



August 15, 2014

Honorable Cynthia Ming-mei Lee
Presiding Judge
Superior Court of California
County of San Francisco
Civic Center Courthouse
400 McAllister Street, Room 008
San Francisco, CA 94102-4512

RE: Response to June 2014 Civil Grand Jury Report, *The Port of San Francisco Caught Between Public Trust and Private Dollars*

Dear Judge Lee,

The Port of San Francisco is pleased to present its response to the Civil Grand Jury's June 2014 Report, *The Port of San Francisco Caught Between Public Trust and Private Dollars*. It is our understanding that, in addition to the Port's response, responses will be submitted separately by the Board of Supervisors, the San Francisco Planning Department, the San Francisco Municipal Transportation Agency and the Office of the Honorable Edwin Lee, Mayor of San Francisco.

The Port of San Francisco greatly appreciates the time and effort undertaken by the volunteer members of the Civil Grand Jury and their efforts to analyze the Port enterprise. The Port welcomes input and ideas that help us improve the waterfront for the public's benefit. We agree with the Civil Grand Jury that the Port succeeds most when it fosters strong public involvement in planning our projects. The Port has been engaging proactively with stakeholders since creation of our first community advisory group in 1918. The Port's Waterfront Land Use Plan is founded on the principle of public involvement, which Port staff pursues with each major development opportunity along the public's waterfront.

A prevailing theme within the Civil Grand Jury's report is that the Port "has not maintained the past level of outreach to the general public." As noted in the Port's response, the Port hosts 6 community advisory groups providing public input on projects and operations in both geographic regions of the waterfront as well as the entire maritime sector. The average timeline for a Port development project is 6-8 years. In the last 8 years, 400+ public meetings have been held by the Port or the Board of Supervisors in addition to meetings held by neighbors and other citywide organizations:

Crane Cove Park	40
Exploratorium at Pier 15	50
Pier 27 Cruise Terminal	43
Piers 30-32 Warriors Arena (terminated)	50
Pier 70	88
Seawall Lot 322-1 (affordable housing, just beginning)	11
Seawall Lot 351 (part of the 8 Washington proposal)	82
Seawall Lot 337 (Mission Rock Development)	<u>50</u>
TOTAL	414

All advisory committee meetings are public meetings. Notices are sent to 1,500 interested citizens who have requested to be informed of and follow these meetings. The mailing list grows each year demonstrating the high level of interest and opportunity for public dialogue. Additionally, the Port's projects are covered frequently by local news and social media sources. For example, there are thousands of entries on the web regarding the Golden State Warriors' proposed arena at Piers 30-32 and more than 100,000 entries regarding Seawall Lot 337 posted over the past years. While the public may not have participated in these conversations, there has been ample opportunity to do so. In fact, the decision by the Golden State Warriors to move the arena from Piers 30-32 directly resulted from the public input.

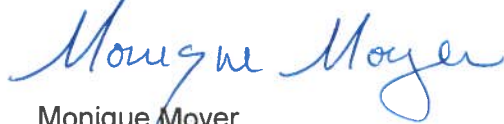
The Port appreciates that the Civil Grand Jury highlighted the many Port accomplishments over the past several decades, including the Ferry Building renovation, AT&T Park, the Exploratorium's new waterfront venue at Pier 15, the Pier 45 Fish Processing Center, and the more than twenty parks, plazas, open spaces and fishing piers that are now open to the public. In total, 123 projects have been implemented in the past 17 years pursuant to the Port's Waterfront Land Use Plan. All of these projects benefitted from strong public participation. And all of these projects continue to succeed due to strong public visitation and enjoyment.

The Port also welcomes the Civil Grand Jury's appreciation of the difficulty of funding waterfront improvements such as parks and protections against future sea level rise. Port staff particularly welcomes the call for increased maritime activity, as this is central to the Port's mission and heritage. In the past 5 years alone, the Port has made significant progress in improving our maritime assets, establishing two water taxi services, enhancing ship repair services and, after two decades, building and opening a new cruise terminal befitting of San Francisco's status as a world-class city.

Port staff thoughtfully reviewed each of the Civil Grand Jury's findings and recommendations. Attached hereto is the Port's response to those findings and recommendations. The Port has presented our responses in the same order as the Civil Grand Jury presented its report.

Thank you for your consideration of the Port of San Francisco's response. We look forward to any questions you may have or further conversations regarding the materials prepared either by the Civil Grand Jury or the respondents.

Sincerely,



Monique Moyer
Executive Director

Attachment: Port of San Francisco Response Summary

cc: Honorable Mayor Edwin Lee
Honorable Leslie Katz, President, Port Commission
Honorable Willie Adams, Vice President, Port Commission
Honorable Kimberly Brandon, Port Commission
Honorable Mel Murphy, Port Commission
Honorable Doreen Woo Ho, Port Commission
Ben Rosenfield, Controller
Angela Calvillo, Clerk of the Board of Supervisors
Elena Schmid, Foreperson 2013-2014 Civil Grand Jury

