



SAN FRANCISCO PORT COMMISSION

**FEBRUARY 22, 2022
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

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

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

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING February 22, 2022

1. CALL TO ORDER / ROLL CALL / RAMAYTUSH OHLONE LAND ACKNOWLEDGEMENT

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 Willie Adams called the meeting to order at 3:15 p.m. The following Commissioners were present: Willie Adams, Doreen Woo Ho, Kimberly Brandon, John Burton and Gail Gilman.

The Port Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgement.

2. APPROVAL OF MINUTES – February 8, 2022

ACTION: Commissioner Brandon moved approval of the minutes. Vice President Woo Ho 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 Adams, Vice President Woo Ho, commissioners, Port staff and members of the public. I am Elaine Forbes, the executive director. First, I am very excited to report that the waterfront plan is one step closer to completion.

As you know, the plan sets land-use-and-values framework and, you will recall, is the result of three years of community engagement. I'm very happy to report that the plan is in its final stages and is moving forward with a draft EIR, environmental impact report.

This EIR is a major milestone in the public process. The document analyzes the environmental effect of the updated goals and policies in the plan. The Port is working with the San Francisco Planning Department, who will publish the waterfront draft EIR on Wednesday, tomorrow, February 23, 2022.

I invite the public to review and provide comments on the draft EIR from February 23 through April 25, at the planning commission public hearing held on March 24th. The public comments may also be submitted at the planning commission hearing or in writing to the planning department anytime during the public comment period up to April 25th.

The draft EIR as well as the public engagement and comment opportunities is available online on the Port and planning department websites. Port Commission approval of the waterfront plan will be final once the EIR is complete.

I want to thank you, commissioners, for your leadership in our waterfront planning process. I want to thank our excellent and dedicated working group and, of course, to thank Diane Oshima and her team for this accomplishment. We look forward to bringing the plan to you later this year.

Now, today, my entire director's report will be focused on our strategic plan and the specific two goals that relate to economic recovery and vitality. I have a presentation today on our economic strategies that the Port will undertake in the next few years to ensure a stable, successful and economically viable waterfront and Port organization. It is time to update our 2021-2025 strategic plan to reflect these new and innovative strategies. If we could go to the next slide, please.

My goal today is to update the Port Commission and public on the new economic recovery and growth strategies that will be implemented this year through 2025 that are designed to advance economic recovery to achieve a stable financial position.

I would like also to report out on the innovative strategies to create an active economically vibrant and successful waterfront and organization in this time of COVID-19. I want to acknowledge the key divisions, maritime, real estate and development, finance and administration and engineering that developed revised objectives and strategies.

And I'd like to thank our entire Port leadership team for working collaboratively to ensure that these goals and objectives have integration. Finally, a thank you to Kirsten Southy, who organized this all to accomplish this. If I could see the next slide, please.

To recap, the Port has seven goals in its strategic plan. These goals are: economic recovery; economic growth, formerly called economic productivity; equity; resilience; sustainability; evolution; and engagement. Today, we will focus on economic recovery and economic growth. To the next slide, please.

The Port's strategy has three strong pillars. Economic recovery sits foundationally on equity and the resilience pillars. These three strategies are integrated in all ongoing work. We have learned about these interconnections or how to multi-solve.

Without considering equity and economic recovery, we are not building back better, to coin a phrase used now. And we are not taking the opportunity to create a vibrant waterfront for everyone. Without equity, we will not have a sustained recovery.

And an economic recovery strategy without resilience will only be surface and will not withstand the test of time. Our economic recovery strategy needs to resolve our challenges in 2025 and plant the seeds to support the long game for our organization. And this needs to provide an equitable future that is resilient. If I could go to the next slide, please.

The purpose of the Port's strategic plan is to set our overall vision in the mission statement and define objectives and strategies that govern our work priorities and actions that advance the Port Commission's vision and mission and achieve Port Commission policy objectives for the waterfront.

The plan guides the Port's projects, programs, partnerships, stewardship work and sets the Port's allocations of resources for several years. To the next slide, please.

I am proud that the updates to our economic sections of the strategic plan demonstrate coordinated strategy to address waterfront and enterprise challenges. It identifies foundational issues that must be addressed to meet Port mission.

It ensures an integrated approach to financial recovery and sets resourcing allocations. It holds leadership accountable to our team, our staff, to the public and to this commission. And it communicates ongoing work. Next slide, please.

The strategic plan is a living document. It's a working document that will be updated to reflect the Port's ongoing strategy. We ensure that the plan is aligned with other key Port documents: the waterfront plan, which I was just discussing; the 10-year capital plan; city policies including the Burton Act.

And we ensure that the plan is designed to recognize the shifts that COVID-19 has caused and the Port's unprecedented financial outlook as a result. To the next slide, please.

So why do we need an update in our strategic plan? It's very good to report that we have made significant accomplishments advancing the plan this last year. I reported this out at our year-end 2021 impact report. And you can find this report at SFPort.com.

While we have accomplished a lot to be proud of, because of the continuing COVID-19 surges and changing public-health conditions, we are very far from recovery. Our pre-pandemic revenues and visitor counts have yet to return. And as you know, the Port is expecting at least a five-year recovery.

We're so thankful to the American Rescue Plan stimulus funds. They give us a two-year reprieve from a very grim financial outlook. These funds provide this reprieve. And it gives us an opportunity really to rethink and unlock innovative economic strategies.

As you know, the funding allows us to restore cuts we made last year and to evolve projects and programs that were deferred. The budget before you today and the strategic plan updates I am discussing now reflect these early strategies.

Commissioners, we are not out of the woods. But with your leadership, we will take each measured step. And we should find our way to stable financial footing. To the next slide, please.

Port finance director Nate Cruz presented this to you before. And I put it here again because it's a great visual that demonstrates the revenue-and-expense gap that COVID-19 has created. It reflects the ARPA stimulus reprieve and how it will write our books for two years.

It allows us to reinvest in programs cut due to COVID. It shows the five-year recovery period expected and the growing \$8 million shortfall we still need to solve for by 2025 and beyond. This organization had enormous wins, but challenges remain. To the next slide, please.

So with that, I'm excited to jump in to the economic recovery goal and strategies. Our goal is develop and implement strategies to address the economic impacts of the COVID-19 pandemic and stabilize the Port's financial position during an expected five-year recovery period.

And we will accomplish this with three objectives: tenant recovery, targeted activation and enterprise economic recovery. To the next slide, please, our tenants.

The Port will work with tenants who struggle from COVID-19 -- continue to struggle. And we will attract new activities to ensure an economically vibrant waterfront. To the activation, we are going to implement policies and programs that attract diverse communities and activate the waterfront.

We're going to use our pop-up RFQ to pursue concepts like community festivals, concerts and other events with those respondents. Bringing people to the waterfront is key to the success of our tenants.

To our leases, we are going to ensure tenant lease compliance, renewal or termination by 2023. Getting into lease compliance is too important to us and to our tenants and to our future. To the next slide, please.

Targeted activation -- the Port will implement economic strategies in waterfront neighborhoods to facilitate dynamic communities along the waterfront. This pandemic has really showed us the importance of investing in places.

Fisherman's Wharf -- we are g -- [audio skip] tenants to offer authentic Fisherman's Wharf and San Francisco experiences. This includes strategies like off-the-boat fish sales and mobile vending program. Fisherman's Wharf is struggling. The public wants to come to the wharf. And it is incumbent upon us with our tenants to prepare the wharf for a return and revitalization.

To parks and open space -- build on the popularity of people's enjoyment of the waterfront outdoor spaces. Here, we want to activate our parks and open spaces to further enhance our experiences and welcome more diversity.

Strategies include advancing the YMCA partnership for Building 49. We now understand and have always understood that creating safe and inviting areas is key to our economic recovery. To the next slide, please.

This is a very wordy slide. But to Port economic recovery -- we're not just focused on external strategies. We're going to be looking internally to reduce projected deficits by fiscal year 2025 and beyond. To do that, first and foremost, we need to support and include our staff.

We will identify efficiencies to sustain and improve delivery of key services. These efforts will yield midterm improvements but are also very critical to sustained financial health in the long run. In our resource allocation -- to our objectives -- the budget includes an economic recovery tsar.

We need this person to develop and drive proposals that generate revenue, reduce costs and uncover those operational efficiencies that hamper our staff. These include items that we've known for a long time need to happen, but they're harder to implement.

Doing so means we need to have the discipline to turn away from urgent issues and have our leadership commitment to focus resources and sustain the tenacity to achieve operational efficiencies.

Stakeholder engagement -- we will collaborate with internal and external stakeholders to perfect our plans and to be ready for implementation. Project management -- our economic recovery tsar will prepare an economic recovery plan this year that identifies key initiatives including benchmarks and tracking of those initiatives and the resulting financial performance.

This plan will include selection and implementation of at least three strategies that, combined, generate \$3 million of ongoing revenue enhancements or cost savings. You'll note we need to close an \$8 million gap by 2025.

And to our funding strategy -- we'll work with federal and state delegation this year to secure federal infrastructure grants and state funding for targeted capital investment that advances our maritime business, reduce earthquake and flood risk and protects key facilities for the public.

We will need you, Port commissioners, for your advocacy like we had in force for the American Rescue Plan dollars. We've certainly shown capacity here. And your ongoing support is just so critical for our organization's success.

The economic recovery goals and the objectives in the strategic plan enumerate how to recover from the COVID-19 economic impacts. To the next slide, please.

Now, to economic growth, our second goal, this goal and objectives enumerate how we will grow the business portfolio to create an economically successful and vibrant waterfront. We have set five strong objectives to ensure our organization flourishes to pre-pandemic revenues and beyond in the maritime portfolio, property portfolio, in our historic facilities, with our exceptional places and capital. Next slide, the maritime portfolio.

Maritime has been so very important to the waterfront revival this last year and will continue to play a critical role in years to come. We will advance the maritime

business to increase revenue and activities. And this spans from cargo to commercial fishing and water transportation.

Cargo -- maximize opportunities at our deep-water cargo terminals. For cruise, we need to evaluate facilities to support our expanding cruise business. We have the calls, and we need to have the infrastructure and places to receive those calls.

Pier 70 shipyard -- identify maritime opportunities for revitalizing select parcels at the shipyard. Here, we have an interim leasing strategy that should bring us near-term revenues. For Piers 80 through 96 and backlands, we are pursuing federal and state grants to investigate the site improvements we need to increase lease-ability by 2025.

For commercial fishing, we're preserving and enhancing commercial fishing at Fisherman's Wharf and Hyde Street Harbor. And to water transportation, we're expanding the Port's water-transit system and promotion of water transit. Next slide, please.

To our property portfolio -- due to changing COVID-19 requirements that have restricted the public from gathering and the resulting economic activity impacts, the Port's real estate portfolio has really struggled. But we are optimistic that we can implement strategies that will increase Port leasing revenues to pre-COVID-pandemic levels and beyond by 2025.

Building improvements -- here, we'll invest stimulus dollars in facilities to increase property marketability and rents. High-impact opportunities -- we're going to utilize Port land efficiently like the fire-training facility project. You have an informational item on your calendar today on that.

Diversified portfolio -- use increased marketing efforts and targeted building improvements to attract tenants in various industries that will perform well through economic cycles by 2023. The diversity of our portfolio has been one of our key strengths at the Port over time. And we need to deepen that diversity especially in light of the changes to the market that COVID-19 has created.

Occupancy rates -- to maintain equal or greater-than-market benchmarks in comparable sectors. And for marketing, backfilling leasing and key marketing positions this year to increase property occupancy.

