

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING SEPTEMBER 24, 2019

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 3:15 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman and Victor Makras. Commissioner Woo Ho arrived at 3:17 p.m.

2. APPROVAL OF MINUTES – September 10, 2019

ACTION: Commissioner Adams moved approval; Commissioner Makras seconded the motion. All of the Commissioners were in favor. The minutes of the September 10, 2019 meeting were adopted.

3. PLEDGE OF ALLEGIANCE

4. 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.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

6. EXECUTIVE

A. Executive Director's Report

- Pier 70 Pier 70 Design for Development Agreement receives 2019 California Preservation Foundation Award

Elaine Forbes, Port's executive director. I have a happy report today because I get to talk about two awards given to Port staff and to announce an event this weekend.

First, the California Preservation Foundation (CPF) has selected the Pier 70 Special Use District design for development agreement for a preservation design award in the category of cultural resources studies.

The Pier 70 design for development agreement was created through a long partnership with the Port, San Francisco Planning Department, Mayor's Office of Economic and Workforce Development and Brookfield Properties and their project team including but not limited to: SITELAB urban studios, David Baker Architects, James Corner Field Operations, Architectural Resources Group and AECOM.

The design award jury was comprised of top professionals in the field of architecture, engineering, planning and history as well as renowned architecture critics and journalists selected to look at various submissions and to make their selection. I want to read to you from what they said about our design for development agreement.

"The report tackles a lot of issues. It's ambitious. It's groundbreaking. This work at addressing the issues of what to do with places that have historic structures and need infill. It's less about the preservation of the historic resources and more about the infill and creating vibrant public spaces. It's a very ambitious tool to try to encourage the right type of compatible infill. It's going to be fascinating to see the next 10 years as the project emerges."

We're also excited to see the project emerge. This award will be presented to the project team Friday, October 18th at an awards ceremony at the 36th annual gala at the InterContinental Mark Hopkins hotel in San Francisco. I'd like to congratulate the Pier 70 team, in particular David Beaupre, who is in the audience. I know David worked his heart out on the D4D as well as Diane Oshima and Brad Benson and other Port staff involved and to congratulate the design team and the consultant team.

- National Public Lands Day – Saturday, September 28, 2019

This Saturday, September 28th, is National Public Lands Day. National Public Lands Day is to be celebrated annually on the fourth Saturday of September on local, state and federal lands throughout the United States. We will be participating along with our partners at Rec and Park to provide a day of service connecting nature through service at Heron's Head EcoCenter. Please mark your calendars. There will be rock wall climbing, introduction to fishing, planting in the park and a bee-keeping demonstration. It should be a fun day to celebrate out at the park.

- 3CMA Award of Excellence for the Embarcadero Seawall "Makers" Partnerships in the Most Innovative Communications category

Finally, I'd like to announce another award that Port staff and our consultant partners earned. This is from 3CMA. This is City and County

Communications and Marketing Association. This is the 2019 Savvy awards competition to agencies that are committed to public service, engaging residents in the work of their governments and finding creative, inspiring and outcome-based communication strategies.

The Port of San Francisco won an award of excellence in the category for most innovative communications for the Embarcadero seawall program. Specifically, this association was very excited about our makers partnership. As you will recall, our Port staff worked with local makers in San Francisco who were willing to put their own energy and effort into our seawall program specifically Ritual Coffee and Black Hammer Brewery. They made seawall-themed specialty drinks and coffees to get the word out about the program. Black Hammer hosted a meet-the-engineer happy hour to promote their beer, Seawall Puppy, and also to get the public engaged in and connected to our engineering team working on the program.

The Seawall Stroll blend was available anywhere Ritual Coffee was sold during August and September of 2018. It included five locations and popular grocery stores through San Francisco. But importantly, the label told the story about our seawall and introduced the public to the seawall program and touching audiences that we wouldn't traditionally touch.

I'm very proud of Kirsten Southey, who is in the audience. She has been on the seawall project as our communications lead for some time now. You're always pushing the envelope and getting the message out in the most creative way possible. I'd like to also compliment Civic Edge, our lead consultant, for putting in excellent work to get our seawall program in the hands of the public.

Commissioner Brandon - Congratulations on all the awards. That's wonderful.

Commissioner Brandon - I would like to request that item 9A be moved to the end of the agenda after item 10A.

B. Informational presentation and possible action on potential updates and changes to the Port Commission Rules of Order. (Resolution No. 19-38)

Amy Quesada, Port Commission Affairs Manager - The item before you is an informational presentation and possible action on potential updates and changes to the Port Commission's Rules of Order. San Francisco Charter Section 4.101-4.103 set forth the general powers and duties of boards and commissions of the City and County of San Francisco. The powers and duties enumerated in those sections relate to general organization and operation of each commission and the holding of regular and special meetings.

Charter section B3.581 enumerates the specific powers and duties of the Port Commission. The charter empowers and requires the Port Commission to use,

conduct, operate, maintain, manage, regulate and control the Port of San Francisco. The Port director has the duty to implement the commission's policies, to execute priorities and programs and to manage staff.

According to Robert's Rules of Order, every governmental body has an inherent right to regulate its own procedure subject to the provisions of the constitution, statutes, charter or other controlling authority. The Port Commission has adopted Rules of Order but has not been updated for some time. The last time it was updated was in 2006. Specifically, we are recommending an amendment to Article 1, Item #2 of the Rules of Order which states, among the commissioners, a president and vice president will be elected. They will serve a one-year term or until a successor is elected. Elections will be held every year at the first calendared meeting in January. No officer may serve for more than two years consecutively in the same office.

To provide continuity of knowledge and oversight of operations, the Port Commission may revisit this policy to determine what is appropriate for the Port Commission. We propose the following:

Alternative #1: Delete the reference of officer's term limit. No officer may serve for more than two years consecutively in the same office.

Alternative #2: Increase the term of commission officers. No officer may serve for more than four years consecutively in the same office.

The policy rationale for term limits is to require upfront rotation in officer positions to provide opportunity for other members of the commission to serve in the officer position. While the Port Commission votes annually on the officers and has free latitude to select new officers and rotate opportunities, the upfront term limit forces change in commissioners serving in an officer roles every two years.

The policy rationale against term limits is that the Port Commission has freedom to choose officers every year. The upfront term limit requirement restricts Port commissioners from exercising authority to choose among all the Port commissioners.

There are specific circumstances and goals such as continuity, ability to complete an initiative or program through the executive director and her staff, a high-functioning president and a vice president, continuity for the executive director in terms of governance approach, process and goals and objectives and time limitation and/or interest of other members to serve.

We also propose to amend Article V of the Rules of Order, which requires that the Port Commission Secretary attend all regular and special meetings of the Port Commission. The proposal would be that, on occasion, the Commission Secretary may miss a meeting, at which time the Commission Secretary with the concurrence of the Port Director will designate a member of Port staff to attend the meeting in his or her place.

Today, we are soliciting your input and feedback on proposed changes to the Rules of Order to remove or increase the term limits and allow the Port Commission Secretary to delegate her or her duties at a commission meeting to another staffer if necessary. If you approve these amendments, we request approval of the resolution attached to your staff report.

Commissioner Woo Ho - Thank you for the proposal. It's time for us to revisit these rules. I'm in favor of alternative two. Limiting all term limits is probably not a good governance procedure. Extending the current term from two to four years gives us the continuity and for all the other reasons that you have mentioned in your report, Amy. That's my position.

Commissioner Gilman - Amy, can you just enlighten me. I know, in the staff report, you talked that most commissions don't have term limits.

Amy Quesada - At the moment, the Airport Commission, the San Francisco Municipal Transportation Agency and the Planning Department have no term-limit restrictions. The rest do.

Commissioner Gilman - Are they typically two or four years?

Amy Quesada - Some of them are one year. Some are two years. They vary.

Commissioner Gilman - I'm actually more in favor of eliminating the term-limit rule. Since we do elect officers every year, we have ample opportunity to switch leadership or make different decisions. I don't want to see us get boxed into a position on a four-year cycle or if, for some reason, that four-year cycle didn't mesh up with our terms and for some reason a commissioner was not reappointed or moved to another commission at that time.

Commissioner Woo Ho - I will give you my personal opinion. I work a lot of governance and obviously in the private sector. I do think that it helps to set expectations for both the staff as well as for the commissioners involved. There should be rotational opportunities throughout time. While you could, at any time because of our one-year election cycle, change the officers, it becomes more awkward. But if there's a limit, then it becomes natural to be able to rotate leadership in that role. I think it's always good to have fresh perspectives periodically. I do think that, currently, having been president of the commission myself, sometimes you don't get to accomplish everything you want to do through a cycle. I think four years is a much better cycle.

Commissioner Brandon - Commissioner Gilman, do you want to finish?

Commissioner Gilman - I was just saying that alternative one spoke a little more to me because there could be a situation where we feel the leadership is strong. We'd want to have a president or vice president serve for five years or for six years. Since many commissions don't have term limits and we still are keeping the reelection every cycle, every year, that just resonates more with me.

Commissioner Makras - I support alternative one, no term limits.

Commissioner Adams - This is a good one. Being on the commission for seven years, I know that Mark Buell has been the president of the Rec & Park board for 10 or 12 years. He seems like he has a lot of leadership. I'm fine with alternative two. Once again, at the beginning of the year, the commissioners get to vote. So I'm good.

Commissioner Brandon - So are you good with four years or no term limits?

Commissioner Adams - I'm good with four years.

Commissioner Brandon - Amy, thank you so much for this report. We really appreciate it. I'm glad that all of the commissioners agree that we do need to make a change to our Rules of Order. We definitely all support Amy and the Commission Secretary not having to attend every meeting.

Amy Quesada - Thank you.

Commissioner Brandon - As far as the president and vice president, we should try the four-year term. If we think that that's not enough, we can always come back and change it. We should just start out with four years, see how it goes and then, if there's recommendation for change later on, we can always revisit it. Would someone like to make a motion?

Commissioner Gilman - As our most tenured commissioner on the commission, have you seen a scenario where you felt leadership would have had more continuity, continuity for the staff and the director if that person had served for more than four years?

Commissioner Brandon - It's really hard to say since we have had term limits. We haven't had that opportunity. We've always had to change. It will be great to be able to have a little more of a leeway just in case because our projects do take so long to come to fruition. I'm not necessarily supportive of someone staying president for 10 or 20 years. I do think that there does need to be some continuity and some transition. I'm comfortable with the four years.

Commissioner Gilman - Thank you.

Commissioner Brandon - Is there a motion?

ACTION: Commissioner Makras moved approval of alternative #1, no term limits. Commissioner Gilman seconded the motion.

Commissioner Woo Ho - I thought this was an informational item today.

Commissioner Brandon - It's informational with possible action so we can act today or we can continue to discuss.

Commissioner Brandon - There is a motion on the floor and there is a second. So we will vote on that. All in favor?

Commissioner Makras - Aye.

Commissioner Gilman - Aye.

Commissioner Brandon - Any opposed?

Commissioner Woo Ho - Aye.

Commissioner Adams - Aye.

Commissioner Brandon - Aye. So the motion fails; any other motion?

ACTION: Commissioner Woo Ho - I move for alternative #2 for a four-year term limit. I agree with President Brandon that we should try it. If we feel that needs to be revisited, then we could revisit it just as we're revisiting a two-year term limit today. Commissioner Adams seconded the motion.

Commissioner Brandon - All in favor?

Commissioner Woo Ho - Aye.

Commissioner Adams - Aye.

Commissioner Brandon – Aye. Any opposed?

Commissioner Makras - No.

Commissioner Brandon - Four in favor. One opposed. Resolution 19-38 has been approved.

Amy Quesada - Thank you, commissioners.

Commissioner Brandon - Thank you, Amy.

7. REAL ESTATE & DEVELOPMENT

- A. Request (1) Approval of Phase 1 Budget and other key implementing actions including the Affordable Housing Subsidy Plan and increases to the Community Facilities Special Tax Rates for the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay; (2) adoption of the Mission Rock Parks Plan as required in the Development Agreement. (Resolution No. 19-39)

Request resolution of support for the formation of a nonprofit, "Mission Rock Utilities" entity to operate a District Energy System and Non-Potable Water Plant

providing recycled water and thermal energy to Mission Rock residents and commercial tenants. (Resolution No. 19-40)

Rebecca Benassini, with Real Estate and Development – I'm honored to represent the Port team and the Mission Rock team all behind me today. We are here today with an action item for you, a significant milestone for the Mission Rock project.

I want to go over some slides you've seen before. Many of them really bear repeating. The first one has to do with the project area. We know it took us more than a decade to get here. But we now have an entitled project that consists of a 28-acre site, a Mission Rock located at Lot A near Oracle Park, at buildout will include about 2.7 to 2.8 million gross square feet of commercial and residential. About 1,200 of those will be housing units, 40 percent of which will be below market rate, income restricted. We have a little bit more than a million square feet of office and then ancillary retail and also 240,000 square feet of potential rehabilitation space at Pier 48.

The documents were all executed in 2018. Since that time, the project team has been working on site-wide issues as well as phase-one issues. Earlier in the year, Port staff received the developer's required phase submittal. Phase one at approvals shown on the left consisted of the parcels that lined China Basin Park. The phase one before you today has been reconfigured to focus on that corner between the intersection of Parcels A, B, G and F.