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<u>Who is Making Decisions?</u> Finding 1: Recent activities at the Port have been strongly influenced by the Mayor's office. These included the promotion of the 8 Washington Street project, most aspects of the 34th America's Cup races, a "legacy project" at Pier 30-32, and an underutilized cruise ship terminal at Pier 27. The Port Commission readily gave approvals with minimal public input. All other commissions dealing with land use decisions, including Planning, Building Inspection, and Board of Permit Appeals, are not appointed solely by the mayor. Section 12 of the Burton Act specifies that all five Harbor Commissioners be appointed by the Mayor and confirmed by the Board.	The Port Commission should be restructured to reflect more public interest. The Jury recommends that the Board of Supervisors seek necessary changes in state law to allow a charter amendment to be submitted to the public for revision of the current five-member Port Commission appointed by the Mayor to a Port Commission with three mayoral appointees and two by the Board of Supervisors. We recommend that this change be put before the voters in 2015.		<i>NOTE: The Civil Grand Jury directed response to this recommendation to the Board of Supervisors. Therefore, the Port has not provided a response in the adjacent column. However, the Port does provide the following information that did not appear to be included in the making of the Civil Grand Jury's Finding.</i> Finding 1: The Port Commissioners are nominated by the Mayor AND their selections are vetted by the Board of Supervisors, first through a committee process, followed by a full Board hearing. The Board has the exclusive right to scrutinize the candidates for ALL Port Commission appointments and to accept or reject them. Such process ensures a broad number of citizens are able to evaluate the candidates' qualifications and provide public comment to the Board of Supervisors. The Port Commission provides policy direction on a range of issues impacting the Port from leasing and contracting policies, budget and capital plan review and approval to historic rehabilitation and development terms. Their duties are similar to the City's enterprise departments (Airport, Port & SFPUC) as is their appointment process. The split appointment commissions referenced in Finding 1 (Planning, Building Inspection and the Board of Permit Appeals) have the commonality of being appeal bodies. While the Port Commission, like the Airport and SFPUC, does make land use decisions for its enterprise property, the Port Commission is

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			not an appeal body. The Port Commission is one of the most diverse commissions in the City and by far the most diverse governing body of any of the 85 public ports in the nation. Of the current 5 commissioners, in terms of the diversity of their ethnic/gender/sexual orientation, 3 commissioners are women, 2 are African American, 1 is Chinese and 1 is LGBT. In terms of their professional diversity, 2 are financial experts, 1 is an elected officer of the International Longshore & Warehouse Union, 1 is a builder, 1 was formerly elected citywide to the Board of Supervisors, 1 represents the southeast sector of the City, and 1 represents the South of Market sector. In June 2014, 3 of the Commissioners were nominated by the Mayor for reappointment, appeared before the Rules Committee and were unanimously approved by the Board of Supervisors. Finally, the 1968 Burton Act establishes the mechanism by which the City must appoint Port Commissioners, which is mirrored in the City Charter. Changing the process for Port Commission appointments would require state legislation amending the Burton Act and a charter amendment.
<u>Waterfront Land Use</u> Finding 2: The Port is primarily a land bank and real estate management company; only 25% of revenue is from maritime activities.		Disagree	Finding 2: The Port has one of the most diverse maritime portfolios of any port on the West Coast. The Port's facilities handle cargo, cruise ships, ship repair, ferries, excursions, fishing & fish processing industries, boat and yacht harbors, harbor services

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Annual revenues of \$82 million are not sufficient to meet the needs for infrastructure repair. Today the Port has a policy of attempting to repair all existing piers and related structures			such as tug and barge, bar pilots, and historic vessels. The Port's Pier 80 is the only breakbulk and project cargo facility in San Francisco Bay. The Port also manages Foreign Trade Zone No. 3 covering 7 Bay Area counties. Additionally, the Port is home to 85+ acres of open space and park lands. On a land basis, maritime use and open space/park activities account for 43% of the Port's asset portfolio while commercial real estate accounts for 57%. Maritime operations typically require large, low density footprints and are limited to ground level. Port parks and open space areas also are limited to the ground level. By contrast commercial real estate operations are high density uses and can be implemented in multi-story facilities, such as the Ferry Building. As such, they generate a higher return per square foot than either maritime operations or parks and open space. Maritime activities often generate lower revenues than commercial real estate activities and logically would represent a smaller proportion of the Port's overall revenues. Open space and park activities do not generate any income and therefore are not captured in the Port's revenues. It is disingenuous to measure the Port's value and contributions simply on a revenue basis. However, the Port agrees that Port facilities, especially Port berths, be utilized first for maritime purposes. To that end, the Port adopted its Maritime Industry Preservation Policy in 2011 which guides Port staff, tenants and developers in the importance of maintaining the Port's long-held maritime assets for current and

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	Recommendation 2a: Costs and benefits to repair and maintain these piers should be evaluated and weighed against the cost and benefits of not doing so. It may be possible that the sacrifice of some piers will reduce maintenance costs, thereby freeing monies for repair of more significant structures and create more open space.	Agree	future maritime activity in accordance with the City's long maritime history, the Port's core maritime mission, the Public Trust doctrine and the Burton Act. Recommendation 2a: This recommendation already represents the Port's current practice. The Port does NOT have a policy of attempting to repair all existing piers and related structures. The Port initiated its 10-year Capital Plan in 2006 and noted <i>"the goal of this 10-year Capital Plan is to provide a basis for pursuing public funding and public/private partnerships to address the Port's critical capital needs, and to prioritize spending based on public safety, fiscal responsibility, and the Port's mission. The Plan will help identify facilities and/or piers that the Port may need to close... In short, the Port will be faced with the possibility of closing up to seven piers that have the largest currently unfunded needs."</i> The Port has updated its 10-Year Capital Plan annually for the purpose of cataloguing pier repair costs. This repair cost estimation is not a policy statement, however, but rather the calculation of cost necessary to conduct cost-benefit analyses. As a part of the Plan's annual update, the Port prioritizes its scarce funding across its facilities using criteria that include cost-benefit analyses.
	Recommendation 2b: Other sources of revenue should be expanded. Maritime and industrial use in the Southern	Agree	Recommendation 2b: Expansion of maritime industrial activities is a major objective of the Port. Maritime industrial activities provide family wage jobs in the City where

