



SAN FRANCISCO PORT COMMISSION

**APRIL 14, 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 April 13, 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 2:00 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman and Doreen Woo Ho. Commissioner John Burton was absent.

2. APPROVAL OF MINUTES – March 23, 2021

ACTION: Vice President Adams moved approval of the minutes. Commissioner Woo Ho 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 2:03 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: Pier 68-70 Shipyard

Person Negotiating: Port: Brendan O'Meara, Acting Assistant Deputy Director, Maritime; Andre Coleman Deputy Director, Maritime

Negotiating Parties: Scott Klopf representing Silverado

Under Negotiations: ___Price ___ Terms of Payment XBoth

Port staff has been approached with a proposal from Silverado for a new lease of port property at the Pier 68-70 Shipyard. Port staff are evaluating the proposed terms including the proposed price and terms of payment for such new lease and the executive session discussion will be an opportunity for the Port Commission to provide negotiation direction regarding price and terms of payment, improvements, rental rate resets, participation in sale proceeds and other factors affecting the form, manner and payment of consideration for a possible new lease, and which in turn will enhance the capacity of the Port Commission during its 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 the People of the State of California.

- (b) Property: One Ferry Plaza, adjacent to Ferry Plaza in the vicinity of the Ferry Building

Persons Negotiating: Port: Michael Martin, Assistant Port Director

Negotiating Parties: Alfred Tom, Ferry Plaza Limited Partnership

Under Negotiations: ___Price ___ Terms of Payment XBoth

The Port and Ferry Plaza Limited Partnership are exploring a potential agreement to terminate the existing lease for the referenced location. In this executive session, the Port's negotiator seeks 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 the potential new agreement. 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.

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTERS

Discussion of anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(2) and (d)(4) and San Francisco Administrative Code Section 67.10(d)(2) regarding disputed title to a portion of Custer Avenue in the vicinity of 1650 - 1680 Davidson Avenue.

Anticipated litigation: X As defendant X As plaintiff

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 Woo Ho 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

Alison Madden - Good afternoon Commissioners. My name is Alison Madden. I'm an attorney and I'm calling with a request to put something on your radar, so to speak. I was so excited to speak to you, I called in yesterday because I mis-calendared. So I was happy to have the opportunity to call back.

And what I would like to make known is something that I've been circulating to the Port of Oakland. I spoke to their meeting last Thursday and the Port Attorney called me afterwards and I sent the relevant materials. I've also been reaching out to our Senator, who is Senator Becker. He's new. And will be speaking with Assembly member Martinez Valladares.

And I have a desire to speak to the Port Commissions and Port Departments as well as, you know, the Senator and Assembly member from each county that has a Port. And the reason why is I'm asking for a clarification to the Public Resources Code. And it's something that affects each of the Ports in California.

There was a recent legal decision at the First District Court of Appeal. And it's not published but it's definitely still very much, these unpublished opinions, they are bound and they have influence and weight when similar situations come back up. And it has to do with a section of the Public Resources Code that addresses -- it's kind of fundamental and definitional -- and it addresses the basic principles of agency and fiduciary law. But the court held that it pre-empts local charters, being able to create independent Ports.

So it's a very small Public Resources Code section. We think that the decision was not correct and it has sweeping impact across the state. I also had reached out to Assembly member Bonta [Anna Cortise], now the Attorney General. We've also spoken to the State Land Commissions and the Lieutenant Governor Dare and followed up.

And in general, I'm having a positive reception to looking at the issue. And that's what I'm asking the Port Commissioners to be aware of, and the Port Council to perhaps reach out. And I would send the same information which is the decision of course, and some background on the case that was decided. And what we'd like to do is ask our legislators and the Attorney General to support a clarification to the Public Resources Code that this one subsection - - and it's PRC6009.1C13 -- that it has basically fundamental application in terms of basic agency law and that it is not intended to be pre-emptive of county and city charters to create an independent Port.

And I'm aware that San Francisco has a little special situation in that there's also statutory authority that applies to the formation and creation of the Port, but this would still be of impact I believe to the San Francisco Port as well as the San Mateo County Harbor District and other Ports.

9. EXECUTIVE

A. Executive Director's Report

Director Forbes – Good afternoon President Brandon, Vice President Adams, Commissioners, Port staff and members of the public. I am Elaine Forbes, the Executive Director of the Port of San Francisco. In my report today, I'll provide an update on Economic Recovery and Equity and will give an overview of an upcoming Request for Proposals that the Port will be issuing this week.

To Economic Recovery. Last week, Mayor Breed announced plans for the return of indoor, live, ticketed events signaling our ongoing success in a year-old struggle against the virus. We expect to see new guidelines issued later this week with important updates to what kinds of events may resume with capacity limits and other safety protocols.

Additionally, the state recently changed guidelines for the resumption of meetings and private events which may also be reflected in upcoming changes to San Francisco's Health Order. These changes are critically important to the Port, as it will allow for more elements of the City's Tourism and Hospitality sectors to resume. These sectors are critical to Port revenue streams.

A key criterion for the resumption and continuation of indoor live performances and events will be stable or declining rates of new COVID cases and hospitalizations. The public health officials will continue to monitor San Francisco's health indicators, and the city will need to pause or roll back activities if data suggests that COVID-19 is significantly increasing within our community again.

But right now, the news is good. San Francisco's new COVID cases and hospitalizations remain low. Also, over 50% of San Franciscans have received their first dose of vaccine, as have over 80% of City residents over 65. Starting today, anyone over the age of 16 can be vaccinated. Although supply will remain a challenge, the City continues to make significant progress towards vaccinating people who live and work in San Francisco.

Though this is a lot of good news, the pandemic is not over. And we can continue to make progress only by maintaining vigilance and adhering to common sense public health guidance. All members of the public are urged to continue wearing masks, handwashing and practicing physical distancing whenever they are outside their homes.

Shifting gears on the topic of Economic Recovery, I'll provide an update on the Port's efforts to secure federal funding. In early March, President Biden signed the American Rescue Plan Act, a \$1.9 trillion COVID relief bill that includes \$350 billion for state and local government assistance. On behalf of the Port of San Francisco, Speaker Pelosi inserted language in the bill to allow the state and local recipients of funds to transfer those funds to seaports and this applies nationwide.

The State of California will receive up to \$26 billion from the passage of the bill. Decisions on the allocation of federal stimulus will come from discussions between our Governor, Senate Pro Tem Tony Atkins, and the Speaker of the Assembly Anthony Rendon. The first portion of funding will be available 60 days after bill certification. It is still unknown whether the allocation will be handled as a part of a normal budget process or a separate action.

Port staff along with the California Association of Port Authorities, CAPA, and San Diego are advocating for a \$250 million allocation to California Ports to specifically cover revenue losses resulting directly from the pandemic. And for our Port of San Francisco, we are requesting \$60 million which is our direct impacts from the Public Health Emergency.

Discussions related to the American Rescue Plan Act are ongoing and dynamic and we'll continue to keep you aware of new developments. On Wednesday, March 31st, the Biden Administration released it's \$2 trillion Infrastructure Plan also known as the American Jobs Plan. This plan calls on Congress to invest \$17 billion towards improvements to inland waterways, coastal ports, land ports of entry and ferries. Additional details are expected to be released in coming weeks and we are already drafting internally to the Port a list of capital projects potentially eligible for American Jobs Plan funding.

Shifting gears, I'd like to highlight two welcome additions to our Waterfront. First, baseball is back. Last week, the Giants' home opening at Oracle Park, we were happy to see the return of baseball and fans to the Waterfront. Many Port tenants near Oracle Park saw increased foot traffic and sales including Atwater Tavern and Frankie's Java House which reopened recently after being closed for renovations.

Secondly, I'm delighted to report that Red Bay Coffee will be opening in the Ferry Building next week. Red Bay will be in the center of the building right near Book Passage. This is a black-owned, Oakland-based specialty coffee purveyor founded in 2014 by artist and food entrepreneur Mr. Conte. Red Bay Coffee is at the forefront of the fourth wave of coffee with commitment to ensuring production is not only high quality and sustainable, but a vehicle for diversity, inclusion, social and economic restoration, entrepreneurship and environmental sustainability. We welcome Red Bay Coffee to the Ferry Building.

Shifting to Equity. The Port has reached an exciting milestone with development of the Racial Equity Action Plan Tracker, a database that will be used to collect data related to the Port's progress on implementing the 30 short-term actions we will be completing by the end of this calendar year. We anticipate our systems will be aligned to support the important work ahead.

Based on the discussions last time, I did want to come and point out that the Port's Racial Equity Initiative follows the Citywide framework that the Office of Racial Equity developed which seeks to transform systems to support the collective liberation of black, indigenous and people of color in San Francisco. Our Equity work includes uplifting all people of color, including our Asian-Pacific Islanders and Latinx communities.

Within our Racial Equity Action Plan, some of our internal and external actions target historically disadvantaged neighborhoods adjacent to Port property such as Bayview Hunters Point and other neighborhoods within District 10. Intentional, proactive community outreach and engagement within District 10 extends our reach not only to our black community but also to diverse Asian Pacific Islanders and Latinx communities as well.

The Port does acknowledge and recognize that more than words are required to build a more just and equitable society. In that spirit, we have invited staff to attend the San Francisco Human Rights Commission and Stand Together SF Initiative for the launch of Campaign for Solidarity. This is a Citywide, cross-cultural, multi-generational event to bring our AAPI, black, Latinx, American Indian and multi-racial communities to stand up against racist hate and violence.

Now, I would like to make an announcement on the upcoming development RFP for Building 49 and the Gneiss Building at Crane Cove Park. The RFP will be issued tomorrow with a response deadline of Wednesday, June 9th. The Port is seeking qualified responders to develop and operate two currently vacant historic structures that frame Crane Cove Park.

The RFP offers the opportunity to provide community, water recreation, visitor-serving and commercial uses that will enhance and activate our beautiful park. And that concludes my Director's Report. Thank you very much.

Public Comment on the Executive Director's Report:

Pete Sittnick - Good afternoon President Brandon, Vice President Adams, Port Commissioners, Executive Director Forbes. This is Pete Sittnick, Managing Partner at Waterbar and Epic Steak on the Embarcadero. And I just want to first off acknowledge the help and support that we've gotten from the Port in working our way back into some level of new normalcy for the restaurants.

But I would also like to just point out that in the same spirit and vein that the public must still comply with the protocols and precautions in order to get to the other side of COVID-19, the restaurant businesses on the Port are in the

same boat. We, while if you walk past Waterbar and Epic on a sunny weekend day, you're thinking, "This place is doing phenomenal. It's back to normal. It's great."

And I am very grateful for all the business that we do have. But we are still operating at profitability losses. We're about 50% of where we were pre-pandemic. And I'm actually advocating on behalf of all the restaurants on the Port because I think that Waterbar and Epic, due to their phenomenal location have a leg up on everyone else.

But there are restaurants out there that are hurting. They're my friends. They're my colleagues. I'm specifically talking a lot about Fisherman's Wharf restaurants. But there are other ones out there. And I would just say that I hope that the Port will continue to focus on the ability to help small business recover and get back to a level where we can operate profitably, sustainably and in good spirit. Thank you. Appreciate your help.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Woo Ho - Thank you, Elaine, for an excellent report again on both the Economic Recovery and on the Equity plans. And I think the most exciting thing that we've heard today is how we're proceeding forward to access some government funding and that seems to be having a few more concrete sort of information about what the process is and how much is involved. And of course, it's wonderful to hear if we could recapture some of the revenue that is lost.

