



# **SAN FRANCISCO PORT COMMISSION**

**FEBRUARY 14, 2023  
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION**

**HON. KIMBERLY BRANDON, PRESIDENT**

**HON. WILLIE ADAMS, VICE PRESIDENT**

**HON. GAIL GILMAN, COMMISSIONER**

**HON. STEVEN LEE, COMMISSIONER**

**ELAINE FORBES, EXECUTIVE DIRECTOR**

**JENICA LIU, ACTING COMMISSION AFFAIRS MANAGER**

# CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

## MINUTES OF THE MEETING FEBRUARY 14, 2023

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

Port Commission President Kimberly Brandon called the meeting to order at 2:00 p.m. The following Commissioners were present: Kimberly Brandon, Gail Gilman and Steven Lee. Vice President Willie Adams was absent.

The Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgment.

### 2. APPROVAL OF MINUTES – January 24, 2023

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

### 3. PUBLIC COMMENT ON EXECUTIVE SESSION

No Public Comment on Executive Session.

### 4. EXECUTIVE SESSION

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

ACTION: Commissioner Lee moved to go into closed session. Commissioner Gilman seconded the motion. In a roll call vote, the motion passed unanimously.

- (1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. (Discussion Item)

Property: Pier 31 (Lease L-16274)

Person Negotiating: Port: Rebecca Benassini, Deputy Director of Real Estate and Development

Negotiating Parties: Claire Mooney, Vice President, Golden Gate National Parks Conservancy (Conservancy)

Under Negotiations: \_\_\_ Price \_\_\_ Terms of Payment  Both

The Port and Conservancy are negotiating a potential amendment to the subject lease to address rent obligations of the Conservancy. In this executive session, the Port's negotiators seek direction from the Port Commission on factors affecting the price and terms of payment, including price structure and other factors affecting the form, manner and timing of payment of the consideration for the potential amendment. The executive session discussions will enhance the capacity of the Port Commission during the public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and People of the State of California.

Present:                   President Kimberly Brandon  
                                  Commissioner Gail Gilman  
                                  Commissioner Steven Lee

Also present:           Elaine Forbes, Port Director  
                                  Michael Martin, Assistant Port Director  
                                  Jenica Liu, Acting Commission Affairs Manager  
                                  Rebecca Benassini, Deputy Director for Real Estate  
                                  Kimberley Beal , Assistant Deputy Director for Real Estate  
                                  Sandra Oberle, Senior Property Manager  
                                  Don Kavanaugh, Senior Property Manager  
                                  Michelle Sexton, General Counsel

- (2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. (Discussion Item)

Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

Person Negotiating: Port: Rebecca Benassini, Deputy Director, Real Estate & Development

\*Negotiating Parties: SWL 337 Associates, LLC: Jack Bair & Carl Shannon

Under Negotiations: \_\_\_\_ Price \_\_\_\_ Terms of Payment     Both

Pursuant to Resolutions No. 18-03 through 18-10, the Port Commission authorized the Executive Director to enter transaction documents including a Development & Disposition Agreement with the Port for the lease and development of the property. In this executive session, the Port's negotiator seeks direction from the Port Commission on the price to be paid which includes the form, manner and timing of payment of

rent to be paid by the Developer to the Port for the lease and development of the property. The executive session will enable the Port Commission to develop a negotiating strategy tailored to maximize the City's return based on these factors. In particular, the executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefits to the Port, the City and the People of the State of California and more effectively negotiate with the non-Port party on price and payment terms.

Present:                   President Kimberly Brandon  
                                  Commissioner Gail Gilman  
                                  Commissioner Steven Lee

Also present:            Elaine Forbes, Port Director  
                                  Michael Martin, Assistant Port Director  
                                  Jenica Liu, Acting Commission Affairs Manager  
                                  Rebecca Benassini, Deputy Director for Real Estate  
                                  Michelle Sexton, General Counsel

- (3) Discussion and possible action on pending litigation pursuant to California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d)(2). (Discussion and Possible Action)

Pending litigation:  As defendant     As plaintiff

Proposed settlement of litigation between defendants the City and County of San Francisco ("the City"), Universal Protection Service, LP dba Allied Universal Security Services, Treeline Security, and plaintiffs Robert Burchell, F/V Rose Marie, Inc., Erik Anfinson, John Barnett, Sarah Bates, F/V AL-W, Ken Burns, Chris Cameron, MJ Fisheries, Inc., Mike Costello, Andrew Evanow Jr., Andrew Evanow Sr., Michael Fontes, Chris Fox, Mike Harvie, Sean Hodges, David Kemp, Nick Krieger, WAC Fisheries, Inc., Philip Lafata, Daniel Lazzari, Patrick Lazzari, Brand Little, Benedetto Lo Grande, Chuck Louie, Bob Maharry, John Mellor, Savior Papetti, Mark Schwarz, Shane Wehr, Andrew Cresalia, Oceanic Logistics LLC, Tomas Walsh, and Sean Cross, in connection with a complaint filed against the City on December 28, 2020 for damages arising from a May 23, 2020 fire at Pier 45, entitled Burchell et al., v. City and County of San Francisco, San Francisco Superior Court Case No. CGC-20-588665.

The material terms of the proposed settlement include payment of \$6,200,000, including possible payment by the Port of up to \$100,000, which represents the Port's insurance deductible, to the plaintiffs in exchange for plaintiffs' release of all claims against City, its insurer and

affiliated entities for property damage and lost profits. The City and the security defendants will exchange mutual releases.

In accordance with San Francisco Administrative Code § 67.12(b)(3), staff is keeping the terms of the settlement confidential until the pending lawsuit entitled Robert Scott Reynolds v. City and County of San Francisco, San Francisco Superior Court Case No. CGC-21-590462, which also arises from the May 23, 2020 fire at Pier 45, is resolved.

Present:                   President Kimberly Brandon  
                                  Commissioner Gail Gilman  
                                  Commissioner Steven Lee

Also present:            Elaine Forbes, Port Director  
                                  Michael Martin, Assistant Port Director  
                                  Jenica Liu, Acting Commission Affairs Manager  
                                  Rebecca Benassini, Deputy Director for Real Estate  
                                  Michelle Sexton, General Counsel  
                                  Richard Robinson, 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 to reconvene in open session without disclosing closed session discussions. Commissioner Lee seconded the motion. In a roll call vote, the motion passed unanimously.

**6. PLEDGE OF ALLEGIANCE**

**7. ANNOUNCEMENTS**

- 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**

Public comment is permitted on any matter within Port jurisdiction that is not an agenda item. No Commission action can be taken on any matter raised other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

No Public Comment on Items Not Listed on the Agenda.

## **9. EXECUTIVE**

- A. Executive Director's Report
- Economic Recovery
  - Equity
  - Key Project Updates

Director Forbes: Good afternoon, President Brandon, commissioners, Port staff and members of the public. I am Elaine Forbes, the executive director of Port of San Francisco. First and foremost, happy Valentine's Day. I want to start my report -- [audio gap] Breed is a mayor who loves our waterfront.

It was an honor to host her at beautiful Pier 70 public atrium last week for her State of the City address. [Audio gap] year in a year that the mayor has hosted her annual speech at the Port. I think this is a testament to the incredible work we are doing to ensure a safe, clean, equitable and vibrant waterfront.

And it [audio gap] that we [plan] the city's economic reviv -- [audio gap]. In her speech, the mayor spoke about the resurgence of our economy, our downtown and the demand to deliver the basics to keep our city and residents safe.

She spoke about the challenges ahead and how we, as San Franciscans, have time and time again rolled up our sleeves to create a [audio gap] and thriving city again and again. She spoke about how Pier 70 and the waterfront [audio gap] rich history to rebuilding our city's future.

Our Port organization, under the leadership of this commission, has truly remained laser focused on our economic recovery and creating a waterfront that [audio gap] proud of during these challenging times. And we have been reimagining what we can and should be.

