

CITY COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING FEBRUARY 23, 2016

1. CALL TO ORDER / ROLL CALL

Port Commission President Willie Adams called the meeting to order at 3:15 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon, Leslie Katz and Doreen Woo Ho.

2. APPROVAL OF MINUTES – February 9, 2016

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

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

5. EXECUTIVE

A. Executive Director's Report

Elaine Forbes, Interim Port Director - First I would like to say that I'm really grateful to be appointed by the Commission and the Mayor to this Interim Director role. I know that the bench at the Port is very strong, so this honor has particular significance to me, significance that I will carry through this transition period and I will call upon when times are harder.

Our outgoing Executive Director Moyer left the organization with many gifts and I consider myself one of her contributions. When Monique asked me to join the Port five years ago, I coined myself an "Enterprise CFO-In-Training" and now I'm poised to lead this incredible organization during this transition. Outgoing Director Moyer also left us with the gift of the Strategic Plan. This Strategic Plan is a roadmap of very tangible deliverables to achieve the Commission's vision for the Port. We will be using this plan to guide our work during this period.

Since the announcement last week, I would like to say that I've received nothing but encouragement and offers for help from Port staff. The Port has the gift of exceptional professionals and leading this group is really a privilege. Port staff also understands and treasures the importance of our seven and a half miles of waterfront. We know that it is the diversity of the business types, water and landside activities, people, public interest, regulatory point of views, that together really create the experience of this waterfront that's one of a kind.

We welcome 21 million people a year here, because they too want to experience something that only our waterfront offers. The Strategic Plan will guide us to sustain and build upon this very vibrant and very diverse place. I take great pride that the Port Commission has the latitude to take it's time to conduct a professional and complete nationwide competitive search to find the very best Executive Director for this organization. Because that means that this organization has the bench internally to provide for this seamless transition and we're very proud of that.

Thank you very much for your confidence in me, the staff and I will not let you down.

- In Memoriam: Maria Chen, Retired Port Executive Secretary

Maria Chen retired from the Port and was an Executive Secretary in the Engineering Division. Maria was born October 27, 1954 in Hong Kong. She passed away February 11, 2016, at a very young age of 61. Her husband Edward met Maria when she came over to San Francisco while she was visiting her sisters. The rumor is that Edward had to chase her across the Pacific to get Maria to marry him. They were married in October 1981 in Hong Kong. After they married, Maria moved to San Francisco. They have a daughter, Natalie, and a son, Justin, and two grandchildren, Allison and Abigail. Maria began working at the Bank of the America for a short time and then started working for the City and County of San Francisco on July 6, 1998 at MUNI as a 1446 Secretary II, but she quickly transferred to the Port in December 28, 1998 where she was promoted to 1450 Executive Secretary I on May 29, 2000. She retired July 17, 2016.

One of her talents was singing. She loved singing so much that she decided to give Chinese Opera a try in 2005. Chinese Opera was one of her hobbies in which she went singing every week and eventually became quite an avid performer. She even amassed a beautiful collection of Chinese Opera costumes. Another interest that was near and dear to Maria's heart was travelling. She took every opportunity to travel.

In 2013 she was diagnosed with ovarian cancer which she battled and overcame and came back to the Port. Unfortunately in 2015, her cancer reoccurred and she lost her battle on Thursday, February 11, 2016. She was surrounded by family. A funeral mass was held in her honor on February 18 and was attended by family, friends, and many at the Port, including our outgoing Director, Monique Moyer.

Maria will be deeply missed. She had a wonderful personality. She was a very lovely person. All who knew her enjoyed their time with her. She was very graceful and had a ton of integrity. Staff would be very grateful if the Commission could close the meeting in Maria's honor.

- San Francisco Seawall project in competition for the City Accelerator Infrastructure Finance Cohort

Elaine Forbes - I would like to talk about the competition that the City is engaged in. I'm very pleased to announce that the Mayor's Budget and Policy Director Kate Howard has led the charge on submitting the City of San Francisco's Seawall Project to the Living Cities Competition of the City Accelerator Cohort. The Cohort provides 18 months of financial capacity building and expertise to the city that is selected.

The City of San Francisco is now in the third round of the competition. The competition went live with five other cities. We're competing against Pittsburgh, Providence, Washington D.C. and St. Paul. Three of the cities will be selected into this Cohort and, if selected, we will get 18 months of financial assistance to figure out how to finance the Seawall Project.

Noting that the project is not yet defined and is coming to the Port Commission, the Mayor's Budget Director realized that the financing question will be grand and to get started now will help us on a dual track. Meghan Wallace will show the Web site. The part of the competition is engaging the public, informing the public, and having the public vote and leave comments on our application.

The Web site address is www.governing.com/cityaccelerator. We are going to put a link on our Port Web site so the public can jump right in. Voting ends on Friday and we encourage everyone to go to this Web site, see our Seawall story and leave a comment and rate our storyboard.

Meghan Wallace - As Elaine indicated, the link will be posted on our Web site but the opening page gives an overview of the overall program and then you can click the link to go into San Francisco's particular presentation.

You might find this picture familiar. It is called a story map. It's an Esri based program that all participants created a story, presented the outline of their various projects that were all competing to share with the accelerator program.

Overall, the map is laid out giving the background of the City's Seawall, of the waterfront. It was presented in the way of overall City Projects and need and benefit and that was out of the Port's participation with the Mayor's Office and Capital Planning Group Program staff. We wanted to show this as a city wide effort, not just the Port.

When you get into the web site, you have to scroll down through the different pages. This is the general opening overview of what the project is. As you go through, you'll see the different things such as the waterfront today as a starting point. You can click on different images and see what the waterfront all about and the critical infrastructure along the waterfront. All of

the public infrastructure that's supported by the Seawall in this area. Talk about the historic elements of the waterfront. Seawall Project Manager Steven Reel came up with these maps to show where the Seawall is located and talking about the history of how it was built.

It's a graphic of the different steps that went into building the Seawall and it also talks about the evolution of how we got where we are today, the impacts or the risk of seismic activity along the waterfront. Obviously the Bay Area is a high seismic area. This is a map of the area along the waterfront that actually would be impacted, or that the study underway is showing the various levels of impact in the event of a seismic event.

Sea Level Rise - we do talk about seismic activity in the short/immediate-term and then Sea Level Rise in the longer-term, but both being reasons why we're concerned about improving the Seawall.

What are future generations going to want out of the Seawall? And thinking about the overall funding need, how great it is and that we're going to need to call on future generations to help pay for it, likely in terms of issuing debt. That's what gets to the heart of this Accelerator program. It's to come up with innovative solutions to try to fund this infrastructure need.

It talks about the property taxes and the area that would be impacted in the event of an earthquake and Sea Level Rise, like what areas of the city are interested in their general vulnerability and what is it that we're looking to protect by improving the Seawall?

The Mayor's Office also wanted to emphasize how this particular project is a start on thinking about the vulnerabilities all along the waterfront, around the city. In the Southern Waterfront, there are major Development Projects in the works and we need to think about how we can come up with financing solutions that can help address needs farther down along in those more southern regions.

Finally thinking ahead and this is for future generations. We've benefitted from the work that our ancestors did many generations ago. In San Francisco we're continuing to reap those benefits and now we need to think forward to decades and centuries down the road.

Meghan Wallace – On the main page, when you click on "Our Cities" link. You can also scroll through it in this more compressed format. Towards the bottom you see these stars pop up which indicate generally how people have voted so far. We have a whole lot of five stars, just a couple one and two.

