

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE PORT COMMISSION MEETING MAY 26, 2020

1. CALL TO ORDER / ROLL CALL

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 Doreen Woo Ho. Commissioner Victor Makras joined the meeting at 3:18 p.m.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES – May 12, 2020

ACTION: Commissioner Gilman moved approval; Commissioner Adams seconded the motion.

Amy Quesada – Roll Call Vote.

President Brandon - Yes.
Vice President Adams - Yes.
Commissioner Gilman - Yes.
Commissioner Woo Ho – Yes.

Commissioner Brandon - Motion passes unanimously. The minutes of the May 12, 2020 meeting were adopted.

4. ANNOUNCEMENTS – The Commission Affairs Manager announced the following:

A. 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. Please note that during the public comment period, the moderator will instruct dial-in participants to use their touch-tone phones to register any desire for public comment. Audio prompts will signal to dial-in participants when their Audio Input has been enabled for commenting. Please dial in only when the item you wish to comment on is announced.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Bartolome Pantoja - I am an affiliate of the building construction trades. I'm in support of the historic Mission Rock project. As an affiliate of the building construction trades and a representative of my community and the city of San Francisco, I would hope that you would approve it.

Peter Osborne - I am the owner/operator of the Mission Rock Resort on the south end of the waterfront. I want to thank President Brandon and Executive Director Elaine Forbes for the opportunity to speak. I hope you and all of your families are well during this pandemic. Certainly, our lives have changed dramatically. I'm also hopeful that the victims of this weekend's fire, like the rest of us who are already living a stressful life, are able to find solutions to their new layer of problems. Our hearts go out to them. San Francisco's crab fishing community is a big part of who we are as is all of the restaurant and retail spaces along the waterfront. Needless to say, the commission's decision to defer rent has been a welcome sort of relief of short-term stress. Not having to worry about that has been fantastic. I understand that you are looking to extend that further in today's commission hearing while you evaluate what truly is the best path forward for all of us.

The slogan going around is that we are all in this together and we are literally all in this together. We need to stick together all the way through this. The partnership that exists between the Port and its tenants is unique and diverse and important to the fabric and the community of San Francisco as we know it. San Francisco has always been a waterfront city, town. It's up to the Port to maintain that level of excellence and to keep life on the waterfront as we know it regardless of how it's being defined and changing on a daily basis. In order for operators like myself to survive the pandemic and to survive not only the first wave of the pandemic but the anticipated second wave of the pandemic and the economic recovery associated with both of those, we are going to now more than ever need the partnership of our landlord, the Port of San Francisco, to help us redefine what those business terms are.

I have formed a coalition with a number of reputable tenants up and down the waterfront. We have submitted a letter to Kimberley Beal, who should be circulating that. We hope to get on the agenda in the June meeting. In essence, the deferral is great but any type of balloon payment down the road is essentially putting off the inevitable. That's a cyanide tablet. It'll kill my business. It'll kill every other business on the Port to come up with capital that does not exist. We need to talk about new terms for leases. We need to talk about structuring successful financial agreements for all parties concerned so that we can, in fact, live through this together and prosper in the future. I look forward to the opportunity to speak with the commission again. Thank you for this opportunity. I also hope that you are all well as is the case with your families too.

Commissioner Brandon - Thank you so much, Mr. Osborne and we have received your letter. I'm sure that the Port staff is working on how to deal with the restaurants along with all other Port tenants during this crisis. We appreciate your comments.

6. EXECUTIVE DIRECTOR'S REPORT

- **Fire at Pier 45 Shed C**

Katie Petrucione - I am the Port's chief financial officer. I am acting currently as the Port's executive director. I have two items for you this afternoon. First, I wanted to start with an update on the fire this Saturday at Pier 45. The long-term impact of the fire is yet to be seen but we are very concerned about our tenants who were previously grappling with the impact of COVID-19 and who have now lost such a great deal in the fire. We are so grateful to the San Francisco Fire Department, the police department, the Department of Emergency Management and the Office of Economic and Workforce Development as well as our other city partners who have come together to help us respond to the fire and who we know will be with us as we move into recovery.

A four-alarm fire broke out at Pier 45 Shed C at around 4:15 on the morning of May 23rd. It looks like Shed C is an absolute total loss. The fire department has remained on site as Shed C is still an active fire scene. There was actually a flash yesterday. The fire continues to smolder. They continue to pour water on the site. We anticipate that the fire department will be out at the site through the rest of this week. The investigation into the cause and origin of the fire will be forthcoming as soon as it's safe for investigators to begin their work. Then, similarly, structure inspections and investigations will begin as soon as it's safe. Port staff red tagged Shed C on Saturday. The Port engineering division conducted an initial windshield inspection and made some observations of the perimeter but have not been able to get closer than that. We are hoping that tomorrow we will be able to conduct another perimeter inspection, this one from the water with a third-party engineering firm to start to give us some sense of how the substructure fared in the fire.

Shed C was primarily used for storage of fisher gear. The Jeremiah O'Brien also had some storage space there. Then, the Red and White Fleet had its offices in Shed C. There are approximately 35 tenants who were directly impacted in Shed C. Shed A is home to the Musee Mecanique, parking and some other office uses. It was not impacted by the fire. Sheds B and D, which are the center of the commercial fishing industry and where our food processors are based, was not directly impacted by the fire. There are 65 tenants overall at Pier 45. The fire was contained at Shed C and did not spread to the other parts of Pier 45 for which we're just so grateful to the quick work of the fire department. Port staff were on the scene throughout the weekend.

We've been keeping our tenants informed with daily updates and phone calls. Port staff attended a meeting yesterday of the Crab Hall Association to hear directly from tenants in Shed C, to provide updates and to answer questions. We have offered relocation assistance to the dislocated tenants. We're also working with Red and White to find alternative space for them. We have brought in cleaning contractors to systematically clean all of the spaces in Sheds A, B and D with the priority on Sheds B and D so that those impacted tenants will be able to access their units.

There is concern that much of the gear that was stored in Shed C included plastics among other things and that, therefore, the smoke from the fire may have contaminated some of the space in Sheds A, B and D, which is why we have the cleaning contractors out. We were able to clean three of the units yesterday. We expect to complete five more by the end of the day today. We are not certain, but we hope we're going to be able to complete cleaning all of the spaces in Sheds B and D by the end of this weekend.

We're working with our restoration contractor to add additional cleaning resources to accomplish that goal. We've been working with the city's Office of Economic and Workforce Development to help connect impacted tenants both to disaster relief resources as well as to provide technical assistance for doing things like engaging with their insurers. We have reported this loss to the Port's property insurer and engaged with the city's risk manager to begin the process of processing a claim. Once inspections at the site become possible, we will begin working with the insurer to determine what losses are covered and what our next steps will be.

Thanks to the quick work of the San Francisco Fire Department, the Jeremiah O'Brien was spared and survived the fire. We will be moving the Jeremiah O'Brien temporarily to Pier 35. She was closed to visitors because of the health order and will remain closed while at Pier 35. Our collective heart goes out to all who have been affected by the fire, particularly the fishing community who lost equipment in Shed C. This is a devastating loss. The Port is going to do everything that we can to support the fishing community through this recovery.

Finally, I would like to thank all of the Port staff who have responded magnificently to yet another disaster. Tom Carter, Oscar Wallace and Tim Felton as well as the many maintenance staff who responded to Pier 45 on Saturday morning. Rod Iwashita for his engineering expertise and guidance; Randy Quezada, who has been working incredibly hard to keep the information flowing both to the public and the press; Joe Reilly, the Port's emergency manager, who got the first call early on Saturday morning and who has been on the site every single day; and our real estate staff particularly Demetri Amaro, who has just been incredibly professional, patient and compassionate just in managing and supporting the Pier 45 tenants through this crisis.

- June opening of Expanded Downtown Ferry Terminal and New Public Plaza

I want to announce that, after a year's long project, the completion of downtown ferry terminal is imminent. The facility will open fully for ferry passengers and public use in the next couple of weeks. As you know, project completion was somewhat delayed by the onset of COVID-19. Unfortunately, the public health crisis is going to prevent us from hosting a ribbon-cutting ceremony. But I wanted to acknowledge the dedication and hard work of everyone who brought this project to completion. This was absolutely a

collaborative effort not only among Port staff but between Port and WETA. It's an excellent example of what's possible with such collaboration and partnership. It's something I hope very much that we will be able to replicate with the Mission Bay Ferry Landing project. This new facility, which is south of the Ferry Building, includes six ferry berths, which together serve San Francisco Bay ferry passengers riding WETA's current routes including Richmond, Harbor Bay and Alameda/Oakland.

The new gates are going to provide WETA with the capacity to expand service to Seaplane Lagoon, Mission Bay and Treasure Island. The project also includes a new public plaza between the Ferry Building and the Ag Building. The new gates and amenities are going to significantly improve waiting and queuing for existing riders. They will also expand the space available for WETA to stage emergency transit service in the event of a regional transportation disruption or disaster.

