit more responsive and nimbler.

Maintaining ride quality is important to us. We don't see the small vessels as a viable option north of the Golden Gate, in any long-distance open-water type environments. We don't feel like the ride quality would be what our passengers would expect. We want to have a public-transit model. In other words, it has a fare, it has a clipper card. It works just like any other transit system out there. Those led us to some guidelines in terms of how we'd implement the service. We would look to enhance what we're doing already today because what we're doing already is covering a significant level of the market. We want to provide some more local service. We're trying to concentrate how we use these vessels on smaller areas of demand, San Francisco waterfront being a significant one, as well as some travel between Oakland and San Francisco. Then there's the "hot spare" idea, which is a transit term of art. When you look at a service, a boat can be crewed and deployed and ready, and be ready to be flexible.

One of our biggest bugaboos is leaving people behind or surge, demand that we'll have on a certain event. This helps us be a little bit more flexible and robust as a system. There are services and ideas that we looked at that we rejected. One was Benicia to Vallejo. These were various ideas that were brought to us by stakeholders as well as our board members. Benicia to Vallejo

is currently very well served by bus today, and it wasn't seen as the small vessel would bring any value-add.

Oakland Estuary service, this is east of our current service area. Again, there is great service there in terms of transit, and it would be a duplication of that. Redwood City and places like Antioch or Martinez, these are long-distance travel markets. We're not confident that a small vessel effectively handles that in terms of the ride quality that we expect and our passengers expect.

So that narrowed us down and directed our attention to some specific areas where we think small vessels are a great fit. One, as we call it generally, the "SF in the Central Bay," and that is connecting San Francisco to some of our existing facilities as far north as Richmond, Oakland, Alameda and as far south as South San Francisco. Like I mentioned, we have areas of lower demand here. We also have travel between Oakland and South San Francisco that we'd like to enhance more than we do today. A connecting service between the Ferry Building and Mission Bay. This is the idea that boats would come into the Ferry Building. People would be able to cross a dock and get on a smaller boat that would go to Mission Bay, not just for events but also for commute times.

Based on the Treasure Island development time table, which looks to be a slow ramp-up to development, maximum, small vessels are a nice fit because they can be added to the service as the system grows there. An area that our board is very excited about are pilot projects. This is the idea about testing markets and looking at new markets throughout the Bay Area. There are some areas that we'd like to explore, but the cost of our infrastructure and the time it takes to develop it prevent us from actively exploring and doing trials and pilots and things like that. We think that with small vessels, limited amounts of infrastructure, we could explore different ideas. What that looks like graphically: Here there's a focus on the central part of the Bay Area, between the Bay Bridge and South San Francisco. San Francisco waterfront locations, such as Fort Mason and Hunters Point, for example, were part of our study that we looked at. They may be a little bit longer off because they don't have the infrastructure today, but it's not so difficult to add that as well as enhancing our existing terminals that we have throughout the central part of the bay.

We estimate the cost of a small boat to be around \$3 million. We estimate about eight of them would create this early system, and that's about \$24 million in vessel costs. If we had eight vessels, we'd have to have somewhere to put them overnight, and we estimate a \$5 million facility. That could be somewhere in the Central Bay, either in East Bay or in San Francisco. The annual operating cost would be \$13.5 million to operate these at a fairly robust level and that could be introduced gradually over time as projects are ready for the system.

We are going to present something like this with some draft recommendations to our board at a workshop in March. Our board is considering a lot of different ideas today. Regional Measure 3, which was set to fund a lot of our expansion,

is currently on hold. It gives our board the opportunity to step back and assess the priorities that they developed in their 2016 strategic plan. We have a partnership with Treasure Island, or we hope we do. It's been moving around a lot, but we expect that these would be a great fit for the Treasure Island service.

That leads us to some implementation ideas that we'd have to do some more in terms of market demand, operating costs. We're very high on the possibility of electric boats in this case, that the small boats are the right fit for electric drive. They're lighter and smaller, and they can charge in a rapid way as opposed to larger boats. We will define some of those pilot programs that I mentioned for our board to explore possibilities with new markets.

Commissioner Adams - This is a very comprehensive report. I know we're just starting out but with the infrastructure in this city, and with all the crowding and stuff like this, I think these smaller vessels along with water taxis. We have about 8-10 million people a year that use ferries and water taxis, and we need to take as many people off the roads as we can to make it a lot better because there's just a lot of chaos on the Embarcadero and then our roads and in the Southern Waterfront. It's just crazy trying to get around this city. We've got the third-worst crowding in the world as far as infrastructure, behind Russia and L.A. and New York. What I like is those smaller vessels. They can accommodate, and the big ones. They're more efficient. What do you see as far as how many we're going to need and as the growth of San Francisco is going? We're a city. We get about 30 million tourists a year that come to our great city. What do you think we're going to need to be sustainable and also to have the flexibility for people to get around? I think we have 20 percent of our people now that go to the Giants game by ferry. And with the Warriors' arena down there, what do you think we're going to need to stay ahead?

Kevin Connolly - That's a great question. Our focus with this effort is within the next five years. We saw this as a rapid turnaround. We want to be responsive and nimble to today's need. But you were kind of asking about longer than that and where we're going to be, and certainly we can start with a fleet of eight vessels. We have more needs than vessels there and go from there. I wouldn't be surprised to see us double that within those 10-year periods to get up to 16 or 20 vessels, especially if they're responding to the market you're talking about, particularly intra-San Francisco travel along the waterfront to Treasure Island, to places like Fort Mason, for example, on weekends.

Commissioner Adams - What kind of fuel will they be using? Hydrogen or will it be LNG? Because we're an environmental city. We're worried about the environment.

Kevin Connolly - We're very excited about the idea about either an electric or hydrogen-powered vessel. Currently that's the work we're doing as far as implementation: to explore that possibility. The fit is right in terms of lower

speeds and lighter weight. It's really: Is the technology there for us today? If it's not there today, it will be there very soon. We're excited about that possibility.

Commissioner Adams - It would be nice eventually if they could go to the dock and plug in like they do at the Cruise Terminal at Pier 27. They've got shore power, and you can plug the ship in at Pier 27. It's fuel-efficient, and it's better for the environment.

Commissioner Brandon - David and Kevin, thank you so much for this presentation. It's great that you guys are actually studying this, and hopefully some type of implementation can happen soon. You said that the earliest it would happen would be within five years, maybe?

Kevin Connolly - It's all about whether we can find the money. But our idea is that it would be a year's time before we could have the first vessels out there, and as long as we can identify some funding.

Commissioner Brandon - That's for the vessels but what about the new sites, like Hunters Point?

Kevin Connolly - You're right. That's more of a five-year time table in terms of permitting, construction. I wish things occurred faster than five years, but that's about the average.