We've absolutely found we have to invest in and fill our key positions to be successful. Holding positions vacant to save money is not our economic recovery strategy. The next slide, please.

This is about our historic facilities. The Port has nearly \$2 billion in our capital backlog. That's why our historic facility partnerships, public-private partnerships play such an enormously key role in our funding strategy.

It is these partnerships that have results in transformation of some of our most treasured facilities. And I'm proud to work together with our partners to ensure resilience and equity is incorporated in all private developments on our waterfront for today and for future generations.

We will work with our private partners to activate, restore, rehabilitate and protect the Embarcadero Historic District piers and other facilities for maritime, public-serving and public spaces. We will need to use profitable uses such as office to fund these improvements.

[Here], we will devise -- for the projects, we will devise financially feasible projects -- not an easy task -- put them out to bid and select partners for at least six facilities for rehabilitation. We will ensure these rehab projects include resilience and equity benefits. And we will do this work by 2026.

[Audio skip] select partnerships using criteria that highly rank teams with strong equity records and experience delivering programs with maritime, resilience and public-space and activation uses.

For benefits, deliver public enjoyment, resilience, maritime and historic rehabilitation benefits for Piers 38 through 40, Seawall Lot 330 and Piers 30-32 projects by 2025 through 2027. These projects are underway, as you know.

For financing, we're going to collaborate with our partners to secure our innovative financing, historic tax credits, green bonds and other public and private funding sources. Financing has been a key to our success. To the next slide.

Exceptional places -- the Port, under this Port Commission's leadership, has a very successful track record creating exceptional waterfront places such as 88 Broadway and Mission Rock. Staff and our partners have a big job of implementation.

We will continue to advance these transformational projects to create sustainable, diverse and resilient communities for future generations. We have Mission Rock. We will continue to advance that waterfront community.

Pier 70 -- we're going to partner to remove obstacles to break ground on vertical projects. Parcel K North -- we will partner with the developer to build open space at 20th and Illinois Street and new Michigan Street by 2025.

For Teatro ZinZanni, we'll partner to build a new home for entertainment venue including a 280-seat performance, a new boutique hotel and 14,000-square-foot park. For city legislation, we need to assist the city in accepting streets and utilities at Pier 70 and Mission Rock this year.

Financing tools -- we'll use Pier 70 and Mission Rock infrastructure financing districts and historic tax credits to fund capital improvements by 2024. Public bonds -- we will continue to use our community facility districts bonds for Pier 70 by 2023 and will do the issuance in consultation with the city to advance the project. To the next slide, please.

Now, I look at the last economic growth objective as a big opportunity not only for the Port but for our city and for its residents. In the next few years, we will use American Rescue Plan Act stimulus funding and Port capital funds to delivery 60 million of funded capital projects by 2024.

We will complete improvements of using the stimulus dollars on time. In terms of partnerships, we will continue partnering on our projects to become an owner of choice and win at least one San Francisco partnering award per year.

And to our local business opportunities, we will continue to provide construction opportunities for local small business enterprises with a focus on BIPOC-owned businesses. To the next slide.

To the next steps, I want to thank you all, Port commissioners, for your leadership. We look forward to reporting updates on the equity and resilience strategic plan sections next and, of course, coming back to you later this year with our end-of-year progress and 2022 impact report. Final slide -- so I thank you, and that concludes my director's report and presentation.

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Gilman: Thank you, Director Forbes, for this really detailed report. I really appreciate it and wanted to say that I'm very intrigued in support of having someone who's purely focused on our economic recovery. I just have a couple of questions.

So for that position that we're crafting, I guess I'm curious if there's been any thought from the senior team or from yourself of after 2025, moving into the future where we have sound economic recovery.

What tasks or responsibilities or scope would that position continue to have? Or do you view that as a temporary position within the department that would phase out once we're roaring back economically?

Director Forbes: That's a very good question, Commissioner Gilman. As we have it planned now, it would be a three-year-project-funded position that focuses on our near-term and long-term strategies. So as I see it, these strategies -- we're talking about ongoing cost savings or revenue enhancements -- they will go on into the future past the economic tsar's programs and implementation.

However, we have a structural deficit that we had before COVID-19. That's why we have a \$2 billion capital backlog. It is very strongly possible that we may determine that it's worthwhile to keep the position on to tackle other items.

We have several areas where the Port could use economic strategies, especially in our capital program. So long and short, I'm saying right now we're planning it as a three-year position. But it is possible that we may see the value of continuing the position past that point.

Commissioner Gilman: Thank you so much. Then, I was just wondering, if you have the ability to do it -- you mentioned in your report that part of what the tsar would be working on along with other members of the senior leadership team was sort of streamlining processes or looking at how we internally do business.

And you said some of those have been long overdue, that we [sometimes pivot] to the emergency instead of staying focused sort of on the long-term process fixes. Could you give a very brief example of one of those process fixes or one of those areas that you're hoping to really achieve from an efficiency perspective?

Director Forbes: Yes. We have an asset-management system that the maintenance division relies upon and all Port divisions rely upon to put in work orders for requests for work. That asset-management system sits on the backbone of a big Oracle infrastructure -- Oracle financials that the Port has not used since the city implemented PeopleSoft.

So we have a very expensive system with one module that we're utilizing. We have to get off that whole system and start to use an asset-management system that's both easier to use and is less expensive to use in terms of IT and staff resources.

What we're doing now requires a lot of double and triple entry and is just very, very difficult. That's one example. Typically, what I would be describing is something related to IT and something related to legacy systems.

But there are also other processes that we have that just frankly need updating. They're long-standing. They haven't been reviewed in a long time. We know they're inefficient. The folks having to implement them know they're inefficient.

But we haven't been able to take the time and put the resources into designing something better.

Commissioner Gilman: That answers my question fully. I really appreciate that and appreciate your report and looking forward to your other updates. And again, thank you for centering equity in every aspect of the update to the strategic plan. And I don't have any other questions. Thank you so much.

President Adams: Commissioner Burton? Commissioner Burton?

Commissioner Burton: No comments.

President Adams: No comments. Thank you. Commissioner Brandon?

Commissioner Brandon: Elaine, thank you so much for this report. It was very detailed. I'm really happy that we're taking the time now to update the strategic plan because there is so much in front of us. But I do want to say that your team has done an incredible job of weathering through the last two years and getting resources and making the waterfront safe and accessible for our tenants and visitors.

So I really want to thank you and the team for that. And I think it's absolutely phenomenal that the waterfront land use plan is in the final stages. And I think Diane Oshima and her team and the working group just have done a phenomenal job with the waterfront land use plan update.

There were a lot of great details in your report. Like Commissioner Gilman said, I'm glad that we are focusing on economic growth and recovery and equity combined so that, in this recovery, everyone will feel welcome and able to join in all the opportunities available at the Port.

My one question is about Teatro ZinZanni. I didn't see a date with that one. So I was just wondering, where are we with Teatro ZinZanni? And is it time for us to get an update? Or is there a date that we think we may get to a certain point with them or move forward?

Director Forbes: That's an excellent question. I have some dates in my notes. But instead, I'm going to turn it over to Rebecca Benassini, who is our director of real estate and development.

Rebecca Benassini: Thank you, Elaine. Hello, commissioners. Good afternoon. I can answer a bit about that. The developer has utilized, not surprisingly, some of the force majeure provisions in their lease development and disposition agreement to delay signing of the lease.

When they sign the lease, they must start construction. So they're gathering their construction financing. We are heartened that they have been submitting building permits. So we do have building permits in that we're reviewing that are in line with the design of that theater and hotel.

So we're undergoing that sort of process. They are spending money on design and building permit processing fees and are just working hard to get that financing in place. And not surprisingly, they're pointing to occupancy rates in hotels in San Francisco.

And there is some positive news on that front. So we're hopeful that this is the year that we'll get that lease signed which will then be the signal to start construction. [I'm] happy to do other updates in the future if you have an interest in them.

Commissioner Brandon: Great. Thank you. It will be great to actually see that project start construction because it's such a wonderful project. But again, Elaine, thank you so much for the report. I think there are some very aggressive goals in this report. But I know you and your team can make it happen. So thank you.

President Adams: Thank you, Commissioner Brandon. Vice President Woo Ho?

Vice President Woo Ho: Thank you, Elaine, for this great report. I've obviously been through it already with you once. I have to say that I just want to mention the evolution of the strategic plan over many years has continued, I think, to expand and be comprehensive.

And this update is certainly -- fits into that category of the thinking that keeps evolving with the challenges and the circumstances that we are facing. And obviously, we are facing some unexpected circumstances the last couple years. But we're kind of meeting that challenge now.

I think it's great timing that we are rethinking the strategic plan because we now can catch our breath a little bit because we know what we've faced and what we're facing. And while it's not over, at least all the steps that can be taken to address it for the short term have been.

And it's now time to think about the longer term -- both short term as well as the longer-term strategic steps that need to be taken. I guess, to Commissioner Gilman's comment, as you and I chatted, I really do think that we're just not focusing on strategies for the next three years but really for the strategies that are much longer term and to face that capital budget deficit.

And what else can we do? You're starting with the right sort of steps to take the short-term steps. And I think that we applaud you and your staff for thinking that through. I think it's very comprehensive, excellent job.

So I think we're all happy to see it and glad to see that you can now take the time to think about it and also make sure that the resources are there. The team has the mental space as well as the time to think about it. I think it's going to put us on a great trajectory.

The only think I will say -- as you know across the bay, there's been a major, I guess, approval at least at their equivalent of the board of supervisors, their city council. They've just approved a major development, as you know, with the ballpark and everything else.

I think we need to be clear and watching what they're going to do and what we're going to do. We should be very imaginative in how we envision our waterfront. I'm not saying we want to take away anybody's thunder. But we should realize we are going to have some more competition down the road in terms of people looking to develop more diverse and vibrant waterfronts.

I thought it was kind of interesting. I mean, of course, it's going to take many years. But I think we should not lose sight of the fact that that is happening across the bay. Good for them. I mean, we all want to see the A's stay.

But I think we should make sure we're on top of it and that we're aware of what their plans are as well as, I'm sure, they're watching us and seeing what our plans are because a lot of part of that development is obviously not related just to their -- it's not related now to their cargo. It's really related to doing what we've been doing for a long time. Correct? I asked you a question.

Director Forbes: Yes, indeed. It puts Oakland into a position to have major investments in their commercial waterfront activities. As you know, Jack London Square has been a very good resource for the community in Oakland with lots of retail, restaurant activities.

But this is really a generational investment in that waterfront that, you know, will be very, very transformative. So we will keep a close eye on it. We have a lot of excellent, excellent offerings for the public from the Exploratorium to the Giants ballpark to Pier 39 and others I'm not stating here.

But I think we'll stay on the top in terms of commercial activities that welcome the public to our waterfront. But we can't assume success. We have to, as I discussed in the strategic plan update, really, really work on our exceptional places and our safety and vibrancy and our equity.

We need now to lean in to these opportunities for our waterfront to ensure that we are what we've been in the past and continue to grow. So thank you for reminding us of that big investment. And we will stay on top of it.

Vice President Woo Ho: Thank you.

President Adams: You good, Vice President Woo Ho? Okay. Director Forbes, great report. You know, this situation is so fluid. But I'm not so much worried about the waterfront over there. They could still wind up in Las Vegas. There's a lot of hurdles and obstacles.

I know there's a big opposition to the stadium. This thing could wind up in the courts for years. You've got Vegas and Oakland competing. I think we do have an advantage. I think we've been doing it for a long time.