The new phase one provides reconfigured infrastructure and a more cohesive strategy from the developer standpoint. We like it because it delivers more housing units. The proposed phase one includes at buildout about 560 rental units, 202 of which will be affordable housing, below market rate, a little bit more than 550,000 square feet of office, retail.

It requires all of the commitments made in the DDA and the DA related to local hire and LBE enterprises as well as a 5.5-acre park, really the linchpin of phase one that the community all made sure that we would hold our feet to the fire on was that 5.5-acre park at China Basin.

The evolution of phase one is shown primarily in the swapping of one parcel for another. Parcel F has come in in place of Parcel K. Parcel K was a smaller residential parcel.

What's before you today are two resolutions. Resolution 19-39 is approval of the phase-one budget and approval of the parks plan. Those are required to be done together under our transaction documents. All of our smart city partners knew that we should put our vision forward for the parks before we started spending some amount of money on those parks, very smart thinking on our attorneys and our city partners on that one.

When we approve the phase-one budget, we'll be approving the maximum horizontal expenditure of \$145 million. That is the amount the developer can receive their full reimbursement return on. If they go over that amount, then they're subject to a lower return rate. It's tied to the Treasury note, which we all know right now is very low. They are heavily incentivized to keep their costs to that \$145 million. We're also going to establish the time at which they must complete all the improvements.

We estimate it will take two years. They'll have up to five years to complete the improvements or they'll face DDA default. You will also direct staff to put in place all the implementing documents, the key among them our formation of the community facilities district, which we need in place to issue bonds.

We are also increasing the jobs housing equivalency fee from office to subsidize residential. We'll be executing the affordable housing plan that is the structural document that tells the office developer they need to pay us. The residential developer can then come to the Port to get their jobs housing equivalency fee subsidy. The parks plan establishes goals for the site-wide parks and open space.

Resolution 19-40 is a resolution of support for non-profit status for an entity to be formed by the master developer and a private utility partner in order to operate these unique district-serving systems, the district energy system and the blackwater treatment plant.

Just an overview of the phase-one budget. The phase-one horizontal cost is \$145 million. The entitlement sum must also be repaid as part of phase one. The total costs are shown there with the anticipated developer return. The sources of payments are four prepaid ground leases for those phase-one parcels at \$42.2 million and all of the bonding the first bonding on the entire 28-acre site. Then, after each building comes onto the tax rolls and we have assessed value there, we'll be continuing to do bonding over the first several years of the project.

We note that \$1.7 million of the entitlement sum will be deferred by the developer at a 0 percent return rate to a subsequent phase because we couldn't fit it into the budget. It felt very comfortable for all of us that the entitlement sum added value to the whole site. So deferring it to phase two, three or even phase four at a 0 percent interest rate was in the interest of all parties.

What are we getting for that \$145 million? We are getting eight city blocks of very interesting and unique infrastructure. Unique street network because we have shared public ways. These are streets that are designed very specifically to encourage slow vehicle traffic and encourage more pedestrian bicycle connections. We have paseos that dead end into the park that are going to be the same, very much more focused on pedestrians and bicyclists. We have these district energy systems in Parcels A and B, district energy, which reduces the need for electricity and other heating and cooling, recycled water, which

reduces the need for potable water in our parks and for non-potable water needs.

The lightweight cellular concrete, this is a geotechnical solution that evolved past approvals. At approvals, the documents understood what we thought we would do at the site, which was pile-supported structured streets but it recognized that that had not been completed in terms of due diligence. It directed the city and the developer to form a geotechnical working group. That occurred in 2018 through 2019. The group considered a number of geotechnical solutions for this difficult fill site in order to mitigate any of the street settlement that we've all seen in Mission Bay.

They considered a number of different approaches. A lightweight cellular concrete was the agreed-upon solution for Mission Rock. In light of the fact that this is a relatively new technique in San Francisco for eight city blocks, it has been used in smaller applications in San Francisco. But this would be the largest application in the city. The city negotiated a much higher level of protection for itself, public works, PUC, the Port as well including peer review of all the engineering drawing by an outside engineering entity, a technical advisory panel, a panel retained by the city to oversee the design of the streets as well as the pilot project.

The developer will be required, prior to getting its final street improvement permit, to do a pilot project at lot A to demonstrate the concept and to show what happens to the material after 30 days and to allow the city to do some in-place testing at the very site where it will be used. The city also negotiated a longer warranty period for the infrastructure. I want to note that costs have increased quite a lot since phase approvals in 2018.

We thought phase-one costs would be about \$96 million. They're at \$145 million. The key increases are around China Basin Park and the streets and utilities. The primary reason is cost escalation but also just more design work.

Understanding what you actually are going to do in all that park acreage has increased the cost in terms of creating these nicely designed areas. You'll see those designs in the future in 2019 when we bring the designs up for approval. The primary reason for the soft increase is that the soft costs at approvals were sort of a formula. Now, we have the real contracted soft costs. The primary reason they're so much bigger is there's a lot of site-wide work at this time.

We're doing the map for the entire site. We're doing the basis of design for all the infrastructure at the site. There's quite a number of soft costs that are front loaded and have to take place in phase one in order to lay the groundwork for the subsequent phases.

The parks plan is part of a subset of documents out of a number of documents that govern the parks. The DDA requires they deliver the parks. The development agreement with the city requires that they limit public events in the

park to make sure we have a very public park. We have a BCDC permit for the park, which similarly requires quite a lot of public access and maintains access during private events. For the Port side, we're going to have two documents, the first of this parks plan. We will subsequently bring to you a management agreement, which would be a contract on how to actually manage the parks and the open space. The one before you today is a planning-level document.

It's the Port's document. We can amend it as we go forward if we find that the vision or the goals or objectives need to be tweaked. The vision I've listed here is one that the developer and Port staff, in talking to the public over these many years, really feel is an accurate representation of what the public wanted: broad public access and robust public activation program. The parks and open-space plan includes quite a number of goals and objectives. I've listed the four key ones on this slide. I'm not a planner. So whenever I talk about planning documents, I can never get the language quite right. But it's going to be great. We're looking for really beautiful, special parks. We want to make sure, in the parks plan, we note how much we think it's going to cost to run it and then where those revenues will come from.

The key thing on the third bullet is we want to have a structure where people can give us feedback of how the park actually is functioning so that we have a way to hear that and to be responsive to those concerns that are coming to us about these parks. The parks will be a great asset in terms of just maintaining the real estate asset over time for the Port. This is going to be the first impression that people have of Mission Rock. For phases two, three and four, they'll benefit from having this park in place and being run very well.

For next steps, we've begun, and we're going to continue our public outreach on the phase budget and the parks plan that are being discussed today as well as all the other Mission Rock items that are going to come before you in the coming four to six months. We want to note that we've gone to CWAG, NEWAG, and we're going to SWAC tomorrow to provide this update. We want to plug in for the October 1st open house that Mission Rock partners will be hosting at Oracle Park to get input on park programming and park design.

I've also listed the other dates we anticipate coming back to the Port Commission to consider subsequent approval documents that are needed for the parks. I'm very excited to have you all consider these resolutions and look forward to your comments.

Commissioner Brandon - Are you going to give us any information on the Mission Rock Utilities entity and what's being proposed?

Rebecca Benassini - They have not formed an entity yet. The resolution in front of you supports non-profit status for an entity to be formed. The reason this is beneficial for the Port is that the infrastructure that needs to be delivered, the blackwater treatment plant and the district energy system, have to be delivered whether it's for profit or nonprofit.

If they achieve nonprofit status, they can receive lower cost of financing. If they receive a lower cost of financing, then the rate payers won't have to pay as much in their rates for water and this district energy. That will show up in our building expenses site wide. If they're able to charge even slightly lower rates, then our future buildings will gain a benefit because they'll have lower operating costs.

We're supportive of them being a nonprofit. We did include in your package some of the communications we had with SFPUC on whether or not they would be interested in running this site. It turns out that, for a variety of reasons in terms of how large the system is and how unique it is, that they were supportive of the Port going forward with what we needed for our project.

They're kind of hands off. The Port should go ahead and do what they would like to do in terms of meeting their sustainability goals for Mission Rock. The resolution before you only says that we are supportive of this entity when it's formed achieving a nonprofit status.

Elaine Forbes - Rebecca, for the benefit of the public, can you just explain what a blackwater system is?

Rebecca Benassini - It is a plant that provides recycled water. It will draw water from every single parcel in the site and it will filter that water. Out of the other end, it will provide recycled water or gray water for irrigation uses or toilet flushing. The items that are not used on site will be put back into the sanitary sewer system and sent to SFPUC's treatment plant.

Commissioner Makras - And they'll be double piped within them or is it the infrastructure that's the double piped?

Rebecca Benassini - The infrastructure is the double piping. It saves future construction costs for all of the parcels in terms of them having to provide that inside of the building.

Bruce Giron - I happen to have the pleasure of leading a small LBE located in the Third Street area of Hunters Point. We're a small LBE. We've been engaged in a number of different areas in San Francisco departments, Rec and Park, PUC, the airport. We have not had a chance to go to the Port yet. We're very interested in this project. Out of all the projects that I've done in the city, all over the city, the ones that I'm most proud of although I do a lot of underground work, it's kind of pedestrian. But the ones that I've done with rec and parks are the ones that I'm most proud of because, when you drive around and see it and share it with family, friends and acquaintances, it leaves a sense of accomplishment with you. With this opportunity that's come up and this particular project, the opportunity to work with the Giants, there's a lot of cachet in that kind of a project. We're very eager to be engaged or to work on that project. We're looking forward to it.

We have been very favorably impressed by the level of outreach that you all have put your effort into. We feel as though each one of the departments that I've worked with -- there were always challenges in learning how they do business, learning how to work in their ecosystem. The Port has always been one of those agencies that we've wanted to engage with. We have a little anxiety starting with a new department but at the same time, with the level of effort that you all are going through to make sure that you include a lot of small businesses, that this is probably the best time and worthy of our getting involved with this particular project.

Commissioner Brandon - Can I just ask what type of business do you have?

Bruce Giron - I have a construction company. I have a B license in concrete. We do mostly underground, the things you don't see but are most important to you but we also have done a lot of parks here. We've been in probably a number of iconic locations here.

Commissioner Brandon - Great. Are you working with the Giants, or you want to work with the Giants?

Bruce Giron - I want to work as a private contractor.

Commissioner Brandon - So you haven't had a conversation or been approached by them or gone to any of their open houses or anything.

Bruce Giron - I have indeed gone to some of the contract open houses.

Commissioner Brandon - What's the name of your company?

Bruce Giron - It is GECMS doing business as Giron Construction.

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

Carl Gordon, Gordon Plastering, small local business in San Francisco - We're coming out speaking, advocating for the small businesses in San Francisco to have the opportunity to be able to be part of this project.

Tana Harris, Harris Hoisting - They basically said everything. We're just one-year old and we're also an LBE. We do cranes and elevators. We would love to be a part of this project as well. I've attended several of your outreaches and we would like to see more.

Jacob Wallis - Growing up in District 10 where we're very familiar with the Port, outside of professional athletes and other elected officials, people like themselves are our heroes. For them to get opportunity to be able to work as a representation of District 10 and people in District 10 and to be a reflection of the historical people in District 10, it makes me proud to know that the Giants and Tishman Speyer have went above and beyond the call of duty to try to reach out

to my community and try to put them at the forefront and give them enough information so that they can be competitively bidding for this opportunity.

Kent Nim, CityBuild director at the Office of Economic and Workforce Development - I've come up here for three main purpose. One is to thank you for your continued support of CityBuild, and give you a quick update. Our current cycle, cycle 31, is graduating October 17th. We started with 15 men and women from San Francisco from the impacted communities. We're graduating 43 and we're ready. There's 12 more left. So we placed more than 30 folks. They have three more weeks left of class. October 17th is our graduation. We're at UCSF at Robertson Hall. I'm here to answer if there's any questions about our partnership with Giants, Tishman Speyers and the Mission Rock development.

We've been meeting with them, developing a plan to even expand our program more to be able to impact more of the community residents to get them ready for this project when it's about to start. We want to make sure, when the shovel hits the ground, that we have residents working on the project.

Commissioner Brandon - I do have to say that I was extremely surprised to see \$145 million phase-one project and no mention of LBE contracting and no mention of workforce development. I was really surprised not to see that included in this report. I'm really happy that people came out to speak to say that they really want to work with the Giants. They're really looking forward to working with the Giants. I have been asking for a report and I got a report but I couldn't understand the report. I still don't understand what type of contracting we've been doing on this project. Hopefully, someone can speak to the LBE numbers, the LBE goals, workforce development, how we're getting people ready for this \$145 million phase-one project.

Rebecca Benassini - I am going to need help. I'm sorry that wasn't in the staff report. They have not signed a contract with Granite. So that's perhaps part of the problem. What we should have put in the staff report is what the requirements are in terms of the goals that they have to meet.

Commissioner Brandon - I'm very aware of the CMD goals and what they have to meet. I've just been asking each time that you have come up regarding this project how we are attaining that. What are we doing to make sure that those goals are met? What has been done to date.

