



SAN FRANCISCO PORT COMMISSION

**September 12, 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**

CITY & COUNTY OF SAN FRANCISCO

PORT COMMISSION

MINUTES OF THE MEETING

SEPTEMBER 12, 2023

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

Port Commission President Kimberly Brandon called the meeting to order at 2:30 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, Gail Gilman, Ed Harrington, and Steven Lee.

The Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgment.

2. APPROVAL OF MINUTES – August 8, 2023

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

3. PUBLIC COMMENT ON EXECUTIVE SESSION

No Public Comment on Executive Session.

4. EXECUTIVE SESSION

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

ACTION: Vice President Adams moved to go into closed session. Commissioner Gilman seconded the motion. The motion passed unanimously.

(1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Item)

(a) Property: Bauer Intelligent Transportation, Pier 50, Shed A, 401 Terry Francois Boulevard and Pier 96 (Leases L-15044 and L-16206 and parking stalls agreement)
Person Negotiating: Port: Kimberley Beal, Acting Deputy Director Real Estate & Development
Negotiating Parties: Gary Bauer, Bauer Intelligent Transportation

Under Negotiation: ___ Price ___ Terms of Payment X Both

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

Present: President Kimberly Brandon
 Vice President Willie Adams
 Commissioner Gail Gilman
 Commissioner Ed Harrington
 Commissioner Steven Lee

Also present: Elaine Forbes, Port Director
 Michael Martin, Assistant Port Director
 Jenica Liu, Commission Affairs Manager
 Kimberley Beal, Acting Deputy Director Real Estate
 and Development
 Jennifer Gee, Senior Property Manager
 Grace Park, Deputy City Attorney
 Helen Shin, Deputy City Attorney

5. RECONVENE IN OPEN SESSION

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

No Report.

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

ACTION: Vice President Adams moved to reconvene in open session without disclosing further closed session discussions. Commissioner Gilman seconded the motion. The motion passed unanimously.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

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

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction that is not an agenda item. No 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))

Public Comment on Items Not Listed on the Agenda:

Daniel Conrad: Thank you. Good afternoon --

President Brandon: Good afternoon

Daniel Conrad: -- Ms. President, Mr. Vice President, commissioners. I have a matter that is not on the agenda. But I would -- it is within Port jurisdiction. And I would like the commission to please consider either scheduling it for a future agenda or referring it to staff for investigation.

What the matter is, is that I believe that the Giants are not complying with certain provisions of the ground lease with the Port, which deal with turning off the bright light towers promptly after the crowd has left after a night game, which they don't do, and limiting the light in the ballpark to the minimum required for cleanup, which they don't do.

The provisions that I think they're not complying with are in exhibit F, improvement measures. And I have an excerpt if I may hand this to the clerk.

President Brandon: Commission Secretary.

Daniel Conrad: I live in the 2 Townsend Street apartment complex, which is at Townsend and the Embarcadero. I live in Building 1, which is on the west side on a little one-block street called Colin P. Kelly Jr. Street, which runs between Townsend and Brannan. I live on the ninth floor.

My apartment faces the right field line light tower at the Giants ballpark. And it's really, really bright. And it has been my experience that, after night games, the Giants just don't turn the lights off. It's really hard to sleep with these bright lights on.

And it prevents one from sitting in one's living room and watching TV or reading if there's not a game going on but they have the lights on, which they often do. I don't know why they are keeping the lights on the way they are. But they have their own business reasons for it.

But I think it's not consistent with the provisions of Exhibit F and that there is really a light nuisance being caused to the neighbors. I wasn't involved in the preparation of -- negotiation of the ground lease. But it looks like it's the public and the neighbors that the Port was looking to protect with these provisions.

And I have been communicating with the Giants for this for about a year. I don't think it's gotten better. In fact, I think it's gotten worse. And I think it's gotten worse over the years. For example, last week, the Giants on Thursday had a day off. The lights were on all night.

On Friday, they had a night game, which ended reasonably early. The lights were on all night, Saturday night all night, Sunday night all night, last night all night. I should mention that I am a Giants fan. I was at the earthquake game. I was at the last game in the 2021 series with the Dodgers. So I'm not anti-Giants. But I think they could be better neighbors and keep the lights turned off.

There is a neighbor in my building, Katrina, K-A-T-R-I-N-A, Radojevic, R-A-D-O-J-E-V-I-C, who lives on the 10th floor who can't be here today but asked that I inform the commissioners that her family is being bothered by the lights. Her husband had a medical procedure --

President Brandon: Thank you.

Daniel Conrad: Thank you.

President Brandon: Thank you so much. Your time has passed. But I do hope that, through the executive director, we can look into this matter for you. So --

Daniel Conrad: I appreciate that. Thank you.

President Brandon: Mike, can we follow up with Mr. Conrad?

Assistant Director Martin: Yes. We can follow up. Absolutely. Thank you.

Daniel Conrad: Thank you for your time.

President Brandon: Thank you.

Commissioner Gilman: Thank you. Thank you so much.

President Brandon: [Sam Sohal]?

Sam Sohal: Hello, commissioners. My name is Sam Sohal. We run a double-decker bus company. We're the second company in San Francisco. Big Bus is the other one. So we run our buses from Fisherman's Wharf to Alcatraz, that area and Union Square.

So basically, we've been here for 15 years. And everything was fine until recently. We don't know -- because I haven't attended any of the meetings -- what transpired. Basically, they told us you can't come here. You can't do your business here. And we want some kind of feedback, want a response on what we need to do, what rules we're breaking and if we can kind of work with the Port. We'd like some kind of guidance. That's really what I'm here for.

President Brandon: Okay. Again, I will ask our acting executive director to follow up with you if you could please give him your information. And --

Sam Sohal: Now or later on?

President Brandon: Now.

Assistant Director Martin: Right now is fine. We'll be happy to do that.

9. EXECUTIVE

A. Executive Director's Report

- Economic Recovery
- Equity
 - Equity Strategic Plan Report Out
- Key Project Updates

Director Forbes: Good afternoon, commissioners, members of the public and Port staff. I am Elaine Forbes, the executive director. And today, I've asked our chief operating officer, Mike Martin, to continue to serve as acting Port director. I was away last week on vacation. And Michael worked with Port staff to prepare the packet for the commission today and the public. So I've asked him to continue his duties and to serve today. Thank you so much. And I'll turn it over to Mr. Martin.

Assistant Director Martin: Thank you, Executive Director Forbes. Let's get this all set up. Good afternoon, President Brandon and commissioners, Port staff and members of the public. I'm Michael Martin, the assistant director of the Port of San Francisco.

I'm very happy to be here to give you updates on key Port strategies on behalf of our executive director. First, I want to inform you that there was an unfortunate fire in the early morning on Saturday, September 2nd at Islais Landing. The fire, unfortunately, essentially destroyed all of the operational materials for Kayaks Unlimited.

Kayaks Unlimited is a tenant that is a nonprofit that partners with Bayview groups to share and encourage the love of water recreation. This is a devastating loss for the Port and the city and the Bayview. Thankfully, Kayaks Unlimited would like to rebuild. But unfortunately, it's going to be a challenge financially for them.

So Port staff plans to work with them to understand the path forward. And we look forward to coming back to you and sharing ideas in the future regarding how the Port can support their hoped-for rebirth and re-assumption of these important activities.

Now, I'm immediately turning to economic recovery and growth. The Port will continue to be very busy in September and October. First, we are anticipating a second successful year of the Portola Music Festival at Pier 80. The music festival will welcome approximately 35,000 electronic dance music fans each day on September 30th and October 1st.

This was a very successful event last year. And we look forward again to supporting and welcoming people back to our vibrant waterfront. The Portola Music Festival is also providing jobs and retail opportunities to local vendors specifically from our District 10 community.

A job fair produced for the event supporting our Bayview community will be held on September 27th from 3:00 to 7:00 at the Port's midway. We are also ready to welcome thousands to our waterfront for Fleet Week. Whether it's the parade of ships, the air show over our bay our ship tours at our maritime berths, the Port is the best way to experience Fleet Week 2023.

The public should visit FleetWeekSF.org for more information. And we look forward to seeing everyone on our waterfront for this spectacular event from October 2nd through the 10th. I want to highlight the Park Market at Crane Cove, which is a repeating event featuring local makers, food and drinks, activities and musicians all nestled in our beloved southern waterfront park, Crane Cove Park.

Five thousand attendees joined us for the September event. The event offered free paddle boarding provided by Dogpatch Paddle, which quickly filled up and was another success.

The next event is the Trick or Treat Market that will take place on October 28th from 11:00 a.m. to 5:00 p.m. It will be a fun opportunity for people to wear costumes, trick or treat and explore Halloween activities and crafts. I hope you can enjoy the October event.

In our Fisherman's Wharf neighborhood, I'm happy to report that only a few months into intentional activations through our partnership with the Fisherman's Wharf CBD, we have seen locals and visitors alike flock to the historic Crab Wheel Plaza to listen to live music, patronize our tenants and enjoy themselves at Pier Party at the Wharf.

Pier Party at the Wharf and the free performances will continue every Friday and Saturday from 2:00 to 6:00 p.m. until September 30th. And we definitely hope to see our locals there. It continues to be exciting that, as we continue to see the rebirth of our waterfront, that we can bring thousands for all of these special events at different times and serving different communities again and again.

We also have exciting news with leasing. Port staff is nearing a recommendation for a new tenant in the former Butterfly space at Pier 33 1/2. In July 2022, the Port Commission adopted a new broker policy to fill targeted vacancies at Pier 33 1/2 and Ferry Plaza East.

Port staff selected Cushman and Wakefield as the listing broker. And the contract was signed in January 2023. Marketing materials were developed, which were sent to a variety of industry organizations and nearly 1,000 restaurant operators. A call for offers on July 28th resulted in four offers being received.

The offers were reviewed by Cushman, who provided its recommendation of the top two candidates based on the Port Commission's approved criteria. The Port's scoring panel met on August 31st to review the offers and the broker's recommendation.

Over the next few weeks, the scoring panel will be conducting interviews to confirm the information supporting the recommendation with the goal of coming back to the commission in October with an information item detailing the staff's recommendation of the most qualified proposal.

We look forward to this discussion and the prospect of activating an empty storefront while also informing the kickoff of the broker-managed offerings of the Fisherman's Wharf restaurants that are currently vacant coming soon.

More good news for our tenants in Fisherman's Wharf while we exploring bringing attractions to the neighborhood in time for the Asia-Pacific Economic Cooperation Summit that we expect in November to bring over 20 heads of economies to our city.

We've received a special-event application from the SkyStar Ferris wheel to potentially move that from Golden Gate Park to our waterfront in time to celebrate APEC in November. We're working closely with the project sponsor, the Recreation and Park Department and BCDC to review the application and the proposal to see if we can achieve a permit on this timeline.

We plan to include this item in an APEC update to the Northern Advisory Committee on September 20th. And then, we'll come back to the Port Commission October meeting to detail what we hope is a successful path towards permitting this special event.

So you know, typically, we won't talk about something until it's happening. But with such short amount of time and with all the excitement that's growing around APEC, we wanted to give you a heads up heading into that. As you can see from our report, Port economic recovery and growth tactics are working. And we are honored to support our small businesses and tenants in trying to bring city and the Port forward.

Now turning to resilience, for this month's resilience update, I am pleased to spotlight progress with one of the Embarcadero early projects. In late August, the waterfront resilience program team began a geotechnical investigation at the Ferry Building. This work is gathering critical information about the state of the seawall beneath this iconic building.

The geotechnical data will support engineering and planning work to defend the Ferry Building from risks of earthquake and flooding. This work is being carried out as one of the Ferry Building's seawall and substructure earthquake reliability project -- excuse me.

That's one part of the Ferry Building's seawall and substructure earthquake reliability project, one of the 23 identified Embarcadero early projects that were developed out of extensive risk-assessment work by the waterfront resilience plan including the Embarcadero seawall multi-hazard risk assessment and work conducted with the cooperation of the Department of Emergency Management.

Now turning to equity, we have a diversity, equity and inclusion programmatic milestone update for you today. In 2016, we integrated equity as a core Port value and added explicit equity commitments to the Port's strategic plan. Again, in 2020, the Port worked hard to establish the racial equity action plan, also known as the REAP, and submit to the Office of Racial Equity, as required under the city policies.

As outlined in the REAP, we came together to move our organization toward a culture of inclusion, belonging and excellence with the clear goal of becoming an antiracist organization and a healthier place to work.

Now, three years into the REAP work, the Port is proud of the accomplishments we've made thus far and excited about where we are headed for this fiscal year. Now, I am happy to introduce Toni Autry, the Port's diversity, equity and opportunity manager who's been leading this work on behalf of the Port, to provide a more detailed update about these latest milestones. Toni, please.

Toni Autry: Thank you. Good afternoon, President Brandon, Vice President Adams, Assistant Director Martin, Director Forbes and members of the public. As mentioned, my name is Toni Autry. And I serve as the diversity, equity and opportunity manager.

And today, I'm pleased to provide you with a report on the diversity, equity and inclusion program. So here is an agenda of the areas that I'll cover in my presentation which will include spending some time on covering our efforts last year and a look into how we are working to deepen our impact with the prioritization and implementation of our racial equity action plan, which I'll refer to as the REAP, for this fiscal year.

I'll start with providing a high-level overview of the 2022 REAP goals. Last year, we increased our external focus with implementing actions from contracts, leasing and parks and open space. The importance of the communities that we serve led us to amplify our efforts to connect resilience communities to the waterfront open space and begin generational work to ensure equal access and opportunities for all.

Additionally last year, our internal-facing actions focused on employee-identified areas of improvement which are areas where employees have indicated equity issues exist and need to be addressed. For 2022, our focus was to begin work that will, over time, lead our organization to go beyond the standards of fair and equitable discipline by instituting our proactive strength-based approach to coach and support employees as well as expand the diversity of our applicant pool for recruitment and retain talent by removing barriers to promotion and training opportunities.

Before I go over the graph on this slide, there's important context for you to have. In year one of REAP implementation, we selected short-term goals that could provide small wins for our organization to build momentum that we could leverage for year two.

And in year two, we shifted our focus to mid and long-term goals that we knew we had to begin to start progressing towards advancing racial equity. With

that said, we did not expect to have all actions completed. For our goals implemented in 2022, we completed a little more than half.

Of the 30 actions which are inclusive of carryover actions from 2021, 12 actions are at 100 percent completion. Nine actions are at a range of 75 to 90 percent towards being completed. Seven actions are at a range of 25 to 50 percent towards completion. And a remaining two actions are at a range of 0 to 10 percent completion.

These two actions are from the boards and commissions section of the REAP and did not progress due to transition of staff roles. We are prepared to continue implementing the remaining 18 actions not yet completed through June 30, 2024.

We made notable accomplishments in 2022. And I've included some on this slide to highlight. We hired a consultant [Offer To], a WBE, LBE, who curated racial equity training for Port staff. The foundational training was the first step to promote a shared understanding of what equity is and why racial equity is important and how it benefits us all.

To support the development of our hiring pipeline, the Port created [Rising Tides], which stands for rising through investment, dedication, engagement and support. This is a mentor and training program to attract, train and employ black, indigenous and other young people of color between the ages of 15 to 25.

By adding a mentorship component and carefully selecting experiences through field trips and other hands-on learning opportunities, Rising Tides has high school and college-age interns -- has exposed high school and college-age interns to careers aligned with Port business lines.

Port staff worked collaboratively with various partners that include academic institutions, CBOs and city departments to achieve a quality internship which centers equity and the intern experience. Additionally, I'd like to highlight the increased spending with women and minority-owned businesses.

Port staff intentionally sought out minority-owned businesses to support Port events and has proudly partnered with several small businesses, many of which are from District 10, such as Boug Cali, Chef Kevin Gourmet Catering, En2Action, Gumbo Social, IRML Consulting, Senor Sisig, Tallio Coffee, Your All Day Everyday Janitorial Service, Yvonne Southern Sweets, Yes Pudding among others.

