



SAN FRANCISCO PORT COMMISSION

**MARCH 23, 2021
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

**HON. KIMBERLY BRANDON, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. JOHN BURTON, COMMISSIONER
HON. GAIL GILMAN, COMMISSIONER
HON. DOREEN WOO HO, COMMISSIONER**

**ELAINE FORBES, EXECUTIVE DIRECTOR
CARL NICITA, COMMISSION AFFAIRS MANAGER**

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING March 23, 2021

1. CALL TO ORDER / ROLL CALL

This meeting was held by teleconference pursuant to the Governor's Executive Order N-29-20 and the Fifth Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency.

Port Commission President Kimberly Brandon called the meeting to order at 2:30 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, John Burton, Gail Gilman and Doreen Woo Ho.

2. APPROVAL OF MINUTES – March 9, 2021

ACTION: Vice President Adams moved approval of the minutes. Commissioner Gilman seconded the motion. In a roll call vote, the minutes were approved unanimously.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

No Public Comment on Executive Session.

4. EXECUTIVE SESSION

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

ACTION: Vice President Adams moved to convene in closed session. Commissioner Woo Ho seconded the motion. In a roll call vote, the motion passed unanimously.

At 2:35 p.m. the Commissioners withdrew to closed session.

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

(a) Property: 1236 Carroll Street
Person Negotiating: Port: Rebecca Benassini, Deputy Director of Real Estate and Development

Negotiating Parties: Reid Boggiano, Granted Lands Program Manager, State Lands Commission
Andrico Q. Penick, Director of Real Estate, City and County of San Francisco Real Estate Division

Under Negotiations: ___ Price ___ Terms of Payment X Both

The City Real Estate Division has approached the Port about the possible lease or purchase of Port property. Port staff is working with the City and State Lands Commission to establish fair market value and the terms of disposition. In this executive session, the Port's negotiators seek direction from the Port Commission on factors affecting the price and terms of payment, including price structure and other factors affecting the form, manner and timing of payment of the consideration for a potential lease or purchase. The executive session discussions will enhance the capacity of the Port Commission during the public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and People of the State of California.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

No Report.

- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

ACTION: Vice President Adams moved to reconvene in open session without disclosing what was discussed in open session. Commissioner Gilman seconded the motion. In a roll call vote, the motion passed unanimously.

At 3:16 p.m. the Commissioners reconvened in open session.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- 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 a touch-tone phone to register their desire for public comment. Audio prompts will signal to dial-in participants when their Audio Input has been enabled for commenting. Please dial in when the item you wish to comment on is announced.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

No Public Comment on Items Not Listed on the Agenda.

9. EXECUTIVE

A. Executive Director's Report

Director Forbes - Good afternoon President Brandon, Vice President Adams, Commissioners, members of the public and Port Staff. I am Elaine Forbes, the Executive Director of the Port of San Francisco. This last week marked the one-year anniversary of shelter in place and the profound sacrifice we've all had to make to stay safe and fight the virus. and the profound sacrificae

I'm very proud of the role the Port has played and will continue to play in fighting the virus. I am hopeful to better days ahead as access to vaccine and vaccination rates continue to improve here in San Francisco, in the state and around the country.

In my report today, I will provide Economic Recovery and Equity updates and I will update on the Embarcadero SAFE Navigation Center and the Jefferson Street Project. I will conclude by providing an In Memorium for Anne Halsted.

Economic Recovery. At this time, we stand on the verge of moving into the state's orange tier which will allow for more reopening activity. This includes the safe resumption of office work with some capacity constraints. I am hopeful that the move to orange tier will bring back more economic activity to the Waterfront. As you know, the pandemic has brought unprecedented financial woes for our tenants and for the Port as an enterprise.

In a moment you will hear from Katie Petrucione, the Port's CFO and Nate Cruz, the Port's Finance Director, who will provide greater detail and insight into the steps we must take to mitigate the economic impact of the virus. Katie and Nate presented these measures to staff last week at a virtual all-hands meetings and to members of the public. Staff and members of the public shared appreciation for our transparency and commitment to leaning in and confronting the looming challenges head on.

While the future is looking brighter, the gradual reopening of business and activities will increase travel and interactions throughout San Francisco. With the risk increasing, we need to remain vigilant to avoid community spread of the virus and an increase in cases and hospitalizations. We must continue to wear masks, hand wash, practice social distancing and avoid large gatherings.

Public health officials will closely monitor the key public health indicators, particularly new positive case counts and hospitalizations to ensure San Francisco has the necessary resources available for those who contract COVID-19. This will influence what activities within the orange tier that can reopen and on what timeline. Let's work together to make the success of our reopening a reality.

While San Francisco recognizes and is attempting to align with the state's framework, the City will continue on a reopening path based on its local health indicators and the unique challenges and success of its local reopening.

On to Equity. First I would like to open with acknowledging last week's events in Atlanta which were truly, truly chilling. We also face violence against the Asian community here in San Francisco and in the Bay Area. The Port stands in solidarity with our Asian brothers and sisters, and we must do all we can to fight xenophobia, misogyny and this pernicious racism. Our Asian Pacific Islander community needs our support more than ever.

It is so important that all of us take a stand against the violence and hate. We are one community, and we must come together to stand up for our brothers and sisters who are under attack. The unspeakable violence perpetrated in Atlanta and right here at home in San Francisco and around the Bay Area is an attack on all of us and on our core values. We must do better. We can do better.

At the Port, the Port's Race Equity Team continues to make progress to build a strong foundation for our department-wide Equity initiative. We are pleased to share that staff hosted its first meeting with the Port's Port Commission Equity subcommittee. In this meeting, we shared our vision for Equity, provided an overview of the short-term Race Equity Action Plan actions to be implemented this year, and proposed our Implementation Plan.

I would like to thank President Brandon and Commissioner Gilman for their service on this subcommittee, continued leadership and partnership. Staff will meet with the Equity subcommittee on a quarterly basis to provide progress reports on the Racial Equity Action Plan implementation and to receive guidance and support as we move forward building a more equitable Port.

To assist with recording the Port's milestones and challenges, staff are working with Two Rivers Corporation, a women-owned small business enterprise, to develop a Race Equity Action Plan tracker that will be used as an internal dashboard, and external, and to generate reports that we will present to the Port Commission biannually.

I am also happy to report that the Port welcomed over 100 participants to the Fourth Annual Contracts Open House. This year's virtual event provided an opportunity for small businesses to learn about the Port's priorities and contract pipeline as well as to meet staff and other business owners.

Staff worked hard to pull off the virtual event and received great feedback about how the breakout groups allowed for participation and conversation. As always, the Contract Open House is a model of interdivisional collaboration bringing together staff across the Port to work together and connect with our LBE partners. I would like to thank President Brandon for her warm welcome remarks and her steadfast advocacy and support.

Two key project updates. This acknowledging Vice President Adam's request on the Embarcadero's SAFE Navigation Center. This site is now operated as a COVID-negative/COVID-unknown site. The capacity is limited now to 88 guests to ensure compliance with social distancing protocols. Referrals are handled through COVID command centers and that includes the public health system and street outreach teams.

Site operations and partners continue to work collaboratively with neighbors to address concerns. The Advisory Group is meeting quarterly and getting answers to questions about issues at the site and also City services. In good news, the last count of unsheltered homeless people in the area conducted last month found 60 people in the outreach zone and 15 individuals in the safety zone. This is a notable decrease from the 179 individuals in the outreach zone that were found living unsheltered two years ago prior to the opening of the Navigation Center.

The foot beat officers deployed to the facility's safety zone remain on the job and have worked to develop relationships with neighborhood residents and businesses. Overall, police incidents in the safety zones have decreased.

To Jefferson Street. This is Phase 2 of Jefferson Street, the final three blocks of the five block Main Street to Fisherman's Wharf will be complete later this spring. The only exception to that is the guard rail along the inner lagoon which has been delayed due to the Seawall condition, COVID and difficulty coordinating with numerous agencies. At this time, we anticipate the railing installation may not occur until late May or early June.

In good news, the SFMTA plans to begin running the F-line streetcar in mid-May. The return of the F-line is a welcome change for residents and tenants in the area. I would also like to report that the SS Jeremiah O'Brien returned to its berth at Pier 45 this morning. She was repositioned to Pier 35 in the aftermath of last year's fire, and we couldn't be prouder to have her back at Pier 45.

Staff had worked extraordinarily hard to remove debris and make repairs to allow for her safe return. The O'Brien will remain closed to the public at this time as she is undergoing renovations. The vessel's return is a much welcome step forward for us in moving past the calamities of 2020. She is one of the key anchors for our Fisherman's Wharf community.

Lastly, I would like to conclude my report with a tribute to Ann Halsted who passed away on Saturday, March 13th. Anne served on the Port Commission from 1984 to 1995, the first woman to sit on the Commission. She served as Port Commission President from 1988-1990. Anne lived her adult life in San Francisco and was devoted to bringing people together to protect and improve the beauty and vibrancy of the city and region.

She was a lifelong advocate for public Open Space, instrumental in helping the City secure funding to transform the Embarcadero and to push for the creation of the Blue Greenway along the Waterfront. Anne was a feminist. She advocated for women, immigrants and racial minority groups and was dedicated to preserving San Francisco's charm and character while creating economic opportunities that extended benefits to working class people. Anne knew these values went together.

When Proposition H was passed in 1990, Commissioner Halsted was the voice of the Port Commission to create a process that welcomed the engagement of all to create our first Waterfront Land Use Plan. Her devotion to the Waterfront continued after stepping down from the Port Commission to lead the Port's Northeast Waterfront Advisory Committee before being appointed to the San Francisco Bay Conservation and Development Commission, BCDC, which she served as Vice Chair at the time of her passing.

In addition to countless boards and commissions, Anne also served on the board of SPUR for decades and served as SPUR's President from 1993 to 1997. Anne's grace and gentle leadership style is one of the qualities that was so inspiring. In the words of former SPUR President Jim Chappell, "Anne is the picture of a gentle giant. An individual so committed to social and economic, environmental justice. But so modest and common sense. A mentor to so many. Others, young women especially. A catalyst who leads by example without an ounce of command or control or ego."

Anne was a very gracious person and the many of us who had the privilege to know her remember her welcoming yet firm style. The Port expresses its deep condolences to Anne's husband, Wells Whitney, and her family. And we'd like to close the meeting in her memory. This concludes my Director's Report. Thank you.

President Brandon - Thank you Elaine. It was a great [report]. Did you say anything about the meeting with the Army Corps [last week]?

Director Forbes - I did not Commissioner Brandon. That's a good one to cover. Would you like me to say a few words?

President Brandon - Please.

Director Forbes - We were able to host the Army Corps of Engineers here at Port of San Francisco. We had leadership from Washington, D.C. present along with district office leadership with our team to discuss the 3x3 waiver request that is going to Washington, D.C. a little bit later this year. President Brandon joined us.

We had an excellent conversation about our study and our partnership to date and it was followed by a tour of the San Francisco Waterfront.

Public Comment on the Executive Director's Report:

V. Fei Tsen - Thank you. Hello Director Forbes, President Brandon and commissioners. I am Fei Tsen, President of the Treasure Island Development Authority. I will also be honoring Anne Halsted at the next meeting of the TIDA board which is not until April. But because our heart is very full at this time, I wanted to join you at the Port Commission today to pay tribute to her.

As you know, Anne cared very deeply about the Waterfront. She was on your Port Commission. She was my predecessor at the Treasure Island Development Authority. She was on the Northeast Waterfront Advisory Committee. She was on the BCDC board. For both of us who sit on public commissions, you know what a responsibility, I would say, "privilege" it is to serve the City as stewards of the public realm.

And Anne was the exemplar of civic duty. She lived her life dedicated to making better her neighborhood, her city, her region. Anne and I sat on the boards of many non-profit organizations. SPUR, Greenbelt Alliance, the Chinatown Community Development Corporation just to name a few. We shared similar passions about great cities by waterfronts with transit, Open Space and parks.

And working with her on these mutual passions, I found her to be always wise in her counsel, knowledgeable about organizational challenges, astute about the political lay of the land. And of course, above all, she was gracious and elegant. We've lost a friend. We've lost a great citizen committed to public life. She will be missed. Thank you.