Of course, this is increasing the country's deficit over time with these huge bills, so that's another problem that needs to be tackled at a national level. But I am very glad to hear that at least we are hopefully going to be able to get some relief as we try to provide relief to our Port tenants. And I think that was probably the most important aspect of what I heard today in your Executive Director's Report.

And I commend you, you and the staff, for being very proactive about it. And I think all of the work that you and I guess President Brandon and Vice President Adams have made to make sure that our Congress and Senators in Washington are aware of what San Francisco needs and are continuing to look out for us. Thank you.

President Brandon - Thank you, Commissioner. Commissioner Gilman?

Commissioner Gilman - Director Forbes, thanks for a great report. Similarly to Commissioner Woo Ho, I'm really excited to hear about the Equity work, particularly about the gathering that's taking place and being encouraged by all City and County of San Francisco employees to come together to stop

racist hate on any community of color. I just really want to commend the City for engaging in that activity and I'm excited to hear about that.

And then I do just sort of want to double click on the fact that last month we didn't have a glimmer of hope to be involved -- I'm assuming we're involved in the Infrastructure Bond that is, package that's going forward. Infrastructure is a lot of things. It's exciting to see and have an understanding that Port's nationwide are a part of that since we have not received any stimulus dollars or federal support through this whole pandemic. Unlike our brothers and sisters at the airport or at SFMTA.

So super excited about that and I'm sure that you and President Brandon and Vice President Adams will work very hard to ensure its passage. And I hope that all, everyone listening and folks that do business at the Port, our brothers and sisters in labor, we need to get that Infrastructure Bill passed and it's a hard road ahead. And I'm excited that the Port's included in it. So thank you for your report.

President Brandon - Thank you. Vice President Adams?

Vice President Adams - Director Forbes, thank you for your work, tireless work and your staff and your Deputy Director Mike, and your discipline. It's really good to hear that one of our tenants like Pete constantly comes on, gives a shout out. You know, Pete's a warrior. He's somebody who gives a lot of love to the Port, gives a shout out, you know, and I appreciate that. I hope one day maybe we can do a Port Commission meeting at one of his restaurants down there and show a little love.

What I wanted to ask you, Director Forbes, to you and Assistant Director Mike, where would you gauge our progress so far this year? And are we at where, the goals that you've set as our Director, are we at where you think we would be at this time getting near say, the middle of April, heading into May real fast. Where are we at as far as, just really quickly, maybe in a minute -- are you pleased with the progress the Port is making? Thank you.

Director Forbes - Thank you for your question. It's an important question. I think so much of this year and our progress has depended on the behavior and our ability to fight the virus. And so in some ways, 2021 has been a very positive year for fighting the virus and we've seen gradual reopenings and will continue to see more reopenings and vaccines are getting out. But in other ways, we're still overwhelmingly closed for business at the Port of San Francisco.

And so with Hospitality and Tourism in the state up waiting for herd immunity and further along with vaccines, our own Economic Recovery is put on hold or put on "wait and see" as we wait to really tackle the virus. And we're also still,

we have a large essential workforce, but most of our office workers, all of Pier One is still remote working.

So while I say we're where want to be given the current state of the virus, we wish that the virus was more controlled and there was larger economic reopening. But the light is at the end of the tunnel. So I would say that we're getting closer and I think it will be easier to gauge our progress in the framework of June and through the fall when we'll see full reopenings per the, or at least we're anticipating to see full reopenings. That will be a really important time to see how the Port is doing along toward Economic Recovery.

On the Equity front, I'm very proud of the work the team is doing both with the Race Equity Action Plan and with all of the work internally to respond to what our employees are asking for as it relates to Equity. And I believe our organization is on a very strong path to be a more equitable place to work and to do business with, so I'm very proud of that work. I hope that's a good answer to your question and we could calendar something specifically a little later down the road to answer that question in more specificity when we have more data points about our Economic Recovery.

Vice President Adams - Okay. I want to go back to what Commissioner Woo Ho said about going and getting the money. And I like it that you and President Brandon are going out trying to get some money for us and being aggressive. I've never seen this before and I really want to thank you and President Brandon for going out, trying to get that \$60 million.

One of the things I am concerned about, today they put a hold on Johnson & Johnson, one of the vaccinations, because of blood clots and stuff like that. It mostly has happened in women, so now we've got two. But other than that, thank you and please get as much as you can. And thank you for going to \$60, even if we go for \$35-40 million, we need that money. And anything that I can do, and I'm sure Commissioner Gilman, Commissioner Woo Ho, we'll do whatever we can to make some calls. Because we need the money. Thank you.

President Brandon - Thank you. Elaine, thank you so much for your report. It covered a lot of information but Economic Recovery is key to all of us. And I want to congratulate the Giants on their opening day and winning on their opening day and being able to have spectators, even though it was limited. I also want to welcome Red Bay Coffee to the Ferry Building. I think it's exciting that Red Bay is expanding even during this time of uncertainty. But I think it goes to show that there is a light at the end of the tunnel and we will recover.

And I think it's imperative that all of us on the Commissioner call the Governor, call the Mayor, call everyone to make sure that we are able to continue to help our tenants with some of resources from the stimulus fund

and especially the Infrastructure Plan. And I really want to thank Commissioner Burton for making so many calls on behalf of the Port to make sure that everyone is aware that we, too, need money to help with the Economic Recovery of our tenants.

So, Elaine, thank you so much for that report. Carl, next item please.

10. CONSENT

- A. Request approval of Mutual Termination Agreement for Port Lease No. L-8627 with Ferry Plaza Limited Partnership, located adjacent to Ferry Plaza. (Resolution No. 21-14)

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

No Public Comment on Item 10A.

Roll Call Vote:

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

President Brandon - Motion passes unanimously. Resolution 21-14 is adopted. Carl, next item please.

11. REAL ESTATE & DEVELOPMENT

- A. Request approval of a revised Mutual Termination Policy. (Resolution 21-15); Request approval of delegation to Port staff to offer additional leasing incentives including discount lease rates and rent abatement for tenant improvements for office, maritime office, and shed space for new leases, and share of subleasing revenues. (Resolution 21-16); and Informational update on tenant relief programs.

Rebecca Benassini - Good afternoon President Brandon, Vice President Adams and Commissioners. I'm Rebecca Benassini, Deputy Director of Real Estate and Development. I'll be presenting along with my colleague Jay Edwards today on the Portfolio Management Strategy Action Item before you. Just as a preface, this is a follow-up from our February 23rd informational item. I want to acknowledge Portfolio Management as Michael Martin's brainchild that we've been developing into an adolescent.

And I want to acknowledge the senior staff in the Real Estate team, Kimberley Beal, Crezia Tano-Lee, Tyrone Navarro as well as our Maritime Director Andre Coleman all contributed to this item and made important improvements. And I also want to acknowledge that we have two of our consulting team members here who have been helping us with market and leasing incentives, advice and analysis. We have Santino DeRose from Maven Properties and we have Debbie Kern from Keyser Marston. They're on the line in case there are questions that would benefit from their notes or their advice.

I want to note, from February 23rd, we've made some refinements and updates and I'll be highlighting those along with Jay Edwards and I'll be going a little bit quickly through the background information that you've seen previously, just sort of as a primer . And I'll try to focus on new information. So with that introduction, it would be great to see the next slide.

Thank you. So we'll go through Strategic Plan alignment, background, the work ahead and why we've undertaken this Portfolio Management Strategy Action Item. We'll go through the strategy and the requested action. Next slide please.

In terms of our alignment with our Strategic Plan, typically at this time of the year, we're resetting our parameter rates. Our parameter rates are typically going up X%. In this moment of market tumult, we're looking really closely at stability and productivity and we can think of this item as a sort of reset of the market, of the parameter rates that we have providing different tools really aimed at stability of revenue and attracting new tenants and also retaining the tenants who maybe, at this moment are sort of on the bubble as to whether or not they should entertain signing a new lease. So that's the alignment with the Strategic Plan. Next slide, please.

This is a slide we showed last time to really note that the core strategy going back a year now during last summer, we were looking at how to maintain our tenants during the displacement and difficulty, unprecedented difficulty of the pandemic. The bubbles you see in blue very quickly are noting through all of the program level information and new ventures that we stood up. These were deferrals of rent, this is the LBE Loan Program, the Shared Spaces Program.

All of the gold bubbles indicate programs that the Port stood up that actually went into changing contracts, giving rent relief, giving repayment plans -- actually were amendments to leases. So those are the two sorts of bubbles. All of these were focused on keeping tenants in place up to this time period. Next slide please.

As background on all of our relief programs, we showed similar information on February 23rd. We have some updated information. At that time we had much fewer applications in the door for rent forgiveness. We now are up to 132 tenants who've applied for rent forgiveness. Their total rent forgiveness request is \$13.4 million which is very close to the high estimate that we had provided back in the summertime when the Rent Forgiveness Program was coming through the Port Commission.

On the Repayment Program, where tenants are allowed to come up to where they need to be in terms of repaying the Port for rent that was due in 2020, we have the same collection that we had in February for Option A, where tenants were able to provide a lump sum payment for rent that was due in 2020. We've collected about \$729,000. That one hasn't changed.

We now have applications for the Option B repayment where tenants can pay any rent due in 2020 during the first half of this calendar year. We also have 22 applications in to repay 2020 rent during the next fiscal year. So those applications are, we think those are the end of those applications although if tenants do reach out, we will consider those on an ongoing basis up until we anticipate maybe one more month. Next slide please.

We're talking about Portfolio Management because we have these programs for people who have entered forgiveness, repayment, but we have quite a number of tenants who haven't come into full compliance with their lease. As a note, this is the same as it was in February. We've had about 20 mutual terminations of leases over the last year, representing 40,000 square feet. So we haven't had other tenants come forward with mutual terminations in the last six weeks or so.

I want to note we still have a growing accounts receivable ledger. It's about \$23 million at this point in back rent that's owed to the Port. Much of this will be taken down as we process the Rent Forgiveness lease amendments. So \$23 million outstanding. We have about \$13 million in Rent Forgiveness that we think folks are eligible for. So that number will be coming down as we execute those lease amendments. That still leaves a large gap of about 178 tenants representing \$13 million that don't qualify for rent and haven't yet resumed their full normal rental payments.

So that's really the crux of the Portfolio Management Strategy where we're trying to get at. Next slide please.

Also another indicator of tenant health -- and you've been seeing this sort of data through the budgeting process as well -- these represent the percentage rent tenants. And their sales, the blue bar on the left shows 2019 sales. The orange bar shows 2020 sales. Just shown a different way, we can see the rent data. In this case the blue line are percentage rent tenants who've

applied for Rent Forgiveness. The orange line represents percentage rent tenants who haven't applied for rent forgiveness. And this just indicates sort of the large amount of revenue that has been lost during the pandemic year.

I also want to note that this sales data only goes through January 2021. Our sales data is always several months behind. We'll get the February data in probably two weeks. And during January was, we all remember, that was during a very difficult winter surge and many of our operators who sell to customers face to face were not operating at very high levels at that point. Next slide please.

So that's the background on how Tenant Relief is going. All of the tools that went into Tenant Relief are shown in grey in this table that is sort of like the full toolkit of items the Real Estate team is working with. We're now going to talk about how we can use our existing staff authority, and if you approve it today, new staff authority to continue managing the portfolio in an efficient way.

The two rows shown under existing staff authority we'll talk through. Those are items that we sort of do on a normal day-to-day basis. And then we'll talk through the three subsequent rows that are showing potential new policies. One of the key action items that you'll see in the resolution is extended delegated authority for mutual lease terminations. And then the second action item is to do with the strategic leasing tactics that we'll talk through in quite a bit of detail.