Elaine Forbes - And you would click on "Rate it" right above.

Meghan Wallace - This is the area where you go in and click on "What did you think" and you rate the project and give your name.

Elaine Forbes - We're very pleased that the Mayor submitted this and spearheaded the submission of this application and that we're now in the third phase of this contest. Voting ends on Friday, March 4, 2016. We encourage everyone listening to go to this web site and take a look at the storyboard and provide a comment and rate our application. The program is very interested in not only cross-City collaboration, the Port collaborating with the Mayor's Office and Capital Planning, but the way in which we will engage the public in this financing question.

B. Port Commissioners' Report:

Commissioner Katz – Elaine, thank you for stepping into the role of Acting Executive Director. It's a daunting task I'm sure, but really pleased that you were willing to step up and do that. Also a thanks to all of the Port staff. I know this will be an interesting time as we embark on new directions. I know everyone has really been coming together and I want to thank all of you for your involvement in stepping up to the plate during this next phase in the Port's evolution.

Commission President Adams - Elaine, I'd like to follow up on what Commission Katz said. It's good to have you aboard and that you stepped up and I have all the faith in the world. You know, this Port here, we have a deep bench. The only thing I can tell you is to have a lot of courage, make strong decisions and don't worry about what people think or say about you. Make no apologies and just lead. Knowing you, you've got a lot of integrity. You will do the right thing.

I want to thank everybody that came out for the farewell party for Director Moyer last Friday. A lot of times, people get plaques and tributes and dedications when people have passed on. But I have something I'd like to read for the record, then I will show the public. Monique will be still alive, and if she ever goes down to the Cruise Terminal at Pier 27 with her family, her descendants, they will see a plaque in honor of Monique.

The plaque states: "In tribute to Monique Moyer, Executive Director of the Port of San Francisco, 2004-2016, for leading the development of the James R. Herman Cruise Terminal at Pier 27 and the transformation of the San Francisco waterfront." What a tribute for an icon. She definitely put her time in.

6. PLANNING & DEVELOPMENT

- A. Informational presentation by the San Francisco Recreation and Parks Department on India Basin Open Space Planning and the interagency coordination between Recreation and Parks, the Office of Economic and Workforce Development (OEWD), the Port, PG&E and Build Inc.

David Beaupre, Planning and Development - . I wanted to take a moment to introduce Phil Ginsburg, Executive Director of Recreation and Parks Department and Nicole Avril, the Project Director for the India Basin Parks and Open Space Plan, an effort in which Recreation and the Parks Department have invited the Port to collaborate with them on an Open Space plan along with several other City agencies.

This is a continuation of a collaboration that we've had with Rec and Park on a number of different things within the India Basin area including their leadership on delivery of the India Basin Park which includes a couple of small Port lots which we collaborated with them in the early 2000s. We continued to collaborate with them at Heron's Head Park where they're our partners on education, outreach and volunteerism where we have programs run out of both Heron's Head Park and India Basin Open Space.

Phil Ginsburg - I'm the General Manager of San Francisco's Recreation and Park Department. It's a pretty poignant meeting celebrating former Director Moyer's incredible tenure and welcoming Elaine. It's a good moment to reflect for a second before we dive into the topic which is India Basin which is a project of partnership.

The most important reason that we wanted to be here today was to thank the Commission and to thank the Port leadership and its staff for incredible partnership. As the Port moved more into insuring adequate Open Space and recreational opportunities along the waterfront.

We've had the pleasure of working together now on two Parks Bonds in 2008 and 2012. Elaine and I were in the war room for 2012 together. Commissioner Woo Ho was the Co-Chair of the 2012 Parks Bond Campaign with Rec and Park Commission President Mark Buell. We have worked together on some of the city's most iconic and special events including the recently completed Super Bowl where your part of the world and our part of the world over at Sue Bierman and Justin Herman Plaza were a little crowded. We worked so closely together on America's Cup.

We're in this together. As the Port gets more and more into creating Open Space opportunities and environmental stewardship and programming, it's great to have the partnership that we do.

Today's update is about India Basin, which as David introduced has been a long-standing partnership between Rec and Park and the Port Commission. We have an opportunity to do something pretty spectacular with a lot of other partners in the fold.

I'm going to start out with a little bit of big picture. Nicole Avril, Rec and Park's Project Manager, will follow up with more details on where we are now and our exciting design competition which just happened. We have lots of partners and a robust Project Team.

These are some precedents for the opportunity that we have. I wanted to speak for a second to the importance of creating more park space particularly in the southeast neighborhood of San Francisco. Both the Port and Rec and Park have been working very closely under the leadership and guidance of the Mayor's Office of Economic and Workforce Development (MOEWD) and the Planning Department. Anne Taupier is here for MOEWD.

We are all acutely aware of some amazing data about the Southeast Quadrant of San Francisco. We have 36,000 people who already live nearby the India Basin area, 23,000 people who already work nearby. As Meghan just pointed out in a prior presentation, 20,000 new households being built by 2040, 50,000 new jobs being created which MOEWD and the Planning Department estimate is one fourth of all new jobs to be created through 2040 and 675 acres of Open Space.

We have before us, an opportunity to create a true legacy waterfront park at India Basin. A process which frankly was originated and started by the Port at Heron's Head. But if you put IB in the context, India Basin, of other relatively recently created legacy parks, you can see Brooklyn Bridge Park, which by the way had multiple land donors and stewards who worked together to create some amazing waterfront Open Space. The Seattle waterfront was a similar construct. The Highline in New York City. Crissy Field which we know very well. All are forward thinking, lasting, large complex and coordinated efforts similar in scale and a few slightly different in scale here to India Basin.

I wanted to know where this fits in in the larger context of the Blue Greenway. As you all know, the Blue Greenway is a network of trails and Open Space along the waterfront which the Port has taken the lead in implementation and interagency coordination going back many years. The Blue Greenway is essentially a necklace that connects a series of different pieces of Open Space along the waterfront. What we're focusing on today, India Basin, is one of its most special jewels.

What makes India Basin so unique? Its shorelines. It's naturally forming habitats. Its cultural history. Its views. Its industrial heritage. Its access to the water. Its title dynamics. These are all assets which offer the potential to make India Basin waterfront a really special Open Space and legacy park for the City.

Perhaps the most important reason and the reason why we're here is connectivity. There are eight unique sites around the Basin including the Bay which we consider to be part of it, that has 1.5 miles of continuous shoreline. It's rare in San Francisco and even in the Bay Area and it creates a very special opportunity.

Within this stretch, there are seven individual pieces of park trail and Open Space properties. With the exception of the Port's Heron's Head, all of these are in some stage of development or needing some development. We have this

opportunity to plan on a larger scale, one that not only provides necessary waterfront access for the Bayview Hunters Point community, but also has the potential to draw people from surrounding neighborhoods who want to take advantage of our amazing Southern Waterfront.

Jonathan Manzo from PG&E is here and I'd like to thank him for coming.

The properties are numbered from one to seven and I'm going to talk a little bit about each one. They include: (1) Heron's Head; (2) PG&E's Hunters Point Shoreline; (3) Recreation and Parks Department's India Basin Shoreline Park; (4) Recreation and Park Department's newly acquired 900 Innes property; (5) Build Inc.'s, Big Green; (6) Rec and Park's India Basin Open Space; and (7) a project of Lennar Urban's Northside Park.