Commissioner Brandon - Because with all the development going on in the Southeast portion of the city, I hope that there is some type of ferry service sooner rather than later. I know Commissioner Woo Ho is very upset that she missed this presentation because she's very passionate about this issue. But I'm glad that you guys are looking at it and studying it, and hopefully funding will become available because it's much needed with all of the transportation issues that we're having now in the city. Thank you for the presentation.

C. Informational presentation on the City's Cannabis Policy and opportunity for cannabis business at the Port.

Diane Oshima with the Planning & Environment Division - I am here to provide some introductory overview remarks about the city's cannabis policies and how they apply to the Port. I wanted to introduce Nicole Elliott who will do the substantive work of explaining the full breadth of the cannabis policy in San Francisco. The need for us to understand what policies apply in the city are important because most of the Port's property is in what they call the "Green Zone." Notwithstanding the zoning map that is in front of you today, we have broken it up and color-coded it by the zoning districts themselves because, as indicated in the report, there are eight different categories of cannabis-related industries and businesses. We have three particular zoning districts: M1, light industrial; M2, heavy industrial in the pink; and then C2 in the green, commercial businesses that are basically receptor areas for all of those different types of businesses. Within the green C2 zone, those are primarily

oriented towards the retail cannabis and medical cannabis business centers. But for all of the manufacturing, agriculture, distribution types of facilities for producing cannabis products, they are allowed under the city zoning in the M1 and the M2 areas. There are carve-out areas, as indicated in the circles, for schools and some spatial separation between retail and medical cannabis businesses that are to be taken into account. We wanted to share this information with you about those opportunities along with the information that Nicole will be presenting about the policies and the Equity Programs and the very complex regulatory framework that her office is orchestrating with managing across many different city departments. It is a legalized product in California. There are opportunities that San Francisco is trying to promote. There are a number of areas that we would have to research further, but we thought that it was a good idea to start here, get your initial direction, feedback and then, with that knowledge, take it out to the Port advisory committees and start understanding: What are some of the neighborhood and community concerns that we should be taking into account? Then bring that back to you as part of our next steps is to do that research, work with Nicole's staff and her team further and the City Attorney's Office. Then we can come back and answer the full scope of questions that people have to figure out what pathways forward there might be here at the waterfront.

Nicole Elliott, Director of the San Francisco Office of Cannabis - I was asked to come and give you an overview of our regulatory framework and touch specifically on the Equity Program. I want to walk you through a little bit of background of the creation of the office and then go through the Equity Program, which is very complex.

Back in 2015, then-Supervisor/now Senator Scott Wiener created a task force comprised of over 20 stakeholders, including the city as well as industry and community stakeholders, to prepare for the inevitable legalization of commercial cannabis activity. In November 2016 we saw Prop 64 pass with a 75 percent approval from the San Francisco voters. In mid-year 2017, the State put in place the Medical and Adult Use Regulation and Safety Act, which combined medical and adult-use cannabis controls for purposes of state implementation and to guide local jurisdictions in how they could proceed in developing comprehensive regulatory schemes because, at the end of the day, the state contemplates a dual-licensing system where the local jurisdiction must opt in to regulate and create a framework to develop a local authorization for the state to then issue a license to that operator.

In July 2017, late Mayor Lee and the board of supervisors passed an ordinance that established the Office of Cannabis. In August of 2017, I was appointed to direct that office and to develop the first set of regulatory frameworks for the city. In September of 2017, we introduced that regulatory framework. It included a new article for the Police Code, which is the administration framework. It also revised the Planning Code to develop clear zoning categories for cannabis-related activities, contemplating everything from seed

to sale i.e. cultivation, light manufacturing, volatile manufacturing, distribution, testing, delivery-only retail, and storefront retail.

In creating the office, the mission is to implement cannabis-related policies that ensure a fair, safe and equitable regulatory structure for all medicinal and adult-use commercial cannabis activity. Overall, the Office of Cannabis seeks to foster access to entrepreneurial and workforce opportunities for communities disproportionately harmed by prohibition and enforcement, and has developed policies that seek to prioritize equity, inclusivity, community safety, and community involvement. Our core functions are permitting; rulemaking; enforcement; coordination with our partner agencies, of which there are at least 10; and the implementation of the Cannabis Equity Program.

This gives you a sense of where we are today. This is a little bit of outdated information but still very relevant. You can see we have quite a few existing retailers, and many of those are our legacy storefront retailers that were medicinal cannabis dispensaries prior to the passage of Prop 64, including the delivery side of that. The supply chain represents over 151 activities that were previously unregulated or quasi-regulated and that came into compliance or are in the process of coming into compliance through our amnesty program that the office ran in late 2017.

We have quite a large number of permits being sought for our four-person office. We have engaged quite a large number of individuals who have sought to be verified as Equity applicants for purposes of participating in our Equity Program. The city developed the regulatory framework in its most simple form, i.e. the city sought to lock in our existing industry and ensure that any growth beyond our existing industry be done through this Equity Program. All new business and any expansion of existing business is done through this Equity Program. San Francisco has defined its Equity Program as a program meant to reduce barriers to entry in the legal cannabis marketplace for individuals and communities who have previously been misguided drug policies and over policing of our local communities.

Back when the office was created, there was a mandate that the office deliver to the mayor and the board of supervisors by November 1, 2017, an Equity Report. One of the sections in the Equity Report covers barriers to entry. In the section specifically related to financial barriers, it states: "All new businesses face financial requisites to enter a new market. Access to capital or business financing is necessary to purchase the equipment and labor to get any business up and running. For individuals disproportionately targeted by drug enforcement and, consequently, having a higher propensity of being disadvantaged socioeconomically during the last decade of cannabis prohibition, these financial barriers can be particularly difficult to overcome. Without the initial resources to launch a business venture or to sustain operating costs until profits are realized, these individuals are rendered unable to enter the adult-use cannabis market.

In developing these resources, the things that the city is looking at is to either provide or pull from the private sector which include reduced application and permit fees; priority processing; small-business support services via technical assistance of all varieties; access in securing real estate; and direct access to capital which, to date, the city has not yet provided. The way the program is structured is either through an individual accessing ownership opportunities and permits or incubators providing support for individuals to access those ownership opportunities.

This shows you the process by which an individual becomes verified as an Equity applicant. This is every type of qualified applicant, Equity applicants and Equity incubators. Then we have the temporary permit holders, MCDs, those entities that signed affidavits during the amnesty process to cease their activity and those operations that experienced federal enforcement in the past and have been given access to permits. As an individual, you are verified by: (1) being a natural person; (2) passing an asset test; and (3) meeting three of six criteria; and (4) the percentage of ownership that individual must maintain in a permit in order to deem that permit valid as a verified Equity-applicant permit. That includes options like 40 percent in CEO, 51 percent sole proprietor, etc. We provide access to the application after that second column has been verified, and then verify the ownership once we have the application in the queue. This gives you a sense of the number of Equity applicants that have been verified and the types of qualifications that have helped them be verified, broken down by type.