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	Waterfront has great potential. The Port is actively pursuing growth in this area and should continue to improve infrastructure and search for new tenants.		blue collar employment is eroding. Port initiatives to install shore power and to expand the port dry-docks at Pier 70 have resulted in a 50% increase in revenue at our ship repair operation and hundreds of thousands of additional man-hours of employment since 2008. The Port currently handles approximately 1.4 million metric tons of import bulk aggregates annually at Pier 94. The Port is working to develop an adjacent bulk export terminal at Pier 96 for cargoes such as iron ore. Feasibility and engineering design studies are underway and the Port is upgrading cargo rail connectivity to the cargo terminals funded by a Federal Railway Administrative grant. This initiative could triple bulk cargo volumes at the Port with corresponding significant growth in maritime revenue. The Port is collaborating with Union Pacific Railroad to develop these and other rail-served cargo opportunities. This includes containerized bulk exports that could be loaded onto bulk vessels at the Pier 80 omni cargo terminal. The Port continues to handle break bulk (non-containerized) cargo and project cargoes at Pier 80 which are slowly rebounding after a prolonged slump brought on by the financial downturn.
<u>Waterfront Land Use, con't</u> Finding 3: The waterfront is one of the most desirable areas in the City. Proposed projects receive only		Disagree	Finding 3: The Port and the public have expended tremendous effort and investment to make this one of the most renowned waterfronts in the

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limited public input by Citizen Advisory Committees (CAC) whose members are selected by the Port. The Planning Department and Mayor’s Office have a great deal of authority to influence the selection of development projects. Citizens at large are made aware of these projects only after the Port has published an RFP. The public is not made aware of possible alternate uses that may have been considered during the early stages of project planning.			world, while still operating as working port. The Port has sought public participation for almost 100 years beginning in 1918 when the Port established its first citizen’s advisory committee. Today that has expanded to 6 advisory groups providing public input on projects and operations in (1) Fisherman’s Wharf, (2) Northeast Waterfront & Ferry Building, (3) Central Waterfront, (4) Southern Waterfront areas, and Portwide through the (5) Maritime Commerce Advisory Committee and (6) Waterfront Design Advisory Committee. A Piers 30-32 Citizens Advisory Committee existed until April 2014. In the last 8 years, 400+ public meetings have been held by the Port or the Board of Supervisors: <table><tr><td>SWL 322-1</td><td>11</td></tr><tr><td>Crane Cove Park</td><td>40</td></tr><tr><td>Pier 27 Cruise Terminal</td><td>43</td></tr><tr><td>Exploratorium</td><td>50</td></tr><tr><td>Piers 30-32</td><td>50</td></tr><tr><td>SWL 337</td><td>50</td></tr><tr><td>SWL 351</td><td>82</td></tr><tr><td>Pier 70</td><td>88</td></tr><tr><td>TOTAL</td><td>414</td></tr></table> All advisory committee meetings are public meetings. Notices are sent to 1,500 interested citizens who have requested to be informed of and follow these meetings. This high level of interest and opportunity for public participation is in addition to public meetings held by the Port Commission, Planning Commission, BCDC and Board of Supervisors required for major Port	SWL 322-1	11	Crane Cove Park	40	Pier 27 Cruise Terminal	43	Exploratorium	50	Piers 30-32	50	SWL 337	50	SWL 351	82	Pier 70	88	TOTAL	414
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	Recommendation 3: Proposed variances from the Plan should receive increased public scrutiny prior to the issuance of an RFP.	Partially Agree	development projects and non-maritime leases. The Port carries out additional public outreach with neighborhood groups and other stakeholders through presentations, workshops, surveys and solicitation of comments through the Port website for major community planning projects, such as the Blue Greenway, Seawall Lot 337 and Pier 70. Development concepts for most Port sites are discussed in Port advisory committee and Port Commission meetings before the developer selection process. Projects that emerge as sole source opportunities approved by the Board of Supervisors (such as the Exploratorium and the International Museum of Women) also are subject to review and discussion at Port advisory committee and other public meetings. The Port hosted 50 public meetings on behalf of the Exploratorium project. Recommendation 3: The Port agrees that projects that require an amendment to the Waterfront Land Use Plan need to be highlighted for public review. Furthermore, the Port actively engages the public in review of these variances. Where this is known before the Port solicits development partners, the Port does conduct public process to directly address this need. The pre-RFQ/P public planning efforts for Seawall Lot 337 and the Pier 70 Waterfront Site were designed specifically to engage public input and guidance to define the project objectives and priorities prior to soliciting development partners. Even in non-RFP situations, such as the Golden

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			State Warriors' proposal for Piers 30-32 & Seawall Lot 330, the public process made clear from the outset that such projects would require amendments to both the Port's Waterfront Land Use Plan and to City zoning, in particular regarding project heights. Public comments and concerns regarding these amendment requirements received a high degree of public review and debate.
<u>Waterfront Land Use, cont'd</u> Finding 4: The priority of the Port for development is to create an income stream for capital improvements rather than a determination of how best to enhance the quality of life for the residents of the City. Port revitalization has been enhanced in the past by adherence to the Waterfront Land Use Plan. Developments have provided local business opportunities, mixed housing where appropriate, stronger public transit options, maintenance of height and bulk limits, and preservation of view corridors. Some uses, however, both current and proposed, of Port land do not conform to the Waterfront Land Use Plan. Zoning and height limits have been changed by the Planning Department and the		Disagree	Finding 4: The overarching priority of the Waterfront Land Use Plan, and therefore the Port, is to reunite San Francisco with its waterfront. The success of the Port and its partners in meeting this priority is clear: more than 24 million people visited the waterfront in 2013 for employment, transportation, education, exploration, entertainment, recreation or simply to engage passively with the Bay. In the past 17 years, since adoption of the Waterfront Land Use Plan, the Port has realized more than \$1.6 billion of investments from both public and private dollars. These investments have enhanced the quality of life for residents of the City and the greater Bay Area, as well as garnered the City even greater international acclaim. Specifically, the following improvements have been realized as a result of the Waterfront Land Use Plan and public input, creating more value to the citizens of San Francisco than at any other time in the past century: • More than 63 acres of waterfront open space, including 20 new parks

