



SAN FRANCISCO PORT COMMISSION

**JULY 12, 2022
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

**HON. WILLIE ADAMS, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. JOHN BURTON, COMMISSIONER
HON. GAIL GILMAN, COMMISSIONER
HON. STEVEN LEE, COMMISSIONER**

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

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING July 12, 2022

1. CALL TO ORDER / ROLL CALL

Port Commission President Willie Adams called the meeting to order at 2:00 p.m. The following Commissioners were present: Willie Adams, Kimberly Brandon and Gail Gilman. Commissioner John Burton was excused.

The Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgment.

2. APPROVAL OF MINUTES – June 14, 2022

ACTION: Commissioner Gilman moved approval of the minutes. Commissioner Brandon seconded the motion. The minutes were approved unanimously.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

No Public Comment.

4. EXECUTIVE SESSION

A. Vote on whether to hold a closed session and to invoke the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

ACTION: Commissioner Brandon moved to go into closed session and invoke attorney client privilege for Conference with Legal Counsel. Commissioner Gilman seconded the motion. The motion passed unanimously.

(1) PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Discussion Item)

Elaine Forbes, Port Executive Director. Discussion of Performance Evaluation pursuant to Section 54957(b) of the California Government Code and Section 67.10(b) of the Administrative Code and Discussion of Executive Director Compensation.

Present: President Willie Adams
 Vice President Kimberly Brandon
 Commissioner Gail Gilman

Also present: Elaine Forbes, Executive Director

(2) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion Item)

Discussion of anticipated litigation matter pursuant to California Government Code Section 54956.9(d)(2) and (d)(4) and San Francisco Administrative Code §§ 67.8(a)(3), 67.8-1(b), 67.10(d)(2) regarding disputed title to a portion of Custer Avenue in the vicinity of 1650 - 1680 Davidson Avenue.

Anticipated litigation: As defendant As plaintiff

Present: President Willie Adams
Vice President Kimberly Brandon
Commissioner Gail Gilman

Also present: Elaine Forbes, Executive Director
Carl Nicita, Commission Affairs Manager
Michael Martin, Assistant Port Director
Rebecca Benassini, Deputy Director for Real Estate
Joshua Keene, Assistant Deputy Director for Real Estate
Jamie Hurley, Development Project Manager
Michelle Sexton, General Counsel
Rona Sandler, Deputy City Attorney
Kristen Jensen, Deputy City Attorney

5. RECONVENE IN OPEN SESSION

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

No Report.

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

ACTION: Commissioner Gilman moved reconvene in open session without disclosing closed session discussions. Commissioner Brandon seconded the motion. The motion passed unanimously.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

The Commission Affairs Manager announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person responsible for the ringing of or use of a cell phone or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make public comments on each agenda item unless the Port Commission adopts a shorter period on any item. Public comment must be in respect to the current agenda item. For in-person public comment, please fill out a speaker card and hand it to the Port Commission Affairs Manager. For remote public comment, instructions are on the first page of this agenda. During public comment, the moderator will instruct you to dial *3 to be added to the queue. An audio prompt will signal when it is your turn to speak.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

No Public Comment.

9. EXECUTIVE

- A. Executive Director's Report
 - Update to the Port's 2021-2026 Strategic Plan – Resilience goals, objectives and strategies
 - Key Project Updates

Director Forbes: Good afternoon, President Brandon -- I'm sorry -- President Adams, Vice President Brandon, Port staff and members of the public. I am Elaine Forbes, the Port's executive director. First, I would like to congratulate our reappointed commissioners, President Willie Adams and Commissioner Gail Gilman, and would like to let you know that our new commissioner, Steven Lee is -- his appointment is at the Board of Supervisors with a recommendation this afternoon.

So we suspect that he will be approved this afternoon. And we look forward to working with him as well. Although June ended with some very, very difficult and troubling news -- heartbreaking news from Washington D.C., I hope we all share pride to live in a city and a state who will lead the nation in the fight to protect women's and human rights.

Now, to economic recovery, first I want to recognize a really amazing interdivisional team that worked together hard behind the scenes to prepare for a safe Fourth of July fireworks celebration on the waterfront. And it was fantastic.

We are having a very exciting summer. Last month's Pride and Juneteenth celebrations, our Golden State Warriors big win and great weather, it's very invigorating. There are many, many people back at the waterfront. And some days, it actually really feels pre-pandemic and more.

We've had thousands of people back along our waterfront in numbers that are inspiring. Sales reports aren't in yet. But I know we're going to see robust sales. And that will result in higher rents to our organization. We'll have more information this fall.

And we continue to offer one-of-a-kind waterfront experiences to remind everyone living in San Francisco to come down to the waterfront. And now, we have salmon. The recreational salmon season is in full swing since the opener in late June.

It's a great time to get out on the bay and try with a commercial fisher -- try your luck. And we also are selling salmon right off the boats. The public can purchase salmon off the boat at Pier 45 and Fisherman's Wharf on July 22nd through 25th, August 3rd through the 12th and September 1 through 30.

We hear the salmon are beautiful fish. And there's many of them. We're ending the fiscal year on June 30th. And looking back, we have accomplished a lot. We continue the mission-critical operations of managing and maintaining our waterfront for tenants and visitors.

We welcome 56 cruise vessels. We are well on our way to a record number of calls this year. We've already had more vessels arrive this year than did in 2020 and 2021 combined. We are moving our development projects forward with our partners and the community.

And we are paving our way for exciting leasing opportunities. You'll hear more about that on the agenda today. This will bring new, vibrant and vital energy to prime locations at Fisherman's Wharf, along the Embarcadero and not too far from us at Pier 1 at the Ferry Building.

We're starting to close our year-end budget. We're not done. The results aren't in. But staff does project that we will exceed our budgeted revenues by 10 to 20 percent. This is great, great news. And we're not out of the woods yet.

We are working hard with our state colleagues to ensure economic recovery to our city and to our Port and specifically to get capital investment in our piers. Thank you to Port commissioners, President Willie Adams and to Senator Burton

for your advocacy at the state level to attract needed investment in our facilities to speed our economic revival.

The Port has three key ambitions for the state budget this year. First, we want the budget to fund climate-resilience projects. Second, we want the budget to fund port maritime infrastructure at small, medium-size and large ports to support our interconnectivity. And finally, we want funding for the completion of our Mission Bay Ferry Landing terminal.

While on June 27 the governor signed the state budget, negotiations are ongoing. And once the governor and legislature are aligned, trailer or baby budget bills will be adopted. This is where the Port's funding for infrastructure and dealing with congestion management and the supply chain will be settled.

And this is where the resilience funding will be settled. We are hard at work with the California Association of Port Authorities, our lobbyists and our delegation to advocate for investments in maritime and resilience. In August, you'll hear more as we plan an informational item on this important effort.

To equity, the Port remains laser focused on our economic revival of our waterfront and organization while enshrining this work as -- in equity as a foundational value embedded into all work streams to achieve an antiracist organization and a waterfront that intentionally welcomes BIPOC communities.

To operationalize this value, we supported our diverse tenants since day one of the pandemic and will continue to do so. I'm proud that Vice President Brandon spearheaded and we created a micro-LBE emergency loan program.

This program has closed and is fully exhausted with a total of 25 loans made. Seventy-six percent of those loans went to minority and women-owned LBEs. And over half identify as BIPOC borrowers. This is at great thanks to the outreach work and the community work that went into building this program.

I can attribute the success of the program to the commission and Port staff who continuously evaluated the program and ingested it in order to ensure that equity remain at the forefront of this objective. The Port is now looking to apply the success to a longer-term LBE line-of-credit program to increase the financial capacity of the Port's LBE community.

This new, innovative program will provide LBEs access to working capital and improve cash flow which is so important to run a business and allow LBEs to create long-term banking relationships. Staff designed this program with the city's treasurer and tax collector's office and with the guidance and support of Vice President Brandon.

At the Port Commission meeting in August, we are excited for you to learn more in an informational item. And we are continuing to support our diverse tenants by activating the waterfront and creating opportunities for black-owned businesses to participate in the farmer's market and other retail events that the Ferry Building hosts.

We had a very excellent subcommittee meeting. We developed a plan. We have the resources. And we're moving quickly to figure out implementation. And again, I want to thank Vice President Brandon for her spearhead and support of this effort.

And now, I turn to key projects. Right before the July holiday, we received good news about the shoreside power system at Pier 27. The Port recently registered the system with the California Air Resources Board as a low-carbon fuel source.

In late June, we earned credits for the shoreside power we sold to cruise ships during the first four months of this year. And we estimate that, when sold, we'll receive \$60,000. Over the coming months, the Port will register other shoreside power equipment at locations such as Pier 50, Pier 80, so we can benefit from those locations as well. It's financial, and it's environmental.

In closing, I want to thank you, commissioners, for your steadfast commitment to ensure an economically viable, equitable and resilient Port. That concludes my comments.

Public Comment on the Executive Director's Report:

Kathi Pugh: Hi. My name is Kathi Pugh. And I'm the commodore of the Bay Area Association of Disabled Sailors, BAADS. The title might sound fancy, but it's really an unpaid executive director. I've been participating in BAADS since the early '90s.

When I was 20, I broke my neck snow skiing at Tahoe. At the time, I was captain of the water polo team and enjoyed all water sports, especially sailing. I've always been an avid outdoor person. But at that moment, I was instantly paralyzed from the shoulders down.

But I got into UC Berkeley, got my MBA and law degree and was working at the law firm of Morrison and Foerster when I first joined BAADS. [I thought I was a] sailor as a kid. So I thought, when I went there, they were going to stick me in a little motor boat, and we'd go putt-putting around the harbor and say, "Aren't we having fun?"

Instead, I was on a 27-foot keelboat. We circumnavigated Angel Island at mid-November with the wind in my hair, the spray in my face. We had open

adventures ahead. My world was forever rocked. I see how BAADS changes lives.

As a severely disabled high-level quadriplegic, there are very few recreation opportunities open to me. I don't have the use of my hands nor can I balance very well. But I can command a 30-foot keelboat as well as independently sail all by myself a 14-foot keelboat.

I'm speaking today because I was worried for the future of BAADS when I took a look at the term sheet from Pacific Waterfront Partners. I do believe that Simon is acting on good faith because I know he understands the importance of an organization like BAADS.

He's also an Aussie and a sailor who loves water just like me. But when I look at this, I see no protection for us. There is a line where BAADS is mentioned where it says that they will honor the existing leases to the extent feasible.

Well, we have a pretty sweet deal. We don't pay anything for our space. And the plans don't include a dedicated space for a workshop or our storage facilities that are currently in Pier 40. Also, there is no guaranteed dock space to run our program.

I'm worried because I know how close we are to Oracle and how our space could be highly profitable. Finally, you know, it just --

Kathi Pugh: -- doesn't make sense to have a diversity j -- okay. Thank you. Sorry about that.

President Adams: No. Thank you. We really appreciate your comments. Please reach out to the Port. Thank you. Jenica, is there anyone else?

Commissioners' Discussion on the Executive Director's Report:

Commissioner Gilman: Thank you, Director Forbes, for that excellent report. It is really uplifting to hear that, one, we might be closing our end of the year with excess revenues. So I just wanted to thank Port staff and everyone who put hard work into that and then layer upon that the cruise ships that have come to the terminal, that we are coming back to having a call of port for tourism and the opening of salmon sales.

I am so excited about that and want to reiterate how much I support in perpetuity of selling live fish off our piers. This is a really exciting time for the Port. In the last month, I've spent time in the northeast and southeast waterfront.

And you are correct. We're having visitors back and locals alike so really excited to see that our economic recovery is happening with, as always, an equity and resiliency lens. So thank you so much for your report.

President Adams: Thank you. Vice President Brandon?

Vice President Brandon: Director Forbes, thank you so much for your report. There are so many wonderful things going on here at the waterfront. And it's just exciting to hear about all the opportunities to bring people to the waterfront.

I hope the Fourth of July show was good, and everyone could see the fireworks. I heard it was a little foggy. But I really want to thank the staff for helping the city to prepare for that wonderful event.

It's exciting that the salmon season is opening. I think we all love salmon. So it's going to be great to be able to buy right off the boat. And also, good news to hear about the end of the fiscal year and all that the Port is doing to help with economic recovery.

It's incredible that our cruise lines are coming in regularly. Who would have thought after the last two years? I think that is so exciting and so wonderful. Thank you, Andre and your team, for making that happen, making sure that the Port of San Francisco is the destination for the cruise ships.

It's great to hear about all the equity events, the loan program along with vendors being able to fit in at the farmer's market. I think that's going to be really exciting. I know that Juneteenth was very, very well attended. So hopefully, we can continue that. Thank you so much for all the wonderful things in your report and your leadership.

President Adams: Thank you, Director Forbes. You and your team -- we salute you because, you know, I kind of feel at times -- I think we're in a recession. I really do. And we're trying to grapple with change. And we all remember how San Francisco used to be before COVID hit. Right.

Well, San Francisco has changed a lot. And you can never get back to where you was at. But you have a different model, something different. And we're changing as an organization. With you and your team, I think we're going to change with the times.

And we're moving in a different direction with a different energy. And it's really good to know that. Right. One thing about life, change is constant. And it's changing. I'm liking what I'm seeing. I'm glad the cruise ships are coming back.

But I believe COVID has found a permanent address here in the United States. I don't think it's leaving. And I think it's a part of our lives. I just was on a plane.

The airports are packed. Everybody wants to go back to what we used to remember.

And I think this is going to be something with us. Like we take a flu shot every year, I think we're going to have to take a COVID shot every year. But that's okay. We will get through this too. So I like the pro -- you know, us moving forward, perseverance, being focused.

And I'm really excited as we continue to do the rest of this year how things are going to look. Thank you for the money that we were able to get. And once again, I want to thank the staff for stepping up and all those that you never see.

But you know every day that they're out there giving their best for the community, right, because this port belongs to the community and the citizens of San Francisco. And I still think that this port is a beacon of light. And I would compare this port to any port not only here in the United States but throughout the world.

And I want to give a shout out to the staff in the back. Thank you for making us look good doing T -- thank you very much, appreciate you. And we acknowledge you. Thank you. Carl, next item, please.