I want to ask everyone to join me in congratulating WETA. Completion of this project is some good news amidst the challenges of the pandemic. We know that, as the Bay Area recovery occurs, this new facility is going to position WETA to support increased transit across the Bay.

Commissioner Brandon - Thank you, Katie. Now, let's open it up for public comment. We will open the phone lines to take public comment on the executive director's report for members of the public who are joining us on the phone. Jenica will be our operator and will provide instructions now for anyone on the phone who would like to provide public comment. Since there are no callers on the line, public comment is closed.

Commissioner Makras - I have one question to Katie. You referenced insurance. Could you elaborate on whose policy it is? Is it the Port's? Are we partially self-insured? Is it an insurance policy under the leases? Do the tenants have an obligation to obtain their own insurance or their business component of their operations? So, we can have an understanding of the insurance that will be available for recovery.

Katie Petrucione - The Port is insured. Our property is insured. We have been working with the city's risk manager to begin what will likely be a lengthy claims process with the goal ultimately of rebuilding this facility. Our real estate staff is working to understand right now what insurance each of the tenants has been required to provide for their use of the space. We're in the process of gathering that information. But the Port itself is absolutely going to pursue a claim with our insurer for this building.

Commissioner Makras - Maybe this will be helpful for the full commission if we could identify each tenant that was affected and whether the Port has or has not received a certificate of insurance in accordance with that tenant's obligation for insurance coverage?

Katie Petrucione - Yes. We can absolutely do that.

Commissioner Gilman - I just wanted to say to Katie and the whole Port staff how much I appreciate your quick response to the fire and that my heart goes out to everyone who lost their equipment and had damage in it. I really wanted to commend the Port staff on incredible work in yet another crisis and also to acknowledge that I'm sure there were challenges in dealing with this crisis in the middle of COVID-19 and the pandemic. I wanted to do a shout out to the staff.

Commissioner Woo Ho - I echo what Commissioner Gilman just said, thank you to the tenants and to the Port staff and to all the city agencies that helped to address this issue. I understand there's a lot of things that we still don't have the answers to as far as how we go from here. Are there any alternatives to help the tenants to resume operations? Because rebuilding the shed is going to take a fair amount of time. One, are there any restrictions on rebuilding the shed? Secondly, are there alternatives for some of these tenants to temporarily operate out of other space? Because it would be a tremendous loss for San Francisco not to be able to have the fishing industry. If we waited for the shed to be rebuilt, I can't imagine that's going to be very timely, just a lot of effort involved, etc. What can we do in the meantime to help some of the tenants get through this?

I understand the Red and White Fleet's administrative offices were impacted. Willie has been sharing some of the information from Tom Escher, that they are very determined and resilient to resume their operation. But losing their administrative building has not put them out of business. The fishing industry is the one that I'm very concerned with. What can they do in the interim to help them get through this? Obviously, they have a financial loss. Operationally, how can we help them?

Katie Petrucione - Commissioner, I'm not sure if it's helpful but Shed C was primarily being used as storage space. Red and White had their offices there. We're helping them find a place to relocate. But by and large, the real losses to the fishing community is all of the gear and equipment that was stored in that shed, which is basically a total loss. The fish processing is happening in Sheds B and D. Other than the fact that we need to get in and make sure that the spaces are cleaned up, I don't think that that community is necessarily going to see a significant impact to its operations. On the one hand, there's a benefit to the fact that we were really using Shed C only as warehouse space. I don't know the day-to-day operations other than for Red and White are going to be disrupted.

Commissioner Woo Ho - That's very helpful. Hopefully, they can replace their gear if they get insurance funds to recoup that. With their boats and everything else, they can resume fishing. But in terms of just even the pier space or anything that they need to unload, that's not affected?

Katie Petrucione - It's still an active fire scene. There are still fire trucks and hoses out there as well as the fact that the valley, the space that runs between the sheds, is impacted by the fact that there are still some walls standing in Shed C that are a hazard in terms of collapse. We are definitely limiting access to the southeast portion of Pier 45 because of that fact. I'm not sure exactly what impact that's having on the processors in Sheds B and D but I believe they have other means of accessing their facilities.

Commissioner Adams - Katie, I want to thank you and all the Port staff for the quick response and, of course, the heroic action of the firefighters. I understand it was 125 firefighters that were down there. Every day, they put their lives on the line. I'm glad that there was no loss of life. I think Commissioner Makras said something about insurance. All that can all be built back up. It's just that will they be able to continue. We've got to keep them in our thoughts. We will get through this. Going back to what Commissioner Woo Ho said about the fishermen, Larry and all those guys, that they've been through a lot. We're hoping that we can do everything that we can to help them and that they'll be able to salvage the Jeremiah O'Brien. Hats off to everybody and this collective team effort.

Commissioner Brandon - Katie, thank you so much for the report. I, along with everyone else, really want to thank the Port staff. Along with everyone you mentioned, Director Forbes and Maritime Director Andre Coleman were also there bright and early that morning. Vice President Adams and I were getting hourly updates throughout the day and then daily throughout the week so just want to commend the staff for being there on the site right when it was happening and engaging the tenant and a huge shout out for the San Francisco Fire Department for their efforts.

This could have been much worse than it was. Our hearts and prayers go out to everyone that was affected, the fishermen, our tenants and everyone involved. It could have been much worse. We are so thankful that there was no loss of life and that everyone can rebuild. We also have our city partners and the Office of Economic and Workforce Development as the disaster relief fund and resources. Hopefully, everyone can contact them along with the Port, so we can help them whatever way we can. Thank you for that report.

7. WATERFRONT RESILIENCE PROGRAM

- A. Request authorization to amend the Feasibility Cost Sharing Agreement (FCSA) with the U.S. Army Corps of Engineers (USACE) San Francisco District dated September 5, 2018 for the San Francisco Waterfront Flood Resiliency Study increasing the Project budget from \$3 million to \$6 million; and should it be approved by the San Francisco Board of Supervisors and the Assistant Secretary of the Army, further amend the FCSA by increasing the Project budget from \$6 million to \$20.1 million, extending the schedule from three to five years, and allowing the Port to advance cash contributions to the Project as the Non-Federal Sponsor. (Resolution No. 20-24)

Brad Benson, the Port's waterfront resilience director, here to present again on a partnership that we have with the Army Corps of Engineers to study flood risk including sea-level-rise risks along the Port's entire jurisdiction. We're here today to request an amendment to the agreement between the Port and the Army Corps that governs that study. It's called the feasibility cost sharing agreement. This follows on the May 12 Port Commission update that we gave about the flood resiliency study that we're conducting with the Army Corps of Engineers. We are very grateful to have this partnership with the Army Corps. They're the nations experts in flood-risk management.

In 2018, we were the fortunate recipient of one of two new starts for coastal flood risk management nationally. It's highly competitive to get these new starts. Under these studies, there's a 50-50 sharing of cost between the federal government and the non-federal sponsor, which in this case is the Port. As I mentioned, the study looks at the entire Port jurisdiction, also Aquatic Park.

We are looking at five sea-level rise curves in the study to assess potential damages and consequences under those different curves. There has been and will continue to be robust community input. If the Army Corps finds a federal interest in a project and Congress authorizes a project, the federal government would pay two-thirds of the project cost. In the study, we're looking at five major city neighborhoods. We've broken the area down into what we're calling four reaches separated by high ground where there could be independent flood-risk management systems.

We're drilling deeper into 15 subareas because we have such a varied shoreline with so many different maritime activities varying from the downtown area, where we have the city right up against the shoreline with major infrastructure, to the industrial maritime southern waterfront. This is a high-level timeline for the study. We're at this first phase of, over the next several months, developing initial alternatives to mitigate flood risk along the study area. We hope to present to the Port Commission later on this summer along with the public.

After incorporating that feedback, we would have refined alternatives in the fall with a goal of having a final set of alternatives by summer 2021 including a federal plan that is the most efficient means of addressing flood risk and an optional local plan that may have other benefits that would enable full environmental review of those final alternatives and a potential recommendation to Congress in 2023.

These studies are normally conducted in three years for a total budget of \$3 million, \$1.5 million from the federal government and \$1.5 million from the local non-federal sponsor. We executed an agreement in 2018 that assumes that \$3 million study cost and three years. We've done a deep analysis of the

real effort that will be required to study flood risk along a dense urban shoreline like San Francisco's bay shoreline and believe that it will take five years and more than \$20 million to complete.

We already have \$3 million in federal appropriations through the Army Corps work plan. We already have more federal dollars than we expected at the outset. If there is a waiver approved by the assistant secretary of the Army, we would expect a \$20 million study with a \$10 million local match, which leads to the staff requests today. We'd like to amend this agreement with the commission's approval in two steps. We'd like to be able to match the federal spending up to \$3 million now using the Port Commission approved CH2M Hill Engineers' contract to provide work in kind to support the study.

We also would like to add a clause that would allow the commission at its discretion to fund the study if, in a given year, there is no federal funding. We don't expect that to happen but it can happen. This would be an option for the commission and the Board of Supervisors to keep an important work stream going. If that waiver is approved not only by the assistant secretary of the Army but by the Board of Supervisors, authority to spend up to \$10 million to match federal spending.

