



# **SAN FRANCISCO PORT COMMISSION**

**October 10, 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

OCTOBER 10, 2023

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

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

The Commission Affairs Manager read the Ramaytush Ohlone Land Acknowledgment.

**2. APPROVAL OF MINUTES – September 12, 2023**

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

**3. PLEDGE OF ALLEGIANCE**

**4. ANNOUNCEMENTS**

A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones and similar sound-producing electronic devices are prohibited at this meeting. The Chair may order the removal from the meeting room of any person responsible for the ringing of or use of a cell phone or other similar sound-producing electronic device.

B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make public comments on each agenda item unless the Port Commission adopts a shorter period on any item. Public comment must be in respect to the current agenda item. For in-person public comment, please fill out a speaker card and hand it to the Port Commission Affairs Manager. For remote public comment, instructions are on the first page of this agenda. During public comment, dial \*3 to be added to the queue. An audio prompt will signal when it is your turn to speak.

**5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA**

Public Comment on Items Not Listed on the Agenda:

Cammy Blackstone: Thank you. Good afternoon, commissioners. My name is Cammy Blackstone. I'm the external affairs director for AT&T in San Francisco. It's my responsibility to ensure that wireless communication network is reliable, robust and complies with the FCC and services the citizens and public safety agencies in San Francisco.

AT&T has had a long and positive history leasing space from the Port and all city departments for the operation of our cell sites. And we value that relationship and would like to see it continue. Unfortunately, due to a new and unprecedented provision that Port staff recently added to our lease for Pier 94, AT&T cannot move forward with a very critical, important new cell site for our network.

The Pier 94 cell site replaces an existing site located in the former Hunters Point Shipyard. And that existing site serves not only the residents and workers in the Bayview Hunters Point area but also Recology, the San Francisco Police Department's training facilities and Pier 96, which is the designated area for city medical, mobile hospital and building inspection facilities in the event of a disaster.

From a public safety standpoint, it's one of the most important sites in our network. But it's scheduled for redevelopment and needs to be relocated immediately. So we've been working with Port staff for over a year identifying Pier 94 and working to relocate that site, which would serve an even larger swath of the Bayview Hunters Point area.

Every single lease that AT&T has ever signed with the Port or any city department over the last 30 years has been a stand-alone lease, which means, if there's a problem with one site, it affects only that one site and not all of our other sites.

Unfortunately, Port staff has now introduced a cross-default provision in our Pier 94 lease, which would require AT&T to lose its entire investment in all of its cell site leases on Port property at the same time as a result of a problem at just one site.

AT&T is credit worthy. We've been a tenant in good standing this whole time and have given the Port no reason to include this cross-default provision. And unless this provision is removed from the Pier 94 lease, AT&T cannot move forward with it, and the Port -- with the Port. And the Bayview Hunters Point area will lose this critical coverage.

Port staff has told AT&T that the cross-default provision is a new Port policy and that it is reasonable. However, we believe that this policy has not been adequately discussed nor adopted by the Port Commission and that the provision is unreasonable and will have an adverse impact on future capital investment on Port properties.

I know this cross-default provision is not on your agenda today. But I'm asking you, in the interest of public safety and to avoid a critical outage in this critical wireless service to the Bayview Hunters Point area, that the commission move to instruct staff to remove this one provision so that we can move forward with this project and begin paying the Port for our tenancy at Pier 94 and continue serving the first responders, the residents, the visitors and workers with reliable wireless coverage. Thank you.

President Brandon: Thank you. Is there any other public comment?

John Newman: Good afternoon, Honorable President, Honorable Vice President and Honorable Commissioners. I'm John Newman. I'm one of AT&T's outside real estate counsel speaking to the same issue as Cammy Blackstone. The cross-default provision is unprecedented.

I've had the privilege of documenting every single wireless lease for the company with SFMTA, the airport, the fire department, the Department of Real Estate and the Port dating back now for decades. It's been a privilege to do this. We have leases at Pier 40, Pier 50 and now pending a lease at Pier 94.

We wouldn't be here if this wasn't so absolutely urgent and an emergency for what we consider to be a public safety issue. We understand it's not agendized here. But an unprecedented cross-default provision means that AT&T would lose its investment at Pier 40, at Pier 50 and potentially at Pier 94 all at the same time over any default on a single lease.

I see there's a representative of the Giants here. This is a real curveball, commissioners. And we're asking the Port Commission to provide guidance to the staff that this has no place in this lease particularly with a tenant of the reputation of AT&T. Thank you for your consideration of the request.

President Brandon: Thank you.

Christine Keener: Good afternoon, commissioners. My name is Christine Keener on behalf of Verizon. We are encouraging staff, commissioners, to continue conversations on this important raised by AT&T. We understand that lease issues are complex. And we hope that, with more time, this will allow both parties to come to an agreement. Thanks so much for your time.

President Brandon: Thank you. Is there any other public comment? [Carmel], do we have anyone on the phone?

Carmel: There are no callers for public comment at this time.

President Brandon: Thank you. Public comment is closed. Director Forbes?

Director Forbes: Thank you, Madam President. We have been working with AT&T, the real estate team and our legal team. The cross-default provision is a compliance tool that leasing -- that landlords use to ensure that the tenant is compliant against all -- compliant with all their agreements.

And it's something we have been using now in post-COVID world where lease compliance is so critical to us. As you know, we earn 75-plus percent of our revenue from our leases. And compliance is critical. That's why we have cross-defaults in our leases.

And here, we are absolutely willing to work with AT&T. And we have been asking them to provide alternative language and to discuss with us other ways. They are a compliant tenant. We expect that they would be compliant with their lease.

We're not sure why it creates such challenge. But we continue to want to work with them. So I would turn them to staff and to my team and say to the commissioners we will work with them in good faith.

President Brandon: Thank you. I really appreciate that. And please keep us updated on the progress. Thank you. Next item, please.

## **6. EXECUTIVE**

### **A. Executive Director's Report**

- **Economic Recovery**
- **Equity**
- **Key Project Updates**

Director Forbes: Good afternoon, President Brandon, Vice President Adams, commissioners, staff, members of the public. I am Elaine Forbes, the Port's executive director. I wanted to first open my remarks in honor of the passing of the great Senator Diane Feinstein.

Our community is grieving of her passing. She was a fearless leader, way ahead of her time and a true friend of lots of important things in the city and the state and the nation but definitely also to the Port of San Francisco. She made big impacts here from opening Pier 39 famously in a bathing suit because she lost a bet because the project was, in fact, delivered on time, uh, to bringing back Fleet Week and making it the huge preparation event that it is today.

She also ensured that the fireboats were up and running and that their facilities were in good order. She was very, very attune to safety as it related to Port assets. And she also was the lynchpin in getting us the Army Corps of Engineers flood study, the first start, which really pole-vaulted our resilience work. So we think of her today and think of all she meant to the Port of San Francisco.

And to Fleet Week, we had an amazing, excellent Fleet Week this last three days. From the parade of ships, which was absolutely wonderful to the air shows, we had clear weather, clear viewing. The air shows were spectacular. The ship tours were lines around.

I had someone tell me they stood an hour and 15 minutes, and it was well worth it to get on and tour one of our ships in Port. It was just a beautiful time for Fleet Week. We also had the Italian Heritage Parade that went through Fisherman's Wharf.

And our team really worked hard. Our maintenance crews were understaffed. We've had challenges with hiring. And we're going to get new positions in. But the staff we had worked overtime, double time. And you could not tell that we had Fleet Week or parades through the Fisherman's Wharf right after the events because it was so clean and so safe.

The maritime division did all the dockside work. And there were lots of pivots. So they were all onboard. And the security team worked around the clock for us. So I'm very proud of our team. And when I speak of APEC, I want to tell you, commissioners, I think we're ready for APEC because we just did these two events together.

To kick off Fleet Week, we did host a press conference at Piers 30-32. We welcomed Speaker Emeritus Pelosi, Mayor Breed, other state and federal partners. And Commissioner Gail Gilman joined. It was a great event. At that event, we really were reminded of the importance of preparedness and preparedness as it relates to resilience of our infrastructure and our people.

And reflecting on Senator Diane Feinstein and the work Mayor Breed did back in 2018 and their partnership to take out a bond of \$425 million for our seawall and to go and get a new start -- one in three in the whole nation from the Army Corps of Engineers for our flood study -- and what that -- those two actions and what Speaker Emeritus Pelosi did and you, commission officers, did and what our whole staff did to really set the stage for resilience is quite remarkable to reflect upon as we have Fleet Week.

So I want to thank the heroic efforts of our leadership for where we are today in our resilience work. And more to economic recovery, the governor signed SB273 into law Thursday, October 5th. This is really major legislation for our commission.

When you directed staff to put Piers 30-32 out as an RFP with Seawall Lot 330 for the maybe fourth time, we were worried about what we might accomplish here. With our careful public process, with asking for major public values like resilience, sea-level-rise protection, earthquake protection, deep-water berth, maritime improvements, public improvements, we got a piece -- we got a project proposal that the state legislature and State Lands Commission deemed -- and

BCDC did not oppose -- deemed worthy of moving forward in our trustee position as a custodian of state lands.

So this will allow us to move forward in the project. And it really shows that major innovation is possible to solve challenging problems. So I want to thank everybody who put their work into this project. And I do want to note -- back to Fleet Week -- Piers 30-32, we could not put on the list of safety assets for just disaster response because the condition of the facilities is so poor. That 11 acres is not ready.

But because of that problem, the DEM director and our mayor directed us to fix that deep-water berth, to find a way to keep that in operation. And this project would get that for that. So I'm very proud to say that we're moving that along.

Pier 39 also had a birthday. They turned 45. And Mayor Breed and Supervisor Peskin, State Senator Weiner and -- Commissioner Lee, did you join?

Commissioner Lee: No. I did -- [crosstalk]

Director Forbes: You did not. [laughs] I know there was a commissioner I saw.

Commissioner Lee: If it's early, I can't go. [crosstalk]

Director Forbes: Well, leadership came to really thank Pier 39 for their efforts. They're a really well-run facility. And they got back up and running after COVID right away. And their numbers are at pre-pandemic levels. So they're just amazing.

Let's see. And to APEC -- you know 24 heads of state are coming to our city November 12 through 19. Major influencers and innovators will be in our city. We have major opportunities for partnerships and collaborations. This is an enormous event for San Francisco, for the Asian community and for our state and nation. And they're coming to the waterfront.

So we are getting prepared as best we can for clean, safe, vibrant. We just had this experience with two events on Fisherman's Wharf. And I feel our team is ready. But we're going to continue to endeavor to really provide a great waterfront for APEC. Okay. We will have more signage. And we also will be doing information campaign on our pylons with the City and County of San Francisco.

Now, turning to equity, there is a good deal of activity underway in the northern waterfront -- I think I mean the southern waterfront. I do. I'm pleased to share that the Port's Portola Festival at Pier 80 was a really major success last weekend.

It's a real story of strong economic recovery. But it's also the facility welcoming people from in the city, in the region to a really exciting event at Pier 80. So while there was yet another music event on the other side of town at Golden Gate Park, we had over 60 performers and 57,000 participants who enjoyed the southern waterfront music festival.

Also in the southern waterfront, we're developing a proposal -- staff is developing a proposal for cleaning and greening roadways, public gathering places in the intersection where Port land meets the city in the Bayview community and the neighborhood.