10. CONSENT

- A. Request approval of a resolution adopting findings under State urgency legislation to allow certain members of this body to attend meetings remotely during the COVID-19 emergency; continuing to allow certain members to attend remotely for the next 30 days; and directing the Commission Affairs Manager to agendize a similar resolution at a Commission meeting within 30 days. (Resolution 22-33)
- B. Request approval of a Settlement Agreement for Aclima, Inc. (Aclima) under Leases No. L-16516 (Pier 19), L-16573 (Roundhouse 2, 3rd Floor), L-16608 (Sandhouse), and L-15928 (98 Lombard – terminated) under which: (i) Port and Tenant will agree to a 14-month payment plan of past due rent exceeding \$1.8 million, less late fees and interest, holdover rent and a 20% reduction on past due base rent; (ii) Tenant will execute a stipulated judgement requiring Tenant to pay outstanding rent without foregoing deductions if Tenant fails to comply with the Settlement Agreement; and (ii) Port's waiver of late fees and interest, holdover rent, attorneys' fees, and 20% of past due base rent if Tenant successfully completes the payment plan. (Resolution 22-34)
- C. Subject to approvals by the Board of Supervisors and the California State Lands Commission ("State Lands"), as required: request approval of a Final Settlement Agreement and related transaction documents to resolve disputed title claims as to a portion of Former Custer Avenue with the 2006

Murray G. And Doris M. Cole Revocable Trust (“Cole Trust”) including: (1) approval of a form Purchase and Sale Agreement (“Sale Agreement”) by the City to the Cole Trust, free of the Trust of a portion of Former Custer Avenue within 1650 Davidson Street San Francisco, California; (2) approval of a form Public Trust Exchange and Title Settlement Agreement For 1620-1650-1680 Davidson Avenue (“Exchange Agreement”) among the Port, the Cole Trust and State Lands by which the City and State Lands will quitclaim their interests in the property claimed by the Cole Trust and the Cole Trust will grant a new Public Trust Easement to the State and make a deposit into the Kapiloff Land Bank Fund; (3) authority to seek State Legislation and accept title to the new Public Trust Easement lands; (4) approval of an extension of the January 14, 2023 standstill date in the current settlement agreement between Port and the Cole Trust and delegation of authority for additional extensions to the Executive Director. (Resolution 22-35)

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

No Public Comment on the Consent Calendar.

All Commissioners were in favor.

President Adams – Resolutions 22-33, 34 and 35 pass unanimously.

11. REAL ESTATE & DEVELOPMENT

- A. Request Endorsement of the Proposed Term Sheet with Pacific Waterfront Partners III, LLC for the proposed Piers 38 & 40 project located along The Embarcadero. (Resolution 22-36)

David Beaupre: Good afternoon, commissioners, President Adams, Vice President Brandon. I'm David Beaupre, deputy director of planning and environment but also supporting our real estate and development team as the development project manager for this while we transition to somebody else.

I'm joined today with Joshua Keene and Rebecca Benassini. And we've been supported with Annette Mathai-Jackson throughout the process. I'm also joined by Simon Snellgrove of Pacific Waterfront Partners and his team of Wayne Perry and April Fame.

I'm going to start out the introduction. I'm going to pass the baton on to Josh. And then, he'll pass it on to Simon for a few words. And then, we'll be available for any questions. So a quick overview of our presentation today -- again, I'll provide an overview of the project process, provide a bit of a status update of what we've been doing since we were last in front of you. And then, Josh will talk about the term sheet deals and next steps.

Stepping back again, just wanted to provide an overview of where we started with the development in the offering which was both Piers 38 and Pier 40. Pier 38 is currently vacant. And Pier 40, we have a number of tenants that support the South Beach Harbor community including Bay Area Disabled Sailors, which Kathi just called in from.

Also, just kind of providing us in the context of where we're at in the process, this timeline is averages for different development projects. It ranges from two years to sometimes seven years depending on the complexity of the project. This project probably falls somewhere in the middle, somewhere between the three and four-year range and probably mostly because of the COVID and the delay that that's caused us in the process.

Where we're at is highlighted on seeking your approval for the term sheet. If we get your approval today, then we'd move to the Board of Supervisors for a fiscal-feasibility analysis and then moving into CEQA and continuing the entitlement process with the hope of breaking ground in 2025 or 2026.

Again, just where we -- how we arrived at where we're at today, in 2020, we put out the RFP. We had two respondents. We had a scoring panel review the scores and rank them. We brought the highest-scoring respondent to the commission for authorization to approve the exclusive negotiating agreement which you did in August.

We came back to you in February of 2021 to get approval of the ENA. Then, we were also back in front of you in the middle of last year to present the diversity, equity, inclusion plan that the partner has been moving forward with, continued our stakeholder outreach, worked with some of our regulatory partners and have been negotiating the term sheet which Josh will cover a little bit more of.

We started this process at the end or towards the end of completing the waterfront plan update where we, through the 30-member advisory committee, worked on developing policies up and down the waterfront and shaped the RFP based around those nine Port-wide goals, the South Beach subarea goals and the acceptable land uses.

We've also been working with our waterfront resilience program team on identifying methods to build resilience along the waterfront and leverage the private development investment to help us build resiliency along the waterfront.

And then, lastly, we continue to seek input from the community and created the RFP based on values that they reinforce from the waterfront plan in our offering. A very high-level overview of the land use program includes: 215,000 square feet of office; 21,000 square feet of market-rate restaurants in the Bulkhead Building of Pier 38; 20,000 square feet of the affordable restaurant space on the plaza of

Pier 40; then additional maritime and commercial recreational berthing opportunities.

I'll note, on Pier 40 on the maritime PDR use, that's the area that we would continue to include the important tenants that are at Pier 40 today such as BAADS, North Beach Canvas and others that have worked to develop a program that really supports the South Beach Harbor.

So all through the process, we've indicated that we want to keep and maintain and enhance those tenants and work with them because they play such a vital role to the harbor facility.

We've worked on a phasing program with some of the guidance we received from the commission with the first phase looking at the historic rehabilitation of the piers and the sheds, the seismic upgrades, the resilience, a north guest dock on Pier 40 to support some maritime activities, the breakwater and public-access areas.

Then, phase two would be bringing in additional water recreation and commercial activities primarily around the harbor around the north side of Pier 40. And then, the last phase would be some form of water recreational amenities at the end of Pier 40.

And then, lastly, wanted to talk about the importance that these development projects plan in our waterfront resilience program. We know that the Port and the government money alone can't invest in all the resilience improvements, that we need private-partner partners such as Pacific Waterfront Partners to help us leverage funding that's available.

And this diagram was meant to illustrate how we can close a resilience gap along the waterfront with the black lines identifying the edges of what I'll call a flood shed, so an area that's subject to flooding based on high points in the topography.

So in this condition, we have the South Beach flood shed which is from the Bay Bridge to the Third Street/Mission Creek area. The existing South Beach breakwater provides some protection against wave action and, to some extent, sea-level rise.

The area in blue are improvements that are proposed as a part of this project that would help break down wave action and elevate the line of defense at Piers 38 and 40. And then, the areas in purple are what -- the resilience benefits we would get out of 30-32.

So as these projects move forward, we're left with a little bit of the red area in front of Piers 26 and 28 which really shows the smaller gap that hopefully the

Port and the city can step in to fill. And then, we'll have provided resilience protection to the South Beach neighborhood. And with that, I'll turn it over to Joshua to talk about the term sheet. Thank you.

Joshua Keene: Great. Thank you, David. Good afternoon, commissioners. Josh Keene, waterfront development director. I'm going to pivot into the project benefits. But I do want to follow up on what David was talking about with respect to resiliency and that Director Forbes mentioned in her report.

Obviously, it's critical to leverage our partnerships and relationships for the funding sources. This is obviously a city and a global issue. And we're looking at projects like this to be one of the solutions here.

And I will get into that a little bit later because this is going to be part of the cost analysis and how the deal is structured with our partner. But we're going to talk a little bit more about the micro benefits and the community benefits associated with this project.

As David mentioned, the DEI plan was brought to you all last year. It's actually included in the term sheet as an attachment on that term sheet that's being proposed in front of you. It's a commitment our development partner has made to focus on both the community and the equity components as a starting point.

Wayne Perry was mentioned. He's with Cornerstone. And Cornerstone is a workforce development group. So there will be heavy involvement on equity options during the construction and the development of the project.

I want to highlight two of these really direct equity-based goals that are being committed to by the developer. One is the affordable rents. So it's not just about keeping the rents down to provide opportunities for nonprofits or less revenue-generating groups to come in but to actually incentivize groups to potentially drop lower price points for services, for food offerings, etcetera, to provide a direct benefit for the nonprofit or for the operator but also to the community itself, especially for BIPOC communities.

Another instance we've got here is a commitment to provide construction assistance associated with the base building improvements. So the base building improvements are a real barrier to entry to any retail tenant or restaurateur because the upfront capital required is just phenomenal sometimes especially in this market.

So a commitment by the developer to prepare the space a little bit more than you would for a typical retail tenant is a real commitment on their part. And we can attract a much more diverse group of tenants.

I do want to talk very high level on the public activation which is a key component

of this data. It showed kind of an overview of the site -- but a real commitment towards indoor and outdoor public access and activation.

Preserving and creating maritime and water-recreation opportunities is a hallmark of this project. Those will be phased into an early phase and then a future phase, as I'll get to later, but also providing also a range of opportunities for children and to boaters.

We do want to recognize the need and the goal to retain maritime-serving tenants at Pier 40 such as the existing ones now. But those types of uses need to stay. And one more thing is a significant increase to berthing space so with a true maritime benefit being more berthing space for both smaller and larger vessels.

So I want to dovetail back into the resiliency component that's going to lead into the cost discussion. This is a complicated project. It cannot be delivered by the Port itself. Some of the things that are happening here on the high level -- it's a historic restoration of two piers, seismic upgrades to both the substructure below water and to the superstructures, the above ground -- above-water sheds that are historic in nature.

There's throughout stabilization and creating seismic resiliency, all of these for both earthquake prevention or sustainability and also to help offset the impacts of sea-level rise. And we flag those because these are expensive actions to happen, to work on the water, to work by the water and for all of the resiliency aspects on this project.

It's been noted. And we mentioned previously, and it's more detailed in the staff report. But the current estimated budget for this project is \$528 million, which is a substantial amount. It's higher than it was originally estimated.

Part of what's been going on over the last year plus since the ENA was brought forward was really analyzing the scope and what was necessary from a resilience side, from a programmatic side. And we came to the conclusion that, right now, it's not enough just from the capital -- developer capital inequity and for available funding that the historic tax credits and/or typical IFD or tax increment funding may provide.

So we've broken this project into three sections which is -- we still considered it one whole project but three different categories especially when we start looking at funding. Where we've got a base project that is predominantly funded by -- to be funded by developer equity and private debt, \$420 million does assume some tax increment. And it also assumes some historic tax credits are available.

But then, there is this number, this additional resiliency category that we have, which is \$58 million which is not insignificant. In the term sheet, we've actually

indicated that the Port will be standing with our development partner seeking those funds at the federal, state grant level to the extent they're available.

We're hoping this is the time, hoping, you know, this is just something -- it's for the greater good that we think is a viable process to happen. We're willing to stand behind them. The developer also is deferring some of the maritime activities until a later phase as it seeks supplemental funding.

The reason we broke these three into these different buckets is we consider the base project pretty well pathway to funding within -- but this \$58 million really requires the Port to stand with our partner. But I do want to clarify. This does not obligate the Port or the city in any way to actually come up with our own capital. It's just standing beside our development partner.

Okay. So I do want to talk quickly about how this deal is structured to benefit the Port from a financial side. Everybody has always known that this was an expensive project. And it wasn't going to drive the returns like we might on other projects.

One of the reasons -- so we set our expectations accordingly. But we also want to participate in this project. And the better it does, the better the Port would do. So we created a simplified structure that still gets us there.

So there will be a certificate of occupancy which the initial phase is expected to start in 2026. The Port would begin to collect \$120,000 per year in base rent. It doesn't sound like a lot. But it will escalate 15 percent every five years. And over a 66-year term, it is not inconsequential.

But the big issue here really is the participation rent. And rather than taking a structure that works on other projects where we participate once certain return levels have been met, we've actually proposed that that doesn't apply but that we will instead participate as the revenues of the project increase.

We will participate in a more meaningful way. And what that means is it's not intended to burden the project in the early stages. So the percentage of the gross revenue -- or the net revenues that would be charged would be lesser in the early years.

But it ramps up similar to an income tax. As you're hitting a higher-revenue-percentage threshold, then the Port would participate as well. It's one way to keep the Port separate from the costs that are going to happen and also though still creates a perspective where the Port is participating in the success.

Similar to that, we do have capital and one-time events that will happen at some point. No matter how much we care for Pacific Waterfront Partners, over a 66-year term properties tend to change hands.

And we've locked it in to make sure, whether it's from a bank refinancing or from a sale or a transfer of ownership, the Port would participate in between 5 and 10 percent of those net sales proceeds. Okay.

So very quickly, just want to go through the summary and what we're asking for today. And then, I'll go into next steps. So as David indicated, what we're specifically asking for is your approval of this term sheet based on the conditions we've -- the attached term sheet that's in there. Or it's been lodged with the Port Commission.

And we really want to acknowledge that having a 20 percent of the project cost is not the previous norm. It's kind of out of the norm. And it is unusual. But we actually think that this is critical to keep this project going forward and that a public-private partnership is the way to go on this.

There's a lot of work that's going to be going on between now and construction. And going forward with this term sheet we believe has very little risk to the Port to continue going forward. But it allows us to get towards a historic rehabilitation and then get the seismic and the sea-level-rise risk protection we're looking for if this project goes forward.

And I do want to clarify not just the \$58 million that we've committed to explore -- to seek with our partner. There are no public funds at risk during this process. So even once the -- if this Port Commission approves this and then the Board of Supervisors approves it later, this just really allows the Port to go for -- the development of the project to go forward with certain other actions to advance it.

But this would be at no cost to the Port or the city during this time. So real quick, I just want to recap what those next steps are. And I don't want to go into too much, as David previewed.

But some ongoing things that'll happen is: continued stakeholder outreach as needed; ongoing implementation of the DEI plan especially as development and construction work begins. That will ramp up significantly.

There will be ongoing coordination with our regulatory partners regarding uses and permits but then this big action that David mentioned, which is seeking Board of Supervisors' approval of this term sheet which will also include a fiscal-feasibility analysis that needs to be put forth.

And these are conditions required to advance the CEQA process. Later, that would theoretically probably start early next year. And then, in parallel, we would begin negotiating transaction documents. What would be happening in the side is also the continuing exploring sources for those \$58 million needed to get up to the point where it's as close to fully funded as possible by the time this is ready to

go forward.

Ongoing throughout, we commit to update the commission with those -- let's call them the grant updates as they come about, project updates. And we'll continue seeking your guidance. And with that, we conclude the Port staff's portion of the presentation.

We do want to turn this over to our partner, Simon Snellgrove from Pacific Waterfront Partners, to say a few words. And then, we'll be available for questions.

Simon Snellgrove: Good afternoon, commissioners, Director Forbes. I've got three minutes. So I'm going to go very quickly -- by order of himself. Great to be here. Pretty much David and Josh took the presentation away. So I can cut it really short.

I just do want to recognize that we've been working hard on resiliency. We've got fabulous teams, probably the best I've ever had. RJSD, our structural engineers - - I'm not sure who's here -- [unintelligible] Power Engineering, Nibbi Brothers have been working with our -- Ellen Johnck and Page and Turnbull, our historic architects.

And we did run into a real interesting problem when you talk about piers over water and resilience. So we've got a model now. We're very proud of it. And your team has helped us -- the Port's team. So the next section I want to talk about is diversity, equity and inclusion.

We have today my partner, Wayne Perry, and Andrea Baker, who -- we've made good progress. We formed Pacific Cornerstone Management with Wayne, who is going to manage the project 50/50 JV to manage the project into action. And [Ujamaa], if I could ever say it right, are here. And Andrea has been terrific, been patient.

But we're going to be starting our mentoring program this year. We're going to start a list before we get open. RDJ Enterprises, Dwayne Jones -- I'm not sure if he's here. He's somewhere virtual. But he's been helping Wayne already. And he's a rock star in the LBE world working with our consultants.