The uncollectable balance is one I want to keep on the table. We don't have a proposal as of yet. We're working with our Finance staff to come to that proposal. But it's another tool that as we have tenants that are unable to pay and have left the premises, there will have to be an accounting of those uncollectable balances to keep our books in order. Next slide please.

So focusing on the existing authority, we'll be turning towards collections strategies. We've talked about this a bit in February. What we have completed since February is a new tenant account database. We had been a bit hobbled in terms of having up-to-date information on how tenants are doing with making payments. We now have a database through a lot of work with our IT team which has been excellent, to have an up-to-date database on tenant payments as of each week which has been a real help for our property managers in terms of keeping track of tenants who are up to date and those who are not.

So we'll be working with our collections team to begin outreach to tenants on collections. The second tool, a settlement authority to the extent tenants are coming forward with proposals to settle outstanding debt, outstanding lease payments, we will use the Executive Director's authority to settle claims up to

\$25,000 and then we would be coming to the Port Commission for other sorts of claims that could either require Port Commission approval or even Board of Supervisors approval depending on what type of a lease we're talking about.

So those are the strategies we'll be using to try to get tenants back into lease compliance. Next slide please.

There are also strategies we'll need to deploy to separate from tenants who are unable to come up to date in terms of complying with their obligations under the leases. We'll talk through the mutual termination options and the authority that's shown in the upper bubble.

Uncollectable balances, as I mentioned, we'll be coming forward with a policy on how we would write off those balances. There are several steps that we typically use in those sorts of procedures, but I think it's a good time to formalize those procedures more clearly through the Port Commission.

And we're going to talk quite a lot in this item about the leasing tactics. And you can think of this, as Jay Edwards will go through in more detail, we have our leasing authority under the parameter rate schedule. This is sort of a modification to that list price.

We have our list price for all of our properties which we offer to tenants in particular cases where we're having trouble leasing a space or a tenant maybe wants to do a one-year lease but we can entice them into a three-year lease with these leasing tactics, that's really to our benefit because we're looking to really stabilize our tenant base. So Jay will go into that in a bit more detail. And that will be focused on filling vacancies and getting our tenants into those term leases. Next slide please.

So let's focus on some of the actions that are requested today. So the first one has to do with mutual termination authority that's delegated to the Executive Director. The policy currently in place was passed in 2009 and has been unchanged since that time period. It allows staff and the Executive Director with the City Attorney input to mutually terminate with the tenant leases that have less than five years remaining on the lease, leases that are less than \$10,000 per month owed to the Port so long as staff goes through these various steps.

They are: verifying the tenant's condition, verifying the property's condition and determining that termination is in the Port's best interest. And the way we have done that is to show that we could potentially lease the new site. It's sort of a defined demised space and that the tenant has shown that they do not have the means to fulfill their obligations under the contract.

Our proposed authority increase, which we talked a bit about at the end of February, is to bring that \$10,000 per month dollar value up to account for the 12 years since it was passed. It needs to be increased for CPI and then market increases. In addition, we're proposing an additional buffer to account for the need that we think is in front of us where there will be more tenants who may be interested in this mutual termination. And we may be able to find all of the steps that I went through: they are in a poor financial condition, the property condition is an okay state to lease and it's in the Port's best interest to take the space back and try to re-lease it.

In addition to increasing the rental limit, the resolution also includes adding more defined steps we would go through prior to recommending mutual termination for the Executive Director. And those are: determining the economic benefits of the termination -- so not only would we state that it's a clean and open space that we could lease, but we would look at the potential lease rate that we could get for that space, and we'd also more more clear about getting the financial documentation from the tenant to just add on to that layer where we're being clear that they cannot actually abide by and fulfill their contractual requirements under the lease.

So that's requested action number one. For the next slide, I'd like to turn it over to Jay Edwards to go through the leasing tactics -- I think it's the next slide, if you could show it to me, I'll be sure. Thank you so much! So Jay will go through the leasing tactics that he worked on in conjunction with senior staff as well as the consulting team that's on the line. Jay?

Jay Edwards - Thank you, Becca. Good afternoon, Commissioners. We're pleased to present this portion, or I'm pleased to present this portion of the report to you. And what you have in front of you is our current authority, if you will, and a range of rates that we set back, as Becca said, back in 2019. And you can see, there's a wide range and we have a limited amount of tools right now to really deviate from the quoted parameter rents.

So we're requesting additional authority. And I want to just start off with reiterating, this was, these proposed interim leasing tactics were developed in collaboration with our consultants Keyser Marston and Maven Commercial who you heard of, that you heard their monthly reports or saw their monthly reports back in our previous staff report.

And these objectives, just to reiterate the objectives are to help fill vacancies with new tenants, retain existing tenants that leases expire within the next year. That means from now until March 2022 which there is approximately 40 or so. And also we have lots of tenants who are on holdover leases that we're hoping will now see this as a good time to sign up for some term.

So this is an A/B choice. It's either/or, it's not both. So for tenants that really just want to take the space as is, or invest their own money into the premises, there would be a tiered rent discount of 70% of the minimum parameter, 80% and then it goes to the 100% of minimum parameter. This requires a three-year term. So this isn't applicable to tenants that want to do a one-year lease, two-year lease. It's a three-year term. We think that is a sufficient time to get us through any Economic Recovery and we should be poised at that point hopefully to have some growth in our rents.

The second option is really in response, and we'll talk about this a little later in the next slide, is in response to what tenants are seeing out there in the private sector. So what we're proposing here is rent abatement. So we have right now some limited rent abatement for [space prep]. We're proposing to expand the delegated authority on an interim basis for additional rent abatement for a total of up to five months for a three year, and a total of up to seven months for a five-year term. Next slide please.

And we've done the same here for shed rents which are what we have in, primarily, mostly storage type tenants. We have some restaurant support tenants. We have mostly small local businesses here so this is really going to be very helpful, we think, to meeting those objectives I outlined prior. And you can see the tiers. We've proposed a slightly less rent abatement of five months and six months respectively.

Now, I do want to point out that all these proposed leasing tactics are outlined in Exhibit A and it gives you more detail in summary of some of the requirements. So this is just an abbreviated slide if you will. But everything that's in here, what we're really asking for is outlined in Exhibit A and I can talk a little about that. Next slide please.

And then the Maritime, Andre Coleman has spent time with our consultants to try to understand how to be more competitive in this environment. And so this is what's been proposed for Maritime leases with office space, shed and apron and some submerged land. And we think this would enable the Port to keep our existing Maritime tenants and hopefully maybe even attract some more. Next slide please.

So as we get into, "Why are we here? Why are we doing this and what's this really about?" This is in response to really a fairly significant downturn in the commercial real estate market that is still evolving. We're really, and our consultants believe this, this is a moving target. So that's why we're here for interim leasing tactics if you will. Because we can't really predict what's happening out there in the next six months. It's very uncertain.

We've heard from our tenants previously on the call in about how they're not expecting, perhaps, a rapid turnaround and looking for maybe some more

flexibility. And also in response to the competition. The Port is not as nimble as the private sector who can offer tenant improvement allowances, rent abatement and other flexible terms like "blend and extend" which basically takes an existing lease, reduces the rent in return for additional term. We're not proposing that here, but that's what the Port's up against and that's what the tenants are seeing as they go into the market to [preview] opportunities.

And as we said before, the parameter rents were set at a pretty high point in the market and so this will enable us to be more competitive. So just kind of, you can see what these are, sort of, the notes say. But I think one thing that we do want to talk about is risk management.

And we have in the Exhibit 1, put in the requirements for the rent abatement which we think would be a huge help to attract capital into our properties. Right now, we [can't] offer any tenant improvement allowances, generally having tenants improve their space under certain conditions. And I'll outline a couple of those for you, just so you get a flavor for it. It's all in Exhibit A, too.

But the improvements have to improve the property, the premises, first of all. So they have to be spent on the premises. And for example, for office it could include utility upgrades, interior improvements, lighting, HVAC, code upgrades and it's taken up front or could be amortized equally over the term of the lease. And the Port must approve these proposed improvements, excuse me, the Port must approve the proposed improvements with a tenant providing estimated cost, life expectancy, they're all subject to permitting, and customary lease requirements. And work that does not qualify as an improvement would need to be competitively bid.

So we think we've got a way to manage the process here effectively that's not overly time consuming and is nimble enough to provide the Port with these additional interim tactics to, we think, bring increased revenue, retain tenants and maintain our tenant base. So, next slide please.

So the third action is a smaller effect action, for sure, than what Jay went through, but something that we've heard from some of our tenants where they have a current space, they have the ability to sublease within their rental agreement, however, any of the sublease revenues they receive above the rental rate, 100% of those sublease revenues come to the Port.

So we effectively don't see much revenue from this because tenants don't tend to have much of an incentive to negotiate a higher price with subtenants. So we're seeking to delegate to staff the ability to amend the leases as tenants can demonstrate that they have the ability to sublease space for more than the rental rate that is in their lease. We would allow them to do that and we would split the revenues with them rather than take all of the revenues ourselves.

We would definitely report back on this because this would be sort of a pilot basis to see whether or not this is an effective way to increase revenue. It is, we like this potential technique because we can do this relatively efficiently and then we can see the results of the action and see whether or not it does generate increased revenues. So that excess rent action is also before you today to, on a select basis, sort of amend leases that have this subleasing provision in them as tenants make that request. Next slide please.

We're just about done here. When we talked in February, there was a lot of interest in getting more information and being informed, which makes complete sense as you all are considering all of these various actions. So I wanted to be clear on the reporting that we're able to do with our current systems. We did sort of a hard look at what we can produce easily.

Leasing monthly reports, we got those back to you. Those fell off of our radar for a couple of months and they are now back coming to you each month. We also spoke with Andre's team and they're able to do quarterly Maritime cargo and cruise performance reports which would be a new report on a quarterly basis looking back at the prior quarter to give you a sense of how that market is doing.

We also will start submitting termination reports on a monthly basis. This would be a new report that you would see. And you have been getting now these accounts receivable and financial status report which is an extremely interesting report that provides just a very good snapshot of where things are financially.

We are working on a near-term actions on the Race Equity Action Plan and that does include evaluating the feasibility of collecting race and ethnicity information for tenants as they come through our leasing application. So we are working with the Race Equity Plan on how to implement that.

So that's the summary of reporting. And I think the next slide will summarize the actions. So you have two resolutions before you today, Resolution 21-15 and Resolution 21-16. I'm sorry to say there was an error in the Resolution, so if you're able to make a motion on this resolution, there are two clauses, the two final clauses of the resolution have these underlined words that are on the screen before you that you would need to read into the record to correct these two whereas clauses -- I'm sorry -- this whereas clause and this resolved clause to be clear that it's a \$20,000 per month threshold for the mutual termination policy.

That concludes the presentation. I appreciate your attention. I know that was quite a lot of information. And Jay and I and the consultant team are all available for questions.

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

No Public Comment on Item 11A.

Commissioners' Discussion on Item 11A:

President Brandon - Thank you. Seeing no callers on the phone, public comment is closed. And just for verification, the -- when do we amend the resolution? Michelle -- I'm sorry. Could you -- thank you.

General Counsel Sexton - Yes, hi. This is Michelle. You will amend the resolution. Whoever, when you call the vote, you would read the new whereas and the new resolved prior to taking the vote.

President Brandon - Got it. Okay.

General Counsel Sexton - And Carl can do that as well.

President Brandon - Okay, thank you. Commissioner Woo Ho?

Commissioner Woo Ho - Thank you Rebecca, for that report. And Jay, a lot of information, obviously in the staff report also, lots of progress in all the various areas of how we're trying to get through this Economic Recovery and help the tenants. And on the two particular topics that you have presented in this part of the presentation today, on the mutual termination policy, I'm very supportive of increasing the limit. I think that makes a lot of sense under the circumstances to do that.

