

File No. 240168

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date March 13, 2024

Board of Supervisors Meeting Date _____

Cmte Board

- Motion
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- Excerpt PRT Budget - AAO FY2020-2021 Ord No. 165-20 9/11/2020
- PRT Memo-Resolution No. 24-09 1/19/2024
- PRT Presentation 3/13/2024
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Completed by: Brent Jalipa Date March 7, 2024

Completed by: Brent Jalipa Date _____



February 16, 2024

Angela Calvillo, Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102

Connie Chan, Budget and Finance Committee Chair, Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102

Re: Release of \$10,000,000 Reserve on the Port of San Francisco's Economic Recovery Project, Ordinance 165-20, File No. 200567.

Dear Madam Clerk and Chair Chan:

I would like to calendar the release of \$10,000,000 from Budget and Finance Committee reserves for the Port to implement economic recovery initiatives. The funds were appropriated in the FY 2020-21 budget, pending a detailed project description, list of tasks, and expenditure plan. After careful planning and deliberation, the Port Commission approved the attached project expenditure plan through Resolution 24-09 on January 23, 2024.

The COVID-19 pandemic had a devastating impact on the Port's budget, as revenues fell to 83% of pre-pandemic levels in Fiscal Year 2019-20. Federal stimulus funds prevented severe budget balancing measures and, today, revenues are exceeding pre-pandemic levels in most business lines. However, the Port's financial outlook continues to be challenged due to slow recovery of large sit-down restaurant lease revenues and cargo volumes, paired with rapidly growing operating costs.

To recover from the economic impacts of the pandemic and stabilize its financial outlook, the Port must implement initiatives that increase revenues and optimize operations. As reflected in the attached expenditure plan, Economic Recovery Project investments focus on attracting and retaining businesses, visitors, and commercial fishing, activating parks and open spaces, and investing in people and systems.

The Port is an important economic driver for the City and County of San Francisco and plays a valuable role in the City's overall economic recovery efforts by maintaining a clean, safe, and vibrant waterfront that attracts workers downtown and visitors to the San Francisco's top destinations. The Port is eager to continue these efforts through initiatives funded by the Economic Recovery Project.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Elaine Forbes', is positioned below the closing 'Sincerely,'.

Elaine Forbes

Executive Director, Port of San Francisco

CC: Ben Rosenfield, Controller
Harvey Rose, Budget & Legislative Analyst

ATTACHMENT: Economic Recovery Project Expenditure Plan

ATTACHMENT 1: Economic Recovery Project Expenditure Plan

STRATEGIC OBJECTIVE/ INITIATIVE/ DESCRIPTION		ALLOCATION
Targeted Activation: Fisherman’s Wharf		\$7,300,000
Commercial Fishing Facilities	Support commercial fishers and fish production tenants by improving aging infrastructure, including by replacing an obsolete and energy inefficient ice machine and repairing a progressively deteriorating Pier 45 west apron.	\$3,300,000
Outer Lagoon Gangway & Float	Build a new gangway and float to draw the public to the lagoons and provide ease of access for off-the-boat fish sales. This work initiates a larger resilience project for an extensive seismic improvement of the seawall.	\$3,000,000
Vacant Space Leasing and Activation	Improve vacant facilities and public spaces for leasing or activation to draw in public interest and revive revenues.	\$1,000,000
Targeted Activation: Parks & Open Space		\$1,700,000
Portwide Waterfront Walk, Wayfinding, Art, and Other Beautification	Identify the Port’s waterfront as a local and regional destination, like the Cross Town Trail, and invest in improvements and activations that increase the public’s opportunities to enjoy and navigate parks and open spaces.	\$1,500,000
Southern Waterfront Activations	Supplement the Portwide Waterfront Walk, Wayfinding, Art, & Beautification initiative with a focused effort to improve the experience of visitors and neighbors in the Port’s maritime eco-industrial zone.	\$200,000
Enterprise Recovery		\$1,000,000
Internal Operational Efficiencies	Invest in operational efficiencies, such as utility mapping, assessing the Port’s real estate management software, and digital filing organization.	\$700,000
Revenue Initiatives	Conduct an economic impact analysis and studies that support revenue generating initiatives, including deepwater berthing at the Pier 68 shipyard.	\$200,000
Employee Engagement and Support	Engage employees through educational activities that strengthen the Port as a community to recruit and retain talent.	\$100,000
GRAND TOTAL		\$10,000,000

Item 6 File 24-0168	Department: Port
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EXECUTIVE SUMMARY

Legislative Objectives

- The requested release of reserves authorizes the spending of \$10,000,000 in Economic Recovery Project funds placed on Budget & Finance Committee Reserve in FY 2020-21.

Key Points

- The Port’s operating revenues in FY 2019-20, FY 2020-21, and FY2021-22 were below its operating revenue in FY 2018-19, while FY 2022-23 revenue was higher than FY 2018-19 revenue. While operating revenues now exceed pre-pandemic levels, Port staff report that revenue recovery is inconsistent in different areas of the waterfront.
- The Port’s operating budget in FY 2020-21 included \$10,000,000 in Economic Recovery Project funds to help the Port recover from the economic impact of the pandemic. In August 2020, at the recommendation of the Budget and Legislative Analyst, the Budget & Appropriations Committee placed the funds on reserve pending a detailed expenditure plan. The Port Commission approved the recovery plan in January 2024.
- The Port’s expenditure plan proposes using the funding for projects to attract visitors and businesses to the waterfront, invest in parks and open spaces, and improve internal operations.

Fiscal Impact

- The Port proposes spending \$7.3 million on Fisherman’s Wharf, \$1.7 million on parks and open spaces, and \$1 million on internal operations, for a total of \$10 million.

Recommendation

- Approve the requested release of reserved funds.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City’s budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

Economic Recovery Project Funds Reserved

The Port of San Francisco is requesting a release of \$10,000,000 in Economic Recovery Project funds that were put in reserve in FY 2020-21 (File 20-0567). The Port’s FY 2020-21 operating budget included a \$10,000,000 million Economic Recovery Project to help the Port generate revenue and improve operations to help offset the impact of the COVID-19 pandemic on tourism at the Port. At the recommendation of the Budget and Legislative Analyst, in August 2020 the Budget & Appropriations Committee placed the funds on reserve pending a detailed expenditure plan. The Port is now requesting the release of those funds alongside a detailed expenditure plan. The Port Commission approved the Economic Recovery Project expenditure plan at its January 23, 2024 meeting.

Port Finances

The majority of the Port’s operating revenues are rents from Port tenants. As shown below in Exhibit 1, operating revenues in FY 2019-20, FY 2020-21, and FY 2021-22 were below FY 2018-19 levels. Net operating income was negative in FY 2019-20 and FY 2020-21 but offset in FY 2021-22 and FY 2022-23 by state COVID relief funding. Operating revenues in FY 2022-23 were five percent higher than in FY 2018-19. According to Port staff, revenue recovery has been inconsistent in different areas of the waterfront, particularly in Fisherman’s Wharf, where revenues are still below pre-pandemic levels. The Economic Recovery Project monies will fund projects to attract visitors and businesses to the waterfront, invest in parks and open spaces, and improve internal operations.

Exhibit 1: Port Operating Revenues and Expenditures (\$ thousands)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Operating Revenue	122,033	108,863	94,330	120,951	128,667
Operating Expenses	112,108	118,278	138,297	105,250	123,184
Operating Net Income	9,925	(9,415)	(43,967)	15,701	5,483

Source: Port Audited Financial Statements

The Economic Recovery Projects are part of the Port’s larger \$64.4 million plan for economic recovery and growth. In addition to the proposed \$10 million in Economy Recovery Projects, the other \$54.4 million will come from different sources, including \$10.4 million from the Tenant

Attraction & Retention fund (funded by state funds), \$8 million from the Southern Waterfront Beautification Fund¹ to improve the Southern Waterfront, and \$36 million from state and federal infrastructure grants and Port matching funds.

DETAILS OF PROPOSED LEGISLATION

The requested release of the \$10,000,000 fund comes with a detailed spending plan for projects that support the Port's strategic objectives, with a focus on attracting and retaining businesses, visitors, and commercial fishing; improving parks and open spaces; and increasing organizational efficiency and employee engagement. The proposed projects fall into three categories detailed below.

Fisherman's Wharf (\$7.3 million)

The Port proposes to invest in Fisherman's Wharf by supporting local commercial fishing, increasing accessibility to the lagoons, and improving vacant facilities and public spaces for leasing and use. According to Port staff, the fishing community suffered financial losses during the pandemic. While the fishing facilities do not generate significant revenue for the Port, they are an economic driver for attracting visitors to San Francisco, according to Port staff. Of the \$7.3 million for Fisherman's Wharf, **\$3.3 million** would be used to improve old infrastructure used by commercial fishers. This includes replacing an old ice machine and repairing the aging Pier 45 west apron. A proposed **\$3 million** would be spent on the installation of a new Outer Lagoon Gangway and Float at Wharf J-9 for public access to lagoons for off-the-boat fish sales. This work is also the start of a larger resilience project to make a seismic improvement to the seawall.² A proposed **\$1 million** would be spent on improving vacant spaces for leasing and public use, as the closure of several restaurants in recent years has left many vacancies in Fisherman's Wharf. Facility improvements to vacant spaces would include roof and flooring repair, updates to utilities, and painting to prepare spaces for new tenants.