[Wong Fei] - Hi, my name is Wong Fei. I'm calling regarding the Embarcadero Navigation Center on behalf of Safe Embarcadero for All. First of all, I want to commend the Port Commission and the staff of the Port Commission for being very responsive to concerns about the Navigation Center. I think that in general our concerns have been addressed quickly and competently.

And I do want to say that although the Navigation Center did generate a number of complaints when it first opened, recently it has, things have seemed to be going more smoothly. And we hope that it continues that way even when the Navigation Center returns to normal operations. Thank you.

Bonnie Fisher - Hello, thank you for the opportunity to speak today. This is Bonnie Fisher. So many of you, especially Director Forbes and Fei Tsen have already written and spoken so eloquently and passionately about Anne Halsted. Undoubtedly, so many will continue to speak to her grace, intelligence, seemingly inexhaustible energy and steadfast commitment over many, many years to the betterment of our City and our Waterfront.

Many of you at this meeting knew her very, very well. She was a lovely and remarkable woman. We all will miss her very much. I wanted to say a few words at this meeting to add my voice in honor of Anne and also to say that I am serving as the Chair of a committee that is co-chaired by Anne's husband Wells Whitney to acknowledge Anne's life and efforts by staging a major citywide dedication event, hopefully in May, on the plaza adjacent to the expanded Downtown Ferry Terminal.

With your concurrence, we feel very confident that we can raise funds for this event, as well as for the installation of a dedication plaque. We have preliminarily discussed the possibility of locating it in the granite pavement overlooking the rain garden at the Northeast corner of the plaza. We will work closely with the Port and Dan Hodapp in particularly to finalize the location and design of the commemorative plaque. And we look forward to coming back to you in April to present more details related to the event and the design and the installation of the commemorative plaque.

Thank you so much for the opportunity for speaking today and I really look forward to your support in this effort. Thank you.

Commissioners' Discussion on the Executive Directors Report:

Commissioners Gilman - Thank you so much President Brandon. Thank you Director Forbes for that lovely report. I first do want to acknowledge that it has been a year since the shelter in place, over a year since we as Commissioners have had the privilege to meet in person to go over these matters. And I do want to commend and reiterate how much the Port has done to support the City in COVID-19 response. And I am looking forward to our recovery, both for us as a Port and for our tenants and for the citizenry of San Francisco.

I do want to take a moment though, sorry, to say a couple of words about Anne Halsted who I personally knew. I met Anne over a decade ago and I met her in the most quintessential San Francisco way. I met her through two iconic people representing the communities that I care about the most, North Beach and Chinatown. I met her through Reverend Norman Fong at an event to support the Youth Alleyway walkways in Chinatown. I sat at her table. It was my first actual banquet at Empress of China.

And Anne was gracious and lovely to me. She introduced me to everyone at my table. She made me instantly feel at home and she expressed her love, a board that she served on for Chinatown Community Development Center. Weeks later, I ran into her at John and Gussie Stewart's home on Telegraph Hill, an event there to support Telegraph Hill Dwellers, another organization that Anne loved.

Anne again took me around that room. She introduced me to people. She told folks I literally lived down the hill from John and Gussie and had been a member of the North Beach community. Anne became a friend. She became a mentor and she became someone I could always turn to. I only hope as I serve on this Commission that I can continue her legacy for an equitable Port and conserving the public realm for all in San Francisco.

A Port and Embarcadero that embraces our communities of color to come to the Waterfront, that embraces our businesses from Chinatown and North Beach, the Dogpatch and Bayview-Hunters Pointe to have local businesses and vendors participate on the economic activity of this Port.

Anne was an icon of the City. She especially touched the Northeast section of San Francisco. And I wanted to give my deepest condolences to her husband Wells and to the community at large. I am excited and do want to say right now, fully supportive of honoring Anne with a plaque and the extended Ferry Landing here in San Francisco. I look forward to working on that and helping any way I can. I want to say I'll truly miss her as a friend, a fellow urbanist, and as a woman who served the City so well. President Brandon, that concludes my remarks.

President Brandon - Thank you. Thank you very much. Commissioner Burton.

Commissioners Burton - Yeah, I've known Annie for over 40 years. We spent a lot of time together with Wells and my old racquetball partner [Marv Kashoss] up at Enrico's. And Wells and Annie and Marv, they had breakfast all over the place. We've seen them go to movies years ago when she very generously let me pick out the movies until one or two were kind of not her cup of tea so I gave her the pick.

But she was just a warm, wonderful, beautiful human being. I mean beautiful in spirit, beautiful in [heart] and just the last time I saw her was about two years ago at a political event that was put on to try to help raise money for people running for the U.S. Senate and was played here, the event was here actually, in North Beach. And my sympathy to Wells. And at the time that he was struck with his cancer, we'd never thought we'd live to see the day, and nor would he, that he would outlive Annie.

And I just loved her and I want to be part of whatever celebration there is and whatever event to raise money in her memory because she was a piece of cake. Just a wonderful person. I just loved her to death.

Commissioners Woo Ho - Yeah, sorry. If you called on me earlier, I was having some audio difficulties. So I didn't know whether you called on me and I didn't respond. I was disconnected for a while. But I just wanted to comment. I did not know Anne Halsted very well. We did know each other but I certainly admired her and I know that when I became Port Commissioner, I remember her coming up to me in several of different events to congratulate me and to mention her past association with the Port.

And she struck me as just an amazing person and I felt like those are big footsteps to follow when I became a Commissioner as she spoke of her love for the Port and the Waterfront.

And if this is the time also to just make a comment on the general, on the Executive Director's Report, I just wanted to also use this time that I really appreciate Director Forbes mentioning all of the unspeakable tragedies that the Asian community, the Asian American community has faced culminating in the event in Georgia.

But some of this has been going on for a number of months and I want to say that it is very unfortunate. I think that not only is it one community, but all communities. And this one, because of the coronavirus has raised more tensions. And in many cases, the people that have been targeted are absolutely innocent. And in some cases, if it was designated, if it was targeted against Chinese, some of them weren't even Chinese. So it's really a tragedy to see some of those things that happened in the Bay Area as well as across the country and culminating in Georgia.

And I just want to say that as the Port executes and thinks about its Equity and Social Justice and Racism Plan that we think about the entire community. I know that we obviously were all shocked and saddened by the events of the summer that affected the African American community, but you can see that many of us are vulnerable in other parts of the community.

And especially in San Francisco where we are really the leading Asian American city in this country, I hope we can take a leadership position to speak up and to do something as far as making sure that the community does come together. That we stand up and that the opportunities, as we look at it from the Port's standpoint in our Equity plans includes everyone in our community equally.

And I just wanted to make that point and say, "Thank you, Elaine, for emphasizing that today." It's been a very, very sad week. There've been a lot of leaders who have spoken up across the country. And I think it's finally getting some traction I guess, and attention in Washington because the pattern is, it's not just a few erratic situations. It's really more widespread than all of us think and it's very, very unfortunate and I think we, it's our duty to figure out how to bring everybody together and understand that we're all human.

And what we're experiencing in the last year is not the fault of one nation, one community, whatever. I mean, it is what it is and we should try to combat this with our humanity, with, just as we said in the Pledge of Allegiance, "with justice for all". Thank you.

President Brandon - Thank you Commissioner Woo Ho. And I want to assure you that our Racial Equity plan does include all communities of color. And we want to fight racism on every and any level out there. Everyone is included. We do not want racism against anyone, any community. So thank you so much for those words because I really agree with all that you are saying.

Before I move on to Vice President Adams, I know that there is staff that would like to say a few words about Anne. So Diane Oshima, did you have your hand raised?

Diane Oshima - I did President Brandon. Thank you for -- I'm sorry I missed my little slot. But I did want to, first of all, thank you, President Woo Ho for your words. I, without being able to express them as eloquently, I support those thoughts entirely, particularly this week.

I actually wanted to just put in a few good wishes for Anne Halsted because she was a real mentor for me and for many of the women who came up through the Port. Proposition H, back in 1990 was a pretty controversial deal

for the Port. And through her grace, she showed that she's not just a great urbanist but a great humanist too in terms of welcoming the public into a public process that I was honored to be able to be involved in for the Waterfront Plan.

But to show all of us what the real promise of the Waterfront was and its relationship to the City and the region. And in all of the different roles that she played over the course of her life, that was her goal was to bring people together in this special public place and to appreciate and support each other.

So I just want to thank Anne for all of her guidance, her quiet, persistent and gracious direction and support that she provided for so many. And too, I will always remember her in my heart. So thank you for letting me speak.

President Brandon - Thank you for those kind words. Is there anyone else that would like to comment? Okay, Vice President Adams?

Vice President Adams - First of all, I didn't know Anne Halsted at all, but clearly hearing everyone talking about her she was an icon and a treasure here in San Francisco. And when people pass away, there's something about everybody's personality that we all have, and it sounds like, just hearing all those that speak about her, the world can use a lot more Anne Halsteds. And may she rest in peace.

Director Forbes, I really appreciate your words, and Commissioner Woo Ho. And this needs to be called out for what it is. The attack on the Asian community, it all started with our ex-President and all this rhetoric of hate, calling it "the Chinese flu", "the [Wuhan] flu", it's unacceptable. And thank you for speaking out.

We as a Commission, I know we're in the business of finances, but we have a social conscious. And we have to speak out and we have to call it what it is. It's unacceptable. And I appreciate Commissioner Woo Ho what you're saying about inclusion. I know President Brandon and Commissioner Gilman are working on that along with the Port staff and Director Forbes at the helm.

And also, we need speak out about the horrible tragedy of police officer, Eric Talley, with the Boulder Police Department who lost his life yesterday in Colorado, and the other nine families.

Something is wrong in our country and we have to speak out. This kind of violence, this kind of hate. We've got to be able to live our lives where we can go to a store, go to our work, go anywhere we choose to go as Americans and not feel under the threat that we could be shot or killed or intimidated or assassinated. So I'm going to call it out for what it is and I'm glad this Commission is too.

And may we remember them, the families and also remember the police officers. Not only in Colorado but every day they put their lives on the lines. And just the working people that worked in the stores and just ordinary people that want to go out. And what's happening in Georgia has been happening in this country for over a year with our past President saying these hateful -- and we've got to condemn that kind of rhetoric. And when politicians are afraid to speak out and speak truth to power, we need to hold their feet to the fire.

I come from a union that's not afraid to say that. We call it for what it is. Some people that want to say, "What happened in Georgia wasn't a hate crime." It was a hate crime. And to me, violence against women or any woman is unacceptable. So I want to go on record for saying that and I say it without apology and I'm glad my brothers and sisters on this Port Commission and this Port that we speak and we stand up for a better world. Thank you.

President Brandon - Thank you Vice President Adams. I don't think I could've said it any better. There's just so much going on in the world today and we have to denounce the gun violence on anyone, whether it's a police officer, the women in Atlanta, the families in Boulder. We have to denounce all hate. We all have to come together. And it's just a really sad time right now. But, Director Forbes, thank you so much for your report. It was very thorough. You've covered a lot. The Port has been extremely busy over the last couple of weeks.

I want to say a few words about Anne. As Director Forbes said, she was the first woman appointed to the Port Commission and the first female President of the Port Commission. When I was appointed to the Port Commission in 1997, Anne was one of the first people that reached out to me. She is just, she was just such a wonderful person. She became -- we did a lot of work together on the Waterfront Land Use Plan and the adoption of it. We had joint meetings with BCDC.

She became my mentor. She became my friend. I think the last time I saw her was at my 20th anniversary celebration and she showed up with warm words and open arms and she will truly, truly be missed. She's just done so much for San Francisco and the Waterfront and I'm happy that we are closing the meeting in her honor. And I'd also like to close the meeting in honor of the victims in Atlanta and the victims in Boulder, Colorado. So thank you everyone. Carl, next item please.

10. FINANCE & ADMINISTRATION

- A. Informational presentation on the Port's Fiscal Year (FY) 2021-22 Operating and Capital Supplemental Appropriation.

Katie Petrucione - Good afternoon President Brandon, Vice President Adams, Commissioners, and Director Forbes. I am Katie Petrucione, the Port's Director of Finance and Administration. We are here this afternoon with an informational presentation about two supplemental appropriation ordinances amending the Port's Operating and Capital Budgets for Fiscal Year '21-'22.