On affordability for all our waterfront playground -- sorry, April got the wog, so she can't be here in person. But we've got this waterfront playground. As David says, we're going to have market-rate affordable restaurants but with market rates and affordable restaurants where we actually partner with the people to get that rolling, people from challenged backgrounds.

So we're very sure of that. And on terms of affordability for all, we've got junior sailing. We're probably going to partner with the South Beach Yacht Club, a

nonprofit, to run the junior sailing program. We've got BAADS. We've got space for BAADS, space for the canoes, all of which will be rent free.

And we're here today as one of the people from our merchant group that we're talking to this week about setting up a merchant's association to promote maritime services in the PDR space. So the only thing left is the market. Boo.

As if we hadn't had enough, along came the market. So we've got a market crash. But we're very positive that everything is saying that prime space, especially on the waterfront and especially in a fun place, is the order of the day.

And I just want to say I've been 22 years. I'm not sure if I beat Commissioner Brandon or if she beats me. But we've been at this for 22 years, very proud of our time with the Port. It's the fourth project we've worked on, very fortunate to be supported by your team.

And my team -- I'm very, very honored that my team will work for me again. Some of them will never work for me again. But anyway, thank you, commissioners. We are here to ask your approval of this term sheet, so we may move on.

And I believe that we will get the entitlements by the end of the year and get you a project by the first quarter of 2026. I'm an optimist. That's why I'm a developer. Thank you very much.

President Adams: Are you done, Josh?

Joshua Keene: Yeah. We're completed unless you have any questions.

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

Public Comment on Item 11A:

Norman Pearce: Is it up? There it is. Okay. Thank you. Quick introduction: Norman Pearce. I'm a 45-year resident of San Francisco, a 30-year member of the South Beach Yacht Club and staff commodore. I've served on several CACs in the Mission Bay, Pier 40, Pier 38, Pier 26 environment, the ballpark, the [Bryant] Street Wharf and have been very involved with the development of a very viable waterfront on the eastern side of San Francisco.

We need it badly. We're missing out a lot of commerce from the general bay area, Solano -- as far away as Solano, Alameda, Marin, Napa counties. People that are in boats like to come to San Francisco and visit. And there's no place for them to dock or experience life here from the boat side.

So that's very important for the Pier 38-40 project. It's going to give that availability to people wanting to come here. And what do they do when they come here? They spend money. A lot of them spend a lot of money. A lot of the bigger boats could spend as much as \$30,000 a weekend entertaining their guests.

So that can add up over the years. And Pier 38-40 project will be able to accommodate that. I really came here to represent the tenants and the merchant services that are currently on Pier 40. There is a total of five. That's Spinnaker Sailing, Cal Marine Electronics, North Beach Marine, Westwind Boat Services and City Kayak.

Simon referenced them as canoes. They were actually kayaks. But it's all water stuff. So that's good. And they've been, in average, in business these five businesses from 1988 to 2002 and anywhere in between there, long-time people.

They have over 40 employees all combined. So Simon and his group is committed to making sure that this group can maintain a space at Pier 38-40 servicing the maritime world and the harbor here in San Francisco, South Beach Harbor, but other harbors because many of these businesses service the rest of the marinas in San Francisco.

So I'm here to just say we're fully supportive of this group and really pray and hope that you can endorse this project to take it the next step because these five groups depend on this to stay alive and their employees. Thank you.

Drew Harper: Hi. This is Drew Harper calling from Spinnaker Sailing. And I want to thank you all for including us in this conversation. I have to applaud Simon and the Pacific Waterfront Partners folks. I think it -- the Port Commission may not be aware.

But there's quite a few maritime projects currently happening. And it's important to keep this open route. I've prepared a little speech here. So it's critical to keep the maritime tenants well integrated into the space.

We have several tenants that are providing key services to the second largest marina in the area of South Beach Harbor. Two in particular provide tremendous outreach for the citizens of San Francisco and surrounding communities to participate in boating activities.

My company, Spinnaker Sailing offers sailing lessons and bareboat charters to qualified sailors, skipper charters for people who don't know how to sail as well as local corporate and then ticketed events for the general public.

City Kayak offers a host of other on-water activities for everyone from the ages of 10 to 80, very popular during ballgames and such. We've got BAADS, which is a

critical program for outreach to not only disabled communities but the veteran communities as well.

And I have to say Pacific Waterfront Partners and Simon in particular has worked hard to be inclusive of all these small and vital micro-maritime businesses into the South Beach project. We are currently witnessing a mass exclusion of small maritime in several projects around the Bay Area including the Sausalito waterfront development, the Oyster Point Kilroy development and the Alameda Marina project.

Nearly all the maritime tenants in those locations have been or are in the process of being evicted. And as of today, it looks like the majority will not be allowed to serve the public at those developments.

I suspect the South Beach project, because of this, will draw regionally from the entire Bay Area waterfront community to participate in water contact that these other communities of Alameda and Oyster Point, [unintelligible] and Sausalito are no longer going to have access to.

So I applaud this project. We worked well with these folks. And they are very above board. It's very transparent. And they're a pleasure to work with. So I just needed to make that comment. Thank you.

Kathi Pugh: I apologize that I spoke at the wrong time. Just quickly, BAADS has been around for over 30 years. We're an [all bond care] organization with a cadre of [committed] sailors. Every Saturday, we offer small boat sailing and keelboat sailing on Sundays.

Five days a week, you'll see BAADS volunteers working on boats and getting our boats ready for sailing. We're open to the public. And we never charge for our services. Come down and see for yourself how BAADS serves a large, diverse, underserved community on our waterfront. You're all welcome.

Commissioners' Discussion on Item 11A:

Commissioner Gilman: Thank you. I am generally in favor of the term sheet. I just want to make a couple of comments and ask a couple of questions if that's okay. The first question, which might be also similar I think to questions other commissioners might have -- I saw the extensions options in the term sheet.

But if the capital can't come together, if the project isn't moving forward, can you just walk me through the extensions and then how we would terminate the term sheet?

Joshua Keene: Yeah. Good question on this one. Those would actually be formalized in the DDA when that comes forward for approval. So up until -- the

exclusive negotiation agreement which is in place -- but after the term sheet is endorsed, we'll actually have to negotiate the DDA which will have the extensions tied into there.

Commissioner Gilman: Okay.

Joshua Keene: So it hasn't been fully negotiated as far as that goes. But we definitely don't want to tie up the site in perpetuity. We need to have mechanisms to get out if it's not performance, and we want the tenant out -- or the developer out in that case. But this would be under the VDDA. And that would -- [crosstalk]

Commissioner Gilman: Okay. I thought I s -- maybe I misunderstood then. I thought I had seen two extension options.

Joshua Keene: There's extension options that will be included in the VDDA --

Commissioner Gilman: Okay.

Joshua Keene: -- tied into that for the development time period.

Commissioner Gilman: Okay. And then, just -- the community benefits for this project I think is one of the reasons -- the developer brought to the table incredible community benefits, an incredible team from a diversity perspective that ties into our Port goals around equity and inclusion.

And I would -- those are some of the reasons why he was the highest scoring and best respondent through our RFP process. But we're still using a lot of public financing if you consider [CVIF's] historic tax credits and the \$58 million we're going to help raise.

That's close to 25 percent of the total project cost is in public financing. This is more a statement. It's not really a question for you.

Joshua Keene: Sure.

Commissioner Gilman: And if the grants, loan and CAM -- I guess my question on that was, would these be grants, loans and the developer using their CAM fees to come up with this funding or -- in taking out these loans and grants? Or is this another partnership with us and the developer?

Joshua Keene: It would be intended that the obligation would not -- we may, as an underlying land owner, be a co-applicant but would not -- these would not [turn to us], these obligations as far as it goes. So it's viewed more through that lens, not the Port or the city incurring specific obligations above and beyond that.

So this would be more from a state grant, federal -- state grants, federal grants,

any kind of programs that are out there, larger resiliency programs, nothing local here. But it's not -- these would be public funds. But they would not necessarily be kind of Port funds or the Port extending its own kind of ability to use public financing --

Commissioner Gilman: Okay.

Joshua Keene: -- the exception being the IFD, which is in the base project itself --

Commissioner Gilman: Right.

Joshua Keene: -- which is standard.

Commissioner Gilman: So we have the IFD, the \$19 million. Then, we have this direct tax credits of \$65 million. Then, we have \$58 million that -- government funding that we're going to co-raise together.

Joshua Keene: Yes.

Commissioner Gilman: My question was on the other -- the deferred maritime since that's such an important part of this project. It's just listed here grants, loans and CAM. And I had a hard time in the staff report. Is that just an illustration of what might be the mixture to come up with that \$50 million? Or has there been a determination that that's going to be the formula to come up with the \$50 million?

Joshua Keene: That would be the mixture. I don't know if the developer has any more specifics associated with that. But it was intended to be non-public funds. And that's why it's [crosstalk] third bucket over there.

Commissioner Gilman: Okay.

Joshua Keene: This would be kind of as the developer is able to get the grants and the project goes forward.

Commissioner Gilman: Okay. Then, can I ask the developer a question?

Joshua Keene: Sure.

President Adams: Come on up to the mic, Simon.

Commissioner Gilman: So I know I might be looking too far down the road. So if you don't have an answer to this, that's absolutely acceptable to me.

Simon Snellgrove: I've got it.

Commissioner Gilman: But on the CAM, are you thinking that you would take that out -- you're not proposing passing through CAM charges, this \$50 million, onto whatever tenants are at the property. Can you explain why you listed CAM there?

Simon Snellgrove: So the CAM, common-area maintenance --

Commissioner Gilman: Yeah.

Simon Snellgrove: -- on Piers 1 1/2, 3 and 5 is running about \$50 a square foot because it's a small project. This is a very big project, [215 s --] bigger, five acres. So the CAM will be less per square foot.

Commissioner Gilman: Okay.

Simon Snellgrove: The CAM -- we do triple leases. So the CAM is added to the triple net lease --

Commissioner Gilman: Yeah.

Simon Snellgrove: -- equals the gross lease.

Commissioner Gilman: Right.

Simon Snellgrove: So when you lower the CAM, you leave more of a margin for gross lease.

Commissioner Gilman: Okay.

Simon Snellgrove: So we're going to take a piece of that CAM.

Commissioner Gilman: Okay.

Simon Snellgrove: We think we can do it for \$20 a foot instead of \$50.

Commissioner Gilman: Okay.

Simon Snellgrove: We'll take a piece of that CAM and pledge it to community finance bonds. And that's why. And on the historic tax credits, that's not -- that's federal credits.

Commissioner Gilman: Okay.

Simon Snellgrove: And you sell those. You get 80 percent of your cost. We did it on the piers and on the Bay School. So you get -- you sell them to Bank of America --

Commissioner Gilman: Right.

Simon Snellgrove: -- or Chevron who needs tax breaks. And so it's no money out of -- it comes out of the federal government.

Commissioner Gilman: I really appreciate that clarification. Thank you. I was only familiar with historic tax credits --

Simon Snellgrove: No. That's all right. [crosstalk]

Commissioner Gilman: -- at the state level. So thank you very much.

Simon Snellgrove: Yeah. Thank you.

Commissioner Gilman: So I just wanted to make one more remark. And this is just more a general statement from how I view development deals as a commissioner. And I'm supportive of moving forward with the term sheet.

But I guess -- I do commend the developer and his whole entire team in Cornerstone for bringing forward the community and equity focus of this project. But I view this moving forward -- in some ways, they set a bar. But now, they've set a floor for other development agreements to come to the Port particularly when you're going to use this level of public financing.

Even if [it's] the federal government and you're selling it, you could still argue that anywhere between 25 percent and -- that \$50 million is, you know, a little fuzzy -- 25 to 30 percent is public financing in this deal. It's the only way we can get these piers fixed. I understand that.

But to me, this equity program, the beauty of it, the lowering of the rents, the ensuring that our maritime tenants at Pier 40 will have a right to return and be able to be in their spaces, I commend it all. But to me, it is now what I am going to look for in every real estate deal that comes before us because it is so important to remember that we are a public entity when we do this work.

So I'm supportive of the term sheet. And thank you to JV Partners and Cornerstone for now setting what we expect from other folks at least from my lens when they come before us. So thank you very much.

Joshua Keene: Yeah. Understood. Thank you.

President Adams: Vice President Brandon?

Vice President Brandon: David, Josh and Simon, thank you so much for the presentation. As Commissioner Gilman said, this is one of our landmark projects.

This project could be very beneficial for the community, for the BIPOC community, for so many bringing everyone to the waterfront and giving them space to be able to really enjoy our waterfront.

So I am very, very supportive of this project. And I just have a few questions. One is, can you just let us know what the community advisory groups have -- what the feedback has been regarding this project? Is it well received? Is it --

David Beaupre: Thanks, Commissioner Brandon. So yes. We went to the Northern Advisory Committee either a month or two months ago. And there is general support for it. We did hear some initial concerns from some of the Pier 40 tenants.

But I think you've heard from a couple of them today about their appreciation for the work that Simon and his team has done with them. We have gotten together with them a couple of times down in the community to talk about moving forward and their rent.

So I think you heard from them when we were talking about parameter rent. So Simon's done a great job of outreaching to them and giving them the comfort level. We'll continue to work with BAADS and Kathi to make certain that they get the comfort level they need. But in general, we've heard very favorable support from the community.

Vice President Brandon: That's great news. Thank you. And I know that this - - at this point in time, this is a unique development deal for us because it's probably the first one where we've considered putting resilience as a part of the project.

So I think, overall, that's going to be extremely beneficial to the Port. And I know we have to reimagine how we do our public-private partnerships. So I'm just wondering -- so from the initial presentation as far as the financial terms go, what has changed? And how does it affect the overall deal?

Joshua Keene: Rebecca is probably best --

Rebecca Benassini: Thank you, Commissioner Brandon. Rebecca Benassini, deputy director for real estate and development. The main item that's changed from the RFP is what you're thinking about, the initial proposals.

So their initial proposal had a much higher rent. But it was offset with rent credits. So you might remember they had a \$900,000 initial rent. Then, they had the cost estimate. And they proposed a level of return.

And they would receive rent credits to the extent -- as they're getting up to their level of return. So in trying to model that out, we always get very concerned

because we've had experiences where costs continue to climb as we're developing the project.

So we moved away from having a high rent but then having rent credits offset that rent to get to a more stable -- what Josh and David and I preferred and Simon was amenable to negotiating around this -- to have like -- we want to have just our rent.

And then, we participate in the modified gross revenue irrespective of where the costs are because we wanted to get away from that in this project. So that's the main difference that's changed from then until now.

Vice President Brandon: So how is the 0.0 to 4 percent -- how do we -- what does that mean?

Rebecca Benassini: Yeah. I'll start to explain it, and you can help me, Josh. So we have modeled out their gross revenue starting and then over -- I don't know if we've gone through 10 or 20 years. And each -- what we modeled out is \$0 to \$10 million, \$11 to \$20 million, \$20 to \$30 million.

We think the project at build out is in the mid-\$20 million most likely in terms of revenues to the project. So for the lower tiers, we would get the 0.5 percent of a very low tier ranging up to 4 percent. The term sheet is not specific on these tiers yet.