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Mayor's Office. There is a lack of transparency in development proposals, particularly in regard to input from the Mayor's Office and active involvement of former Mayoral staff advocating on behalf of developers, giving rise to concerns that an agreement had been reached prior to public input.			• 19 prized Port historic resources have been fully or partially rehabilitated consistent with federal or local historic standards, to meet modern seismic standards allowing the public to enter and enjoy these resources • 7 derelict piers and wharves have been removed from the Bay (removal of Pier 64 is in progress) • Up to 6.3 million square feet of new residential and commercial development and 22 new acres of waterfront open space are being planned jointly with the community for Seawall Lot 337 and Pier 70, to transform the Port's central and southern waterfront The Waterfront Land Use Plan anticipated the need for public-private development partners to improve Port facilities in addition to public funds. The Port's 10-Year Capital Plan has advanced a more sophisticated understanding of Port capital needs that now supports a strategic approach to improve Port facilities. While the Port does strive to pursue projects that do not have to be subsidized, there is no stated priority for development. The development projects the Port has pursued have been effective means to repair Port properties and deliver public benefits, as well as Port revenue. All major development projects, whether or not the Office of Economic & Workforce Development has been involved, are thoroughly vetted in public meetings over many years before they may be approved by the Port Commission, Planning Commission, BCDC and Board of Supervisors. Multi-phase developments such as proposed for

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	Recommendation 4a: The Port should immediately begin an assessment and update of the Waterfront Land Use Plan, to be renamed the Waterfront Maritime and Land Use Plan to meet current and future requirements for Port development. This should be completed and adopted in a relatively short time span of one to two years.	Partially Agree	Seawall Lot 337 and Pier 70, undergo extra public planning process before soliciting development partners. In both cases, meetings were held to discuss the scale of adjacent development in Mission Bay and Dogpatch respectively and the potential for height increases. From the outset, the public knew that both of these projects would require amendments to the Waterfront Land Use Plan, City zoning and possible other Planning Commission controls. The Port's planning and community engagement efforts are framed specifically to maximize transparency. Recommendation 4a: While the successes are many, the Waterfront Land Use Plan is a living document that must strive to improve and adapt. On August 11, 2014, Port staff issued an initial report to the Port Commission and public that presents an assessment of projects, activities and public discourse over the 17 year life of the Waterfront Land Use Plan. It seeks to surface new ideas and concepts that might be woven into the Waterfront Land Use Plan. The Port staff analysis in this report grapples with the highest level set of issues, including uses of the port area, historic rehabilitation, open space, waterfront development, urban design, transportation, sea level rise and public process, including preliminary recommendations in each of these areas. These recommendations are offered to the public, the Port Commission, the Board of Supervisors and the Mayor in the spirit of keeping the Waterfront Land Use Plan as relevant today as it was when it

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	Recommendation 4b: The Port should ensure that changes or variances to the existing Waterfront Land Use Plan or the City's General Plan should have extensive public input before implementation.	Agree	was adopted, and responsive enough to successfully guide the next generation of waterfront improvements. The Port welcomes public comment on these recommendations through September 30, 2014; Port staff will finalize this report in October 2014 as the 2014 Waterfront Land Use Plan Review. Recommendation 4b: As stated in responses to Recommendation 3 and Finding 4 above, and in responses to Recommendation 9b and Finding 10, below, all Port development projects undergo a robust public review and vetting process, particularly those that require amendments to the Waterfront Land Use Plan and City General Plan.

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<u>Transportation</u> Finding 5: Further development along the waterfront will add new transportation requirements. Transportation along the waterfront does not meet current needs. Portions of the Embarcadero are closed during cruise ship arrivals and events at AT&T Park. Emergency vehicles sometimes use the light rail right of way to circumvent traffic even when there is no major activity on the Embarcadero. San Francisco Municipal Transportation Agency master plan does not directly address development on Port lands.		Disagree	Finding 5: Since 2002, the Port has worked in close coordination with the San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco County Transportation Authority to improve transportation access to and along the waterfront, integrated with City and regional transportation planning and investments. An Embarcadero Transportation Task Force was created in 2002 to advance transportation analysis and improvements. Continued collaboration supported transportation planning for the 34th America's Cup, as orchestrated by SFMTA in the America's Cup People Plan. The experience and management capabilities gained through those efforts are now being applied to the Waterfront Transportation Assessment (Assessment). The Assessment coordinates transportation and land use planning and identifies transportation options that respond to current use and future growth conditions. The Assessment includes specific focus on planning transportation improvements for major Port development projects. The Port also is working with SFMTA to sponsor the Embarcadero Enhancement Project, to develop a concept design for a protected bikeway to improve pedestrian comfort, safety, and the public realm. With respect to congestion on The Embarcadero roadway by cruise ship calls, the Pier 27 James R. Herman Cruise Terminal will open in September 2014. One of the key objectives for locating the