Parks & Open Space (\$1.7 million)

The Port proposes to invest in its parks and open spaces by improving wayfinding along the Waterfront Walk. Of the \$1.7 million allocated to parks and open spaces, the Port proposes **\$1.5 million** be spent on improvements to the Waterfront Walk. This includes wayfinding signage, art, and activation of public spaces through lighting, seating, and landscaping. This money would also be invested in improving the Port's website, specifically adding GIS mapping information for Port destinations, including but not limited to parks, playgrounds, restrooms, restaurants, museums,

¹ The Southern Waterfront Beautification Fund sets aside a portion of rents from Port property along the Southern Waterfront (Mariposa Street to India Basin) for community benefits and beautification in the area.

² The gangway and float project may be funded by stimulus funds instead of the Economic Recovery Project, in which case this allocation of funds would shift to support Vacant Space Leasing and Activation activities to support the leasing of Castagnola's, Tarantino's and Fisherman's Grotto #9 in Fisherman's Wharf.

and MUNI/BART stops. A proposed **\$0.2 million** would be spent on wayfinding and beautification improvements along the Southern Waterfront.

Enterprise Economic Recovery (\$1.0 million)

With the remaining \$1 million, the Port proposes to fund internal projects. The Port proposes **\$0.7 million** be allocated across three internal operational efficiency projects: 1) utility mapping, to reduce staff time and effort in responding to 811 (dig alert) requests; 2) an assessment of the Port’s Real Estate Division’s property management system (PropWorks) for an upgrade, and 3) installation of a new digital filing system to streamline access to shared files to improve employee performance. A proposed **\$0.2 million** would be spent on conducting economic impact studies that look at revenue-generating initiatives such as deepwater berthing at Pier 68. A proposed **\$0.1 million** would be spent on staff educational activities to build community and increase employee engagement.

Performance Monitoring

Port staff have developed economic recovery metrics to understand the impact of its investments in the projects detailed in the expenditure plan. The metrics include tracking project spending progress, project deliverable progress, revenue from leased facilities on Port property, Fisherman’s Wharf visitor trends, SkyStar Wheel ridership rates, the effect of illegal vending enforcement on Port tenants and visitor experience, the impact of car break-ins on Port tenants and visitor experience, hotel occupancy rates citywide as an indicator of Port visitor trends, and office vacancy rates on Port property as compared with citywide trends. According to Port Economic Recovery Manager Meghan Wallace, Port staff will monitor and provide regular updates to the Port Commission every six months on the metrics.

FISCAL IMPACT

The Port requests the release of \$10,000,000 in Economic Recovery Project funds to invest in projects in Fisherman’s Wharf, parks and open spaces, and enterprise economic recovery. Fisherman's Wharf is receiving the largest investment (\$7.3 million) of the requested release of reserved funds.

The full expenditure breakdown is shown in Exhibit 2 below.

Exhibit 2: Proposed Economic Recovery Project Funding Costs

	Amount	Percent of Total
Fisherman's Wharf		
Commercial Fishing Facilities	\$3,300,000	33%
New Outer Lagoon Gangway & Float	\$3,000,000	30%
Vacant Space Leasing and Activation	\$1,000,000	10%
Subtotal	\$7,300,000	73%
Parks & Open Space		
Portwide Waterfront Walk	\$1,500,000	15%
Southern Waterfront Improvements	\$200,000	2%
Subtotal	\$1,700,000	17%
Enterprise Economic Recovery		
Internal Operational Efficiencies	\$700,000	7%
Revenue Initiatives	\$200,000	2%
Employee Engagement & Support	\$100,000	1%
Subtotal	\$1,000,000	10%
Total	\$10,000,000	100%

Source: Port Economic Recovery Project Expenditure Plan.

The \$10,000,000 for the Economic Recovery Project will be funded by the Port Harbor Fund, as appropriated in FY 2021-22.

RECOMMENDATION

Approve the requested release of reserved funds.

Request for Release of Reserves Economic Recovery Project



Budget & Finance Committee

March 13, 2024

Presented by:

Meghan Wallace, Economic Recovery Manager



A safe, equitable, and vibrant waterfront is key to the Port of San Francisco, City, and Port partners economic recovery. So much has and so much will continue to happen to invigorate the waterfront from the emergence from the COVID-19 financial crisis. The Port of San Francisco is proud of recent success and excited for the intentional waterfront activations planned that will ensure a waterfront for everyone.

- Waterfront Activation Plan, Fall/Winter 2022

Port Economic Recovery

Background

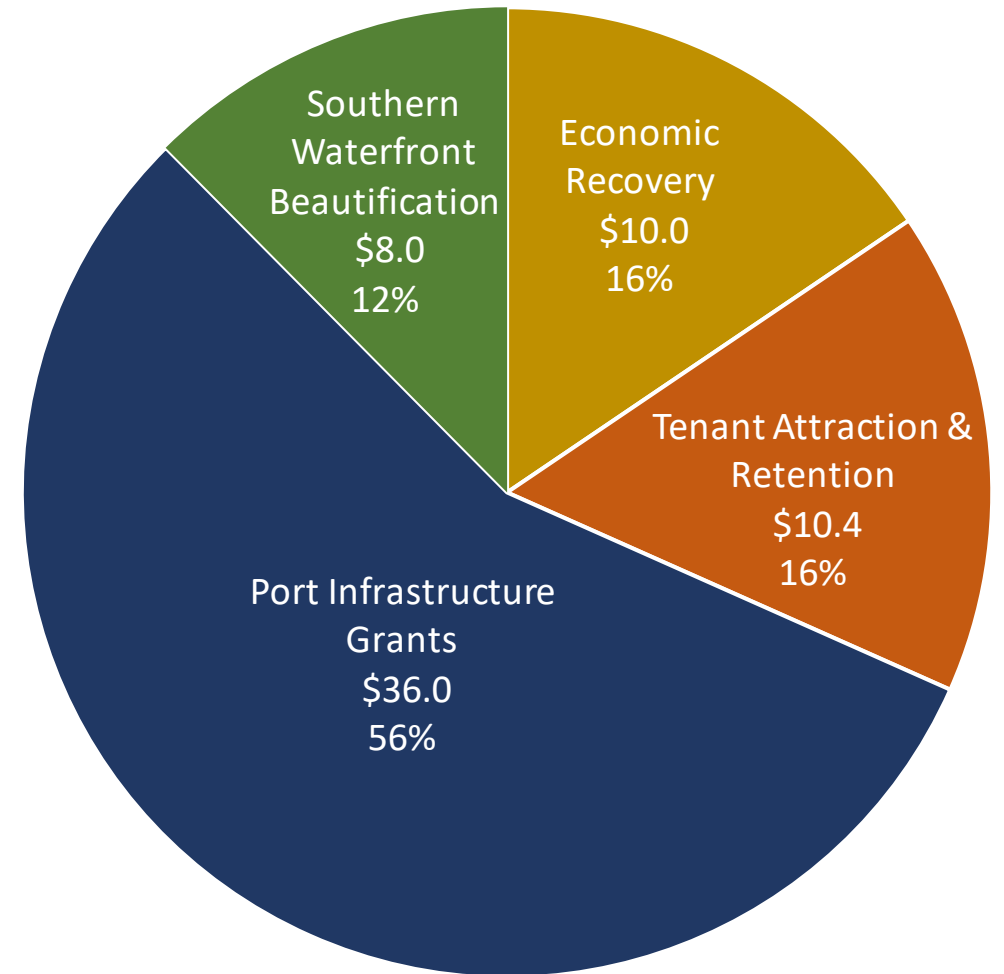
- The Port's Fiscal Year (FY) 2020-21 proposed operating budget included a **\$10 million Economic Recovery Project** for initiatives that would help the Port and its tenants recover from the pandemic.
 - The specific uses of funds were not clearly articulated
 - The Budget & Legislative Analyst recommended placing the funds on reserve pending a detailed expenditure plan.
- In November 2022, the Port's Economic Recovery Manager (Meghan Wallace) initiated a process to identify and prioritize investments.
- After over a year of diligent planning, in **January 2024 the Port Commission approved the Economic Recovery Project expenditure plan.**

Port Economic Recovery

Strategic Funding

- **The Economic Recovery Project** (Harbor Fund) supports initiatives to address the economic impacts of the pandemic.
- **Tenant Attraction & Retention** (Stimulus) will improve facilities to retain tenants and make vacant spaces more marketable.
- **Port Infrastructure Grants** (State & Federal) are being used to improve maritime facilities and operations in the Maritime Eco-Industrial Center.
- **Southern Waterfront Beautification** (Harbor Fund) will be used to improve and beautify the area south of Mariposa Street.