And last of our highlighted accomplishments -- certainly not least -- in 2021, the Port proudly cosponsored the inaugural Juneteenth on the Waterfront event. And the turnout was great. The Port continued to deepen its support of BIPOC-owned businesses, helping to advance racial equity by sponsoring Pop-Ups on the Plaza.

This is a quarterly event series that features local black-owned businesses participating in our partner, Foodwise's, building equity program. This event series takes place at the Embarcadero ferry terminal plaza and is free to the public.

Past events include: the Harvest Festival, which took place fall of last year; Black Women Makers, which happened this spring; and the large and successful third annual Juneteenth on the Waterfront, which is where these photos are from.

There is an upcoming event on September 23rd. So that's a shameless plug if you want to enjoy such an event in person. Pop-ups on the Plaza is proudly funded in partnership with the San Francisco Human Rights Commission Dream Keeper's Initiative, which is an intergenerational effort that aims to ensure San Francisco's diverse black communities are experiencing joy, feelings of safety, advancing educationally and economically, are holistically healthy and thriving.

It is important to note that the impetus for this event series is attributed to Mayor Breed and our very own Port Commission President Kimberly Brandon. Thank you for your vision and your advocacy for equity along our waterfront, President Brandon.

Entering our third year of REAP implementation has left us with direct experience into what's working and producing desired outcomes and what can be improved. Based on feedback from the Port's equity champions and those closest to this work, we've made improvements to the DEI program shown on this slide.

No one said it would be easy. This work can be hard. And to prevent staff burnout and to have a mechanism to bring in new ideas and fresh perspectives, we have instituted term limits for our equity champion. This also provides a chance for all staff to take part in the work to make the Port a more equitable organization.

Additionally, when we developed our racial equity action plan, our implementation schedule followed a calendar year. However, it was soon observed that, with operating on a calendar year, we were not well positioned to participate in budget planning to ensure adequate resources for our future equity efforts.

Our implementation schedule will now follow the fiscal year calendar beginning with this year. And lastly, there has been expressed desire to have more support and awareness from staff at every level into the racial equity work that is underway.

We know that increased employee engagement leads to a better work culture and supports interpersonal relationships. There will be several intentional efforts to create spaces for collaboration and in-person engagement later this year.

Moreover, as we work to deepen our impact, we have also narrowed our focus to these three areas listed on this slide. Hiring and promotion -- we want to diversify our applicant pool to achieve racial diversity within our organization. And for promotions, we aim to remove barriers and to institute supports and resources for staff to compete for promotive opportunities.

Data -- we want to increase transparency and use data as a tool to reveal disparities and draw accurate conclusions. We will improve the use of our data to make better informed decisions as well. We are also ready to be accountable for the efforts of our outcomes.

Psychological safety -- psychological safety is the foundation to inclusion. And it is the shared belief held by members of the team that it is okay to take risks, to express their ideas and concerns, to speak up with questions and to admit mistakes, all without fear of negative consequences.

We want to promote psychological safety by normalizing difficult and honest conversations among peers and between staff and their supervisors to create safe spaces. Since the start of implementing the REAP in 2021, we have placed a lot of efforts into changing the culture of our organization. And with lowering risk and increasing trust, we aim to foster a department that not only sees our employees but gives them voice as well.

Now, onto how we prioritize our REAP goals for this fiscal year, we know collaboration is key to our equity work. And we take every opportunity to bring a diversity of people and perspectives to the table when possible. Representatives of deputy directors and equity champions of all divisions participated throughout each phase of our process.

Our approach provided a way for staff from every level of the organization to have equal and direct access to decision making. The series of engagements aim to: support building a strong collaborative culture within our organization that spans across divisions; provided an effective alternative to top-down decision making, which was appropriate for this program.

The success of reaching each milestone relied heavily on teamwork, communication and a shared vision. As a result of this collaborative approach and process, there is a greater degree of familiarity and engagement with the REAP and a sense of connectivity to the racial equity work among staff.

Here are the factors shown on this slide that we use to prioritize our fiscal year '23-'24 REAP goals. We prioritize actions that support hiring and promotion,

data and psychological safety. Our goal is to deepen our impact. So our focus is on high-impact actions this fiscal year.

Our equity work has been embraced by many. And there are efforts to advance racial equity that are not presently in our REAP. So we included new actions as well. And then, there are actions required of all city departments that we must implement. So we included and prioritized those.

Since we will continue the work we began on REAP goals from 2022 that are still in progress, our collaborative REAP selection process resulted in prioritizing 14 actions to implement as our fiscal -- as our '23-'24 fiscal year goals. The REAP goals we have prioritized are believed to have a high impact and are a mix of actions that we believe are a range of easy, moderate and challenging levels of effort to implement.

This slide reflects the first half of our fiscal year '23-'24 goals. The majority of these actions are geared toward supporting hiring and promotion such as providing resources and training to staff to learn how to navigate through the city's SmartRecruiter website to apply for employment opportunities and an effort that will aim to expand our outreach by partnering with local educational institutions and professional affiliations for people of color to attract and increase racial diversity within our hiring pools.

As mentioned when covering the last slide, we have incorporated new actions and plan to update and publish a new version of our racial equity action plan, which will be made available to the public. Here is the second half of our goals for this fiscal year.

And you'll see that the waterfront resilience program equity efforts are a welcomed addition to our REAP as well as continued efforts in the area of contracts. As I conclude my presentation, I want to share that the work that I represent is not the work of one. It is the work of many.

Racial equity work is everyone's job. And I'm proud to say that both leadership and my colleagues have stepped up and rolled up their sleeves to support the advancement of racial equity. When we first developed this diversity, equity and inclusion program, we started with nothing but a vision.

We didn't know if we were building the right infrastructure. But we knew that this was something that we needed to do not because we had to but because it is the right thing to do. We are starting to feel intangible changes which is an indication that what we are doing is working.

And it is beginning to shift our culture towards transformational change. We were and still are committed to doing whatever it takes to create a more equitable -- more equitable outcomes for not only our staff but also for the communities we serve.

We still have a long way to go. And achieving equity may take a lifetime of work. But we have begun to go beyond words and into meaningful action. Our journey to become a more equitable organization continues. Thank you. I'm available for any questions you may have.

President Brandon: Thank you, Toni. Great report.

Assistant Director Martin: And with that, we conclude the executive director's report. So we welcome your comments and feedback. Thank you.

Public Comment on the Executive Director's Report:

Alice Rogers: Good afternoon, commissioners. I'm Alice Rogers. And I just want to comment on this excellent report that we just had. The only thing that I think that was missing -- I had the honor of working on your waterfront land use plan update, which also had a huge diversity goal and aspiration.

And when I was strolling down the Embarcadero two or three or four weeks ago, we needed a video of what was going on on the waterfront because there was this huge event with the black and Filipino food thing. And next door was a low-rider thing. And the street was filled with amazing cars.

And the farmer's market was completely bustling with everybody. And I think that would have just shown that what was just said is absolutely in action. And I couldn't have been more excited. Thank you.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Lee: First again? Great report. Shows that the staff works very hard here. I just have a couple comments. On the music festivals coming up, which I think it's a great thing because every time we struggle, entertainment seems to be the draw in most communities.

I just want to make sure this time around that staff really pays attention to public safety, you know, crowd control because those kids can get a little excited, you know. So I think public safety should be a number-one issue on Port. That's how it was for me on entertainment commission.

Also, the REAP program is very great. I'm just wondering, how do you do your outreach? How do you get more people involved? Because I know, in D10, Visitacion Valley and Bayview, there's a lot of AAPI nonprofits there that would probably like to join up if they don't already know. But I'm just curious how you do your outreach for that.

Toni Autry: Through the various staff that do community engagement, we tap in to our existing advisory boards, our existing relationships with community stakeholders to try and expand and leverage those relationships to include new

ones so definitely by word of mouth. And we are doing more to reach folks who don't always have access just to simply our website.

So through our social media campaigns that we have planned, we are always open and willing to partner. So some of the ways that we've been doing that has been just leveraging our existing relationships.

Commissioner Lee: Okay. Great. If you need any help, let me know. I'd like to help you promote.

Toni Autry: Okay.

Commissioner Lee: All right. Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Yes. Thanks very much for the reports. The Kayaks Unlimited -- that is very unfortunate. I hope we can help them as much as possible. The Ferris wheel -- somebody mentioned that to me last week. And I thought, what are you talking about? Where are we talking about putting the Ferris wheel?

Assistant Director Martin: In the triangle parking lot --

Commissioner Harrington: That's what I figured.

Assistant Director Martin: -- at the eastern end of the parking lot.

Commissioner Harrington: Okay. I guess good. I don't know. [laughter] And Ms. Autry, thank you very much for your report. The things like the tides initiative and things are great. You had mentioned intangible results. And you had also mentioned one of the outreach things is data.

I'm a fan of that too. Do you have reports that actually can start to talk more about the changes that are happening in recruitment and retention and promotion and kind of the equity levels -- different levels of staffing in the organization that you could provide to the commission?

Toni Autry: We don't at this time. So this year, as we talked about, trying to really deepen our impact is really taking a step back and examining what the data says, how the data says we're actually doing. So I think, if not now, certainly in the near future, we may have those.

We should have those reports available. In terms of the intangible changes that we are starting to feel, we do do an annual survey of our staff to get a --

Commissioner Harrington: Like a climate kind of survey?

Toni Autry: -- yeah -- just to have our finger on the pulse of how folks are receiving this equity work. So as it is right now, I'm working with a consultant to kind of analyze all of the survey responses so that we have a sense of where we are, where we need to do better, where we need to do more of. And so that should also be available relatively soon.

Commissioner Harrington: That would be great. I'm sure a chunk of it is internal. But if there's things that are appropriate for the commission, we'd love to see whatever you have.

Toni Autry: Okay.

Commissioner Harrington: Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you so much, Mike, for the report. It's sort of a mixture of stuff from the equity report, and just so much is happening on the waterfront. I had the opportunity to go to the Juneteenth celebration. It was packed. I got there at like 11:00. And like half the booths were sold out.

So I just want to say like really great work and then to see almost three weeks later the events on Piers 30/32 with the Filipino and Latinx food trucks and the cars was just really, really great. So I think it's great when we can take our equity work both internally for our own staff, so they feel more welcomed, included, can have internal promotion and then also uplift them and bring that out to the community.

So I really want to commend you, Toni, for all your efforts you're doing on this. It's really, really great. And then, Mike, I'm super excited about Fleet Week. Commissioner Lee and I had the opportunity to go to the kickoff last night. I think it's going to be a really great event.

There's even a basketball tournament happening between the Academy of Art and, I guess, seamen or naval people at Piers 30/32 so just love the activation of everything.

You know, just one aha moment, if we're going to have the Ferris wheel at the little triangle, I really hope that we can work with SFPD, ABC and the Department of Public Health to really do massive enforcement on illegal vending. That's a hub for it. So maybe activating that space will help mitigate some of that.

But I would hate to see that behavior happening simultaneously when we have foreign guests, visitors and dignitaries here in San Francisco. So I wanted to thank you for that report. And I also just wanted to take a minute. I'm hoping

that we can close today's meeting in memoriam to Peter [De Lucca], born in North Beach in February of 1940.

Peter passed away at the age of 82, two weeks ago Saturday. Peter's family was iconic here in San Francisco. His Auntie Rose Pistola opened the original restaurant in North Beach. And Peter was passed from the bar at the original Washbag at the age of five when his auntie was watching him, and he worked there.

He called among his friends Lawrence Ferlinghetti. He worked for Francis Ford Coppola at Zoetrope Café, for Flicka McGurrin who owns Pier 23 and Sweetie's. Peter was dubbed the mayor of North Beach by David Talbot. And he is -- multiple-decades-long members of the Bay View Boat Club, which will be hosting his celebration of life in October. And I hope we can close the Port Commission just like the Board of Supervisors did today in memoriam for Peter De Lucca. Thank you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: First of all, I wanted to say to Deputy Director -- Acting Director Mike, a very stellar report. Toni, on the diversity and equity and inclusion, you knocked it out the park. And I want to say really a big shout out to President Brandon, who has made it her lifelong mission and commitment for diversity and inclusion.

She lives it, and she wears it on her shoulders and her sleeves. It's great about Fleet Week. And I want to say a special shout out to Director Forbes. I'm glad that you were able to get away and get a break to recharge your batteries. It's important to have that balance.

Then, I want to say a special thank you to my commissioners. I've missed quite a few meetings. President Brandon, Commissioner Gilman, Harrington and Steve Lee, I couldn't have made it without you. You know, I've been involved in our West Coast negotiations as president of the ILWU. And we finally got done with our West Coast contract covering 29 West Coast ports and 13 months of negotiations, very contentious with all the shipping companies.

And we were able to get by without shutting down the West Coast and having a major strike. Everyone knows the ILWU. We are a very, very militant union. And we will use our power when we have to. And there's times that we've struck. But this time, we were able to get an agreement.

And I want to say a special shout out to President Biden who allowed us to go through the process of the collective bargaining process and a special shout out to Secretary of Labor Julie Su, who came in at the end and made sure that we were able to get an agreement.

Right after that, we had the fire in Maui. And if you know in Maui, most of the people in Maui, they remember the ILWU. All the hotels, stores, ports in Maui -- those were our members. A lot of our members are still missing. I want to thank the president and first lady for visiting.

But I want to say a special shout out to our mayor. We were sending about 20 containers over to Maui. If you know anything about Hawaii, everything has to go by ship. And we were able to send 20 containers. Mayor Breed got behind it, a special shout out to our executive director.

We were able to send containers full of water, blankets and supplies to the people of the great state of Maui. We know that it's probably going to be three or four years to rebuild Maui. Just recently talked to the governor. They're planning on opening up Maui next month because, as you know, Hawaii depends on tourism.

And some of the hotels will open up. And they want to try to kick start their economy. But still, it is a lot of work to go. So we appreciate all the support in that. And then, last week, we had a special invitation to the White House. We were the guests of President Biden.

And he wanted to thank our union not only for the supply chain but getting through 13 months of negotiations in the West Coast ports. It was a very, very, very surreal moment to think that the man whose shoulders the world depends on was able to take the time out to acknowledge the ILWU and the Pacific Maritime Association and that we were able to get a contract.

So we have been busy. But like I said, I couldn't have done that without the support of my fellow commissioners. And I just want to thank you for allowing me to do the work that I have to do, which is tireless and relentless. And nobody ever tells you thank you.

But you know you're doing it for the membership of your union just like being a Port commissioner. We do it for the love of this community. So to my fellow commissioners, thank you so much. I couldn't have made it without you. Thank you.

President Brandon: Thank you. Mike, thank you so much for the report -- a very full report and a lot of great stuff happening along the waterfront, really sorry to hear about Kayaks Unlimited. And whatever we can do to help would be great because it's a great resource for the community.

It's really great to hear about the activation at Pier 70, Crane Cove Park, Fisherman's Wharf. And then, Fleet Week is like the icing on the cake. We are really doing our job at bringing people to the waterfront and activating the waterfront and helping the economic recovery of San Francisco.

So I really want to thank the staff for everything you're doing to create all these opportunities for people to enjoy the waterfront. And Toni, you did an excellent job, really appreciate it. I saw Christine Farren from Foodwise who -- and I saw her right before I came in. And she just raved about Toni and how easy it is to work with her and how she now feels connected to the Port.

She said the Port was just an entity. And she didn't know anyone. But now that she works with Toni, she feels engaged. So you are really making a difference. And I know it's not easy. Change is not easy. But you are doing it so smoothly and always with a smile.

You have your team. And you have your committee. And I just want to thank all of you because you're doing an excellent job. So thank you.

10. REAL ESTATE & DEVELOPMENT

A. Informational presentation on: (1) Phase 1 Revised Budget; (2) Contribution of Port Capital; (3) Preview of Final Budget and Misc. items, for the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay.

Assistant Director Martin: Commissioners, if I may, I might make a few framing comments before I hand things over to Josh Keene and our Mission Rock team. So items 10A and 10B are related. And 10B is an approval to move forward on the efforts needed to issue bonds, which you've approved twice already.