We have led the [audio gap] recovery and will continue to mon -- [audio gap] how cities can recreate, reimagine and come back [audio gap]. I want to thank our maintenance division, real estate and executive divisions for all the [audio gap] tenants who all prepared for and supported the execution of a really wonderful state of the city event.

Commissioners, thank you very much for your leadership on economic recovery. I look forward to Meghan Wallace coming forward to speak with you in the spring about our programs. And we are all working together to sup -- [audio gap].

Now, turning to equity, I'm excited to share that we are hosting the Port's sixth annual contract open house. And that will be Thursday, March 30th. And we are hosting it at Pier 27, our James R. Herman Cruise Ship Terminal.

This is a really great event. And it has grown from a nascent idea six years ago to a really, really valuable convening. I know President Brandon will remember our first year and many of our subsequent years.

I'm really proud of staff for building up this event to be so spectacular. This annual event is a [audio gap] contractors and businesses to network and learn about technical support and other res -- [audio gap] business office from the Northern California Procurement Technical Assistance Center, NORPAC -- Norcal PTAC from Merriwether and Williams and other technical service providers to partner with the City and County of San Francisco.

I want to thank Tiffany Tatum, our Port senior community development specialist. This year, she's put together the event, has been the point person. And we have a very interesting panel and a keynote speaker, Joaquin Torres, the city's assessor-recorder.

Thank you both to President Brandon and Tiffany for the vision and leadership to make the contractors that do business with the Port really front and center in our equity program.

Looking to resilience, we look forward to making sure that our local small and micro businesses and contractors [audio gap] Embarcadero seawall. This is a huge opportunity and that our part -- and that we are partners in long-term and multi-gene -- [audio gap] lands work.

We have been busy with the public on the work. This Thursday, February 16th, the Port will host students from Phillip and Sala Burton High School in the

Bayview community on a field trip to the Port that students will be engaged in sea-level-rise adaptation and coastal resilience activities.

We will [audio gap] hazards, which has been a -- we've used throughout the community process. So the students [audio gap] earthquake and flood risk to the waterfront. And then, they participate in visioning and sea-level-rise mapping. We're excited to host and to connect with the students.

Now turning to key projects, we have several to share. First and foremost, I have good news on the Mission Bay Ferry Terminal funding. [audio gap] remember that our project included \$25 million from RM3 funding.

This was approved in 2018 but has been held up in the courts as it was challenged by the Howard Jarvis Taxpayers Association. It appears that the courts have settled this claim in favor of the voters and RM3. And this is just a great news for our project.

It's a project that really [audio gap] be working closely with WETA and the city to [audio gap] a complete budget to deliver the project. We are also preparing to sell two historic floating dry docks at Pier 70. Dry Dock 2 and the Eureka Dry Dock will be up for purchase.

This is part of our business plan to transition the shipyard to a mix of maritime uses. [audio gap] anticipated next month. Both dry docks were previously operated for years and years by BAE Systems until it closed in [20 -- 2017].

The Eureka Dry Dock was built in 1945 and was operated the naval station in San Diego before the Port obtained in 1998. Dry Dock 2 was built the [audio gap] Pier 70 in 1970. As I said, this is part of our longer-term strategy to reimagine our shipyard area to create equitable and economically sustainable area that [audio gap] to drive our success.

And more progress on Mission Rock development -- last month, the project received a temporary certification of occupancy -- certificate of occupancy, TCO, for its first building, Parcel G, which is the future headquarters of Visa.

The project team is excited to welcome Visa, who we expect to begin occupying the building later this year. Additionally, the project team expects additional TCOs later this spring for Parcel B, which will be the future home of a life sciences tenant, and for Parcel A, the first residential development in the project, which will include 254 apartments, of which a hundred and -- [audio gap] below-market-rate units. Congratulations to all of us. We are so excited that Mi -- [audio gap] first residence this summer.

Last Tuesday, the Board of Supervisors unanimously approved the Port's water purchase agreement, which you saw. And of course, this is a pillar of the Mission Rock sustainab -- [audio gap].



This agreement allows us to purchase water that is treated onsite from the existing water source for the Port's non-potable uses such as irrigation of China Basin Park. We're excited that that agreement was approved and that we can achieve our water-conservation goals.

To the [write-off] policy, commissioners, consistent with the write-off policy adopted pursuant to Resolution 22-11 [audio gap] report summarizing one recommended write-off account. And you have 30 days to review before we process. If any of you have concerns, please contact me within 30 days. And we will schedule a future commission item on the matter.

In closing, I'd like to share some exciting news. This past week, we welcomed our new communications director to our small but mighty team. I'm proud to appoint Justin Berton to my leadership team to transpar -- [audio gap] work in the executive division championing communications, legislative affairs and the diversity, equity and inclusion program for our organizational effectiveness.

Justin comes to the Port with a lot of experience in regional strategic communications, having served five years as the director of communications to Oakland's Mayor Libby Schaaf. He was also a reporter for the San Francisco Chronicle from 2006 to 2013 before he served as communications director to Mayor Schaaf.

He's a graduate of San Francisco State University. He lives in the Bay Area with his family. And he takes the ferry. And he loves to do so with his two daughters. Please join me in providing a warm, warm welcome to Justin.

And I'd also like to take a moment to recognize Boris Delepine, who served as acting director of communications for several months after Randy left for the district attorney. He did such a great job. And we thank him for his service.

And now, he's returning full time to look for funding for us in his legislative affairs manager role. And he will continue to be laser focused on our funding opportunities. Thank you. And that concludes my report.

President Brandon: Thank you, Elaine. Great report. Now, we will take public comment.

#### No Public Comment on the Executive Director's Report.

#### Commissioners' Discussion on the Executive Director's Report:

Jenica Liu: Commissioner Lee, I think you're on mute.

Commissioner Lee: I hate these things sometimes. Anyway, [laughs] great report. We're moving forward. Exactly where we're going to be is very

encouraging. I don't have any other comments and, you know, just looking forward to more movement forward and more economic recovery.

I think, as we go along, we'll find out there's going to be more challenges and more maneuvers. But I'm ready for the challenge for that. So good job, Elaine and Director Forbes and the rest of the staff.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Director Forbes, thank you for that report. Justin, I want to welcome you to the team here at the Port. I don't know if you're in the hearing room or watching us remotely. Director Forbes, I had two things moving forward through your report that I would like to put on for future items, one of them being -- I would love to have an interdepartmental briefing on the [rent up] of the first residential building at Mission Rock.

With such a high affordability and someone who knows the affordable housing rent-up procedure as well, it can be complicated. And I know, once we reach TCO, we have a timeframe to be successful in rent up, so we don't jeopardize our LP agreements or Mission Rock does not -- or if they used any tax credits.

So I'd like to see a briefing from MOHCD about how we will be successful in renting up these units on time particularly since they go up to 120 percent of AMI.

And then, on economic recovery, I just -- I'm hoping too that we can look at all of our risk mitigations as an organization from insurance to safety protocols, etcetera.

This could be a later informational item just to make sure we're doing everything we can to mitigate our own risk and exposure as we enter these times of economic recovery where every penny counts. Thank you for a great report and for centering equity, as you always do.

President Brandon: Thank you. Elaine, thank you so much. It was a great report, full of great items. I think it's a testament to the work that you and the team are doing to have the mayor have her second State of the City at the Port and the waterfront, just to see all the great work along the waterfront. I think that's phenomenal.

It's so hard to believe that we're having our sixth annual contract open house. And it's grown from, you know, our small conference room to the cruise terminal. That is historic. And that is wonderful. And I, again, want to thank you and your team and Tiffany for making that growth happen and making it so much a part of the way we do business.

I think it's great that the Mission Bay Ferry funds have been released almost [laughs] because that's going to be such a great project and going to add to bringing more visitors to the waterfront. So I think that's wonderful.

I think it's so exciting to see Mission Bay, just the community that is being created there. And to see the buildings occupied will just be so exciting. So I think that's great. And they have just done a phenomenal job and been a great partner on that site in all ways.