As you know, we have a closed two-year budget and this proposed legislation would make incremental changes to reflect the revenue decline that the Port has experienced as a result of the COVID-19 pandemic. This is a moment of great financial challenge and great financial uncertainty for the Port. Working with the Controller's Office, staff has developed a financial projection that suggests that it will take at least five years for the organization to rebound from the revenue losses that we have seen in the last year.

We will continue to refine this forecast as we receive more information about revenue and as we see how the rollout of vaccines affects tourism, hospitality and office use. These projections are our best guess today, but we know for a fact that they will change and we will update you as they do.

The Port faces a monumental task. We must restore the organization to financial stability in a way that protects our core mission and ensures Equity. This work is going to be difficult and will require creativity and determination. As you are going to hear this afternoon, staff proposes to tackle this challenge in two steps, starting with the budget changes that are in front of you this afternoon and then with a 10-month Economic Recovery initiative that will allow us time to develop thoughtful and analytically sound proposals for revenue enhancement, expenditure reductions and operating efficiencies in the budget for Fiscal Years '22-'23 and '23-'24.

The budget proposals that we are going to outline this afternoon are the product of a great deal of hard work by all of the Port's divisions. I'm so appreciative of the organization's willingness to roll up its collective sleeves in the search for budget savings. I am also incredibly appreciative of the hard work that my two-person Finance staff, Nate Cruz and Kelila Krantz have put into developing the two supplementals and all of the supporting material.

Now, I'm going to turn it over to Nate Cruz to walk you through today's presentation.

Nate Cruz - Thank you Katie. Nate Cruz of the Finance division. Let's go ahead and advance to the next slide. So before we get into the details of the supplemental that will be before you for a vote next Commission hearing, it's worth stepping back and looking at the overall fiscal picture for the Port and actually, through a little bit bigger lens of the City overall.

So the economic impact on the City of COVID has been severe. As of March, the region, the metro area was down a net 80,000 jobs. Initially, after the outbreak, it was down much more than that, closer to 180,000. So we've climbed back quite a bit, but we're still down 80,000 jobs. As a landlord, the next statistic is much more alarming. Office vacancy has tripled. The hotel tax, which is a good proxy for tourism activity, hotel tax revenue is down 80% and sales tax revenue in brick-and-mortar facilities, so this excludes online purchases, is down 50%. Next slide.

So for the Port in particular, overall, across the whole portfolio, we're down around 45% from pre-pandemic levels, but that kind of obscures a more nuanced story. For those tenants that really depend on tourism and retail activity, revenue is down much, much, much worse than that. It's down around 75%. So that's on average across our restaurants, our parking lot operators, our retail stores, cruise ships obviously and the excursion operators that brings folks out onto the Bay to Alcatraz or for Bay Cruises. They're way down from pre-pandemic levels.

On the flip side, we've seen relative -- and I say "relative" given the economic context that we're all in -- relatively stable revenues from our Maritime cargo operations, our shed tenants and the industrial operations of the Southern Waterfront. All things considered, they've been really our base of revenue throughout this crisis. That said, there is still currently \$22 million in unpaid rent. That compares to a January of 2020 figure, so pre-COVID it was about \$3.5 million. So that's, \$22 million is a substantial increase. And that's all because the future is so uncertain.

We're trying to make a forecast, but it's very difficult in these conditions because there's really no precedent or playbook for how the economy will rebound after a pandemic recession. Nonetheless, we've put this forecast before you today. Next slide please.

And we've done this recovery forecast in close coordination with the Controller's Office. They've made City wide forecasts and in discussions with them about specific assumptions they used, we've used those to model our own revenues. And so the assumptions in this table focus on the real, the assumptions the City uses that we think are most important to the Port.

And they're in these four categories you see. First is just the status of vaccination. The Controller anticipates widespread vaccination this fall. As Director Forbes mentioned, given the number of vaccinations that are being delivered and the good news that the President announced about the supply of vaccinations, this seems like a realistic assumption. Unfortunately, as we go further down this slide, the [speculativeness] becomes greater or the uncertainty gets greater.

So in the next category, mass gatherings. The Controller's assuming that they begin incrementally this summer, but don't really get back to pre-pandemic levels for a full year, until the Summer of 2022. So that's when we're hoping that baseball games and concerts start happening again.

On the commuting front, which is an important customer base for many of our tenants along the Waterfront and where I'm talking specifically about office workers here that are largely telecommuting today, not the essential workers that are still coming to work every day. We think that roughly 50% of folks will be still telecommuting by the end of this calendar year, but that will be reduced to only 25% by the end of the following year. And after that we think it's going to level out at around 10%. That's higher than before but that reflects sort of the people adapting to this new style of working from home.

And finally, tourists. And this is really the most important category for us. It's important to -- or in our discussions with the Controller, we've learned that it's really important to think about tourism in thirds and they represent roughly equal thirds of spending. So there's leisure tourism, business tourism and then convention attendees. Now, they represent different numbers of people, but in terms of spending, they're about equivalent.

So we think leisure tourism will rebound first. Right? There's a lot of pent-up demand. People are tired of being in their homes and want to get out. And we think that's going to come back first. Business tourism will lag and convention tourism will be the last component to come back. So business tourism we think will be returning in '23-'24 and the volume will be mostly there by the end of '24 but we won't see the spending fully return until the Summer of 2025. So that's that five-year recovery window that Katie was referring to.

So when we take this timeline and apply it to the revenue history during COVID, we can come up with a forecast. And so I visualized this in the next slide in a line graph. But more than recovery, to provide some context, this graph actually goes back 15 years to 2005. And then 2005 is important because that was the year that we first earned \$60 million as an organization. And over the next 15 years, it crept up and up to about \$120 million is where we ended '18-'19. And then COVID came around and it looks like we're going to end this Fiscal Year somewhere back around \$60 million where we were 15 years ago.

You can see the recovery in red and those are still just forecasts subject to a lot of variance. But we would think it's going to be pretty steep in the beginning as those leisure tourists come back pretty quickly. But then the pace of recovery slows as we wait patiently for business and convention attendees, that aspect of tourism, to return.

Now overall, that valley, that V-shape, and when you compare that to what we might call a normal year or pre-pandemic revenue levels, a pre-pandemic revenue level on average might've been about \$110 million. The \$120 million peak had a lot of one-time revenue in it. But compared to \$110 million, that V-shaped, or I guess people are calling it sort of a K-shaped recession now, the total amount of revenue lost compared to what would've likely been received had we not had the pandemic is over \$100 million.

So that's the shortfall, the shortfall that we face over the next five years. And that's without precedent. If you look back at sort of the 2010 portion of the graph on the left, it doesn't even show up. It's merely a flattening of the line, that was the last recession that we went through. So these are really unprecedented times for us and we have to consider how to use our precious resources. Next slide please.

So obviously when we're thinking about how to use those scarce resources, those revenue dollars, we have to balance a number of considerations. Obviously, we are an enterprise agency. We need to operate on our own revenues, and historically we have done so without any General Fund support. We need to maintain our mission and our revenue capacity at the same time. We have a duty to the Maritime industry and to provide for the life safety of all the Waterfront visitors.

At the same time, we need to be investing in our facilities so we can charge rent and exist in perpetuity as a financially sustainable organization. But those facilities, even before COVID had some challenges. The capital investment in those facilities was not sufficient and before COVID we had a \$1 billion backlog from a state of good repair perspective. And we had been spending roughly \$20-25 million a year to keep our facilities in good shape, and we can't afford that any longer.

And the final thing we need to consider is our fund balance. That's, you know, the Port's saving account, our reserve account. We've been relying on that heavily through the pandemic, but we can't just spend that down to zero. We've been working with our financial advisors to understand what the right sort of trade-offs are and we've identified \$30 million is the target minimum to keep our bond ratings relatively healthy and to allow for a cushion for any future emergencies. As a five-year recovery, there's a chance that something else might go wrong and judging by 2020, I don't think we can count on things going without fault in the next five years. Next slide please.

So what we're before you today with is a supplemental adjustment to the '21-'22 budget. But we already made a number of adjustments in the prior budget that you'd approved last summer, so just to summarize those real quickly. In the operating side we reduced, or we identified \$12.5 million of savings largely through staffing adjustments. We created what you could probably

think of as a soft hiring freeze where we were only filling vacant positions that were really critical to revenue or life safety. And when we did so, we tried to prioritize internal promotions.

We also eliminated the creation of a number of planned new positions. In addition to those staffing adjustments, we also reduced expenditures for our professional services contracting budget, materials, supplies, equipment, services from other City departments and IT spending. On the capital side, we reduced the appropriation by \$29 million for the current Fiscal Year, largely by deferring the Port's investment in the Mission Bay Ferry Landing Project. Next slide please.

But unfortunately, that wasn't enough all by itself. We need to do quite a bit more. So what's before you today is an adjustment to the upcoming Fiscal Year's budget. This -- and I'll cover this sort of the operating side as well as the capital side -- the slide before you shows the adjustments, an overview of the adjustments to the operating budget.

On the salaries and benefits side, the reduction, or the savings of \$400,000 is largely, it's the sort of net effect of a cost-of-living adjustment that we had not anticipated when we originally prepared the budget that cost \$1.8 million. But then we were able to identify additional savings to offset that by moving some Port-funded position costs to non-Port funded positions or non-Port funded sources. And we also are extending that soft hiring freeze.

Also included in this budget is potential layoffs of five or fewer. Those are going to be a last resort, absolutely a last resort to balance our budget. But we've got a number of alternatives to mitigate those. And how those turn out, we hopefully avoid those. But those are included in that number that you're seeing in the slide.

The next adjustment is to other current expenses. That's an increase of \$3 million that's entirely due to a rent increase at Pier One for the Port's offices. That's just, I think every 10th anniversary there's a rent adjustment to the market rent so that's the result of a market adjustment. Materials and supplies are down. A little bit of savings mostly through reduced need because of the reduced tourism traffic along the Embarcadero.

Interdepartmental work orders show an increase. Just like the cost-of-living adjustment increases, the Port salaries and benefits cost, it also increases those, the departments that we rely on for services. So those costs have increased. We were able to mitigate the full increased cost because we were also able to reduce some work orders with the DPW and the Police Department due to decreased traffic along the Embarcadero. It was the street cleaning, I'm sorry, street maintenance work order as well as cruise ship security. Because of the reduced cruise calls, we need less security services.

The next adjustment to the operating side is in programmatic projects. That decrease of \$200,000 is a number of savings measures in architecture and engineering services, some work at Crane Cove Park and as well as some IT spending. But we're also increasing by \$400,000 the project that the Port uses to prepare a vacant facility for releasing. Because of the economic conditions, the likelihood of increased vacancy is real and so we want to make sure we have the resources identified to get rent-paying tenants in those facilities as quickly as possible. So we've increased that project budget.

And the last adjustment is this minor one of an increase of \$73,000. That affects the South Beach Harbor operating budget. That increase is also the result of a cost-of-living adjustment that's affecting all City employees. So that's the operating side of things. Next slide please.

The capital piece is sort of broken into two components. The first is this de-appropriation effort. We went through, the Port staff went through prior appropriations to capital projects to try to identify places where we could recapture those funds and put them in the fund balance to help our overall financial situation. So for defunded projects, we found \$17.7 million from the projects listed in this slide. These are projects that are still certainly important projects, but given our financial situation, were of a lower priority. listed

The Deputy Director has ranked every project that we had funded and identified those which were most important and those which fell below. And what you're seeing as a result of that effort. That is not to say that we would never fund those in the future. They may just be delayed. But at the time, these funds are necessary to mitigate further layoffs or other adjustments that might be needed.

As part of this defunding process, we also just, Finance staff went through a number of old projects to make some technical adjustments and do some clean-ups. We found \$9 million that we could put back into fund balance. There are some old projects like America's Cup from 2012 or '14 or whenever it was. Just little breadcrumbs all over the place that we were able to collect and drop to fund balance. So that's the result of that effort.

And lastly, there's \$11.5 million that the Port had advanced to the Resilience Project when it became clear that litigation was going to slow up their effort to issue bonds. In this supplemental appropriation, the Resilience Project is paying the Port back.

So all told, that's \$38.3 million that we're able to put back into the fund balance because of this effort. So that's one portion of the capital effort. Next slide please.