And I think we're getting it right. And we've been transformative. I've only been on the commission nine or 10 years. Commissioner Brandon and Woo Ho were on here before I was. But I would have never thought we'd have been talking about a recovery tsar.

That ain't something that we even talked about at the Port. Right. I mean, that's stuff you hear from the White House, port tsar, this kind of a tsar. Now, we're talking about a recovery tsar. I like that. And I like the short term. I like the long term.

It's good to know that you and your staff are putting things in place. No matter who's here, it will just kick in. And it will take care of itself. I know that's been a big thing for Doreen about [what's the base] look like going down the road say if something happens.

And I think that you're laying that out. And I think you've heard that and -- with your team. I'm really impressed. I just thought it was so thorough.

Director Forbes: Thank you so much.

7. FINANCE & ADMINISTRATION

- A. Request approval of the Fiscal Year (FY) 2022-23 and 2023-24 Biennial Operating and Capital Budget and to Accept and Expend Federal Stimulus Funding. (Resolutions 22-09 and 22-10)

Nathan Cruz: Good afternoon, commissioners. I'm Nate Cruz with the finance and administration division here today to request your approval of two resolutions. The first is the biennial operating and capital budget for fiscal years '22-'23 and '23-'24.

The second resolution is to approve the use of federal stimulus, the ARPA stimulus funds in the current fiscal year in '21-'22. Next slide, please.

So before we get into the details, I just want to kind of refresh our collective memories. Two weeks ago, I was here with an informational item to provide quite a bit of detail and context about the budget context in which we're making these decisions.

This table really provides a great overview of the three real critical elements that we need to think about when we're deciding on how to allocate our precious resources. This shows fund balance at the beginning of the fiscal year, revenues coming in, expenses -- or at least operating expenses going out.

And then, whatever is left after that is what we have available to invest in our facilities. You can see in this upcoming biennial cycle in the '22-'23, '23-'24 cycle, we really have a very healthy budget. We have fund balance that's back at pre-COVID or actually exceeds pre-COVID levels, revenues and expenses that we're really restoring services and positions to pre-COVID levels and a really significant level of capital investment.

But all that's made possible by federal stimulus. The following biennial cycle in the out years is where we really see pressure as we need to continue to maintain critical services and investments in our facilities. But we're still waiting for tourists to return to the waterfront. And our revenues haven't quite recovered yet.

And that just kind of highlights the need for us to execute on that strategic and economic vision that Director Forbes just referred to. Next slide, please.

So in my presentation during the informational item, a number of questions came up as well as some additional questions that came up in some individual budget briefings. So I'm going to try to address those broadly and then leave a lot of time for questions.

The first set of questions seemed to get at providing more detail on the changes in our budget by division. Two weeks ago, we provided sort of an overview of the Port as a whole and how changes were seen at a higher level.

What you're seeing in the slide in front of you is a little bit more detailed breakdown by division of the Port. I won't go through each row. But I'll discuss some of the major drivers in each division. In engineering, the increase that you're seeing in non-personnel services has to do with us restoring funding levels for engineering's as-needed architecture and design service contracts.

So we're restoring those to pre-COVID levels. We're also consolidating the resources for those contracts in the operating budget. They'd previously been budgeted in two separate places. And we're, just for simplicity's sake, moving

them to one place. They're a little easier to administer. So that's what you're seeing driving the engineering budget up.

In the executive department, the increase in non-personnel services of a little over \$400,000 has to do a little bit with a new contract to provide us with grant-writing resources to help us secure outside money. But the larger portion of that is due to -- we provided a little bit of a cushion in our security budget.

Right now, we're going through a competitive bidding process to identify a new set of contractors to provide security services at the Port. We're not sure what the price is going to land at quite yet. So we needed to provide a little bit of a cushion in our budget in case the prices increase from the previous contracts.

In finance and administration, the largest percentage increase is also in non-personnel services. That \$188,000 increase comes from us restoring an expense that we hope not to use. It's an expense for judgments and claims that may arise throughout the year.

We'd eliminated it during COVID to reduce the size of our budget. It's still prudent to have that budget in case something comes up. So we're restoring it. But like I said, hopefully we don't actually need it.

In the maintenance division, the big story there is we're restoring our equipment budget, which shows in this table as capital outlay. But that's basically budget speak for equipment. And we're also restoring our materials and supplies budget to pre-COVID levels. Next slide, please.

On the maritime front, our work orders are increasing dramatically. But that's because cruise is coming back. This is actually good news. Right. These work-order funds provide shore-side power and security services for cruise. So it's good news that we get to spend this money again. And we'll see more cruise ships and more tourists back on the waterfront.

In the planning and environment division, we're actually seeing a savings in the services of other departments. That savings of a little under \$300,000 has to do with our waterfront plan advancing to the stage that it is now. We don't really anticipate needing the services of the city's planning department quite so much as we had in the past. So we can achieve some savings there.

And in the real estate division, we see a significant savings also in non-personnel services. That savings of almost \$750,000 in the first year is being driven entirely by the successful renegotiation of our rent for our Pier 1 offices.

This past year was a 10th anniversary of our lease and was reset to market. And we came out of that negotiation a little bit -- in a better situation than we'd assumed in the original budget. Next slide, please.

The other area of questions that came up had to do with ARPA. Obviously, as Director Forbes mentioned, ARPA really provides us an economic reprieve over the next two years. The \$115 million -- or \$114.8 million allows us to restore projects and programs that were cut or deferred due to COVID.

It allows us to avoid staff layoffs and backfill critical positions that we'd left vacant intentionally to achieve savings. And it allows us to really significantly invest in our facilities again. We've been approved for the first roughly half of that funding at \$56.6 million.

We think the second half of that will be confirmed in the next few months, hopefully by April of 2022. There's two pieces of legislation that are related to ARPA. The first is an accept and expend resolution.

And that's one of the resolutions we're asking you to approve today. That has to do with the use of ARPA in the current fiscal year in '21-'22. The other accept and expend resolution which has to do with the use of ARPA funding in the biennial budget cycle -- that will be submitted with our budget and go to the mayor and the board of supervisors in May. And the other thing to always remember about ARPA is that we have to spend the money by June of 2024. Next slide, please.

A question that came up was about the allocation of ARPA funds. A couple of commissioners noted that, between our submission to the State Lands Commission and the staff report, there had been some reallocations.

What you're seeing here is where the final budget landed. What we did is we reallocated some project funding so that we could make sure that the fourth category of funding, the supporting communities which were disproportionately impacted by COVID, made sure we kept that funding level consistent to what we told the state.

What had happened in between the submission to the State Lands and our first informational item when we put together the budget was basically the significant rain storms at the end of last calendar year really illuminated some massive leaking problems that we had at the Round House.

So we needed to reprioritize some of the projects and make funding available to address the critical need at that facility which generates really important revenue for us. Next slide, please.

And then, let's see. Commissioner Woo Ho, I believe you'd asked about a little bit more context about how we were going to make sure we met that June of 2024 deadline. You know, it's one thing to appropriate the resources, but it's another thing to actually execute on them.

So what we included in the budget are some resources to make sure we can deliver. First and foremost are two new project managers for the project management office that manages our capital projects. We're also reassigning a vacant financial analyst position to contract administration to help award those contracts that are always a part of capital projects.

We're fully funding the engineering as-needed contracts for architecture and design. We're also creating two positions within the engineering division, one for building inspection and another to support the permit desk. Both of those will be critical to delivering the capital projects included in ARPA.

And finally, we talk about backfilling positions and creating all these new positions. We need someone to actually help hire those. So we've identified a new HR analyst position to help fill those vacancies. Next slide, please.

The last sort of set of questions that came up in the informational item had to do with capital status. So two of the five new attachments to the staff report have to do with capital. One -- attachment nine is sort of a drill down into the southern waterfront beautification fund.

And attachment 10, which you're seeing an excerpt of in this slide, is really a sort of encyclopedic look at all of the capital appropriation since 1920. So if you look at that attachment, you'll see everything that had a material balance in fiscal '19-'20 and then what we've added to it over the last couple years and also what we defunded.

If you'll remember last year about this time, we identified some lower-priority projects and some administrative cleanup to achieve savings in the capital budget and restore our fund balance, which we'd been using during COVID to maintain critical operations.

So you'll see that in the report as well as what we're requesting you to approve with this resolution here today. On the capital front, you'd also asked for a little bit more detail on the waterfront resilience program.

We're still working to put that together. What we're asking for your approval today is roughly \$3 million over the next two years of Port harbor funds to support the resilience program. But at the same time, there's a significant amount of bond funding available to the program.

And we were asked to provide a sort of overview of how those all work together. We're still working on compiling that. We'll be back to you in the next few months with some information. So that will be coming following this item. Next slide, please.

So where we are today -- we've already been through step one. I'm here today asking for your approval of those two resolutions, the biennial budget as well as an acceptance and expenditure of ARPA stimulus in the current fiscal year.

And then also today, in fact right after this meeting, I need to submit our budgets to the mayor's office and the controller. In March and April, we'll be taking the acceptance and expenditure of ARPA stimulus in the current fiscal year to the board and the mayor.

And then, in May-June, we'll be submitting our full biennial budget which includes ARPA stimulus in both of those two years through the board of supervisors through the normal budget process that the whole city is experiencing. Next slide, please. So that covers the highlights of the new content in the staff report. But I'm happy to answer any questions that you have.

ACTION: Commissioner Gilman Brandon moved for approval of the item. Commissioner Brandon seconded the motion.

No Public Comment on the Consent Calendar.

Commissioners' Discussion of Item 7A:

Commissioner Brandon: Nate, thank you so much for that presentation. And thank you for all the work that you and Katie and the team have put in to the presentation and all of the documents regarding the budget, the capital plan and the ARPA funds.

Thank you so much for taking the time to meet with me three times to go over this budget and to help me understand exactly what we're doing and where we're going with it. So I really appreciate that. I don't think I have any more questions. I think we have resolved everything.

So again, thank you so much for taking the time. I'm sure we'll be getting a little more information later on. And if I have any further questions, I'll definitely reach out. Thank you.

President Adams: Thank you, Commissioner Brandon. Commissioner Burton?

Commissioner Burton: No comments, otherwise great information.

President Adams: Thank you, Commissioner Burton. Commissioner Gilman?

Commissioner Gilman: I have no other questions. I'm supportive of moving the budget forward. Thank you, staff, so much for your diligence and your detail. You answered all my questions.

President Adams: Vice President Woo Ho?

Vice President Woo Ho: Thank you. I've also had all my questions answered in briefings, very detailed. A lot of great work went into it. I appreciate it very much, supportive. So I have no further questions at this time.

President Adams: Katie, Nate, what can I say? No questions. I have none either. [laughs] We will vote. Roll-call vote, please.

Roll Call Vote:

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

Vice President Woo Ho - The motion passes unanimously. Resolutions 22-09 and 22-10 are adopted.

8. FINANCE & ADMINISTRATION

- A. Request adoption of the 2022 Uncollectable Balances Write-Off Policy.
(Resolution 22-11)

Rebecca Benassini: Good afternoon, commissioners. Excuse me. I'm just plugging in. I'll just go out of sight for just a moment. There we go. Rebecca Benassini, your deputy director for real estate and development. I'm here with a follow up to our conversation on February 8th.

Today, I have before you an action item for an adoption of a new uncollectable balances write-off policy. Again, I want to credit and thank so many people who helped me with this item, our finance department, Katie Petrucione and Nate Cruz as well as Peter [Ye]. I also want to recognize Rona Sandler and her work in the city attorney's office as well as Michelle Sexton. So thank you, everyone. I'll go on to the next slide now.