I just really want to congratulate the entire Mission Rock team and the Port team for guiding and helping them to become a reality. I want to welcome Justin. I can't wait to meet him. And he's a San Francisco State alum, so I know we're going to get together really well, as we all are. [laughs] That's right, Commissioner Lee, Commissioner Gilman. We're all alumni.

So Justin's going to fit right in. And I definitely want to thank Boris for all the time that he's put into that role waiting for Justin to arrive. Thank you, Elaine. Great report. Jenica, 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 23-06)
- B. Resolution recommending the Board of Supervisors resolve and settle Burchell et al., v. City and County of San Francisco, San Francisco Superior Court Case No. CGC-20-588665 in the amount of \$6,200,000. (Resolution 23-07)

**ACTION:** Commissioner Gilman moved approval of the consent calendar. Commissioner Lee seconded the motion. In a roll call vote, the motion passed unanimously.

No Public Comment on the Consent Calendar.

## **11. REAL ESTATE & DEVELOPMENT**

- A. Authorization to offer tenant improvement allowances and request that the Board of Supervisors waive Administrative Code Chapter 6 for certain Port leases to facilitate Port's use of up to \$20 million on tenant improvements to spur economic recovery and revenue generation. (Resolution 23-08)

Rebecca Benassini: Thank you so much, Jenica. Hello, commissioners. Rebecca Benassini, your deputy director for real estate and development. Nice to be with you. And I'm here to talk with you about contracting, economic recovery, tenant generation.

I will start with the next slide. Could I have the next slide, please? Thank you so much. So the item before you is a waiver -- a limited waiver of parts of the administrative code, chapter six. The impetus for this item is that we are looking around at our property. And we need improvements.

I'll talk a little bit more about how we have limited staff. Our staff are at almost full capacity now trying to process different improvements. Also, the improvements I want to talk to you about we think are better executed by our tenants because they'll need to suit the types of improvements to their particular need for operations.

Also, we think this item will make our leasing more equitable and resilient to economic recovery because we're going to reduce a capital barrier to leasing some of our property. I'll take you through some of the chapter six public contracting rules very briefly.

These rules, we think, if we impose them on our tenants, will make the tool of our economic recovery stimulus dollars less effective because these rules are very unique to public contracting. It would be costly and inefficient for a private business to attempt to learn the rules and conform to the rules.

I liken it to having our tenants try to use like our DHR hiring process. It would be very difficult for them to learn how to use. And it's just not in their bailiwick to be accountable to the administrative code rules. So more as we go through the item, but that's sort of the broad brush of what the impetus is for this item. Next slide, please.

So as background, you all are very aware now of the types of vacancies we have up and down the waterfront. We have much more retail vacancy than we have had in the past. When we did our parameter rate reset last summer, we talked a little bit about seeing inklings of more office vacancy.

Some our office tenants have reduced their footprint. And we also have had sort of lingering shed storage types of vacancies. We do also have an economic-recovery budget. You all are very aware that one of Boris's and others crowning jewels was that we have stimulus funding that's really helped us kind of get through the difficult budget times.

And we have this economic-recovery budget that we want to invest in kind of shoring up our economic future and our recovery. We're also facing a more risky retail market.

We think, without these changes, we won't be able to have our tenants come to the table without a lot of upfront capital, as I noted in this bullet. And our sort of long leasing process combined with the upfront capital needs are really difficult for BIPOC and small, local businesses to compete for our tenancies.

I want to just note the quick map that I had shown in your staff report. These are existing vacancies or closed businesses. So the darker-color dots, items one through four -- Alioto's, 490 Jefferson, Pier 33 1/2, Ferry Plaza East Building -- those, we control. Those are vacant. And we control those properties.

The other four listed here are closed properties that haven't been operating since COVID. So you can see sort of the various locations of these retail vacancies. Next slide, please.

A bit about chapter six, which our staff are very familiar with these -- when we do our own engineering projects led by our engineering team, we follow these rules.

You will probably be aware having approved some of those contracts that there are sort of specific rules on how we: advertise; what bid documents and what the requirements are for bidders; what kind of protest provisions there are that bidders can avail themselves of; their requirements for the contract, particular provisions that need to be included in a construction contract.

And then there are sort of really city-specific items. Like for example, we need to consult with Department of Environment. And we need to report regarding recycled materials or other sorts of really particular kind of city provisions. Next slide, please.

So our rationale and sort of the key reasons we're wishing to provide a limited waiver from chapter six in the certain circumstances I'm going to kind of focus on in the next slide are, first, we think it's competitive in order to offer tenants a tenant-improvement allowance.

We don't do this very frequently. But we know it would make us more competitive in the marketplace. It's typical for landlords to offer restaurant, retail sort of businesses that need to fit out their space to suit their need. That's typical for them to offer a tenant-improvement allowance.

As I mentioned earlier, we think it'll reduce barriers for smaller businesses. They won't need as much upfront capital. It's good for us. It'll allow us to charge market rent. Without the TI allowance, we'll typically give a rent credit or something of that nature if the tenant is going to invest to suit out the space for their own needs.

We think it's efficient. The tenant is going to be better than we are at determining what sorts of operational improvements will suit their needs. We do want to make sure that the project is delivered. So we've been talking with our attorneys about making sure that we have the appropriate lease remedy that, if we do provide a tenant-improvement allowance in a lease, then those improvements will be delivered.

So that's something we're cognizant of that would be a change for us. We think that this will increase the volume of projects on Port property. We only have our own limited project management staff. And if we're able to offer this sort of investment directly to our tenants, then they can, we think, increase our sort of bandwidth in terms of improvements to property. Next slide, please.

So just to take you through an example -- and then, I'll really focus on what we're doing today versus what comes in the future. What the flowchart shows is sort of the -- how we would go through the implementation.

And then, I'll talk for a moment about the example locations. If we're applying this to our retail opportunities -- and I'll talk a little bit more about how we could apply it in other cases -- but presuming we're applying it to our solicitation, broker-manager or staff-led RFP, we would include the opportunity for a tenant allowance in that solicitation.

So potential respondents are clear that this is available. And then, they can kind of suit their proposal assuming that. The tenants would provide their concept, how much of a TI allowance they think is needed.

Ideally, they're proposing rent with or without the benefit of the TI allowance. And we would see a higher rent if we were able to invest by giving them that TI allowance. The Port Commission would select the tenant. The Port Commission and the board would approve a lease.

And then, the Port would be able to use some of our stimulus dollars that are kind of earmarked or budgeted for tenant-improvement allowances directly to that tenant at various milestones in the lease -- early in the lease.

And then, they would execute on the project. And no chapter six rules would apply. The tenant would then pay their full rent as negotiated under the lease. So that's how the implementation would work. The example locations I have shown above are our retail locations that we think will need quite a bit of investment in order to get them back up and running.

Those are the example locations. In some of my previous slides, I showed some office spaces that need some work. Those we think are not as great of candidates because our project management team -- I think, earlier in your agenda, you all approved -- or you were contemplating Round House improvements [that were] office space.

The office space -- we want to make it water tight, have carpet, paint, you know, fix windows. We sort of know how to do those projects. And those are easier for us to deploy with our own dollars. What we're really focused on here are tenant -- a portion of our stimulus dollars that we think the tenants would really benefit from having. And it would make them more competitive in terms of competing against one another through the solicitation process.

So we're really focused in this realm, likely on retail. But you'll see in your resolution we haven't limited it only to retail. This just kind of provides what our thoughts are in terms of potential deployment. Next slide, please.

So the resolution before you is a limited waiver of chapter six rules. I want to be clear, prevailing wage, local hire, other provisions in our lease still remain the same. And those are in place. So the resolution recommends that the board waive chapter six rules when the Port provides tenant-improvement allowance.

And the waiver would only apply in these circumstances. So first, only lease or lease amendments that the Port Commission and the board approve -- so that's a big limiting factor. Second, it would be for property improvements that spur economic recovery, generate additional rents to Port.