The other component of the capital effort is adjustments to the upcoming year's budget. The last slide was prior budgets or prior appropriations. And so the changes we're making here are to the Project Management Office which is a staff of Project Managers dedicated delivering capital projects. We reduced \$640,000 roughly from their budget by -- that reflects some vacancies that were already in the office as well as shifting some of their work to the Resilience Project person, some non-Port funded projects.

We're also moving a Fire Protection Engineer from the capital budget to the operating budget where it better fits. We're making no changes to the Waterfront Resilience Program appropriation. That's to cover expenses which are not eligible for bond proceeds. We're not making any changes to the Homeland Security grant match.

On the contingency, we are adding \$1 million to the Port's overall contingency. That's to allow, that's to deal with cost overruns on existing projects. That way we have a centralized contingency that we can prioritize projects when there's multiple calls on it for different projects. We can sort of prioritize which ones can benefit from the contingencies and which ones might have to wait.

We're also reinstating the Facility Condition Assessment Project. We've also referred to that as the [FRPA] project before. It's where we send of team of engineers over a handful of critical facilities to really give us a granular look at the remaining useful life of the different systems of each facility, how much it would cost to replace it. And what it really does is allows us to make a much more data-driven decisions when we're making these capital investments.

So we're reinstating that project. We're also replenishing the insurance deductible. Obviously that's been basically exhausted because of the Pier 45 Shed C fire. Also our property insurance deductible amount is increasing so we need to replenish this amount if there are any additional problems.

We're also creating a new project for a separate type of contingency rather, for unforeseen projects. This is for things that we have no idea pop up. But it's an uncertain Waterfront. Things happen. So any emergencies, any ADA projects that might pop up, this is a separate contingency from the overage contingency shown in the lines above.

In the Northern Waterfront, we're also creating a new project to deal with the Hyde Street Harbor oil seepage. We have identified the responsible party so we're hoping these funds can be largely reimbursed but we wanted to make sure there were, the budget was available to quickly and responsibly as the jurisdiction in charge of the Harbor, make sure that the cleanup was not hindered by negotiations and make sure that funding was available to move things forward quickly.

No changes in the Southern Waterfront. The Southern Waterfront Beautification Fund remains unadjusted and the project to upgrade the fenders at Pier 80 to allow a larger class of vessel to call on Pier 80, those will also be moving forward in the appropriation. Next slide please.

So after the supplemental appropriation that was summarized in the operating and capital slides before, there's still more work to do. And Katie referred to this as sort of the second step is what we're calling, "The Economic Recovery Initiative." Now the results of that won't be seen until the next, the following budget years in Fiscal Year '22-'23 and after that, but the work to figure out what these improvements will be starts really now. And this is really a cross-organizational effort to rethink and redesign how the Port delivers its services and does its work so that ultimately we come out as a more financially sustainable Port.

Now changes might include, and these are just hypothetical, new revenue sources. We're certainly going to be pursuing stimulus and other forms of federal, state relief. Grant or debt funding to replace some of the capital funding that we can no longer afford. We might identify operating savings like resizing the Port's office space or maybe even new locations and telecommuting. We can identify new efficiencies through streamlining workflows. Again holding more positions vacant for longer, that soft hiring freeze again.

We're actually looking at an interfund borrowing situation where -- this is kind of a new concept -- where we might be able to look to some of our sister agencies across the City to help us soften the blow of the COVID-19 revenue shortfalls through an interfund borrowing situation. That's still uncertain if that's going to work out at this point. But also, as a last resort, staff layoffs are also on the table for out years.

Again, the effort to understand what these changes might look like is starting now, but the effects of them would not be implemented until the Fiscal '22-'23, '23-'24 budget was presented to you, let's see, it'd be next February roughly when it would be before you for approval. Next slide please.

So this very complicated slide, and I apologize for that, but this slide shows sort of an overview of Port finances for the next seven years if we successfully implement the savings strategies that we talked about, the supplemental before you today plus the Economic Recovery Initiative savings that we need to accomplish.

What you see, I'll walk through a year as an example I think is useful. The first column, Fiscal Year '20-'21, we started the year with a \$68.5 million fund balance. We show the revenues coming in for the year, expenses going out

for a net operating income, or in this case a loss of almost \$50 million. We anticipate basically taking \$48.4 million out of our fund balance leaving us with \$20.2 million.,

That carries over to the next year where the revenues come in again, expenses go out and you can see how fund balance changes across the years. The blue rectangle across your screen represents the savings initiatives. So that's where you see that capital defunding in the first row in the blue area of \$38.3 million is really critical for us to bring fund balance back to a reasonable level.

The new operating savings line represents the savings that are in the supplemental appropriation that's before you now. Some of those are ongoing savings and that's why you see the savings continue in the out years. And in the future ERI savings, the future Economic Recovery Initiative savings in are that last blue area, the last row of that blue area. And there are still substantial cuts to be identified there.

You can see next year the goal is \$7.9 million. If we're able to do all that, we can make capital appropriations. You can see in some of the out years' capital appropriations of roughly \$15 million a year and we'll be able to build back our fund balance to that target \$30 million. And then ultimately, once the recovery is through, we still need to build back fund balance to closer to \$60 million. The \$30 million is sort of a during the crisis floor you could think of. But a long-term target is more like \$60 million. Next slide please.

So, as next steps, we'll be before you at the next hearing for approval of the supplemental appropriation budget. And then it goes to the Board of Supervisors and that includes those step one savings that we identified and are baked into that supplemental appropriation. Then the Deputies will begin the Economic Recovery Initiative work in April. The work that goes into identifying those savings will be done over the next months, many months really, but implementation will come in the following budget cycle, in FY '22-'23, '23-'24. months, many

But obviously, we will be before you with updates as the ERI process sort of advances and more information becomes available. And with that, that's the end of my presentation. I'm happy to take questions.

No Public Comment on Item 10A.

Commissioners' Discussion on Item 10A:

President Brandon - Thank you Nate and Katie for the report. And before we move forward, Nate, can you just tell us briefly, when you guys did the Port

wide and the public updates, were there any comments or concerns that we should be aware of?

Nate Cruz - No, I think at the hearing we had comments that were just, I think, largely appreciative of the hearing being so inclusive and making sure we had an opportunity to receive public comment. Elaine, maybe, did you have any recollection of specific feedback that would be useful for the Commission?

Director Forbes - I do recall that staff asked questions about voluntary work furlough. That's something that voluntarily staff can take, but it cannot be mandatory without a City wide effort, so we clarified that.

Other than that, I would concur with Nate. It was, "Thanks for coming and explaining all the information and being transparent." Staff in particular has known that we're facing financial challenges for some time just by taking a look at our portfolio, and knew before COVID-19 that Port had financial challenges. So they were pleased to hear and concerned of course about the layoff news and were looking forward to that being a last resort and very hopeful that we would find other strategies, obviously.

President Brandon - Great, thank you. I'm really happy that we were proactive and went to the employees and the communities and told our story, as depressing as it is. But thank you so much.

Commissioners Woo Ho - Thank you Katie and Nate for this report. I know you worked really, really hard and looked under all the stones that you could look at to come back with this very difficult exercise. I think it's very telling to see that 15 years of progress can be wiped out in just one year in terms of revenue. And that's very dramatic and impactful and appreciate that slide.

I just, so I know you've gone through lots of detail to prioritize all these various lines so I'm not going to go into lots of questions, but there are a couple that I did have and a tradeoff that I wanted to understand better. Now I understood, and of course it stands out like a, very, very prominently that we are going to experience a typical, normal rate increase in our rent at Pier One. And I guess that's probably with Waterfront Partners, is that correct? Is Simon our landlord so to speak? Well, are we paying it to Simon? We are the land -- well, yes, I guess I -- if I said that correctly.

Given what we have done for our tenants and given our current situation, it just seems to us that, have we had a discussion to discuss how that rate can be slowed down given our circumstances? Since we have done so much work for our direct tenants, rather than say, "Well, this is in the contract, so --" And I'm a little surprised also, to be honest, we should've known about that \$3 million when we prepared the budget to begin with.

So it's coming up now as a rate increase. And the other part of my question related to that rate increase is that, it depends on the time period that they're looking at in terms of -- because if they were to start to look at where commercial rents are in San Francisco, that rate increase is probably going to be an outlier if not already, very soon. Because rents are coming down.

So I just feel like that's an item that I think we need to press back and have a conversation to see what we can do about that rent increase. Because it's a big number, \$3 million. So I don't know if there's a way for us to consider something that is stretched out, a lower increase. But it seems to me, we should just not accept it as is because we've worked very hard with, on the other end. And we're on the receiving end this time ourselves.

So that's comment number one. The other comment, which is a very tough one, because I know it's very near and dear to several Commissioners' hearts. And that is the Southern Waterfront fund. And we haven't touched that because I know we have delayed projects. But my question really is, the projects that you have prioritized to proceed with, that if we did not do them, that the state of repair would get worse. It would cost us more to repair.

I think if we have projects that we want to do, that are near and dear to our hearts, as the Southern Beautification Fund is, but it's not going to get any worse. Should we not also consider, I'm not saying eliminate, but would we also consider whether we do a little more tradeoff on that number. Because if it's just to beautify, and not because we're trying to prevent more dilapidation, more cost to repair in the future, then I would suggest we take another look at the at number too and see if we can come in a little closer.

So those are the two lines that really, that when I looked at this, really sort of spoke to me about if you were going to take a sharper pencil, that I would look at further. I know you've already sharpened your pencils quite a bit and I appreciate that effort. But I just think that those were the two that stood out for me whether we needed to take another look and analyze and examine.

With the idea, with the sort of the philosophy or principals that I articulated as far as, you know, we're now on the receiving end as far as the rent increase. And on the other, it's whether, you know, in a difficult time, if we wait to, on some of the projects under the Southern Waterfront Beautification Fund, could we time them so that we could stretch it out further and not spend the money that we have allocated for this coming year? Because we are in such dire straits. I mean, to lose 15 years of progress in the space of one year as far as revenue, that is really dramatic. And it is going to take time.

My only other comment would be, and I appreciate that you have to be in lock synch with the Controller as far as the assumptions going forward, I personally think that we may see the business and convention tourism

resume a little faster. But I certainly am not a perfect, I'm not an expert. That would be a hope. And I'm hoping that tourism perhaps will return sooner than later to San Francisco. But that's something that has to play out and that's just an advantage if that was going to take place.

I'm going to end here, because the phone is ringing and making noise.

Katie Petrucione - Thank you Commissioner. So I will, I think I'll, I am not an expert on the process that we are engaging in with Prologis who is our landlord for Pier One. So I might look to Rebecca Benassini for a little assistance on what the lease speaks to in terms of the process. But I can say that the lease with Prologis does indeed include a process for determining what the reset market rent will be. It involves a -- oh my God, I'm having a total senior moment -- assessment.

Rebecca Benassini - Appraisal.

Katie Petrucione - Yes. Thank you Becca. And we're doing that right now and so that should take into account market conditions as of now. And then we will compare, the Port will have an appraisal. Prologis is having an appraisal. And then we'll compare them and if we are unable to get to an agreement, then we will go into some kind of an arbitration process. But Becca, I think we can probably speak to this a little more elegantly than I can.

Rebecca Benassini - So unlikely, Katie. Good afternoon Commissioners, Rebecca Benassini from Real Estate and Development. Katie had it correct. Prologis provided their offer of the rent which our Finance team rightly and conservatively included in the budget. And now, we have not accepted that. We've asked that we have an appraiser look at it. And Prologis is involved in that process as well. They may use an appraiser or their own sort of market information. And hopefully we'll come together and agree upon a rent. If not, we have to go to arbitration.

And we have gone through this process with our tenants, the KGO building as well as Waterfront Plaza. Last year, they went through a market rate reset with us where we did increase their rent through that market rate reset process. And we're looking at all of the potential options on the table in terms of the negotiation. We're very cognizant of that K shape that Nate showed us which showed we're going to come out. It's going to take us some time.

And the market rate reset for Pier One occurs every 10 years. So we have this 10-year window to, that we're thinking about really closely with Nate and Katie to try to match all of our negotiations to what we expect the revenues to be.

Commissioners Woo Ho - Okay.

