

## MEMORANDUM

June 7, 2012

**TO:** MEMBERS, PORT COMMISSION  
Hon. Doreen Woo Ho, President  
Hon. Kimberly Brandon, Vice President  
Hon. Leslie Katz  
Hon. Ann Lazarus

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Informational presentation regarding the dissolution of the San Francisco Redevelopment Agency as it relates to Port property in the South Beach area, recommended budget changes and consideration of a proposal to increase berth rates to reduce the operating deficit of the South Beach Harbor adjacent to Pier 40

**DIRECTOR'S RECOMMENDATION:** Informational Item – No Action Required

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### Summary

On July 1, 2012, the Port will assume responsibility for the management of the 700 slip South Beach Harbor, Pier 40, Carmen's Restaurant, the Ship's Clerk's Association Building, the Harbor Services Building, which currently houses the harbor management office and South Beach Yacht Club, various parking facilities, and two long term development leases with Delancey Street and Steamboat Apartments. These properties have been under lease from the Port to the San Francisco Redevelopment Agency (SFRDA) and were entered into in phases between 1984 and 2002. Upon dissolution of the San Francisco Redevelopment Agency (as discussed below), these leases were automatically assumed by the City. The City has asked the Port to assume and operate the underlying assets and their corresponding obligations.

This informational presentation is to brief the Port Commission and the public on the budget implications to the Port from assuming operation of these and their corresponding obligations, including debt responsibilities, property and marina management.

**Debt:** The Port will be responsible for an outstanding balance of \$13.4 million of former SFRDA debt and State of California Department of Boating & Waterways ("Cal Boating") loans issued for development of the South Beach Harbor.

**THIS PRINT COVERS CALENDAR ITEM NO. 10A**

- Management:** The Port will take over day to day management of the properties listed above. The Port will retain 8.6 full time equivalent positions (“FTEs”) from the South Beach Harbor staff. The Harbor will be managed through the Port’s Maritime Division.
- Financial:** All 700 slips at South Beach Harbor are fully occupied. However, projected Harbor revenues do not fully fund projected Harbor expenses, including servicing the outstanding debt. Furthermore, the revenues do not provide for any mechanism to fund future capital improvements nor funding for significant regulatory obligations. In addition, berthing rates are significantly (24% to 42%) below market and need to be raised and parking lot operations need to be monetized and updated.
- Options:** Port staff, in coordination with SFRDA staff, have explored various options for balancing revenues and expenses including (1) raising berthing rates, (2) updating parking lot operations and (3) more efficient use of current space and further leasing of vacant space at Pier 40 in order to maintain the quality of the facility without subsidy from the Port’s balance sheet.

## **Background**

The SFRDA was one of 400 development agencies in the State of California. The SFRDA was founded in 1948 and operated to revitalize deteriorated areas of the City and County of San Francisco. SFRDA’s activities generally functioned in designated redevelopment areas, known as project areas. The SFRDA was a major tenant of the Port. Under long term ground leases with the Port, the SFRDA operated the Port’s Pier 40 facility, the adjacent 700 slip marina harbor, and has developed seawall lots and other Port property in the Central Waterfront with a park, housing, restaurant and retail projects. The SFRDA paid the Port approximately \$931,500 annually in rent for the use of this property.

With the approval of California Assembly Bill 26 and the subsequent California Supreme Court ruling, the SFRDA was dissolved on February 1, 2012.<sup>1</sup> AB 26 provides that the

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<sup>1</sup> On June 28, 2011 Governor Jerry Brown signed two companion budget bills into law that significantly affected the State’s redevelopment agencies including the SFRDA. The first bill, AB1X 26 froze most new activities of the State’s redevelopment agencies as of June 30, 2011 with the exception of those activities related to the performance of enforceable obligations, and activities related to future actions that a successor may be required to take, and required the agencies dissolve by October 1, 2011. The bill established successor agencies to wind down the operations and pay the debt of the eliminated redevelopment agencies. The second bill, AB1X 27 offered a way for the agencies to continue in existence if they agreed to pay certain specified sums to school and fire districts in their jurisdictions in 2012 and subsequent years. These payments were designed to offset a portion of state budget payments to these districts.

On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a motion with the California Supreme Court, asking the Court to stay the enforcement of legislative bills AB1X 26 & 27, and to declare the two bills unconstitutional on the grounds that they violate Proposition 22, a ballot measure approved by the voters in November, 2010 that prevents the State from seizing revenue dedicated to local government. The California Supreme Court granted a stay suspending the implementation of AB1X 26&27 until it ruled on their constitutionality.