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	Recommendation 5: SFMTA should incorporate current and future transit needs, taking into consideration not only increased capacity requirements from individual projects, but the cumulative effect of multiple projects added to existing passenger loads. SFMTA must address reliability and increased capacity that will be required for all modes of transportation, especially the T-Line and motor coach lines connecting to the Pier 70 site. The VETAG system should be maintained to operate at maximum efficiency.	Agree	project at Pier 27 is to create a Ground Transportation Area on the pier, to move ship support, passenger loading, bus, taxi and car parking off of The Embarcadero. Recommendation 5: While this recommendation is not directed to the Port, the Port notes that the Port and SFMTA have partnered with extraordinarily close coordination and thoughtful planning over the last four years. The successes of this partnership are many and have been enjoyed by the 23 million people who visited the Port's waterfront in 2013 alone. Without careful management by the SFMTA and the Port, the priority for reuniting San Francisco with its waterfront would not be realized. The efforts of this partnership with respect to the 34th America's Cup and proposed development projects are well known. Additionally, the Port and SFMTA have partnered in addressing transportation issues in numerous locations, including at the Ferry Building, Fisherman's Wharf, the James R. Herman Cruise Terminal and along Cargo Way, Terry Francois Blvd. and Illinois Street.
<u>Cruise Ship Terminal</u> Finding 6: When it becomes operational, the Cruise Ship Terminal at Pier 27 is projected to be severely underutilized. This is because federal law, namely the Passenger Vessel Services Act of 1886, prohibits foreign-flagged	Recommendation 6: The City should immediately begin lobbying for modifications to the Passenger Vessel Services Act of 1886 to allow foreign-flagged vessels easier access to the City as a pilot program. This lobbying effort should be in	Partially Agree	Recommendation 6: The Port was a founding member of the "Cruise America" coalition of U.S. West Coast Ports and other tourism interests who, in 1998, sought a legislative exception of the Passenger Vessel Services Act (PVSA). This effort gained support in Congress under the leadership of Senator John McCain (R-AZ), then chairman of the Commerce

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passenger ships from calling on two U.S. ports without an intervening foreign port. This Act greatly restricts the use of the newly built Cruise Ship Terminal. The Port estimates that the use of the terminal would increase from the current 50 visits per year to 150 visits if the Passenger Vessel Services Act of 1886 were amended or the Port were granted an exemption for a pilot program. It is also estimated that there is between \$750,000 and \$1 million economic benefit to the City from each docking. This includes ship provisioning, tourism, berthing fees and tugboats.	conjunction with other U.S. passenger port destinations including those in Alaska, Hawaii, Oregon, and Washington.		Science and Transportation Committee. Senator McCain led the legislative effort in congress by sponsoring the United States Cruise Tourism Act which would allow foreign oceangoing passenger ships to serve multiple destinations along U.S. Coasts while protecting U.S. based companies. This 1998 effort to modify the PVSA encountered fierce opposition from some segments of organized labor, including unions that represented employees of other Port maritime tenants. While theoretically an exception to the PVSA could provide additional work for land based maritime unions, other unions representing seafaring workers feared that granting exceptions or weakening the PVSA would irrefutably harm the nation's shipbuilding and merchant marine industry. Ultimately the bill did not gain traction and the effort was shelved. Ironically, the cruise industry is not advocating any change to this law. Cruise lines, through their International Association, think that while a reformed PVSA might add some new U.S. ports to cruise itineraries, it would not be a significant amount, especially in light of the restrictions that likely would be attached. Rather than lead the charge to modify the PVSA, the Port believes a better strategy is to continue to monitor possible legislative developments for exemptions or modification of the PVSA and work through the American Association of Port Authorities (AAPA), the industry's leading trade association, for any effort to alter current law.

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			AAPA's members include every cruise port in Canada, Central and South America and the Caribbean. AAPA has openly supported legislation to permit non-U.S. flag cruise ships to operate on the U.S. coastwide trade where there is no large U.S. flag cruise ship in service. AAPA staff work regularly with members of Congress and monitor legislative efforts that impact the port industry. The Port actively serves on the AAPA Cruise committee and believes that it would be more effective to join a wider effort to gain possible legislative exception. This strategy will use the collective power of the U.S. cruise port industry, thus not singling out San Francisco. This strategy will likely ensue over a 2 year period.
<u>Pier 30-32</u> Finding 7: Under the 2012 GSW proposal, the Port would not have received rent from the leasing of Pier 30-32 to GSW for the next 66 years. Property tax revenue associated with the IFD that was to be established would have been used to repay the IFD bond for the next 30 years. In contrast, if the Port simply sells Seawall Lot 330 to a third party for development, all of the property tax resulting from said development would go into the City's General Fund.		Partially Agree	Finding 7: The Port Waterfront Land Use Plan designates Piers 30-32 and Seawall Lot 330 as a mixed use development opportunity site, and allows maritime, commercial, public assembly and entertainment and public open space uses at Piers 30-32, but a sports facility would have required a Waterfront Land Use Plan amendment. The housing and hotel mixed uses proposed on Seawall Lot 330 by the Golden State Warriors (GSW) are allowed in the Waterfront Land Use Plan. The public process provides the public forum for considering whether the merits of a project support an amendment to the Waterfront Land Use Plan, which included for review and recommendation by the Piers 30-32 CAC. BCDC was conducting its own review to assess whether the GSW project would

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Furthermore, the Warriors' arena project conformed neither to the guidelines set forth in the SF Waterfront Special Area Plan (issued by BCDC) nor to the Waterfront Land Use Plan.	Recommendation 7: The Port should consider alternatives to fund the cost of rehabilitating Piers 30-32. The sale of Seawall Lot 330 could supply a large portion of \$68 M needed to strengthen the substructure for light use. The Jury recommends that the Port actively investigate alternative light uses for Piers 30-32. In addition to general park usage, sports fields for soccer, tennis, basketball, or other sports could be provided. Temporary venues for entertainment companies such as Teatro ZinZanni, Cirque de Soleil, and Cavalia would also not require an extensive substructure. Although not light use, the Port might also consider placement of a major marine research institute to fully utilize the unique characteristics of this site.	Agree	have required an amendment to the San Francisco Waterfront Special Area Plan. The GSW proposal for Piers 30-32 was abandoned before BCDC had completed that review and before the CAC reached any recommendation. Recommendation 7: The structures atop Piers 30-32 were destroyed by fire in 1984. Since that time, the Port has continued to analyze alternatives to rehabilitate Piers 30-32, including both public and private investments. The Golden State Warriors proposal represented the 6th proposed rehabilitation since the 1980s. Subsequent to the decision of the GSW not to pursue Piers 30-32, Port staff has analyzed alternatives such as general park usage, sports fields, cruise berthing, etc. Such analysis is published more completely in an August 7, 2014 Memorandum to the Port Commission. Any permanent change in use resulting in an increase in the volume of public users must consider major rehabilitation including a seismic upgrade. The total cost of a substructure rehabilitation including seismic strengthening will depend on the type and size of these improvements and is expected to be around \$100 million. Temporary uses or events lasting 180 days or less are acceptable. However, they must consider structural load limits currently in place. The construction of a major marine research institute will likely trigger a major rehabilitation

