



SAN FRANCISCO PORT COMMISSION

**August 8, 2023
MINUTES OF THE MEETING**

MEMBERS, PORT COMMISSION

**HON. KIMBERLY BRANDON, PRESIDENT
HON. WILLIE ADAMS, VICE PRESIDENT
HON. GAIL GILMAN, COMMISSIONER
HON. ED HARRINGTON, COMMISSIONER
HON. STEVEN LEE, COMMISSIONER**

**ELAINE FORBES, EXECUTIVE DIRECTOR
JENICA LIU, COMMISSION AFFAIRS MANAGER
CARMEL DULA, ACTING COMMISSION SECRETARY**

CITY & COUNTY OF SAN FRANCISCO

PORT COMMISSION

MINUTES OF THE MEETING

AUGUST 8, 2023

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

Port Commission President Kimberly Brandon called the meeting to order at 3:15 p.m. The following Commissioners were present: Kimberly Brandon, Gail Gilman, Ed Harrington, and Steven Lee. Vice President Willie Adams was absent.

The Acting Commission Secretary read the Ramaytush Ohlone Land Acknowledgment.

2. APPROVAL OF MINUTES – July 11, 2023

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

3. PLEDGE OF ALLEGIANCE

4. 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, dial *3 to be added to the queue. An audio prompt will signal when it is your turn to speak.

5. 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 Port 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.

6. EXECUTIVE

A. Executive Director's Report

- **Economic Recovery**
- **Equity**
- **Key Project Updates**
 - **Economic Recovery & Growth on the Waterfront**

Director Forbes: Thank you, Carmel. Good afternoon, President Brandon, members of the Port Commission, Port staff, members of the public. I am Elaine Forbes, the Port's executive director. First, I want to acknowledge a very busy month of July and early August.

It's been also remarkably beautiful weather here. I want to thank staff for making it really safe, vibrant and clean during these big event days that we've had. We welcomed Mayor Breed to our waterfront several times including a setting for national media interviews, conversations with business leaders on economic recovery.

Her love of our waterfront is shining bright. And she has expressed her appreciation for all the work we're doing and the city's economic recovery. One of our strategies, as you know, is to activate this waterfront.

And it takes some innovation in a post-COVID environment to see that through. Our newest activation is Pier Party at the Wharf. It's an exciting outdoor concert series. It's 2:00 to 6:00 on Fridays. It's been getting better every time.

The team is innovating and iterating to make sure it's a great space. Last Friday, 11-time Grammy Award winner, Tony Lindsay from Santana played. We had lots and lots of people join for that event. Starting August 19th, we'll have this event on Saturdays as well from 2:00 to 6:00. It's free. Please come out and enjoy the wharf and the music.

Here is what is coming. The Ferry Building is celebrating its 125th anniversary, as you know, and is having its first-ever summer ferry fest. This event is all through August. I'm sorry. This event is August 17 from 5:00 to 7:30 at our Ferry Building. Please come enjoy what this grand historic building has to offer.

We also have started marketplace in Crane Cove Park this past weekend. This is a new recurring market that will feature local makers, food, drinks,

activities, musicians, all nestled at Crane Cove Park. It's organized by the SF Parks Alliance and Sunset Mercantile.

The Park Market will feature four themed markets from August through November. So please come out and enjoy the park. Last month has been a boon to the Port with Fourth of July fireworks, Dead and Company concerts, movies at Crane Cove Park, Pier Party at the Wharf, the Ferry Building's 125th celebration, the Women's World Cup viewing. And so much more is to come.

I, again, want to thank Port staff. It's been quite a lot of work to prepare for these events. And this vibrant waterfront is really helping our tenants succeed.

Now, more to economic recovery, APEC -- Mayor Breed has announced that the city will host the Asian Pacific Economic Cooperation, APEC, this fall. And this will feature several high-profile events including events on our waterfront.

APEC is the leading forum in the Asian Pacific to facilitate trade, investment, economic growth and regional cooperation. President Joe Biden and more than 20 heads of state will visit our city from November 12 to 17.

We are collaborating with the city carefully to ensure we are prepared to do our part, as the world will have its eyes on San Francisco. We are extremely excited for this opportunity. And we will continue to work with the mayor's office and the city administrator's office to be part of the team. And we will keep you informed as we know more.

Now, turning to equity, Mission Bay parks transfer -- as you know, it's a core responsibility of ours to connect our residents with the city's waterfront. And in doing so, we have 150 acres of public parks along the waterfront that we care for. We were happy to welcome an additional 10 acres of great public parks into our portfolio in the Mission Bay neighborhood.

I especially want to thank David Beaupre, our director of planning and environment -- where are you, David? There you are -- and the commissioners who have worked so diligently to see this transfer to fruition. These are really beautiful parks. They've been transformational. And OCII has seen them come through over the last decade.

The Port is prioritizing making our waterfront more inclusive, which includes mentoring young high school students. We're all very impressed with the summer internship program this year. Our team put in much more time to make sure there are really meaningful opportunities for our students.

We hosted 21 interns across our divisions. We also had, for the first time, our maritime intern cohort. They went to various maritime places, learned key skills and learned a lot about the maritime industry.

At the end, they were able to showcase their learnings in a formal presentation. And it was a six-week program. It was very, very exciting. And our maritime tenants also participated to see that they have pathways to the maritime trades and also just that they have pathways in general in their future to whatever their career path is.

Now, turning to resilience, we have Brad Benson -- where are you, Brad? Thank you -- the director of our waterfront resilience program here today to talk about the Army Corps study. And Carlos will be representing the authorization for a contract award for Pier 50 for earthquake improvements.

This is an exciting time to both talk about the flood study and our resilience program related to seismic concerns. I want to also thank the team for hosting Generation Climate with youth workforce and enterprise summit this past Friday. This was a forum to make climate change and adapting to climate change more accessible and relatable to young people.

On our write-off policy, commissioners, consistent with the write-off policy adopted pursuant to Resolution 22-11, Port staff provided you a report summarizing one recommended write-off account to you this month. If you have any -- you have 30 days to let me know if you have questions or concerns. And I will schedule a future commission item if you do.

So in closing, we continue to tackle many of the challenges and opportunities that we have related to economic recovery, resilience and equity. And I think we are exceling due to your Port leadership and the excellent team we have here. And I thank you as we continue to advance our bold strategic plan. Thank you. That concludes my report.

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Harrington: No questions. But I'm always amazed at what you can do with such a relatively small staff for all the stuff that you're in charge in. And the things that have been happening lately are really pretty impressive. So thank you very much for your leadership.

I also am very impressed that -- I'm sorry. But in some commissions, it does seem like the executive director takes all the credit. It's nice to have that shared with the staff who do the work. Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you, Elaine, for that great report. It's so great to see that we have events coming back to the waterfront, that we are, as we say,

always a vibrant city in San Francisco despite what others want to sort of pigeonhole us into.

And I just want to say, as someone who took water transportation to get here today and was on that ferry, tourism is back -- at least local tourism. Families who were so excited to be pulling into San Francisco, hearing stories of how the two bridges were built, you know, right before World War II from the captain of the ferry boat -- I just really want to say the Embarcadero is back.

The Ferry Building was alive and jammed. It was hard to get lunch today. So I'm really excited for us and for our staff that we get to share this incredible waterfront with everyone. I'm really excited about APEC coming as well.

I had just sort of one hopefully not unrealistic idea that I just wanted to throw out there about the maritime cohort that just happened. I hope that we could make reconvene the cohort or reach back out to them. I'm assuming we have contact information for them.

It'd be great if we convince our partners at Fleet Week that maybe those young people could participate or go to special activities or maybe be able to really take advantage of Fleet Week coming if they already have a maritime interest. It was just sort of a way of maybe connecting that to their experience. And thank you for your report.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: So -- yeah. I mean, the Port is doing really well. We were just -- I was just talking to President Brandon about how summer is almost over already. We just got started with the entertainment.

I was with you on that Friday. And it was great seeing the people out, and the entertainment was great. I'm still very partial to entertainment. You know, it's in my blood. But the activation with entertainment is what brings the economy back.

I'm glad that they're really spending the money on bringing in good talent for that. But as you can see across the street, there are empty storefronts. So we do have to compete against them to fill our storefronts and our restaurants.

So we've still got a lot of work to do. But I'm glad that we're using entertainment to bring people back. So that's a great report. And I wish we had another month of summer.

President Brandon: Thank you. Elaine, thank you so much for that report. It's just wonderful to hear how the waterfront is being activated, the northern waterfront, the southern waterfront and how so many people are enjoying the waterfront.

I, too, want to thank the staff for all the hard work that you are doing to be able to create a safe space for visitors and for residents to come and enjoy the waterfront. I think we're doing a phenomenal job in helping the city to -- with the economic recovery and success of the city.

So I really appreciate everyone. And I, too, thank you, Elaine, for including the staff because they are doing the heavy lifting and the hard work. So it's just great to hear about all of these activities at the waterfront.

July was so busy. It sounds like it's going to be busy -- just as busy August through November so still a lot of work to do. But the Port is activating. Thank you, Elaine. Carmel, next item, please.

7. FINANCE & ADMINISTRATION

A. Informational Presentation to Consider and Possible Action to Approve the Amended Port Municipal Debt Policy. (Resolution 23-38)

Nate Cruz: Good afternoon, commissioners. I'm Nate Cruz, the deputy director of finance and administration. I'm here today with an informational item and a possible action item to amend our debt policy. Just by way of background, the debt policy was first issued in 2009 and amended in 2016.

And the reason we're here today is because part of that policy is that, every five years, we reaffirm or amend that policy. I should have been here in 2021. We were busy with COVID. We're catching up. We're making that right now.

So that is what's driving this visit today. Overall, the policy just discusses how we issue and manage debt. It talks about some of the structuring considerations, how we trade off risk versus cost of borrowing, how we maintain our relationships with the credit markets and how we communicate with the rating agencies.

We issue debt to support our strategic plan, the waterfront land use plan and the 10-year capital plan primarily. One of the things that's in the staff report is an error that I wanted to point out at the moment.

There's a reference in the staff report that the race equity action plan is also a plan that can be used -- where we could use debt to support that plan. That should not have been included in the staff report because it's redundant.

The race equity action plan is part of our strategic plan. So calling it out wasn't necessary. It's already there. So that was a staff report error. I apologize for that. Lastly, I did want to call out, in developing the plan originally as well as

this current amendment that's in front of you, we did work with the City Attorney's Office and the Office of Public Finance.

So to get to the meat of what's changing -- and honestly, there's not a whole lot of substantive changes here. This is just meeting that five-year obligation to reaffirm the policy. The first has to do with an SEC rule, Rule 15c2-12.

It has a whole list of events that, if they occur, we have to tell bond holders that they happened. Right. If we miss a debt-service payment or we miss an obligation, somewhere under our debt covenants we have to tell people that that happened.

In 2000 -- I think it was '19 -- the SEC added two more events to that list. So now, we need to update our list, so it matches what the SEC's list is. Those two additional items are fairly broad. The original 14 events were very specific to bonds, to revenue bonds issued by an issuer.

The last two have to do with more -- they're broader events that might indicate any form of financial difficulties. We're supposed to disclose that to bond holders. And then, also, if we enter into any other financial obligations that may affect the bond holders, we have to tell them too.

I would argue that those concepts were already something we would have communicated to bond holders had they not been included in the SEC rule. But the SEC wanted to be explicit.

The other thing is there's a minor terminology update. What I used to call financial advisor is now called a municipal advisor. And all of the other changes are really about structuring the document to make it a little bit more accessible. It's still not as accessible as it could be.

But it used to be a very academic tome of terms and conditions that I think we made a little bit more accessible. So that's really the changes that we're going through. And they are, again, fairly minor. But I thought I'd, since I had your attention, just reflect for a moment on the debt that we have.

The table that you're looking at is the active debt that's paid for by the Port. All right. We have other debt. But I want to focus on this first. So these five debt instruments are the debt that we pay through our own budget.

