

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING AUGUST 13, 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 and Victor Makras. Commissioner Woo Ho was on vacation.

2. APPROVAL OF MINUTES – July 9, 2019

The minutes of the July 9, 2019 Port Commission meeting for Item 11C were amended as follows: Commissioner Makras stepped out of the room at 4:45 p.m. and returned at 4:55 p.m. and therefore, he did not participate in the discussion and vote for Item 11C.

Commissioner Brandon - We don't have a precedence for recording when people leave the room. I don't know if this is something we want to add to our policy discussion because commissioners get up and leave. Should we record it each time a commissioner leaves?

Michele Sexton - Just when there's a vote whether a not a commissioner is present or not.

Commissioner Brandon - We should always include if a commissioner is part of the vote or not.

Michele Sexton - Are you adding a policy discussion on protocol?

Elaine Forbes - We're going to have a policy discussion at a future meeting.

ACTION: Commissioner Adams moved approval as amended; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. The minutes of the July 9, 2019 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

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

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

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

- (1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Items)
 - a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate & Development
*Negotiating Parties: SWL 337 Associates, LLC: Jack Bair & Carl Shannon
Under Negotiations: ____ Price ____ Terms of Payment X Both
- (2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTERS.
 - a. Discussion and possible action on anticipated litigation matter pursuant to Section 54956.9(d)(4) of the California Government Code and Section 67.10(d)(2) of the San Francisco Administrative Code with City as plaintiff regarding the Pier 24 Annex and Pilara Family Foundation as tenants.
 - b. Discussion and possible action on anticipated litigation matter pursuant to Section 54956.9(d)(4) of the California Government Code and Section 67.10(d)(2) of the San Francisco Administrative Code with City as plaintiff regarding the lease of a portion of the Pier 94 area to Bay Natives as tenants.

5. RECONVENE IN OPEN SESSION

At 3:25 p.m. the Commission withdrew from closed session and reconvened in open session.

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

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

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- 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

9. EXECUTIVE

A. Executive Director's Report

- Embarcadero SAFE Navigation Center Advisory Group

Elaine Forbes, Port's executive director - As we discussed on April 23, 2019 when this Port Commission voted to take action to approve the Navigation Center on a portion of Seawall Lot 330, I have worked with the city and the neighbors in the South Beach community to establish the Embarcadero Safe Navigation Center Advisory Group.

The purpose of the group, which is a passive meeting body under the Brown Act, is to advise me such that the city maintains a balance of members who live and work in close proximity to the safe center, neighborhood stakeholders, people with lived experience of homelessness, facility and program operators and that these residents and stakeholders meet and ensure that the Navigation Center is operating in a way that provides the maximum reduction of impacts to the neighborhood, is safely operated and provides a path out of homelessness to those it supports.

We have formed this group. The first meeting will be August 28 at 5:30 p.m. The meeting will be held at the South Beach community room and meetings are open to the public.

- In Memoriam – Joseph Floyd “Bunny” Simon

On a sad note, Port Commission President Kimberly Brandon's father-in-law, Tim Simon's dad, Joseph Floyd "Bunny" Simon of San Francisco passed away July 20, 2019. His memorial service was held last Friday,

August 9th. Mr. Simon was one of San Francisco's most successful African American entrepreneurs. He was a civil rights activist who marched with Dr. Martin Luther King and amassed a string of successful businesses here in San Francisco. He was born in Lake Charles, Louisiana. He was known as Bunny to his friends and family and also served as director of Minority Affairs for Action, a division of the Peace Corps. He is survived by Ann Simon, his loving companion and wife for over 50 years, his brother Robert, children Timothy, Veronica and Joseph and many grandchildren. We offer our condolences to our commission president and the entire Simon family. We ask that we close the meeting in his honor.

Commissioner Brandon - Thank you.

Toby Levine - I'm the co-chair of the Central Waterfront Advisory Committee. The advisory committee has been involved with the Navigation Center ever since it was first conceived. There have been a lot of pros and cons with regard to it. But now, you are in the process of appointing an advisory group, which is a very good idea because all of the people who are going to be on this committee have the intention of doing the best possible job. We all know that, right now, San Francisco is in a homeless crisis. It is my hope that we will be able to make a difference there. I have some familiarity with Navigation Centers. I'll bring that knowledge that I have to our meetings. If the stars align in our favor, we will do a very good job and lots of people will be helped and that's the intention. We'll keep Elaine posted.

Commissioner Brandon - Thank you very much. Has the committee been formed?

Elaine Forbes - It has.

Commissioner Brandon - How many members?

Elaine Forbes – There are 12 members, many members of neighborhood HOA associations. There's a representative from a business in the area. There are two members with lived experience, formerly homeless. I can circulate that to the commission. Many of the members are the same as the group that we were informally meeting with as the city did outreach on the proposal. It's a group that we have been working with for some time. A couple are CWAG members. Some of the names will be very familiar to you. I'll circulate that to the commission and we'll get it posted on our website.

Commissioner Gilman - Has the Department of Homelessness chosen an operator yet? Or are those seats vacant pending some sort of process for that?

Elaine Forbes - I believe there's a list of providers that is available for them to choose from but I'm not aware that they have made a selection at this point.

10. MARITIME

- A. Request approval of amendment to Port Tariff No. 5 regarding Cruise Ship Passenger Fees to increase the fees and provide for a volume discount. (Resolution No. 19-32)

Michael Nerney - I'm the assistant director of the maritime division. This presentation is to seek your approval of an amendment to Port Tariff No. 5 regarding cruise ship passenger fees, which would increase the fees and provide for a volume discount. U.S. public ports are required by law to file a port tariff with the Federal Maritime Commission outlining the rules, regulations and rates for use of port marine terminals and wharfs. The Port of San Francisco publishes Port Tariff No. 5 for this purpose.

The tariff is updated periodically to reflect changes in regulatory programs, risk assessments and marketplace rate increases. The Port of San Francisco is a member of the California Association of Port Authorities, or CAPA, which is comprised of the 11 publicly owned commercial seaports in the state. Any changes to port tariffs are reviewed by the CAPA membership for consistent application of rules and regulations. With your approval today, we will notify the CAPA ports of the amendments to our tariff.

The Port of San Francisco Tariff No. 5 is a 90-page document posted online on the Port's website. The tariff item changes we are proposing for your consideration are in section 10, item 1000, bundled port fee for cruise ships. The proposal is to increase the passenger fee from \$18 to \$19 effective January 1, 2020. This applies to all cruise passengers, embarking, disembarking or in transit. The current passenger fee of \$18 was established on January 1, 2015 in conjunction with the opening of the James R. Herman cruise terminal at Pier 27 and has not been adjusted since then.

The passenger fee is a bundled fee, which includes passenger wharfage, dockage for the first 24 hours and stores wharfage. Before Pier 27 opened, the bundled passenger fee had been \$12 per passenger. The increase to \$18 was to generate sufficient additional revenue to offset the \$100 million investment in the new terminal. The proposal before you today also includes future increases to \$20 on January 1, 2021 and to \$20.60 on January 1, 2020.

In addition, beginning in 2020, to incentivize increased cruise business at the Port of San Francisco, a volume discount will be implemented as part of the port tariff for any and all cruise corporations and their affiliated brands that exceed 240,000 passengers in a given year. The volume discount program is based on new business expected in 2020 from the Port's primary cruise client, which has averaged 60 cruise ship calls and 240,000 passengers per year

since 2015. This client is adding 28 calls and approximately 112,00 passengers at the Port of San Francisco next year.

Using 240,000 passengers as the baseline, the Port will offer a stepped discount on passenger fees above this figure as incentive to increase future cruise volumes. It is customary for major cruise ports to offer financial discounts to high-volume customers.

By adding this feature to our port tariff, the Port of San Francisco will be following an established industry practice. The expected additional net cruise revenue in 2020 is \$2 million with the discount being approximately 2.5 percent of the overall revenue for this client.