The second half of our Equity Program is the Incubator Program. This is a program where the entity does not have a verified Equity applicant as part of its ownership structure and, for that reason, commits to, for no less than three years, support the entry of an Equity applicant into the marketplace either through the provision of onsite or offsite space and security services or the financial equivalent in technical assistance.

Commissioner Makras - Thanks for the presentation, Nicole. Do you believe that the Port can do whatever they want, either looser or more restrictive, than the city policy on our property?

Nicole Elliott - That's a loaded question. Yes, I think the property owner is capable of being more restrictive when it comes to what can be done on their property. Every applicant is required to provide proof to occupy, meaning consent from the landlord, that allows for the specific activity for which they're seeking permits and, of course, any conditions that would come with those activities.

Commissioner Makras – Basically, the city policy doesn't want two of them within 600 feet of each other, correct?

Nicole Elliott - The city land-use policy prefers to not have two storefront retailers within 600 feet of each other, and there are controls in place to prevent that moving forward.

Commissioner Makras – If the Port decided on our property we wouldn't mind that, we'd actually like them together, do you believe that would be okay or we would have no say in it?

Nicole Elliott - Everything can be changed any given Tuesday via legislation but there is a provision in the Planning Code that allows for storefront retailers with less than 350 square feet to be co-located in the same area, not subject to the 600-foot buffer. It's very supportive of a Ferry Building type model.

Commissioner Makras – To the director, are you trying to get a temperature from the commission on how we feel about cannabis on our property?

Elaine Forbes - Yes. I wanted Nicole to come and talk about the city's policy and to get a temperature from the commission and then work with our neighborhood organizations to get a temperature, as well. As Nicole said, we can be more restrictive and say, "Not for us. Not now." But if we would like to embrace the city policy, and part of that is this need for real estate, we could begin a process by which we'd form decisions before you would look at any individual application or lease request. I thought it was important to have the policy discussion absent an actual request. We do have cannabis distributors and retailers that have been eyeing Port property, so this is timely.

Commissioner Makras – After my colleagues' questions, I'd be happy to share my views on leases on our property. I have no problem with it. The voters spoke. I actually think that we may be able to have the busiest cannabis shops in the city because they would want the locals and the visitors using it. I think it would be a very high-grossing business, and we should look at it very carefully. Within our current policy we should just be open-minded to looking at applications as they come. I would caution us from studying it to death and then having the free marketplace everywhere else in the city take all of the business, and then we will be a day late and a dollar short. The front page of the Chronicle had a sale that took place recently with the Canadian Stock Exchange and valued what these operations are, and the three stores in San Francisco were valued somewhere in a range of \$40 million for three retail operations. I would ask the director: How many businesses do we have that gross that type of money, that would be worth that type of value to us in sharing their percentage rent with us that we think would top that? I'm not asking you to answer that now, but those are things that we should look at. A high-revenue source like that with a percentage rent would bring us a lot of revenue, and we owe it to ourselves to look at that. I would reserve the right to vote "No" against it, but I truly believe that we should be an open-door policy and we should look at it, and we should be proactive in responding to those who have an interest in it.

Commissioner Adams - Nicole, congratulations on being appointed to your new position by the late Mayor Lee. I know that Mayor Lee would want to continue to see his vision move forward. U.S. Senator Ron Wyden of Oregon is ready to introduce some legislation in the U.S. Senate making cannabis legalized across America. I remember a lot of states, starting with Colorado and Washington state and Oregon, but especially the Governor of Colorado fought for it. When it happened, he realized there was an extra \$80-100 million a year for schools, for highways, etc. Sometimes our nature is to be against something before we realize it can be something good for us. People don't like change, but change is inevitable. I like it. I know that a lot of the unions are getting in there, and they're organizing. I'm out of Washington state, and I'm very close with the Puyallup Indian tribe. They run a billion-dollar empire in Tacoma, Washington, and most of the city of Tacoma, the Port of Tacoma, is on tribal land. They run their billion-dollar empire with cannabis and their casinos. It's going to happen. When Jeff Sessions was the attorney general, a lot of people were afraid to move forward. I think it's inevitable. I think we ought to move forward. It's like technology. You've got to embrace it. I think we get out front with it. We ought to look back when people were saying, "You were trailblazers" instead of fighting something because sometimes you can be on the wrong side of history or you can be on the right side of history. This is something to look at. I've been studying the stock market. John Boehner said when he was the Speaker of the House they kept trying to push it through the House, and he was against it. Now he's a leading advocate. It's a lot of things. It's medicinal. People think it's marijuana. You've got to look at the big picture. Now John Boehner is for it. He said he's had conversations with the president, and he says: "I'm for it now. I'm for this cannabis." It's moving forward. Speaking for myself, we ought to have an open mind about it. There's a lot of benefits to the community. We're always talking about the disenfranchised. If we can do things to help our community, we should think out of the box. We should be willing to look at it, embrace it. I always think we should get on the train now. Don't wait till after it's left three weeks and then want to get on the train. I like this conversation. I don't know what my other commissioners think, but I'm open to it. I've done a lot of studying on this cannabis, and it's something that's going to happen here in California. It's a money-maker. If we have an opportunity, we ought to look at any kind of funding that we could get and embrace it.

Commissioner Brandon - Diane and Nicky, thank you so much for this presentation. I agree with my fellow commissioners: that this is the way of the future. It is something that we definitely need to study, and it's something that we need to embrace. I want to caution us in that, although it is legalized, we have the "JUUL" issue. Hopefully we can come up with a policy or policies that everyone can get behind because I'm not quite sure what the difference is between this or that. As long as we come up with a city-wide issue that works with the Port, I would be very supportive. I don't want us to have our own policy.

12. REAL ESTATE & DEVELOPMENT

- A. Request approval of Memorandum of Understanding with the San Francisco Recreation and Park Department for use of Port property consisting of a portion of the Hyde Street Pier (South End Rowing Club) and a portion of the launching dock at 500 Jefferson Street. (Resolution No. 19-06)

Mike Martin, Real Estate & Development - I'm here pitch-hitting for J.A. Edwards, our senior property manager for the Northern Waterfront. He's done a great deal of work to bring this item forward, and I definitely appreciate it. Joining me today from Port staff, Vicky Lee, a property manager also for the Northern Waterfront that's worked hard with us. We also have Miriam Hiser of the South End Rowing Club and Jackie Suen of the Recreation & Park Department available to answer questions.

This is a Memorandum of Understanding with the Recreation & Park Commission regarding the South End Rowing Club premises. This is the second step of a three-step process in resetting the landlord relationship with the South End Rowing Club. Step 1 was the settlement of the original Port South End Rowing Club lease that you approved at your January 8th meeting. Step 2 is today's item, which would lease the small amount of Port property used by the South End Rowing Club to the Recreation & Park Department for eventual sublease to SERC as part of the overall premises under a new lease. Step 3: After this MOU is in place, if you so approve, the board of supervisors would then hear the overall lease combining the Rec Park and Port jurisdiction property into one lease with the South End Rowing Club.