\$64.4 million
Economic Recovery Funding Sources



Port Economic Recovery

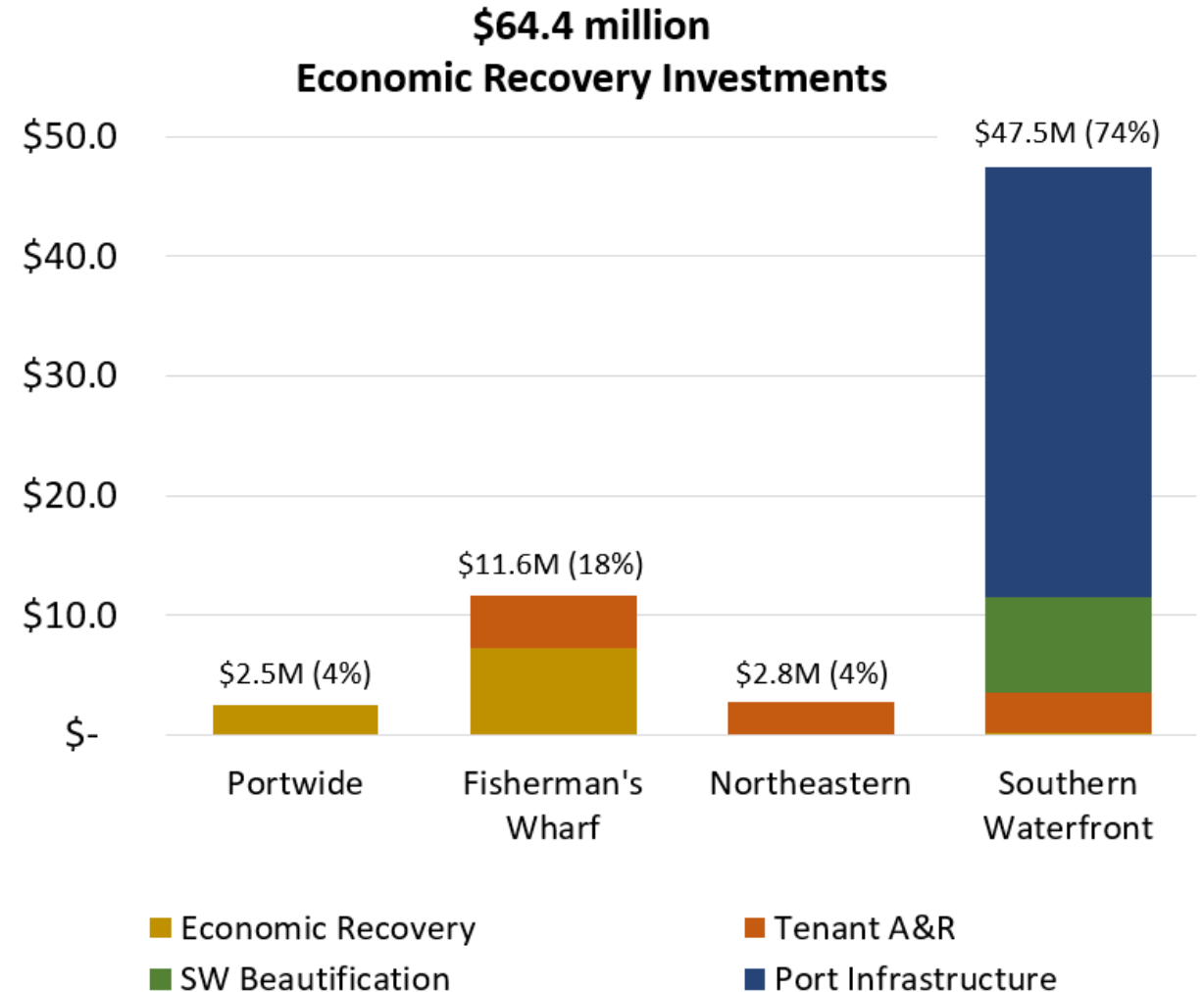
Regional Investments

■ Fisherman's Wharf

- Support commercial fishing.
- Activation, beautification to attract and retain visitors.
- Improve facilities to support marketability of vacant restaurants.

■ Southern Waterfront

- Improve and expand maritime operations.
- Improve the community's experience accessing the Blue Greenway.



Port Economic Recovery

Economic Recovery Project Expenditure Plan

Investments focus on:

- **Activating Fisherman’s Wharf to:**
 - ❖ Support the local commercial fishing industry
 - ❖ Draw in tenants to fill six (6) newly vacant restaurants, and
 - ❖ Retain the neighborhood’s status as a primary destination for locals and visitors.

- **Building on the popularity and accessibility of the Port’s parks and open spaces** to help draw more visitors and businesses to the waterfront and into San Francisco.

- **Improving organizational efficiency and employee engagement.**

STRATEGIC OBJECTIVE/ INITIATIVE		
Targeted Activation: Fisherman’s Wharf		\$7.3M
Commercial Fishing	Improve commercial fishing facilities, including a new ice machine.	\$3.3M
Gangway & Float	Build a new gangway and float in the Outer Lagoon to support commercial fishers and attract the public.	\$3.0M
Vacant Space Leasing	Improve vacant facilities and public spaces for leasing or activation to draw in public interest and revenues.	\$1.0M
Targeted Activation: Parks & Open Space		\$1.7M
Waterfront Walk	Establish the waterfront as a local and regional destination by investing in improvements and activations.	\$1.5M
So. Waterfront Activations	Supplement the Portwide Waterfront Walk initiative with a focused effort in the Southern Waterfront.	\$0.2M
Enterprise Recovery		\$1.0M
Internal Efficiencies	Operational efficiencies, e.g., utility mapping, assessing real estate management software, and digital filing organization.	\$0.7M
Revenue Initiatives	Economic impact analysis and revenue initiative studies.	\$0.2M
Staff Engagement	Educational activities that strengthen the Port as a community.	\$0.1M
GRAND TOTAL		\$10.0M

Port Economic Recovery

Tracking Performance

- The Port’s financial outlook depends on the delivery of initiatives, particularly leasing.
- It is critical to closely manage and monitor outcomes resulting from the Port’s investments.
- Economic recovery metrics were selected to indicate both Port and City progress.

Metric	Purpose	
Budget vs. Actuals of Strategic Investments	Progress and effectiveness of staff in delivering initiatives	
Projects Delivered	Progress and effectiveness of staff in delivering initiatives	
Leased Facilities	Track revenue trends relative to forecast:	
	<ul style="list-style-type: none"> ▪ 490 Jefferson ▪ Pompei’s Grotto ▪ Lou’s ▪ Castagnola’s ▪ Tarantino’s 	<ul style="list-style-type: none"> ▪ Alioto’s ▪ Fisherman’s Grotto #9 ▪ Pier 33.5 (formerly Butterfly) ▪ Ferry Building East
Fisherman’s Wharf Visitors	Port revenue trends, attraction for new tenants	
SkyStar Ridership	Port revenue trends, attraction for new tenants	
Unpermitted Vending Enforcement	Impact on Port tenants, quality of experience for visitors	
Car Break-Ins	Impact on Port tenants, quality of experience for visitors	
Hotel Occupancy Rates	Citywide trends as an indicator of Port visitor trends	
Office Vacancy Rates		
Citywide	Citywide trends as an indicator of Port trend	
Port	Comparison with citywide trends and Port goals	

Port Economic Recovery

Conclusion



- The Port is using a variety of funding sources to deliver strategic initiatives.
- Investments are largely distributed between **Fisherman's Wharf** and the **Southern Waterfront**, with a **Waterfront Walk** work plan under development that aims to build a cohesive portwide identity.
- Economic recovery metrics will help staff understand the impact of investments and track leasing goals.
- **Request: Approval of \$10M Economic Recovery Project Expenditure Plan.**