And that's a key strategy for us to continue to pay back the costs of the infrastructure that are allowing us to see those buildings rise out of Mission Rock. And that goal is to pay down those costs as soon as possible in hopes that we'll save more of the land value later to eventually get some rent.

But we wanted to agendize 10A because we wanted you to have this context of the situation with the budget and how we're projecting the budget to go over the currently approved budget and the dynamics around that, so we can have a dialogue about that here.

Our goal will be to take back your feedback and your questions, so we can do further analysis and come back in October to try to describe for you not only the answers to your questions but a better idea of the impacts to the potential budget increase in terms of future phases and the future of the project.

So this is really sort of a step one of the conversation. But we also wanted to make sure you understood the interrelationship of 10B, the bonds issuance. So you'll hear some of the bonds talk in 10A. But we're still going to do a short presentation on 10B. I just wanted to frame that for you.

But ultimately, I think all of it -- we'll be hearing you out. And we'll be coming back in October hopefully with some more clarity as to the things that we need more clarity about. So I just wanted to frame that a little bit in terms of the two items. But now, I'd love to hand it over to Josh to take it from here.

Josh Keene: Great. Thank you, Mike. And good afternoon, commissioners. Josh Keene, assistant deputy director of development. Before I jump into this, I would like to frame this probably in three parts even though there's going to be a specific agenda which -- really to highlight talking about the activation on the waterfront but the real success of Mission Rock, then starting to really discuss some of the challenges.

But then also the next is going to be preview of actual solutions and next steps and successes we're looking forward to over the next 12 months and longer.

[Audio gap] sections, which is going to be an overall project update. A lot of you have loved seeing the visuals yourselves. But we just want to always make sure we're showing what's happening down there. It's very exciting.

And then, moving in to some of the challenges, specifically the phase one budget -- expected overrun that Mike was talking about -- and more specifically with that today, it's going to be broken down into a portion of that, which is about half of it, is tied in to the increase of the city costs and the Port costs and our consultant costs that are tied into the overall project. But it's also a component of the project budget itself.

And as Mike was mentioning about the bonds, we have two concepts we wanted to talk about just briefly. These are part of our solutions which -- one is the concept of Port capital, which will be very briefly touched on. And then, the bonds are just going to be very briefly touched on to be covered in detail in item 10B.

And then, most importantly also, we've got some next immediate steps. And we haven't done a Mission Rock update in a while. So I also want to let you know about all of the items coming your way this year and in the next year. There's a lot to look forward to. So we will not be going so far in between on updates whether it's the budget or anything going forward, as you'll see towards the end.

So just as a quick recap -- I'm not going to go into the entire project because we're focused on phase one today. But as most are familiar, it's comprised of four vertical parcels, two of which are housing and two of which are commercial buildings so a significant amount of housing being delivered, 537 units, 199 of those affordable plus commercial tenants.

Because this is truly intended to be a neighborhood, there is a significant amount of ground-floor retail that's been set aside. And we'll talk about that a little bit. We've actually had some real success in the lease up immediate -- just recently and coming forward with respect to the retail.

Then, one of the hallmarks of this from a visual perspective is the construction of China Basin Park, which the majority of that is under construction now. And that's a five-acre park that will be there to support the actual development. But also, it will be a publicly accessible park, not just for the development, of course.

What's happening outside of the vertical side is making significant progress on the phase one acceptance, the horizontal acceptance, which we'll touch on later as one of the kind of key drivers for where these costs are coming from. We're expecting that to happen next year as early as Q1 but most likely probably closer to middle of 2024.

So just want to touch on a couple of the -- you know, taking the project from the beginning. Just -- there's a series of these milestones that are in the report. I just want to hit on a couple of these which -- really, the phase one budget was approved in 2019. That included also the street improvement permit submittal in 2020, which was a huge progress here for the project.

This is when the four parcel leases for all four of those buildings were signed, which is a really key aspect of the success of this project, even though during COVID these leases are getting signed and the ability and the decision to actually move forward with construction on all four at the same time is what allows us to be in the position we are today, which is to actually open the entire phase almost at the same time rather than staggering it out.

2021 had continuation of the horizontal progress. And vertical construction began on Parcel B. Then, that was the first time we had actually issued the bonds was in the early part of that year. So the series -- 2021 A bonds netted about \$44 million to the project.

We came back about two years ago. That was the phase one budget approval. That's when the first increased budget came forward. But then later that year, also we had more bonds coming into the project, bringing it almost to \$100 million of proceeds to offset these phase one costs.

In 2022, the Parcel F began under construction. But also -- this is the kind of the tying into the future phases -- the developer submitted the phase two application, which is the basis of design for the future phase two, which we will talk about later as being -- it's challenged at the moment. But we're working on pathways forward on that.

Then, I show these on the actual buildings' updates themselves. But we did receive temporary certificates of occupancy for three of the four of these including -- and a completion of the district energy and blackwater treatment plants. As you all may recall, we also tied into that the blackwater treatment plant. We brought forward a very novel and unique recycled water agreement -- purchase agreement for that.

So it was a quick refresh -- kind of a visual hallmark that you see when you're watching any Giants game is Parcel G, which is Visa's headquarters. That received its temporary certificate of occupancy earlier this year. Visa is currently underway building out the interior for that.

You can imagine there's a lot -- all 13 stories and 300,000 square feet of space. But that's actually -- Visa is actually expected to occupy as early as 2024 so actually going to have people working there going to work in addition to Parcel A, which received its TCO in May and is already welcoming residents including market-rate residents and just recently starting the actual -- BMR occupants have actually started to move into the building too. And both of those buildings have office space and ground-floor retail.

Parcel B, which currently is vacant -- the team is working -- this is for life science or other tech. This received its temporary certificate of occupancy in June 2023. The team is actively marketing this and discussing it in negotiations for a tenant to take either the whole building or a sizable portion of that. No formal update yet but that's something we're really looking forward to.

Three of the ground-floor retail leases though have actually signed. Those actually made the press fairly recently. So we've got Ike's Love and Sandwiches, Blades, which is a barber shop, and then LuxFit, which is a gym. So that's super exciting in the retail market right now. It's very good interest and actually expecting to announce more in the future.

Then, lastly, on the vertical parcels is Parcel F, which is following a little bit behind. That's by design. So that will be expecting to have its temporary certificate of occupancy next year. That's going to have 254 residential units. Ninety-seven of those will be affordable units.

The timing on this is nice with the lease up of Parcel A, which we have been looking at about a 12-month lease-up period for that building. The thought is [this is going] to line up nicely, so they're not competing against each other. As soon as that building is leased up, we're ready to move into Parcel F.

We've actually started discussions with the Mayor's Office of Housing to make sure that we're starting that process early so that we can actually be ready to go when it happens this [spring].

And then, the aforementioned China Basin Park, which, similar to Parcel F, is -- it will be delivered in 2024. So that's the five-acre park, the inland portion, which is the majority of this. One of the budget issues that we experienced in the last one was, unlike Pier 70 where it was a physically challenged obviously and financially challenged project, we deferred the construction of the park -- the public park in the phase one there.

We moved this one forward into the phase one, which means you put a lot of the horizontal costs upfront. But it's really for the overall benefit of the project so that we're not building the park later down the road. So even though it's a significant investment, we feel it's the right one for the project.

As I'll preview later and you've heard many times, we are negotiating the parks management agreement, which is a lease. So that will be for the actual management of the park, the goal to be to minimize any cost the Port will incur.

I just want to do a very quick LBE update. As we continue to trend up, we are now clearly over 18 percent on our way to our 20 percent goal. So just recently -- so we're at 18.28 percent with a total of \$163.48 million awarded in LBE contracts, which is a huge success.

So I do now want to talk about some of the challenges before we move into some of the solutions here. There's a -- we've got a group here from the Port and also from Mission Rock Partners if we need to go into any of this information in detail in the question-and-answer session. So I just want to talk about the high levels on here where we are currently estimating that the total phase one completion cost will be \$218 million budget -- slightly over that.

Now, that is projecting out through project completion through next year. So the number is high. But it is expecting the future costs. And Mike mentioned this earlier. And it's kind of why we're doing this today with the bonds. When we go out to the market with the bonds, we need to be fully transparent of what the information and forecasting what we know so that, by the time the bonds are sold, we're sharing everything we have out there.

And this is why we wanted to make sure we have this information in front of you. We are currently reviewing. And everything looks on track as far as it goes. But we're working with the developer to sign off on those Port costs and fully expect that that will be part of our October 10th Port Commission.

Today, we'll actually focus a little bit more on the city cost aspect. And that is a component and the line item of soft costs there that I'll show in a little bit more. But the projection of Port, city staff and consultants to go through the project into 2024 and early 2025 is just under \$20 million.

So there's a breakdown on the right of this, which is split amongst Public Works, Port staff, the consultants, which predominantly are the Port's consultants

that we're relying upon, and then the city attorney who works tirelessly on some of these agreements that are exceptionally complicated.

And this is over a series of -- a period of time, which I'll show on the next slide. I do want to just talk about some of the high-level drivers on this. There's some macroeconomic issues such as interest rates and inflation that are just natural to everybody.

There's also some very specific things about Mission Rock, if anyone that's been down there -- there's very unique design and materials. Its location along the waterfront requires a different level of resiliency and sea-level rise than we normally would have -- maybe not the Port but other projects themselves.

There's very sophisticated design functions and materials down there, different types of paving that are nonstandard that just add to the delay -- the time period of the review of city agencies. One of the other biggest issues that we have is we set these budgets before the permitting process occurs. And then, there's changes that are happening after the fact of the permitting.

And we are very sympathetic to that. But it's really hard to nail down the number. And that's really what we're seeing here today. One of the issues -- and this is -- the good side of the bonds and kind of the downside of the bonds is it's a lot of money into the project. But it does take a lot of staff review and bringing in outside consultants to help validate all of the costs in a way that's different than the budget.

It's actually -- the reporting requirements are significantly higher for public financing at this stage. And they continually -- of course, COVID -- we are seeing less of that now. But we are still seeing supply chain issues. The labor issue is not as bad as it was there. And we're having less of those.

On the other side, I will say we did have -- unfortunately this last year, we had a lot more weather issues than we were previously having. We didn't have the best year as far as that kind of stuff goes. So there's the breakdown of these by percentage. I tried to group them. The other is kind of miscellaneous city departments, which would include the SFPUC and the SFMTA.

So I wanted to kind of show this over time. So -- and this is what really the driver on the city costs are and the overall project cost is time. Certain things are -- certain things, there's costs like inflation. It's kind of not really time sensitive as far as that goes.

But if you look at this starting in 2019, you know, we've got a pretty good burn rate starting in 2021 of \$3 million to \$4 million per year for these expenses. Every year that issues come up or we push things back -- and what I mean by pushing it back is the acceptance by the city and the Port of the improvements.

What those do is those -- that action effectively stops the clock on the phase one budget -- the material levels of that. So we're looking at a 2024 acceptance. We were hoping it was going to be earlier. But because of some of these issues I mentioned before -- that's one of the macro drivers within the project itself is just time.

So for every year, you know, we're talking an extra \$4 million. While I mentioned previously we feel really confident about this projected number, the biggest risk associated with that is time. If there is an additional delay or the acceptance process which we are not foreseeing, that is a potential risk.

But we have the full support of the mayor's office and OEWD and the entire task force. So we feel pretty confident that our schedule is going to hit for next year as far as that goes.

I just also want to be clear that these numbers for the rest of 2023 and then following two years after, those are projections. So we consider those pretty conservative. We just want to make sure -- 2025 is an example. We want to make sure we've got some time to transition off the project if it's going a little bit late too. So we do believe contingency was appropriately accounted for in here.

Okay. So I'm just going to frame this concept right now. It's a concept we have in our development agreement with Mission Rock Partners. And it's the concept of a Port capital advance. And what it is is it's essentially a project source where the Port can make a voluntary commitment, almost like an equity partner, as a source of the funds.

And what we're proposing, in order to stop some return -- the developer return -- and I will explain kind of how this works conceptually -- this \$16.5 million over up to that amount once -- the numbers there. We're recommending that we would end up classifying these as Port capital advances.

Now, that means the money that we've kind of spent today that's over the budget and the money going forward would be there too. And what that does is it essentially means -- the math is there. But it essentially means the developer is never getting an 18 percent return on this.

In lieu of it, that \$16 million -- the Port is now investing it to a return that's essentially 10 percent. There's some limitations that drop it down to 9 percent in some instances. So beyond just kind of making this current phase -- finding a solution there -- it adds significant benefit to future phases, phase two in particular, because we're not carrying over as much of the developer capital burden that needs to be paid off to make the future phase happen.

I say that -- and we're going to explain that in October when we come back because we're actually modeling this. And I'll talk about that but wanted to introduce this concept to you that it would be basically, instead of the developer

capital, the Port would put in a capital contribution, get its own return and, as I mentioned, approve the overall economics. And we will be demonstrating that in October when we come forward with a request to approve that.

Mike touched on this briefly. And Wyatt from our team will detail this much more so when we go through -- when he goes through the presentation on the bonds themselves after this item. But basically, because of the success of the vertical development -- directly it was a result of that -- the value of the property has gone up.

And once the value of the property goes up, there's actual increment and value that's been generated that now we can bond against. So what we're looking at is we feel that working with the Office of Public Finance, the current estimate is there may be up to \$58 million of additional value that's been created since the last time we went to the bonds.

And we're trying to go now to do that. And obviously, putting bond performance into the project is better. So even if you sold bonds at 6 percent, you're stopping the return of an 18 percent or, even in a Port capital scenario, the 10 percent. So it's always better to sell the bonds if you've got the value there.

So we're going to end up estimating that that will bring about \$40 million in net proceeds to the project. Fortunately, we don't g -- the bond market is a little more challenging. And Wyatt will detail that. So we don't get quite the bang for your buck that we had before because of the interest rate environment. But it's still infinitely better to be doing this from us.

And why is this time of the essence? Because basically, each month that we can sell these bonds earlier, we're saving the project about \$500,000 to \$600,000 because of the return that stops and that [debtor's note], therefore not accumulating that return going forward.

So one of the reasons we want to put all this information -- and we know it's a lot -- into the info item is we really believe that the bonds -- time is of the essence to move those forward. But we wanted to make sure this item is putting everything in front of you that we know of today.

So speaking of which, the immediate next steps -- and this will continue into next year -- is, right in front of us, this is kind of the action to capture the rest of the value in phase one, which is the budget increase and then the associated bonds. But this whole thing works by making the other phases go forward.

And there's some issues associated with that such as, hey, if interest rates drop, if the office market increases, these are all macroeconomic factors that could make the phase more feasible on its own. The reality is we're also going to look at other options. What would an option of the phase two look like?

What are phase two alternatives that we could do to create some value going forward? And so we're really just trying to figure that out and, you know, just see things like what -- if the interest rates do change, how does this perform overall? How does this make the project go?

The reality is that all the money for the Port -- it's really in the development of these projects. And once you can get the future phases, the tax benefits and revenues are significant. I mentioned that before. And I'll show you in the next slide.

So we've actually engaged a third-party consultant that's going through the model, validating it and is going to help us run those scenarios. We expect to start having that initial discussion with you in October. That is going to be an ongoing discussion with options and scenarios up until we eventually are ready to do a phase two budget approval.

That's not going to happen this year. But the hope is it could happen as soon as next year depending on how things happen. So lastly -- touched on a lot of these -- I just want to kind of wrap it up about what to expect from this project in the immediate future and then into next year.

So the 10B item where you're asked -- you'll see that as -- we're treating that as a stand-alone because we're asking you to consider that as an informational, an action specific to the bonds only. You don't have to -- nothing else is being approved as far as that goes to allow us to move forward with that process.

So there are some factors we want to feel comfortable about that the budget increase and the commitment of the Port capital, which we're going to bring to you on October 10th, that that's -- you feel comfortable approving that. And if so, when we come on October 10th, we will be immediately moving forward through the Office of Public Finance with issuing the bonds at the Board of Supervisors to price them this year.

But there is that approval level right there that we'll be coming back to you on October 10th. The developer is also -- the Port and the developer have acknowledged there was a technical error in the negotiation of the parcel lease with respect to the participation in a refinancing scenario.