Jack Bair - I may be able to help a little bit with this. On the preconstruction work, there was a requirement of 10 percent for LBEs. We achieved 20 percent in the preconstruction work. We're now entering the phase where construction will start. The first phase is the horizontal development. We've taken a really hard look on how we can have all the work scopes developed to maximize our LBE participation. We had an open house. We've had workshops. We've had training sessions. We've reached out to District 10 and made people aware of the opportunities. Over the next couple months, there will be opportunities that are put out on the street for LBEs and contractors to work in the horizontal project

where we have an obligation to have 20 percent LBEs. We expect that we'll exceed that and also include LBEs from all over the city including District 10.

We've done outreach. We've hired consultants to help us with the outreach so that we can get the word out wide and far and also do training so that people who are not familiar with the process for the city can work with that process and submit bids and get considered for work. We can give you reports as we go forward. If you have more detailed questions, we can certainly follow up with them or I can ask some of my colleagues to answer them. But we're absolutely committed to hiring LBEs from District 10 and throughout the city. We're also committed to create work scopes that are designed for LBEs to participate that might not have as much resources as larger contractors. We have selected our horizontal contractor, Granite. Granite has been part of the process with us, Tishman Speyer, and the Port. We'll continue to work with all the entities to make sure that we make you proud, and we deliver on all of our promises.

Commissioner Brandon - I really appreciate that. I did receive the report. I did have questions because I did not see the firms associated with the LBE numbers that were in the report. I still don't know what LBEs are working on this project. From what I saw, the outreach to women and minorities is not good at all. I'm just hoping that we can do better. I'm hoping that, when you come back again, that you have something within this report that tells us what we're doing with local hiring, what we're doing with workforce development, how we're engaging the surrounding communities in this effort. I know that you guys are going to do a great job because you always have done a great job. I just want to make sure, going forward, we can actually see what you're doing.

Jack Bair - You have our commitment. we're starting the construction phase now. We don't have any companies on board because we haven't let any of those contracts yet. We will be very much in this business over the next couple months And we'll keep you posted. We do have representation, and we should follow up with you and go through the details.

Commissioner Brandon - Thank you. I really appreciate it.

Commissioner Gilman - As I said in the informational, I'm very supportive of this project, excited to see us get in the ground and make this work. I like the parks being frontloaded in the project and the affordable housing component. Those are two parts of the project that I said in the informational I was particularly proud of. I'm going to want to support Commissioner Brandon and say, I would hope on the LBE participation with Kent in his new position at CityBuild looking at what the Warriors did with the Chase Center and their ongoing recruitment and pipeline into that, that their GCUs that could be a model possibly for this.

I would hope that, when we're at the groundbreaking, besides the affordable housing component, which is incredible at 40, and besides giving a huge public benefit upfront, we can be equally proud with our LBE participation as we also are with labor. That's my goals. I'm supportive of the item.

Commissioner Makras - I am supportive of both of the resolutions. I'm also supportive of the LBE participation. Maybe I can suggest that, when the contracts are signed for the underground, that we get a report immediately on what the goals were that were set. We can see obviously at the end if there's anything we have exceeded with them rather than at the end mesh the numbers for ourselves. At the presentation, I shared some concerns over the road work to be done here. I want to say I'm happy going forward.

I do want to just call out the road issue as something of concern to me and something that, at the end of the day, does have risk associated with it. I do not want us going forward and being blind to the risk associated with it. Simply said, I reached out to staff. I reached out to the project sponsor. I reached out to the industry. I wanted to find a location of similar size or half of the size of where this has been put in play, so we can see how this road system performs after it's been laid into play. Sadly said, there's none in the United States for a project of this size so this is something new. It's something innovative. I like that but I do want to emphasize it does have risk associated with it. I am disappointed, when you read in the report on page 10, that they talk about more due diligence needed in this exact area.

We're going to start construction in a very short period of time. We have not hammered down the road issue yet to what we can all put our arms around and feel comfortable. I am comforted that they are doing a pilot project. I would encourage staff that, when that pilot project is completed, that they come back and report back to us, so we understand that we're all behind a new product and hope for its success.

I had just a couple of questions. I am not going to Monday-morning-quarterback the four points of this entire deal. But I would like just some answers, so I understand. On page 10, they talk about the returns on costs funded by equity. Could someone from our team explain why the project sponsor or the developer receives an 18 percent annual return on their investment, and the Port receives a 10 percent return on their investment? If we are partners in this, I would start off by saying we should make the same amount of money each for the money we put into the pot. Could you please share the rationalization that the developer is going to yield an 18 percent return, and the City and County of San Francisco will receive a 10 percent return for their contribution?

Elaine Forbes – I can start since I was close to negotiating this particular term. We have fought hard to get a return on Port capital and we have that in this agreement. The reason we're not earning the same return as the developer is there is more risk to the developer than to the Port because we are ultimately the landlord. If the project were to fail, we hold the lease. We would hold whatever improvements have been made on that lease. So recognizing that we have less risk because we hold the land and are the land owner, we didn't ask for 18 and we were proud to get 10.

Rebecca Benassini – just to add on to that, the only second reason that I recall from that negotiation time period was that the developer is required to fund all of the cost for phase one whereas we can elect to put in money. If there are cost overruns, it's on them to fund in order to complete their obligations under the DDA.

Commissioner Makras - We have an opportunity to contribute cash to this development if I understand you correctly. If we do, are we subject to that 10 percent return?

Rebecca Benassini - That's right.

Commissioner Makras - Walk me through why we wouldn't be interested in a 10 percent return on a project that we're all in on, and we can bond at 4 percent and earn 6 percent and get 130 percent bigger bang for our buck?

Elaine Forbes - I can answer that question too because it's a capital planning question. We simply don't have enough cash on hand and profit to get through our capital list. When we've looked at our capital proposal, we're trying to deal with regulatory issues, avoid red tag of facilities and make other investments that return revenue to the Port. We simply have not had enough capital dollars to get down the list to what is a very good investment for the Port unfortunately. That is why, at this point, we're not asking for an allocation of dollars to invest in this project.

Commissioner Makras - I'm just exploring in broad sense. Would the agreement allow us to bring in an investor where, theoretically, someone gives us \$50 million and becomes our partner, and we put it into this transaction? We yield our 10 percent and we share with the investor the 10 percent. If they were happy with 6, we would make 4. If they were happy with 8, we would make 2. Would we be allowed to do that within the boundaries of our contract?

Rebecca Benassini - Within the boundaries of the contract, we can put in money that the Port Commission approves and puts into its budget. So long as it's through the Port Commission and the Port Commission approves it and it's part of the Port Commission budget, then we can put money into the deal. I will note that we talked about this very thing because the timing was such that we weren't able at this point in time to put in money. The developer anticipates starting construction in earnest early next year.

To the extent there is money that we are able to gather up and bring through the Port Commission process, they are very open to having that money put into the deal. All of us who are working on the model see how close phase one is. To the extent we can replace some of the 18 percent money or 10 money, that would help phase one achieve feasibility.

Commissioner Woo Ho - We've been over this phase one many times, both here in the Port Commission and obviously in separate briefings. I'm very comfortable

with the project and very supportive. One of the things that we've discussed in the past and the reason the 10 percent when we compare it to the investment yield that we have on our cash securities investments that the treasurer of San Francisco manages on our behalf, we obviously do have surplus cash. The 10 percent is a very attractive yield relative to the 1-point or 2 percent yield that we currently get. That's another factor of why, when this return has been discussed in the past, that we also compare what are our other alternatives not just for our capital planning but for our actual return on investments. That money is managed for us on our behalf by the treasurer of San Francisco. It is at a very high yield. Obviously, they take very safe investment guidelines. The 10 percent relative to their yield is a very good yield.

Commissioner Adams - I'm in favor of it but I do agree with President Brandon on the LBEs. She's been asking about this for months. Sometimes, I think, when the commissioners talk, it falls on deaf ears. Sometimes, I think staff may think they know more than the commissioners. That's fine but she's been asking for this for months. There's no excuse for it not to have been in the report and you can't duck it. If there's an issue, it needs to be dealt with head on. That's how I feel about it. Jack came up and spoke but it should have been in the report. It should have been talked about. When we say something, it should be heeded. If the commissioners want something because we've got to make these decisions as President Brandon said, if people from the community hadn't come out today, a lot of this stuff we wouldn't have known.

We've got to talk about these things. To me, transparency is important. When we say something, it should be there. I'm not blaming you but somebody should have had that in the report. Or you should have been able to call on somebody immediately to give those kind of answers. This is too big of a project that we're working on. It's something that's taken 12, 13 years. We need to have it right. I'm going to support it. In the future, we need to have those facts, so we can make the right decisions.

Commissioner Brandon - Rebecca, thank you so much for this report. Jack and team, thank you so much for all the work that you've put into this project because this is going to be an amazing project. Our concern is to make sure that there are opportunities for everyone to be involved in this project. Hopefully, when you went to NEWAG and CWAG, they were very supportive of it. I'm not quite sure why the southern waterfront had not had that same opportunity prior to this meeting. Anything that happens in the southern waterfront along that Third Street corridor is going to affect every community whether it's Bayview, Dogpatch, Potrero Hill. It's going to affect everybody. I have been asking over and over. Can you please include the Southern Waterfront Advisory Committee on everything that's going on that corridor? Hopefully, they get the same opportunity that everyone else is getting, and they know of opportunities that are coming up that they may be interested in. Hopefully, going forward, we will talk to all of our advisory groups prior to anything coming to the commission.

Rebecca Benassini - I can explain what our thinking was but it will not satisfy you at all. Just to be clear, we always come to the Port Commission first. So we came to you on September 10th. I put them on every single calendar for September. As David told me, their meeting is tomorrow. They didn't have another meeting before today. We could have delayed the Port Commission action item.

Commissioner Brandon - I'm just asking going forward to make sure everyone has the same opportunity.

Rebecca Benassini - I agree.

David Beaupre, Real Estate & Development - Just to add to that, we haven't had a SWAC meeting since the last hearing. So we did schedule it when we could. But what we are instituting is quarterly reports on both the Pier 70 development project and the Mission Rock project to the SWAC and the CWAG. We're going to institute that starting now. September's will be to the SWAC only. It'll allow the SWAC to get caught up on the projects because they're not as well informed on these. Moving forward, we'll do quarterly updates to them.

Commissioner Brandon - That is absolutely wonderful but I don't think it should take me to say that all of these advisory groups should get a briefing. I think that they've had a meeting. There was ample opportunity to give them the same briefing that we've given every other advisory group. Again, I shouldn't have to ask where we are with LBEs. Where are we with workforce? Who are we giving this information to? That's not my job. I'm not just talking about this project. There is so much happening along the Third Street corridor, which is why I thought that the mayor's office put together an effort to make sure all of this is working together because every project is going to impact all of those communities. Whether it's Pier 70, whether it's Mission Rock, whether it's transportation, whatever it is, everyone needs to have the same information.

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion. All of the commissioners were in favor. Resolution Nos. 19-39 and 19-40 were adopted.

B. Informational presentation on the proposed Crane Cove Park Fundraising Campaign and partnership with San Francisco Parks Alliance.

Crezia Tano-Lee, manager on the real estate and development division. This informational item before you is the proposed Crane Cove Park fundraising campaign. As you all know, Crane Cove Park has been an active project of the Port since 2005. David Beaupre, who led the planning of the park, and Erica Petersen, who is the construction project manager, are both here to answer any technical or historical context questions. Drew Becher, the CEO of the San Francisco Parks Alliance, is also here today. He will be speaking later on in our presentation. I will go over the project background and status, the strategic plan

alignment, Parks Alliance history and experience, our proposed partnership and next steps.

As shared with you all at the August 13th commission meeting, the Crane Cove Park project will deliver several improvements. Shoreline reconstruction and the installation of the beach, boat launch, landscaping, irrigation, furnishings and the parking lot will be delivered in March of 2020. It is anticipated that the 19th Street, Georgia Street and Building 49 improvements will be delivered by the end of the calendar year of 2020 as well. To date, the Port has spent \$16 million of the approximately \$36 million budget.

With that said, there were components of the project of the original scope that were removed due to cost considerations and moved out to later phases. These components included a tot lot and a Rigger's Yard. With that said, the delivery of Crane Cove Park is a critical investment for the Port. It's important to reinforce in our 2019-2023 strategic plan through the following work priorities: opening Crane Cove Park to the public with park activation programs by 2020, raising private funds for historic crane caps in the children's playground in 2020 and growing our capital funding with external sources.

While the tot lot and Rigger's Yard were removed from the scope, the components were still deemed to be vital components of the Port and by the community. Therefore, Port staff began conversations with the Parks Alliance in 2018 on how a partnership could be structured and to fundraise for the remaining components of the park. This dialog is built upon a long-standing relationship with the Parks Alliance. This is highlighted in the coming slides. Our organizations have worked together hand in hand for over a decade to specifically improve the Blue Greenway network.

The Parks Alliance most notable contribution to the Blue Greenway network was their efforts in leading both the 2008 and 2012 GO bond campaigns, which raised over \$65 million for Port open space. The Parks Alliance has been looked to by the city as a primary fundraising partner for countless open spaces throughout the city. Their continuous collaboration for the Recreation and Parks Department is a testament to their success in rallying support for underserved parks and communities.

While they are the most successful organization in park-and-open-space fundraising, their success is equally matched by their genuine commitment to creating vibrant open space for everyone to enjoy. This makes them a natural fit for our partnership and to lead the fundraising campaign.