We really want our lands to reflect the vibrancy of the neighborhood. And we want -- as we do so well on other properties in the north. We want our front door to the Bayview community to show pride in being part of the community. We'll also be improving signage, pedestrian bike access and more.

So we can really bring and discover the unique beautiful open spaces and places embedded within our industrial uses. So I'm looking forward to staff working on that. Thank you, Commissioner Brandon, for your leadership and working with us on the bones of our plan. And we look much forward to coming back with more detail.

Moving forward to design of a new playground and dog park at Crane Cove Park -- the design is underway. The Port will advertise construction in the spring of 2024. And the new features will be coming. So I wanted to give you an update that the funding is in place. And we're working on the project.

In closing, I'd like to mention a couple of transitions. We are sad to see Justin Berton, our communications director, move on to other opportunities. But we're happy to welcome Eric Young, who has served at the SFMTA for many years.

He was a reporter here in San Francisco. He's a San Franciscan. He's a great communicator and a really wonderful person. Eric, are you in the audience? There you are. Can you just stand out so everyone can -- there's Eric. Yeah. Welcome, Eric. He's already had to hit the ground running pretty hard, as you can imagine, from my report.

And also, our chief harbor engineer, Rod Iwashita, has left the Port. Rod has done so much for us. He's been at the Port for about six years. And he was great at moving our understanding of our facilities, great inspections. He started the program of really good inspections and understanding of cost, the surveying, so we know where our land is.

He just did tremendous work to get our data and information up to snuff. So we will miss him very much. And I will be working on a process to replace that



important position. And I want to thank you, commissioners, for everything you do to guide our organization. And that concludes my report.

No Public Comment on the Executive Director's Report.

Commissioners' Discussion on the Executive Director's Report:

Commissioner Harrington: Thank you, Madam President. Thank you, Elaine. Once again, it's astounding how much stuff is happening. So I appreciate all the work from all the staff that are taking care of those things. I also want to just -- I'm glad you mentioned Senator Feinstein.

You know, she was the mayor when I first came to work for San Francisco. And when I was head of the Utilities Commission, we spent a lot of time together working on water issues and wastewater issues including Army Corps of Engineers kinds of things. And she was so helpful to the city on so many levels. She will be greatly missed. But again, thanks for the report.

And am I crazy? Or are we not being able to see outside that we weren't able to do before? It seems like it was always dark out there, and now it's not. So thank you for that too. [crosstalk] [laughter]

President Brandon: Thank you. Commissioner Lee?

Commissioner Lee: I have really not much to say. It was a busy weekend for sure. For APEC, I know we're going to be planning a lot of things. And I heard on the news they want to bring the Ferris wheel down. Are we going to designate an area for things around, you know, th -- if we put this Ferris wheel up, is there going to be small businesses around there? Have we decided where we might put this thing? You know --

Director Forbes: Yes. I'm happy to give an update. I can do so, right? We have been working with SkyStar, who is interested in relocating the Ferris wheel or the Sky wheel from Golden Gate Park to the triangle parking lot right in Fisherman's Wharf.

So the triangle parking lot, for those who might not know it, is just to the north side of Boudin's restaurant in the back there right along Taylor Street. So the idea is that that Ferris wheel would come for APEC. It would be temporarily situated through permitting.

We've been working with our engineering team and waiting for their engineering team to show how that might work and get the right permitting and the analysis. We have gone out to the community on it. We are trying to do the process in time, should it be successful, for APEC.

And we have been moving it along. We think it could be a great, great attraction, family friendly, date-night friendly and could just be great at the wharf to experience it on a temporary basis. But we still have hurdles to cross related to if it's possible. And I will update you next month. For sure, we will know by that time.

Commissioner Lee: And to additional -- and I watch the news a lot. You know, the little incident we had -- or not we but the Public Works inspector about the illegal carts -- so if we put this Ferris wheel up, will we have adequate safeguards to make sure that the small businesses in the area still benefit this rather than having a whole gang of illegal street carts and things?

Director Forbes: Commissioner, thank you for mentioning the issue with the cart. That was an enforcement issue that was multi-departmental led including Port, Public Works, public health department and the San Francisco Police Department for our safety. And I just want to say it's hard work out there.

Commissioner Lee: Yes.

Director Forbes: It's very, very hard work. And our staff has been at it for a while. What happened there is unfortunate. And the team is working on that not happening again. But we are working hard on enforcing against unlicensed vending. It has a lot of health problems. The food is not safe.

Commissioner Lee: Mm-hmm.

Director Forbes: The carts are not safe. We had one that had an explosion last year. The sidewalks are blocked from access. There's illegal marijuana and alcohol being sold. And it's just a real problem. So I did want to say that, while the incident was not as we intended it to go as a public agency, I want to support staff that's out there in this work. It's really, really hard work.

Commissioner Lee: Yes.

Director Forbes: And it's really complicated to do given our state law and our local laws.

Commissioner Lee: Right. Yeah. I just want to make sure we -- it is tough. I don't know how you guys can manage it. Bringing the Ferris wheel down is just going to bring more attention. I just want to make sure that we're prepared.

Director Forbes: We actually -- I do want to say, Commissioner, staff believes the Ferris wheel is an opportunity to manage and take away unlicensed vending. There will be queuing.

Commissioner Lee: Okay.

Director Forbes: There will be other activities there. So we think that we can set the public space up and the queuing so that it actually helps us achieve our goals in that area.

Commissioner Lee: Okay. Great. Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you, Director Forbes for your report. I want to say, as someone who got to participate in Fleet Week activities, you know, living a stone thrown from the waterfront, how phenomenal the whole event was and seeing the ships and the sailors and the economic boost to our neighborhoods that benefitted all across the city but particularly North Beach and Chinatown.

It was really a sight to see. The weather cooperated. And I really want to commend the Port staff for all the work you did. It was spotless. It was clean. It was safe. So I just really wanted to comment everyone for great Fleet Week activities.

And congratulations on the legislation for Piers 30-32. That will just help us sort of extend dead zones along the waterfront, leaning from the southeast waterfront all the way to the northern waterfront for activities. So that's really great news. So I just really want to thank the staff for everything you do for the c - - people forget we're seven-and-a-half miles of waterfront that we maintain.

And compared to sometimes other aspects of our city, I think the Port really does a great job. So I just wanted to thank everyone. And then, I just did want to take a moment to express both my personal and from a public servant's perspective my support -- sorry.

I just felt we need to acknowledge the acts that happened on Saturday and the violence that's happening in the Middle East both for our Palestinian and Israeli brothers and sisters. So I just wanted to acknowledge on behalf of a commissioner the Port cities that are under attack right now from terrorism.

And as someone who doesn't tolerate violence for anyone, I felt as a commission we should acknowledge that today.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Director Forbes, great report. I appreciate what you said, Commissioner Ed, about the late Diane Feinstein. I did a lot of research because I didn't grow up here. But when Harvey Milk was killed and then the mayor was killed, she took over as mayor.

And one thing about leadership -- it's not a blueprint that tells you what to do. You know, leadership is when everything goes wrong. Managing is when

everything goes right. And she stepped up. And to Sister Gail, I know -- I feel your pain.

It's been a crazy week. We see what's happening back in our nation's capital. And everything is just kind of out of control. I mean, it's just -- we're living in some crazy times. But it's good that we here in San Francisco are starting to see things turn around.

I've felt for a while we kind of had an image problem. I'm glad Fleet Week was a success. I think that was very important. And I think having this summit here in November, President Biden and then the president of China and all the heads of state -- I just want to give a shout out to one of my former commissioners who know is the lieutenant governor, Eleni Kounalakis, was part about making all this happen.

And I want to give Eleni a shout out for bringing and being a part of making all this happen. And then, also, I want to thank the governor for making a tough decision filling the vacancy of the late Senator Feinstein, picking an African-American woman that was lesbian and trans. And I think that was very -- showed the backbone of the governor.

He's under a lot of pressure whenever you've got to decide there's some group -- groups going to feel like they were left out. And I'm glad that Governor Newsom made a decision. And we wish the best for our two senators from this state as we move forward.

So once again, thank you. And to the staff here at the Port, I know it's some hard times. But let's try to see the good things that's kind of happening around us. And as that song by the Temptations back in the day to say the world's a ball of confusion. Thank you.

President Brandon: Thank you. Elaine, thank you so much for your report. Thank you, fellow commissioners, for all your comments. It is a difficult time right now. But it's just so phenomenal that the Port is doing so well. But it's hard to say that with all that's going on in the world, you know.

So I'm really happy that Fleet Week was a success, and the government didn't shut down. And it was allowed to happen. [laughter] And Senator Feinstein has just been a champion to the Port. She has just done so much for us over the years, her entire term as mayor, as senator.

She has just been such a friend to the Port. And as Elaine said, you know, our new start, our bond measure, all of it is because of her leadership and her guidance. So that was a huge loss for us and for everyone, I'm sure. I want to say happy birthday to Pier 39.

And welcome, Eric. You definitely have just run. You have not been able to sit down since you got here. Right? It's been, what, a week now?

Eric Young: Yes. [laughter]

President Brandon: Well, welcome. And it's great to hear about the Portola Festival and the 57,000 people. The Port was just -- from the southern waterfront all the way to Hyde Street Harbor was just a ball of activity over the last couple weeks. And hopefully, it lasts through APEC and throughout our economic recovery. Thank you for your report, Elaine.

## **7. CONSENT**

- A. Request approval of 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. (Resolution 23-42)**
- B. Request approval of proposed Lease No. L-17093 with Anderson Enterprises, Inc., a California corporation ("Anderson") for approximately 116,343 square feet of paved land and 2,010 square feet of shed space at Pier 68/70 Shipyard for a term of three years with three mutually agreeable one-year options to extend, subject to Board of Supervisors' approval. (Resolution 23-43)**
- C. Request authorization for the Port to enter into an Agreement with the Office of Community Investment and Infrastructure (OCII) and the Recreation and Parks Department (RPD) for the Port and RPD to maintain and operate certain Mission Bay Parks that will be funded by Community Financing District # 5 (CFD #5) revenues until 2044. (Resolution 23-44)**

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

No Public Comment on the Consent Calendar.

Resolutions 23-42, 23-43 and 23-44 passed unanimously.

## **8. REAL ESTATE & DEVELOPMENT**

- A. Request approval of a resolution authorizing the Director to execute a Memorandum of Understanding with the Department of Homelessness and Supportive Housing ("HSH") for temporary use of a portion of Seawall Lot 330 for the continued operation of the Embarcadero SAFE Navigation Center for a term of 2 years with one – 2-year option to extend. (Resolution 23-45)**

Sandy Oberle: Good afternoon, President Brandon, Vice President Adams, commissioners. I'm Sandy Oberle, senior property manager with the Port. And I am back again to talk more about the new MOU with the HSH for the Navigation Center located at Seawall Lot 330 on the Embarcadero.

So as you know, the current MOU expires at the end of this year. We've been working with HSH to enter into a new MOU. The term would be two years with an option to extend for two years. And this would give HSH the opportunity to continue to occupy the site at this location and continue their operations there.

The two-year term could be extended -- or the option could be exercised for two years with the -- and we've kind of worked on this -- with the approval of the Port following some certain guidelines that need to be met including standard reporting, continuing to hold the advisory committee meetings.