CITY AND COUNTY OF SAN FRANCISCO

BUDGET AND APPROPRIATIONS COMMITTEE BUDGET AND APPROPRIATION ORDINANCE

AS OF SEPTEMBER 11, 2020



File No. 200567

Ordinance No. 165-20

FISCAL YEAR ENDING JUNE 30, 2021 and
FISCAL YEAR ENDING JUNE 30, 2022

APPROPRIATION RESERVES

Department Reserve Description	FY2020-21	FY2021-22	Releasing Authority	Reserve Reason/ Follow up Action Required
AIRPORT - Hotel Operations	-	5,100,000	BUDG & FIN COMM	Pending the hotel's financial outlook and needs
ART COMMISSION - IPIC Development Impact Fee - Market	50,000	50,000	CONTROLLER	Pending receipt of revenue
CHILDREN, YOUTH & THEIR FAMILIES - Community Based Organization Contracts	4,800,000	2,200,000	CONTROLLER	Pending receipt of revenue
CITY ADMINISTRATOR - H.S.A. - Headquarter Moving Debt Payment Services	2,176,000	-	BUDG & FIN COMM	Pending full acquisition plan and timeline
CITY ADMINISTRATOR - IPIC - Neighborhood Beautification Community Challenge Grants IPIC Partnership	200,000	-	CONTROLLER	Pending receipt of revenue
CITY ADMINISTRATOR - TIDA - Infrastructure And Revitalization Financing Districts	1,855,000	676,000	CONTROLLER	Pending identification of costs eligible for reimbursement.
CITY PLANNING - IPIC - Transit Center District Development	1,800,000	750,000	CONTROLLER	Pending receipt of revenue
ECONOMIC AND WORKFORCE DEVELOPMENT - Opportunities for all	1,500,000	4,000,000	MAYOR	Pending Opportunities for All spending plan
ECONOMIC AND WORKFORCE DEVELOPMENT - Reinvestment Initiatives	21,000,000	21,000,000	MAYOR	Pending Reinvestment Initiatives spending plan
ECONOMIC AND WORKFORCE DEVELOPMENT - Workforce Development - CityBuild	60,000	-	CONTROLLER	Pending receipt of revenue
EMERGENCY MANAGEMENT - CoVid Departmental Operations - Mandatory Fringe Benefits	50,688	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - CoVid Departmental Operations - Program Costs	5,366,000	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - CoVid Departmental Operations - Salaries	640,000	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - CoVid Departmental Overtime Operations - Materials and Supplies	17,537	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - CoVid Departmental Overtime Operations - Program Costs	289,958	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - Joint Information Center - Mandatory Fringe Benefits	32,868	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - Joint Information Center - Program Costs	950,000	-	BUDG & FIN COMM	Pending review of actual expenditures
EMERGENCY MANAGEMENT - Joint Information Center - Salaries	415,000	-	BUDG & FIN COMM	Pending review of actual expenditures
GENERAL CITY RESPONSIBILITY - Reimbursement of ERAF General Fund Advance	206,800,000	-	CONTROLLER	Pending results of tax litigation or November 2020 election
GENERAL CITY RESPONSIBILITY - Reimbursement of General Fund for Prop C Eligible Services	96,000,000	28,000,000	CONTROLLER	Pending results of tax litigation or November 2020 election
HOMELESSNESS AND SUPPORTIVE HOUSING - Homeless Services	295,165,126	255,749,404	CONTROLLER -- BUDG & FIN COMM --	Pending results of tax litigation or November 2020 election Pending spending plan approval
HUMAN RIGHTS COMMISSION - Reinvestment initiatives	3,000,000	3,000,000	MAYOR	Pending Reinvestment Initiatives spending plan
HUMAN SERVICES AGENCY - CoVid Operations Based Organization Funding	15,382,351	-	BUDG & FIN COMM	Pending submission of detailed spending plan
HUMAN SERVICES AGENCY - Early Childcare and Education for All	273,045,000	160,140,000	CONTROLLER -- BUDG & FIN COMM --	Pending results of tax litigation or November 2020 election Pending spending plan approval
HUMAN SERVICES AGENCY - IPIC - Market & Octavia	-	3,527,000	CONTROLLER	Pending receipt of revenue
JUVENILE PROBATION - Departmental Operations - Mandatory Fringe Benefits	-	1,156,126	BUDG & FIN COMM	Pending receipt of revenue
JUVENILE PROBATION - Departmental Operations - Program Costs	-	105,928	BUDG & FIN COMM	Pending receipt of revenue
JUVENILE PROBATION - Departmental Operations - Salaries	-	2,176,864	BUDG & FIN COMM	Pending receipt of revenue
JUVENILE PROBATION - Placement Alternative	1,450,926	1,450,925	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - Complete Streets	3,073,967	1,634,880	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - IPIC - Eastern Neighborhood	985,000	-	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - IPIC - HUB	677,620	4,031,720	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - IPIC - Market & Octavia	395,000	3,650,000	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - IPIC - SOMA	6,930,000	4,209,000	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - Transportation Stability Fund	56,602,619	23,870,120	CONTROLLER	Pending receipt of revenue
MUNICIPAL TRANSPORTATION AGENCY - Transportation Stability Fund	32,788,982	17,438,720	CONTROLLER	Pending receipt of revenue
POLICE - Materials and Supplies	400,000	-	BUDG & FIN COMM	Pending Budget and Finance Committee Review
POLICE - Overtime Salaries	-	12,765,681	BUDG & FIN COMM	Pending Budget and Finance Committee Review
POLICE - PUBLIC SAFETY BUILDING FF&E	6,500,000	-	MAYOR	Pending detailed scope of work and budget details
PORT - Economic Recovery Project	10,000,000	-	BUDG & FIN COMM	Pending detailed scope of work and budget details
PUBLIC HEALTH - Homeless Services	98,399,127	85,293,858	CONTROLLER -- BUDG & FIN COMM --	Pending results of tax litigation or November 2020 election Pending spending plan approval
PUBLIC HEALTH - Reinvestment initiatives	36,000,000	36,000,000	MAYOR	Pending Reinvestment Initiatives spending plan
PUBLIC WORKS - IPIC - Eastern Neighborhood	300,000	-	CONTROLLER	Pending receipt of revenue
PUBLIC WORKS - IPIC - Market & Octavia	-	9,518,680	CONTROLLER	Pending receipt of revenue
PUBLIC WORKS - IPIC -PW Capital Budget FY20 & FY21	1,600,000	600,000	CONTROLLER	Pending receipt of revenue
REC & PARKS - Citywide Parks	346,236	-	MAYOR	Pending receipt of revenue
REC & PARKS - Community Opportunity Fund	49,696	-	MAYOR	Pending receipt of revenue
REC & PARKS - IPIC - Eastern Neighborhood	25,175,000	3,588,287	CONTROLLER	Pending receipt of revenue
REC & PARKS - IPIC - Market & Octavia	-	6,078,596	CONTROLLER	Pending receipt of revenue
SHERIFF - Community Based Organization Contracts	-	9,283,178	BUDG & FIN COMM	Pending Budget and Finance Committee Review
SHERIFF - Overtime Salaries	-	7,943,916	BUDG & FIN COMM	Pending Budget and Finance Committee Review
Grand Total	\$ 1,212,269,701	\$ 714,988,883		



City and County of San Francisco
Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 200567

Date Passed: September 29, 2020

Budget and Appropriation Ordinance appropriating all estimated receipts and all estimated expenditures for Departments of the City and County of San Francisco as of July 31, 2020, for the Fiscal Years ending June 30, 2021, and June 30, 2022.

August 13, 2020 Budget and Appropriations Committee - CONTINUED

August 14, 2020 Budget and Appropriations Committee - CONTINUED

August 12, 2020 Budget and Appropriations Committee - CONTINUED

August 24, 2020 Budget and Appropriations Committee - CONTINUED

August 26, 2020 Budget and Appropriations Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

August 26, 2020 Budget and Appropriations Committee - RECOMMENDED AS AMENDED

September 15, 2020 Board of Supervisors - CONTINUED ON FIRST READING

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

September 22, 2020 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

September 22, 2020 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 10 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Walton and Yee
Noes: 1 - Stefani

September 29, 2020 Board of Supervisors - FINALLY PASSED

Ayes: 10 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Walton and Yee
Noes: 1 - Stefani

File No. 200567

I hereby certify that the foregoing
Ordinance was FINALLY PASSED on
9/29/2020 by the Board of Supervisors of
the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



London N. Breed
Mayor




Date Approved



MEMORANDUM

January 19, 2024

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Steven Lee
Hon. Ed Harrington

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational presentation on the Port's economic recovery and possible action to approve the Economic Recovery Project expenditure plan and the release of funds from Budget and Finance Committee reserve.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 24-09

EXECUTIVE SUMMARY

The coronavirus pandemic ("COVID-19") had a devastating impact on the Port's operations and budget. When the public was ordered to shelter-in-place in March 2020, tenants closed their doors and maritime operations stalled. Ultimately, the Port's operating revenues fell dramatically while most expenses remained constant. If not for stimulus funding, the Port would have faced severe budget-balancing measures, such as laying off staff and limiting facility maintenance.

Today the Port is actively planning and implementing economic recovery and economic growth strategies to address the financial impacts of the pandemic and build a sustainable financial future. These strategies include leveraging \$64.4 million to deliver certain strategic initiatives, including \$10.0 million Economic Recovery, \$10.4 million Tenant Attraction and Retention, \$8.0 million Southern Waterfront Beautification Policy, and \$36.0 million port infrastructure grant and Port match funding.

After diligent planning, staff are ready to move work forward to achieve the critical economic recovery and economic growth strategies for which the funds were intended. An important step

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in the process of implementing the Port's strategic initiatives includes requesting a release of \$10.0 million Economic Recovery funding from the Board of Supervisors Budget and Finance Committee Reserve. Upon Port Commission approval of this expenditure plan, Port staff will return to the Board's Budget and Finance Committee to request the release of the Economic Recovery funds from the reserve.

STRATEGIC OBJECTIVES

The Port's economic recovery and growth planning supports the following strategic objectives:

Economic Recovery – The Port is making targeted investments in Fisherman's Wharf and the Southern Waterfront to improve the marketability of vacant facilities, support maritime operations, and activate parks and open spaces. Also, internal operating improvements make it easier to work for and with the Port. Finally, pursuit and use of external funding allows the Port to complete critical capital investments that advance the maritime portfolio and address deferred maintenance, particularly in the Southern Waterfront.