Drew Becher, CEO of the San Francisco Parks Alliance - I want to give a big shout out to my leadership team that's here: Sonia Gonzalez Banks, Kirsten Krehbiel and Brooke Ray Rivera. This is a really important project not only to the city, not only to the Port, to the Parks Alliance, to the citizens of Dogpatch and the citizens of the City and County of San Francisco. I wanted to point out the history and experience of the Parks Alliance.

We've been around since 1971 building and helping build the city's rec and park department. The San Francisco Rec and Park department is now one of the top recreation and parks department in this country. It didn't get there by accident. It got there with advocacy and partnerships and that's what we are built on. We have 12,000 community leaders, as you can see on the slide, that we organize every single year. We have over 200 community groups, fiscally sponsored organizations of the Parks Alliance. Most of them are in our parks but we're ever expanding in the street parks, Department of Public Works, properties and others. We also have raised since 1971 over \$100 million for investments into our parks and open space throughout the city.

It should be noted that, with the advocacy of all of our groups, that we are the first city in the United States of America to reach the big goal of a 10-minute walk of every resident to parks and open space. Crane Cove will actually help the Dogpatch area and the southeast waterfront be much more accessible.

We started off with fundraising in the mid-'90s with the Conservatory of Flowers. Many of you might remember or might not remember the Conservatory of Flowers was blown down in a storm in the mid-1990s. Our board was galvanized and raised \$26 million to reopen that with an endowment. We still operate that in partnership with the rec and park department. In partnership with rec and park, we just completed a \$30 million campaign to redo the Golden Gate Park Tennis Center as well, which also has a big component in it for the tennis learning center, which is investment in tennis courts in equity zones around the city.

I'm happy to say of our investment of our Let's Play SF initiative, which is 13 playgrounds around the city that are in neighborhoods of the most need. We are in the middle of raising \$14.5 million for that campaign. It's a \$36 million program that is matched up with bond funds from the 2012 bond that the city had. We have seven projects under construction right now. A lot of those are due to be open this coming winter and all of them being opened up by 2021. Another big investment was made by the city and specifically the mayor's office over the past couple of years in the Parks Alliance. It was a capacity-building grant. We had a big waiting list of parks groups wanting to be fiscally sponsored and managed and do fundraising efforts for them. We did not have the capacity. We had a waiting list of about 60 to 80 groups, which comprised of thousands of people and hundreds of neighborhoods.

We went to the city and they decided to invest in the San Francisco Parks Alliance in order to expand our capacity. We now are happy to say we have all new systems. We have new staff. We have almost a trademark system of working and bringing communities together around big public projects such as this. Our mission has remained the same except for we've added that we activate parks throughout the city. We champion, transform, activate and support. Activation is big. You've heard it from many of the folks that want to manage property for the Port. The old adage that you build it, and they will come is an old adage. It doesn't happen. You have to activate it. You have to program space. That's something that we are actively working on with our city partners.

I also want to say we work with Office of Economic and Workforce Development, the rec and park department, Department of Public Works, OCII, PUC, among others. We've worked with the Port closely but not this closely over the past couple of years that we've been involved. We are looking forward to this partnership. As you noted in 2004, we started the conversation about the big Blue Greenway idea. Now, it's the rubber hits the road. Crane Cove is one of the biggest publicly funded pieces of that plan. We want it to be hugely successful for you. We are happy to be a part of it. We look forward to working with you to make it really the shining star in the green necklace that will be the southeast waterfront that we all can be really, really proud of.

We also are raising money at the same time, which we think is a complement for India Basin. India Basin is in partnership with the rec and park department. We feel, if we are taking donors out on tours, we can give them options. It's always good to have options where they're looking to plant millions of dollars. We have two great options, having both of these in our portfolio when we shop donors around to invest in these great neighborhoods.

The Parks Alliance is here. We love working with the Port. Your staff is absolutely amazing. We look forward to having this become the public-private partnership that we can all be proud of on the southeast waterfront.

Crezia Tano-Lee - Through this proposed partnership, the Port and the Parks Alliance will aim to raise approximately \$6.3 million in private contributions for the park. This will help to deliver the Riggers Yard, the tot lot, the dog run and the two crane tops. The partnership structure will be similar to what the Parks Alliance does with the recreation and park department throughout the city. Staff envisions executing an MOU to outline the partnership. The MOU will crystallize the following commitments: fundraising goals and project milestones, communication protocols, Port oversight, commission engagement and how contributions will be accepted by the Port.

While staff and the Parks Alliance anticipates a five-year timeline to hit fundraising targets, staff proposes two additional two-year options to renew to allow for any unforeseen market changes that may lengthen our effort. In conclusion, next steps are as follows.

In the fall, we will continue at your direction to refine partnership structure. The commission will be presented a proposed MOU to be executed with the Parks Alliance. In the new year, the fundraising campaign strategy will be further refined and we will launch a soft campaign. In the spring, the park will open. We intend to have a big kickoff and an official launch of the campaign to launch a kayak of people into the new beach.

Everardo Mora with Historic Pier 70 - Orton Development came on site at Pier 70 in 2012. We were the first development entity out there. We started in the Noonan Building and then moved over to our project. Ideas for Crane Cove Park at the time were early. They developed. They were designed. It's exciting to see

that there's a potential for the Port to join a development partner or a fundraising partner to raise the money to get the job complete. Hearing from the community and hearing just from our tenants and everyone else, all the buzz about the potential for Crane Cove Park to come online. We want to share that Historic Pier 70 Orton Development fully supports this partnership.

Commissioner Gilman - I want to thank staff for the presentation. I'm very familiar with the Park Alliance's work. I'm really excited that we're partnering with them to get this project over the hump and deliver it as we promised to this neighborhood. Thank you so much for the presentation.

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

Commissioner Woo Ho - Thank you for the presentation as well. I was involved with the Parks Alliance in 2012 as the co-chair with Mark Buell on the GO bond campaign and got to know the Parks Alliance a little bit and was very pleased and actually went to their offices. We met a few times. I'm very supportive of their forming this alliance with us and partnership because Crane Cove Park is a long overdue development. We know that it's been long in coming but we're all excited to see it happen. This is an important step going forward.

Commissioner Adams - I like the presentation. I really appreciate the comments that you had to say about the new system that you've got. You've got it up and running and got things going. This has been long going. I know David Beaupre has been working on this for years. A lot of the people, when they first started, have passed on. David knows the initial committee of people from my union that wanted to see this happen. They've all passed on now. This thing has been going on for years. I hope I get to see this thing come to fruition. I'm serious. It would be a tribute to their honor. I'm looking forward to it.

Commissioner Brandon - Thank you, Crezia and Drew. Thank you so much for the presentation. David, thank you for all your work of bringing the park to where we are today. It's really exciting that the Parks Alliance is joining us on this effort and much needed structure that we need out there. I have a question. So the Parks Alliance is going to do the fundraising piece of it. Do you turn the funds over to the Port and the Port does the work? How does that work?

Crezia Tano-Lee - It can happen in multiple delivery strategies. The recreation and park department have done historically where either the Parks Alliance has delivered the work and then gifted to the Port the improvement or, if there is a cash improvement, it has been committed to the recreation and park department. Then, staff delivered either through maintenance or consultants the actual work. It will depend on how the contribution is made. Each contribution will come to the Port as an accept-and-expend action for the Port to take.

Commissioner Brandon - So the Parks Alliance will do the fundraising?

Crezia Tano-Lee - Yes.

Commissioner Brandon - And we will do the contracting and actual improvements?

Crezia Tano-Lee - There is an opportunity for multiple paths to be taken. There have been discussions right now with the existing contractor because there may be shared expenses that could be more advantageous than using the existing contractor to deliver the work. But that is also contingent on us having the fundraising dollars come in. I know that the Parks Alliance is having several conversations with donors right now. We anticipate starting donor tours in the near future. If we were gifted playground equipment for installation, that we could execute a contract for that work as well.

Commissioner Brandon - I'm sure I'll understand it better when you bring the MOU for approval. Thank you very much. This is great. This is really exciting. We want to thank the Parks Alliance for partnering with us on this effort. Thank you very much.

David Beaupre - I think what we're asking for is the flexibility of both the Parks Alliance being able to do the work. But as Crezia mentioned, if we get a donation of playground equipment and it's something that our crews could do, then maybe we could do that. Or if there are even efficiencies by us putting it out to bid and taking the funds that they've raised, doing it that way. When we come back for approval, we're going to look for the flexibility to allow any of those three delivery methods, whatever makes the most sense from an efficiency standpoint.

Commissioner Brandon - Thank you. I appreciate that.

Commissioner Gilman left the room at 4:38 p.m. and returned at 4:40 p.m.

8. PORT SEAWALL RESILIENT PROGRAM

- A. Request for approval to execute an amendment to the professional services contract with CH2M HILL Engineers, Inc., for planning, engineering, and environmental services for the Waterfront Resilience Program, which includes the Embarcadero Seawall Program, the U.S. Army Corps of Engineers Flood Resiliency Study and related activities, to increase the contract by \$19,992,357, resulting in an amended contract amount not to exceed \$59,977,071. (Resolution No. 19-41)

Brad Benson, representing the Waterfront Resilience Program team – I'm here to talk about a proposed amendment that we described to you on an informational basis in August for the planning, engineering and environmental contract with CH2M HILL. I will give a shorter update than we did last time about the Waterfront Resilience Program, also give a few short updates about the Army Corps flood resiliency study. I'll go over the major items in the contract scope of work.

There's one minor change to the report that I would like to flag. We'll end with a funding update with a focus on a planned trip to Washington, D.C. with our commission officers to advocate for the program.

As we mentioned last time, we are out in public in a series of public workshops along the entire waterfront describing the work that is going on. We were in the Bayview community this last week, had excellent attendance. The team really did a good job of turning folks out. We're trying to understand what people love about the waterfront, what they think is important to the city, their concerns about flood risk and seismic risk.

As part of that outreach effort, we're getting feedback on draft vision statement principles, goals and objectives. The draft vision statement is to create a safe, equitable, sustainable and inspiring waterfront. The program involves different activities, some of which are Portwide, some of which are limited to specific geographies. The Army Corps flood study covers the entire Port jurisdiction. The adapt-and-envision process where we'll envision a new waterfront resilience to 2100 water levels is also Portwide.

We have efforts like the Embarcadero Seawall Program and the Historic Piers Rehabilitation Program that are limited to the northern waterfront. In the southern waterfront, we're commencing through the Port engineering division, the southern waterfront seismic vulnerability assessment. It's similar to the 2016 study in the northern waterfront that kicked off the Embarcadero Seawall Program. We are requesting authorization to amend the contract to address these flood and seismic risks Portwide.

Through the contract amendment, we're trying to integrate efforts like the Embarcadero Seawall Program the Army Corps flood study. As we're adding these resources, we're being mindful about public investment and trying to take advantage of patients like that Islais Creek study, which is Caltrans funded and how we can integrate that with the Army Corps work, so we're being efficient with public monies.

We've incorporated your recommendations from prior discussions. The change to the report that I want to flag for you is on page seven of the report. We were projecting a 23.42 percent LBE participation rate throughout the entire contract including the amendment. We got CMD's approval of the amendment just yesterday in advance of the commission meeting. The exact number is 21.19 percent. We do expect that number will go back up to the 23.42 percent. There are some LBEs where paperwork is still in progress with CMD. They're being added to the contract. That work will be complete before we are considering board of supervisors' approval. As an overview, we've provided that informational presentation on August 13th.

The proposed contract amendment will increase the contract amount by \$19.3 million with that 21.2 LBE participation rate. If approved by the Port Commission

including contingency, the total contract amount will be just slightly less than \$60 million.

As to the Army Corps flood study, a big part of the contract amendment is to support that flood-study work. We've been seeking the Army Corps' flood expertise since 2012. The study is looking at the Port and Aquatic Park, the national park to the north of the Port. If the study recommends a project to Congress and Congress funds the project, the federal government would pay 65 percent of the design and construction costs. We do have the option through a locally preferred plan to add elements to that project that would be locally funded.

As we spent a lot of time describing at the last meeting, we think we need a waiver from the Army Corps of Engineers to increase the study costs from \$3 million to over \$20 million. That \$20 million study could be funding design and environmental clearance for a project of up to a billion dollars. As a measure of that, the seawall program budgeted approximately \$24 million for preliminary engineering and environmental review for three-quarters of a mile. We think we're being efficient with public funds.

We are trying to merge those two efforts. We do expect that the waiver request would happen in spring of 2020 and that we would be talking about that waiver request when we're back in D.C. in October.

We are finishing up the multi-hazard risk assessment right now. The results are expected in spring of this next year. We're adding funding because the assets, including Port structures and the utility infrastructure and roadways, are so complicated. We're compiling additional data there. We're also adding funding to give us better sense about damages particularly to lifelines like the Embarcadero roadway and the utility infrastructure in it. That work is already yielding a staff recommendation to do advanced earthquake analysis in the Ferry Building area. We think that future projects in this area will need to better understand soil and structure interactions.

Of course, with expanding the program Portwide, we're expanding our stakeholder engagement Portwide and the budget accordingly. We've got a variety of activities, not just the workshop type of events but online engagement, boat, bike and walking tours really over the next two-and-a-half years of the work. We are trying to be ready for when we are issuing contracts for final design and construction by building in to this contract amendment a program to provide LBE support services so that we can understand the type of work that will be available, advertise that to the appropriate LBEs and make sure that they have the capacity and can be matched with primes for future work. That involves looking at the bid packages so that they're appropriately sized. Along with that, we want to work with the Office of Economic and Workforce Development to leverage and expand the current training academy so that we have San Francisco residents working on that first \$500 million worth of work.