And I think my questions -- and I sort of mentioned this a little bit earlier in our closed session -- I guess I want to get a little bit better sense, because we look at our parameter rents once a year in a very normal sort of cycle. And obviously, we're going through a very volatile real estate cycle now and we don't know how fast the real estate market is going to recover in all aspects. Whether it's particularly commercial and obviously, within the hospitality and restaurants, et cetera.

And so, what I was not clear is that you're setting these, this tiered structure based on the rental parameters that we established in 2020 versus today. And I'm not sure why, since we do have consultants, we wouldn't be looking at the market as it is. And then, if it is that we feel that we can't really establish it according to where it is today because it's a moving target, as Jay said, how we do we come, how do you land on 70, 80 and 100% over the next three years? I'm just not sure that those percentages necessarily just automatically

sort of make sense. It's obvious there are some assumptions behind it or some forecast behind it and I'm not sure that I understood that when I read the report or when you presented today, how we came up with those numbers.

I understand the intent here, which is to give the tenants time to catch up. And they're trying to go through economic recovery. But I'm still trying to understand how we came up with these numbers. And if for instance, because three years is a relatively long time, if things begin to happen sooner where we've set ourselves up for limitation, so I'm just wondering, how did we come up with those particular percentages? And if we are really basing it off a parameter rent table that is no longer really current.

Rebecca Benassini - Thank you, Commissioner. So I'll start and Jay, I would love you to come in and perhaps if Santino or Debbie have items to have. So you hit on the head what we started with the consultants on, which is we asked them to look at our, look at the market, look at parameter rents and opine as to whether or not it was a worthwhile exercise to try to reset those. And we came to the conclusion, as you mentioned, that given that it was a moving target, it was not a worthwhile exercise to go through each of our facilities to try to reset to market just due to the dearth of transactions and our sense that we will, that we should wait to do that.

So that was the initial take on why we should not reset the parameter rates at this moment. And instead, keep the parameter rates, and then come up with these leasing tactical approaches to entice tenants in to sign that three-year lease with us. And before I hand it over to Jay to talk about the percentages, one other point that we've been focused on is, "How many of our tenants are out of compliance?"

We showed earlier the 178 tenants that we're looking to figure out what their next move is in terms of coming into compliance with us or not. And looking at that potential amount of vacancy just made us very eager to make sure that if we do have quite a number of spaces come back to us, that we're ready to offer what tenants would get if they went across the street to a private sector location.

Commissioner Woo Ho - Okay.

Rebecca Benassini - With that maybe I'll -- could I let Jay kind of talk about the percentages?

Commissioner Woo Ho - But, could I ask a question?

Rebecca Benassini - Yeah, yeah.

Commissioner Woo Ho - So one question is, "Is there any sort of market reference point?" Saying that other, in the private sector there is a similar approach going on with similar percentages? I mean, is this just something that came up just within our own sort of bubble? Or are we looking at, this is an approach that is being used now by other landlords in the City or in the Bay Area? And so I don't get that context at all. And so it's, I understand it's our consultants. So I think that's important context to understand.

And then on the rent abatement, what you mean by that is that they basically will have -- I just want to make sure I understand what "abatement" means. Abatement means, five months at three-year term which means they are basically free rent for five months if they sign a three-year term and they're responsible for their own improvements to bring the space up to -- but these are new leases. Didn't I understand that these are new office? These are new leases. This is not the same as an existing tenant coming to us.

Rebecca Benassini: It's not -- exactly. It's only for new leases or an existing tenant who has a lease that's expired and wishes to sign a new three-year lease. And they have improvements that have a cost that sum to more than five months' worth of rent. Does that make sense? And then they would get that five months' worth of free rent in exchange for completing the improvements as Jay described that are kind of listed in Exhibit 1 that would outlast the term of their agreement.

But you've got it right. It's up to five months of a three-year term if they have improvements that sum to a cost that exceeds that five months' worth of rent.

Commissioner Woo Ho - Okay. But we would validate that they're actually spending money improving the property?

Rebecca Benassini - We would, right. Exactly. They would have to give us a cost estimate, get the building permit -- but they would get the rent abatement potentially during the early part of that lease. They could get it all up front to the extent that they've shown that they have the financial means to complete the improvements.

And one of the reasons we're concerned about this is we have received back, for example, one piece of property that we finally got back after an Unlawful Detainer Action and it's in quite a difficult state. It's not in a good state and we're concerned that there might be other lease premises that people, that we get back that need improvement dollars and we won't have those dollars to get them ready for a new tenant.

And maybe Jay could speak to the percentages and how they relate to different months of free rent or the "blend and extend" options that the consultant was looking at that other landlords are offering.

Jay Edwards - Thank you, Becca. Yes, thank you Commissioner Woo Ho. In terms of setting a tiered rent schedule, this was done with really a lot of consideration on, "What would really be something that would be competitive in the marketplace?" As you may or may not be aware, what's really impacting the commercial real estate market now is the preponderance of sublease spaces coming onto the market. And there really is no floor on the sublease market.

It's kind of a wildcard if you will. But the 30/80, excuse me, the 30%, 20%, then 100% discount, we felt that was reflective of at least the market data that we could assemble. There's not a lot of really good data out there Commissioner, I'm sorry. There's not many transactions. But what we're seeing is a competitiveness now for new tenants and in terms of if you just do some of the math on it, for example, a 30% discount is roughly equal to three and a half months of rent abatement. If you add another 20%, it goes to five.

So it does somewhat mirror the rent abatement program. So they are symmetrical in some way which we felt was important to have a program that didn't offer one incentive over another.

You know? We wanted to have it so it could fit a tenant that didn't need to be making improvements -- and that could include an existing tenant. Or, if they were going to make those improvements -- and I can talk a little bit more about that. Yes, they do have to be verified, by the way, that they've been performed. Okay? There is a time limit. It's one year, unless they request an extension for up to six months. So it's not this waiting to see if they've done it.

So we tried to take that approach. I can't say it's exact science because there's just not that kind of data out there. But we think this is going to really help meet our objectives and it does tier it. So we're gradually getting back to our rents. And then in your question, in terms of your question about the future, this is a window for -- this is a one-year window, okay? We're not going to have -- I think we're going to have hopefully good response. But our -- next year, we'll be back setting the parameter rents and we'll be looking at this program to see the effectiveness.

So it's on an interim basis. And I do want to also add, we're not obligated to provide that. If we have a facility we think is actually more competitive for whatever reason, it's in better condition, we don't have to go to this. This is a tool. This is a tool for us to use as needed. It's not an automatic. Just like the minimum parameter rent is not automatic. We have many tenants that we've been able to get above minimum parameter.

But we do have tenants that we've talked to that are actually out in the marketplace saying, "You're not competitive right now." Especially in the

office market. And so this was in response to that. So hopefully, it's a long answer, I'm sorry. But hopefully it helps put context to it. Thank you.

Commissioner Woo Ho - I will pass on to my other Commissioners for further questions.

President Brandon - Thank you. Commissioner Gilman?

Commissioner Gilman - Thank you Jay and Rebecca for the report. I just have a couple of additional clarifications, sort of, Commissioner Woo Ho clarified some things for me. I just want to make sure I'm understanding it right because it is a lot of information. And we tend to sort of package or bundle the real estate resolutions and so they have a lot going on with them.

So again, this is just temporarily for a year. And this is to address the 40 leases that we know are coming up, or might be coming up for folks who are not looking to flat out terminate. So for that part of the resolution, Jay, you referenced the 40 tenants. So you're asking for authorizations that would be to negotiate and to work with those 40 tenants.

Rebecca Benassini - Partially. Half right. Any new tenant who came along who was willing to sign a three-year lease, we would have the ability to offer them these tiered rates.

Commissioner Gilman - And also offer the 40 existing tenants the tiered rates.

Rebecca Benassini - If they are willing to sign a three-year lease.

Commissioner Gilman - Correct. I just wanted to understand that. And then the mutual termination, part of the resolution, that could be for any tenant who comes forward who wants to engage in mutual termination regardless of whether their lease is up this year.

Rebecca Benassini - Exactly right. So long as they have less than five years remaining on their term.

Commissioner Gilman - Okay. And we know that there's 127 tenants. I did not see, I mean, unless I missed it, we didn't break down what kind of tenant type they were in the staff report, but there's 127 tenants who owe us some sort of rent who are not actively working with us or in communication.

Rebecca Benassini - Right. And it's 178, I think.

Commissioner Gilman - Oh, 178.

Rebecca Benassini - If I'm looking at the right part of the staff report. But yes, it's a large number. We could break that down for sure by type, portfolio -- we could break that down further if you're interested in seeing that.

Jay Edwards - Could -- oh, I'm sorry.

Rebecca Benassini - No, Jay, go ahead.

Jay Edwards - Commissioner Gilman, thank you for your comments. I just had one clarification here on the renewal on the existing tenants. So this is what we did. We looked at the upcoming leases in the next year. So that was approximately 40. There are tenants that we mentioned earlier that are on holdover status that we think we'd like to convert off of, well, we'd like to convert them off of holdover status on some of them. There's conditions for some tenants that, it's just, they're going to be on holdover due to the facility condition, potential development, you know, various factors.

So there may be, you know, more than 40, some additional holdover tenants. Which we think is a good thing because it basically secures our income stream here for three years. So I did want to make that one clarification. Hopefully that's helpful.

Commissioner Gilman - Yeah, thank you. That is helpful. So I think these strategies are the right temporary strategies when we don't know how the market's going to rebound. You know, you can read one Business Times article, you know, "Everyone will be vaccinated by the summer and everything will come rushing back." You read another article that San Francisco's had the largest exodus of residents and businesses of any of the nine Bay Area counties. So I think it's hard to tell.

I'm generally supportive in these parameters for this year, particularly in raising the threshold to \$20,000 of discretion to staff and the Director. I do want to say, I think moving forward -- and I appreciated the note in the staff report since I was the one who asked the Equity question -- I do think when we're talking about the over 180 tenants who are not engaging us who owe us some sort of back rent, it would be helpful to understand the typology of who those tenants are.

If 100 of those tenants are our parking tenants, then I think we need to have a separate strategy for our parking tenant, et cetera. So I would appreciate if staff, moving forward, put that in their report. Tenants that have you know, base rent and percentage rent are very different than straight up office tenants, you know, that just have parameter rent. So I just think that's a good point for us as a Commission to understand.

You know, if all of the tenants were Maritime, Maritime is a trust use and one that we hold as a value very dear to us, we might have a different strategy. So I think it informs how we look at what we want to offer tenants, both as incentive to stay with us and then also for termination of lease.

I just also wanted to ask, Rebecca, you didn't mention this when you were talking about what you weigh for termination of lease. You know, the condition of the property, lease term. I hope we would also be doing cost benefits analysis on what it would cost to actually go to litigation and recover funds.

If many of these tenants are small mom and pop operations, you know, my belief is that they're terminating their lease early or needing to walk away, it could also mean that their company themselves is financially teetering on bankruptcy and I just hope that we would do that cost benefits analysis to know when it's more beneficial to use litigation or litigation threat as a tool to recover rent versus spending years in litigation and at the end of the day, due to bankruptcy or other things, not to retrieve any dollars. So I just wanted to point that out.

And thank you for your report and your diligence on this. It's a hard time for everyone and I'm hoping we're doing everything we can to keep our tenants in place so they can rebound.

Rebecca Benassini - Thank you, Commissioner.

President Brandon - Thank you. Vice President Adams.

Rebecca Benassini - Becky and Jay, I have no questions. I'm good. Thank you, President Brandon.