Heron's Head Park is about 22 acres. Our work on the 2008 and 2012 Bond Project helped us support parks and Open Space along the shoreline. This partnership is probably the most direct opportunity for our departments to work together.

In 2000, the Port built Heron's Head, host to many amazing assets and community programs as David mentioned including the EcoCenter. It's home to some of the best bird watching in San Francisco, incredible wetlands, salt marshes, native plants. We have Science Saturdays and some amazing partnerships with organizations such as the Bay Institute Aquarium Foundation and APRI.

The piece of the partnership that I'm probably most excited about as David also alluded to is our Greenagers program. I don't get to spend a lot of time at the Port Commission, so I don't know how much this program is discussed here at the Commission, but this is an awesome partnership between us. It offers 9th and 10th graders from the southeast neighborhoods of San Francisco the opportunity to improve our city's green spaces and play an important role in their community through park beautification projects, workshops, team building exercises, environmental education, community engagement and stewardship.

In fact, both Port staff and Rec and Park staff were present at our recently completed graduation of our fourth cohort. If you have not been to Greenagers graduation, come next year. It'll be our fifth. The kids are so excited. Their families are excited. It's a nine month program. They work three Saturdays a month. They have to show up on time. They have to complete their work. They get a stipend for their work. You see them evolve from just kids who ended up in the program to environmental leaders and it's pretty remarkable.

I'm now focusing on our piece of the partnership, at Heron's Head. We're focusing at India Basin Shoreline Park which as David alluded to includes some Port parcels historically. India Basin is about 5.6 acres. It was a project that was completed in partnership with TPL, the Trust for Public Land which is a partner in the larger India Basin effort.

Between the Rec and Park and Port sites is PG&E's property. PG&E is in the process of remediating the shoreline into what will become the Hunter's Point Shoreline Trail. It's more than just a Remediation Project. They're working with RHAA and envelope A+D to improve the Bay Trail and install native plantings, furniture, fixtures, lightings, and way finding. The designs look great and PG&E is doing an awesome job on this project and we really thank them for their partnership.

As I mentioned India Basin was created in 2003 in collaboration with the Trust for Public Land. It's both a passive and active recreation site. It's got a playground, barbecue areas and informal human powered boat launch. It is underutilized. Part of the goal of this project is to reinvigorate India Basin Shoreline Park and we think one of the most important strategies there is to increase access from all of the housing that's on the hill for which it's kind of a little hard to get there.

900 Innes is a 1.79 acre parcel. It's adjacent to India Basin Shoreline Park. It's a property recently purchased by the City through our Organizations Acquisitions Fund. If anything was the catalyst for this larger planning effort, it may have been the acquisition of this parcel which was historically the site of a schooner boat building industry. Until as late as 1990s it was used as a boat repair yard. Currently it is the only remaining gap in the Bay Trail. It is currently a Brownfield and not publicly accessible. It is the home of the historic Shipwright's Cottage and it connects, it is the thing that connects all of these parcels.

The last Rec Park property in the grouping is India Basin Open Space which is located to the south of 900 Innes. Its restoration began in 2000 as part of the Mitigation Project associated with the airport and I believe that the Port was involved in this one pretty extensively as well. Today, the Open Space features a tidal salt marsh, upland habitat, provides food and shelter for a variety of shorebirds and foraging habitat for raptors. It also has some of the most extraordinary views of the Bay and it had trails that link to the Bay Trail and some pretty exceptional bird watching.

Sort of nested inside that India Basin Open Space which really envelopes the waterfront is something called the Big Green. It is part of the 700 Innes Development by Build Inc. The Big Green is being designed by Bionic and is going to feature active and passive recreational opportunities including pick up sports, a marketplace and event spaces and then a part of it will be kept natural and wild and peaceful.

Build Inc. has been an important and collaborative partner in the effort. We are relying on a lot of their experts and they have funded a lot of the planning for this larger project. We're very grateful to have them on board and they seem extraordinarily committed to making Open Space and park land an important part of their development.

Finally to the south of India Basin Shoreline Park and the Big Green is Northside Park which is in the process of being developed by Lennar Urban and is part of the Shipyard/Candlestick Point Project. The Northside Park is being designed by Hargreaves Associates and Quinn Landscape Architecture. I want to thank Lennar because Lennar has come to the table too and said, "We agree that all of these pieces of Open Space should blend together." For the park user it feels like one big park experience.

As you can see in the name of partnership, this is a project that is about partnership. We have land owners that include our organization and the Port, and PG&E, and Lennar. We also have Park Advocacy Groups and Park Planning Organizations like the Parks Alliance and the Trust for Public Land and we have Build Inc. who is a private developer that is really committed to contributing to the fabric of Open Space in the area. We're thrilled with the opportunity.

Nicole Avril - Thank you so much for having us here today. I want to talk a little bit about our project goals, the Waterfront Study's project goals.

The first is we're prioritizing environmental cleanup. We're also developing a common set of information from which to make decisions. We're providing a complementary comprehensive design and programming blueprint for future park development. We're ensuring a diverse and balanced mix of recreational, ecological and educational services across the properties. We're stimulating inclusive and meaningful community engagement. We're designing a landscape that is adaptive and resilient in the face of Sea Level Rise. We're expanding public access to the Bay and we're implementing interim activation strategies.

It's important to note that we're not starting in a vacuum. There have been a number of planning efforts over the last two decades, many of which were spearheaded by the Port. In large part, Port planning is feeding our most current efforts. We've highlighted a few. These studies provided a starting point for the goals and programming of the waterfront.

To spearhead the effort, the Mayor, Supervisor Cohen, and General Manager Ginsburg created a Task Force and invited over 30 Bayview Hunters Point community leaders, relevant City stakeholders and all of the property owners to guide the park's programming and design processing. The Port is a very active participant in this process. The public was also invited to participate in the Task Force meetings.

At our meetings, we started with the programmatic suggestions in the studies and verified that this was what community members want. We then prioritized these results and identified preliminary preferred locations. We also talked to a variety of folks in the community. We went out to Sunday Streets. We went out

to the Black Love Festival. We participated in a number of other Blue Greenway outreach events to tell them about what we were doing in the India Basin.

Simultaneously, we conducted a series of technical studies for the Basin including basin wide studies such as bathymetry and topography, coastal processes and Sea Level Rise studies, and the India Basin Transportation Action Plan. We also did focus area studies such as a biological resource assessment, a wetlands delineation, a delineation of jurisdictional water, a preliminary geotech report, a sediment analysis, historic reports and an EPA Brownfield assessment.

These studies inform the feasibility and placement of programs and amenities in the Basin. In a nutshell, they told us what we wanted and where what we wanted could go.

All of these efforts resulted in the India Basin Waterfront Parks Open Space and Trail Study. Using the study as a basis, Rec Park in partnership with the Trust for Public Land, Build Inc., and the San Francisco Parks Alliance launched a design competition for 900 Inness and India Basin Shoreline Park. We had an RFQ process in which 19 firms responded. Our minimum qualifications including having built a \$20 million park and having waterfront recreational and post industrial waterfront experience.

Five firms were selected by the Task Force and we walked with David Meckel as our Competition Advisor who's led competitions for the new Presidio Parklands competition and Fort Mason Center. We provided the finalists with the Waterfront Study and asked the firms to consider key findings from the study such as what folks wanted to see on the sites and what could go where. This particular slide shows the most logical locations for a human powered boat launch.