We're excited to start an effort with the Exploratorium to expand our public education. The Exploratorium is in a structure that is connected to the seawall. They are experts at explaining complicated science to a variety of age ranges.

We're very excited to be launching an effort to explain this complicated program to the San Francisco public. We're also working very closely with the Department of Emergency Management. We have said all along, even as we pursued the bond with voters, that the first \$500 million strengthen phase of the work is going to focus on life safety and the city's emergency response. The multi-hazard risk assessment is going to tell us about potential casualties along the waterfront.

We really need to hear from the city and first responders what they need from the waterfront. We're amending the contract to provide for two exercises that would be in the spring of this next year to call together not only city agencies but agencies like WETA to understand, if you see this type of damage along the waterfront, how will that frustrate your response?

What would you see the Port and the city invest in first to make that response the most effective it can be and also to help us understand how we have to amend existing plans to expect damages that we're going to foresee through this multi-hazard risk assessment.

CH2M is committed to their 21 percent LBE goal. We're currently at 19 percent. We think, in the contract amendment, that we're close to 29 percent. We do expect to see this overall participation rate to be above 23 percent. We're continuing to work with the contract monitoring division to get those final firms added. The program is currently funded by \$20 million through a variety of Port and city sources including \$5 million from the State of California.

We're very grateful to the board of supervisors for having recently approved supplemental appropriation to carry the program forward until we can issue that first \$50 million in bonds, which we would expect within nine months or so.

We did include in the staff report a rationale supporting the amendment. Staff does not think that it would be as efficient to bid out this work. A new contract award through that process would take six to nine months. That kind of delay would pose a risk to the flood study and our ability to support that flood study. It's very difficult managing a complex consultant team and that would only be complicated by having two teams working in a similar geography. There is overlap between the flood study and the Embarcadero Seawall Program.

We do want to get to work on the LBE support services and the workforce development as soon as we can. We think that the \$20 million will be sufficient to carry us all the way through environmental review and preliminary design of projects. There are some unforeseen circumstances that would change that. If the flood resiliency study found limited or no federal interest, we would have to descope and reduce the task authorizations for that work, similarly, if the Army Corps is not able to obtain a waiver.

There are circumstances where the flood study could identify a larger project, or the damages that we see in the Embarcadero Seawall Program could be so severe that policymakers want a larger project and that we might need more resources than we're foreseeing today.

Thank you very much to our officers for constantly supporting us in Washington, D.C. We are organizing a trip for the end of October. We plan to meet with our very capable federal delegation. We have a proposed amendment to the Water Resources Development Act that would give the Port extra credit for seismic improvements through the flood study. It still has to be primarily a flood-control improvement but it will have to be designed to address the seismic risk that we see along the waterfront. This amendment would help with that. We'll also be talking about that waiver request that I mentioned earlier.

Commissioner Makras - We'll start off with a question to staff. Jacobs, for all intents and purposes, is our contractor now for this project. If we were to do a new bid and Jacobs was to bid, would they qualify for this work under the 12X ordinance?

Elaine Forbes - No. Because they're headquartered in Texas. We could seek a waiver. They could not bid today for a new contract award because the firm is headquartered in Texas. Texas is on the list of states that the city and county is not contracting with because they have draconian laws as it relates to the LGBTQ community. There's also amendments to add to the list states where women cannot get access to abortion.

Commissioner Makras - Has Jacobs requested a waiver from you?

Elaine Forbes - No. They don't need to do so because this is a contract amendment. The 12X legislation specifically doesn't apply to contract amendments because, when this policy was going through the board of supervisors, they wanted to make sure to not interfere with work underway or big contracts underway. There's often, in big capital projects or big engineering work, requirements to modify and amend contracts for changes of scope. The 12X ordinance specifically doesn't apply to contract amendments or modifications.

Commissioner Makras - For a non-contract amendment, have they requested a waiver to be able to bid?

Elaine Forbes - Not from me, commissioner, not from the Port of San Francisco.

Commissioner Makras - Are you aware of any waiver that's been granted Jacob and company in San Francisco?

Elaine Forbes - I am not personally aware.

Commissioner Makras - Colleagues, for me, I think there's a better way to continue this program. This is a valuable program. I concur with staff that a delay would not be in our best interest but there's a way to adhere to the law of the programs and go forward without delay. We can go out with a new bid and project eight months from now or 10 months from now and overlap them and have a smooth transition from one contract to another and we can be in compliance with the ordinance. Giving \$20 million contract to someone that cannot get the contract on their own if they bid it is just a package of circumventing the law. We can honor good contracting. We can honor no delay. We can meet our goals and objectives by pushing it out a few months and allowing a smooth transition and bid it properly.

Short of that in a backwards way, we are approving this contractor and all the potential ills that our board of supervisors believes that they do. I will be voting against it. I would urge all of you to look for a solution to honor the ordinance that we have versus taking the easy course out and circumventing the law that's on the books.

Commissioner Woo Ho - Relating to what Commissioner Makras said, we have concerns about this ordinance and companies that are headquartered in a state that has laws that we don't agree with in San Francisco. Do we have specific issues with this particular company as it relates to this law?

Elaine Forbes - We actually did do some outreach to make sure that the company itself has good provisions and protections for their LGBTQ staff and did some additional due diligence to see that there's no particular issue with the company in terms of their policies. Because the ordinance doesn't apply here, we just wanted to go above and beyond to make sure that there wasn't an issue relative to the company.

Brad Benson - Director Forbes, do you want me to go over the staff analysis about 12X applicability or do you think that that is covered already?

Elaine Forbes - I think you should go over it for the public. They may not know about this ordinance or know the fact pattern of how the contract was awarded, etc. It would be helpful to go over that if the commission concurs and then to answer the question about the company's policies as it relates to gay employees.

Brad Benson – As Director Forbes mentioned, the board of supervisors in February 11, 2017 passed an administrative code amendment that bans city-funded travel to and city contracts with firms headquartered in states that had anti-LGBT laws. That ordinance has been updated to address states with anti-abortion laws. The city administrator added Texas to the covered state list for the original ordinance September 1, 2017. The Port Commission authorized the award of the original contract on August 8, 2017. The board of supervisors approved that contract September 7, 2017. You'll see that that was after Texas was added to the covered states list. At the time, CH2M was headquartered in Denver, Colorado. That state is not on the covered state list. CH2M stockholders

approved the acquisition of CH2M by Jacobs Engineering on December 13, 2017. That was after the board of supervisors approved the PEC contract. CH2M is still headquartered in Denver. As Director Forbes mentioned earlier, this only applies to contract award, not contract amendments. That's the 12X analysis.

I'd like to invite Stacey Jones up who is the project manager for CH2M. She's here with Laura Harnish.

Stacey Jones - Thank you for this opportunity to address this very important topic because it's something near and dear to our company and to all of our staff in terms of the commitment that we've made in diversity and commitment to our LBGTQ community. At the time this contract was awarded in October 2017, CH2M HILL made a commitment to go even beyond what the ordinance required, which is to refrain from performing any work in any state covered under 12X. We have been very successful in accomplishing that, especially because we work with many states that are not on this list. We've provided that documentation by state to Port staff.

Like the city and the Port, CH2M HILL feels very strongly that we embody the spirit and the values of inclusion and diversity especially as it relates to the LBGTQ community. Where we strive as an employer -- and I welcome you to please visit our website -- and our employees strive to become employer of choice for the LBGT community and its people. It's evidenced in our business practices and our employment practices and also recognition by the industry.

I'd like to take this opportunity to share with you some of the highlights of our practices and those recognitions. CH2M HILL has had for many years an employee network especially for the LBGT community and it is called Prism. Its mission is to create an environment where everyone feels able and empowered to bring their whole self to work because, when we can't do that in an organization, we can't excel and make people feel comfortable and proud of the work that they do regardless of their sex, gender identity or sexuality.

Our business practices and our employee benefits are an example of this commitment that we've made. Some of those, among other things, include same-sex-opposite-partner benefits, nondiscrimination workplace protections, domestic partner benefits, transgender inclusion healthcare benefits, transgender resource guidelines, expansion of our Prism employee network globally.

This year, we are providing a conscious inclusion training extending to all employees globally and I've taken it. It's extremely important. It provides awareness for our employees. Other activities that we've recently been participating in is we supported the Equality California awards in San Francisco in May. As you know, it's the largest statewide LBGTQ civil rights organization.

In June, we supported Caltrans's commitment to identifying LBGTQ firms as underrepresenting and necessitating equality in our state's DOT small business

program. We are also partnering with other organizations that promotes and advocates for LGBTQ people. One of those is Build Out. there is an event in November where they're going to launch Build Out and it is an organization that advocates serving in roles for LGBTQ people in building, design and construction. I'm excited to be able to participate that and learn more about it to support them.

Our efforts have not gone unacknowledged. In January, we have been awarded a perfect score of 100 on the Human Rights Campaign Corporate Equality Index. This is an index that measures LGBTQ equality in corporate America and their practices. We have been recognized in previous years and our score was 80 two years ago and increased 90 last year, and this year is to 100. This demonstrates our commitment to our goals as a company to supporting diversity in all areas.

I'd like to speak for Laura and our employees. We personally are tremendously proud of our company's reputation, our diversity and our inclusion policies. It makes a stronger company where people of all backgrounds can feel at home and where our widely different perspectives and our talents around the globe greatly enhance our ability to provide you, our clients, with more imaginative and effective solutions. We are really committed to this. We feel that we embody the intent and spirit of what 12X is trying to accomplish. We hope that you would take that under consideration very seriously.

Commissioner Woo Ho - That answers my question. Thank you very much. I appreciate that. I just came back from a National Association of Corporate Directors national award last night in Washington D.C. for diversity, equity and inclusion so this is a very hot topic. I was representing U.S. Bancorp. We did not win in the category, but it was a big topic for the conference in terms of our board. I appreciate that because that's a very important category for all of us. Certainly, San Francisco is even more aware and sensitive to this topic.

Getting back to the project itself, I had a couple more global questions. Brad, it looks like, we've had a lot of amendments. Costs have gone up. Scope has gone up and we've been working at this. We've had to test and learn along the way because this is something new that we've not done before.

The question and concern that I have is, have we learned enough? Do we know enough? Are we comfortable? Are we going to keep coming back, and there are going to be more amendments and more scope? I know it's a huge topic. How settled are we where we are? What can we expect going forward?

Brad Benson - It's a good question. It was to that point that we put in the analysis about whether or not the \$20 million is sufficient to get us through environmental review and through preliminary design of the phase-one projects. This team has been at it for two years. This is the product of more than four months of thinking about this contract amendment. I want to credit all of the members of the team putting a lot of time into thinking about this additional scope of work, whether it's the engagement piece and Kirsten working with Lindy to count the number of

meetings that we need over the next two-and-a-half years and all the different events that are going to support engagement for folks who don't come to those workshops. Or it's Steve and Matt working with the engineering team thinking about how to develop a seismic solutions toolkit for the entire three miles of the Embarcadero Seawall. There's just been a lot of thought and not just us but with the Army Corps of Engineers.

We're in this project-delivery team with the Army Corps. The two staffs come together and meet on a regular basis. The project is really owned by that PDT. We spent quite a bit of time coming up with the increased scope for the Army Corps, really pushing the boundaries of that flood study and the typical \$3 million spend. I have a high degree of confidence that we are bringing all of our knowledge gained to date and all of the effort over the last three months to bring you the best contract amendment proposal that we can. I can't guarantee that we're not going to find something new or that things won't change in the future but we have a high degree of confidence that this will resource this effort for the next two-and-a-half to three years.

Commissioner Woo Ho - Are there any lessons learned from how we've approached this that we can be smarter about this going forward and be faster at it in terms of identifying something that we didn't know that we need to address?

Brad Benson - An undertaking like this, it's very difficult to work from having identified a broader risk to then understanding how those risks are affecting assets along the waterfront including utility infrastructure, hidden infrastructure to then designing projects. It's unlike what we typically do. We typically start with a pier and redevelop a pier or we're going to build standard infrastructure in a new neighborhood and the city has design specifications. We're starting from the hazards to then figure out what the projects will be. This has been iterative with the commission. We've heard from the commission. It was great to start in the northern waterfront. But what about the southern waterfront?

A lot of the increase is going Portwide with our work. We'll always try and look for lessons learned and report those lessons learned to the Commission. We don't think we have all the answers but we think we're being as smart as we can be today.

Commissioner Gilman - I need to say I'm torn at this moment. There's a lot about this that I want to commend the staff, and I want to commend CH2M HILL for doing. First of all, thank you for the presentation of what you, as the corporation, are trying to do for equity, inclusion and diversity. Those programs that you talked about Build Out and Prism sound really impactful for your employees. Thank you for that. The LBE representation in the amount of work done today and going forward is impressive and something this commission, as I've learned from my colleagues, is continuing to strive to do better every time we contract. But I'm concerned that the board of supervisors passes ordinances for a reason. The reason they pass these ordinances and put states on the do not do business under this provision is to leverage the resources of the City and County of San

Francisco not to do business with companies that are headquarters in states that don't have our values.