Rebecca Benassini - So much more to report on that as we proceed. But right now we're engaged at looking at the marketplace and looking other vacancies in Pier One and recent leases that have been signed right around us. So we're looking very closely to make sure we get the best deal we can for the Port.

Commissioners Woo Ho - Yeah. So I think you guys are not hearing what I'm trying to say. I understand you probably followed the process correctly. And I appreciate the reset process and in normal times, it wouldn't be an issue. We have gone out of our way, because this is not normal times, to figure out how to accommodate our tenants. Now, we are not insolvent at this point, but you can see the dramatic of what the pandemic has had on us. I think this is a question of really sitting down and trying to figure out in a share, as we said, "Share the pain. Share the prosperity," in discussions with Prologis.

And yes. There's a contract. There's also legalities and the attorneys can argue with each other in terms of how this process works. I just think that for us, and it seems like the number is a surprise. It came in this version of the budget. It didn't come into the earlier version. So it is a surprise. So it wasn't anticipated. So why that happened, that's a whole different discussion. We don't have to go into that.

But I do think given what it is, and given our circumstances, I think it's not a question of, "Did we follow the right process?" And I am a process person. I think this is just sitting down with Prologis and saying, "This is what we're all, the circumstance we are doing. How can we figure out a way that works for you and works for us?" And not just say, "Forget everything else that's gone on in the world and last year and we're just going to follow exactly what the contract says." That's what I'm talking about.

So it does mean that -- and I'm, we as a Commission are giving you cover to say that we support that effort to negotiate a better deal for the Port. And I hope my fellow Commissioners would support me in saying that as well.

Rebecca Benassini - Very good. Understood.

Katie Petrucione - So Commissioner, to your second question about the Southern Waterfront Beautification Fund, I would just say that there were a number of years in which we should have been making deposits into the fund and we failed to do so. And so in, to some extent what you're seeing in terms of the budget for the Beautification Fund over the next couple of years is partly a catchup for where we owed the fund from prior years. So I'm not sure if that's helpful or not, but it is definitely the case.

Commissioners Woo Ho - I'm aware of that. And so it is a very tough and painful conversation to have. But when you are in the circumstances that we are, all I'm asking is to sort of take a look at it. And I understand that, I wish we had spent the money when we had the money. And now we don't have the money. So it's a tough decision to make. But I just think in terms of balancing against the fact that we have to keep, you know, we must have reserve. We cannot lose our ability to bond in the future. So we just have to make sure that we are keeping tight control on what we can as much as possible.

And so I, that's just my own suggestion is to take a look at it. I'm not saying, "Take it out entirely." I'm just saying, "Can you stretch it out some more?" Be creative about it a little bit. We still want to continue on that path and I know we've discussed it many times before in this Commission that we did not do when we had more money. And I wish we had done it when we did have the money, so we wouldn't have this painful discussion today. But I think it's my fiduciary responsibility as a Commissioner to point that out at this time.

So it's a little more, what I'm saying, I think there's a little more discretion to it than, you know, it's a little bit different than what we talked about as far as the rent increase. So I am going to leave it on those two items because those were the two that sort of jumped out at me most in terms of where I thought I could make a contribution in the discussion. But I really do appreciate that you have all worked very hard on this, and I know it's a very -- it's never easy to go through this type of budgeting under these circumstances. So I appreciate all of the effort that all of you have made to do the right thing.

And I'm just say, we want our, we want Prologis to do the right thing. And we eventually want to do the right thing for the Southern Waterfront Beautification Fund as well. It's all a question of timing.

Katie Petrucione - Yes. And thank you very much for that. And I will say that this has felt like a series of very bad choices that we were making here. So.

President Brandon - Thank you Commissioner Woo Ho. Commissioner Gilman?

Commissioners Gilman - Similarly, first off I want to start, Katie and staff, thanking you for all the hard work, and all the number crunching that you've done on this. And your diligence. It's obvious from your report and how you went through it.

I had similarly on the rent issue, as Commissioner Woo Ho felt, that could be a place to provide support. So I guess I just want to understand one thing. And this could be my blind spot so I apologize. Prologis is -- so I guess I'm a little confused. I thought along the Waterfront, all the fiscal assets, technically,

are part of the Public Trust, the Port of San Francisco. So would Prologis then be our master tenant who's then leasing back to us? of the

Katie Petrucione - Yes.

Commissioners Gilman - I'm trying to understand the leasing relationship.

Katie Petrucione - Yes. That's correct.

Commissioners Gilman - Because they can't be the owner. They must be the master tenant.

Katie Petrucione - Correct.

Commissioners Gilman - So then I do want to say I do think, I want to strongly advise the staff push back against, regardless of appraisal and what's happening with the office rental market. Because I also disagree with the Controller's assessment of telecommute coming back. I think it showed on your slide it was '23 or '24.

I actually, again, it's just more, in other work that I do in my day job, I'm not sure that 10% only telecommute, office work returning that robustly to San Francisco is -- I'm much more wary about that, I think, than the numbers you showed that came out Controller's Office. Particularly with MTC and ABAG looking for the reductions they're looking for on commute overall for the Bay, and I think that has an impact on us.

I'd like us to really aggressively sit down with Prologis and talk about A, the amount of the increase. And B, whether the increase should be suspended and kick in at a later date, et cetera. So I do think we should really explore that, similar to what Commissioner Woo Ho said since they are our master tenant, in somewhat of a dual role, they're our master tenant. I'd like to, I think I'd want to look at if there's rent owed in other Prologis sites to us et cetera, before we, you know, enter into this rent increase.

It just, at this point, seems a little, it seems a little absurd particularly if there's any funds that are owed to us from them from other projects or for the master lease of anything they have on Port property. So I hope we can explore that and look into that.

And then the only thing I was going to note was just the, I do not think the return to work will be as robust. I actually agree with Commissioner Woo Ho that I think business and tourism will pick up much faster. There's pent up demand. But I'm really concerned about office overall for the City. Office rates are down significantly. Vacancies down significantly. So folks, you know, I

heard folks are doing a study to see if the downtown corridor office can be repurposed to residential or other uses.

So I just want us, for our own office that we manage, but also for the fact that our businesses rely on staff being in the city, being in the Financial District, it drives other business enterprises in the Port. I just think, I think the Controller's being optimistic.

So those were sort of my two comments. And again, I do want to thank the staff and the division heads for doing this exercise. I know how incredibly hard this could be. And just one last question. On the possibility of project management reduction in staff. My understanding was those are vacancies. How is that impacting, like I guess I'm mostly concerned about our Real Estate deals, if any project management staff in our Real Estate division have not been filled. And if that's slowing down any of our development which could then be driving revenue towards us at some point. So I guess I just wanted to clarify that.

Katie Petrucione - Yeah. So the vacancies that we're carrying in the Project Management Office are for staff who are managing capital projects. So delivery of capital projects and not working on development projects. So obviously, the development projects are going to ultimately be an economic engine for us and we really are trying to focus resources on places where we know ultimately they will help us make money. So there should not be an impact on the development projects as a result of those vacancies.

Commissioners Gilman - Okay. Thank you. And then I assume also, I know this wasn't picked up, but whether it's staff projects we're delaying, I'm assuming we're mapping this against our Equity plan. And that we're doing that crosswalk to make sure that we're having equitable distribution with how we balance our own books and move forward with projects we need to do.

Katie Petrucione - Yes. Definitely looking at all of these decisions through an Equity lens. Whether it's reduction of projects or, you know, if we end up in a place where we have to effect layoffs, very, very conscious of wanting to do that in as equitable a manner as possible.

Commissioners Gilman - Well, thank you again for all the staff and your team for all the diligence you put into this presentation. Thank you.

President Brandon - Thank you. Commissioner Burton?

Commissioners Burton - No comment.

President Brandon - Thank you. Vice President Adams?

Vice President Adams: Katie, Nate, thank you for the presentation. Madam President, before I make my comments, can we hear from our Executive Director? I'd like to get her feedback.

Director Forbes - Certainly. This is the most difficult financial challenge the Port has faced. I think the staff has done a very, very good job balancing with what we call "low hanging fruit" here for the proposal that's before you. This is a supplemental that adjusts the budget you already approved. It is important to understand that given the grave situation we're facing that this balanced budget does include up to five layoffs. We're hoping to avoid those five layoffs with other balancing strategies, primarily retirements and resignations.

And in the following year, the financial challenges are more extreme and it will be more difficult to avoid layoffs. So getting stimulus funding is critically important. If at all possible, the first strategy we would like to deploy. But we are really facing the most dire, significant downturn the Port has faced. And that chart, the line graph that Commissioner Woo Ho responded to is an important graph to show that in the last downturn, our revenues were essentially flat. This is not the situation now.

So those would be my primary comments, but I think Port staff has done an excellent job balancing where what we call "low hanging fruit" but cutting tremendous amounts, almost \$40 million out of capital, et cetera, in order to balance and move forward with only up to five layoffs.

Vice President Adams - Thank you Director Forbes. And as I said, Katie and Nate, they laid it out. I wanted to hear from you because I think at the end of the day, what would we rather face? What's behind us or what's in front of us? And I think Katie and Nate and Director Forbes, you just laid out the truth unvarnished, and that's what we needed to hear as painful as it is.

And Commissioner Woo Ho, I agree with where your points, but unfortunately, this Commission, we're going to have to make some decisions. And they're going to be painful. But that's our job. That's why the Mayor appointed us to make these tough decisions. And as a Commission, we've got the brain power and we're going to do what we have to do. And I just appreciate the staff bringing it to us.

Nobody can play Monday morning quarterback. We just haven't been here. If we need a reminder, just look around the city of all the businesses that are boarded up in this city. Everybody that's feeling some pain. And we are not immune from feeling some pain too.

So I appreciate it. I've got a better kind of understanding. And I'm willing, with my other Commissioners, to make those painful decisions. The Port, we will survive this but it's going to be painful and there's not getting about it. It's just,

it is what it is. The truth has just been told and laid out to us, and as a Commissioner we've got to decide the least path of resistance. But to me making no decision is not a decision. We've got to make a decision, stand behind it, and own it. Thank you.

President Brandon - Thank you Vice President Adams. And thank you Katie and Nate and the whole entire team for putting this presentation together. I know this was extremely hard and extremely difficult and painful. Because, just to see, you know, where we were and where we are, and yet, where we still have to go is difficult.

I have the same concerns as Commissioner Woo Ho regarding Prologis and the rent and you know, us not knowing that that was coming up right now. And I think as you guys have done, we have to continue to look at out of the box ideas and options to carry us forward. And so I recommend that we have a conversation with them and see if we can delay or do something to -- because we're going to have to work with our tenants. And we don't have a bottomless balance sheet as we can see.

Regarding the Southern Waterfront, and the Beautification Fund and the Southern Waterfront in general. As we can see, over the past year, we have not spent much money in the Southern Waterfront. And as we can see, with the defunding, most of the defunding is coming from the Southern Waterfront. During this time, Maritime is what has really saved us. Our revenues have come from Maritime. And so we're defunding what has saved us.

So, you know, we keep taking our focus away from infrastructure and building up our Maritime industry that is now saving us. Because there is no tourism. So we really have to be mindful of where we're going to invest in our recovery. Also, the Southern Waterfront Beautification funds are not used for just beautification. We use those funds to finish Crane Cove Park. We're using those funds to fund our LBE loan program to get our LBEs through this.

So the staff is doing a phenomenal job making extremely hard decisions. And, which comes to, I know that we have policies. So how do these decisions affect our policies as far as the Capital Investment Policy requiring 25% of operating revenue to be set aside. And operating reserve equal to 15% of operating expenses. So how does this new proposed budget affect that? And are you asking us to change our policies? I think you're on mute.

Katie Petrucione - I was, yes. Thank you. I believe that the staff report addresses this very briefly. And you are correct Commissioner Brandon that we are not able right now to meet the policy of setting aside 25% of net revenue for capital, nor are we meeting the 15% reserve requirement. So we do not, in no way is staff requesting that we eliminate those policies, but in

light of the financial challenges that we're facing, I think we're asking for a deferral, certainly, for this, for the Fiscal '21-'22 budget.

And that would be explicit in the Resolution that we would present to the Commission with, when requesting approval.

President Brandon - Okay. And so based on that policy, what you're asking of us, with these final numbers, so for our reserve, are we putting 10% in our reserve? Are we putting -- you know?