This slide gives a sense of the approval steps. The top row is what happened in 2018. Federal government approved a new start. The Port Commission authorized the original FCSA. The SF district engineer and the Port director signed it, assuming \$3 million in three years. The second row shows what we're requesting now so authority from the Port Commission to increase the study to \$6 million and then \$20 million. This summer, the Port director and the SF district engineer would sign an amendment reflecting the \$6 million study cost.

The Army Corps in August is expected to apply for a waiver from standard Army Corps rules. It would take until the end of the year to actually get that waiver. In the fall, we would go to the Board of Supervisors to request approval to increase the study cost to \$20 million because, under the charter, we would expect to spend more than \$10 million in city funding matching it. After both of those actions take place, the Port director and the district engineer would sign an amended feasibility cost sharing agreement

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion.

Commissioner Brandon - Seeing no callers on the phone, public comment is now closed.

Commissioner Woo Ho - Thanks, Brad, for a very good report. We've already heard on the information briefing. I really have no more questions at this time.

Commissioner Makras - Thank you, Brad. Good report. No questions on my end.

Commissioner Gilman - Thank you, Brad, again for the report. I'm supportive of the item, and I have no questions at this time.

Commissioner Adams - Brad, good report. I have no questions. I am fully in support of it.

Commissioner Brandon - Brad, thank you again for the report. Thank you so much for doing such a great job during the informational that no one has any questions.

Amy Quesada – Roll call vote:

Commissioner Brandon - Yes.

Commissioner Adams - Yes.

Commissioner Gilman - Yes.

Commissioner Makras - Yes.

Commissioner Woo Ho - Yes.

Commissioner Brandon - The motion passes unanimously. Resolution No. 20-24 has been adopted.

8. REAL ESTATE AND DEVELOPMENT

A. Request approval of Infrastructure Plan Amendment and Memorandum of Understanding at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay. (Resolution No. 20-26)

Amy Quesada - Commissioner Makras, do you want to make a statement?

Commissioner Makras - Yes. President Brandon and fellow commissioners. I have a financial interest in a property located within 1,000 feet of Seawall Lot 337 and must recuse myself from discussing or acting on this item, which is agenda 8A. I will be leaving the meeting and returning upon notification from Amy that the commission action on this matter is concluded. Thank you.

Rebecca Benassini, waterfront development – I'm here to present to you today. I'm also acting in the real estate and development deputy role. I'm here to present on the Mission Rock interjurisdictional MOU and infrastructure plan amendment. One of these agreement is a five-party agreement. I'm presenting on behalf of a number of people I want to just quickly acknowledge. We worked on these agreements, which are intercity and our intercity permitting with primarily the mayor's director of housing delivery. Judson True has helped quite a lot in marshalling all of the forces to examine these things. I also want to acknowledge: SFPUC general manager, Harlan Kelly; also acting Public Works director, Alaric Degrafinried; and Elaine

Forbes, while she's been away at Public Works, has also still been quite engaged and helping.

Thank you to acting ED Petrucione for stepping in on these matters as we move Mission Rock to the forefront. I want to remind the commission that we have had a couple of items of Mission Rock in the recent months. The last item was on the park design back in January. We also looked at street names at that time, really focused on the public realm of Mission Rock. Prior to that, the commission took a major item in looking at the phase-one budget. That was in September. Phase-one budget was focused on horizontal cost at Mission Rock. How much will it cost to develop the supporting infrastructure for the first four buildings? At that time, we touched on a number of things we're going to talk about again today.

I'll keep reminding folks to keep drawing the thread forward from where we've been over the last many years to where we are today. The items before you today that we're requesting approval on are an amendment to the infrastructure plan. The infrastructure plan was originally approved at project approvals in 2018. It sets forth detailed conceptual plans of infrastructure across the whole site. The amendment is focused on the ground-improvement technique, which you heard a little bit about back in September called lightweight cellular concrete.

This technique would be added to the infrastructure plan should you all approve the amendment. I want to note that this plan affects infrastructure that Public Works, SFPUC, SFMTA will be asked to accept upon completion. Public Works acted on this amendment last Thursday. SFPUC also acted affirmatively on the amendment about two hours ago, earlier today. You'll be asked the same question as we move forward in the presentation.

A second approval is on the memorandum of understanding among the city agencies that will be having responsibilities and actions at the site. That'll set forth the rules of the road as we work together on the site not only in phase one but throughout the four phases of the project.

Just to provide a little bit of context of how these items fit in with what we think of as the big 2018 project approvals, at the top of the screen you see the development and disposition agreement. That is the overarching contract and transaction legal framework that provides the rights and responsibilities to the developer and the Port. One of what we call shoulder documents or ancillary documents is shown below in the gray box. That was the interagency cooperation agreement. That agreement was among the city agencies.

It set out how we're going to work together on new infrastructure. San Francisco, as big and active as it is, we don't do a lot of new neighborhoods, new streets, new subdivision maps. That was an agreement among the city agencies to talk about and set out how we're going to work together to get these items evaluated, commented upon, permitted and approved.

The ICA had an exhibit, the infrastructure plan, which we're asking to be amended at this time. It also set out two processes which we've completed through this blue bar in the center. One was getting an MOU among the city agencies together. The ICA set out that direction to staff stating we're going to be working together quite a lot over these phases. Please put all of these details into a document. So that set out the direction to form and write the MOU that's before you today. It also set out a process in the ICA to work on ground improvement at the site. You all will remember that this is the edge of the bay mud location, as we're adding up to five feet to protect against sea-level rise, the ground improvement and how the streets are going to sit on that infrastructure in as sturdy of a base as we possibly can.

The ICA acknowledged all that and set out a process to evaluate that ground improvement. The infrastructure plan amendment is the result of that process that we went through. You'll see we've accomplished quite a lot over a little bit more than two years since approvals. We formed the CFD. We have final map in for consideration. Infrastructure design has advanced. The key thing we're trying to get to is this big box at the top-right-hand corner, parcel leases. Once we sign parcel leases, then the developer has the right and they're on a timeline actually to deliver the buildings that we're all interested in seeing. We want to see those four phase-one buildings built. We want to see that park developed. We want to see all the rest of the public benefits that come to fruition.

Here's the overall summary. You all know the project very well, 2.7 to 2.8 total gross square feet of building space at build out, about 1,200 housing units, 40 percent of which are affordable, 1.4 million office square footage, 240,000 square feet of retail and that Pier 48 that we're looking forward towards the later phases to be redeployed and re-put into productive use.

We're focused on phase one. What is before you, the MOU and the IP amendment, will set the framework for all of the phases. But we need these documents to be in place prior to the phase-one final map, which we have scheduled for the board for next Tuesday.

Phase one is those first four buildings, which are shaded in blue, two housing, two office, retail on the ground flood, that 5.5 acre China Basin Park. We have infrastructure that'll go a street from Third Street all the way down to Pier 48. If we are able to start this year, then we're targeting completion in about two years. I also want to mention contracting update. We'll be providing these quarterly contracting updates to the commission. We sent out a memo maybe a couple days ago. I think Amy transmitted the contracting update to you. The project to date has spent about \$65 million. About \$12 million, or 18 percent, of that was awarded to LBEs.

We're meeting every month with the development team and their GMs and their various contracting entities to keep an eye on their contracting and to

make sure that they're supporting and affirming and accomplishing all of the goals that they set forward in the workforce development plan.

An overview of the infrastructure plan sets out conceptual designs for a whole slew of all of the infrastructure at the site. This amendment would allow an additional geotechnical improvement. It's the use of stone columns, literally columns of stones, to improve the ground and then a layer of lightweight cellular concrete. This would address the challenging geotechnical conditions that are at the site and that will be at the site as we add these several feet to protect against sea-level rise and all the weight that that entails.

We've come to this amendment after about 18 months of analysis, full engagement. I want to acknowledge our engineering team, Rod Iwashita, Kevin Masuda, have been instrumental in helping to evaluate these. I want to acknowledge Suzanne Suskind, the city engineer who has also been heavily engaged in this evaluation.

We are gratified that Public Works approved the plan amendment last week. SFPUC, as I mentioned, also approved. We're hopeful that we can move forward with this as one of the ground-improvement techniques at the site. I want to mention that this amendment to the plan would be consistent with the costs that are projected for phase one. You all saw the cost back in September. Phase one is about \$145 million worth of horizontal costs.

LCC is a more cost-effective item for the ground improvement as compared with the structure [\[audio gap 00:51:21 to 00:51:34\]](#) -- amendment to the plan would be consistent with the costs that are projected for phase one.

You all saw the cost back in September. Phase one is about \$145 million worth of horizontal costs. LCC is a more cost-effective item for the ground improvement as compared with the structured street system, which were discussed at approval. [\[audio gap 00:51:59 to 00:52:04\]](#) It's the efficient delivery of infrastructure. Our goal with the MOU is to ensure that infrastructure goes to the appropriate agency that has the most expertise and would be able to absorb, maintain and manage parts of the infrastructure of the city that they have the most expertise in and the ability to absorb.