That's where we would really give, in the lease improvement action item, that kind of rationale. And we would have cumulatively no more than \$20 million. We looked at our various stimulus-fund budgets. And this is really the outside dollar value we would propose allocating to tenant-improvement allowance.

Other parts of the budget are going for other sorts of economic recovery and resilience types of measures. So that's the resolution we have for you today. I'd love to take questions. And I have other members of the team here available, if needed.

I want to just recognize many members of the contracting and economic recovery and real estate team did help me prepare this item. Thank you so much.

**ACTION:** Commissioner Gilman moved approval of the resolution. Commissioner Lee seconded the motion.

#### No Public Comment on Item 11A.

#### Commissioners' Discussion on Item 11A:

Commissioner Gilman: Rebecca, thank you for your report. I have a couple of questions. But before I start them, I do want to say that I'm generally very supportive of this item for a couple of reasons. One, you know, these properties will need a lot of improvement. They're not walk-in ready.

And as someone who's been on the commission now going into my fifth -- my sixth calendar year on the commission and someone who saw the Butterfly space come before us that did not need that many tenant improvements and all the work we did towards that and then to have that deal fall apart is one why I support the direct leasing pilot with parameters and guidelines.

And I support this because I've seen when there's been these kinds of exceptions or allowances in a similar space in the affordable housing space with city dollars where they've put aside a small portion of predevelopment that can be used this way, that can be used without having to layer on all the chapter six requirements, how it can spur and speed up the process.

So I support that. You said that all of the local-hire provisions would be in place. Would that also include the LBE-in-contracting provisions? Or would that not be in place? Can you just clarify that for me? I didn't know [crosstalk] staff report.

Rebecca Benassini: Yes. I sure can. Yeah. So the prevailing wage is in place. The local hire is in place. The LBE requirement would not be part of this and is not typically part of leases. It sort of comes about when a project re -- and I'm not sure -- I'm sorry. I should have talked to Elizabeth about this before -- if it's a certain threshold. But typically, the LBE doesn't apply to tenant improvements.

Commissioner Gilman: Okay. I also like the fact that we're putting it on the front end and not on the back end with the rent credits, which we've seen other leases or people slow the slog of them doing their tenant improvements where it's stretched out the payments [where we're really] not receiving base-rent payments from folks because of the credit. We're only receiving participation.

So that also, I found, was attractive to me. One thing we might want to think of since folks [to use] this money won't be putting out to bid their engineering or their architecture or their -- or the contracting is -- I wonder if we want to provide an incentive in the structure of the lease that, if they were to use an LBE contractor off of our contracting sort of mailing list, that they could receive some sort of bonus or some sort of incentive to engage them.

It's just a thought. I don't want to slow down this item for that thought. But if I'm going to bring in a contractor -- I'm just making this up -- instead of bringing in my buddy, John, who lives across the street from me who's never done commercial stuff who like fixes my kitchen -- I'm a small business person.

Maybe if I use one of our contractors off the list, I get a 5 percent bonus on extra funds I could use. Or I get a very small rent credit in my first year -- just maybe something to also make sure the work is professional. That's the only other thing I want to flag.

If folks aren't going through a bidding process for their [TIs], I've seen folks use contractors that don't have commercial expertise. So I just want to safeguard



against that too. Those are just my comments. But I'm supportive to move the item forward today.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: Yeah. I have a bunch of things. Out of the \$20 million, how much do you think is going to be allocated to the tenant improvement? Well, I'll go, I guess, question at a time. Is it going to be based on severity?

Like there's going to be some buildings that are really obsolete, especially some of these Alioto -- you know, some of these older Italian restaurants that haven't been remodeled in 30 years, you know, they're probably going to have to tear everything out and start over.

But this \$20 million or a slash of it, it's not going to go for finish work, right? It's going to be more for if they need upgrades to their fire sprinklers, if they need handicap ADA based on current code, things like that.

Is that strictly for what this money is for? Because I don't want them to put in a new stove with this money, you know, things like that or as part of that situation, you know.

Rebecca Benassini: So let me start at the beginning, so I don't forget the first one. So the first one is how much. We are talking right now with our first broker contract on Pier 33 1/2. And we're thinking in the lower range for the tenant-improvement budget per square foot because that space doesn't need quite as much work as others.

So definitely, we want to scale the dollar value to have the minimum amount that would help make the space more competitive. And on your second point, we definitely talked about that.

And we view the lease negotiation -- in our previous lease negotiations, we segment the budget into core and shell work, code upgrades, as you were saying -- the ADA is a major issue in some of the locations -- and then everything else. The everything else is sort of the tenant's budget and sort of to meet their needs and desires.

We will be really clear when we're negotiating the lease that that -- based on your all's direction when we come for selection of a tenant, we would envision sort of the tenant having the term sheet.

And that would be estimate of, you know, core and shell improvements, sort of "landlord items" that we would have invested in ourselves if we had the time and the bandwidth to do so and then the other items -- we wouldn't want to get in that sort of a business.

I think we wouldn't see the return on that sort of investment in the tenant side of the ledger. So I think, as we come forward with one tenant after another, you'll see that momentum, I think, build as to how we spread these dollars as far as they can go.

Commissioner Lee: I think we need to have, like you said, your little term sheet. I think we need to have some policies or standard that, you know, first tenant improvements have to go into infrast -- you know, I mean I know that some of these older leases were supposed to be infrastructure that never got done.

But we don't want to get back into those situations again. But at least like fire sprinklers and ADA issues -- because, even if the tenant left, those items would be finished and ready for the next tenant.

So I want to make sure that, whether we grade the buildings, whether you want me to help you go in there and see what might be missing -- and maybe this is considered more of the top where we have to spend more money. Or this one is move-in ready. [I will] even do that.

But I think, in the future, me, as renting multiple businesses in the past, you know, when I have to spend less money on stuff behind the walls and I can spend more money in the front where the customers can see it, there's more value -- I'd rather pay more rent because I can get in faster, you know, so -- instead of waiting for moneys for fire sprinklers to get passed.

So I think that's important. Let's see. Are you going to still offer free rent while they're doing their finish work? Or are they going to pay the market rate right away since we're going to be offering the tenant improvements?

Rebecca Benassini: I think that's all for negotiation. We would love to have more guidance from you. We do tours quite a lot. So I'd love to take you on some of the tours and get your advice on that. But we are sort of taking our cue from some of our broker insights as they're starting to take tenants around as well so definitely all for negotiation and the push and pull of what we want versus what they want.

The behind the wall versus in front of the wall, that's the push-pull, and then the when they start paying rent -- absolutely. Yeah.

Commissioner Lee: Okay.

Director Forbes: I just wanted to add just to support this concept -- one of the things we're looking for -- this is such a good conversation about how to size the tenant improvements and where the dollars should go, behind the wall or in front of the wall.

One of the things we're looking at is really de-risking retail right now and getting to some BIPOC-owned businesses, some really great talent here in the city that might not have the equity to put into big TI work.

And we're going to be very careful. The team is going to look at improvements we want to own as a Port organization with this tenant or future tenants. But we really appreciate the feedback and just to say that we're also looking at it as a de-risk strategy and a way to bring in new, vibrant tenancies that we haven't seen in the past with our old model.

Commissioner Lee: Right. No. It's a good motivation especially nowadays. You know, people don't have the capital, or they're scared. They're -- actually, some of them like to enter in shorter leases, so they're not on the hook, right, because of the uncertainty.

My last question is there are construction bonds, you know, to guarantee that the work is finished and possibility that a tenant could buy these or pay the -- whatever the terms on these construction bonds to make sure that these projects are finished.

So maybe that's another option as part of the -- you know, your little check off your term sheet as a possibility, you know, for something that might be, you know, pretty major and they just don't have the money for it.

So those are my suggestions. I mean, this is a very positive thing for growth because that's what we're all looking for right now when we move into these new spaces is how much is already there. So we could actually spend more money on promotion.