In the five years before the opening of the James R. cruise terminal at Pier 27, the Port of San Francisco averaged 61 cruise ship calls and 182,000 passengers. In the five years since Pier 27 opened, the annual average has grown to 81 ship calls and 288,000 passengers, increases of 33 and 58 percent respectively. This tremendous growth can be attributed to several factors including the new cruise terminal, the excellent service provided by the terminal operator, Metro Cruise Services, and the International Longshore and Warehouse Union, the ILWU labor force, year-round home-port sailings and larger ships.

This year, the Port is on track to establish records in both ship calls at 85 and passengers, 297,000. The forecast for next year is even better with 116 calls and 390,000 passengers expected, more than 30 percent growth in each category over this year. The major difference is the entrance of Carnival Cruise Line into the market for the first time ever with 28 home-port calls of Carnival Miracle. The Port secured this new business by promoting the many benefits of cruising in this region.

The anticipated revenue from passenger fees will increase from \$5.3 million this year to \$7.2 million next year inclusive of the volume discount. Besides San Francisco, the other major public cruise ports on the U.S. west coast are, by volume, Seattle, Los Angeles and San Diego. Each port is different in terms of ship and passenger volumes, destinations, cruise types and rates. By far, Seattle is the largest of the Ports, hosting 1.2 million passengers this year for summer cruises to Alaska, featuring two new terminals with a third one out for bid.

The average bundled passenger fee is \$29. Los Angeles will welcome 615,000 passengers at its existing terminals in San Pedro. These are primarily short cruises of seven days or less to Mexico and a few 15-day cruises to Hawaii. The bundled passenger fee is \$14. San Diego expects 338,000 passengers this year at its two downtown terminals. As with L.A., most of the voyages are three, four and seven days to Mexico. The San Diego bundled fee is \$9.

As stated, the Port of San Francisco expects just under 300,000 passengers this year. We are a year-round cruise port with Alaska cruises in the spring and summer and California coastal, Mexico and Hawaii itineraries in the fall and winter. Our bundled fee is currently \$18, higher than Southern California and lower than Seattle.

This tariff amendment supports the stability component of the Port's strategic plan by increasing annual revenue to support capital improvements, particularly those at Pier 27 and Pier 35 cruise terminals including bollard and fendering upgrades at both terminals, Pier 35 roof repairs and Pier 27 escalator installation. There is an engineering mooring analysis currently underway to clarify the existing conditions and limitations at both cruise terminals as well as to determine the feasibility of improvements to accommodate larger ships.

As for the California Environmental Quality Act, these proposed tariff amendments are not considered a project and, therefore, not subject to CEQA review.

I request your approval of the proposed amendments to Port of San Francisco Tariff No. 5 with respect to cruise ship passenger fees.

Commissioner Gilman - Thank you for the report. It was very thorough. It's exciting to see that our cruise business is going to increase. I'm supportive of the item.

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

Commissioner Adams - Good report, Mike. I have to be supportive. I'm the president of ILWU. With that being said, I would like to see San Francisco get up to a million passengers a year. I was just recently up in Juneau, Alaska, a city of 30,000 people. They have over 1.6 million passengers a year. It really helps our waterfront. We have 30 million tourists a year that come to San Francisco. We're the second largest attraction other than Disneyland in California. We want to continue to give San Francisco the exposure that it deserves. If I had a choice getting off in San Pedro or San Francisco, there's no choice. San Francisco is a world-class city and a beacon of light. I'm totally in support of it.

Commissioner Brandon - Mike, thank you so much for this report. With regards to the volume-incentive discount, is this the first time we're doing this? Or have we historically done this?

Michael Nerney - This is the first time we're putting a discount like this. We're putting it into the port tariff. It applies to this large client that it's applicable to right now. But we're hopeful that other cruise lines that are coming to the West Coast with large fleets that it would be applicable to them if they got up to that level.

Commissioner Brandon - The fee increase, I'm just wondering why in 2022 it's only a 3 percent increase when other years it's over 5 percent.

Michael Nerney – We raised the fee by 50 percent from \$12 to \$18 in 2015. What's happened over the past five years is we've established Pier 27 particularly and also Pier 35 as a very high-ranking destination. The cruise lines have seen it in action. The ratings from the passengers are very high. We wanted to get that established first. The fee increases that we're putting in over the next three years, it would be equivalent to as if we had been doing a 2 percent increase every year. So by 2022, we will basically be equal to having had a 2 percent CPI throughout the opening of the new terminal.

ACTION: Commissioner Adams moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. Resolution No. 19-32 was adopted.

11. REAL ESTATE & DEVELOPMENT

- A. Informational presentation on the proposed Lease Disposition and Development Agreement and form of a ground lease with an initial 50-year term and a 16-year extension option with TZK Broadway, LLC, a California limited liability company (the "Developer" or "TZK") for the lease and development of a 192-room hotel, a dinner-theater, an approximately 14,000 square foot public open space, and ancillary uses on Seawall Lots 323 and 324 and portions of unimproved Vallejo and Davis Street right-of-ways (collectively, the "Site") located on the west side of The Embarcadero at Vallejo Street.

Ricky Tijani, development project manager with the real estate and development division of the Port - I'm glad to be participating in this presentation along with our Port staff team who has been involved in negotiations with the developer team. Next is the outline of my presentation. This slide shows the outline of today's presentation. I and Rebecca Benassini, our assistant deputy director of development, will be making this presentation. Towards the end of our presentation, we will invite Jay Wallace to make a few remarks on behalf of the rest of the development team.

The site is located at the corner of Broadway and The Embarcadero. It consists of four parcels, Seawall Lot 323 and 324 and the two adjacent right-of-way next to these two parcels.

Teatro ZinZanni is a popular dinner theater performing in a historic tent. Teatro ZinZanni was a fixture in the waterfront for many years. It provided live music, comedy, acrobatic entertainment, etc. It was located on parts of Pier 27 and 29 under a lease with the Port that runs from 1999 to 2011. The lease was mutually terminated to accommodate the 34th America's Cup. As part of that mutual termination, the Port agreed to allow Teatro to come back to the waterfront if it's able to satisfy some conditions to relocate to a portion of Seawall Lot 324.

Teatro's attempt to use a temporary structure at that location was not supported by the community because it was not compatible with historic district. As a result, Teatro went out to get additional development help.

They formed TZK. They came to the Port Commission. We could not do a sole-source engagement with them without competitive soliciting process. So you directed us to go to the board of supervisors to get approval. The board of supervisor authorized us to enter sole-source engagement with the developer. This paved the way for the Port to authorize exclusive negotiating agreement with developer. The ENA was created back in 2015. Since then, the developer has been making a whole lot of effort to move the development forward.

It has attained all the performance-benchmarks required under the ENA. One of the first benchmark was submission of their proposed development concept. In the current proposal, the below-grade floor area or the basement was eliminated and the number of units have also increased. They were able to do this because they brought on a new development partner through Presidio Holding Inc., who brought in the hotel development, management and financing expertise.

When they came on board, they were able to help reconfigure the internal structure of the hotel to make it more efficient. The result is that increase in room count from 180 that they initially proposed to 192 with a reduction in overall building square footage.

This development includes many benefits particularly to stakeholders. The stakeholders are the public trust, or the state, where providing open space, access to the waterfront, money for the Port Harbor Fund. For the Port, it's increased revenue and achievement of some of the strategic objectives. For the city, it's tax revenue, job creation. Currently, we are projecting roughly 550 temporary or construction jobs and approximately 350 permanent jobs.

The Northeast Waterfront Historic District is getting a new architecturally fitting addition to that district and amenities, job, open space, activation of the gateway to North Beach and Chinatown.

Under the ENA, the developer has completed Item No. 1-6 of the benchmarks. They next steps are all the [performance-based] [unintelligible] that developer have completed. The next step is the approval of the lease, which we hope to bring to you next month. The two key transaction that we're going to be bringing before you are the lease disposition and development agreement (LDDA). It is an agreement to enter into a ground lease for the site on specific terms, subject to TZK's fulfillment of agreed conditions. During that LDDA period, the developer will be required to pay the Port LDDA fees and transaction costs.