Katie Petrucione - That is, so, such an excellent question. One that I am not prepared to answer here this afternoon. But one that we definitely should be able to get you the answer to. So if not meeting those policies, then where are we?

President Brandon - Right.

Katie Petrucione - Yeah.

President Brandon - Okay. I think those are my questions. Commissioners, are there any other questions? Okay Katie, thank you very much. We really appreciate the presentation and the hard decisions that we all have to make.

Katie Petrucione - Thank you so much President Brandon.

President Brandon - Thank you. Okay, Carl, next item please.

11. REAL ESTATE & DEVELOPMENT

- A. Request approval of a Resolution recommending that the Board of Supervisors approve the Mission Rock Community Facilities District financing, including the issuance of bonds in an aggregate principal amount not to exceed \$68,000,000 ("Bonds"), and the execution and delivery of financing documents, including the: 1) form of Bond Purchase Agreement, 2) form of First Supplement to Fiscal Agent Agreement, 3) form of Continuing Disclosure Certificate, 4) form of Preliminary Official Statement, and authorizing and directing the Executive Director to cause the package to be submitted to the Board of Supervisors and to work with the Director of the Office of Public Finance to finalize and cause the distribution of the Preliminary Official Statement and the issuance of the Bonds. (Resolution 21-11)

Raven Anderson - Thank you Carl. Good afternoon President Brandon, Vice President Adams, Commissioners. My name is Raven Anderson, I'm a Project Manager with the Port's Real Estate and Development team. I'm here to present this request for your approval of a Resolution recommending a

second Mission Rock Community Facilities District public financing. Next slide please. And next slide again.

In September 2019, after many hard work from the developer, the Port and the City, the Port Commission approved the Mission Rock Phase One Budget, funding the development program shown here. Horizontal and vertical construction on Phase One is now well underway which is very exciting. This phase includes two residential buildings with 537 new homes, including 199 below market-rate units.

It also includes two office buildings with over 550,000 square feet of new office. One of these office buildings is also exploring the possibility of Life Science uses. Phase One also includes 65,000 square feet of ground floor retail and over 5.5 acres of parks and Open Space including China Basin Park.

Horizontal work is now approximately 25% complete for Phase One and two vertical buildings, Building A and Building G are currently under construction. Next slide please.

This slide shows the overall financing structure of the Mission Rock Project. At the bottom of the graphic, you can see the early sources of funding for Mission Rock. These include developer and Port equity which are the earliest sources of funding. Developer equity is used to fund the horizontal infrastructure including roads, sewers and other utilities and this equity contribution is subject to an 18% return.

Other sources of funding include the land value of the vertical parcels, such as the four pre-paid ground leases for the Phase One buildings I described earlier. And the final source of funds is made up of two Special Tax districts. The Community Facilities District, or CFD Special Taxes are a special assessment on top of the standard property tax assessment. And the Infrastructure Financing District, or IFD, captures the growth in property tax value as the site is developed.

Both the CFD and IFD funding sources are designed to eventually repay the Port and the developer for the early funding sources, including that 18% developer return. To limit this total return, the Port strategy is always to use the CFD/IFD sources whenever possible and to maximize the use of public financing associated with them. Essentially, we always want to replace that 18% return with lower interest, bonded debt. Next slide please.

Here's a high-level overview of the Phase One budget as it was approved by the Port Commission in September, 2019. The total cost for this phase is \$265.5 million. Of that, \$145.4 million are in reimbursable developer costs. And the rest consists of entitlement costs and that return.

These are the approved figures from 2019 and due to delays on horizontal permitting and the first bond issuance, it's possible that the return amount shown here may have changed. Staff will be bringing the Commission a more detailed update to the budget in the next few months.

On the sources side, we have the prepaid lease value of the four Phase One parcels, public financing sources including CFD bond proceeds as well as PAYGO taxes which are just CFD and IFD taxes that we do not capitalize into bonds. Next slide please.

So this bond issuance, like the previously approved issuance, uses the CFD as its primary source, specifically the development tax. There are four types of CFD Special Taxes at Mission Rock as you can see on the slide. And the structure of this financing also allows tax increment generated in the IFD project area to offset the development Special Taxes by pledging tax increment to the debt service of the bonds. This offset increases the value of the Port's land by reducing the long-term tax burden on the site. Next slide please.

The amount of bonds than can be sold is limited by two factors. The first is the ongoing Special Tax revenues paid by the building owners and the second is the appraised value of the CFD leasehold itself because that's the security for the bonds. All bond issuances and future debt at Mission Rock will be sized to the amount of revenues generated by Special Taxes.

For the first approved bond sale, which the Port Commission approved in October of 2020, the development Special Tax capacity from the first four parcels far exceeds the debt service coverage required for the initial bonds. The max taxes that could be charged on those parcels sums to \$14 million per year, while the debt service to support the initial \$43.3 million bond issuance is just \$1.8 million in that first year.

So there is significant capacity there and we will always size bonds and debt service coverage required to the amount of revenues available. So the limiting factor for that first issuance is the appraised value of the CFD leasehold itself. The CFD is the security for the bonds. And the City has a policy of only issuing CFD debt with at least a 3:1 value-to-lien ratio. So the value of the CFD as established by an appraisal must be three times the outstanding amount of bonds and any other Special Tax debt. Next slide please.

That value of the CFD as established by appraisal is why we have this opportunity for a second round of Special Tax bonds for Mission Rock. The draft appraisal that established the first issuance's not-to-exceed amount, that \$43.3 million amount had a date of value of October, 2020. And the appraised value of the CFD at that time was \$130 million. Since then, the developer has

received their permits, their Notice to Proceed, and they've begun making significant investments on both horizontal and vertical improvements at the site, including paying two quite large impact fees on the vertical parcels.

Based on this spending, the latest draft appraisal, which has a date of value of February 1st, 2021, estimates the value of the CFD leasehold to be \$334 million, so over a \$200 million increase. That \$334 million amount divided by three gives us a maximum of \$111.3 million in Phase One bonds. So staff is recommending a second issuance of up to \$68 million, \$68 million plus \$43.3 million gets us to that \$111.3 million.

We're currently recommending the approval of the maximum amount of authorized bonding capacity, but that \$68 million figure could come down as we work with the City's Office of Public Finance and the underwriter on the marketability risk, and revenue and debt capacity at the site. Those factors could result in issuing less than the \$68 million as we get closer to bond sale. Fundamentally we want to ensure the sizing is appropriate to the relatively small but very valuable size of the district. But given the rate of spend and the development progress at the site, we think it's worthwhile to request the maximum authorization at this point.

That additional \$68 million would have significant benefits to the project's economics by allowing us to replace that 18% developer return with low-interest public financing. That will enable us to preserve our land values and revenues in later phases.

This additional bonding capacity is definitely exciting news for the project, however as I mentioned before, the project has also encountered some delays in permitting, and the first bond sale would somewhat offset this good news. The developer team and Port staff are monitoring these impacts and will be coming back to the Port Commission with a full report on where things stand in the next few months. Next slide please.

This is a high-level overview of the sources and uses from this proposed issuance. The sale of \$68 million in bonds could result in total sources of \$71.1 million with premium. The average annual debt service for this issuance would be projected at \$4.1 million. The main uses for this amount would be towards the Project Improvement Fund in order to repay eligible development costs, mainly horizontal infrastructure costs. Next slide please.

During the informational item on this issuance two weeks ago, Commissioner Woo Ho had asked staff about the effect of a possible rise in interest rates. Our consultant, PFM, ran a sensitivity analysis on the effect of a potential 100-basis point increase in rates. You can see on the table in this slide that this would take us from \$64.4 million in project proceeds for that improvement fund to \$56.7 million in proceeds with a borrowing rate of 4.7%.

This would result in a decrease of \$7.7 million in project proceeds which is significant, but of course our main goal is always to replace that 18% developer return with public financing. So even though that would be a significant decrease in the amount of total financing, it would benefit the project to move forward in pretty much any foreseeable rate environment. Next slide please.

So as an action, staff is requesting your approval of a Resolution recommending that the Board of Supervisors approve the Mission Rock CFD financing including the issuance of a not-to-exceed aggregate principal amount of \$68 million in bonds as well as the form of financing documents and authorizing and directing the Executive Director to cause the package to be submitted to the Board and to work with the Office of Public Finance to finalize and distribute the preliminary official statement and the issuance of bonds.

Staff are aiming to get all the required legislative approvals this spring before budget hearings and the Board of Supervisors summer recess. That would give us time to price close and issue the bonds during the summer.

Thank you Commissioners. That concludes my presentation. I'm here with Rebecca Benassini, Director of Real Estate and Development, Nate Cruz, the Port's Finance Director and Phil Williamson, the Senior Project Manager for Mission Rock to answer any questions you might have. Thank you.

ACTION: Vice President Adams moved approval of the resolution. Commissioner Gilman seconded the motion.

No Public Comment on Item 11A.

Commissioners' Discussion on Item 11A:

Commissioners Gilman - Thank you so much for the staff report. And you did a great informational before. I have no questions and I'm supportive of the item.

President Brandon - Thank you. Commissioner Burton?

Commissioners Burton - Yeah, I have two questions. I hope they're not late. Who's going to buy these bonds?

Rebecca Benassini - Thank you Commissioner. It's Rebecca Benassini. Raven, would you like me to begin the answer?

Raven Anderson - That would be great. Thank you.

Rebecca Benassini - Thank you. So, thank you Commissioner. Because the bonds are unrated and they require a lot of documentation and understanding of why they have that unrated, slightly more risky profile, we expect that institutional investors will purchase the bonds. So mutual funds, insurance companies, pension funds, other sort of sophisticated aggregator investors. And Nate, please feel free to jump in if there's anything I missed as you've issued more of these bonds than I have. But that's what we've understood from OPF, from Office of Public Finance.

Commissioners Burton - Okay. And I guess it's premature. What's, do we know what the VIG is? What's the rate that the bond are going to pay?

Rebecca Benassini - We don't. Thank you Commissioner. We don't know it yet. Raven, you did have the range that Stifle and our consultants at PFM started to give us. Can you remind us what that was?

Commissioners Burton - What's the, I'm sorry. What's the range then?

Rebecca Benassini - Yeah. Raven, do you remember what it is?

Raven Anderson: We're estimating a range of anywhere from 3.25-4% on these.

Commissioners Burton - Okay. And just one question. And again, I apologize. It might be late. But I was there at the early discussion on this with the Giants and that was a long time ago. And what's the consideration of changing in facts where like, in the [own] building where I used to have my offices in, people were leaving their offices in a very good building and a very good piece of property and half of the people are working at home.

And according to the guy who owns my building, it's kind of tough on this kind of rental business. Now, what effect is the COVID? I'm sure it wasn't taken into consideration at the time this stuff was approved in the discussion with the Giants because we didn't have it at that time. But what do we consider the downside going to be because of the fact that there's an awful lot of office space that's going up for sale or for rent or for lease in existing office buildings that are, you know, pretty close to downtown or actually right in the heart of downtown? Will that in some way have any adverse effect on what we're hoping to reap from this situation?

Rebecca Benassini - Thank you Commissioner. Really good questions --

Commissioners Burton - Thank you.

Rebecca Benassini- -- that we've been asking and the Office of Public Finance has been asking. We have --

Commissioners Burton - Did anybody answer it?

Rebecca Benassini - Oh yes. I'm sorry. Can you hear me?

Commissioners Burton - I'm sorry. I'm a wise ass. I'm sorry.

Rebecca Benassini - No problem. No problem. It's Rebecca Benassini again Commissioner. So we've been looking at this very closely. The City has layers and layers of protection just to, the first thing I need to make sure everyone knows is that we are, the General Fund, the Harbor Fund -- nothing in terms of the City's finances are at risk.

The appraiser who conducted the appraisal for the site, which includes those four buildings, two of which are under construction and two that are in permitting, and then the rest of the land at Lot A which is under lease to the master developer, those are the entities that are on the hook to pay these Special Taxes. They have to pay them on a date certain or they would be found to be in default under their lease.

So we're relying on their extreme economic incentives to hold on to their leaseholds. They have now paid for the leaseholds for the four building sites and as Raven mentioned, they've spent hundreds of millions of dollars to start permitting and to start construction. So that's sort of the broad-brush statement.

