



SAN FRANCISCO PORT COMMISSION

**NOVEMBER 9, 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 November 9, 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 3:15 p.m. The following Commissioners were present: Kimberly Brandon, Gail Gilman and Doreen Woo Ho. Vice President Willie Adams joined the meeting at 3:20 p.m. Commissioner John Burton was absent.

2. APPROVAL OF MINUTES – October 26, 2021

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

3. PLEDGE OF ALLEGIANCE

4. 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.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

No Public Comment.

6. EXECUTIVE

- A. Executive Director's Report

Director Forbes: Good afternoon, President Brandon, Commissioners, Port Staff, and members of the public. I am Elaine Forbes, Executive Director of the Port of San Francisco. In my report today, I'll provide an update on economic recovery and equity, as well as provide key project updates.

I'll begin with economic recovery. Recently the White House lifted Covid travel restrictions for fully vaccinated international travelers. That went into effect yesterday, November 8. This is a very good sign that we will once again be able to welcome 24 million-plus visitors to our waterfront like we did pre-pandemic.

And more good news for our recovery and revival: Cholita Linda opened in the Ferry Building. Cholita Linda serves Latin American street food and is a welcome addition to the many diverse small businesses at the waterfront.

Last week, we submitted the American Recovery Act Federal Stimulus Application to the State Lands Commission. As you know, the Port lost more than 40 percent of its revenues due to Covid-19 and was facing a 50 percent reduction of budget that would have included staff reductions, unfortunately. As a result of the federal stimulus dollars, we have a runway for two years to rebuild lost revenues due to the Covid-19 health and economic crisis.

We applied for \$115 million to cover two years of revenue loss. The first payment tranche of the money will be about \$60 million and is expected in December. These funds will allow us, first and foremost, to avoid staff layoffs this year, and provide us flexibility to restore positions put on hold due to the Covid economic impacts.

It will allow us to fund maintenance and capital improvements that we had to defer, and [are] imperative to caring for our historic piers and key tourist attractions. It will also allow us to support small businesses that are the backbone of our revenue, and to restore maintenance, cleaning, and public safety programs.

The State Lands Commission is scheduled to hold a hearing on December 8 to approve applications for ARPA funding from ports across the state. We will update the Commission and the public about the outcomes of the State Lands hearing at the meeting on December 14. We are anxious for the State Lands Commission meeting on December 8.

And finally, we have some unfortunate news. Yesterday the California Department of Fish and Wildlife announced it was delaying the start of commercial crab season for the third year in a row because of the presence of endangered whale and sea turtles in the waters of Northern California. On October 22nd, the State Department will provide an assessment to decide whether commercial dungeness crab fishing can begin.

Now to equity. As the public knows, the Port Commission is deeply committed to an equitable waterfront. Last Thursday the Port, along with community and city partners, opened 88 Broadway. 88 Broadway is two new developments consisting of 100 percent affordable housing in our northeastern waterfront.

The need for more affordable housing continues to fundamentally drive our biggest challenges. Thankfully, we have a leader in Mayor London Breed that understands this issue and is 100 percent committed to addressing this problem and building housing across the city. The Port is proud to join this effort and be part of the solution.

The Port owns the land at 88 Broadway, which now is for low-income families and seniors to live well in our city. Following the razing of the Embarcadero Freeway in the wake of the Loma Prieta earthquake, this Port-owned site was once an underutilized parking lot. But thanks to our joint efforts, it will now house many people.

This will allow low-income families and seniors to live well in our city for generations to come. The Port is honored to welcome our newest neighbors and is proud to be part of the solution. Thank you to our Port commissioners for your leadership on affordable housing for our waterfront.

And now I'm going to turn to two key projects. First, I want to highlight another new waterfront community: Mission Rock. On November 10, the city will close on 64 million community-financed district bonds for the Mission Rock public facilities.

This is the second issuance of the Mission Rock Special Tax District aggregate \$3.7 billion bond authorization. These dollars will advance waterfront development and reimburse project infrastructure costs and other development costs, and these infrastructure improvements will be the backbone of this vibrant new neighborhood.

Mission Rock Phase 1 includes the inland portion of China Basin Park, new streets, sidewalks, two residential apartment buildings, and two office buildings. The first of these buildings will be the new global headquarters for Visa and will be wrapping up construction late this year, with occupancy and activation to follow.

This waterfront community, along with ground-floor retail throughout the project, will create activity along our waterfront to support our diverse and small family-owned businesses. Mission Rock is aligned with the Port Commission's vision to create an equitable waterfront. It will provide more open space and affordable homes, and the project has already provided jobs for local residents.

In fact, this week I will join the San Francisco Giants and Tishman Speyer at Oracle Park to celebrate Mission Rock's graduation for an all-woman

construction-training cohort. Sixteen women, all San Francisco residents, recently completed a rigorous construction workforce-training program while earning multiple certificates and union sponsorship. Many of these graduates will join Phase 1 construction of Mission Rock, which is currently underway.

The program is a collaboration between Mission Rock partners and the Office of Economic and Workforce Development CityBuild Academy and Mission Hiring Hall. We are proud that Mission Rock and our city partners provided this economic opportunity for women interested in the trades. The Wednesday graduation program will include remarks from our mayor.

Now to my second key project. Last week the Port joined the community and city partners to celebrate the opening of a new Nature Exploration Area at Heron's Head Park. The new play and nature learning area adds much-needed space in the southern waterfront for kids and families.

The Nature Exploration Area fits beautifully on the ground right next to the EcoCenter. Families that come for the Nature Exploration Area will come to love the EcoCenter, as well, and the quiet, rugged beauty of Heron's Head Park.

The design of the Nature Exploration Area was community-driven and kid-tested through a series of virtual and in-person design jams with Bayview Hunters Point residents and community groups. The area was constructed by SF Recreation and Parks Department in partnership with the Port and with funding from many, including KABOOM!, a national nonprofit organization dedicated to equitable access to play space for kids.

And now for more good news about our southern waterfront gem. Recently Mayor London Breed introduced a resolution to accept and expend a grant from the California Department of Fish and Wildlife to fund the Heron's Head Park Shoreline Resiliency Project.

This is the second and final grant for the construction of a nature-based shoreline to protect and restore wetland habitat, improve ecological functions of diverse intertidal habitats, and enable the park to adapt to sea-level rise at the park shoreline.

Heron's Head Park, the EcoCenter, and now the new Exploration Area are great investments in our southern waterfront, especially for kids. I want to thank our community and city leadership and partners for ensuring this space is a place for everyone and our future generations.

I also want to wish you all a Happy Thanksgiving. There is much to be thankful for this year. The Port has accomplished so much, and we see signs of revival taking hold. Thank you. That concludes my Director's Report.

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Gilman: Director Forbes, thank you so much for that report. So many good things to close out our year, welcoming international travelers. But I really just wanted to say how proud I am, as one of the newest members of the Port Commission, to see what work is really happening in both Mission Bay and the southern end of the waterfront, particularly with Heron's Head Park.

I know this was something that was started long before I came on the Commission, and I know it was commitments and promises to that community. And as someone who's been out to the park, it is just such an incredible asset that we are bringing to that community.

And the fact that you said it was kid-tested, and the partnership with KABOOM! -- I just really want to highlight doing a community project right and involving the community, who knows what's best for their needs, their community and their families. So I really want to commend the Port Staff, and I know particularly President Brandon was such a shepherd for this project. So it's so exciting to see it happen.

And then just with the rest -- I won't be able to be there tomorrow -- what excitement for Mission Rock and the first-woman-ever team from CityBuild. I want to take this opportunity to do a shout-out for everyone else who is developing property on the Port, even those who we've not finished our negotiations with: that this is a model for how contracting on these huge capital-development projects should be done. So I'm just so proud for that class. I wish them all success in their endeavors, and thank you so much for your Director's Report.

President Brandon: Thank you. Commissioner Woo Ho?

Commissioner Woo Ho: Yeah. Thank you, Director Forbes. This was a chock-full report of so many different things. I think it represents that we are sort of on recovery. I think number one, obviously, is being able to welcome international visitors. My understanding is that the airports are getting jammed with people wanting to come visit the United States. So that's wonderful, and I'm sure we'll see our share grow over time.

But besides the things that Commissioner Gilman already highlighted, I guess a few things that I want to mention and say, which was terrific and music to my ears, first of all: to hear about the federal funding, \$60 million. Certainly nothing to sneeze at. And that really does go a long way to help us on our recovery in terms of not only our staff but also, as you said, a lot of the projects that we have, and to keep us afloat during this crisis.

So it's really great that we are able to access that. And I'm sure that eventually you're going to learn through the infrastructure bill, as well, what else we can do for some of our capital projects -- including, obviously, our seawall and our seismic and everything else. And I'm sure more to come on that. But at least this initial round of funding is very, very welcome news and, I think, very important.

And I think that 88 Broadway has been on the radar screen for a long time. It's great to see that it's finally happening and that we are seeing those affordable units come to the waterfront. It's a project that has gone smoothly. I don't think there was much fuss about it, and it's great to see that it's now coming to fruition.

And of course, Mission Rock, which is a huge project for us. Just to hear where we're going with it, and all the equity components that have already been mentioned by others that are also part of it, that's wonderful.

And finally, I guess, Heron's Head Park, which I know has been something we've waited for a long time, and we've debated many times, and all the changes and improvements over time. But it's great to see that that's moving.

So I think this not only is a good year-end report. I think it really does show a milestone in terms of where we've turned a corner, and hopefully . . . Not that the pandemic is over. Certainly we're going to talk about some issues and impacts, still, and consequences of it [at] today's meeting. But I think in spite of that, we are continuing to make very, very solid progress. So congratulations to you and all of the staff that have made this happen, and to the city, and to our mayor for leading the efforts in this direction. Thank you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Sorry I was a little late getting on -- I had a [group till] now. Anyway, Director Forbes, what I caught of your report . . . You may not remember, but it was about a year ago I asked you, in front of all the commissioners and God and the world: Were you committed to staying at the Port of San Francisco? And you said yeah, you were all in. And you've kept your promise not only to the commission, working with President Brandon daily, but to the rest of the commissioners, to your staff, and also to the community.

We've gotten through it. It's been exciting. Things are slowly starting to come back around, but your resilience and . . . I remember a year ago your face was a lot different than it is now. You were able to lead -- you know, you and the president working together -- lead us through this. We've got a little more ways to go.

And also, I want to now thank the staff for the \$60 million. But I also want to thank Senator John Burton. Commissioner Burton made the calls. Nobody is more connected than John, and I want to thank him. It's always good when you can use a commissioner, so thank you very much.

President Brandon: Thank you. Director Forbes, thank you for such a great, uplifting report. There is a light at the end of the tunnel. You've shared so many wonderful things that are happening at the Port that really show us that we are on the road to recovery, despite what we've been through the last 20 months.