It has that range of 0.5 to 4 percent tiered like I just described. Our models have that. But we haven't specified it in the term sheet because we want to get into CEQA and to get the costs more nailed down.

And then, we would have those tiers be a lot more refined than \$0 to \$10 million, \$11 to \$20 million. We think that we need more information on the cost as they come in over time to kind of get those tiers nailed in.

So for the term sheet, we've specified on a marginal rate, meaning it will go up as the revenues go up. It'll range between 0.5 and 4 percent. And as we continue this analysis and get that \$538 million more locked in, then we can lock in those tiers.

And we'd be -- as we go through this process, we'd be coming to you in closed session as we're getting more and more information to continue that -- the specific negotiations on those terms. Does that make sense? Or Josh --

Vice President Brandon: It does. It makes a lot of sense. So the overall return to the Port -- has that changed significantly?

Rebecca Benassini: That would require the NPV check which I don't have in

front of me in terms of the RFP versus today. I think -- I don't have that, and I don't think Josh does either. But we can definitely bring that back in terms of the RFP expectation, understanding that it was cost, rent credits and all that sort of projection versus where it is today. So we definitely can get that.

Vice President Brandon: Well, as you know, the financials are always important to me with whatever development deal we're doing. So it would really be great for us to understand what we're really agreeing to going forward. But I really appreciate the presentation and all that.

But it would be great to know what has changed, where we were and where we're going. That would really be extremely helpful. But I am very supportive of the project at this point. Then -- I just lost my train of thought.

I think Commissioner Gilman asked my question regarding the benchmarks as far as how long we tie up -- because we've seen over the past that some of our projects can go on and on so to make sure that we have some kind of checkpoints where we make sure that the project is feasible and can continue to move forward which I know it will. And it's going to be extremely successful. And those are my comments. Thank you.

Rebecca Benassini: Thank you, Commissioner.

President Adams: Thank you, Vice President Brandon. David, Josh, Simon, Rebecca, team, thank you. Before I start, Director Forbes, I'd like to hear your thoughts. And then, I'm going to give you my comments. So sometimes, people say they don't mean to put you on the spot. I want to put you on the spot. So --

Director Forbes: Okay.

President Adams: -- go ahead.

Director Forbes: Thank you, President Adams. I think staff did a very, very strong job describing the project and some of the great public benefits that we can expect in this project, the key resilience needs that we have for this portion of the waterfront and some challenges with the capital stack for a project like this.

There's a lot of conversation about the value and the benefit of the DEI program here. And I think it is innovative and strong. And it's something that we ought to be proud of. Every project is different in terms of what it can bring and what it delivers.

And here, there's a very strong DEI program and partnership from the start that I think we'll see different results here and very promising ones. I think that Vice President Brandon has asked some questions about the financials.

And Rebecca has said she can run those numbers with the team but hasn't done so in terms of a side-by-side comparison of income expectations to the Port. We can certainly do that. I would recommend moving forward and receiving that analysis as we give project updates.

But if you feel you'd like that now, I understand. And what else to say? I think staff has done an excellent job making the deal more simple. So the changes that Josh has described make abundant sense in terms of how to execute on this agreement and just keep it simple and keep it straightforward.

Our master development deals were much more complex. We were lucky that, in those deals, the land value and all the fancy public financing allowed us to pay for resilience in those big projects. But in these small projects, it's not the case.

And thank you, Vice President Brandon, for recognizing that and saying we need a new model here for our pier restoration projects along the seawall. So those are my general comments.

And my final comment is the boaters -- in Pier 40, we recognize you. We appreciate you. We think BAADS is a wonderful program. We're so proud it's here. And it was great to hear different people call in and talk about how they enjoy the waterfront at Pier 40. That concludes my remarks.

President Adams: Thank you, Director Forbes. A couple comments -- I wrote it down. Clearly, I agree with Vice President Brandon. The financials -- the devils are the details. I guess, Josh, to you and David, are we where we should be? And what's changing?

And Vice President Brandon brought that up. And I'd like to know that. Are we, in this project, where we should be? Because I understand this is a very complex project. Right. We're talking about over a half a billion dollars. This is huge. So can you tell me, are we where we're at and where we need to be? And kind of like what Vice -- what's changed?

Rebecca Benassini: I want to start -- again, it's Rebecca Benassini for real estate -- because I have done a bunch of term sheets now. So I wanted to give my perspective. And then, I want Josh to give sort of his more city real estate and now your Port experience.

So my experience with term sheets is we can get very, very detailed. And then, two years later, we bring you a lease after we've done CEQA and after we've done more public outreach and we change the project at that point.

And sometimes, there's disappointment or there's excitement from the changes from the term sheet. So I have found that, compared to Teatro ZinZanni or Mission Rock or Pier 70 term sheets, this term sheet is definitely shorter.

It focuses on how we're going to work together to negotiate the lease. And it focuses on the key values that not only we have heard expressed through the public process in terms of the DEI program and the commitment to boating and the commitment to bringing in the new youth sailing program -- speaks to those.

And it speaks to the high-level financials. And it identifies this gap. And I think we've brought it as far as we can bring it. And now, we need to do CEQA and go to BCDC and do that sort of more detailed analysis because we find that process always reveals something that we can't know about until we do the term sheet and then get to the environmental review.

So from my perspective, it is more high level than our other term sheets. I fully acknowledge that. But I think it reflects more of where we should be at this phase given that we have CEQA and then BCDC permitting ahead of us.

And they're going to have -- those processes will result in changes to the project. So that's my high-level perspective. I don't know if, Josh, you wanted to add anything from any of your other experiences on real estate deals.

Joshua Keene: Yeah. I would just say probably maybe what feels like a little bit of a slower pace on some aspects of this is really getting comfortable with the idea that there is a funding gap because that is a big mental hurdle to get over let alone the fiscal realities of it.

I think this is a critical step for us to go and so we can take this before the Board of Supervisors, who is going to be our other group that's going to need to get comfortable with the same concept that we hope that we're going to be as compelling on as that.

So I think that it took a while to get there. I do want to say that it was a lot of negotiation to switch this model. And Vice President Brandon, I look forward to -- I've got a lot of that information more readily available.

So I can -- we could brief you on that quicker than later. So I think we are where we need to be on this one because of the gap. And it's really a critical moment now to move forward and make sure we've got the support on a larger level beyond just this Port Commission. So I do think it's the right point.

President Adams: Thanks, Josh. Thanks, Rebecca. I'm supportive. But what I do miss for me is our activists. I miss Ellen getting up, speaking on it, Alice. I miss the late Corinne Woods because they're the eyes and ears of the community.

They're the alter ego and the conscience of the commission. And what they want is what's best for San Francisco. They don't have an agenda. And I miss Ellen

getting up, saying something or the late Corinne or Alice because they want -- and they look at it.

And they talk to the community. And this project will belong to the citizens of San Francisco. And I like hearing from them because they don't have an agenda. So thank you very much. I'm supportive. And I will vote for it. Commissioners, anything else? Okay. We have a motion and a second. All in favor, say aye.

Vice President Brandon: Aye.

Commissioner Gilman: Aye.

President Adams: Opposed? Resolution 22-36 passed unanimously. Carl, next item, please.

- B. Request approval of (1) a resolution rescinding Resolution 07-29 which prohibits Port from paying brokers' commissions; (2) a resolution adopting a new interim broker-policy that permits payment of brokers' commissions and fees subject to the limitations set in the proposed policy (the interim "Broker Policy"); and (3) a resolution authorizing the pursuit of a proposed multi-site offering using a broker-assisted, competitive solicitation process to lease the Ferry Plaza East Building behind the Ferry Building and a restaurant space in Pier 33 ½ Building. (Resolutions 22-37 and 22-38)

Ricky Tijani: Okay. Thank you. The second is to authorize us to pursue leasing the Ferry Plaza East Building and the Pier 33 1/2 space using a broker subject to the offering conditions and parameters discussed in the staff report on this matter.

We thank you for the feedback you provided us on April 12th when we discussed the broker-assisted leasing strategy with you. The rest of my presentation will provide more detail on the report back to you and the action we are requesting you to consider taking today.

The outline of the presentation is on this slide. We will cover the key items that we presented to you on April 12th, then report on the work we have done since. And we will provide a summary of and the basis for the action we are requesting you to consider taking today.

We will conclude with the next steps to get to leasing these two properties. If you recall, on April 12th, we apprised you of the Ferry Plaza East Building and the Pier 33 1/2 space. We noted their weaknesses and strengths, that the market considered their location to be a premium location because of their proximity to [visitors annual] like the Ferry Building and the incredible view the customer will enjoy from these two properties.

We noted that the Ferry Plaza East Building needs some work to increase its appeal. We discussed the challenging environment in terms of COVID-19 impact which have led to higher-than-normal vacant retail and restaurant spaces which have prompted us to recommend using a broker as part of our leasing strategy.

You provided us a positive feedback on the leasing strategy which will help us to efficiently lease our vacant spaces along with measures not only to help prospect find our offering but to provide proactive and let us actively address visibility issues meaning that, when we are using a broker, they would give us the idea because they are in the market.

They know what the issues are. They know what the prospective tenants are looking for so that we don't do a hit and miss that will help us with our leasing. We indicated to you that the reason we are using a broker is because they have the time. They have the data. They have the relationship.

And they know the [prospect deal's] requirement, meaning that prospective tenant will usually share with them what they are looking for, what their preferences were, which will help us get a good proposal.

We then discussed that, from 1993 to 2007, that you do allow us to use broker and that, in 2007, at our request, you requested to use a broker because the market was very healthy then. And prospects were knocking on our door to lease the few vacant spaces we had then.

Now, the market is not so great due to COVID-19 impact, too many vacancies. But we are seeing some improvement in the market. Since we came to you in April, as we indicated, we made outreach to the various stakeholders starting with BCDC, the Northern Advisory Committee. And we reached out to representatives of BART.

We conducted broker outreach in working with the city department of real estate to fill out the broker. We actually provided a tour for the brokers. Working with the city partner real estate, we thought it is a good idea to get a letter of interest from the broker to get a sense of engagement and to start working on this.

So we give them a tour of the property so that they know, you know, what is involved, what the issues are, then tell us their level of interest in helping us with it. We did receive roughly three letters of interest from the broker that we are currently reviewing.

Again, since when we came to you, we've gone back to review the broker policy because, in working with the broker or negotiating contract with the broker, we need to get your guidance in terms of the deal points and how we're going to pay them and many other issue that we need to address because the prior broker

policy, by reviewing that, we inform the new broker policy that we were recommending that you adopt.

As I've indicated, we conducted a tour of the property for the brokers. We continue to do our due diligence because, particularly for the Ferry Plaza East Building, it has such a unique structure. It's above the BART ventilation structure.

We think the tenant coming in with their consultant -- they will need a whole lot of information. So those are the due diligence material that we are currently collecting so that, when they come to us, they will hit the ground running. They're not going to be searching for all those information that we will have readily available for them.

But just to go back to why are using a broker or why our current process, our RFP process from our retail and restaurant space is not idea in this situation is because the RFP process lack access to prospects that rely on broker to find spaces.

It make prospect work harder to understand our offering because of all the various condition and everything whereas a broker will provide that information for them upfront so that they could move very quickly.

And the current market require a new approach to reach prospect we would not otherwise reach. So the resolution before you -- the first is to rescind the existing resolution that prohibits us from using -- from paying broker commission.

Here we then adopt a new broker policy that I will go into details later that will allow us to pay broker commission. And the second resolution is actually authorizing us to continue to pursue this offering using a broker.

Here is a summary or the key requirement for this new broker policy. What we are seeing here essentially is that the broker will not be entitled to commission or any fee until we have a valid contract and a binding agreement.

The broker and the tenant must recognize by the Port through a registration to avoid issues because, as you know, broker work with other brokers. And we don't want a situation where, you know, we've got a lease. And another broker is coming out of the woods to say, "Hey, I work on these deals. I'm entitled to commission."

So we want to make sure they register with us. We recognize then that we're all on the same page, that the Port will reserve the right on when and how we lease our property. So just because a broker bring a deal to us doesn't mean that there is a deal. It has to be at our discretion.

The broker commission rate, as you know, are often based on the market. But

we are recommending a rate that they will not exceed to guide our negotiation and discussions with them. In terms of the manners and payment sources, because as you know [with COVID], we don't have a whole lot of money. We want to make sure that we are making it very clear as to when and how we will pay them.

Our preference is for their commission to be paid from the rent the tenants are paying us. Some of them like to be paid upfront. Some of them like to be -- when I say upfront, they know of course the lease has to be signed. And the tenant has to make deposit.

But oftentimes, they want half of their commission upfront. So we are stating that upfront that that is not going to be possible. However, we are providing for a provision whereby, if we are paying them some fee for some upfront work they will need to do or if the circumstances is different or if we have an agreement where we set aside some fund to pay them, then that would be an exception.

Otherwise, the money have to come from their rent so that they have skin in the game. Of course, the broker policy is going to have some conditions because there are times that we have a relationship with the tenant or we have a prospect that have approached us already.

Under those circumstances, the broker will not be entitled to commission because we say we already have a relation with that particular tenant. So those conditions -- those limitations are provided.

In terms of the benefit desires of this offering, of course this is part of our economic recovery steps is to generate new revenue, a public benefit, renovated spaces for us. All are stated in this slide. So I won't go through them in detail. But these are the benefits that we want out of this offering.

Here is the two spaces that are the subject that we are talking about. The first is the Pier 33 1/2 restaurant space, approximately 4,600 square foot, has a frontage in the Embarcadero. It is very close to the -- what I call the great visitors [node] which is that receive about 1.3 million visitors in 2019.

We hope it's going to get back there. It's got an incredible view of the bay when you're inside the restaurant. And it's easily accessible by all modes of transportation.

Here is the Ferry Plaza East Building. You probably know the story that it has been vacant for quite a while. Besides, it's a huge building. And this was designed back in, I believe, early 2001. So it's a two-story building with over 18,000-square-foot space.

We think, because of the size, it may require a unique approach whereby almost

like a developer may have to come in that's able to [d -- manage] the space for other users because it's too big to use as a restaurant. So you'll be looking at multiple uses.

It's located at the edge of the Ferry Plaza right behind the Ferry Building. And as you know, Ferry Building generates over eight million visitors per year prior to COVID-19. We hope it's going to get back there.

So it has that unique attribute because it's already there. It just need to be put in a position where it will actually draw more people to it. It's got a spectacular view, a 360-degree view of the bay, the Bay Bridge, the Treasure Island, the city skyline. And it's easily accessible.

As I noted early, it has all these challenges. The interior and the exterior will need some upgrading. The large floor will only appeal to some special tenants that could handle that. So there is going to be a need for some complementary uses to take up the full space.

So this is what we are proposing as anticipated offering term for the Pier 33 1/2. You know, it will need to be reconfigured in terms of the interior because the existing layout and tenants improvement are probably dated. So the new tenant may want to do something.

But it would be a minimal upgrade. Permitted uses remain the same: retail or restaurant. The lease term -- because it's such a small space relatively speaking, we think that we may be looking at -- most likely, it's going to be better five to 10 years in terms of the initial term.

Of course, that term is going to be commensurate with the amount of money that they're actually investing. So the capital investment will help us dictate how long that term would be because they use the term to recoup their investment. So that would be considered.