Economic Growth – Port investments will advance the maritime business by addressing deferred maintenance and innovating maritime facilities. Investments in facilities will advance the real estate portfolio by improving the marketability of vacant facilities and retaining existing tenants.

Equity – Staff are working to ensure that economic recovery initiatives offer equal access to opportunities, particularly for BIPOC-owned and local business enterprises, and equitably advance public benefits that appeal to and attract a diverse population to the waterfront.

Resilience – The Outer Lagoon Gangway and Float Project in Fisherman's Wharf is a multi-benefit Waterfront Resilience Program (WRP) early project that initiates seismic improvements to the wharf. Additionally, the Waterfront Walk will include activities that educate the public about the WRP and the impacts of sea level rise on the waterfront.

Sustainability – Investments in the Southern Waterfront include planning to facilitate the change to clean fuels for vessels and vehicles.

Evolution – Economic recovery and growth planning builds from the Port's Waterfront Plan and includes investments in Port open spaces to provide publicly desired amenities and activities.

Engagement – Development of economic recovery and growth initiatives has included broad engagement with stakeholders and the public, including Port staff, leadership, advisory committees, community members, and other partners. Staff will continue to engage the community as we move to implement economic recovery initiatives.

BACKGROUND

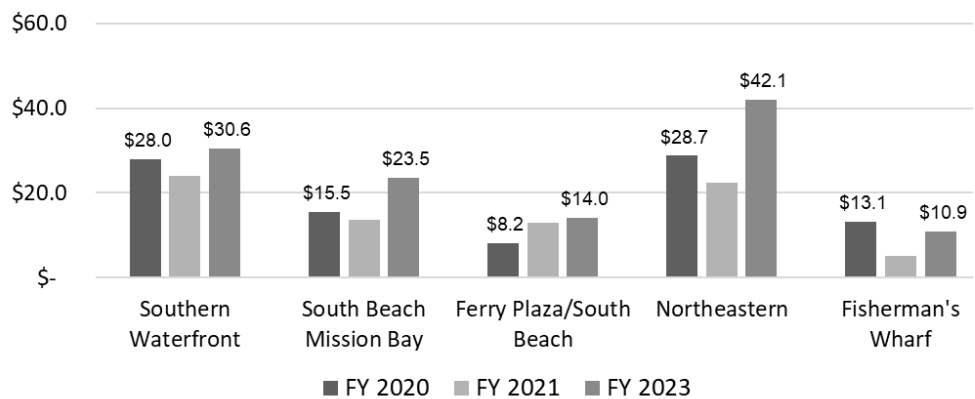
The COVID-19 pandemic had a devastating impact on the Port's budget. When the public was ordered to shelter-in-place in March 2020, tenants closed their doors and maritime operations stalled. Ultimately, the Port's FY 2019-20 revenues fell to 83% of pre-pandemic levels while

most operating expenses remained constant. If not for a federal stimulus award of \$117 million, the Port would have faced severe budget-balancing measures, such as laying off staff and limiting facility maintenance.

As health restrictions gradually lifted, Port revenues slowly recovered and in FY 2022-23, exceeded pre-pandemic levels. Today, people are returning to the waterfront and the Port has played an invaluable role in the City’s overall economic recovery efforts by maintaining a clean, safe, and vibrant waterfront that attracts workers downtown and visitors to San Francisco’s top destinations. Despite this positive story, the Port’s financial outlook continues to be challenged.

As shown in *Figure 1*, revenue recovery has not been consistent in all areas of the waterfront. While an influx of cruise travel demand increased revenues in the northeastern waterfront, Fisherman’s Wharf has not fully recovered due to the closure and/or lack of operation of several large sit-down full-service restaurants.

**Figure 1:
Port Revenues by Region
(\$ millions)**



The Port is also challenged by the ongoing impact of a high citywide office vacancy rate of 35%, which creates revenue uncertainty for the Port’s office space portfolio and for Port tenants that rely on office workers as customers.

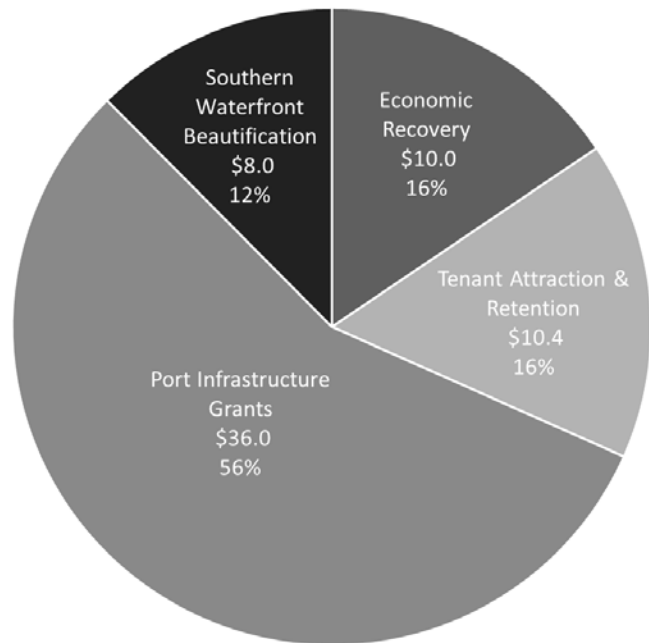
In addition to strains on operating revenues, the Port’s operating expenses have grown considerably due to high inflation in the cost of goods and services and the rising cost of personnel. This is expected to result in less net income to support capital investment in the foreseeable future. With a \$1.2 billion state of good repair capital backlog and forecasted need of an additional \$1.0 billion in capital over the next ten years, it is critical for the Port to maximize the generation of net operating revenues to invest in its facilities.

ECONOMIC STRATEGIES & INVESTMENTS

To recover from the economic impacts of the pandemic and stabilize our financial outlook, the Port is drawing upon a variety of funding sources totaling \$64.4 million to pursue initiatives that retain or increase revenues and create operational efficiencies (see, *Figure 2*, below).

Funding & Projects – The \$10.0 million **Economic Recovery Project** is funded by the Port Harbor Fund and supports near-term waterfront activations, development of revenue-generating initiatives, and internal operational improvements. The Port is also using \$10.4 million in stimulus funds to implement **Tenant Attraction and Retention** activities, with a focus on improving facilities that risk loss of current tenants or are vacant and present valuable revenue potential. These funds are also being used to support a \$2.2 million grant to the Fisherman’s Wharf Community Benefit District (FWCBD) to implement beautification and activation efforts with the intent to attract visitors and tenants to the area. Notably, the Port was awarded \$30.6 million and allocated \$5.4 million in matching funds (\$36.0 million total) to complete three **Port Infrastructure Projects** that will support growth in maritime eco-industrial operations in the Southern Waterfront.¹ Additionally, staff propose to allocate \$8.0 million from the **Southern Waterfront Beautification Fund** over the next five years to improve the community’s experience in the Southern Waterfront and support economic development consistent with the Southern Waterfront Beautification and Community Benefits policy.

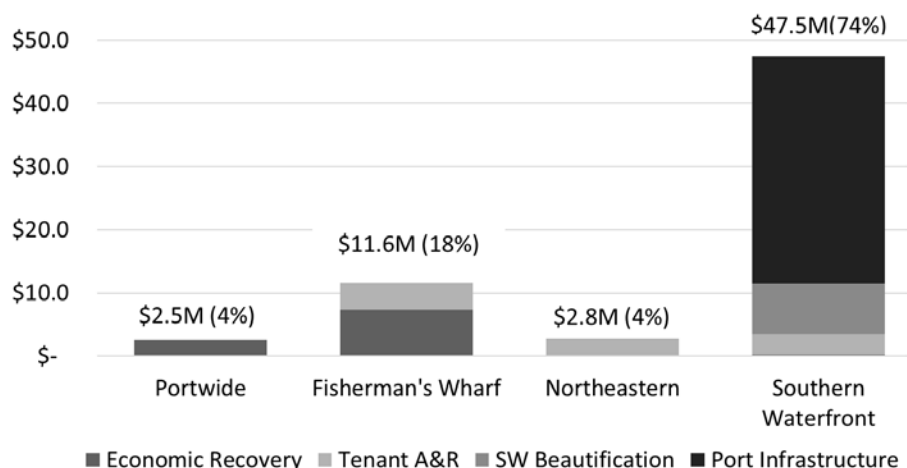
**Figure 2:
\$64.4 million
Port Economic Recovery Investments
(\$ millions)**



Regional Distribution – While the Port is making significant Portwide investments, most funds are to be distributed regionally to Fisherman’s Wharf and the Southern Waterfront where there is the greatest potential to attract new business and improve revenues (see, *Figure 3*).