The South End Rowing Club is operated on a nonprofit basis. It is a nonprofit organization that provides facilities for rowing, swimming, and other water sports for its members and the general public to enjoy San Francisco Bay. In addition to monthly memberships for its members, the South End Rowing Club is open to the public three days a week for a day-use fee. A lot of people have an opportunity to access the bay in this location that they really don't in a lot of places around San Francisco to enjoy those individual water sports. In 2016, the South End Rowing Club completed an extensive renovation to its facility, and it's currently seeking a new lease to safeguard between those improvements and the overall relationship to its landlord and its operation going forward in providing these recreational opportunities to San Franciscans and visitors. Here's a photo of the South End Rowing Club, the front, facing towards Jefferson Street. Here's another photo of the rear of the premises that relates to the Port jurisdiction at issue. This is taken from the Hyde Street Pier, looking back towards the clubhouse. To the left is the beach area, part of which is in Port jurisdiction. To the right is a launching dock. A portion of that is in Port's jurisdiction as well as the water area under the dock. The jurisdictional issue is what gives rise to our challenge today that we're trying to address. In the 1990s, it was discovered through an unrelated matter that the Port actually held some jurisdiction to the property. This diagram shows it a little better. The large polygon up by Jefferson Street is the clubhouse. The Port's jurisdiction is the dotted line that cuts through the middle there. Below that dotted line, the gray shaded area is the beach area. The crosshatched dock area is the dock

that's on the Port jurisdiction, and then the water area underneath that in the light-blue polka dots is the water area in question. As you can see, this is a minor portion of the South End Rowing Club premises. The Port, when this was originally discovered, entered a lease with the South End Rowing Club to be a co-landlord. As you saw in the "settlement agreement" discussion, that was a complicated relationship that didn't work out financially. As part of the settlement agreement you approved, we wanted to move forward to a relationship that standardized the city/landlord position, and this MOU is intended to do that.

The terms of the Memorandum of Understanding were approved at the Recreation & Park Commission in September of 2018. The terms were included in the negotiations for the underlying lease that, as a subsequent matter in Step 3, would proceed to the board of supervisors. The terms of the MOU are fairly straightforward. The premises on the diagram would be leased to the Recreation & Park Department under this MOU. The MOU would allow the Recreation & Park Department to sublease those areas as part of the overall lease to the South End Rowing Club. In lieu of paying a use fee, Recreation & Park Department would do three things. First, it would ensure that the South End Rowing Club continues to be available for public use and recreational use on a day-use basis. The Recreation & Park Department would be responsible for the security and maintenance and repair of the premises. The Recreation & Park Department would require the clubhouse tenants, licensees, agents, contractors all to indemnify and protect the Port from liability for use of the Port premises. By and large, the structure of this deal is intended to acknowledge that the areas under Port jurisdiction are not revenue-generating pieces of property. However, by securing us from maintenance and operation liability, as well as liability of the users of that property, it presents a benefit to the Port that allows for the continued recreational use and enjoyment of the bay.

One other item that the MOU addresses is secondary access. Right now the clubhouse borders on the Hyde Street Pier, also Port property. Under the Safety Codes, they need a secondary access route besides the front door. This codifies and agrees on the use of that pier. It also is reconciled with the Port's relationship with the National Park Service for use of the Hyde Street Pier. Those agreements now fit together and provide the access needed for all parties in a way that allows them to continue their operations. The staff believes that the MOU terms will give effect to the settlement agreement that you approved on January 8th, and protects the Port's interest in maintaining its property while limiting the Port's potential liability. We feel that the relationship that the MOU fosters in terms of the overall city/landlord relationship is a more cohesive approach and allows for the continued operation of this facility for the benefit of the public. Staff recommends approval of the MOU.

Miriam Hiser - Thank you for providing us the opportunity to be here this afternoon. With me here this afternoon is Bill Wygant. He was president of the South End Rowing Club for six years, one of our longest-termed presidents.

I've also got Fran Hegeler, who is our current vice president. The reason that we all are here this afternoon is very simple: We want to say thank you. The Memorandum of Understanding that has just been presented to you is the result of a lot of work. It's a lot of time, energy and effort that has gone into solving a problem of various overlapping jurisdictions. It does so succinctly and very well. I'm hearing here this afternoon that a lot of people in this room share the same passion that we have for the waterfront. I recommend that you approve the MOU. It will enable the South End to continue its over-150-year history of providing water access for swimming, running, biking for the public, and help us continue to be a vibrant member of the San Francisco community. We are grateful for the opportunity to be here this afternoon.

Commissioner Makras - I support the item.

Commissioner Adams - I'm in support.

Commissioner Brandon - I think this is long overdue, and I'm happy that we can get this MOU with Rec & Park and move forward on this.

ACTION: Commissioner Adams moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. Resolution Nos. 19-06 were adopted.

B. Informational presentation regarding the lease extension with Java House LLC, located at Pier 40½.

Mike Martin, Real Estate & Development – This item is for the Java House Restaurant at Pier 40½. I'm joined today by Mark Lozovoy, our assistant deputy director of Real Estate. Representing the project sponsor with me is Paul Osmundson, who's consulting on the capital project and lease negotiations; as well as Kelly Phu, who is general manager of Vin Antico and proposed to be general manager of the proposed restaurant if approved, who can talk more about the qualifications of the management team and the business strategy.

Paul will go through some initial thoughts on the proposal that's in front of you. I do want to highlight for people watching and listening this Java House is not Red's Java House. This is Java House that's down by Pier 40. It's the white building right by South Beach Harbor. We don't want any confusion with that. I think the first couple slides give sort of the basic context, setting the stage for what we're discussing today. Unlike a lot of information items, where we're setting a path to an action item, this one is a lot more of a first-principles discussion on whether we want to proceed. The current Java House is a restaurant located at Pier 40½. It currently has a lease term that expires in 2023. This lease calls for \$346,140 of capital improvements that have not been completed as required by the lease. There is a failure of performance on that part of the lease. The tenant is seeking approval for an ownership restructuring and a lease extension with the goal of bringing in new capital to complete those

existing required capital improvements but also to complete outdoor seating and public-access improvements that would improve the operation.