You know, when you approve our budget, we're paying off this debt. The total original issuance amount of these five instruments was \$85 million roughly.

Today, we've -- you know, over time, we've paid those down. Today, that balance is a little under \$70 million.

But that's what we really consider sort of Port debt. We also are involved where the city issues GO bonds. And the city pays the debt service on that. But we manage the proceeds. Like the resilience program is another \$100 million roughly of GO bonds that are paid -- that were issues to finance resilience.

So those are not part of our debt portfolio. But we're very much involved in that debt. And there's another category of special tax district debt specifically for Mission Rock where there's an independent entity, a special tax district, that issues the debt, pays the debt off.

The debt service does not flow through our budget. But trust that we are very involved in the issuance, manage and the use of the proceeds of that debt. But they're separate -- you know, rating agencies don't look at that debt as part of our portfolio.

What they look at is what you're seeing on the screen. And with that, that concludes my presentation. And I'm happy to take any questions you have.

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

No Public Comment on Item 7A.

Commissioners' Discussion on Item 7A:

Commissioner Gilman: I have no questions. Thanks for the report, Nate.

President Brandon: Commissioner Lee?

Commissioner Lee: I had no questions at all really about this -- maybe just one. So when this debt service was \$84 million -- so basically, it comes out of whatever rent, you know, incomes that we're generating from maritime, anything that we h -- goes into paying this. Is that correct?

Nate Cruz: That's correct. I do want to point out that the \$84 million figure you saw was the loan amount, was how much we borrowed. The annual payment is closer to \$6 million a year.

Commissioner Lee: Okay.

Nate Cruz: But you're right. That's an expense that gets paid out. We bring in rents. We pay salaries and all kinds of things. And debt service is one of those line items.

Commissioner Lee: So when we're short on rent or we have -- we're writing off rent, it kind of affects that. We've still got to pay that \$6 million a year.

Nate Cruz: Absolutely.

Commissioner Lee: Right. Okay. All right. Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you. A comment and a couple questions -- we've had this discussion a lot in different places about how much debt do you take on because it is a fixed cost. And when there are issues or any kind of uncertainty, it's hard to have a large fixed cost.

Rating agencies in my experience have actually been more interested in making sure that you maintain your assets and that you have a huge amount th -- there's a limit to how much fixed cost you should have and how much debt you should have.

They're often much more interested in the fact that you're fixing your system even if you're issuing debt to do it. And it's not the goal. But when I was in charge of the water department, I think we went from having maybe 15 percent of our budget be debt to about 50 percent because we rebuilt the water system.

If you're going to spend \$3.5 billion, you can't take it out of rates in a year. So it's an interesting tradeoff you're always going to make. But a couple questions -- when is the next time or what are your plans for future issuances of debt? Do you have any?

Nate Cruz: So I was hoping to refinance. We have some certificates of participation and some revenue bonds that are callable in the next 12 months. We could refinance those and perhaps lower that \$6 million annual payment.

The market has really gone upside down on us. And the likelihood of that still being an economic refunding is pretty low at the moment. But we keep an eye on it. We use our municipal advisors to help us watch for trends there.

But I don't foresee anything changing on the Port's active debt portfolio. We are in process of -- or we're considering another special tax district issuance in the future. But the timing of that is still under consideration.

And then, you know, obviously, the GO authorization of -- I believe it was \$450 million originally in 2018. We've only issued \$100 million of that. I don't believe -- we just did another -- the second \$50 million of the \$100 million we've issued was fairly recent. So I'm not aware of any near-term plans to issue an additional

tranche. But as we start getting into more hard cost and design, obviously the burn rate of those funds will increase.

Commissioner Harrington: Yeah. Makes sense. Just a comment -- on page 11 of the -- the whole policy sounds fine. And it sounds very familiar. On page 11, it talks about being able to issue negotiated or competitive private-placement kind of debt.

Is there any kind of a preference? My preference is competitive, not negotiated. Is there any kind of spoken preference here? Or is there -- just kind of see what happens when it comes up?

Nate Cruz: It's mostly see what happens when it comes up. I've been actively involved in two issuances here at the Port, 2014 and 2020. And both were negotiated. But you know, we ask our municipal advisors what path they think gets us to the best interest cost.

And that tends to be the example -- I think our name in the credit markets does not command what a competitive sale might. [crosstalk] So -- yeah. We end up in the negotiated market.

Commissioner Harrington: Okay. Thank you. Thank you.

President Brandon: Thank you. Nate, thank you so much for the report. And I think most of my questions have been answered. So thank you so much for a great report. We have a motion and a second. All in favor?

The motion passes unanimously. Resolution 23-38 is adopted.

8. MARITIME

A. Informational Presentation on the Port's Maritime Portfolio.

Andre Coleman: Good afternoon, President Brandon, commissioners, Director Forbes, members of the public. My name is Andre Coleman, deputy director of maritime. I'm joined here today by Dominic Moreno, assistant deputy director, and Alvin Sonza, harbormaster at South Beach Harbor as well as other maritime staff.

This is an informational presentation on the Port's maritime portfolio. I'll provide a brief overview of our business portfolio and all that we do. And I'll touch on some of our maritime strategic objectives throughout.

So an overview of our strategic plan, the division -- we're guided by these bullet points here: so for cargo, maximizing our cargo opportunities at our deep-water berths; for cruise, evaluating our facilities to support the maritime -- the expanding cruise business; at the Pier 70 shipyard, identifying maritime

opportunities for revitalizing the shipyard; the Pier 80 backlands or 80 through 96 and backlands, pursuing federal and state grants to investigate site improvements; our commercial fishing industry, preserve and enhance commercial fishing at Fisherman's Wharf and Hyde Street Harbor; and with water transportation, expanding the Port's water-transit system and promotion of water transit.

As noted in the staff report, there are subcomponents to the strategic plan, which I'll speak on throughout the presentation. So for the next slide, this is our maritime revenues by industry. The Port of San Francisco is one of -- is home to one of the most diverse maritime portfolios in the nation.

You can see here some of our industries include cargo, cruise, excursion, commercial fishing, harbor services, layberthing and our recreational marina at South Beach Harbor. This slide, again, provides you just with a general overview of the revenues with 50 percent of those revenues being made up by our cargo and cruise portfolio.

There are multiple factors that contribute to the makeup of these revenues. For example, we have our tariff rates, our parameter rates. We have revenue-sharing agreements in our terminal-management agreements and also percentage rents.

In addition to those, we also have event revenues that are generated at some of our maritime facilities. And those are captured in these revenues as well. We had a strong fiscal year, fiscal year 2023. I believe we were excluding South Beach Harbor, which is an enterprise within an enterprise.

We were approximately \$6 million higher than our fiscal year '18 and '19. So it was an exciting year for us in fiscal year 2023, a lot of that driven by cruise. Looking at cruise, again it was a very strong year for us.

We achieved records in both cruise calls and passenger counts on the fiscal year, 110 cruise calls. Just around 391,000 passengers transited through our cruise terminals. That equated to approximately \$7.3 million in passenger revenue. That's the per-passenger charge that is set by the commission through the tariff.

Our strong year can be attributed to our ongoing partnership with our various cruise lines, specifically with Carnival and Princess, both of whom home port out of San Francisco. In addition, I'd like to acknowledge the good work of the ILWU workforce, Metro Cruise and other stakeholders who have contributed to making San Francisco a premier cruise port and city.

Additionally, thank you to our Pier 50 maintenance staff. They do a great job at the facility keeping our gangway operational as well. In addition to the

cruise, as I mentioned in the previous slide, events are also held at the cruise terminal to supplement revenues when cruise ships are not in port.

I'm happy to report that, in fiscal year '23, we did see approximately a 27 percent increase in both events and revenues. So we still aren't where we were pre-pandemic as it relates to events but still continue to trend upwards.

Some of our near-term objectives for our cruise operations -- as we continue to experience growth in this business, we want to continue to remain compliant with California Air Resource Board regulations.

Again, we only have one electrified berth. So we are working to analyze and identify a viable secondary facility for cruise calls in our southern waterfront with focus on a facility that can accommodate home-port cruise operations.

Additionally, capital improvements at Pier 27 -- we're approaching the 10-year anniversary of the James R. Herman Cruise Terminal. So it's imperative that we address necessary capital improvements to ensure that the facility continues to function as a world-class terminal.

I'll note that our cruise terminal operators, Metro Cruise, recently worked with consultants to identify operational efficiencies and enhancements at both Piers 27 and Pier 35. So we look forward to working with Metro in implementing some of those recommendations.

So for cargo, our current primary cargo operations include the importing and exporting of autos at Piers 80 and also dry-bulk import operations at Piers 92 through 94. Our two largest terminal operators are Pasha and Martin Marietta at Piers 92 through 94.

Speaking first to the Pier 80 cargo operations, we did have a strong year of higher than the previous year, 49 percent increase in our auto volumes, still low -- than our previous highs but 29,000 units. In addition to those 29,000 units, we had about 15 percent of those units were on the import side, which is rare for us.

So that was good to see. There were congestion issues at other ports along the West Coast. So Pasha was very strong in being able to pivot and accommodate those autos. And into this new year -- fiscal year, we've had a couple import vessels as well.

On the dry-bulk side, our dry-bulk terminals primarily import raw materials used for the production of concrete, serve the construction industry here in the Bay Area. Those imports consist of both sand and aggregates.

They go to the adjacent concrete batch plants, which is crucial to reducing truck trips in the local community and in the region. And 95 percent of the

materials that are imported into those facilities stay within the concrete batch plant cluster and then are moved into the city for construction.

We did have a decrease in volumes, around 30 percent, on our dry bulk. A lot of that is attributed to just a decrease in construction activity here in the Bay Area. Historically, those volumes do fluctuate.

However, on the revenue side, we were -- slight dip but nothing too far off of where we historically operate. As far as some of the near-term cargo objectives, Pier 80 -- market the facility for other cargo opportunities.

This past month, we had a successful project cargo operation at the terminal. It was around just shy of 400 metric tons of fiber-optic cable. I think this was the first time in maybe eight years that we had a project cargo operation at the facility.

So again, thank you to Pasha, ILWU for their work in making it a successful operation. And we hope to attract other cargoes like this cable operation that we had here last month. We have staff attending a breakbulk conference in Houston next month. And we will, again, be working with Pasha to promote the Port.

Additionally, capital improvements -- we had our recent CalSTA award. So some of those funds will be focused on installing the new fender system, repairing subsidence and drainage issues. And then, we continue to activate select parcels at the facility for other maritime uses such as SailGP, which is a high-performance yacht race on the bay.

Pier 92 -- we are in the early stages of negotiating a new lease with our dry-bulk operator, Martin Marietta. There may be some changes to the use at Piers 94 as it relates to Martin Marietta. But we are in the early stages of having those discussions with that operator.

Turning to the shipyard -- so some of our current objectives there -- I believe the commission is aware that we went live with the dry-dock RFO probably two months ago. We have received one bid that has satisfied our requirements in the dry-dock RFO.

We are in early stages of negotiating with that interested party. Additionally, we continue to create leasing opportunities that attract light maritime industrial uses, for example Silverado, which is a harbor service tenant. They came in and improved some of the select parcels. And they will look to build out a vessel disposal -- a retrieval and disposal operation at those sites.

And we continue to use the facility for long-term and interim berthing. Some of the current interim uses -- again, layberthing -- we also have a fueling site for the zero-emission ferry Sea Change, which is the first of its kind.

Hopefully -- it is still undergoing sea trials on the bay, as I understand it. But we did have our first successful fueling operation about a month ago. And we're also in the process of negotiating a new lease with Royal Automotive Services, which is high-end vehicles for storage.

Moving over to Fisherman's Wharf and Hyde Street Harbor and some of our near-term objectives, just some of the highlights here -- just want to highlight the retail fish sales program. Last year, the commission approved the program being a permanent program.

So when crab season -- despite the delays, but when it did come online, a very successful program again and then, additionally, we were excited for the Pier 45 unsolicited proposal. Some of the focuses as it relates to capital improvements that we have in the queue: procurement of a new ice machine; reactivation of our fuel docks; and reactivation of Wharf J9.