On to your really astute question about office tenants and what's going on with the office market in San Francisco. Mission Rock is very pleased to have one of the office buildings preleased. They're marketing the second building, as Raven mentioned, office, potential Life Sciences. And there are two apartment sites. So they are --

Commissioners Burton - [They are] pre-leased?

Rebecca Benassini - One of the office sites is preleased. The second one is not.

Commissioners Burton - The building site, I thought, I'm sorry. Was the building residential sites that are preleased?

Rebecca Benassini - Those are not preleased. Those, when they're completed in 18 months to 24 months, they hope to lease those, I think, much closer to completion. So they're making a big bet on San Francisco's return and their belief that the market will be there when the buildings are ready.

Commissioners Burton - Okay, thank you. Just one last question. I'm sorry to do this.

Rebecca Benassini - No problem.

Commissioners Burton - Did they make their bet pre-COVID or post-COVID?

Rebecca Benassini - Both. So the first building was preleased to Visa pre-COVID for sure, that one was done. But the subsequent three buildings, Mission Rock had made their bet, you know, with knowledge of COVID. So they've decided to continue the construction process and investing in the horizontal and vertical construction costs.

So they've straddled pre- and post-COVID. And our bond process has straddled it as well. We started it really in earnest just as COVID was hitting, and we've been grateful to see that the rates are still okay, are still pretty good in terms of what the bond will likely sell for.

Commissioners Burton - Okay. Thank you very much.

Rebecca Benassini - Of course.

President Brandon - Thank you. Commissioner Woo Ho?

Commissioners Woo Ho - Yeah. I think I'm fine. I think all the questions have been asked and I think we already had a discussion last time on this. So I'm, I think I, I don't have any further questions at this time. I'm supportive of, and I think we should go out for the bond now while we're still in a position to go out for bonding. And obviously, while we would've hoped that if we had done this even sooner, then maybe the interest rate would be a little lower and so we could even take more economic value out of it. But it is what it is, so we'll go for it. And the rate is, as was presented, is still, helps us to reduce the developer return so that still makes good economics for us. So I'm supportive.

President Brandon - Thank you. Vice President Adams?

Vice President Adams - President Brandon. I have no questions. I'm supportive and all of my questions have been answered. Thank you.

President Brandon - Great. Thank you. Raven, again, thank you so much for the report. I think my only question was, "Who is the underwriter?"

Rebecca Benassini - Raven, do you want to go ahead and answer that?

Raven Anderson - Sure. So Stifle is the underwriter for this issuance. They were selected via a City-wide RFP by the Office of Public Finance. I believe they originally had an LBE co-manager when they were selected via that RFP. However, the co-manager has since shed its municipal securities business, so as of now, I believe it's just Stifle as the underwriter.

Roll Call Vote:

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

President Brandon - Motion passes unanimously. Resolution 21-11 is adopted. Carl, next item please.

- B. Request approval to amend and restate the existing Memorandum of Understanding with the Human Services Agency for use of approximately 3.4-acre portion of Seawall Lot 344 in the Backlands in support of the City's public health response to COVID-19 to: (1) extend the term until the later of October 31, 2021 or the end of the Mayor's emergency health declaration and (2) clarify that rent for use of the site is due for the entire term, beginning April 2020. (Resolution No. 21-12)

Rebecca Benassini - Good afternoon President Brandon, Vice President Adams and Commissioners. Rebecca Benassini, your Deputy Director of Real Estate and Development here to present this MOU. I want to acknowledge our City Attorney, Grace Park, as well as Katie Petrucione and the entire Cost Recovery team. I will be presenting this item with Dar Kayhan from COVID Command. Let's go to the next slide and I'll provide you what we're going to talk about today.

Before you is an action item to approve an amended and restated MOU for the temporary shelter site located at, on a portion of the Backlands Seawall Lot 344. I'll present the terms of the amended and restated MOU and then Dar will provide the operational update and we'll come back for Q&A at the end. Next slide please.

You all will remember this MOU which we executed last year. It's with the Human Services Agency. It's to provide a temporary shelter site. There are only two key changes to the MOU that we're asking for approval today. First is to extend the term to the later of October 31st, 2021 or the end of the health emergency. The current MOU expires April 30, this year.

We also are clarifying that rent is due for the site. When the MOU was originally approved by the Port Commission, we were directed to go seek cost recovery through all available COVID grant. When we entered that MOU last year in April, the health emergency had just started.

The City was standing up a very robust response to fight the virus and the Port was doing its part by entering into agreements in order to be part of the solution with the hope and belief that our City partners at the other City agencies would work with us to get cost recovery for use of Port property when those funds were available. And we are now at the point where we think they're going to be available, we're really happy to state. Next slide please.

You all know the background very well. February 23rd was when the local emergency declaration was called back in 2020. As I mentioned, we entered the MOU last year, April. The MOU, we've had many presentations about Port's response to COVID.

You all will know that Port Maintenance and other City agencies worked very quickly to get utilities and to stand up this site to receive about 120 residential trailers and RVs to provide for essential temporary housing for unhoused District 10 residents who were living on the streets or in shelters and needed a space to reside safely and who are either over age 60 or have underlying health conditions that made them particularly vulnerable to the virus. We, after executing that MOU last year in April, opened the temporary shelter site in May, 2020. Next slide please.

We're requesting your approval today for some key reasons. I wanted to also recognize Randy Quezada and Diane Oshima who always helps us put the update of this site onto our Southern Waterfront Advisory Group's calendar. They've had a 10-month track record of very good operations. We're really grateful that the Cost Recovery Team who works closely with FEMA has understood that the parameter rent that the Port charges is market rate and can be part of the cost recovery packages.

The MOU as amended and restated once we're able to gain approval will be clear that the rent will be due, the total rent for the site, for that portion of Seawall Lot 334 is a little bit more than \$52,000. If their HSA does stay at the site through the end of October through the end of October, the total rent due would be north of \$900,000 for that time period which would be very helpful for the Port's budget situation. And it plays a really critical role in terms of a great mobile housing site for District 10 residents and a really important role in the overall response to COVID which I think Dar will go into in a little bit more detail. Next slide please.

So Dar, I'd love to hand it over to you and we'll both be available for question and answer at the end.

Dariusz Kayhan - Thank you very much Rebecca. Good afternoon President Brandon and Vice President Adams. I want to thank you for taking time to hear from the Human Services Agency on the operations. My name is Dariusz Kayhan. I'm with the Human Services Agency and I'm currently one of the Commanders here at the COVID Command Center. You can see I'm deployed here at Moscone Center with my mask on so hopefully you can hear me okay.

I've been here since March 17th at which time we began standing up the alternative shelter program where the RV program is situated. Next slide.

So as part of the temporary shelter operations, in partnership with the Port, the CCC established Site F as we call it as a non-congregate shelter program. And we utilized 91 trailers that were donated by the state as well as an additional 29 trailers that the City Administrator purchased through Central Shops. All trailers today are currently managed by HSA's Facilities and Operations division.

Upon signing the MOU with the Port at the end of April, we quickly began accepting guests into the program. That started on May 13th. There are a total of 120 residential trailers with 117 currently in use. We keep three trailers offline in case someone has to vacate a trailer, we have another site to move them to. In addition to the 120 trailers, there are additional facilities for administrative functions and other support services, including a medical trailer.

Program management of the site transitioned from the CCC to the Department of Homelessness and Supportive Housing last month and program operations from the very beginning have been provided by United Council of Human Services, a Bayview-Hunters Point community-based organization under contract with HSH.

As of yesterday, we had 118 guests on site. We've had 49 guests exit the site, seven of which actually went to permanent housing which is a very positive outcome. The majority of our exits, though, were voluntary. So people often would just abandon their site and we don't have necessarily great exit interview data on where they went. We have one that went to shelter, one to a hospital, one to a safety discharge due to some behavior issues and we have two people that have passed away.

We have three Care Counsellors on site that are under contract with United Council and they assist guests with navigating the housing referral process. DPH is onsite providing health services twice a week and we have security under contract with VIP for onsite, private security. Next slide.

District 10 residents may be referred to the site from the street, from temporary shelter resources or from the Jennings Safe Sleep program which is also operated by United Council. And as a shelter-in-place site, the program continues to prioritize COVID-vulnerable individuals.

Something that's been really exciting that's been happening on the vaccine front is DPH staff are supporting guests with scheduling vaccine appointments as soon as they are eligible. So they're reaching out to guests that are there and as of yesterday, we had six guests that have been fully vaccinated and 11 have received their first of two doses. Next slide.

So United Council in partnership with HSH identifies guests through multiple sources including Bayview-Hunters Point providers, the Homeless Outreach Team, and also data systems we use to identify the most vulnerable people in need of shelter. It's very focused on moving D10 people in need right into that site which is in D10.

And then finally, the last slide, this is a recent photo of the site. And I just want to say we're incredibly grateful to be working in partnership with the Port to provide the critical shelter-in-place service it offers to the most vulnerable residents in D10 during the continued pandemic. And I want to make sure you all know that we continue to partner with the community and engage with neighbors and business owners during regular D10 meetings.

We've had some issues that have come up and we've addressed those. And we work very much closely in partnership with the businesses and the residents to make sure any complaints we're hearing about, we want to follow up on.

And finally, I just want to thank the Port for the ongoing support of this critical program. I hope you are pleased with our responsiveness and our overall program operations. And I'll hand it back to you Rebecca.

Rebecca Benassini - Thank you so much Dar. That concludes our presentation and we're happy to answer questions.

ACTION: Vice Woo Ho moved approval of the resolution. Commissioner Gilman seconded the motion.

No Public Comment on Item 11B.

Commissioners' Discussion on Item 11B:

Commissioners Woo Ho - Thank you. Thank you very much for this report. I mean, I think this is now an action item. We have the information. And I think today, there were some of the questions that we asked have been answered

today. So I have no further questions and am supportive of the item. Thank you.

President Brandon - Thank you. Commissioner Gilman?

Commissioners Gilman - Hi, thank you. I'm supportive of the item too, but I actually do have a couple of questions. So this is more for Katie and Port staff. So we will be reimbursed the full rental amount going back to the very first day that we entered into the MOU? I just want to make sure I'm understanding that correctly.

Katie Petrucione - Yes. Yes ma'am.

Rebecca Benassini - You are --

Katie Petrucione - So we -- sorry Becca.

Rebecca Benassini - It's okay.

Katie Petrucione - So we have been working with the HSA Finance staff as well as with the Controller's Cost Recovery staff. And the way this is going to work is that the Port is going to invoice HSA for prior rent reaching back to the beginning of the agreement. And once we invoice them, they will pay the Port and then the City will submit proof of payment essentially to FEMA to request federal government reimbursement.

Commissioners Gilman - Okay, great. I mean, that's what I assumed, but I just wanted to make sure that was correct. And I think, just to know for my fellow Commissioners because I didn't see in the staff report, and there'd be no reason for you, but under the Biden-Harris administration, the City is receiving 100% FEMA reimbursement for all of their shelter-in-place sites throughout the whole entire City where under the Trump administration we were paying 25% from the General Fund.

So I did want to just note for my fellow Commissioners that this is all, in some way it's all federal funds. It's our little part of stimulus that we're getting for this one thing. And then my other question, and I don't know, Dariush if you can answer this. This is a question, I guess, for you. Has there been any consideration -- and I'm not trying to put the cart before the horse -- but has there been any consideration of using the site beyond the pandemic and beyond the emergency which we, you know, FEMA has, or FEMA reimbursement of October 31st?

Dariush Kayhan - That would be up to the Department of Homelessness and Supportive Housing to really think about if they would like to continue beyond that, along with United Council of Human Services. It may well be that folks

would want to keep that program going. So, if that was your question, if after the pandemic's over, to continue at Site F. Yeah, I think that is an open question right now and that is something I can follow up with HSH as they're continuing, you know, looking at their entire portfolio and their budget as to what they would want to do going forward with that site.

And then of course, contingent upon Port authority around that. And, yeah. So that's something I think they would be open to considering.

Commissioners Gilman - No, and thank you. And I know you're not in a position to answer that. It's just, because I know you're at the Command Center and not part of that. But I just wanted to call the question because I would hope we would do everything we can to ensure the residents staying there are placed in permanent housing and do not return to unsheltered homelessness. Because the site has been such a great success. And so I'm fully supportive and thank you so much for answering my questions.