What I'm concerned about also is the timeline that you put out in the sale. I wasn't here in 2017. It seems to me, unless I'm missing something, which I absolutely could be, that the sale and acquisition conversations were happening while the commission was hearing these contracts.

Elaine Forbes - They were and everyone was aware that that was occurring. They'd given notice and we made the commission aware. We made the board of supervisors completely aware. This was a situation where we didn't know for certain that the sale would go through. They had given notice of intent. Everyone was aware that they potentially were going to be bought by Jacobs. Again, it was in this forum and with the board of supervisors. Everyone was aware of this issue.

Commissioner Gilman - Was there conversation at the commission?

Commissioner Adams - Yes.

Commissioner Gilman - I'm not trying to dredge up and go back on something that we decided in 2017. I need a little richer context. I didn't find that in the staff report. On a side note when these issues come up, it would be helpful to possibly flag them earlier on in the report. My concern is that we are setting a precedence that sends a signal to the companies that, if they have subsidiaries that are anchored in other parts of the country, that we are going to turn a blind eye to the very essence of why San Francisco does this. If we're going to ignore these provisions whether it's LGBTQ rights or women's access to reproductive rights or other issues, Louisiana is on that list. I'm concerned that we're setting a precedent with the commission of close to a do-not-exceed-\$60-million contract with a company that's now based in a state that we shouldn't be doing business with. I'm just wrestling with that.

Elaine Forbes - The good news here is that the board of supervisors will have to look at this amendment and make a decision like they did back when the contract was originally awarded. CH competed successfully against other firms and was the preferred contractor. The board was aware of what the commission was aware of, that there was a potential sale out there. Here, we're balancing different policy objectives. This is an ordinance that signals to states to change behavior. It's basically an economic sanction kind of a program to say we won't do business. This is against the need of having a competitive process. They weren't purchased at that time. Texas wasn't on the list when it went through the commission. There was no lawful reason when we went through the board. Texas was on the list. But they still weren't purchased so the ordinance simply didn't apply. Here, the ordinance also doesn't apply.

It's my understanding from listening to the policymakers when they thought of 12X was the balancing of that economic sanction that they're trying to

accomplish through a policy and the need for city departments to do work and amend big contracts. They wanted hands-off work already underway, which is why specifically it's about contract award, not amendments to the contract. The board will have another opportunity to take a look at how the policy is working should you approve this, and we have to move forward to the board of supervisors.

Commissioner Gilman - Director Forbes, I absolutely understand it doesn't apply. I'm not saying that it does. I'm just saying, as a commission, I'm struggling a little bit because this is before us today to issue a contract amendment for a do-not-exceed of \$60 million. To me, a company, while they might have good practices within the subsidiary, that is sort of lacking the whole point of us doing this in the first place.

Commissioner Woo Ho - I think that begs the question, which probably should be asked is, what is Jacobs' parent's policies regarding LGBTQ?

Elaine Forbes - I am a lesbian. This is an issue that is near and dear to my heart. I looked at their policies. It is Jacobs' policies, not CH. This is a Jacobs firm policy. I will say the health benefits and the treatment of lesbian and gay employees was notable and very good as well as the networking and connections but that's sort of been the state of affairs for some time. What was especially notable was their policies toward the transgender community supporting people in transition for gender expression, the health benefits. Their transgender policies were progressive. I was very impressed with the way in which they're treating their transgender employees. This is a group of people in the LGBTQ group that still suffers intense employment discrimination.

I was happy with how the lesbian/gay/bisexual community is treated. I thought it was pretty much the standard of the day but I was very impressed with the way in which transgender employees are treated. This is something I looked at personally to make sure that there wasn't a company issue here since the ordinance did not apply on contract award nor does it apply today on contract amendment.

Commissioner Gilman - I had a couple of other questions particularly since company representatives are here. I'm curious going back to our question that Commissioner Makras asked, but he directed it to the director. I'd like to direct it to Jacobs. Why haven't you asked for an exemption or go through that process if an exemption is possible? Commissioner Makras asked if it had been requested. I'm curious if Jacobs has asked for that exemption.

Elaine Forbes - I believe they haven't asked for one because it's not required.

Commissioner Gilman - Wouldn't it be good housekeeping just to ask for one in the circumstance?

Michelle Sexton, Port General Counsel - You only ask for an exemption to the extent you have a contract to which that exemption would apply. You would ask for a waiver if one was needed. You wouldn't ask for one in a contract where it's just an amendment. This is an amendment to existing contract and there's an exception.

Commissioner Gilman – Because this is a contract amendment, this doesn't apply and you don't need to ask for that exemption?

Michelle Sexton - Correct.

Commissioner Gilman - Theoretically, if for some reason this commission decides to put this back out for bid and they wanted to compete, they could ask for an exemption.

Michelle Sexton - Yeah. They can go through a process.

Commissioner Makras - I just wanted to narrow in. There's a big distinction between a company and the law is the state. The board of supervisors could have passed an ordinance that says we want the conduct by companies and if they don't meet a threshold, then we're not going to do business with them. The law is a prohibition on companies in Texas. So we will be going around that -- why I'm saying we will be going around it is they would not qualify today for a \$20 million contract. What's before us is a \$20 million contract going to someone that can't stand up here in front of us and qualify. The board of supervisors' ordinance is not meant to dig in to the people that are in the state.

It is the culture of the state that we're dealing with. The economic thrust that they're throwing at them is for companies just like Jacobs not to move into Texas because they pay less tax or whatever their motivation is to go to tax. It's motivating companies like Jacobs to move out and be in states that don't have conduct that we believe is inappropriate. It's a state issue, not a company issue. I'm being very specific to it's the law. That's why I'm asking our director, if they apply, would they qualify? And if they do, more power to them. If they don't, we're giving a company that doesn't qualify under normal circumstances a \$20 million contract today. I'm encouraging our body to not disrupt our process at all. Push it out for eight months. Come up with a smooth transition between contract A and contract B.

None of the product is proprietary. None of these reports are the sole property of Jacobs. We're buying it. We own it and we get to use it. If it's good engineering, every company will be able to work with that document. We can plan for our program forward. Short of that, you're giving a \$20 million contract to someone that I would not give it to. I believe the board of supervisors, if they're true to their vote, will turn it down.

Commissioner Adams - I like this. This is good. That's what I like about this commission. I heard what Commissioner said about skirting around the ordinance. I'll tell you where I'm at. I was here in 2017 and I owned it then. I'll own it now. We, the commission, had a discussion on it. Once you sign off on something, you don't walk back. Now, Commissioner, if we'd had this discussion in 2017 and this would have all came up but this all was laid out. I supported it then. I support it now. I appreciate what you're saying but we signed off on this as a commission, all the commissioners. Every commissioner that was here. I was here. President Brandon, Commissioner Woo Ho, Commissioner Kounalakis and Commissioner Katz.

Commissioner Adams - We had this discussion, and it was tough. They told us about the sale and everything that was going on. This is nothing new but I can't see putting this thing back out to bid. We have to own this because we signed off on it. I'm going to vote in favor of it because I agreed to do that. To stop everything and put it back out to bid, I can't support that. We have to live with that. I hope we've learned something from this process. If your word is no good, if you can't stand up and show who you are, if you support something, you need to show it then and I support it now. I agree with you about the ordinance, and the skirting around the law but to unravel this whole thing, I'm not in favor of that. I will be voting to support this.

Commissioner Gilman - What would happen if we give more time for discussion? What would happen if we didn't vote today and we delay it for 30 days or to our next hearing? What impact would that have on this work?

Brad Benson – There is work in the contract amendments before you today including the flood study supports that is not in the base contract. That work would be delayed by that 30 days.

Commissioner Gilman - Is that critical? Is that not critical? In a scale of 1 to 5, 5 would be a catastrophe.

Commissioner Brandon - The project is critical.

Commissioner Gilman - I understand the project is critical.

Brad Benson - I can't say that a month would be a catastrophe but we are always mindful of that vote last November and the need to get in the ground with phase-one projects. We're trying to move as swiftly as we can but it would just be a month.

Commissioner Woo Ho - I'm not in favor of delaying this. There are arguments on both side. This is going to go to the board of supervisors. There's going to be more discussion at their level. They were cognizant at the same time we were when we made this decision. We're not doing anything illegal here, as it's been mentioned. This is not about awarding a contract. This is about an amendment so it is conforming. If it was illegal, I would certainly not vote for or in support of

this. This is not necessarily deliberately circumventing. There have been these extraneous circumstances that happened when the ordinance was being put through and when this contract was awarded. We did have our eyes wide open. The board of supervisors had their eyes wide open and we landed where we are.

I understand what Commissioner Makras is saying about trying to impact the culture. To me, impacting the culture is actually person to person, company to company, what you do within that then spreads to other companies. It's not legislation by itself. I'm comfortable with what the company has told us about their policies, about their sincerity and their values of the company. If we didn't have that today, then I would be a little bit more concerned.

At the end of the day, how do you impact culture? It's people. It's not laws. It's how people act. It's how people interact. I understand what Commissioner Makras is saying in terms of what the intent of the ordinance is but you can't legislate. It's how the culture and the values are developed people to people. So that's where I come out. I do agree with Commissioner Adams. We have to support what we've done before but I go further than that. If I hadn't heard today what I heard from the company, perhaps I would say, did we make the right decision then? I think we do have to stand by the decision that we made.

The culture of the company agrees with the values of San Francisco. I can't change the whole state of Texas. I don't know what to do about that but it's going to happen one by one, person to person.

Commissioner Brandon - Brad, thank you so much for this report. A lot of work has gone into this to date. We appreciate all your efforts. We were well aware of what was going on when we first approved this contract. I know that the amendment on some levels has been difficult all the way around. What actual portion of this additional \$20 million is going to CH2M?

Brad Benson - Of the amended amount, it's about 25 percent of the amended amount.

Commissioner Brandon – So it's an additional \$5 million?

Brad Benson - A bit more than that but a lot of this amendment is going to all of those LBEs and subs.

Commissioner Brandon - Regardless of what we do today, the original \$40 million contract stays in place. Once we approve this, most of the additional funding will go to the LBE support services and workforce development and LBEs along with other businesses. But only approximately 25 percent of this amendment will be going to CH2M.

Elaine Forbes - That's correct.

Commissioner Brandon - I'm okay with supporting that. I hope, within this amendment, we have everything we need because, going forward, we do need to look at how we're going to structure the new contracts once this phase is completed. I don't think you're going to have a lot of success coming back with more amendments the way the contract is set up now. I support this effort now but I know there are a lot of unknowns. I know we have a lot of work to do but we need to start now figuring out how we're going to do it going forward.

Elaine Forbes – One of the amendment pieces is the workforce development and the contract structure. We're bringing the best experts in the city to help us think that through. I wanted Brad to say I promise you we're not coming back with another contract amendment. I couldn't get him to write that in the report. I got pretty close But he wouldn't do it. now we'll have more advance view of what's coming. This is major that we got the new start. It's major that we need to keep pace with the Army Corps. These are major positive changes that we need to respond to. but any changes coming up we'll see far enough ahead in the mirror that we can make plans to go out and bid work to do things in ways that everyone on the commission can feel very comfortable with. We are thinking about that. For the record, I'm not planning another contract amendment.

Commissioner Brandon - I do want to be able to say, when we go to D.C., that we are on track, and we are moving forward. I don't want anything to stop our new start or their funding or their study.

Commissioner Gilman - I'm going to go along with my other commissioners and vote on this amendment particularly in light of the fact that the majority of the funds are going to our LBE contractors. Thank you for that clarification. I also do want to state that I believe that we can change states, that we have the power of how we contract to have San Francisco values upheld. As a commissioner, will not be in favor of any contract moving forward in the competitive bid process that has a company headquartered even if in the midst of when they first apply before it comes to finalization at this commission, if they're on the covered state list particularly as that's getting expanded to reproductive rights for women that is under attack in this country. I can't have us use our funds that way. I want to be clear to staff and my fellow commissioners that I will not be comfortable in the future voting on those contract awards.

Commissioner Brandon - All in favor?

Commissioner Woo Ho - Aye.

Commissioner Gilman - Aye.

Commissioner Adams - Aye.

Commissioner Brandon - Any opposed?

Commissioner Makras - I oppose.

Commissioner Brandon - Four for, one against. Resolution 19-41 has been approved.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. Four of the Commissioners were in favor; Commissioner Makras cast the dissenting vote.

10. PLANNING & ENVIRONMENT

A. Informational presentation on a proposed 1-year temporary art installation at the Pier 14 Plaza, between the Agriculture Building and Pier 14, east of the Embarcadero Promenade, near Mission Street.

Dan Hodapp, Port's planning and environment division - I have a proposal for a temporary art installation at Pier 14. I'm also going to talk to you a little bit about how the Port selects art and the processes we go through and ask your advice for how we might do that as we go forward in the future.

Members of the artist team re here: Sean Orlando, Tania Seabook and Brooke Hopkins, three of the artists of a large group of artists that are a part of this proposal. The proposal is called Gateway Tower. It's a tower that looks a lot like Coit Tower but it's a reinterpretation of that. It explores how artists have contributed to the quality of the city over the past years. It's a collaboration of a diverse group.

These are three of the members but there's many more that are involved in the production of this. It's a combination of artists in San Francisco, artists and fabricators and largely in the East Bay, as we'll find that more artists are having trouble living in the city based on housing costs. That's another part that this sculpture speaks to in some way as well.