I think, at the last commission meeting, we heard directly from the commercial fishing fleet that these are all essentials: ice, fuel and infrastructure. So we have projects teed up that will be considered for advancing -- or replacing the dated ice machine, reactivating the fuel dock and, again, a new Wharf J9 that will provide for public access to retail fish sales and also will add an additional water taxi landing.

Other areas of focus: improve our essential harbor infrastructure -- at the last commission meeting, there was approval to go to bid for construction projects. We appreciate the support there. We're looking at a marina management program. We're always working to improve our harbor safety and security and will be soon reestablishing Fisherman's Wharf advisory group.

Excursion and water transit -- excursion operations have come back online post pandemic. And I'm speaking more so to the Red and Whites and the Blue and Golds. I believe we're currently at around 80 percent of pre-pandemic levels. So that's good to see.

But some of our focus has been restoring our public landing locations that were damaged during the 2023 storm. So that's Pier 1 1/2, Pier 52, both of which are public launches but are also utilized by our water-taxi operator.

We've been working with Port staff to refresh our signage at Port-operated landing locations for both our water-taxi operators and our excursion operators. And we continue to collaborate with our operators to promote along-the-water transit.

One thing that I will note -- roughly two months ago, unfortunately we were informed by Tideline Marine that they would be discontinuing operations for along-the-water and semi-private ferry service. So that was unfortunate.

But coming behind that, SF Water Taxi did inform us that they have procured a larger and faster vessel that they will be deploying on the water for not only along-the-water transit but for across-the-bay transit as well.

South Beach Harbor -- so South Beach Harbor -- I'd like to note that we recently promoted Alvin Sonza to harbormaster at South Beach Harbor. He's leading an amazing team down there. It's always exciting to be at South Beach Harbor, a great location but just an amazing environment of being around that team.

But in addition to managing the marina, the other responsibilities include: coordination with the San Francisco Giants for games and events; maintaining the South Beach Harbor playground and ensuring the public promenade is always well-kept.

It's a 700-acre recreational marina so a lot of activity. As far as our areas of focus, capital improvements -- this past year, we deployed Bigbelly trash cans at South Beach Harbor, which has been amazing in containing trash. There's been some other benefits to it as well.

Marina dredging -- the harbor has not been dredged in over 20 years if I'm not mistaken. So that is something that we are focusing on this year. And we hope to start our dredge operations within the next month.

Again, we are focusing on our harbor security and safety and infrastructure improvements at the harbor. As far as recreational activities, I just wanted to highlight -- again, we have multiple excursion operators that launch out of South Beach Harbor and visit South Beach Harbor from other areas on the bay.

Also, SpinOut Fitness -- this was Mr. Damien McCloud. I believe he approached the Port Commission maybe two, three years ago during public comment. But we were able to work with him and get a lease in place.

I think, at the time we executed that lease, he may have had two bikes in his program. I spoke with him a couple weeks ago. And his business has grown to 30 bikes out of South Beach Harbor.

And he also has received interest from other locations on the bay so exciting to see his business grow and to see all of the water recreation out of South Beach Harbor. And we have the SF Brew Boat, which has brought a lot of foot traffic down to the harbor and is something of interest as well.

Moving on to equity -- so we, in maritime, continue to stay focused in trying to advance the Port's race and equity goals and bringing youth and all who

are interested down to our wonderful Port. So I'm happy to report on the South Beach Harbor youth sailing program.

In 2021, we started this program with just two students. And it was a collaboration between Boys and Girls Club, District 10 Visitacion Valley, South Beach Harbor youth sailing and Pasha, our terminal operator at Pier 80.

Since that first session, we now this past summer session -- Pasha -- their sponsorships have grown up to six sponsorships. So that was good to see. We also have SailGP and their Inspire program, which was held at Pier 80.

So that was a base camp where SailGP -- they welcomed students down to their base camp to bring about education to kids, to inform kids on what the program has to offer, welcome diverse and different individuals to the waterfront. So that was the second year of the Inspire program. And we're already working on year three for next year.

And then, Rising Tides -- Director Forbes touched on this in her executive report. But the Rising Tides program -- this was our inaugural year, five-week program that concluded with a maritime career fair and open house.

These were students from the Phillip and Sala Burton High School. They started off at the Cal Maritime Academy, spent a week there, earned certificates in swimming, firefighting and then got to engage with all of our maritime tenants at the open house.

So I'd like to thank our tenants, Red and White, Blue and Gold, Pacific Maritime Association, Metro Cruise, Carnival Cruise, San Francisco Bar Pilots, Baydelta, City Cruises and -- no, she's not here. But I'd also like to recognize Tiffany Tatum for all of her hard work in putting this program together.

I think it was 2019 when she and I discussed this idea. And she took it and ran with it. And it has been -- it was an amazing program to watch. And thank you to all the divisions that stepped in and supported the program as well.

Let's see. In closing, aside from all that I've described, you know, there's other things that we are involved in in the maritime division, whether it's supporting Fleet Week, Fourth of July, New Year's Eve and Maritime Day.

So for that, I'd like to recognize all of the maritime staff who are here in attendance or are watching virtually -- appreciate the hard work and also to Mike Martin and Director Forbes as well for your support. So with that, I'll take any questions that you may have.

No Public Comment on Item 8A.

Commissioners' Discussion on Item 8A:

Commissioner Lee: Yeah. Great report. I know maritime has a lot of assets. So my question -- you know, when you say you're looking at reactivating the fuel dock and ice machine, things like that, do you have a timeline when that might -- you know, do you guys set a goal?

Andre Coleman: Yeah. So for our -- we do have project charters in place for the ice machine. I believe we're looking at 20 -- realistically 2020 -- late 2024 for the ice machine. And we're targeting 20 -- late 20 -- Q4 of 2024 for the Wharf J9 project as well.

The fuel dock is a little bit more complicated because that involves a slow seep at the adjacent dock, J10. And there's still ongoing management and remediation of that process. We have interim fuel being provided to the fleet.

But as soon as we can work through that complex scenario of remediation and any other type of legal steps that need to be taken -- that one is still TBD. So --

Commissioner Lee: That takes a while, I would imagine? So do you provide fuel for -- other than the fleet, if somebody had a boat, you know, that was traveling, they can actually fill up at the dock?

Andre Coleman: Yes. That is my understanding that the truck is licensed to provide fuel -- landside truck to provide fuel over the dock to anyone who is interested in purchasing fuel for their vessel.

Commissioner Lee: And I guess, is that a lease where we're leasing that out? Or do we get a cut of that?

Andre Coleman: It's a license. And it is per our parameter rates as far as the licensing fee.

Commissioner Lee: So we do get a percentage --

Andre Coleman: Yes.

Commissioner Lee: -- on that? Okay. Have we ever thought about -- I remember back in the day when Mission Rock, you know, used to have -- and I probably was a thorn in the Port's side when Mission Rock used to have those afternoon parties, you know.

And there was a lot of boats coming in, you know, to -- whether they were just dancing in the water -- but you know, similar to like Tiburon and Sam's where people would go in and bring their boats, dock and then patronize the restaurants that were there -- they were packed on the weekends.

Do we -- and I know that we're jammed up with so many different things. Have we ever thought about, you know, to help build up maybe some struggling businesses in the area, public dock space where people can actually, you know, bring their boats?

They come from across the bay, Vallejo, whatever. And they want to have lunch and park, you know, for two hours and pay a docking fee and have lunch at the wharf. I was just wondering. We never really had that in San Francisco.

Andre Coleman: At the wharf, it is focused on commercial fishing. However, I would say that the Wharf J9 project that we're looking at would allow for some transitory berthing that could accommodate those interests.

In addition to the wharf, we do have Pier 1 1/2 to where the public can dock their boats and visit some of the locations along the central waterfront. Then, in the southern waterfront, we have Pier 40, our south guest dock. But we have resurrected discussions for bringing back the north guest dock as well. So it is something that is on our to-do list that we are prioritizing.

Commissioner Lee: In the southern waterfront, is there facilities that are empty that maybe do restaurants -- you know, new development like that can go into and help the southern waterfront with some recovery?

Andre Coleman: At this time, the only launch is the Pier 52 landing site, which again was damaged by the storms. But we're focusing on bringing that back online. But as of now, there aren't any locations that have been identified other than, I believe, The Ramp -- excuse me -- and also -- what's the other [unintelligible] -- The Ramp.

Commissioner Lee: Next to Mission Rock.

Andre Coleman: Yes.

Commissioner Lee: Okay. Yeah. I mean, I think -- you know, as we have to support the commercial fishermen for sure, ice machine, fuel, it's important. But I think what we're overlooking is possibly using the assets for public docking -- you know, maybe not in Fisherman's Wharf but further south, you know, since we're developing Pier 70, you know.

Rents are probably a little bit more affordable in the south side. You know, there would be a lot more economic growth. And then, of course, you know, we could rent out property that's just sitting around. You know, again, we're just trying to create opportunity. So I just w -- you know, put that on your radar or maybe on your agenda for the future.

Andre Coleman: Will do. Thank you, Commissioner.

Commissioner Lee: Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you. And thank you, Commissioner Lee. I remember being on a friend's boat over -- Sausalito or Tiburon for lunch. And that was a fun time. So that would be an idea to do here.

Thanks for your report -- very much for that. Congratulations to the new South Beach harbormaster. Congratulations. A couple of questions -- so one thing -- I really appreciated that pie chart and where the revenue comes from because I didn't understand maybe the relative revenue sources from the fishing industry versus cargo versus excursion. It was actually very, very helpful. I appreciate that.

On the discussion about the cruise ships and Pier 35, is the issue there that a lot of the cruise ships or some cruise ships that come in don't have the ability to do shoreside power? Or is it really our issue of not being able to provide it to them?

Andre Coleman: It's the latter, our issue of not being able to provide it. The majority of our vessels that call Port of San Francisco are equipped to plug in to shore power. But unfortunately, Pier 35 in previous studies -- it's just cost prohibitive in electrifying that berth coupled with just the age of the facility from substructure issues and superstructure issues as well.

So the shift is, you know, what other locations are there in our central to southern waterfront to where getting electricity to the berth is more feasible as well as having a dock facility that's in good condition.

Commissioner Harrington: Well, and amenities once you get off the boat too because, obviously, getting off in kind of nowhereville is difficult for cruise passengers. Yeah. That's great. Thank you very much.

Andre Coleman: Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Andre and team, thank you so much for this report. I just wanted to understand your thinking on a couple of issues. You know, I love this report. Maritime is in the public trust. To me, it's one of the most important things that we need to elevate, promote and make sure happens along our seven-and-a-half miles of waterfront. So I really appreciate it.

I wanted to ask you -- I was just curious when we were looking at the revenue. And I just want to make sure I'm understanding this revenue piece correctly. Excursions isn't in your pot. Or is it in your pot?

Andre Coleman: It is. That includes the landside leases as well for excursion. So it is in the pot.

Commissioner Gilman: Okay. Have we seen any -- I'm just curious -- any dips at all in excursion particularly with Alcatraz with the labor disputes they're having? Or do we see the revenue has been pretty -- has stayed the same?

Andre Coleman: I can find out that question for you. But I can speak to the labor disputes. I'm not aware of any disruptions to their operation as a result of their ongoing labor discussions.

Commissioner Gilman: Okay. That was just a question. And again, I know I've mentioned this before. But you know, I'm a big proponent of water taxis and short-term service. I have not yet been able to make it to Treasure Island and wanted to use my platform for a shout out that maybe once -- more than every 45 minutes would encourage more people to go to Treasure Island on water.

I know that's not us. But like using water transportation -- the schedule is a little challenging for that short distance. But anything we can do to also promote or leverage our media and our comms experience -- looking at -- for the communications staff -- that we can do to really help the water-taxi operators -- again, it's really hard to know where they are.

It's really hard to utilize. It's usually just a person barking out on the Embarcadero, "Water taxi. Water taxi." So again, I really hope that we can promote this and try to make this more of a staple among our waterfront particularly with both Chase and Mission Rock coming in.