So Port is fully acknowledging of this. We consider it a technical cleanup. I mentioned it very briefly in the staff report. But we will bring that to you in October. There is some other requests that the developer is making -- consider it to be easier to refinance the project which adds benefit to the project.

We did not put those in the info item because we are not -- we are still vetting those as far as that goes. But [it would be] back then. Commissioner

Gilman, I know you had requested before a leasing update on Parcel A. So we intend to have that once they have numbers.

So I don't know if that's in November or Dece -- as soon as it's ready. But it's on our radar to do that. As I mentioned, Parcel F -- the lease-up process -- we're engaging that with MOHC now and then the aforementioned park lease and the associated land rights.

So the park lease is its own. But there's also some land rights to manage the other open-space areas at the point of time when the acceptance process happens.

What I did not put on here but it's kind of the overall arching one -- and we expect that in 2024 -- it's just a little more forward looking -- is the acceptance process. So that's kind of one of these big drivers. But that's going to be in 2024 as far as it goes.

So with that, a lot of information -- I'm here to answer questions. I've also got representatives -- some specialists within the Port for different questions if you have them. And then, the MRP team including members of the Giants and Tishman Speyer.

No Public Comment on Item 10A.

Commissioners' Discussion on Item 10A:

Commissioner Gilman: Thank you so much for this report. It is a lot. I feel very comfortable with why the pricing costs have increased. They seem in line with other construction or other things that I'm seeing happen with other projects or in the market.

I just had one question. It's more just to make sure I'm conceptualizing it correctly on the Port capital advance. Is that like a soft note? Like in a development project sometimes, people will put in a soft note as a placeholder then to either get bought out or have a return or get other financing. Or is it just completely different than that?

Josh Keene: Well, Wyatt, if I'm off, you can correct me on this one. But generally speaking, it's acting like that. So it's essentially an equity position that we're now investing into the project. And then, we will just take the -- instead of that hitting the developer capital expenditure as a source, this will be its own source. And like the Port now jumps in as a partial inves --

Commissioner Gilman: So you're somewhere in the waterfall for when everything --

Josh Keene: Correct.

Commissioner Gilman: -- happens. What's our position in the waterfall?

Josh Keene: That, we're evaluating with -- we intend to go on October 10th. So it depends on when we capitalize those and treat those in there. So that's what we plan to come in October --

Commissioner Gilman: Okay.

Josh Keene: -- and that's why that would be part of our model.

Commissioner Gilman: Okay. Thanks. That answer my question. Makes sense.

Josh Keene: Yeah. No. And that's part of -- part of we need the third-party consultant to say, when does it make sense in the project for the benefit of the project for this to happen?

Commissioner Gilman: And just remind me -- because it's in the overall project. It's not tied to a particular building or --

Josh Keene: It's overall budget.

Commissioner Gilman: It's overall budget. So I would be interested when you come back in October -- you don't need to answer this now -- if -- I just don't remember if there was any public -- was there any public finance put towards the affordable units?

I'm thinking about that only for waterfall position of if there's tax credit investments. I see Tishman shaking their head no. So there wasn't any. Okay. I just wanted to flag that, if there was any public funds used for the affordable side of it, they would have a different waterfall position.

Josh Keene: Yeah. Well, the vertical construction itself --

Commissioner Gilman: Yeah.

Josh Keene: -- which is the improvement itself would have -- could have had it but not for like a subsidy or anything like that associated with the affordable aspect so the physical --

Commissioner Gilman: Okay.

Josh Keene: -- [structure], the hard cost. Yeah.

Commissioner Gilman: Okay. Thank you.

Josh Keene: Yes.

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: It seems like your increases look kind of in line with what's going on. I mean, you're looking at about 20-22 percent increase in the next few years, which I think -- it's probably within line. Do you guys find any problems in the future with product, you know, cost of m -- I mean availability of materials in the future? Or you think there's going to be an ample supply? Are we catching up on the supply chain?

Josh Keene: I would probably turn this over to the MRP team if anyone's got anything specific on this. We've -- for the purpose of phase one, that's all been expected in there. So in future phases, I don't know that that modeling has been done because we're -- it's not financially viable yet. So to the extent -- we don't have a start date for phase two. So I think this will -- [crosstalk]

Commissioner Lee: Yeah. That's a key issue always. Time is the killer. And that's why I'm just wondering when we're ready to start. There should be ample supply, I would think. But I'm just kind of curious, you know. It's not that important.

Josh Keene: Yeah. No. I think --

Commissioner Lee: I think 22 percent in two years is probably viable.

Josh Keene: Yeah. So when we come in October, we do intend to explain how phase two would work.

Commissioner Lee: Okay.

Josh Keene: So I will make sure to note that assumption. We will address it there just to how we are -- we're factoring it into our assumptions there.

Commissioner Lee: I'm just curious. If we -- let's say it went 25 percent. It went more -- just to have a cushion in there. Does that affect the bonds at all, I mean getting --

Josh Keene: No, not the bond now because the value is created by -- it's not just the cost that we spend. It's the value of the buildings themselves. So it's how much capa -- what it does is it would have an impact on phase two viability because we'd have to take out the money to pay off phase one before you go to phase two. So it kind of puts phase one in more of a hole to be recovered before phase two can really go forward.

Commissioner Lee: I see. So you think 22 is a good number, hmm? 20, 22?

Josh Keene: In this, I -- while we're reviewing it, yes. We're still finalizing our review of those numbers. But from the developer's perspective, that's the

numbers they put in their -- [crosstalk] everything they put in there -- as we've gone through the process, things are not flagging.

Commissioner Lee: Okay.

Josh Keene: So yes.

Commissioner Lee: Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you. Thank you, Josh, for the presentation. Also, thank you to the Port staff and the Mission Rock staff for bringing me up to speed on this in the last week or so. I did a nice tour of the project yesterday with Mission Rock staff. So thanks very much for that.

You know, the projects of this size and this complexity -- obviously, it's going to have challenges. But I do think we should start with it's incredibly successful and acknowledging that and acknowledging that level of affordable housing, that level of -- you know, Visa staying with us this whole time is pretty amazing.

But yeah. There's going to be challenges. And it makes sense that there's going to be those kind of challenges. I guess I have two questions. I know, if you're a Stephen Covey fan, you're supposed to come from a place of abundance. I tend to come from a place of scarcity.

So if this money is going to go here as opposed to being available for other Port projects and/or for phase two or something, is anything not going to happen because we're having to add more money to this? Or are things going to be delayed because we're not going to be able to spend the money in the way we may have preferred to spend it as opposed to here?

Josh Keene: You're talking about a potential Port capital, not the bonds, right?

Commissioner Harrington: Actually both. I mean, from that point of view -- I mean, any time that budgets go up for one thing, it means something else doesn't happen, or something else gets delayed or whatever. So the Port capital -- clearly, that's a cash thing in terms of the Port.

But also, I'm assuming, if we're issuing -- if we're taking advantage of the increased values to issue debt on this, it means that phase two, as you just said, kind of gets a bit more difficult possibly because phase one is taken care of better. So what's the impact of that?

Josh Keene: I can do the bond part. And then, maybe I'll have Nate Cruz come up to just talk about the Port capital, which is kind of an opportunity-cost question

of its own. The reality is phase one and phase two are directly connected. So the faster we can stop existing 18 percent return is strategically going to be better than setting aside money for future money that's not totaling right now.

So at the end of the day, making the 18 percent go away as soon as possible is the move. So if we had more bonding capacity, we would bond this entire -- if there was enough value, we would have bonded the 100 percent of this, waited and then ready for phase two. We would be bonding there and stopping it.

So I would say, from a bonding side, there is -- it's the right strategic move to stop the clock on that. Nate, you want to talk -- Port capital is probably a little bit different.

Commissioner Harrington: Sure. Thanks, Nate.

Nate Cruz: Thanks, Josh, Nate Cruz, deputy director, finance and administration. On the capital-contribution question, the assumption that we made in the past about these city costs was that they would be reimbursed. So assuming that sort of net-neutral fiscal impact, we didn't really make any tradeoff decisions or cut into services or limit any positions or investments.

The effect of this really is that our fund balance is lower than it otherwise would have been if we did not make this capital contribution. That's only true through the current budget cycle. In FY '25, this budget cycle we're coming up in, I think there's some additional costs. It's about, I think, \$1.9 million that they're forecasting.

That, we can no longer assume, if we make the contribution that's approved by the commission, we'll be reimbursed in that same fiscal year. You know, there's downstream repayment opportunities. But it's no longer this net-neutral fiscal effect.

So there, we're going to have to make some tradeoff decisions either to pull from fund balance and invest or constrain our capital investment in some other place. That's where the tradeoff decisions are going to be in this upcoming fiscal period.

Commissioner Harrington: And why is it only the last 1.9 and not the year -- all 19?

Nate Cruz: Typically, we make budget decisions on a year-to-year basis. We don't dip into fund balance. That's there as a cushion or a reserve.

Commissioner Harrington: So you've been using regular annual revenue to be taking care of this.

Nate Cruz: Yes. Yeah. Pre-COVID, we had, you know, annual revenues coming in. We had a goal of setting aside a certain amount for capital every year and then, at the end of the year, breaking even. COVID changed that quite a bit.

Commissioner Harrington: Right.

Nate Cruz: But the fundamental logic underneath that is still what we plan on using going forward especially now that revenues have recovered to pre-pandemic levels.

Commissioner Harrington: I guess I get the cash flow. I don't get the total. If your budget was \$5 million and now it's \$19 million --

Nate Cruz: Yeah.

Commissioner Harrington: -- there's \$14 million going to be invested in this that was not otherwise going to be invested in this --

Nate Cruz: Mm-hmm.

Commissioner Harrington: -- that ultimately comes out of fund balance. That ultimately means that either you have a lower fund balance, or you don't do some capital or you do it later on. Is that accurate? Or am I missing something?

Nate Cruz: Yeah. I think that's exactly it. Our fund balance is lower than it otherwise would have been by \$14 million.

Commissioner Harrington: Okay.

Nate Cruz: Yeah.

Commissioner Harrington: But you don't view it as a problem -- I mean a sizable problem?

Nate Cruz: We've been fortunate that, because revenues have recovered so quickly, our fund balance is actually incredibly healthy. And it's at levels that we haven't seen even before the pandemic. So frankly, I'd rather get repaid. I wish I had that money in hand. But I'm sure we all wish COVID hadn't happened and the challenges of the development project didn't happen.

So we're in an economic place where we can absorb the hit and invest in the future of the project and that part of the waterfront and additional resilience protection down there. But yeah. It has a direct cash impact to the fund balance.

Commissioner Harrington: Okay. Thank you.

Nate Cruz: Sure.

Commissioner Harrington: And just one last question if I could, Josh -- so yeah. Nobody likes to see overruns, but they happen. On big, multiyear projects, they happen. I think one of the things you mentioned -- I just want to clarify -- was something about making sure that we know about those things earlier or in a more consistent fashion. Did you have a different plan for the future?

Josh Keene: I don't have specifics except an acknowledgment. We talked with the project team. We both came to a determination we need to be really managing this pretty actively. It's not that we weren't managing it. It kind of all came together as this big number because we needed to disclose everything to the bonds and therefore kind of push this forward.

And it's probably the right practice we should have been putting more emphasis on. We could come with a plan -- a little more specific plan when we come back in October. But we've talked both internally about the overall project budget just to make sure we're on the same page, and we're flagging things before they become an issue just in case we have to make value-engineering decisions or otherwise.

So we've had s -- the MRP team and the Port both agree that it's -- that and the city costs themselves -- one thing I want to flag about the city costs -- there's many of us in the city. But I'm the Port's housing coordinator under the group led by Judson True and his team and -- that are doing a fantastic job to try to manage these projects.

And it's definitely an issue that's come up. It's not that the city costs themselves are so expensive. It's the ability to forecast the cost needs to get -- to become improved. And we've started putting that into the action plan that was published in July, just a start of actually engaging. That process needs to get better.

And it's not an indictment on any group. It's kind of bringing, I think, the process into a more modern era, so we don't have situations like this by sharing it.

Commissioner Harrington: You might consider a quarterly report. And it may be either in person, or it may just be a written report that comes to the commission, either way that would make sense unless something important is going on but something a little more often.

Josh Keene: Yeah. That is -- exceptionally fair point. I guess I would maybe even -- the question would be, does the commission feel a general update is good? Or is it kind of let us know when something's wrong?

Commissioner Harrington: That's why -- a quarterly report lets you know.

Josh Keene: Yeah.

Commissioner Harrington: And then, if there's something, then it's not just a --

Josh Keene: Call it out.

Commissioner Harrington: -- written report. It's something -- [crosstalk]

Josh Keene: I think it's a great idea.

Commissioner Harrington: Thank you.

Josh Keene: So we will come back with a formal commitment on that when we get back.

Commissioner Harrington: Thanks.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Josh, great report. I appreciate the questions and comments of my fellow commissioners, especially Commissioner Harrington about an update. But I feel comfortable. I live two blocks, so I wake up every morning with the view of this area of the project and everything that's going on.

And I really felt that, from day one, this thing has been well thought out. I've seen a lot of changes, but that's just normal. Everything is like a moving target sometimes. But I like the steady hand, the way that it's been dealt with. I feel very comfortable how we've handled this.

And as I said, the impacts -- and this is a massive project. It's like a helicopter. It's got a lot of moving parts. But I think, from where we're at, I'm comfortable in the leadership: Mission Rock, Port staff and all those involved. Josh, I appreciate your report.

And I'm more than confident that this thing is headed where it needs to head and that you've made the adjustments when you've had to make the adjustments. It's kind of like a football team. Right. Sometimes, a quarterback -- he has to make adjustment when he reads the defense.

And you guys have been able to make certain adjustments along the way. And you've been good. And you've come back to the commission. So thank you. And I'm supportive. And I continue to support this. I like this. I've already -- seeing the impact because I live in this community where it's at.

And I'm just seeing the neighborhood. And I'm seeing the vibrance of the neighborhood. Then, when it's fully done, it's going to really transform this area. I just want to say thank you.

Josh Keene: Great.

President Brandon: Thank you.

Josh Keene: Thank you, Vice President Adams.

President Brandon: Josh, thank you so much for the report. It's a great report, a lot of information. I kind of agree with all my fellow commissioners, their questions, the direction. You know, we were briefed last week. And we had a conversation.

I'm just a little lost because, from what I can see from 2019 to 2023, the project is up 50 percent. And I know we're focusing on the city costs that are up, I think, 75 percent. I'm just wondering -- and I have to back up and say this is a phenomenally successful project.

To see the site today, to see all that's been accomplished, all the jobs that have been created, all the investment into this community and economy that this team has brought to the Port is just phenomenal. But I think I'm really more concerned with -- I do think we need to do a better job of managing this project.

And I do think we need to do a better job of understanding the costs and expenses as we move forward because we want the entire project to be successful. And we want the entire waterfront to be successful. So I really like the question that Commission Harrington had about how is that impacting our general fund.

But how is that impacting the expected revenue that we thought we were going to have in the future and other projects that need to be completed? So how does this all work together? And how do we make sure that we have learned lessons and we are putting policies or strategies in place so that we can monitor this going forward before it gets to a 50 percent overrun?

Josh Keene: Well, I guess I would say I think we're in total agreement that we need to be managing this, monitoring it and reporting out earlier. I think the suggestions from Commissioner Harrington are there. We were intending to -- talking about -- not trying to push everything to a different day.

I just wanted to make sure just to set the expectations of what we know is that phase two kind of performance, the revenues, how that's going to happen is one of our -- we have to model that. And we'll currently doing that now. So that aspect is there. I think -- sorry.

President Brandon: We have get past and understand phase one before we can move to phase two.

Josh Keene: No. It's correct. I think we will be bringing a more detailed -- we've got the buckets of the project costs for the overall budget. They're shown in the

chart. But there's not an explanation in detail. We've listed them qualitatively with respect to kind of these are the things.