We have kind of changed and adopted some things with regard to point-in-time counts. The agreement will require them to also continue to do the point-in-time counts but incorporate counts of tents and vehicles as well as people that they are seeing. So those are some of the different things that we're trying to address in the comments and the feedback we have from the commission and from the community.

We can also terminate this agreement on six months' notice should we need to go ahead and move forward with a Port project or the planned development at this location. Understand that six months is a tight timeframe. Our expectation is that we would be able to have some kind of a heads up and know things are getting close to moving forward and continue to work with HSH as the development approaches, so we can provide as much notice as possible of the impending termination.

I'm going to go ahead and let HSH then finish up and follow up with their presentation and information from them. Thank you.

Emily Cohen: Good afternoon, commissioners. My name is Emily Cohen. I'm a deputy director at the Department of Homelessness and Supportive Housing. It's nice to see you all again. I'm not going to repeat our presentation from a few weeks ago but did want to follow up on a few of the specific questions that were asked about that point.

As you know, we are requesting a two-year extension with an option for two additional years to continue to operate the Embarcadero Navigation Center. We have been working -- so one of the questions we received last time was about equity in our good-neighbor policies across our three sites that are on Port property.

And these are very different sites in very different areas of town so just wanted to talk about how -- what we do standardize and then what we customize.

So as you know, we work with a host of communities across San Francisco. We work with each community to identify the unique needs of that specific area and work with them on the specific challenges that might exist.

We do have a standard good-neighbor policy that is consistent across all of our shelter programs. It was enhanced when we did the Embarcadero. We've now put that into practice in multiple shelter sites including Central Waterfront and Pier 94 trailer site.

Central Waterfront was actually the first Navigation Center for which we issued an interdepartmental agreement between multiple city agencies to outline our roles and responsibilities to support the site. That was the model that then we used here at the Embarcadero and was really successful and has been -- you know, helped us be very successful in the Dogpatch neighborhood.

So that is something that we have done at both Central Waterfront and Embarcadero. We have not done that at Pier 94 given how remote the site is relative to residential development.

In terms of security, that is also -- or the involvement of SFPD -- so based on our conversations with the Dogpatch Neighborhood Association and many of the other neighbors of the Central Waterfront and the Bayview station, we determined that passing calls was the type of SFPD support that that neighborhood was requesting for their Navigation Center.

Here, it's a much larger site, 200 beds versus 60. So we do have a slightly different approach with the beat officers at this site. So just to get a little bit more into the interdepartmental agreement that we have included in this, the city -- we've worked with multiple city departments to outline who has what roles and responsibilities within the designated outreach and safety zone.

And the interdepartmental agreements have been really effective at holding each other accountable. We all report on our work relative to the agreement at our quarterly community advisory meetings. And it really helps us in both accountability and managing expectations for the different departments.

And you'll see on the slide the different departments that are signatories to this agreement. And our big role in this is to facilitate the quarterly meetings, to make the shelter beds available, to run the site well and also to pull in our partners as needed when we need more support.

We were also asked to provide a little bit more data on the outcomes of the Embarcadero Navigation Center so wanted to provide that data as well. So since the site opened in December 2019, we've served nearly 800 unique guests at the site.

And given that the operations of this site -- the beginning was at the very beginning part of COVID, we decreased capacity at that time. And we really paused on housing exits. We were very focused at maintaining the community within the Navigation Center and standing up the shelter-in-place hotels across the city.

So we did not have a lot of exits to housing during those first two years during the pandemic when we were really focused on the shelter-in-place process. But since then, 22 percent of the guests exiting have gone to permanent housing.

And this is consistent with other shelter programs although far lower than ideal across our system. So one of the things that our department has recently done is increased funding to all of our shelters to right-size the case-management ration and added expectations around housing placement document readiness and really getting our guests that shelter ready to be tenants in supportive housing.

That responsibility had largely been held by our coordinated entry system, which is a centralized housing placement system. And now, we are infusing some of that responsibility back into the shelters with additional resources to try to really focus on moving people through shelter rather than having folks stay indefinitely in shelters.

And I believe that answers many of the questions that were brought up at our last hearing and happy to answer any others that you might have. Thank you.

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

Public Comment on Item 8A:

Alice Rogers: Thank you. I'm sorry. I forgot to do my card. Good afternoon, President Brandon, Vice President Adams, Commissioners Gilman, Harrington and Lee and Director Forbes. I'm Alice Rogers. I'm speaking as a resident of the outreach zone.

And I am not speaking for the group. But I also have been serving for the last four years as vice chair of the advisory group for this Navigation Center. I personally support the continued interim use of the Navigation Center at the site until the current development proposal for the site concludes its public process.

The unhoused should just not lose these 200 beds as an opportunity to exit homelessness. Before commenting on the new MOU proposal and its underlying interdepartmental agreement, I want to pause and thank and commend the extraordinarily dedicated Port staff and HSH staff supporting this center and its advisory group.



In addition to the Port staff who is working in the background that I don't get to see often, I have been extraordinarily happy to work with Ming Yeung and, before her, Randy Quezada, who have been unfailing in their work to have clear communications to the neighborhood, clear and timely and complete communications and a lot of side discussions with me.

And also, at HSH, Dylan Schneider -- Dylan picked up the high bar that was set by Emily Cohen in making sure that each and every neighbor who communicated with the advisory group about an issue was engaged in a meaningful dialogue that moved the needle.

Last month, I, together with Rick Dickerson, the chair of the advisory group, wrote you to express our personal support for the new MOU with a couple of important caveats. And those were that we needed some guarantee that the foot-beat officers actually be staffed at the level that the MOU is committing.

It wasn't the case in this first MOU. And the staffing was not always adequate although Southern Station bent over backwards to do that. We know that the police had staffing issues. I can tear up the rest of my remarks because this afternoon I learned that a caveat had been put into the updated MOU that meeting those staffing standards for the foot-beat officers will become criteria for approving -- should there be an extension request, that it would be a criteria for approving.

Likewise, we took exception to the PIT counts that were undermining the credibility of the group. And that methodology will also be changed. So we thank this forum for being able to bring those up. And we thank HSH and all [signators] to this MOU.

#### Commissioners' Discussion on Item 8A:

Commissioner Lee: Well, definitely the Navigation Center works really well, I think, as far as making people safe because, like I say, I spent 15 years in that neighborhood. I was reading the addendum, you know, the letters that we just got. And I have a question.

I mean, yeah, six months does seem to be kind of a hard stop, you know, to give notice to move all these people. Is there a way -- you know, obviously, there's going to be permitting. And it's going to take time for this project to be permitted and things and get all the financing together to really break ground.

Is there a way to at least let them know that all the permits are in place, you know, not at the six months but maybe a year -- you know, like a few months before that, give them a pre-warning before the six months?

Sandy Oberle: Absolutely. That's the intent. So we'll be communicating and working with our development group, understanding how the processing is going

with permitting, CEQA, planning, everything else that's going on. So as that process is moving forward and we're getting closer to realizing, okay, this is happening, we know it's going to be coming up shortly, we will certainly keep HSH informed. So they can start making plans.

My expectation is that we would be communicating with them. And they would know well in advance of the six-month period that the notice is going to be coming.

Commissioner Lee: Okay. Because we all know how long construction takes. And there's always delays. And I hate to give somebody a hard stop and move all these people. And then, suddenly, the site sits there for another six months. So --

Sandy Oberle: Absolutely.

Commissioner Lee: Okay. So that's kind of my comment. As far as getting more help, we know that situation. Maybe Commissioner Harrington can speak on that. But that's all I have for this. [laughter] He's the expert on that one.

President Brandon: Commissioner Harrington? [laughter]

Commissioner Harrington: Thanks for the intro. Thanks so much, Ms. Oberle and Ms. Cohen. To go back to some of the conversations that you had -- and thank you for taking care of some of those issues -- I am still concerned about security and safety.

The wording of the MOU talks about continuing to do what we do now kind of. Right. And what we do now I don't think is sufficient. And I'm not sure it ever will be. If I actually had enough police officers in San Francisco, I'm not sure I would assign them this beat. You know, there would be other things that would probably be a higher priority. And think it will always be higher priority.

And I just don't think that that is a reasonably good solution long term. And when we try to put Navigation Centers or anything for disadvantaged people of any sort in the city, neighbors always come back and say, "No. It's unsafe. It's this and that."

You've convinced the neighbors here this is a good thing in many ways. And wouldn't it be great to do enough safety/security kind of issues to kind of close that loop so that, when you want to open some place in the Richmond and the Sunset and others, they can come from here and say, "Look at -- we had issues. They dealt with those."

And it's the one thing I still don't think we've dealt with very well. Are there any more creative things we haven't heard that you've tried? Or is there something about when you get monthly reports from the police it means

something? And you can say, yes, you've had three people there one day, and that's it? Or how does that work?

Emily Cohen: Thank you, Commissioner, for the question [through the chair]. I'm not sure there's another more creative opportunity. I did have an opportunity to have several conversations with SFPD leadership in advance of this request to extend.

And I did receive commitment to have the foot-beat officers. They have signed on to this commitment. I think the public is very vocal in trying to hold them accountable to this. But I think that the crime-stat report that the captain shares every quarter or every month also demonstrates that there's not an increase in crime, that we're not seeing property crime or personal violence or -- you know, a lot of these concerns that folks had.

We are not seeing that come to fruition. And that is probably in part because of the foot-beat officers and in part because it's a really helpful tool in breaking down stereotypes. I think that the crime stats are demonstrating what we hoped and what we thought we knew, that homeless shelters don't increase crime in a community.

And I think that's been one of the most powerful tools of having SFPD at the table and having these monthly reports. You can see where the neighborhood fits in with the overall city ebb and flow of crime. And it is at a pretty micro level.

So it's quite helpful in that way. Unfortunately, SFPD -- I had been in conversation with them about coming today. They got pulled, as happens. But I think that they have been very vocal in their support for this.

Commissioner Harrington: Do you get reports that tell you how often they've been out there?

Emily Cohen: I don't.

Commissioner Harrington: Do you know if that's possible to do?

Emily Cohen: I would suspect we could request that and have it reported at the advisory committee meeting, like how many staff hours.

Commissioner Harrington: If you could get something that allows us to know that they actually show up --

Emily Cohen: Yeah.

Commissioner Harrington: -- or how often they show up, I'd love a copy of that plus the crime stats.

Emily Cohen: Yeah. Absolutely. And the crime stats are on the Port website. We can make sure to send it to you. But it is part of our regular reporting --

Commissioner Harrington: Great. Thank you.

Emily Cohen: -- [we put that] together. Thank you.

President Brandon: Commissioner Gilman?

Commissioner Gilman: Thank you so much for the updated report. A similar line of questioning but I think maybe from a slightly different perspective than Commissioner Harrington for the department -- I'm actually concerned on a counterpoint that, in the MOU, we're making these agreements around the beat officers.

But we know and we know from national data and we know from statistics -- and I say this with absolute respect to the neighbors in this neighborhood -- homeless shelters, homeless housing, affordable housing does not increase crime. So we're asking the city to take a very valuable resource and probably the reason -- I'm just going to extrapolate -- SFPD is not here today -- is that yesterday we had a cable car crash.

We had a hold up at a bank on Masonic at the Lucky's with an armed gun. And we had a deranged human being crash their car into the Chinese consulate. And we had an officer-involved shooting. Those are much more important, from my perspective as a citizen of the City and County of San Francisco, than patrolling this zone.

