

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING
TUESDAY, JULY 9, 2019

1. CALL TO ORDER / ROLL CALL

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

2. APPROVAL OF MINUTES – June 11, 2019

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. The minutes of the June 11, 2019 Port Commission meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

Leonard Besoco - I'm a field representative with Carpenters Local 22. I'm here in support of Teatro ZinZanni. The development team has committed to use a union general contractor. I wanted to reiterate that we are in support of this project. It brings a lot of jobs to members in the area. We've got 39,000 in Northern California members, 5,000 or 6,000 live here in San Francisco, a lot of apprentices that are coming up. I'll have to admit I'm part of the graying of the workforce. We need these apprentices to get started. They need a place to start. Some of them who live here don't want to drive far. They want to start here. We support this project.

4. EXECUTIVE SESSION

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

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

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

- (1) PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Discussion Item)

Elaine Forbes, Port Executive Director. Discussion of Performance Evaluation pursuant to Section 67.10(b) of the Administrative Code and Section 54957(b) of the California Government Code.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Items)

- a. Property: Seawall lots 323 and 324 and portions of Davis and Vallejo Streets, located at Broadway and The Embarcadero

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

*Negotiating Parties: TZK Broadway, LLC: Darius Andersen

Under Negotiations: ___Price ___ Terms of Payment X Both

5. RECONVENE IN OPEN SESSION

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

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

6. PLEDGE OF ALLEGIANCE

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

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Aaron Thornton - I'm from Leddy Maytum Stacy Architects. I'm speaking on behalf of the Teatro ZinZanni project today, which I believe has been continued. I've been to the groundbreaking of the 88 Broadway project, which came before the Port Commission about a year ago, really exciting to see that project started. I look forward to the groundbreaking of Teatro ZinZanni. They've been great partners as

we've been developing the projects. I'm excited to see that former freeway site developed and wanted to add our support to that project.

Kevin Carroll - I'm the president and CEO of the Hotel Council of San Francisco. I'm here to speak in support of the project at Teatro ZinZanni and the Kenwood hotel project. We believe and have believed that this is an incredible project that will bring a new entertainment venue as well as a place for our visitors to stay when they come here to San Francisco. I think it's been very well planned out. There's obviously been a lot of community meetings on it. The project is something that will help activate an area that can use the activation as well. Hotels obviously bring good jobs to an area. They bring activation. It's something that our board of directors and our members support as well. I'm here to wholeheartedly support the project that's before you for Teatro ZinZanni and the Kenwood hotel project.

Bill Hannan - I'm with the Gateway Tenants Association. Our members live in the Gateway, a residential complex located two blocks south of the Teatro ZinZanni site. I'm here to repeat our wholehearted and enthusiastic support for the Teatro ZinZanni project. It'll be good business. It'll be good for the cultural life of the city. We need it now that Beach Blanket Babylon is folding up its tent. We enthusiastically support this and hope you approve the lease in the meetings to come.

Laurel Fish with UNITE HERE Local 2, the hotel and restaurant workers union in San Francisco - Local 2 is here to add its support to those who support the proposed Teatro ZinZanni hotel. As a union representing hospitality employees, it is our utmost concern that new jobs created in the industry will serve to lift up the community by providing leading wages and working conditions for the hard-working people who work in our city's hotels. Hotel developers have historically supported the creation of good-quality jobs by agreeing to remain neutral and present no encumbrances to efforts by their employees to form a union. These agreements represent a double win for our community. They ensure that jobs created are good-quality jobs. They also guarantee that hotel developments are free from costly labor disputes. Local 2 has had a long-standing collaborative relationship with the developer of this project, who has worked proactively with our union to sign such an agreement. The developers have also agreed to build the hotel with union labor. As such, they are setting an example for the developers of future hotels in the city. For these reasons, we are pleased to support the project.

Bob Harrer - I'm representing the Barbary Coast Neighborhood Association. We're in full support of the Teatro ZinZanni project. We certainly want to compliment the developers because they have been very accommodating as far as outreach to the community and listening to any concerns that we may have and resolving those. Secondly, the theater itself is a unique architectural item that will bring some variety to the Embarcadero area. Obviously, it's going to bring some entertainment, to which we believe this wholesome entertainment will be a real benefit to the Embarcadero and the neighborhood. We're in full support.

9. EXECUTIVE

A. Executive Director's Report

- 88 Broadway / 735 Davis Groundbreaking Ceremony – July 9, 2019

Elaine Forbes, Executive Director - This afternoon, Port staff and I and Commissioner Gilman attended the groundbreaking for 88 Broadway as well as 735 Davis Street. Port staff is especially proud of 88 Broadway because it is our land. It will be home to 125 units of affordable housing for families earning 30 percent to 120 percent AMI. There will be project-based Section 8 vouchers in the project, senior apartments at 30 to 70 percent AMI. There will be units for formerly homeless individuals. I know the commission and I are very proud. Mayor Breed was at the groundbreaking along with Supervisor Aaron Peskin and the developer, John Stewart and Company. We're very proud that we can be part of solving the affordable housing crisis in the city. It was really the community who came to us many, many years ago now to say that they felt that our underutilized seawall lots would be a good opportunity for housing. We began to work with the state legislature on then Supervisor Ammiano's AB 2649, which in the tradition of Delancey Street allowed us to provide our surplus property for housing. We're very proud of the groundbreaking today. Congratulations to everyone who was involved in that project.

Commissioner Brandon - I would like to add that on June 18-20, the American Association of Port Authorities held their seminar for port governing boards and I attended. I was happy that San Francisco could host the group here. There were approximately 85 commissioners and their significant others. Most of them came to San Francisco days before the event and stayed days after. They helped the economy here in San Francisco. The Port hosted a reception for everyone, which was really nice. Then, Director Forbes did a panel on infrastructure on steroids and lessons learned along with the president and CEO of the Port of San Diego. They did a phenomenal job. I just want everyone to know that everyone was happy and wants to come back to San Francisco.

10. CONSENT

- ### A. Request approval of Fiscal Year 2019-20 Monthly Rental Rate Schedule, Monthly Parking Stall Rates and Special Events. (Resolution No. 19-24)

ACTION: Commissioner Woo Ho moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. Resolution No. 19-24 was adopted.

11. REAL ESTATE & DEVELOPMENT

- A. Request approval of Lease No. L-16547 for a 15-year term with two 5-year options to extend with Golden Gate Scenic Steamship Corporation located at Pier 43½ in Fisherman's Wharf. (This action constitutes the approval action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code.) (Resolution No. 19-25)

Mike Martin, Real Estate and Development - I'm joined today by Jay Edwards, our senior property manager, who has led this negotiation as well as Rona Sandler, our deputy city attorney, who has given us a ton of assistance along the way.

This is a follow up to your May 28th meeting where we heard an information item on this lease renewal. We went into depth at that meeting regarding the appraisal by R. Blum and Associates and how we've incorporated those financial metrics into the lease. At that meeting, you directed us to go and negotiate a final lease, which we've done. So we're back here today to seek your approval. Rather than going through all those financial metrics again, I'll give you some background on the lease for the public's benefit, give you a bit of the background for our recommendation.

As we discussed in May, the Crowley and Escher families have continuously operated maritime businesses in the vicinity of Fisherman's Wharf for over a century at this location since 1974. Red and White Fleet provides educational and recreational access to San Francisco Bay including over 400,000 passengers a year getting to go out and enjoy the Bay. Obviously, they're a key part of the Port's maritime mission in bringing visitors to this unique waterfront.

Red and White Fleet operates a fleet of five vessels. The most recent is pictured the Enhydra, a hybrid electric drive vehicle that greatly reduces emissions and obviously is a great step forward in terms of the Port's excursion fleet in terms of its sustainability. The project includes a significant capital investment in the facility. Approving the lease, subject to regulatory permitting, would authorize the tenant to perform improvements to the shore side to replace the current ticket booth facility with a new booth as well as improving the staff facilities as well as the customer queuing in relation to the nearby public access. This would rationalize the site greatly along the highly trafficked corner of the waterfront in this area. The estimated cost of these shore side improvements is \$1.6 million. They would proceed immediately after approval of the lease renewal.

Phase two of the project would follow on the water side. As discussed with you in the May 28th item as well as a prior information item, PG&E is performing some environmental remediation in the water in this area and on the land. That's proceeding in the near term. What we've structured the lease to allow is for, when that remediation is done, the tenant can move in and perform the

water-side improvements. These improvements are critical to our expectations of improvement in this operation. They will expand the number of berths from three to four, which would greatly improve the efficiency of passenger loading and the overall operation eventually resulting in further revenues to the Port and improving the area greatly.

In addition, the estimated cost of these improvements is \$3 million. The next two slides give a pretty good depiction of what they're doing. The existing facility is somewhat cramped next to Pier 45. This is a depiction of what the proposal would have so sort of tilting both of the floats outward so that the fourth berth can be used productively and effectively. We'd also expand the lease area on the water side to allow for their exclusive use of this area for their passenger boarding.

I wanted to take a moment to discuss the maritime excursion lease renewal policy, which was described in the staff report, because it formed the basis of the Port staff's negotiations of this proposed transaction.

In August 2010, the Port Commission adopted a policy to establish internal guidelines for the renewal of maritime excursion leases. The policy sought to ensure that maritime excursion leases are equitably administered, are fairly valued, generate revenues to the Port and serve San Francisco residents and visitors.

There are seven specific conditions that we laid out in the staff report. A copy of the policy is attached to your staff report. The proposed lease renewal satisfies all those criteria. The policy also calls out what needs to be in the lease in terms of lease obligations. Using the appraisal I referenced earlier of R. Blum and Associates, we ensure that the business terms matched up with the fair market value of what can be expected at this point in time for a lease such as this one.

We looked at operations not only here in San Francisco but elsewhere in California as well as in New York City and other concessions as well, not just maritime excursions to find sort of the best comparables.

I want to highlight that the policy doesn't require the commission to say, yes, once you've checked all these boxes. In fact, there's a specific part of the policy that says, if there is a proposed project or existing area, condition or land-use consideration that would affect the operation of an excursion operation in this location, the commission reserved the right to say we don't want to renew a lease in this location.

Based on what I described earlier about managing these improvements around the PG&E remediation, we don't feel like any of these circumstances are present here. We don't see any land-use consideration that would get in the way of the continuation of an excursion operation at this location.

We recommend approval of this item because it complies with the policy. As I said, it doesn't bind the Port Commission to approve the item. The stated intent of the policy was to ensure that there is protection of the maritime excursion business through clarity about how the Port would evaluate an approach to a lease renewal like this one. We feel like we've achieved that. We're hoping for opportunities to grow our excursion businesses. We've talked about it in relation to what people want to see in the historic piers RFPs. If there are new investors that want to come in and access this market that might be a great way to not only further their businesses but also the Port's aims in saving these historic piers.

We think this renewal supports the Port's maritime mission and also our business goals. We recommend your approval.

Ellen Johnck, co-chair of the maritime commerce advisory committee - We spoke in support of this resolution at the informational hearing. This warrants another appearance to again reiterate our hearty endorsement for the resolution and the lease renewal. We're thrilled to see a successful culmination of what's been a really long process. I want to thank the staff and the commission for your wisdom, your thoughtfulness, your consciousness, your diligence in getting this proposal to where it is today. Red and White Fleet has been an absolutely terrific member of the MCAC. They have helped to contribute to all our recommendations on environmental improvements, public access improvements and maritime operations particularly related to historical piers and the work that we did on the waterfront land use planning process. I think you are really proud and we are proud to have Red and White Fleet as a tenant. We're so excited about what's forthcoming with the shore-side and water-side improvements when the remediation process is completed. Thank you for your support of this resolution and the long-term lease for Red and White Fleet.

John William Templeton - I'm a historian and creator of the California African American Freedom Trail. One of the things about supporting such a long-tenured business in the community is its awareness of the unique cultural experience of San Francisco. We're in the process of completing an audio tour of African American maritime experience that will be part of the Red and White experience and also specific black culture maritime tours. For those reasons and many others that have already been cited, I heartily support the approval of this lease.

Commissioner Makras - I will be voting against the motion to go forward on this lease. I do believe staff does have a policy of maritime excursion lease renewal and they are within the boundaries of that. But I also believe that an operation that has not been put out to bid since 1974 should go out to bid particularly when we know that there's operators out there that would like to bid and compete for this business. If we renew leases after 40 years and add another 40, we're really saying no one else can bid on it. It's going to be the same group of people having all these fantastic leases for long term forever. I believe

it's in the public's best interest to put leases out just like this that will have competition. There are more than two operators that we know will bid on these. I think that the Port should benefit that competitive nature to maximize the return on the investment. Therefore, I will not be supporting the item.