I think there's going to be more and more folks coming to San Francisco who want to take water taxi and also to the southeast waterfront. You came in on the Vallejo ferry today and wanted to go to Crane Cove Park. It is a challenge to get there on public transport. If we had water taxis and other water service, it would help.

So I just hope we can support that as much as possible. And again, thank you for everything you're doing particularly -- I'm really into this tides mentor and internship program, was really happy to read about that and really supportive of it. So it's an excellent idea. Can you also remind us -- you're doing so much. How much is your staff in your -- like that's managing all of this?

Andre Coleman: We're the might mariteam. [laughter] You know, we -- yeah. We've added to staff, I should say. You know, we did have, kind of during pandemic, post-pandemic, some retirements. So we have staffed up. And we will continue to evaluate if we need to add additional staff. But where we are right now, I think we have a good team in place both working out of Pier 1 and at South Beach Harbor as well.

Commissioner Gilman: Okay. You're being really shy. How many -- what's your FT count? How many staff do you have?

Andre Coleman: We're around 25.

Commissioner Gilman: Okay. Just wanted to say again to the public, tremendous work you guys are doing with a small and mighty team compared to departments that are much more massive [than us]. So I really appreciate everything you guys do. Thank you.

Andre Coleman: Thank you, Commissioner.

President Brandon: Thank you. Andre, great report. And maritime is doing a phenomenal job along with the rest of the Port staff. It's just amazing the amount of work that we're able to do with such a small staff. And maritime has really shown over the years that, you know, everything is increased in every way -- especially excited about the cruise calls and the need for more space for cruise calls.

And I'm really looking forward to the analysis of where it's best to move some of that so that we can have even more cruise calls. I think everyone at Fisherman's Wharf is going to be so excited that they're getting a new ice machine. I think the tenants, the fishermen -- the fishermen, everyone is -- that's like a strong need. So I'm really happy that we're replacing that.

I'm so happy to hear about the internship programs and the Inspire program to be able to show the youth at an early age what maritime is all about and what opportunities are available. I really want to commend you and your staff for taking the time to have so many interns and to be able to give them that opportunity.

Alvin, congratulations on your promotion. I know you're going to do a great job -- continue to do a great job in South Beach Harbor. Great report. You know, who knew all this was happening in maritime. Thank you, Andre.

Andre Coleman: Thank you.

9. REAL ESTATE & DEVELOPMENT

A. Request approval of proposed Lease No. L-17080 between the Port of San Francisco and Hotaling & Co., LLC, a California limited liability company ("Hotaling"), for a term of five (5) years for the operation of a tasting room at Pier 50 Shed B Southwest Bulkhead. (Resolution 23-39)

Jennifer Gee: I don't know how I'm going to follow that maritime presentation. Good afternoon, President Brandon, Commissioners Gilman, Lee and Harrington,

Director Forbes. Jennifer Gee here, senior property manager for the southern waterfront on the Port's real estate and development team.

Before I get started, I do want to thank my colleagues for their assistance bringing this item before today. Kim Beal, David Beaupre, Ming Yeung, Patrick Foster, Annette Mathai-Jackson and former staff members, Becca Benassini and Rona Sandler.

The item being presented is the proposed new lease with Hotaling & Co. LLC, also known as Hotaling, for a tasting room at the Pier 50 Shed B southwest bulkhead. To give you a little bit of background, Hotaling is the current nonretail Port tenant leasing shed space at Pier 50 Shed B since 2019.

Their operation currently includes distillation, bottling and storage of spirits and merchandise and manufacturing, packaging, shipping and incidental handling of distilled spirits. This lease expires in 2027.

Last year, Hotaling approached Port staff proposing to expand its operation to the southwest bulkhead of the same shed to operate a tasting room and host events in connection with the distillery. The tenant also intends to charge guests for tours and tastings and sell its products on site.

Hotaling and the Port now wish to enter into a new lease to allow such retail uses at Pier 50 Shed B for a term of five years. The proposed lease requires approval by the Port Commission as Hotaling is a non-retail tenant seeking to become a retail tenant.

The proposed new lease supports the Port's economic growth and economic recovery strategic objectives by reactivating vacant space at Pier 50 while generating economic benefits and enlivening Port property as well as maintaining the Port's financial strength by generating base rent plus participation rent revenues.

Let's take a look at the location and some of the comparables in the area. The photo here shows Shed B at Pier 50. Currently, the tenant leases Bays 4 to 14 and 20 to 24, which is depicted in blue on the map. The area they are now interested in expanding into and activating is the southwest bulkhead, which is highlighted in yellow.

The southwest bulkhead was previously used as office and office storage space. It's been vacant for a little bit over 15 months right now. And staff does not view the space as a suitable competitive solicitation site.

Absent Hotaling's proposal, staff would market the space for office. However, with increased office vacancy rates in San Francisco as well as the prior leasing trends for this particular space, we expect difficulty leasing this location as office.

Hotaling's proposal presents an opportunity to not only generate base-rent revenues but also participation rent. Comparative comparables are -- or comparative comps are -- the high end of current parameter at this location is \$3.60 a square foot. Monthly rental rate for the previous tenant was \$3.71 a square foot for the office space and \$1.85 for the office storage space.

There was no percentage-rent component for the previous tenant. Monthly rent for nearby Port retail tenants is currently \$2.91 a square foot for Atwater and \$2.69 a square foot for Mission Rock Resort, both of which also pay 7 percent in participation rent. The base rent proposed for Hotaling is \$3.75 a square foot with a 7 percent participation-rent component.

The proposed lease terms for this space include just over 3,000 square feet of indoor space at Pier 50 Shed B, the southwest bulkhead. Permitted uses include the operation of a public tasting room and education area, hosting of events, tours and tastings and the sale of products in connection to the tasting room.

The term proposed is five years. Monthly base rent is above current parameter and includes 3 percent annual increases. The Port will also receive 7 percent of gross revenues. The proposed lease also includes a 90-day rent-abatement period to allow Hotaling to complete tenant improvements for the tasting room, including code-compliant accessibility improvements and any utilities related to the installation of the interior equipment.

The expected base-rent revenue over the term is just over \$695,000. And in addition, the Port will receive 7 percent in participation rent. In 2011, the Port Commission approved the retail leasing policy allowing staff to engage in direct negotiations with non-retail Port tenants that are seeking to become a retail tenant as long as the tenant and proposed use meet certain criteria and if the Port Commission approves a resolution authorizing the negotiations.

In September of last year, the staff requested and received authorization from the commission to enter into direct negotiations on a sole-source basis with Hotaling for retail use at Pier 50. The tenant is in good standing and has demonstrated the business acumen and the financial wherewithal to operate a retail business.

Port staff has also determined the proposed use is consistent with the Port's waterfront land use plan and the waterfront plan. The San Francisco City Planning Department also determined the proposed use is in compliance with CEQA.

In conclusion, staff recommends the Port Commission to approve the proposed lease with Hotaling for the operation of a tasting room at the southwest bulkhead at Pier 50 Shed B. That concludes my presentation for today. We have staff here from Hotaling. And I am here to answer any questions that you may have. Thank you.

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

No Public Comment on Item 9A.

Commissioners' Discussion on Item 9A:

Commissioner Harrington: Thank you, Jennifer. Great job. When the tasting room opens, invite us all to the opening party, happy to be there. [laughter] I notice this is a five-year lease. And just coincidentally, item 10A today is for predesign work on earthquake improvements for Pier 50.

If it's predesign, it won't be happening probably in that time period. But is there a high risk? Low risk? Where is that risk-of-earthquake issue that we're trying to fix while we're also renting it out?

Jennifer Gee: It is my understanding that the bulkhead areas are safe. I think that that risk factor is more closer to the [drive aisles] and a little bit further out.

Commissioner Harrington: Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Again, thank you. It's great to see activation particularly in the southern waterfront. I just had one pure curiosity question. And it might be -- the tenant might need to answer it. When you showed us the map of the space that you're moving into the yellow space versus the blue space, there's a gap. There's one little space that isn't yours. I'm just curious why it's not a continuous space.

Jennifer Gee: It's currently leased out to somebody else.

Commissioner Gilman: Okay.

Male Voice: Ideally, [unintelligible].

Commissioner Gilman: Yeah. Yeah. Just -- I was just curious about it. And hopefully, you have great non-alcoholic offerings for people too. So we look forward to coming to the opening.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: I don't have really any questions. But I'm kind of new. And if we've got a really quick minute or two, can the lease pers -- the business come up

and tell me exactly what you do there. Are you producing your own spirits? Are you -- tell me what's going on over there.

Eric Gilliland: Sure. Sure. My name is Eric Gilliland. I'm the VP of operations for Hotaling. Hotaling -- just a quick history, Hotaling used to be a part of the Anchor Brewing and Distilling Company. As we all heard in the press, Sapporo recently shut down Anchor Brewing.

And our owner is the same owner that sold Anchor Brewing to Sapporo back in 2017. Out of that 2017 demerger, he started -- we couldn't keep the name Anchor. And so in honor of the biggest whisky purveyor of the West Coast at the time back in the early 1900s, A.P. Hotaling, we took on that name.

We are an importer and distiller. We actually make brands out of that facility. Junipero -- if you go to the Giants park, we have a good collaboration with them: Junipero gin. It's been made here in the city since 1996. And also, Old Potrero rye whisky is made here. We've been making it at the Anchor Distilling and now at Pier 50.

And that has been made in the city since 1993. So we have multiple decades of business here. We want to stay in the city. This opportunity came up for us to expand with our distillery a contiguous space. It's the only space that makes sense for something like this to work.

So we reached out to Jennifer once the previous tenant vacated and tried to seize it on the opportunity. So yes. We make some spirits here in the city as well as we import from around the world to sort of have a two-prong approach to our business.

Commissioner Lee: So I was surprised that, all this time you've been there, you didn't even have a tasting in your --

Eric Gilliland: Right.

Commissioner Lee: -- facility, which is kind of strange to me. But --

Eric Gilliland: Yeah.

Commissioner Lee: I think it's -- especially what was going on with Anchor Brewing, I hope they can save it because of the history. And I'm all about history. Right. So --

Eric Gilliland: Absolutely.

Commissioner Lee: But it makes sense for you to go next door.

Eric Gilliland: Yes.

Commissioner Lee: And it makes sense for -- and it's good for the Port. Right. I mean, they're not -- we're not even losing. Because I'm thinking -- I'm going, wow, this is kind of the same rate under these circumstances. I'm just curious because I really wasn't familiar with your name because I'm not really a beer drinker per se. And I think more of the general public should know. And I think the tasting room will help.

Eric Gilliland: We agree.

Commissioner Lee: Right. Which is I think --

Eric Gilliland: That's our hope as well.

Commissioner Lee: Yeah. So I'm 100 percent behind you on this one.

Eric Gilliland: Thank you very much. Yeah.

Commissioner Lee: Yeah. Thank you.

President Brandon: Thank you. Thank you again, Jennifer. And thank you so much for giving us more -- a description of what you guys are doing there. That's exciting. And I think we're all looking forward to being invited to the grand opening. Okay. We have a motion and a second. All in favor?

The motion passes unanimously. Resolution 23-39 is adopted.

9. REAL ESTATE & DEVELOPMENT

B. Informational presentation on the formation of Community Facilities Districts at the Port, and discussion of the formation of a new Community Facilities District for the Pier 70 Historic Core with Historic Pier 70, LLC (aka, Orton Development, Inc.) under Port's Lease Disposition and Development Agreement and Master Lease L-15814, each with Historic Pier 70, LLC.

Wyatt Donnelly-Landolt: Good afternoon, President Brandon, commissioners. Wyatt Donnelly-Landolt, development project manager with the development team. I'm joined by Phil Williamson, who is the historic core project manager.

I'd also like to thank Josh Keene, who worked with us heavily on this. And he's off getting married. So congratulations to him. So just to walk through an overview of the presentation today, we'll first give an update on the historic core project and some of the final financials for the project, which recently completed. Although it was mostly completed several years ago, there were a few trailing items.