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			effort including seismic strengthening. The project cost of building such a facility will require further analysis and study.
America's Cup Finding 8: The 34th America's Cup was a major monetary loss to the City's taxpayers to the tune of about \$6 million and a major loss to the Port of about \$5.5 million in unreimbursed Port expenditures. The City and the Port subsidized the America's Cup at taxpayers' expense. The City received no direct revenue from the 34th America's Cup event in the form of revenue sharing or venue rent. In negotiating event and/or development agreements at the waterfront, the City and Port does not seek to make a profit from the deal but is simply looking to recover its costs and break even.	• Recommendation 8a: All major events at the Port, like	Partially Agree Agree	Finding 8: The Port and the City did invest money into the hosting of the America's Cup (Event). Much of this investment was offset by revenues generated by the Event itself and from fundraising by the America's Cup Organizing Committee. As reported quarterly to the Port Commission throughout 2013, 87% of the money invested by the Port to support the Event was invested into Port infrastructure and facilities to increase their useful life by as much as 30 years. The benefits of these investments far outlive the duration of the Event and will accrue to a new generation of residents and visitors along the waterfront. Significant investments included rebuilding of the apron at Pier 19 for public access, removal of Piers 36 and Pier ½, and structural repairs to critical marginal wharves (i.e., the deck structures that connect the piers to the upland shore area). For the Event itself, more than 1 million people attended the Event over the course of two summers, and it was televised repeatedly in 130 countries worldwide, bringing significant attention and acclaim to San Francisco and the Bay as well as hundreds of millions of dollars in economic benefit. Recommendation 8a: Indeed, all major events at the Port, like the 34th

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	the America's Cup, must be approved by the Port Commission and the Board of Supervisors. • Recommendation 8b: Prior to approval, the City should require a validated cost proposal using fair market rental rates, revenue sharing with the Port, marquee billing for the City, full post-event accounting, and	Agree	America's Cup, are approved by the Port Commission and the Board of Supervisors. The Port Commission held 39 separate hearings to publicly review, comment and vote on the activities of the 34th America's Cup from March 2009 through September 2013. This included 16 informational presentations and 23 approval requests submitted for Port Commission consideration and action. Similarly, the Board of Supervisors also held 31 hearings to publicly review, comment and vote on activities of the 34th America's Cup from April 2010 through October 2013. The hearings pertained to activities of the 34th America's Cup including, but not limited to, the (1) Host and Venue Agreement, (2) Final Environmental Impact Report and Mitigation Monitoring and Reporting Program, (3) MOU with the Port, (4) America's Cup Workforce Development Plan, (5) budget appropriation ordinances, and (6) Lease Disposition Agreement. Of these 31 hearings, 16 were hearings before the full Board of Supervisors and 15 were committee hearings including 12 before the Budget and Finance Committee and subject to review and report by the Budget Analyst to the Board of Supervisors. Recommendation 8b: The analysis that Port staff provided to the Board of Supervisors for its initial approval of America's Cup agreements was intended to provide a detailed quantitative and qualitative analysis of the prospective regatta as was known at the time. Port staff briefed the Port Commission on an ongoing

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	posting of all event financials on the Port website within one month after completion of the event. Said report shall include an itemization of: - o The amount and source of all revenue generated by the event. - o The amount, payor, and payee of each cost incurred for the event. - o The name of each event cancelled, if any, as a result of the approval of the event and the amount of revenue lost as a result of the cancellation.		basis as more facts of the regatta and the projected outcomes were known. In responding to future unique waterfront opportunities the public and the Port Commission should expect a thorough analysis of the opportunity and the expected impact on public use and enjoyment of the waterfront as well as operating and capital costs. With respect to marquee billing, the City and Port required the America's Cup Event Authority to optimize the association of the City with the Event, recognizing the value and global reach of Event media coverage. The Port aggressively asserted its rights to accelerate part of the Cruise Terminal project schedule so that the "Port of San Francisco" sign atop it was installed prior to the start of racing and thus captured in international broadcasts that aired repeatedly in 130 countries world-wide. Physical signage in camera shots is the most valuable form of advertising, as superimposed digital imagery must be removed prior to rebroadcast in most countries.
Pier 70 Finding 9: The Port does not have an official policy governing the process for proposed development projects. Many projects are moved ahead with minimal community input, often in the form of a quick review by the CAC and Planning Department then forwarded to the Board of Supervisors for final		Partially Disagree	Finding 9: The Port DOES have an official policy for proposed development projects. The Waterfront Land Use Plan, adopted and implemented by the Port Commission, calls for an extensive public review process prior to the leasing and development of port property. The Port has established advisory committees in each waterfront subarea to hold public meetings and provide regular public forums for the review process. Over the 17 year period the