As reflected in *Figure 1* above, Fisherman’s Wharf revenues have been the

**Figure 3:
Regional Distribution of Investments**



¹ The Port was awarded \$9.0 million from the Port Infrastructure Development Program (PIDP) and \$21.6 million from the California State Transportation Agency (CalSTA) to improve facilities in the maritime eco-industrial zone.

slowest to recover due to the closure of several restaurants, including Alioto's, Lou's, Pompeii's Grotto, Castagnola's and, most recently, Tarantino's and Fisherman's Grotto #9. The **Economic Recovery Project** and **Tenant Attraction & Retention** funding will be used to retain and restore revenues to the area by activating and beautifying Fisherman's Wharf as well as improving vacant facilities to attract new tenants. The **Economic Recovery Project** will directly support local fishers, who have struggled to remain in Hyde Street Harbor due to aging infrastructure, through investments in berthing, ice, and fuel facilities.

Revenues have recovered in the Southern Waterfront, but the area holds potential for maritime portfolio expansion and requires investments in the public realm and open spaces to make it attractive for businesses and the public. Improving piers and roadways using the **Port Infrastructure Grants** will help the Port compete for cargo operations and potentially for offshore wind production. Additionally, the Port will invest its **Economic Recovery Project** and **Southern Waterfront Beautification** funds to improve the community's experience in the area with improved wayfinding, public realm and Blue Greenway enhancements, landscaping, and bike and pedestrian access. The Piers 80-96 maritime eco-industrial center may not be as well-known from a national and international visitor perspective but can attract local and regional visitors and should be maintained with the pride that is shown in other well-traveled regions of the waterfront.

Detailed Expenditure Plans – The specific investments proposed for each of these funding sources are detailed below and outlined in *Attachment 1 – Overview of Expenditure Plans* and *Attachment 2 – Investments by Port Waterfront Region*.

ECONOMIC RECOVERY PROJECT

The Port's Fiscal Year (FY) 2020-21 operating budget included a \$10.0 million Economic Recovery Project that is intended to give the Port flexibility to recover from the pandemic by investing in initiatives that generate revenue and improve operations. While the need for the project funding was clear during the Board of Supervisors' review of the Port's budget, the specific uses were not yet fleshed out. At the recommendation of the Budget and Legislative Analyst, in May 2020 the Budget & Finance Committee placed the funds on reserve pending a detailed expenditure plan.

On June 13, 2023, Port staff presented the Economic Recovery Project expenditure plan to the Port Commission. The proposed investments reflected strategies to draw visitors to the waterfront, activate and fill vacant facilities, and streamline internal operations. These near-term investments, paired with longer-term strategies to grow the Port's business portfolios, aim to uplift the Port and its tenants from the economic impacts of the pandemic and pave the path for financial stability into the future.

With its strategy in place, the Port must return to the Board of Supervisors with a detailed Economic Recovery expenditure plan to proceed. These investments are detailed below and directly support the Port's strategic objectives, with a focus on attracting and retaining

businesses, visitors, and commercial fishing, as well as activating parks and open spaces, and investing in people and systems:

Targeted Activation: Fisherman's Wharf (\$7.3 million) – Fisherman's Wharf has historically been a major economic driver for the Port and City but has been slower to recover than any other area of the waterfront. Activating Fisherman's Wharf will support the local commercial fishing industry, draw in new tenants, and retain the neighborhood's status as a primary destination for locals and visitors.

- **Commercial Fishing Facilities (\$3.3 million)** – Support commercial fishers and fish production tenants by improving aging infrastructure, such as replacing an obsolete and energy-inefficient ice machine and repairing an aging Pier 45 west apron.
- **Outer Lagoon Gangway & Float (\$3.0 million)** – Build a new gangway and float to draw the public to the lagoons and provide ease of access for off-the-boat fish sales and excursions. This work initiates a larger resilience project for an extensive seismic improvement of the seawall.²
- **Vacant Space Leasing and Activation (\$1.0 million)** – Improve vacant facilities and public spaces for leasing or activation to draw in public interest and restore lease revenues.

Targeted Activation: Parks & Open Space (\$1.7 million) – The Port has invested heavily in improving and expanding its network of parks, ranging from Cruise Terminal Plaza in the north to Heron's Head Park in the south. Building on the popularity and accessibility of the Port's parks and open spaces will help draw more visitors and businesses to the waterfront and into San Francisco.

- **Waterfront Walk: Wayfinding, Art, & Activations (\$1.5 million)** – Identify the Port's waterfront as a local and regional destination and invest in improvements, activations and recreational uses that increase the public's opportunity to enjoy and navigate parks, historic assets, art, and open spaces. Using an app or webpage that gives the public routes to follow, the walk will follow the waterfront with spurs that explore pier aprons, local businesses, and other areas of interest in the surrounding area.
- **Southern Waterfront Activations (\$0.2 million)** – Supplement the Portwide Waterfront Walk, Wayfinding, Art, & Beautification initiative with a focused effort to improve the experience of visitors and neighbors in the Port's maritime eco-industrial zone.

Enterprise Economic Recovery (\$1.0 million) – The Port is actively developing strategies to increase organizational efficiency, generate revenues, and support staff.

² This project may be funded by stimulus funds instead of the Economic Recovery Project, in which this allocation of funds would shift to support Vacant Space Leasing and Activation activities to support leasing of Castagnola's, Tarantino's and Fisherman's Grotto #9

- **Internal Operational Efficiencies (\$0.7 million)** – Invest in operational efficiencies:
 - *Utility Mapping* – Map utilities in Port's area of responsibility as part of the dig alert 811 program to reduce staff time and effort required to respond to inquiries.
 - *Real Estate Management System* – Investigate a conceptual system upgrade by evaluating the alignment of the current and potential replacement systems with the Port's business needs.
 - *Digital Filing* – Develop a Portwide digital filing system and operating procedures to streamline access to shared files, saving time and improving employee performance.

- **Revenue Initiatives (\$0.2 million)** – Conduct an economic impact analysis and studies that support revenue-generating initiatives, including deepwater berthing at Pier 68.

- **Employee Engagement & Support (\$0.1 million)** – Engage employees through educational activities that strengthen the Port as a community to recruit and retain talent.

See summary table in *Attachment 1 – Overview of Expenditure Plans* for more details.

TENANT ATTRACTION & RETENTION

The Port is using \$10.4 million stimulus funds to improve facilities that risk loss of current tenants or are vacant and present valuable revenue potential and implement beautification and activation efforts that will attract visitors and tenants to the area.

Targeted Activation: Fisherman's Wharf (\$2.4 million) – Activation and beautification investments including a \$2.2 million grant to the Fisherman's Wharf Community Benefits District (FWCBD) to create attractions and interest in the area that retain and attract visitors and new tenants to vacant facilities.

Property Portfolio (\$8.0 million) – As part of its Real Estate portfolio growth strategy, the Port is investing stimulus funds in facilities to retain current tenants and increase property marketability and rents.

- **Pier 96 Admin Building (\$0.4 million)** – Address ADA and deterioration issues at entrances closest to tenants and the main entrance to the building, preserving \$0.3 million in annual revenues.

- **Pier 96 Gatehouse Demolition (\$0.5 million)** – Demolish gatehouse.

- **Parcel K South Curb Cut (\$0.6 million)** – Installation of curb cut to allow access to landlocked parking lot that will generate new revenue for the Port.

- **Seawall Lot 321 Lighting Project (\$0.8 million)** – Supplemental funding on top of the \$1.0 million prior investment to complete lighting project to improve safety of parking lot

and generate more parking revenue.

- **Pier 29 Improvements (\$1.0 million)** – Completed column repairs and mechanical ventilation improvements necessary to host United States Secret Service for the Asia Pacific Economic Cooperation (APEC) Summit in November 2023, generating \$0.5 million one-time rent and positioning the facility for ongoing leasing.
- **Pier 33.5 Tenant Improvement Contribution (\$1.1 million)** – Port funding for facility improvements that attracted tenants and will expedite the opening of a new restaurant.
- **Pier 80 Maintenance & Repair Shed Roof (\$1.8 million)** – Repair or replace the roof of the Pier 80 shed to retain \$0.4 million in annual revenues from existing tenants.
- **Fisherman’s Wharf Tenant Leasing (\$1.9 million)** – Facility improvements that will improve marketability of at least four key vacant facilities, the former Alioto’s, Lou’s, and Pompei’s restaurant premises and 490 Jefferson Street.

See summary table in *Attachment 1 – Overview of Expenditure Plans* for more details.

PORT INFRASTRUCTURE GRANTS

In 2022 and 2023 the Port was awarded \$30.6 million in grants through the Port Infrastructure Development Program (PIDP) and the California State Transportation Agency (CalSTA) Port and Freight Infrastructure grant program. Receipt of these funds reflects a major win for the Port in its pursuit of external funding to deliver targeted capital investments. Paired with the Port’s \$5.4 million required match, the Port will invest a total of \$36.0 million in its Maritime Eco-Industrial Center.

Maritime Portfolio (\$36.0 million) – Increase service offerings to cargo shippers, boost the utilization of existing cargo facilities, create a safer workplace for our maritime workforce, and develop a plan to mitigate air emissions while promoting equity and environmental justice.