Now, we want the tenant and his team to have the capacity and the wherewithal to operate, to perform. So we will be looking at their financial capability and experience. And currently, we are proposing that the experience be between three to five years of relevant experience.

It may not include these last two years given what has happened. But that would be considered. For the Ferry Plaza East Building, it's similar except that it would need some reconfiguring. And it may take a little bit of time to do the work.

And some of the work may not actually be tenant's improvement because they may need to do something to the outside of the building. They need to reconfigure to increase its physical appeal. And it could be used for, you know, entertainment, assembly or retail.

We think that the initial term again will depend on how much money they are putting in to help us decide that. The requirement for the tenants would be the same. They need to be capable. They need to have the financial wherewithal.

So you could conclude why we need your approval -- this is a unique property particularly for the Ferry Plaza East Building, where we think that we would need to use a broker to actually reach out to the market and reach other prospect that would otherwise not come to our property because they use broker to screen their deals.

So I won't go through all of this. But here are the reasons why we hope that you approve the two resolutions. In terms of the next step, you know, once you approve -- assuming you approve these resolutions today, we hope that within the next 60 days, we'll work with the city department of real estate to enter into a contract with a broker.

And then, we will work with the broker to start doing the marketing and the due diligence that I discussed. We think that, for the Ferry Plaza East Building, it may take a little bit longer because of its nature.

We think that the Pier 33 1/2 we may be able to get something done quicker. And of course, we'll do the evaluation of the proposal and then provide an update to you. We are hoping that, when it's all said and done, that maybe by early next year we'll be able to bring a list to you if not for the Pier 33 1/2 first or maybe for both.

That concludes the presentation. I'll be glad to answer any questions you may have regarding our recommendation. But we do recommend the approval of the two proposed resolutions.

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

No Public Comment on Item 11B.

Commissioners' Discussion on Item 11B:

Commissioner Gilman: Thank you so much for this report. I have a couple of questions. So I just wanted to make sure -- and I did have a briefing. But I just want to still make sure because, to me, the presentation today, compared to the staff report which was quite detailed -- I just want to make sure that I'm absolutely correct.

So when you look at the staff report on selection process starting on page 12, it outlines the selection process that I'm assuming the broker will be made

aware of to bring us applicants that fit the selection criteria.

Ricky Tijani: Yes.

Commissioner Gilman: But then, when we get to the top of 13, it says, "If it becomes necessary to use a T-RFP process." So are you outlining for the commission and for the public that, if the broker fails, we will then default to this RFP process?

Ricky Tijani: Yes. We have that right to issue the RFP ourselves or to lease a property on our own.

Commissioner Gilman: Okay.

Ricky Tijani: That's why we said under the broker policy that, if we have a tenant already approach us before the broker, we reserve the right to work with that broker. However, because of the city require competitive solicitation process, we may have to issue an RFP if it comes to that.

Commissioner Gilman: Okay. I guess that's like what I want to dig into a little bit more because my understanding is the reason we're experimenting with this with two very, very different spaces, which I think for always a proof of concept, sort of a test pilot, it's really good to have a space like 33 1/2 butterfly space, which in some ways is a turnkey space, ready to go.

I could be a restaurateur having a restaurant in the sunset. Maybe I'm a small business woman, you know, happen to be a BIPOC-owned business. And I normally don't feel I can apply to RFPs. But the broker knows me. They reach out to me.

And this is a great expansion option versus Ferry Plaza East which means a lot of capital improvements, probably going to need a larger restaurant group or someone to come into it because of the capital. So I think it's great that we're using two very different spaces to experiment this on.

I know the whole point is to get local small business to medium businesses in, hopefully from the BIPOC community to start businesses on the waterfront. But my understanding is the reason we're agreeing to the broker and paying the fees, which I just have less of a concern about, is to avoid a lengthy RFP process.

And that's where I was confused by page 13 because you lay out having a panel and a point system. So I guess I'm just having a disconnect here. So can you just explain this to me?

Ricky Tijani: I'll make it simple. That's why we have this timeline. You're right.

This is -- we're doing this pilot program with these two properties.

Commissioner Gilman: Okay.

Ricky Tijani: So if for one reason or another the broker is not able to find a tenant --

Commissioner Gilman: Okay.

Ricky Tijani: -- or they run into issue, then we have to cut bait and -- [crosstalk]

Commissioner Gilman: Okay. So this is a contingency plan. If the broker can't, this is how we would issue an RFP.

Ricky Tijani: Yes.

Commissioner Gilman: Okay. That's the clarity I was just looking for because it was a little confusing in the staff report.

Ricky Tijani: Okay.

Commissioner Gilman: And then, my only other question is, do we have any sense, looking at the timeline also -- this isn't particularly more for 33 1/2. I guess I'm more concerned about that space because I think we could have a lot of folks interested in it because it's so -- in some ways -- I'm sure it needs some paint and a different feel to it.

But in some ways, it is a turnkey restaurant space, as someone who's been in the space. Do we have a sense what it takes our master tenants along the waterfront -- let's say the Ferry Building or the folks that are in charge of leasing - - I might be getting the pier number wrong. I apologize -- Pier 1 1/2 where [Trick Dog] used to be. How long does it take from concept to executing a lease for them?

Ricky Tijani: It --

Commissioner Gilman: Do you have any sense of what it is when we have a master tenant?

Ricky Tijani: Yeah. It usually varies. Oftentimes, it comes to the issue of CEQA, getting their liquor license, getting the design and getting through DBI or getting the necessary permit to do the [TI]. Those are the area that I know does take some time for them to get through to get -- you know, to be able to say they want to start construction of their [TI] --

Commissioner Gilman: Okay.

Ricky Tijani: -- getting that approval.

Commissioner Gilman: Okay. And this is just more a curiosity question. Maybe I'll ask it in a different way. I guess I'm trying to wonder, is our timeline for someone who wants to go into 33 1/2 too long compared to when we have a master tenant already in place who is leasing a space? I guess I just want to judge the timing. Do you understand what I'm asking, Rebecca?

Rebecca Benassini: I think so. Rebecca Benassini again. I can add a bit more context or one example that you're really familiar with. You remember seeing Mission Rock here a couple months ago for a recycled water informational.

And at that time, they were noting they're in the market trying to get retail tenants for their buildings and their construction now. They don't have leases yet. So that's sort of a guide, how many months it takes to actually show the space, garner interest and then send a lease. So I would think our timeline is aggressive --

Commissioner Gilman: Okay.

Rebecca Benassini: -- I would expect. We are going to -- when we're interviewing the brokers and when we get into contract through the department of real estate's contracting tool, then we can ask them what our expectation should be. We walk up and down, as you do and notice. You know, Pier 1 -- they're trying to fill their space --

Commissioner Gilman: Yeah.

Rebecca Benassini: -- 1 1/2, 3 and 5 trying to fill their space. We all watch the Ferry Building. So I think there's just a lot of competition right now. That said, our leases are few and far between. So the brokers who've toured the space so far were very excited about the space. So we have some optimism. But we want to be just really realistic.

Commissioner Gilman: Okay. I just didn't want us to have a process that would have someone in the queue ready to go, someone who's the perfect applicant, and because we are a government, because we have a public trust and a public obligation, we're moving too slow where they then pivot and go to Pier 5.

So I guess that's all I wanted to say is, if we have an ideal applicant, I just hope that we are nimble enough and agile enough to move, so we don't lose that person while still doing our due diligence from a financial and public trust perspective.

Rebecca Benassini: Point well taken.

Commissioner Gilman: That concludes my comments. Thank you, President Adams.

President Adams: Thanks, Commissioner Gilman. Vice President Brandon?

Vice President Brandon: Ricky, thank you so much for this report and bringing this opportunity to us. I think it's great that we're starting with a pilot program and just have two locations to see how it works out with the brokers. So I was just wondering, how is the commission negotiated? And is there a cap?

Ricky Tijani: The commission is dictated by the market. But generally, it's usually no more than 5 to 6 percent most of the time. But with the competition, if we're having three brokers on a deal like this, with the competition between them, one or two of them is going to lower their commission rate in order to get the deal among other factors.

So generally, it is negotiated. It depends on the issues involved and the amount of time they may have to spend and the resources that they have to spend on their own because they are not going to get paid until a tenant has [accrued the] lease and made their deposit [and start paying]. But generally, it's no more than 6 percent.

Vice President Brandon: So is there a cap? Do we have a cap on what we're approving the fee to be?

Ricky Tijani: Yeah. In the staff report, we indicated a range of 4 to 7 percent. But it's a range. And it's supposed to be a cap. Our expectation is that, to get the deal, most of the brokers are not going to go anywhere near 7 percent because it's not market supported.

And secondly, to be competitive, they probably will want to lower it. And secondly, that 6 percent or 5 percent is the total amount. But if they are using a cooperating broker, then they have to split it with that cooperating broker.

And that rate of 5 percent -- that is just on the first years of the lease [that then] get reduced over time. So we will be looking at that. And that's why, when they bring a deal to us, they're going to be showing us some comparables to say here is a similar space that we lease. Here is the requirement. Here is our commission. Here is our basis for recommending what --

Vice President Brandon: So when is it negotiated? Is it negotiated when they bring a proposed tenant? Or is negotiated when we say we would like to use you to go out and look for --

Ricky Tijani: Yes. In this case, it's going to be reflected in their contract, which will have the scope of work and talk about compensation. In this case, since we are using the prequalified brokers and the city panel, it would be the city that facilitate the contract.

So the contract is actually going to be between the city and the broker. But we will provide for the compensation. But in writing the contract, we're going to spell out the scope of work. So like the Ferry Plaza East Building, a broker may say, you know, we have an architect or consultant that is going to help us prep for the marketing.

So usually, that accelerate that work so that a tenant coming in is not going to worry about, okay, what all -- what do I need to do? The broker already does legwork for them. So then, they would be able to say, okay. Let's make a deal.

Vice President Brandon: Okay. I appreciate that. I really appreciate that because I know they have to do a lot of work. So the fee is going to be negotiated before we choose the broker. It's going to be on their submission, their proposal to us for what -- I'm still -- I'm sorry.

Rebecca Benassini: I want to explain it a little bit -- one more time. Ricky did such an excellent job. But we are not bringing a contract back for Port Commission approval, just to be super clear. We have the contract -- okay. So you understand that part.

Vice President Brandon: I understand that.

Rebecca Benassini: Okay. Wonderful.

Vice President Brandon: We're just approving to be able to use brokers.

Rebecca Benassini: Exactly. Right.

Vice President Brandon: So I just wanted to know if there is a cap on how much we're approving to pay these brokers --

Rebecca Benassini: Understood.

Vice President Brandon: -- and how we negotiate the fees of the brokers that we are paying.

Rebecca Benassini: So we will be bound by the broker policy in the resolution. The broker policy does not have a cap. It has an expectation of 4 to 7. We talked about this a lot internally. And we would recommend against saying the Port will pay up to 7 percent because then we find brokers say, "Great. The Port will pay up to 7 percent."

So we want to keep it as it's written where it says expectation is 4 to 7 percent. When we bring -- once we execute -- or city real estate executes the contract on our behalf, then when we bring the lease to you or we bring the results of the broker solicitation and we bring the lease to you, then that would have the commission listed in it.

So you would have the opportunity to say, "No, that's too much," or something along those lines. But we are working really hard with these -- through this competitive process to make sure that we aren't going to get close to what we think the expectation is, up to 7 percent.

So we propose it as that pilot and noting that we don't -- we were uncomfortable having a max in the broker policy because we find that then people point to that like --

Vice President Brandon: It's me.

Rebecca Benassini: -- that's your rate.

Vice President Brandon: It's me. I'm asking the question all wrong. It's me. I'm just wondering how you negotiate the fee. How do you choose if it's 4, 5, 6, 7 percent? What factors is that based on? When do you decide what fee you're going to pay the broker?

Rebecca Benassini: So we have three brokers. We have their proposed fees. We have their experience. Now, we're going to interview them with department of real estate and find out who really knows what they're doing.

And if there's a higher fee that's presented, does that broker present qualifications or experience that are so similar that we might be willing to pay a little bit more because we think they're going to hit the mark?

Vice President Brandon: So their proposed fee is in their proposal.

Rebecca Benassini: Correct.

Vice President Brandon: Got it.

Rebecca Benassini: Sorry.

Vice President Brandon: Thank you, guys, so much. Thank you. And the most we will pay is 7 percent. We will not go over 7 percent.

Rebecca Benassini: That is what we all believe. And that is what the department of real estate staff member we're working with thinks is a reasonable

expectation.

Ricky Tijani: Yeah. I was just going to say that, when you talk about broker compensation, we are focusing on the rate. But the rate is just only half of the story. It depends on the deal on the deal. So if they're able to find a tenant -- I want to commit to 15 years for the Ferry Plaza -- and they're paying this x amount and they're putting a whole lot of improvement into that building, then it may be subject to negotiations because that rent is way higher.

And we're not going to just let them get the highest rate based on that. And secondly, the percentage is based against what we call the base rent, meaning that, if there is any lease extension, if there's any additional money coming in like percentage rent, those are excluded.

And we are going to be excluding rent credit. So there's those three things you're looking at: the rate, what the transaction value is and, you know --

Vice President Brandon: Thank you. [crosstalk] I know a lot goes into it. And I really appreciate that. Thank you.

Ricky Tijani: May I make just one quick comment? I just wanted to point something out that Commissioner Gilman was talking about. We put a note under our timeline on page 14 where we said the schedule for the Pier 33 1/2 space is expected to be shorter. So we are expecting that to be shorter, [just wanted to provide that].

Vice President Brandon: So my last question is regarding resilience. How do these two properties fit into the overall resilience efforts? Do we think that they are not going to be upgraded within the next 10 to 15 years? Or will the potential new tenant have some responsibility?

Ricky Tijani: We discussed that in house when we talked to our engineering staff. The Pier 33 1/2 -- we are going to have provisions to the extent that there's any [addition of] flooding that they need to address. But they're not in the same category as a ground-up development that will require that type of issue.

The same thing with the Ferry Plaza East Building -- it is part of the due diligence that I talked about in terms of all the information we have to provide. They're not going below the Ferry Plaza platform because it's above it.

And the only area that we may have to do something would be the Ferry Plaza itself, that it may need -- which is not within the premises -- but that we may need to do something to control how the flood water recede if there's any on that. But for the tenant, we are not expecting any of them to be impacted with that.

Vice President Brandon: Thank you. That concludes my comments.

President Adams: Director Forbes, did you have something you wanted to say? I saw, when Vice President Brandon asked a question, I saw you ready to pipe up there, hit the mic. Is there something you wanted to say?

Director Forbes: I was ready to hit the mic. But the team did a great job answering. These leases are not long enough term to have a big resilience move like the development deals.

But they will respect that sea-level rise is coming in the lease terms and will appropriately spread risk for that and require things like the chief harbor engineer recommending flood protection and the tenant working collaboratively with us, etcetera. So those types of terms will be there. But the expectation is not any kind of major capital investment from these restauranteurs.

Vice President Brandon: I was just wondering because we have so much to do along the seawall --

Director Forbes: Yes.

Vice President Brandon: -- for resilience and earthquake safety, if these properties would be impacted --

Director Forbes: Yes.