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approval. The Pier 70 Master Plan was developed with significant community outreach to both the general public and affected neighborhood associations. The Plan represents a balance of community needs and the requirement of the developer to obtain a reasonable return on investment.	Recommendation 9a: The Port should ensure ongoing community input be maintained until an acceptable compromise is reached on the final plans.	Agree	Waterfront Land Use Plan has been implemented, Port staff has always worked closely with the affected communities and key stakeholders. During this time, a handful of unsolicited proposals have been made to the Port, such as the Exploratorium project, and Port staff has worked to incorporate them into the public review process outlined in the Waterfront Land Use Plan. In the case of the Exploratorium, this resulted in 50 public meetings on the project. Often such proposals have an early Board of Supervisors hearing to address appropriateness of the project and sole source waivers. While occasionally projects commence at different starting points along the process continuum, all projects ultimately adhere to the process prior to final project adoption. Recommendation 9a: The Port and its developer will continue to solicit public input until final adoption of the project by the Port Commission and the Board of Supervisors. The Port will continue to solicit feedback from the public through meetings of the Central Waterfront Advisory Group, as well as through items before the Port Commission, the Planning Commission, BCDC and ultimately the Board of Supervisors. The developer has implemented an extensive community outreach program since development rights were awarded in April 2011. Additionally, the developer has placed a measure before the San Francisco electorate for the November 2014 election seeking public approval of its proposed project heights.

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	Recommendation 9b: The Jury neither supports nor opposes the development of Pier 70 but we strongly endorse the extensive public outreach and community input as part of the design and development process of the Pier 70 Master Plan. We recommend that the Port follow this model as a template for all major developments on Port lands.	Agree	Recommendation 9b: The Port Commission established the development parameters for the Waterfront Site, authorized a developer qualifications solicitation process, and on August 30, 2010, the Port issued the Pier 70 Waterfront Site Request for Qualifications. On April 17, 2011, after a public hearing the Port Commission awarded development rights to the waterfront site to Forest City. That action, awarding the development opportunity to Forest City, began a process of defining a project for the Waterfront Site and the development concepts envisioned in the Master Plan and the RFQ. After selection Forest City began an extensive community outreach program. This extra level of planning work was required to address numerous conditions specific to Pier 70, to determine whether there was a viable economic strategy that had community support to save its historic resources and allow sufficient development capacity to pay for new infrastructure, environmental improvement and new public open space, while maintaining compatibility with continued ship repair operations. Single phase development sites, such as those that have been improved to date in the northern half of the waterfront, are more straight-forward development opportunities. While every development opportunity must undergo thorough public review, not every project will require the steps that were conducted for the Pier 70 Preferred Master Plan.

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			Pier 70 is a shining example of the process. The complexity and scope of issues that needed to be addressed for this 68 acre site dictated the need to spend substantial Port funds for a consultant team to assist the development of the Pier 70 Preferred Master Plan. The Port initiated the community planning process to develop a Pier 70 master plan in late 2006. The effort required economic, historic, urban design, and engineering consultant analysis. The three-year public planning process was extensive, involving 7 Port Commission hearings, Central Waterfront Advisory Committee policy discussions and over 70 public workshops and community presentations to incorporate insights and comments from the City's diverse stakeholders. The Port staff worked with a consultant team to address the complexities of adaptive reuse and infill development at Pier 70. The historic consultant researched Pier 70's historic buildings and prepared the report to nominate the Union Iron Works Historic District at Pier 70 for listing on the National Register of Historic Places. In addition, the Port worked closely with sister City agencies, as well as key state and federal agencies with jurisdiction over development within Pier 70.
<u>Mission Rock</u> Finding 10: Although the development of Pier 48 and Seawall Lot 337, also known as Mission Rock, began in 2007, there has been insufficient		Disagree	Finding 10: This project has been the subject of more than 50 public meetings during the past 7½ years. The Port has engaged in an extensive and robust

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information and involvement for community groups, neighborhood and merchants' associations, and residents potentially affected by this project.			public process in planning the Seawall Lot 337 and Pier 48 sites. This process began in January 2007 and is still ongoing, 7½ years later. This process included: 1) an 18-month planning phase in which Port staff and Commissioners directly solicited planning and use ideas from neighbors and stakeholders; 2) an 8-month RFQ phase when the Port solicited development concepts and engaged in public review and dialogue about the submittals; 3) a 13-month RFP phase when the Port received development proposals and solicited public comments; and 4) a 5-year project predevelopment phase which is still ongoing and includes public input through outreach to neighborhood groups, regular updates to the Port's advisory groups, as well as public hearings at the Port Commission and Board of Supervisors. This process has utilized many innovative techniques to solicit public input including: 1) direct involvement of Port Commission members in the community planning process, 2) a prominent and representative public Advisory Panel, 3) a 2-step solicitation process that included numerous public meetings with recordation of public comments, and 4) graphic recordation of comments from the public. This process has resulted in a stable development proposal that still responds to public input from the 2007 planning process. The public outreach conducted for this project is described in more detail below. <i>SWL 337 Planning Process Overview</i> •The Port Commission established a Committee of two

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			Commissioners to convene a series of public meetings to address the planning and development of SWL 337. This Committee presided over 7 public workshops during 2007. The full Port Commission held 2 additional public hearings prior to the Port Commission's authorization to issue an RFQ. <i>RFQ & RFP Process</i> • In October 2007, the San Francisco Port Commission initiated a two-phase developer solicitation process for SWL 337. The Port Commission also created a public advisory panel, to lead public review of the developer submittals, and make recommendations for consideration and action by the Commission. The SWL 337 Advisory Panel consisted of City and community stakeholders, with knowledge and expertise in economic development, environmental protection, urban and architectural design, neighborhood and citywide policy and community interests. The Port also created a space on its website where the public could provide comments on the solicitations. Four development teams responded to the first-phase Request for Qualifications (RFQ), which included a request for draft development concepts for the SWL 337 site. The 4 respondents presented their development qualifications and development concepts at the February 26, 2008 Port Commission meeting, and at an all-day public workshop on March 1, 2008. These meetings were widely noticed and structured to engage a high level of public review and comment, and direct dialog with the development teams. The Port also received