President Brandon - Thank you. Rebecca and Jay, thank you again and the team for the detailed report and all the work that's gone into it. Commissioner Woo Ho and Gilman asked some very great questions and made great comments. I just had a question regarding the excess, amendment to the excess rent. And you said it's a pilot. Is that a one-year pilot? Or what was the length of the pilot?

Rebecca Benassini - I agree. Good question. So this action is in the Resolution 21-16 which is the leasing tactics. So when we come back to reset the parameter rates, then the new parameter rent resolution would replace this one. So we would revisit the excess rent and see whether it's good to reduce it from 100% or not. So it will be, like Jay was mentioning, the one-year sort of term on the leasing tactics.

President Brandon - Okay. So you're coming back this year?

Rebecca Benassini - We could come back in 2022, sort of the same timeframe, April. And that's what our plan is. There's opportunity, like, Commissioner Gilman was saying that maybe we're all vaccinated in June and things are great and we realize we're below market and we should reset earlier. But our normal schedule would be we'd come back next spring.

President Brandon - Okay. And then it say, "From 100% to not less than 50%." So how would we decide where within that 50-100% someone would land?

Rebecca Benassini - Good question. What the steps are that we thought we would do that I think are outlined in the staff report really, really briefly are we'd look at what the opportunity is. Do they have a subtenant in hand? How much rent is the subtenant willing to pay? What's the attorney cost we would have to expend to go through the lease amendment process, because you know, it's not zero cost for us for sure. And then we'd figure out what amount of profit do we want on top of that effort?

We didn't describe it that clearly in the staff report. I think we just had a question that said we'd think about costs and think about what the benefit is to us and then propose a percentage. But we don't have other, the only other examples I'm aware of in our previous leases is a 50% share. So that was the key example we had. We can definitely research other shares that landlords have charged.

President Brandon - Okay. So I guess we'll put a little bit more thought into that to understand if it's 50% or 75% or 60% or you know, where a tenant, I think have a little more transparency in where a tenant would fall within that range.

Rebecca Benassini - Right and, yes, exactly, depending on the marketability of the property and all that. So maybe that's a key thing to report back on as part of the pilot.

President Brandon - Okay. That'd be great.

Rebecca Benassini - Okay.

President Brandon - Thank you. Commissioners, if there are no more questions, we have a motion and a second, Carl, can we please have a roll-call vote after you read the amended resolution.

Carl Nicita - Absolutely. So on Resolution 21-15, the Mutual Termination Policy Resolution, which is on page 15 of the staff report, the last whereas clause will read, "Whereas, in order to reflect the increase in the parameter rent schedule since 2009, inflation and the unprecedented economic

conditions and associated need for flexible tools, Port staff recommends increasing the monthly lease parameter threshold to up to \$20,000. Now therefore be it."

And the resolved clause on page 15 will read, "Resolved that the Port Commission hereby delegates authority to the Port Executive Director to partially or completely terminate by mutual agreement leases and licenses with a remaining term of less than five years and monthly rent not to exceed \$20,000 subject to the terms and conditions described in the memorandum."

Roll Call Vote:

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

President Brandon - Motion passes unanimously. Resolutions 21-15 and 21-16 are adopted. Carl, next item please.

12. MARITIME

- A. Informational presentation on the state of the U.S. cruise industry and the impact to the Port of San Francisco.

Andre Coleman - All right. Excuse me. Good afternoon President Brandon, Vice President Adams, Commissioners. My name is Andre Coleman, Deputy Director of Maritime, here to provide you with an update on the state of the cruise industry and impacts to the Port of San Francisco. I'm joined by Brendan O'Meara of the Maritime division and we will both be available for any questions you may have following the conclusion of this presentation. Next slide please.

With regards to the timeline of events related to the cruise industry, let's see. At the onset of the COVID-19 pandemic, the cruise industry has been on pause at the direction of the Centers for Disease Control and Prevention, more commonly referred to as the CDC. On March 13th of 2020, Cruise Lines International Association announced a pause in operation of its members in order to assess and address the risk posed by the pandemic.

On March 14th, the CDC Director issued a no-sell order. Since the initial March 14th, 2020 CDC issuance of a no-sale order, there have been a few updates to the order. The most recent update was issued on April 2nd and it provides technical guidance for cruise ships seeking to operate in U.S. waters.

It was received with, I guess, yeah, it was received with concerns. The formal response from the Cruise Line International Association to the CDC noted that the latest update included "unduly burdensome, largely unworkable" and seemed to reflect a "zero-risk objective" rather than mitigation approach to COVID that is the basis for every other sector. So the most recent update is significantly technical and again, the response from the industry has been overburdensome, to say the least. Next slide please.

With regards to impacts to the cruise industry, further complicating the resumption of cruise, the Canadian government extended the prohibition on cruise vessels at Canadian ports through February 28th of 2022. This is significant because in the event U.S. cruising resumes prior to Canada's February 2022 date, the prohibition will impact the U.S. cruise industry as the Passenger Vessel Service Acts requires ships that are not U.S. built to stop at foreign ports between U.S. ports. So for the Port of San Francisco, that would impact our Alaska sailings which is a good chunk of our business.

To capture the economic impacts as a result of the industry's pause, according to the Cruise Line International Association's most recent economic impact study, which was released in August 2020, cruise activity in the United States supports nearly a half a million American jobs and generates \$53 billion annually in economic activity throughout the country.

Each day a suspension of U.S. cruise operations results in a loss of up to \$110 million in economic activity. This impact of suspension is particularly profound in states that depend heavily on cruise tourism. Those states include Florida, Texas, Alaska, Washington, New York and California. Next slide please.

So just for a little recap in where we were heading into 2020, the Port was scheduled to host 117 cruise calls with approximately 380,000 passenger, however only 12 of those calls materialized. As you might imagine, there's been a significant amount of lost ILWU work shifts for our Longshore clerks and Watchmen workforce, as well as adverse impacts to the Harbor Services workforce, such as our tugs and Bar Pilot Harbor Service Maritime tenants.

Extending to tourism, ground transportation operators, hotel, excursion, restaurant, retail and travel agents have all been adversely impacted as well. To quantify revenue impacts, the combined calendar year 2020 and 2021 to date, direct impacts to the Port of San Francisco include 198 cancelled cruise calls equating to approximately \$15 million in lost tariff passenger revenue alone.

And extending into the local economy, it is estimated a single ship call generates approximately \$500,000 in direct spending by passengers and cruise. Next slide please.

So impacts to our Cruise Terminal operator, the Port's Cruise Terminal operator being Pacific Cruise Terminals or more commonly referred to Metro Cruise and Events has experienced significantly economic setbacks due to the industry's prolonged pause in cruise operations. Similarly, to the Port's inability to generate passenger tariff revenue, the inactivity of cruise has effectively hamstrung Metro's ability to generate revenue from stevedoring operations, ground operations and event management.

Despite having no idea of the timing for the return of cruise, Metro has continued to keep the terminal in a good state of repair for the past year, plus at a cost of approximately \$90,000 per month. Metro has formally requested relief in the form of extending the Terminal Management Agreement. Port staff intends to return to the Port Commission in two weeks with a presentation regarding Metro's request. Next slide please.

For Economic Relief, Director Forbes briefly provided an update on relief and the American Rescue Plan during her Executive Report. But again, Port staff, along with the California Association of Port Authorities and the Port of San Diego initiated an outreach strategy to request a \$250 million allocation to California's Port to cover revenue losses resulting from the pandemic. San Francisco is requesting a suballocation of \$60 million to mitigate impacts of the health emergency, including \$15 million to cover the lost passenger tariff revenues.

Discussion related to the American Rescue Plan Act funding are ongoing and dynamic and Port staff will continue to keep leadership aware of new developments. Next slide please.

So before I jump to 2020 with regards to a Port of San Francisco outlook, I'd just like to note that as of today, there are 27 cruise calls that remained on the calendar for the balance of 2021 with the earliest of which occurring in July. Eighteen of those calls are in, scheduled for Quarter 4. However, there's still uncertainty on whether those calls will materialize. And of course that's all contingent on CDC guidance, et cetera, which I'll touch on here in a minute.

For the 2022 forecast for cruise at the Port of San Francisco, the year looks extremely bright with a projected 118 cruise calls. And, I'm sorry, next slide Carl. I'm sorry, previous slide. We're good. My apologies.

With 118 cruise calls and approximately 295,000 passengers, the numbers, those passenger counts could change plus or minus. It will all be dependent

upon, again, CDC guidance, reduced capacities, et cetera, with regards to sailing. So it could increase or slightly decrease.

Driving the increase in calls is the entrance of Carnival cruise lines into San Francisco. The Carnival Miracle will be home ported in San Francisco with 22 calls in 2022. I'd like to add that in Europe more than 360,000 have safely sailed the Mediterranean under European COVID guidelines and in just monitoring the Cruise Recovery Dashboard, I believe the passenger infection rate last time I checked was well below 1%.

In summary, I'd say that the consensus right now is that the industry is in a holding pattern as it continues to engage the CDC with regards to less burdensome technical requirements. As I mention in the opening slide, CLIA noted in their communication to the CDC that those requirements were very overly burdensome. But there are still a lot of questions on the table and industry-wide collaboration is crucial for the safe resumption of cruise.

To date, staff has remained engaged and we will continue to remain engaged and dialogue with the American Association of Port Authorities, the California Association of Port Authorities, the Americas Seaport Cruise Committee which is headed by the Port of Miami. All of which we are continuing to carry on dialogue with regards to the safe resumption on cruise.

And looking more so locally in preparation of the safe resumption of cruise, Port staff will continue to closely follow the guidance of state and local health officials while working closely with industry stakeholders, our terminal operator, as we work towards developing enhanced health and safety protocols to ensure the safety of the public, the terminal staff, passengers and cruise. Next slide, Carl.

That concludes my presentation and I'm happy to answer any questions you may have.

No Public Comment on Item 11A.

Commissioners' Discussion on Item 11A:

Commissioner Gilman - Andre, thank you so much for that report. And I also want to thank Commissioner Adams who asked for this as an informational. It's a key part of our economic strategy and our revenue stream and I really, really appreciate it. And it seems like we're doing everything that we can be doing, monitoring, looking to advise that we can do, to bring cruise ships back to the Port.

So I actually have no technical questions for you since it seems that bringing cruise lines back really is a federal and CDC matter around guidelines and

that we're doing everything possible to be welcoming. I guess I just wanted to note, and this could maybe a later informational. What's happening with the Cruise Ship Terminal? Is it just sitting vacant and empty? Is it being serviced? Maybe you could tell me a little bit about that. What's happening with it?

Andre Coleman - Yes. Thank you for your question Commissioner. So for operations at the Cruise Ship Terminal are right now of course, no cruise. Events at Pier 27 have not occurred. We have some small-scale events at Pier 35 in accordance with the public health order. That was more so for one of our tenants. One of the clients is a vehicle operator and so they were doing some testing in the Pier 35 shed.

Additionally, we've had some short-term berthing opportunities, non-cruise related, at Pier 27. And then at Pier 25, Metro, when we had the Shed C fire, Metro stepped up to support the Jeremiah O'Brien's temporary berthing at Pier 35. So not only did that include support on the apron, in utilities, but also shed space inside Pier 35.

Metro continues, as I mentioned, continues to keep the facility in a state of good repair. Just, you know, necessary checks of some of our Cruise Terminal infrastructure at the facility. But that is pretty much all that has occurred since cruise has been sidelined and events have been capped in accordance with the public health order.