And I'd like to welcome all the international and local visitors back to the waterfront because we are here, and our businesses are ready for everyone to come and enjoy the waterfront. I think it's phenomenal, all the work that you did with State Lands, with state government, to be able to get these recovery funds. That is really going to help our recovery, so thank you for all the work you put into that.

And I think it's so exciting that 88 Broadway opened with 100 percent affordable housing. I don't know if there are any other projects in the city that have recent 100 percent affordable housing. So that's really going to help with our critical homeless situation here. So I'm so happy that the Port could play a role in that development.

Also, all the exciting things going on with the Mission Rock development and at Heron's Head Park -- both great, great opportunities for, especially, the all-women construction cohort. I think that's a first, also. So we're just having lots of firsts.

You just have such a great, uplifting report, and it is a great way to almost end the year but totally make us all appreciate all that we have to be thankful for and all the wonderful things to come. So thank you so much for your report. Carl, next item, please? the great work that's going on at the Port. Thank you. Carl, next item, please.

7. CONSENT

- A. Request approval of a resolution adopting findings under new State urgency legislation to allow remote meetings during the COVID-19 emergency; continuing remote meetings for the next 30 days; and directing the Commission Affairs Manager to agendize a similar resolution at a Commission meeting within 30 days. (Resolution 21-47)
- B. Request authorization to make permanent a program for retail fish sales from boats at San Francisco Fisherman's Wharf, to include a one-year pilot program allowing the sale of live Dungeness Crab. (Resolution 21-48)

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

No Public Comment on the Consent Calendar.

Roll Call Vote:

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

President Brandon - The motion passes unanimously. Resolutions 21-47 and 21-48 are adopted.

8. REAL ESTATE & DEVELOPMENT

- A. Informational presentation on delinquency challenges in the Port's property portfolio due to the COVID-19 pandemic and discussion of potential solutions.

Rebecca Benassini: Good afternoon, Port commissioners. Rebecca Benassini, your deputy director for Real Estate and Development here, presenting on delinquency challenges on behalf of the entire Real Estate team. And we had quite a bit of help from our Maritime staff, our City Attorney staff, as well as our Finance staff on this item. I'm very grateful to everyone's assistance.

A lot of us use this slide cover, and I love it. After the conversation we were just having, there's definitely light at the end of the tunnel. But I'm here to talk to you about the real overhang of the economic difficulties during Covid, and to discuss potential solutions, and to get your feedback on the path forward to get us to that light at the end of the tunnel. Next slide, please?

So I first want to share the challenge with you. What is the scale of the delinquency challenge that we have? What are our collection efforts? And what have the outcomes been so far?

And then I want to talk about the strategy for managing the collections, and particularly go over a potential solution. The Port Commission has a key role, when we have sizable delinquencies, that I want to talk with you about and get your partnership on, as you all are going to share some of the work with us.

And I want to make sure that the work that we have to do in managing delinquencies is managed as well as we possibly can so that we can turn to the

other efforts that we all want to turn to: marketing and re-tenanting vacant space. Next slide, please?

So first, just some context-setting. As a reminder -- you all lived through all of this, so you will remember it well -- these are the various programs the Port implemented during the very beginning and throughout Covid. We had, going back to March 2020, rent-deferral programs. As we saw on the horizon what was going on in terms of Covid and the impact on our tenants, we got to work on that program.

We then started to implement, later in 2020, rent-forgiveness programs. We had a series of repayment plans that tenants could choose from. We had a loan program for our LBE tenants. We implemented shared spaces to allow that economic activity to continue outside.

During 2021 so far, we've been really deep in implementing these programs and trying to reduce outstanding tenant balances through all of these tools that you helped approve and the board helped approve to bring those balances down. And then we began to turn, in the second quarter of this year, over to leasing tactics and trying to backfill vacancies, and also to allow a new mutual termination expansion of that tool kit.

Sadly, right as we began to implement the Q2 2021 leasing tactics, that's really when Delta surged. And our last rent-forgiveness program, which ran through April 2021, that Delta surge kind of stunted some of that "summer of hope" that we had all been hoping for. Next slide, please?

And a bit more on the background. So as I just mentioned, our core rent-forgiveness programs were in 2020. Then the percentage-rent tenants had the benefit of a reduction or a zeroing out of base rent through April 2021.

And we're still in recovery and not quite as open as we had hoped. As Elaine was mentioning in the ED Report, SFO and international travel -- as of yesterday, a number of restrictions undone; but still looking at severe deficiencies or differences between our 2019 SFO deplanements that's shown in the chart here and, as of August 2021, the number of deplanements.

Many of our tenants point to this gray bar, the number of international travelers to San Francisco that really drive some of their sales, as being quite low. It was almost at 800,000 deplanements in August 2019. As of August 2021, a little bit more than 300,000. Of course, the restrictions ended yesterday. So we want to keep monitoring this. "Tourism in recovery" is what I wrote as the bullet.

I also want to note: Office market still difficult. Vacancy rate is at about 15 percent. As we think about how things were in the last recession, the 2009-2011 recession, the office-vacancy rate is about where it was then currently. And the

other difficulty in the office market is sublease rates. The number of square feet on the sublease market are still about five times what they were during that last, 2009-2011, recession. The next slide will talk about retail sales, so if we can go to the next slide and look at those?

So looking particularly at our tenants, this chart shows the percentage change -- 2021 sales to 2019 sales. We're not surprised they're down, of course. Mostly red bars. But what's interesting here: We've tried to show the differences in geography.

So the first set of bars shows Fisherman's Wharf totals. Our percentage-rent sales are down about 68 percent Fisherman's Wharf. Then northeast waterfront -- you see that bolded bar -- 71 percent down. And then that third set of bars is the Ferry Building all the way on south. All of the retail tenants in that location down 17 percent. So not nearly as bad, although you can see here parking revenue is down quite a lot.

This isn't our entire tenant group. I think we often show this because this is data we have readily available. Our tenants report it to us on a monthly basis, and it represents . . . If you think about good times, our percentage-rent tenants -- retail, excursions, restaurants, parking and attractions -- those tenants typically represent about \$25 million of the Port's annual revenue. So roughly 25 percent of our regular-year revenues. So just another snapshot on how far we still have to go in terms of getting those retail and percentage-rent sales back up. Next slide, please?

So the scale of the delinquencies. On a monthly basis, we track how much in arrears our portfolio is. This shows the millions of dollars currently outstanding to the Port that is due to us from our tenants. You see it's typically a couple million dollars. I think on average it's between \$3-5 million. So in 2019, it was at about \$3.5 million owed to us under our various property agreements.

2021 it went up quite a lot, not surprisingly. We've been implementing the rent-forgiveness program, so that brought the balance down. But it's gone back up again, and the number we are looking at right now is \$24.5 million. That's the number that's collectible to us from our tenants. For scale, it's about seven times what it was in 2019 and what we typically are able to work on as a staff in terms of getting that money back in the door. It's a very, very big mountain. Next slide?

So I'm going to show you the data in a couple different ways. Of that \$24.5 million, who owes us that money? And what kinds of tenants owe us that money?

So the first way to look at it is by the revenue type. So percentage rent. That's that graph I was showing you earlier -- our excursions, parking, restaurant,

attractions -- people who pay us a percentage of their sales. They represent the number shown here: \$8.7 million of the \$24.5 million.

The second category is commercial, industrial, and open-land tenants. Quite a number of agreements in that category: 132 agreements but \$7.2 million.

Parking. Very familiar with parking and how it suffered during the economic downturn shown here. And then finally, we have a large number of agreements - - 273 -- representing miscellaneous types of property agreements that represent about \$5.4 million of the total \$24.5 [million]. Next slide, please?

Another cut that's really important to look at is the amount of the balance per agreement. This kind of tells you, if you settle one agreement with a tenant, how much money you might get in the door and how much you'd reduce that outstanding balance. So tenants in the relatively high, above \$250,000, owed-to-us category: 24 agreements but \$17.1 million. Quite a number represented of the total.

The second category you see here -- \$25,000 to \$250,000 -- that's \$6.4 million. So another big chunk of the total. And you'll see, as we go through the presentation, that \$25,000 or more, that's the key threshold above which Staff . . . We need Port Commission approval and consideration of any settlement above that \$25,000 amount. So this is where your involvement will become really critical. As we try to work through these balances, the Port Commission's involvement will be on the vast majority of the agreements that are currently in arrears. Next slide, please?

I want to stress the urgency of the situation. You all will know this very well. The Port is an enterprise. We rely on income from our property. Tenants owing back rent is a real property-management problem. It's very difficult to work with tenants on typical property-management issues, like making sure they're operating in accordance with their contract, they're doing good maintenance, they're following the rules of their tenancy.

When they owe so much back rent, it's very difficult to work on the other issues just on an interpersonal level. If you have a really huge problem with money, it's hard to get the tenant to adhere to other parts of their agreement.

And a debt of this size really weighs on our staff, of course, our tenants -- it's very difficult for them to keep operating their business with this sort of a debt outstanding. And it's a real fatigue and stressful situation that we're trying to have a path to resolve so that everyone can be working towards a positive solution and not just chipping away at the small bits of outstanding balances that we can do without Port Commission's consideration. Next slide, please?

This is a very brief way that we resolve disputes or delinquencies. Typically the tenant misses a payment. We start progressive communications. We eventually send a default notice. And then the three choices are we go into a settlement and try to keep the tenant. They pay a sum. We forgive another amount for some good reason that they indicate, why they couldn't pay. Or we can go to litigation, and we go to an unlawful detainer action and we take it to the courts. Or the tenant might just abandon the property. Perhaps they don't have much time left on their lease, and they may just leave. Next slide, please?

This is a relatively lengthy process, and the one I want to talk about today is going more quickly through the settlement-agreement process. And the reason we're focused on this one is, first, it's the one the Port Commission has a key role to play in. And also it's a way for us, if we're able to, to filter out tenants who are truly harmed by Covid but, as we start to recover from the economic downturn of Covid, that they will once again be good tenants. And we want to keep them in place.

So the settlement-agreement route is the route to keep the tenants in place. It's settling all of their outstanding balance, either through a repayment or some forgiveness or some combination of the two, and then we keep them in place. So that's sort of that route.

The other two routes are the tenant leaves. We file a UD action. That's sort of the litigation or legal property-agreement enforcement type of route that we keep you apprised of in our monthly leasing reports. I list which tenants have these sorts of issues. But otherwise, we're just kind of working through those on a day-to-day basis. Next slide, please?

So as we think about that first bar, that "getting to the settlement agreement" route, there are three things I would love to hear your thoughts and feedback on -- and anything else you'd like to give thoughts and feedback on. I'm going to talk about them as goals, the checklist, and the process. So I'll keep saying that: the goals, the checklist, and the process. And those are things that will involve you all over the coming months.