I'll begin with a summary of what we discussed last time on February 8th. Then, I'll focus in on edits to the draft policy that reflect some of our conversation. And I'll point out some new information that was in the staff report. And then, I'll close out with staff's recommendation. Next slide, please.

First, just making sure we all have our definitions straight which is really important as you consider adoption of the policy. A write-off is an accounting action that reduces or eliminates an unpaid balance. It's really important to

recognize that this starts when the tenant or another property user like a licensee leaves the premises, and they have not paid all of the amounts due.

So they are no longer on our property. The city only will write off balances sort of citywide for all the departments after they've exhausted commercially reasonable efforts to collect the balance. Next slide, please.

Want to make a clear distinction of write-offs versus settlements -- the Port Commission is familiar with settlements. From time to time, we'll bring you an agreement with an existing tenant or an existing licensee to settle a disputed balance or another dispute.

And typically -- it's required that, if that balance that we're settling is over \$25,000 that we're conceding, the Port Commission takes action. That's a settlement agreement. Distinct from the write-off, settlement agreements are with tenants who are in place. Write-offs are for tenants who have left the premises and have vacated their location. Next slide, please.

Updating this policy is in line with our strategic plan. Key amongst them is to implement and develop strategies to stabilize our financial position. As I go through some of the numbers, this will become more clear.

But as part of the economic recovery goal, we have operational efficiencies as one of the tactics that we need to implement in order to recover and carefully use our staff time. Next slide, please.

The proposal here before you today is to replace the Resolution 84-83 to update it to more closely -- or to exactly match the actual operations that take place from that older policy. The proposed policy makes clear all the necessary steps.

When we look back at the old policy, we often have to remind ourselves what we meant back in 1984. So this new policy will eliminate any of that ambiguity. And because there are so many entities involved, the Port staff, the executive director, the city attorney's office and the controller, this new policy will make it clear for all of the parties who is acting and when. Next slide, please.

As a bit of sort of data about what we're talking about --

President Adams: We've just lost Rebecca momentarily. She'll be back.

Rebecca Benassini: My deepest apologies, commissioners. I'm so sorry about that. Can you hear me?

President Adams: Yes. We can. Go ahead, Rebecca.

Rebecca Benassini: I'm so sorry. Thank you.

President Adams: All good. [crosstalk]

Rebecca Benassini: Thank you for your patience.

President Adams: All good.

Rebecca Benassini: So I was going over the 10 years of data that we have on write-offs that our city attorney and others were able to compile for us. So the write-offs that we've done over time are rare. It's very interesting. If you go back to 2008, you can sort of see the economic cycles in place.

During the great recession, we got up to seven write-offs. The sums totaled, at the height of this time period, \$882,000 total. And then, they -- on average over the 10-year period, we've averaged three write-offs, about \$264,000 per write-off. Next slide, please.

We think this may be different for the next couple of years. As I noted in the staff report, we had a couple underlined sentences to be clear about new information. The current accounts receivable sum to about seven times the typical balance.

Each month, our property managers, wharfingers and others who are in communication with our tenants look through the list of total outstanding balances. And they make a judgment, 25 percent, 50 percent, 75 percent, 100 percent or 0 percent as to how much of that money may be collectable or that we will actually receive.

The current estimate across all of the accounts receivable balances is that we will settle or write-off about 60 percent of that balance. It's a large number, \$14.8 million at this time. These estimates change each month as conversations with tenant kind of ebb and flow as the ups and downs of the pandemic hit them.

And I want to also note that, of the \$14.8 million, several million are represented by forgiveness amendments under the previously approved forgiveness policy that tenants haven't yet executed on because there are other outstanding disputes in their lease.

So a couple million will, we believe, be settled through the forgiveness program. Others will be in settlement agreements that likely come before you due to the size of the settlement agreement. And then, another portion will be written off because we anticipate at some point tenants will vacate the premises without paying. Next slide, please.

So here are the steps in the new policy. I'm going to go over in more detail the steps that will be underlined that indicate changes from the February 8th policy proposal. First, we confirm we have possession.

Second, we determine -- we being Port staff determine if an account is delinquent or uncollectable or not cost effective to pursue by going through these steps, notifying the debtor, attempting to collect, preserving evidence, exhausting potentials for payment plans or settlement agreements, applying any financial instruments that we have and then conducting a preliminary business-and-asset search. And if the debtor does have funds to potentially pursue, we move on to step three, which is the next slide, please. Thank you so much.

The city attorney will then assign a deputy city attorney to work on the business and the asset search. They will also evaluate potential success of litigation and then potential success for collection. We'll together analyze the case with the city attorney.

If the analysis results in one of the A, B or C shown below, then we would recommend a write-off to the controller. So if the debtor has insufficient assets to pay or if the debtor has assets by the cost and the risk of pursuit and collection outweigh that potential of actually receiving the money and if there are no other policy issues at issue in the particular case, then we would pursue that write-off to the controller.

I mentioned earlier the potential policy issues that we might consider are if the tenant has -- there is significant damage to the property or there's some other reason to pursue the tenant even if we don't think that we could potentially collect sufficient money to sort of cover the cost of that pursuit. Next slide, please.

Here is where you'll see a couple of changes. We want to be clear in the policy that the executive director is the Port staff member. And her designee -- that is the staff member that can recommend a write-off along with city attorney and city controller. If all three concur in the recommendation of the write-off, then we would send all the Port commissioners the recommendation.

We have a number of -- currently, we're providing the monthly leasing and reconciliation reports, as an example. I could envision -- or I envision inserting notification of a write-off in this sort of report. So we'd notify the Port Commission. And then, we would wait 30 days to make the actual write-off action.

This concept we came up with after discussion on February 8th to give the Port commissioners some visibility into this process and to provide some time in case Port commissioners are interested in finding out more about the particular tenant especially in cases where you might have heard of the tenant before if we were in negotiations for a settlement that ultimately fell apart.

So after 30 days, then the accounting staff would actually implement the write-off into the financial system. And that would be the sort of permanent action at the conclusion of the whole policy. Next slide, please.

That concludes my presentation. We recommend approval of the attached Resolution 22-11, which would replace the 1984 policy with the 2022 policy. Thank you so much, commissioners.

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

No Public Comment on Item 8A.

Commissioners' Discussion on Item 8A:

Commissioner Burton: No comments. But I'm in favor.

President Adams: Okay. Commissioner Brandon?

Commissioner Brandon: Rebecca, thank you so much for that report. So I know we're chartering new waters here. And we have such an expanded list of settlements and write-offs. So I'm wondering, what percentage of that 60 percent do you think will be written off?

Rebecca Benassini: Thank you, commissioner. I would have a really hard time putting a number to it. I am really sorry about that. It's just very hard to do just given sort of what we're hearing so far -- [crosstalk]

Commissioner Brandon: Okay. And then, approximately how much -- what's the average per write-off are you expecting?

Rebecca Benassini: I think it's -- I don't have any reason to believe it's out of line with what we've seen in the past. We still have -- the typical size of a tenant's leasehold is not much larger than it's been in the past. So I'd expect the dollar value to be similar to the last 10 years, just the number of write-offs to be higher, if that makes sense.

Commissioner Brandon: Yeah. For me, you know, I've seen the monthly reports. But I haven't analyzed them. And I don't know which ones are uncollectable. So it's really kind of hard for me to just -- and I understand the difference between a settlement and a write-off.

And I know that, when we write something off, we have all these provisions. But I'm still leery of just giving open access to writing off without us knowing. And I don't think giving us the notification in one of the monthly reports is adequate because, for months, we didn't get those reports.

So I think there should be something a little more -- I think that, because we may have so many and because this is really going to affect the Port's balance sheet,

I think that there should be a better way to inform the commission whether you bring it to us quarterly or do some kind of presentation or something to let us know exactly what we're dealing with because this could go on for the next few years.

It may get larger. We may have more write-offs. So it's just hard for me to just say, okay, regardless of what the amount is, regardless of who it is, if you have to write it off, write it off. That's just my feeling.

Rebecca Benassini: I have one b -- Elaine, did you want to respond first? I had one thought. But I don't have a great idea. I only had one first thought. From the balance-sheet perspective, our finance team is incorporating the anticipated write-off and that affects -- so sort of that monthly accounts receivable report you all get that shows our financial position, they've already taken into account how much money we actually think we're going to collect so that they make sure we aren't spending beyond our means while we're trying to collect on these balances.

So luckily, from the financial reporting standpoint, we're on really strong footing in terms of projecting revenues coming forward and not overspending based on a larger accounts receivable. But I hear your concern. Elaine, I'm happy to think it over for just a moment to think about what might be better than having just the note and then having the 30-day hold period.

Director Forbes: I'm trying to think about a better method of reporting. I did want to remind you, Commissioner Brandon, that these accounts that are uncollectable will have been verified from our city attorney and controller's office.

So we really can't find a way to recover at this point. I think the way that we might best handle it is -- I was going to suggest a consent item. But I think that might be more than we need -- perhaps an update and a reference in the director's report.

And if there's any discomfort, a comment about it, and we'll bring it to the commission as an item, something like that -- I think an opportunity to comment. If there's any concern, then we would bring it as a consent item or an actual item.

But the key here is that no one feels that they can recover on these balances. There's not a party to continue to seek from. Or at least, that's the determination of staff, city attorney and controller.

Commissioner Brandon: So once a tenant, customer has a write-off, how does that affect their ability to do business with the Port again?

Director Forbes: Go ahead, Rebecca.

Rebecca Benassini: I can begin. We don't -- I've looked into this as well. The

city does not keep a list like what you might imagine they would keep. They just don't keep it. We always have sort of the reference check that we do before we sign a new lease where we hope we would find lease terminated, nonpayment in that sort of a search.

But that's really our main mechanism is checking whether or not they're on anyone else's list in terms of having a credit issue. So we don't currently have a do-not-lease-to policy. And I think, as we move forward with filling vacancies, we're going to do another check to see whether or not there were any of our policies that allowed us to lease to tenants that ultimately had this difficulty with paying rent during a really difficult economic cycle.

So it's definitely something we're thinking about is, should we continue doing the same credit-check policies and procedures that we've had in the past? Or should we do something different to protect against this in the future?

Commissioner Brandon: Yeah. I do think that we need to do whatever we can to help our tenants stay in business, you know, if they can. So I think that that should be our first goal is to help our tenants.

But I just -- so I have a business. And my business goes bankrupt. And you write off whatever debt I had. And I start a new business. That's a whole new tax ID number. That's a whole thing. But then again, I can come and lease more property from the Port.

So I'm just trying to think of what we can do for transparency so that we really understand who we're doing business with and understanding that, you know, yes, it may be uncollectable today. But you know, a year from now, it may not be. I don't know.

I'm just thinking more transparency and something that the commission can follow to understand -- and because this is unprecedented. I think that maybe we should try something out in the beginning till we comfortable.

I understand that we're saying it's uncollectable. But is it really uncollectable? And one of the commissioners may know that organization or know that they have other businesses. So just trying to find a way that we can be a little more transparent and that you can keep the commission, you know, up to date on what's going on instead of just an open-ended write-off policy.

Director Forbes: As we proposed it, it's 30 days before taking the action, as I recall. Rebecca, I have that right, 30 days before taking action? Perhaps what we could do is, in addition to receiving the report for the commissioners, I could talk about it in the director's report 30 days before action.

If any commissioner has a comment at that point, we would bring an item if there

is one or two of the accounts that you're concerned about or you're concerned about all of it and want more transparency. You could direct us at that time to bring an item.