Then, I'll give an overview of what a community facilities district is. As background, we've used those at two other projects on the Port. They're a key development tool. And we're aiming to form one over the historic core development this year.

I'll give some additional background on those other Port CFDs and then talk about the historic core CFD specifically, the background for how we are forming it, the facilities special tax and the services special tax, what those will be used for and how they come about and then just a final note on the special fund administration agreement, which is how we administer those funds. I'm going to turn it over to Phil to give a project update.

Phil Williamson: Thank you, Wyatt. Good afternoon, commissioners. My name is Phil Williamson, Port project manager in our development group. And I have the easy part of this presentation, if you will. This project has been around for a while. But I know we have some new commissioners with us.

So I'm glad to give a quick update on this project and then hand it back to Wyatt to go into details on the CFD components of the project. Back in 2014, the commission gave us approval to proceed and execute a lease disposition and development agreement, an LDDA, and a master lease with Orton Development, Incorporated.

And that lease led to the rehabilitation of eight historic shipyard buildings. If you've been down to the site on 20th Street, you've seen the results of this work especially in Building 101 on the corner, which opened up last year in the Restoration Hardware gallery building, but also several other buildings as you go down 20th to the east of Illinois Street.

Project began construction in 2015 and, as mentioned, just finished up last year with the final touches on Building 101, the Restoration Hardware building. As Wyatt mentioned, the bulk of the project was completed quite a bit prior to that, 2019-ish.

But the CEO for Restoration Hardware is very particular and made sure that that building got every detail done. So it took a little bit longer to finish that project -- that last piece of the project.

We are currently working with staff from ODI to terminate the LDDA now that the project is complete. There's a formal termination process we're going through to wrap up the project, confirm the total project cost, to set that as a benchmark for future participation should the lease change hands down the road.

And as you'll hear later on, we are pursuing formation of a community facilities district that is outlined in the master lease with the tenant. And a quick financial update on the project -- it has done well. It has done very well.

And while the project was more expensive than originally anticipated, the sublease revenues that we are now seeing are higher than they were initially projected to be when the project was conceived.

Just a few notes here, the project cost increased from \$81 million to roughly \$140 million. Project revenues increased from \$29 to \$44 per gross square foot. And the Port has received income earlier than anticipated. Last year in 2022, the Port received approximately \$2.5 million.

At approvals, we were hoping to get \$850,000 in 2024. So I think the project, in that sense, speaks for itself. That kind of takes care of my update on the project. I'll hand it back to Wyatt. Thank you.

Wyatt Donnelly-Landolt: Thank you, Phil. So what is a community facilities district? It is a special tax district that's created over a specific area. So those terms are kind of synonymous, CFD, community facilities district and special tax district. They mean the same thing.

The special tax is an additional assessment. It is separate from property tax. So it's layered on top of that. It's not based on the value of the property. But there's a specific rate that is charged per square foot on the property.

So in a standard tax bill, there is the property tax. And then, there's an additional special tax. And it's determined based on the specifics of the CFD. And I'll get into the specifics of the CFD in a moment. It can fund ongoing operations for a site and/or capital improvements, both of those. The list of facilities and services is the document that governs this. It's approved at the time of formation, and that will be one of the documents coming at the approval action.

We've used CFDs at other development projects, specifically Mission Rock and Pier 70. It's a critical tool for development where there's major infrastructure costs. It captures some of the value of the development and pours it into that horizontal infrastructure.

Without it, we really would not have a way to fund the infrastructure at the site. Here, it's being used a little differently. And I'll get into that momentarily. So just some background on community facilities districts generally across the Port -- again, there are three different projects that will have them after the historic core project is -- or the historic core CFD is formed: the Mission Rock project, the Pier 70 project and the historic core project.

The Pier 70 project actually has two. There is one for lease properties and one for the condominium buildings. As I mentioned, the revenues here are actually reinvested into the project. So you'll see a quite generous sum of funds generated.

The first line, the CFD/IFD, those are reinvested back into the project to reimburse the developer for the infrastructure they've created. So that's funding parks, roads, sewers, everything that goes into the ground to prepare for the actual buildings.

The shoreline tax for Mission Rock is split between reimbursements -- the first phase covers reimbursements for horizontal development. The second phase and later will go the Port. So a portion of that would be Port revenue. And then, the Pier 70 shoreline tax would go to the Port as well as harbor fund revenue.

So one additional caveat to that is much of these future projections are based on development timeline projections. So there is uncertainty about development so just want to note that. And finally, on the Orton -- so there is an IFD, which is an infrastructure financing district.

As I mentioned before, there's two separate taxes: the property tax -- the IFD captures the increase in property tax. And that will come back to the Port to fund future capital projects -- and then the CFD. So these funds -- we're looking at about \$1.8 million in this fiscal year to come back to the Port. They are earmarked for specific purposes. But they are key revenues for the Port.

So the historic core CFD itself will have two taxes, a facilities special tax and a service special tax. This was outlined in the lease executed with Orton Development. The facilities tax is determined by an appraisal. And it's equal to the market value on a per-square-foot of net leasable area multiplied by 0.63 percent so very clear, just formulaic based.

The services tax is set so that the leasehold interest in the premises will pay an equitable share of any Pier-70-wide maintenance costs. It's funding Pier-70-wide maintenance. And specifically here, it's been earmarked to fund a portion of the Crane Cove Park operations and maintenance.

The rate specifically -- so for the facilities special tax, an appraisal was completed by Runde and Associates on May 31st. Based on the value there, the facilities special tax rate will be \$2.73 per square foot. That will escalate at 2 percent annually. So it's locked in and escalates at 2 percent.

On the services special tax side, we did multiple analyses here. I think one of the most important was comparing it to the Pier 70 leased property CFD, which is the most similar use. We considered a range from \$0.30 based on proposals from the developer to \$1.30 based on some square footage comparisons.

The key driver here -- I think the best comp is the Pier 70 lease property non-residential rate. So this is all the non-residential, which includes many uses, office, could include PDR, which is the key use here -- is \$1.22 per square foot.

We did an adjustment downward to reflect the difference in value between new office and historic renovation and PDR and would recommend a special service tax rate of \$0.80. This will increase based on CPI capped at 5 percent.

And just a couple notes to this -- the tax levy will start July 1, 2023. So we'll bill back to the start of this fiscal year. And this is a maximum rate. So we can levy up to this rate. So theoretically, you could levy it anywhere below those dollar amounts. And it's per square foot. So it's that dollar amount times the square footage, which is 322,000 square feet roughly.

Finally, we'll request approval for a special fund administration agreement. This is the agreement that governs administration of the funds. So collection and disbursement will be held within a separate account and will disburse out of those accounts.

The terms here align to a series of documents: the lease, all the CFD documents as well as financing plans for the LDDA. The RFP has actually been concluded. So one update to that. And we're currently in negotiations with U.S. Bank. When we request approval, then we will be able to enter into that agreement.

And just briefly on next steps -- so we will return for approval of this item in the future. It's a two-step process to form a CFD. So the first step is what's called the resolution of intention. That announces our intention to form the CFD.

It outlines things like the rate, the area, the map. And then, there's a resolution of formation, which is the actual process to form. There will be a hearing at the Board of Supervisors followed by a special election.

It's of the residents, if there are any. In this case, there are not residents. So it would be the land owner election. So the Port would be the sole owner. And that is it for my presentation. So any questions?

No Public Comment on Item 9B.

Commissioners' Discussion on Item 9B:

Commissioner Gilman: Thank you for the report. And I understand the formation -- I had one question. It was something you just mentioned at the end. I just want to make sure I understood correctly.

Wyatt Donnelly-Landolt: Mm-hmm.

Commissioner Gilman: It's a two-step process. What we're doing today is voting on our intent. And then, the final formation goes to the Board of Supervisors --

Wyatt Donnelly-Landolt: Yeah.

Commissioner Gilman: -- [then] to us. And then, you said, since there are no residents and we're the sole owner, we're the only -- we'd be voting for ourselves.

Wyatt Donnelly-Landolt: Yes. So we would be the voter here. Correct.

Commissioner Gilman: So outside of approval from the Board of Supervisors and -- if my memory serves me right -- I know I wasn't on commission when we first [first structured Pier 70 deal. But it's] come back in iterations, and it's changed multiple times. This was always part of our playbook and how we were going to fund these public amenities.

Wyatt Donnelly-Landolt: Mm-hmm.

Commissioner Gilman: So we're just sort of going through a process. This is going to happen.

Wyatt Donnelly-Landolt: Correct. Yes.

Commissioner Gilman: In some ways -- like I don't want to use the word perfunctory. [laughter] But --

Wyatt Donnelly-Landolt: Yes. It was outlined in the lease. We're following through on everything that was outlined in the lease and coming back for that approval for the actual formation. But I think this is in line with prior approvals based on the historic core documents. Yes.

Commissioner Gilman: Okay. Yeah. Then, I have no questions. And I'm glad we're getting it underway. [laughter] I just want to make sure my understanding was correct.

Wyatt Donnelly-Landolt: Yeah.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: Well, this is the first time for me dealing with a CFD. We always do CBDs, right, in the neighborhoods. And those are already a nightmare already, you know. And now, we have a CFD.

My question is, okay, I know this is part of the process. It's going to be built in. Does that have a big reflection on rents? Because eventually, you have to -- you've got to put it in your rents. So does that price things out of the market?

I mean, even though it's a brand-new b -- it's beautiful. It's modern. You know, it's got everything. I think -- does it price it out -- [crosstalk]

Wyatt Donnelly-Landolt: Definitely part of the consideration in formation is, if you reach a certain amount, there is an impact. On some of the other projects, we actually have an offset to reduce that impact to try to capture it. That's where we're investing back into the site.

So I think, at a certain point, you will hit that. I think we try to keep the amounts low. But it is definitely a consideration in formation. If you get it too high, it passes onto a tenant. They're going to reconsider what -- [crosstalk]

Commissioner Lee: Exactly.

Wyatt Donnelly-Landolt: Yeah.

Commissioner Lee: Is there any incentives, you know, later on maybe when it gets to that part? Well, it is this high. But we're going to give you these amenities.

Wyatt Donnelly-Landolt: Yeah. I mean, I think that's a key part of it is these taxes are being reinvested into the site. So for all of these, the list of facilities and services limits the investment within the area so into Pier 70. So tenants are benefitting from roads, sewers, parks, all of the area around. And that's brand-new facilities, brand-new public spaces that they benefit from.

Commissioner Lee: Yeah. I'm just more concerned because of -- you know, we have so much office space available downtown whatever. I mean, I'm just worried about the future. But --

Wyatt Donnelly-Landolt: It's definitely a concern that we want to keep an eye on. This is a fully occupied space with leases.

Commissioner Lee: For now. Right. For now.

Wyatt Donnelly-Landolt: Yes.

Commissioner Lee: Okay. Well, that's my only concern is where we're going to be later when this kicks in. So -- okay. Thank you.

Wyatt Donnelly-Landolt: Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thanks. And thanks for the presentation. Just to double back on the timing of this --

Wyatt Donnelly-Landolt: Mm-hmm.

Commissioner Harrington: -- the resolution of intent is not today. But when do you expect that would come back to us?

Wyatt Donnelly-Landolt: We're hoping for next month.

Commissioner Harrington: Okay.

Wyatt Donnelly-Landolt: Yeah.

Commissioner Harrington: And then, through the board and everything else by the end of the calendar year?

Wyatt Donnelly-Landolt: The resolution of intention would probably be by the end of the calendar year. The resolution formation -- because these are -- have ordinances, they have 30-day holds. So it might be early 2024. I'd have to look at the specifics.

Commissioner Harrington: Okay. You also -- on page eight, you talked about the recommendation for the special services fee of \$0.80. And you said it's c -- we could do it lower than that. Do you have any intention of doing lower than that? Or is that just a technical --

Wyatt Donnelly-Landolt: It's a technical thing we like to note. We don't have an intention to levy below that. But we do have the ability. You know, there's a need for those funds at Crane Cove Park. It's a critical revenue source for that.