We also let the firms know that at a minimum, the proposed plan for 900 Inness should include remediating the land, closing the final gap in the Bay Trail and creating a segment of the Blue Greenway, restoring the Shipwright's Cottage and most importantly, providing improved access and Open Space for the residents of the Southeast neighborhoods and the city as a whole.

We also told them to consider both 900 Inness and India Basin Shoreline Park respectively. Together, there's an opportunity to develop these eight spectacular acres into an innovative park with improved access, amenities, climate resiliency and green infrastructure.

Next, the top five finalists were asked to participate in an ideas submission phase that was shared with the public last month. A jury of seven people comprised of four community members and three industry professionals was also selected. This ideas method of selecting a firm was intended to allow the community and the jury to see how the firms think and might approach this particular design opportunity.

An obvious side benefit is that the community also got to see five different ways of thinking about their waterfront from multiple thoughtful, experienced design professionals. After a full day of interacting with a variety of public groups from planning professionals at SPUR to neighborhood stakeholders and being interviewed by the jury, the firms were again rank ordered by the jury on how clearly they communicated through both their ideas and words, their ability to best serve the community's ambitions for the site, and on criteria ranging from conservation and habitat restoration to their responsiveness to the design brief.

Here are a few images from the competition. This is surface design with Aidlin Darling Design and AECOM. This is Guthrie Gustafson Nichol and SWA with Natoma Architects and this is Tom Leader's submission. You can see all of their submissions at ibwaterfrontparks.com.

All of these submissions were excellent, but one was clearly the best fit across all of the criteria the community had developed for the sites. We are currently in negotiations with this firm, and we are very close to a successful negotiation. We should be able to announce the winner within a week.

We'll then start the concept design process in March during which we'll hold a series of community meetings where we'll show first, second and final iterations of the design and gather and incorporate community and stakeholder task force, stakeholder feedback. We'll conclude the process in August.

Phil did note that the 900 Innes site is currently a Brownfield. After the conceptual design process is complete, we'll be able to create a remedial action plan. The Recreation and Parks Department applied for three Brownfield grants in 2014. We were awarded two of them for \$400,000. We have reapplied for the third parcel which we did not receive funding for. We split that into two and we're applying for another \$400,000.

The conceptual cleanup approach for the site is as follows. The ground contaminants on 900 Innes are as you would expect as it was a former boatbuilding and repair site. We've got metals, PIHs, petroleum and PCBs. Key provisions of our cleanup plan include excavation of the top two to four feet of soil, capping and management of soil under the pavement, excavation and offsite disposal of some of the soils, and import and placement of clean soil as backfill. Remediation for the Shipwright's Cottage which Phil mentioned on parcel three includes the abatement of asbestos, lead based paint, mold, universal weight and lead contaminated soil around the building.

What's next? We are thrilled to continue the community led concept design process. We're looking forward to cleaning up the site once we complete that concept design process. We'd like to implement interim activation strategies. We will be developing funding strategies for the park. We'll be working on Operations and Maintenance strategies. We will be developing funding strategies for the park. We will be working on Operations and Maintenance planning and developing a phased build out plan.

Mostly, we're looking forward to collaborating with the Port as well as of our other partners through all of the phases of this process.

Angelica Rocha - I am an intern at San Francisco Parks Alliance. San Francisco Parks Alliance is partnering with Rec and Park, TPL and Build Inc. to work on the India Basin Waterfront Project. We have worked with partners around the community around community engagement to design and build an amazing community park that is worthy to residents of San Francisco generally and specifically residents of the southeast. It has been an honor to partner with the other landowners and stakeholders of the India Basin area and we look forward to continuing our work and moving forward.

Jonathan Manzo - I'm a consultant working with PG&E. I'm supervising the design aspect for the Shoreline, India Basin and the Streetscape Projects. I wanted to commend Park and Rec, the Port and Build Inc. and TPL for spearheading this process. It's a great project. PG&E is looking forward to the implementation of the park and we're happy that they pushed this through in a very quick timeframe.

Commissioner Brandon - Phil and Nicole, thank you very much for such a wonderful presentation. I think this is absolutely wonderful and long overdue.

Philip Ginsburg - Thank you.

Commissioner Brandon - Kudos to the interdepartmental collaboration, Build Inc., TPL, PG&E and Lennar for all coming together and making this a reality because it's going to be such a wonderful addition to the Blue Greenway. I appreciate all the work and I'm so happy that the Port was the leader in this process starting with Heron's Head Park and our wonderful site out there and David, and all the work that the staff has put into that.

Who's going to pay for all this? Once it's built, who's responsible for the maintenance?

Philip Ginsburg – This is all sort of a phased approach quite frankly and we do have different landowners out there. The first phase of funding has been advanced by Build Inc. and we also received a Coastal Conservancy Grant. We had a big Coastal Conservancy Grant.

There was some funding that was advanced by Build Inc. and Nicole has mentioned that on a separate path we've applied for a lot of funding for that Brownfield cleanup. We have funding that will get us through concept design at the moment. We have funding lined up through the concept design. There are going to be a variety of both public and private strategies to take us from there. They range from the next Parks Bond which I eagerly await us having an opportunity to work together on, to foundation grants, to impact fees or funding from other development that may or may not happen in the area.

We're going to take it one step at a time. We are working through design now. The two fundamental parcels that we are working on are Rec and Park properties at 900 Innes and India Basin Shoreline. PG&E is separately working on its Shoreline Trail. Lennar Urban is separately working on Northside Park. You all have already done a fabulous job with Heron's Head.

The goal for us all is to make all these parks, all these different parcels, feel like one space to the user. Not seven different spaces owned by seven different entities. Park users don't really care about jurisdictional boundaries. The number of times that I am told that I run Crissy Field, it happens several times a day. Nobody cares. What they want to see is beautiful Open Space with a diverse array of active, programmatic features and amazing natural and environmental features, good way finding, a consistent look and feel and that's what we're all striving for.

Commissioner Brandon - And then the maintenance?

Philip Ginsburg - Maintenance and Operations is to come. By default, the properties that are ours, we would maintain in the same way that your staff is maintaining Heron's Head. There is a grander opportunity which will be our next phase of planning to potentially work together on a Maintenance Plan. The most creative funding strategies that have surfaced involve a community facilities district idea or some sort of IFD. This is going to be an area where the Port has a significant amount of expertise and we're going to look forward to getting some of your advice.

For us to keep this park as we envision it, these parcels as we envision it, we are going to need to work together on maintenance and on facility planning. So it's still to come.

Commissioner Brandon - We were so successful in 2008 and 2012 collaborating on the GO bond. I read this morning that Park and Rec is doing a 2016 bond.

Philip Ginsburg - It's not a bond. It's a measure proposed by Supervisor Farrell and the San Francisco Parks Alliance that was just passed by the Board of Supervisors today. It was placed on the ballot. The policy idea is a baseline funding with some incremental growth that will stabilize Rec and Park's funding. The Port operates as an enterprise department. We are a General Fund department. My first challenge when I started out as the Rec and Park Director in July of 2009 was to have to eliminate 20% of my General Fund support. We are still coming out of that.

This measure is really more focused on Operations and Maintenance than capital renewals. The good news is, in our annual Operating Budget, Interim Director Forbes and I worked together a little bit on the City's Capital Planning

Committee so she probably is more fluent in this than I am, but we had a pretty healthy year of support from the City's General Fund Capital Program.