And I'm actually concerned that we're committing to things to placate the neighbors that are unrealistic. And I'm concerned that the extension by us is predicated on that. It actually makes me uncomfortable. Homelessness does not increase crime.

Walking here today, I passed seven tents. And I passed three people who were not having good days. And just because I don't have a Navigation Center on the foot between Chinatown and North Beach, I don't have a beat officer or a safety zone.

So I guess I'm just concerned that actually, in this iteration, the language is stronger. And I'm concerned that we, in good faith, may not be able to extend the MOU if SFPD can't meet their obligation when we know statistically there is no crime.

So I appreciate you showing us on the equity slide why this isn't happening at the other Navigation Centers. I will note -- I have heard it is much, much better what's happening at Pier 94. But I would actually argue that, if we

had had security and a beat officer there, maybe of the issues we've had at Pier 94 would have not happened.

So I guess I'm just wondering how the department feels comfortable strengthening this language predicated on interdepartmental agreement from a department that is chronically understaffed and has, with all due respect, much higher priorities. Can you address that?

Emily Cohen: Absolutely. Thank you, Commissioner Gilman. In general, I very much agree with what you said in that I know that homeless services, shelter, affordable housing do not increase crime. I think that this is a very large site. Two hundred beds is a significant site.

And we've had a very good working relationship with SFPD. So let me say this is a large site that has generated significant concern from the neighbors. Now, thankfully, none of that -- not -- much of that concern has not come to light. And we're very pleased about that.

We also have had a very positive relationship with SFPD. Even when they're short staffed, you know, if they can't do the beat officers, they're doing the passing calls. They're getting out there and talking to people. And it's been helpful.

I do think that the accountability mechanisms that we have put in place will help ensure that the city gets the services -- that the residents get the services that the city is committing to. I do feel optimistic that we will be able to continue -- that we will meet the minimum threshold to continue operations, you know, should the site continue to be available.

Generally, I do agree. I think this is a bit of a challenge because we want to be responsive to the community. We want to be responsive to the neighbors. We want to be responsive to the requests while also not perpetuating a stereotype that may not be accurate.

Commissioner Gilman: Okay. Sorry, Emily, can you stay -- I just had two other questions based on this data. So again -- and apologies, as someone who is somewhat of a content expert on this matter -- you're adjusting how you do the PIT count. Are you adjusting it just for this zone?

Because it also really concerns me from a data perspective that you're not doing that -- unless you're going to do that citywide. So can you clarify that?

Emily Cohen: Yeah. Let me clarify. Thank you. So when we were referring to the PIT count within this presentation, we were talking specifically about the count that we conduct just for this project.

Commissioner Gilman: Okay.

Emily Cohen: We're actually taking the methodology of the larger biannual homeless census or point-in-time count and applying it more --

Commissioner Gilman: Okay.

Emily Cohen: -- more consistently now. We are not -- we have always done counting of the tents, structures, people and a numeric extrapolation of how many people we think are in the tents -- [crosstalk]

Commissioner Gilman: So this is just taking what we are required by federal law to do and scaling it to this site.

Emily Cohen: We're making them consistent.

Commissioner Gilman: Consistent. Okay.

Emily Cohen: Yeah.

Commissioner Gilman: Great. And then, I guess the only thing I will say is I really hope the department can plan and do well. Again, looking at Pier 94 as another just example of a partnership, I am skeptical a little bit along with what I heard Commissioner Lee say, that you could decommission in six months.

So I really hope we'd see more than 22 percent of our residents at this site start to exit into permanent housing particularly when we've had a lot of investment in that housing both -- and a lot of vacancy in our old stock, which I know the department is working on.

But it would be great to start seeing those stronger exits from that. And whether it's just as an informational or an FYI -- I know it's on our website. But I think it would be great to report back to the commission on that because I'm concerned that, if you needed to vacate in six months, the department actually wouldn't be able to succeed in that. And I don't want to see anything jeopardize the long-term development of the seawall lot or the piers.

Emily Cohen: Absolutely and really appreciate that concern. Unfortunately -- or fortunately -- unfortunately, I think, we have been gotten very good at decommissioning sites. You know, we took down 25 shelter-in-place hotels over the course of a year and permanently housed 80 percent of the folks that were in our SIP hotels.

That is largely why folks [did] move out of the Navigation Center in the first year because we were rehousing the folks out of the shelter-in-place hotels when they have to come down. So similar with what we're doing at the Candlestick RV lot and similar with what we're doing at any time-limited-use site, we have a six -- about six months' plan for demobilizing a site that involved a very heavy housing push.

And so what we've seen in other sites is that our housing numbers actually tick up dramatically, which is a bit problematic. Right. We should be going at that rate every day. But we do see those housing numbers tick up as we wind down sites.

And like I said, we wound down 25 hotels, over 2,500 units of hotel-based shelter. And 80 percent of those folks got permanently housed. So I actually think we can do this in six months. Two hundred people in six months is doable.

Commissioner Gilman: Thank you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Thanks for coming back. There was a lot of discussion last time you were and a lot of the questions. I like it that the commission here has a lot of questions here. And I really appreciate that.

For me, what stands out a lot -- because none of us commissioners are down there on the ground. There's only one person I know in this room that's on the ground down -- that's Alice. Alice is the conscience. Alice is in the neighborhood. Alice knows what's going on.

And last month, one person came. But Alice is the person that knows the real deal. She's down there. I used to live one block from there. But I don't live there anymore. None of the commissioners here do. But Alice is down there. She walks here. I see Alice all around.

She has a connection to the community, the people. She talks to everybody. She's the pulse. And so Alice, I'd like to hear from you real quickly. I mean, just -- because you'll just bring the truth to us because you're there.

Alice Rogers: Hmm. Thank you. On the issue of the foot-beat officers, I believe that it's correct that the Navigation Center itself doesn't generate many issues. In the neighborhood, most of the issues that we dealt with kind of the side were conflated really from the general humanitarian crisis of homelessness on the street.

That said, I do walk around a lot. But I'm not everywhere all the time. And we did see a correlation when the foot-beat officers were not fully staffed, that we got more complaints about loitering and drug sales and other uncomfortable behavior.

So I do think that there is a correlation. I feel that what we're asking is not for hard enforcement. We're looking for that sort of community policing aspect that is check in with people every day, you know, building up trust, encouraging people to go to the shelter if they haven't already gone to the shelter, discouraging those who prey on the homeless, selling drugs.

I have felt in the East Cut things are pretty neat and clean around there. And I think that their crews are very effective at providing those services. And I actually think that CBDs -- or that one particularly, is an underused asset for HSH, that there could be more handoffs to get people ready.

So from my perspective, that's really what I'm looking for. And it has been awkward over four years to try to field these "criticisms of the Navigation Center" that really were related to the catacombs or to unfortunate individuals in the dog park or to people in the Beale Street cul-de-sac --

President Brandon: Thank you, Alice. Thank you. Thank you so much for your comments. We really appreciate it. Do you have any further comments?

Vice President Adams: Nope. I'm good. Thank you.

President Brandon: Thank you. Anybody else have any further comments? Alice, thank you. Thank you very much. We really appreciate your comments and really appreciate Emily for coming back and answering all the questions. You know, this is never easy. This is a critical citywide issue.

And I don't envy you in your job and all that it takes to make this happen. But I do hope that, going forward, there is a lot more support to permanent housing and to actually getting people off the streets permanently so really want to thank you for all that you do. And with that, all in favor?

Resolution 23-45 passed unanimously.

**B. Request approval of (1) Phase 1 Revised Final Budget; (2) Contribution of Port Capital; and (3) Parcel Lease Amendment, for the Mission Rock Project at Seawall Lot 337, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay. (Resolution 23-46)**

Josh Keene: Great. Thank you, Jenica. Josh Keene, assistant deputy director of development at the Port. Good afternoon, President Brandon, Vice President Adams and commissioners. Is a caller on, by chance? [Julian], is that you?

Julian: That's me.

Josh Keene: If you can mute yourself, that would be great. Thank you. So I can't believe we're back already. It's been a very long four weeks for Port staff. I want to first say thank you to Elaine, Jenica and the city attorney's office for being exceptionally flexible.

When we came to you on September 12th, we said we've got some work to do. We're going to be back. They were very flexible and patient with us as we were working through iterations to get ready for today. So I just want to start with



that. Then, I'm going to go through a fairly brief presentation, given that this is in a lot of ways a follow up to what we did on September 12th.

First actually, as a point of note, for any of you who were spending the weekend reading that staff report, I know it's quite long because it's layered on top of another. So I do appreciate the flexibility of the commission to work with kind of a partial informational item that was supplemented on this. I know that's a little out of sequence.

So I'm going to be very brief when we go through the agenda here. I'm going to start with just a very brief overview of the project update because I know we just went through it in September. But there's actually stuff happening every month on this project. So I want to bring that up to speed.

I want to tell you what we heard from you all on September 12th. We saw a very specific pointed list of items you're looking for us on the short term associated with these items and what you expect from us going forward as far as outward communication and update and status going.

I've highlighted these three in bold because, while there's going to be some content today, it's not to the level it was before. These are three specific actions that are associated here, which is: approval of the overall phase-one budget, which we previewed -- went into detail with the city cost last time but previewed that; a very specific outline -- and it's been negotiated between us about how Port capital is going to work.

I know that was something Commissioner Harrington and Gilman specifically flagged including how the waterfall works and the expected return. So I want to speak to that briefly. And then, we've got much more detail on these parcel lease amendments, which for the most part Port staff considers technical.

But they do require -- I want to go into those a little bit of detail how they tie into the participation in the future. Those will have a subsequent Board of Supervisors action. And just to continue beginning the discussion on phase two, I want to show you the kind of lens we're looking at.

There's still a lot of work to do on phase two. But this is going to be an ongoing effort. So I want to talk to you about the lens about how we're approaching that because a lot of what you're going to hear today is about making phase two the most viable it can be. The decisions we make today [help] the future -- and then a quick discussion on the immediate next steps.

So as everyone has seen this one recently and before and for those of you who have been on site, just doing a quick phase-one overview, which we're currently in. It's four vertical parcels plus China Basin Park, two office buildings and two residentials with almost 40 percent inclusionary onsite on those.

Three of the buildings -- the Visa headquarters, Parcel A and Building B -- all have their TCOs. We're obviously still looking for the right tenant at Parcel B. Parcel F will be coming online -- the TCO next summer. And the leasing up of that will happen right then.

I want to give you an update since the last time, which you thankfully approved our bond issuance, so we can move forward with that process. We have, through the Office of Public Finance and the mayor's office, submitted the board legislative package final-form draft form on the third. I'll get to the next step on that.

But after these actions today, we're intending to go through the board process this month if we can sequence all of that. Commissioner Harrington, I know you asked for a POS on that. We've got a draft in the board file if you're interested. But otherwise, we're looking to publish that in probably early November for the final one. So we can get either one to you.

I do want to give some more positive updates on the leasing activity, not just at Parcel A, where -- continue to track over 40 percent for the market-rate leasing, which has been in earnest since June, since we got -- since we were allowed to do it.

The BMR leasing is picking up also. We've got three leases signed since the last time we reported out. So we're up to seven. Obviously, it's behind the market rate. But we actually think it's tracking nicely in the sense -- we had to get through the entire MOHCD process to start going through this list. So the developer team feels very confident in the process.