It does not even come close to fully funding operations for the park. But we do have the ability, as Commissioner Lee mentioned. If in the future there's different considerations, we have that flexibility.

Commissioner Harrington: So you can make this decision each year --

Wyatt Donnelly-Landolt: Yes.

Commissioner Harrington: -- as you go forward. I'm familiar with CFDs and IFDs. I was a little surprised on page six to see this line called shoreline --

Wyatt Donnelly-Landolt: Mm-hmm.

Commissioner Harrington: -- [between] Mission Rock and Pier 70 but not under Orton.

Wyatt Donnelly-Landolt: Yeah.

Commissioner Harrington: What's the deal [there]?

Wyatt Donnelly-Landolt: The shoreline tax is a specific special tax. So here, we have a facilities tax and a services tax. The Mission Rock and Pier 70 CFDs

have a special tax called the shoreline tax, which is earmarked for shoreline improvement. So it could be studies or improvements to the shoreline.

Commissioner Harrington: And why wouldn't this one have that too? Or just --

Wyatt Donnelly-Landolt: It was --

Commissioner Harrington: Just not done?

Wyatt Donnelly-Landolt: It was not done here. I think it related to partly the scale of those being waterfront developments. And having a larger scale, there is ability to capture that. Functionally, it's similar to the facilities tax here because it's not being offset [and reinvested].

Commissioner Harrington: Okay. Thanks very much.

[Director Forbes]: That's a good answer.

President Brandon: Thank you. Wyatt, thank you so much for the presentation. And Phil, thank you for the update. I just have one question. Is that -- so was the developer involved in the formation of the CFD?

Wyatt Donnelly-Landolt: Yes. We've been discussing with the developer throughout and talking about both -- they provided information for the appraisal, which incorporated all that information and [unintelligible] determine the value. And then, on the services tax side, we've had ongoing discussions which I think ended with that \$0.80 special tax.

President Brandon: So they're in agreement with all the terms?

Wyatt Donnelly-Landolt: We hope so. We've talked about it, let them know about it. And there are ongoing conversations. They have expressed some concerns about some dollar values. And we're open to continuing conversations with them up until formation.

President Brandon: Great. Thank you. We look forward to seeing you next month possibly.

Wyatt Donnelly-Landolt: Thank you.

10. WATERFRONT RESILIENCE PROGRAM

- A. Request authorization to award contract to GHD/Structus JV for Consultant Services for the Proposed Pier 50 Earthquake Improvement Project, Initial Study and Pre-design Services, in an amount not to exceed \$2,700,000. (Resolution 23-40)**

Carlos Colon: Good afternoon, President Brandon, commissioners, Executive Director Forbes. My name is Carlos Colon. I'm the waterfront resilience program administrator. I'm joined by Chris Horiuchi, the project manager for Pier 50.

And we're here to request authorization to award a contract for the Pier 50 earthquake improvement project. What I'll be doing is giving a brief project overview, description of the scope of work, the RFP process.

I'll describe how we issued a letter of non-responsiveness and why we rescinded that letter. I'll talk about the scoring and criteria and the ranking and our notice-of-intent-to-award letter.

A quick project overview -- our objective is to assess and approve the ability of Port maintenance to conduct waterfront repairs after an earthquake. Commissioner Harrington, I understand you were not here when we presented this informational. So after my presentation, Chris can give more description of the scope and answer that question you gave [Jan] about our project in Shed B.

This solicitation was from a prequalified pool of seven firms that were approved earlier this year. The scope of work is in two phases. The first is the facility evaluation and scoping. Phase two will be project predesign.

This contract will be for two years with an option to extend for one additional year and not-to-exceed value of \$2.7 million. The CMD/LBE requirement is 20 percent. This contract was advertised April 28th. We held the preproposal meeting May 8th. We issued two addendums.

The first was to provide more documents for the firms to review, more drawings. The second addendum was also to postpone the bid date and allow the Port to respond to the questions and give the proposers more time to review those responses and prepare their bids.

Proposals were due on May 30th. We received four proposals. And afterwards, a CMD-approved evaluation panel reviewed the proposals and scored them and ranked them. I want to talk about the letter of nonresponsiveness that was initially sent to GHD /Structus on May 31st, the day after bids were due.

We sent the letter on May 31st. An hour later, they did submit a response. After consulting with the city attorney, we were provided three options: to accept the proposal; reject it; or reject all proposals and rebid.

After consulting with WRP staff, we decided to accept. And I'll detail that in the next slide. And we sent a letter of nonres -- rescinded the letter of nonresponsiveness on June 6th. So these are the reasons why we rescinded the letter of nonresponsiveness.

The proposals were due at 2:00 p.m. on May 30th. GHD/Structus submitted their online proposal at 12:26 p.m. that day. I received an email from GHD confirming that they had uploaded their submission at 12:30.

The proposal that they sent with their letter -- excuse me -- their email protesting the letter of nonresponsiveness included the proposal. And that proposal's metadata properties showed that the proposal had not been edited since 12:18 p.m. that day, roughly eight minutes before they submitted the bid.

GHD/Structus also received confirmation of the successful upload of a proposal or a -- I should say the PeopleSoft online bid system gave them a bid confirmation that their bid was successfully submitted. So they had every right to think that their bid was uploaded correctly.

So I provided a couple screenshots, one of the metadata -- the modified date and screenshot of their successful-submission notification. We determined that GHD/Structus acted in good faith. They did not receive an advantage for submitting this a day late.

And it was clear that it hadn't been modified. And they did not have extra time to work on it. You can see that 12:18 was before the submission date. This proposal had three categories to score: the understanding and approach of work; the staffing plan; and firm experience and capability.

As I said before, these firms were from a prequalified pool for as-needed-engineering pool that was created earlier in the year. Those responses to the RFQ included oral interviews. So we did not hold oral interviews for this response to the RFP.

Of the four submissions, each one received an LBE rating bonus. After applied to their score, GHD/Structus joint venture was the number-one-ranking firm. We then submit a -- after the Port approved the notice of intent to award letter on July 18th, we sent the notice of intent to award to the four firms.

There was a protest period of three days -- three business days, I should say. This is longer because it overlapped a weekend. In this notice of intent to award, we included a clear description of why we accepted GHD/Structus. And we received no protests.

So we're here today to request you to approve the resolution, award this contract to GHD/Structus. I want to thank you. And I'm here to answer any questions about the contract and where the contracts go.

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

No Public Comment on Item 10A.

Commissioners' Discussion on Item 10A:

Commissioner Lee: No questions.

President Brandon: Commissioner Harrington?

Commissioner Harrington: I'm fine with the outcome of this. I'm a little confused. They have records showing that they put their bid in on time. But you did not get notification that it was on time because there's a glitch in the system? Does this happen often? I don't understand what happened there.

Carlos Colon: So they submitted their bid at 12:26 p.m. The received confirmation that they submitted it.

Commissioner Harrington: Right.

Carlos Colon: They emailed me at 12:30 with a copy of their confirmation. I'm not allowed to go inside the system and look to see if it's there or comment on what they've submitted until after the bid date and time. When I went online, I checked the folder where the uploaded documents should be available, and they were not there.

Commissioner Harrington: So is this a CMD system?

Carlos Colon: No. This is a city system.

Commissioner Harrington: And is someone working on fixing that? If it happens to them, it might happen to others. It seems awkward.

Carlos Colon: I do not know the extent of how this happens within the city. This is a citywide system, I think, except for the PUC may have their own [massive bid] system. But I do not -- because I did email the help desk three times requesting assistance.

The first time, they responded to show me where I could find the documents. But of course, I told them they were not there. They again responded that, "You're right. They're not there." And the third time, they said that they logged on again, and I was right that they're not there.

But because I couldn't definitively -- because I couldn't confirm 100 percent that it wasn't computer error or human error, we decided to accept the bid.

Commissioner Harrington: It just seems like they have a record that it was accepted. And the system saying it's not there seems like something that should be fixed. But anyway, thank you.

President Brandon: Commissioner Gilman?

Commissioner Gilman: I have no questions. I support the item.

President Brandon: Thank you, Carlos. Thank you so much for the report. And thank you for the transparency and informing us of what happened and the fact that there was no protest. I guess it's good to move forward. So all in favor?

The motion passes unanimously. Resolution 23-40 is adopted.

10. WATERFRONT RESILIENCE PROGRAM

B. Informational presentation on the San Francisco Waterfront Coastal Flood Study.

Brad Benson: Good afternoon, President Brandon, commissioners, Director Forbes, members of the public. Brad Benson. I'm the Port's waterfront resilience director. And I'm really pleased to be here tonight to present sort of an update on our waterfront resilience program activities and particularly an emphasis on the Army Corps of Engineers San Francisco waterfront coastal flood study.

I'm standing in for Adam Varat, who is our planning lead on this effort. He would be giving this presentation. He's been leading great work on this along with other members of our team: Kelley Capone, who is our project manager; Matt Wickens, who is our engineering lead.

And we're lucky tonight to have on the line Mr. Brian Harper. He is the planning chief for the Army Corps of Engineers Regional Planning and Economic Center out of the southwestern division. Welcome, Mr. Harper.

I'm going to lead with a presentation. And Mr. Harper will then follow with some comments. And we'll both be available to answer any questions that the commission may have.

So just to go over the agenda, we'll: give a short update about activities in the waterfront resilience program; talk about short and long-term adaptation; give a summary of some of our community engagement when we brought draft adaptation strategies out to the public last fall and over the winter; and then explain where we are in the flood study and what's coming next.

And we're really approaching a major milestone in the study where the Army Corps is going to make a preliminary decision about a federal interest in investing in coastal flood defenses in San Francisco. So it's an exciting time.

Our program vision statement is that the waterfront resilience program will take actions to reduce seismic and climate change risks that support a safe, equitable, sustainable and vibrant waterfront.

We're really formed to address seismic and flood risks. And we have these risks today. The photos on the right are really showing some of the flood experiences both on the Embarcadero where we have flooding in the northbound lanes and down at Pier 96 where the south seawall is overtopped by flood waters during king tide events.

We know that earthquake risk is an ever-present risk in San Francisco and California. The top-left photo shows lateral spreading from the 1906 earthquake right near today's Pier 27 cruise terminal. So we've been studying these problems since 2016.

Steven Reel led our multi-hazard risk assessment, which identified the significant risk to the shoreline along the Embarcadero. We're advancing projects through Proposition A, the seawall earthquake safety bond. It was a \$425 million bond approved by voters in 2018.

We've got key studies that we're embarking on along the Embarcadero and in Islais Creek. I was talking with Tim Felton, our deputy director of maintenance, who walked by our living seawall pilot project the other day, saw the scientists out sort of monitoring the growth at the living seawall pilot. And everybody is really excited about the amount of growth that we're seeing.

The Embarcadero early projects are moving through the stages of predesign. And we'll be back to the commission to give you an update on that soon. And then, the focus of today's presentation is really the longer-term adaptation planning.

So we know that our waterfront is a place of change. It's evolved over time. We're at a milestone now where I think we are seeing the next evolution of the waterfront. We looked back to the late 1800s when the State Board of Harbor Commissioners, the mayor and the governor drew a waterfront line.

And that propelled 40 years of investment in the Embarcadero seawall, the piers and the wharves. We're doing something that's very similar with the Army Corps of Engineers, looking at the shoreline. What is the alignment of the shoreline? And what are the investment opportunities that we see over the coming decades?

Just high level -- we've got -- actually, there's an error on this slide. We have seven Embarcadero early projects advancing through predesign. They're the ones that are circled in the dotted red lines on this slide.

We're looking towards potentially a geographic strategy to advance five more in the sort of northern waterfront area between Piers 19 and 41 and then looking to collaborate with either development partners, Port tenants or city departments on seven additional projects.

We're now advancing two projects in the southern waterfront that are early projects. You just heard about the Pier 50 project. There's an additional project at Piers 94 and 96. In terms of our long-term adaptation planning, we're working with the Corps to develop a system of coastal flood defenses.