So first: What is the goal in delinquency recovery, recovery of outstanding balances? We've listed it out here in the Staff Report and would love to get any feedback on it. Our goal is to negotiate with tenants to collect as much delinquent rent as possible in an efficient, transparent, and fair manner.

The prioritization of balances that we've been working through so far are largest outstanding balances; leaseholds where we think the tenant may have abandoned and we're concerned the property is at risk of potential damage; and tenants who come forward with viable proposals to settle delinquencies. Those will be the prioritization of that \$24.5 million that you saw earlier. Next slide?

Thank you. So that was the goal. This is the checklist. So as a tenant comes forward or as we start with that very-high-balance tenant, we've developed a checklist of characteristics to consider as to whether or not we should pursue a settlement, keep that tenant in place because we think they have a good future with us, or pursue termination because we don't think they do have -- and perhaps they also don't think they have -- a good future as a tenant going forward.

So this A through J checklist [is] really important, and I'd love to have discussion about this. So first: Is the tenant a public-trust or mission-driven tenant? Are they maritime? Are they retail? Are they attracting the public to the waterfront and having particular maritime commerce benefits?

Are they small or are they socially impactful in some way? We think of our LBE tenants or our civic-impact tenants. We had a number of tenants we gave some forgiveness to because the business that they operate has a civic impact and a sort of intrinsic value to society and to the state and the city.

Have they pursued other avenues? Are they trying to help themselves with loans, our rent-forgiveness program if they were eligible, or other grants?

Have they been responsive to us in communications?

Have they remained open?

Have they maintained their premises as required by their lease?

Do they have a history of typically paying rent and they've demonstrated they can pay rent going forward or at some point in the future, when we get to some economic indicator like a number of deplanements at SFO, for example?

Have they demonstrated an economic harm from Covid?

Do they have a path to recovery?

And the last one is: Is the space leasable? If we couldn't come to terms with them, do we actually think there's a market to lease the space?

So I want to also stress that these are characteristics to consider to be a tenant that could go forward with a settlement agreement and remain our tenant. You don't have to be a "Yes" or a "100 percent" to all of these. These are just the considerations. If you're getting positive responses on most of these checklist items, then we should pursue a settlement with the tenant. Next slide, please?

The process that we would then use is: Assess the ability of the tenant to pay the back rent. We've done this a number of times, and I can describe those

processes -- how we look at their income statements and, potentially, their tax returns or their balance sheet. [Do] they have an ability to pay some of the back rent or all of the back rent?

We would then negotiate for a substantial repayment. And we would flag for the Port Commission if there are settlement agreements that we bring forward to you that are not a substantial portion and why we think we should still pursue a settlement agreement with the tenant even if they don't pay a substantial portion of the back rent.

And then we would include, in a potential settlement agreement, that the tenant would pay a portion of their outstanding rent and that we would forgive a portion of the outstanding rent once they have paid their portion. So it would sort of come . . . It's important for this forgiveness to happen after they've made good-faith and consistent payments on the back rent. Next slide, please?

We would then . . . Working with our city attorneys, we've looked at having settlement agreements that are very standardized in terms of terms and conditions. And we would include, in any settlement agreement we brought to you, that checklist cheat sheet that would indicate how the tenant's characteristics matched up with that checklist I showed earlier.

And we would work to bring these to the Port Commission and calendar them with the Commission officers, potentially as a group, potentially as one at a time. Our goal is really to be streamlined and efficient and to make this process, for you all, as standard as they can be. All of our tenants, of course, have very unique circumstances, but we want to make it as standardized as we possibly can. Next slide, please?

So this is the summation of the goal, the checklist, and the process of bringing the \$24.5 million and the almost 200 agreements through some sort of a process so that some of them, not all of them, will come through with some sort of a settlement agreement so that they can then be in compliance with their lease. And if needed during the discussion, or however it makes sense, we can put these back up. But this just summarizes exactly what I went over a bit earlier. Next slide, please?

I want to also note that we summarized in the Staff Report complementary efforts. The bulk of the presentation is about the \$24.5 million, but I also want to note there are other steps that we need to take as we get this balance to be rightsized.

First is a key accounting policy that we're working with Port Accounting and Finance on, which would be an uncollectible balance write-off. A write-off is when the tenant has gone. They've vacated. They haven't fully paid us.

And working with city attorneys, Accounting, and other finance professionals to weigh whether or not pursuing them in court is worth the cost in terms of how much recovery we're likely to get -- if there are some tenants that we don't think it's a worthwhile pursuit -- then we would write off the balance according to a certain set of steps that we started to summarize in the Staff Report. But we'll come back with more meat on the bones as we flesh out this policy.

The second item is looking closely at preventing future delinquencies. We've checked our August percentage-rent-sales reporting. August was not that bad, but we're concerned about September. We're concerned that some of our percentage-rent tenants are going to have some difficulties in the coming winter months as the summer of domestic travel came to a close. We're just monitoring those conditions and fielding tenant inquiries about future delinquencies.

And then the last item: We noted a bit in the Staff Report about our integration with the Communications team and updating the Real Estate Leasing Web page as the Port's Web page went live. We're looking at leasing signage to place in some of our vacant properties and some other modest efforts to list the Port's vacancies more prominently. However, we're a little bit hobbled in this effort, as our staff are really focused on the current tenants and the delinquencies and getting current tenants into lease compliance. So more to come on that one. Next slide, please?

So I'd love to open it up for conversation and hear questions and comments. I know this was a very dense presentation. I appreciate you bearing with me on it, and I'm here to answer any questions. I think I have a number of other staff members who are available should I be unable to point to the exact right number that you may ask about. Thank you so much.

No Public Comment on Item 8A.

Commissioners' Discussion on Item 8A:

Commissioner Woo Ho: Yeah. Thank you, Rebecca, for this report. I think this is obviously something that I know a lot of work has gone into, and I think we've had some discussions over this in terms of how to approach it. I agree with the approach and, believe, checklists and processes work.

I would just want to say, I guess, two things. Does this not combine also with where we talked about changing the delegated authority for the executive director to resolve certain delinquencies and reach settlement? Is that part of this proposal, or was . . . I guess I'm trying to refresh my memory whether we talked about it. But that hasn't been implemented yet?

Rebecca Benassini: That's correct. The executive director's authority would remain at settling balances below \$25,000, and we are not proposing to alter

that. It would require Board of Supervisors approval, and we think it's only needed for this constrained time period. So instead of trying to alter her authority, our proposal is this sort of checklist-and-process route. Does that make sense?

Commissioner Woo Ho: [So] if it comes to be \$25,000 or more, then it'd still have to come to the Port Commission. Is that correct?

Rebecca Benassini: Correct. Correct.

Commissioner Woo Ho: Okay. Well, okay. So we do not believe that being able to raise that authority, going to the Board of Supervisors, would be too much effort to take time, and also whether it would be approved. Is that our concern?

Director Forbes: If I could speak to that? Thank you, Rebecca. To Commissioner Woo Ho: We had thought about going to increase my delegated authority through the Board of Supervisors. We do believe it would be approved. We would time-limit it. But rather than proceed with this legislative route, which would take some time and effort, we felt that the checklist would be a more efficient way to proceed. So the Port Commission can see what's occurring, agree to the checklist, and we can have an expedited process. So that's what we're proposing at this point instead of the delegated-authority route.

Commissioner Woo Ho: Okay. I would suggest that we do both. I agree with what you've put here, but I would also suggest that you pursue that because some of these things are going to take time, anyway. I think that it's going to take up a lot of Port Commission time every time you have a settlement. And I think you do need to figure out, at the tail end of this process . . .

So you can get to the settlement; but then getting the settlement approved, because of the involvement of the Port Commission, et cetera, is also time-consuming. So I would say you need to pursue that. So I would do parallel path. I'm not disagreeing with your approach here, but I'm just saying take it further.

Rebecca Benassini: Thank you, Commissioner.

Commissioner Woo Ho: Hello?

Rebecca Benassini: Thank you, Commissioner.

Director Forbes: Yes, understood. Thank you.

Commissioner Woo Ho: Okay. And my second comment was on the write-off policy. I think we do want to hear more. I'm surprised that we don't have a clear write-off policy because we do cash accounting and not accrual. Because normally speaking, in accrual accounting, you would write off a balance and then you would still pursue efforts on collection. And then eventually, if you were able to collect, you would reduce that. But you don't use . . . Our accounting conventions as a government enterprise are different from a private enterprise. So you don't have accrual accounting. So I would like to see more detail on that going forward.

And the last comment I have to make, and you do say about new leasing: One of the things that we have found in many of your discussions about negotiating with tenants on settlement is that we never know enough about their financial condition. So we don't know what their ability to pay is. We really don't have anything in the leases that give us . . .

Not to say that you want to be deluged with financial information every month, to say that they have to report it to us, but I do think that if there is any delinquency or default that [we'd] need to get more complete financial information from the tenant. It should be part of our lease language going forward so that we can assess their financial capacity and condition and not guess at what the situation is.

Rebecca Benassini: Thank you.

Commissioner Woo Ho: So those are my comments.

Rebecca Benassini: Thank you, Commissioner Woo Ho.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you. I want to, first, echo what Commissioner Woo Ho said about pursuing the delegated authority. I think that makes a lot of sense. I wanted to say that I support that.

I had just one curiosity question and then one technical question. Do we know why the balance is so high, the \$7.2 million, on what seemed to be maritime office? That was on your chart. I was surprised by that number. I understood parking. I understood our percentage-rent/participation-rent tenants. I was just curious, Rebecca, if we have any insight into what makes up that, if there's a sort of sector within that sector that's contributing to it, or if we just have some idea because it was surprising to me.

Rebecca Benassini: Thank you, Commissioner. I'm just looking at the little map that we attached to the Staff Report that shows the balances across the waterfront. The couple that I'm very well aware of are several office tenants

who owe quite a bit of back rent and were discussing whether or not they had to pay all of that or, perhaps, we would consider forgiving.

We've been very clear that our forgiveness program didn't cover office tenants and didn't cover storage tenants. That's really the only insight I have is that there are several tenants who owe quite a lot, and then there are just dozens and dozens of agreements where tenants stopped paying for a time period and then began payments again.

Commissioner Gilman: Okay, and then just one thing. And if Staff feels this isn't helpful, please let me know. I was wondering, on the checklist, if we also wanted to add geographical zone. So I think -- and this is just more a historical question -- if we have, let's say, a percentage tenant in the southeast sector of the waterfront, that might be . . .

You have on the checklist whether we can release or reuse the space. But I would hope, maybe as a subcategory of that or its own category, it could also be . . . Where on the waterfront? Is it Mission Bay? Is it the southern waterfront? Is it the northern waterfront? Is it Fisherman's Wharf? I want to just make sure we're also equitable, from an equity perspective, with who we're doing settlements with, who we're just moving to termination, and also really thinking if the business is neighborhood-serving.