And once we get -- and instead of stuff that you don't even see, you know -- I constantly get into that all the time. So this is a good thing. I think we just have to move on the term sheet, what we really want that's going to be easy for them but, in the long term, for the Port. You know, so if they do move out, we don't have to deal with that anymore. So that's my comments. I support the issue.

President Brandon: Thank you. Rebecca, thank you so much for the presentation. Commissioner Lee and Commissioner Gilman had great questions, some of which were mine that have been answered. But what I'm still unclear of is the prioritization and strategy for the use of funds and how we're going to -- how the funds are going to be distributed and who -- you know, is it first come, first serve? Is it one property over the other?

I think today you said that you may limit it to retail, but you may not. So I don't know - just understanding what's the pool? What's the strategy? And how are we prioritizing it?

Rebecca Benassini: Thank you. We are focused right now at our locations that are vacant and are attracting vandalism. I mean, that's something. So our own cost of maintaining a vacant location are definitely a core question. Another is sort of the economic recovery if more than one vacancy in a location is creating a condition that looks really, really unattractive.

So that's sort of one focus. Then, the economic recovery bent of it is, do we think, with a little bit of investment, we could actually get a lot of potential bang for the buck? I think the other lens I have and why I'm a little trepidatious about saying it's only going to be retail is we have a lot of space in our sheds.

And we don't quite know if there might be an opportunity in the future to do sort of more of a light industrial kind of a use that might make sense with better ingress, egress or improvements in the sheds that I just haven't thought of that would really benefit from a tenant-improvement dollar if an entity came forward with the right kind of rent proposal to activate a big part of a shed that is vacant or has been vacant.

So I think we're focused on the areas that have been vacant for a while that are attracting -- you know, making us spend quite a lot of money on maintenance costs and responding to vandalism. And we're focused on those opportunities that we think could generate returns on the dollar for the investment and the tenant allowance.

And then, after that, after those first couple that are vacant right now, I'm not sure what the future -- what will come. But I think it's a great opportunity with this waiver because we'll have to track everything cumulatively.

So each new lease that comes forward with a tenant-improvement allowance, you can look back on three leases with this much dollars. This is the next one. And then, you can have that kind of sightline with each lease that comes forward as to how much money is remaining and where we've been spending the money so far.

President Brandon: Okay. You know, I want to approve the waiver. But I really want to understand the strategy before dollars are deployed because I don't think it should just be, okay, well, this building might use 50 percent of it. Or this building may use 25 percent.

What buildings do we want to invest in that we think are going to bring the most economic recovery or bring the most people to the waterfront? There has to be some strategy for deploying these funds. And I know we have properties across the waterfront, not just the northern waterfront.

We have them in the southern waterfront also. So there has to be some strategy of how we want -- I think this is a great program. And I think, if it's extremely successful, hopefully we'll be able to find more economic recovery funds.

But right now, we only have \$20 million. I think, to start out, we're only going to use eight or so from what I understand so really want to understand the vision for deploying the funds prior to a lease coming to the commission.

Rebecca Benassini: Understood. I think the full universe is not just this amount of funds. There are other grant funding -- there's other funds out there that we're looking at to help improve infrastructure and roads and sort of public spaces.

So I totally agree. Like having that broader look of property improvement programs -- the tenant-improvement allowance is like one piece of that.

President Brandon: Mm-hmm.

Rebecca Benassini: But I don't want to volunteer other people's items. So I assume we'll take this back and [talk about this].

President Brandon: I wasn't asking for a strategy for the entire waterfront. I was asking for a strategy for these particular funds prior to them being deployed.

Commissioner Gilman: Sorry to interrupt. But we can vote on the waiver today. And then, you still bring it back item by item for approval. So I think -- but I'm also hearing President Brandon, right?

President Brandon: Right. They're going to bring each item back for approval. But the first item may be \$10 million. The second item may be \$4 million. And then, we still have six properties that don't have -- so I'm personally just trying to understand the prioritization and the strategy for the use of funds.

Commissioner Gilman: Yeah. I guess I was going to suggest that, before we even approve one dollar after we approve the waiver, I would love to see a strategy plan, whether it's a per square foot -- because the other thing I don't want to see happen too is -- let's just say, you know, not all of these spaces are on our direct lease program pilot either.

So I guess I don't want to see someone who is maybe a larger entity or a more sophisticated entity be able to jump on a lease, get it executed with us, and they spend 75 percent of our pot. And then, we have smaller, more community-based folks come forward eventually, and we've run out of funds.

So I guess what I'm saying is, before I would feel comfortable allocating funds, I think that strategy that President Brandon is talking about would need to be presented to us. But I don't think it should hold us processing the waiver.

Commissioner Lee: I think we've got to have some kind of criteria, you know. Otherwise, you're going to spend all the money up before the sixth property down the road -- and say, we ran out of money already. I mean, there's got to be a limit of how much each property is going to get.

You know, that's why I'm saying, if we stick to sprinklers or we stick to ADA issues, those things don't go away. And it's going to be with every tenant that we get. So I mean, that should be number-one priority.

But how much does it cost to fix up that building and if we're willing to back them to get them in? So I agree, you know. You guys could spend all the money on one project, you know, literally, than spreading it out between eight properties.

Director Forbes: I think one of the key items is that these are based on opportunities and matching our property opportunities to a potential tenant or a lease extension. So the opportunity itself will help define the strategy in some ways.

I know Rebecca and her team will think through more strategy than has been presented today, which was strategy as well, but more defined parameters and figuring out how to hit equity and how to not run out of the money upfront.

So we'll be thinking about that. But a lot of this really is that match that is going to define better, you know, where our parameters are. But we definitely will be thinking about this and appreciate the direction.

Commissioner Lee: I've got one -- it's a little -- is it okay I speak -- [crosstalk]

President Brandon: Sure.

Commissioner Lee: If we had one pier like in the south, you know, Dogpatch or further that's kind of been empty, do we get any kind of extra credit or funding if we put like a storage space for nonprofits who lost their warehouse spaces? Because so much housing is being built, and people are selling their warehouses.

A lot of the nonprofits have lost their storage like the San Francisco Taiko drummers. They lost their space in South San Francisco. They're looking for space. Is there a possibility of, you know, some -- getting some nonprofit credit or extra grants to help improve those sheds that we wouldn't use anyway because they're so far south?

But at least, when they're occupied, we'll have less vandalism. We'll have less security issues. At the same time, we're helping the community. Is there any future possibility -- and possibly using some of this infrastructure stuff? That's just a question. I'm still new.

Rebecca Benassini: Yeah. Definitely, when we have tenants who we think would have really strong grant opportunities, the -- one good thing about being a city department is we kind of are aware of them. We're a little bit more on the front foot.

So we direct our tenants. Like go apply to OEWD. We think you'd be a good recipient for that kind of a grant. But they have to go get the grant. And then, they just lease our property just like we would normally lease to other folks. So we don't get the grants and then give it to the tenant ourselves. That's sort of the main difference.

Commissioner Lee: What if we split up a shed into six spaces, and there were six nonprofits? Like maybe the Chinese Chamber wanted to take a space or -- because, you know, a lot of people can't afford the whole shed. It's so big. Right.

But you know, taiko drummers can have one space. Or Chinese Chamber have a space. And then, it's kind of a co-op space. And we're not using the shed anyway. I'm just wondering if it's something in the future we could think about.

President Brandon: It's definitely a great thing for Elaine to put on new business so that we can look at that in the future how we can support our nonprofits.

Commissioner Lee: That'd be great.

President Brandon: So Rebecca, thank you so much again for this presentation. And so I think -- so I guess we're ready to vote, hmm, if there's no more discussion. Jenica, can we have a roll call vote?

In a roll call vote, Resolution 23-08 passed unanimously.