On December 29, 2011 the Court issued its ruling on the lawsuit challenging the constitutionality of AB1X 26 & 27. In its ruling, the Court upheld AB1X26, the bill that dissolves all of California’s redevelopment agencies, however it ruled as unconstitutional AB1X27, the bill that would have allowed redevelopment agencies to avoid elimination by making certain payments to school and fire districts in their jurisdictions. The Court also extended the deadline for the dissolution of the redevelopment agencies by four months to February 1, 2012.

City may become the successor to the SFRDA, and continue to implement “enforceable obligations” which were in place prior to the suspension—existing contracts, bonds, leases, etc.—and take title to all of the SFRDA’s housing and other assets.

On January 24, 2012 the San Francisco Board of Supervisors passed a resolution (No. 11-12) which took the following actions regarding the SFRDA:

- (i) Affirms that the City and County of San Francisco is the successor agency to the SFRDA;
- (ii) Transfers all of the SFRDA’s housing assets to the Mayor’s Office of Housing;
- (iii) Transfers all of the SFRDA’s non-housing assets to the City’s Director of Administrative Services;
- (iv) Provides for the payment and performance of enforceable obligations, including bonds, debt service and related payments; and
- (v) Authorizes the establishment of a new Oversight Board to oversee the SFRDA’s assets as required by AB1X 26.

Since that time, the City has developed a transition plan to integrate the SFRDA into the City. Part of this transition plan includes the Port assuming the property management responsibilities for Port property and for the operations of the South Beach Harbor effective July 1, 2012.

### **Seawall Lots, Pier 40 Commercial Property and Rincon Park**

As of July 1, 2012, the Port will assume all asset and property management responsibilities for 16 leases and licenses located within the South Beach Redevelopment Area. The three general areas and the leaseholds therein are described in greater detail below.

#### **Pier 40**

There are currently 11 tenants in Pier 40. The tenant base at Pier 40 is made up of a number of small maritime related businesses, a bike rental company and Carmen’s Restaurant. Most of these tenants are currently on short term or month to month leases and licenses.

#### **Inland Park Area**

Adjacent to the harbor and North of AT&T Park lays an area which includes 3 leaseholds that will revert to the Port. The leases are with the Ship’s Clerk’s Association Building, which is the administrative office building for the ILWU; the South Beach Yacht Club, which is housed in the South Beach Harbor Services Building; and a license with China Basin Ballpark Company for parking adjacent to the ballpark.

#### **Seawall Lot Leases**

The remaining 2 leases are located on the west side of The Embarcadero on seawall lots. One of these leases is with the Delancey Street Foundation located on Port

Seawall Lot 332 and the other lease is with Site K, Inc. located on Seawall Lot 333. These are both long term development leases that expire in 2050.

The existing leases with Delancey Street Foundation and Site K, Inc. include a provision that makes the Port the lessor should the SFRDA or the plan area dissolve. As a result, the Port has assumed property management responsibilities for these properties. The Mayor's Office of Housing will conduct the necessary work to ensure compliance with the affordable housing requirements. Port staff is in discussion with the Mayor's Office of Housing regarding the appropriate work-order for this effort.

### Rincon Park

Since 2003, the Port has provided maintenance, management and security services for Rincon Park which the Redevelopment Agency has paid for with tenant rents and funding from The Gap. The current budget is approximately \$195,000. The Disposition and Development Agreement between the The Gap and the SFRDA, provided for 10 payments of \$100,000 each over 10 years, from January 2003 to January 2012. SFRDA staff report that The Gap has paid \$700,000 and \$173,698 is remaining. With the remaining balance plus the \$300,000 The Gap still owes, the Port will have \$473,698 to use for security at Rincon Park. After full expenditure of these payments, the Port will need to fully absorb Rincon Park into its portfolio of parks, as additional tax increment will not be made available for this purpose. Positive cash flow from the commercial properties will support the Rincon Park obligation and fund the work-order with the Mayor's Office of Housing. The rents from Delancey Street and Site K generate \$361,000 more in rents than the SFRDA previously paid the Port. Port staff is also exploring additional leasing opportunities on Pier 40.