So I guess those are the two things I want. They could be nestled under other components on your checklist. But I would hope Staff would think about that, too. A business that's purely serving -- er, a majority of its business is driven by tourism versus one that might be more neighborhood-serving, I think we should take those into account when we're thinking of things, sort of the way we're taking the civic-engagement tenants also forward.

So those were just two foods for thought. I like your approach. I think it's a daunting task. And hopefully, as commissioners, we're here to help you as much as we can.

Rebecca Benassini: Thank you. I think we can definitely add geography, by the way. That's very [good to], at the very least, have on the checklist so that we're all cognizant of it as that cover page comes to you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Rebecca, it's always a very thorough report. A lot of information. I think Commissioner Woo Ho and Commissioner Gilman, they basically have said everything I was going to cover. And I support that. Thank you.

President Brandon: Thank you. Rebecca, again, thank you for the report. Very detailed. A lot of information, a lot of food for thought. Just looking at the checklist of considerations, there are some of these items that, I think, everybody has to meet.

This characteristic, "pursue deferrals, grants, rent forgiveness and loans," that should be a must. Everyone should have to have done that. "Remain open and in operation." "Maintain leased premises as required." So some of these characteristics are just basic minimums that each tenant should have to have done, where some of them are a little more open-ended and -- you know, they could do it/they could not do it. But I think there's a few that should just be a standard minimum in order to qualify for a settlement.

Rebecca Benassini: That sounds great. I totally agree with that: that we don't want to keep you as a tenant unless you've been doing these things throughout.

President Brandon: Right.

Rebecca Benassini: Okay.

President Brandon: Right. Right. And then I also think that our focus should be on the \$250,000 and above. The other ones, the smaller ones, we can work out as we can. But I do think the focus should be on the larger ones to make sure that we can find out sooner rather than later if they're still going to be a tenant.

Rebecca Benassini: Very good.

President Brandon: But I agree with Commissioner Woo Ho and Commissioner Gilman's comments, and I do think that you guys . . . It's a daunting task, and it's a lot of tenants that we have to work with. Hopefully we can keep everyone. Hopefully. But there are those that know that they aren't going to move forward. So it's unfortunate, but it's something that we have to do.

Rebecca Benassini: I agree. Thank you.

President Brandon: But thank you so much for this. So the next step is you're going to come back with a policy, or . . . ?

Rebecca Benassini: I wasn't thinking that. The next step I thought we would do is . . . But I could do that. The next step, talking to city attorneys, is we come back with the first one or multiple settlement agreements with the checklist, and we work with the Commission officers as to whether or not it makes sense to bring them to closed session or open session. We'll take your all's temperature as to the first settlement agreements clearly meeting what's been discussed so far. So we weren't going to come back with a policy.

President Brandon: Okay. So anything \$25,000 and above, you're going to come back to the Commission. And the only difference is you're going to decide how you come back: whether it's one or a group, or --

Rebecca Benassini: Yes.

President Brandon: Okay, got it. Okay, thank you. We really appreciate this presentation.

Rebecca Benassini: Thank you so much.

9. FINANCE & ADMINISTRATION

- A. Informational presentation on the contracting activity for Fiscal Year 2020-2021 (July 1, 2020 – June 30, 2021) and updates on the Local Business Enterprise strategy.

Stephanie Tang: Hello, Commissioners. This is Stephanie Tang, the Contracts and Procurement manager. And I'm here with Tiffany Tatum, the Senior Community developer, to share some information about Fiscal Year 2020-2021 and update you on the key initiatives. Next slide, please?

We're going to be covering three things today. First, we're going to be looking at the contract activity: the contracts that were made, how utilization was, payments, the private developments and, finally, close-outs. Then we'll be looking at key updates, including the 14B changes to the legislation. And then finally, Tiffany will walk you through the LBE strategy and review what our approach is and how we're going to be connecting more to the Racial Equity Action Plan. Next slide, please?

To start, this slide shows you the Local Business Enterprise, the certified firms, and gives you a snapshot. There are currently 1,022 certified LBEs, of which 429 have minority owners. And that number includes women business enterprises. For minority-owned businesses, Asian Americans had the largest segment, followed by African Americans.

There were, as I already mentioned, just over a thousand firms as of June 30th. This is down 211 firms from the previous fiscal year. which is a decline of about 17 percent. Between the fiscal years, the LBE program lost 14 African-American firms and 14 Asian-owned firms. Next slide, please?

So let's look at the awarded contracts. In the last year, there were \$6.9 million in contracts that are part of the LBE program that were awarded, and that is a total of 12 contracts. Nine were awarded to LBEs, which is 70 percent of our contracts. This percent of awards exceeds the mayor's aspirational goal. And of

those contracts, four were awarded to African-American-owned firms for a total value of \$1.1 million. Next slide, please?

Of the payments that were made, about \$9 million went to Local Business Enterprises, which is a total of 30 percent. As-needed contracts had 41 percent of payments to LBEs, construction contracts had 22 percent of payments, and professional services had 37 percent of payments.

In the construction, if you remove the Mission Bay Ferry Landing dredging contract, then the construction payments to LBEs actually goes up to 70 percent. Next slide, please?

This slide gives you a five-year trend of how we're doing in terms of awards and payments to LBEs. You can see that this year the percent of contracts awarded to LBEs was definitely in line and a little bit on the high side. As for payments, it does look like we're down a little bit. However, once again, if you take out one of the large Mission Bay Ferry Landing contracts, then the percent goes up to 47 percent, which is very much in line with how we've been doing these last few years. Next slide, please?

The private development projects are ongoing and continuing to participate in the Local Business Enterprise Program. The two projects include Pier 70 and Mission Rock. At Pier 70, there's \$58.9 million that has been awarded cumulatively to small, micro, and SBA LBEs, and at Mission Rock that number is \$65.9 million. So in total, \$124 million has been awarded to LBEs, with \$22.4 awarded to black-owned LBEs. Next slide, please?

This is a new slide that hasn't been presented in the past, and this has some information about contract close-outs. There are two construction contracts which closed out in the last fiscal year. The SF Fire Department Marine Dock was completed on time. We don't quite have our budget numbers. And Mission Bay Ferry Landing -- that is the big dredging contract -- that happened 11 days ahead of schedule and just under \$1.6 million below the anticipated budget.

And this year, there are also two CMD noncompliance memos that were issued for Port contracts: one for Mission Bay Ferry Landing to Dutra Dredging, and one for an as-needed Real Estate Economics contract for BAE Urban Economics. Next slide, please?

There are also some changes that are happening to the LBE Program to Chapter 14B. The ordinance was unanimously approved by the Board of Supervisors. The mayor's signature is expected this week, and then changes will be effective 30 days after her signature.

Before you is a summary of some of the changes. They include changes to how large a firm should be in order to be in the LBE Program -- that is going to

increase in all the different categories -- as well as some other things in terms of how they're calculated. They're increasing the penalties for contractors' noncompliance. They are speeding up LBE subcontractor payments. And they're also authorizing the CMD director greater flexibility in doing certain programs, such as a [possible local trucking] program.

They are also increasing the threshold and minimum competitive amounts, which will increase the ability to do micro set-aside contracts. And finally, there's going to be expanding reporting on not just LBE awards but also on LBE bidders. And with that, I'm going to turn it over to Tiffany Tatum, who's going to step you through our strategy.

Tiffany Tatum: Next slide, please? Thank you, Stephanie. Good afternoon, President Brandon, Vice President Adams, Commissioners, and Director Forbes. As previously introduced, my name is Tiffany Tatum, Senior Community Development Specialist.

A year ago, Stephanie and I presented our approach to deepen our engagement with the LBE community. Our blue sky was to have the value of the LBE Program embedded in the systems and practices of the Port, to collaborate with new and existing stakeholders to advance opportunities for small business and diverse contractors, and to leverage the LBE Program as an equity tool. Next slide, please?

Our roadmap included improving our internal practices, partnering to mitigate barriers, listening more to our stakeholders, and merging our efforts with the Racial Equity Work Plan. I'm happy to report that we are successfully accomplishing all these things and will continue to fine-tune our approach. In our last presentation, we reported having had over 30 one-on-one conversations with LBEs about upcoming Port work and strategies to help grow their business. Next slide, please?

I want to tell you a story about how our lines of efforts and deliverables resulted in a concrete success for a small business. Two Rivers, a minority-, woman-owned firm, successfully bid and was awarded an informal Port contract to help Staff develop its tracker for our Racial Equity Action Plan. We later learned, during our one-on-one conversation, that they had previously struggled with navigating the city's contracting process, and was very appreciative of the opportunity the Port gave them.

Unfortunately, they continued to struggle with developing a successful approach to bid and win contracts. In our conversation, we helped them to develop a plan that resulted in them winning two additional contracts with other city departments for similar work. Next slide, please?

Stephanie and I presented our blue sky before the Racial Equity Action Plan was completed, and one of our most valuable actions was aligning our work efforts with the REAP. Contracts and Procurement is eager to expand the scope of its equity work through the REAP. In contrast to the LBE Program, which relies on mandated requirements and compliance efforts, the REAP advances a values-based approach with a broader scope and urgency.

Staff expects that the REAP will provide new opportunities to support equity with the Port's community partners. For example, the LBE Program focuses on small-business opportunities but does not create or support development of new small businesses.

Under the REAP, Staff is excited to identify workforce strategies designed to provide people with a potential pathway to small-business creation. This winter, the Port will partner with City College of San Francisco, an OEWD, to launch a workforce-development initiative related to construction management.

The Port will fund a construction-management certificate program at City College, creating 25 slots for black and brown single parents of Port-adjacent communities to earn a certificate and compete for entry-level positions in the construction-management industry. And maybe one day these people will be business owners. Next slide, please?

That is the end of our presentation. I will turn it back over to Stephanie. Thank you.

Stephanie Tang: Thank you very much, and we welcome your questions.

No Public Comment on Item 9A.

Commissioners' Discussion on Item 9A:

Commissioner Gilman: Stephanie, Tiffany, thank you so much for your report. And I apologize: Halfway through Tiffany's report, for a minute I lost sound. So I'm just looking through the Staff Report for a second because I wanted to ask a question.

While I'm looking, Stephanie, I'm just curious: You reported a drop in all LBEs, and particularly a significant drop in those participating that are African-American-owned or -managed. Do we have any data on why that took place, or is that just a result of Covid-19 and the reshuffle of the economy? I'm just curious why that happened while I look for my question for Tiffany.

Stephanie Tang: That is a great question, and I think that's a question that we all wish we knew the exact reasons why. Because if we knew the exact reasons why, we could create a great solution to make sure that doesn't

happen. Tiffany and I have been talking to CMD to understand what's happening, and they said it's been a combination of businesses closing, businesses moving, people having constraints in terms of their abilities to handle additional administrative work during this time.