Commissioner Woo Ho - I am supportive of the item. We've had a tenant in long standing, Red and White Fleet. They have performed. They are actually leading in some of the maritime efforts that we have going forward. I don't have any further questions for the lease. I believe that we are about resiliency and stability. That's part of our strategic values. This lease qualifies. I'm not aware of the other operators that Commissioner Makras has referred to but we do have other operators on the waterfront. We have not given it exclusively to one operator. They do have the opportunity to participate with us. I'm not sure that I see that as a reason to object to this lease. It has been done fairly, equitably, with transparency. Staff has done a great job in trying to make sure that this lease is being recommended on the best terms possible.

Commissioner Gilman - I will associate myself with Commissioner Woo Ho's remarks. I, too, will be voting in favor of this lease and of this motion. I also do want to point out that this fleet is one of the first to do a hybrid ferry from an environmental standard. As someone who rides ferries often, it's important that we recognize when our operators are doing our best to help the environment, which is also part of our strategic plans and values around environmental measures and being as green as we can as an economy here on the Port. I'm very supportive of moving this forward.

Commissioner Adams - A lot of times, people think that Port commissions are a rubber stamp. I can definitely tell you this commission is not, as you can definitely see. Every commissioner has their own mind and thought process. As president of the ILWU, I will also be voting in favor of it. Red and White and Tom Escher, they've represented good union jobs, good for the community. Tom Escher has been a man that comes to this Port Commission when there are things that are on the agenda that has nothing to do with Red and White. When we had to deal with the Navigation Center on the Embarcadero, Tom was there for the whole time. He is engaged. He is a part and a fixture not only of this Port and of this community. I will be voting for it. It's the right thing to do. I'll hope that my other commissioners, they will vote and we will hear from them. I am supportive.

Commissioner Brandon - Mike, thank you so much for this report. Jay, thank you for all your work on this effort. We should be honored to have a tenant like Tom Escher and want to continue to do business. He's grown Red and White Fleet from a small ferry service to a blooming business. They are a tenant in good standing. They are bringing their base rent up to market and it's increasing the revenues to the Port.

I'd like to mention that Tom donated his hybrid ferryboat for the commissioners who were in town for the AAPA conference who toured the Port. They loved it.

They raved about it. He's always there for the community. It's not just about his bottom line but it's about the Port. I, too, support this lease.

ACTION: Commissioner Woo Ho moved approval; Commissioner Adams seconded the motion. Four of the Commissioners were in favor. Commissioner Makras cast the dissenting vote. Resolution No. 19-25 was adopted.

B. Informational presentation on potential next steps regarding Piers 30-32 and Seawall Lot 330.

Michael Martin, real estate and development - This item is a continuation of a set of dialogues we've had with you stemming from the Waterfront Land Use Plan and the proposed RFP for the historic piers. In response to your desire to explore ways to reuse these facilities, Piers 30-32 and Seawall Lot 330, we've brought on board Peter Albert, a long-time city employee with MTA and is familiar at the Port, having worked on the waterfront transportation assessment as well as projects at Piers 30-32 for the America's Cup and the Warriors. We're happy to have him working for the Port and helping out on this as we try to move this forward.

As I mentioned, this is a continuation of conversations we've had before you. I'd like to summarize those conversations and the meetings and the direction we got from you, broadly speaking, a desire to see a project move forward to reuse these underutilized sites along the Embarcadero. I'll review how we got here today and then two specific questions that came out of the last discussion, the engineering considerations around the substructure at Piers 30-32 and also specifics about how we would try to maintain and improve and enhance the value of the maritime berth, which is important.

At the far east end of the pier, it's a self-scouring deep-water berth that is in use by the Port many times during the course of a year. I'll also mention another initiative that we thought would be useful to engage with the community about in terms of potential pop-ups at the Piers 30-32 location and then talk about next steps.

Last August, Diane Oshima walked you through the Waterfront Land Use Plan. One of the specific topics that came up both in the working group dialogue that brought us to that day but also that day was Piers 30-32 and Seawall Lot 330. We had described how there was a real consensus at the working group level about reusing the historic piers, bringing public-oriented uses and trying to find ways to feasibly restore those sites. Piers 30-32, since its historic sheds have burned down, is not part of the historic district. We had a different vision for that. We heard clearly from the commission that you wanted to hear from us about what we could do to move something forward there. We brought back an item on February 26th that reviewed the recent history of development proposals at Piers 30-32 and Seawall Lot 330.

These included the Bryant Street pier project with Lend Lease back in the 2005 range, the 34th America's Cup in 2012 and then the Golden State Warriors arena project, which was proposed for this area about three years ago.

None of those projects were successful. They made it to varying degrees through the entitlement process but the challenges of the sites were such that they did not move ahead into construction. Based on that history, we reviewed the potential options for moving forward. The feedback from the commission was an interest in pursuing an RFP for development at the two sites. Staff recommended and the commission at that time agreed with the notion of proceeding with one RFP but having financial proposals for each site, which could be weighed so you could understand the costs and benefits of pursuing it. But you could also seek one project that had the synergies of the two sites being in close proximity. At that time, commissioners asked for the two items I just described that we'll talk about in more detail today: the substructure, condition and costs; and the maritime berth.

On May 28th, we presented an item regarding the historic piers RFP. I note that here not because this was a topic then but because we talked about the schedule and also about the intertwined community engagement that's really needed for either this initiative or the historic piers initiatives to succeed.

Part of that was seeing how we could go out to the community and the affected advisory groups on the historic piers, which we're hoping to do this month. Subject to your direction, we'd like to follow that up with the Piers 30-32 discussion in August/September and then come back to you for further detail. I'll talk in more detail about the schedule. I just wanted to highlight that that is a key sort of relationship that we want to keep our eyes on as we talk further about this opportunity.

Moving to the substructure conditions, these are some photos of the pier deck and substructure at Piers 30-32. As you can imagine, years in the saltwater and environment with a concrete structure, different pieces of it have deteriorated to different degrees. Our engineering group tries to stay abreast of the loading conditions and what's safe and allowable on the pier. Obviously, this presents one of the largest challenges to a project at this location.

As you saw on the staff report, we asked our engineering division led by Chief Harbor Engineer Rod Iwashita and Engineer Matt Bell to look at the information we have on file from those prior projects and look at what those costs would be to retrofit the entire deck, escalated based on the unit costs at that time, based on what we're seeing in the market now and then taking an updated look at what development costs would be and what project contingencies would look like.

Those numbers are represented here. These are large planning-level estimates. As you can imagine, as you get more dialed in on the design details and value engineering, you could bring these costs down. This is sort of an

order of magnitude based on what we saw primarily in the 2012 range with the America's Cup because we have a lot more data on that. But we did have another set of data on the Warriors proposal that we were able to check it against total project costs ranging between 185 and 290 for the substructure and that would include both repairing the capacity to hold things up of the substructure but also a seismic retrofit to allow for public assembly uses that wouldn't be allowed there at this point.

We also asked engineering to look at the cost of retrofitting the seawall. As you know, our own seawall program is engaged in a detailed analysis of geotech and multi-hazard risk assessment of the Embarcadero seawall as part of the Port's own project. That analysis is ongoing. So our engineering division took representative costs per linear foot of other similar seawall projects to come up with the estimate that's here, which is about \$120,000 per linear foot for 655 feet so around \$78.6 million.

Similarly with the historic piers RFP, if there was a project here, I don't know that we'd expect the project to bear all of this cost. We'd look for a way to have the project contribute to a solution either through its design or through other revenues the project threw off. But we wouldn't necessarily put this on the project ledger the way we would the actual substructure of what they're building. Again, this is another set of dollars that significantly increased the costs of putting in a durable project that's going to be resilient and have the long-term benefits that we hope.

We also did an updated look at demolition cost estimates. We heard the clear preference for the commission to reuse the site. This is for mostly context but as you can see, there isn't really a do-nothing scenario. Eventually, as these piers are no longer safe, we'll need to remove them. There's a significant cost to doing that as well. We took a look at sea-level rise. Sea-level rise protection is very design specific. I don't think there's a similar dollar amount to address this. We had some more qualitative thoughts. This pier would regularly flood with 77 inches of sea-level rise, which is in the range of potential outcomes for sea-level rise by the end of this century.

The Golden State Warriors, in acknowledgement of this risk, their plan was to raise the pier by three feet. It's been mapped by FEMA as having possible but undetermined flood hazards. Flood insurance rates are higher in this zone.

As you know, the Port is commissioning a flood study, is working with the Army Corps of Engineers to address flood protection along the Port's waterfront. That may have additional guidance for any potential RFP about how to protect whatever is built here. I think we're looking at the current built environment and thinking, are there ways to start out at a higher level and then adapt over time to keep the project water tight and safe for the people using it? I think that will add a cost but that's also a design challenge that can get folded in to a lot of the other structural costs.

Turning to the maritime berth, we presented our informational presentation at the maritime commerce advisory committee and got some good feedback from the ongoing value of that berth and what it's needed for. We also worked with the Port's maritime division and appreciated their input on the specifics for what we would ask in an RFP to make sure that this berth still retains its value to the Port's maritime mission.

The specifics that we got from those dialogues were we want to incorporate sea-level rise adaptation strategies, so the berth is protected and is still usable at the end of the century. We want to coordinate maritime access so access to that east berth with what's likely going to be public access around whatever is built on the pier if there's a successful project. So there's got to be a way to safely clear that area for access to bring out the supplies and other things that we needed for the berth but to use that productively for other things when there's not a vessel in berth.

That's something that we present as a design challenge to the proposers. We'd like the project to improve piles and fendering for deep-draft berthing at the east end, bring utility infrastructure out to the berth, so it's easier to do what's needed. I don't think we're talking about shore power like we have at our cruise berth but simply what is needed for those operations that support ships that are in berth. And then, making sure that the entire pier deck is rated for the right level of loading so that we can get large vehicles, large things out there. Right now, that's a challenge based on the condition of the pier deck.

The other thing that came forward for us and it stems again from our historic piers RFPs discussions is we see an opportunity for potential pop-up or interim leasing for public entertainment. As the other potential sites for public special events are taken up over time as the city builds out, places like Piers 30-32 could be a place that could give us more opportunities than just parking cars. The picture here was from a sand professional volleyball tournament from two years ago. We definitely host events at this location and are very good at doing that. But instead of just waiting for people to come to us, we think there might be an opportunity to invite this opportunity.

Since we're going out to the community anyway to talk about the long-term project, we thought it might make sense to talk to the community also about what kind of criteria would work for an interim leasing pop-up to have people be able to enjoy the waterfront at this location.

Based on the recommendations you adopted as part of the Waterfront Land Use Plan update, our next step, if you direct us to do so, will be go out to the affected advisory groups to talk about appropriate selection criteria for an RFP. It's the same next step we're taking on the historic piers RFPs. We'd obviously be trying to make sure the community knew the separation of these two projects but how they will move forward together hopefully in the same timeframe.

We just want to make sure those community dialogues are managed effectively and people have that opportunity to give their input. We try to do that group meeting in the next month or two, August/September depending on schedules. We try to invite and also touch base not only with the CWAG but invite other members of Port advisory groups and also touch base back with the maritime commerce advisory committee all with the goal of coming back to you for a hearing on seeking your direction to develop and issue an RFP this fall.

Our goal would be to do that by end of this year but it depends on timing of getting back to you and timing of the other RFP going out, so we don't have too many documents hitting the market at the same time.

Alice Rogers - I am affiliated with the South Beach/Rincon/Mission Bay Neighborhood Association but I'm just here as a neighbor. My comments are actually premature since we haven't been visited yet on this proposal. We appreciate that we will be seeing the Port in September. But I do want to say anyway in advance that I'm strongly hoping that, as you look at this and structure this, I think the community generally is very supportive of finding much more productive uses for both of these properties. In the past, we had hoped that they would be developed together. At this point, the piers are so problematic that I'm very anxious that the piers do not slow down any development that might happen for Seawall Lot 330.

I very much am in the portion of the neighborhood who supports your Navigation Center. I'm thrilled that you prioritized needy people over cars. I do think that there's a very strong will in the community to see Seawall Lot 330 put into a much better, more productive use in the long term whether it be in two years or four years but that it not be weighed down by the vagaries of 30-32.

Commissioner Woo Ho - Thank you, Mike. This is very timely to have this presentation and something that you have followed up, and we're very interested in that. The time schedule is a very good one to have it in the middle obviously by the end of this year. This follows through with our commitment to the community that we would be addressing Seawall Lot 30-32 and Seawall Lot 330. We are open to having both of these necessarily not tied together in the RFP.

We want to see what happens in the RFP process as mentioned in the staff report although it didn't go into much detail. Given the cost of retrofit including sea-level rise, seismic upgrade, demolition cost and everything else, it is obviously a very high number. What if we did consider and allowed that in the RFP to actually demolish the piers and replace them and maybe not with the same square footage? Maybe we could be open to see what that would be so that would reduce the burden of cost of retrofit.

I know it was discussed in the staff report but it seemed like it was set aside very quickly. I would like to see something a little bit more scientific in terms of replacing the pier totally rather than trying to retrofit it. It might be in a different

configuration and that we figure out an answer to the maritime question as well. Let's think out of the box a little bit more to save that space. I'm not saying save that pier as it is. Maybe there's another solution. I put that out for consideration.