And that way, we can see how it's going. And if there's more commission interest in it, you can just re-refer from the director's report. And then, we wouldn't take action on whatever you're re-referring on. And instead, we'd bring an item to commission.

Commissioner Brandon: Do you think you can include the report in our monthly packets?

Director Forbes: I think we can. Rebecca, what do you think?

Rebecca Benassini: And are these -- for sure.

Director Forbes: Yes.

Rebecca Benassini: You're referring to the monthly AR and leasing package we currently send?

Commissioner Brandon: The monthly staff reports, when we get our items, to have the report in that.

Director Forbes: I see.

Commissioner Brandon: Is that doable?

Director Forbes: Yes, I think so --

Commissioner Brandon: Just an information --

Director Forbes: -- as a separate report to the packet.

Commissioner Brandon: Mm-hmm.

Director Forbes: And then, we could -- and we would anyway -- I'm right about this -- make this public -- this is public record anyhow. We would just be consolidating that in a report that would be an added attachment to the commission agenda.

Commissioner Brandon: No. Just a memo to the commissioners.

Director Forbes: Memo to the commissioners. Yes. I think we can do that. Yes.

Rebecca Benassini: Definitely.

Commissioner Brandon: Thank you.

[Director Forbes]: Very good.

President Adams: President Brandon, I better ask you before I move on. Did you get all your questions answered?

Commissioner Brandon: Yes. Thank you.

President Adams: Are you good?

Commissioner Brandon: I'm good. Thank you.

President Adams: Okay. Commissioner Gilman's on fire. I can just see --
[crosstalk]

Commissioner Brandon: [laughs] Well, I might come back.

President Adams: Come on, Commissioner Gilman. You're up. Fire.

Commissioner Gilman: Okay. I actually don't have that many questions. I had a couple of clarifying things though just because, as always, Commissioner Brandon makes me think about things in a different way or approach a situation differently. And it spurs for me just clarification and questions.

So I just want to reiterate. By the time you're giving us this 30-days' notice in the report, the person has left their space on Port property. They're no longer occupying it. They have already been vetted by the controller and the city attorney's office who recommend that any further action on behalf of the Port or the city would just incur unnecessary cost because the analysis has been, in this moment in time, that there is no way to collect this debt.

Rebecca Benassini: That's correct. And you will be surprised at how long that takes when you start to see these reports. [laughs]

Commissioner Gilman: I guess that's giving me some confidence. I do think it's intriguing about what Commissioner Brandon raised which I think is a larger city issue maybe. Maybe we could ask the city attorney's office to comment on it about -- I'm in an LLC. I dissolve it. We go bankrupt. I then pop up and do another one or have shell companies under shell companies that I'm still the person as the principal officer, you know, running that organization.

So I do think it's interesting about how we ensure that we don't release to someone who is a bad actor or who might put us in this predicament again. So I

just think that's an interesting aspect. I also think it's something for the city to consider because I wouldn't want someone who was renting space from the airport and then went belly up and the airport wrote off their debt to then turn around and try to rent at the Port.

So I just think that that was an interesting aspect to think about. I'm fine with all the mechanisms around transparency that you want to put into place. I appreciate the monthly reports and the 30-days' notice.

Again, it's just us carrying the debt longer. There's really no consequence in waiting 30 days to take action. It's just showing up from us -- from a financial perspective. The tenant and the business is gone by the time it gets to us.

Again, I hope we also continue to work diligently. I'd rather keep a space occupied and negotiate long-term payment plans with someone than have to go through this process and write off this debt and have it abandoned particularly since, in the earlier item under one of the sc -- the worst-case scenario from a budget perspective, it says when we're re-leasing retail or restaurant space from the time of default to the time of re-leasing could take 2.4 years. So we'd really like to keep our tenants in as much as possible. But I'm find moving the item forward.

President Adams: Thank you, Commissioner Gilman. Vice President Woo Ho?

Vice President Woo Ho: Thank you, Rebecca and Elaine, for the updates and the ongoing discussion here. I just want to expand a little bit on one of the points that has been made earlier. That is, one, I think that, today, in terms of when we actually vet someone to lease, what do we do in terms of actually looking into their credit history, etcetera?

I mean, it should be part of our standard policy to vet a lessee regardless of whether they were previously a tenant of the Port or, as Commissioner Gilman said, they were a tenant at another city agency. Or they could have been a tenant in the private sector and have had issues.

So I am asking the question a policy level. Do we have ways to sort of make sure we understand that so that we can decide what to do? And if it was extraneous circumstances that, if there was such a profile, that we do not permit under our current leasing policy to lease with someone with such a background that, if you all felt that there were extenuating circumstances, that you would bring that lease to the commission for discussion, so that's -- I think that's another discussion.

Maybe you all come back and tell us how to handle those situations as far as this policy is concerned. The other question I have is I'm not familiar with -- you know, since we deal with cash accounting and not accrual accounting, have you run

this uncollectable balance policy by our external auditors to see that they are comfortable with the process and the time on when you actually recognize the uncollectable balance?

Because, under normal rules, accrual accounting, there would be some guidelines about this. I'm not saying they would object to it. It's just, are you -- are they comfortable with the process? And have you checked in with the external auditors on this policy?

Rebecca Benassini: Thank you for the question. I see Ms. Petrucione has come in to help answer. I have a start of an answer, but I'm sure you'll have a much fuller answer.

Katie Petrucione: Well, I would say that we have not run this specific write-off policy past our external auditors. But they are certainly aware that we have been taking allowances against revenue based on our assumptions of what is collectable or not at fiscal yearend.

So they're certainly aware that we're writing down revenue. But I think, Vice President Woo Ho, that it does make sense for us to just pass it by them to make sure that they're comfortable with this approach.

Vice President Woo Ho: Yeah. I would suggest you make sure that they are comfortable with your process and your procedures and the timing of when you actually account for it on the books. So I would suggest that, before we finalize this and then you find out that auditors are not comfortable and you have to change it again to meet whatever they feel is the right process -- so I hate to say that that might continue the item. But I think I would want that checkoff first.

Director Forbes: Just so you may feel more comfortable -- and I think we're absolutely comfortable continuing the item if that's the right thing to do -- the accounting group writes off these balances way, way before this write-off recommendation is -- this policy.

So there's two sides of the house. And the accounting side assumes uncollectability earlier than the city attorney, the controller's office and our team stops trying to recover from these accounts. So the way the accounting approaches it is a long-standing policy that our third-party auditors have reviewed and understood.

This is a secondary, when we stop -- still -- on the business side stop trying to collect the account. So there are two sides of this. But I think it's absolutely worthwhile for us to share this policy with our auditor to ensure that they're comfortable. That makes very good sense to me.

And we could easily continue this item and put it on consent once we've had that

occur. And we can also write in the policy the amendment and improvement to public transparency that we've worked through with Commissioner Brandon.

Vice President Woo Ho: Right. And then, my earlier question as it relates to, how do we make sure we vet lessees? I'm not just talking about people that are affected by the uncollectable balance policy. But in general, how do we make sure that there is adequate vetting to make sure that we don't re-lease if they've been a bad actor somewhere else regardless of whether it was bankruptcy, whatever the issue is?

I mean, it could be lots of different issues. And if you do want to lease to someone like that, then what is the policy? Do you bring it to the commission so that we all agree that maybe there were special circumstances or, etcetera, etcetera, or there are different terms for the lease?

So that's a separate item. It's not something you're going to put into this policy. But I'm suggesting that you think it through because it sounds like you do not necessarily have standard steps today because I don't see Rebecca saying, hey, I want to tell you what we do right now. So I think it's still a little bit of a gap right now. So let's handle that gap too. Make sense?

Director Forbes: Yes. It does. Go ahead, Rebecca. I was going to say that we haven't had the experience where someone who's abandoned our property and was an uncollectable account, to our awareness, came back as a different entity or as the same entity trying to lease from us.

That said, when you looked at Rebecca's table, we've never been in a situation to have this many accounts. And that the city doesn't keep a centralized list of sort of actors not in good standing post write-off, that's a blind spot that we've identified here for our own leasing.

We do have standard provisions in leasing to tenants including everything from credit checks to security deposits to references. Rebecca can go into more detail. But we do have a policy that has checklists that confirms financial viability. But I think there is room for us to take a look at things and come back to you with an item. Rebecca, did you want to add more?

Rebecca Benassini: You've listed the steps. So the steps we take are a credit check. We do a Dun and Bradstreet business search. We check that they are a duly organized entity under the State of California. They need to do a two-month security deposit, of course. They have an environmental or other deposit that might be associated with their lease.

So those are the standard things that we have been doing and led to not so many write-offs over the last 10 years. But we are in a new situation for sure. I think we're always trying to balance being a potential low-cost place for tenants

with trying to make sure we have stringent enough financial security instruments in place.

So it's a real balance. But our current checklists are the ones I just listed. And of course, they also have to have insurance in place before we'll sign the lease. So those standard items -- I think it's worth talking about in the next couple months to see if there's other items we should add to that.

Vice President Woo Ho: I would say, unfortunately, you know, one of the things -- we have seen some great stories in this pandemic of people really going above and beyond and being totally helpful and caring and whatever. But we've also seen the other side of human nature in this pandemic unfortunately.

And just look at all this mass retail theft. I mean, there's just -- people's characters have changed. And what has been unacceptable in the past is now sort of acceptable now. I'm not saying that any of us -- because I think we all have our own strong moral compasses.

But unfortunately, there are people in society that, at the moment, do not. So I think we have to guard ourselves against the fact that this is a different time. I think we all know stories of -- you know, just amazing. I mean, there's the tremendous stories that we see that are just -- make us feel good as human beings every day.

And there are other stories that just make us kind of really shake our heads and very sad and disappointed in people's character. But to be forewarned, you should be forearmed.

President Adams: Okay. Anything else, Vice President Woo Ho?

Vice President Woo Ho: No. I gave my sermon for the day.

President Adams: I think that we've had enough on this issue. I think we're going to continue this issue. Carl, do I have to do anything procedurally?

ACTION: Vice President Woo Ho made a substitute motion to table to item for a future meeting. Commissioner Gilman seconded the motion.

Roll Call Vote:

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

President Adams: It passed unanimously to table it to another meeting. Carl, next item, please.

- B. Informational presentation on a proposed Memorandum of Understanding between the Port and the City's Real Estate Division regarding the purchase by City of approximately 2.6 acres of Port property located at 1236 Carroll Avenue in the Southern Waterfront to develop a new fire personnel training facility.

Jamie Hurley: Good afternoon, President Adams and commissioners, Director Forbes. Jamie Hurley, project manager with the Port's real estate and development division. And I'm here to present on the MOU as just read by Carl. Next slide, please.

So in today's presentation, I will begin with just some general background about what is envisioned and orient you geographically to where we're talking about. I'm joined by the fire department as well as the city's real estate department who will talk more specifically about the project and sort of the transactions required to facilitate the project.

And then, I will come back and talk a little bit more about the Port's role, alignment with our Port strategic plan. I'll talk about the legislative approvals needed. And there are various approvals needed. And then, I'll talk about next steps. Next slide, please.

So just to touch briefly on one of the two transactions that the city's director of real estate will be speaking to a little more about later in the presentation, but the Port transaction involves a 2.6-acre Port site that consists of two so-called paper streets as well as a railroad-remnant parcel, all of which are currently vacant and have never been particularly productive or functional assets to the Port.