So we don't have a perfect answer as to why that is, but we have also been working to try to actively recruit additional firms to the program recently. This summer the African-American Chamber was hosting a Black Business Week. Tiffany and I were very involved in actively engaging to do outreach. That event ended up being taken over by the City Administrator's Office.

Tiffany and I worked to develop a list to make sure that we were recruiting firms, and we're pretty excited that 12 percent of the RSVPs to the city administrator's event actually came from the list that Tiffany and I developed. So we don't have a good answer. I really wish we did. But we are trying to actively stem the tide.

Commissioner Gilman: No, thank you. I guess just one other question. So we've heard in the past access to capital is problematic, or it's a barrier for some of these firms in doing work. I know we're monitoring quarterly payments. I saw that in your report.

I was just curious: Are we also . . . I don't think this has been an issue with us, but I've heard this is an issue with other city departments. So I just want to gut-check it. Are we also paying folks on time when we invoice them, or are we asking firms to float months and months of cash while we wait to pay them?

Stephanie Tang: I have to say that our Accounting team does a very tremendous job of making sure payments get made quickly. I don't know that every payment is made exactly within those 30 days, but they are very aggressive in making sure that payments do get made.

And I will tell you that if payments don't get made within 30 days, we generally know. Recently we actually had a contractor who called us and said the Port is way better than this other city department which shall be unnamed because, in fact, we were paying invoices on time. So I don't have perfect answers, and that's not something we can track, but I will also follow up with our team about that.

Commissioner Gilman: No. If it's not come up [to] an issue to you or Tiffany, then it's probably a nonissue. I do know -- and I think this is another point where we should lift up and elevate the south of the Port: I will tell you, for nonprofits and other LBEs, there are many other city departments where there are periods where they float three to six months of payments.

And that is, for a small business or an LBE or for anyone, such a barrier to

doing business with the city and county of San Francisco: that outlay of cash. So I'm really happy that that's not an issue with us at the Port. And I'm sure if it was, you guys would mitigate it. Thank you so much for your report. I have no other questions.

Stephanie Tang: Thanks.

President Brandon: Thank you. Commissioner Woo Ho?

Commissioner Woo Ho: Yes. So thank you very much, Stephanie and Tiffany, for this report. I just wanted to get a little bit more context on the changes to the administrative code, the intent of all these changes from the Board of Supervisors.

So I was, more or less, reading into it that they're trying to also help expand the pool a little bit, and also take care of some of the issues that have been barriers for people. And even, as Commissioner Gilman talked about, the payment cycle. You did here say "improve LBE subcontractor payments." And also extend some other benefits and programs. So was this to continue to expand the pool? Was that the intent of all these changes? Not going through each change individually here. Just to understand what was the macro picture.

Stephanie Tang: I think that the desire for the changes are, one, of course to expand the pool because if you have a bigger threshold, you can have more firms participate. But some of the other ones are very responsive to community concerns about the program: not getting paid enough, additional flexibility. All these different programs, they're all responsive to the communities' desires. So these programs and the changes are all made as a way to be responsive to the small-business needs.

Commissioner Woo Ho: Okay. I'm glad to know that we are a better payer than other departments, and I'm just wondering: payments -- there's been so much progress in payments in general. Coming from a banking background, I can just tell you that the amount of time that has been cut in half from paper to electronic to digital . . . We all know, obviously even as consumers, with Venmo and Affirm and this and that. Today money moves very quickly.

So I'm just wondering whether the Port or the city has adopted enough technology to make payments easier and faster, and actually make the accounting a lot easier, too, because you have an audit trail. It's clearer. It doesn't take as many steps, so less labor is involved, et cetera. So I'm just wondering whether we're doing our part to be as digital as we can in payments.

Stephanie Tang: So the answer is yes and no, which is that the PeopleSoft system, the Oracle system that we use, does allow for electronic payments. So that happens pretty quickly, from the time there's a voucher until payments are

made. Of course there are some suppliers that don't want electronic payment, so they go through a different pipeline.

The whole question of invoicing is a pretty complicated one, and it's one that the city is actively addressing and is currently doing a pilot program in doing all-online invoicing for technology invoices. They are intentionally, from my observation, using the technology invoicing first because those are the most tech-savvy firms. The technology firms know how to do all of this stuff and submit it all electronically.

The invoices that come in for, especially, the construction contracts are very significant in terms of all the documentation that's requested because we ask for all the backup of all the subinvoices and all that kind of stuff. And there is conversation about how to expedite that.

But could we do more? I think the answer is absolutely yes. But we're also doing this in conjunction with all the other city departments that are also all figuring out how to make improvements in that process.

So I would say were mid-stream. And I'm sure everybody would want us to both go faster but also make sure that the process we develop also is responsive to what the community could actually -- you know, what are industry standards in that community.

Commissioner Woo Ho: Right. Yes, of course. And of course with contracts and things like that, obviously there are criteria to be met that have to be reviewed. But again, hopefully, we're moving from paper to online review because . . . You don't have to send all the documents by paper anymore, to be reviewed by paper.

Stephanie Tang: Oh. No, no, no.

Commissioner Woo Ho: It's going to be sent much more efficiently. So that also speeds up payments, whether you're a large contractor or a small business. I don't think you want to differentiate. It's just more efficient for both sides, eventually, and that's all I'm suggesting here.

And I think I had one other question -- oh, yes. My other question: Again, I'm always looking at sort of learning as we can. We talk a lot about workforce development and what we're trying to do with LBEs in San Francisco, and we're doing a great job. Have we ever tried to compare what other cities are doing, and to see whether there's anything that other cities are doing that we could learn from? Not just the Port. I'm just talking overall.

Stephanie Tang: For workforce? For local business participation? Do you have a specific area?

Commissioner Woo Ho: Yeah, I'm talking about LBEs. But I think you were saying that some of the things that, obviously, we're looking at in terms of workforce development have helped. I think we have a very conscious focus here, obviously in San Francisco, with a department under the mayor to look at that.

But I'm just wondering: On the LBE side, as well, because that's something we're focused on, whether we've made any comparisons, whether we know of any other cities who are actually doing a good job in this area that we could learn from, as well?

Stephanie Tang: Yeah, we have had conversations with folks in other cities. Definitely in California. One of the things that becomes more complicated when we talk to and compare best practices to folks out of state is that California, because of Prop 209, has a race-neutral program whereas most other places, they are not race-neutral programs.

So I would definitely love to engage and have more conversations in terms of learning better practices and coming to a best understanding, and that's something that Tiffany and I will certainly explore.

Commissioner Woo Ho: Okay. So I appreciate that you did report on this one. I think it's the first time I've seen it where the project was on time and on budget. So I appreciate that that was included in this report.

And then on the noncompliance, can you be more specific on what the two noncompliance . . . What were the specifics on their noncompliance? Was it related to being on the LBE side, or was it related to something else?

Stephanie Tang: They were both LBE-related noncompliance matters. For the Dutra group, it was really related to their, after the change order, not fully engaging with CMD in terms of an LBE plan. And then for BAE, what happened, really, there was an error of their team in not including an LBE, which they admit was just an administrative mistake that they made on their part. Those are the two reasons for the noncompliance memos.

Commissioner Woo Ho: Okay, because my understanding is we don't have many choices on dredging. So that vendor is -- almost a given that we're going to use them over and over again, so I hope that this is something that we've clearly straightened out with them. And BAE Urban Economics is a vendor that comes up constantly in terms of when we go out for consulting. Their name comes up frequently.

So I hope that these issues that we've had with them are minor, easily fixed, because these are probably vendors that are going to show up again in other

work for us -- unless they are in noncompliance again. Then, obviously, we would have to take another point of view on what to do about it. Right?

Stephanie Tang: One of the things that I would actually applaud CMD for doing is doing more enforcement -- that in some ways, I actually see these enforcement-of-noncompliance memos as a way . . . Believe me, we have people's attention in terms of making sure that the commitments are really honored. And the fact that these memos happened, indeed, are things that we will . . .

At this time, there's a pathway that CMD does as the regulator in terms of there's additional noncompliance memos. And we're not at this stage with either one of these firms, but I did just want to mention it. So that way the Commission has full understanding of what's happening with the firms.

Commissioner Woo Ho: Yeah. No, that's good. It's good to point out because, as I said, I think these two vendors are people that we rely on quite heavily. So we want to make sure that they are in compliance with us and that we feel good about how they go forward with their work.

Stephanie Tang: Agreed.

Commissioner Woo Ho: That's the end of my [crosstalk].

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Stephanie, Tiffany, awesome work. Just real quickly: How would you rate our progress? Where would you say we're at on a scale of 1-10 on where we're trying to get? Where would you rate that at?

Stephanie Tang: Can you give us a dimension?

Vice President Adams: I mean we're doing better with the contracting, but do you see areas we can improve? I guess this is to you and Tiffany. What do you think we could be doing? And what would you guys like to see at the end, where we've got to where what we're doing is like a beacon of light to other departments in the city?

Stephanie Tang: I think that where Tiffany closed out the presentation is something that we've really been thinking a lot about, which is that our LBE participation is excellent. The contracting community, at this point, I think has a pretty good understanding of what we let out, where are our deficiencies in terms of where there aren't LBE opportunities.

So the thing that I'm really excited about is the LBE Program, as Tiffany mentioned, is kind of the last stage. At the stage that you have a business . . .

There's a gazillion things that happen before you start a business. And this move towards contracting equity work is not being -- is expanding and using an equity lens beyond LBEs to include things like workforce because if we have a workforce, the most skilled workforce end up being the ones who start the businesses, who can then become LBEs.

And really, our doing additional work at the earlier stages that Tiffany was talking about is what I think is really exciting and is a new strategy, and really also ties into what I talked about at the last Commission meeting with Rod around other equity strategies. How are we using our contracts through hitting all the different kind of equity points? That is an area that I'm really excited about and, I think, is a big opportunity and something we haven't explored enough.

Vice President Adams: Okay. Tiffany, do you have anything?

Tiffany Tatum: I was going to add, but I think Stephanie covered all of the high points. I would say I would give us a 10 in passion. Stephanie and I are both very committed to engaging LBEs in a meaningful way for them and not just for the Port, and that shows through our relationships with the LBE community. And so I think Stephanie is right: that we have to start to empower, train the next generation of business owners so that there is an LBE Program.

Vice President Adams: Thank you, both, and appreciate the continued success. Thank you.

President Brandon: Thank you. Stephanie and Tiffany, thank you so much for the report. Very detailed, a lot of information. And I do want to commend both of you on your 10, your rating for passion, because I think both of you are extremely . . . We're so lucky to have both of you working with us on these efforts, and you guys are doing an amazing job.