Mike Martin - It's definitely a worthwhile consideration. My question back to you would be, are you looking for us to draft an RFP that would invite a response like that? Or are you looking for us to say, is that a feasible approach?

Commissioner Woo Ho - I think both in terms of it's a feasible approach and maybe to let whoever responds to the RFP, not to say that that's the only way the RFP would be positioned because the RFP is going to be fairly flexible to allow someone to respond that way as well in addition to if they wanted to combine the two. As we said, that's an option that we've always considered in the past - to separate them, which we said we would also accept. But just really leave it open to see what responses we would get. In the meantime, we probably should have some idea ourselves in terms of whether this is feasible or not.

Mike Martin - That makes a lot of sense. In parallel with the community engagement we'll do over the next few months, we'll try to draw that picture a little better. It'll be hypothetical. We're not the proposers but at least we can show what those costs may sort of all fit.

Commissioner Woo Ho - If I just did the quick math of your low and high in terms of the retrofit and the demolition, could someone replace this pier with a brand-new pier including the demolition cost as you've presented between \$217 and \$311 million? It seems like it's a fair amount of money available that you might be able to bring it in lower.

Mike Martin - I think that's right, especially if you can fit your revenue-generating uses in a smaller footprint. I think that makes a lot of sense. We'll come back with some more thoughts on that.

Commissioner Gilman - Mike, thanks for this overview. I'm really excited to have us move this forward., I just want to reiterate if we can be as flexible as possible to allow creativity on all of the possible uses, that'd be really important. I'm excited that, while ideally it would be great to have a project on both Piers 30-32 and Seawall Lot 330, I think allowing respondents to separate it and be nimble it's going to be important for us to get the best project moving forward. I would like to support the staff in the interim pop-up use particularly on the piers. It's not as heartbreaking to drive by or walk by and just see parking. Parking is great. It generates revenue. I'm not knocking parking but I think there's so many more possibilities. We should be much more proactive in positioning those piers for pop-up use particularly if there's things that can engage the community. Thank you for the report. I'm really looking forward to us moving this forward.

Commissioner Makras - I support my colleagues' comments. I have a general question. If we separate them, what's the practicality of the pier getting a bid that will pay some rent with the rebuilding or retrofit figures that we're looking at?

Mike Martin - Each of the projects we talked about that have failed, all of them basically used the land value of SWL 330 to subsidize Piers 30-32. To not have that subsidy, you'd have to have a use that either generated an amazing amount of money to be able to pay back that size of investment. It's hard to imagine, if it's the far end of that bound, that any use in that location would be able to do that. That number represents more than the horizontal costs at either Mission Rock or Pier 70 when we approve them. That's just out of scale. That's a lot of money.

Commissioner Makras - That's my impression. I just want it out there when we're saying split up, and there's going to be options. I'm not sure that it's an economic reality to split them up. Could I go to your chart where it says the sea-level rise? Maybe you can answer a question for me. When the Warriors were looking at it, they prepared for basically 36 inches rise. But yet, you're saying maybe a 77 inch. Are there different charts people are looking at? Were they taking a risk? Were they saying that the stadium is going to be at the end of its useful life before it reaches 77? That just doesn't jive with me mathematically.

Mike Martin - I think there's several answers to your question. First of all, the range of potential outcomes for sea-level rise over the course of the last five years has increased greatly. The raising of the pier deck I don't think was the limit of the resilience of that proposal. I wasn't directly involved. But at some point, you have your built environment. Then, you could also effectively berm up the sides to create further protection. I don't know that there weren't adaptation measures to take them past that three feet.

The pier does flood in some events or there are certain aspects of the pier that have water overtopping at the current time but it's not currently at sea-level. I think the three feet would have gotten them a little more than three feet, if that makes sense. That's something that any design for any project that's going out for the length of time that this one would have to pay itself back is going to have to really have that strategy mapped out. It's going to have to go hand in hand with the flood study along the seawall because, obviously, there's got to be a protective line over time as these sea levels rise.

Commissioner Makras - Great. I like the idea of an open map, so we can do what we want. But I do think we should have the policy decision, if they take down the pier and they're going to rebuild it and they can rebuild it in a different shape, do we want a ship to be able to come up to it? We should make that policy decision within the RFP and not leave it up to the private sector to tell us that you're just not going to have it in our proposal. I'd like to carve that in. I think that that should be a policy decision by this board.

Mike Martin - We'll be happy to bring that back as part of our set of selection criteria. That really was what we felt was your direction was to make sure that maritime value was retained. We'll definitely come back with that recommendation.

Commissioner Woo Ho - In the picture of the maritime berth at the end of the pier, what you call the east end, instead of horizontal, vertical, is the water deep enough? Or is that a whole other set of issues?

Mike Martin - As you come towards the shore on the way to the pier it gets progressively shallower. The value of that berth at the end is it's far enough out it's self-scouring. The currents basically keep the trash.

Commissioner Woo Ho - That's what I understood but I'm just saying, if you were to try to change the shape and if we were open to that, then it might be that you wouldn't be able to do it horizontally. Or it might be a smaller ship or whatever.

Mike Martin - There would be dredging costs. There are some challenges with dredging with the ships sticking out to where the current is. That's probably the limit of what I know on that side of things. It's certainly in any downsize consideration, to get the maritime value, there's going to have to be some real thought given to how that would work.

Elaine Forbes - I did want to point out there will be some permitting challenges to demolishing and rebuilding that facility. There are two that come to mind. One is the Army Corps of Engineers. And their standard is that, if you are building new over water, it needs to be for an essential maritime facility. We would need to work through with a potential development partner on that issue. The other would be BCDC. They would require likely fill removal for any new construction. Those are two challenging issues. It doesn't mean it's impossible but it would be a permitting challenge.

Commissioner Adams - Thanks, Mike. This is a very complex issue. It's really a painful conversation but it's long overdue. I want to thank Commissioner Woo Ho. She's like a pit bull. She doesn't let go of this. I'm really glad she keeps bringing it to the forefront and we have to discuss this. I remember when I moved here 16 years ago I was on the cruise ship committee. They were talking about using that to build a cruise ship down there at Piers 30-32. A lot of things have taken place and then, it was the Warriors. That fell apart. At one time, I thought that the Lucas Museum might go there. I think it's going to take a visionary as this is kind of a boutique project. I don't know how we get it all together but this thing is so complex because the Warriors were going to put \$100 million into it. We need somebody with some deep pockets that's willing to take this issue on.

I'm glad Alice got up and talked about getting feedback from the community because, if we don't have the support of the community, it will fail. I've learned

that one thing in San Francisco. You need the community behind it. If the community goes out against you, you may have a hard time moving forward. They went after the Warriors a little bit. Mike, in your thought, what do you think it would take? Definitely, some private partnerships, right? What else do you think it would take and the political will to get it done especially here in San Francisco to get something like that done? How do we get through all these agencies?

Director Forbes said BCDC, all these different agencies, the Army Corps of Engineers. How do we get a working group that we're able to work through all these complexities? I always said let's use the Giants. They were the ones that showed this community how to reach out to the community, get all the partners together, get all the politicians together. What is it going to take to get something like this together? I'm thinking this is years down the line but we've got to have this discussion. I'm just throwing that out there. That's what it looks like to me.

Mike Martin - I agree. It's definitely a year's process, no doubt. What I would say is the last two efforts at developing Seawall Lot 330 and Piers 30-32 were effectively sole-source deals. They were brought to the location and the community and said, "We're doing this." Then, we had to convene the folks that were here, had to convene the community and these agencies to say, what's the path? I really like that we're getting the horse ahead of the cart, going out to the community to say, what are we asking for? We've got a really good dialogue with BCDC and State Lands going with the Waterfront Land Use Plan. It's only going to get more intertwined as we work with our regulators.

We're working directly with the Army Corps on the flood study. We have the relationships. If we come in to those conversations in the right way, I'd be optimistic that we'd do better than we have in the past but it's going to take time. It's a very challenging thing that everyone's got to think through and understand really well.

Commissioner Adams - Where is Mayor Breed on this issue? Definitely, we've got to have the support of city hall and our supervisors to get anything done in this city. Besides the public, we've got to have that will for it to get done.

Elaine Forbes - The mayor is very supportive of us putting out this development opportunity. She wants us to see something done on these facilities if at all possible. She does recognize the financial challenges of Piers 30-32. I think that, Commissioner Woo Ho, when you mentioned a developer making the site smaller, if you think of every square foot of the 13 acres as negative land value, the smaller it gets, the more it starts to pencil. That is actually such a great recommendation to see if there's a smaller footprint that will work for this out-of-the-box idea to develop the piers. The mayor is very supportive of what we're doing here.

Commissioner Brandon - Thank you, Mike, for this report. On that, can we demolish part of the pier? And that will be counted towards going back to the bay with BCDC?

Elaine Forbes - It would be fill removal credits.

Commissioner Brandon - That's a great option. Mike, thank you so much for this report. I agree. My fellow commissioners asked great questions. I think this was a great conversation. I think we all want to see something done there. It's been way too long. I remember the Lend Lease. I remember when we tried to put the cruise terminal there. I remember all of it. It's been way too long. We would like to see something happen out there and looking forward to the community feedback. Regarding the interim leasing, when you come back at the end of the year, you're going to come back with recommendations for both and possibly doing an RFP for interim leasing? How does the pop-up interim leasing fit into all this?

Mike Martin - I don't want to get these things conflated. I would like to do the community outreach sequentially. We do the development because that's something that you've been looking for a long time and get that in front of you. While we're coming back to you with the feedback on what a smaller project might look like and those criteria, we'll go out and talk about the criteria for what interim leasing would look like and then come back to you in sequence with that. I think we would issue an RFP or RFI. I'm not sure how it's going to work. We may be able to do things sequentially with different operators. But that's something we'd like to think through and with the feedback of the community, figure out what's the right way to target that. I don't think I'd like to do it together just because it's a lot.

Commissioner Brandon – I'm just trying to find out what the timeline is for the interim leasing because I know there is interest. I know there are people that are ready to go out there tomorrow. I'm trying to figure out what the timeline is for the interim leasing. Then, we can start to pull together funds to maybe do something with Piers 30-32.

Mike Martin - I think the timeline is we'll go to the same advisory group and come back to you with criteria.

Commissioner Brandon - But not at the same time, different times?

Mike Martin - We'd like to do it at different times but I'm thinking the fall and sequential meetings. We've got two meetings in October, November or September, October. So my hope would be in quick succession. I just want to make sure we have two conversations.

Commissioner Brandon - Definitely. Thank you.

Commissioner Gilman - I had a question about our process. I've seen us do RFPs and I've seen us do RFIs. Have we ever done RFQs where we could get a qualified vendor list for the pop-ups maybe for a couple of weeks, then we can work off the vendor list and have all the proposals at once? The Mayor's Office of Housing and other city departments do that as an RFQ. I'm wondering if we've ever used that for interim leasing or for pop-ups. It might be a way to get a group of providers who, over a year, we could map out all the interim leasing. We could be bringing in that revenue to be more successful instead of having to do a deal, stop, renegotiate, figure out the next use.

Mike Martin - We could do it that way. We've not done a pop-up request for anything. This is blazing new trails for us. We can certainly think about because your point is a good one. One of the limitations at the site is you couldn't do something special event-y there for more than six months, or that's a change of use. What we're imagining is there's some chain of users. An RFQ would be a way to get to that. You'd still have to find a way to select among them. We might wind up in an RFQ, then an RFP. I'd rather not have too much process to get there. We'll think about that and try to come back with a better recommendation because I definitely hear what you're saying. We better be working with people and keeping the lights on over time rather than, hey, that was great. That was a few months. And now, what's the next one?

- C. Request approval of Amendment and Restatement of Port Lease No. L-14100, which includes an option to extend the term for 10 years, with Frankie's Java House, LLC, located at Pier 40½ at the Embarcadero and Townsend Street. (This action constitutes the approval action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code). (Resolution No. 19-26)

Commissioner Makras stepped out of the room at 4:45 p.m. and returned at 4:55 p.m. and therefore, did not participate in the discussion and vote for Item 11C.

Mike Martin, Real Estate and Development – I'm here before you to talk about the proposed ownership, restructuring and lease extension at Java House into Frankie's Java House. This was an item we brought to you on February 12th. I'll go into more detail how this is an interesting policy question for us. Our recommendation to you is predicated on thinking hard about something that isn't easily put into a policy bucket of how we would do things. At that time, the commission directed us to go and negotiate a lease. We've done that with the proposed new tenant entity. They've completed their CEQA.

Java House is a restaurant located at Pier 40½ at that junction between the Pier 40 parking lot and South Beach Harbor. The current lease runs through 2023. It calls for a bunch of infrastructure improvements to utilities and other things totaling \$346,000 that has not been completed. They're delinquent in that obligation. The tenant or the purchaser came to us with a proposal that was effectively purchasing the tenant and then bringing in that new capital to

work out the lease default and then to improve the operation by developing outdoor seating that would improve the revenue generation and also changing the format of the restaurant to more focused on dinner and also bar sales.