The most recent lease for the property, which was just for the railroad-remnant parcel, was for contemporary construction project laydown and has a lease rate of \$0.30 per square foot per month. The MOU -- the purpose of the MOU between the Port and the city's real estate division would be to convey the Port property to the city in exchange for fair-market value, conditioned upon the successful passage of state legislation to lift the public trust from the Port property.

And I'll be speaking more a little bit later on about that state legislation. The MOU will require both Port Commission and Board of Supervisors approval. And then, the State Lands Commission also has a role here, which is mainly to confirm the fair-market value that the Port's harbor fund for fair-market value. Next slide, please.

So before we get into sort of the what and talking about the project and what is

envisioned, I wanted to sort of orient you to the where. So the 2.6 acres along with some adjacent privately held property that we're talking about is located in the southern waterfront. It's indicated by the star on this map view. And it's just south of Yosemite Slough near Hunter's Point in the Bayview. Next slide, please.

And then, a little bit more about the location and the neighborhood context, this is a Google Earth view looking down on the site indicated by the Google indicator. The address is 1236 Carroll Avenue. And again, you could see Yosemite Slough there just to the north of the project site. Next slide, please.

And these are just a couple of photos to show you the existing conditions of the site. You can see that the site is vacant. The photo on the left is from outside the gate. There's a -- it's a fenced-off site. And the photo on the right is within the fenced area. Next slide, please.

This is a project that involves a number of city agencies. So in addition to Port Commission and the Board of Supervisors, we're of course working very closely with the fire department, with the city's real estate department, with Mayor Breed's office and as well as with San Francisco Public Works who ultimately will be designing and implementing the project.

Again, we'll talk more about what the project is here shortly. I am very happy to be joined today by Chief Jeanine Nicholson from San Francisco Fire Department as well as Assistant Deputy Chief Thomas O'Connor as well as Andrico Penick, who is the city's director of real estate. Next slide, please.

At this point, I'd like to invite Chief Nicholson -- I'll turn it over to her to cover the department's vision for a new training facility. Chief?

Jeanine Nicholson: Thank you so much, Jamie. Greetings, Port Commission, President Adams, Vice President Woo Ho and commissioners and my sister Director Forbes. So nice to see all of you. And thank you very much for hearing this item today.

I've had the honor of serving as the chief of the department for almost three years. And this project on day one was my top priority. And my staff and I have been looking for a large piece of land to build a state-of-the-art fire-training facility for years.

And thanks very much to the hard work of the department of real estate, Andrico, and my team, we have identified the Carroll Street property. I really want to thank the Port staff for such wonderful partnership on this project.

Really to put it in simple terms, commissioners, if we cannot train, we cannot do our job. You know, we've seen an increase in call volume growing year after year. We've seen the wildland-urban interface fires all over the state that we must

train and prepare for. And that's no longer a seasonal response but a year-round task.

And the fire department -- we need to be nimble and ready for whatever comes our way: terrorist attack, earthquake. You name it. We have to be ready for it. And this fire-training facility is critical for our city and our state.

And with every fire station throughout our city, you know, we pride ourselves -- you know, being part of the fabric of each neighborhood we serve. And we really hope we can be a good neighbor and become part of the community surrounding this property.

We have begun outreach to the community. And I plan to speak with neighborhood associations to ensure they feel included and really understand what this facility will add to the area. I think we can have some really wonderful partnerships.

So I am now going to ask my chief of administration, Tom O'Connor, to present some slides that will show you sort of a brief description on what we do as part of our training and some programs that I am very passionate about to continue to grow at our new training facility. And I thank you so much for your time.

Thomas O'Connor: All right. Good evening, commissioners. I'm Tom O'Connor, deputy chief of administration. [And I'd like to] present you a few slides on our need for a new training facility. Currently, our Treasure Island facility is slated for demolition.

And our back is up against the wall trying to find somewhere to train our members. Right now, we're the largest fire department and EMS provider in Northern California. And this state-of-the-art training facility that we're looking to build will serve as not only a regional training center but also help us to serve all of Northern California's fire and EMS and incident command and rescue training needs. Next slide, please.

So we're going to break it down into three sort of bite-size morsels for you. For fire suppression, the fire department requires three academies per year to maintain our staffing. And each academy has roughly 50 recruits.

We also have mandated training required year round for the entire department. And in order for us to maintain our status, comply with the laws and standards, we need a parcel of land large enough to house the following.

We need multiple classrooms. We need training props for our firefighter I and II course. We need urban search and rescue rubble pile. We need high-angle rescue props. That's for our rope and [cliff] rescue techniques.

We need transit training props where we simulate BART and MUNI rescues. We need room for an emergency vehicle operations course as well as a California commercial driving course. We need an agency briefing room. We need emergency operations center capabilities, somewhere to store our apparatus and equipment, a shop to repair all these items and also an in-service training prop area as well. Next slide.

We also have roughly 80 percent of all the calls in our system are emergency medical calls. So for our emergency medical services division, we have roughly 300 employees broken down into two main components.

We have our ambulance staff that responds out of ambulance deployment facility. We also have our growing community paramedicine division where we kind of call this EMS prevention. We're trying to get out to our most vulnerable communities and populations before they become a 911 emergency phone call.

So for all this staffing, we'll need the following. We need room for our paramedic academies as well as our paramedic re-accreditation. We need room for our EMT academies as well as our EMT accreditation.

We need room for rescue captain training. That's our paramedic supervisors. And lastly, we need room for community paramedicine training which is comprised of our street overdose response teams, our street crisis response teams and our street wellness response teams. Next slide, please.

We also host a bunch of local, state and federal partnerships. We're one of the only areas in Northern California that can teach fire departments from outside of the City of San Francisco where we teach rope-rescue technician courses, confined-space rescue classes, rescue systems 1 and 2.

And we also have partnerships with local, federal and state agencies such as the state fire marshal for our training. We're a signatory on the master mutual-aid agreement. We're also a partner with the office of emergency services. And we staff five engines that go to all the wildland fires.

We also have the City and County of San Francisco emergency response team, which is part of our incident management training. And we're part of the Bay Area urban securities initiatives and the training and exercise workgroup. Next slide, please.

And lastly and perhaps most importantly going forward, this new facility, if it's approved, will let us delve deeper into our community partnerships which are so valuable to us. So we have a lot of programs that encourage local youth and local residents to train and learn about fire and EMS in the hopes that they can get a career in public safety.

So we have our city EMT program where we have our disadvantaged youth in San Francisco who -- this was developed by Chief Nicholson along with some city partners. And we target and find residents of the community that look to find a career in public safety.

And we host them and train them and then enter them into our 9910 program, which is a public service training program where we pay them to get the requisite hours to become paramedics and EMTs and hopefully have them, again, gain a foothold into the middle class by entering a public safety career here in San Francisco.

We have our black firefighters youth academy, which we've been hosting for a long time. We have pre-hiring orientations and preparatory academies for our candidates that need some more development.

We have an annual girls fire camp which is hosted by our United Fire Service Women. And we're about to start with our fire candidate training center. It's a new testing system that allows us to target local residents -- Bay Area residents and, again, train them to become firefighters, train them to become EMTs, help them become candidates on our entrance exams.

This facility also will be hosting our affinity groups comprised of the Asian Firefighters Association, our Black Firefighters Association, our United Fire Service Women, our SFResQ, which is our LGBT group, Los Bomberos and lastly our partners in labor, Local 798.

And also, we'll be hosting community events at this regional center: job fairs, CPR training, hosting community meetings, firefighting boot camps. So you can see this is not just a training center for our members. But it's also a training center for our residents and our youth and our community groups.

And we really want to be part of the fabric of the local community and try to present pathways, again, into careers in public safety, into careers that can give someone a toehold into the middle class. So thank you for your time. We really appreciate you hearing this item.

Jamie Hurley: And if I could have the next slide, please -- thank you, Chief Nicholson and Chief O'Connor. For this next slide, I'd like to invite Andrico Penick, the director of the city's real estate department, to talk about the sort of site-selection process that he went through with the fire department and the site assembly. Andrico?

Andrico Penick: Thank you, Jamie. Good afternoon, President Adams and commissioners. My name is Andrico Penick. I'm the director of real estate for the City and County of San Francisco. First, I would like to talk to you about site selection.

We've been looking for a fire-training facility for more than three years now. As you might imagine, the fire department needs a contiguous site of anywhere from seven-and-a-half acres to nine acres. Such an animal doesn't exist in San Francisco.

Every site that would be potentially available is already either developed or well on its way to being developed. Our three-year search took us as far as Brisbane in San Mateo County trying to find acreage of the appropriate size.

You might ask why this site and why Port property. What drove that decision making is that this is an assemblage which basically means that we're taking property from two different property owners to assemble together to make a site big enough for this project.

After repeated refusals from the adjacent property owner, Prologis, to entertain a sale of their property, they had a change of perspective and a change of heart. Through diligent negotiations, we were able to secure a purchase and sale agreement for 4.9 acres, which is adjacent to the Port property.

We are right now holding that property off market through a purchase option. That purchase options expires in May of this year. That purchase option has a signed purchase and sale agreement attached to it. And we're only waiting for the process to get the Port property before the city moves forward.

Due to reasons regarding the state legislative calendar, we will be going to the board to ask them to acquire the Prologis property at risk, i.e. before we get the final approvals from Sacramento. And I can explain a little bit more about that in a second.

So it's the proximity to the Prologis site that makes the Port site so valuable. With the 4.9 acres from Prologis and the two-plus acres from the Port, we would now have the assemblage that you see in the dotted box, which is approximately 7.5 acres, the minimum needed for this site.

I really wish I could tell you that we had a plan B. But we don't. This is the only site that we've been able to identify. It's the only site that, even through assemblage, would meet the minimum standards for all of the essential activities that the fire department has just described to you.

Now, I'd like to take just a few moments to tell you about the transaction. Again, we have a purchase and sale agreement and a purchase option with the private property owner next door. So that is basically -- those negotiations are completed.

We have negotiated in principle an MOU, which we've hoped that you will find

acceptable with the Port. That MOU is, of course, conditioned upon the state legislature removing the trust to allow the disposition of this land.

The fire-training facility will be paid for through ESER bonds. Those bonds require that we have a fire-training facility for the life of the bonds. Those bonds have a 30-year life. So we can give you that assurance that, one, not only would this site be used for a public purpose for the next 30 years and probably in perpetuity, but it will be used for the fire-training facility that the fire department has already described to you.

We know that your approval is one of many steps that we need to take in order to get this to the finish line. But we're hoping that we will have your support along the way. Lastly, I just want to share with you the legislative schedule for our approvals with the Board of Supervisors.

And this legislative schedule was developed in conjunction with Port staff to sync up with the Port and state approvals. We will be introducing legislation for the purchase of the Prologis site and the conditional approval of the Port sites in March 21st of this year.

We hope to be in front of the budget and finance committee on April 13th of this year. And we'll be going to the full board for their approval and conditional approval of April 19th of this year. If we get those approvals, we will be closing on the Prologis site this May just in advance of the expiration of our purchase option.

It's the expiration of the purchase option which requires us to go forward at risk because we've run out of time to wait for the state legislative process. This concludes my portion of the presentation. I'd like to turn it back over to Jamie for further comments. Thank you for your time.

Jamie Hurley: Thank you, Andrico. Next slide, please. So I've just got a few more slides, commissioners, that I'll try to run through quickly. But I wanted to get back to the Port role in all of this and alignment with the Port strategic plan.

So again, our role on the Port side is essentially limited to we'll be facilitating the sale of the Port property to the city at fair-market value. And that fair-market value will need to be confirmed by the State Lands Commission. I'll mention a little bit more about that in a moment.