We will work with the developer team so that we can try to put some more direct explanation onto that. I don't know if it's easy to say it's one thing as far as it goes and this adds up to it because a lot of these are macro factors. But I think the request is fair. And we owe that to you when we come back in October for a better explanation.

President Brandon: Thank you. I really appreciate it. Thank you. Any other questions or comments? Thank you. Jenica, next item, please.

B. Informational presentation to consider and possible action to approve a resolution recommending that the Board of Supervisors (1) approve a Mission Rock Special Tax District financing, including the issuance of bonds in an aggregate principal amount not to exceed \$58,335,000 ("Bonds"), and the execution and delivery of financing documents, including the: a) form of Bond Purchase Agreement, b) form of Second Supplement to Development Special Tax Bonds Fiscal Agent Agreement, c) form of Office Special Tax Bonds Fiscal Agent Agreement, d) form of Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement, e) form of Continuing Disclosure Certificate, f) form of Preliminary Official Statement, and authorizing and directing the Executive Director to cause the package to be submitted to the Board of Supervisors and to work with the Director of the Office of Public Finance to finalize and cause the distribution of the Preliminary Official Statement and the issuance of the Bonds and (2) interpreting the Rate and Method of Apportionment of Special Tax for the Mission Rock Special Tax District. (Resolution 23-41)

Wyatt Donnelly-Landolt: Thank you. Good afternoon, President Brandon, commissioners, Wyatt Donnelly-Landolt. I'm with the Port's development team working with Josh Keene, Phil Williamson and others. I'll be presenting on this item, which is an informational item with potential action.

As that very long title described in detail, what this is is it's a request for action to move the bond package to the Board of Supervisors, which will do the final approval of the bonds with a not-to-exceed amount as well as all the documents related to that.

So the actual bond issuance is a large package of documents that they will approve. And then, we'll go out to market to sell the bonds. This is the third bond issuance related to Mission Rock. So the first two were approved and done in 2021. Those were early bonds. And I'll talk about why we're able to do a third one a little later.

So to just go through the agenda, we'll provide some background on just project financing structure and the special tax district or community facilities district. I'll use those words interchangeably. They're two names for essentially the same thing.

I'll talk about bond sizing and why we're able to issue a new set of bonds this year. I'll talk about the projected 2023 bonds, how much money we expect to bring into the project and then talk about some municipal bond market updates, which has changed significantly over the last couple of years since we last issued bonds, and then next steps and take any questions.

So first, high-level project funding structure -- the way the Mission Rock project is funded -- and when I talk about the project, I talked about the horizontal project, which is the roads, streets, parks, sewers. It's all the infrastructure going to the site. So we're not talking about the buildings here. Those are separate vertical projects.

This is funded first through developer and Port equity. So the developer funds the majority of this. The Port has the option to make that Port capital advance. It's also funded through land values, so the Port can put the value of the land itself into the project.

And ultimately, it's funded through the CFD and IFD sources. CFD stands for community facilities district same as a special tax district. It's an additional assessment, a new tax on the site. And then, the infrastructure financing district captures what's called tax increment, which is the increase in property taxes.

So if your property taxes were a million dollars, now they're 10 million. It captures the nine million difference. So that's what's ultimately funding this. So we'll be leveraging the CFD and IFD to issue a bond to fund those project costs, again, roads, parks, etcetera.

And then, out of this, the Port and developer receive a return on their investment with the Port receiving 10 percent, the developer receiving 18 percent. And then, once those are repaid, excess land proceeds return to the Port.

So as you can see, there's a lot of moving parts here. I think some of the key actions we're looking to do are using CFD/IFD sources when avail -- possible. So those are a much lower interest rate. I'll talk a little bit about interest rates later and maximizing those public financing sources which we've done throughout, also really accelerating those and doing them as early as possible.

I'll talk in more detail about why that's important -- using tax-exempt debt when possible -- it gets a lower interest rate thus brings in more money into the project -- and using Port capital. So that's the general project financing structure.

So the special tax district itself has four different taxes. There's a development special tax, which funds horizontal infrastructure. And it's offset by the IFD tax increment, again the increase in property taxes. The second is the office special tax, which is solely on office space at the site, also funding horizontal infrastructure.

The third is the shoreline special tax. It's a source for ongoing shoreline protection. But for phase one, it's being used to fund horizontal infrastructure because of the increased infrastructure costs in phase one. So those first three taxes are what are being used to issue this bond.

The fourth is a contingent services special tax. And that's for maintenance of the site as needed. So again, we're proposing to structure this as three separate series. It's essentially how you cut up the bonds. There's one that will be paid by the development special tax, one that will be paid by the office special tax and then one that will be paid by zone one of the shoreline special tax.

There is a potential for a fourth taxable issuance. But we're hoping not to be able to do that. We believe we have enough tax-exempt costs. Honestly, if we do have to do that, it would be a good thing because we have more proceeds. I'll talk a little bit about how that could happen.

So the reason that we're bringing another bond issuance here after the 2021 issuances is the property of the site is now developed property. Under the special tax district CFD rules, it converted to developed property in fiscal year '23-'24. It means it's paying the full amount of special taxes for the year.

So this opened up much more tax capacity to pay future debt service on bonds. And it will allow us -- we're recommending issuing bonds up to an additional \$58.3 million. That's a not-to-exceed amount. I'll talk about the specific amount we expect based on current rates momentarily.

So the bond sizing is determined by two factors. The first is the revenues. How much taxes do you have? You have to have what's called 110 percent coverage. That means we have a 10 percent buffer. So if we have to pay \$1 million, we have to have \$1.1 million pay it to make sure, you know, if some money is missing, we can always pay our bonds.

And this is less administrative expenses for managing the CFD. And the second factor is the appraised or assessed value. So the city has a policy of not issuing CFD debt in excess of a three-to-one value-to-lien ratio. What this means is the value of the CFD itself must be three times the debt that is issued.

So previously, this was the limiting factor because it was just land. So we were appraising the land. We determine amount. And then, we're able to issue based on that. Now, the limiting factor is our tax revenues. So we're going to issue up to the maximum amount our taxes will allow.

So this will be the final CFD issuance for the phase-one buildings. And the table to the right shows the expected taxes for each with the debt-service coverage. So the project bonds based on current market rates -- the total is at the bottom. The project fund is at the top.

So what those two total uses is the total amount we are spending on the bond. So we are expecting about a \$45.5 million issuance. What this brings into the project after you put a reserve to the side in case of an issue and pay for the cost of issuance is about \$39.5 million into the project.

And I'll talk about why these numbers versus the not-to-exceed amount momentarily. And it's split between, again, those three series. So there's a development tax series, an office tax series and a shoreline tax series. And this maximizes the tax available for each of those series in phase one.

So the current municipal markets are no longer at historically low levels. We've seen significant increases with a little bit starting in 2021. But really early 2022, they had shot up and then continued interest rate increases. It makes it challenging with this volatility to project exactly what we expect for the issuance later this year.

So what we're doing is we look at many sensitivities. So the current market is shown in the second column with that \$39.5 million project fund. And then, we look at changes in the BPS or basis points, which is just 1/100 of a percentage.

So if interest rates go up 1 percent in the left column, we're down to \$34 million. If they down 150 basis points, or 1.5 percent, we would get \$49.9 million. So the interest rate really impacts the amount of money going into the project, which obviously makes it much more challenging to fund things now versus in 2021.

And just as the basis, the current market is around 5.86 percent. And we issued at 3.3 and 3.48 in 2021. So next steps -- we're requesting approval for this today. We'll introduce it to the Board of Supervisors in the next two weeks, either next week or the following week. We'll present to capital planning committee in October.

We're expecting to have a budget and finance hearing committee targeting October 17th or 18th. And then, we'll move to the full board for approval. We'll look to post the offering document and close on bonds through November and December. And we want to have that wrapped up by the end of the year.

And as Josh mentioned, we really want to accelerate this. It's one of the best things we can do financially for the project because moving from even the almost 6 percent we're expecting here versus 18 percent on the project

developer is a huge financial benefit. So moving this quickly is one of the best things [we can do].

So I'll take questions if anyone has them. And I have colleagues from the Office of Public Finance as well if there are technical bond questions.

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

No Public Comment on Item 10B.

Commissioners' Discussion on Item 10B:

Commissioner Harrington: Thank you. This makes perfect sense. The whole discussion makes sense. Thank you so much. Two requests -- when the POS is ready, could you send us a link to it? And two --

Wyatt Donnelly-Landolt: Absolutely.

Commissioner Harrington: -- it's interesting to see who invests in our kinds of things. So when you know that later on, if you'd let us know that information also.

Wyatt Donnelly-Landolt: Yeah. We can definitely follow up with that information.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you so much. I have no questions.

President Brandon: Commissioner Lee?

Commissioner Lee: No questions.

President Brandon: Vice President Adams?

Vice President Adams: Let's vote. [laughter]

President Brandon: As we all know, we desperately need this funding. All in favor?

The motion passed unanimously. Resolution 23-41 is adopted.

C. Informational presentation on a proposed new lease with Recology San Francisco for approximately seventy-four (74) months for operation of a single stream mixed materials recycling center at Pier 96.

Kimberley Beal: Good afternoon, President Brandon, Vice President Adams, Commissioners Gilman, Harrington and Lee. I'm Kimberley Beal, acting deputy director for real estate and development. And I am joined today by Justin Bigelow, who is with the city attorney's office, as well as Maurice [Quillen], general manager with Recology, to present an informational presentation on a proposed new lease with Recology at Pier 96.

I want to acknowledge and recognize a lot of staff members who helped with providing information for this report: Monico Corral, Jennifer Gee, Andre Coleman, Rod Iwashita, Steven Reel, Matt Wickens, David Beaupre, Marilyn Yeh and Max [Zarifian]. Sorry, Max.

I also want to mention that this presentation is going to focus on Recology at Pier 96, which is the only location they currently occupy at the Port. They did have a lease at one time for a crushing facility. And that site has been vacated and that lease terminated.

So as background, Port and Recology, originally operating as West Coast Recycling, entered into a lease in 1998 for space for a recycling facility at Pier 96, which is an industrial maritime facility. The original lease term was for five years. However, because the level of investment required to convert the shed into a modern recycling facility, the tenant requested a longer term.

The lease was amended extending the term from five years to 25 years by Port Commission Resolution 99-20. And as consideration for the extended term, the tenant agreed to certain minimum throughputs of containerized cargo generated at the recycling facility through the Port's container terminals.

If the tenant fell short of the minimum throughputs and failed to make up the transfers in a subsequent year, the tenant was required to pay a maritime deficiency fee. The fee is additional rent equal to twice the amount of the wharfage that would have been paid on the minimum number of transfers.

Pre-sorted recyclables from the tenant's curbside recycling programs were further sorted at the site where they would be loaded onto 20 and 40-foot shipping containers. These containers would be shipped to process centers in the Far East.

If space was not available on container cargo ships calling at the Port of San Francisco, containers were to be transferred to barge from Pier 80 to other Bay Area ports for shipment.

In 2005, the Port stopped handling container traffic at Pier 80. After the closure of Pier 80 as a container facility, the Port agreed to amend the lease to revise the maritime deficiency fee provision. This was done under Resolution 09-41.

This allows the Port to waive half of the fee when the Port is not served by one or more container shipping lines per month with a minimum of four departures each month from the Port to destinations in Asia. The maritime deficiency fee paid to the Port following the waiver is approximately \$312,000 per year.

Recology's lease expired on July 31st of this year. But prior to lease expiration, Recology initiated a request for a new long-term lease. However, no capital improvements were proposed to support the need for a long-term agreement.

Additionally, there would be no shipment of recyclables by water. So the new lease would be a non-maritime lease. The waterfront plan prioritizes maritime uses at this location but contemplates interim uses that are not water oriented for up to 10 years.

Port staff believe the length of a non-maritime lease at this location should relate to a reasonable amortization of the cost of new capital improvements on the site that benefit the Port and the tenant.

Current facility conditions of the facility -- the property occupied is an industrial maritime facility, as I mentioned. The site is fill over bay mud, and earthquake liquefaction of the fill is expected along with lateral spreading within about 200 feet of the shoreline.

The soil conditions of the balance of the site cannot support additional development without extensive engineering. The site is not served by a municipal storm-drain system and is subject to storm surge and stormwater runoff that results in periodic flood risk, causing an interruption of operations.

The stringer space has been subject to blowouts where the seawall has failed in spots. And wave action has undermined the pavement causing sinkholes, forcing repairs. The pictures shown here are from the [episodic] storm event, which occurred on New Year's Eve of last year during which the site experienced two to three feet of flooding.

Given these conditions, uses of the site are limited. And it was concluded through appraisal that the highest and best use of the property is for a continuation of the existing use.

As I mentioned, Recology did not propose any capital improvements to justify a longer-term lease however has agreed to complete a seismic and facilities condition studies report that could be used to identify future capital improvements that justify a possible extended term.

The studies will include: an assessment of the building and foundation; provide an understanding of seismic deficiencies at the site; provide conceptual

retrofit strategies; and provide guidance in determining the scope of new improvements but will not commit the Port to any future action.

The estimated cost of procuring these studies is a million dollars, which is additional compensation to the Port. The seismic evaluation would be provided to the Port within the first two years of a new lease and the facilities condition studies before the end of year five.

In trying to determine the new rent for a new lease, based on the current inability to ship containerized cargo from this location, Port staff has concluded it is unreasonable to require a maritime throughput commitment in a new lease. Use of the stringer space, which was originally used for loading of containers, was previously nonexclusive, causing no payment to be required.

With the shipping constraints at this location and the construction of a concrete berm with fencing limiting water access, use of the stringer space has become exclusive to Recology. So during holdover and under the new lease, use of this area will require payment of fair market rent.

Under the current lease, base rent was increased following an appraisal in January of 2022 and increased again in January of this year based on CPI. In May, the site was appraised again to determine a base rent during the holdover period and account for the modified lease premises to include the stringer space.

This resulted in the rent being increased to \$369,000 per month effective August 1st of this year. This is an increase of \$31,000 per month or \$379,000 annually. This increase exceeds the loss in revenue from the maritime deficiency fee that will no longer apply in a new non-maritime lease.

Base rent will also be subject to 3 percent annual increases each year. And also, the rent would be subject to a fair-market-value increase in year five. Key terms then of a new lease -- the site would continue to be used as operation of a single-stream mixed-use materials recycling center.

The term would be for approximately 74 months. As I mentioned, rent is \$369,000 per month with 3 percent annual increases with a fair-market adjustment in year five. The Port would not assess any maritime deficiency fee, but tenant will be required to pay any amounts owed under the prior lease.

And to the extent any maritime activities occur on the site, maritime tariff rates pertaining to dockage and wharfage would apply. Okay. At its sole cost and expense, the tenant will procure a seismic evaluation and facilities condition study. And this location is in the southern waterfront.

So therefore, it is also subject to the southern waterfront beautification policy where 6.5 percent of their revenues will be set aside for the fund. Within the first five years, that's about \$1.5 million. And in addition, the tenant's efforts in

the past have supported: local hiring; sourcing new hires from the area; using community businesses; regular litter pickup along Cargo Way; providing school tours of the facility; providing education on recycling; and supporting an artist residence program. These are all activities that would continue under a new lease.

So in staff's analysis, we determine the tenant is a tenant is good standing. And the proposed use is consistent with the Port's waterfront plan. The Port needs to keep its facilities productive to generate the revenues necessary to fund ongoing operations and finance capital improvements.

Under the waterfront plan, Port's land may be leased for a wide range of interim uses up to 10 years, pending the land's ultimate development or improvement to achieve long-term public trust benefits. Interim uses are therefore essential in supporting the Port's financial stability.

If approved, the proposed lease will: support the Port's strategic plan objectives of economic recovery by managing the real estate portfolio to maximize revenue with a focus on tenant retention; resilience, as the seismic study required under the agreement will provide recommended improvements to improve the Port's resilience to earthquakes; and engagement, as it will help meet the city's zero-waste goals by providing a location where recyclable materials can be sorted and diverted from landfills.