The second key transaction document is the lease that is going to cover the construction period and the operation period and will allow to actually pass

possession of this site to the developer, so they could start the development. It will include the initial term of 50 years with a 16-year extension option. Pay rent to the Port as well the development has to be consistent with what has been approved by the city. Overall, the Port and city are not investing any money into this development. The entire development is being funded solely by the developer.

The base rent is what they need to pay us come rain, come sunshine, come recession. They have to pay us to protect the Port. That base rent was based on the existing parking operation revenue and it matches parking rent during construction. The base rent will be escalated over time.

The percentage rent allows the Port to participate in the project. The percentage rent is set against the gross revenue from the development. It varies from 3.5 percent to 6.5 percent over the term of the lease. Usually, the developer will pay the higher of the minimum base rents or the percentage rent.

Upside participation is if the developer sells the lease or interest and they're making money, we want to be able to participate in that. That is a function of setting the internal rate of return and participation in the cash flow after they've achieved their initial hurdle rate.

Late last year, the developer came to us and said they entered into this ENA back in 2015. Market conditions have changed. Many things have changed. Investors are asking for higher yield given what they're seeing. Given that this development is not just a hotel by itself but is a hotel that includes space for dinner theater as well as a public open space, the risk profile was different for the investor. The investor said the yield requirement needs to be a little bit more than what you've agreed to. So the developer asked us to increase the internal return from 18 percent to 20 percent and then the participation to change from 70/30 split with the Port and TZK, to change it to 80/20 after they achieved their initial hurdle rate. We pushed back and we negotiated. We have some protection. Another measure that we introduced was limiting the amount of equity they could put in initially as well as the subsequent equity that we're putting a cap on it.

Rebecca Benassini – As you well know, Ricky has worked very hard to negotiate a deal under your direction that's as good for the Port as possible. There are many benefits to this project. We're required to get fair market value for our property and how we went through the projections. We were supported by HVS, a hotel specialist, a real estate economics firm, as well as Port staff put together these projects with inputs from the developer as vetted by HVS.

As Ricky mentioned, our benchmark for our negotiations was making sure that, on the base rent, we're at least maintaining what we're getting from the parking operations and on the percentage rent, which we all hope and believe based on the strength of the hotel market in San Francisco, we will achieve.

For years one through five while the development is getting underway and they're getting their operating systems in place, we anticipate their first operational year they'll crest the percentage rent or the minimum rent which is \$1 million to \$1.3 million. We expect by year six they're going to be doing better. Our participation rent is growing. Looking out farther to year 10 and year 20, that's where we really see a separation between what the Port would have achieved in terms of lease revenues from parking, being much below what we would expect the hotel operation will be doing at that point in time.

Looking at it on net-present terms, just for the first 20 years of the lease and I want to be clear that this excludes any revenue we may be able to achieve through formation of an IFD if we're able to form an IFD through the board of supervisors and collect the incremental tax revenues from this site, we anticipate that would go towards seawall or other shoreline types of improvements.

All the figures we're showing you are not including those potential revenues. As shown, the minimum base rent over 20 years under the project is a little bit more than three million dollars more than the existing surface parking lot. When we add in the percentage rent, it's much higher than the surface parking lot. Looking back to 2012 when we effectively began this ENA, we show the parking revenues on that lower line.

We had some dips, ebbs and flows in terms of parking revenue. To be conservative, we projected them out just consistently increasing under that dotted line. The minimum base rent mirrors that for a number of years. The minimum base rent ratchets up, and the percentage rent is even above that.

Focusing in on the term sheet modifications, Ricky was mentioning the hurdle rate and the change in the hurdle rate for the first tenant. Very interestingly, as you know, we've kept very close to the base rent and the percentage rent as we had in the term sheet that was endorsed in 2016.

The capital participation is really the change in revenue. What Ricky was mentioning, the term sheet anticipated every tenant would have an 18 percent hurdle rate before we participated in the capital event.

Under the proposed deal, we provided the first tenant the ability to go above, so from 18 to 20. But every subsequent tenant will share with us once they hit a 16 percent return. That's why that capital event share under the proposed deal is higher than the term sheet because, at 50 up to 66-year term, we anticipate we'll have more than one tenant that comes through.

Each time a tenant sells, we have the opportunity to participate in a share of those sales. We are very satisfied and happy and feel that you can support this deal very free of any financial consideration.

In terms of next steps, we'll be very interested in hearing how everything goes today. If all goes well and with any amendments that are requested, we'll come back to the Port Commission on September 10th, where we'll seek adoption of the transaction documents and all of the accompanying actions.

We'd go to the board of supervisors in the coming months and hopefully complete the whole transaction prior to our ENA running out on November 4th. We're not cutting it too close though. Don't be concerned.

Just a quick view of the project documents. I'm going to flip through a little bit quickly. I got the okay from TZK's architect that I could go a little bit fast, as these drawings have been heavily vetted and reviewed through a number of the advisory groups as well as the planning commission.

I do want to show you some new ones. These are some new renderings of the park. You can see the Spiegeltent in the background, that glass encasing of that tent. This is the view from Vallejo.

You can see some of the potential public art that might be in front of the building and then the way the public would access the park from that side of the street. You can see the development right dead center in the corner fitting in very nicely with the existing context around it.

Inside the Spiegeltent, we'll be so excited to have these performances up and running again and hope to see you all joining us there. I want to give Jay Wallace a couple of moments to express his appreciation to Port staff. I'm kidding... to tell us about his commitment to the project.

Jay Wallace, TZK Broadway - Thank you, Rebecca and Ricky and commissioners. All joking aside, I do want to extend my appreciation to the Port staff. We meet regularly. They are tireless in their advocacy of the Port's interests. They let me yell and scream from time to time. But we all work well as a great team. You have some tremendous Port staff, a pleasure to work with. We're just excited to finally be here with approval dates ahead of us after many years. Ricky, Rebecca, Mike, Elaine and Grace Park all did a great job. We're ready to go.

Bill Hannan - I'm vice president of the Gateway Tenants Association. I'm on the board of Barbary Coast Neighborhood Association. We're the immediate neighbors of the project. Teatro ZinZanni and Kenwood Investments have done a wonderful job over the last four years plus staying in touch with us every step of the way. We think they've done a great job. We think it's a great project. We hope the lease will be approved. When Mark Twain was writing about San Francisco in the 1860s, he captured the lively and dynamic spirit of the community. If Mark Twain were with us today, we think he'd really like to have Teatro ZinZanni.

Ellen Johnck - I'm here to speak to you as a happy neighbor and a northern waterfront resident to enthusiastically support and encourage your support for the leasing and project TZK. One of the things that has been important to me as a neighbor is the whole activation of the waterfront in that area, the seawall lots. This is going to be doing just a tremendous expansion of that. The other aspect of this that I really think is important and you saw the benefits, the revenue and the great financial package that has been worked out here. What I think is a really key piece of this if you can accomplish this and that is the proposal to implement the formation of the sub area for the Port's infrastructure financing district for the purpose of collecting the tax increment from the site for the Port's capital expansion plan and/or the seawall resiliency program.

I thought that was kind of understated in there. It would be great if you could achieve that. The other aspect of this that I think is tremendous is that they've been able to meet the planning department requirements, the 40-foot limit. I thank the development team for bringing together this marvelous project.

Leonard Basoco - I'm a field rep with Carpenters Local 22 here in San Francisco. I agree it's a wonderful project. I'm here to ask for your support for this project. The development team have committed to using a signatory general contractor, which puts numerous individuals with the opportunity to work, earn a good wage, provide both health and retirement benefits to our members. This project will also offer training and education opportunities for those entering the carpenter trades through the apprenticeship. This includes women, minorities, veterans.

Jessica Lum - I'm with the San Francisco Travel Association. I'm here to voice our support for this project because we believe that this project will bring great economic vitality to this part of the Embarcadero, employment opportunities during construction and operation as well as a unique cultural experience that makes San Francisco special. Last year, San Francisco welcomed over 25 million visitors who spent \$10 billion during their stay and that translated to \$771 million in taxes for the city's general fund. We believe that projects like this will continue to support a successful tourism industry in San Francisco.