When we came back to you in February, we had those representatives talk about their business plan. In the time since then, we've also done a third-party analysis of the business terms. Currently, Java House is only paying their minimum base rent. Their performance has not been good. We very much want to improve that. The restructuring proposal is shown here on this slide. There would be a purchaser, Michael Heffernan, who operates another restaurant in San Rafael, and also an insurance business here in San Francisco, will purchase 85 percent of the business. His partners also operate a winery up in Sonoma. The lease would be amended to provide a 10-year extension that would be conditioned and not available until they completed the capital improvements that are both required under the current lease but also improving the outdoor seating.

That is a way to make sure that there's no benefit incurred until we're back up to where we should have been already and also improving the operation. This would add 853 square feet of outdoor dining area, which in that location with ballgame patrons and others would be very valuable. The new financial terms would be instituted immediately upon executing this lease amendment. The base rent would increase to \$4,000 a month. Port participation in sales would increase to 12 percent of net sales proceeds including this sale.

Since February 12th, we retained Seifel Consulting and C.H. Elliott Associates to do a validation of the revenue performance projections, which they did validate and saw the upside that would be available to the Port in terms of its rents. The consultants also reviewed the extension option structure to determine how it compares the fair market terms as required by our leasing policies. Based on that feedback, we went into further negotiations.

Since then, we've negotiated an additional \$51,000 payment to the Port. There's a monthly penalty for not completing the capital improvements. This \$51,000 represents a portion of the time that the improvements weren't completed. This would come off the top from the sale proceeds. That's in addition to the sale participation. Base rent would be adjusted to reflect actual percentage rent paid in the fifth year of the extension period if they earn the extension period so another way to market to market.

Also, our consultants validated that, even though, as I mentioned earlier, the cost of these improvements have gone up to \$737,000 from what was previously estimated in the \$500,000 range, that 10 years was still the appropriate term. We've not increased the extension term even though that information has changed.

Here is what we project as the rent revenues versus the base case with the help of our third-party consultant. As you can see, compared to terminating the

lease and bidding out a new operation, the net present value improves by 45 percent based on our proposed transaction and of a similar timeframe. We see a lot of financial benefit.

This graph shows graphically what we're talking about. The light blue and blue lines are percentage rent and base rent respectively for the lease amendment that we're proposing. As you can see, performance goes up from here and continues to increase over time. That's compared to the pink and red lines. that would show, as you see, a dive in both minimum rent and percentage rent as we terminate the lease and then of a wind up and a growth of good will for a new operation. Eventually, the new operation we're assuming does try to replicate what we're doing here. But with several years in between, that shows where the Port gets its benefit.

This is a challenging question. Staff analyzed and through our discussion in February, we saw arguments against approving the lease amendments as setting a bad precedent by moving ahead with a tenant who is in default on a capital obligation. We heard the commission note that the competitive process would allow market to compete for the opportunity and get whatever that high market value is. Although, we also reported on our challenges with another location nearby which did not wind up with an actionable, feasible proposal.

The arguments for approving it such as the improved business model and the validated projections of revenues benefits the Port's bottom line. We're protected because both the previously required improvements and the new ones must be in place before the new term is triggered. The money that is paid out both in terms of sale participation as well as the rent metric increased right away. We avoid that downtime and startup time as a new operation gets started.

Therefore, we recommend approving this transaction realizing there are arguments against. But we feel, on balance, the benefits to the Port and the structure of the workout and the thinking behind this effort by the tenant makes a lot of sense to us at refreshing this location, especially as we're looking in the neighborhood to do other things with Piers 38 and 40. We think this would be a good operation to add to that mix.

Commissioner Gilman - Mike, thanks for the presentation. I do really like the provision that the extension is not triggered until all of the capital improvements are done. That's a good tool for us to use in other negotiations with other folks we're dealing with and I like the penalty. I'm generally supportive of moving the item forward. I have no other questions.

Commissioner Woo Ho - I'm supportive of the proposal.

Commissioner Adams - I'm supportive.

Commissioner Brandon - I am also. Thank you, Mike.

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion. Four of the Commissioners were in favor. Commissioner Makras was absent during the vote. Resolution No. 19-26 was adopted.

D. Informational presentation on the Phase Submittal for Phase 1 of the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay.

Phil Williamson, Port senior project manager with the Port's real estate department - Glad to be before you this afternoon with an update on the Mission Rock project. If you'll indulge me, I want to go through a little history before we get to the meat in the presentation. First of all, I'd like to show and share a timeline of how the project has evolved going back 11 years to 2008.

Actually, we started before then with some outreach but this is when the project started taking shape back in 2008. Lots of activities since then both with state legislation, ballot measures, a recession of some note, to get us to today.

We're glad to be here today with an update on the project and specifically focusing on phase one of the project. Some project highlights -- you'll see a project size at full buildout of approximately 2.8 million gross square feet with a breakdown of residential over a million square feet with 40 percent of those eventual units being affordable, approximately a million square feet of office space as well. Ground-floor retail and some upper-level retail but mostly ground-floor retail at around 240,000 square feet and then Pier 48 subject to a separate lease currently being used for parking and special events, eventually to be used for more industrial purposes. Overall, a project that we can't wait to get started on with 28 acres, 11 buildings at the end of the day, three parks and, of course, Pier 48 to be rehabilitated.

For some site context, today the parking lot at Seawall Lot 337 as it exists with the narrow band of existing China Basin Park fronting on China Basin Channel. And then, at full buildout over four phases, a new neighborhood at the waterfront, a very exciting place to be.

To refresh your recollection of the funding structure for the project, this chart starts at the bottom of the page and shows developer and Port equity combined with important land value. We're conducting an appraisal right now of the first four parcels to get a feel for what that land value will be. The opportunity to invest CFD and IFD funds into the project all to fund the pre-development costs, which have stopped or nearly stopped because we're now in the development part of the project and then the phase costs as well.

Any Port capital returned at 10 percent, developer return is shown at 18 percent. Above that, we have excess land proceeds that we get to share. We're very interested in sharing those revenues. We have built in some strategies to maximize the revenue-sharing potential for the project, doing our best to limit

developer capital with public financing, the CFD and IFD's revenues I mentioned, efficient use of tax-exempt debt and also investing Port capital.

We were before you in January 2018 approving the project's transaction documents. Some are listed on this page and obviously the lease, the master lease, the DDA. Then, you also recommended we take the IFD forward to the board. You approved the 10-year lease with China Basin Ballpark Company for Pier 48. We appreciate all those actions that you've taken to get us to this point.

Since that time, we have been busy securing other approvals for the project to get it fully entitled. We went to the BCDC commission, received their approval, the State Lands Commission as well. In the fall of 2018, the mayor signed the transaction documents subsequent to board approval.

Since approvals, with the fully entitled project, the Mission Rock team has grown. The Giants have added a development partner in Tishman Speyer. The major submittals to the Public Works Department in San Francisco including a tentative map application, a basis of design and the street improvement permit, all very key to getting started in construction.

Several contracting milestones have been achieved including the hiring of a general contractor, hiring four architects for the first four buildings in phase one, hiring a landscape architect for China Basin Park and doing all this and exceeding the workforce development plan goal of 10 percent LBE for pre-construction contract expenditures.

Of significance and the reason we're here today is to share with you phase one. We've received the Giant's and Tishman Speyer's phase one submittal. Staff has reviewed that and found it to be complete. We will continue to review it for compliance with all the terms of the DDA and report back to you in a few months with an update on that including your chance to review and approve hopefully the phase budget.

This slide, you can see some of the accomplishments and the items that we hope to achieve in phase one including the rental residential units. A good chunk of those are affordable, 202. The office square footage and retail square footage, the workforce plan goals that are listed here at 30 percent local hire, 20 percent LBE and, of course, the construction of an expanded China Basin Park at over five acres.

There have been a few changes since the project was approved. I'll let the Giants speak to that momentarily. Phase one, as proposed today, includes parcels A, B, G and F but no longer includes parcel K. We believe that is a benefit to the project by swapping out parcel K for parcel F, which will allow construction of additional residential units. Parcel F is significantly larger than parcel K and also to create a more cohesive neighborhood at the intersection of shared public way and exposition streets.

The other significant change since approvals is a ground improvement approach. Not to bore you with those engineering details, but we are now pursuing a ground improvement approach using lightweight cellular concrete.

At project approvals, we were proposing pile-supported streets, which proved to be inefficient for this site and overly expensive. We believe we have a better approach with the lightweight cellular concrete. With that, I'd like to hand the microphone over and the podium over to Jack Bair from the Giants to walk you through other elements of phase one.

Jack Bair - I'm really excited to be here on the verge of breaking ground on this project. It's been a 12-year odyssey, as Commissioner Brandon knows. She chaired the subcommittee of the Port Commission back in 2007 to look at this development opportunity much like you're starting to look at Pier 30-32. It's been a long odyssey. We had a recession. We had an election. We had legislation. We had project approval and entitlement last year. Now, we're in the implementation stage. I'm really excited to be here looking at groundbreaking before the end of this year.

I'd like to thank Phil Williamson, Rebecca Benassini and Mike Martin and all the members of the Port staff that have been working hard with us over the last many years to get to this point. We've worked really hard with all these different city agencies on different technical aspects of this project. They're challenging given where it is along the water with sea-level rise and connections of utilities in Mission Bay and so forth. We've made great progress together as a team. The project, as Phil has indicated, is a four-phase project.

First up is phase one. In phase one, we had several goals. We want to deliver a substantial amount of market-rate and affordable housing. We want to establish a strong sense of place that holds together in the phase itself and compelling to the residents and visitors and workers that will be on site. We want to create a world-class waterfront park that will be talked about throughout not only the city but the country. We want to deliver a project that is financially successful for both us and the Port.

The project components, as Phil indicated, are building sites A, G, B and F: two of which are residential, which contain both market-rate and affordable units; commercial office in blocks B and G; China Basin Park; and then a whole long list of infrastructure improvements, establishing streets and utilities, stabilizing the shoreline and district energy and sustainability systems on site.

Residential units are in the two buildings. They're both 240 feet tall. We have swapped parcel K for parcel F to maximize the housing in the first phase. It contains approximately 550 residential units and 202 affordable units. The commercial offices are in two buildings. Building parcel B is eight stories. Parcel G is 13 stories tall. As this image shows, the views in this site are spectacular.

Parks and open space, not only China Basin Park, which will expand over five acres but also the ends of streets that are pedestrian only and shoreline improvements and creating an environment not only with office and housing but parks for people.

Restaurants and retail environment that will benefit the community, Mission Bay and also complement the ballpark itself and site improvements, as I indicated, with streets and utilities and so forth. The site is also well served by public transit. It will have sufficient parking as we build down phases of the project. We'll manage transportation demand in a coordinated and systematic way.

I wanted to introduce to you Carl Shannon. Carl is a principal with Tishman Speyer on the West Coast. We brought Tishman Speyer in as our partner to help implement the project and fulfill the vision that we've created over the last 12 years.

Carl Shannon – This team has been working together for more than a decade and just thrilled to be now able to work with the Port and with the Giants and appreciate the vote of confidence from the Giants to be here. Our job is to try and make this project come to reality. I think it's fortunate there was a lot of vision here in this project in conceiving of a mixed-use project that would include both office and residential. I think a lot of you know that construction costs have been escalating very rapidly in San Francisco. We've seen construction costs inflating more than a percent a month, more than 12 percent a year.

The ability to have a commercial project and a residential project here means that we're able to bring the entire project forward and see up to 1,200 units of housing, 40 percent of which will be affordable, come out of this mixed-use project in a way that, quite frankly, wouldn't be viable if this were a housing-only project so thrilled to see that happen.

The need for collaboration and the public-private partnership remains as strong as ever here and look forward to working with staff and with you in the weeks and months ahead. We hope to be back here in August with a formal submission on the phase one budget, as they indicated the appraisal should come in next week.

This is looking at the schedule from a high-level standpoint. We submitted the phase one budget back in March and April. The appraisals have been working on the fair-market-valuation process. That should be complete next week. We would hope to be back here in August allowing for an execution of the LDDA in September, which, as soon as the baseball season is over, we'd like to be under construction beginning the horizontal development on the site and be in a position to begin vertical construction early in the new year.

Phil Williamson – The next steps are outlined on this slide. As mentioned earlier, we are completing our review of the phase submittal to ensure compliance with the DDA. We hope to complete that process in the next few weeks. We are also reaching out to our consultant and reviewing the phase budget. We plan on bringing that to you in August for your consideration. We'll also be outreaching to CWAG and the community to make sure they are abreast of the project's developments and schedule. In the fall, we hope to have a park design to bring to you as an informational presentation so you can see how the park design is coming along.