The idea is that, as infrastructure is completed, each agency in the appropriate expertise column, streets, public utilities, parks for the Port and SFMTA will handle the mobility improvements. Each of those agencies is queued up to receive that infrastructure. It's a five-party agreement. I've mentioned all of the parties already except for fire department. Fire department has a key role in ensuring that all of the entry, the ingress, the egress, that there are safe emergency vehicle access.

They're on board with the MOU as well to provide an ongoing review and concurrence with all the infrastructure plans that come forward. The general approach is that standard infrastructure components including lightweight

cellular concrete, if approved, would be accepted by Public Works, SFMTA, and SFPUC.

The Port would then accept the parks. This is a key component of our state lands obligations. Part of the reason Seawall Lot 337 received the ability to have some of these residential and office users through state legislation is that we were delivering these great access spaces to the water. We want to make sure that we're continuing to deliver those by maintaining control of the parks. We'll be accepting the parks, the open space and any unique features. These unique features would be decorative pavers, different kinds of crosswalks, street furniture. Those would be integrated into Port infrastructure.

I mentioned a little bit about the benefits. The overall benefit is it's an efficient delivery of public services. We want the right pieces of infrastructure in the right boxes, the right division that has that expertise. I want to also mention that, when agencies accept infrastructure, typically they're provided fee simple. They're provided the title to the property. We're unable to give title to our property to other divisions because of our trust obligations. This MOU is in place of that dedication of land that agencies that accept infrastructure are accustomed to receiving. I wanted to mention that as another key item the MOU provides. With regard to Port-accepted items, these will be asked to be accepted by the Port Commission when they're completed in 18 months, about two years.

We are tracking the maintenance of those items alongside the CFD that was recently formed and completed by the board a week or two ago. We have CFD special taxes that total about \$2.8 to \$3 million per year at buildout in 2020 dollars. Those are based on the number of square feet that's developed. That's why there's a bit of a range there. We are tracking and making sure that all of the items that will be accepted by the Port are tracking with how much money we'll have to maintain those. We'll be coming to the Port Commission as we move on a little bit in terms of the operation of the site to spell that out a little bit more clearly. You'll see future action items on how we operate and maintain these sites.

One final thing on the public financing protections that the city will receive. With LCC, lightweight cellular concrete, being a newer type of infrastructure, there are several protections the city departments ask for. One is a longer-term warranty from the developer. They also ask for a longer-term warranty from the project financing. To the extent there are major failures in the infrastructure, the project's special taxes or tax increment, if available, would be drawn upon by the other city departments.

In weighing these, this seemed like a fair request by the other city departments for this new infrastructure. It saved the Port that upfront cost for the structured street infrastructure, which was the alternative or layer in project approvals that was being proposed and evaluated by the developer.

If we are able to get approvals today, we have the final map queued up for next Tuesday. This is an important date for the project. The final map going to the Board would allow us to sign parcel leases. It forms those four parcels. If we're able to get that June 2nd, we anticipate signing all four leases during the month of June. This really facilitates construction. Construction is starting at the site, demo. But full-fledged construction needs to wait for all four parcel leases to be signed among other permitting approvals. We also will be returning to the Port Commission with CFD bond issuances.

We are working hard with the Office of Public Finance to queue up funding for these costs that are about to be expended by the developer to try to match those lower-cost public financing dollars and replace some of the higher-cost capital dollars. You'll be seeing future items on Mission Rock relative to CFD bond issuance as we work through the issuance with Office of Public Finance.

I want to acknowledge Jack Bair, who is on the line from the Giants who, if the commission would allow it, may wish to make a statement.

Jack Bair - Thanks for your thorough and comprehensive report, Becca, and for all of your leadership on this project. Thanks to your team of colleagues at the Port who made important contributions to the matters before the commission today. Finally, a special thanks to Katie Petrucione for stepping in at such a critical time for the Port given the coronavirus's impact at the fire at Pier 45.

President Brandon, members of the Port Commission, the items before you today are technical and administrative but very important steps forward. As Becca discussed, the MOU sets forth the rules and responsibilities of the various city agencies moving forward. The infrastructure plan amendment allows us to use the most effective tools to raise the site to protect against sea-level rise while preventing settlement that we've experienced in Mission Bay.

As Becca has mentioned, I'm pleased to report that the Public Utilities Commission unanimously approved these items earlier today. The Public Works director also issued an order approving these items last week. With your support, we will proceed to have the final map approved. With the final map's approval, we can sign parcel leases. We can begin work on constructing the first phase of the project. I know this is a long time coming.

I want to thank President Brandon and members of the Port Commission. It has been quite a journey particularly for President Brandon who led the initial Port Commission subcommittee 13 years ago to explore development options for the site. We're almost there. We started demolition work on the site. We're anxious to get underway. When the dust settles and when we emerge from this moment in history, we will be able to celebrate our achievement together. It has truly been a collaborative effort with the work of hundreds of people

along the way. Thank you for your support. We hope that you and your families are well.

Commissioner Brandon - Thank you, Jack. Thank you, Rebecca, for the presentation. Can I please have a motion?

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion.

Commissioner Brandon - Now, let's open it up for public comment. We will open the phone lines to take public comment on item 8A for members of the public who are joining us on the phone.

Danny Campbell - I'm a representative with the Sheet Metal Workers Union, Local 104. I'm a trustee of the San Francisco Building and Construction Trades Council as well. I'm here today to tell you that the San Francisco Building Trades Council supports this important historic Mission Rock project. We urge the commission today to approve item 8A. Thank you very much for your time and your service to our city.

Commissioner Brandon - Seeing no callers on the phone, public comment is closed.

Commissioner Gilman - Thank you, Rebecca, for the presentation. It was very thorough and complete. I want to say how excited I am to see this finally move forward. I'm very excited to see the overall development move forward. But as I've stated before on the record, I've always been very impressed that the Giants were the first out of the gate with the Mission Rock project to have the affordability requirements across this project at 40 percent. I just want to commend them. I want the commission to do everything we can to move the project forward to get the park up and running and the first phase of development. I'm supportive of the item.

Commissioner Woo Ho - Thank you, Rebecca, for the very thorough presentation. Thank you, Jack, for your comments as well to put everything in perspective. We've worked on this project for a long, long time. It's great to see that it's getting to the point where we're actually going to execute now. I appreciate that the Port has worked very hard with all of its sister agencies across the city to make this very comprehensive MOU and also to look at the alternatives that we can to make this infrastructure as strong and as cost effective as we could. I have been briefed by the staff separately. At this point, I have no further comments or questions and support the item.

Commissioner Adams - Rebecca and your team and Jack, congratulations. Great job, well done! Jack, thank you. President Brandon, thank you for the patience of 13 years from when you first spearheaded being involved in the beginning and glad now that it's finally come to fruition. You have my support.

Commissioner Brandon - Rebecca, thank you so much for the presentation. Jack, thank you for your commitment to this project. Congratulations on the silent groundbreaking last week. There's actually a shovel on the ground. Unfortunately, you couldn't do a big hoopla. Knowing that the project is under construction and putting people to work through this crisis is definitely a plus. Rebecca, I'm so happy that DPW and PUC approved this prior to us. That gives me a lot of confidence. I have one question regarding the warranty. I need clarification on how the warranty works and what happens if we are called to use the warranty and what our financial obligation is.

Rebecca Benassini - You picked up on one of the key components of the MOU for sure. The developer, as part of their conditions to getting the map approved, has taken on the obligation of up to a five-year warranty with various milestones. That would be after they've completed all construction on phase one. A five-year warranty would kick into gear. Concurrently, the project special tax district, the IFD and the CFD, would also start a 10-year warranty at that time. To the extent that the infrastructure doesn't meet certain settlement or other criteria, if it settles too much, if it becomes too buoyant and moves up some number of inches or portions of an inch, then Public Works or PUC would call upon the project district, so the IFD and CFD, and provide a claim, say, "We made \$200,000 worth of repair. This is not typical of a San Francisco city street."

They call through the MOU for the special tax district to provide that warranty. If project funds are available at that time, if we have the tax district flowing and we have funds available, we would provide that to them. It would also go into each subsequent phase final budget that goes to the Port Commission. If the warranty is called prior to phase two or prior to phase three, then the Port Commission would have clearer visibility into those costs. They would be integrated into each subsequent phase budget. But we were very clear that those funds are limited to the project tax increment or the project special taxes to be clear that the Port harbor fund is not going to be impacted by this, that it's only to the extent we have funds available in those financing districts.

Commissioner Brandon - When you presented the parks plan last year, was that included? Was the warranty consideration in the plan when we were discussing how we were going to use the budget for the infrastructure fund?

Rebecca Benassini - There's a warranty that the developer would typically provide to the infrastructure agencies that was included in the developer contingency for phase one. If there is a major failure that we don't anticipate but if there were one, then that would have to go into the phase two budget.