### South Beach Harbor

South Beach Harbor is a full service marina, consisting of 700 slips with concrete docks, a 640' recreational and commercial Guest Dock, Pier 40 Maritime Center and South Beach Park. Located between Pier 40 and AT&T Park, ½ mile south of the Bay Bridge on The Embarcadero, South Beach Harbor enjoys access to great sailing and spectacular views of the City skyline. Public transportation, a multitude of dining options, and all the other attractions of San Francisco are easily accessed from South Beach Harbor's location making it the premier marina in San Francisco Bay.

South Beach Harbor is also home to the Bay Area Association of Disabled Sailors, (BAADS) an all-volunteer, non-profit charitable organization whose mission is to "Provide access to sailing for all persons with disabilities, their families, and friends and interested others in the San Francisco Bay Area". In 2011, over 390 people participated in sailing with BAADS, including an increasing number of recent military veterans, many dealing with Post Traumatic Stress Disorder. BAADS has been provided free berthing by the Redevelopment Commission, and Port staff wholeheartedly supports a continuation of this practice by the Port Commission.

South Beach Harbor was built in 1986 by the San Francisco Redevelopment Agency on property leased from the Port of San Francisco under Lease No. L-10892. The lease

provided for the development and ongoing operations of the harbor facilities for a term of 66 years. The marina was financed through \$23.9 million in revenue bonds and an \$8 million California Department of Boating and Waterways loan. A subsequent \$10 million improvement program, which included a harbor services building, a new commercial guest dock, expansion of the park, completion of the waterfront promenade, disabled access throughout the Harbor, and facilities for disabled and youth sailing programs, was completed in 2006. A Phase II improvements plan was planned to include structural repairs to the underdeck and pilings of Pier 40, completion of the public access walkway on the south side of Pier 40, replacement of the south and west facades of Pier 40, as well as repairs to the north and east facades, and new public restrooms to serve harbor tenants and visitors.

The San Francisco Bay Conservation and Development Commission (BCDC) permit for the original construction of the marina, issued on March 16, 1984, includes requirements for improvements to the south apron for public access which is currently gated, a walk way on the breakwater, and public restrooms in the Pier 40 shed by December 31, 2017. In 2004, this uncompleted work was estimated at \$6.2 million. A new estimate has not been developed but it would be significantly higher than the 2004 estimate. Port staff is in discussion with BCDC staff regarding whether BCDC could extend the due date on this obligation until the operations are on stronger financial footing and can support issuance of new debt. However, the due date has already been extended.

#### South Beach Harbor Debt

When the SFRDA was dissolved, it had four long term debt obligations. The current balance is \$13.4 million as shown below. Three are loans provided by the State of California's Department of Boating and Waterways (Cal Boating), and the fourth is held as an investment by the City and County of San Francisco.

**Table 1: Terms of South Beach Harbor Obligations**

Original Amount	Description of Debt	Interest Rate	Current Outstanding	Term	Final Maturity
<i>Cal Boating</i>					
\$400,000	Small Craft Harbor Loan #86-12-100	4.50%	\$362,982	50 yrs	August 1, 2036
\$3,100,000	Small Craft Harbor Loan #84-21-78	4.50%	\$3,075,369	50 yrs	August 1, 2035
\$4,500,000	Small Craft Harbor Loan #83-21-193	4.50%	\$4,234,609	50 yrs	August 1, 2034
<i>Other Debt</i>					
\$6,300,000	South Beach Harbor Refunding Bonds	3.50%	\$5,690,000	4 yrs 10 mos	December 1, 2016
<b>Total Current Balance</b>			<b>\$13,362,960</b>		

The source of repayment for all four of the South Beach Harbor loans is limited to revenues and tax increment generated by the South Beach Harbor.<sup>2</sup> The bonds are secured by a first lien on all net revenues of the South Beach Harbor. Payment of the Cal Boating loans is subordinate to the South Beach Harbor Bonds. In addition to having a first lien on the revenues generated by the South Beach Harbor, the bond holders also had a “direct pay” letter of credit with Dexia Bank such that all payments were made directly by Dexia to the bondholders, and the SFRDA then reimbursed Dexia. Letters of credit are usually issued for terms of 3 years or less, and must be reissued to match the term of the bonds they secure.