And thank you for sharing the success story. And congratulations to Two Rivers, and hopefully they get many more contracts. And thank you for all the work you put in to help them. And I applaud the Board of Supervisors for the long overdue changes to the administrative code, Chapter 14B. I think that's really going to help us with our efforts. And I just appreciate the workforce strategies to grow businesses that you two are helping with.

And again, I just think the Port is extremely lucky to have both of you. I think that with the strategies you guys are putting in place, we can't help but be successful. I think we're doing an absolute phenomenal job on our LBE outreaching efforts. I think we can have a little more effort on diversity. I know that that's coming, and just helping create these new firms or this new workforce is the first step. So you two are doing a great job, and I really appreciate you and thank you. Carl, next item, please? Next item, please.

10. WATERFRONT RESILIENCE PROGRAM

- A. Informational presentation regarding the framework for Waterfront Resilience Program Early Projects.

Brad Benson: Good afternoon, President Brandon, Commissioners, Director Forbes, and members of the public. My name is Brad Benson, and I'm your Waterfront Resilience director here to give an update about the Resilience Program on behalf of the broader team.

Today's presentation is really framing for an important presentation to the Commission that is planned for December to really dive into early projects to buy down risk using Proposition A, seawall earthquake safety-bond funding and other sources. So next slide, please?

[In] today's presentation, we're going to have a brief refresher on key flood- and earthquake-risk findings. We'll provide an overview of Embarcadero Early Projects and their context within the overall Waterfront Resilience Program; talk some about ongoing city department collaboration; and check in about our community engagement efforts. Next slide, please?

So we've talked a lot about the earthquake and flood risks facing the waterfront through previous updates, including the Multi-Hazard Risk Assessment Report to the Commission. I'll be focusing today on just a few key findings here as a refresher, with some new information we have about coastal flood risk. Of course, our team is available to answer any questions that you have on this.

We've all been reading about it in the paper. We're clearly in the middle of a climate crisis. Glad that world leaders are gathering to figure out what we can do to mitigate climate risks. We had a great article . . .

Oh, thank you very much. We had a great article in the New York Times that was published in June of this year. We really recommend reading it. It was called "An Earthquake in Japan Speaks to a Seawall in San Francisco." It described very well the challenge of addressing sea-level rise and storms alongside the urgent seismic risks that we face along the waterfront.

In July, the next month, the Intergovernmental Panel on Climate Change, known as IPCC, released its sixth assessment regarding the climate crisis, noting that climate change is widespread, rapid and intensifying, and some trends are irreversible. IPCC described the findings as "Code Red for humanity."

Alongside this, we're seeing once-in-a-generation funding opportunities at the state and federal level, including the federal infrastructure bill that just passed in

the last couple of days which earmarks \$47 billion for resilience investments alone. Next slide, please?

This animation shows . . . I don't know if the animation is working in the deck. So this slide shows flood risk along the San Francisco waterfront with 1 foot of sea-level rise and a 100-year storm. What this slide is not doing is showing the inland extent of that flood risk through 7 feet of sea-level rise. So I'm sorry that animation didn't work. But it extends well into downtown, the full area around Mission Creek and Islais Creek.

Port-wide, sea-level rise plus a 100-year flood event could impact approximately 14,000 residents, a very diverse area of the city -- 58 percent of these residents are people of color; waste-water systems affecting almost 600,000 residents in the city; 360,000 regional commuters; 25 miles of Muni and cable-car tracks. Next slide, please?

This is also going to have the same problem because it doesn't look like this is animated. So this shows flood hazards from another perspective. We're looking at 1 foot of sea-level rise plus a 100-year storm. That's overtopping the shoreline. What you're not seeing is that water level rising with 2 feet, 3.5 feet, and 7 feet of sea-level rise, which gets almost up to the awning on the old Starbucks location -- so a quite extensive inundation.

With 1 foot of sea-level rise during a 100-year flood event, the foot of Market Street will be significantly inundated, disrupting Embarcadero traffic, damaging buildings and businesses, and causing severe impacts to over 1 million trips taken by BART and Muni riders. Next slide, please?

This slide summarizes our findings from the Embarcadero Seawall Multi-Hazard Risk Analysis. We found that seawall earthquake risk is high north of the Bay Bridge, and it's moderate to low in South Beach except for a hot spot behind the ball park which does not impact the performance of the ball park itself.

Earthquake risk is very high in most bulkhead waters, including those facilities that have been seismically retrofit. We have some very vulnerable structures, such as the Agriculture Building and wood pile-supported structures in Fisherman's Wharf that are vulnerable to both ground shaking and lateral spreading. Some older waterfront structures are vulnerable to ground shaking in earthquakes whether or not the seawall adjacent to these structures moves bayward.

We also found significant earthquake risk in the Embarcadero Roadway due to a combination of seawall instability and liquefaction of the soils beneath the Embarcadero. Widespread and damaging liquefaction is expected to occur at earthquakes larger than Loma Prieta but smaller than 1906. Damage is

expected to the roadway, SFMTA light rail, and local utilities within the roadway.

In larger earthquakes, significant damage is expected to the northbound lanes of the Embarcadero, particularly in the area from the Ferry Building to Fisherman's Wharf. We've been working closely with other city departments to share these findings and to make sure that infrastructure planners in these agencies know the risks. Next slide, please?

As we assess these risks, we're always considering the potential impact to disaster response. We're on a peninsula. Regional, state, federal response is partially going to be by water. So this summer, the Port and the Department of Emergency Management conducted a disaster-response exercise with over 60 organizations participating.

This exercise confirmed the importance of the Port's berths, piers and wharves, particularly deep-water berths; the connection between the northern and southern waterfront; and the criticality of the Embarcadero Roadway in city, regional, and federal disaster-response operations. These findings and considerations continue to be a part of our ongoing engagement with city departments. Next slide, please?

So to recap: We have urgent seismic risk today and major flooding projected within 20 years. While targeted projects will improve seismic and flood resilience at individual locations, planning and design of resilience improvements needed waterfront-wide will require years of planning and conceptual design.

Addressing waterfront-wide risk will mean significant changes and will require extensive engagement and collaboration across the city. Given the timeline and these once-in-a-generation funding opportunities, we're just in time to be starting on these big projects now. In the next section, I'll be talking about how we're getting started. Next slide, please?

As the Resilience Program team started to consider Embarcadero Early Projects, which are near-term actions to address the most urgent life, safety, and disaster-response risks in the Embarcadero waterfront, we're focused on delivering on Prop A funds supported by 82 percent of San Francisco voters. In the process, several things became evident. There are urgent life, safety, and disaster-response risks within the Embarcadero that are eligible for project funding under Prop A.

The scope and scale of the work required to improve the seismic safety of the Embarcadero waterfront means that we should also be accounting for coastal flood risk and preparing for sea-level rise to minimize disruption to the waterfront and provide maximum public benefits. Due to the time scales just

discussed, we should advance a suite of early risk-reduction projects while we advance a longer-term approach. Next slide, please?

Embarcadero Early Projects can be broadly defined as projects that we intend to embark on in the near term, within the next 10 years; projects that prioritize life, safety, and disaster response; and those projects that address the most-urgent risk findings from the Embarcadero MHRA.

The projects fall into a number of different project types. We've identified more than 20 projects. They can generally be categorized as pier and bulkhead retrofits; seawall repairs; asset repairs like fireboat manifolds, pier fire suppression and rescue, utility retrofits; and near-term flood protection.

At the December Port Commission meeting, Port Staff will return to present on the Embarcadero Early Projects in more detail, including recommendations for which Embarcadero Early Projects to advance into project design. We'll also be sharing development of a structured process for ultimately advancing all Embarcadero Early Projects. Next slide, please?

This suite of projects is really the foundation for the Waterfront Resilience Program, and it represents the Port's first step in a waterfront-wide approach. In developing the early projects, the Waterfront Resilience Program team is using evaluation criteria shared and endorsed by the Commission in March of 2021 to understand tradeoffs and guide recommendations on which projects to advance first.

We're considering how to make the most use of funding that is currently available. We have to prioritize projects because we don't have enough funding to address all of the early risks that we've identified. In total, the cost of these early projects could exceed several billion dollars, much more than the \$425 million that we have through Proposition A.

These costs are substantially less than the \$30 billion in damages and disruption from earthquakes and flooding by 2100 that the MHRA identified for the northern waterfront alone. We're committed to transparency and accountability. General obligation bond funding requires strict standards of accountability, fiscal responsibility, and transparency that the Port will bring to all its Resilience projects.

And as we're embarking on these early risk-reduction projects, we also need to keep an eye on the long view and the long-range planning efforts to make sure that what we're constructing now fits within an adaptation strategy that can be built out over time. Next slide, please?

The list of early projects will be augmented next, as the Waterfront Resilience Program team moves to develop adaptation strategies from Mission Creek to

Heron's Head Park later this winter and as we gain a better understanding of these early projects and the geographic adaptation strategies that we're working on. Next slide, please?

So this is juxtaposing early projects in those longer-term adaptation strategies. We want to advance early projects through a design-and- construction process in parallel with planning and design for a waterfront-wide resilient shoreline. So these are first steps in this adaptation process. And we also need to think about future adaptation adaptability of the waterfront after we build our coastal flood defenses. Next slide, please?

So wanted to focus in on some of the opportunities that we have. Proposition A funding will address urgent earthquake risk along the Embarcadero. It also gives us the opportunity to set up projects for federal infrastructure funding or funding coming out of Sacramento.

We've identified opportunities where we can partner with other city agencies to buy down risk. And of course, the Army Corps of Engineers partnership could mean billions in federal funding for earthquake- and flood-risk protection for the entire waterfront. Next slide, please?

I mentioned our ongoing engagement with city departments. Late this summer/early fall, we commenced a series of meetings with assistant general managers and deputy directors across a range of city departments, including SFMTA, the Public Utilities Commission, the Planning Department, the Office of Resilience and Capital Planning, Department of Emergency Management, the City Administrator's Office, Public Works, and the Department of the Environment.

The focus of these meetings was to share the risk findings that we've identified, make sure that leadership across these departments really has an understanding of the twin earthquake and flood risks. And we're going to be programming a series of meetings with these departments over the next year and a half as we develop adaptation strategies. Next slide, please?

So want to focus in on the image here. On the left I'd like you to imagine the water, and on the right, the land. This is representing elevations in the Embarcadero area of the waterfront. On the righthand side, you can see that the lowest elevation point is approximately 8 feet North American vertical datum. That's the standard measure of elevation in North America. That's right at Pier 14. The highest point along the Embarcadero is up near Pier 35. It's at 13 feet NAVD 88.

Thinking about the water levels, we have current high tide at about 6 feet. We have something called a 1 percent annual chance extreme tide that is just over

9 feet. That's where we start to see some of this flooding in the Embarcadero northbound lanes. That's a flood risk today.