It's about Coit Tower, the beauty of that tower as it started out. Sean Orlando is a multi-disciplinary artist who's got a big history in the community in collaborative and commercial large-scale public arts, worked with The Crucible, Chabot Science and Space, worked with the Port, of course pieces at Burning Man, the Smithsonian and the Exploratorium so a lot of experience in this large type of art and works always with a large group of people. There's another piece that's been on Port property I'll show you in just a bit.

The proposal is to do a tower that's 30 feet tall, about eight feet wide. It's built from doors that are uniquely San Francisco. They're painted in an interesting manner by Tania Seabook. Along the ground floor, there's an opportunity to look inward, to look into the inside of other displays by eight different artists about vignettes about San Francisco and contributions of artists into the city.

Reclaimed front doors represents the city's diverse historic neighborhoods throughout. I don't have Tania's collection of past work and her work of gilding and custom paint on ceilings around town but she's a very accomplished painter.

The tones of the sculpture are proposed to change as it goes up to go from cool to warm colors the higher up you rise. The project employs quite a number of different types. It's a structure at 30 feet tall. So local steel workers, fabricators, welders, carpenters, painters, gilders and others that contribute to the creative fabrication and design process to put this together.

I already mentioned the local part on the bottom. It would be located in the plaza in front of Pier 14 across from Mission Street where we have had other public art located there. This would be the fifth installation since Pier 14 went in there. It's done in a similar way as to how we've done the other four.

I want to shift to how the Port brings in public art on the waterfront and how the city contributes to that. We have on our work program to do a set of public art guidelines that establish where major pieces of public art might go and how guidelines might view some of the qualities of those through public art.

We have a draft goal statement how the art hopes to educate and inspire discussion, delight citizens and visitors and add to the waterfront's sense of recognizable place. We also do a number of pieces of public art with the city, with the San Francisco Arts Commission. They have three programs in place that they use to bring public art into the city. When we get public monies through the general obligation bonds, two percent of the construction cost goes for public art. We've been part of those two for public spaces.

When we get that money, the Arts Commission becomes the project manager on that. Part of their role is to do a Request for Qualifications for artists and then a Request for Proposals and a selection panel. They do contracts management, fabrication management, even set up a maintenance fund as part of that. Their fee for doing that is 20 percent of the art cost e.g. for a \$200,000 project, they get \$40,000 fee. It's a substantial service that they provide.

We have used that on projects. You're going to see that on the public art proposed for Cruise Terminal Plaza. You saw it on the Islais art that went in at Third and Cargo Way last year. Also, the Port used the services of the Arts Commission on the Bayview Rise sculpture on the silos.

They have a couple of other tools they use through the downtown plan. That's not one that we would get involved in necessarily. They also have a public art program that puts up the policies and procedures for how art is acquired, how it's placed, how it's managed and how it becomes part of the city's art program. The Port tries not to own art. We're not set up to manage it or to maintain it. The Port is home to a number of rather remarkable pieces of public art. Oddly enough, this is a piece that did not go through this standard process. The Arts Commission was the one who organized it and went through the redevelopment agency. The artist was selected by the GAP building, who has agreed to fund it and bring it in. it is a very notable piece.

Another one that was brought to the Port by the Arts Commission also didn't go through the whole selection process. When there are certain opportunities that come forward such as the Louise Bourgeois spider that was at Pier 14, an amazing bronze piece that you're not supposed to climb on. It's such a great photo. How can you not climb on it? There are opportunities that come forward and the Arts Commission brings those to us and it is not a financial contribution by the Port. Those are other examples how some very good art comes to us.

Right now, when art does come forward, the Port does not have a budget for public art. We don't put money forward towards that. We do have criteria that we look at when we do it. Number one is we look at where the artists are from. We have notably almost always selected San Francisco or Bay Area artists. As I mentioned before, it's getting harder for it to be only San Francisco artists because of the cost of living and the way the city is evolving and its businesses.

Then, we put through a bit of a screen and look at it. Is it enhancing this public space? Is it appropriate for it? Is it the right scale? Is it the right topic? The topic can be geographic, cultural, historic or it can just be fun too. You couldn't say it's geographic, cultural or historic about the spider, for instance but there's different screens and they're not requirements necessary. We review it by the public. We go to our citizens advisories committee. It comes to the commission. The commission has also in its leasing policy that was adopted on July 9, 2019 and is adopted every year or two. For major sites, the executive director is authorized to waive the art license fee in locations that we're not using or leasing for another purpose that furthers our public purpose of attracting people to the waterfront. It becomes a benefit to the Port in that manner and that there are no other users planned for this space. There are about six spots listed and Pier 14 is one of those. It's been the most successful out of all them.

Artists come and finance art here because it provides such exposure to them. What the Port does offer is location so we do have a contribution. It's not a financial contribution. It's our cooperation with artists. It's our offering up of certain locations along the waterfront.

The commission has been willing to put that forward in the past and then identify these top spaces for this. We look at qualities of art as well. This is something you may see as we go forward with a set of art guidelines, how it talks about the Port, social statement. That's something we get into more at a later time.

The Port has sponsored some great art pieces. Bayview Rise was largely funded from the southern waterfront beautification program. I believe there were some other sources but that was the bulk of it. We employed the Arts Commission with their fee to manage this process, which set up a selection panel. We received 200 initial proposals from a nationwide search and then, it was narrowed down. This commission reviewed and accepted that. It's gone on to win awards and truly an amazing piece. Art comes from other sources too. From the governor's office for the global climate summit, the polar bear came forward, fantastic piece

finished with car hoods. It's a political statement about the climate change and who might be affected on that.

There are pieces that come to us, probably one of the favorites of all time was the rocket ship. Sean Orlando was on the team that designed and brought that to us as we go forward. Again, that one did not go through a formal selection process. Neither of these did the Port make a financial contribution but allowed location to be our contribution towards furthering this.

We use art for other things too. If you can call it art, it is related to the seawall interpretive. It shows how far up sea-level rise is going to impact the Port and its facilities going in the future. This is a ramped area at Pier 14. It ties these lines to different dates.

That concludes my presentation about the proposed piece of public art and a little bit about how we do selection process. I'm here to answer questions about how we do selection process and how we might go forward in the future and then look forward another time to coming back to you with that.

Commissioner Makras - Great presentation. You mentioned that the art grant is 2 percent for a project. So if it's a million dollar, 25% of it goes to the Arts Commission for maintenance?

Dan Hodapp - For instance, if the Port receives city money for a project, two percent of the construction cost of that project is for public art. Of that 2 percent, let's say it's \$100,000, the Arts Commission, managing the project would get 20% for this city-money project. They would take \$20,000 of that \$100,000.

Commissioner Makras - They manage it. Do they maintain it or they just manage it?

Dan Hodapp - They just manage it. That does not include maintenance cost.

Commissioner Makras - Does the maintenance go back to the original artist? How does that get managed?

Dan Hodapp - If it's added to the city's collection, then the city becomes responsible for it. The Arts Commission often tries to set up a maintenance agreement of some sort or some type of endowment. I believe there is a provision where they can take another 5 percent of the budget and put that towards a long-term maintenance.

Commissioner Makras - Thank you very much. Great presentation.

Commissioner Woo Ho - Very interesting presentation. I like the idea of having a reinterpretation of Coit Tower. That's very innovative and with the Commissionerian sort of doors of San Francisco, which is very much our icon here. I just wonder, how long will this installation be?

Dan Hodapp - The temporary art is quite a well-accepted thing. If you don't like it, it goes away. People are accepting. The community really welcomes temporary art. Permanent art, people become more opinionated about. This is a proposal to do a license for 12 months. The artist has said they'll probably stay nine months of that but we're offering the opportunity for 12.

Commissioner Woo Ho - In the past, what have happened to some of these pieces after they were taken off our property?

Dan Hodapp - The artists have taken and moved them to another location. The polar bear had a trip planned to various states because it was speaking to such a social issue. I believe some of them have been sold. I believe the rocket ship got sold and is permanently installed in Denver, Colorado. The location with the Bay Bridge backdrop in San Francisco provides exposure to artists. That's what this Port of San Francisco can offer.

Typically, one of these installations costs an artist around \$50,000 to install and de-install. It's no small undertaking after they fabricate to bring it in and do all this, go through the license process and an encroachment permit process, which is similar to a building permit.

Commissioner Woo Ho - It has enhanced our waterfront. I'm supportive of the project. Thank you very much for the presentation.

Commissioner Gilman - Thank you so much for the presentation. It seems like an incredibly cool concept. What will we do as a Port to make sure that we advertise it? Would we do a ribbon cutting or some sort of ceremony to publicize the fact that this is coming? Particularly since it is two iconic things, Coit Tower, the doors, it's also speaking to the affordable housing crisis. There's so many ways that we could try to help elevate it so that San Franciscans know it's here. Then, if we fell in love with it, would we have an option to keep it?

Dan Hodapp - For the first question, please look forward to an opening ribbon cutting of which you will be invited to attend. The date is being arranged right now, which we hope to have the mayor at as well and, of course, Port Commission for this. I believe we're looking at somewhere end of October, early November. That's about as much as I know.

Do we have the option to keep it? In the past, we have extended the license on some pieces. I believe the rocket ship was here somewhere in the neighborhood of about two years. BCDC has given us a permanent authorization to do public art without even checking with them at this particular location for up to two years.

We would have to talk to the artist to see what their plans are for the piece. They own it. The Port doesn't own these pieces. We enter into a license where they are responsible for maintaining it while it's up here, removing any graffiti,

repairing it should something happen and indemnifying the Port for any actions related to it and providing insurance, of course.

Commissioner Gilman – We have an excellent communication team, I think one of the finest of any city department. I hope we really capitalize on this and push it out and elevate it because it's such a timely issue particularly when it represents so much of San Francisco. The city is facing an affordable housing crisis. This is really exciting.

Dan Hodapp - I'll make sure the communication team is well aware of this.

Commissioner Adams – Dan, I also appreciate your sense of humor and your passion. I really do. This is so neat. I always appreciate when we have this kind of art come to our waterfront. I agree with Commissioner Gilman. We really ought to promote it and we want schoolkids and anybody to come out to see that. There's no waterfront like ours. I'm a big supporter. Thank you.

Commissioner Brandon - Dan, thank you so much for this presentation. I'm looking forward to this art installation. It's going to be great. I'm looking forward to the ribbon cutting and seeing the actual tower go up.

Regarding the art, I'm a little confused on what our Portwide art program is. What locations are available? Does a person have to go through the Arts Commission to go to a location? Once someone submits a proposal for an art project, is it automatically accepted? How does that work?

It seems like we have had really good luck with Pier 14 and the installations there and Ferry Plaza but we have seven-and-a-half miles of waterfront that can use art throughout. I'm wondering what type of program do we have. How do we encourage people to participate?

Dan Hodapp - We have a very partial program in place right now. We have one commission resolution authorizing six sites: Pier 27 plaza, Ferry Plaza, Pier 14, Brannan Street Wharf, Crane Cove Park and Heron's Head. The commission supports large-scale art and it provides the executive director the opportunity to waive the license fee. That's the one piece we have in place. Another is, when our construction projects, public projects involve city money, we are part of the 2 percent for art program. We've seen that through the Islais sculpture down at the corner of Third and Cargo Way. I believe some of the money also went into Bayview Rise. There is something planned for Crane Cove Park. And you can see it at THE Cruise Terminal Plaza.

Currently, we do not have a set of art guidelines yet but it is in our work program. We are looking at how art may contribute to the public realm in a larger way. We hope to be able to bring that to you certainly within the next year, hopefully sooner than that. As part of that, we would expand upon the selection process. One of the issues now is we don't have a budget for bringing in public art. Unless we have such a budget, and I'm not suggesting we establish one, but to require

a selection process when we don't have that would be something that this commission would want to talk about in the future.

Commissioner Brandon - If we're accepting public art, not necessarily having to pay for it, there should still be a process. The Art Commission approves lots of projects. If they knew that we were looking for more projects along the waterfront, they may direct more projects our way. I'm looking forward to some kind of concrete understanding of our Portwide temporary art, permanent art participation.

Dan Hodapp - We will develop such and return to you with that.

Commissioner Brandon - Thank you. This is for New business.

Elaine Forbes - It's definitely for new business.

9. FINANCE & ADMINISTRATION

- A. Informational presentation on a proposed issuance of Port of San Francisco Series 2020 Refunding Revenue Bonds in the aggregate principal amount not to exceed \$27.00 million (\$27,000,000) to refund the remaining outstanding balance on the Port Commission's 2010 Revenue Bonds to achieve interest cost savings through 2040 (the remaining life of the 2010 Port Revenue Bonds).

Commissioner Woo Ho - Katie, before you proceed, I have a disclosure to make. I will be recusing myself from the presentation and voting on this. In the proposal, U.S. Bancorp is proposed as the trustee for the bonds. I am an independent director of U.S. Bancorp. To avoid any conflict of interest, I will be recusing myself. Thank you.

After the announcement, Commissioner Woo Ho left at 5:50 p.m.

Commissioner Gilman left the room at 5:52 p.m. and returned at 5:55 p.m.