## **12. FINANCE & ADMINISTRATION**

- A. Informational presentation on the Proposed FY 2023-24 Supplemental Appropriation to Fund Operations of certain Mission Bay Parks and Approve a Proposition J Contract for Maintenance of Nonstandard Improvements at Mission Rock and Pier 70.

Nate Cruz: Hi, commissioners. Nate Cruz. I'm the acting deputy director of finance and administration. I'm joined here this afternoon with David Beaupre and Rebecca Benassini to present to you this fiscal year 2023 and '24 supplemental appropriation.

Just as a reminder, about this time last year, the Port Commission approved our biennial budget for fiscal '22-'23, '23-'24. What this is is simply an adjustment to the second year of that two-year budget window. And it's basically the result of some good news. Next slide, please.

So what has happened since we prepared that two-year budget is we've brought online some great new public improvements, some amenities that add to our Blue Greenway. That is specifically the Mission Bay Parks and some improvements in Mission Rock as well as the Pier 70 developments.

So from here, I'm going to hand it off to my colleague, David, to present the Mission Bay Parks component. It'll come back to me for some more financial aspects. And then, Rebecca will talk a little bit about the Prop J contract. So David, why don't you take it from here?

David Beaupre: Thanks, Nate. Good afternoon, President Brandon, Commissioners Gilman and Lee. I'm David Beaupre, deputy director of planning and environment. Next slide, please.

So dating back to 1998, the Port Commission, along with the Board of Supervisors, approved the Mission Bay redevelopment plan and a variety of interagency agreements. The Port Commission approval back in 1998 was required because portions of the project area are in Port lands.

As Nate mentioned, some of those Port lands within the Mission Bay area are open spaces. In total, there are 41 acres of open spaces either built or to be built as a part of redevelopment plan in Mission Bay.

And the long-term management of those open spaces was agreed to through what's called an owner-participation agreement, which is one of those agreements that the commission approved back in 1998.

Additionally, a community facilities district, CFD #5, was developed to fund the maintenance and the operations of the Mission Bay open spaces to 2024.

Today, those open spaces are in a ground lease from the Port and the city to OCII. So OCII worked with Mission Bay Development Group to build them. Now, OCII manages those. And the last thing I'll just touch on on this slide is the state has mandated that redevelopment dissolve itself.

So OCII is required to terminate their ground lease with the Port and the city. Lastly on this slide, the one thing that I just want to recognize is, as a part of those agreements the Port Commission authorized back in 1998, we knew that these parks would be coming back to us.

We just didn't think it would happen for about another 20 years. But because of the state-mandated dissolution, they're coming back to us a little bit earlier. Next slide, please.

This is an overview of an outline that we're working on with OCII. And that's the Office of Community Investment and Infrastructure, the agency that took over the redevelopment agency or superseded it. The Port, our Recreation and Parks Department and Public Works -- we're also coordinating with other agencies that have roles. But the four primary are OCII, the Port, RCD and Public Works.

The MOU is going to: divide the parks up and divide the management of the parks; divide the existing resources that exist today from the management



company that's managing the parks; identify how we distribute those CFD funds and the criteria for the distribution; make certain that we have open lines of communications between the agencies so that the parks are managed and viewed by the public as a whole; make certain that utility costs are appropriately divided; and then look at ways that we can collaborate with RPD for things such as events and permitting, security, community outreach.

Are there cost efficiencies in purchasing? Are there opportunities to secure additional funding resources? And what other types of mutual assistance we can work towards to collaborate to manage the parks efficiently? Next slide.

So again, State Department of Finance requires dissolution. OCII had to create a project management plan that stated when they were going to terminate the lease with the Port and the city. They were actually required to do it in 2020 -- initially. They got an extension to 2022. And then, they got a third extension to 2023.

So the state's being patient. But their patience is beginning to wear out. Additionally, OCII's contractor who used to be MJM and is now called Parks and Open Space Management, POSM -- their contract expires at the end of June. And they are planning to put that out to bid.

So we're looking to take these parks over on July 1st of this year. And lastly, the last few times that OCII put these projects out to bid for parks management and maintenance, there was actually only one entity that would do it, which was MJM and now POSM.

So there's some risk that that organization going defunct and the parks coming back to us even earlier. But we hope that's not the case here. Next slide, please.

So as we began to look at the parks system, which is shown in this illustration here in Mission Bay, all the green are all the parks. The parks with like the crosshatch pattern are Port parks. And you'll see that there are some parks that have split jurisdiction along Mission Creek primarily and along those Mission Bay Commons, those parks that run east-west right in the middle of the redevelopment.

So we -- I'm working with RPD on trying to identify an appropriate way to split the parks and not have any park on split jurisdiction. So some of the criteria we looked at were considering the design of the parks and the programming of the parks and the relationships to one another, obviously ownership, how the public would access and understand the park so the public patrons, the Blue Greenway and how the Port manages most all of the parks on the Bayfront side of the park.

And then, are there operations and management efficiencies for how we divide the parks? So as proposed right now, the Port would take the parks along the bay. They're identified as P21, 22, 23 and 24. P21 is on the right and is actually finished and is mostly the public boat launch parking lot.

P22 is under construction. And that's right across the street from the Chase Center. And P23 and P24 were opened up recently just during COVID down along -- across the street from Mission Rock and the SF Boatworks.

RPD has agreed to take on all the other parks, which makes sense. And with that, I'm going to turn it back over to Nate to talk a little bit about the finances. And he, Rebecca and I will all be available for questions at the end. Nate?

Nate Cruz: Next slide, please. Thanks, David. So ultimately, the cost of managing these parks for at least the fiscal '22-'23 -- I'm sorry -- the '23-'24 period is roughly a million dollars. Because of the CFD #5, we anticipate that would be fully covered by the revenues from OCII.

So this is net neutral to the Port. But the bulk of the cost is, as you predict, comes from labor. We're requesting four new positions: two laborers, two gardeners, also security, pest control, utilities, all the things that you expect to go with parks.

There is some saving. The way we broke out this table is to illustrate to you that, in a normal year, we would estimate this is closer to \$1.3 million. But because that P22 park has not been delivered yet and is anticipated to come online midyear, there are some savings associated with that as well as the landscaping warranty that comes with a new park.

So the savings get us down to about a million dollars. So for this -- the fiscal '23-'24 period, we expect to fully recover our cost from OCII. But there are some financial risks I want to go over with you. So that's the next slide, please.

So this graphic comes from OCII. What this illustrates in the blue bars is their estimated future costs for POSM, that private contractor they already have. This was their estimated cost going forward to continually maintain the parks.

And they compare that to the orange line, which is the amount of money that's available to pay them. Right. So these costs are not the Rec Park/Port costs, but the representation still holds. You can see that, in the early parts of the graph, there's more money than there are costs.

And then, the orange line kind of hits this bump. And that bump up represents using reserves that have been building up as CFD has been -- as the CFD has been around, I guess, about 10, 15 years now. We plan on using those reserves. But at some point, those reserves run out.

And you can see, about two-thirds of the way through the bars here, that the blue bars are now higher than the orange line. And there's going to be a shortfall there. Ultimately when that shortfall occurs, we don't know yet.

Once we've actually managed these parks and Rec Park has managed these parks for a few years, we'll have a much more specific sense of when this is going to occur. But there will be a shortfall.

And our strategy at this point is to go to the general fund and ask them to subsidize this shortfall to maintain operations and current service levels. That's sort of the midterm risk -- or financial risk involved with the parks.

Then, there's the much larger financial issue is, when the CFD expires in 2044, you know, at the very end of this graph, the CFD ends. Right. There's no more orange line. But the blue bars continue. And that much larger shortfall is a larger problem to solve.

But again, our strategy is to go to the general fund and ask them to help us maintain these parks. Obviously, the Mission Bay development has been a huge success for the city with lots of new property taxes and activations. And we think that there should be a -- there's a strong argument for them to continue supporting this park system.

So with that, that's the Mission Bay Parks component of this. I'll pass it to Becca, who is going to cover the Prop J contract.