Commissioner Brandon - If there are no more comments, can we please have a roll call vote, Amy?

Amy Quesada – Roll Call Vote

President Brandon - Yes.
Vice President Adams - Yes.
Commissioner Gilman - Yes.
Commissioner Woo Ho - Yes.

Commissioner Brandon - Motion passes unanimously 4-1. Commissioner Makras was recused to vote. Resolution 20-26 is adopted.

Amy Quesada – Commissioners, I just texted Commissioner Makras. He should be joining shortly.

Commissioner Makras - Commissioner Makras joining. Is it an appropriate time?

Commissioner Brandon - Yes. Thank you.

B. Informational presentation on the Memorandum of Understanding for the Pier 70 Mixed-Use District Project, roughly bounded by 20th Street to the north, San Francisco Bay to the east, 22nd Street to the south, and Illinois Street to the west.

Rebecca Benassini, waterfront development director and acting deputy of real estate and development for these next couple of weeks - I'm here to present on the memorandum of understanding and informational item for Pier 70. I want to quickly acknowledge the same team. We've worked closely with Department of Public Works, with the mayor's director of housing delivery as well as SFPUC, SFMTA, fire. I neglected to acknowledge our city attorney colleagues who helped incredibly to bring this document to where it is. I want to just acknowledge that team. I also want to mention that, similar to the Mission Rock item, this MOU is a precursor to the final map. The final map for Pier 70 is not scheduled at the board yet but we're hopeful we can get it on one of their June agenda dates.

This is an informational item, as we don't have that one scheduled yet. We plan to bring it back on our June item. I also wanted to mention one other thing which is you, of course, heard on Pier 70 at the last meeting the design for development amendment, which was an informational item looking to increase the floor area within buildings. We'll also be bringing that back at the next commission meeting. We are working to get those square footages the commission asked for just right. That one was not quite so time sensitive. We'll bring that back in June. You'll have a Pier 70 double header for the next commission meeting.

Here, you have the overview of the Pier 70 special use district. It's 35 acres. The Brookfield waterfront site is 28 of those acres. At full buildout, we're looking at about 3,000 units, 1.75 million square feet of office, nine acres of open space, 500,000 square feet of retail, arts and light industrial space.

I wanted to provide a similar overview for how the MOU, the memorandum of understanding, with the other city agencies fits in to the overall horizontal development. The upper-left-hand corner is the development and disposition agreement approved in 2017. It's the overall contract and binds the Port and the developer together and provides all of our rights, responsibilities and obligations to one another.

[audio gap 01:12:47 to 01:12:52] The upper-left-hand corner is the development and disposition agreement approved in 2017. It's the overall contract and binds the Port and the developer together and provides all of our rights, responsibilities and obligations to one another.

One of the shoulder documents or side, ancillary documents is called the interagency [audio gap 01:13:16 to 01:13:23] ... I want to also acknowledge that the site has been under construction since 2018. A significant amount of construction has occurred.

We also did a step that Mission Rock didn't take. We did a step at this site which was a transfer map in 2019. This map that went through the Board of Supervisors allowed us to sell Parcel K North. It delineated parcels across the whole site, which allowed the Port to enter into purchase and sale agreements like we did for Parcel K North. This project had intermediary step for a good reason, which was to sell that initial condo site to get some revenue into the project early on.

Construction to date has been significant. If anyone has been out to the site, there's significant amount of site preparation. We should share one of the construction web videos or live cams. It's very fascinating to see the lifting of the road for sea-level rise. The road grades are coming up. 20th Street has been under construction for quite a while. The terrible COVID shutdown has led to a tiny silver lining, which is 20th Street, which was relatively busy, now can be constructed because there are so many fewer employees at the Pier 70 site.

At full buildout for phase one, we're looking at about 600 residential units; overall 30 percent affordable housing delivery at the site; 400,000 square feet of office; 100,000 square feet of the retail, arts, light industrial; and three acres of open space. I want to also mention similarly we're submitting these quarterly contracting updates. The latest memo that we provided for the Port noted that the project overall has awarded through the end of 2019. We're still waiting for that first quarter of 2020 but through the end of 2019, developer awarded about \$107 million in contracts. Thirty-nine million of those were to LBE and SBA firms and that totals about 37 percent of the overall contracting. We'll be happy to continue to keep providing those updates, so the commission can stay abreast of all the contracting at the site

Similar to what we talked about earlier, the purpose of this MOU is an efficient delivery of infrastructure, as infrastructure is completed, that it be accepted by

the appropriate infrastructure agency. It also delineates how they will accept infrastructure components, who is the lead permitter for each infrastructure piece, and then how we'll cooperate in undertaking repair and maintenance. The structure is a five-party agreement. It's the Port, Public Works, SFPUC, SFMTA and fire. Generally, the infrastructure agencies will accept standard types of infrastructure. To the extent that the project has some unique designs -- primarily, there are two street segments that don't quite meet city standards in terms of sizes of the different elements. We also have the special Building 15 frame, which is a public-realm enhancement that the Port will keep on our side of the ledger. We also have some decorative pavers and different elements of the infrastructure that the Port will keep.

I do want to mention one key element of the MOU that has come about similar to the difficulty or the uniqueness of developing sites on the waterfront. We have these sea-level-rise considerations, which means we're raising different parts of the site. Pier 70 is unique because we have this historic core in parts of Pier 70. We're raising up the edge of the site to protect against sea-level rise and that creates a little bit of a bowl in one part of the site.

In going through the permitting and review of the different codes that the project has to meet, in order to meet subdivision code, there must be what is called an overland release path for storm water. Currently, the flow goes across the shipyard. It goes down 20th Street and then across the shipyard out up to the north. Occasionally, when there are atmospheric river events or large storms, you can see some of the ponding across the shipyard.

It has not caused issues to the previous operator. It's a condition that has been managed in the past. But as this project goes through permitting, there is a requirement in the code that this release path be memorialized through the MOU. Ultimately, the permitting notes that the key infrastructure agencies, primarily SFPUC, will not accept the sewer system due to their concern about the storm water unless the Port agrees to preserve a path where the water could get out should there be this major storm. The storm drain facilities in 20th Street, perhaps they're plugged up for one reason or another. The storm drain isn't flowing as the designers anticipated it would flow. There are two solutions to this problem.

The first is a short-term solution. We work closely with Andre Coleman and Gerry Roybal on crafting the short-term solution. The short-term solution is we will refrain from construction new buildings on portions of the shipyard where that water is anticipated to flow should there be a storm. We looked at this carefully to make sure that we weren't impacting a current shipyard use where we have these temporary tenants and surface parking. That's the short-term solution.

The long-term solution is that we will be working with Brookfield, PUC and Public Works on developing an improvement that could keep this water confined should there be overtopping or storm type of event. The solution

would need to be constructed by Brookfield as part of their project either in phase three, which is when the problem is exacerbated when the site is raised up on the edge of the water, or when that area is needed by a shipyard tenant.

To the extent that we are successful in bringing on new tenants and those tenants, in looking at their site plan, have a need to build a new structure where this overland release path is located, then we will work with Brookfield to more quickly produce this solution. Brookfield is anxious to look at various solutions. They, as the developer at risk, don't like having this improvement that they don't know the confines of. They're working closely with their engineers to look at the potential culvert or whatever this improvement is to confine storm water. Once that improvement is in place, the MOU restriction would be released to have that improvement be the way that the project meets the subdivision code.

I mentioned what I believe are the benefits of the MOU. It's an efficient delivery of public services putting each infrastructure improvement in the appropriate bucket, give the street to the street experts, give the utilities to the utility expert. And let us have the parks, which we have become accustomed to managing the waterfront parks.

I want to note, similar to Mission Rock, we have the CFD special taxes, which have already been approved by the board. They're estimated here at about \$2.5 to \$2.75 million per year at buildout in 2020 dollars. The city side will be maintained using the other resources that those city agencies have at their disposal, utility rate payers, gas taxes, general fund, of course, other sources of revenue.

We'll be coming to the Port Commission as we get closer to having parks or open spaces or items for your consideration to accept. Before you're asked to accept any of these improvements, we'll be talking through operations with you to make sure that we're right-sizing the maintenance of different spaces alongside that acceptance that will come to you as Brookfield completes completion of the parks and open spaces.

The MOU was approved today by the SFPUC commission, thank their staff very much for bringing that forward. We'll be coming back to you on June 9th to seek approval. Public Works is prepared to sign. They don't need to take any action with their commission. They are prepared to work with us to get the document into execution form. We'll be seeking a final map at the board we hope in June but that is to be determined based on some of their scheduling considerations, of course.

We have various members of our team here to answer questions. Catherine Reilly from Brookfield is available should there be questions for the developer. Kevin Masuda, Christine Maher and others from the Port side are ready to take questions.

Commissioner Brandon - Thank you, Rebecca. I really appreciate the presentation. Now, let's open it up for public comment. Jenica will be our operator and will provide instructions now for anyone on the phone who would like to provide public comment. Jenica, do we have anyone on the phone?