Another important fact to note, as shown in the staff report, is that the sales-and-rent performance of the current operation is one of our lower-tier performers in the restaurant sector. The gross sales, while increasing last year, still didn't provide enough percentage rent to break past base rent. We've only been receiving base rent over the past five years and for the entire life of the lease. All of these are painting a picture of a challenged site. There are two ways to look at this proposal. One way is to look at the proposal through our existing retail-lease-extension policy, which has certain criteria for the commission to authorize a direct negotiation, two of which are being an above-average performer in terms of rent as well as being a tenant in good standing. This proposal does not satisfy either of those criteria. The reason we brought it this far, however, is that we think there's another way to look at this particular proposal. It's more in the context of a workout of a performance default in the sense of many of our defaults that put people out of good standing have to do with failure to pay rent. In this case, there's a very specific thing, in terms of the set of capital improvements that should be delivered, that can be addressed with money. Rather than an ongoing payment of back rent and rent going forward and meeting operations, if there was enough money and a construction contractor tomorrow, they could fix this default. In these instances, there may be situations where it's beneficial for the Port, for the tenant to bring in new capital in terms of financial capital to satisfy the performance default, even if that means watering down their own ownership and their own benefits from the site. It's that lens that we think there may be a potential benefit that the Port would want to pursue in this context. To move from there to the proposal as it's been proposed: It's based around a restructuring of the ownership of the entity, with the current owner retaining 15 percent while Michael Heffernan purchasing 85 percent of the business. The lease would be amended to provide an approximately 11-year extension upon completion of a new capital investment of not less than \$450,000. That includes those existing capital improvements but also what I mentioned earlier: the capital improvements needed to create an 850-square-foot outdoor-seating facility. This would also come with new financial terms. A base-rent increase from about \$3,200/month now to \$4,000/month; as well as Port participation in sale that increases from 10 percent to 12 percent of net-sale proceeds. The sale of the lease, in this instance, would actually bring revenues to the Port on its own.

The underlying question of whether to proceed relies more on the overall outlook of the commission on this as it relates to the precedent it sets with other potential situations. Staff believes that the projected financial benefits outlined in the staff report are pretty reasonable. We think that an expanded use of the dinner hour and beverage sales, expanded use of an outdoor-seating area in a very picturesque location on the waterfront, that can hopefully bring in customers at Oracle Park, other people using the waterfront. We think that's a model that's worked in other places and could work here. There's a lot of reason to expect that the improved performance from what you saw on the

slide earlier is something that could be delivered if this transaction moved forward. On top of that, we've retained a consultant who can perform a third-party validation of those performance projections because we know that's something that has been helpful in these considerations over the past couple years in understanding what's being proposed in association with an extended-lease term. We'd also want that consultant to look at the term of the extension that I mentioned earlier. The real goal here, if we're looking at this as a workout, is to look at the benefits of the new improvements not the ones that were already called for under the lease and seeing what that justifies in terms of term and other lease terms. If we do move forward with that, that consultant analysis would help us refine those terms and bring them back to you in a package that, hopefully, benefits the Port. We note the tension between these potential benefits of trying to find a way out of this current situation and the existing terms with the leasing policies and the way the Port focuses on competitive bidding, etc. The challenge with this lease is that it's in place until 2023. The challenge of enforcing the Port's rights, the potential time that a facility would be dark before we could solicit a new operator to come in. Those negative revenues against the potential positive of the restructuring and moving forward from here, that's what we're weighing and we're hoping to get the commission's direction on.

If there is some direction to look at the transaction benefits to try to see if they outweigh the policy concerns noted above, we'd pursue that third-party validation, pursue further negotiations, then come back to you to talk some more about what might work. But first, I'm going to step away from the microphone for a moment and invite representatives of the Frankie's Java House proposal to talk more about their management team, the new ownership team, as well as their business strategy that underlies this strategy.

Paul Osmundson - I'm a consultant to the new ownership group per the Java House. The current owner/tenant has been in place since the 1980s. There's been some personal changes in the family that owns the business: The patriarch, Phillip Papadopoulos, passed away a couple years ago. There was a desire on the family's part to find a new operating partner. I've known the family for some time through my previous work at the waterfront. Mike Heffernan, as the staff report indicated, is the lead investor. He's a longtime member of the business community in San Francisco, Heffernan Insurance. It's a large, very successful brokerage. He's admired in the business community as a leader, the most admired CEO for his small businesses. He's a founding member of a nonprofit that works in San Francisco in the Western Addition and Fillmore, and he owns a restaurant in San Rafael in addition to his insurance practice. Kelly Phu is here. She's the new general manager. She'd be taking over day-to-day operations and supervising everything. Another partner is Dave Donati, involved in the wine business, helping with marketing. I'll be running the project-construction management and ensuring that all the improvements are done. Mike's experience with restaurant operations is primarily in a restaurant in San Rafael, where he purchased it and turned it around, brought Kelly in to rebrand and refocus the operation. It's been very successful since he took it

over. Then she shut it down and made it even more successful. Similar to the approach we're going to recommend at the Java House if we're fortunate enough to have this approved. Dave Donati was focused in the wine industry. He's a member of the team, and also looking at turning around food-and-beverage operations. The four things that we think are going to help the operation at Java House are: to add an outdoor patio because right now the seating capacity is extremely limited. It's just indoor. For Giants games, most of your other tenants that have done really well have outdoor patios. Introducing a full bar. Right now they only serve beer and wine. Liquor sales will help the top line and the bottom line. Following the renovation, probably add dinner service because right now it's just breakfast and lunch, which tends to limit the revenue. And raise prices a little bit. Not much. We looked at Red's and Pier 23, and right now the pricing is really at the very lowest end of what it probably could be. So the final thing that I looked at was: How are we going to position this within your portfolio of casual, approachable, successful waterfront restaurants? Pier 23, Hi Dive and Red's are what we're going to model our business plan after. Right now it's underperforming. We think that, after the renovation with adding a bar and doing an outdoor patio, we can bring it into a more compatible business operation in order to pay you percentage rent and continue to be an asset to the waterfront.

Commissioner Makras - I want to focus in on the tenant-in-good-standing policy. Obviously, the tenant improvements promised by this operator are 11 years past due or some large amount of time. Walk me through what we have done, as the landlord, to have them fulfill their promise under the lease.

Mike Martin – Most of the work that I'm aware of that we've done has been focused on discussions with the current ownership group. For example, one of the pieces of the capital work was to improve their sewer line. We had work going under the walkway in the area. We hoped that they would try to join our project so that they could save on costs, and that did not succeed in drawing them forward to do that. Mostly it's been, I would say, the carrot of trying to get this done rather than the stick of pursuing contractual remedies.

Commissioner Makras - So we've given them no Notice to Perform formally?

Mike Martin - We've given letters seeking performance but not a formal Notice of Default.