So as next steps, Port staff intends to finalize negotiations with Recology. We will be informing the Southern Advisory Committee of the proposed continued use at the next SAC meeting, which is scheduled for September 27th. And we hope to return to the Port Commission in October to seek approval to enter into a new lease.

If the Port Commission approves, the lease would then be subject to approval by the Board of Supervisors. And with that, that concludes my presentation. And I welcome any questions you may have.

No Public Comment on Item 10C.

Commissioners' Discussion on Item 10C:

Commissioner Lee: Well, it's kind of nice to know that a tenant wants to stay and want to pay even more if they h -- if we had the maritime part going. So I have no questions. It's really great they want to do the education. You know, I'm all about recycling. And also the cleanup down in that area -- it's important. So yeah. I'm all for it.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thanks, Ms. Beal. I'm really in favor of this item. But I do have a couple questions. On page eight, it talks about possibly taking over the canopy if the PUC removes the solar panels. Do you know if there's a plan to actually decrease the amount of solar in the city by removing those? Or is that just a contingency kind of thing?

Kimberley Beal: So the solar panels that are on that area are not operable.

Commissioner Harrington: Great.

Kimberley Beal: So we have requested the PUC remove them. Otherwise, it would be our cost to do so. So that is a separate MOU that we have with PUC for those panels in that area.

Commissioner Harrington: It'd be great if they could make them operable as opposed to removing them but whatever ends up happening. I guess the second question -- should the city during this next seven years or whatever choose a different scavenger vendor, is this lease assignable? How would that work?

Kimberley Beal: With our current negotiations, it is not something that we are looking to assign.

Commissioner Harrington: Okay. So if that happened and they wanted to get out of this lease, there are provisions that they could do that though at some point?

Kimberley Beal: We are still in negotiations.

Commissioner Harrington: Okay. You might want to think about that as you look at it just to see if that's something that you may need as an out. I'm not suggesting that Recology will not be here forever. But we do have a change in the law about how we could change that.

And the third question is completely unfair to ask you. But if somebody -- in 2005 when we stopped doing cargo, my assumption is that we started taking those off by truck, which increased air pollution, asthma rates in the neighborhood, all those kind of things.

Did we ever do any kind of a study on that or mitigation of how this impacts the community that this is happening in? I guess, if so, if someone could just send me that information -- I don't expect you to know the answer to that today.

Kimberley Beal: I am -- I know that Maurice is here as is David Beaupre. I'm wondering if either of them might have some history and be able to answer your question today.

Commissioner Harrington: Okay.

David Beaupre: Hi, commissioners. David Beaupre, deputy director of planning and environment. So when we did stop doing cargo at Pier 80 -- container cargo, we did additional environmental review to see what the impacts were for the additional truck runs. I don't have the results in front of me. We could go back in the files. But it is something that we did assess and we did get environmental review for.

Commissioner Harrington: And I'm assuming that that meant there was some mitigation kinds of things. If that's there, I'd love to see what it is if you can send it to me.

David Beaupre: Okay. I don't recall that there were mitigations. I will note, just because we're on the topic, one of the things that we do have all of our tenants in the area do is, when they have to hire truckers as a community benefit and also as a part of the policy for their lease, they have to use good-faith efforts to use locally certified LBE truckers.

And we get those reports monthly. It doesn't really have to do with air emissions. But it is a benefit to the community too. And I know that they do a good job in doing that.

Commissioner Harrington: Thank you.

David Beaupre: Thank you.

President Brandon: Vice President Adams?

Vice President Adams: Kimberley, great report. I'm on my Prozac now. So I'm about to -- [laughter] yeah. This is great. This is a perfect fit and recycling to make this commitment. I appreciate Commissioner Harrington because, many times, President Brandon has brought up about the air quality in the southern waterfront.

And this is an issue. And that's an important thing especially in the southern waterfront. But their commitment and -- I think this is a good fit. I hope they will continue to grow because I think they've been a good partner, not like some. I think Recology has been a good partner for the Port. I will continue -- and I support this.

President Brandon: Thank you. Kim, thank you so much for this report. Back to the environmental review, so when is the last time we've done one? In 2005?

Commissioner Harrington: They do tend to only happen when there's a [change] -- [crosstalk] [laughter]

President Brandon: But we've had several changes.

David Beaupre: We did it originally, I think -- the first lease was in 1998, which preceded me. Then, we did a lease amendment, I think, in around 2002, which we would have had to do an assessment then to see if there were any changes of use.

Between 1998 and 2005, we also -- you may recall we did, in 2001, the southern waterfront supplemental environmental impact report, tiering off of the original waterfront plan. So we looked at it then. Then, of course, we just finished the waterfront plan update environmental review. So we look at the assessment of the impacts of all the existing uses and potential new uses.

President Brandon: So we have one from 2021 -- an update from 2021?

David Beaupre: Yes. Yes.

President Brandon: Okay. You're not sounding sure on that.

David Beaupre: Well, I'm just sounding -- I'm trying to think of it -- so it was just -- in 2023, the Port Commission adopted the waterfront plan and the findings from the waterfront plan environmental impact report. So it was adopted in 2023.

President Brandon: So it was adopted this year.

David Beaupre: Yes. It was adopted this year. Yes.

President Brandon: And we did a new review within that --

David Beaupre: Well, we --

President Brandon: -- in 2021?

David Beaupre: Well, that process started, I think -- and Diane Oshima ran that process. But I believe we started that environmental review in approximately 2019 when we finished up the waterfront plan. And as a part of that environmental review, we looked at all the existing operations, which Recology would have fallen under, and potential new operations that would be coming on top of it.

So we didn't specifically review Recology's operations in this one because it's an existing condition. But --

President Brandon: But [are metrics] pretty much the same, no increase, [nothing]?

David Beaupre: I don't believe -- and Maurice could answer that -- whether the truck trips have changed from when it was last reviewed, which would have been approximately 2005.

President Brandon: Probably just a little bit of an increase.

David Beaupre: Potentially. But when we did that review in 2005, we anticipated growth of materials in how much it would grow, which equates to truck trips as well. And I don't think the -- well, I'm fairly certain that we haven't exceeded the projections of those volumes that they can throughput at Pier 96.

Commissioner Harrington: My recollection is that the [three-can] thing came about right around that time too or a little before that. So odds are it's been -- the big increases that happened with the [three can] would have probably been there.

David Beaupre: And I also believe that, when we did the initial review, it was -- they were diesel trucks. And I think they've converted them to CNG, which are lower emissions as well. Is that correct?

President Brandon: Great. Thank you. I appreciate it.

Vice President Adams: David, a question for you following up on President Brandon and Commissioner Harrington. How often do you think is reasonable that those kind of studies are done? And does Recology have any information on that that they themselves do? How often do you think a study should be done? I'm just being -- [reason of how often] because you said 2005, right?

David Beaupre: Right. What --

Vice President Adams: And this is 2023. So we're talking about almost 18 years ago, right?

David Beaupre: Yes. And where we do the review is through the California Environmental Quality Act. And what triggers that analysis are new uses, not an assessment of existing uses. However, that being said, we have goals in our strategic plan. We have goals in our resilience program and in the waterfront plan to look at ways of reducing emissions. We're beginning -- we got the CalSTA grant that's looking at how do we bring in low emissions or zero-emission vehicles into the southern waterfront.

And as a part of that review, you always want to know what's the baseline condition. How can we improve? And all of our leases in the southern waterfront, we have conditions and actually incentives for the employees to do lower emissions, improve their equipment. And the air district constantly adds additional new regulations on requiring lower emissions equipment out there.

So it's through those types of methods that we've actually been able to very significantly reduce emissions down in the southern waterfront whether it's tenants like Central Concrete and Cemex converting and getting new trucks to bring in to equipment, Recology doing CNG, working with a lot of our

independent truckers to see if they can take advantage of the Carl Moyer Program through the air district to get new engine upgrades and then also looking at the whole concept of the eco-industrial center as collocating uses so that the materials needed for those industries are located next to one another.

So Martin Marietta brings in all the sand and aggregate to support the concrete batch plants. If we weren't doing that, those truck trips would be coming from the South Bay and the East Bay. So there isn't -- again, we don't proactively go out and do an active assessment of what's happening there annually or every 10 years.

What legally triggers it is the CEQA review. But we're always looking to see how we can reduce truck trips, reduce all forms of vehicle trips and reduce emissions.

Commissioner Lee: What about electric trucks? When's that coming down?

David Beaupre: Well, that is a part of the CalSTA grant. We'll be looking, I think, at both electric trucks and hydrogen-fueled trucks.

Commissioner Lee: Like what? Five years?

David Beaupre: You know, I hate to guess. I did hear from Andre. In the last couple of months, we've had, I think, some hydrogen-fueled trucks come over the dock from Asia. So it's happening. But without first doing the assessment and figuring out how we can do it and what the needs are and where the technology is, I would not want to guess.

Commissioner Lee: Okay.

President Brandon: Thank you, David. Thank you, Kim. Look forward to you coming back next time. Jenica, next item, please.

D. Informational presentation on a proposed new Memorandum of Understanding with the Department of Homelessness and Supportive Housing (“HSH”) for a term of 2 years with one – 2 year option to extend at Seawall Lot 330.

Sandra Oberle: Good afternoon, commissioners. Good evening, commissioners. My name is Sandra Oberle. I am senior property manager with the Port of San Francisco. I'm also joined -- joining me today is going to be Dylan Schneider with the Department of Homelessness and Supporting Housing, who is operating the Navigation Center that we're going to be talking about and discussing the new MOU.

So we have a MOU that was approved originally in 2019. The commencement date of the MOU was December 30th. It was originally a two-

year MOU with an option to extend for another two years. In 2021, staff came back to commission. And you approved exercising the option to extend.

That agreement is now going to expire December 29th of this year. The Port staff has been working with HSH on extending this agreement for another two-year term with a two-year option. So the new expiration date would be December 29, 2027.

The term will include the option -- or I'm sorry -- the agreement will include the option for the Port to terminate the agreement at any time with six months' written notice in the event the Port needs to use the property for a Port project or for the upcoming development of the site. So the term can end at any time with that six-month notice.

The initial monthly rent will be \$41,059.92 per month and increase by 3 percent annually. That's based on the existing formula that was established in 2019. An analysis was done at that time on parking revenues, which was the original use at that property.

The monthly fee has increased 3 percent every year. And we were just planning to continue that rent structure at this point in time in moving forward with the new MOU. At the end of the agreement when we exercise the termination notice or when the agreement expires, then HSH will have six months to demobilize the site and address movement of guests at the location and so forth.

I would like to have Dylan come up now. And we have a presentation from Dylan to review the operations of the Navigation Center and provide more detail on that. Dylan?

Dylan Schneider: Good evening, esteemed commissioners. Dylan Schneider, manager of legislative affairs for the Department of Homelessness and Supportive Housing. I use she/her pronouns. And I am thrilled to be before you tonight to share a little bit more about the Embarcadero Navigation Center and the proposed two-year new agreement.

So just a little context setting that I know you all are incredibly aware of -- San Francisco and the Bay Area continue to be in a housing affordability crisis. According to the 2022 point-in-time count, a federally required count that we do every two years of people experiencing homelessness in our community, 7,000 people were experiencing homelessness in San Francisco. And over 4,000 of those were experiencing unsheltered homelessness.

Every day, the city provides housing and shelter to over 15,000 people. And the Embarcadero Navigation Center continues to play a really critical role as part of that system of care. So speaking of our temporary shelter and crisis intervention system, I just wanted to give a little bit of context on the piece and the part that the Navigation Center plays within our shelter portfolio.

So we have both temporary shelter and crisis interventions that provide a place for people to go when they're experiencing homelessness as a temporary place to stay while accessing services and working towards a permanent exit from homelessness.

In Home by the Bay, the citywide five-year strategic plan to prevent and end homelessness that was published earlier this year, we called for a packaged investment in prevention, shelter and housing to get us towards our goals that include -- one of our five-year goals includes decreasing unsheltered homelessness by 50 percent in San Francisco and overall homelessness by 15 percent.

We know, in order to reach that goal as well as the others in our plan, again that packaged investment in prevention, stemming the inflow into homelessness, shelter, giving folks an emergency and temporary place to stay and housing to help folks find a permanent solution to homelessness is all incredibly important.

And that plan does call for over 1,000 new shelter beds. So our goal is to really maintain the system we have as well as expand capacity. And just to finish this up, we currently operate over 3,000 beds and units of shelter and crisis interventions.

As of September 1st across our Navigation Center beds, which is just over 1,000, we had a 97 percent occupancy rate so really speaking to that Navigation Centers continue to be desirable. And they're very highly utilized by this population.

So a little bit about the Embarcadero Navigation Center -- as Sandy mentioned, this opened in December of 2019. And the Embarcadero Navigation Center provides low-barrier shelter for adults experiencing homelessness. And we welcome partners, pets and possessions. And we serve up to 200 guests.

Five Keys schools and programs is the selected nonprofit operator of the site. And they provide two daily meals, laundry and showers, case management, housing and benefits navigation and referrals to services, wellness checks, supportive groups, social events and activities.

So as I mentioned, this program accounts for 200 beds in our over 2,200 units of temporary shelter for adults. And about 1,000 of these beds are congregate shelter, which includes the Embarcadero Navigation Center. As of September 1st, capacity at the Embarcadero Navigation Center was at its full capacity of 200 beds.

And we had 199 guests or 99.5 percent occupancy rate at the site. We continue to see Embarcadero be incredibly popular. It is a wonderful location.

Five Keys has done amazing programming at the site. And it's very accessible especially for folks with higher needs or accessibility issues.

In FY '22-'23, there were 414 guests served at the program. Thirty-four percent of these clients were black. Twenty-six percent were [Latin-A], and 23 percent were older adults over the age of 55, again just reflecting the diverse needs of this population and, again, the desirability of Embarcadero.

So I wanted to share a success story about one of our guests at the Navigation Center. I think sometimes we get so used to talking about the numbers we forget that each one of those numbers we talk about is a human story and a journey of someone.

And there have been so many journeys that have been impacted by the services offered at the Embarcadero Navigation Center. And this is just one to share. This is the story of [Jonathan], who became a guest at the Embarcadero Navigation Center during the onset of the COVID-19 pandemic.

And while he originally kept to himself, Five Keys staff really continued to find ways to engage him over time through programming, through support, through referrals to really try to understand what his goals for the future were. Jonathan became a vital part of this community.

Staff remember fondly that he became very passionate and found purpose in supporting the upkeep of the dog area at the program and volunteering with outside organizations. And at the end of 2022, Jonathan moved into permanent supportive housing.

Since moving, he's continued to come back and visit the Embarcadero Navigation Center, thank the Five Keys staff for all of their support. And he just celebrated nine months of sobriety so, again, just a success story, one of the many that are served at this program and how much of an impact a well-run, quality program like this can have on someone's life and exit out of homelessness.

A little bit about referrals to the program -- so we continue to run referrals through the city's centralized placement process with prioritization for community placements from the outreach zone through the San Francisco Homeless Outreach Team and the Healthy Streets Operation Center.

This site does not accept walk-ins. This was one of our community agreements back in 2019. And from May to June of this year, we were increasing capacity at the site as part of the re-inflation efforts post COVID. We went from 120 beds to 200 beds.

During that period, we really focused outreach efforts in that area surrounding the Embarcadero Navigation Center; 88.5 percent of guests that

were referred to the program during that time came from community placement partners that included the Homeless Outreach Team and HSOC. The majority of that 88.5 percent came from this area around Embarcadero Center.

All of the individuals that were unsheltered in the outreach zone were offered a bed at the Embarcadero at least once during that time period. And SFHOT was providing outreach at least three times a week in the area, again really supporting our community as part of that re-inflation process as capacity expanded.

I just mentioned the outreach zone. This, again, harkens back to the 2019 agreement with the community where we identified outreach and safety zones around the program. The safety zone continues to be prioritized by the San Francisco Homeless Outreach Team and by the dedicated SFPD beat officers.

And under the original 2019 memorandum of understanding between HSH and the Port, the city was required to demonstrate a decrease over the two-year period. This was between 2019 and the option to extend in 2021. As of April 2021, as presented to the Port Commission, there was a 77 percent decrease of unsheltered individuals in the outreach zone.