Jenica Liu - President Brandon, we do not have any callers on the line wishing to make public comment on this item.

Commissioner Brandon - Seeing no callers on the phone, public comment is closed.

Commissioner Makras - Thanks for a good report. I have just one recommendation if it's not already being done with respect to the overland flow that is planned to be constructed in phase three. If that's to be accelerated because we have identified tenants, as you shared with the commission, I would recommend that you reach out to the project sponsor and start working on a protocol on how you will notify each other and how everyone will gear up to bring that construction phase sooner because there's lots of lead time for materials. We would be better suited by having a protocol for everybody rather than trying to wing how fast we want to bring it forward and avoid people saying it's costing me more money to bring it forward and identify a protocol upfront everyone agrees to. I think we may be helpful bringing it online sooner but it will be in a cooperative manner without interests being competing.

Rebecca Benassini - Thank you, Commissioner. Very good idea.

Commissioner Gilman - Thank you, Rebecca, for the overview and the report. It was very thorough. I have no questions at this time.

Commissioner Woo Ho - Thank you, Rebecca, also for the very comprehensive report. I think you already had outlined the protocol given that we are setting up the same collaborative arrangement with all the city family. I don't have any further questions. I think we should move forward.

Commissioner Adams - Rebecca, I have no questions. Good presentation. I agree with Commissioner Woo Ho. I think we should move forward.

Commissioner Brandon - Rebecca, again, thank you so much for the report. I want to thank Brookfield for submitting their quarterly reports and doing such a great job with the LBE outreach and effort. I appreciate all that you're putting into that. Rebecca, most of my questions were regarding timelines. You already stated that you'll be coming to us in the future with the parks and open space plan. But I was really wondering, as Commissioner Makras said, what is the timeline for the solution and the implementation? I'm not sure that we want to wait until we have a tenant or until we get to a certain phase. I

think it's something that we should be working on now and to find a solution and to be able to fix it as soon as possible.

Rebecca Benassini - Thank you, commissioners. Catherine, please feel free to chime in as I'm answering this question. Brookfield is also anxious to engage with SFPUC and Public Works on what would suit their needs in terms of interpreting this code and making sure that an improvement would meet their needs in the code because, ultimately, they are the ones who are going to have to collaborate with us to come to an agreeable solution. We were initially talking with Brookfield about working on a design this year so that all four parties would have an understanding of what that improvement is that the agencies would agree meets the subdivision code.

With the implementation pre the COVID disaster, we would have said phase three is four or five years away. The outside date is now really unknown. But the earlier date I think could be accommodated. We are motivated definitely to keep the cost down and not allow inflation to get away from us. We are needing to collaborate with SFPUC and Public Works. Also, our maritime division is going to have to evaluate closely with us to make sure the location of this infrastructure is placed in the least impactful part of the shipyard to make sure we aren't making any decisions that would prove to be difficult for a future tenant.

Those are the Port considerations we've been considering. Catherine, chime in if you have anything from the Brookfield side in terms of moving design of the improvement and implementation of the improvement along if the commissioners don't mind.

Catherine Reilly - I agree with Rebecca. The plan is to jump straight into problem solving and seeing what the fix is. Then will let us know truthfully what the dollar amount is. That'll probably drive the timing. If it's something that reasonably inexpensive, it makes sense to go ahead and get that done and off the books. If it's a more expensive fix, then we'll need to think about how that impacts the project overall and that may impact timing.

Commissioner Brandon - Rebecca, maybe when you bring us the parks plan, you can give us an update.

Rebecca Benassini - That sounds great. Those are really aligned in terms of timing. That makes good sense.

C. Request approval of a further extension through July 31, 2020 of the Extended Port Policy Regarding Enforcement of Lease Obligations during the COVID-19 Shelter in Place Orders for rent deferral and other tenant relief provided under Port Commission Resolution 20-18. (Resolution No. 20-27)

Crezia Tano-Lee - I will be presenting on the proposed extended rent deferral and discussion on further tenant relief. I'd like to thank Rebecca Benassini,

Rona Sandler, our lease administrative team and our finance and accounting team for their assistance in helping to craft and prepare data for this presentation. The presentation will cover the proposed extended rent deferral before you for action today and discussion on further tenant relief.

The presentation will give an overview on the background of the COVID-19 pandemic, the revenue that's been generated in May, the broad-based extension that is for action to you today and then the further discussion on the opt-in extension and other relief measures.

The following key events of COVID-19 have led us up to this point in time: the mayor's emergency declaration on February 26th; the initial shelter-in-place order on March 16th; the commercial eviction moratorium on March 17th; the statewide shelter-in-place order on March 19th; and tenant relief policy for general fund departments that was issued on March 27th; and state guidance on phase two reopening that was released on May 12th; and the mayoral executive directive on best practices for retail businesses for curbside pickup, which was issued on May 17th. It should be noted that many of these orders have been extended or modified during shelter in place in order to adapt to the fast-changing conditions of the pandemic.

The following slides provide an overview of May revenue as of May 18th. This table, which is in the staff report, outlines performance revenue by type. Key highlights of this table are that, of the 594 invoices, the Port received 298 payments representing a 50 percent payment rate. Revenue is down across all types of business. Of the approximately \$6.5 million that was invoiced, \$2.2 million was paid, representing a 33 percent collections rate.

In looking across the portfolio geographically, revenue shortfalls were spread throughout all portfolios. In comparing to April, amounts of unpaid increased in each portfolio. The Fisherman's Wharf portfolio experienced the largest percentage uncollected at 97 percent. The China Basin portfolio experienced the largest amount uncollected at \$1.4 million.

In doing a very brief comparison of April versus May, as of May 18th, payments credits to May were at 33 percent compared to April's 54 percent. Again, May payments continue to be booked. When we return on June 9th, we should be able to see a complete picture of April and May combined, as those were the two months of full shelter in place.

At the last commission meeting, there was a desire to seek participation-rent information. As you may know, participation rent is billed after the close of the month and is typically due by the 20th of that following month. Therefore, at this time, we don't have that information. But at the June 9th meeting, we should be able to present March and April participation-rent revenue in more detail for the commission to review.

It is needless to say that COVID-19 continues to severely impact the economy and our tenants and that rent deferral is very much needed relief at this time. Therefore, for your approval today is the extension of the current broad-based rent-deferral program. The key terms are as follows. It covers nearly all tenants with a few exceptions. It does not modify any lease provision. It waives late fees and default interest on rent payments from March 1st through July 31st if paid by July 31st. It establishes Port policy of forbearance in pursuing eviction proceedings for unpaid rent due to the impacts of COVID-19.

It is still in place that new tenants executing leases for new space on or after April 1st are not eligible for this relief. It should be noted that this deferral does not apply to MOUs with city departments, lay berthing agreements and berthing agreements for small vessels at South Beach Harbor. In any scenario where a Port tenant has subleased some or all of its space including master tenants, such relief will only be available to the extent that the Port's tenant has offered equivalent to their subtenants.

Therefore, it is staff's recommendation to approve the extension of the current broad-based deferral program through July 31, 2020 to allow for the relaxing of shelter in place.

We are now shifting away from the presentation on the action item to our continued dialogue on further relief measures. As a summary, we will be discussing the opt-in program and the opt-out process that will be at commission for approval on June 9th. We would also like to engage in dialogue regarding potential relief measures such as rent forgiveness, participation rent restructuring and lease extensions.

As shared previously, staff proposes an extended rent-deferral program for Port tenants to provide relief beyond the expiration of the broad-based deferral policy. For your consideration, the proposed extended rent-deferral program moves from the broad-based rent deferral and forbearance to an opt-in program. It waives late fees and default interest on rent payments from March 1st through December 31st if paid by December 31st. It requires that tenants must continue to comply with all lease obligations during the deferral period.

I'd like to reemphasize that this proposal moves away from the broad-based application of deferral to the opt-in program that is conditioned upon submittal of key documents. As a general matter, public landlords have been more willing to provide broad-based deferral relief for a range of reasons including public-equity concerns and the mission to look at the broader impacts to the leasing portfolio.

We recommend that any extended rent-deferral program remain broadly available to tenants and that qualification-based approaches be reserved for targeted dialogues regarding forgiveness of rent. Therefore, we propose the

following submittal requirements: one, a statement from the tenant which describes the impact from COVID-19 and their need for relief; it describes their business plan to get back to normal operations, provides current revenue projections in light of current economic conditions and projects anticipated cash flow that demonstrates the ability to resume rent payments on or before December 31st; secondly, a proof of submittal to federal, state or local relief programs and a summary of that status and, if no applications are filed, a statement explaining why.

Port staff believe that the collection of this financial data can be illuminating and help guide our path in times where the future is very unknown. This data can guide what further tenant relief we provide in order to stabilize our portfolio.

As shared at the May 12th meeting, in addition to the opt-in framework, Port staff have been thinking about the policy response to those tenants who do not opt in to a deferral program and instead wish to wind down their business or restructure in a manner that no longer utilizes Port property.