Commissioner Makras - This is to everybody, but more to my colleagues for where I stand. I support the expansion of the hours. I support the expansion of the seats. I support the outdoor seating. I support selling alcohol outside. I support the new operator. I support it all with a lease assignment, no extra time, and they fulfill their TIs that they promised us. In all fairness, they are not a tenant in good standing, and I don't think we should have any extension of a lease when tenants don't fulfill their basic obligations to us. They have an asset; they can sell that asset. They have a partner that they want to undertake; they can take that person. We will encourage and facilitate

everything they want, but we will not reward them with an extension of a lease. That's how I would approach it. If not, then our signal to every tenant in the entire Port is: You don't have to be a tenant in good standing to negotiate. I will, on every turn, ask each tenant if they are. This is a public meeting. Everyone should know there should be one basic way of honoring our leases, and we should honor them all fairly and equally among us. The policy is clear: Tenant in good standing, on Page 3. The entire document is four pages long, and the only thing in bold print is "tenant in good standing." It's almost what we're talking about here. Exceptions look like favoritism. Exceptions look like something out of the box. Demonstrate to me why we need to go out of the box, out of our way, when, if we say "Yes" to everything, they're still our tenant and they have four years left on their lease.

Commissioner Adams - Mike, you heard Commissioner Makras. What have you got to say?

Mike Martin - I definitely understand where the commissioner is coming from. In sending him that document, I did see the bold type, as well. I'll say one thing: I understand where the commissioner is coming from about a tenant in good standing. I would like to suggest and by no means am I disputing the notion that he's describing, about sending a message to tenants that they need to comply with the agreements we enter with them. To the extent that we can get the benefits that he's describing that he's in favor of, and he enumerated all of them, as a follow-on to securing compliance and by that I mean if we could get a situation where there's no term extension until all those capital improvements are performed, and we have the outdoor seating, and we have the improved financial terms. I would say the message has been sent that you're not going to profit for things you aren't doing. The only way you get a term extension is by doing something additional, which is the outdoor seating. That's a structure that would address some of those concerns, but I understand where Commissioner Makras is coming from. The document he's reading from is very unequivocal about who gets to talk to us about lease extensions.

Commissioner Makras - Do you know what Bank of America would do or Wells Fargo would do if they were a trustee in a matter like this? They'd tell our tenant that "You owe us \$368,000" or whatever that amount is, and "Send us a cashier's check for that amount of money," and then we sit down and talk. That's what we have been cued out of. These TIs are not TIs just for the benefit of the Port. They're benefits for the public. These TIs also are the image of how we project our whole waterfront. This tenant has deprived us of those improvements for a decade.

Commissioner Adams - Right. I appreciate it because you brought up some very strong, valid points. It's kind of how I see it. This is a legacy business but I also see somebody willing to come in, take ownership of it, try to transform this business, and make it profitable. How do we go about doing that because this person is willing to come in, put their money in. They have a vision. When I looked at the other restaurants there, this is a business that could thrive. It just

needs an investment. It needs proper management, better oversight, and this person has the experience. Commissioner Makras has a point, but how do we get there that it works out that we create a new business here and we keep it thriving, and we keep this legacy business going? How does it work? Because they're going to put some money into it. A new manager and a new owner are coming in and they're going to sell alcohol. They're going to have a full bar. People love to drink. In most restaurants, people make the money off the alcohol. Even when we had a recession, people were out drinking every night in this city. Even Commissioners like to have one. Me too. I understand where Commissioner Makras is coming from. Mike, I think you and your team can do something to make it a win/win situation and make it where Commissioner Makras can buy into it because I would like to see this thing work. I appreciate the guy having the courage to invest, wanting to do this, and we're going to turn this thing around but they have been delinquent. Why it went on for so long and nobody caught it or nobody did anything is unfathomable? Shame on the Port. But moving forward, what do we do? That's what I'm concerned about. Where do we go from here? This is a good opportunity from here. For the past, shame on us for letting that happen.

Commissioner Brandon - Mike, thank you for the presentation. Paul, thank you also for your presentation as well. This is a hard one because our tenant-in-good-standing policy is there for a reason and as best that we can, we should abide by it. This is a unique circumstance in that, although the tenant has not done the improvements that they agreed to do and as Commissioner Adams said, shame on us, we are where we are. Because we recently put out an RFP for a restaurant right next-door to this property and we got no responses. The reason we're looking at this is because we do have someone that's ready to step up, do the investment, continue the operation, and pay us more in percentage rent and rent overall, plus do the improvements. If we were not in that situation and if we had not hired a consultant to say these are market-rate terms that we're getting now for this property, I would say we need to put this out to bid. But because we have an established community member that gives very nicely to various community organizations, is ready to invest in this, I would support it. I don't think it's breaking our tenant in good standing because we have to take it case by case. First and foremost, I am always the one to say put it out to bid. But because we have gone through so many studies and analyses of this particular deal, I would support this only with the caveat that this investment is done within the first year of the lease. If it's not, then we take our security and we do it ourselves, and we put it out to bid. But the improvements have to be done.

13. ENGINEERING

A. Update on the San Francisco Seawall Earthquake Safety and Disaster Prevention Program (Seawall Program).

Steven Reel with the Seawall Program - I'm joined here today by Mark Bierman, who's the Army Corps project manager for the general investigation.

This is an informational update on the Seawall Program. I'll provide a brief presentation on progress since our last update in July and then bring up Mark to provide an overview of the exciting work on the general investigation to date.

In the spring of 2017, only 9 percent of San Franciscans were familiar with the Embarcadero seawall. Over one year later, 83 percent voted "Yes" in favor of the \$425 million seawall bond. San Francisco loves this waterfront. It recognizes the incredible value and identity it brings to the city every day and the important role it must play when an earthquake strikes. They've overwhelmingly tasked us to act quickly and make the Embarcadero waterfront safer and more resilient. Acting quickly requires that we engage the community and all stakeholders in the process. Under the guidance of Kirsten Southey, who we heard won an award tonight, and with the assistance of Civic Edge Consulting, the seawall team has been executing on a strategy to engage all of San Francisco, to educate, inform, and begin to seek feedback as we advance the program toward decisions.

Engagement has taken many forms, such as attending a neighborhood community meeting in the Sunset; a Family Night at the California Academy of Sciences; Twitter chats with BART and Muni; seawall walking tours; and even a meet-the-engineer Happy Hour. I encourage you to come to the next one of those. We've also been rolling up our sleeves at Seawall Program community meetings. Meeting 2 was held at the Exploratorium last September, where we focused on what is out there and what is at risk. Meeting 3 was held a few weeks ago at SPUR and focused on the planning framework and balancing priorities and tradeoffs. Both of these meetings featured a group activity called the "Game of Hazards," which was developed by the team. It's an interactive mapping activity designed to foster community discussion and input, and it's been very successful to date. A big part of the effort has been to create a Port-wide resilience strategy to help us frame decision making.