If we're building coastal flood defenses to protect downtown San Francisco, FEMA recommends 2 feet, called "freeboard." It's a safety margin. And then thinking about sea-level rise of 3.5 feet -- that's the California Ocean Protection Council's most likely curve; they also have a one in 200 curve up to 7 feet of sea-level rise by the end of the century -- that's a scenario where very little is done to mitigate climate change.

So that gets us up to elevations of 15 feet and the need to adapt up to 18.5 feet. So we're looking initially at potential changes, increases in elevation to the shoreline, of between 2 and 7 feet. You'll have seen this in the John King article that was in the Chronicle last week and on Monday. So these are very significant changes to the waterfronts, and they would have the effect of impacting multiple agencies' infrastructure systems, which is the reason for the city-department engagement. Next slide, please?

As part of the Army Corps effort to design coastal flood defenses, one of the things that we'll need to do is identify a line of defense, which would be the zone where we would stop water, coastal flooding, from coming into the city.

We're evaluating a range of options: an inland line of defense; an existing line of defense, where the bulkhead wall comes out of the seawall; a wharf line of defense; and a bayward line of defense. This is a decision that requires consultation with those other city departments and the regulatory agencies that govern work in San Francisco Bay. Next slide, please?

So as we've been analyzing how to gain elevation at the shoreline, the Planning team was really focused on how we maintain the city's connection with the bay. And so as you'll see on this slide, if you can gain elevation over a broader horizontal space, you create a more graceful incline to a higher shoreline edge, which provides for better universal access along the waterfronts.

So again, this adaptation zone that we're looking at here is a question for that city-department engagement as we're trying to design coastal flood defenses that we'll pursue through the Army Corps of Engineers' flood study. Next slide, please?

So we've continued to engage with the community. It's been mostly online engagement. Next slide, please?

Over the course of this summer, we scheduled presentations with 30 community-based organizations and reached over 700 community members, including youth and in-language presentations. Next slide, please?

Some of the key feedback that we heard through the community engagement included equity; access to economic opportunities, including contracts and jobs; prioritizing historically vulnerable populations in areas of the city, including the southern waterfront; and access to views.

City-wide and regional coordination: Community members wanted assurance that the Port is working with other city departments and regional bodies, as they understand that this is an issue that goes beyond just Port property.

It was really interesting -- we've heard from a lot of folks: How can we help? Individuals and organizations are eager and willing to support the Port's work and help move the program forward. And then they asked us to keep an eye on health impacts to ecosystems and communities during construction.

There's exciting engagement to come with planning our first outdoor, in-person outreach at community events this fall. And looking forward to engagement about adaptation strategies and the concepts for coastal flood defenses that will inform the Army Corps of Engineers' study late next spring/early next summer. So that concludes my presentation, and I'm available to answer any questions. Thank you.

No Public Comment on Item 10A.

Commissioners' Discussion on Item 10A:

Commissioner Woo Ho: Thank you, Brad, for this very comprehensive and illuminating report. I think every time we hear from you on Waterfront Resilience and the progress, it's like peeling this giant onion. But we learn so much. Thank you for all of the effort, and everybody who is working with you. I think we've made a lot of progress. Each time we hear, we learn more, and it sounds like we're headed in the right direction.

And also the challenge is great, too. And the impact of what we can expect from climate change, I think, is getting quantified and certainly is a bit scary. But I guess we're up to the challenge. Really feel good that we have you and the team approaching it very systematically with the projects, and hopefully we'll get the funding in place to be able to do what we can to protect San Francisco and provide a viable future for the waterfront.

So I don't really have any specific questions. I think you've covered so much material, so much ground. You know so much. And I think we're very grateful to be educated and to know that, at this point in time, we're moving in the right direction. And so very supportive of all the efforts, and thank you so much.

Brad Benson: Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Brad, thank you again for the report. Echoing what Commissioner Woo Ho said, I know that we are up for this challenge. I think the John King article shed a lot of light on the problem. And I really appreciate your public outreach to all of the groups, both for what they're hoping to gain out of our Resiliency Program, but also just on education. I don't think many people in the public understand how daunting this task is, how complex it is. It's not as simple as just getting a crane and cranking up the Embarcadero by 7 feet. That's my running joke. [How many] people at cocktail parties have asked me that lately.

So I think folks don't understand, besides the complexity, the fact that we're dealing with public dollars. All of the work from the Army Corps of Engineers, the Prop A dollars, all the diligence that needs to go into it. And then to make sure that it's equitable and fair in how we protect all of our neighborhoods in the whole Embarcadero; but then how do we make sure that the tens of millions of dollars that we'll be spending, or other investments into this, is equitable.

So I just want to thank you again for all of your hard work and your team's work. And thank you for always doing really thorough reports and helping us understand this complex issue.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Brad, you're like an actor: Whatever role that you take on . . . You're like Daniel Day Lewis. You immerse yourself into what you're doing, and you become that. And more than anything, you believe. Whatever Director Forbes, whoever -- you do that. And so much information.

And so I know they just had the climate-change summit over in Scotland and things like that. I know our governor couldn't go. But I'm hoping that with this administration that we have in the White House that they're hearing us and that Vice President Harris and Speaker Pelosi and others, and our senators, everybody understands the gravity of where we're at in the moment.

I just think we're leading the pack. You're so serious about this. I am glad you've taken this thing on. Like I said, you're like an actor: You become the part. You don't even go back to being yourself. You're going to be this until your next role that Director Forbes gives you.

So thank you. I appreciate all the information. Sometimes it's just overwhelming because you're so detailed and thorough. And so thank you, Brad. And please keep on, you and your team, making us look good. Thank you.

Brad Benson: Thank you.

President Brandon: Thank you. Brad, again, thank you for the presentation. And thank you for doing it before the real presentation because now we all are back, understanding where we were to where we are now and the daunting task in front of all of us. But you and your team have done a phenomenal job in bringing us to where we are today.

And I really appreciate the fact that you are collaborating with the other city agencies and state agencies to make sure that everyone understands the significance of this effort. And thank God that we're being proactive and not waiting for the earthquake or the sea-level rise or the catastrophe to happen, that we're trying to get in front of it. And you're bringing in all these various stakeholders, which I think is phenomenal.

And I'm looking forward to next month's report, where we actually talk about what exactly we're going to do and what projects we can do now. And you and your staff have also done a phenomenal job in identifying funding opportunities. So I'm sure that even though this may be a 20-, 30-year project, billions of dollars, you and your team so far have done a phenomenal job in seeking funds, in bringing stakeholders together, and moving this project forward.

So I really want to congratulate you and thank you. And I look forward to your report next month, which I'm sure is going to be very informative but a lot more information.

Brad Benson: Thank you very much, President Brandon. And I just want to give the credit for the money to Director Forbes because she was our leader in that geobond effort, along with your help and others'.

President Brandon: Right. Right, and all those trips to D.C. And our wonderful relationship with the Army Corps will just expand, hopefully.

Brad Benson: Thank you.

B. Informational presentation on Waterfront Resilience Program (WRP) Local Business Enterprise (LBE) subcontracting and WRP equity actions.

Carlos Colon: Good evening, President Brandon, Vice President Adams, Commissioners, and Director Forbes. I'm Carlos Colon, the Waterfront Resilience Program administrator, and I'll be giving the LBE and equity update on the program. I'm in my cubicle right now, and I'm required to wear a mask. So please, at any time if you cannot hear me, please let me know. Next slide, please?

In the introduction, I'll be going over the program efforts. I'll then talk about how we're prioritizing equity in the program, the current LBE participation in the

CH2M Hill and Civic Edge contracts, and our next steps. Next slide? Next slide, please?

So the Waterfront Resilience Program was made up of two primary contracts: one, CH2M Hill Engineers for the planning, engineering, and environmental services; and Civic Edge Consulting, whose communications contract actually was completed on August 20th of this year. Brad already presented an in-depth program update. I don't want to repeat what he already said, and I'm definitely no Daniel Day Lewis. So I won't spend more time on this slide. Next slide, please?

Next slide: Prioritizing Equity. So we've definitely prioritized equity in this program. I'm the lead on the Workforce Development and LBE Support Services Task, and I'm also a member of the Port's Race Equity Working Group. My focus is to prepare people and businesses for the upcoming jobs and contracting opportunities that will be created by this program.

We are still in the workforce and contracting assessment phase. Part of that assessment is checking with other cities and government agencies regarding their best practices with maritime projects. The planning and implementation will start ramping up in a few more months once preliminary [or] early projects are selected.

I just want to let you know we're also going to coordinate our plans and implementation with Tiffany Tatum and Stephanie Tang to ensure that we're working in partnership and not duplicating overall Port workforce and LBE efforts. I'll also just put in a plug: I also think I am a 10 [percent] in passion for this work. Next slide, please?

So equity definitely goes beyond jobs and contracting. We, too, want to merge our efforts with the Port's Race Equity Action Plan and see where it can influence program decisions such as considering equity metrics when evaluating early projects. Next slide, please?

I'm now going to go into the numbers and present CH2M's LBE and minority firm participation through the last quarter to September of 2021. Next slide, please?

As you can see in this table, in the last two years, since the Commission approved the contract amendment in September of 2019, CH2M has paid LBE firms 32.5 percent, or about \$5.1 million, from all invoices during that time, increasing the total payments from 12.1 percent in September of 2019 to 22.9 percent in September of 2021. Of that 22.9 percent, almost half the work, or about 10 percent, was performed by minority-owned firms.

So this table, you'll see it shows 6.7 percent for MBEs, "minority business enterprises," but that is also because some minority-owned firms have chosen to designate themselves as WBEs in the CMD LBE Program. But if you include those in other minority-owned firms, then you do get 10 percent.

In the last quarter, July to September of 2021, 43.5 percent of all payments was for work completed by LBE subconsultants. And a full breakdown is included in the Waterfront Resilience Program LBE Quarterly Report, which is in Exhibit A of the Staff Report. Next slide, please?

So this is small, and I hope you can see it on your computer screens. This is showing the plan versus actual work for the CH2M contract. Most of the work in Phase 1 is now scoped, and we'll support the continued scoping of Phases 2 and 3.

Phase 1 had a planned LBE participation of 15.5 percent, forecasted to increase to 35 percent in Phase 2 and forecasted to be 24.7 percent in Phase 3. Through October of 2021, the actual LBE participation in Phase 1 is 23.4 percent, and in the Phase 2 authorized tasks, it is 67 percent LBE. These numbers will be revised as tasks continue to be authorized for the contract. Next slide, please?

So this graphic shows the cumulative impact of the variation of LBE participation from the previous slide. At the time of the contract amendment in September of 2019, CMD projected, at this time, 11.4 percent of task authorizations would be made to LBE firms. The actual task authorizations to LBE firms was 14.8 percent. So we're trending higher than we originally projected. These percentages are based on the total contract value. Next slide, please?