Through the study that we're working on right now, we're really looking at the location of those potential flood defenses and the height of them. We'll get into actual design later after Congress approves the project.

The system of coastal flood defenses will change the waterfront through measures like seawalls, berms, flood proofing and nature-based features. And we expect, as the program develops, it will be accompanied by policy changes as well, potentially changes to the building code, flood-proofing requirements in areas that remain flood prone.

So thinking about the coastal and inland flood risk, it's not just the bay waters that we're concerned about. Obviously, that overtopping risk with sea-level rise is one big concern. But we also have storm water that needs to get to the bay.

So we're worried about the confluence of storm water and coastal flooding. And then, we expect, as the bay waters rise, that it will cause groundwater in the near shore area to rise as well. So we really have three flood risks that we have to address.

This is sort of the high-level summary of what we've learned about seismic risks along our waterfront. The Embarcadero seawall revealed very high lateral spreading risk in areas north of the Bay Bridge and up in Fisherman's Wharf.

We're looking to Embarcadero early projects to mitigate those risks. And then, the waterfront resilience program worked with our engineering division on the southern waterfront earthquake assessment, which revealed similar liquefaction and lateral spreading risks particularly with respect to our marine terminals.

As we've been working with the Corps to develop sort of a range of options to address coastal flood defenses, we've been looking at three broad themes: defend what we have; accommodate, learn to live with water periodically; or retreat, moving out of areas that are flood prone.

And I'll just acknowledge it's hard to imagine retreat in a highly urbanized area like San Francisco. But our partners at the Army Corps have been urging us to really keep an open mind and look honestly at all of these options.

So with those themes in mind, we developed seven draft adaptation strategies. One is called the no-action scenario or the future without project. That's really the baseline against which we compare the performance of all these other strategies.

There is a nonstructural alternative. And that's really assuming no coastal flood defenses. What would you do then? And it's a combination of flood proofing buildings and infrastructure and eventually retreating out of the flood plain. And the Army Corps requires that projects like ours look at that alternative.

We have two alternatives scaled to address a lower rate of sea-level rise, one of which would be adaptable to a bit more sea-level rise and then three strategies that are looking at higher rate of sea-level rise, one of which sort of defend at the current waterfront, another that is looking at managing the water through features like tide gates and the third looking at that retreat approach and aligning with future water sheds.

So our path to get to a draft -- single draft waterfront adaptation plan is going to look at all of these strategies, assess their performance, hear public feedback, regulatory agency feedback, hear what other departments have to say, hear what other parts of the Army Corps have to say about the draft plan, use technical evaluation and mixing and matching to arrive at a final plan. And that's the process that we're in right now.

So the Port is lucky to lead this effort. And we have a great responsibility for seven-and-a-half miles of the city's shoreline. But what's at stake is far more than the Port. So Mayor Breed formed ClimateSF, a group of city departments shown here on this slide.

And we've been really lucky to have them as partners in this collaboration. So each of the agencies designated a climate champion to work with the Port to develop these strategies. And they're helping us evaluate the strategies and hopefully come to a draft waterfront adaptation plan that meets the needs not just of the Port but of all of the departments and their infrastructure and services.

There's a lot going on in this effort, a lot of technical expertise that's needed. We formed a resource agency working group with all of the permitting agencies with responsibility over San Francisco Bay including agencies with responsibility for historic resources.

They've been meeting periodically to hear about the work that's going on in the program and to give advice as we're walking down this path. We formed an equity working group of city staff. These are sort of the equity leads in each of the departments who've been helping us think about equity implications of our planning work, of our public communication, you know, of economic both consequences and opportunities coming out of the program.

Engineering with nature -- I'll talk a bit more about this later on in the presentation. We've got a human-made shoreline today. There are opportunities for better habitat improvements. And then, we're stewards of two historic districts that are affected by potential future flooding. So we've assembled a historic preservation technical advisory committee to advise on those issues.

So as I mentioned, we went out publicly last fall and winter with the seven strategies to get feedback from the public. They have affirmed some of our focus on life-safety and emergency response -- really prioritize assets most loved by the community and important to the city like the building that we're in. The Ferry Building, we heard a lot about.

But don't just think about the physical built environment. Think about how people use the waterfront and what's important in terms of those workers, residents and other regional visitors. So we held 16 events. We had an open house in the southern waterfront.

We did a series of focus groups and then a lot of sort of online. We had very robust story maps, social media and video productions to help people understand this work. We had over 500 people participate in those public events.

Over 170,000 people touched our content related to the draft strategies in one form or another. So we had some pretty good sort of penetration with this outreach effort. But there's more to do.

Some themes of what we heard are people are concerned about flood impacts where they live and work. They're worried about impacts to community safety. Disruption to transportation was a key finding in the public outreach.

Community members generally support a strategy that defends against a higher projected rate of sea-level rise. Folks are very supportive of nature-based approaches and improved public access. We didn't hear any clear favorite amongst the strategies that we presented.

My observation is that there were so many strategies it was sort of hard to absorb all of the information and really have a clear opinion. So I think people will do better when we have one strategy that they're reacting to.

I was surprised -- we were showing some of the retreat options. And when we were talking about retreat in different neighborhoods, in the Islais Creek/Bayview neighborhood, some people really like the idea. Other people didn't like the idea. I thought that there would be more negative reaction but was surprised by that.

And of course, we heard really strong concerns about equity and environmental justice. People are very concerned in the southern waterfront about contaminated sites. It came up over and over again. And what does sea-level rise mean for those contaminated sites?

So we're continuing that public engagement. We're right now working with one of our subcontractors, RDJ, on a learning surge in the Bayview community focused on youth, businesses, renters in public housing and faith-focused residents. So that'll be ongoing over the course of the fall.

We're looking for partnerships with community leaders who can help get the word out to a variety of constituencies all of which is leading to the discussion about the next steps in the Army Corps process and sort of the work that we're doing right now.

So again, if the Army Corps finds a federal interest -- and we'll talk more about what that is -- this study can lead to very significant federal funding to build coastal flood defenses. Project costs -- and we're just sort of sorting through these cost estimates now but are likely in the billions. And they would pay up to two-thirds of the cost. And the city would have to come up with a 35 percent local match.

Benefits are calculated across multiple accounts. Typically, the Army Corps is focused on the national economic development account. They've wanted to build the most economically efficient project that solves the flood problem.

This study is being asked to look at all four accounts and look at regional economic effects, other social effects -- and we'll talk more about what those are - - and environmental quality to try and come up with a multi-benefit plan that addresses more than just the flood risk.

So digging into the other social effects, we have many metrics in this study, you know, trying to understand who the future flooding will impact, you know, how it will affect how people get around the city.

You know, are there socially vulnerable populations that we should be focused on in particular? So in some ways, we have too much data. And we have to focus down on the real decision drivers that will help folks like Elaine, the Board of Supervisors, the mayor make a final recommendation and decision.

Thinking about equity, I mentioned that equity working group. They really helped us focus in on the criteria that I just showed on the other slide that can help us put an equity frame on the decision making and how we can: distribute the project benefits, recognizing the historic lack of investment in the southeast; how do we protect housing and jobs; looking at those contracting and workforce development opportunities and maintaining transit connectivity.

One thing I wanted to highlight for folks to think about is that we're not going to build everything all at once. Right. It's like this problem is a big problem. But there is a way to approach dealing with the problem that will rely on phasing and potentially smaller interventions first followed by larger interventions.

So this slide shows that, you know, we have areas of the shoreline that are as low as eight feet in some locations. Generally, the study area is between eight and 15 feet in elevation. High tide today is about six feet. If we had today a high tide and the confluence of a severe storm, we might have water levels up at a 12-foot elevation, which is what leads to some of the flooding that we see that I showed in earlier slides where the shoreline is too low.

If we want to adapt to a foot and a half of sea-level rise, we have to get up to 13-and-a-half feet so could be that short flood walls in some areas could provide the flood protection that we need for the near term. So I want folks to be thinking about lower-scaled interventions and the longer sort of higher-scaled interventions that we'll eventually need.

Thinking about engineering with nature, we put together an engineering with nature working group with some of the experts from around San Francisco Bay to help us look at how we can introduce nature-based features along the waterfront.

Generally, if you have more space, you have more options to work with. If we do install these nature-based features in areas, they're going to have to migrate uphill over time. We see a lot of different opportunities at different locations even in areas where we have a pretty vertical sort of feature like the seawall.

We're looking at the living seawall pilot as an opportunity to install some engineering-with-nature features. These do have flood benefits. They can mitigate wave impacts and improve the lifespan of more typical gray infrastructure.

And then, thinking about our shoreline historically, we had a lot of varied habitats before the waterfront was built out. Now, we have a few locations where we have nature like the Pier 94 wetlands and Heron's Head Park. We're looking at this opportunity to create multiple nodes of habitat along the waterfront to support a more natural vision for the waterfront.

So in closing, this is sort of a snapshot of the timeline that we're in right now. We've developed the waterfront adaptation strategies. We went out to the public with them. We're evaluating them by looking at costs and benefits across those four accounts right now.

With the Army Corps, we're going to select a plan by mixing and matching from those strategies. That will be published in a draft integrated feasibility report in November. It's going to be a very robust report. And we're going to be back out to the public to get public feedback so that we can further shape the plan to get to a final recommendation.

Just some terms -- the Army Corps has a lot of terms and acronyms so just a brief glossary: the national economic development plan -- that's the typical Corps

plan that maximizes sort of the most economically efficient approach to the flood problem.

The comprehensive benefits plan is a multi-benefit plan. That's new for the core. We're being asked to develop one in this study. There is the option for a locally preferred plan where we might have additional features that we pay for entirely above the cost of the comprehensive benefits plan.

And the TSP milestone is the milestone that we're headed to where we say we have a draft plan. Public, tell us what you think. So I think I've covered most of these points. This is really a once-in-a-generation opportunity to improve the public realm, to buy down flood risk, to improve habitat and protect historically disinvested areas.

So I will stop there and then invite Mr. Harper to offer a few words to the commission and the public.

Brian Harper: Well, first, I would just say thank you for inviting me, Ms. Forbes, Mr. Benson. I do appreciate the opportunity to be here with you all. I second everything Brad presented there. And I'm happy to answer questions.

But on behalf of the Corps, I just want to express our appreciation for the strong partnership that we have with the Port and the working team that we have that combines the Port staff with our staff in the Corps and a consulting group to tackle this important study.

This study is very important to the Corps. Our leadership is keeping a close eye on what we're doing here because there are issues that we're addressing here that are nonstandard for the Corps coastal storm program.

So we've been asked to work closely with the city and explore some new ideas on how to prepare for long-term climate resilience in important cities and communities like San Francisco. We anticipate we'll get these same kinds of requests for study in other urban centers around the country, along the Great Lakes -- Boston in particular already have a similar study underway.

So anyway, just an opportunity for us to learn as an agency but also as a nation, you know, how are we going to prepare for these long-term risks that we see with our climate change and our need for climate resilience? I'll stop there.

Brad Benson: Thank you.

No Public Comment on Item 10B.

Commissioners' Discussion on Item 10B:

Commissioner Harrington: Thank you. This is exciting and somewhat daunting, I realize. I really take to heart what Mr. Harper was saying about this can be the model for the nation in many ways. So the work that you're doing looking at things like social vulnerability, the idea of really having that nature-based -- engineering with nature kind of thing I realize is different from a lot of other places.

But you figure there's so many coastal communities in the United States but also in the world that are going to be dealing with these things. And to the extent that we're ahead of the curve and that we can do it well, it could make such a difference internationally for people who are dealing with these kind of issues.

So I'm looking forward to having us do it well. Thank you for doing it well so far. The whole idea also that it's not just the Port but it's really -- when we're talking about this, it's kind of, how do we save the city?

Because it's one thing to say we're trying to fix the seven-and-a-half miles. But we really are trying to fix the rest of the city. I mean, we had a bit of a study about Ocean Beach and the same kind of discussion. It was like retreat.