The framework includes three elements: strengthen the waterfront for public safety, adapt the existing waterfront to rising sea levels, and envision a new waterfront when sea levels get too high. Lindy Lowe has spearheaded this effort, and we think that it will help guide discussion, build consensus and, ultimately, allow us to make smarter decisions moving forward among uncertainty. Before we can make smart decisions, we need a complete asset inventory. I'm happy to report that this work is nearly complete. We've had great support from Port staff, the city family, BART, and other owners to help collect data on all assets in the zone of influence. Along the way, we found some gaps. One lacked bathymetry or underwater survey data. We completed an advanced survey along the near-shore area of the seawall that will better help us model seismic behavior, model wave behavior, and better develop cost estimates of various alternatives. We also completed an extensive geotechnical investigation program because what's under the ground really matters to characterizing the seismic risk and developing solutions. Field work was completed on time at the end of November. Lab work is nearly complete, and restoration will be scheduled in the next quarter.

This investigation of subsurface data will be useful for other Port and city efforts beyond the Seawall Program. Work is now underway to advance both earthquake and flood hazards using the data inventory and the additional investigations. This is a major part of the work over the next quarter as we head toward completion of the Multi-Hazard Risk Assessment (MHRA) at the end of this year. The MHRA is our engine to assess risk and, when combined with alternatives, will help us decide how to buy down that risk with investment in projects. We're proposing to evaluate risk in three broad categories: economic, both direct physical damage and disruption; society inequity -- life, safety and disaster response, mobility, historic social disruption -- in public realm; and the environment. The MHRA will not work if we don't adequately characterize the earthquake hazard. Forecasting the earthquake behavior of this waterfront is a complex task. To ensure we stay on track, the Independent Seismic Peer Review Panel has been regularly engaged along the way. They will also be engaged as we start to develop and advance solutions which are now just starting to be advanced in parallel with the MHRA. It's important to note that while we're focused on life, safety and disaster response in this phase, the solutions will need to provide flood protection, align with the adapt strategy, and perhaps have a life that works in envisioning the future.

Now I'd like to focus on the Army Corps Port Flood Risk Study or general investigation. The Port has been seeking assistance from the Corps since 2012. We were excited to begin working with the Corps on the CAP 103 authority along a smaller section of the seawall, but we're thrilled to now be working with them on the general investigation of the entire Port. There is no limit to the scale, the extent or cost of GI projects, which are typically cost-shared 65 percent federal and 35 percent local. Now, it's not that simple, but it will be for today. In September, we suspended the CAP study and began working on the GI. I'm very pleased to bring up Mark Bierman, the Army Corps project manager, to give an overview of what has been done and what is up next.

Mark Bierman - I'm the project manager from the Corps of Engineers. Craig Connor, our lead planner on the study, is here with me today. He's been working weekends and nights to get us where we are today. Patrick McKinley, a new district project manager, is also here.

I want to give you just a quick overview of what we have presented to our vertical team, which is our regional division headquarters and the international headquarters. We recently had a successful first-major-milestone meeting in which we got the thumbs-up from the vertical team to move forward. Before I get into the details of that, I want to say that you all hire well here at the Port. We've really enjoyed working with the folks in this partnership: Steve, Lindy, Matt Wickens, even Daley Dunham on occasion, and Brad. Wonderful to work with, professional and patient, which is a really important one working with bureaucracy such as the feds sometimes. We appreciate their efforts, and it's been a true partnership from the beginning.

I was here last in August, and you all approved the execution of the Feasibility Cost Sharing Agreement. We went forward after that August 24th meeting, and the agreement was executed. That allowed the feds to put in 50 percent of the feasibility phase of the study. Once that was executed, we have been working, every week meeting in workshop settings, meeting with city planning, city agencies, regulatory agencies on developing our plan-formulation strategy and our early-phase planning work. We have made no decisions per se. We've been working on developing a framework for how we think about solutions and how the Corps might participate in a project of this scale. After that successful meeting, we've been working on refining the scope, schedule and budget for that feasibility study, and we've begun the detailed analysis that's part of that. The purpose of that successful milestone meeting was to demonstrate to our headquarters that we have been proceeding in a policy-compliant way that is using the idea of risk-informed planning and risk-informed decision making. By that I mean we understand that there is sometimes, especially on the Corps' part, a desire to study everything and know everything before making a decision. The Corps, in its reform efforts over the last five, six, 10 years, is focused on making good decisions with the information necessary to get there and not spending five or six or 10 years studying a problem but actually thinking about solutions and collecting the information that we need to make good planning decisions. That's the phase we're in. We're working in the Alternative Evaluation and Analysis Phase. We hope to have a decision, along with the Port and the city, in about 21 months from now.

The original authorization for the study covered from the Golden Gate Bridge down to the city and county line, approximately 13 miles of waterfront. Early on, the team realized that it was just too big of a geography to handle in one study. We thought it was better to focus on a piece that was highly exposed to flood risk. We thought that the chance of success of getting a report completed expeditiously in order to sync up with the Seawall Program, it was important that we focus on one area, potentially leaving other areas outside of our focus study area for future phases of study. There's a precedent for a success of this. Down in Alviso and San Jose, they're in construction on a flood-risk and combination restoration study that was originally part of a larger authorization. Now they're moving out, post-construction, on other pieces of that study to potentially construct other flood-risk measures. The team has been working hard to identify problems and objectives. From the Corps' perspective, obviously the seawall and the seismic risk is integral to public and safety. We are focused on flood risk and the risk that poses to public safety and health. We are focused on reducing the risk to private infrastructure and property, obviously. We also have identified opportunities and constraints associated with our study, opportunities such as improved public safety by changing traffic, bicycle and pedestrian patterns. We know this is important to the city, to pedestrians, to tourism. We recognize that is something we need to look at as we work towards a potential solution. We also understand that there are a lot of constraints working in an urban area such as this. We realize that we cannot increase or induce flooding from inland sources, so we must allow water to, for example, go to the bay.

We realize that the Embarcadero Corridor has an emergency-response function, and we know that we do not want to at all adversely affect the ability to respond to emergencies along the corridor. We took the seven miles that we're now focused on. Because it's so varied, we subdivided it into 15 to better understand what measures we can implement in each of those areas. Some navigation is obviously critical, others more so recreation, others industrial. Each of those subareas, we worked with the Port and the agencies and the city to understand where land use changes and where the opportunities change throughout the geography. We've been working first through this iterative process of planning. The first was internal to the team: expertise from the Port, expertise from the Corps. Then we went out and invited the regulatory agencies and the city agencies to work with us, as well, and get their feedback on what we saw as the opportunities, what they saw as opportunities, constraints, problems, and what was their priority as we moved towards a solution. The way we got our heads around what to do is probably something that you all are familiar with is the line-of-defense concept. We thought that on the outermost edge we could have a fully water-borne solution, which is an offshore breakwater, for example. That comes with its own costs, benefits, tradeoffs, opportunities. On the other side, fully moving and retreating "to high ground" is a potential solution. That also comes with obvious significant costs and everything in between.