- **Pier 80 Drainage & Fendering (\$23.4 million)** – Repair significant drainage issues in the southeast corner of the pier over an approximately 6-acre area and replace the current fendering system with new mooring points and rubber fenders. Pier 80 will be able to accommodate larger oceangoing vessels with higher cargo volumes and improved drainage will eliminate safety issues, improve the efficiency of truck travel, and allow for additional storage capacity.
- **Amador Street Improvement (\$12.2 million)** – Replace roadway and outdated piping and pumping systems.
- **Truck Fleet Emission Mitigation (\$0.4 million)** – Develop a plan for mitigating air emissions from Port truck (100+) fleet including an assessment of Pier 96 location and its infrastructure, specifying options to enhance electrification of the pier, and development of both a battery recharging station and hydrogen refueling station. The blueprint will guide

selection of technologies and Port investments in zero-emission infrastructure, identifying resources and strategies enabling the trucking community to adopt zero-emission vehicles.

See summary table in *Attachment 1 – Overview of Expenditure Plans* for more details.

SOUTHERN WATERFRONT BEAUTIFICATION

Use of the Port's Southern Waterfront Beautification Fund (SWBF) is a critical component of the Port's economic recovery and growth strategy, by complementing efforts to expand maritime eco-industrial uses with investments that will improve the community's experience accessing the Blue Greenway.

In 2007 the Port Commission adopted the Southern Waterfront Beautification Policy (Policy), related to the Port's real property located from Mariposa Street in the north to India Basin in the south. To support the Port's commitment to maximum utilization of the existing maritime terminal facilities and to attract visitors to the shoreline, the Policy requires minimum measures, benefits, and rental surcharges to be included in the terms of any leases in the designated area. Rental surcharges are set aside in a fund to be invested in any of the following projects in the area:

- Open Space
- Wetlands Restoration
- Pier Removal
- Public Art
- Historic Preservation
- Other Expenditures that benefit Port interests in the Southern Waterfront.

The SWBF's balance is approximately \$8.0 million and is expected to increase by \$0.8-2.0 million annually moving forward. Port staff evaluated opportunities and developed the following expenditure plan to improve the community's experience and offer other benefits in keeping with the Policy and the Port's Economic Recovery and Economic Growth strategic objectives:

Targeted Activation: Parks & Open Space (\$3.0 million) – Investments in the public realm, parks and open spaces are intended to improve the community's experience and increase interest in visiting public areas of the Southern Waterfront. This work will include collaborating with community organizations to develop and implement activations that attract diverse communities to the waterfront.

- **Park Enhancements and Activation (\$1.5 million)** – Activate parks and open spaces through a range of public amenities and programming (art, food and drink, recreation) that engages the community. In alignment with the portwide Art Program, create coherence across parks and open spaces, in partnership with the community. Install lighting, furnishings, and signage to complete the Blue Greenway, particularly at Warm Water Cove Park, Tulare Park, and Islais Creek.
- **Public Realm Maintenance (\$0.5 million)** – Dedicate two laborers and a vehicle to the Southern Waterfront area to provide consistent and ongoing maintenance.
- **Candlestick Point Roadway Improvements (\$0.8 million)** – Gilman Avenue repaving.

- **Project Manager (\$0.1 million)** – Assign a designated project manager from the Port’s Project Management Office to deliver projects identified in the SWBF expenditure plan.
- **Eco Center (\$0.1 million)** – Support Eco-Center annual operations.
- **Youth Scholarships (<\$0.1 million)** – Fund youth camps for the District 10 community for camps that are offered along the Port’s waterfront.
- **Activation (<\$0.1 million)** – Activate parks and open spaces through events and pop-up retail that engage the community.

Maritime Portfolio (\$5.0 million) – Investments in the Port’s maritime facilities are intended to improve the look, feel, and navigability of leaseholds in the maritime eco-industrial center, while preparing to expand opportunities for new leases that grow the Port’s maritime portfolio.

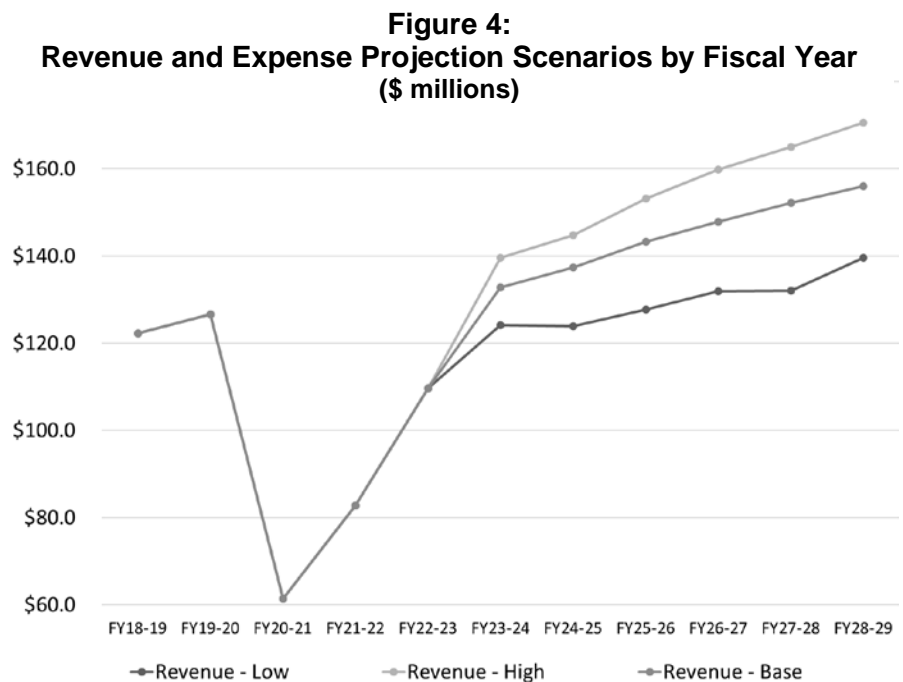
- **Remove Red-tagged Facilities (\$4.0 million)** – Initial funding to remove the Pier 90 Grain Silos (\$2.0M) and Pier 96 Cranes (\$2.0M) to prepare for future maritime operations.
- **Pier 68 Building 105 South Wall reinforcement (\$0.8 million)** – Historic preservation and seismic safety improvements that will also prepare the facility for future leasing.
- **Business Wayfinding (\$0.1 million)** – Improve customer access to Piers 90-96 tenants.
- **Tree Plantings (\$0.1 million)** – Street tree plantings in the Backlands to reduce wind exposure and provide greening.

See summary table in *Attachment 1 – Overview of Expenditure Plans* for more details.

FINANCIAL OUTLOOK & METRICS

The Port’s biennial budget planning for Fiscal Years 2024-25 and 2025-26 is underway and relies upon successful delivery of the proposed strategies to drive operating revenues.

The financial forecast includes Base, Low, and High revenue scenarios that reflect how quickly the Port can lease its vacant facilities as well as citywide trends related to hotel occupancy and office vacancy rates, as demonstrated in *Figure 4*. The **Base case**



assumes the Port will lease and generate revenue from four currently vacant restaurants, whereas the **Low case** assumes only one facility will be leased and the **High case** assumes six new leases. A detailed discussion of the revenue and expenses will take place as part of an informational presentation by Port staff on the biennial budget at the February 6, 2024, Port Commission meeting.

With only modest net operating revenues of \$12-16 million over the next five years in the **Base case**, it is essential for the Port to closely manage and monitor the delivery of initiatives to meet or exceed revenue projections. Key metrics that staff are or will begin monitoring as investments are underway are detailed in *Table 1 – Port Economic Recovery Metrics*.

Table 1 – Port Economic Recovery Metrics

Metric	Purpose
Budget vs. Actuals of Strategic Investments	Progress and effectiveness of staff in delivering initiatives
Projects Delivered	Progress and effectiveness of staff in delivering initiatives
Leased Facilities	Track revenue trends relative to forecast: <ul style="list-style-type: none"> ▪ 490 Jefferson ▪ Pompei’s Grotto ▪ Lou’s ▪ Castagnola’s ▪ Tarantino’s ▪ Alioto’s ▪ Fisherman’s Grotto #9 ▪ Pier 33.5 (formerly Butterfly) ▪ Ferry Building East
Fisherman’s Wharf Visitors	Port revenue trends, attraction for new tenants
SkyStar Ridership	Port revenue trends, attraction for new tenants
Illegal Vending Enforcement	Impact on Port tenants, quality of experience for visitors
Car Break-Ins	Impact on Port tenants, quality of experience for visitors
Hotel Occupancy Rates	Citywide trends as an indicator of Port visitor trends
Office Vacancy Rates	
Citywide	Citywide trends as an indicator of Port trend
Port	Comparison with citywide trends and Port goals

CONCLUSION

Over the last year, Port staff developed and refined initiatives to address the economic impacts of the pandemic on the Port and rebuild a path toward a sustainable financial future by growing its maritime and real estate portfolios. After diligent planning, staff are ready and eager to leverage \$64.4 million from a variety of funding sources to achieve the critical economic recovery and economic growth outcomes for which the funds were intended. The Port’s financial outlook relies upon the proposed investments to deliver on current revenue projections and to improve operations.