Vice President Brandon: -- by whatever work we may have to do in the future.

Director Forbes: That's a fantastic question. The Ferry Building work is complicated and a long lead time. So we're not seeing a flag down on a beginning of construction in this particular area. And the butterfly area is along that stretch that we're doing a program area -- programmatic look at a more larger-scale intervention.

And we also, similar to Ferry Building, aren't seeing a construction date of beginning. So we feel confident that these are good facilities to lease out and provide more vitality in the frame of our resiliency program.

Vice President Brandon: Thank you.

President Adams: Thank you, Ricky, Rebecca, Director Forbes, for your comments. I have no questions. I'm in favor. And I'm going to vote for it. So anyway, we have a motion and a second. All in favor, say aye. Opposed? It passes unanimously. Resolutions 22-37 and 22-38 are adopted. Carl, next item, please.

C. Informational presentation on proposed Fiscal Year 2022-23 Monthly Rental Rate Schedule, Monthly Parking Stall Rates, and Special Events (Parameter Rates).

Rebecca Benassini: Thank you so much, Carl. Rebecca Benassini again, deputy director of real estate and development. I'm here to present an informational item on our parameter rate schedule. Hold on to your hats, everyone. I'm going to have 115 rates coming to you.

Before I start, I want to acknowledge a lot of staff members who helped me with this: Andre Coleman, Kimberley Beal, Joshua Keene, Demetri Amaro, Joyce Chan, Monico Corral, Jennifer Gee, Don Kavanagh, Dominic Moreno, Vicky Lee all helped me review these.

I also want to recognize [Tatiana Coleman], our summer intern who tirelessly, under Demetri Amaro's tutelage, called every parking lot in the area to make sure our parking survey was up to date. So thank you, Tatiana. You're doing a great job.

Okay. I'm going to give you the framework for these rates. I want to go over how we set them. Let's look at our property in context and our performance. Then, we'll go over the rates, which are same, which are different, which are new. And I want to go over proposed changes to delegation and the next steps.

First, the framework parameter rates -- these are one of several directives that we use to manage our diverse and fascinating portfolio. The parameter rates are sort of the lynchpin of our delegated authority to enter into property agreements without competitive bid.

And the parameter rates are meant to reflect fair market value. As further background, we have other rates. These aren't our only rates. Our parameter rent schedule, our landing fee schedule, the South Beach Harbor rates, our Fisherman's Wharf Harbor rates and our Port tariff comprise our listed rates for any member of the public to understand how much we lease our property for.

When we go through this process, we undertake it not only collaboratively with Port staff but also with a third-party consultant. Their study was attached to the staff report. We worked with Keyser Marston Economics in this go round and Maven Commercial, a broker we're using who is a subcontractor to Keyser Marston under our consulting contract.

We did several rounds with them. And then, we did several rounds with Port staff in order to go through each of the items and their market finding. They went through several market studies, industrial market reports.

We did the legwork on calling local parking operators and calling nearby harbors.

We also looked at our own activity. We had some interesting findings that I'll go through where the market is one thing. And we're finding something else on our own property which is our specific context for our own property that I'll take you through.

We looked at our own leasing activity. And then, we looked through all the rates. And the consultant and the staff go through each one and try to determine why we would place one in one category, raise it, why we'd put it another category, decrease it.

And then, we come up with the rate proposal that's attached to the staff report. So a bit of context that we learned through our consultants and their market analysis -- I love market reports because it's so familiar to you if you read the newspaper a bit.

These all just kind of ring true, lots of vacancy in the office market. San Francisco has 18 million square feet vacant. Office rates have been flat. They are actually stuck at about 14 percent below the pre-pandemic office rates. Tenants are shopping around. It's a tenants' market.

They're looking for really good leases and rent packages. There's a lot of sublease activity. Subleases make up almost 40 percent of all new leases. So there are tenants who are looking to not occupy their space but to sublease it out to someone else.

And finally, landlords are doing upgrades and adding amenities, throwing in additions like free furnishings in order to sign leases for office. For industrial, it's been relatively strong market wide. And we count San Francisco/San Mateo County in one market area.

It's been very strong, hasn't seen a big dip since the pandemic. Logistics, as you might imagine, are a real key segment as people are having items delivered to their house. And it comprised -- that last-mile logistics where items are being stored as they're getting ready to go to customers comprise a really large share of the market.

We don't have hotels that we run. But we hope to have a hotel on Port property soon. So I'm just noting the hotel occupancy rates are coming back up which is great, up to 70 percent. One not-so-great aspect of the visitor/hospitality market is, even though we're seeing increases in air travel, San Francisco generally is still lagging other metropolitan statistical areas like L.A., Denver, Boston and New York City in domestic and international travel.

This is a nice little snapshot that Maven publishes and provided to us that shows what's happened since 2020. So you can pick any of these aspects to focus on. How is commute coming back, you know, BART, public transit, car rides? How is

hotel occupancy coming back?

Most of these I spoke about in the prior slide. But I didn't talk about seated diners. So that statistic on the bottom shows how far we've come in terms of people eating and sitting down at restaurants. We're down 45 percent. And that's relatively high still compared to other similarly-sized cities.

Now, focused on our own property -- so we have -- among those segments I started to talk about, we have about 400,000 square feet of office that we directly manage. There's much more office square footage on the Port property. But that's under master tenancy largely.

Our own office buildings -- we have about a 14.5 percent vacancy rate, relatively similar to San Francisco. Our industrial space -- and we count our sheds as industrial even though some of them have restrictions on what you can do inside of them relative to other types of industrial space.

Like you can't do different types of work inside of those buildings. Most of it is storage and other sorts of light industrial. That's relatively vacant -- 25 percent vacancy. These are about two million square feet of our total property.

We have a lot of other property that's either land, under master lease, under parking lease agreements. And that, we have a relatively low vacancy rate in, only about 6 percent.

So I want to go through more on the rates. But just to give you the high level, there are 115 rental rates in the exhibit. About half of the rates are proposed to increase slightly. I forgot to provide this context. But we are working off of the 2019 parameter rates that haven't been adjusted since 2019-2020.

Forty percent of the rates are proposed to stay the same. And 10 percent are proposed for a decrease. And just as a reminder, once we set these rates, these are our delegated authority items. We can then use the rates to enter into leases not below those rates for up to five years, up to a million dollars and on our boilerplate lease.

So first, I want to list out a couple of the buildings that are in the increase category. These are locations where we have low vacancy. We have an easier time leasing. When tenants come to see the building, they're a little bit quicker to sign the lease.

We haven't found a lot of physical barriers to what tenants want to do. Or we feel like market trends are headed in our direction, that we think we will -- even if we don't have necessarily low vacancy right at this moment, the trends are in our favor.

So these include a number of office buildings, Ag Building, 401 Terry Francois, Pier 50, 501 Cesar Chavez, some of our piers -- Pier 45 and Pier 47 we've had good interest in. We're also increasing the office building at Pier 96, our cell site and some of our land rates.

Keeping rates the same -- these are locations generally that have some vacancy, or we have trouble finding tenants. And we might have a tenant who's interested. But their use doesn't really match what the space has to offer.

The ones listed here are many of our pier sheds where we have some vacancy -- and we just think we should keep the rate the same -- and some of our office locations. Finally, we have some decreases in other of our pier sheds where we're really having trouble finding tenants for these locations.

And in one case, we did have to reclassify a building. As it turns out, 601 Cesar Chavez was classified not in a -- it should have been in a full-service category. But it was in a triple-net category. So we reclassified and reset the rate to reflect what's actually being charged to tenants there.

We also have some spaces that have just been vacant for a while: 490 Jefferson Street, the Beltline Building, of course, and then some of our pier sheds that are just a little bit harder to lease.

A couple of new rates I highlighted in the staff report -- first, sidewalk rates for pier tenants -- or I'm sorry -- for Port tenants on percentage rent leases. This is something that came up during the shared-spaces program that we talked a bit about.

We do recognize that some of our tenants are using more outdoor space under a license. They're also paying us percentage rent for that space. So we want to recognize them with a lower rate as compared to non-Port tenants who might be using sidewalk space and operating from property that we don't own.

I want to recognize the Pier 40 tenants and the efforts they shared with us in terms of their situation of needing to have potential consideration as not a storage type of tenant in Pier 40. So we did develop a new rate that would only apply for water recreation, marine chandlery, other maritime support or an OCII-existing tenant that's visitor serving. The main one there is Bike Hut.

And we want to allow them to increase. Their current rates are, I think, \$1.02, \$1.04. We proposed increasing them to \$1.10. This reflects other maritime-serving businesses not in San Francisco but elsewhere in the bay like in Richmond with one of the locations we looked at.

So we are offering that rate to this small number of tenancies in Pier 40 that are really maritime serving or maritime supporting. We developed a new rate for

airspace rights. This occasionally comes up where tenants want to put signage over our sidewalk. We just want to have a clear way to allow them to do that kind of signage for airspace.

And we also have rates for outdoor classes. We're finding a lot more interest in boot camps or summer camps. And we did look up how rec/park charges for these sorts of things. And we're matching their rates for some of our outdoor spaces.

We reviewed our leasing tactics. This was something we talked about in 2021. What tools can we offer to sign up new tenants to potentially several-year leases? We can't offer some of the tools landlords can offer. But we can offer incentives for longer terms.

We also talked with our broker and real estate consultant about trying to get tenants into a three or four-year lease. They might be a bit nervous in this economic environment. So we have developed for your consideration potential termination right for the tenant.

So if they enter a three or four-year lease, things don't go as they thought, then they can get out so long as they pay us a fee as we've defined here. So this leasing tactic would be, if you have a three or four-year lease, we'd ramp up your rate.

So you'd be 70, 80 or 100 percent of parameter for a three-year lease, 70, 80, 90, 100 percent of parameter for a four-year lease. And if you wanted to terminate during that time period, then you would pay us a fee equal to how many years of lease you had left times your monthly rent.

You would also pay us back for that discount we gave you. So if we gave you 70 percent discount rate for year one, we'd like that money back because we really gave you that so that you would stay. And then, we'd also include in that fee a cost of processing the termination payment.

We'd also like to continue a tactic that we proposed in 2021 that we've been testing out. This is the ability for tenants -- if they are going to sublease, then we would split the excess rent. So if they were able to get a rate in the market above their current rent, then we would split those excess revenues not less than 50 percent to the Port.

We started in 2021. We've signed one agreement since then. It's been worth tens of thousands of dollars more to us per year for that lease. So it is a good option. It's a rare option. But it's a good way to try to keep the tenant in place to have them fill the space while their lease term is up.

Most of these leases are only a couple years. So it would be a couple-year time

period where we have a tenant in place. And finally, we'd like to continue the maritime triple-threat leasing strategy that we put in place in 2021 and updated in 2022.

And just to be clear, this applies to existing or new maritime tenants. The lease must include three of the four use types: office, shed, apron, submerged land. Then, we can offer them a discount off of office rate at 75 percent of parameter rate, increasing 3 percent per year.

We want to add to that policy that, if the tenant is able to lease all four locations, we provide the submerged land which is a relatively low rate free. We don't charge them for submerged land as well. But we consider that attached sort of to their apron use.

So we wouldn't charge them if they were using that as well. That really allows them to make the facility water dependent. A bit more on delegations -- we want to be clear about -- I want to thank our city attorney, Rona Sandler, for her help in this.

She wants always to make clear what we'd like to do in leases and just to be really transparent about it. So a really key one is we're supposed to bid out all retail opportunities. We want to be clear. Outdoor dining that's in front of your restaurant is not a retail opportunity.

It's something you can license out as part of the shared-spaces program. So we want to be clear about that in the staff report. We also have two development-related items. The first one that came up is the utilities that Mission Rock Utilities is putting into streets at the Port.

We have the ability to not charge utilities that are serving -- that are public utilities serving Port property. We want to extend that to Mission Rock Utilities because they're taking over what would have been SFPUC piping.

So we'd like to have them have the same kind of luxury or consideration that we were going to provide SFPUC when they were going to do the black-water treatment plant. We also have some improvements that are coming in on the streets that we also want to provide free of charge.

They're the art pieces on the sidewalks. They're some of the bollards. So we want to provide licenses or another real estate property agreement that provides another entity, either the vertical developer or the master developer, the responsibility for taking care of those items at no cost to -- they don't have to pay us a fee to take care of those items.

We'd like to stop -- it's very difficult for us to report consents and assignments. This is something that was in an older Port Commission policy that, when I was

going through our reporting, I realized we hadn't been keeping up with. And it's because we don't enter these agreements into our property management system.

So it's very difficult for us to report on consents to subleases and assignments. So I'd like to stop reporting those and just stick with the monthly leasing reporting we have been able to do from our property management system. So that's for your consideration as well.

And finally, we want to be clear that, for leases that get signed close to a new parameter rate reset, that if they're signed within 30 days of a new parameter rate going into effect, then they could be under the old parameter rate.

There are a couple of leases that are getting very close. And they might sign them soon. But they might not sign them right around September 1st. So we're trying to allow the continuity of lease negotiations if a lease comes in right around parameter rate reset.

Finally, special events -- special events are an incredible way to activate the waterfront. We must charge fair market rent for special events. However, I want to be really clear that it's not a key revenue source for us.

We made about \$72,000 in license fees through a difficult special-event year. Prior to that, we were making about \$207,000. We are proposing -- and it's a great way to activate the waterfront. It's not a money maker for us. We want to facilitate it. But we want to also just kind of charge similar fee that others would for special events.

So in working with our special-event staff, we have most fees increasing since 2019 about 10 to 35 percent. And even more importantly, she's developed more size segments. So we have more lower fees for small events, 50 people, 100 people. And then up to 2,000 and 5,000 are much larger fees. So that's a good add to the special-event rates.

We also have new special-event discounts that we're proposing. In 2019, we proposed the nonprofit-event discount, 25 percent off of our license fee. Unfortunately, we didn't have any events come in through this. This was right around -- right before COVID hit.

And we didn't utilize that fee. But we think it will be coming back as more events are coming to the fore. We want to add to this potential discounted rate diversity, equity and inclusion events. As noted here, these could be fee waivers up to \$7,000 for an event, which could be the whole license fee.

We would limit that waiver to \$60,000 a year for all the events during the year that might apply. And then, if we hit that \$60,000 fee waiver, then we would allow a 50 percent off for other events. Finally, we have some discounts for our pop-up

RFQ vendors. Same item -- we haven't put on an event through the pop-up RFQ.

We're still working with some of the potential pop-up purveyors. But we haven't executed one. And we want to be able to offer a similar reduction to them as we would to the nonprofit events. I want to again recognize the staff for helping me put this together.

Take your Q&A and suggestions. And if we're on a good path, then we'll come back for approval in August. I won't be here. So Kim Beal will be standing in for me to take this through action. And then, the rates would go into effect September 1st. Thank you, commissioners.

No Public Comment on Item 11C.

Commissioners Discussion on Item 11C:

Commissioner Gilman: Rebecca, thank you so much for this report. The staff report was really, really thorough. And I trust the methodology and the increases that are going to go into effect. I did want to note and say I really appreciate the -- on page 20 to 21, outline the diversity and equity in the special events.

The majority of these, for example, the Black Health and Healing Summit, our bike-to-work days are non-ticketed, non-generating-revenue event for the sponsor even though they might have booths or other things for sale.