Commissioner Gilman, I did indicate we will be returning with a formal [unintelligible] once we've collected more statistics on this. But we do want to keep giving you these updates as we're going forward on Mission Rock items.

And just as -- you know, one of the feel-good stories of this project is its workforce development, not just LBE participation, but it's real programs. So I just wanted to let everybody know the Mission Rock team is currently undergoing interviews for phase two or the next cohort for the Mission Rock Academy, which is a huge success. So I just wanted to highlight that's going on right now.

Okay. So just want to do a quick recap of what we did on the 12th and what we heard from you. So the main approval item was the bonds. And again, thank you for allowing us to move that forward conditioned upon us coming back. We did an informational, in-depth discussion on the city costs and some of the issues associated with that.

And we previewed these three items: the budget, the Port capital and the parcel lease amendment that we're going to go into more detail on those today. Specifically what we heard from you -- there was a list. And it was entirely fair

and something we needed to hear actually -- is, one, you want to make sure we confirm the appropriateness of the budget.

While we have signed off on the city cost, we have not yet done that process, which is why we were keeping that as an open item -- and to provide some more details or reasons for the overall budget cost, which I believe we -- explained a little bit more in briefings.

But I want to touch on those today: a commitment to enhanced cost management and better communication of issues -- we'll talk a little more specifically about what we heard and what we're committed to in that regard; the detail of Port capital and the parcel lease amendments; and then the phase-two discussion, as I already discussed. So those are three things we all heard. So I'm going to integrate those into this discussion.

So as the phase-one budget recap, as President Brandon implied last time -- yes, it's been up. This is the second time we're going up, total of up to 50 percent. It's a big jump over time. We acknowledge that. There's a lot of factors involved. But we are seeking a \$218.5 million-dollar budget for phase one.

This is what we presented last month. The city cost number is still showing the same, the \$19.577 million. But there's about \$18 million of the hard cost and the soft costs. That's picked up in the difference between the 121 and the 108 and then down below for the soft costs between the 97 and the 76, which is inclusive the city costs so a total phase-one budget increase of \$34.5 million.

Since September 12th, we -- we had already started the process, but we weren't there. We have been working with our consultant that we used the last time as well to actually go through and validate all of the hard costs and the reasonableness.

So we received a letter certifying that these are all reasonable expectations of what we should be budgeting for. And this should be enough to get the project through. I want to clarify those aren't approved costs. Those will go through [its] cycle when they're actually submitted. But this is the appropriate amount to increase the budget to.

Correspondingly, we made that same determination with the soft costs, that that was the appropriate number. That's outside the city costs, which was kind of previously stated before. But that's how we get to the total recommended number of \$34.5 million that we expressed last month that we were optimistic we were going to get there. And our consultants have signed off on that.

Just to touch again on a high level, these are very similar to issues that we've encountered with the city costs. But one of the biggest overall reasons for these costs is complexity and time and associated costs that happen with that,

both actual costs of redesign and then carrying costs that happen with the time, whether it's financing or any other kind of return or anything else occurring here.

The involve items such as the LCC, the lightweight cellular concrete, that we've discussed, that there were infrastructure design modifications and subsurface conditions, very complex legal documents, which show up in both the city costs and also in the developer costs associated with negotiating these.

This all triggered into additional staff review, unique project conditions and then, of course, macro conditions associated with COVID-19, interest rates, etcetera, talking about those a little bit in the phase two, you'll see, as well.

So you know, we admit we need to be letting you know when there's an issue a lot sooner. So we're making a commitment. We made it informally then. We're going to make it more formally now. Per Commissioner Harrington's suggestion, a good starting point is just regular quarterly reporting.

We are imagining that aligns similar, maybe not the exact time but similar in nature to how we do the LBE, which means it makes its way into presentations. But also, we offer briefings. We're also committed to -- if there's a meaningful budget impact, just to preemptively notify, so it's not just on a structured level -- of course, as needed, any time anybody is curious -- and, also, another commitment to just generally -- there's going to be a lot of Mission Rock items over the next 12 months that aren't really about the budget.

But we will make sure we're just addressing the budget within all of those. I made my commitment as the housing coordinator for the Port to continue to monitor those city costs including at our biweekly task force meetings and through the Office of Economic Workforce Development. And while limited in nature, we will continue to evaluate value engineering opportunities.

We do want to be clear that there's not tons to do because we're so far along in the project. But that's still a commitment. Where we can, we will as far as that goes. Okay. So this gets a little more technical. So I'm going to walk through this one. This is going to be two slides to explain the Port capital contribution.

So I'm just going to conceptually go through it, which is the left-hand column. And what we had proposed before and what we're looking at, what we've talked with the developer is, in order to solve the amount equal to the city cost overrun of \$16.5 million, that we're recommending that this would be solved in the form of develop -- or Port capital contribution.

Port capital contribution earns 10 percent annually once repaid to the Port. This is different than the 18 percent obviously that's owed under developer capital. We say that because this is for benefit of the project. There's a benefit to the Port. The Port will get the 10 percent when it does get repaid. And we do have a pathway for that that I want to show the next slide.

But it's overall better for the project that we sequence it and do this Port capital because a lower rate we can keep -- the less we can keep the project costs down -- or the more we can keep the project cost down, the more viable phase two becomes.

I do want to clarify one thing that has occurred since we've discussed last time is there were outstanding invoices associated with the city costs that the developer is now, prior to the issuance of the bonds, will reimburse the Port for all of those expenses as incurred to date and will continue to do so first.

Then, the Port capital contribution comes in. So I'll talk about that in a moment. But it shows on the -- and Commissioner Gilman, this is for you. Specifically, you were asking about the waterfall of funds. In the phase-one budget, that chart on the side -- you're going to see it totals up to this \$218.5 million number, which is our budget.

We're seeing that the first \$202 million out is developer capital. Then, the Port capital comes into play. So through an approval today, we will be seeking a supplemental Board of Supervisors resolution at some point potentially in the annual budget but probably a supplemental appropriation.

And once that money is needed in the project, then it will get drawn out similar to how a lender w -- we would pay it out to the developer as far as that goes. I do want to clarify -- and I'll show this to you, Commissioner Harrington, on the next slide. We did address the concern about the opportunity cost associated with fiscal year 2025.

And I know that that was a concern because this was new money to be appropriated versus the existing money that -- I don't want to call it a sunk cost. But in the budgetary terms, it's already been gone. So I'm going to preview this how we're trying to solve that through negotiations with the developer.

Okay. So what we're looking at is the Port capital contributions on this left-hand column, which just say Port capital contributions, starting in quarter two of -- you know, summer of 2024 is when we're expecting the base \$192 million to have c -- sorry -- \$202 million will have been expended around that time. And this is when this Port capital contribution steps in.

So that would fund basically the remainder of the project through calendar year 2024 and into 2025 is with the Port capital would be the source. However -- so you're going to see on the right-hand side there it says beginning principle. That's incurring there. So we're spending money as the contributions go in.

But on the far right-hand side, the cumulative interest -- we're earning the interest once that money gets deposited in. So that's running in the background similar to how the developer return is as well.

But in December 20 -- or 2024, we have an estimated distributions, which is the negative area line in parenthesis, of \$1.859 million. That amount is equal to the 2025 estimated city cost budget that we were worried about the opportunity cost of having to appropriate that amount.

So the developer has agreed to move this repayment in front of the other developer capital, that amount, to ensure that it gets paid first, which means it'll actually get paid probably by increment -- tax increment. We won't have to wait till bonds. There will be enough money available there.

So that's why we're projecting this to come into the project earlier, hopefully trying to resolve that opportunity-cost concern. We're forecasting. And this is obviously very speculative. But we're looking at a -- phase two begins in March of 2026. This is a hypothetical.

We view -- even though it's a challenging phase and there's a lot to do to get a phase two going, we view that there's enough project sources for repayment to the Port of its \$14.66 million plus the \$2.6 million in interest earned, that that would be coming in the summer of 2026.

So at the end of the day, what we end up looking at is a Port disbursement of \$1.859 million to be repaid immediately and then another \$16.898 million, which is the balance plus the interest earned -- pretty detailed in the report. And I'm happy, in Q&A, to talk about any of that. And Nate Cruz is here too on that.

Okay. The parcel lease amendment -- so this is kind of the next -- the third of the approval items that we're looking at. And basically, the first one I'll say is a little bit of a mea culpa on behalf of the Port staff and the developer. We missed something and agreed to fix it in the future. And we're doing that now.

And the reason we need to do this now -- all of this -- and I'll do the other two clarifications -- is the developer is seeking to refinance the vertical parcels, which are significantly beneficial to bring the cost down on those, which is just beneficial to the project.

And the first one is an error that we're trying to fix. And the other two are clarifications we just want to make. So those agreements, just for recollection -- they were signed in 2020 in both the spring and in winter for all four parcels, which was unprecedented to take all these parcels out at the same time.

And through a letter agreement, which we do have between the Port and the developer, we agreed to fix this one issue when we came back. And the real clarification of this -- so going down to these three bullet points -- is this refinancing participation. And that is an event occurring right n -- coming up.

We were clarifying that the first permanent financing, which is -- or take out loan, which is replacing the construction loan -- that's not subject to participation. That was already known. And that was dated.

But when that subsequent refinancing happens -- which anytime that happens, the Port will participate on an ongoing basis at 1.5 percent of the proceeds -- we need to remove whatever the existing encumbrance is -- the mortgage that may be on the property -- before we calculate our number.

And the reason is we don't get to participate on the debt that was issued as far as that goes. That's like a project cost that has to come out on our participation. The way it reads now is -- it doesn't read like that. But the intent was fully acknowledged by the parties. So that's the first item we're proposing.

The second one we wanted to clarify -- we consider this still more of a clarification although it requires an amendment -- is, when the Port is participating in a sale, an arm's length transaction or a normal exchange is different than a foreclosure event.

You know, we don't ever like talking about those. Those are the worst-case scenarios for all. But there are obviously distressed assets. And what we're just trying to clarify is that a lender actually forecloses. The purchase price is based upon what the lender takes possession of the property on, not what it was before.

And Port staff believes that's commercially appropriate. The last item -- and this is a little bit of arithmetic as far as we see it. Many of you all know we use the jobs housing equivalency fee on this project, which was just under \$200 million.

And it was a creative way for the high-valued commercial parcels to contribute on site essentially to the residential parcels partially because there was more value in the commercial but, secondarily, because of the increased levels of affordability we had on the project.

So in determination of the prepaid rent that was actually used to refund the entitlements, which this was able to cover the majority of, the jobs housing equivalency fee was used to determine those appraised values. What we want to do here is -- because Parcel B and Parcel G essentially gave a subsidy to A and F, which are the two residential parcels, we just want to clarify that, when calculating participation, that that money is kind of retracted back as a project cost.

So like we spent -- if Parcel B gave \$90.2 million to the residential parcels, we want that acknowledgment to come back to Parcel B. And it shows as a decrease in value to the residential parcels that received it. So it nets out under this chart of that -- to \$181.3. So we kind of consider this an arithmetic move just

to right size what the actual benefit received and the contribution from each of those parcels was.

Okay. Okay. So this is kind of the biggest thing that we're going to be working on as we continue to go through phase one. We'll just be in ongoing review and analysis of how to make phase two work. So first step is getting phase one done as soon as possible to keep those costs as low as possible, make sure the acceptance happens next year as planned.