This lovely chart in front of you shows the continued count of unsheltered individuals in the outreach zone from March of 2019 prior to the program opening to the latest quarterly citywide count conducted in July 2023. And I just want to note we continue to share this with our community advisory group. And we have gotten a lot of feedback about these numbers.

And I just want to recognize that we know that this is an undercount of the actual people that are in the area. A lot of this is because the counts are done early in the morning. There are folks that may be asleep in their tents. There are folks that are at work or not in the area.

So we are looking at ways to add additional reporting here to really help us understand kind of taking a pulse of that community of what's happening around it. But we do continue to see the number of unhoused individuals in this count continue to drop.

And then, just for context, these are the results citywide from the HSOC 2023 count from July that found 609 tents and structures across the city and over 1,000 inhabited vehicles citywide. So we are dealing with a crisis across the city. And we continue to see efforts in the Embarcadero with this center and some of the resources that are coming from the city to support the program really making a positive impact in this area.

As part of the original agreement, we had five -- let's see here. Sorry. I'm getting out of tune because I get excited about all of those charts. So as part of

our original MOU, we contracted with Five Keys Schools and Programs to be the nonprofit operator of the site. As part of that, they were required to provide dedicated cleaning to a designated area around the Embarcadero Navigation Center.

You'll see that area in the little quadrangular shape to the right. Five Keys staff clean the area at least two times a day, up to five times a day when they have available staff. They pick up litter and garbage from the area. They engage with unsheltered individuals. They can also connect with SFHOT if outreach or shelter placement is needed.

They respond to cleaning requests from neighbors via the public text line. And they can flag larger debris needs for DPW. Again, as part of the original MOU, we [agreed to] this good neighbor policy that is part of our contract requirements with Five Keys. I will not read you all nine requirements.

But this, again, kind of speaks to the requirements that we continue to speak to and that our community advisory groups hold us and Five Keys accountable to for the program.

We have many city partners that continue to support HSH with the ongoing operations of this program. And in preparation for this new agreement, we have worked with HSH, the Port, SFPD, DPW and the Healthy Streets Operation Center out of the Department of Emergency Management to create an interdepartmental agreement.

This agreement provides an overview of commitments from each city department, many of which maintain the original commitments from the 2019 MOU and go a step further to provide additional clarity on the roles and responsibilities of each department's role in supporting this program.

So for example, in this interdepartmental agreement that will be an exhibit to the agreement, SFPD has recommitted their priority for dedicated beat officers in this area, supporting it through the term of the program.

The Embarcadero SAFE Navigation Center community advisory group was created in 2019. And I just -- I know Alice Rogers is in the audience. And I just really want to thank Alice and Rick and everyone who has been part of this really incredible effort.

Not only has the ESNACAG group been meeting quarterly since the beginning of this program to facilitate inclusive communication and collaboration, they have been a huge part in working very closely with the departments and Five Keys to adjust reporting as needed, to bring up concerns in the community and help those be addressed in a real-time manner.

And they have -- the ESNACAG model is something that HSH has taken and now applied to almost every new program that we open. We have found the benefit of really working with a facilitated group that represents the community to be able to really raise concerns and hold ourselves and other city partners accountable for our continued commitments to these programs.

So ESNACAG will continue throughout the term of this program. And we look forward to continuing to work with the community through this vehicle. Last few slides -- SFPD crime stats -- I just wanted to provide this. This is part of the monthly reporting that SFPD presents -- that is posted on the Port's website and presented during our quarterly ESNACAG meetings.

And as you can see from the graph, the incidents in the safety zone continue to be below the 2018 rate that was prior to the opening of the Navigation Center. As a comparison, in July 2018, there were 127 distinct incidents in the safety zone. And in July 2023, there were 66 or a 52 percent decrease.

This is all in the staff report. So I will go over this high level. I know you all know this well at this point. But the proposed new MOU with the Port would continue the interim use as this property as the Embarcadero Navigation Center. The proposed MOU is a two-year term with an option to extend for up to two more years, of course subject to termination for the site when it is needed for development.

And then, our community engagement process -- we started back in July. And you can see kind of on the timeline here HSH has hosted both a virtual and an in-person community meeting to talk about the proposed MOU. There was an informational update at the NAC in July. We will go back next week for a full presentation. And of course, we are here today and look forward to coming back in October. Thank you so much.

President Brandon: Thank you, Dylan.

Sandra Oberle: Thanks, Dylan. So much information and you get it in compactly too. Any questions? Anything that we can answer?

Public Comment on Item 10D:

Alice Rogers: Thank you so much. I'm Alice. Good afternoon again, commissioners. I won't trip this time. I'm Alice Rogers. And I'm here really as an individual who lives in the outreach zone. So the perspectives that I'm sharing are my own. I'm also affiliated with the neighborhood association -- the South Beach/Rincon/Mission Bay Neighborhood Association.

And we made a great effort to amplify the Port's mailings on this issue, HSH's mailings on this issue. And we held a meeting of our own that was very

well attended by residents. So this proposal really, I feel, has been well aired throughout the area. And we really have encouraged people to come and speak, whatever their perspective was.

So hopefully those who have concerns will speak perhaps not here but on your Zoom. I, together -- let me say again. I had the pleasure of serving as vice chair for the advisory group for the Navigation Center along with Rick Dickerson, who was the chair. And together, he and I have sent you a letter in advance of this hearing which I hope that, between now and the time that you approve -- and we do hope that you approve this MOU -- will look at.

We both very much support the MOU. But we do have some caveats -- a few caveats which we very much hope that you'll take into consideration. We must approve -- we cannot remove 200 beds from the existing shelter system. So this project really, in our opinion, does need to go forward.

This bed is a critical resource for the overall program. And it also needs to stand as a template for more shelters all throughout the city. We really need 20 more of these. We really need 2,000 beds, more than 1,000 beds that HSH has said. The interagency agreement is actually a step forward from the first MOU because, as I understand it, the agreement then was sort of a handshake. And now, we've got something in writing.

But that agreement, in my opinion, needs some addendums in the small print in terms of some of the boundaries and responsibilities that are outlined. And I've written that in the letter to you. But the primary consideration that Rick and I and so many in the neighborhood are concerned about -- the original MOU called out for the foot-beat officers. And these are a key operational point that really can't be left to chance.

Hey were understaffed under the current situation. And so we are really looking for this agreement to enforce an unconditional staffing of the foot-beat officers. They make a huge difference. I've overstayed my welcome. Thank you.

President Brandon: Thank you, Alice. Margaret Keane?

Margaret Keane: Good afternoon or good evening. My name is Margaret Keane. I live in the safety zone very close to the Navigation Center. I'm a long-time SOMA resident. I'm here on my own. But I have also had numerous conversations with my neighbors. And I think they share most of what I'm about to say.

Starting with the common ground, we understand that this 200 beds is a critical part of the city's efforts to fight homelessness. I'm not going into the nuts and bolts that Dylan spoke to so eloquently. What I want to speak about are three points that really aren't covered in the memo that went to the Port about this project.

The first is that it seemed like the discussion of the coverage of the beat police was somewhat cursory. I have attended three public meetings. And at each of those three public meetings, a representative of the police department essentially said, "We don't have the resources to do this, folks. We'd like to help you. But we can't. We don't have it."

So if there truly is a commitment, that's wonderful. But it needs to be in writing. And I'm with Alice on that. It's just an absolutely critical part of this. We went from about 120 beds to 200 beds in a very short period. And I'm a walker. I walk constantly. I don't even drive.

I see what's going on. And it's gotten worse. And it's not a good thing. I've been assaulted. I've been there -- or not physically assaulted but verbally. I've been threatened. You know, it's something that absolutely has to be dealt with. When the [HHS] came in to renew, they talked about four beat police officers dedicated 24/7 -- not 24/7 -- on [11:00 to 9:00] seven days a week. That's not happening.

So that needs to be addressed. It's part of the commitment that was made to the neighborhood. And it needs to be continued. On the good neighbor memorandum -- I walk by there all the time. I see drug deals. I'm not blind. Right. There are people sitting in that Beale Street cul-de-sac all the time. I have pictures of them.

I've been threatened for taking pictures. And they're there. They're outside all the time. And that needs to be dealt with. I understand that there's surveillance cameras. I also understand that Five Keys doesn't have anybody staffed looking at them. But it's out there. It needs to be addressed. I'm not making it up.

And then, as far as the numbers, the data needs to be dealt with. This number that just drives me nuts is saying that there were three people in the outreach area that were unsheltered in July and one in the safety zone. As I said, I live in the safety zone. Morning -- lift up my shades. I look out the window. Okay. We see six encampment dwellings here on Main Street. Hmm. Let's look over here to Spear. There's four over there.

Let's take a little walk along the Embarcadero and start counting the one-offs. I don't even go over to Second Street or Mission. So it's just an utterly stupid number. And when [HHS] came in here two years ago and talked about how they had improved things, they pointed to the improvement from whenever to August '21, and the numbers then were like 18 and six.

So in fact, by my count, the numbers in the safety zone have gotten worse. I'm not going to get you with the paint-drying details of all the deficiencies of this data, but it's a bloody mess. It's not apples and oranges. And it needs to be fixed up, which is a point that Alice made.

President Brandon: Thank you, Margaret.

Margaret Keane: And with that, thank you.

Commissioners' Discussion on Item 10D:

Commissioner Gilman: Thank you, Commissioner Brandon. I actually have a series of questions for the department. But before I get to those questions, I want to say a couple of things just I think for me to level set. They may not be the most popular things. But I feel a need to say it as someone who's spent close to 25 years of her professional career in the housing and homeless ecosystem here in San Francisco and throughout the Bay Area.

We are absolutely, as a region, facing a housing crisis. Everyone's homeless numbers went up in the last point-in-time count. We have 1.2 million individuals in the Bay Area in all nine Bay Area counties that live on less than \$37,000 a year. Thirty-seven percent of them are full-time workers, and 41 percent are elders and are seniors.

And every major city is seeing a slip in the homelessness and not to conflate homelessness and seeing a rise in fentanyl use and our drug crisis. So many of my questions are actually about the amenities across our portfolio at the Port that are offered.

The Navigation Center is critical. In 2019, I was one of its biggest supporters. But Dylan, I need to say I have some concerns about extending this MOU. And I have concerns about our partnership from a Port perspective with the department.

We have Navigation Centers in Dogpatch and at Pier 94. Do they have beat officers patrolling them for those neighborhoods? Do they have safety zones? Do they have the same kind of community outreach that you're providing here for this community? That's my first question.

Dylan Schneider: Thank you, Commissioner Gilman. For Site F, the Pier 94 site and the Dogpatch Navigation Center, I believe we do have outreach zones -- not the Pier 94 because that was a COVID program. So there was a different style of outreach for that.

We do not have the officers for those areas. We have tried to find other resources within the providers to care for the community. There are some dedicated cleaning. The beat officers are really a commitment that came based on the community negotiations back in 2019 for this particular area.

Commissioner Gilman: And I do acknowledge that it's a much more denser residential zone. But I think it goes to equity. When you're asking to use Port property, property that -- I mean, the seawall lot is different because it is one of

our few parcels that can, in perpetuity, have housing on it. But Pier 94, the Dogpatch area, because of the public trust and because of our maritime uses, can't have housing on them.

So I just want to make sure that we're providing those communities with the same kind of amenities when you're coming here and asking us to extend the MOU. And my next concern is that there's no data in this report about where people are going.

And I have major concerns that -- I have not seen HSH show us that you can decommission a site, successfully house and move people with a six months' notice of us needing to terminate the MOU for use. We've struggled at other sites with that. So what's the game plan if for some reason, before this two-year extension is over, we need to break ground or start construction on the redevelopment of the seawall lot, which is in conjunction with Piers 30/32?

Dylan Schneider: Sure. Thank you. So to the first question, I am happy -- I do not have the data in front of me on exits for this program. But I'm more than happy to go back to our team and share that with all of the commissioners and certainly have that for the October hearing.

I think that's an important point. We do include, you know, exits over time to housing or other shelter services as part of our monthly report that's published on the Port website through the ESNACAG group. But we'll bring that here in October.

To your second point, I think we have improved greatly in our ability to wind down sites. And this was a lot of the lessons that we learned during the SIP hotel closures back in December of 2022. We learned how to really marshal our coordinated entry resources to come into a site to make sure we are doing assessments and really trying to prioritize housing placements or problem solving for any of the guests at that site and then also making sure that there are appropriate shelter placements to offer anyone who is not interested or does not qualify for that housing.

So that is what we would need to do for Embarcadero. I will say I think having -- six months would be short. So what we would want to be doing is planning as soon as we can to be able to really be prepared to do that successfully. I think that is why looking at two years with a two-year extension and working very closely with the Port, so we can keep in communication about development timelines or anything else.

So we can be looking ahead and doing that planning as far in advance as possible will help us be more successful in winding down that site in a way that really helps guests exit to permanent solutions.

Commissioner Gilman: So I look forward to seeing that data when we renew beca -- I have concerns when we're also -- I would assume, from your demographics from the fact that 23 percent are 55 and older, being able -- you know, and what we know about the incredible trauma both mentally and physically that comes from the experience of losing one's home and having to live in the public realm.

I'd love to also income data because I'm very concerned about the folks -- it was in the statement you just made that you said are not housing eligible. I would assume everyone we're housing is extremely low income and would benefit from housing. When we're reading a newspaper's reports, whether it's true or not, that there's 1,000 vacant units sitting there, to me I'm not understanding why there's not more churn happening and why, for some of our other sites that we are in the process of figuring out how to decommission, we're just not getting more movement out.

We received a public comment letter to that effect as well that folks are not moving out of -- there's questions around how people move out of these sites. So I would just really like to see that in your next report to make me more comfortable to -- of course, I'm not going to do anything to jeopardize 200 beds in a system that is so grossly underfunded in my opinion and under-resourced.

But I would hope that we'd recognize that most likely 75 percent or higher of the people experiencing homelessness in San Francisco need a permanent housing solution. So I would hope we'd start using language that all folks are housing eligible and that we should be looking at that pathway.

And I just need more confidence that the HSH can be a good partner to the Port because I will say I'm seeing it at this site. But I'm not seeing it at other sites that we've partnered with you. And while it's a citywide problem, we are one department where this is not what we are charged with doing.

We're charged with maintaining a waterfront that has all sorts of uses both housing on our seawall lots but maritime, public open space and other amenities for the public. So I just want to say those are some of my concerns that I really hope to see when you come back to us.

Dylan Schneider: Thank you, Commissioner.

President Brandon: Commissioner Lee?

Commissioner Lee: Well, I remember when this whole thing was a big neighborhood fight, you know. I applaud you, commissioners, for dealing with that. I had three businesses in SOMA. Yeah. It has increased a lot, you know. I don't have business in SOMA anymore. But I know the struggles.

And I support small business. And we have this problem with people sleeping in our doorways and the whole bit. And of course, we ask for police services as well. And we don't have police services. They're short 600 officers. More are retiring. There's only 30 people that are graduating. And a lot of them don't even finish. I mean, either they finish, or they quit because they realize how hard the job is.

The thing is, for me, I know the details because fellow Commissioner Gilman -- that's her job, you know. But for me, the vision, right, for people to see where safety -- and you can go to the store, the corner market and be able to walk -- is important.

But then, like you say, when you open the shade and you see six people in front of your building, it's a challenge. And the thing is -- and I'm not saying you guys. I think it's a great model -- at least this particular navigation system. I'm not really in that area. So I don't know about the other ones that Commissioner Gilman was talking about.

But from the time I had businesses in South of Market to see, I see very less people on the street at least in the safety zone getting some help -- better than it was when it wasn't there. So I mean, I think we're in the right direction. But there are resources we don't have because of COVID, because of defunding, because of whatever.

And it is what it is. And I know that the sheriff department has people. But I guess there's a political issue there. But I'm supportive at least another couple of years to see what's happening because, you know, we don't want to lose 200 beds. And where are they going to go if we have to dismantle it?