Rebecca Benassini: Thank you, Nate. Could you please go to the next slide? So I want to speak about some specific types of improvements at Mission Rock and Pier 70. You'll see on the subsequent slides this is a much smaller dollar amount that we're talking about that what Nate and David went over.

Those are really, really large improvements. These are non-standard improvements in the streets or paseos of Mission Rock and Pier 70. Next slide, please.

So as background, you all might remember -- or maybe not -- that, when we designed many of these streets, our real focus was to get the right infrastructure agency to accept their infrastructure they have expertise in as much as possible.

Some of the non-standard improvements though were discussed in some of the documents that led to these developments, the design for development, the design controls. We also did an MOU through our commissions and PUC and other commissions which stated which elements PUC and Public Works and SFMTA would accept.

But we also, at that time, acknowledged non-standard improvements those agencies would not accept. And some of the pictures you'll see will show this. For example, the top picture shows this street light that's sort of this special industrial street light that reflects the historic district. It's a non-standard light.

You'll also see the bollards and street lights at the bottom slide as well that are sort of non-standard improvements in streets and open spaces. We did size the CFD -- another line you heard earlier -- to generate services taxes for maintenance of parks and non-standard improvements at both of these developments. There's less of a financial risk that we'll talk about through this one. Next slide, please.

Thank you so much. So as I mentioned earlier, our first choice in this endeavor to figure out who is going to maintain these locations -- and by the way, this picture is that beautiful Building 15 frame at Pier 70 -- beautiful. It turned out exactly like it looked in renderings.

But it's a non-standard improvement. So Public Works is not able to maintain that for us. So our first choice is to get agencies to accept. For non-standard improvements, our choices are either the Port maintains, or we can have a developer affiliate maintain.

We are recommending a developer affiliate. There's a lot of good reasons to go this route. It's cost effective. It's operationally effective. The master developer still has master leaseholds all surrounding this infrastructure. As they're building out phase by phase, they are onsite.

And they control areas around these non-standard improvements. So there's really good operational reasons to have a developer affiliate maintain these non-standard improvements, most of which are -- they'll be completed and fully sort of requested to be accepted in the coming years -- year or even less. Next slide, please.

So as part of the effort to get these public improvements under a contract with a private entity, we need to make sure we're analyzing -- how much would it cost us to maintain? How much would it cost an affiliate to maintain?

Shown here is the Mission Rock map. On the left-hand side of the map is China Basin Park. And then, you see these paseos in blue, bollards also kind of shown in blue, street lights. And then, throughout other portions of the phase one streets are things like bike racks or street rooms.

These are sort of the art and furnishings in the street that are not accepted by Public Works. Public Works, we do anticipate, will accept the streets generally. But there are certain elements they will not accept.

So in looking at the cost efficiency, we think the cost efficiency is there in terms of having Mission Rock affiliate maintain. And I want to note that the Prop J contract in this case would be zero dollars because Mission Rock -- the way their financing is set up, they can use their master association fees for this maintenance.

And in return, we will not charge them the CFD services taxes that we would have charged them in order to pay for our own costs. That's why you see that zero-dollar estimate at the bottom of the slide. Next slide, please.

And a similar sort of slide for the Pier 70 28-acre site -- this outline is showing the phase-one streets that are now built, still waiting for some of those buildings to get built. But Building 12 is up and rehabbed. And then, in certain segments, you'll see there are pavers.

There's a small segment of Louisiana Street that will not be accepted due to that street design -- benches, bike racks, similar sort of smattering of non-standard improvements that Public Works or other agencies aren't able to maintain on our behalf.

So in this case, the Brookfield affiliate cost estimates are shown. There is some cost savings for them to do it rather than Port staff. So we are recommending in this case as well that we have the budget authorization to contract with the Brookfield affiliate.

That contract would come forward when we come forward to accept these items officially. Right now, these items are still in their master leasehold. When they come out of their master lease and become Port property, then we would go through an acceptance process with you all to do that. Next slide, please.

So to sum up, we are -- this is an informational session. We're looking to take action next time where we would approve the supplemental appropriation for the 2023-2024 fiscal year including the four positions we mentioned with regard to the Mission Bay Parks, the revenues and expenses associated with some of the items we've gone through, the two Prop J contracts.

And then, going forward, we'd have another opportunity to speak with you about the MOU with RPD and OCII relative to Mission Bay Parks in the middle of this year. We're expecting middle to later of this year ju -- this year, we do acceptance and maintenance agreements for Mission Rock and Pier 70. And that's our presentation. Happy to take questions.

President Brandon: Thank you, David, Rebecca and Nate. Great presentation. Now, let's open it up for public comment.

No Public Comment on Item 12A.

Commissioners' Discussion on Item 12A:

Commissioner Lee: Okay. I do have a question. Going back to the graph -- and you're saying that where the orange line and then the blue lines above it is going to be your shortfall. And you said that you're going to go through the general fund and ask for some to help fill that gap.

Well, you know, the general fund is going to be really tight the next few years. And I'm just wondering, what's our backup plan to that if the general fund is just not there or we only get half of what you're asking for?

Are there ways to generate income? I mean, obviously, it's open parks and things. But I mean, everything is kind of relative. Right. You take over. You want to maintain it. But at the same time, it's still a business in a way. Right.

We need to break even. I'm just wondering like, even on that last graph is where the difference if Port takes over versus the other entity takes over, you know, [once one] is cheaper. Is it even possible that it's split, you know, so it's less drag on the Port, less drag on the other entity? And then, still, the stuff gets paid, you know. So those are kind of the questions I have for that.

Nate Cruz: Yeah. I think I can take a stab at least at the plan B for funding solutions during that shortfall period. You know, I think we benefit at this point from being partners with Rec Park in this economic situation. Their plan A, B and C is to go to the general fund to ask for support, as they do for all their parks maintenance.

So we'll be, you know, linking arms with them in that argument. So I think we've got a better chance of success. But you're right. You know, that would be a -- I don't think we can put all our eggs in that particular basket.

If we're not successful there, we can explore different efficiencies or revenue-generation opportunities, which I'll let Becca or maybe David speak to if there's any that they have in mind or even potentially possible.

Or otherwise, it just falls just to the harbor fund. Right. It becomes another -- like many of our other parks, an amenity that is one of those sort of loss leaders. Like in any business, we drive people down to the waterfront.

We might not make money on the park itself. But those people are coming down to the Ferry Building. They're getting on the ferry to Alcatraz. They're going to Pier 39. And it's an economic system that that whole ecosystem generates money for the Port. [crosstalk]

Commissioner Lee: Definitely. I just worry that, because the parks are so remote right now, there's not enough pop-up around the area to help get that through. So I think we should plan ahead in case as part of it. But sorry about that, Rebecca. Go ahead.

Rebecca Benassini: Thank you. I thought Nate said it so well. I did want to note that, in Mission Bay Bayfront Park, there is a restaurant pad that we have that we will be working on leasing out. It was negotiated for another revenue loss that we had in the area.

So I don't want to say it's like all net new. But it is going to be sort of a focal point for us in terms of, once the park is opened, getting that kind of food and beverage service on that side of the water -- or on that side of Terry Francois.

Commissioner Lee: Okay.

Director Forbes: I wanted to make another comment if you don't mind, Commissioner Lee, just to give context on the park situation. So we've been developing our network of parks and the Blue Greenway.

And one of the first things that -- one of the principles that the city or other people's money paid for the capital on these really important improvements for us and for the public and that we've been picking up operating costs until we began working on new parks with developers where we were able to put in special taxes and other ways in which we were going to pay for the maintenance of these parks.

So it's part of our economic recovery conversation to think about how much the harbor fund should hold on these maintenance costs for the parks network, how much we can afford and where the general fund should step in.

This one, with Rec and Park by our side, I think is a real opportunity for the Port to receive general fund for the maintenance of public parks.

Commissioner Lee: You know, along Mission Creek here, there's a lot of houseboats. Right. Is that something that they pay the Port, I guess, space rental or -- they do?