What has evolved from that thinking was an opportunity to pair the opt-in program with an opt-out process. As shared on May 12th, Port staff may rely on Port Commission resolution 09-04, which can be a tool for those who wish to opt out. The resolution authorizes the executive director to terminate leases and licenses with a term of less than five years remaining and with a monthly rent of less than \$10,000 and where the executive director finds the lease or license no longer in the Port's best interest and where Port staff can negotiate a return of the premises to the Port on terms and conditions that benefit the Port.

For those tenants who opt out of the deferral program because they do not see a future for their business at the Port, a mutual termination could provide significant benefits to the Port in terms of certainty, control and limiting costly legal action later.

Port staff believe that the proposed extended rent-deferral program and the utilization of early termination tools to be the most advantageous set of relief measures to deploy next. It will allow the Port Commission and staff to develop further relief strategies.

As you may know, State Senator Scott Weiner and Lena Gonzalez introduced SB 939, which proposes to give commercial tenants the right not to pay rent without fear of eviction for a full year after the current COVID-19 emergency ends. It also introduces other provisions regarding late fees and lease negotiations. It will be heard in the state senate appropriations committee in June and, if advanced, will require a two-thirds vote, which is a requirement based on the bill's urgency clause, which would make it effective the moment it is signed into law. Staff continue to monitor SB 939 and assess the bill's impact to the Port's relief efforts.

In summary, if the Port Commission on June 9th were to approve the extended opt-in deferral program, the process depicted in this graphic would be put into action. Staff propose a 30-day period for tenants to answer the question of whether they want to opt in and, if so, submit the requested documents. Staff propose assigning Port staff to assist tenants who may need one-on-one assistance in submitting the documents via an online process.

Additionally, Port staff have been evaluating whether to include an option for tenants to enter into a repayment plan to pay any outstanding balances after January 1, 2021. This repayment may be subject to interest rates, time limitations and other requirements. Port Commission feedback on this repayment option and other tenant relief is highly desired. As for further relief, forgiveness, participation-rent restructuring and lease extensions have all been presented as possible relief measures to pursue.

As voiced by some of our tenants, forgiveness is the most desired relief measure. But it is the most financially impactful to the Port's ability to operate. As shared by the finance team at the April 28th meeting, real estate revenue for fiscal year 2019-2020 was originally estimated to be \$98 million and at that time was projected to drop to just over \$75 million.

Those projections at this time are unknown and are our best guesses to the impacts on our economy. Therefore, supporting our tenants will require identifying creative solutions. In addition to the items listed on this page, other ideas are being contemplated such as providing marketing assistance to tenants, pursuing a blanket BCDC permit for outdoor seating to allow for streamlined activation of outdoor space and potentially advancing the pop-up RFQ to begin soliciting ideas on how to activate open space in light of social distancing requirements.

What is certain is that, in order to allow for our tenants to regain their footing, we and our tenants must innovate and adapt. And your feedback and guidance are very much appreciated. Port staff continue to identify ways to facilitate the Port Commission's ability to manage rent forgiveness, which in many instances requires these amendments. As shared on May 12th, charter section 9118 states that modifications of Port leases with anticipated revenues of \$1 million or more or a term of 10 years or more must be approved by the Board of Supervisors.

Providing deeper and broader relief such as rent forgiveness or a restructured payment schedule would trigger a lease amendment under section 9118. This presents a challenge to the implementation of an efficient program. While this does not impact our entire portfolio, it does cover many of the Port's major attractions and retail establishments. With some limitations, the Board of Supervisors may delegate emergency authority to departments to enter into lease amendments that would otherwise require approval under the charter.

Port staff continue to work closely with the city administrator and other city landlord agencies to develop that legislation. If submitted and approved, the ordinance will delegate authority to city departments like the Port to amend existing agreements without seeking approval by the Board of Supervisors. It is anticipated that this ordinance will be introduced in June. This delegation would greatly improve the ability of the Port Commission and staff to manage relief strategies across our portfolio.

Port staff recommend that the commission approve the extension of the broad-based rent deferral through July 31st. I would like to highlight that we want to make one minor amendment to the resolution that is attached on your staff report. On the second page of the resolution, the second whereas clause should be rewritten to read, "Whereas on May 17th, the health officer issued a new order requiring that most people continue to shelter in place." Additionally, staff very much look forward to continuing our dialogue on further relief measures both with the commission and our tenants.

In terms of next steps, we envision taking the opt-in program and continuing the discussion on rent forgiveness on June 9th. If approved, we would launch the opt-in application period of the extended-deferral program between June 15th and July 15th.

On the July 14th commission meeting, we would continue discussion further for rent relief. On July 31st would be the closing of the broad-based deferral program. On August 1st would be the launch of the extended rent deferral. And then, in the summer, we could take potential action on further rent relief as contemplated today.

Commissioner Brandon - Thank you, Crezia. This is a great presentation. Commissioners, may I have a motion?

ACTION: Commissioner Adams moved approval; Commissioner Gilman seconded the motion.

Commissioner Brandon - Now, let's open it up for public comment. We will open the phone lines to take public comment on item 8C for members of the public who are joining us on the phone. Jenica will be our operator and will provide instructions now for anyone on the phone who would like to provide public comment. Jenica, do we have anyone on the phone?

Drew Harper - I entered a letter in the public record at the last Port Commission meeting via Amy Quesada. I hadn't heard anything back from the Port. I thought it wise to speak to you today. I want to thank you for that opportunity. I've been a tenant of the Port and the redevelopment agency for 35 years having paid millions of dollars of rent for my two small businesses located at South Beach Harbor, a sailing school and a sailing excursion company. These are uncertain and extremely stressful times for all of the nearly 600 tenants of the Port, many of us generating 100 percent of our annual revenues over the seven sunny months of the year, April through

October. I think it's important to understand for the Port Commission that your tenants have no opportunity to make money right now. As such, we have little opportunity to afford the steep rents the Port charges for water access.

We also find ourselves in a very unusual position in that the Port is an agency of the city and county of San Francisco. And that very city and county told us that we cannot operate our businesses, yet the Port insists we pay 100 percent of our rent. While there is no legal precedence for this, you have to admit it is a very unusual situation to have the landlord tell you that you can't do business yet require you to pay all of your rent. I don't see any agenda item specifically addressing the relief though I do appreciate the conversation at least looking towards that. There is a lot of talk about rent deferment. But honestly, all that's going to happen to that is it's going to force dozens, potentially hundreds of your tenants into filing for bankruptcy. None of your tenants are asking for free rent. We are just asking for rent relief.

The fact that the Port seems to think that they can remain whole during this pandemic would be quite surprising because, unfortunately, none of us are going to remain whole, particularly in light of the aforementioned city and county lockout issues as part of the SIP. I, along with many other Port tenants, have spoken to bankruptcy attorneys as well as class-action attorneys, all that seems to pop up at these times. I think it is up to the Port and their actions moving forward as to which attorneys we're afforded to have the conversations with.

Your actions today may provide a solid tendency throughout this crisis. Or your inaction on considerable tenant relief may well spell financial ruin for the Port in the very near and certain future. Anecdotally, I thought you should know that Pier 39 has not charged rent to the marina commercial tenants since the SIP order went into effect. And this is as per my colleague Jay Gardner at Adventure Cat.

I'm not alone in my nearly 40 years of doing business with the Port. You have many loyal tenants. We provide an extraordinary amount of income to the Port of San Francisco. Please do the right thing, and help your tenants survive this pandemic. Thank you very much for the opportunity to speak. I hope you and yours remain healthy and safe.

Commissioner Brandon - Thank you, Mr. Harper. We really appreciate the comments.

John Valier - I've been running a non-alcoholic and beer distribution company for the past 20 years. I've been with the Port since that time. As the previous person, we've been paying our rent on a month-to-month basis. We've been pretty good at it. But due to this pandemic, we lost about more than 80 percent of our business just once they're closing down bars. It's been very devastating on our end. We have also inventory issues. We have inventory that is expired and is about to expire by the end of this month and the month

of June, which is costing me a total of \$30,000. We have a bunch of customers which are the restaurants and the bars, delis in downtown San Francisco that have not paid us since February. These receivables go up to \$60,000. We are still operational at 15 to 20 percent. We're hoping to get some forgiveness for these past couple months. Who knows what's going to happen in the future. Anything helps. We were very unfortunate. We did not get any funds from San Francisco city, any grants, not from Verizon, not from Facebook. We did get some PPP but that was just very little. That doesn't cover the losses that we're having today. Thank you for your time. I appreciate it. Hopefully, we get some positive news from you guys in the future.

Commissioner Brandon - Thank you. We appreciate your comments. I'm sure you will be hearing from Port staff.

Commissioner Brandon - Seeing no more callers on the phone, public comment is closed.