Katie Petrucione - I am the Port's chief financial officer. I'm here this evening with an informational item regarding a proposed refunding of the Port's 2010 revenue bond. I'm joined here this evening by a variety of members of our finance team including: Bob Gamble and Christine Choi from PFM; Peter Wong from Backstrom McCarley; Chris Lynch, who is our bond counsel associated with Jones Hall; disclosure counsel, Russ Trice; and one of our underwriters Eileen Gallagher with Stifel. Russ is going to speak to you when I'm done about the commission's duties to disclose in as full and accurate a way as possible before we issue this new debt.

Staff is proposing to refinance nearly \$30 million in outstanding 2010 revenue bonds. We are requesting that the commission give authority to issue these refunding bonds in an amount not to exceed \$27 million. Staff only expects to issue approximately \$23.5 million of bonds. We estimate that this refunding will

create approximately \$13 million in savings over the life of the debt with a net present value of almost \$8 million.

The maturity dates of this debt will remain the same. This proposed refunding supports the Port's strategic goal of stability by creating savings that may be applied to capital projects or other strategic needs of the organization and also by reducing the Port's annual debt service, which improves our overall financial stability.

As you will recall, in 2010, the Port issued \$36.65 million in revenue bonds to support construction of the cruise ship terminal and to perform capital improvements on several piers. The 2010 bonds included two different series, a taxable and a tax-exempt reflecting the mix of public and private capital improvements funded by the bonds. The taxable series matures in 2030. The tax-exempt series matures in 2040. When the bonds were issued, there was an option to be redeemed at the Port Commission's sole discretion as of March 1, 2020.

Currently, the Port is paying \$2.8 million annually in debt service on the 2010 bonds, which will then drop to \$1.9 million annually in 2031. The Port's current outstanding debt is \$87.9 million. This is a combination of revenue bonds, certificates of participation that were issued by the city on the Port's behalf and for which we are responsible to pay the debt service and two loans from the California Division of Boating and Waterways, one for improvements to Hyde Street Harbor and then loans that the redevelopment agency incurred to fund construction of South Beach Harbor in the 1980s.

The Port assumed the responsibility for the South Beach Harbor loans with the final transfer of South Beach Harbor from OCII to the Port, which occurred this past April. The Port Commission approved a debt policy in 2016 with the goal of ensuring prudent debt management that will achieve the highest possible debt ratings with the lowest cost and the lowest possible risk.

This policy establishes guidelines for refunding of existing debt including that the refinancing result in at least 3 percent of net present value savings and that the Port's financial advisors believe that it will not see greater savings by deferring the refunding. Port staff and our FAs currently project that this refunding will achieve NPV savings of approximately 26 percent of the principal amount of the 2010 bonds so significantly higher than the 3 percent set by the debt policy.

Our financial advisors advised that waiting to refinance will not achieve significantly higher savings. The team estimates that this refunding will achieve approximately \$840,000 in annual debt service savings between 2021 and 2030 and then \$460,000 annually until the bonds are finally repaid. This dip in debt service occurs when the taxable bonds have been repaid. We believe that, over the remaining life of the debt, we will save approximately \$13 million as a result of the refinancing.

To give you the general parameters of the refinancing, we are asking the commission for a not-to-exceed amount of \$27 million for the new bonds but we project we will only need to issue \$23.5 million. We expect that the final interest rate will not exceed 6 percent and should, in fact, be much lower. The maturity dates for the debt will remain the same. We will not proceed with the sale if we cannot achieve at least 10 percent savings.

These bonds will be issued through a negotiated sale. Both series will be structured to provide relatively level debt service. Finally, we have been advised by the financial advisors and the underwriters that the market is not going to require us to fund a debt service reserve so we are planning not to do so.

Port staff estimates that we will generate approximately \$23.5 million in bond proceeds, which we will combine with the existing debt service reserve and a March 2020 payment to pay off the existing debt and to cover the costs of issuance. To be conservative, the Port and our FAs have created two potential scenarios, both of which will result in substantial interest savings. The first scenario assumes that the Port will issue bonds in the amount of \$23.5 million at a coupon rate of 4.27 percent.

This would result in a minimum debt coverage ratio of 7.72 for the revenue bonds and 4.09 for the Port's combined debt, which will include revenue bonds as well as our subordinate including the COPs and the loans from Cal Boating. The second scenario assumes that bonds would be sold at an interest rate 75 basis points higher than the current market and that the Port will in fact be required to fund a debt service reserve. When we return to the commission for approvals, we will be asking you to approve several documents including a resolution authorizing the sale, the third supplement to the indenture of trust, a bond purchase agreement, the preliminary official statement, the continuing disclosure certificate as well as escrow agreements.

We have a number of steps that we must complete before we are able to actually repay the outstanding 2010 bonds. On October 22nd, we expect to return to the Port Commission for approval of the refunding. We hope to introduce the bond documents and appropriation ordinance to the board of supervisors before the end of October. We will meet with rating agencies and receive a rating for the credit in December.

Then, we will receive board of supervisors' approval in December and early January. In January, we will post the preliminary official statement and get pricing on the bonds with the sale of the bonds and closing in February of 2020, with repayment of all of the outstanding 2010 bonds by March 1, 2020.

Russ Trice - I've been asked to speak just a little bit about disclosure responsibilities in connection with the public financing. These are securities. Bonds are securities. The municipal market is very deep. It's a multi-trillion-dollar market. What you're doing is consistent with many other agencies across the street issuing public debt.

In each case of a public offering, there's a disclosure document. It's the big thick one that will appear before you for final approval in October. In preparing that document, your staff has been mindful of a few basic securities law requirements, which you'll want to keep in mind as well. The first and most important is accuracy. Obviously, all the fraud rules apply and so forth. But at the federal level, there's a rule that provides a touchstone for disclosure, that there be no material misstatement and no material omission in your disclosure.

What does that mean for the Port? We disclose material risks such as earthquake. We even disclose a little bit about climate change. We disclose material revenues. We disclose, in fact, some immaterial information that is simply helpful and beneficial to the reader. But the test again for securities law purposes is no material omission and no material misstatement. The Securities and Exchange Commission after the Orange County bankruptcy made clear that boards, commissions, city councils are responsible for the offering document.

While you have competent, knowledgeable and trained staff and while they have hired outside professionals to assist, at the end of the day the Securities and Exchange Commission will look to you if there's a problem with the document.

Let me tell you just a little bit about the protections that exist for the Port and for the City of San Francisco as a large issuer and these are good facts. You have a knowledgeable staff and a good process. There's been multiple meetings to review the disclosure.

It's been scrubbed by your staff. They're mindful of the securities law. They're mindful of the material risks. They have procedures. They have centralized responsibility. Also, they've hired disclosure counsel. That's us.

My name is Russ Trice. I'm with Norton Rose Fulbright. We regularly work with the city as disclosure counsel and with the city attorney's office. They have a track record for submitting continuing disclosure for investors on each of your outstanding issues. The Securities and Exchange Commission (SEC) considers those things carefully in an enforcement action. Those are all very helpful facts. Some important reminders, disclosure speaks as of its date. You'll approve it. You'll sell your refunding bonds. That's the date of your disclosure. Generally speaking, you don't have a duty to update it as developments come along. There are a few exceptions.

You have annual disclosure including your audit, so the investing community knows what's going on at the Port. Sometimes, there may be voluntary disclosure for very material issues that arise. Certainly, if there was a major earthquake that impacted your lease revenue, you might consider a voluntary disclosure.

There are routine investor-relations opportunities for disclosure at conferences and other things. But generally speaking, your disclosure for each official statement speaks as of its date. So you don't need to lose sleep a year or two

from now or 10 years on a 30-year bond issue that the official statement may create risk. There are penalties for inaccurate or incomplete or insufficient disclosure. I'd be remiss by not mentioning them. In the highly unlikely event that you are investigated, there are fines for municipalities and for individuals.

The SEC can issue a cease-and-desist order. In the worst cases, which we would not expect, there can be criminal prosecution and, of course, investor lawsuits. Why bring this to your attention now? Maybe you haven't experienced this on other bond issues over the years. Since 2010 when you did the bond issue that you're refunding, there have been a number of enforcement actions for the first time in the municipal area. In the corporate area, enforcement is not surprising. Corporations can go bankrupt. Shareholders need to be protected.

The municipal space has enjoyed a very long run of not heavy enforcement. That has shifted. In 2013, there was the first sanction against a municipal entity, not in this state, for inaccuracies in disclosure and a financial penalty.

In 2014, there was individual liability for insufficient disclosure again in another state. The fines were relatively small, \$20,000 in the case of the municipal entity, \$10,000 in the case of the individuals. But since that time, the SEC has continued to issue orders, continued to issue fines, most recently in Montebello in Southern California for a school district. We can expect the SEC to continue to roll out enforcement through cease-and-desist orders and penalties.

Generally speaking, the SEC does not regulate you directly. They regulate underwriters. Your underwriters are very careful. But they can, in certain circumstances, particularly for fraud, regulate municipalities directly. They can do this without showing any financial harm, unlike an investor suit. So that's the scary part.

Again, I want to emphasize the good-process aspect of staff review, hiring a competent team, having a deliberative process and your review of the aspects of your document that you're most familiar with: budget, revenues and expenses and those kinds of things, any risks that the document may not contain that you're aware of. We think we've covered all the material risks. But if there's something else to be included, we want to make sure that your disclosure is fully sufficient.

Commissioner Makras - I support the item. Any refinance is good. The parameters of what staff is recommending sound prudent. The only thing I would call out is, on page nine, item number four has a not-to-exceed an interest rate of 6 percent. I would ask staff, if we're paying 5.75 now, our documents should reflect a figure that we would end out paying more. If it's a typo, it's a typo. If it's intentional, why would we refinance and give parameters for something more than what we're paying?

Katie Petrucione - We absolutely do not expect to pay 6 percent. We just wanted to give ourselves an outside parameter that would allow for market conditions to change.

Commissioner Makras - If I may suggest, if market conditions change and take it to 6, then we should put a cap of 10 percent less than our 5.7 percent. Then, we're going to end at even point of not losing money if the bid-call came and it reached six, there's no advantage for us to take that risk.

Christine Choi, with PFM - In terms of your question, the not-to-exceed 6 percent interest rate is just the coupon rate on the bonds. The actual Port's borrowing rate we expect to be closer to 3 percent. I believe the resolution that has a little bit more information has that not-to-exceed rate set at 4 percent. The 6 percent interest rate is the coupon rate on the bond. They may be sold at a premium to investors. But the actual yield that the Port will be paying is lower than that.

Commissioner Gilman - Thanks for the thorough presentation. I'm supportive.

Commissioner Adams - Great presentation. I'm supportive.

Commissioner Brandon - Katie, thank you so much. This was great and it will be great to recoup \$13 million.

11. NEW BUSINESS

Elaine Forbes - I have recorded several items. One, we'll be back to you with some recommendations on a Portwide arts program for your review and feedback. We also will be working with President Brandon to make sure that the LBE and workforce development reporting for Mission Rock is clear, concise, timely and transparent. We will get that report back in a clear and concise way. We will be scheduling an item to come back to the commission to talk about the findings from the pilot on the lightweight cellular material or LCC after that pilot occurs for Mission Rock. So you can hear what the PUC has found and how they're moving forward or not moving forward on the permit.

Commissioner Adams - Are we going to get an update on what's going on with Pier 30/32? Also, I'd like to know about this building out here on the pier that's just been sitting vacant for years.

Elaine Forbes - When you say Piers 30-32, on the RFP that's coming out or something different?

Commissioner Adams - Do we have any update on the RFP?

Elaine Forbes - That is scheduled on November 12th. We'll be here to ask for your authorization to request for an RFP on Piers 30-32 and Seawall Lot 330. We're currently working with the community on what kinds of things that they'd like to see

and working up our trust values for that RFP. On the restaurant sitting vacant, we'll absolutely come forward and tell you what's going on.

Commissioner Gilman - I would like to have, if possible, an open-session-update of what's happening with our lease negotiations with Pilara, the photography nonprofit, sooner rather than later. I'm hoping it can get scheduled before the end of the year. I know we only have a couple of commission meetings left.

Also, when Commissioner Woo Ho made her request to bring our rules of order forward, she also made a request, which I was a little unclear of the content. But Director Forbes, you seemed to understand her request around having the city attorney come back and talk with us about ethics and the values of the Port. I'm hoping we can do that before the end of the year.

Elaine Forbes - Absolutely.

Commissioner Brandon - Hopefully, soon, we can have an update on Pier 70 and how it's going and how the Brookfield takeover has affected anything, if any.

Elaine Forbes - Absolutely.

Commissioner Makras - If an operator transfers a lease and we approve it, what report does it come in in? Does the commission see lease assignments?

Elaine Forbes - It depends on the lease. Some of the leases delegate assignments to me. It's a very pro forma standard. I use reasonable discretion. Some, you have to consent to. We come in in closed session and typically do a financial review and other review of the firm that is proposing the assignment. So it really depends on the lease whether it comes to you or even what my standard of review is. Some of the older leases, the assignment is quite pro forma. I don't have the right to reject in the older leases. So it's a variety of paths. I could write a memo just to clarify. I think it would be helpful for staff to see that memo as well. I'll do that.

Commissioner Gilman - Could we get an update on the former Butterfly Restaurant space? I feel like we approved that lease quite a while ago. I walk by it all the time. I'm not seeing activity taking place.

Elaine Forbes - Yes. We've been trying to get them in front of you in October. We will give you an update.

12. 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 6:15 p.m.