Rebecca Benassini: Correct. They're one of our tenants --

Director Forbes: Yes. They pay berthing. Yes.

Rebecca Benassini: Correct.

Commissioner Lee: So they benefit the most because it's right there. Right. Okay. Well, something more great for the future. Just want to make sure it gets paid for. [laughs]

President Brandon: Commissioner Gilman?

Commissioner Gilman: Thank you so much for the report. It's exciting to see the Blue Greenway getting connected more day by day, so we can walk the whole stretch of the waterfront. Commissioner Lee asked my question. I have no questions. Thank you.

President Brandon: Thank you. Again, thank you so much for this report. I don't know where to start. So right now, there's a million dollars in funding that we are going to get to take over the maintenance of this portion.

Nate Cruz: That's what we anticipate our allocation would be for the first year. That's correct.

President Brandon: So when we look at the revenue -- but the revenues and the current contract expenditures, they're almost \$3 million. So is that -- so where is the shortfall?

Nate Cruz: The graphic represents the entire Mission Bay Park system. So that revenue source needs to pay for both the Rec Park side of the maintenance as well as the Port's. So when you combine those, that's when you get -- you know, after the reserves are depleted, that's when you start seeing the shortfall occurring.

President Brandon: Okay. So they get 66 percent, and we get 33 percent? Or how is that working?

Nate Cruz: Roughly -- we're still finalizing that. Part of the process is going to be that Rec Park submits a budget to OCII at the same time we do. And then, we review and agree on an allocation. But right now -- and that roughly, the one-third, two-thirds breakdown is about how it looks at this point. And that's roughly equivalent to the acreage breakdown as well. So it feels fair and equitable.

President Brandon: Okay. And then, Rec and Park is taking over Mission Creek, and we are just doing the Bayfront?

David Beaupre: That's correct. That's what we've discussed to date.

President Brandon: Okay. So when do you plan on coming back? Do you plan on coming back after you have all -- most of this finalized? Or --

David Beaupre: Nate, do you want me to cover that?

Nate Cruz: Please.

David Beaupre: Well, I think we'll have to come back for the supplemental at the next meeting for the budgeting. But on the MOU, we'd like to get back to you. Right now, we're shooting for May so that we can get to the Board of Supervisors in June. And we'll be ready to begin maintaining in July.

We do have a backup plan if we can't get to an agreement by May and get to the board by June. But that's -- right now, what we're thinking is we'll bring the full MOU to the commission in around May.



President Brandon: Okay. Okay. Okay.

Nate Cruz: President Brandon, if I might add, the timing of this feels a little maybe awkward. And now, we're bringing this separately. You know, the funding is now, but the MOU is later. I think staff's preference would have had this -- we could bring this to you in a package to see it all at the same time.

What's driving the timing of the supplemental budget is the citywide budget process. As an enterprise, we do two-year budgets. But everybody else does a budget every year. And they need a budget submission in February.

So that's why we're bringing the budget piece to you now is to conform to the citywide requirements of the budget process. So I suspect that might be some of where your questions are is that these aren't here in front of you at the same time to consider holistically.

President Brandon: So when will the numbers be finalized to be able to submit for the budget process?

Nate Cruz: So the final budget will be approved once it goes to the Board of Supervisors, and they make any adjustments that they've made. The Board of Supervisors' adjustments happen after the mayor. But your --

President Brandon: Just regarding this specific million dollars as far as how much we're going to get versus how much Park and Rec is going to get of what's available -- or is this it?

Nate Cruz: This is what we're going to put into the budget submission that goes to the mayor. During the mayor's phase, if it turns out that we can get more or there's other efficiencies we're not aware of, we will ask the mayor to allow us to make those adjustments.

And that's a similar process to what we do during the normal larger budget cycle. If there are adjustments during the mayor's phase, we report to you afterwards on those adjustments. But as of now, this is our best estimate. And that's what we move forward with.

President Brandon: Okay. And this is for maintenance. Or is it maintenance and improvements?

David Beaupre: Not improvements but maintenance and operations and management so primarily maintenance, but there's utilities in the cost. And there's also costs for property manager, for events and programming and security.

President Brandon: And you said that most of it is the Pier 52 Boat Launch?

David Beaupre: No. No. So what I -- there are four parts. P21, which is done and the Pier 52 Boat Launch, which we've actually been maintaining the parking lot portion of it all along. There is a landscape shoreline edge that's a mixed-use pathway and some landscaping.

So that's built. And we'll need to maintain that. And then, P23 and P24 are those little parcels on Terry Francois Boulevard at Mariposa Street where you may recall the Bluepeter Building used to be just south of the Chase Center across from Mission Rock Resort.

Those two parks are done already too. Bayfront Park, the big one across from Chase is supposed to be completed October, November, December. They think October. We're thinking more likely November-ish.

And as Nate stated, because that's just getting completed in November, the contractor who does the work has to maintain all the landscaping for that project for a year during the warranty period. So we've backed off those costs but still put in costs for utilities, trash collection, you know, everything that comes with a park other than landscaping. So that's why, this year, the budget's a little bit lower than it will likely be in the next budget cycle.

President Brandon: Hmm. Okay. Got it.

David Beaupre: And we didn't just divide the cost by acreage. We actually did cost estimating. We took the plans and worked with Tim Felton and his staff to say, how many gardeners do you need? How many laborers do you need? And he came up with these costs.

And then, Rec and Park did the same. And this is our best estimate. This is the first year. It seems to align closely with the POSM management group. But I think, after we do it for a year, we'll have to go back to the table and say, we need more. We didn't need as much -- ideally the latter.

President Brandon: [laughs] Okay. Okay. I guess we will find out. Won't we? But I think this does bring me to something that I think I would like to save for new business is that, you know, we've had the Green Blueway for, you know, 15 -- almost 15 years, it's been in the planning stages.

And I would love an update on where we are with Port property and our Blue Greenway and what projects have been completed along with, you know, the upgrades, the furnishing, the signage, everything that we had in that plan. I would love to see where we are and make sure that, as we keep taking on new and more parks, that we're making sure that we're following through on the entire waterfront [crosstalk].

David Beaupre: Wonderful. I look forward to reporting back to the commission on that. I think we have a lot of great news to report. And we can also

talk about where there are some opportunities. Now that I'm back in planning and environment and I can focus back on that, I can bring that back to the commission from the work I did before.

President Brandon: That'll be great. I would love to see that update. And I love to hear about all the new things going on there.

David Beaupre: Okay. Wonderful.

President Brandon: But thank you all so much for this presentation. It's a lot of great information. I think it's phenomenal that we're bringing more open space to the Port. But we also have to pay for it. It's unfortunate that we're getting it -- the cost of it back early. But it just adds to the Blue Greenway and the beautification of the area. So thank you.

David Beaupre: Thank you.

### **13. NEW BUSINESS**

Director Forbes: Commissioners, I have recorded several new business items. The first is a request for an interdivisional briefing on the lease up of the Mission Rock building on the housing building with MOHCD. The next is looking at insurance and safety and mitigating our risk in terms of our economic recovery program and for Port wellbeing.

The other one -- third one is how to support our nonprofits with our spaces. And that's a very interesting question. We have a lot of industrial and storage spaces on Port property. We have a lot of variety of property. So we will come back on that.

And then, the final one is to report out on our Blue Greenway, what we've planned and envisioned for our Blue Greenway, where we are and what opportunities and challenges we see. Is there any other new business?

President Brandon: No other new business. Thank you. Well, if there's no other new business, then can I have a motion to adjourn?

### **14. ADJOURNMENT**

**ACTION:** Commissioner Gilman moved to adjourn the meeting. Commissioner Lee seconded the motion. In a roll call vote, all commissioners were in favor.

President Brandon: The meeting is adjourned at 4:15 p.m. Happy Valentine's Day, everyone. Have a great evening.

Commissioner Lee: You too.

Commissioner Gilman: Bye, everyone.