In terms of our strategic plan, you know, the funds that we will generate through that sale will contribute to the Port's economic recovery. I think that's a very important part of this. And in terms of sustainability, essentially this facility will really enhance emergency preparedness in our city and our region as the fire department has spoken to you about. Next slide, please.

Talking -- talk to you a little bit more about the legislative approvals needed. And

Andrico referenced the board process. So in terms of the local approvals, Port Commission and Board of Supervisors, those will facilitate or approve the jurisdictional transfer of the property through the execution of an MOU between the city and the Port and adopt CEQA findings.

There are also state approvals required, as referenced. We've been working very closely with the California State Lands Commission. And their role going forward will really be to confirm, again, that the Port will receive fair-market value for the property.

And then, the state legislation that Andrico mentioned -- state legislation is required for all of this. I'll speak more about that in a moment. Next slide, please.

So I'm very happy to report that Assemblymember Phil Ting did introduce just last Friday -- this past Friday a bill that would allow us to move forward with the envisioned sale of the Port property to the city.

And I want to just highlight the fact that this is not something that the Port would enter into lightly and takes very seriously and that we've been working very closely with our partners at the State Lands Commission and with the mayor's office and now with Assemblymember Ting and his office.

And I wanted to highlight some language, some verbiage from the bill that was introduced to, again, kind of highlight why we would consider this. So there's a finding within that legislation that says -- and I'm reading this. And you see it on your screen.

"The property has ceased to be useful for the promotion of the public trust and the Burton Act Trust. The property was filled and reclaimed as part of a highly beneficial plan of harbor development, has ceased to be tidelands, is cut off from the water, constitutes a relatively small portion of the tidelands granted to the city, is not currently being used and is not anticipated in the foreseeable future to be used for public trust or Burton Act Trust purposes."

And the other thing I just wanted to highlight again from the legislation is it does require that fair-market value is paid by the city to the Port for uses benefitting public-access use and enjoyment of the San Francisco waterfront.

In other words, the money that the Port will receive will go into the harbor fund and, therefore, be beneficial to the public trust. Next slide, please.

And just to wrap up with anticipated next steps, tomorrow Port staff and our partners -- we will be briefing the Port's Southern Advisory Committee. And then, later, in a few weeks, probably in around mid-March, the MOU that Andrico described will be finalized.

And we would then bring that MOU to you for your consideration of approval. And we're expecting to do that at your April 12th meeting. And then, Andrico just outlined his schedule for then going to the Board of Supervisors with that MOU.

And in terms of the legislation, we are anticipating approval of that legislation in the fall -- late summer, early fall. The State Lands Commission will have an approval role. And the transaction will be completed once that is all done. And the state law is signed into law. And we can close on the transaction in about a year from now. Next slide, please.

And that concludes my presentation. We look forward to your comments and questions. Thank you, commissioners.

Public Comment on Item 8B.

Shon Buford: Yeah. I apologize. My name is Shon Buford. And I'm the current president of San Francisco Firefighters Local 798. And I'm calling in support of this MOU and sale. Local 798 has been working collaboratively with our administration, Chief Nicholson and Deputy Chief O'Connor. We've been working with real estate.

But we'd also like to share the importance of this facility and how it will benefit not just our members but the citizens. As Chief Nicholson mentioned earlier, [without] ability to train, we're not as effective or efficient for those that we serve.

And the training facility is something that the voters under the ESER bonds voted to allow us to move forward. As you know, real estate is hard to get [a buy]. And now that we're able to get this location, we're really looking for your support to allow us to move forward with this.

As they mentioned, Assemblymember Ting's office has introduced legislation to move us forward. And we're very optimistic that this not only be beneficial in this collaborative effort, like I said, for our members but for the citizens.

But also, specifically, the Bayview-Hunters Point community will have a facility where they can see San Francisco firefighters training there, interact with us, get to learn the profession and hopefully entice more of them to move in there.

So again, on behalf of the members of Local 798 and myself, I ask you that you support the sale of this property to real estate department and our department. Thank you very much.

Francisco Da Costa: Commissioners, my name is Francisco Da Costa. And I'm the director of Environmental Justice Advocacy. First and foremost, first responders need an area, a facility that does not adversely impact their health.

The real estate division hasn't conducted an environmental impact report. And in this case, the most important thing to do is to get the samples from the soil. Borings -- they're called borings. You don't need to be a rocket scientist. A lot of this land is prone to liquefaction but, in 10 or 15 years, will also be adversely impacted by sea-level rise.

Don't be foolish to go into a contaminated land. We already have a couple of doctors who are testing people in the vicinity. It's called biomonitoring. And those results can be given to the commission to do their own adjudication.

Our first responders must not be put in harm's way on contaminated land prone to liquefaction and sea-level rise with signs on whatever small shoreline is there that warns people not to go near the water. Try to figure out this madness that you're discussing about.

Armie Morgan: Hi. Can you hear me?

President Adams: Yeah. We can.

Jenica Liu: Yes. We can.

President Adams: Go ahead.

Armie Morgan: Hello.

President Adams: Yes. We can hear you.

Armie Morgan: Hi. My name is Armie Morgan. I'm a fire commissioner in San Francisco. And I'm a proponent for this training facility. I think it's going to be really needed for the future and to keep growing the fire department in San Francisco.

It's a great opportunity for some of the younger kids in the Bayview like Chief Nicholson and Chief O'Connor talked about to help create equity and create diversity in the fire department and to continue to do that.

And it will also create good union jobs and construction jobs to build the site which I am a member of the Operating Engineers as well. And this would create good union jobs, good construction jobs and keep people working and supplement our apprenticeship program and give opportunities for work for local hire in the Bayview.

So I am a proponent. I think this is much needed with the natural course of things, you know, people retiring. We need to fill those spots. We need to bring in some young blood. And who knows what's coming in the future? So I think we need to be prepared. And that's all I've got to say. Thank you for your time,

commissioners.

President Adams: Thank you for your comments. Next?

Steve Nakajo: My name is Steve Nakajo. I'm the vice president of the San Francisco Fire Commission. And with my colleague, Armie Morgan as well as Commissioner Ken Cleveland, Commissioner Covington as well as our president, [Kathleen] Feinstein, we support the proposed MOU between the Port and the city real estate division.

As a point of information and so much appreciation goes to you, members of the Port Commission, but to the real estate division but to all [in terms of] San Francisco that are trying to create this much-needed state-of-the-art training facility.

I've been a fire commissioner for 25 years now. I came in when the consent decree was first presented, watched the department grow in diversity in terms of gender as well as members of the community of color of San Francisco and beyond, gained the knowledge base in terms of the importance of [suppression], watched San Francisco in the last 25 years grow in terms of building inspections in all areas included with that.

San Francisco and our city has changed a great deal. All of us know the effects of COVID and in terms of what our department has to respond to. But also, we now are the state-of-the-art direct service providers in terms of every crisis program that Chief O'Connor and Chief Nicholson talked about in terms of the street crisis teams and everything that you see in San Francisco every day in terms of what the need is, in terms of homeless population or mental health or in terms of drug addiction as well.

And there's no way that I'm trying to make some comment that all are the same kind of problems in terms of San Francisco. Each one is a definite demand in terms of our services. But the department needs to do that.

And how we do that is with a training facility. And how we do that is we recruit members of our community throughout San Francisco to become paramedics, to become firefighters, to become inspectors.

We need to do this in a training facility. We were grateful for Treasure Island. That agreement now, as you know, is over. We need badly this next state. And we are in, as Commissioner Morgan made reference, in a change of state with retirements coming on, with now a new generation of San Francisco firefighters, men and women.

But we need to address the issues and concerns of San Francisco as we grow, as we try to recover through pandemic, as we deal with these social issues as

well. I appreciate your time. Thank you very much for listening.

Commissioners' Discussion on Item 8B:

Commissioner Burton: You want my comment?

President Adams: Yeah. You're up.

Commissioner Burton: I just think Tom O'Connor's comments were absolutely great. [laughter] Tell me where we're having lunch. [laughter]

President Adams: Is that it, Commissioner Burton? Anything else? [crosstalk]

Commissioner Burton: It's very necessary. Where the firefighters are being trained now is kind of old and outdated. I think they need some modern facilities.

President Adams: Okay. Thank you, Commissioner Burton. Commissioner Gilman?

Commissioner Gilman: Thank you so much for this informational. I am supportive of this item and will be supportive when it comes back to us as an action item. I just had one question. This is more purely a curiosity question for the director of real estate.

I was just curious, when the city looks to buy property, private or public, does it always negotiate and buy at fair-market value? So I guess my question is, you're buying other property to make this deal work. We will be selling our property to you fair-market value to go to the harbor fund to help our community and the trust. Is [Polaris] also -- is that just how we always negotiate as a city?

Andrico Penick: Thank you for that question. Andrico Penick, director of real estate again. The short answer, I guess, is yes. But it has a bit of a nuance. We also do an appraisal before we acquire property. Obviously, as good stewards of the city, we like to buy property at a little bit below fair-market value if we can.

We always try to negotiate the best deal possible. We rarely buy property over fair-market value. And if we were to choose to do so, the Board of Supervisors has to make certain findings to show that buying property above fair-market value is in the best interest of the city. So hopefully, that answers your question.

Commissioner Gilman: Absolutely.

Andrico Penick: We did do an appraisal for both the Prologis site and the Port site.

Commissioner Gilman: Thank you so much. That absolutely answers my question. I really appreciate it. I guess I just want to also just say thank you to our firefighters. I never realized before this presentation that the street response outreach teams, the overdose team, the crisis response team actually lived underneath the fire department.

Every day, those teams across the city are making such an impact. And hopefully, having this training center will help more and more of our residents go into those professions to help their brothers and sisters who are suffering on the streets. I just wanted to say thank you. That concludes my comments.

President Adams: Thank you, Commissioner Gilman. Commissioner Brandon?

Commissioner Brandon: Jamie, Chief Nicholson, Deputy Chief O'Connor and Andrico, thank you so much for this report. I think that this will be a wonderful addition to the community. I guess my questions are around, what is a training facility? Is it like one building? Five buildings? What's the vehicle traffic? What's envisioned at this site?

Jamie Hurley: Thank you, Commissioner Brandon. I think I would probably turn that question over to the fire department and/or Andrico if you could speak to that, please.

Jeanine Nicholson: Greetings. Chief Nicholson again. Thank you, Commissioner Brandon. I think the last time I was before the Port Commission, I think you were the president. But anyways --

Commissioner Brandon: Just a few weeks removed. [laughter]

Jeanine Nicholson: So our current training facility, we do so much there from firefighting to urban search and rescue in a pile of rubble. We have sort of a fake BART station that we made for those kinds of drills, ladder-throwing drills, just -- driving, all sorts of different props.

There are also going to be different buildings there, one for classroom and sort of administration, another one, you know, likely a tower with seven stories -- five to seven stories, so we can practice sort of our high-rise kind of stuff.

There will be a building for the apparatus and the equipment that we have. And we also want to include in the administrative building locker rooms and facilities for our classes as well as a meeting type of place that we can use for our city EMT program, our black firefighters for community meetings, etcetera.

You know, and I've even fantasized about having someone from the community there, you know, open up sort of a sandwich and coffee place, you know, right at

the edge of our property. So we really do want to be involved in the community.

But there are a lot of different sort of props that we will be building. You know, we also use the jaws of life to get people out of vehicles. We also will have the most modern sort of -- we're going to be able to capture all the waters that we utilize at these drills and reuse it.