Commissioner Woo Ho - Thank you all, Phil, Jack for this update. At this point, I would have to say it's great to see the progress because besides Commissioner Brandon, I'm probably the second most tenured commissioner. When I first came on this, I think we always heard about Mission Rock. I know we've had a great partnership with the Giants. It's been a slow process on many levels. There's been a lot of discussion in terms of how to structure this project. There's been a lot of hard work and the phases and how to value the land and how the deal would go. It's really great to see that this is now coming to fruition. I can't wait for the groundbreaking to actually say that it's actually started because many people have worked on this over time. I don't have any specifics at this time on phase one. We've had discussions on the past in terms of the amount of residential and affordable and the office. At this point, it's now in execution. I appreciate the detail that you've provided us.

Commissioner Makras - Thank you for the presentation. I have one question. If you can go to slide 11 where you are talking about lightweight concrete versus pile support to the streets, at the end of it are you giving the street to the city? Or are you retaining ownership?

Phil Williamson - We are working with the city with Public Works specifically and the PUC as well to accept all the project streets as city streets. The exceptions would be, as Jack alluded to between parcels A and G and G and K, there are little stubs that enter into the park. Those are going to be what we call paseos or kind of park extensions that the Port will retain.

Commissioner Makras - I'll turn it to the director on that. There may be some risk, ramifications in there and maintenance issues when it comes to the road. Are you going to bring that forward to us on a comparison basis? Is it a DPW decision?

Elaine Forbes - We've been working with the director of Public Works and their staff on the streets and what's required in order for DPW to accept these streets as city infrastructure. Just to be clear, we'll continue to own the property but when they're accepted as city streets, they become the burden and responsibility of DPW. We've been working very closely with our sister agency on that question. We can update you when we come back on how that's going.

Commissioner Makras - Where are they elsewhere in the city? So we have a comparison, what will it cost to maintain them over a 60-year period? Where else are they in the world so we can see how they operate? I like new technology but sometimes, it goes sideways. I just want us to do it with our eyes open.

Phil Williamson - Understood. We will definitely keep tracking that. As Elaine mentioned, we are in the weeds on many of those issues right now.

Commissioner Gilman - Phil, Jack, thank you so much for the presentation. I'm very excited to see you move forward. As stated previously, I'm excited that you, in phase one, frontloaded the affordable housing. Lots of times, developers choose the phase differently. I want to commend Tishman and the Giants for doing that particularly with the fact that this carries a lot of middle-income housing as part of its affordable component. As we see every day more and more, we need housing targeting 60 to 120 percent of AMI. I really appreciate it. I am, too, excited to be at the groundbreaking.

Commissioner Adams - Phil, Jack, this is a very comprehensive update for us. I haven't seen you all year, Jack. Like Commissioner Gilman, I like the component of the housing. I know that was a hard negotiation but it was the right thing to do. I appreciate the job creation that it's going to create having Tishman as a partner. They always say an overnight success can be 20 years and after 12 years, you're finally getting there. But you've done it right. This is something that will continue to move forward. I'm glad that you've taken the time to put all the pieces together and involve the community. To me, I always say that because it's so important. I'm supportive as we keep moving forward. I look forward to you coming back to the commission. A special thank you to the staff for working very hard because this has been a slow process in trying to get everything right. Commissioner Woo Ho, I'm the third tenured commissioner.

Commissioner Brandon - Phil, Jack and Carl, thank you so much for this presentation. This is great. This is so exciting that thinking that, by the end of the year, we may actually have a shovel on the ground. This wonderful community that is being developed is just extremely exciting. I also think it's great that, in phase one, you are building more than proposed previously. It's great that there's going to be more housing and commercial and the park in phase one than previously included. What phase is Pier 48 in?

Phil Williamson - That is a very good question, Commissioner. As I mentioned earlier, Pier 48 is subject to a separate 10-year lease with China Basin Ballpark Company, our prior tenant and our current tenant. That lease allows the Port to bring forward a development proposal for Pier 48. The lease allows us to work together with the Giants on that proposal if it's of mutual interest. We don't have a long-term use yet for Pier 48. The project approval documents allow one to be folded in when we find it. That's probably the best I can answer you

that, for the next 10 years, we have a use. We're looking for a longer-term use that works for the site.

Commissioner Brandon - What are we actively doing to find that use?

Phil Williamson - This location is included in one of our outreach efforts on the historic piers. I don't have that data in front of me but I know we received some responses in that package of responders. The Giants are also looking at other uses for the site as they develop their phases to see if there's a complementary use.

Jack Bair - Pier 48 is the only existing building on the site. It has character. It's really important to us. We very much want to be part of Pier 48's development. We are carrying Pier 48 in latter phases of the project. It's actually quite important to the project because, as we begin construction of phase one and especially as we begin construction of phase two before the garage is completed, Pier 48 is an important valve where we can use Pier 48 sheds A and B as interim parking resources. Once the garage is built in phase two, then we can look at Pier 48 with respect to a long-term use. We're starting to think about that now. Actually, the long-term use for Pier 48 would come online after the garage is completed at the end of phase two.

Commissioner Brandon - I see that you guys are exceeding your workforce development plan's 10 percent goal for pre-construction contract expenditures. It would be great to know how you're doing that because this has been a long process. I know a lot of money has been spent but we have not seen anything on how that money has been spent and with whom. Can you tell us a little bit about that?

Jack Bair - What I should do is get you the detailed report that we file with the contract monitoring division on our pre-construction. We've had workshops. We invited the community to talk about all the different pre-construction aspects that we were looking for help on. We signed a bunch of people up to be part of our team that are local business enterprises. We're right now hovering around 14, 15 percent in exceeding the goal of 10 percent for the design and pre-construction work. We'll be doing workshops with respect to the horizontal construction and vertical construction. As those projects move forward, we'll have an open house probably in August to talk about all the opportunities in the horizontal construction for local business enterprises. We'll do the same before we launch into the vertical construction as well. I'd be happy to provide you additional information.

Commissioner Brandon - It would be great to see that report. I've asked our staff to include it in our quarterly presentations. So far, we haven't seen anything.

Jack Bair - We'll get that to you.

Commissioner Brandon - It would be great to get it.

Commissioner Brandon - Thank you. When you're doing your community outreach, I've asked that anything happening in that southern corridor to be brought to the central advisory committee and the southern waterfront advisory because it affects the total corridor. It would be great if you could add SWAC to your list for outreach.

Phil Williamson - We will do that for sure.

12. ENGINEERING

- A. Request authorization to advertise for Request for Proposals/Request for Qualifications for Contract No. 2819, Construction Manager/General Contractor for pre-construction services for the Mission Bay Ferry Landing Project at 16th Street and Terry Francois Boulevard. (Resolution No. 19-27)

Jonathan Roman - I'm the project manager for the Mission Bay Ferry Landing for the Port. The project is for the construction of a ferry landing at Mission Bay on Terry Francois Boulevard at 16th Street. Today's presentation is for the request for authorization to advertise for pre-construction services using the construction manager/general contractor delivery method. This was recently mentioned at the Mission Bay Ferry Landing informational update presented to the Port Commission last month on June 11th. Our objectives for this presentation are to provide background information on the CM/GC delivery method, the rationale for using this method as well as to get the Port Commission's authorization to start the bid process.

Later, I'll discuss in-water work-window restrictions that could impact completion and funding. I'll provide a brief background since we discussed this last month. The new ferry landing would be located across the street from the new Chase Center, which is the new home of the Golden State Warriors. The location is also centrally located to UCSF, Mission Rock, San Francisco's life sciences community and over eight million square feet of new office, commercial, retail and housing. WETA would operate the ferry service. The design is now complete and the bid documents are being prepared.

As highlighted in the June 11th presentation, the project will support the Port's strategic plan for stability, livability, sustainability and economic vitality. In particular, the Port is proactively working with our transportation agency partners to ensure integrated traffic plans to ease congestion along the waterfront in a timely manner. The purpose of this presentation is to request authorization to advertise for pre-construction services and to also inform the Port Commission on the construction manager/general contractor delivery method as well as the rationale for using this method. The benefits of CM/GC are early contractor involvement for a commitment on price and schedule based on design and required constraints.

Port staff estimates that pre-construction services will be approximately \$750,000 and will be paid with unallocated funds remaining from the already-secured planning and engineering funding for the project. This is approximately 2 percent of the estimated construction cost of \$37.4 million. Port staff believes that CM/GC pre-construction services outweigh the relatively modest expenditure in time, cost and Port resources. The CM/GC project delivery method will obtain cost and schedule commitments and is recommended for a project with our complexity, which we will discuss shortly. CM/GC is well established in the construction industry as well as recommended and allowed by the San Francisco administrative code for this project's budget size.

CM/GC is used by San Francisco Airport, San Francisco Public Works and was used by the Port Commission for the James R. Herman Cruise Terminal in 2012. CM/GC consists of two phases: pre-construction services and construction. Using CM/GC, the Port solicits and awards pre-construction services from a qualified construction company. They are paid for their work. The contractor acts as a consultant for constructability and can identify risks based on the contractor's established means and methods.

This process also allows the Port to be an active participant during the process and make informed decisions on design options based on the contractor's expertise. The CM/GC then solicits competitive bids for each of the trades and develops a guaranteed maximum price (GMP). If the Port Commission agrees that the contractor has submitted a fair GMP, then they authorize award of a contract amendment for construction. The Port Commission is not obligated to award construction.

Port staff is recommending project construction to start by June 1, 2020 in order to meet schedule constraints. The Port received \$8.4 million in project funding from the Office of Community Investment and Infrastructure. The Port must spend the OCII funding by August 2020 or will be forfeited which would then require Port identification of a new funding source for this gap. Also, regulatory in-water work windows require pile driving and dredging between June 1st and November 30th.

If the pile installation and dredging cannot be completed by November 30th, then the project may be exposed to another year of delay as well as cost escalation estimated to be \$1.2 to \$1.9 million. A CM/GC will help us meet these constraints. The CM/GC's early involvement will help us get schedule commitments for the in-water work windows and OCII funding spend requirements. The CM/GC's early involvement will help us get cost commitments based on our design and should reduce costly change orders.

The CM/GC's early involvement will help us with planning for all other technical and construction complexity such as dredging and cap installation as well as specialty procurement of the ferry float. Of the challenges, the process takes more time. Therefore, we are encouraging your authorization now to meet a construction start of June 1, 2020. As already mentioned, the Port staff

believes the modest estimated fee of \$750,000 will justify the benefits. As an additional benefit the contractor can directly negotiate up to 7.5 percent of the guaranteed maximum price with any subcontractor per the San Francisco administrative code.

The Port Commission authorizes to advertise for request for qualifications and request for proposals for pre-construction services. Port staff will solicit a combined RFP/RFQ, which is known as best-value procurement. Port staff reviews the proposals, conducts interviews and recommends a candidate. Port staff will then return to the Port Commission to request award of a pre-construction services contract. The CM/GC will then review the design documentation, collaborate with Port staff, develop trade packages and then competitively bid the packages. The CM/GC will then create a guaranteed maximum price.

Port staff will then return to the Port Commission to request an amendment to the contract for the construction services if we believe the GMP meets our needs. The Port Commission will not have an obligation to award the construction.

This is a summary of the use of funds. The \$750,000 pre-construction services would come from the unallocated funds in the already-secured entitlement and engineering budget. Contract contingency as well as escalation have been included. We do not have contingency for steel prices or tariffs in the overall budget. Port staff has secured the following funding. As already mentioned, the OCII funds need to be spent by August 2020. Appeals to RM3 are still pending but we are continuing to work with partners to secure funding to meet our schedule.

Port staff will be returning to the Port Commission later this fall for their consideration and approval for actions regarding the unsecured funding. Port staff will be working with the Port Commission on upcoming considerations and actions for the construction contract as well as for the funding process with WETA, board of supervisors and Metropolitan Transportation Commission.

It should be noted that the major constraint is regulatory in-water work windows for pile driving and dredging between June 1st and November 30th in any given year. A significant delay of construction start after June 1st may not allow us to drive enough piles, sacrificing another year and exposing us to additional cost escalation as mentioned to be around \$1.2 to \$1.9 million. It could make us forfeit \$8.4 million of OCII funds, which are required to be spent by August 2020. In addition, WETA is lending their spare float for the interim ferry landing at Pier 48½ as discussed with the Port Commission on June 11th. WETA will need their float returned by early 2022, thereby not having ferry service in the area.

Romulus Asenloo, Contract Monitoring Division - As part of the overall RFQ or RFP, the project envisions an LBE subcontracting requirement of 8 percent.

This is the overall participation across the \$38 million worth of work that's envisioned on the project. This is the rough breakdown of the scopes of work from which we were able to derive the 8 percent. We recommend the 8 percent subcontracting requirement that includes both the pre-construction and construction phases. Due to requirements of both the over-water and specialty fabrications related to the fixed pier, float and gangway as well as the dredging and cap, which basically comprises of almost \$30 million of the entire project, that explains why the participation requirement is at the level that we had set it at. We do see significant opportunities in pre-construction services as well as the shore-side construction in the Agua Vista Park itself. As noted before, CM/GC process breaks down the projects by trade package through which the CM/GC would, through its budgeting and cost-estimating phases, would provide the Port and CMD with a proposed breakdown of how it would try to meet the LBE requirements.