Commissioner Woo Ho - Thank you, Crezia, for the presentation. This has been an ongoing discussion and I know a difficult one. I think you and your colleagues have been thinking through this issue very carefully as we do. We should move forward with some of the things that you have discussed here. As the tenants just mentioned their difficult situation, none of us wanted this pandemic. It's something that we're all victims of. Under normal circumstances, we had hoped to have \$98 million in revenues. We've already lowered the forecast to \$75 million. We do not know what the latest forecast would be. We are in this together and it is clear that we all have to share the pain but it cannot be lopsided. Unfortunately, we're not the federal government. We can't just print money and have stimulus that way. We are not in a position to do that from that standpoint. We you come back and talk about any further discussion on rent relief or forgiveness, I need to know how the Port is going to fiscally sustain itself during this period of time. What is our cash-flow position going to be if we continue to also look at some of these programs? We need to look at both sides of the equation as we try to help our tenants. How is it going to hurt us? Where is our cash flow going to come from to sustain us and the tenants through this difficult time? I don't have that part of the equation at the moment.

Katie, unfortunately, you're in the hot seat on that. I'm sure, at some point, you can give us a clearer picture. I'm not asking you to answer it in detail. I think we should answer that as we consider all the other measures going forward because we have to have a balanced picture. If we did some things that have been proposed, would we be able to sustain that on the long term?

We need to figure out a balanced view here because we can't put ourselves out of business helping other people. On the other hand, I don't think it's going to be that dire. I don't have enough facts to be comfortable to consider

more measures until we have some facts and figures in front of us to balance out how this should work going forward in the longer term.

I have no issues with the program that's been presented today. It makes sense. As we go forward, we need to have the Port's side of the equation clearly put in front of us before we make further decisions to go further. It's not that we're not trying to help. We just need to know. At the end of the day, our mission is to be able to sustain ourselves long term too. We already know we're not going to be able to address as many capital projects. We have had to cut back as a result of this. That's already very painful. I'm now concerned about some of the operational side and not just the capital projects. I need to get a projection that shows what other pain can we take to help our tenants?

There's going to be a point where, perhaps, we cannot go all the way. We also need to explain that to all of our constituents and stakeholders in a fair way and in a transparent way. That's what we should be doing as a public agency for the city of San Francisco.

Commissioner Makras - I concur with Commissioner Woo Ho's comments. Well stated. I'll double down that that information should be forthcoming to the commission. I do support the proposal before us in totality. What I'd like staff to do is and if we know now, if you can answer this, are we going to cut individual deals with tenants? Or is our plan to group negotiate with tenants and implement an equity to the tenants based on a certain set of facts?

Crezia Tano-Lee - Commissioner, at this time, there is no set negotiation discussions on how further relief could be structured. The proposed SB 939 bill does present some challenges. The way that the bill is drafted would require us to negotiate in good faith with each of our tenants. I imagine that we will be watching this very closely as we see it move through the senate floor. It is our desire to have a sector-based relief program because some sectors have struggled more during this time than others. But the opt-in program will show us a lot of that data points that we need to make a fair program moving forward.

Commissioner Makras - Yes. What I'd like staff to look at in a perfect world, I think it's a policy decision before we implement any programs, is whether we are going to treat the sector groups the same. Or are we going to negotiate each one to the best of our ability? A good negotiator with a good team may get a better deal than someone without a team negotiating by themselves because, at the end, once all these are negotiated, all of our leases are going to be public. All of the negotiations we do will be public.

We are going to have tenants look at better deals that have been cut than their own deals. Do we want to be in that position of negotiating in good faith but at a net result being challenged that we weren't forthright? All a tenant has to ask us, is this the Port's maximum consideration? If the Port was to answer that yes and they took the deal, I would hate to see a negotiation fall different

later. And that would pose the question, if we don't have a policy that affects all the sector equally, are we going to have a favored-nations policy as an example that we'll negotiate in good faith. But when they're all over, if we gave someone a better deal, that we'll give that better deal to all of our tenants. I'd like us to walk through this because the leases will all be public at the end.

I have some interest in doing sector programs and having a policy that would affect all the tenants equally. For example, taking the restaurant sector and the parking lot sector as two and deleting their minimum base rent each month and only collecting the percentage rent that their lease calls out for. And we would set it in my example would be for a year. All the restaurant leases would be adjusted to, no minimum rent, just their percentage of business. We would be their partner. As their business grows, our rent grows. We would do that, in my example, for a one-year term. We're treating every single restaurant equally across the board. A decision like that would actually mean no rent for the actual shutdown from February 26th to the day it's lifted. I'd like us to have these types of discussions, so we know how we want to interface with individual tenants and the collective results that we hope to get out of this.

Commissioner Gilman - First of all, thank you so much for the report. I want to reiterate Commissioner Woo Ho and Commissioner Makras' comments. I'm very much in aligning them and feel that information that Commissioner Woo Ho outlined would be one set of information we need moving forward. I do support moving the item forward today with the current policy. But I do want to call out some of the points that Commissioner Makras made and maybe expand on them a little bit of what I would need for us to move forward from this and what I think would be a good conversation.

I wholeheartedly agree with a sector-by-sector approach. I made these comments at the last two commission meetings. I feel very strongly that we need those approaches. When you look at the staff report and the information you gave us particularly on page four and then even geographically on page five, sectors are reacting to the pandemic in very, very different ways.

I think, looking at the sectors that we receive rent from, the restaurant and parking as an illustrative example where we have high participation is very different than dockage or our harbor services facility rent. I'm using these as two examples to illustrate where we had a higher percentage of payment, actually 100 percent payment in some of these sectors. I really would want to see the staff break down from a sector approach how we're going to provide relief to the tenants.

I think we should be grouping large projects like Pier 70 and Mission Rock into separate distinct categories due to their size and scope if they are

seeking rent relief. I do think we should be exploring some of the comments that were made from the letter we received, the ability to do new terms.

I particularly like the example that Commissioner Makras made about the possibility of waiving base rent for folks where we have participation rent so that we are in it together. I don't think any of us can assess when the public is going to feel comfortable returning to the waterfront to engage in businesses in a meaningful way.

We will see a rush in the beginning when restaurants are allowed to do dine-in service. But whether that sustains itself I think no one knows the answer to that. I think we need to be in partnership. We don't want to see a rash of our businesses declaring bankruptcy and going under. We also need to weigh the fact that, while we're an enterprise department, we are part of the city and county of San Francisco.

This is just a question for my fellow commissioners. I don't have an opinion formed yet. But do we want our small businesses applying for loans from the general fund of the city and county of San Francisco just then to turn around and be providing that money to the Port? I call that as a question for how we play into the larger ecosystem with the city and the resources that are available. Crezia, I do want to say I really agree with you that we need to track very carefully SB 939. It could have a major impact on us. Port staff should reach out to the mayor's office to understand what the city and county of San Francisco's overall position is about SB 939 since it would have a broader effect. Those are my comments of some of the things I'd like to see us discuss and some of the information I would like to see when we enter that conversation and particularly also sector-by-sector projections, if we were to do rent relief, what those numbers would look like and then how they tie back to the Port's overall budget.

Commissioner Adams - Listening to my fellow commissioners, I definitely want to proceed with caution going down this road. I see all these major companies filing for bankruptcy like J.C. Penny and Pier One. I know we're a business, we've got to help our tenants. But I have so many questions. I agree with Commissioner Woo Ho and Commissioner Makras and Commissioner Gilman. There's a lot of questions. I'm about supporting but we have to use a lot of caution because all our business will be an open book.

Someone will think that they got a better deal than someone else. To have to renegotiate a lot of different things it's a little dangerous in some ways. But we have an obligation to help. Are we going to be getting any federal stimulus money? Are we going to be getting any money from the state? This is a very painful conversation. I can support this today. But this is a long discussion. This is probably one of the biggest decisions that this commission has ever had to make in the seven years that I've been on the commission to do that. This cannot be taken lightly. We're public servants.

Commissioner Brandon - Crezia, thank you so much for your presentation. I know a lot of work and a lot of thought has gone into this. I, too, support what we're discussing here today. But going forward, I think we do need a little more information. We definitely need projections to understand how it's going to affect our overall portfolio. I agree that we need to look at it sector by sector because each sector has a different need. But we also have to take into consideration, as Commissioner Adams said, what federal, state and local support we or our tenants have been given. There's a lot that goes into this.

As my fellow commissioners have said, this is going to be a huge policy issue and effort. The more information that we have the better. It may be more than one conversation. This may be a continued conversation because this situation is still fluid. Things are changing. There's no one size that fits all. There's going to be a lot that goes into making these decisions. But thank you so much for all that you've done today. We look forward to working with you to see how we can support our tenants going forward.

Commissioner Brandon - We have a motion and a second. Amy, can we please have a roll call vote?

Amy Quesada – Roll Call Vote

President Brandon – Yes
Vice President Adams – Yes
Commissioner Gilman – Yes
Commissioner Makras – Yes
Commissioner Woo Ho – Yes

Commissioner Brandon - The motion passes unanimously. Resolution number 20-27 is adopted.

9. NEW BUSINESS

10. ADJOURNMENT

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

President Commissioner Brandon adjourned the meeting at 5:30 p.m.