I'll now present the LBE and minority-firm participation for the Civic Edge Consulting contract. Next slide?

Thanks. So as I mentioned before, this contract expired on August 28th, 2021. The contract had 43 percent LBE participation, exceeding their CMD contract requirement of 36 percent. Civic Edge is also an LBE, and if included in the LBE total, this contract had 87.9 percent LBE participation.

The contract also had 24.8 percent of the total work performed by minority-owned firms. This is higher than the MBE percentage shown in the table. And again, this is because some minority-owned firms chose to be designated WBE firms by CMD. A full breakdown of invoicing amounts and subcontractors will be in the Waterfront Resilience Program LBE Quarterly Report, which is, again, in Exhibit A of the Staff Report. Next slide?

So next I'll talk about next steps. Next slide?

So we plan to continue to report on the Waterfront Resilience Program's LBE participation on the same Commission dates as the Port-wide LBE update. So in the future, I hopefully plan to follow Stephanie, her presentations.

We also intend to update the Commission on upcoming contracting opportunities in early 2022. This would be following the early project selection. Next slide?

That's our presentation, and I can take any questions.

No Public Comment on Item 10B.

Commissioners' Discussion on Item 10B:

Commissioner Gilman: Hi, Carlos. Thank you so much for this report. I just had a question, and it might have just been a little overload of acronyms, the fact that you are living and breathing this. So this was on the CH2M contract. That was the first one that you presented to us. When I'm looking at the Staff Report and the way I'm reading it, it said overall 22.9 percent of payments to date have gone to LBEs. But then I felt like . . . Later in your presentation you said 38 percent, so I got a little confused.

Carlos Colon: Okay. So the higher number is what we've paid LBEs since the contract amendment was approved by the Commission in September, 2019. So in the last two years -- I'm going to go back -- I think it was 35 percent. But overall, since the beginning of the contract in 2017, it is 22.9 percent.

Commissioner Gilman: Okay. So I guess this is just, maybe, a data point: Why do we track the phasing of payments that way? I guess in some ways it seems like if I was a public member reading it, I could interpret that 38 percent went to LBEs; but in reality of the overall contract, only 22.9 did. And that 10 percent on a \$30 million contract is significant. So I guess is that important to us? And if so, why?

Carlos Colon: Well, I think it's important to present what we've done since the amendment. I know that there were comments at the time of the amendment that we were not giving enough work to LBEs, that they were not getting enough of the contract.

Commissioner Gilman: Okay.

Carlos Colon: And so the 12.2 percent was a low number. And we want to show that in that time since, those two years, the total has been, I think, at 35 percent -- well in excess of the overall contract goal of 22 percent.

Commissioner Gilman: Okay.

Carlos Colon: So that's why. And I do think at some point we probably will drop that distinction. It actually has been two years now. But that's information we've provided in the past reports.

Commissioner Gilman: Okay. Yeah, and I think this is just more me and understanding. It's a complex issue. And then I'm assuming, when we're looking at the total payments for this contract . . . I'm using this as an illustration. The total payments are 29 percent: the \$9.2 million payment to primes, and then we break it out by subs. Are all the LBEs subs -- my assumption would be they are -- or are some of the LBEs primes?

Carlos Colon: No, CH2M is the prime.

Commissioner Gilman: Prime? That's what I thought.

Carlos Colon: Yeah.

Commissioner Gilman: Okay, so they're all coming . . . So the \$6.7 million that went to them is out of the net total of the \$28.4 [million] that went to all subs?

Carlos Colon: I'm going to find the table, but I think that's accurate.

Commissioner Gilman: It's this Table 6 on the Staff Report.

Carlos Colon: Okay, let me get to it.

Commissioner Gilman: I just want to make sure I'm interpreting [unintelligible] correctly. It's more me.

Carlos Colon: Yeah. So of the total payments, of the total \$29 million that was paid to CH2M, they then paid their LBEs \$6.8 million.

Commissioner Gilman: Right. Okay. I'm understanding it, okay. That was just my question. And thank you, again, for your diligence. I hope one day maybe I'll be reading a staff report and half the funds will go to LBEs on contracts like this. And I also appreciate the racial breakdown of the firms by the racial categories that you had. So that was also very helpful. So thank you.

Carlos Colon: Thank you.

President Brandon: Thank you. Commissioner Woo Ho?

Commissioner Woo Ho: Yeah. Thank you, Carlos, for this report. It's very comprehensive. Lots of information. It was good to see that it backs up, in terms of what Brad is talking about, on a macro level and in terms of how we're actually executing as we go forward on waterfront resiliency, and that we are walking the talk, not just talking the talk.

And I know we're doing that. We are very committed at the Port. But it's nice to actually see the evidence that you all are taking, and the passion, and how serious you are all going about trying to achieve these goals.

So I really don't have any specific questions. Just want to commend you and everybody that's working on these efforts. It's very clear that this is a mandate and value that all of you believe in and you're living by and you're executing. I think we're very excited to see it and know that there's more that's coming in the next phase going forward. So appreciate it very much. Thank you.

Carlos Colon: Thank you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Thank you, Madam Chair. Carlos, I just want to thank you and your team for this Water Resilience update. Clearly, it's a priority. And I think Commissioner Woo Ho hit it right on the head. This is very exciting. You guys are walking the walk and talking the talk. Going into the future, I know a lot of good things are going to continue to come. I just really appreciate the update. Thank you.

Carlos Colon: Thank you.

President Brandon: Thank you. Carlos, thank you, again, for this presentation. I think Commissioner Gilman asked a couple of the questions that I had regarding the CH2M LBE contract participation. But one other is: On Page 9 of the presentation, the contract amount for LBEs is 22.9; but on Page 11, you have actual at 14.77. So I'm just trying to understand how to read these reports.

Carlos Colon: Right. So the 22.9 percent is of payments to LBEs.

President Brandon: Mm-hmm.

Carlos Colon: On the other slide, I think where you're talking about 14.7 -- is that correct?

President Brandon: Yes.

Carlos Colon: Yeah, that's the total task authorizations to LBEs of the total contract value. So we've only issued task authorizations in about -- I think

it's about \$33 million. We've made \$20 million in payments to CH2M. Of the \$29 million, 22.9 percent have been paid to LBEs.

President Brandon: Mm-hmm.

Carlos Colon: When you're talking about the total contract value of \$55 million, we are at about 14.7 percent task authorizations to LBEs. So there's a difference between the task authorizations versus payments to LBEs.

President Brandon: Okay. So Page 11 is total contract versus payments that have been made?

Carlos Colon: Yes. These are task authorizations to LBEs, but the percentage of the total contract value . . . The 22.9 percent is the total payment as a percentage of the payments paid to CH2M, not the task authorizations.

President Brandon: Okay.

Carlos Colon: So another way to . . . I could say that another way. Again, we've paid CH2M \$29 million. 22.9 percent of what we paid CH2M has gone to LBE firms.

President Brandon: Mm-hmm.

Carlos Colon: The CH2M contract is \$55 million. Of the task authorizations made on that contract, 14.7 percent have gone to LBE firms.

President Brandon: So -- okay. So of the total contract of \$55 million, the 14.77 is the tasks that have been assigned but not paid. So -- okay. So why . . . Help me understand why we're reporting both.

Brad Benson: Could I jump in and just help with this one? So the 14 percent is sort of a measure of where we are towards our ultimate goal. There's a significant amount of the contract that we haven't authorized or expended, which is why we're just at 14 percent.

I think for your tracking purposes, President Brandon, it's the percent of funds expended to date. That 22 percent is the measure of where we are. The 14 percent is just along a trajectory. And in the graph that Carlos showed, that line keeps on going up, and we project that we'll exceed the overall goal. Does that help at all?

President Brandon: I think it does. I think what you're saying is with the LBE participation with tasks that's [unintelligible] here, which we hope happens in this way but could be altered, depending on what happens in the future -- but it's just a goal that we're trying to reach. But for all intents and purposes, we

should just focus on what's been paid and the percentages there. I think I understand where you're going, but there's a lot . . .

I guess because it's so small, it's a little confusing. But thank you for the information. And so of the total contract of \$29 million, 6.7 percent have gone to MBEs. Is that correct? No, you said 10 percent have gone to MBEs, which means about 12.4 percent is WBE. Is that correct?

Carlos Colon: Let me look at this. So I tried to differentiate between MBEs and minority-owned businesses because CMD tracks -- they only let you decide -- you can pick one: MBE, OBE, or WBE.

President Brandon: Right. Right. Right.

Carlos Colon: So there are minority-owned firms who chose to be WBEs. And so that's why I include the WBEs, OBEs, and MBEs. But I also have columns for African-American, Latino-American, Asian-American firms, as well, because the two will not equal.

President Brandon: Right. Exactly. So my question is . . . You said there are about 10 percent for MBEs, which would lower the WBE to about 12 percent. So of the 22.9 percent, it's gone to MBEs and WBEs. And so I didn't hear . . . Does CH2M have a strategy to increase opportunities for women and minorities?

Carlos Colon: Yes. So every time we authorize a task, they do look at opportunities to increase LBE participation. And those tasks then get sent to -- er, those task proposals, we then send to Stephanie Tang and our CFO, Katie Petrucione, to review to make sure that we are in line with our project goals.

President Brandon: Right. And so maybe just for the next presentation when we do this, if we can hear their organizational strategies? Like we just heard Stephanie and Tiffany talk about our strategies for outreach and what we're doing to help other businesses be successful and come into the program and da-da-da-da, maybe we can hear CH2M's strategy for bringing more minorities and women into their contracting arm. Okay?

Carlos Colon: Yeah, I think they'd be definitely happy to do that.

President Brandon: That would be wonderful. And then for CH2M, I think you said that 24.8 percent of contract work has been done by minority-owned firms. So does that mean that the 6.7 percent MBEs and the WBE percentage of 18.1 percent, all of those were minority firms?

Carlos Colon: Yes. You're talking about Civic Edge, correct?

President Brandon: Yes.

Carlos Colon: Yes, that's correct.

President Brandon: So of the WBEs, they were all minority firms?

Carlos Colon: Yes.

President Brandon: Okay, thank you. That was my question because I couldn't understand how the 24.8 came out of the 6.7. So thank you so much for that clarification. And thank you so much for this report. And I really appreciate that you're working on this, and you also have a 10 in passion.

Carlos Colon: Thank you. Thank you.

President Brandon: And then I'm sure you're going to work with the team to find lots of opportunities for women and minorities and all of our LBEs. So thank you for this presentation, Carlos.

Carlos Colon: Thank you.

11. NEW BUSINESS

No New Business.

12. ADJOURNMENT

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

President Brandon - The meeting is adjourned at 5:38 p.m.