But while that's happening, we're going to be keeping our eye on phase two because we all need this to happen to help phase two and future phases. While there's challenges throughout all development projects in the city, we feel we're in better striking distance just because of the success of phase one and the existing infrastructure ready to go in phase two.

I do want to clarify that, with these budget issues, that phase one does -- is still challenged and is going to rely upon phase-two proceeds to get it reimbursed. I didn't clarify this. But I also wanted to make sure everyone knows the Port capital will also be reimbursed before any phase-two expenses are reimbursed.

So on a waterfall of funds, phase two -- portions of phase-two proceeds or bonding capacity will be used to reimburse phase one -- for the Port capital. So phase-one IRR is approximately 9 percent. So we need to repay the developer capital and the Port capital to get that back up to the 18 percent, which, as I was indicating, we believe that there's project sources that could be available in phase two to do that in 2026.

Currently, the overall project IRR, the rate of return -- that's really kind of a litmus test of moving forward -- is 15 percent, which isn't 18 percent. But it's actually not as catastrophic as it is in a lot of places. So we actually feel we're in good shape. So what we're saying is the phase-two sources can repay phase one.

But we need to get phase one to an 18 percent to be able to start repaying phase two. So what are we doing today? Well, we're being cautious with how much design money. These are dollars that we'd be spending that are just incurring charges at this exact moment.

So we're trying to limit how much design work we're doing. But we are highly focused on the macroeconomic factors of the interest rates, just cost, general inflation, trying to see how market uncertainty shakes out. Some of this will be tied into the success of phase one and the lease-up efforts there, which are going exceptionally well.

One of the biggest things is, with market uncertainty and just these conditions, it just depresses the land value. And the land value is one of our best



project sources. It's also one of our most unrestricted project sources. And then, you know, these are a little more qualitative in nature.

And we have to figure them out. But looking at different ways to modify the phase -- are there ways to -- we had a script of these are the parcels that would move into phase two. Is there -- let's look at the high-value parcels. Are there other ones we may be able to move in and just change it up to create value upfront in phase two?

That's complicated because there's a lot of factors involved there. But it's also looking at the programmatic mix. You know, do we do residential? Do we do commercial? Do we look for subsidies? Do we look for outside help? That's even on the last level too, which is just -- we're not doing anything specific today.

But just -- like everybody is being mindful of just considering policy levers at the city level that may be available. That's the critical thing we need to start thinking about. So just to show that there's real impact by some of these changes that can happen, as I mentioned, the current project's IRR is 15 percent.

Current interest rate is at 5.25 percent, which are always fluid depending on the afternoon that we're talking about here. But even dropping them 100 basis points from 5.25 to 4.25 immediately brings the project return up by 2 percent. Now, I know that that's not happening today. But we can't stay in an accelerated-interest-rate environment forever hopefully.

But just to note this -- and it kind of frames the budget impacts -- in 2021 when we went -- it was a 3.5-percent-interest-rate environment. So you can just see how challenging of an impact that can have. These next two are a lot more of a specific number plug.

But if currently lower land values in phase two were to increase by 50 percent, we'd hit our 18 percent IRR there. I know that's speculative but just as -- we're trying to track numbers and movement. And this is even more. Let's call it a cost reduction or a subsidy of \$10 million.

Putting \$10 million into the project as a source -- let's call it more of an unrestricted source -- has a direct impact so a 16 percent IRR there. And the reason we're just showing that is these are factors that are outside of our control in a lot of ways that just have -- that we're monitoring and we're going to keep impact on while we're doing our own work.

So next steps -- if these items are approved today, we are intending to be at budget and finance on October 25th along with the controller's office and then seeking board approval of the bonds on October 31st. This puts us in a position to be able to sell the bonds this year -- calendar year and refund the project, as a note.

Every month we get these in early, it's \$500,000 in savings to the project. There will be Board of Supervisors next steps with an appropriation associated with the ability to expend the Port capital contribution. And also, that parcel lease amendment with those three changes will also need to be approved.

This is part of the ongoing efforts, our phase-two ongoing analysis. We will continue to work with our third-party consultant to come up with creative solutions and work with other city stakeholders as a bigger discussion on how to move the phase forward.

And then, on the project-team level, again our commitments at the Port and the project team to manage costs, both the project and the city costs going forward. So this is the last phase-one budget. So I hope that wasn't as much information as last time. Thanks for staying with me but happy to go into any specifics [that I can].

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

No Public Comment on Item 8B.

Commissioners' Discussion on Item 8B:

Commissioner Harrington: I just want to thank you for all the work you've done and how you listened to us last time, and you were so responsive. So I have no questions. Thank you.

President Brandon: Thank you. Commissioner Gilman?

Commissioner Gilman: Thank you again for your diligence. I also appreciated that I had an opportunity to go out an tour the site and really see how phenomenal it's going to be, particularly the public asset of the park. And you answered all my questions about the waterfall and the investment. So I have no further questions. Thank you.

President Brandon: Commissioner Lee?

Commissioner Lee: I don't [have a bunch] of questions. How far [are you to] finish? I mean, you get this money. Right. We approve it. Before we ask for another one -- because time is the essence here, you know -- is phase one pretty much finished now? Or how much more do we have before we get started leasing? It's almost now we are partners, right, in a sense, the shareholder.

Josh Keene: Yes. Good question on this, Commissioner Lee. Are you talking more just from the construction side and then --

Commissioner Lee: Well, obviously, this money is to cover costs --

Josh Keene: Yeah.

Commissioner Lee: -- which was inflated obviously because of the time, right, labor costs, COVID. So if it's approved today, I'm just curious how much longer can we cut the ribbon and start selling leases and property so that, you know, we can start working on phase two?

Josh Keene: Well, so on this one, we wouldn't -- the leases are going to be -- there's not going to be any selling of the property on this one because this is under Port trust. It's all ground leased, as far as it goes, to vertical developers. I would say that the movement on a parcel lease at Building B would always be a good bellwether as far as it goes. But that kind of falls into the general market indicators.

Parcel A leasing is going well. So we expect that -- and there was an actual -- an office tenant was actually just leased there, 30,000 square foot. Capgemini was the group. They're going to be relocating there. So we actually do get a successful office tenant there.

The retail is leasing up really well. So Parcel A -- we expect Parcel F to happen in the same way, which will be coming in starting next summer probably is when -- scheduled TCO in June. And Visa is -- there is retail space, as far as it goes. But that headquarters is fully leased out. So they've got a full lease there.

So from a leasing side, I think we're doing some retail, some miscellaneous office. And Building B is, I think, where we're really looking at needing to happen. We're optimistic that's going to happen next year. The retail leasing pace is going exceptionally well. And Parcel A is picking up.

Commissioner Lee: So probably next summer -- you're estimating next summer we can move forward to --

Josh Keene: Well, that's probably ambitious beca -- so we're actually thinking about -- we're looking at this as more of a hypothetical to say 2026 was kind of our placeholder. Now, when we say move forward, there's a formal step. We have to come up with a phase. Right.

And we've got to come to the Port Commission with a phase budget. And there's a lot of variables that we -- we'll have ideas, I think, about how to move them. I don't know that we're going to be in position next calendar year to have a phase budget. But we're hoping to have a pathway. I mean, that's what the plan is. Sorry if I'm not answering it -- [crosstalk]

Commissioner Lee: [It's all right]. It's kind of an estimate. You know, as time goes on, you know, you're going to ask us again, I'm sure, for another increase, you know, because whatever. Just for my own sake --

Josh Keene: Yeah.

Commissioner Lee: -- I want to know kind of where we're at as far as getting it on the market. So --

Josh Keene: So I guess what I'd say, from a cost side, the number-one indicator is going to be the acceptance timeline, which we're currently -- both the Port acceptance and the city acceptance is scheduled for summer/fall of 2024. So if that slips in a material way, that is definitely a driver. So that's something for us to track from the cost side.

I don't think that there is a cost issue that we're particularly concerned about other than that. From the revenue side, which makes the phase viable, I would say not having a slip up in the leasing activity -- as I said, I think the retail is happening well. The market-rent leasing is happening. And the BMR leasing is starting to pick up.

So I would say, yes, the leasing activity is going to be something important for us to generally track. One item I wanted to clarify doesn't really rise to the level of quarterly reporting. But I was talking with the Mission Rock team. As we come forward when we have to bring the parks lease forward and the other land-rights agreements going forward and we do the info item for Parcel A, we'll also put in a -- let's call it a phase-two forecast that we're talking about.

There might not be a huge update. But information we have today, how we're viewing it is part of our briefing and update to you if we wanted to talk about that. Am I helping you? Or am I getting it --

Commissioner Lee: No. It's good.

Josh Keene: Okay. Sorry.

Commissioner Lee: It's just -- that's it.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: I have no questions. Thanks.

President Brandon: Josh, thank you so much for the report. And thank you for your patience with me and the Giants team and staff, briefing me, updating me, helping me understand how we got to where we are and the vision for moving forward.

Glad we're putting more cost management in place, and we'll be doing quarterly reporting. I think that'll really help us stay on top of the project, which is a phenomenal project. And just to see it there today is just like unbelievable

because I remember when it was a parking lot. [laughter] I think it's a great project. And so I am supporting moving forward.

Director Forbes: Madam President, sorry to interrupt. We've identified some non-substantive changes that we would like to make to the resolution as we were describing -- we were working on this, Josh and team, until the last moment. May I read them into the record? Michelle Sexton identified them for me. So when you make your motion, if we could do it as amended?

President Brandon: Okay. Let us hear the amendment.

Director Forbes: Okay. As I said, they're non-substantive. On page 23, the third resolved, that to the extent required, the Port Commission supports staff seeking, not seek, the adoption, not approval.

From the Board of Supervisors, same section, for a not-to-exceed amount instead of to make. And then, on the next resolved on page 24, the Port Commission instead of the commission approves the, strike of.

And in the next resolve, Port staff add is directed to seek any and all necessary approvals. And then, to the last sentence of that resolved clause, and Parcel G lease to incorporate the parcel lease amendments as described and add in this resolution. No more amendments.

And to the next resolved, that the Port Commission authorizes the executive director, strike of the Port. And the final resolve, this -- add Port Commission. And that's all the amendments.

Josh Keene: I won't [do it] after 11:00 at night anymore. Sorry. [laughter]

President Brandon: So a motion to approve as amended.

Director Forbes: Thank you, Madam President. Yes.

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

Resolution 23-46 passed unanimously as amended.

**C. Informational presentation and possible action to approve an Exclusive Negotiation Agreement with Fisherman's Wharf Revitalized, LLC for the lease and phased development of portions of SWL 300/301 and Pier 45 Sheds A and C in Fisherman's Wharf (the "Project"), generally located bayward of Jefferson Street between Taylor and Powell Streets. (Resolution 23-47)**

Christine Maher: Good afternoon, commissioners, and Director Forbes. I'm Christine Maher, a project manager for the Port's real estate and development division. I'm happy to be here today to discuss and recommend approval of an exclusive negotiation agreement with Fisherman's Wharf Revitalized relative to the proposed project at Pier 45 Sheds A and C and portions of the triangle lot at Fisherman's Wharf.

With me here from the Port are Mike Martin and Josh Keene. We're also joined by Lou Giraudo, Seth Hamalian and Chris McGarry of Fisherman's Wharf Revitalized. I'll start the presentation off with a review of the process to date followed by a review of the key ENA terms. And finally, I'll close with staff's recommendation and next steps.