Commissioner Gilman - Okay. Thank you for that. I guess I'd like us to consider, I mean, if there's a possibility using the illustrative example of having to stop in a foreign port. And if Canada's not allowing cruise ships to dock in their ports for another 10 months which would bring us to February of 2022, I hope maybe that we could consider looking at how we could use that space as a public benefit there to non-profits or to youth supporting groups for some sort of recreation, festival. Something that would A, bring folks to the Port but particularly our young adults who live in many of the communities that our property touches, Dogpatch, the Bayview, on this side, North Beach, Chinatown to really bring folks maybe back to the Waterfront.

So I hope we could do some creative thinking of ways, whether it's the Embarcadero YMCA or others to engage some of our non-profit tenants to see if there's a creative way to use the space.

Andre Coleman - Understood. And throughout this time, Metro has continued to market the facility for event use in accordance with the public health order. But I will add that not inside of the cruise facility, but in the plaza, on the lawn plaza, there have been a couple live music events that have been held, I believe on a few weekends throughout this shelter-in-place period.

Commissioner Gilman - No, thank you. I guess I should clarify. I guess I was looking more at the outdoor space with the ability for the public to use the facilities with inside the Port terminal knowing that we need to limit our indoors activities. So, you know, I will say just as someone who walks it, it has become quite a place for roller skaters to roller skate and do all sorts of tricks. And I just think if there's a way we could, even if it was free of charge, to activate it a little more for the community. And I just thought it could be a public benefit while we're in this holding pattern.

Andre Coleman - Understood.

Commissioner Gilman - So thank you so much for your report.

Andre Coleman - Thank you Commissioner Gilman.

President Brandon - Thank you. Commissioner Woo Ho?

Commissioner Woo Ho - Thank you Andre. Thank you very much. I appreciate this update. Now I have heard a couple of the CEOs of the cruise lines that have not been exactly happy with the CDC guidelines because they feel that in the rest of the world as you mentioned, there has been safe cruising. I think they said there's only been 15 cases of COVID and they have changed their protocols, just like the airlines, dramatically to prove that they are very safe.

So I heard a challenge that they put, which I don't know how the CDC's reacting to it to say that could they, because since the President has put July 4th as the date that supposedly we were going to go back to normalcy as a country, though right now there's a few bumps in the road right now in that timeline given what's happening in Michigan and New York.

But I guess my question is this. If there is a change and there should be some opening of the cruising industry at late summer as an example, how is Metro and ourselves prepared if the cruising should resume sooner? Because the cruise lines say they're ready. They've implemented everything they need to do. They're ready to go.

And of course, you do have the Jones Act issue and you can't go to Canada, but I guess, you didn't mention Mexico. So Mexico seems to be open. Because everybody I talk to who is travelling these days, they're going to Hawaii or Mexico. Those are the two places that people who have been so tired of sitting at home, they seem to be going to Hawaii and Mexico. So Mexico obviously has not shut itself down, and I imagine -- in fact, I talked to some people who went to Puerto Vallarta.

So on the coast line, it's open. Even though some of the inner places like Cancun or Tulum where there've been these wild parties and super-spreader event kind of risks, but I haven't heard that about the coastline.

So question number one, if cruising should be open sooner in late summer or early fall, is Metro and the Port ready? And the cruise schedule that you projected, to question number two, my understanding in talking to a lot of friends who have been booking friends because they're so anxious to get on something in 2022, that the cruise lines are not book 100%. They're following some safety protocol where they're booking X% of their cabins to keep some safety guidelines in place.

So are you including that in your projection as far as they're not really booking 100% because of, not because of the demand but because they're following safety protocols.

Andre Coleman - Yes. Thank you for your question Commissioner Woo Ho. So just to start I would say from the major lines there has been a mixed reaction with regards to the latest CDC update. I believe one of the major lines responded to the CDC in saying, "Our proposal is that we'll require 100% vaccination, sell at 60% capacity," and some other proposals that were returned back to the CDC. Which as I understand it was to be considered by the CDC.

At the same time, you have other major cruise lines that will not require 100% vaccination so there still is a mixed thought on how to proceed amongst the major lines. With regards to where the Port stands in working with Metro, we have been meeting almost monthly now -- and that frequency will likely increase -- for the past few months to identify what next steps look like. That does take coordination with the lines that call the Port. We have roughly 16 different lines that call our Port. But our major line being Princess, that takes some coordination with those lines. And also, further guidance, shoreside guidance from the CDC.

There are some guidelines that are currently in place that are going to take coordination with us to work with our local health authorities. Again the various line operators, our terminal operator, et cetera to ensure that we have everything that we need to have in place based off of the current CDC update.

I think the biggest thing right now is that the industry consensus is that we're in a holding pattern as we continue to engage the CDC with some of those groups that I mentioned, the AAPA, CAPA and the America's Cruise Seaport Committee.

With regards to cruising to Hawaii and Mexico, good points raised. I spoke with one of our cargo terminal operators who has a significant business in Hawaii and the comment that they gave back to me is I believe Hawaii is at 70% of tourism levels where they were in 2019. So that's encouraging to see. Mexico, there is no prohibition on cruise to Mexico. But however, on an America's Association of Port Authorities call last week, there was concern about deployment of vaccination at some of those ports.

So again it's still, the situation is fluid. But locally, we continue to remain engaged with Metro on how to proceed. And as I noted, that frequency will most likely increase. And as we work towards engaging some of the local health authorities, hospitality, et cetera, as laid out in this most recent update on April 2nd.

Commissioner Woo Ho - Yeah. My point, I guess, Andre was just simply to be sure that if the CDC, because they probably are getting pressure from the CEOs of the cruise industry. And I'm sure that they're getting some, probably eventually pressure from, I guess, from their friends in Congress, et cetera, to open up. And if we're talking about getting more funding for ports, et cetera, in these rescue bills, I just want to know that we're ready to open up as soon as the word comes down.

And if the cruise ships who say they're ready to go and they say their bookings are actually increasing all the time, though I think they are cancelling. They actually have bookings for 2021. They just keep cancelling as the dates come up and the CDC has not said "yes" yet. Because I have some friends that said, "You know, I just got cancelled again."

So I'm aware of that, that they haven't stopped booking. They just cancel when they can't get the go ahead. So that we are ready on the infrastructure side to support that. I'm just wanting to make sure that we are, because it's possibly by late summer/fall that this could be resuming again. Because I think I've heard some very convincing arguments of the protocols that they put in place. As you said, you mentioned a couple of them. But there's a lot more.

It's just like the airlines. The airlines are one of the safest places to travel these days with all the changes that they've made.

Andre Coleman - So, my apologies Commissioner Woo Ho. I failed to mention that one of the things that in, throughout discussion has been that this will most likely be a phased restart, a phased geographical restart. So East Coast, Southeast, Gulf, moving to the West Coast and then up the coast. The advantage there is that our terminal operator has a presence on the East Coast and in the Gulf. So when that roll out occurs, I believe that

they will have some experience and the blueprint for us to be in a position to resume cruise when it is safe to do so.

Commissioner Woo Ho - Well, we hope it's coming back soon. And obviously we know how important it is. And I think it's great. And I again also thank Commission Adams for asking for an update so that we can be on top of this. And in the meantime, I think Commissioner Gilman's suggestion is if we can use the space for lots of other opportunities out there, that would be great.

And I know personally that some people have asked about the plaza for some other arts organization in the city and it didn't necessarily work out. But I think there is interest to find outdoor venue.

Andre Coleman - Thank you.

President Brandon - Thank you Commissioner Woo Ho. Vice President Adams?

Vice President Adams - Thank you Madam President. Andre, I really appreciate your poise and your calmness. President Brandon and Commissioner Woo Ho will remember the \$120 million price tag with this James R. Herman Cruise Terminal when it opened. And I want to thank you for your work.

A couple things. The goal that, one of the goals that I always wanted to see, and I think the other Commissioners, was a million passengers a year. I would like to see San Francisco have over a million passengers a year coming through San Francisco along with the 28 other million or 30 million tourists a year that we have.

One of the things is that, I know that, I don't know if the Biden Administration was able to get some money because the cruise companies don't pay any taxes in the United States. They're in the Bahamas and other places and they don't pay any money into the United States. So I know there were some in the House and the Senate that didn't have a lot of love for the cruise terminals. And I don't know if you know that. I mean, I know that you're aware of that.

But they just don't pay any taxes. So they didn't feel like they should've got any support. Do you know anything about that now, Andre?

Andre Coleman - No, other than what you mentioned. A lot of these, the major cruise lines are foreign registered ports. So exactly to what you said. There was no relief provided there. I think for our side, as noted in the economic relief that we're pursuing, that's kind of been the approach from the Port's side of house with regards to mitigating some of the significant loss that we've experienced during this pause.

Vice President Adams - I will ask President Brandon, Director Forbes, I know Commissioner Woo Ho will remember. Commissioner Gilman wasn't here. But we had three or four Port Commission meetings at the Cruise Terminal. And that was really nice. And I'll ask Madam President to consider that when she hits the gavel and considers her and the Director that we can start having Port Commission meetings in person again, I ask that we have another one at the James R. Hermann Cruise Terminal.

Andre, one other question then I'll yield to President Brandon. So are they still having weddings down there? Are they still having special events? Are they having anything at the terminal now?

Andre Coleman - So the events have been all in accordance with the public health order. The facility is continuing marketed for events to include weddings. I believe last I checked, there are two weddings on the book in late Q4 of 2021. So you know, heading into 2022, there was a huge effort by Metro to promote the facility for weddings and you know, the outlook was good. And then the pandemic happened.

But continuing to market the facility. I think throughout this period, with the previous cap being at 12 for indoor events, minimal events have been held at either 35 or 27.

Vice President Adams - Okay. Well, this terminal is very special to me. James Hermann was the second President of the ILWU. Commissioner Brandon served with him. That's how long the people that she, the legacy of the people that she served with. And President Brandon, I will also ask again that you will consider my request at some point, it's your discretion, that we start meeting in person again and we'll have a Port Commission meeting at the James Hermann Cruise Terminal. I yield now to you Madam President. Thank you.

Andre Coleman - Thank you.

President Brandon - Thank you Vice President Adams and thank you Andre for this report. And thank you Vice President Adams for requesting this report. It was great to get an update and you know, it just expresses how hard the cruise industry has been hit and especially here in San Francisco at this terminal that we have. And of course, Vice President Adams, I would love to meet again at the James R. Hermann Cruise Terminal as long as it's under CDC guidelines. It may be in 2022. We may not be able to do it this year, but definitely next year.

But congratulations Andre on bringing to home port The Miracle. Where will that ship sail to?

Andre Coleman - So itineraries will include -- it's seasonal, so I believe they're -- I should say deployment is still being determined. I know for certain itineraries will include trips to Mexico and to Hawaii. I believe to Alaska is to be determined that the position may, or excuse me, the vessel may reposition to Southern California during the Alaska season. So TBD there.

President Brandon - Well, it's great to know that despite what we've gone through over the past year that we are looking forward to recovery. And that we're looking to a really good 2022 if everything falls into place and we are able to reopen and recover according to plan. So despite the fact that the Cruise Terminal's not being used now and we have no ships coming in, we have a bright future in 2022. Andre, thank you again for this report. We really appreciate it. And we look forward to new Maritime activity coming to the Port.

Andre Coleman - Thank you.

13. PLANNING & ENVIRONMENT

- A. Request authorization to accept and expend \$1,667,000 in grant funds from the California State Ocean Protection Council for the Heron's Head Park Shoreline Resilience Project and approve the grant agreement, subject to Board of Supervisors' approval. (Resolution 21-17); and Request authorization to apply for \$1,517,000 in grant funds from the Wildlife Conservation Board Pacific Flyway Conservation Program for the Heron's Head Park Shoreline Resilience Project. (Resolution 21-18)

Carol Bach - Thank you, Carl. And Commissioners, thank you. I am here today to request your authorization to do three things. To accept and expend grant funds from the State Ocean Protection Council, to seek the Board of Supervisors' approval to accept and expend funds from the Ocean Protection Council Coastal Resilience Program and to apply for additional funding from the Wildlife Conservation Board. Next slide, please. Oh, where are my slides?