President Brandon - Thank you. Commissioner Burton?

Commissioners Burton - Yeah. I just want to say I'm really pleased to hear what we're trying to do on the homeless issue. And I, for a long time, have felt that the Department of Homelessness wasn't worth two cents. And I'm glad to see that the Port's working on some imaginative things to take care of these, our fellow human beings. So I just want to congratulate you on that.

President Brandon - Thank you. Vice President Adams?

Vice President Adams - President Brandon, I'm supportive of the issue. Good report and I like Commissioner Burton's comments. Thank you.

President Brandon - Thank you. Thank you so much for the report. I'm glad that we're getting paid for the site. I'm glad we are able to help out as we have throughout the pandemic in so many different ways, but definitely with getting our homeless off the street. And I'm glad the program is a success.

Again, I think these sites are needed all over the city. And it would be absolutely phenomenal if the rest of the City participated in these efforts so we could get all of these homeless people off of the streets.

Our Backlands, again, is part of a strategy to increase our Maritime opportunity. So I think as successful as this is, I think this is a City wide issue and I think we have several sites throughout the City that can accommodate something like this. So I would love to see it continue. I'm just not quite sure that site is the right place for it. But thank you again for the report. Thank you for the success of the project and thank you for helping our homeless brothers and sisters. Carl, can we have a roll-call vote?

Roll Call Vote:

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

President Brandon - Motion passes unanimously. Resolution 21-12 is adopted. Carl, next item please.

12. ENGINEERING

- A. Request authorization to award Construction Contract No. 2814R, Crane Cove Park Building 49 Re-bid, to Wickman Development and Construction, in the amount of \$1,879,600, and authorization for a contract contingency fund of 10% of the contract amount (or \$187,960) for unanticipated conditions, for a total authorization not to exceed \$2,067,560. (Resolution 21-13)

Erica Petersen - Good afternoon Commissioners. My name is Erica Petersen and I'm the Port's Project Manager for the Crane Cove Park Project. I'll be giving today's presentation requesting authorization to award Construction Contract 2814R, Crane Cove Park Building 49 Re-bid. This will construct a partial building rehabilitation including restrooms in an existing building at Crane Cove Park. Next slide please.

This is an action item to award Crane Cove Park Building 49, which I'll just call Building 49, to Wickman Development and Construction, the lowest responsive and responsible bidder for the invitation for bid published on February 1st of this year. The amount of this contract is \$1,879,600 and authorization includes a 10% contingency request for a total authorization of \$2,067,560. Next slide please.

In this presentation, I will talk about how this contract meets the Port's Strategic Objectives, the background and scope, advertisement and Port's outreach, provide a comparison of the bids, introduce the low bidder and its LBE subcontractors, the funding and the proposed schedule. Next slide please.

Crane Cove Park is a major new public Open Space that preserves historic Maritime resources, provides public access and recreation opportunities to the Bay and contributes to a vibrant new Pier 70 neighborhood. This project will provide additional amenities to the public by completing the public

restrooms and cold shell renovation in Building 49 which will provide a space for future tenants such as a cafe or kayak rental company.

The contract promotes Equity by providing living-wage job opportunities for Local Business Enterprises, or LBEs. As already mentioned, the project will prepare Building 49 for future tenant opportunities and I know that Real Estate and Development is currently working on a Request for Proposals at Building 49. So awarding this contract today will help get a tenant in the building sooner, providing potential revenue for the Port.

And lastly, this project uses General Obligation Bonds as a funding source which were specifically intended for public park improvements. Next slide please.

Crane Cove Park is one of the Port's Blue Greenway Projects and the Union Ironworks National Historic District located in Pier 70. Crane Cove Park opened to the public on September 30th, 2020. The overall Crane Cove Park Project is divided into five contracts including this contract. In this slide you can see a color-coded summary table of the status of each project along with a diagram showing the outline of each of these contracts.

This is Contract No. 5, the yellow one, and it will complete the last contract of the overall Crane Cove Park project. The other contract that is still under construction is 19th and Georgia Street, the green No. 3 and that is anticipated to be complete in the second quarter of this year.

Since Building 49 is the last contract to have been advertised, Port staff are very pleased to announce that the bids for this final contract came in under budget and the overall Crane Cove Park Project is anticipated to stay within the current \$36 million budget. Next slide please.

The scope of work for this contract is a partial building renovation and construction of public restrooms inside the building. Scope involves demolition, concrete slab and grade beam work, restroom construction including plumbing, HVAC, electrical, roof replacement, exterior siding replacement, new doors and a small amount of painting. Utility services for the park are housed in Building 49 and this contract will complete the construction of the electrical mechanical rooms, some of which you can see a photo of from construction, we completed during the Park Improvements contract.

The additive build alternate was to replace certain corrugated siding panels on the exterior with new translucent fiber glass siding and it will be included in the contract. Next slide please.

Staff advertised this contract on February 1st and held an optional pre-bid meeting on February 19th via video conference. We conducted outreach via email to companies from the relevant trade groups, especially LBEs. As a data point for how effective our outreach may have been regarding contractors local to the project from the Bayview neighborhood, 46 of the 103 plan holders which are the people who downloaded the bid documents, were from the 94124 zip code.

The pre-bid meeting was attended by 21 contractors, 19 of which are LBE firms. Site visits were mandatory for prime contractors and 13 contractors attended site visits the following week. Next slide please.

On March 2nd, we opened bids from seven contractors. Staff have reviewed the bids and determined that Wickman Development and Construction is the lowest responsive responsible bidder. Wickman's total price of \$1.879 million plus a 10% contingency is under the budget for the work. You can see the bid summary here. One bid was withdrawn by the bidder afterwards and all but one bidder were LBEs.

No bid protests were received and it was great news that the bids came in under budget and all within about 20% of each other. So I'm no economist, but from these bid results it seems like the current bid environment is very much in the Port's favor. Next slide.

The low bidder, Wickman Development and Construction, is headquartered on Mission Street in San Francisco. The firm is a certified Micro-LBE. Wickman has participated in many San Francisco Public Works projects including new Golden Gate Park restrooms for Rec and Park, school related construction and interim housing for a school district. The school district and a few other photos here on the slide are from recent projects.

Wickman also qualifies as responsible under the safety evaluation procedures we check per the Admin Code. Next slide.

CMD established a 20% LBE subcontractor participation goal for this contract. They reviewed the bids for compliance and determined that Wickman's bid exceeds the goal by committing to 35.98% LBE subcontractor participation. Very precise. In addition, Wickman is itself a Micro-LBE so over 75% of the work will be performed by LBEs. This slide has a table showing the LBE subcontractors on Wickman's bid and I also note that four of the LBEs are headquartered in the Bayview-Hunters Point neighborhood. Next slide please.

Wickman's bid, plus a 10% contingency, is within the project's budget. The contract will be funded through 2012 General Obligation bonds and Port capital set aside for the Crane Cove Park Project. As this is the last contract

to be bid for the overall Crane Cove Park Project, we are pleased to note that it is anticipated to stay within budget.

If you approve this authorization to advertise today, we anticipate Notice-to-Proceed construction to occur in May of this year and would be on track to have substantial completion by November, or in November of this year. Next slide please.

In conclusion, we respectfully request that you authorize the award of this contract to the lowest responsible and responsive bidder, Wickman Development and Construction. We are looking forward to completing this last piece of Crane Cove Park. Myself and other Port staff along with a representative from Wickman are all here to answer any questions you may. Thank you for your time.

President Brandon - Thank you Erica. Great presentation. Commissioners, can I have a motion.

ACTION: Commissioner Gilman moved approval of the resolution. Vice President Adams seconded the motion.

No Public Comment on Item 12A.

Commissioners' Discussion on Item 12A:

Commissioners Gilman - Yes. Thank you so much for the report Erica. I'm just super excited to see us moving forward in this sort of last piece which will make such a big difference in Crane Cove Park. It is such a jewel of the Waterfront. I walk there often from the Northeast side. It's just spectacular. So I have no questions and I am fully supportive of awarding this contract.

President Brandon - Thank you. Commissioner Burton?

Commissioners Burton - No comment.

President Brandon - Thank you. Commissioner Woo Ho?

Commissioners Woo Ho - Yes. I'm very supportive of the project and also have no further comments or questions. Thanks.

President Brandon - Thank you. Vice President Adams?

Vice President Adams - President Brandon, I'm supportive of the project. No questions. Thank you.

President Brandon - Great. Erica, you did such a great presentation. I think we're all very supportive. Carl, can we please have a roll-call vote?

Roll Call Vote:

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

President Brandon - Motion passes unanimously. Resolution 21-13 is adopted. Carl, next item please.

13. NEW BUSINESS

Director Forbes - I have recorded questions from the budget presentation about our Commission policies and how we're meeting those. That will be covered in the agenda item on April 13th. Is there any other New Business?

Commissioners Woo Ho - Elaine, I would suggest the follow-up on the budget was also for you all to take another look at the items that we raised and so we need some feedback in terms of your further second look at the items raised. So not just about the policies, but the actual two items that were brought up.

Director Forbes - Prologis rent, et cetera. Thank you so much.

Commissioners Woo Ho - Yes.

Director Forbes - Yes, thank you.

Commissioners Gilman - Director Forbes, I'd like to see -- and this is not time sensitive. So it's not an urgent item since I know that Port and staff have a lot on their plate. But I'd like us to maybe, when we're talking and thinking about Port recovery, to think about how we're also going to integrate make the Port continuously accessible to our communities and color and low-income residents who live around the Port.

So whether that's instituting more programming, like, I know that's been done in the past of field trips to both the Exploratorium or the Aquarium which I know have been struck hard by the pandemic, but how do we ensure access to that? Community facilities, so the Cruise Ship Terminal, et cetera. And then I, so that's just one item I'd like us to keep in mind when we're talking about recovery and Equity, how we're going to ensure programming at Crane Cove Park or other facilities to sort of engage the community and get them outdoors and back to the Waterfront.

And then my second informational, I would love just, it can be written staff report and informational on the Ferry Building. I am concerned that there are several shuttered storefronts at the Ferry Building Plaza and that Cowgirl Creamery which was an anchor and one of the first tenants in is shuttering their store. So I'd like to know about vacancy and how that's affecting us.

And then what is sort of the long-term, or short-term plan for pop-up and other industries to come in and use the space? Particularly again, small businesses, businesses run by communities of color, businesses and neighborhoods bordering the Ferry Building. They did a lovely event for Lunar New Year with a pop-up of Chinatown merchants. I'd like to know if they're extending that and how we can broaden that to Bayview, Dogpatch, other sort of Made in SF kind of merchandise.

President Brandon - Okay. Any other New Business?

Vice President Adams - Yes. I'd like to get an update from Commissioner, not Commissioner, Director Forbes. What about that building, the World Trade Center, behind the Farmer's Market there? Is anything going to be done with that? We talked about it and I haven't heard anything else about it. Can you let us know what's going to happen at that vacant building out there on the pier behind the Ferry Building?

President Brandon - Okay. And my request is we spent a lot of time on the Backlands planning and all the opportunities that are there to support our Maritime business. So I'd like an update. I know, I thought that Andre was going to do an update on our Maritime status including Pier 70 and 80 and 92/96. So I would love to see how our Backlands are going to participate in our recovery and our Maritime opportunity.

And I think this, I know we've talked about it before, but I don't think we've come up with it. So this would be a great time to establish a policy for naming opportunities and for plaques and for dedications so that it's, you know, we have an understanding. An opportunity for everyone, because so many people have contributed to the history of our Waterfront. So it would be great to have a policy so that everyone understands when and how and what opportunities are available for namings, plaques, dedications.

Is there any other New Business. Elaine, you got all that?

14. ADJOURNMENT

In Memoriam: Anne Halsted, former Port Commissioner

ACTION: Commissioner Gilman moved to adjourn the meeting in memory of former Port Commissioner Anne Halsted and the victims of mass shootings in Atlanta, Georgia and Boulder Colorado. Commissioner Woo Ho seconded the motion. In a roll call vote, the motion passed unanimously.

President Brandon - The meeting is adjourned at 5:49 PM.