Leah Fadley - I am an apprentice and a member of Carpenters Local 22. I'm speaking in favor of the TZK project, LLC and the Teatro ZinZanni project. This project will provide me with the opportunity to continue my training and hopefully advance to become a journeyman carpenter. That's great for apprentices like me because, oftentimes, you just continue working and working and it just takes a lot of hours. This project will also allow me to have the income and the benefits to provide for my family. I am in full support of the Teatro ZinZanni and ask that you pass this project and allow the TZK Broadway, LLC and the opportunity to have responsible general contractor to build this project.

Mark Gleason, Teamsters Local 665 in San Francisco – We want to add our voice of support for the TZK Broadway project. Both in the construction side

and having labor piece there and the opportunity for our members and our sister affiliates also to have service work there as it opens up is a great opportunity and also, I would add, a great example for others who are considering a project somewhere else in our city. We wanted to add our support.

Cynthia Gomez, Unite Here Local 2 - We represent the hotel workers who will one day work at this hotel. This developer has worked proactively with our union to sign an agreement that guarantees a fair process for union jobs for these workers. For that reason, we support this project approval today. We expect to be here at every opportunity to support this project and its developer.

Helene Turcotte - I was a trapeze artist. I performed for five years with Teatro ZinZanni. That's one of the best company I work for. It's a company with integrity, a good sense of business. They strive to bring a high level of entertainment and first-class dining and gastronomy. I'm in support of this project. Vibrant cities need thriving artist community and Teatro ZinZanni bring exactly that. I'm looking forward to welcoming my fellow artists from all over the world to work and thrive here. Teatro ZinZanni is a perfect portrait of beautiful values of San Francisco and its spirit. With Beach Blanket Babylon leaving town, there's a void to be filled. Teatro ZinZanni is the best choice for me.

Kristin Clayton - I'm a professional opera singer. I worked with Helene, got to sing as she did her act live back from 2000 to 2011 off and on in this fabulous show. I love coming down here to support the view of the artist because it's been hard staying in San Francisco because of the cost of living. To have the opportunity to have a show that's local, that, when the ships come in, they can literally walk down the street and come to see something that provides you the dinner, the fantastic experience of meeting local artists as well as people from around the world is such a high quality, unique show. I always love to come and speak for what it does to keep us thriving and growing as artists. Like Helene said, San Francisco is such a perfect place for our type of show. I definitely support it.

Stewart Morton - I'm a member of NEWAG, which has met with this group, the developer, four or five times. I've been with Telegraph Hill while it was planning and zoning. We met with them twice. They, by the way, are in the southeast corner of the Northeast Waterfront Historic District. It's been there a long time. They paid a lot of attention. I'm a preservation member and therefore kind of put the pressure on them because you have to go by the Secretary of Interior's standards for the historic district. They did that nicely. The main item was it has become a red brick, which it was originally scheduled to be a yellow brick. We kept giving the illustration of that wonderful yellow brick road, yellow brick building at Pacific and Columbus, which it doesn't belong anywhere. It doesn't work in this town. They agreed to that and stuck to it. But a lot of the details are very important particularly if I may politically say they have paid attention to the rules where 88 Broadway did not. That's going to be questionable as to its acceptance in the historic district right across the street. But these guys are

terrific. They've been very aggressive with us. We've been very aggressive with them. It's a good project. We support it nicely.

Charles Higgins - Since I rode my bike all the way down Market Street, I want to speak. Jay, great project. I grew up here in San Francisco and actually built the Bike Hut at Pier 40, and I think it's a terrific project. We support it.

Annie Jamison, chief operating officer of Teatro ZinZanni - I want to thank the Port Commission and the staff for all of its support along the way here. We're so looking forward to getting through the lease negotiation and onto the final piece here. We hear from people every single day from San Francisco and the region and all over the state about coming back here. With the publicity that just occurred in the last couple of months, those questions and the requests for the show have increased incredibly. We opened a show in a hotel in Chicago on July 18th. With the increase of that publicity, it increased the requests for us to come back to San Francisco. It's all part of a picture for us. We are immensely excited about getting back to San Francisco. We consider it a home for ZinZanni. We look forward to the next step.

Commissioner Makras - I'm supportive of the item. So I'll move it.

Commissioner Gilman - I'm supportive of the item. But I do just want to note that it's rare to see such a community come together. This developer, since 2015, has assembled all of you in this room. I want to commend them on that also for us fulfilling our commitment to ZinZanni to bring them back to the waterfront after displacement for the cruise terminal. It's long overdue. I'm looking forward to a groundbreaking as soon as possible and also having other developers throughout San Francisco look at these labor agreements. From construction to operations, it's a model. I want to commend the project sponsor for putting this community together. I'm supportive of the item.

Commissioner Adams - This has been a project that's been in the making for a long time. I first want to thank Ricky and Rebecca for a very thorough presentation. It's always good to see Jay. I see him everywhere in the city. I also want to give a shout out to labors in the house and union brothers and sisters. Thank you for being here. Good paying jobs are important and, also, the culture about our artists coming back. I've been to ZinZanni's up in Seattle. To come back here, that's taken a lot of work. I appreciate the vision. ZinZanni is going to add more to the San Francisco waterfront. We're very lucky to have it back on our waterfront. It will help to be a beacon of light. There was a kind of a little hole down there in that gap. I think it's going to just light up now. I'm very supportive of it. I think that even our young kids that are in the schools and stuff, to come down here on our waterfront and to see that and to be exposed to that type of culture. San Francisco is a tech iconic city. We've always been a cultural city way before we were a tech titanic giant. This is going to help both. I'm very supportive. I can't wait for it to come back.

Commissioner Brandon - Ricky, Rebecca and Jay, thank you very much for your presentation. The commission has gone over this project with a fine-tooth comb. I don't think we've missed anything. I think that we were able to negotiate a deal that's great for TZK and for the Port. I want to thank everyone for their patience. I want to thank everyone that continues to come out every time this is on the agenda. We appreciate your input and your support of this project. It's going to be a great addition to the waterfront. We look forward to the groundbreaking. I guess we will see everyone again in September.

12. PLANNING & ENVIRONMENT

- A. Request authorization to award contracts to: (1) ESA/CDIM Joint Venture, (2) SCA Environmental, Inc., and (3) AEW Engineering, Inc. for as-needed environmental and related professional services, each contract in an amount not to exceed \$2,000,000. (Resolution No. 19-33)

Albie Udom, Port's contract team - The item before you is an action item to recommend award of the Port's as-needed environmental services contract to the three top scoring and ranking team, which are ESA/CDIM Joint Venture, SCA Environmental and AEW Engineering. Each contract will have a not-to-exceed value of \$2 million and an initial term of four years with an option to extend the term by an additional one year. This project complies with a number of the Port's strategic goals, particularly sustainability, resiliency and equity.

Like all as-needed contracts, the scope of work for these contracts is not defined in advance. The contracts will service master agreements through which Port staff will issue contract service orders on a project-by-project basis. Port staff have, however, identified areas and projects that these contracts can be used for. These include environmental engineering, site investigation, construction monitoring, environmental planning and permitting, storm water management, dredging support services and climate change planning. At this point, commissioners, I will invite Alysabeth and Romulus to speak about the LBE goal setting.

Romulus Asenloo, director of the contract monitoring division – I wanted to do a quick introduction. We had a recent rotation of our compliance staff from the various departments. The outgoing compliance officer, Finbarr Jewell, has moved on to reassignment at the Department of Public Works. However, I also want to introduce you to Alysabeth Alexander-Tut, who is your new contract compliance officer stationed here at the Port. Prior to her stationing here, she was working as the compliance officer overseeing contracts at the Public Utilities Commission. She's also one of the program managers for our mentor-protégée program. In terms of the support that we discussed at our previous meeting, she is ready and willing and able to help design something that possibly is catered toward benefitting the Port's mission.

Prior to her arrival in the city, Ms. Tut worked for the Tenderloin Housing Clinic where she was a program manager there and also is the vice president of Local 1021.