First off, the proposal -- as you'll recall, the Port received an unsolicited proposal back in February from Fisherman's Wharf Revitalized, which is comprised of Lou Giraudo, Seth Hamalian and Chris McGarry.

The conceptual proposal is for a mixed-use project on portions of Pier 45, Seawall Lot 300/301 and the Little Embarcadero roadway including enhanced support of the existing fishing and seafood industry and an experiential museum and event center at Pier 45 Sheds A and C, a central public square, the potential conversion of the Little Embarcadero roadway to a non-vehicular zone and one or more new buildings housing a visitor center, a winery/brewery/distillery operation and short-term rentals on the eastern portion of Seawall Lot 300 and 301 and, on the western portion, a second phase of development to be informed by performance of the first phase and the evolving needs of the area.

This is, of course, an initial concept that will evolve through community and regulatory partner dialogue, additional site due diligence, policy direction and lease negotiations should the Port move forward with an ENA.

Next, I'll give an overview of the outreach and hearings so far this year. Consistent with the Port's waterfront plan policies for unsolicited proposals, the proposal was shared with the Port Commission on February 28th and subsequently reviewed through a series of community and Port advisory group meetings.

At the April 25th meeting, Port staff reported out on the stakeholder engagement process and the project's alignment with the waterfront plan. In response to dialogue at that meeting, the Port then issued an RFI to supplement the outreach efforts to date and seek feedback on whether there was other comparable development interest in the site.

On July 11th, given the urgency of providing support to Fisherman's Wharf and a limited response to the RFI, the Port Commission authorized staff to seek a waiver of the city's competitive solicitation process and commence negotiations of an ENA with the developer.

Subsequently on September 12th, the Board of Supervisors unanimously adopted a resolution waiving the competitive solicitation procedures and urging the Port to take all actions necessary to negotiate and enter into an ENA with the developer.

Next, I'll give an overview of the ENA. The ENA commits the Port to negotiate exclusively with the developer for the duration of its term. It establishes time and performance benchmarks as well as provisions for time extensions and provides for developer reimbursement of Port's project-related costs.

As you can see in the table on the right, the initial term is 24 months. Key benchmarks during that two-year period include: a community outreach plan; a program for inclusion of small, local and diverse service providers and predevelopment work; a refined development concept; negotiation and endorsement of a term sheet by the Port Commission and Board of Supervisors; completion of environmental review; and negotiation and approval of transaction documents.

Next, I'd like to highlight a few terms that are different from the Port's standard ENAs. First, the term, which is two years, plus six six-month extensions -- a term of this length is consistent with the scale and complexity of the project, which will require extensive stakeholder and regulatory partner outreach and collaboration.

Next, diversity, equity and inclusion goals -- the developer's expenditures during the ENA are not subject to LBE policies. But the ENA requires developer to work with the Port to include small, local and diverse providers for predevelopment work during the ENA period.

Next, transfers -- the Port's standard ENA typically allows the developer to bring in investors without the Port's consent so long as they meet minimum financial requirements. In this case, given the waiver of the competitive solicitation requirements, the ENA requires Port Commission approval of any transfers of 50 percent or more of the ownership interest in developer.

Next, the required payments -- during the ENA period, developer will reimburse Port for its transaction costs related to the project and pay Port extension fees in the amount of \$25,000 unless waived by the Port's executive director as a condition to each term extension.

What's different here is that the Port will not require a negotiation fee for the initial term of the ENA for a couple of reasons. First, the Port's costs to date have been minimal given that there was no RFP for this site as there typically is. Second, the Port is able to continue its existing leases at the site so will still be receiving the revenues that we currently receive today. And third, it was a way to support the economic recovery of Fisherman's Wharf.

Finally, short-term leasing -- typically, during the ENA period, the Port is unable to enter into new agreements that expand the current uses on the site or extend beyond the target closing date for the transaction. In this case, the Port has reserved the right to enter into two new agreements: the first for a Ferris wheel on the eastern portion of Seawall Lot 300/301 through December 31, 2025 unless the initial term of the ENA is extended; and the second, a lease extension with the San Francisco Maritime National Association, which includes the USS Pampanito, through December 31, 2028.

In closing, staff's recommendation today is that the commission authorize Port to enter into the ENA with Fisherman's Wharf Revitalized for the proposed project at Fisherman's Wharf. The proposal provides an opportunity for much needed development at Fisherman's Wharf that can be shaped through the ENA process.

Should the Port Commission approve the ENA, Port staff will begin working in earnest with the developer, stakeholders and regulatory partners to advance the project. That concludes my presentation. Myself, Mike Martin and Josh Keene are available to answer any questions you may have of Port staff. And members of the development team are available to answer any questions as well. Thank you.

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

No Public Comment on Item 8C.

Commissioners' Discussion on Item 8C:

Commissioner Gilman: Thank you so much for your report. I'm supportive of the item. I just wanted to flag two things during the negotiations I'd like Port staff to carefully just remember and think about. One is the public comment we heard throughout this process of the fishery and fishermen and women who make their livelihood in that zone to be included in the redevelopment and to ensure that they still have a home and a place for fish processing and fish unloading when this comes to fruition.

And secondarily, just because it's still for me an open question around whether the short-term rentals are trust compliant -- so I really am interested to see, if that stays in the proposal, how that will work and how that's different than placing a hotel on Port property but very excited to have this move forward and exploring where it goes. So I support the item. Thank you.

Christine Maher: Thank you.

President Brandon: Commissioner Lee?



Commissioner Lee: Obviously, I'm supportive of this item. I'm really concerned about Shed A and C. I guess, when they put their proposal together, will we have an opportunity -- I guess we would have the opportunity here that -- because I question, in my own perspective, having a museum -- so-called experimental museum, you know, I think it's more suitable, which is -- probably can be also a museum is really to have the fishermen be able to participate in a fish market of some sort where it could actually generate revenue, you know, for the Port, for the fishermen and also become a tourist attraction where tourists can pick up fresh things off the boat.

I think that's, in my opinion, more suitable for Shed A, the exhibit -- I mean the event space [to see if] it's a great idea, I think. So anyway, I just want to make sure that we get to have some s -- you know, when they do their presentation, that they might take that into consideration.

Christine Maher: Yeah. I mean, this is very much an initial concept that's in front of you --

Commissioner Lee: Yes.

Christine Maher: -- today. There's a lot of work to do in terms of additional outreach and stakeholder outreach. There will be opportunities for the Port Commission to weigh in as well. I know the developer is here today and nodding his head.

Commissioner Lee: Okay.

Christine Maher: They hear you.

Commissioner Lee: Yeah. Okay. That's it. Thank you.

President Brandon: Thank you. Commissioner Harrington?

Commissioner Harrington: Thank you. I'm supportive of this. Getting CEQA determination and completing transactions within 21-and-a-half months is pretty aggressive. So good luck.

Christine Maher: It is aggressive. You're correct.

Commissioner Harrington: I guess we'll see when you come back for term sheets in eight months if that works how you're doing. But that's fast.

Christine Maher: It is fast. The only comment that I have there is we are hearing from our Planning Department colleagues that, given the lack of development right now in the city, that they are able to process things more quickly than usual. But you're right.

Commissioner Harrington: Good luck.

Christine Maher: We'll see where --

Commissioner Harrington: Yeah. Okay.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Good report. I'm supportive of it. My fellow commissioners asked all my questions. So I'm supportive. Thank you.

President Brandon: Thank you. Christine, thank you again for the report. This project has been on the fast track. So hopefully, you know, we have a shovel in the ground soon. [laughter] But what I would like -- and I agree with most of the terms. I'm just wondering why we would possibly decrease the deposit from \$100,000 to \$50,000 and waive the additional fees.

Christine Maher: The extension fees?

President Brandon: Yes.

Christine Maher: So as to the deposit, it's really just, I think, in thinking about the workflow on this project, I think initially there's not going to be a big outlay of cash on the Port's part. So we may not need \$100,000 upfront. That's all it has to do with is, in the beginning of the project, that we don't expect that there's going to be a lot of Port cost.

So we didn't think we would need an initial deposit of [\$100]. But it doesn't change their obligation to reimburse the Port in any way for our costs. And it gets replenished if that makes sense.

President Brandon: And why will we waive the --

Christine Maher: So I think the waiving of the extension fee, which as drafted would be in the executive director's discretion -- it kind of goes to, I think, the same reason why we didn't think it made sense to change an ENA fee in the first place was, again, that there was no RFP for this process and that the Port is continuing to lease the property and receive the same revenues as we receive today.

President Brandon: Okay. I personally would like to keep things transparent. And if we're asking our other development partners to put up a deposit and we're asking our other development partners to pay an extension fee, I would like to keep that consistent.

And I would not like to leave it up to the discretion of the executive director. I would like for it to come to the commission if a waiver were to be

sought. But I personally would like to leave it at \$100,000, leave it at 25 per extension. So can we revise the resolution to include that? Or --

Director Forbes: So let me see if I understand this correctly. There would be no upfront fee given the dynamics that Christine outlined. But if we were to seek a waiver of the next fee, it would come to Port Commission. It would not be in my executive director discretion.

President Brandon: There will be no upfront fee. But there will be a deposit --

Director Forbes: Deposit.

President Brandon: -- of \$100,000.

Director Forbes: Correct. Correct.

President Brandon: And then, there will be extension fees.

Director Forbes: Correct. And if there is a waiver to either, it would come to commission? Or are you --

President Brandon: Yes.

Director Forbes: Okay. Remind me of the \$100,000 upfront.

Christine Maher: The \$100,000 is just the deposit to cover Port transaction costs.

Director Forbes: Got it.

Christine Maher: That's all it is. And we had in there that you could change it to reduce down to 50 based on kind of cash flow and what our costs were --

Director Forbes: What our costs were.

Christine Maher: Yeah.

Director Forbes: Is that comfortable with you for the deposit? Or would you like to see that cash flow --

President Brandon: I want to see it consistent with what we do with our other development partners.

Director Forbes: Okay.

President Brandon: So if we do it based on what we think they might have within the first two years or if we just ask for an upfront deposit, I would rather do that.

Director Forbes: Okay. Let me see. In terms of consistency with our other ENAs, is that in my discretion, these two items?

Christine Maher: I'm looking at [Helen] to see if she might be able to answer that. The \$100,000 deposit, I don't know. The waiving the extension fees -- and David may know. Waiving the extension fees -- that is different from other ENAs.

Director Forbes: What we've done -- [crosstalk] so let's definitely --

Christine Maher: That one's for sure --

Director Forbes: We'll do both as President Brandon is requesting. I just wanted to get clarity on that piece.

Michelle Sexton: Right. And I believe -- Michelle Sexton for the record. I believe that this does not require you to amend your resolution. What it requires is that the parties to reach an agreement and the Port to put this in the ENA that will be executed if this resolution is adopted. So we can make sure that that occurs.

Director Forbes: We will fix it in the ENA --

Michelle Sexton: Yes.

Director Forbes: -- language.

President Brandon: Okay.

Director Forbes: Okay. Very good. Thank you.

President Brandon: Great. Thank you. All in favor?

Resolution 23-47 passed unanimously.