And I think it's really appropriate for us from a trust perspective to have these events and waive the fees. So I just wanted to say I really -- as someone who's been trying to champion that when I first came to the commission, thank you for including that in the proposal. I really appreciate that.

My only question is, have any of our tenants reached out particularly more in the maritime-shed space to say, "If parameter rates go up, this --" most of them are nominal or staying flat -- "this could make or break me. I would be concerned about -- I would have to walk away from my lease"?

Rebecca Benassini: Thank you for asking that. I am not aware of any request like that where people are that close on the edge in terms of their business operations. I welcome any comments from Andre or Kim if there's anything that comes to mind. But none of those concerns have come to my attention.

Commissioner Gilman: Okay. Thank you. That concludes my questions.

Vice President Brandon: Rebecca, thank you so much for this report. As Commissioner Gilman said, I think it was very thorough. You and your team did a great job. I love the special-event section. And I think you guys did a great job in

looking at the entire waterfront and seeing where increases, decreases or where things needed to stay the same. So thank you.

Rebecca Benassini: You are so welcome.

President Adams: Rebecca, once again your work is meticulous, just very tight. I really like it, the work you and your team had. Any questions I had was right there. It's like too much information. It was just a lot. Really, it was. It was too much. Everything that you wanted to know is right in here.

So you know what? That's a good thing. So thank you very much. And we appreciate it. This is an [informative] presentation. There's no action required. Carl, next item, please.

12. MARITIME

A. Informational presentation and update on the Port's maritime portfolio.

Andre Coleman: All right. Okay. Good afternoon, President Adams, Vice President Brandon, Commissioner Gilman, Director Forbes and members of the public. My name is Andre Coleman, deputy director of maritime. This is an informational presentation and update on the Port's maritime portfolio.

I provided a similar presentation roughly a year ago and wanted to return before the commission with a brief update on our maritime portfolio and some of our business segments. I'll touch on some of the activities that have occurred over the past calendar year to current as well as touch on some of our strategic objectives.

As you all may know, the Port of San Francisco has one of the most diverse maritime portfolios in our seven-and-a-half miles of waterfront. It's home to cruise, cargo shipping, ferries, excursion operations, commercial fishing and recreational harbors as well as layberthing.

Touching a little bit on cargo, here you'll see a slide of our cargo operations in our southern waterfront, Pier 80 and Piers 94. Our current primary cargo operations include the exporting of autos at Pier 80 and importing of dry-bulk materials at our Piers 90 through 94 complexes.

Our two largest terminal operators are Pasha Automotive Services at Pier 80 and Hanson Aggregates at Piers 92 through 94. First speaking to our Pier 80 auto operation, that cargo terminal is a 70-acre facility primarily focused on the processing and exporting of autos.

Additionally, uses include long-term layberthing, short-term leases and occasionally a large event which we'll have this September. This past calendar

year was a bit challenging for our auto operations. We had roughly a 40 percent decline in volume due to a drop in demand, supply-chain challenges as well as semiconductor-chip shortages worldwide.

For the first half of 2022, I'm happy to report that we've seen an increase in activity at Pier 80 with export autos. And we're expecting a strong second half in the calendar year. While the focus is currently on processing and exporting autos, staff continues to engage our terminal operator, Pasha, and collaborate with them on them on other cargo opportunities to optimize activities at the facilities.

We just recently hired on a new maritime staffer as well, Charles [Laboutin], who is here today. And he's already hit the ground running in contacting cargo interest for new opportunities at the facility.

For our dry-bulk terminals that primarily import raw materials to support construction in the city, they have remained steady throughout the pandemic. Our dry-bulk tenants include CEMEX, Central Concrete and Hanson Aggregates, all of which play a critical role in supporting construction in the city.

Approximately 95 percent of the city's cementitious products are sourced from the cluster of concrete batch plants. And again, throughout the pandemic in the past few years, we've held steady as it relates to cargo with averaging approximately one million metric tons of import cargos at those facilities collectively.

Speaking to some of the strategic objectives of our cargo operations, we want to focus on maximizing our cargo opportunities at our deep-water berths, looking to develop and implement a focused marketing strategy and collaboration with our port's terminal operators to attract various types of cargo.

So for example, I previously mentioned Pier 80. Currently, the focus is autos. However, given the uniqueness of the auto manufacturer, there are lulls at the facility where there's opportunities to attract other types of business.

So we remain focused in working with Pasha to secure some new opportunities in other types of cargos. Additionally, we've started a discussion with Hanson Aggregates and their interest in executing a new long-term lease at Piers 92 and 94.

Second strategic objective -- maintain cargo volumes within 20 percent of the previous three-year throughput average. For our last three years, we've been fairly strong. As I mentioned, the last calendar year Pier 80 volumes did decline by approximately 40 percent given some of the challenges that have occurred with supply-chain issues and semiconductor production.

And then, third, to seek grant funding to improve aged terminal infrastructure -- we have recently applied for a port infrastructure development grant to focus on improvements to Amador Street in our southern waterfront, Piers 90 through 96 complex.

Additionally, we are working with state funding through CalSTA for funding to improve some of our berthing facilities at Pier 80 as it relates to our fendering and to improve some of the subsidence at the Pier 80 facility as well.

One thing that I'd like to add with regard to our southern waterfront as well, in the past -- within the past, what, 12 months, we've conducted two tours with our Southern Advisory Committee. One was waterside. A lot of our partners in the southern waterfront tenants were -- joined us on a boat tour along with our Southern Advisory Committee.

We were able to get them up close and personal with our operators, give them a waterside view of our facilities and to engage them and solicit feedback on some of their questions that they may have or interest that they may have as it relates to our maritime operations and some of our industrial operations down there.

And then, additionally, within the last two months I believe, effort led by David Beaupre and his team and maritime team joined in as well as well as others, the team conducted a southern waterfront walking tour in our industrial southern waterfront as well.

So again, a lot of engagement with our Southern Advisory Committee. And it's been good to engage them and understand some of their concerns and get their interest in what they'd like to see going forward.

Cruise -- so cruise, cruise. Cruise is back, which is great. That's after an 18-month pause, which started in March of 2020. We resumed cruise in October of 2021. This was made possible by the Port working closely with the Department of Public Health, Department of Emergency Management, city attorney's office and our terminal operator, Metro Cruise and the ILWU.

I'd like to acknowledge a couple folks who were very supportive in those efforts in getting our Port agreements in place as required by the CDC from the Department of Public Health, Dr. Jan Gurley, the city attorney's office, Henry Lifton, Michael Gerchow, Michelle Sexton and Rona Sandler.

There was a lot of work that went into getting these Port agreements in place before we were able to resume cruise here in San Francisco. Happy to report that, since the resumption of cruise, we've hosted 69 cruise calls and accommodated safely approximately 150,000 passengers.

The forecast is strong for calendar year 2022. We're anticipating 115 vessels this

year. Cruise calls this year, highest year that we've ever had on record -- I think the previous year was 2019 with 88 calls.

Included in that increase in vessel calls is the Carnival Miracle, which is now home-ported here in San Francisco. And that joins the Ruby Princess that is currently home-ported here as well. Before I get into strategic objectives, in addition to cruise calls, of course when there are no ships in port which now seems to be rare, we also hold events at the facility to bring in additional revenues.

This year, we have seen an increase in bookings. As it stands today, we have 32 events scheduled combined at Piers 27 and Pier 35. And we're projecting about \$1.2 million in revenue as a result of those events.

Some of our strategic objectives as it relates to cruise is to continue to collaborate with key stakeholders to identify and electrify secondary cruise berth. In 2023, the California Resource Board requirements -- our new rules require that cruise ships, while at berth, need to be plugged into electrified facilities.

So as you know, Pier 27 is our only electrified facilities. So we are capped. We do have an exception in place that we can accommodate 19 calls at our non-electrified berths. And I'll touch on that a little bit in the third bullet point.

Identify capital improvements at Pier 27 to improve operation efficiencies -- so looking at flow of traffic in our facilities, is there opportunities for improvements there? With one of our home-port vessels and majority of our cruise calls, the demographic of cruisers is a little bit older so want to make it more of a pleasant experience for them while they're embarking and disembarking at our facilities.

And then, the third is to host 10 cruise calls at Piers 30-32 in 2022. We have been working closely with Metro Cruise to accommodate this growth that we are experiencing and utilizing Piers 30-32 given our challenges with only having one electrified facility.

So we're targeting smaller vessels, transit calls. So there's minimal impacts to that area of the waterfront. But Pier 30-32 is a deep-water berth. You know, there's an opportunity there to reactivate that facility. I believe the last cruise ship that called there was in 2022. Let's see.

Shipyard -- so staff continues to actively lease or activate select parcels and buildings with short-term leases at the shipyard. Some of our current tenants include Anderson Enterprises for staging of vehicles for delivery to dealerships in San Francisco.

We have The Dutra Group, which is a marine construction and dredge operator, and Marine Express, a harbor service tenant. And then, we do have interim

short-term layberthing at the facility. Additionally, we have Silverado Contractors, which was a lease approved by the Port Commission I want to say Q4 of 2021.

As we look at the strategic objectives, it's still focused on creating leasing opportunities that attract light maritime industrial uses, looking to develop a leasing strategy for some of the historic land-side buildings at the shipyard and continue to promote interim and long-term berthing at the facility.

Some of the projects as it relates to berthing at the facility that are on the horizon -- we have the Sea Change, which is currently -- I believe has finished construction up in the Pacific Northwest -- still has not arrived yet in the Bay Area.

But it is the first hydrogen ferry vessel that will be berthed at the shipyard. Hopefully, it'll be down here by the end of the summer. And then, behind that in 2023-2024, there is a Department of Energy grant that was awarded to now City Cruises, formerly Hornblower. And that will be located at the shipyard as well for the operation of a floating hydrogen barge.

One of the things -- hopefully this works -- that I wanted to highlight was, again, we had the execution of a lease for Silverado at the -- uh-oh. No. Thank you. So this is just a time-lapse video. Included in that lease agreement was the removal of a derelict barge that was at the shipyard.

It required a lot of attention, staff time and other resources. So this is Silverado Contractors. This is part of the -- one of the parcels of their leasehold where they're removing the barge and will dispose of it. Also at that site, they have cleaned up that [ways] which previously was not functional.

And they've also cleaned some of the adjacent dilapidated piers at that site. So again, it was good to see that barge go. It was definitely a liability to the Port. And Silverado is doing a great job out there at the shipyard.

Hyde Street Harbor, Fisherman's Wharf -- of course, this is home to San Francisco's historic fishing industry, Pier 45, a focal point of activity housing the largest concentration of fish processors at any area in California.

The Fisherman's Wharf Harbor is home to over 160 fishing vessels when you combine that with the Hyde Street Harbor. Some of our strategic objectives for the wharf: continue to maintain an annual berth occupancy rate of 80 percent; expand the retail-fish-sales policy by 2023; seek grant funding for harbor infrastructure improvements -- so some of our docks do need some improvements.

There is an ice machine that I believe started operations in the early '80s. That is at Pier 45 so need to address that and then identify other capital improvements

at Pier 45 to improve operational efficiencies.

I do want to touch on expansion of the retail fish sales policy. The commission may recall that you approved a pilot program for the sale of live retail crab directly from vessels, widely popular program. There were folks from the local areas that hadn't been down to the wharf in years and others that were drawn from other regions of the Bay Area that made it down to Fisherman's Wharf.

I have neighbors that love it as well. We've done a couple big crab feasts. So we will be looking to return before the commission hopefully no later than September to expand the policy and make it permanent. There has been some interest from some of the processors to participate in retail sales.

Excursion and water transit -- the Bay Area's regional ferry system centered at the San Francisco's iconic Ferry Building with 10 transportation berths including the six newer berths built to accommodate sea-level rise.

In addition to the larger ferry service, we have [along the] water transportation. The Port of San Francisco -- we provide berthing and landing facilities for a variety of water excursions including sightseeing tours, bay voyages, Blue and Gold Fleet, Hornblower -- or Alcatraz Cruises -- excuse me -- Red and White Fleet, just to name a few.

TIDA has also come online with schedules from Gate B to Treasure Island. And then, additionally, Tideline water transportation operator, [semi-ferry] water transit operator, they have expanded service to provide weekend cruises from Hyde Street Harbor to Sausalito.

So there has been improvements there. The interim ferry landing is still in place, still only for events as of today. But that MOU has been extended through December of 2024 as we work closer to getting the permanent ferry landing in place at Mission Bay.

Some of our strategic objectives for excursion and water transit: again, identify strategic locations and partnerships that advance water transportation along the waterfront; deploy marketing strategies that promote water transit along the waterfront, which some of our operators have brought that to our attention --

-- you know, are there ways to where we can go digital with our marketing efforts to promote water transportation -- so something that we're continuing to work with them on and then, again, work to identify and attract new excursion operators to existing landing facilities.

So some of the other maritime activities -- not all captured here but that I did want to highlight -- our South Beach Harbor youth sailing program so, as noted in the staff report, Port staff led an effort to connect PASHA, our terminal operator

at Pier 80, with South Beach Yacht Club and with the Boys and Girls Club of District 10 last summer in 2021.

Through that partnership, PASHA sponsored two kids from the District 10 Boys and Girls Club. They're actually -- that's them in this picture, Daniella and Gabriella. This was their first time on the water. And they were in the youth sailing program.

Happy to report that they loved it. They returned this summer. And in addition to Daniella and Gabriella, PASHA sponsored a third student this year from the San Francisco PD community engagement department which supports teens from underserved communities so a very successful partnership there.

I believe the older sister, Daniella, is on track to return next summer as an instructor in the program. We also have the Bay Area Council Ferryboat Klamath should be here. Maybe Ellen may provide an update for us. But the Ferryboat Klamath should be here hopefully by pulling up alongside at Pier 9 South in mid-August.

That will be the home to the Bay Area Council. I'm excited to see that project. I think that was one of my first assignments when I started with the Port in 2019 so glad to see that come alive. And then, we've had some initial discussions with the Bureau of Ocean and Energy Management as there is a strong effort from California Energy Commission, associated with AB 525, which is exploration of California ports to support offshore wind programs here.

There are some near-term projects and then a larger project starting in about 2030, if I'm not mistaken, for a strong push for offshore wind farms. Not captured on this slide but of note, Fleet Week planning is underway.

We're looking to hosting another successful Fleet Week. And we are also working with our real estate team and special events team for the return of Fleet Fest at Piers 30-32 so looking forward to that. And then, lastly, just want to recognize the work of the maritime staff across the board.

It's been a busy last six months. We've had a lot of different types of vessels call the Port, whether it's from government vessels -- we had a French navy vessel in last week. The NOAA vessels love to come here because of the customer service, the beauty of San Francisco and all it has to offer.

And [Nat Geo] has become a reoccurring visitor as well so kudos to the maritime team and also the other divisions that have been supporting us in getting our facilities up to par to host some of these vessels. That concludes my presentation. And I'll take any questions.

Public Comment on Item 12A:

Ellen Johnck: Thank you, commissioners and staff and Executive Director Elaine. I'm Ellen Johnck, co-chair of the Maritime Commerce Advisory Committee, co-chairing with Marina Secchitano of the Inland Boatmen's Union.