Alysabeth Alexander-Tut - Thank you to my director for that lovely introduction. It's wonderful to meet you all. I look forward to working with you. On the slide before you is a table of the breakdown of scopes of work and their associated dollar amount for this specific contract. The Port conducted analysis of how many LBEs within each general CMD category can perform the type of work that this RFP requires and provided this information to CMD. Included in this analysis is the information that 57 percent of the contract is highly specialized work. For example, dredging-related services alone make up 37 percent of the entire contract. This information was then used by CMD to calculate the availability of the LBEs for this contract at 12 percent.

Environmental advisory services are the largest category with high LBE participation. This work must be done by the prime. As a result of the high number of LBEs in the environmental advisory services, all of the contracts before you have either an LBE prime or an LBE JV partner.

In addition, while the LBE subconsulting requirement is at 12 percent, 59 percent of all of the dollars of this contract will go to either an LBE prime, an LBE/JV partner or an LBE subconsultant. Fifty percent of the total dollars of this contract will go to a woman or minority-owned firm.

Albie Udom - Commissioners, we received your approval on April 29th. We issued an RFQ to solicit proposals for a new pool of environmental services consultants. On May 14th, we held a pre-proposal meeting at Pier One, attended by 60 individuals from over 40 different environmental services firms. Given the specialized nature of these services, we were quite happy with that turnout. We then convened a three-member panel to evaluate the proposals. A list of the panel members was submitted to and approved by CMD. The panel members were: Ryan Jackson, a regulator specialist from PUC; Edwin Draper, an associate engineer from Port of Oakland, and Kathryn Purcell, a senior environmental planner with the Port. On the submittal due date, which was May 31st, we received seven proposals.

The next slide shows our evaluation and selection process for this RFQ. The first step in the evaluation process was to review each proposal for compliance with the RFQ's minimum qualifications. All seven proposals that we received met the qualifications.

The next step was for CMD officer to review the CMD firms and make sure that all the firms met the LBE requirements. Again, they all met the requirements. The evaluation was divided into two phases. The written proposal phase was worth 100 points. Proposals had to score 75 points or more to be invited to the next phase. Five of the seven firms scored over 75 points and were invited to the oral interviews.

The oral interviews were also worth 100 points. The most qualified respondents were the top three firms with the highest combined scores. This slide shows the final scores for the five top teams. We are therefore recommending contract award to the three top scoring and ranking firms, which are ESA/CDIM Joint Venture, SCA Environmental and AEW Engineering.

Two of these firms, SCA and AEW, are LBE/WBE firms. ESA is the exception. On July 30, we issued a notice of intent to award contracts. There has not been any protest regarding evaluation for the selected teams. In the audience are some representatives from the winning teams.

ESA/CDIM is a new joint venture firm to the Port but staff from both firms have had substantial experience working on environmental-related projects for the city, for the Port and for the Port of Oakland.

CDIM is the LBE joint venture partner and will self-perform 21.4 percent of the work. The partnership has also committed to subcontract 18.5 percent of the work to LBEs. That should bring their total proposed LBE participation to 40 percent.

SCA Environmental is an incumbent firm with a current contract. SCA has had substantial experience to doing engineering project work for the Port, for the airport, public works and MTA. SCA will self-perform 55 percent of the work and have committed to subcontracting 12 percent of the work to LBEs. That should bring the total proposed LBE participation to 67 percent.

AEW Engineering is another incumbent LBE firm with experience working with the Port, the city and public works on environmental projects. AEW will self-perform 52 percent of the work and has committed to subcontracting 17 percent, which will bring their total participation to 69 percent.

We are pleased to note that of the contract dollars for this contract, almost 60 percent of that will go to LBE firms. If the Commission approves the award of these contracts today, we will issue notices to proceed in September. These contracts are scheduled for completion in late summer of 2023.

In conclusion, we respectfully request that you award the Port's as-needed environmental services contract to ESA/CDIM Joint Venture, SCA Environmental and AEW Engineering. Each contract will be valued at \$2 million with a four-year initial term and an option for one-year extension. I'm joined here by Boris Delepine, Carol Bach from our planning department, Alysabeth, Romulus and our presenters from the winning teams. We are available to answer your questions.

Commissioner Gilman - Thank you for the thorough presentation. We're getting to a point where we're seeing contracts at this level above 40 or 50 percent. I support the motion.

Commissioner Makras - No questions. I'll be supporting the item.

Commissioner Adams - Good presentation. I'm good with it. It's also good to see some other people getting a shot at it.

Commissioner Brandon - Albie, Romulus and Alysabeth, thank you so much for this presentation. Alysabeth, welcome to the Port. We look forward to working with you also. It's absolutely phenomenal that we have done so much outreach and put so much effort into working with our LBEs and attracting new LBEs. I want to thank everyone for that effort. I do hope that sooner or later we can focus on minority inclusion also. I know that these cannot be based on that. But I do hope that our submittals will try to find other firms to joint venture with to teach, to bring into this industry so that we can be fair and represent all of San Francisco. This was a great effort. I want to thank all of you.

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion. All of the Commissioners were in favor. Resolution No. 19-33 was adopted.

13. ENGINEERING

A. Informational presentation on the status of Construction Contract No. 2812, Crane Cove Park: Park Improvements and 19th Street Parking Lot.

Erica Petersen, Port's project manager for the Crane Cove Park project - I'll be giving today's presentation on the status of construction contract 2812, Crane Cove Park, Park improvements and 19th Street parking lot. In this presentation, I will talk about how the contract meets the Port's strategic objectives, a bit about the background, discuss the scope and progress, cost-control measures that Port staff have implemented and LBE goals.

This contract supports the goals of the Port's strategic plan as follows. The park will be a major new public open space that preserves historic maritime resources, provides public access and recreation opportunities to the bay, contributes to a vibrant new Pier 70 neighborhood and expands the Port's necklace of public open spaces.

It'll be the Port's only publicly accessible beach on the southern waterfront. The contract promotes living-wage jobs by providing opportunity for local business enterprises, LBEs, and by meeting mandates for local hire in construction projects.

The park is designed for 28 inches of sea-level rise. Park design and construction include best management practices for storm water management, water-efficient landscaping and energy-efficient lighting.

The Port Commission awarded this contract to Gordon N. Ball, Inc. (GNB) on November 13, 2018. At that time, Port staff and GNB committed to providing a

status update six months through the contract. The contract amount is for \$17,845,000 with an LBE subcontracting commitment of 24.54 percent. I want to apologize. There's a typo in the staff report. It says 25.54 in some places. But it should be 24.54.

The contract is on schedule with the exception of rain delays in exceedance of contract allowances. As of June 25th, which was the last progress payment data I had when writing this report, \$6.9 million have been paid to Gordon Ball. Based on their schedule of values, this is about 39 percent of the work. Based on being five-and-a-half months through the 13-month contract duration, they're 42 percent complete. So progress is according to plan.

The specifications allowed a certain amount of rain days to each month that the contractor builds into their schedule at bid time. Due to this very wet winter, there have been rain days beyond what the specs accounted for. Our specifications don't penalize the contractor for those. The total extra rain days we have are 10.

Most of the demolition has been completed at this point. This is a photo from January 2019 at the very beginning of the project. You can see the excavator in the bottom of the photo beginning to remove the surcharge from future 19th Street. You can see Building 30 is still there on the left side.

This photo is from July. The surcharge has been removed. Building 30 is no longer there. The retaining wall at the very bottom of the slide for the entry plaza has been installed. This is where future people will step down into the park.

The white blocks in the bottom corner and stored over here are geofoam, which was part of the surcharging program that has been removed. They relocated Building 30. This was one of the first tasks of construction in March. It was moved from the area in the dotted red lines here over off site to the other red lines here. Another scope item is the northern shoreline improvements to create a beach revetment and in-water sediment cap.

The demolition and base grading are complete. GNB's subcontractor Dutra is currently working on laying the various layers of the sediment cap. This photo is from the beginning of June when the retaining wall of the beach was being constructed. This shows the shape of the future beach. You can see the big slab of concrete in the middle that they had to demo. I'll quickly go through the next photos. But I wanted to show them because they had some nice progress shots of the beach.