**D. Informational presentation regarding leasing efforts for the Pier 33.5 restaurant space located at Bay Street and The Embarcadero and recommendation of Kuleto's Waterside Italian Bistro as the most qualified proposer.**

Sandy Oberle: Good afternoon, commissioners. Sandy Oberle, senior property manager. I'm going to start with just a quick overview about the Pier 33 1/2 location. It's about 5,000 square feet. It's located just north of Alcatraz Landing.

It was formerly the Butterfly Restaurant [and closed] in about February of 2017. We, at that time, received a facility assessment, identified several capital improvements that need to be made such as installation of a fire sprinkler

system, potential rerouting of -- or recommendation to reroute a sewer line into the Embarcadero sewer box.

The kitchen equipment is obsolete. New venting is needed, new hoods and so forth for cooking, possible ADA improvements. So it's kind of a challenging location. It's over the water. It's older. It definitely needs some improvements and so forth to move forward.

There was an RFP that was done that I actually did back in 2017-2018 timeframe that we had one proposer, entered into a lease agreement. And then, that was not successful. They lost funding and so forth and were not able to proceed. So it'll be really great to get this restaurant leased and up and operating again.

As to the leasing process, the commission approved the interim broker policy on July 12th of last year allowing staff to use a broker to market Pier 33 1/2 and the Ferry Plaza East Building. I'm here just to talk about Pier 33 1/2 today.

Staff worked with city real estate on the broker process. And we selected Cushman and Wakefield as the marketing broker and then executed the broker agreement in January of this year. So we've been marketing the restaurant space since that time.

Cushman and Wakefield engaged in extensive efforts. They put together full marketing flyers, which they posted on their website. We posted on the Port website. They reached out to over 900 of their contacts to let them know about this restaurant space that is available.

We also provided Cushman with a list of interested parties who have contacted the Port about possible interest in restaurant space in the past. We reached out to multiple local chambers and so forth to let them know, the Golden Gate Restaurant Association, organizations like that to let them know that this property was being marketed.

We had 12 potential tenants who toured the space during this time, identified July 28th finally -- as the interest started to slow down, identified the July 28th date for submittal of proposals and received four proposals as a result of that.

So we convened a panel of Port staff with four individuals who reviewed and scored all of the proposals, not like a typical RFP, more like a broker submittal, letter of interest and some detail but went through that process, scored them in accordance with the selection guidelines that were approved by the Port as part of the interim broker policy and then invited three of those proposers back for panel interviews and interviewed all of them.

Ultimately, the final recommendation that came through for everybody was to proceed with the Kuleto's Italian Waterside Bistro. I'm sure many of you are familiar with the Kuleto's name. Kuleto's Italian was located near Union Square on Powell Street for 30 to 40 years probably.

While this is looking at doing something similar, they're certainly looking at modernizing the concept, using more of a California-fresh-kind-of-meets-Italian sort of a theme, adding pizza, which they didn't have before, definitely impressed with the utilization that they've indicated they want to do with the southern entrance.

They seem to really recognize who the customer is in that area, that there's an interest from the community and the neighborhood. But you've got about a million people a year visiting Alcatraz Island so that grab-and-go opportunity out of that southern window and counter is something that they really want to utilize.

Interestingly enough, we had some recent feedback from a firm that does foot-traffic demographics and so forth that indicate that a grab-and-go kind of a concept is nationwide -- seems to be showing the most growth in terms of restaurant operations.

We did have two other very interesting proposals. One of them is from Ayawaska, a Peruvian concept. Actually, I live in Novato. They're in Novato, so I'm familiar with them. They have a couple other restaurants in Santa Rosa and in Petaluma.

The other one was Baatein, which is an Indian concept. And the gentleman was very interested in creating a gathering place, entertainment, that sort of thing in this location. Our challenge with that proposal is that the operator did not bring in a partner and has no restaurant-operating experience so kind of kicked him out of there.

I'm gun shy here. So I'm super interested in making sure that something happens, and we have a successful improvement process and development and a restaurant that opens and operates and is successful for the Port in the long run.

Assuming that the Port Commission approves this recommendation to move forward, we'll enter into negotiations to finalize a lease agreement and the business terms -- detailed business terms with the Kuleto's team. And I'll mention the Kuleto's team is Pat Kuleto, Pete Sittnick with EPIC and Waterbar. And then the EPIC general manager is also a partner.

They also provide equity interest for their general managers and their head chefs. So they will always have somebody who has an equity ownership

interest in the restaurant at all times, which I thought was really unique and something I hadn't heard before.

So we'll be working on finalizing that agreement with your approval and then coming back with the details and business terms for your full approval on moving forward.

No Public Comment on Item 8D.

Commissioners' Discussion on Item 8D:

Commissioner Lee: Well, thank gawd because I love that space. [laughter]

Sandy Oberle: I do too.

Commissioner Lee: It's been sitting around for so long. You're right. To get a partner in there to be one of the operators is very important today. I don't know if you read in the newspaper about my restaurant Sam Wo, that the owner wants to retire. And if I can't find another family, I will also retire it because it's just hard to run a business right now without an operator that can pick up the pieces.

You know, and experience especially on the Port is very, very important. So you did a great job. I have to -- although I have questions about brokers, they did a good job finding the right person. So congratulations. I hope we can move forward with this.

Sandy Oberle: Thanks. And I will mention I was really pleased with the wide variety of potential tenants who were interested enough to actually visit the space. We had a very large well-known restaurant group from here in San Francisco tour the space. They said, "Wow. This is just too much of a challenge for us construction wise and improvement wise. And we're not ready to tackle it."

We had people from the south bay. We had people from the north bay. So it was really a wide variety of potential tenants who came in and took a look at the space and showed interest.

Commissioner Lee: What you tell me about the sewer problem and -- now, I kind of know why people kind of hesitated because those are very costly modifications. So --

Sandy Oberle: Absolutely. Absolutely.

Commissioner Lee: That's tough.

Sandy Oberle: And we are offering a tenant-improvement and capital-improvement fund and dollars towards this because, I mean, much of this is just

traditionally what a landlord would be taking care of and improving prior to a tenant coming in.

So we have them coming in. We'll help them with the costs. With respect to putting in fire sprinklers, I can't believe a restaurant was operating without fire sprinklers, but they were. It was just grandfathered in that way. So those are some of the capital-improvement types of things that a landlord is just typically responsible for and is expected that will do or help pay for.

Commissioner Lee: Great. Great. I'm happy. Thank you.

President Brandon: Commissioner Harrington?

Commissioner Harrington: Thank you. I always enjoyed going to Kuleto's on Powell Street. So I'm looking forward to going here. My only question is about the next steps. So you're saying Port Commission approval of the recommendation. So we don't have anything in front of us to actually approve today.

Sandy Oberle: I guess you'll tell me if you don't agree with the recommendation.

Commissioner Harrington: And then, you come back with proposed business terms to proceed with the lease. You then come back with a lease?

Sandy Oberle: So I think -- the next step would be to actually finalize the business terms in the lease document and come back for approval of that.

Commissioner Harrington: Just for one more.

Sandy Oberle: For one more.

Commissioner Harrington: Okay. That's great. Thank you.

Sandy Oberle: Yeah. Thank you.

President Brandon: Commissioner Gilman?

Commissioner Gilman: I am super excited too and love that space and so happy to see it activated. I just had one question, Sandra. This was a pilot for us using this space and the space over here for direct leasing. I'm just curious -- and this is anecdotal. This is not meant to be scientific or perfect. If you had to put this out on the market, did the t -- I was here when you first got the 2017-2018, I think it was --

Sandy Oberle: Yes.



Commissioner Gilman: -- bidder who came in whose financing fell through. Could you just give us a sense of how much time this saved by doing this process versus if the staff had to put this out to bid in a traditional manner?

Sandy Oberle: A year --

Commissioner Gilman: Okay.

Sandy Oberle: -- I'm going to guess because it takes several months to prepare an RFP, to go through the process. What a proposer has to give back in terms of putting a response to an RFP together is typically much more complex and is going to involve architectural renderings and all sorts of things. So we were able to avoid that, minimize the cost for the potential tenant and, I think, speed things through in the long run.

Commissioner Gilman: Okay. It just -- again, to remind the public, there was 90 -- solicitations went out to 93 different organizations. You had a whole bunch of folks who walked the space. You still scored [and bid] looking at an equity analysis and other values of the Port three proposals.

And this was done through direct leasing, which I am just an advocate for in general for commercial property that's in the Port's jurisdiction. So I just want to say how pleased I am that this is successful. And I hope it moves forward.

Sandy Oberle: Thank you.

President Brandon: Thank you. Vice President Adams?

Vice President Adams: Yeah. I'd like to thank you for not giving up. One of the things for me is, knowing Pete, Pete's invested. Even during COVID, Pete was on -- almost every time, he'd be calling in and stuff like that. He believes in the Port. He's a big supporter of the Port.

And somebody like with Pete's experience with the Waterbar, EPIC, his restaurant in Oakland, just his history, right, in this town -- Pete's just a solid guy. They couldn't have a better partner. I know there's several partners. But Pete -- he's a standout type of guy. He's solid. He's like a guy that's -- like right now, like the 49ers. He's on a winning streak. And he wins. So thank you.

President Brandon: Thank you. Thank you so much for this report. I think it's great that we had so much interest in the site. Hopefully that speaks to the other sites we will have available also. Just curious about Baatein. It seems like they scored really high. And then, they were interviewed, and then they fell to the bottom or number three so just wondering how that happened.

Sandy Oberle: So typically, in a normal RFP process, they would not have met minimum qualifications, and we would have disqualified them and not even

considered them because they don't have restaurant experience. They submitted a very interesting and compelling proposal.

It was very thorough. The hope was that the proposed owner would bring in a team to partner with who had restaurant experience. And they didn't do that. So I think our feedback for them is we really like your ideas. We like what you're trying to do. We have some other locations that are going to be available coming up that are probably a little less challenging from an improvement standpoint. And if you bring in a partner who had that restaurant experience, we would love to hear from you again.

President Brandon: Great. Great. I'm happy you gave them that encouragement because it seems like they have a really good concept. And also with Kuleto's, it looks like their financial terms to the Port are the least of the four bidders. So I'm hoping that you can work with them during the negotiations.

Sandy Oberle: Well, we can -- absolutely. Now, two of the proposers of the four didn't propose percentage rent. Kuleto's did. It's 5.5 percent. Three or four years ago, 6 percent would have been the standard that you'd be seeing. And it's dropping. I'm seeing leases come in from subtenants for approval. And they're at 5 percent percentage rent.

So I'm seeing that number coming down. This is at 5.5 percent. They estimate \$5 million in revenue for the first year, which is an additional \$20 a square foot in revenue. So even though you've got that lower rate, I think it recognizes that we're going to have to spend a lot of money here. It's going to be tough getting going the first couple of years. But the Port will be our partner and share in that.

President Brandon: Again, it's not at the top of the list for the respondents. So hopefully, you can negotiate a little better. [laughs]

Sandy Oberle: Always happy to.

President Brandon: Thank you. Thank you very much. Okay. Jenica, next item, please.

## **9. NEW BUSINESS**

Director Forbes: I did not record any new business. Is there new business?

President Brandon: Is there any new business? Seeing none. No, no new business. So can I have a motion to adjourn in the memory of Senator Diane Feinstein and in honor of peace in the Middle East?

## **10. ADJOURNMENT**

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

President Brandon: The meeting is adjourned at 5:24 p.m.