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			comments from the public via the Port’s website, letters, and the Port’s Central Waterfront Advisory Group. All public comments were shared with the SWL 337 Advisory Panel and available to the public. The Port Commission held 2 additional Commission meetings to hear from the Advisory Panel and the public before teams were selected by the Commission to respond to the second-phase Request for Proposals (RFP). At the February 10, 2009 Port Commission meeting, the 2 short-listed developers presented their development concepts for the project. The SWL 337 Advisory Panel took the lead in evaluating and making recommendations to the Port Commission regarding the responsiveness of the developers’ proposals. The Port received and considered substantial public comment including at the February 10, 2009 Port Commission meeting, March 11, 2009 Central Waterfront Advisory Group (CWAG) meeting, and the March 18, 2009 public workshop on the developer’s proposal. In addition, many written comments were received and considered through the Port’s web page. Summary of all public comments were included in the record for the Port Commission consideration when awarding the development opportunity to Mission Rock. <i>Project Predevelopment Process</i> • Since selection of the Mission Rock development team Port staff has collaborated with the developer on public outreach efforts. The Port, City and the developer have visited the following community groups with

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	Recommendation 10: The Jury recommends increased publicity and outreach so that an	Agree	detailed Project briefings: 1. Maritime Commerce Advisory Committee 2. Central Waterfront Advisory Group 3. Mission Bay Community Advisory Group 4. Southeast Waterfront Advisory Council 5. Bay Conservation and Development Commission (staff) 6. State Lands Commission (staff) 7. Chamber of Commerce 8. Bayview Builders 9. Rincon/South Beach Neighborhood Group 10. Potrero Boosters 11. SF Housing Action Coalition Endorsement Committee 12. SF Bike Coalition (informal) 13. SPUR (informal) 14. San Francisco Parks Alliance 15. Individual neighbors and business owners 16. SPUR formal lunchtime session as part of Port portfolio series 17. SPUR Project Review Committee In addition to these presentations and meetings, the Project team held a well-attended public design workshop and multiple open house meetings with members of the community to discuss proposed land use including review of several bulk and site massing alternatives. This outreach effort is a productive, ongoing process that has helped shape the Project over time. Recommendation 10: The Port, City and the Mission Rock developer will continue an ongoing, robust public outreach

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	acceptable compromise can be reached on the scope of this development.		program to advisory and regulatory bodies and to community groups, neighborhood and merchants' associations, and residents potentially affected by this project. Additionally, the Port Commission and the Board of Supervisors will continue to hold public hearings on this project which can be viewed on SFgovTV at any time. Port staff will continue to publish staff memorandums regarding this project which are available to the public through the Port Commission secretary or on the Port's website at http://sfport.com/index.aspx?page=25 . This project will also undergo environmental review per CEQA, which is a robust process open to the public. This project will also be submitted to the San Francisco electorate to review the project's proposed building heights. The Port further expects that many media organizations also will continue to cover this project for the benefit of the public.
<u>Financing of Capital Improvements</u> Finding 11: Although State Law does not require voter approval for the issuance of Port IFD Bonds, voter approval yields greater public awareness of the costs of proposed Port developments.		Disagree	Finding 11: State Law allows the formation of Infrastructure Financing Districts on Port property to enable funding of new infrastructure and the uniquely high costs of developing the waterfront. Property tax increment financing is a standard form of publicly financing for publicly-owned improvements. In most states that use this form of financing, voter approval is not required, because IFDs <u>do not increase taxes</u> . Instead, they leverage planned private investment in order to produce higher property taxes without increasing tax rates.

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	Recommendation 11: The Jury recommends that the Port Commission work with the Board of Supervisors to place a referendum before the voters that asks for approval to issue IFD Bonds. Such a referendum should specifically state the total amount of bonded indebtedness that the Port seeks to incur through IFD	Disagree	IFDs on Port property can fund improvements to address sea level rise, to remediate historic contamination of Port property, to install piles and fix the seawall, and to rehabilitate historic resources. Pursuant to the adopted Board of Supervisors policy for Port property, the Board may form IFDs on Port property to address capital needs identified in the Port's 10-Year Capital Plan, which is developed through the City's formal capital planning process – itself a very public process. Port IFDs are repaid through new property tax increment generated from Port property. In most cases, without the use of IFD tax increment, many areas of the Port are too expensive to redevelop and thus no new taxes would be generated. Major planned Port development at Seawall Lot 337 and Pier 70 already faces a requirement for a public vote to establish required heights. Since IFDs cannot be formed until after CEQA is complete, the Civil Grand Jury's recommendation would essentially require two major public votes for these projects, separated by many years. Recommendation 11: As described above, under the Board of Supervisors' policy enabling the Port to create an IFD tax increment district, expenditures are restricted to infrastructure improvements that have been approved in the Port's 10-Year Capital Plan and have CEQA clearance. These processes, independently, include lengthy, thorough public review. Further, since IFDs cannot be formed until after CEQA is complete, this recommendation

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	Bonds, the specific sources of funds for IFD Bond repayment, and the length of time required to discharge any IFD Bond debt.		would essentially require two major public votes for these projects, separated by many years. IFD tax increment generated by these projects that is not required to pay for new public infrastructure to support these neighborhoods is likely to be an important source of funding to address the Port's seawall and projected sea level rise – again without raising taxes. Where taxpayers are being asked to pay for improvements to Port property through financing vehicles such as General Obligation Bonds – to pay for parks, as an example – Port staff agrees that voter approval is the right (and legally required) approach.