This photo is from July 1st and this photo is from July 31st. This is my most recent photo from August 6th. You can see the black fabric is the geotextile fabric that they have laid for the beach. They've started putting the bedding stone for the sediment cap on top of that.

Another task of this contract is 19th Street parking lot. You can see the parking lot on the right side at the beginning in January and on the left is July. You can also see Building 101 work above it. But this is the parking lot. They have installed the curbs and the storm water drainage. Here is another photo of the parking lot looking down on it. The left is in January. I've tried to outline the shape of the parking lot in blue. You can see the curbs there and where the parking stalls will be.

In November 2018, our staff report regarding awarding this contract, we presented cost-control measures that would be implemented for this contract in order to stay within budget. The Port and Gordon Ball have partnered on construction phasing and troubleshooting unforeseen conditions.

One example is the in-water work window. Port staff assisted Gordon Ball in requesting an extension for the in-water work from National Marine Fisheries. The request was accepted, which allowed for Gordon Ball to begin in-water work sooner than anticipated.

As the site used to be a functioning shipyard, it was expected to see some unforeseen site conditions that would arise during demolition. When these conditions have come up, Port staff have worked with Gordon Ball and the designer to determine the most cost-effective course of action. One example is the alignment of an existing storm drain did not match what the survey had said. Our team worked together to find a solution that preserved as much of the contingency budget as possible.

The Port construction management team, or CM team, has been used on this project instead of a third party, such as public works. The Port project manager and the CM team have been more involved in submittals and requests for information, RFI reviews, than on a usual project. Both of these have conserved project budget and sped up response time to Gordon Ball. As a result of the above efforts, value engineering has not been needed for very many aspects of the project.

The Building 30 relocation was one area where we revised the final location as a way to save money on the foundation. As mentioned earlier, the contract is on schedule with the exception of rain delays in exceedance of the contract allowances.

GNB is on track to exceed their LBE subcontracting goal of 24.54 percent along with providing mentorship to their LBE subcontractors. As part of their project work, GNB has parceled off the entire parking lot scope for the LBE firm, Hoseley Corporation. By doing this, Hoseley will gain experience and knowledge over an entire scope of construction to be performed. By doing the entire scope rather than a single task, Hoseley will gain experience that they can use for future contracts for the Port providing a long-term benefit to not only Hoseley but the city LBE program itself.

This is a good example that other contractors could follow. Another LBE subcontractor, Sohler, has had difficulty in preparing shop drawings as required in the contract specifications. So GNB has provided mentoring and guidance to assist Sohler in completing these technical drawings and progress has been achieved.

In addition to the LBE subcontractor participation committed to at bid time, all trucking for the project performed to date has been performed by LBE truckers. GNB has had multiple catered lunches for the crew to commemorate milestones they've achieved. This catering has been exclusively provided by a local catering firm. Given the remaining work to be performed by LBE firms, the final percent of work to be completed is expected to be above 24.54 percent.

The contract team including Port staff, GNB and the designer will continue to work together to deliver this contract on time and on budget. We anticipate the beach to be completed in September. The parking lot should be completed in November. Sidewalks should be completed in December. Plantings and entry plaza will be installed in January 2020. We expect substantial completion in February 2020 and park opening shortly after that.

Michael Gregory - I'm one of the LBE minority truckers that's out there. I've been doing this for 20 years. It's very rarely that we get a general contractor to come in and honor and do what he says he's going to do for the truckers. I'd just like to have that noted.

Commissioner Makras - Good presentation. Thank you. No questions.

Commissioner Gilman - Great to see the progress. No questions.

Commissioner Adams - I appreciate hearing from you. It's always good to hear from the community. It's good when we get the feedback and when you come out. And for the presentation, it's the first time I've seen you but good presentation.

Commissioner Brandon - Erica, thank you so much for the presentation. Great report. Are we on budget or do you see any foreseeable issues?

Erica Petersen - I don't see any foreseeable issues right now. Our contingency is \$1.7 million so it's a fairly good cushion. Right now, the potential change orders I've seen are 10 percent of that. I feel okay about it.

Commissioner Brandon - Great. Thank you for the report. I enjoy seeing the progress. It's going to be a beautiful park and parking lot.

- B. Informational presentation regarding the Port's Waterfront Resilience Program and a proposed amendment to the professional services contract with CH2M HILL Engineers, Inc., for planning, engineering, and environmental services for

the Seawall Earthquake Safety and Disaster Prevention Program, the U.S. Army Corps of Engineers Flood Resiliency Study and related activities.

Brad Benson, Waterfront Resilience Director representing the waterfront resilience team. We were last before you in February. We're a bit overdue for an update. This afternoon, we'd like to: introduce the waterfront resilience program to the commission and the public; give an update on the Embarcadero seawall program and the flood study; introduce a proposed contract amendment for planning, engineering and environmental services to support those efforts; talk a little bit about plans to bolster local business participation in this contract and future contracts; to prepare for the San Francisco workforce for workforce development training and opportunities in future construction work; and then conclude with a funding update about the program.

It was direction from the Port Commission to expand resilience planning efforts Portwide. President Brandon, this is a point that you have made to the team. We, of course, started this work with important life-safety and emergency-response work around the Embarcadero seawall program. That's still a primary focus of the project but with the Army Corps flood study, we're now looking Portwide, the entire seven-and-a-half miles of Port jurisdiction including Aquatic Park. The result is a more robust, collaborative and integrated effort that we're calling the waterfront resilience program.

We've been doing a lot of work with the public to understand their values for this waterfront and principles that they would encourage policymakers including the commission to use in selecting first projects. We've taken this vision statement out to the public that the waterfront resilience program will create a safe, equitable, sustainable and inspiring waterfront. There are elements of the resilience program that are Portwide like the flood study.

There are efforts that are focused in specific geographies like the Embarcadero seawall program. In that same area, we have the historic piers rehabilitation program, which we view in the resilience program as a key resilience effort providing seismic improvements to historic piers and potentially flood control improvements.

In the southern waterfront, we're working very closely with the planning department and the municipal transportation agency on the Islais Creek adaptation study, which we hope to merge with the flood study.

We'll also be back in front of you with the chief harbor engineer to talk about the southern waterfront seismic vulnerability assessment, which is intended to replicate work that we completed in 2016 that was the run-up to the Embarcadero seawall program.

We've been working very closely with the public and our agency partners to try and align these efforts and be able to explain them to the public. In particular, we've been working hard with the Army Corps of Engineers to try and align the

Embarcadero seawall program and the flood study in the northern waterfront area so that we can address, we hope, both seismic and flood risks with a single project.

We're also keeping a close eye on and participating in city resilience planning so that the Port's efforts are reflected in that planning work and that we're aligned with the city's goals. We continue to pursue funding for the estimated \$2-5 billion of improvements that we need for the waterfront.

We're looking at a trip up to Sacramento in late August to potentially pursue additional funding in a state bond measure SB45 that may end up on the ballot next year depending on what the legislature does. We're always trying to understand better the risk exposures that we're dealing with. I'll talk a lot more about the multi-hazard risk assessment, which is the primary focus of our work right now.

There are distinct study areas. The Port has different maritime functions in different areas of the waterfront, different commercial activities. We're also dealing with unique geographies. Solutions to our seismic and flood risks are going to be different in different areas of the waterfront.

Particularly with Islais Creek and Mission Creek, we're dealing with the confluence of two potential flood risks, storm surge and wind-driven wave action from the bay and then storm water designed to drain to the creeks in these areas, creating a very challenging problem to solve.

I'm very appreciative of our planning team's work to develop an adaptation framework that helps the public understand the phased nature of this work. We're going to be funding constrained. We'll be implementing this work over a long period of time, which is the basis for strengthen, adapt and envision.

Strengthen is really the first \$500 million worth of investment to address life-safety problems and emergency response. We will develop an adaptation plan, the adapt plan that we hope will be updated every five years to look towards the future, next set of projects to address the twin risks of seismic activity and flooding.

Eventually, we'll no longer be able to adapt the current waterfront that we love so much today. To deal with six or more feet of sea-level rise, we'll need to start envisioning that next new waterfront that will be resilient to those water levels. We're looking forward to an effort next year with our agency partners and the public and policy makers to begin envisioning that waterfront not so that we can design it today but so that we can understand what we might be building to.