An important step in the process of implementing the Port’s strategic initiatives includes requesting a release of \$10.0 million Economic Recovery funding from the Board of Supervisors Budget and Finance Committee Reserve. Upon Port Commission approval of the enclosed expenditure plan, Port staff will return to the Budget and Finance Committee to request the release of the Economic Recovery Project funds from the reserve.

REQUESTED ACTION

Port staff seeks Port Commission approval of the attached resolution authorizing Port staff to request the Chair of the Budget and Finance Committee to schedule a hearing to consider the release of the Port's \$10.0 million Economic Recovery Project from the reserve.

Prepared by: Meghan Wallace, Economic Recovery Manager

Attachments:

Attachment 1 – Overview of Expenditure Plans

Attachment 2 – Investments by Port Waterfront Region

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTIONS NO. 24-09

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and
- WHEREAS, The coronavirus pandemic (“pandemic”) had a devastating impact on the Port’s operations and budget. When the public was ordered to shelter-in-place in March 2020, tenants closed their doors and maritime operations stalled; and
- WHEREAS, The Port’s operating revenues fell dramatically while most expenses remained constant; and
- WHEREAS, In May 2021, Governor Newsom announced a one-time \$250 million allocation from the Federal American Rescue Plan Act of 2021 funding to California’s ports, including \$117 million; and
- WHEREAS, If not for a \$117 million one-time allocation to the Port of San Francisco from the American Rescue Plan Act of 2021 funding to California’s ports, the Port would have faced severe budget-balancing measures, such as laying off staff and limiting facility maintenance; and
- WHEREAS, The Port of San Francisco is now actively developing and implementing strategic initiatives that address the immediate economic impacts of the pandemic on the historic waterfront and position the Port and City for long-term financial and economic stability; and
- WHEREAS, The Port’s strategy includes, but is not limited to, leveraging \$64.4 million investments to deliver on certain initiatives, including \$10.0 million Economic Recovery Project, \$10.4 million Tenant Attraction and Retention, \$8.0 million Southern Waterfront Beautification Policy, and \$36.0 million port infrastructure grant and Port match funding to deliver on the Port’s strategic initiatives; and
- WHEREAS, At the time of the City and County of San Francisco’s Fiscal Year (FY) 2020-21 budget approval process, the specific uses of the \$10.0 million Economic Recovery Project were not yet fleshed out; and
- WHEREAS, At the recommendation of the Budget and Legislative Analyst, in May 2020 the Budget & Finance Committee placed the \$10.0 million Economic Recovery Project on reserve pending a detailed expenditure plan; and

WHEREAS, The Port's financial outlook relies upon the proposed investments to deliver on current revenue projections and to improve operations; and

WHEREAS, Upon Port Commission approval of the enclosed expenditure plan, Port staff will return to the Budget and Finance Committee to request the release of the Economic Recovery Project funds from the reserve; and now therefore be it,

RESOLVED, The Port Commission approves the proposed Economic Recovery Project expenditure plan; and

RESOLVED, The Port Commission encourages the Executive Director to request the Chair of the Budget and Finance Committee to schedule a hearing to consider the release of the Port's \$10.0 million Economic Recovery Project funds from the reserve.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 23, 2024.

DocuSigned by:

Jenica Liu

Secretary

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ATTACHMENT 1 – Overview of Expenditure Plans

STRATEGIC OBJECTIVE/ INITIATIVE		Economic Recovery	Tenant Attraction & Retention	Port Infrastructure Grants	Southern Waterfront Beaut. Fund	GRAND TOTAL
RECOVERY: Targeted Activation: Fisherman’s Wharf		\$7,300,000	\$2,400,000	\$0	\$0	\$9,700,000
Commercial Fishing Facilities	Support commercial fishers and fish production tenants by improving aging infrastructure, including by replacing an obsolete and energy-inefficient ice machine and other facilities.	\$3,300,000	\$0	\$0	\$0	\$3,300,000
Outer Lagoon Gangway & Float	Build a new gangway and float to draw the public to the lagoons and provide ease of access for off-the-boat fish sales. Initiates resilience program for seawall seismic improvements.	\$3,000,000	\$0	\$0	\$0	\$3,000,000
Vacant Space Leasing	Improve vacant facilities and public spaces for leasing or activation to draw in public interest and revive revenues.	\$1,000,000	\$2,400,000	\$0	\$0	\$3,400,000
RECOVERY: Targeted Activation: Parks & Open Space		\$1,700,000	\$0	\$0	\$3,000,000	\$4,700,000
Waterfront Walk	Establish the waterfront as a local and regional destination by investing in improvements and activations that increase the public’s opportunities to enjoy and navigate open spaces.	\$1,500,000	\$0	\$0	\$0	\$1,500,000
Southern Waterfront Activations	Supplement the Portwide Waterfront Walk initiative with a focused effort to improve the experience of visitors and neighbors in the Port’s maritime eco-industrial zone.	\$200,000	\$0	\$0	\$3,000,000	\$3,200,000
RECOVERY: Enterprise Recovery		\$1,000,000	\$0	\$0	\$0	\$1,000,000
Internal Efficiencies	Operational efficiencies, e.g., utility mapping, assessing real estate management software, and digital filing organization.	\$700,000	\$0	\$0	\$0	\$700,000
Revenue Initiatives	Conduct an economic impact analysis and studies that support revenue-generating initiatives.	\$200,000	\$0	\$0	\$0	\$200,000
Employee Engagement	Engage employees through educational activities that strengthen the Port as a community to recruit /retain talent.	\$100,000	\$0	\$0	\$0	\$100,000
GROWTH: Maritime & Real Estate Portfolios		\$0	\$8,000,000	\$36,000,000	\$5,000,000	\$49,000,000
Maritime	Improve facilities to retain and attract maritime operations.	\$0	\$0	\$36,000,000	\$5,000,000	\$41,000,000
Real Estate	Improve facilities to retain and attract tenants.	\$0	\$8,000,000	\$0	\$0	\$8,000,000
GRAND TOTAL		\$10,000,000	\$13,400,000	\$36,000,000	\$8,000,000	\$64,400,000

ATTACHMENT 2 – Investments by Port Waterfront Region

STRATEGIC OBJECTIVE/ INITIATIVE		Fisherman's Wharf	Northeast - China Basin	Southern Waterfront	Portwide	GRAND TOTAL
RECOVERY: Targeted Activation: Fisherman's Wharf		\$9,700,000	\$0	\$0	\$0	\$9,700,000
Commercial Fishing Facilities	Support commercial fishers and fish production tenants by improving aging infrastructure, including by replacing an obsolete and energy-inefficient ice machine and other facilities.	\$3,300,000	\$0	\$0	\$0	\$3,300,000
Outer Lagoon Gangway & Float	Build a new gangway and float to draw the public to the lagoons and provide ease of access for off-the-boat fish sales. Initiates resilience program for seawall seismic improvements.	\$3,000,000	\$0	\$0	\$0	\$3,000,000
Vacant Space Leasing	Improve vacant facilities and public spaces for leasing or activation to draw in public interest and revive revenues.	\$3,400,000	\$0	\$0	\$0	\$3,400,000
RECOVERY: Targeted Activation: Parks & Open Space		\$0	\$0	\$3,200,000	\$1,500,000	\$4,700,000
Waterfront Walk	Establish the waterfront as a local and regional destination by investing in improvements and activations that increase the public's opportunities to enjoy and navigate open spaces.	\$0	\$0	\$0	\$1,500,000	\$1,500,000
Southern Waterfront Activations	Supplement the Portwide Waterfront Walk initiative with a focused effort to improve the experience of visitors and neighbors in the Port's maritime eco-industrial zone.	\$0	\$0	\$3,200,000	\$0	\$3,200,000
RECOVERY: Enterprise Recovery		\$0	\$0	\$0	\$1,000,000	\$1,000,000
Internal Efficiencies	Operational efficiencies, e.g., utility mapping, assessing real estate management software, and digital filing organization.	\$0	\$0	\$0	\$700,000	\$700,000
Revenue Initiatives	Conduct an economic impact analysis and studies that support revenue-generating initiatives.	\$0	\$0	\$0	\$200,000	\$200,000
Employee Engagement	Engage employees through educational activities that strengthen the Port as a community to recruit /retain talent.	\$0	\$0	\$0	\$100,000	\$100,000
GROWTH: Maritime & Real Estate Portfolios		\$1,900,000	\$2,800,000	\$44,300,000	\$0	\$49,000,000
Maritime	Improve facilities to retain and attract maritime operations.	\$0	\$0	\$41,000,000	\$0	\$41,000,000
Real Estate	Improve facilities to retain and attract tenants.	\$1,900,000	\$2,800,000	\$3,300,000	\$0	\$8,000,000
GRAND TOTAL		\$11,600,000	\$2,800,000	\$47,500,000	\$2,500,000	\$64,400,000