We, in partnership with the Port as well as the master builder, would identify those trades in which there is a large amount of available LBEs to do the work thereby focusing the master builder's efforts on targeting and getting more LBE participation out of each of those trades. In addition to that, as mentioned before, there is some provisions for allowances up to 7.5 percent whereby we can access some of that to assist the master builder in getting exclusively LBEs for certain distinct portions of work.

Jonathan Roman - For the next steps, Port staff will return to the Port Commission for authorization for award of pre-construction services in early fall if you authorize us to start advertising today. We'll also come back then to continue to secure all environmental permits, which is expected in October and return to the Port Commission for actions regarding funding sources in early fall.

Commissioner Gilman - Jonathan, thank you for the presentation. I'm generally supportive of it but I had one question for Romulus. I was just a little confused. I want to make sure I'm understanding your presentation correctly because 8 percent seemed a little low compared to other projects we do. What I heard you say, I need you to affirm I'm understanding you correctly, is that, due to the specialized nature of building a ferry landing, it's harder to get LBE participation because those firms don't have the crafts or the trades we need to build it. Is that what you trying to articulate?

Romulus Asenloo - Yes and I apologize for not speaking well.

Commissioner Gilman - It was mostly the slides that confused me.

Romulus Asenloo - I apologize. We'll work with the staff next time to give you a better slide. Yes, it's part of the subcontracting analysis process. We do look at the needs of what the department is trying to create. In this particular case, most of this contract is basically construction of a structure that's over water that has pontoons and stuff. The LBEs that we have at this time don't do that

type of work. A lot of that is specialized. So to answer your question, that is correct.

Commissioner Gilman - Okay. That totally answered my question. I'm glad we can get to 8 percent on such a specialized project. Thank you so much.

Commissioner Woo Ho - Thank you, Jonathan and Romulus for this report. I know this is obviously something we've endorsed heartily and something very near and dear to my heart to have another ferry terminal. Under the approach that we're using, which was explained at the last commission meeting, in terms of the actual costs of \$47,100,000, how much of that is firm at this point given that you're going to bring somebody in that's going to advise us some more?

At this point, we are not sure whether we have all the funding in place. I understand we're still working at that. I just want to anticipate that we don't get any surprises down the line and since this approach involves the contractor with us upfront on the estimate costs, etc.

Jonathan Roman - This approach helps us to avoid surprises. We'll be getting their involvement early. Often, with a bid-build type of situation, we don't have that kind of feedback in terms of how to build because we're limited on discussions that we can have with the actual contractor, so we don't give anyone a specific advantage. Having this RFP/RFQ selection phase allows us to get someone who's qualified and have them sit in front of us with all the drawings and go through and avoid any of the surprises that we have.

Commissioner Woo Ho - I'll rephrase my question a little bit. I do understand that. At one point and timeline wise, will we then say this number is pretty firm in terms of what we think the costs are?

Jonathan Roman - We would have a guaranteed maximum price if we were in schedule. We would be awarding the pre-construction phases in the October timeframe. Then, with the contracting issues, we would start the actual pre-construction services in December. We'd have four months in that timeframe.

Commissioner Woo Ho - We would know by the end of this year because, obviously, since we still have to find funding, we want to know whether we're on solid ground to get this project done on the timeline that is proposed.

Jonathan Roman - That's correct. We would have the guaranteed maximum price in the March timeframe next year. We would know that for then. If there's any indications that things were not lining up, then we could cancel the pre-construction contract.

Elaine Forbes - To give the commission a little more comfort, we have a contingency in this budget. It is 25 percent contingency and we've had a top-flight cost estimator as part of the early team. Although we will have a maximum firm price, which is what we can really rely on, we do feel

comfortable with this budget estimate that we're around the figure because of the large contingency plus having a very good cost estimator on this team.

Commissioner Woo Ho - Obviously, because of the Chase Center and everybody else that this ferry landing will support, there are a lot of eyes on this project to make sure that it's done properly, on time and within whatever cost estimates we expect.

Elaine Forbes - Absolutely. Our biggest risk is delay because you've heard 12 percent growth in construction costs. We do need to get our RM3 funding in hand and deliver this project on the schedule we planned because there is an escalation factor in this budget. But if we slip time, that will be a problem.

Commissioner Woo Ho - The 12 percent that you mentioned, which actually was at the heart of what I was concerned with, is we've built in some of that into this cost.

Elaine Forbes - That's correct.

Jonathan Roman - We have escalation included through the 2021 completion date but nothing further than that.

Commissioner Woo Ho - I'd be absolutely delighted to see this project completed in the timeline that we said.

Commissioner Makras - I'm supportive. Thank you for the presentation.

Commissioner Brandon - Jonathan and Romulus, thank you so much for this presentation. I want to be clear that today we are voting on the \$750,000 construction. All of the rest of this is just for information. But as far as funding, you will come back to us later.

Jonathan Roman - That's correct.

Commissioner Brandon - My only question is, in the staff report, the LBE goal was 12 percent for pre-construction and 6 percent for construction. I'm just wondering how we got to 8 percent from there.

Romulus Asenloo - The original LBE subcontracting requirement that listed the two separate goals was something that needed to be modified because, under code, CM/GCs have one overall LBE requirement, not two. That's why it's an 8 percent goal. Within that however, after working with the Port and relooking at the project, we felt that there's significant opportunities that could be let to LBEs at the pre-construction phase. That's why you do have an overall 8 percent.

Commissioner Brandon - But how do we know that? How do we know that 8 percent is better than 12 percent and 6 percent? I don't understand how we

came up with 12 percent and 6 percent first. Now, we're coming up with an overall goal of 8 percent. Is it the same? Or are we losing funds for LBEs?

Romulus Asenloo - No. You're actually gaining more in the aggregate because the original summation I believe it's 12 percent for the \$750,000. However, after relooking at how the scope was broken down, we felt that we could get more up to about 20 percent if you were to look at just the \$750,000 alone.

Commissioner Brandon - So for this part of the contract, the \$750,000, we're looking at 20 percent?

Romulus Asenloo - We believe you can get significantly more. However, the overall requirement is 8 percent. That is what the master builder would be responsible for meeting.

Commissioner Brandon - What will we be looking for when we get this proposal back? Will we be looking for 20 percent? Or will we be looking for 8 percent?

Romulus Asenloo - The master builder would, as part of the process, have an LBE commitment letter because if you recall, you're just hiring the master builder alone. There would be no subs or anybody underneath them at this point. They would be signing what we would call an LBE commitment requirement where they would attest that they understand that the requirement is 8 percent and that, at the end of the contract, they would be held responsible for meeting that. However, in the interim, once you approve and award the master builder the contract, we would immediately work with them on trying to get as much LBE participation at the front end as possible with the use of that pre-construction contract.

Commissioner Gilman – This was part of my confusion before i.e. it's going to be 8 percent overall for whatever this total cost is. I'm making this up right now. Let's just say it's \$5 million. But at the \$750K that we're approving today, that percentage of LBE might be up to 20. But then, it's going to drop when we do the rest of the construction. So overall, it's only going to be 8 of the whole project.

Romulus Asenloo - Yes.

Commissioner Gilman - But in the beginning, 20 percent of the \$750,000 funds will probably go to LBEs.

Romulus Asenloo - Yes.

Commissioner Gilman - And then, way less is going to go when we do the other construction work.

Romulus Asenloo - Yes and that's primarily impacted because of the large purchases that you have for the pontoon pier and all the other specialty work that's over water.

Commissioner Brandon - The total eligible for LBE is \$2.8 million plus.

Commissioner Makras - It's not plus. If the construction is \$50 million, we're going to get \$4 million in participation. We're starting with the \$750,000 contract. Twenty percent is 150, 150 for the first half, \$3.85 million for the construction job. Does that help? That's what it equates to.

Commissioner Adams - Yeah. Not a lot.

Commissioner Makras - So the \$3.85 million, that's what we're getting for the contract.

Commissioner Brandon - But yet, we have shore-side construction and Agua Vista Park and that's about \$4 million that could be given to LBEs. Why is it so low? I understand the specialty. I know that there are areas that we can use LBEs.

Romulus Asenloo - Yes and we've looked at those scopes and have made deliberative assumptions.

Commissioner Brandon - Okay but \$3.9 is shore-side construction and Agua Vista Park. We only have eligible work for 2.8.

Commissioner Makras - The component that has no participation is \$32 million of the project. So take \$32 million out. The balance at 15 percent, which is what we see in the normal package brings us to a normal MBE, WBE participation when you take the \$32 million specialty component out. I'm not supporting it. I'm just giving the raw numbers so that we all understand it.

Commissioner Brandon - So there's nothing else we can do about this, Romulus? Once again, I feel sorry for Director Forbes having to listen to me over and over. I feel sorry for her because we do millions of dollars of projects.

Commissioner Makras - Walk us through why the \$32 million can have zero participation in it. Walk us through some of the suppliers, where the suppliers are, what makes them so unique, so we understand that those companies can't do this because we want to do it and demonstrate that they're our only choices. That tells me this isn't a bidding process. This is telling me we're going to hire the company that's out there. We're going to take the bid that they give us. That's what it suggests. But if there's three or four companies, then I would conclude that there should be some participation at that point.

Romulus Asenloo - The master builder inherently, because it's a \$34 million project, will probably be one of the larger firms that you normally see that have

the various cranes in the city. However, within that, they would have to hire subcontractors or perform themselves certain things like fixing the piers, providing the floats in the actual over-water gangways as well as dredging and what they call the cap. There are no LBEs that perform that work at this time. There used to be maybe a decade ago that firm that we know of that used to inherently work at the Port has since graduated. That's where you see a lot of this work being taken out of the consideration of where we can get LBE participation. Shore-side construction, we have more LBEs that can perform this work. This includes the ancillary painting, which is very minimal. There's also some minimal LBE electrical work. There's a lot of concrete work that can be either through the form work or actually performed by licensed firms, which we have about 112 of them, can perform that work, a lot of them residing in the 94124-107 area code.

We do see some significant opportunities. In terms of what you're asking to build, LBEs aren't able to provide that service to you. It's not the type of work they do.

Commissioner Brandon – I guess at this point it's more something for the Port because this is work that we're going to do forever. We're going to need this type of work. What are we doing to partner with companies or joint venture or whatever to make sure that there are companies available to do this work, LBE companies available to do this work?

Romulus Asenloo - One last thing I wanted to mention is that the 8 percent is a floor. It is not a ceiling. We have seen this before.

Commissioner Brandon - We struggle to get to the floor. We struggle. Trust me.

Romulus Asenloo - I understand. A lot of the big firms that inherently pursue this level of work are well known to us and are the same type of contractors that work at Moscone or work at the airport or work on PUC. They understand the expectations of not just CMD, but they also understand the expectations of the various commissions and how they also all want to see a robust participation within their community. We certainly can lean on them. They understand the expectations of commissions. Certainly, we will not let them just shoot for the minimums.

Commissioner Adams - Your presentation wasn't really clear to me. I'm probably more confused now than when we started. I think Commissioner was on point. For me, I would like to hold this thing over. I would like for you to go out and do better. To me, this is unacceptable. I'm tired of always coming in and then you expect LBEs just to take crumbs. I think you can do better. I would like to hold this over, Madam President, and go back and come back with something better. I just can't accept that there's no LBEs out there.

Elaine Forbes - In terms of what the Port is doing, there's some of these firms for marine construction. There's just a huge barrier to entry. There's many, many millions of dollars to purchase equipment. To be successful in the field, there's economies of scale. These firms have customers all over the nation in some instances. I think that perhaps it's a scalability issue and what firms can take on. It just could be a mismatch between local small businesses and the marine construction field. This could be a question for the Office of Workforce and Economic Development. That is my sense of why there are no certified LBEs in the marine construction field.

Commissioner Brandon - We're about to spend billions of dollars on this type of work. We have to do something to get prepared so that our local business enterprises can participate. We have to do something.

Commissioner Adams - I want to hold it over to the next meeting.

Commissioner Gilman - I had a question on the holdover because I hear Commissioner Adams. I hear the concern and I'm a little confused too. But can you remind us about the OCII funding? You said it had to be spent by the end of August 2020? So it seems like 30 days would not jeopardize that.

Jonathan Roman - In terms of this, we would work with the CM/GC on how to jumpstart that. There's mobilization. There are materials that need to be purchased. There are other items for earnest money and floats that we could do to make that goal if we prepare accordingly and spend that money before it's forfeited, and we have to look for another source for that.

Elaine Forbes - In terms of what we would be able to do in a month, we would not have capacity to enter firms into this field. They're not certified. They're not there. What we would look to is things like the mentorship/protégé program or other forms of community building or workforce building that we could accomplish through this contract but we would not be able to create these firms or cause their assembly. It would be much more around mentor/protégé and other capacity-building efforts. But we could certainly look and work with our city partners and see what we might be able to come up with.