The public engagement in this effort has been really remarkable. I want to commend the team with the very innovative strategies. Our next community meeting is September 19th at the Southeast Facility Center. We continue to do

road shows, reaching out into neighborhood groups and other stakeholder groups around the city. We had a really fun boat ride on a WETA ferry in July, had over 200 people participated, very diverse group of folks, different ages, people that we don't normally see at the Port's typical public outreach events. It's just very exciting work.

Our multi-hazard risk assessment is the focus of our work now. I really want to commend Steven and the team for designing a very structured approach to understanding, what are all the Port buildings and private buildings that are exposed to these risks, the utility infrastructure and transportation infrastructure? How will all of these perform under a range of earthquake scenarios and flooding events? What are going to be the direct damages and indirect damages of those types of events? What will be the consequences for the city, for instance? How will that impact the city's emergency response operations? We've been walking the public through all of this. There's a good public understanding that we have constrained funding to make initial decisions.

The next steps for the multi-hazard risk assessment will be taking the geotechnical data that the team collected under Matt Wickens' direction and modeling that under a variety of earthquake events to understand how these structures and infrastructure will perform. We're giving strong consideration to advanced analysis in the Ferry Building area. It's just a form of Yerba Buena Cove, very deep, young bay mud in this area. There's a need to better understand the lateral spread risk in this area and how the soils will interact with structures.

Turning to the flood study, we've been seeking a partnership with the Army Corps since 2012. We're lucky to get a new start last year. Again, the flood study is looking at the entire Port jurisdiction plus Aquatic Park. If the Army Corps recommends a project to Congress -- and that'll be based on a cost-benefit analysis that looks at avoided flood damages compared to the amount of the total project cost -- the federal government would pay up to 65 percent of the project cost with a 35 percent local contribution.

There's really no limit to that federal funding. It's just the damages that would be avoided by a project. We can, in that process, pursue a locally preferred plan that might have elements in it that would not be part of a normal Army Corps flood project that policymakers here could decide to fund.

Whether or not there is that federal money at the end of the rainbow, there is a great benefit to this flood study. It'll help us understand the flood risk across the entire waterfront. We'll be able to work with the local community to understand the consequences of flooding and their preferred plans to address flood management.

We'll end up with a preferred plan with local support. The Army Corps has been a great partner in this process. We achieved the first alternatives milestone,

last December. We're projecting that we would arrive at a tentatively selected plan in September of 2021. We would have complete environmental clearance for a project through this effort, both NEPA and CEQA. The Army Corps is currently going up its chain of command to seek authorization for a more expensive study that will take more time.

Typically, the Army Corps does a \$3 million study within three years but there's broad recognition that this is a very complicated urban waterfront, a big expanse that we're looking at. Then, it'll cost more and take more time to do the proper kind of study. We are in alignment with Army Corps at the district level in that request.

With regards to the proposed contract amendment, there's a lot of work that we're undertaking. We need resources to be able to conduct that work. The proposed contract would be a \$20 million amendment to a base contract of approximately \$40 million. We're projecting 30 percent LBE participation in the contract amendment. The additional contract scope, about half of it is to support the flood study, \$10 million in non-federal sponsor in-kind support for that study, much more robust public engagement including in the southern waterfront, Portwide adapt plan and this envision exercise that I talked about. We'll need additional project management support to manage all of these efforts.

We recognize the policy goals of the commission to make work available to our local businesses and this is going to be complicated work. We've got three years to plan, which is the good thing. We've put together a proposed team of The Allen Group, Merriwether and Williams Insurance Services and DNA Communications to look at the work that we're planning to do, look at the available LBEs.

How are we going to package this work and bid this work so that people have the capacity to do it? Matchmaking between primes and LBE subcontractors, connecting LBE subcontractors with the types of support services, technical assistance that they'll need to make a successful bid for this work. We're very excited to take advantage of the time that we have now to get people ready for these bid opportunities in three years. Workforce development is a very similar story. We've got time. There's going to be a need to look at the types of trades and the types of work that will be available when we select projects.

Who are the people that are going through training at that time? What are the skill gaps that they have? How can we augment existing training opportunities to meet those skill gaps, so the people are ready to go for these high-paying jobs?

To summarize LBE participation in the base contract, it's a 21 percent LBE participation goal. The additional scope we're projecting would have 30 percent LBE participation. Overall, LBE participation rate is estimated at approximately 23 percent. CH2M continues to work with the contract monitoring division to

look for additional opportunities to increase LBE participation. We have added several new LBE contractors to the team as part of this contract amendment including Bonner Communications, represented here tonight.

The program up until now has been funded through a variety of city and Port sources with a \$5 million state grant totally \$20 million. The city's revolving loan contribution and the Port's capital contribution are both repayable from bond proceeds when we're able to sell bonds. We are collaborating closely with the Office of Public Finance and the city attorney on the first bond sale that's up for consideration by the board of supervisors in September.

There is litigation over Proposition A, which the city won at trial court. It's on appeal now. The city attorney is quite confident of the city's position. But we'll continue to consult as to the appropriate timing of that first bond sale in light of the litigation.

We are actively pursuing other sources, Army Corps funding at the federal level. We look forward to the commission's assistance in Washington D.C. and also state bond funding potentially in the form of an amended SB45.

Commissioner Makras - That was a very good report. Thank you. Really comprehensive. This is informational. I'm just going to ask staff to give me a briefing on this offline particular interest going back to when this was originally awarded, that a sale took place between CH2M Hill and Jacobs. It's really Jacobs that's doing the work now and some of the promises that may have been out there when this contract was initiated.

Ellen Johnck - I heard a lot here, which is great what you've done so far, Brad, on the resiliency program. I'm involved in a nationwide group called Keeping History Above Water. I would like to ensure and I know this is already in the program for CH2M Hill that there is a good integration with the Historic Preservation Commission and your own historic preservation work here at the Port, the staff, Mark Paez, etc. and making sure that there's an integration with historic preservation, any of the projects, any of the seawall engineering designs, that they are analyzing the impact on the historic district and the resources within that in both the two historic districts on the waterfront. Keep in mind, keeping history above water and how we keep the relationship to that. There's a lot in the waterfront land-use plan about this as well. It's just a reminder.

Commissioner Gilman - Thanks for the report. It was really comprehensive. We all know it's a matter of when not if, so thank you so much.

Commissioner Adams - Brad, you're like an actor going from one role to the next. Last time, you were at Forest City. Now, we've got you down there doing project. The report is great. It's very thorough. You've got your sidekick, Steven Reel. He's kind of keeping it low key in here today. This is very thorough. I can see why Commissioner Makras wanted to get a briefing. This is a lot to take in.

This is so serious, the ramifications that it has. But I'm so happy that we're getting out front on this issue. Some people might say it's boring because it's so much nuts and bolts to it but this is going to take care of generations to come.

I like it because the waterfront is changing. It is going to be a new waterfront. This is coming in time, everything that has to be done. It's very complex. I can imagine going around and engaging the public and talking about it. It's just so much to it but it has to be done. I'm really glad that the Port is out there. I'm glad you're on this project because it's tough. You're tenacious. You're like a bulldog. You get a hold of, and you don't let go. You'll make sure that it gets done. This is what it takes. It's perseverance and having that patience as we move along. President Brandon has been on this commission for like years and seeing a lot. This is a long thing that's going out. I'm glad you're on the project. I'm glad that Director Forbes put you on there as the cleanup man to go ahead and get this thing done.

Brad Benson - Thank you.

Commissioner Brandon - Brad, thank you so much for your presentation. We have missed your presentations. We really have. This is so detailed and so wonderful, so much information. You're the perfect person to bring this all together. I'm happy that we are considering what workforce we'll need and how to fit our local businesses into this. This particular amendment, \$60 million, is this going to do everything we need it to do for three years? Or do you foresee any future amendments?