In December 2011, Dexia Bank informed the SFRDA that they had elected not to renew the letter of credit. As a result, on January 5, 2012, in accordance with the terms of the bond indenture, the bond trustee provided written notice that the bonds (Variable Rate Demand Bonds) would automatically convert to a fixed rate as required if the letter of credit was not reissued. The then current holder of the bonds also informed the bond trustee that it no longer wished to hold the bonds, beyond the automatic conversion date of January 20, 2012. On that date, the bonds were remarketed by the bond trustee and, absent investors at an affordable interest rate, were purchased by the City and County of San Francisco’s Treasury which is holding the bonds as an investment security. The bonds bear an interest rate of 3.5% per annum and are set to amortize and be fully repaid by December 1, 2016, the original final maturity date. The original principal amount was \$23.9 million. The SFRDA paid off \$18.2 million of that original amount. As of June 1, 2012, \$5.7 million is outstanding.

<sup>2</sup>Tax increment from the South Beach Harbor is property tax collected on the boats and leaseholds of the slips, which is “unsecured” tax rolls. Unless these revenues were specifically requested by the SFRDA, they were collected and distributed to the various entities receiving distributions of collected property tax (CCSF, BART, BAARQ, SFUSD, SF Community College). This increment is pledged to the bonds along with operating revenues should these funds be required to pay debt service on the bonds. The 2007, value of this increment was approximately \$248K.

All of the financing for South Beach Harbor was obtained from 1983 to 1986, and was used to finance the improvements to South Beach Harbor. The three Cal Boating loans were obtained in 1983, 1984, and 1986. The current South Beach Harbor bonds are "Variable Rate Demand Refunding Bonds" first issued on December 17, 1986, and now held by the City Treasury.

Pursuant to the terms of the bonds, the net revenues generated by the South Beach Harbor are required to be no less than 1.3 times the annual debt service on the bonds. Principal and interest on the bonds is payable semi-annually every June 1<sup>st</sup> and December 1<sup>st</sup>, while principal and interest on the three Cal Boating loans is payable annually every August 1<sup>st</sup>. Annual principal and interest payments for all four debt instruments total approximately \$1.9 million for the next four years.

In accordance with the bond indenture, the Port has set-up the South Beach Harbor finances as a separate fund to maintain the bond covenant requiring that the debt service pledge is limited to South Beach Harbor revenues.

### Budget Impacts

The current year budget for the South Beach Harbor includes \$3.5 million in revenues and \$3.7 million in operating expenses, with an operating deficit of (\$205,213). Notably, this budget includes only the first payment on the debt obligations. The loan payment schedules include two payments in each fiscal year for the next four years.

The proposed budget for FY 2012-13 shows an operating deficit of \$800,000, with revenues of \$3.5 million and expenses of \$4.3 million. Berth rents comprise the major source of revenues. Expenses include three major categories: personnel, non-personnel including contract work for maintenance and security, and debt service. As noted above, since the dissolution of the SFRDA, the City bought the outstanding bond debt as an investment and restructured the South Beach Harbor bonds such that fully amortized principal and interest payments are due until the final maturity date of December 1, 2016. This date occurs one year prior to the due date for the next set of public access improvements required as a condition of the 1984 BCDC permit.

In addition to showing an operating deficit of \$800,000, the budget does not allocate operating revenue to a capital budget to maintain the facility in its current condition. The budget does include \$200,000 for minor capital repair and replacement work, but this is not sufficient and does not conform with the Port Commission's policy to allocate 20 percent of operating revenue to capital. Port staff believes that this policy, if applied to the South Beach Harbor, would generate ongoing capital sources so that the future capital improvements could be financed without a sole reliance on debt. However, revenue enhancing or cost cutting measures must first be applied to meet this policy goal.

**Table 2: Projected Budget for the Current and Budget Year**

	<b>BUDGET</b>	
	<b>FY 2011/12</b>	<b>FY 2012/13</b>
<b>Harbor Rents</b>		
Berth Rents	2,868,610	2,848,445
On Shore Tenants	153,729	156,804
Daily Transients	250,000	255,000
Parking	95,000	96,900
Other Income	114,398	86,700
SF Giants SB Park	40,575	40,575
<b>Subtotal Operating Revenues</b>	<b>3,522,312</b>	<b>3,484,424</b>
<b>Personnel</b>		
Salaries	650,000	553,282
Fringe	260,000	207,481
<b>Non-Personnel</b>	<b>1,443,228</b>	<b>1,618,672</b>
<b>Debt Services</b>		
Cal Boating Loans (Principal and Interest)	535,131	535,955
Bond Interest Expense	229,166	188,825
Scheduled Bond Principal	610,000	1,190,000
<b>Operating Use</b>	<b>3,727,525</b>	<b>4,294,215</b>
<b>Revenues Less Operating Costs and Debt Services</b>	<b>(205,213)</b>	<b>(809,791)</b>

Rental Rate Survey

Staff of the SFRDA report that, other than occasional cost of living increases, berth rental rates have not been reevaluated as compared to market rates in over twenty years. In 2010, the SFRDA staff researched competitive berth rates and determined that South Beach Harbor's rates were significantly below market and needed to be adjusted. Implementation of harbor rate increases was not made due to the uncertainty caused by the dissolution of the SFRDA and the transition to City management.