And I wanted to tag team with Andre's report because I wanted you to know that, throughout these hard times with COVID and the pandemic, that the Maritime Commerce Committee -- we have continued to meet regularly. Every segment of the industry here at the Port has a representative or two on the committee.

And we've been doing this through Zoom. And hopefully, we'll have an in-person meeting soon. And we have had hard times. No one -- you know, Rebecca gave such a good report on the rents and the fantastic investigation.

You know, we have -- there have been some sad times. I go around and ask people what keeps them up at night. And they say, "Wow, you know, we're down. Business is down." But you know, I haven't had any specific comment about a particular rent, or someone is going to jump ship -- shall I say that? Excuse that.

But I think one of the things that -- we are survivors. You know, the maritime industry -- we survive a lot of storms. So we're very exuberant about the economic recovery that is happening here. And one of the really basic reasons for the committee to exist is we have been keeping all the tenants informed, up to date.

I've been scheduling updates, you know, our waterfront land use plan. Every project gets a chance to be heard. Piers 38 and 40 -- very much supportive of Piers 38 and 40 -- I felt it important for me to bring the comments of the committee on Piers 38 and 40 through this report rather than specifically when Simon presented.

I am personally on the permitting team for that. So I felt it more important for me to represent the support for the maritime committee on that and mine and everyone who represents the industry, you know, on that.

Piers 30 and 32, we've been supporting in that. All the new business at 68 and 70 has been terrific. The cruise industry uptick has been great. And the wharf -- I did a personal reconnaissance of the wharf. I was down there all the time during COVID jogging.

And then, just at Fourth of July, it was fantastic. And the collaboration with the Port, the maritime park was just absolutely fantastic. So -- and I just want to say that the whole historic pier -- so we're keeping the committee up to date, keeping them informed.

Anybody has a project, a new lessee, we're there to help you out. So -- and the

staff has been terrific. We've had these tours. And I've been personally attending all the committees, the Northern and Southern Advisory Committee to keep them linked up with maritime, of course, as well.

So thank you. I wanted to just comment and thank Andre and the staff for everything they do and you too. Thank you.

Commissioners' Discussion on Item 12A:

Commissioner Gilman: Andre, I want to thank you so much for this report and the details in it and the staff report. It is so refreshing to see that our maritime is coming back after the pandemic and is continuing to thrive. It is great around the cruise ships and the additional home port that we have.

So I just really want to commend you and your team. It's so important both from a trust use but from a civic use and from a historic use of a fishing -- and piers that have been used, you know, since 1849. So it's really, really refreshing.

I did also just want to do a shout out to your team. We talked about all this. And you did [unintelligible] in your report. I think it's also really important for us to remember that other ships use San Francisco as a place to come.

You know, Fleet Week rotates throughout the United States. Many major ports and major cities get it. But I was just very touched by the French vessel that chose to come here, started out in Tahiti to come here and berth and have their crew experience San Francisco.

And like many other sort of military ships that come [to do that], they're coming because of the service we offer as a Port, our maritime program and to see this wonderful city. So I just want to do a shout out to Dominic on your team who came and met with the admiral of the marines came up.

Our lieutenant governor was there and the French consul himself, Consul Jung. So I just really wanted to say that you're making a welcoming home to many ships and vessels. And it's exciting to see this maritime program. So thank you for your report.

Andre Coleman: Thank you, Commissioner Gilman.

President Adams: Vice President Brandon?

Vice President Brandon: Andre, thank you so much for this report. It's hard to believe that you've been here for three years. Wow.

Andre Coleman: It's going by fast.

Vice President Brandon: Well, you and your team are doing an amazing job. Congratulations on the record cruise calls and all of the opportunities that are available with the maritime division. I think it's -- you know, one of the key things is bring people to the waterfront.

And you guys are doing just that in so many different ways. So thank you, really appreciate it. And Ellen, I really want to thank you for your commitment to maritime and to the Port. We can always count on you. Thank you.

Andre Coleman: Thank you.

Vice President Brandon: Thank you, Andre.

Andre Coleman: Thank you.

President Adams: Andre, I have to start off -- I was watching you back there. And I know it's been cold in this room. And you were back there. And I could see you struggling to keep your eyes open. And I know because I was struggling up here [one time]. [laughter]

It's been cold. It's been freezing here. And that's another thing, Director Forbes, we've got to talk about on the list. But that being said, you have taken maritime to another level, your dignity, your class, the way you approach, very thoughtful, very articulate, intelligent, the way you think.

You've put your own team in place. And you said something about Pasha. And one thing I -- it's important to say. Pasha is one of the only shipping companies or stevedoring companies that's still owned by their own family.

I know George Pasha. Most of these shipping companies and stevedores, they're owned by foreign companies who do not invest in American workers or put money back into this country or pay taxes [or] that's owned by Wall Street.

And old man Pasha -- now, George Jr. runs it. I know him. I know his brother John. And it's good that -- because they really care about the community. They care about workers. And they care about the Port.

Water transit is so important with the ferries, water taxis. And really right now, this offshore wind has taken off. We've been working up in Eureka, up in Vancouver, Washington, a lot of different places. It is something.

And even Governor Newsom in his budget is dealing with offshore wind. And we need to get out front on that. It's visionary thinking. Right. It's like, one day, they're trying to get all cars to be electric. It's probably going to happen, maybe not in 2020 but maybe 2030 or something.

But that's where things are going. And I think getting out front -- and I hope that the Port can get in the ground floor of doing what's good with this offshore wind because it's going to be big. It's going to create jobs not only for the ILWU, IBU, other unions. But it's the future.

And I think we've got to engage. And I'm glad to see that you're out there trying to get more general cargo. I think that's important. It's good to see that the cruise ship industry -- I mean, that was \$120 million terminal.

I was on the original committee with Ellen when I came here. When Gavin was mayor then, he appointed me and Ellen. And I appreciate, like I said, because Ellen is one of those like the late Corinne that she is here for the Port. And she wants what's best. And she has no agenda. She donates so much of her time because she's a true believer.

And I don't think we could ever thank her enough for all the time she donates. She's not for, "Thank you, Ellen. Good job." She doesn't care about that. She cares about the support. And she wants generations to come to enjoy it. So that is good.

Thank you so much, young man, for the work that you're doing leading up the maritime. I am glad -- I didn't know one of your persons had left. But you've replaced them. And one of the things that I like -- you've allowed someone that works within the Port to step up.

You've given them the opportunity to shine. When I look up in the sky, I see a lot of stars. So that's a good thing. I appreciate it. And please, continue -- keep doing what you're doing. And you've got the support of this commission. Thank you.

Andre Coleman: Thank you, Commissioner -- President Adams. Excuse me. Thank you all.

13. FINANCE & ADMINISTRATION

A. Discussion and possible action on Port Executive Director salary pursuant to Charter Section B3.581(h). (Resolution 22-39)

Katie Petrucione: Good evening, commissioners. I'm Katie Petrucione, the Port's deputy director of finance and administration. I'm here this evening to ask the commission to set the base salary of the Port's executive director for the fiscal year that began on July 1st per Charter Section B3.581(h).

The charter states that the executive director's salary may not exceed the prevailing salaries paid those holding similar positions in comparable maritime employment. To understand that universe, Port staff conducts a survey of the

salaries for directors at comparable ports.

Additionally, staff gathers information on the salaries of directors of similar city departments. In May, staff surveyed the salaries of Port directors in eight major West Coast ports focusing on the five ports who have jurisdiction only over a seaport.

For all ports, the average annual salary for the executive director is \$352,128. And for the five seaports, the average director salary is \$325,835. The executive director's salary today currently is only \$318,942. And it was last increased in January of 2020.

Most city department heads are represented by the city's Municipal Executive Employees Association. However, the charter requirement that the Port Commission set the Port executive director's salary precludes the executive director from being represented by an employee organization.

While the Port director is not represented by MEA, the Port Commission has historically approved cost-of-living adjustments for the position based on the MEA contract. The city recently negotiated a new two-year MOU with MEA which includes wage increases in each of the next two fiscal years, a 5.25 percent increase that was implemented on July 1, 2022, a 2.5 percent increase that will be implemented on July 1, 2023 and then a 2.25 percent increase that will occur on January 1, 2024.

The MOU does stipulate that the 2023 and 2024 wage increases may be delayed by six months if the joint report that the city issues in March of 2023 estimates a budget deficit of \$300 million. The Port Commission may choose any number of options regarding the executive director's salary.

In order to give you a sense of two potential options, I have created this slide showing option A and option B. Option A would apply the MEA MOU increases to the executive director's current salary. So by the end of that three different -- those three different cost-of-living increases, the executive director's salary as of January 1, 2024 would be almost \$352,000.

Option B that's displayed on this slide would include a 7 percent salary increase for the executive director that was given to all other MEA employees previously but that the executive director did not receive and then add the newly approved MEA MOU increases to that 7 percent increase so allowing the executive director to catch up to where other MEA employees and other city department heads, those increases that they received and then apply the new increases on top of that.

Having said that, where this commission would like to place the executive director and the salary increases, cost-of-living adjustments that you would like to

make are absolutely a policy matter for the commission.

Staff, as you will note, left the increase that is included in the resolution that's before you today blank. And Carl will fill in that information based on the increase that this commission would like to entertain. So with that, I'm happy to answer questions.

President Adams: Thank you, Katie, for your presentation. Now, let's open it up for public comment. Is there any public comment in the room? Seeing none. Jenica will provide instructions now for remote participants.

Jenica Liu: Thank you, President Adams. At this time, we will open the queue for anyone on the phone who would like to make public comment on item 13A. Please dial *3 if you wish to make public comment.

The system will let you know when your line is open. Others will wait on mute until their line is open. Comments will be limited to three minutes per person. The queue is now open. Please dial *3 if you wish to make public comment.

At this time, there are no members of the public on the phone wishing to make public comment.

President Adams: Thanks, Jenica. Can I have a -- okay. Commissioner Gilman?

Commissioner Gilman: I just wanted to make comments on my observations during the pandemic and the last four years that I've been on the commission of my observation of Director Forbes and her performance. I believe that Director Forbes is one of the hardest working department heads we have in the City and County of San Francisco.

And I've personally witnessed over the last four years her own growth as a leader, how she has worked to strengthen her internal team and build her bench, how she has been committed to equity and inclusion and ensuring that the Port become an antiracist organization.

While many directors throughout the City and County of San Francisco are hardworking -- and I don't doubt that -- I have the privilege to intimately work with Director Forbes as a commissioner. And I must say I am so impressed by how hard she works, how she has steered the Port during this pandemic and how she's focusing on our economic recovery.

And I highly, highly support us bringing her up to parity with other department heads, most who are men, and making her have an equitable pay for other port directors in this country.

President Adams: Okay. Vice President Brandon?

Vice President Brandon: Katie, thank you so much for your presentation. I think that we here at the Port are so lucky to have Elaine as our executive director. I've seen her growth over the years from when she was in Katie's position and then became executive director.

And she has just done such a phenomenal job. And over the past two years, through the pandemic, through economic recovery, through resilience, through four major development projects -- I mean, you name it -- while building a great team, we have one of the best directors. We have one of the best teams in the city.

Everybody's trying to steal you guys. [laughs] And so I really -- and then, she's done at all with no salary increase over the last couple years. So she's just so selfless in so many ways. And I just really appreciate and respect her as a person and all that she's done for the Port and our waterfront.

President Adams: I will say that, Director Forbes, you stand out from among your peers. I remember when I came on the commission you were in Katie's position. And you've grown. And let's be honest. This set of commissioners -- we ain't that easy to deal with.

And you have been able to deal with the commission. You've been able to deal with the public. You've been able to motivate your staff. Your staff -- the highest regard that you can have is when your staff respects you.

They don't always have to agree. But they respect you. And you treat everyone fair. And I've known that you have went to bat for your staff. And this has been a hard job. There was no manual that former Director Forbes left to say what to do with -- when this COVID epidemic hit.

And we've all had to go through this together. Sometimes when things go bad, there are people that will walk away. But you buckled down. And you led by example. You were resilient, you and your staff. You work with the commission. And you had a big car to drive. And you drove it and -- to try to get us through this.

And we're not out of it yet. And I remember when Doreen Woo Ho, one of our commissioners that's not with us anymore, said to do you, were you committed. And you said, "By all means, I'm committed. I am definitely committed to the Port of San Francisco."

And I know, myself, that there's a lot of places that you could go and people that would recruit you. I know, for you, it's not about the money. You genuinely really care. And the late Ed Lee gave you an opportunity.

He really did. And you want to see this thing through. And I just want to say the leadership that you've done -- you have laid out a bench of people, a team that -- like the Warriors that have people that can come off the bench and play.

And with Mike, Andre and Rebecca -- and you constantly are always talking about them. You never talk about yourself -- Katie. And you go, "They are the ones that make this happen. They're the engine. I just happen to maybe be the coach. But they're the ones that's doing the work."

And that speaks to what a real leader is. A leader is not afraid of someone coming along. They motivate that person knowing that, at some point in time in life, they move on. And you know what? The Port of San Francisco will continue.

So Vice President Brandon will read he resolve into the record to Katie what the commissioners decided upon. But I always believe in giving people their flowers while they're alive. And thank you, Director Forbes, because I've known what kind of person that you are.

And you're not one of these people that like to be out front. That's the least thing that you like is publicity. You like to hide behind the scenes. And you'd rather see your team get all the glory. And as long as this is winning for the Port, then you're there. So I just want to say thank you.

Vice President Brandon: So resolved that the salary of the Port executive director will be --

President Adams: [Unintelligible].

Vice President Brandon: Hmm? [laughs] Will be \$359,184 effective July 1, 2022, representing a 12.25 percent increase?

Katie Petrucione: Yes, ma'am.

President Adams: Yes.

Vice President Brandon: Got it. I did the math.

President Adams: Yes, you did. Yeah.

Commissioner Gilman: I second that.

ACTION: Vice President Brandon moved to amend and adopt the resolution. Commissioner Gilman seconded the motion.

President Adams: We have a motion and a second. All in favor, say aye.

Commissioner Gilman: Aye.

Vice President Brandon: Aye.

President Adams: Opposed? Now, there is a motion to adopt a resolution. We have a motion and second. All in favor, say aye.

Vice President Brandon: Aye.

Commissioner Gilman: Aye.

President Adams: Opposed? Resolution 22-39 is adopted. Carl, next item, please.

14. NEW BUSINESS

Commissioner Gilman: I just have a request to get an update on wayfinding and signage. For everything we discussed today from economic recovery to water transportation, I do believe the Port is in need of new signage and wayfinding.

I do know that we've applied for some grants. But walking around the city, I think this is one area we could do better. Our friends at park and rec, I will say, have some incredible signage and historical documentation, their new park on Bay Street and other places, Fort Mason.

I just think we could do better to both promote economic activity and education at the Port. So I was just hoping to get an update on where we are with that initiative.

Vice President Brandon: And I would like an update on Teatro ZinZanni. It has been a while. That Broadway Street site just seems to stay a parking lot.

15. ADJOURNMENT

ACTION: Commissioner Gilman moved to adjourn the meeting. Commissioner Brandon seconded the motion. All commissioners were in favor.

President Adams: Meeting is adjourned 6:20 p.m.