Commissioner Brandon - I think that's a great suggestion. Hopefully, we can put that in place prior to spending any more funds on this project that needs to move forward. So it's \$750,000. We can move forward with this. We have another \$36 million to deal with finding.

Commissioner Woo Ho - I'd like to understand what your proposal is. That we move ahead with this, but at the same time we ask the staff to develop the mentor/protégé program? It doesn't sound like staff believes that the percentage is going to change within 30 days. It's not a question of identifying more firms. That isn't going to change but it's a development effort to get more firms interested in this space.

Elaine Forbes - More capacity down the road. I wasn't laying out a process going forward. I was just saying what you might anticipate if we take a month to work on it but you do have two options here. You could approve this item now. We could work with CMD and perhaps other staff at OEWD on some capacity building or other things we can do with these contract dollars to build the pipeline down the road. Romulus, do you have any thoughts offhand. Or you could hold this over. We could come and tell you what we plan to do next month and you could consider the item then.

Commissioner Brandon - Okay but what you come and tell us you're going to do has to do with future funding, not necessarily this contract.

Elaine Forbes - That's correct.

Commissioner Brandon - We can move forward with this contract but prior to any additional allocations being spent, let's have a plan.

Elaine Forbes - Perfect.

Commissioner Makras – For clarification, the underlying bid would be part of the plan or it will not be part of the plan?

Commissioner Brandon - This \$750,000 contract can be advertised and that's it but everything underneath it is separate and different. This is just advertising.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. Four of the Commissioners were in favor. Commissioner Adams cast the dissenting vote. Resolution No. 19-26 was adopted.

13. FINANCE & ADMINISTRATION

- A. Request approval of the fourth bond issuance of the 2012 Clean and Safe Neighborhood Parks General Obligation Bond, in an amount not to exceed \$3.1 million, to support construction of Agua Vista Park and Heron's Head Park. (Resolution No. 19-28)

Ananda Hirsch, Port capital manager - This bond was approved by voters in 2012 for a total of \$195 million, of which \$34.5 million was allocated to the Port for waterfront parks. Since then, the Port has participated in two of three bond sales for a total of \$31.4 million. Port staff is now recommending that we initiate the fourth bond sale, which is the final sale from this bond. It would be for the remaining total of \$3.1 million. We would pursue this in the summer of 2019 so that we could join with an affordable housing general obligation bond to save on issuance costs, so more money could go toward the projects. The proceeds would be used for construction of Heron's Head Park and Agua Vista Park.

I would note that this is a bit higher than the \$34.5 million I stated on the previous slide because this also includes the appropriation of interest earnings.

Of the projects in this program, one has been completed – the cruise terminal project formerly known as the Northeast Wharf Plaza and Pier 27 and 29 Tip. That was completed in 2014.

As you know well, Crane Cove Park is under construction. That is funded with 2008 and 2012 general obligation bond funds and set to be completed in spring of 2020. The remaining projects are in planning and design including the Pier 27 public art, which is being led by the Arts Commission, and Islais Creek improvements, which are going to begin conceptual design this fall.

We anticipate that all bond proceeds would be expended by June of 2021. This chart shows the details of the existing appropriations. As you'll see, it includes the \$31.4 million that we have sold in the prior two sales as well as \$331,000 of appropriated interest earnings. Of that, about 13 percent is remaining balance that is unencumbered and unexpended. The proposed final bond sale would include \$1.7 million for Agua Vista Park and \$1.2 million for Heron's Head Park.

This slides shows an estimated cost of issuance of \$189,032. As that number changes and gets finalized by the Office of Public Finance, any delta would be reflected in the final Heron's Head Park budget. We believe that's a cautious estimate. If more money is available for projects, it would go toward Heron's Head.

The Agua Vista Park, which you just heard a little bit about in the previous presentation, is a \$2 million park renovation of an existing Port park that will complement both Mission Bay Ferry Landing and the Mission Bay Bayfront Park to the north. Its delivery is being coordinated with the ferry landing. It will improve the experience for pedestrians and visitors by upgrading the path, upgrading the furniture, the lighting as well as the access to the existing fishing pier and would be consistent with those other features to the north.

The Heron's Head Park improvements are complementary to improvements made with the 2008 parks bond and responsive to the increased usage we're seeing at that park. Similarly here, it will help connect a chain of parks by improving access to the improved PG&E shoreline to the south of the park and connectivity down to India Basin, includes signage improvements, pathway improvements as well as upgrades to the EcoCenter's solar panels and electrical system. It's a green building but its solar panels are rather old. It could use some upgrades to better serve the needs of that facility.

As we can see from the schedule, the last project anticipated to be completed from this group is Agua Vista Park, which is set to be completed in mid-2021. If the commission approves the item today, we would proceed to the capital planning committee for approval on July 22nd. The item would be introduced along with the affordable housing bond to the board of supervisors on July 30th.

Commissioner Woo Ho - Thank you, Ananda, for this presentation. We've all been very happy to see that the park program has gone along. This is very straightforward. This is just execution of something that we've agreed to and just to see the schedule. I'm very supportive of the item.

Commissioner Makras - Thank you for the presentation. I'm supportive of the item.

Commissioner Gilman - Thanks for the presentation. We all want this to move forward.

Commissioner Adams - I'm supportive.

Commissioner Brandon - Thank you for this report. Once we receive the funds, will you come back to the commission on how they're going to be spent and with whom?

Ananda Hirsch - In terms of issuing contracts, we would be back when we issue contracts for the work. It would go to the two projects as described, Agua Vista and Heron's Head Park. But then, we would come back with the contracting.

Commissioner Brandon - Agua Vista is part of the Mission Bay Ferry Landing.

Ananda Hirsch - Yes.

Commissioner Brandon - And then, separately Heron's Head Park. So you're going to come back with the designs and the programming and all that good stuff?

Ananda Hirsch – Yes, Heron's Head Park would proceed independently.

ACTION: Commissioner Woo Ho moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. Resolution No. 19-28 was adopted.

B. Request approval of the Port's Supplemental Appropriation of \$11.5 million to support Phase I of the Seawall Earthquake Safety and Disaster Prevention Program in the event of ongoing litigation. (Resolution No. 19-29)

Katie Petrucione, the Port's CFO - I'm here with the request to approve a supplemental appropriation to support the seawall program. Should the city be unable to move forward with the first sale of the seawall GO bond due to litigation that has been filed contesting Proposition A, a measure that passed in November of 2018 with, I'd like to note, 82.7 percent voter approval. The Port is requesting that the board of supervisors consider and approve a supplemental appropriation from harbor fund balance to support ongoing planning, community outreach and preliminary design work on the seawall.

I'm here today because, in April of 2019, two San Francisco residents filed litigation challenging Proposition A. They alleged that the city has violated a variety of state and local election laws in conjunction with that measure. On June 18th, the litigation was dismissed by a superior court judge who did not give the plaintiffs an opportunity to amend their complaint, which was the best possible outcome that the city could have seen.

However, the litigants have 60 days in which to appeal the dismissal of their case. The deadline for their appeal would be August 19th. The city attorney strongly believes that this case is without merit. And in fact, this was supported by the action that the superior court took last month. But the first sale of the seawall bond has been delayed until at least August 19th and perhaps beyond as the city evaluates the risk of selling bonds before the appellate period has expired. If the litigation persists and if the city chooses not to sell bonds, the Port would propose to appropriate available harbor fund balance to support the seawall program through this new fiscal year so through June 30th of 2020.

When the bonds are finally sold, the Port's \$11.5 million contribution would ultimately be reimbursed to the harbor fund. The seawall bond, as you well know, provides the majority of funding for phase one of the program. The Port has no other sources other than the harbor fund to use to back fill the potential delay of the bond sale. As of today, staff is estimating that, at the current rate of expenditure, the seawall program will exhaust its appropriated funding at the end of September, beginning of October.

Without either a bond sale or a supplemental appropriation, the seawall program will run out of funding. The supplemental appropriation request is a contingency that will allow us to have work on the program continue if we ultimately face a worst-case scenario with the bond. The total that the Port expects to spend on the seawall program in fiscal year 2019-2020 is approximately \$18.18 million. The proposed supplemental of \$11.5 million will fund approximately nine months of work, October through June on the program.

This work would include completion of the multi-hazard risk assessment, the initiation of alternatives development and the continuation of our public engagement work as well as our ongoing collaboration with the Army Corps of Engineers on the flood study.

If the commission were to give its approval today, we would go to the capital planning committee for their approval on July 22nd with an eye towards introducing the ordinance at the board of supervisors on July 30th. If there is no appeal of the dismissal of the litigation against Prop A by August 19th, then we will simply table the ordinance at the board of supervisors. If there is an appeal and if the city chooses to delay the first bond sale, which is an open question, we would work to get the item scheduled at the budget and finance committee when the board returns from its recess at the beginning of September. We

would hope to have full board approval by the end of September, which would then allow us to continue to expend funds on the program.

Commissioner Gilman - Thank you for the presentation. I am supportive of the item. I like the contingency planning, so we can move this really needed work forward.

Commissioner Makras - I support the item. I think it's smart thinking.

Commissioner Woo Ho - Yeah. Thank you. I support the item and think it's important to have the contingency measure. Just let me say, when you take the funding, the \$11.5 million as a contingency plan out of the Port's harbor fund, accounting wise, what line does that affect? Is it taken out of our fund balance?

Katie Petrucione - It takes it out of fund balance. We concluded fiscal year 2017-2018 with a little over a million dollars in revenue to the good where we had not been counting on that money. So those funds fell to fund balance. We had not programmed the funds for anything.

Elaine Forbes - So it would be a debit from cash. It would show up as a contribution to capital that's then repaid by an external source of capital.

Commissioner Woo Ho - If you actually had a bond sale, you would have an infusion of cash obviously.

Elaine Forbes - Yes. That's correct.

Commissioner Woo Ho - Now, you're having to use cash.

Katie Petrucione – Yes, that's correct.

Commissioner Woo Ho - What's the impact of having to use up cash unexpectedly for this?

Elaine Forbes - We have a fairly healthy cash balance. We have above and beyond what we have given ourselves as policy guidelines in terms of our cash balances. We feel confident that we can let go of this cash as a contingency measure and then be repaid when the bonds are ultimately sold.

Commissioner Woo Ho - You're not concerned on cash flow basis.

Katie Petrucione - Absolutely not.

Commissioner Woo Ho - I understand now. I think you want to just include that, so we all understand how the financial impact on the financial statements as well as on your cash flow. I'm glad to hear that we have very positive cash balances. But \$11.5 million is not a small sum.

Elaine Forbes - We have a strong cash position because it takes a while to get capital projects in the ground. We have a lot of allocated projects to capital that sit in cash.

Commissioner Adams - Katie, good presentation. You always sit in the back real quiet. And right before you've got to speak, you go, yeah and it passed by the public 82 percent. I was like look at her. She's firing. This is good.

Katie Petrucione - This one makes me mad. We should not be here today.

Commissioner Adams - Like my fellow commissioners, I also am supportive.

Commissioner Brandon - Thank you, Katie. So these funds have already been appropriated?

Katie Petrucione - No, we would be going to the board of supervisors to ask for the appropriation.

Commissioner Brandon - As far as payment to consultants and Port staff, do you have to come back to us? Or are we approving how they're going to be spent now?

Katie Petrucione - The funds will be appropriated into a project budget for the seawall. That appropriation gives Port staff a lot of leeway in how to allocate the funding, whether between staff or consultants.

Elaine Forbes - This appropriation would be allocated to the contract already approved. This is not new or changes. What we had planned was a bond sale to continue us along with the engineering contract and staff work that you've already approved. This is just a change in funding source.

Commissioner Woo Ho - I want to ask a question on the process here. Because we don't have the proceeds of the bond sale as we had planned and this is an appropriation or use of fund balance, what is the reason we go to the board of supervisors?

Katie Petrucione - We need appropriation authority. This \$11.5 million has never been appropriated. We cannot spend money without getting approval from the board of supervisors and the mayor.

Commissioner Woo Ho - Because it wasn't in our budget.

Katie Petrucione - Correct.

ACTION: Commissioner Adams moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. Resolution No. 19-29 was adopted.

- C. Request authorization to award two contracts to: (1) Dabri, Inc., and (2) Joe Hill Consulting & Engineering Corporation, for as-needed construction management services, each contract in an amount not to exceed \$1,000,000. (Resolution No. 19-30)

Boris Delepine, Port's contract administrator - I'm joined today by Ingrid Merriwether, the president and CEO of Merriwether and Williams Insurance Services. Ms. Merriwether and her firm have been instrumental in helping us leverage contract opportunities and maximizing small business participation. She'll be speaking during the outreach portion of my presentation.

Romulus Asenloo, the director of CMD, is here. He can provide insights on the pool of certified firms. Rod Iwashita, our chief harbor engineer, can talk specifics about the scope of work at the conclusion of the presentation.