Brad Benson – Yes it will. I don't foresee any future amendments. We've tried to be thorough in terms of scoping the work needed to support the Army Corps project and additional work for the seawall program. Our expectation is that this will carry us through the next three years.

Commissioner Brandon - I'm really happy that we have included the southern waterfront in the study and that we are looking at the entire waterfront. We are prepared for whatever needs to be done. I do hope that there will be federal funding that comes along with this. I do hope that the Army Corps agrees to do the overall study, the big one, and that we are successful in Washington and in Sacramento with funding because this is a necessity. We have to do this. Thank you so much for taking the lead. Thank you so much for engaging our local businesses enterprises. Thank you for working on the workforce that's going to be needed to make this project happen. Thank you for all your efforts.

Brad Benson - Thank you so much for your support.

- C. Informational report regarding an anticipated amendment to the Feasibility Cost Sharing Agreement with the United States Army Corps of Engineers San Francisco District for the San Francisco Waterfront Flood Resiliency Study (formerly the San Francisco Storm Risk Management Study).

Steven Reel - This is an informational item in regard to the anticipated amendment for the feasibility cost-share agreement for the United States Army Corps of Engineers for the San Francisco Waterfront Flood Resiliency Study, formerly the San Francisco Storm Risk Management Study. The name changed. The federal government does, in fact, believe in resiliency, climate change and sea-level rise. The Army Corps has sought to change the name of the study to reinforce that. As you heard from Brad, the Port has been seeking federal assistance for flood protection since 2012.

In November of 2016, the Army Corps allocated \$100,000 and completed the federal interest to termination for our waterfront in 2017. The Corps and the Port commenced the CAP 103 flood study for a portion of the waterfront near downtown.

In June 2018, the big one, the Port was awarded the new start study appropriation for the much larger general investigation. We suspended the CAP 103. The commission authorized execution of the feasibility cost sharing agreement almost one year ago on August 14th.

The Corps process includes four legislative acts: (1) the study authorization via a water resources development act, or WRDA, check; (2) study appropriation -- that was last year; (3) construction authorization again via a water resource development act.

Assuming that the study results in a chief's report with a recommendation to Congress to execute a flood protection project, that authorization would be in a WRDA. The construction appropriation itself is another legislative act. We're in step two, completing that feasibility study.

Feasibility cost share agreements are standard Army Corps agreements and dictate the terms and responsibilities for both the Corps and the local sponsor in executing the feasibility study. The study is cost shared 50/50. The local sponsor cost share may include cash or in-kind services. You heard about the in-kind services in Brad's presentation. The study cost should be \$3 million and completed in three years, the so-called three-by-three process.

The Corps typically does not enter into FCSAs with other terms, assuming at the start that all studies will, in fact, fit the standard. Our waterfront study does not fit the standard. During the course of the study, it became apparent. We really knew from the start. But as an extremely complex waterfront, complexities include the historic shoreline, the complex urban setting, regional transportation system, the earthquake risk and numerous and varied stakeholders. Corps staff began messaging the need for an exemption in December after the alternatives milestone.

The Port and the Corps staff have been working together on a revised scope, schedule and budget for the study while still in progress. As you heard from Brad, the current estimate for the study is \$20.3 million and five years to

complete. Corps is currently pursuing this exemption request with headquarters based on these assumptions in order to allocate funding for the next fiscal year.

In addition to the budget and schedule changes, we are looking to add a standard provision to the study for the accelerated funds. The accelerated funds clause allows the Port to advance funds to the Corps, something we may want to do to keep the study on track if federal appropriations are delayed for any reason.

Any such Port cash contribution to the study will be subject to both Port Commission and board of supervisors' approval. The accelerated funds provision is standard. Approval must come from the assistant secretary of the army.

In summary, Port and Army Corps staff are currently finalizing a revised scope, budget and schedule for the feasibility study in anticipation of pursuing a formal waiver request this month. Revised estimate for the study is \$20.3 million with a duration of five years. In September, staff intend to request commission approval of the revised study plan including authorization for the Port's cost share of \$10.05 million and to revise the FCSA to include the accelerated funds clause.

Commissioner Gilman - Thank you so much for this overview. I just have one technical question. The funds both from the Army Corps of Engineers, if we were to advance waiting for appropriations, is this just congressional authorization? Or does this also require presidential authorization?

Steven Reel - The funds are in the federal budget. Sometimes, funds are straight through the Corps' budget requests. Other times, they can be appropriated in the president's budget directly.

Commissioner Gilman - Would there be any risk that, if the current presidential candidate did not look favorably on us as a city that our funds could be at risk for this project? Or because we won the start award, they're guaranteed in the federal budget?

Steven Reel - They are not guaranteed.

Elaine Forbes - It's at risk.

Steven Reel - It's at risk. Right now, if we put the accelerated funds in and we elect to use the accelerated funds, those funds would be at risk. The clause specifically says there's no guarantee there will be a federal appropriation to match those funds.

Commissioner Gilman - Okay. Thank you. That answers my question.

Commissioner Makras - Thank you for the presentation. No questions.

Commissioner Adams - I appreciate the presentation, Steven. Going back to what Commissioner Gilman said, have we hit Speaker Pelosi up? We have a pretty heavy delegation. We have Speaker Pelosi. We have one senator that's running for president, Senator Harris. And then, we have a senior senator, Senator Feinstein. That's three political heavyweights from Northern California. I would hope that they would weigh in real heavy and use that bully pulpit that they have to try to bring this thing home. The general that's here for the Army Corps, it'd be nice if she could come to a Port Commission meeting and to get her here and let us know what she's doing and talk to the commission.

Steven Reel – I would be happy to ask her to come to the commission meeting. Daley Dunham is not here today. He's on top of the legislative affairs. We've been in contact with Speaker Pelosi's office, Senator Harris and Senator Feinstein, in regular contact. We've also had General Semonite from the Army Corps and Engineers and Assistant Secretary of the Army for Civil Works James both came to visit. James would need to sign off on this waiver request. They both have seen the complexity of this study. They are quite excited to see it move forward. They are the decision makers within the Corps. Our efforts with Speaker Pelosi, Feinstein and Harris have been very good so far.

Commissioner Adams - Would it also help that all the commissioners send letters, make some phone calls to some of the players and say we'd really like to see them get on this? We're really concerned. Sometimes we can do some lobbying too.

Steven Reel - That would be extremely helpful. The one thing that we continue to hear from the Corps is we want to know you're serious. You've asked for assistance. You have a bond measure that passed. Every step of the way, we want to know you're serious, and you're going to make decisions when it's time so that we can move forward, get authorizations into construction.

Commissioner Adams - They'll know you're serious if you've got Brad with you.

Commissioner Brandon - Steven, thank you so much for this presentation. For clarification, the amendment that we just did includes the \$10.05 million that we need for our share of this project.

Steven Reel - That contract amendment, which will be back hopefully next month for the action item, includes the in-kind services. Nearly all of our contribution so our \$10.05 is envisioned to be actual in-kind services. A good piece of that is work we would be doing on the seawall program anyway so they're together. We need to be at the table with our consultant team to help that study along in partnership with the Army Corps.

Commissioner Brandon - Great. Every year we go to D.C., and we visit Feinstein and Harris and Pelosi along with other senators and congress

people. We are trying to schedule a trip in October to do the same, to let everyone know that we are serious, that we do need help.

14. NEW BUSINESS

Commissioner Adams - Director Forbes, can you give the commission in the future an update about the World Trade Center out here on the pier? I know the building is just out there. Is there anything going to be there? Or is it just going to sit there vacant? Can you give us an update?

Commissioner Gilman - I was copied on an email from our tenants at Pier 40 about their concerns around restrooms and restroom operations for them in the shed. I was hoping that we could get an update on how that's going. They had a list of suggestions particularly when they're overrun by public going to and from the Giants games using their facilities. I was hoping we could get an update on that.

15. ADJOURNMENT

ACTION: Commissioner Adams moved approval to adjourn the meeting in memory of Joseph Floyd "Bunny" Simon; Commissioner Makras seconded the motion. All of the Commissioners were in favor.

Port Commission President Commissioner Brandon adjourned the meeting at 5:20 p.m.