We will be able to maintain that support if this measure passes. It will allow us to do a better job tackling the well over billion dollars of deferred maintenance that has occurred in our system over the last 150 years. It will be very stabilizing for us and allow us some incremental growth to attack more deferred maintenance and just set us up better to take care of our parks. It's a little different than our next bond partnership.

Commissioner Katz - Welcome General Manager. Nice to have you here.

Philip Ginsburg – Thank you. It's an honor to be here.

Commissioner Katz - Thank you both very much for the presentation. It's exciting to see what's happening down there. Commissioner Brandon used the word I was going to use to which was, "Kudos to everyone." This is really exciting and the speed with which it's come together to is also quite impressive.

I know we were speaking about attempts to try to acquire some of these last few pieces and it seems like it was just yesterday that that was in the works so to have come this far is really impressive. I also want to just emphasize a couple points you made that we've all been working together. I appreciate the collaboration of all the different entities involved. I think that's when the City's at its best when we're all coming up and working together on projects like this.

We certainly love partnering with Rec and Park department. I also want to emphasize the Port's commitment to Open Space. I'm often talking about the Blue Greenway and all of the parks that we're connecting along the waterfront, this is just another example of how strong our commitment is to creating those places for the community to be able to have recreational opportunities and be an Open Space and see the wildlife that does come through here and have access to the water. This is just another example of that.

Commissioner Brandon touched on a couple of the questions I had in terms of the funding. But going back to the cleanup, there's another \$400,000 needed for the cleanup. Is that the entire parcel or just one of the parcels out at 900 Innes?

Nicole Avril - This would be for the entirety of 900 Innes, all three parcels. The total budget is in the realm of \$1.3 million but the Recreation and Parks Department would provide the remainder of the funds necessary to do the remediation.

Commissioner Katz - So \$400,000's been awarded?

Nicole Avril - We're anticipating another \$400,00 and then there would be an additional approximately \$4-500,000 necessary.

Commissioner Katz - Putting on my attorney hat, are there any responsible parties or prior owners of the site that could kick in some funds to help on the cleanup?

Nicole Avril - Unfortunately, no but that's the kind of thinking we need.

Philip Ginsburg - I think the non-attorney response to that is that we bought it as-is.

Commissioner Katz - They can't waive that, can they?

Philip Ginsburg - The truth of the matter is that the value of the land was actually discounted by the amount of the cleanup.

Commissioner Katz - Got it.

Philip Ginsburg - In response to one other point because everybody's excited about the progress that we've made so far. We have made a lot of progress. First of all for the India Basin communities, they've been waiting for this moment for well over a decade. I'm not sure that everybody would say that we've moved super fast. We have done a good job in acquiring the land and in designing it.

I want to caution that the planning is one piece of it. The next phase would hopefully be the Brownfield Project. We still have a ways to go on this project. For managing public expectations, we're focused and would welcome the Port's partnership on interim activation strategies at the site.

In the meantime, Heron's Head is still an amazing place to be enjoyed. India Basin, Shoreline Park is very functional and beautiful. PG&E's Shoreline Trail will come on line sooner than our larger project would get completed.

PG&E's Shoreline Access Project is scheduled to be completed January of 2017. We're looking more than a few years beyond that. We're going to do this in phases. The good news is that there's cohesive, thoughtful, long-term planning out there and you are going to see incrementally over the next several years more and more Open Space for people to enjoy.

Commissioner Katz - On the cleanup, to what level will the cleanup be brought up to? There was some reference made to a partial cap.

Nicole Avril - We'll be capping excavating green space and hardscape.

Commissioner Katz - In terms of community involvement and gardening program and landscaping program with some of the youth, will there be opportunities for the community to also volunteer and participate and to help work on phases of the project if people so desire?

Philip Ginsburg - Yes that is fully the intent. It's already happening where there's a lot of community participation in the outreach process itself.

Commissioner Katz - No, I'm saying sort of the hands on.

Philip Ginsburg - There might be certain phases that are more appropriate for that but we did put it in our original RFP, a commitment to local hire. We have certain commitments that by ordinance with respect to local hire. I thought that there was some preference for, or we asked all of the design firms to identify what their local engagement strategies would be. We are certainly aware that there are neighborhoods around the parcels that are anxious to work and to support and be part of it.

Commissioner Woo Ho – This is very impressive and appreciate the plan and the Open Space. In addition to some of the questions that have already been asked, I am very happy to hear that the experience is going to have a consistent look and feel. It's really important for the public to feel like they're moving from one space to the other. It looks like these spaces are very close to each other regardless of the owner.

Once this whole area in addition to the Open Space gets developed, it will obviously not just serve the immediate neighborhoods but it will be attracting folks from other parts of the city or tourists to come. What's the plan to make sure that there is transit access as well as parking?

I'd like to understand because I'm not that familiar with this area as well as Commissioner Brandon. How far away is this going to be from the Forest City Development and the Lennar Development? I know Lennar is doing a lot about Candlestick Park. Is this walking distance? How are the people going to get there? What neighborhoods is it going to serve? How is it going to serve the greater population of San Francisco?

Philip Ginsburg - There are a lot of interesting ways to answer that question because that has fundamentally been the purpose of the Blue Greenway discussion which is a very cohesive planning exercise that creates bike and pedestrian access from all of the Open Space parcels along the Southern Waterfront and that is our main strategy.

I'm going to let Nicole talk about some of the transportation studies that have been happening in the area generally. The very northern tip of the Lennar Project would be one of the parcels involved in this project. It literally borders the northern border of Lennar's jurisdiction or Lennar's development area is Northside Park.

Pier 70 is about two miles away to the north. Lennar is to the south. Pier 70 is about two miles to the north. Recology is right there. It's along Third and Cargo, or Third and Evans. But there's been a lot of thought and a lot of discussion

about bike and pedestrian access. Nicole will address some of the transportation work which ties into some of the larger economic development and housing.

Anne Taupier is here from MOEWD if it's appropriate for her to chime in. But the MOEWD and the Planning Department have engaged in a tremendous amount of thought and study on transportation in this area generally.

Anne Taupier - I wasn't expecting to come up. I was mostly here just to hear the presentation. But, there is an extensive planning going on. It was initiated by Build Inc. It incorporates Lennar. Lennar has been part of the ongoing transportation plan. Lennar has existing obligations from their development that actually extend all the way down Innes Avenue out to Cargo Way.

All of that is being incorporated into a long-term strategy. We are working very closely with the Planning Department. We are now initiating the environmental review which the Rec Park and Buildings EIR is being done together. MTA is also actively working on what the long-term strategy will be both in improved access along Innes Avenue, along the entire corridor as well as enhanced public transportation along with class one bike path that goes along the project line. There are a number of studies that are happening right now that will be part of the long-term strategy.

Philip Ginsburg - Obviously there are other things happening in the area that are not park specific.

Commissioner Woo Ho – Obviously you're trying to figure out who you're going to award the project to etc. but in terms of timeline, you already said it's going to be beyond 2017. Even if you do it in phases, how many years do we think this is going to take? Even though this will change because you haven't started yet, how much is this going to cost?

Philip Ginsburg - The real issue is what the "it" is? Because we're talking about two things here. We're talking about the larger opportunity of connecting parcels that are already under Open Space development and that already have a funding stream and a funding plan. There's 900 Innes and India Basin Shoreline Park which are specifically within the jurisdiction of the Parks Department.