Where you decide to keep water from people and things is the big picture, and our term for that was "line of defense." We developed 11 of them originally. It's blown up a little bit here. Each of them comes with their own costs and benefits. You can see here the yellow line, for example, is connecting the ends of the piers. Again, that's in the water. The construction is away from the Embarcadero. You have to deal with water circulation. It has the benefit of protecting structures in place but may come at additional environmental costs. No decisions have been made. We're looking at these alignments and we're combining them into different alternatives. The alternatives are made of measures. Again, nothing has been decided.

These are the measures that the team has come up with that we're carrying forward into our analysis. We'll be looking to the public and other agencies for feedback and their ideas for what kinds of measures could be implemented across the study area. Each of the alignments has its natural measures that are associated with it e.g. the offshore solution. You can do a breakwater in combination with storm-surge barriers. The devil is in the details, but this is from a very big, conceptual standpoint where we are with what could be done along the waterfront. We've come up with 11 alternatives. Originally we did. That was our initial screening. The Corps requires as part of this first milestone meeting that you demonstrate you've thought through some solutions and not just discussed the problem. So we came up with 11 preliminary alternatives. They all are combinations of these alignments, and they have a theme to them.

The New Seawall plan obviously creates a new seawall in the water. The Heritage Plan protects piers and the historic nature of the waterfront more so,

perhaps, than others. Again, we're going to have to be doing this tradeoff analysis as we go through the study and determine exactly what the public values most and what can be done from an engineering and environmental perspective. We took those 11 alternatives. We screened them based on the criteria of effectiveness, efficiency, and acceptability. We screened down some of those that we thought weren't either acceptable or effective. One of them in particular, a barrier at the Golden Gate Bridge, this is an important alternative that will come up in probably every public meeting that we hold. It has merit; but we thought because of the unacceptable environmental and navigational impacts that, for this study at this time, it was not an alternative that we could carry forward, for example. That's not to say that we couldn't put it back in. Nothing has been decided but for now, we've screened it.

These are our seven alternatives. We've put some sort of qualitative assessment on the relative costs, relative benefits, environmental impacts. We haven't done any of the detailed analysis. It's a really complicated study, as you're aware. The seismic issue, future sea-level-rise uncertainty, the land use, it's probably the most complicated study that I've ever been a part of and perhaps the Corps has been a part of outside of New Orleans. This is going to be a challenging one. It doesn't fit well within the 3x3 box you've heard about and so we are requesting an exemption from that rule. We have vertical agreement that was part of this milestone meeting that this is not your typical Corps of Engineers study. There is a law that requires three years and less than \$3 million. You can get an exemption from that law if you go to the Assistant Secretary of the Army for Civil Works. We expect to request that exemption from them sometime in the next seven or eight months.

We've begun our environmental compliance and we've got more to come. We recognize that, again, there's risks and uncertainties going forward. We know that we got the message loud and clear i.e. public engagement, public support is critical to determining the tentatively selected plan. We're beginning to embark upon planning for the first public meetings, and we're having the first one in March, working with Lindy and the consultants on those, as well. There's a lot of work to do on that front. As Steve said, we're starting to study the seismic issue. What kind of seismic benefits can we incorporate into our economic benefits that support the Corps project? Seismicity and seismic benefits are not in the Corps' mission area. We're working through those policy issues and trying to maximize the benefits that we can find to support a project.

Commissioner Adams - This was very comprehensive. I really liked the part where you show at the beginning, Steven, about how much the public knew about it, and then the vote and all the work that went into this. The community, everybody came together to realize we had to invest in San Francisco, whether it was state, it was federal or the community. All the stakeholders came together and we've got a long way to go. But if you're just looking at all this crazy weather that's happening around the United States right now, you know it's coming. I'm really glad that San Francisco is going to be out front on this as we move through this. Thank you for the presentation and I hope that you'll be

back in six months or whatever for another presentation. I look forward to you continuing to give us updates and continuing to keep the public involved. We need their support, and we want them to buy in. We need to keep the public informed, so they've got to have ownership of this, too.

Commissioner Makras - Thank you for the report. Well done.

Commissioner Brandon - Steven, Mark, thank you so much for this detailed report. It's amazing how much work you guys have done in five months, and there's a lot to be done. What will we have after 21 months?

Steven Reel - I'll speak Corps lingo for a second. Tentatively Selected Plan (TSP), that's the Corps milestone for the tentatively selected plan. Here's what we want to do to fix this, and here's what we're going to move forward to go from that point, which would be a very rough design, to something to flesh out some more of the details up to about a 30 percent design, which is done by the end of the study. When the study is wrapped up, there's 30 percent design. There is completed environmental, NEPA, CEQA, and there is a request. The Army Corps of Engineers chief signs the study, and it goes to Congress for authorization and funding.

Commissioner Brandon - And hopefully our new start will kick in by then?

Steven Reel - The Army Corps will identify the National Economic Development Plan.

Mark Bierman - Every study that the Corps does, the basis of which the benefits are economic in nature. This is a flood-risk-reduction study, coastal-storm-risk-reduction study we will identify. Of the final array that we have screened down, we think they are all acceptable, we will identify the most efficient one that has the greatest net economic benefits. That serves as the basis for cost-sharing with the Corps of Engineers. If, for example, that were a billion-dollar plan, the Corps said, "This is the most efficient. We identified this as that NED plan," we can agree that it's best for the city, best for the public, best for the long term, best for resilience to choose a different and larger plan. But that increment, that delta to that plan, is 100 percent local cost. That's sort of the wrinkle there.

Commissioner Brandon - This is great. This is really exciting, and I am so happy you guys are studying this entire seven-and-a-half miles. It's hard to believe that within 21 months we will, hopefully, have a solution.

Elaine Forbes - When Mr. Bierman was describing the issue to you, he said this is a very complicated project for the Army Corps of Engineers, at least as complicated as New Orleans. I want to compliment the Army Corps of Engineers. They complimented us. You all have been amazing to work with. Mr. Bierman is his own awardee as the project manager for the Corps. We will be demonstrating to other urban areas solutions through this project. This is a

very complicated, urban-scale shoreline-protection project, and we will be looked at by other jurisdictions that grapple with this issue. It's great to move to solutions from identifying the problem, and I have a huge sense of relief that we have such resources looking at this issue.

Commissioner Brandon - We are extremely fortunate to partner with the Army Corps. Thank you very much.

14. NEW BUSINESS

Commissioner Adams - Going back to Commissioner Makras' comments when we were talking about the issue about tenants being behind in their rents. We need to have a list of those tenants. We need to be brought up to speed on the tenants who are behind on their leases and haven't been following up.

Elaine Forbes - We've developed a one-page list for you but we'll also look at capital obligations because this particular tenant is not in good standing due to failure to perform capital improvements. We'll provide you rent and capital.

15. ADJOURNMENT

ACTION: Commissioner Adams made a motion to adjourn the meeting in the memory of Peter Magowan. Commissioner Makras seconded the motion. All of the Commissioners were in favor.

Commission President Commissioner Brandon adjourned the meeting at 5:41p.m.