The item before you is a request to recommend award of the Port's micro LBE set-aside construction management request for qualifications to Dabri Incorporated and Joe Hill Consulting Engineers. Each contract will have a not-to-exceed amount of \$1 million with a four-year term and an option for one additional year. This project complies with a number of our Port-wide strategic goals including increasing the portion of funds spent by the Port with micro LBE and LBE firms and utilizing engineering services to implement infrastructure projects that maintain the Port's financial strengths.

By way of background, you will recall that in April, you awarded four formal, as-needed engineering contracts valued at \$3 million each. One of the most commonly identified barriers by small local businesses competing for city work is that the contracts are too large. Small firms cannot compete against the large companies located outside of the city.

The goal of this solicitation is to build the economic power of small local businesses and to help micro LBEs develop skills, build relationships and capacity to increase their competitiveness in future Port and city contracting processes. We issued this RFQ as a micro LBE set-aside opportunity, meaning that only micro LBE firms certified to provide construction management services were eligible to compete for this opportunity. The resulting contracts from the solicitation are for on-call or as-needed construction management services.

Due to the nature of as-needed services, it's not feasible to define the specific scope of work in advance of the proposed contracts. The scopes will vary from project to project. However, we anticipate utilizing these contracts for comprehensive site-engineering services, pre-construction services, construction management, resident engineer services, project close-out support.

Our chief harbor engineer can provide additional detail about the project scopes at the conclusion of this presentation. Given the significance and

uniqueness of this opportunity, we contacted Merriwether and Williams Insurance Services to help us develop a robust and inclusive outreach program.

We promoted the solicitation at open houses, at pre-proposal meetings. We held two technical workshops co-hosted with Merriwether and Williams. The first was in November of 2018. And the second workshop, which was specifically organized to encourage firms to propose for this opportunity, was held on February 5th.

Ingrid Merriwether – Thank you for the opportunity. As Boris said, we worked closely with Port staff to try and do a number of things: one, expand the reach of the effort to identify prospective micro LBEs in the construction management arena; give them the earliest opportunity of awareness of these opportunities so that they could maximize the time to consider and prepare.

As Boris mentioned, in the second workshop, we were very specific to the micro LBE construction management set-aside. We had pretty strong attendance. There were somewhere between 40 and 60 firms that attended. It was a very diverse group. They were very engaged. They were networking with one another. They were absorbing the information that was being provided, which included strategies to submit a winning proposal.

Port staff was being very specific about not only what they were looking for but what firms could contemplate by way of how this work would be let. In addition, one of your larger prime firms, CH2M Hill was also present and gave technical information and an understanding of what firms, again, could participate in a working relationship with the Port, how the work would come at you, how much time you would have to identify potential other subcontractors if it was a scope of work that the firm itself did not have a discipline in internally.

The results were disappointing in comparison to the participation we had at the events. Some of the diverse firms that attended the events did not propose. My opinion on a go-forward basis is that a deeper dive is necessary to discern what are the barriers for firms who express interest but don't follow through with actually submitting a proposal response and then identifying ways that those specific barriers might be addressed through technical assistance and capacity development.

Boris Delepine - Following the two workshops, we issued the RFQ on March 12th. We then had a pre-proposal meeting. The pre-proposal meeting was to go over the specifics of the RFQ. We also had a strong turnout there. Over 50 individuals attended that meeting. We then convened a three-member panel to evaluate proposals that consisted of the Port's project management office manager, Shannon Cairns, an engineer from the MTA, a senior engineer from the Department of Public Works.

On May 3rd, the submittal deadline, we received five proposals. The first step in the evaluation process is to review each proposal for compliance with the RFQ's minimum qualifications. Minimum qualification is often also a barrier that is identified by small firms competing for city work. The qualifications on this RFQ were purposely lowered to two-and-a-half years' experience over the past five years and asked for each firm to have completed a minimum of two projects in the last five years.

All five proposers met the RFQ's minimum qualifications. The RFQ was divided into two phases. There was a written proposal phase worth a total of 100 points. Four of the five firms were invited to the next phase, oral interviews.

The oral interviews were also worth 100 points. The most qualified respondents were the top, highest scoring firms. This slide shows the final scores. We are recommending contract award to Joe Hill Consulting Engineers and Dabri Incorporated, the two highest-ranked proposers. Both firms performed well at each phase of the evaluation process. Dabri and Joe Hill, a strong understanding of construction management services and a demonstrated capability to provide the services that we are requiring.

Ajay Singh is here from Dabri. Dabri is a 17-employee, women-owned firm in San Francisco since 2001. They have project experience that includes the Better Market Streets program, SFPW and on-call construction management services with the Public Utilities Commission. Dabri will be self-performing 70 percent of the contract work and sub-contracting 5 percent resulting in 75 percent of the contract going to LBE firms.

Joe Hill from Joe Hill Consulting Engineers is also here. Joe Hill Consulting is an LBE/OBE firm. They're recent graduates of the contract monitoring divisions mentor/protégé program. Joe Hill has been providing construction management and engineering services in San Francisco since 2007. Joe Hill is an all-LBE team. A hundred percent of their contract will be going to LBEs.

If you award this contract today, we'll work to issue the notices to proceed in mid-August. The contracts are scheduled for completion in the summer of 2023. In conclusion, we respectfully request that you award the Port's micro LBE as-needed construction management RFQ to Dabri Incorporated and Joe Hill Consulting. Each contract is valued at \$1 million with a four-year term and an option for a one-year extension.

Commissioner Makras - No questions. I'm supportive.

Commissioner Woo Ho - I appreciate the presentation, Boris, and the detail that we have. This is apropos some of the discussion we had earlier. It sounds like we're making progress in certain areas and really support that we continue to go in this direction even though this has been used in a specific contract award. The whole process is something we need to continue to reinforce per our previous conversations.

Commissioner Gilman - Thanks for the presentation. I really appreciate that the scoring was weighted equally between written response and oral responses. I think sometimes the magnitude of in writing having to apply for the city process can be overwhelming for all sorts of firms. I appreciated how the scoring broke out and the awardees you're recommending. I support this item.

Commissioner Adams - Good presentation, Boris. President Brandon used to get on you all the time. You're getting better and better. You're starting to get your head around it. I approve it. I just wish the former item had the same results. I will vote for it and support it.

Commissioner Brandon - Boris, thank you so much for the presentation. Ingrid, thank you so much for your input. Thank you everyone for all the outreach that you have done to try and get our LBEs involved in the work we have going on here at the Port. It is a little disappointing that, because we had such a huge turnout at the pre-conference, that more people didn't take advantage of this opportunity. But this is definitely a step in the right direction. I want to thank everyone involved including you, Romulus.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. Resolution No. 19-30 was adopted.

D. Discussion and possible action on Port Executive Director Salary Pursuant to Charter Section B3.581(h). (Resolution No. 19-31)

Katie Petrucione, the Port's CFO - It is my distinct pleasure to be here this evening to ask that the commission set the base salary of the Port's executive director for the fiscal year that just began on July 1st per Charter Section B3.581 paragraph h. The charter states that the Port's executive director salary may not exceed the "prevailing salaries paid those holding similar positions in comparable maritime employment." To understand what that universe looks like, Port staff conducted a survey of salaries for directors at comparable ports.

Additionally, we gather information on the salaries of directors at similar city departments. In May, the HR staff surveyed salaries of port directors in eight major West Coast ports focusing on those five ports that have jurisdiction only over a seaport.

We found that the average salary of the directors at those ports is \$327,508 annually. The average salary at comparable city departments, which include the Public Utilities Commission, Public Works and the airport is \$352,665.

As a point of comparison, the executive director's current salary is \$292,396. Unlike most city department heads, the Port's executive director is not a member of the Municipal Executives Association. While the Port director is not a member of MEA, historically the Port Commission has applied the same

collective bargaining salary increase that applies to MEA employees to the Port director. As you may know, just recently the city completed collective bargaining.

We have a new three-year contract. The first year of that contract guarantees MEA employees a 3 percent base wage increase on July 1st and then an additional 1 percent in December of this year. If the commission were to apply the MEA contract increases to the executive director's salary, that would increase the salary to \$301,158 with the 3 percent COLA in July. And then with the additional 1 percent COLA in December, that would take the salary up to -- a little over \$304,000. This would be in compliance with the charter requirement that the Port director's salary not exceed amounts paid to directors in comparable maritime employment.

However, because the Port director's current salary is lower than the average salary of other seaport directors as well as lower than the average salary of comparable city department heads, the Port Commission may make a decision to increase the Port director's salary at a greater rate than 3 percent.

This is a policy decision entirely for the commission. We drafted the resolution to reflect the increase that was approved in the MEA contract. But if the Port Commission were to choose a different option, we would amend the resolution accordingly.

Commissioner Brandon – For the record, we discussed this in closed session and we also did a performance evaluation of our director. We are all extremely happy with all that she has accomplished this year and that we agreed on a certain amount. But before we discuss that, I'm going to let all the commissioners say whatever they would like to say.

Commissioner Gilman - Thank you so much for your analysis. Besides generally supporting what the MEA negotiated at a global level for its executives since our director is not covered under that, I also wanted to make another observation, which is important for what our decision making is going to be at the end, which I was dismayed. I don't know if the other directors in the comparisons fall under the MEA. Do they fall under their commissions, or they fall under their MEA?

Katie Petrucione - By and large, city department heads are members of MEA. PUC, Airport, MTA are represented by MEA.

Commissioner Gilman - I do want to point out having a director who is not represented by labor in this particular stance. We also have a department director who is woefully underpaid when benchmarked against them and is the only current woman in her position. I do think, from an equity lens, we have a moral responsibility to make sure that we have equity pay among all of our executives at the city. We do know that women on average still make 60 cents on the dollar to male counterparts. It's something that we want to rectify as a

commission and that we take very seriously beyond the excellent work that Director Forbes has done over the last year.

Commissioner Makras - I'm very pleased with Director Forbes's performance representing the San Francisco Port. I hope that the joint decision by the commission with the resolution will be favorably accepted by her.

Commissioner Woo Ho - We had a very good discussion. I think we're all in violent agreement about Director Forbes performance and that we are very pleased to see the excellent results of the past year and not only of the executive director but the whole team. She's pulled the team together. That's a good testament to her leadership. It's not just the what. It's the how that I also look at in terms of performance evaluation. Elaine has done a great job in terms of the content. Even though she says she's all about execution but she's also about how to get the execution done with her team. I want to compliment her on that. I am also very supportive. We will want to reflect in our recommendation for her salary adjustment that reflects not just the absolute housekeeping way of doing this but also to reflect the qualitative assessment that we have made about her performance for this year.

Commissioner Adams - Well spoken, Commissioner Woo Ho. This is an LBE issue. We finally got it right. Commissioners Gilman and Woo Ho are right in that you're an at-will employee. You don't have a union. You have nobody to represent you. The commission lays this out. I can't imagine having a staff of over 200 people and all the workload that you have to take on and also dealing with five hard-headed commissioners that's got their own visions. They've got different things. You are able to do that with support from your staff. I agree with the rest of the commissioners. I'm very supportive. It's way overdue. In honor of the U.S. women's soccer team, you deserve it because they're standing up for the same thing.

Commissioner Brandon - Thank you, Katie. Thank you, Elaine, for all that you do for the Port and for all that you have accomplished over the last few years. It shows in the team and in all of our output, everything that we're doing. You've accomplished so much. We appreciate it. We also don't want you to be grossly underpaid within the city and with your peers in the industry. I would like for someone to move that we changed the second to the last resolved clause that says the salary of the Port executive director will be representing the COLA of 3 percent plus an additional 5 percent for a total 8 percent.

Katie Petrucione - For a total of eight percent. For the record an 8 percent increase over the executive director's current salary would take her to \$315,787 a year.

Commissioner Brandon - And the 1 percent at the end of the year.

Katie Petrucione - Then 1 percent in December.

ACTION: Commissioner Adams moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. Resolution No. 19-31 was adopted.

14. NEW BUSINESS

Commissioner Brandon - Before we go into new business, for the record, Commissioner Adams opposed Item 12A.

Commissioner Brandon - I would like to see the Giants' LBE report for their project.

Commissioner Gilman - I would like to request a presentation by OEWD on their CityBuild program, e.g. the background of how they established that and what would the barriers be to doing something similar in the maritime construction trades. Because we can ask for LBE participation all day long. If there are no folks who are trained in it, interested in it, view it as a viable business model, we're going to get nowhere. While we can encourage it, it falls on OEWD and the workforce division to view that as a sector need in their sector academy. I'd like to see them come and give a presentation on how they make those determinations and how they set up those sector academies.

Commissioner Woo Ho - I have one item for new business. Either we can discuss it in a commission meeting, or you can send a memo. I would like to understand the status of our lease at Pier 24.

Commissioner Adams - I second what Commissioner Woo requested. I agree with her that we need to have this conversation..

15. ADJOURNMENT

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

Port Commission President Commissioner Brandon adjourned the meeting at 6:20 p.m.