It is difficult to say. I do not see a funding path without another Parks Bond. The scope of this project is in the tens of millions of dollars but it's still to come because we haven't gone through a community concept design process and that results in cost estimating work.

You're going to see Open Space improvements over a number of years from a number of the different land owners out there. I think this project has a good five to seven years of continued development.

Commissioner Woo Ho - It's great to see all this Open Space. It's probably one of the areas of the city where we have such concentration contiguous along it. I would assume that once it's developed and it should be a big attraction, not just for the immediate neighborhood.

Philip Ginsburg - Ocean Beach, Crissy Field, and this.

Commissioner Woo Ho - It's very exciting. We hope that this can move forward but there will be all the challenges that you have to get it there.

Philip Ginsburg - Everybody loves Crissy Field. Sometimes we talk about this project as "The Crissy Field of the Southeast." A few neighbors said to me, "You know, there's going to come a day, when you're going to talk about Crissy Field as the India Basin of the Northwest." And I said, "I look forward to that."

One of the things to remember about this project is it involves the Bay and climate. There's much more of an opportunity for waterfront recreation in this area than there is along Crissy Field and the weather is a lot better. This project really presents some important opportunities.

We are going to need in the design process to really blend. This is one of the challenging park issues, not just in San Francisco but around the country in urban park design, is how do you design and inspire a spectacular Open Space and make sure that the uses are balanced between those who want to visit and those who live around it.

That conversation is still to come. Some of those themes started to surface in the design competition which is why we were very proud of doing it this way. We don't do all our projects this way.

Commissioner Woo Ho - Would people be able to fish from shore? Is that a permitted type of activity or not?

Philip Ginsburg - Did we say that fishing was on one of the program activities? I think that is still to be determined because some of those activities need to blend in with some of the environmental stewardship responsibilities that we have at the site. Human powered boating will definitely be a recreational activity out there.

Commissioner Woo Ho - We have this Ecological Institute in Heron's Head Park. I don't know if there's something similar because it sounds like the environmental, educational opportunities interacting with this is probably very interesting environmental land that you could do a lot of things with, particularly students, right?

Philip Ginsburg - Absolutely. There's enough land out there so it would be a blend of both active recreation program and just the enjoyment of the natural resources which are there.

Commissioner Adams -First of all Phil, I want to thank you and Nicole and also David and everyone that's been involved. Clearly a lot of due diligence has been done with this. I really appreciate the extraordinary comments and feedback from my fellow Commissioners. I would like for you to come back in a year.

I'm liking this journey and being a part of this journey and this is something that would add so much to that neighborhood and enrich it. It's a great project and you have my support. I really like it that you're taking your time with it. You're being very thorough. You broke it down to us so that we can easily understand it and the transparency of it, I really like it. Thank you.

Philip Ginsburg - Thank you very much President Adams. I want to give a special thank you to David Beaupre who's really invested a significant amount of time with us on the Task Force and has given us quite a bit of guidance on the project. We value that and appreciate it.

7. FINANCE & ADMINISTRATION

A. Request approval of the Port's Fiscal Year 2016-17 and 2017-18 Biennial Operating and Capital Budget. (Resolution No. 16-08)

Meghan Wallace, Port Finance - I was just here on February 9th for the overview on the budget. Today I would like to do a little bit of recapping of the budget as previously discussed and also go over some of the questions and answers that came up over the last meeting.

To start, the City's outlook is continuing to project strong revenues, a strong economy. However, expenses Citywide are driving a projected General Fund shortfall. The Port outlook is a little bit stronger. We are continuing to carry strong revenues. However, we've been able to control expenses. We're still carrying a strong net revenue that's allowing us to support our designation to future capital.

This speaks to the overall strategy where the Port's trying to prioritize capital and also invest in needs but recognizing limited resources, trying to limit that operational growth. Having targeted capital investments that ideally also generate more revenue that can then be invested in more capital and also meet other high priority projects.

And that's what this balancing act really represents is that scale of recognizing that the larger the Operating Budget is, it's a balance of those operating resources versus what goes to capital. But what we designate to that capital in each year's budget shows how we're trying to prioritize how we're spending our money.

Overall our projected budget, our proposed budget for Fiscal Year 2016-17 is \$151 million. The second year is \$139.8. The first year is stronger because we have additional fund balance from prior years of not fully spending all of our available funds. Staff is recommending that we go ahead and have a larger Capital Budget in the first year. In the second year, it does go down; however, the fund balance is still strong.

I talked about how just looking out over the last 10 years you can see that our operating revenues have grown quite significantly - over \$47 million. However, just to think about the City's economic outlook, even with this positive look back on how much our operating revenues have grown, we're being more cognizant of a potential economic slowdown.

In terms of use of funds, the first year of the budget jumping to capital is larger than in the second. You can see that in terms of operating expenses, you can see that the growth is \$1.5 million overall and then you look down at the designation to future capital, that's growing by 2.6. It's reiterating that our proposed use of funds, we're controlling those operating uses and trying to put more aside for capital.

All of that being said, we're trying to use our resources as effectively as possible. We're recognizing that the waterfront has been evolving. There's more and more demand on the operating staffing and on our resources. We're trying to make do within a certain size of our Operating Budget and staffing needs is one of the big things that emerges of how can we address this evolving waterfront, control our operating expense growth, but meet our staff's needs?

What our budget proposes is limited increase in overall FTEs and a significant amount of reorganization and changing job classifications to meet our current needs.

Then on capital funding, over the two years it's over \$55 million of investment in 29 projects. It's a balance of revenue generating projects, meeting critical maintenance needs and Life and Safety Projects emerged as a common theme, something that a lot of staff felt were coming due. We wanted to prioritize some key projects such as improving fire suppression infrastructure.

I do want to just quickly go over the questions that came up during the last presentation. Attachment five has been included with the staff report that goes into more detail on these. But I did provide just snapshots of the tables that are included in that attachment.

To start with, these are in alphabetical order of the Commissioners. First of all, there was a question about the Waterfront Development Project and we were talking generally about how it's set up and when we first proposed this project, the intent was to have a project that would cover all transaction costs related to the Development Projects with an assumed reimbursement from developers.

The proposed budget reduces the assumed recoveries from developers and that's largely because of a recommendation on the part of staff to have the Port cover Forest City transaction costs. We found that the economic benefit overall in the long-term to the Port would be more beneficial than having the immediate recoveries.

Staff is going to continue this conversation in separate agenda items with the Port Commission, but the way the budget is set up, if you so choose to have us continue to recover the funds, then those recoveries will appear as a surplus over the budget. Whereas if we assumed those recoveries now, and later had direction to not recover the funds, we would have a shortfall. That's the main logic behind this proposal.

Regarding the City Attorney Work Order, I shifted out \$900,000 of assumed City Attorney expenses out of the project and into the Operating Expense Budget. It's an administrative shift that allows us more flexibility in how the funds are spent because we can't always predict how the City Attorneys are going to be assigned their time. In the event that we had more non-development work for the City Attorneys and \$900,000 of that Work Order Funds were in the project, we could potentially have a shortfall in our funding to pay the City Attorney.

As a result, it makes it appear that there's a really large increase, 42% growth in the City Attorney Work Order. But when you take into account the reduction in the City Attorney Work Order in the project, the overall increase budget, in the entire budget is 3% just to allow for some inflation for growing costs in City Attorney staff.