So since the Port expanded and improved a small area of tidal wetland and created Heron's Head Park over 20 years ago, the wetlands on the Southern shore have subsided, eroded and been invaded by non-native plants. In the most impacted area, the shoreline has retreated 50 feet from its 1999 location and we expect to lose, that without protecting the shoreline, we would lose an additional two acres of marsh over the next 30 years. Next slide please.

So we have designed a living shoreline type solution to shoreline resilience at Heron's Head Park. On the spectrum of green to grey, where a grey shoreline would be like our Seawall or riprap armored shorelines, living shorelines at the other end of the spectrum are a green solution. A living shoreline is defined as a protected, stabilized coastal edge made of natural materials

such as plant, sand or rock. They're also referred to as nature-based shorelines, green shorelines or soft shorelines.

And they offer the advantage of providing plant and animal habitat as well as shoreline protection. There's a growing interest in using nature-based shorelines for coastal resilience, and during our Waterfront Land Use and Waterfront Resilience planning processes, we've heard a lot from agencies, policy makers and the general public supporting the Port's attempt to implement nature-based solutions for shoreline resilience where applicable, which is not true everywhere at the Port. Next slide please.

The Heron's Head Park Shoreline Resilience Project has the following objectives. To protect the Southern shoreline from erosion, to restore native plant habitat, to create capacity for adaptation to Sea Level Rise and to create opportunities for youth employment and community engagement. This cartoon of a living shoreline solution illustrates the essential elements of the Heron's Head Shoreline Project.

From left to right, you can see that we would construct a coarse grained beach to protect the eroding marsh edge. We would stabilize the beach with groins extending into the lower intertidal zone at right angles to the beach to keep that beach material from migrating. We would plant the high intertidal beach crest with native tidal marsh species and also plant in the tidal marsh inland of that beach crest.

And this would enable the protected marsh to migrate inland and upland with Sea Level Rise. So that we would still have some tidal salt marsh and the recreational public access trail through mid-century. Next slide please.

The Heron's Head Park Living Shoreline actions include, starting with hiring local youth to grow native plant, remove invasive plants and replace with native species. This is underway under a contract with a community-based organization in the Bayview-Hunter's Point area, Literacy for Environmental Justice. And you will recall approving that contract and the grant from the San Francisco Bay Restoration Authority that is funding that work back in July.

This photograph shows Ledges' team of Eco-Apprentices who are transitional-age youth, generally 18-26 who are employed cultivating native plants and planting them out at habitat restoration projects including Heron's Head Park. Next slide please.

This project overview diagram shows the essential elements of the shoreline construction. The yellow/tan area is the gravel beach. The adjacent purple area is a feeder beach where we would place additional beach material that then would be pushed by wind-driven waves and replenish over time the gravel beach in the tan area. There are rock groins extending perpendicular

to the shoreline at the most exposed areas and in areas that are subject to lesser wave forces, there are some smaller cobble sills that also are built perpendicular to the beach. And again, those will help stabilize the beach material and prevent it from being pushed from currents and waves to the West.

The tiny blue dots that you see at the base of the groins are oyster reef balls which are spherically shaped features that are designed to support oysters and other native plants and animals. And this diagram also shows the temporary access routes that vehicles and equipment would use to access the beach from the main trail. Those temporary access routes will be demolished and revegetated at the end of the project. Next slide please.

We should now be on phasing and funding. Somebody shout out if I've gotten out of synch because I can't see my slides. So wetland vegetation, the Wetland Revegetation Project will take a total of five years. The first two years are underway and that will continue from Fall 2020 through Fall 2022 funded by the San Francisco Bay Restoration Authority.

The shoreline stabilization element is the part of the project that brings me here today. That portion of the work must occur during August through January of any year. It's subject to seasonal restrictions to protect species and the Ocean Protection Council has voted to award the Port \$1.667 million towards the total cost of the shoreline stabilization element. That's about 52% of the total estimated cost for construction of the stabilized shoreline.

Wetland revegetation will continue in a subsequent phase for three additional years and the Port also will be obligated to conduct post construction monitoring for five years of the wetland vegetation and 10 years of the shoreline construction element.

So again, I'm here today to request your authorization to accept and expend the grant fund from the Ocean Protection Council to construct the stabilized shoreline and to seek Board of Supervisors' approval to do the same. Also, asking you to grant the Executive Director the authority to execute a grant agreement and any other related documents to the Ocean Protection Council grant. And finally to apply for the Wildlife Conservation Board funding for the additional funding that we need to construct. Next slide please.

The Ocean Protection Council is a division of the California Natural Resources Agency. OPC invited applications for grant funds for coastal resilience projects and the funds come from Proposition 68 which was passed by the voters in 2018. In February, the Ocean Protection Council voted to award \$1.667 million of Prop 68 funds to the Port. There were a total of 15 projects that were recommended for grant award in this year's solicitation.

And one of the priorities of the grant program is to serve urban and disadvantaged communities, to engage the public and especially youth. Those are key priorities identified in Proposition 68 itself and these attributes in the Heron's Head Park Shoreline Resilience Project I'm sure contributed to the reason that it was selected to receive the funding. Next slide please.

The Wildlife Conservation Board is a division of the California Department of Fish and Wildlife. Wildlife Conservation Board also has Prop 68 money to disperse through a grant program. Their priorities are slightly different, focusing on wildlife habitat and wildlife-oriented recreation, but they also retain the Prop 68-driven priorities about serving at disadvantaged communities and providing outdoor recreation provided that it is sensitive to wildlife habitat. And particularly to provide those opportunities in neighborhoods that have limited access to outdoor recreation and public access to the shoreline.

The Wildlife Conservation Board grant solicitation is a little unusual in that they want a resolution from the applicant's board prior to application. So that is why I am here requesting your authorization to apply. And I've prepared a grant application for \$1.517 million which is the balance of funding needed to construction the Shoreline Project. Next slide please.

Next steps are to seek the Board of Supervisors' authorization to accept and expend the Ocean Protection Council grant funds in May, to execute a grant agreement with the Ocean Protection Council upon Board of Supervisors' approval. We'll continue the wetland restoration work at Heron's Head Park through Fall of 2022 and keep fundraising.

And finally, I'm including this slide about a study that was just issued, or report I should say, that was just issued today by the San Francisco Estuary Institute because it responds to Commissioner Burton's very good question that he posed when I was here about the beach donation material agreement. He asked, "Why would we accept material that somebody else has to pay to get rid of?"

And this report that was just released today and has gotten a fair bit of press today, so you might hear about it, explains the reason why. Which is that wetlands and shorelines need sediment, including coarse gravel, that coarse gravel beach type of sediment that we're using at Heron's Head Park, in order to adapt to rising sea levels.

And the natural supply of these materials to the shoreline is vastly dwarfed by the rate of Sea Level Rise. So wetlands and shorelines aren't going to keep up with the pace of Sea Level Rise unless there is significant intervention in the form of capturing sediment that is dredged from the Bay and placing it on

the wetlands and shorelines of San Francisco Bay. So I thought that was a very timely piece of news that I wanted to share with you all.

And that concludes my presentation.

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

No Public Comment on Item 13A.

Commissioners' Discussion on Item 13A:

Commissioner Woo Ho - Thank you Carol. As usual, you give always a very comprehensive, and it's always a pleasure to hear your report in terms of what we're doing with the environment in our parks and everything. Your report is very self-explanatory. It's great that we're being able to access this grant to be able to complete this, our sort of Heron's Head Park. And I'm just very supportive. So thank you very much. Great report.

Carol Bach - Thank you.

President Brandon - Thank you. Commissioner Gilman?

Commissioner Gilman - Thank you so much for your report. I have no questions. I'm very supportive of the item and I'm excited to see us fulfill our commitment to Heron's Head Park. Thank you.

President Brandon - Thank you. Vice President Adams? Vice President Adams?

Carol Bach - I think he's muted.

Willie Adams - President Brandon, I am good. Carol, great job again. I wish we could have you first one time. You always give a stellar performance and I'm supportive. Thank you.

Carol Bach - Thanks.

President Brandon - Thank you. Carol, thank you again for that report. And thank you for your commitment to Heron's Head Park. I mean, you have been the one since over 20 years ago that has found funding, that has found sediment, that has found it whatever it needed to make Heron's Head Park a success. And I just want to thank you because it's such a great addition to the community, to the youth, to our school system, to everyone that uses it. So I just want to commend you in all your efforts.

I just have one question and that is, how is Heron's Head Park being managed now that Rec and Park has taken over?

Carol Bach - Oh, I'm so glad you asked. It was going great. COVID put a damper on a lot of on-site activities. But I have to say that the young people who staff the EcoCenter now pivoted nimbly to providing a lot of online programming. They have a regular sort of story time where -- and it's bilingual. They offer in Spanish and English a story time about wetland-related and marine organisms kind of related stories at an age-appropriate level.

They've offered a lot of alternative access for students who are using the educational hubs, like all the City's parks became education hubs for kids who couldn't do online school from home. And they've provided supplemental programming for a lot of those kids. Last summer, they offered a very small size and COVID safe Wetland Explorer Camp. So there were two three-week sessions of camps for young children at Heron's Head Park where they were on-site at the EcoCenter. And they're offering that Wetland Explorer Camp again.

I think it's ages like seven to 10 and they're actively recruiting from the public housing that's one third of a mile away and within easy walking distance to Heron's Head Park. I don't know how those camps are filling up, but you know, it's only April. So I think it shows great promise and there's really a lot of great community engagement with the Rec and Park staff.

If you don't mind my going on about it, because it's a topic that I'm pretty excited. We actually had somebody come back, a young man who had been a City College student who did some work at the EcoCenter through one of his classes and years later now is bringing his sister who runs a small dance group in the Bayview to come and teach those kids in the dance group about what he learned at the EcoCenter because he still feels really passionate about it. And now the dancers are going to create some sort of interpretive dance related to wetlands.

So, you know, it's kind of coming full circle.

President Brandon - Very nice. Well, thank you again. And I really want to commend you for your passion and your effort.

Roll Call Vote:

President Brandon – Yes
Vice President Adams – Yes
Commissioner Burton – Absent

Commissioner Gilman – Yes
Commissioner Woo Ho – Yes

President Brandon - Motion passes unanimously. Resolutions 21-17 21-18 are adopted. Carl, next item please.

- B. Informational presentation on a proposed contract amendment to the Transit Shelter Advertising Agreement the Port entered into with the San Francisco Municipal Transportation Agency and Clear Channel Outdoor, Inc. to reduce the minimum annual guarantee payments, and administrative and marketing payments, from May 1, 2020 through June 30, 2022, due to the impacts from the COVID-19 pandemic.

Dan Hodapp - Good afternoon Commissioners, Dan Hodapp with the Port's Planning and Environment division. And I'm here to talk to you about a contract we have, the Port shares with SFMTA, San Francisco Municipal Transportation Agency and Clear Channel Outdoor, Inc. As Carl said, it's a request for an amendment to this contract and it has to do with the COVID-related impacts that are going forward. So thank you for taking this at the last item here today and giving this consideration. Can I have the next slide please?