Well, do you stop at the Irish Cultural Center. I mean, if you start to retreat, where do you stop? And that's out there. In such an urbanized environment, that retreat seems so difficult. I also understand what you said about nature-based solutions. They're very difficult in tight spaces.

But to the extent that we can really make those things happen, that would be really exciting for me personally. But I think that would be just such a great thing to show people that you can do things differently and that natural responses are often easier and more scalable and faster than other ways of doing things with great infrastructure.

I'm excited. The only thing that's less exciting is the timeline. It would be great to get something to Congress faster. I think the timeline that was in the report was '25, '26 kind of thing. Is there any cha -- I mean, we should do it right.

But is there any chance to do it right but do less and have it faster so that we are getting it done while we have maybe a bit more control over who might be in Congress?

Brad Benson: Hmm. Mr. Harper, this might be a better question for you. [laughter]
I --

Brian Harper: Yeah. I could take that one. I think the short answer is that, no, not likely. The reason '25 is helpful to us is that our authorizations come every other year. So we'll have a water resource development act in 2024. And then, we'll have another one in 2026.

That's kind of the standard pattern [for ours]. We won't make 2024. So it really is in our interest -- our collective interest, I believe, to focus on completing this in 2025 so that we have our best recommendation for that 2026 WRDA.

Commissioner Harrington: Thank you.

Brad Benson: If I can add to that too and just like hearkening back to your thought about getting it right, you know, we've been in a lot of discussions. And I know Director Forbes really wants to make sure that we're working with the other department heads who are affected by this and that there's confidence in this plan at the end of the day.

Now, we're going to go out with a draft plan. That's not going to be a perfect plan. But we do need to take into account all of that public feedback and those needs of other departments to get to that right plan.

Commissioner Harrington: I appreciate that. And I also appreciate the community outreach that you've been doing. And that's going to take some time to get that back together too. You know, for example, contamination would not have been high up on my list.

I can totally understand why it's high up on a lot of people's lists. So without having that community outreach, you wouldn't get all those different parts of the feedback. So I realize it takes time. Just -- and the sea level is rising. So -- yeah. Let's work on it. Thank you.

Brad Benson: Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Brad, thank you as always for working on this. It's so ambitious. And it's such a forward-thinking sort of [way]. I always appreciate your presentations and again, too, want to elevate just the community outreach.

I think we're doing it right. We continue to do it right. And I think it's really, really important to have the buy-in from everyone. I had just one question when you were going over the department list. Maybe it's not applicable.

But I was just curious why the Department of Public Health is not on that slide because of the environmental health issues that sea-level rise or any of these projects could do for folks. I think it might be nice to include them because I would think that they could have a unique point of view.

Brad Benson: So good suggestion. They're not part of the sort of ClimateSF group that we've been working with. But we do collaborate with them. So this contamination issue -- you know, we've been in recent conversation with representatives of the Department of Public Health and the Office of Resilience

and Capital Planning just -- you know, how do we go about sort of identifying contaminated sites that are going to be impacted by sea-level rise?

And then, what are the public-health ramifications of potential mobilization of contamination? So it -- there is some collaboration there. And I'll bring that suggestion back to the Office of Resilience and Capital Planning.

Commissioner Gilman: And then, just remind me again. I think I ask you this every time you give us a briefing on this. And I'll probably ask it every single I -- so we get our allocation. We get this. We -- I don't know. We're a rainmaker. We get the -- whatever billions of dollars we need to do it.

You know, it took us, unfortunately, you know, over a decade to build a really short subway station. You know, so like what -- are we looking at decades or work to mitigate this? Like assuming you are at the go line and money was not an object -- I'm just concerned that our public -- I know it's important -- but that our process is laborious and bureaucratic.

And I'm just concerned that it could hold up things that we need to be doing now to combat climate change.

Brad Benson: We're looking at the timeline to construct these various types of improvements. It's part of -- we need to understand -- how long does it take to build a first action -- design and build it? How long does it take to design and build a second action?

And given rates of sea-level rise, is there enough time to get to that second action? And you're absolutely right. It's like the way that the city does business, the way that we contract, the way that we analyze things through environmental review, there is time embedded in all of those processes.

And it's something that we're going to need to look at. And I think the most important thing is how we work together as city agencies. We've seen in other big projects in the city where there wasn't that upfront coordination. A department comes in with a later need. It slows down the project, maybe causes a rebid.

That's the kind of thing that we have to avoid but very much appreciate your concerns about efficient delivery.

Commissioner Gilman: Yeah. And I hope too -- especially for our brothers and sisters in other city departments, I hope we learn. I mean the one thing I will say that was a benefit of a worldwide pandemic is we did learn and the State of California did learn that we can move quickly.

We can pivot. And we can get things up and running when it's a crisis. I hope we, in some ways, treat this the same way.

Brad Benson: Did any of you read about the highway collapse on the East Coast. I-95 in Pennsylvania collapsed. And there was a rebuild in 12 days or something like that. So I'm sure Director Forbes is going to get us all of the freedom to do that. [laughter]

Commissioner Gilman: No. But I mean we can act quickly when we need to. And this, in some ways, is as critical as COVID was to us in the early days of the pandemic. So I just hope we can be nimble as a governmental body and hopefully to the State of California since it's not just us.

There's other actors that we need to get approvals with can hear that and understand that. But thank you again so much for shepherding this work. You do this so lovely and well.

Brad Benson: Thank you so much, Commissioner.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: Well, you know, I'm also an impatient person sometimes when it comes to bureaucracy. And you're doing it right. Every agency involved -- I mean the -- I'm always amazed of looking under [your little] graphs.

My concern is -- okay. If we're not submitting this thing -- okay, 2025 and then before it goes to Congress because of the cycle, you know, with the cost of everything going up and if all the public outreach is done -- and like you said, now you've got to figure out how to build it.

Do you wait until we go to Congress to get the money before you decide to figure out how to build it? Or during this time we're waiting for the cycle, are you implementing a plan on how to build it and what the forecast is going to be in 2090?

Because it's always going to be like that. And to the concerns of Commissioner Gilman, we're such a reactive state, you know. We didn't know about COVID. So everybody just drags their feet, you know, and just waits for the next one.

But you know, with earthquakes and we don't know -- and I'm not really a gambling man. But earthquakes could happen tomorrow. And we're still talking about it. And we're not doing anything. I'm just -- again, like Commissioner Harrington, I'm concerned about time.

I don't know where we are there, you know. I mean, it is what it is. We have to do what we're doing. But I'm curious. You know, when you fly over Foster City, they already built their wall. You know, and I guess it's just because it's a small town. And they only have to talk to their own people. And we're not a city.

But they got their wall up and everything. It doesn't look great. But at least you know, if the seawall -- it's not going to go flood Foster City. So you know, it's just kind of like a situation we're kind of stuck. And I don't know what else to say about it. But I'm just wondering, are you guys planning now? Okay. Once the outreach is done, let's now figure out how to build it?

Brad Benson: So I'm hearing loud and clear from all of the commissioners the urgency to get going. And I just want you to know that Director Forbes is reflecting that back to the program -- was talking about shovels in the ground just the other day with Director Forbes.

So the early projects are the earliest interventions that we can pursue. And so we'll come back and give you an update about where we are in those projects. That's where shovels are going to be in the ground first.

And to your other question, is there anything that we can do to sort of accelerate the Army Corps process? There are a few levers that could be pulled. We need to talk about them more as a leadership team. But let's come back to you with some ideas about how to accelerate things in the Army Corps process. And just know that the message is heard. People are eager for us to move this along.

Commissioner Lee: Okay. So -- yeah. That's all I have. I'm just thinking that you've done so much outreach. How much more outreach can you stretch it out? And if it's going to end in 2025 and we can't present it till 2026, instead of just waiting for the Congress to say, okay. We already got halfway on how we're going to build it. And you get the money. We can start building. So that's just my comment. Thank you.

Brad Benson: Thank you.

President Brandon: Thank you. Brad, thank you again. You and your team have done an amazing job of bringing us to where we are today. We have done a lot of analysis. We have done a lot of studying. We have come up with several options for how to move forward.

And I really want to thank you for bringing all of this information to us and informing and educating the public on what it is we're trying to do and how urgent it is that we do this. And my fellow commissioners asked great questions. And I think we all are saying, okay, when do we start?

You know, this is urgent. So when do we actually start protecting? You know, what can we do to move this forward? But I would like to know, what happens between now and November? How do we come up with that draft plan and that target that we're looking to?

Brad Benson: So that's the work the team is engaged in right now. So the project delivery team, which includes Army Corps staff and Port staff, has been looking at those plans, looking at all the costs and benefit information that is coming through the work that we've been assembling over the last three years and trying to mix and match from elements of those strategies that you saw to come up with something that will meet sort of a federal interest finding that the Army Corps can say is a comprehensive benefits plan.

We're right now in the process of evaluating that work at the department level. We arrive at a tentatively selected plan milestone where the Army Corps says we will bless that comprehensive benefits plan on September 7th. We can do individual briefings of commissioners to share that work.

It's draft. It's work in progress. That is the plan that would go out as part of this draft integrated report, that one plan, for public comment. And your decision will be in April of next year. So you will be able to sort of look at that plan, look at all the public comment on it and say, for the city, this is the plan that we're recommending. And that will be in April of next year.

President Brandon: Okay. Commissioner Harrington?

Commissioner Harrington: I just have one more comment. It occurred to me that, in doing all this -- and we're all -- we're thanking you very much, and we're all excited -- we really should thank the Army Corps of Engineers.

President Brandon: Definitely.

Commissioner Harrington: They don't typically get this involved in some of these kind of things. So their interest and work is pretty spectacular. And we should appreciate all that too. But thank you.

President Brandon: Definitely. Definitely. So the draft plan that you come up -- Mr. Harper, did you want to say something? Because I, too, was going to thank you and thank our team for -- we are so appreciative of the partnership and the relationship that we have been able to build with the Army Corps.

And we know that this doesn't happen often. And we know that this is a great opportunity for the Port of San Francisco to become a model program for the rest of the nation. So we really, really appreciate your support and all the guidance that you've given us over these last three years. So thank you.

Brian Harper: Thank you. And if I could speak to the urgency issue, we certainly understand the urgency. And I wanted to offer the observation that one of the most critical things we can do in this partnership is make sure that we're aligned in our messaging to D.C.

You know, we're an executive branch agency. So we work for the president. And we work for OMB. And we're giving messaging to OMB that we believe that it's a project that satisfies the criteria for our program and makes it eligible for that 65/35 match.

And it's equally important that the Hill hears a similar message from the Port that the Port and the Corps are aligned in how we want to move forward with the project. You know, even though there is, you know, work in front of us, you know, that -- if we can have the same messages and shared support for the project, it does help us with that urgency issue.

President Brandon: Thank you so much. And I know Director Forbes and her team are totally aligned with the Army Corps and are going to try and work out the best possible scenario that works for the Army Corps, the Port, the nation. Thank you so much. Okay. If there are no other questions or comments, next item, please.

11. NEW BUSINESS

President Brandon: There is no new business. But Commissioner Gilman would like to make a comment.

Commissioner Gilman: Yes. I know this is highly unusual. But I just wanted to take my moment on the dais to say we have a big Port fan whose birthday is today, someone who -- from the southeast waterfront to the northeast has always advocated for the waterfront. And hopefully she's listening because she dared me to do this.

So I just wanted to say happy birthday to Sunny Angulo from the Port. We appreciate all you have done in the over a decade that you have worked for and represented both District 6 and District 3 as a staffer at city hall. I thought we should wish Sunny happy birthday.

President Brandon: Happy birthday, Sunny.

Commissioner Lee: Happy birthday, Sunny.

President Brandon: Happy birthday. Can I have a motion to adjourn?

Commissioner Gilman: And on that note, I make a motion to adjourn with my silliness.

Commissioner Harrington: In memory of Sunny.

Commissioner Gilman: Yeah.

12. ADJOURNMENT

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

President Brandon: The meeting is adjourned at 5:36 p.m.