The question about projects that were defunded for the 2015-16 Capital Supplemental, specifically, is there a need to restore the funds to these projects? This is the specific list of projects. They were recommended as a result of staff going through and identifying work that's already been completed that the projects were either completed under budget, we had alternative funding sources. The answer from Port's recommendation is that there is no need to restore funds to these projects. This was money that we saw as being available to support the Capital Supplemental.

For the Pile Removal Strategy, the question raised a great opportunity for staff to come together and figure out what numbers belonged to the piers that we had funded. We have it right now, so thank you. For example, the Piers 84-88, I had previously labeled as 82-84. So when Engineering staff came and presented that Pier 88 still needed repair, the answer was in fact we had funded that work through the Pile Removal Strategy.

Same goes for the Pier 96 Mooring Pier. I had previously identified that as Pier 98. The answer is, "Yes." We have fully funded removal of the derelict piers from the Southern Waterfront aside from the Pier 90 grain silos. That work is

still being permitted and at the time, coming closer to completion of those permits, we'll come back to the Port Commission and make recommendations for funding.

Commissioner Katz asked if we have staff expertise in the area of Sea Level Rise and also in finding funding that can help us address those issues. The answer is, "Yes." We do have existing staff both in Engineering and we have Environmental Planner classifications who evaluate our Capital Projects. For example, to understand what the impacts of Sea Level Rise might be on future capital work.

I'm also excited to say that we have a new Grants and Budget Analyst on board who's going to be pursuing new grants and thinking about Sea Level Rise adaptation is definitely one area where he'll be able to look into funding sources. Additionally, through the story map process for the Seawall, we became familiar with the Mayor's Senior Fellow Program. We're currently applying to see if we can bring on somebody from the private sector who could help us facilitate the process of mapping out all of the issues related to the Seawall Project and pursuing funding and all elements of the project.

Additionally, has staff considered what facilities the Port tenants might be responsible for? The Capital Plan does break out tenant responsibility versus Port responsibility and to the extent that projects are proposed that might potentially have a tenant who could help fund it, we try to pursue those opportunities and look for that link. We try to do that as much as we can through the Project Evaluation Process.

Does the Port collect permit revenues from developers? This was another good one for me, a good learning process. Indeed we do collect permit revenues from our developers. We've collected over \$150,000 since 2012. Those revenues are ramping up. In the earlier years, it was a much smaller amount.

How does the current year revenue projection compare with the proposed budget? The current year projection is \$98.4 million in total revenues. That is a \$7 million variance over budget, \$1.7 million of that variance is from a onetime payment from the Daggett Street Project. It's a transfer of the property and we received those funds.

From the financial snapshots that the Port Commission receives monthly, a straight line projection would bring in revenues closer to \$105 million. However, as a result of the Daggett Street payment, a onetime annual payment that occurs annually and it's already been received so we can't double count it for the second half of the fiscal year. Also seasonal adjustments that staff takes into account as far as tourist impacts on our revenue generation, we are projecting a lower amount of \$98.4

I adjusted for the Daggett Street as a baseline assumption for comparing our budget projection. \$96.7 million would be the baseline that I would compare the

budget proposal from. The budget is projecting \$98.8 in total operating revenues and that's a little over 2% overall growth. It increases to 2.6 overall in the second year.

For South Beach Harbor, this is a basic summary of the revenues compared to the uses so you can see that we have a strong projection of between \$900,000 and a million dollars each year over the next five years. The budget makes the assumption that those net revenues are going to be dedicated towards capital improvements at the facility. In terms of overall revenues, you can see that we are projecting consistent growth in those revenues.

I'm requesting your approval of the budget. Yesterday, the budget was submitted to the Mayor's Office. However, if you do request changes, we can certainly take those back and submit those changes. Next steps will be going to the Capital Planning Committee. The Mayor will introduce the budget to the Board of Supervisors in May. We'll be going through the Board Approval Process and then by August we'll have a new budget. I'll come back to you in the fall with updates on major changes that occurred through that process.

Commissioner Katz - Thank you. As always, a very cogent presentation. A couple questions, as we look at some of our projected revenues, and I know there was reference made in terms of potential economic downturn, but what kind of impact? How did we account for that if it's more significant than anticipated, what impact would that have?

Meghan Wallace - One major area that we would likely see an impact would be in our percentage rents. If our tenants aren't doing as well, we don't do as well. Also, in the event that property, ground rents start to go down, our projections for future rents would also decline. But as far as adjusting for it, the designation to future capital is where we would have that cushion. That we just wouldn't have as much at the end of the year to fall to fund balance and then appropriate for capital in the next year.

Commissioner Katz - In terms of variances other than participation rent, we're pretty full in most of our sites. Are there any major areas that could be impacted by not having tenants in those that would suffer from a decline in value?

Meghan Wallace - You mean, as in where we do currently have vacancies still? We do have a number of facilities in the Northern Waterfront, the Pier 29-31, those facilities are all either under construction or being proposed for construction.

Commissioner Katz - But we didn't account for the revenues from that in this budget, or did we?

Meghan Wallace -I've maintained a base assumption. The timing is later. It's more starting to set in in the second year of the budget so they're pretty small assumptions as far as new revenue.

Commissioner Katz - I've noticed in terms of under the use of funds with the South Beach Harbor Marina, there's a change from the current budget, both 2016 and 2017 and 2017 and 2018, what accounts for that diminution?

Meghan Wallace - Was it the increase in uses?

Commissioner Katz - Actually decrease.

Meghan Wallace - Well, are you, you're looking at the P&L?

Commissioner Katz - Under your use of funds, your overview of changes, it went from \$5 million to \$3.8?

Meghan Wallace - The previous budget made a lot of assumptions, just as with the transition from the Redevelopment Agency, we built in some assumptions in terms of debt service. That's the biggest one. It was a very large debt service amount. We have a smaller payment than what had previously been assumed in the budget so we're sizing it down to a more realistic budget.

Elaine Forbes - For South Beach Harbor, the Revenue Bonds are finally repaid in December 2016. There is a partial payment made as part of the initial bond issuance, so we had thought, we budgeted the full payments and part was holding with the trustee for that final payment. That's part of why South Beach Harbor starts to show surplus that we can use for their facility because we finally paid off the Revenue Bonds.

Meghan Wallace - The previous budget had \$1.9 million assumed for debt service and now it's closer to \$500,000.

Commissioner Katz – This is very exciting. Thank you very much.

Commissioner Woo Ho – Meghan, thank you very much for the presentation and getting us answers to the questions that we asked. Just a couple things that just occurred to me. You were mentioning the major vacancies, but what is the operating vacancy assumption in the existing budget? Did you assume some sort of operating vacancy in your assumptions?

Meghan Wallace - I didn't build that in as a basis. The driving units of our projections are based upon current rents. We were able to model out our current leases, inflation within those existing leases and if a lease were to expire, we assume that we'll have at least that same amount of rent and continue. We're basing it off of current rents.

Commissioner Woo Ho - That leads to my next question. In years past I got the impression that we looked at the Real Estate revenue and just assigned a certain rent adjustment that was uniform across, versus a lease-by-lease kind of analysis, and building it up and understanding when the expirations were and the terms.

In this forecast, are you using an overall assumption for all the leases or even if you're not doing it absolutely down to the detail, but at least some of the major leases so that we can really see the difference in revenue impact? I understand what Commissioner Katz is asking. I'll be a little bit more bullish and say we're still probably going to be in a fairly stable real estate market in San Francisco.