This agreement was entered into in 2007. It was a three-party agreement that we are part of. It's a 15-year agreement. In other words, 12 years or so of it have gone by, 12-13 really. And it's, well a couple years left. The agreement basically is Clear Channel has certain responsibilities for maintaining and cleaning the transit shelters and replacing them and in return posts advertising panels and generates revenues from those. And the Port and SFMTA share in those revenues. Can I have the next slide please?

The agreement terms. Clear Channel maintains the shelters, removes graffiti. When glass panels are broken, they replace those. At times they replace entire shelters. They have to add new ones where the need arises. And they will bring utilities to those as necessary. And they get to display advertising on those. And there's an agreement set up where there's a minimum annual guarantee and then there's also the possibility for revenue share should revenues exceed a certain level which they never have over the life of the agreement. So we've always relied on the established minimum annual guarantee. Next slide please.

So due to the impacts on transit, the unprecedented impacts. Ridership down 60-70%. And that was the level, again, even as late as February of this year. Ad revenues correspondingly are way down. And that's where all the dollars for this are generated. So Clear Channel has agreements in many cities across the U.S. and has made these appeals to the other cities as well. San Francisco is not unique in this. Next slide please.

So of the advertising panels, there are 44 of the total of 1,706 on Port property. Forty-four of them. That's about one in 40 or 2.5% of the total. Regardless, the Port's done very well with this contract, \$3.6 million through 2019. And the revenue started out smaller and they have increased annually. As of 2019, the Port was receiving about \$440,000 annually from this agreement. Next slide please.

The proposed amendment is completely about the pandemic and the damage its caused to the ability to sell advertising on these transit platforms. And it would affect a period of January 2020 to December 2022, although not equally throughout all that period. There's, on either end, we get full payment, but in the middle, it's greatly reduced. And there are some other pieces of the agreement that affect MTA more than the Port.

The Port, during this period, expected to receive \$1.32 million. That's an estimate, it's not an exact amount. Under the proposed amendment, the Port would receive \$702,000. The difference between those two is about \$618,000 for this period. And that \$702,000 is a guaranteed payment. It's the minimal annual guarantee. There's also a provision in the proposed amendment for revenue share. As I've said, as I mentioned, that's something that's never been realized in the life of the agreement. Next slide please.

It's a three-party agreement between Clear Channel, SFMTA and the Port and it needs all those parties to approve it. It also needs Board of Supervisors' approval to go forward. The SFMTA Board acted on March 2nd of this year for approval. And I'm here today for an informational presentation to take your comments on this proposed amendment and with your direction, would return on April 27th for action, with your direction. Next slide please.

Board of Supervisors would follow the Port Commission then. So, if the Port was not to approve this, what would that mean? It would need to be reconciled with SFMTA. There are substantial services that come out of this contract with the cleaning and repair and maintenance provisions in the contract. And Clear Channel could default, requiring leaving this responsibility with our own agencies which would have an impact on our budget as far as being able to maintain it. Or SFMTA could rebid to secure another transit shelter contractor. SFMTA estimates a 9-12 month process to do a rebid on this. And there is a substantial risk that the new agreement would not be as favorable as the one we enjoy today.

That is the essence of the proposed amendment. Next slide please. And I and Gail Stein of SFMTA are both here should you have questions about this. Thank you very much.

President Brandon - Thank you Dan. Now let's open it up for public comment. We will now open the phone line to take public comment on Item 13B from members of the public who are joining us on the phone. Jenica will be our Operator and will provide instructions now for anyone on the phone who would like to provide public comment.

Public Comment on Item 13B.

Victor Hill - Hi there, my name is Victor Hill. I'm the Operations [Manager for Clear Channel Outdoor]. I would just like to speak a little bit about Clear Channel and what we do for the City. So Clear Channel Outdoor was able to keep not only myself and all of our 853 Teamster employees working throughout the pandemic. The 853 Teamsters are the gentlemen and women who clean the shelters in the city.

While many people's jobs shifted to working from home, we continued to work in the streets of San Francisco and other cities across the Bay. Our work with the SFMTA and other transit authorities was deemed as provided essential services for the City. As a company, CCO moved quickly to ensure that we stayed in compliance with CDC protocols by wearing masks, social distancing, washing hands and making sure all of our equipment was sanitized after each and every use.

CCO has also allowed me to be flexible with my team's schedule so that if they had kids in child care that had been shut down or going to school that were no longer to attend school, we allowed them to stay home and reorganized their work schedule to accommodate those needs. [I was] able to shift our installation team. These are the guys and girls who install the [copy] throughout the city whether it be transit shelters or our billboards. Since workload was so-so there, shifted them over to help out with the city, keeping the city clean.

We all know that the street behavior can be challenging at times here in San Francisco and across the Bay. 2020 was no exception with that. It seems during COVID, homeless issues have risen over 70% and the vandalism has increased substantially. It keeps a team of heroes to keep this city up. And I believe that here at Clear Channel Outdoor, we have that team of heroes representing the City and keeping the shelters as clean as we can.

I appreciate the Commissioners considering and ultimately approving this amendment.

[Romero Gonzalez] - Hello? Good afternoon. Hi, my name is Romero Gonzalez. I'm a Teamster with our local 853. I've been employed at Clear Channel since September 3rd, 2019, maintaining and cleaning bus shelters throughout the city. Though there were people working from home during

COVID, when the COVID-19 hit, me and my colleagues continued our work maintaining and cleaning shelters which is considered essential due to that we are providing the services from day one of the pandemic.

We here at Clear Channel know that our work is important in rebuilding the trust of the public in using public transportation. Even though there's still a pandemic, Clear Channel have kept me and my colleagues working through it. Working in the streets of San Francisco is a tough environment and it seems that it's gotten tougher due to COVID-19.

Every day we are out there in the field dealing with these tough issues, from homelessness, mental illness, feces, graffiti, urine, syringes, broken glass, even having our work truck stolen. I believe that Clear Channel has done right with their employees. Having to take a survey in the mornings before we come in, they provide masks and other essentials to keep us and others safe from the COVID and taking all precautions.

I just want to say thank you to Clear Channel for providing work and keeping us safe while others stay home. I can't imagine what it would look like out there if we weren't doing our duty. I appreciate you considering the amendment that's before you. Thank you for your time.

Emily Abraham - Hello, my name is Emily Abraham. I'm the interim Director of Public Policy at the San Francisco Chamber of Commerce and I'm here to offer our support for authorizing the Executive Director to execute the first amendment, the Transit Shelter Advertising Agreement with Clear Channel Outdoor, Inc.

Clear Channel is a reliable and good-standing of the San Francisco community and has been a long-time and long-serving board member of the San Francisco Chamber of Commerce. As I'm sure, all of you are aware, COVID has devastated public transportation ridership and as a result, ad revenues are down by almost 80%. Throughout the pandemic, Clear Channel has continued to provide essential services to the City of San Francisco including cleaning, repairs and capital investment in transit.

Their efforts are going towards building back trust in ridership in public transportation which is essential to our economic recovery as a City. The preservation of the agreement will ensure that uninterrupted performance of cleaning, repairs and capital projects continue. We support entering into the amendment and hope that through this, Clear Channel can keep their essential work for our transit system. Thank you all so much for your time.

Commissioners' Discussion on Item 13B:

Commissioner Gilman - Thank you Dan, as always, for that great report. I read the staff report and given the fact that SFMTA Commission has already approved this deal with Clear Channel and they have the bulk of the bus shelters. We only have 44, correct? Is that what you said? And we are still guaranteed over \$700,000 annually with the new agreement?

Dan Hodapp - No, \$700,000 through, of the period through January 2020 through December 2022.

Commissioner Gilman - Okay.

Dan Hodapp - So --

Commissioner Gilman - Okay. Okay, sorry, I just wanted to understand the terms of it. And you said that's about a reduction of, it's a little over half what we anticipated receiving.

Dan Hodapp - Yes. During that period we were anticipating about \$1.3 million and we would now be getting \$702,000. So a reduction of \$618,000. In 2019, we received \$440,000 as a comparison.

Commissioner Gilman - Okay. Yeah. I mean I think this, in some ways, in my opinion while we're all taking a sacrifice here Clear Channel's profits, I'm sure, are down to the work they're doing. And I think we all have to do our part. And we're a minor player in this compared to the SFMTA. So I actually have no guidance for you. I'm generally supportive of it.

And I did just want to note for the public record that Clear Channel must be an extraordinary employer. The flood of letters that we received as Commissioners in outreach and the fact that they kept all their employees on payroll, working through the pandemic and that they are a unionized shop are other factors why I'm comfortable with the agreement.

Commissioner Woo Ho - Yeah, thank Dan for the report. I'm supportive of the item, have no further questions.

Willie Adams - Yeah, I know that people may look at this and there's some, a little pain and suffering here but I'm very supportive of the item. Clear Channel they have kept, and myself being a union person, I understand that the Teamsters and their families, they were out there on the front lines and did what they had to do. And we have to protect those who are out there in these extraordinary conditions that we all have been through in the last year. And so I know, this is an informal presentation but I'm in support and I know sometimes there has to be a little pain. But I think we can work through it. Thank you.

President Brandon - Thank you. Dan, again, thank you so much for the presentation and thank you for the callers and everyone who sent letters. It sounds like Clear Channel is a great employer. Dan, I just have a clarifying question and that is, you said that this affects payments from 1/20 to 12/22. But yet, in our staff report, it affects payments from May 1st, 2020 to June 30th, 2022. So I just want to understand the difference and which period it affects and what expected revenue versus revenue we will receive.

Dan Hodapp - Thank you Commissioner. That's a great question and it is a little bit confusing. So of this three-year period that began in January of 2020, Clear Channel provided the full payment for the first four months. So that was January through April. And then the reductions occur beginning in May of 2020 and extend through until July of '22. After July of '22, or through June '22, beginning in July of '22 until December of '22, the Port would be back to the full rate. And that is the, there's a variety of reasons that it's defined in that three-year block.

One, that would bring the contract to the completion of its 15-year period, although there is an option to be extended another five years. So at the beginning and end of this three-year period, the Port is getting the full payment. It's in the middle where this reduction is taken. And that's -- and then there are also some other adjustments that affect MTA but not the Port's revenue at all so we hadn't covered those. Does that clarify your concern?

President Brandon - I guess I'm just trying to figure out economically, how does this affect the Port? Because I know that on the table that I saw that I don't see now, but the original table that I saw, the January through June and the July -- the January through June 2020 and July 2020 through June '21, the amounts that the Port were going to receive were about the same, and I did see the increase in the later month of July '21 through June '22.

So it was confusing to me because it seems like the four-month period that was already paid, I don't [think it was captured]. But because I don't see the economics listed out as I did in a previous report, I just wanted to know exactly from May 1st, 2020 through June 30th, 2022, what revenues were expected and what revenues will be received?

I think the others, the first and the last period is status quo, it's not changing. Maybe one month in the beginning.

Dan Hodapp - Okay.

President Brandon - So just -- and I think it's confusing to me because we're using a three-year period but you're asking us to look at a two-year period. So they don't go together. So when you come back next time for approval,

maybe we can just discuss the months that you're asking us to make the concession for, if that makes sense.

Dan Hodapp - I would be happy to provide greater clarification on which months we would be receiving what payment. That's a very reasonable request. Thank you for that input.

President Brandon - No problem. But thank you for the report and it sounds like we all support it. I just want to clarify exactly what it is we're agreeing to.

Dan Hodapp - Okay.

President Brandon - Thank you Dan.

Dan Hodapp - Thank you Commissioners.

14. NEW BUSINESS

No New Business.

15. ADJOURNMENT

ACTION: Vice President Adams moved to adjourn the meeting. Commissioner Woo Ho seconded the motion. In a roll call vote, the motion passed unanimously.

President Brandon - The meeting is adjourned at 5:48 PM.