I know there's an incoming developer coming in. And I hope that we can find some permanent [for] Embarcadero because, if it does go, what's going to replace it? I mean, we're going to have 12 people in front of your house, you know. How are we going to treat them?

Hey, since it's there and you went through all that public comment and the fight and lawsuits, and now I think some of the neighbors are really appreciative to at least it's there. So I'm supportive of the two-year plan. I'm sure there is more detail that needs to be done for Commissioner Gilman. But for me, I think it's a positive thing.

So you know, whatever you need, you know, whether I have to talk to the other police commissioner and see what we can do, I mean, there's only so much we can do here. But at least I support what you guys do.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thanks, President Brandon. I agree with Commissioner Lee on much of the stuff. I'm supportive of this absolutely. And I remember the fights. And considering that we have people who are relatively supportive saying we just need to do some things better is such a step up.

So the issues that they brought up, the whole police security thing, when I was in charge of finance for muni, I actually paid the police on overtime to be working for muni. And they still didn't show up. So I have no faith that the police will ever prioritize these facilities. If anything is important happening in the city, they simply will not show up.

So I guess -- has your department looked at -- and I know these are controversial also. But have you looked at the kind of patrol specials, the CBD kind of levels of security, some other way of getting security of some sort that does not expect a police officer who won't be there to really provide the security? Have you done that?

Dylan Schneider: That's an excellent question. This actually came up at one of our most recent community meetings in terms of -- could we look at ambassadors? Could we look at retired police officers? Are there other resources available? I will say, you know, the original ask of the community was specifically for the beat officers. That is kind of what we had pursued.

Commissioner Harrington: That's the first choice. But --

Dylan Schneider: And when we don't have a budget for additional services that beat officers have been provided through the commitment of SFPD -- so I think it's definitely something we could continue to explore. But at this point, we wouldn't have funding for an ambassador program.

I do think it's worth looking into. There's a lot of conversations happening citywide on the coordination of ambassador services. I know that the CBD in the area has also been incredibly involved in participating in these quarterly meetings. So I think there are conversations we could have to explore other resources.

But while I don't want to speak on behalf of SFPD -- and I hear your concerns -- I do want to confirm that, you know, we have been speaking with them and their leadership. And they have really confirmed that they will continue to prioritize this by looking at overtime, by looking at some creative measures of bringing on retired officers or other to uphold this commitment.

So I think we're interested in continuing to work with them to really see if we can make that work as the original community asked and then potentially look at alternatives if that's not working.

Commissioner Harrington: So the letter from the folks asked for this to be part of an addendum. I'm unclear how we actually codify what these promises might be. I'm not sure if that's a question for you or for Port staff -- because they've asked for things like security, cleaning, those kind of things. They've asked to have those codified in some fashion, so they can be somewhat enforceable. How does that work?

Sandra Oberle: So I think part of that is what's addressed in the interdepartmental letter that kind of nails down and specifies the exact expectations from each different department and what their obligations are. We are also continuing with the good neighbor policy which sets forward standards that are already existing in the current MOU. And those will be continuing in the next MOU to try to basically nail down and specify what the expectations are from the different departments.

Commissioner Harrington: So do you have any suggestions for how you could actually enforce this?

Sandra Oberle: Where did Dylan go? There she is. So I think we've talked about HSH kind of being the general -- reaching out and trying to do the enforcement and following up with departments who may not be living up to what the expectations are that are set forth in the good neighbor policy or the interdepartmental letter.

But it is a written commitment that's signed off by the various department heads. So we would be relying on that to follow up with folks and get them to -- you know, reach out and comply.

Commissioner Harrington: I guess the question is, is there -- it may not be appropriate. I get that. But you might want to think about whether you want to have an easy two-year extension to something if these commitments are not being met, something that allows HSH to talk to the police department, to talk to others and say, these people are serious. And if we don't do something, we won't be able to keep this Navigation Center going the way it's going today.

Absent some additional leverage -- I'm sorry. But I don't have faith the police department will prioritize it no matter what they might say because it doesn't happen that way. So that's one thing I think you really need to come back with something a little stronger about how that might work.

The other thing is the point-in-time discussion. I've always been amazed at our homeless counts. I've sat through many meetings about homeless counts. I remember when you did the Mission Navigation Center, the first one. The controller's office did a whole report about that whole center. And I'm wondering if you could reach out to the controller's office and see if they could assist in some way at how you do the point-in-time and/or whether they could verify occasionally whether those point-in-time kind of things make sense.

They already go out and look twice a year at all the parks in the city and do an evaluation of all the parks. They also go out at least twice a year and look at street cleanliness. And I'm thinking that they might be of assistance to you if you could talk to them about that.

Dylan Schneider: If I may, Commissioner Harrington, I think that's wonderful guidance. Thank you. I will note that the controller's office has actually been very involved setting up this quarterly tent count. They really helped structure how the data is captured through the 311 worker app.

I think one of the tricky things is that the quarterly count is actually set up not as an unsheltered count but for a tent structure and vehicle count. And we carved out the Embarcadero as the only area where we actually count unhoused individuals outside of those tents and structures based on the community commitments.

So that's why I'm interested in going back. And I think, if we could show the entire picture of what's being counted of tents and structures, it might help with some of that data. Again, I think it's not that the data is inaccurate. It's that it's a point in time, 8:00 a.m. once a quarter, usually early in the morning where, you know, it's probably before the shades are opened.

So people, if they're inside their tent, we're not counting them as a person that's unsheltered in the area. But I'm more than happy to go back and look at what the controller's report was around the Mission Navigation Center. And we have been talking with our HSOC partners as well and our SFHOT team that conducts the count just to make sure that we are all on the same page with how metrics are being gathered and information. And we continue to hear, you know, the point-in-time is tricky in general.

Commissioner Harrington: It's never going to be accurate. But just to be clear, are you saying that, if there's a tent, they count as nothing because you don't know how many people are in it?

Dylan Schneider: Exactly. Because we haven't applied the same --

Commissioner Harrington: That would make a difference.

Dylan Schneider: -- quali --

Commissioner Harrington: Sure.

Dylan Schneider: I forget exactly what the metrics are. But you know, in the federal point-in-time count, we would see a tent or a vehicle and have a multiplier. That has not been applied with this count. I think that is some of the difference that we're seeing in the data. So I think we can either look at applying

that multiplier or providing a report that has people, tents, structures and vehicles to give that whole picture.

Commissioner Harrington: Got it. That would make sense. Thank you very much.

Dylan Schneider: Of course.

Commissioner Gilman: Dylan, I just actually -- off of what Commissioner Harrington said, just wanted to make a suggestion. Again, I do want to say I am supportive of the center. I just want a stronger relationship and partnership with HSH because, while this is a citywide problem, this department is not charged with solving it. This department is charged with being a partner with you.

And we have three Navigation Centers -- I'm counting the COVID site -- on our property, more than any other interdepartmental partner. So I guess I want to strongly suggest -- and I'd like to get this as part of your report when you come back. You already fund two other entities to do ambassador-level kind of services, Downtown Streets Team -- unless you've ended their contracts. I don't know if you're still contracting with these entities. You were last fiscal year -- and Urban Alchemy.

I would like to see how you could redeploy those services to the three sites that are on Port property to ensure -- I just feel we should have the same level of safety, cleanliness and outreach at all three. They should be uniform, in my opinion, because all of them -- while this is the highest density of housing and neighbors, all of them have neighbors and communities. And two are in the southeast sector of our -- what we are responsible for.

So I just would like to see -- I understand you don't have a budget. I completely agree with Commissioner Harrington that SFPD -- I mean, God bless them as first responders. But this is not going to be a priority for them. They're understaffed completely.

And we have spikes in all sorts of criminal activity throughout the city including car break-ins that are affecting us citywide, affecting tourism. It's affecting our optics. So if there's ways to look at existing HSH resources to redeploy them particularly when we know we also -- you know, I hate to say this -- when we know that we have things like Fleet Week coming to the Embarcadero.

We have APEC. We have other events where we're going to be in the spotlight all across our waterfront. I'd rather have us showing our best way that we're helping our unhoused neighbors. So I do think you have resources to redeploy.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: First of all, I remember this very, very well. Mayor Breed took a very, very bold risk. And to her, it was about principle, not about politics. And it was the right thing to do. Director Forbes got on board and so did this commission.

And when we talk about a crisis, we have a crisis all across this nation. It's just not here in San Francisco if we haven't noticed. And my good friend Alice, who like the late Corinne Woods have always been the conscience of this commission, was there when we had that meeting.

It was about 400 people in this room. And there was 30 policemen in this room that Director Forbes had, so we could keep some kind of civil order and stability. I will say this. And I appreciate the lady over there that said -- that was laying out about the things -- thank you so much. That's important.

But you know what? This has been a success because there were a lot of naysayers. There were a lot of haters that didn't think this thing. Now, I think that there are some things that we have to improve on. Maybe there's a lack of morale. But I think we shouldn't throw this whole thing away.

I think we could tighten up. I think we can make some adjustments. I'm proud of our mayor. And I'm proud of this commission for stepping up and doing something and providing a service that's really needed to this community. And we've always found a way to make the adjustments.

I think we take the criticism. I think people have said -- Alice and the other lady had said -- and I think we work on it. And I think it's good that you're here and that you can hear this. But I think this serves as a template, as a pilot because it was a pilot program in the beginning.

That's why we did this. And we put it out there. And I chaired that meeting. And I remember the people that were for and against. And it was very passionate. I live in that neighborhood. At the time, I lived at 388 Beale. And I know people stopped speaking. It was very contentious.

But you know what? It was the American way. It's democracy. Everybody heard, and they talked about it. And I'm listening to some of the things we haven't done right. But a lot of things have happened. And if I had to do it over again, I would do it again. I would make sure that the neighborhoods were safe and that people weren't doing what they were supposed to do.

But this sets up as a model of what is good in our community. So I think we get it. And I agree with Commissioner Gail. Come back. Tell us what we need to do. Let's tighten it up. If we need the police officers or whoever, let's have them come to our meeting.

And let's find out what we can do because we have something that's good here that I think -- and it's benefitting a lot of people. And we haven't even talked about the mental health issues regarding this issue and things that people are doing. But if we don't help, then where are they going to go? Where are they going to go if we don't do our duty and our civic duty because we have a responsibility?

I know, as the Port, we're here to make money. But also, we have a social responsibility and obligation because this Port does not belong to anybody that works here or this commission. This Port belongs to every citizen of San Francisco. This is their Port. We work for them.

And they came out. And we've got to do something. And I think the mayor heard that and said, you know, we've got to do something to get people off the streets and try to provide some kind of an avenue or a better life or make it safe for them.

And I'll remind everybody in here, everybody can be critical. Don't ever get too high and mighty. Don't think that one day you couldn't wind up on the street and be homeless. Some people that are homeless -- at one time, they had it all together. They owned businesses. They were millionaires. They are very wealthy.

Something bad could happen to you in your life whether it's drugs, a stroke, or something can happen. Or you could go mentally cra -- something can happen. You could be homeless. So I always say, when you point that finger and show a lack of compassion, just remember one day you may need that same compassion. Thank you, Madam President. I give my chair to you now.

President Brandon: Thank you. Dylan and Sandra, thank you so much for this report. And I think we're all in agreement that this is a much needed site. I also think that, you know, who am I to say it could be run more efficiently or more safely or, you know -- there are so many things that could be done differently.

But it's a needed site at this time. And until we need the site, I think it's a great place for this to be. But I do think that HSH has issues with keeping commitments. And I'm not saying it's good or bad or if you have the resources to keep the commitments that you make.

I also agree with Commissioner Gilman where there's equity. When you do one thing for one place, don't think that you can just place something somewhere else and not have to do the same thing. Everybody deserves the same amount of cleanliness. Everybody deserves the same amount of safety. Everybody deserves the same.

So I think -- and I would love to see -- you know, where are these people going? Of the 414 people that you served last year, how many went to

permanent housing? How many went to temporary housing? How many went back into the streets?

So is this really working? But I know that, if you committed security to this site, I think you need to find a way to put it into your budget if you want to renew the lease. But it's what you negotiated to get the site there. And you can't backtrack now.

You know, we all want to move forward. We all want to see a place for people to be able to sleep at night. But I think we have to keep those commitments. And I look forward to you coming back in September or October. [crosstalk] Soon. Soon. [laughter] Thank you.

11. NEW BUSINESS

Assistant Director Martin: Commissioners, I recorded sort of the follow-up items for Mission Rock and oversight of the budget going forward, which we'll report back on as part of that item in October. Is there any other new business?

Vice President Adams: Mike, when I was meeting with the president last week, I brought up offshore wind and how important is offshore wind for the West Coast ports and especially for the Port of San Francisco, the Port of Eureka, Long Beach and possibly the Port of Richmond.

And the president gave me his word that he is very supportive of offshore wind. It is the future. And I also talked to Senator Padilla, a senator from California, and Congressman Garamendi. And they are also very, very involved in offshore wind. It's our future. And I know Andre Coleman, our maritime director, is.

So I said I'd like to get an update on where we're at with that. And I know, Mike, you've been involved. And I think that -- and part is maritime -- that offshore wind will be a big part of the Port of San Francisco's maritime going forward. So thank you.

Assistant Director Martin: Thank you.

President Brandon: Any other new business?

Commissioner Lee: I've got something. I want to congratulate Kim Beal's department for really getting our properties back and trying to efficiently get our cash flow going. I read in the lease report on what the brokers have been doing, you know, sending out their 1,000 letters to new prospects.

The Ferry Plaza seems to be the issue. You know, out of like the 1,000 people, I think you got four responses or four tours. And I think I'd kind of like to keep up to date on these kind of inquiries because, if we're only getting one or

two inquiries on properties like that, I think we need to go back and really figure out, is this property too big?

Do we need to split it, you know? Because it's -- otherwise, we're just going to let it sit there. And it's going to continue. Brokers -- you know, I'm on the fence about brokers, you know. If brokers do their jobs, you should get a lot of leads. If they just sit there with a contract waiting for people to give them a lead, it's not working because there's other brokers out there.

So on the new properties like Alioto's and things like that, I'd kind of like to know, are we going to put them on a list? Like okay, here are the opportunities that Port have. Are we going to give that to brokers? Or are we going to give it to Port staff to handle?

If we're going to give it to brokers, then I'd like to see the same report. What are they doing? You know, are they sending out 1,000 possible potential opportunist -- are they getting tours? If not, we have to revisit. Otherwise, it could be next year before these spaces are activated.

So I'd kind of like to see something in that line similar to what the lease report has but not so much the whole inventory but the ones that we're really focusing on around Pier 45, around the cannery. Those are our tourist attractions that we need to get activated instead of waiting every 30 days we have a meeting. You know, I'd kind of like to, you know, be a little bit more up to date on what's happening.

Assistant Director Martin: That's a great set of direction and a great new business. We're definitely pursuing a broker-managed process for all four of those Fisherman's Wharf vacancies per the conversations we've had with the commission. We're just entering that contract now. So it's very timely to start adding to the leasing report --

Commissioner Lee: Okay.

Assistant Director Martin: -- and having you up to date on that.

Commissioner Lee: That'd be great.

Assistant Director Martin: So we'll definitely continue that.

Commissioner Lee: Okay. Thank you.

President Brandon: Any other new business?

Commissioner Gilman: I just wanted to say again -- we had talked a couple commission meetings back about, through the economic recovery report, finding out ways to cultivate our historic communities along the waterfront, particularly

highlighting them at the cruise ship terminal at Pier 27 so that folks, when they disembark, know that they can walk into one of the oldest African-American neighborhoods that did ironwork and ship work.

Or they could go into the heart of North Beach. So I was just wondering if - either through -- it doesn't need to be an informational. But either through communication to the commission, we could just sort of get an update on ideas. Or when we have our economic recovery report, that could be included.

Assistant Director Martin: Thank you, Commissioner. We'll add that.

12. ADJOURNMENT

ACTION: Commissioner Gilman moved to adjourn the meeting in the memory of Peter De Lucca, known as the mayor of North Beach. Vice President Adams seconded the motion. All commissioners were in favor.

President Brandon: The meeting is adjourned at :41 p.m.