Meghan Wallace - It really is, it's based on the rent roll. It is more on a lease-by-lease basis.

Commissioner Woo Ho - Lease by lease, so that's a little bit different than what I remember from years past. That's a little bit more accurate than I would say in terms of revenue projection which is good.

Meghan Wallace - I would say that when we do the analysis of the Capital Projects, that's an opportunity of looking at a square footage by particular facility. Real Estate staff weighs in on what they think the low versus high rent may be in that facility, so that's a very discrete site that we get a fairly accurate assumption of what that additional revenue will be when that facility is leased out. I think it is quite accurate.

Commissioner Woo Ho - Then the upside potential is the larger spaces that we have not yet figured out what's going to happen in terms of rental such as in Piers 29-31.

Meghan Wallace - That's right.

Commissioner Woo Ho - Which is upside potential. I'm still going to hope that you're going to get to the \$100 million sooner than you think.

Meghan Wallace: I am too.

Commissioner Brandon - Thank you Meghan for responding to all of our questions. One last question, and that is regarding the America's Cup. I know that we defunded some projects to put money towards America's Cup. I just wanted to make sure that if we needed to, that we refunded those projects. It may not have been from last year, but many years ago.

Elaine Forbes - The biggest project we defunded was the Backlands Project and we have replenished that project. We also moved some Pier Repair dollars to the America's Cup and we have refunded the Pier Repair Project. We certainly refunded the big projects and we started anew with our capital scoring and asked, "Bring in all the projects you need now." If there were smaller things that fell off, we've started a planning process anew to really prioritize those needs.

Commissioner Woo Ho - I have one quick question. It's really related to the actuals, not to the budget. As a result of Super Bowl, did we have to absorb any

expenses? To Meghan, was that already reflected in the budget for this year? Did we have expenses that we incurred and was it in our forecast?

Daley Dunham - The amounts that were arguably defunded, there were only two hits that the Port took and they were very small. They were taking the parking meters out of commission where they were needed for Super Bowl City. That expense was offset by, or at least projected to be offset, we don't really have the final numbers in yet by the surrounding meters and the uptick that they took during that same period of time.

The second was again arguably a cost that we absorbed. It was waiving the permit for the use of Harry Bridges Plaza, which is a space that we normally lease out because it's a small island. That was a decision that the Commission made on an annual basis for certain free events to the public where certain permit costs are waived. Those were really the only two that I'm aware of.

Elaine Forbes - We reported cost to the Budget Analyst for maintenance work and other security work, but it fell into our regular Operating Budget. We provide those types of services for Special Events Portwide. It wasn't an increase in cost or an increase in our needed resources, it was deploying the resources we had budgeted.

Commissioner Adams - Meghan, you were very well prepared. I want to say to my fellow Commissioners, this budget was submitted to the Mayor's Office yesterday, so is there anything else that you want before we vote on this? Because it has been submitted to the Mayor's Office.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 16-08 was adopted.

8. REAL ESTATE

- A. Request authorization to enter into an Exclusive Negotiation Agreement with DeSilva Gates Construction Company and ProVen Management to negotiate a lease for the construction and operation of a recycled content asphalt batch plant at Seawall Lot 352 (located south of the Islais Creek Channel and east of Amador Street) (Resolution No. 16-09)

Daley Dunham, Special Projects Manager for the Port - I'm joined here today by my colleague Patrick Rivera who's the Project Manager for SF Public Works as well as our development partners, Jim Summers, Vice President of DeSilva Gates Construction Company and Jeff Davis, General Manager and Vice President of one of our favorite tenants with an exceptional history of being a tenant in good standing, Central Concrete Supply Company.

I'm here presenting to you the Exclusive Negotiating Agreement which is the document that frames the negotiations for the coming months to arrive at our

final agreement, in this case a ground lease with DeSilva Gates and ProVen for Seawall Lot 352.

The Seawall Lot 352 falls right in the middle of a number of sites which the Port has envisioned as our Southern Waterfront Ecoindustrial Complex with local synergies from the users in that area. A closer look, across the street is the Backlands. It abuts Hanson Aggregates and has access to Pier 94.

How we got here to this point, about this time last year, the Commission authorized the Port in concert with Public Works staff to issue a solicitation for lease of the site. That was to be accompanied with long-term contracts, supply contracts to the City for both high recycled content asphalt and high recycled content concrete.

In the fall of last year, the Commission deemed most responsive to that solicitation a joint proposal by ProVen, DeSilva Gates and Central Concrete. The proposal would have involved or included construction of a new asphalt plant at Seawall Lot 352 by a joint venture of DeSilva Gates and ProVen.

It included for the concrete side of the equation, again that first piece of the puzzle is for asphalt only. The concrete side of the equation, they partnered with Central Concrete that has three plants at the site. They would repurpose one of the plants exclusively for City use and for the high recycled content that the City is looking for. The accompanying long-term supply contracts, one would be with the joint venture of ProVen and DeSilva Gates and the other would be with Central Concrete. There are three separate agreements that are in the works here.

This is what this document's all about, the key terms. This Exclusive Negotiation Agreement was based largely on the last one approved by the Commission which was the Teatro ZinZanni Kenwood ENA. This was scaled down to the appropriate size for this development. One-year term, one six month option, \$20,000 negotiations fee. Developer is responsible for all third party costs such as CEQA Consulting, City Attorney costs, other consultant costs, regulatory approvals -- again, all standard -- assignment of all documents, investigation documents at termination of the ENA.

Then the last two are unique and somewhat different from the TZK ENA. Formation of the joint venture has the entity that we'll wind up leasing with for the site, and then the ENA acknowledges that the three agreements that are contemplated in the, were contemplated in the RFP all need to succeed.

One variation from the Port Commission direction provided on September 22, 2015 that wasn't required in the past resolution, but the staff report does urge that the joint venture, NewCo, temporarily called would be entered into and vetted as the entity with which we would enter into the ENA itself. After working with our partners, they felt that it worked better for them if that took place after and so we have made the recommendation in the staff report that we

accommodate that request and have added it as a key benchmark in the ENA. It's an enforceable term under the Exclusive Negotiations Agreement.

There are really three sets of negotiations here. This document will give Port staff the go ahead to negotiate in earnest lease terms. At the same time, the San Francisco Public Works, will be negotiating two separate supply contracts, one for concrete with Central Concrete, one for asphalt with NewCo. Those are happening in parallel with both Port Departments consulting with one another.

Lastly, this unusual aspect of it which is based on how the RFP was constructed which is that the lease itself and both supply contracts all need to succeed, otherwise the City's position, the end result will not be consistent with the RFP.

I'm not sure if the Port has done this before, but the lease agreement which we'll come back to within six to nine months depending on environmental review, will be approved by the Port Commission, but the effectiveness date will be triggered upon successful approval of the supply contracts by the Board of Supervisors so that all three are essentially approved at once.

We'll be back with the lease terms and the meat of the project which we can now formally get into with your permission to execute the ENA with our development partners.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 16-09 was adopted.

9. NEW BUSINESS

Elaine Forbes - Commissioners, during this meeting I heard a request to bring back General Manager Phil Ginsburg in one year, so we'll note that. Does the Commission have any other new business?

Commissioner Adams – Is there anything that you want to present in the future, Commissioner Woo Ho?

Commissioner Woo Ho - No, one of the questions that I had has been addressed separately.

10. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting in memory of Maria Chen; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Willie Adams adjourned the meeting at 4:58 p.m.