And you will also have the most green facility for when you have firefighting going on there. So it captures the smoke and the toxins and all that kind of stuff. So it's a seven-acre facility. It's going to have a lot of different pieces to it. You know, I'm very hopeful and very excited.

In terms of traffic, you know, there will be people that come to train. So there will be some parking inside, I would imagine, certainly for apparatus. I really don't know how much traffic there will be. But we do certainly want to be a regional asset.

Commissioner Brandon: Thank you. I'm just asking the question because, although I'm sure it's industrial land, it's in a residential community. So I'm just really wondering what the impact of this facility is going to be on the community.

Jamie Hurley: Commissioner Brandon, if I could just step in and just mention -- because I think I probably should have mentioned that during the presentation -- but there has been -- environmental review has been completed for this project.

So there is a mitigated negative declaration that obviously addresses all of the impacts including traffic impacts, parking, potential environmental impacts of all kinds. So we can certainly speak more specifically from that document to any concerns, I think, that you have or that the community members have.

Again, we'll be meeting with the Southern Advisory Committee tomorrow evening. And I'm sure we'll focus on a lot of those types of issues with them but just wanted to make clear that, you know, those things have been looked at.

And I don't know, Andrico, if you want to share anything more. You're more knowledgeable than I am about what's in that document.

Andrico Penick: Thank you, Jamie. And thank you for the question, commissioner. Andrico Penick, director of real estate again. An environmental review has been completed. It was completed at the end of last year. That was approved by the Board of Supervisors on February 8th of this year.

It was a mitigated negative declaration. But speaking to your specific question with regards to traffic, the major ingress and egress to this site will be along Carroll Avenue. As you know, Carroll Avenue is an improved street already.

However, there are some additional improvements that the developer [Five Points] is supposed to make to that street when their project eventually comes to fruition. But there will be offsite parking for the fire apparatus and the fire personnel.

So all of our parking will be contained on site. We are planning to use Hawes Street as the turnoff from Carroll Avenue. So with part of that design, we were trying to minimize curb cuts because I understand from President Walton that the community uses Carroll Avenue in the evening for additional parking off of Alice Griffith.

So we have been talking to the district supervisor. And we have designed the project to address some of the concerns about traffic and parking. If I could go a little bit further than your question and just talking about being that good neighbor that you referenced, in addition to all of the community engagement that the fire department has, I think the chief mentioned that this would be one of the greenest fire-training facilities to be built.

There will be mitigations for both smoke and noise. And since this is a training facility and not a fire station, it's not like there's going to be a presence there 24/7 with sirens and lights going on all day and night.

We anticipate -- and the chief can correct me if I go astray -- that the majority of our training is going to be during the day during business hours. There may be some weekend trainings as required. But we're not looking at this as a 24/7 typical firehouse where you would have firefighters responding to emergencies. So we think that, by design and by operation, we will be a good neighbor to the community.

Commissioner Brandon: Wonderful. Thank you so much for that. I guess that leads to my next question as far as -- within the next year, who is actually responsible for that site? And you mentioned that street improvements were going to be done by Five Point, which could be another 10, 20, 30 years. So just wondering how all that works in with this.

Andrico Penick: If I could speak to that as well, if you'll recall from the map that Jamie showed -- I think it was slide 13 -- there are two paper streets, Bancroft Row and Griffith Avenue. Those paper streets will be, upon acquisition, vacated and made part of the project site.

Carroll Avenue and Hawes Street are outside of the project area, as is Armstrong, which is on the other side parallel to Carroll. Hawes Street will be improved to a level that would support this facility. Carroll Avenue will remain basically in its current condition for [Five Points development].

And Armstrong, also being outside of the project, will remain in its current

condition. So we will be doing street improvements to Hawes in order to allow for fire station engine traffic off Carroll onto Hawes and then onto the site.

Commissioner Brandon: Thank you. Thank you. No. I'm very supportive of this project. And if this training facility looks anything like the new fire station -- what is that Pier --

Jamie Hurley: Pier 22 1/2.

Commissioner Brandon: [laughs] Yes.

Jamie Hurley: It's Fire Station 35 at Pier 22 1/2.

Commissioner Brandon: Yes. Fire Station 35. It will be a great asset to the community. And I think that with all of the activity and all the resources you're bringing to the site will be absolutely wonderful. So I'm truly supportive of this project. But I'm just -- with this project, I have an item for new business that I'd like Elaine to think about.

That is we have a lot of property south of Islais Creek. And we only hear about this property when someone's interested in acquiring it. So I'd really love to see what is actually within our jurisdiction south of Islais Creek. But I am very supportive of this item. Thank you.

Jamie Hurley: Thank you, Commissioner.

President Adams: Thanks, Commissioner Brandon. Vice President Woo Ho? You're on mute, Doreen. You're on mute.

Vice President Woo Ho: Sorry. Thank you very much, Fire Chief, Deputy Chief, [Andre], Jamie, for this great report. I learned a lot about the fire department. And as I was listening to all of the components of what the fire department does, it was very impressive in addition to all the things that you needed in a training facility.

I was just wondering how this site could accommodate all of that. Obviously, you know, you've done a lot of thinking. I guess I'm just going to ask the question. Will everything still be covered that you mentioned that you need for training in this site? Or will you still be using supplementary sites as well?

And you mentioned -- seemed to be Chief Nicholson -- that there will be sort of more than one building. So will this also mean the building -- and I don't know if there's a schematic already in terms of -- since you've already done your environmental review.

So is there some sort of architectural rendering of what you envision here of how

tall the buildings will be? I'm just curious to know because it does seem -- you know, seven acres is a good site -- seven or eight acres.

But still, that's a lot of things, based on what you said, to fit into that facility in a nice way. So I'm just wondering if it covers all your training needs. What types of buildings will be going in there? Because obviously, you've all thought through this. And there's already been an environmental review. So that's by question number one.

Jeanine Nicholson: Thank you, Vice President. Yeah. There are no architectural renderings at this point. But Public Works has done what we call fit tests for us to make sure that we can creatively put everything on that property that we need.

So as I was alluding to before, there will be a building for administration as well as lockers and the like. There will be probably a six or seven-story tower building, a place to store our apparatus. So there are going to be several different buildings on there. Yes. I believe they will fit. And I'm going to turn it over to Director Penick.

Andrico Penick: Good afternoon, Commissioner. Thank you for that question. Again, Andrico Penick, director of real estate. We don't have architectural drawings. We've been working through the city's DPW department.

And we're trying to be judicious with our resources. So we haven't paid for that. But we do have the mitigated neg dec. And it did make some assumptions as to the layout of the facility. I can just run through that list for you very quickly.

The mitigated neg dec assumed: one three-story, which is 50-feet tall building; one-story apparatus building; one-story maintenance building; as the chief mentioned, a seven-story training tower; a four-story condo-like apartment building, which is actually a prop -- it's not an actual building. It's to help train firefighters -- and then several structures which, again, are props, a mockup of a Victorian house, a commercial [burn room], a mock-up BART station.

And these are maybe not to full scale but, again, just mockups to assist firefighters in their training. I would also note that, because of the topography of the area, this site sits about 20 feet, perhaps more below grade from Alice Griffith.

So even if you have a building that is seven-foot tall, it is still very much a low rise when viewed by the residents up on the hill. So if you're concerned about waterfront views being obstructed, that was taken into consideration.

Vice President Woo Ho: Okay. And also, if you could just tell us a little bit more in terms of the environmental review, you know, we had a caller that

mentioned that their concern was contamination and liquefaction. And I'm assuming that that's been addressed.

Maybe you can tell us how that's been addressed or, when you come back for the final action, that you give us more detail on that so that we can feel good that we have -- you know, everything that needs to be concerned with, the state of the land as is is going to be addressed or remedied in the next phase.

Andrico Penick: Again, thank you for that question. It was an excellent one. The caller misspoke. There was CEQA done on this site. I think I have the answer with regards to contamination. I'd have to get back to you on the issue of liquefaction.

As to contamination, there were some contaminants found in the soil but nothing that you would not expect to find in any industrial site in San Francisco. This particular use is actually -- sort of lends itself to encapsulation because the fire department doesn't have to go down. They go up.

So we're basically going to be paving the site with an impermeable barrier and then putting vertical development above it, those buildings and props that I mentioned earlier. So I would have to go back and look.

But I don't think that the environment -- the contamination was a major finding in the mitigated neg dec only because of the proposed development. [crosstalk] I don't recall what it said about liquefaction. I'm sorry.

Vice President Woo Ho: I thought someone was trying to say something. Okay. I just wanted to sort of make sure that, as the owners and sellers of the land, that we do pass it on in full disclosure if there are any issues. Since you'd already done the environmental review, I assumed that these things would have been looked into already but, just for the record, that we do at least mention it and discuss it.

Andrico Penick: No. That's an excellent point.

Jamie Hurley: Commissioner, we can certainly provide more details at the next - at the action item. And as I mentioned, part of the resolution that you will be asked to approved will include adopting CEQA findings. So there will be -- those details will be spelled out in a resolution as well. But we can also cover it as part of the staff report.

Vice President Woo Ho: Thank you. I'm very supportive. I think it sounds like it would be great for the City of San Francisco. We do have an impressive fire department. And I think it would be great for the community, as Commissioner Brandon said, so very exciting, just trying to cross all the Ts and dot all the Is here.

Jamie Hurley: Thank you, Commissioner.

President Adams: Anything else, Vice President Woo Ho?

Vice President Woo Ho: No.

President Adams: Okay. Thank you. I'll just say for me I'm seeing true leadership on display here today. You have the Fire Chief Nicholson here. You have the deputy chief. You've had the fire commissioners weigh in. You've had the union weigh in.

To me, that's a united front. And I can speak to that being the president of a major union. And firefighters are frontline workers. They're real heroes. Even before COVID-19, they were out there. And myself, being the president of the International Longshore and Warehouse Union, we're building training centers.

And I know how important -- and I know what the chief and the deputy chief is trying to do. There's a new generation of workers. They have to uptick their skills. This is some heavy lifting. But this is something we really, really need to get behind because, in any industry for workers and especially union people, things have changed.

And I can see the chief's vision and leadership here of taking it forward to the diversity that -- she's going outside the box. It's no box I can tell with her leadership right now. And I really like what I'm seeing now.

And I'll tell you, San Francisco needs a boost in the arm like this after what we went through with COVID and to know that young people and all kind of a diversity of people can find good working-class jobs because, at one time, San Francisco used to be a working-class city.

And it's kind of lost that. And so many people have had to live here -- move out of here. So this is so important that this thing gets built. We bring the next generation of firefighters. And they will just take things to the next level.

And then, they'll just be so much better. And I'm really excited about what this is going to look -- and I think this will add another dimension to our great city that we all live in here in San Francisco. Chief, thank you so much because I've seen people come on. And they'll send their second or their third.

You've come here with your deputy. You're putting it on the line. I appreciate that. You're leading from the front. And I really appreciate that. You're doing it silently, but you're leading. And I appreciate you and Deputy Chief O'Connor coming and the fire commissioners and the union. And you're all on the same page. I'm really happy you're all rowing in the same direction. So you have my support when it

comes back.

Jeanine Nicholson: Thank you so much, President Adams and commissioners, much, much appreciated.

9. NEW BUSINESS

Director Forbes: I have recorded two items for new business. One is to report on the properties Port owned south of Islais Creek and discuss strategies for those properties. And the second is to come back on our leasing policies and ensure that we have what we need in terms of financial stability and protection for Port in those leasing policies for new tenants. Is there other new business?

10. ADJOURNMENT

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

President Adams - The meeting is adjourned at 5:48 p.m.