Last month, the Port of San Francisco, through the City's Real Estate Division, contracted with David Tattersall & Co., a California State certified General Real Estate Appraiser, to perform a San Francisco Bay rate analysis and to estimate a range of market rental values of the marina berths located at the South Beach Harbor. Tattersall & Co. compared South Beach Harbor to numerous public and privately managed marinas in San Francisco Bay. This independent appraisal verified the SFRDA staff's

2010 opinion that rates were significantly below market. The appraisal concluded that the South Beach Harbor, one of San Francisco Bay’s premier harbors, is significantly undervalued. The report stated that, “South Beach Harbor’s rates, appear to be between 24% and 42% below” like marinas.

Unlike most other San Francisco Bay marinas, electricity is not sub-metered and is included as an amenity in the slip rental. South Beach Harbor has never charged for electricity use to the slip holders. The electricity use of the marina slips in 2011 was reported at approximately \$158,000 and was absorbed as an operating expense by the SFRDA. This electricity rate equates to \$0.54 per lineal foot per month. There is also currently a slip waiting list of approximately 2,000 boats which provides additional evidence that the rates are below market. To be placed on the South Beach Harbor waiting list, one only pays an \$80 one-time fee. At most other marinas, one must pay an annual fee to maintain one’s place on the waiting list.

**Chart 1: South Beach Harbor Rate Comparison**



The above chart shows current South Beach Harbor rates as compared to the market rate of like marinas and compares against the San Francisco Marina, managed by the San Francisco Department of Parks and Recreation. The San Francisco Marina is currently undergoing a major renovation and the above rates reflect the adopted rates “post construction”.

**Impact to the Budget of Potential Rate Increases**

Staff has analyzed various options to increase revenue at South Beach Harbor in order to eliminate the operating deficit and allow for future capital investments in the harbor,

both mandated by BCDC, as well as to maintain the facility to its current standard. Staff presents three scenarios for the Port Commission's consideration.

**Table 3: Options for Rate Increases**

	Scenario #1			Scenario #2			Scenario #3		
	vs SF Marina Post Construction			vs SF Marina Post Construction Spread Over Two Years			Market Rental Rates Spread Over Three Years		
	FY 12/13	FY 13/14	FY 14/15	FY 12/13	FY 13/14	FY 14/15	FY 12/13	FY 13/14	FY 14/15
<b>Personnel</b>									
Salaries	553,282	565,318	565,318	553,282	565,318	565,318	553,282	565,318	565,318
Fringe	207,481	211,994	211,994	207,481	211,994	211,994	207,481	211,994	211,994
<b>Non-Personnel</b>	1,618,672	1,667,233	1,699,804	1,618,672	1,667,233	1,699,804	1,618,672	1,667,233	1,699,804
<b>Debt Service</b>	1,914,780	1,912,780	1,914,380	1,914,780	1,912,780	1,914,380	1,914,780	1,912,780	1,914,380
<b>Designated to Capital Improvement</b>	-	102,130	159,179	-	46,238	46,142	-	291,716	844,452
<b>Operating Uses</b>	<b>4,294,215</b>	<b>4,459,455</b>	<b>4,550,675</b>	<b>4,294,215</b>	<b>4,403,563</b>	<b>4,437,638</b>	<b>4,294,215</b>	<b>4,649,041</b>	<b>5,235,948</b>
<b>Harbor Rents</b>									
Berth Rents	3,467,492	3,753,534	3,830,636	3,151,607	3,680,660	3,700,277	3,243,015	3,908,440	4,438,295
On Shore Tenants	156,804	159,940	163,139	156,804	159,940	163,139	156,804	159,940	163,139
Daily Transients	311,100	317,322	323,668	293,250	334,305	340,991	303,450	352,002	401,282
Parking	96,900	98,838	100,815	96,900	98,838	100,815	96,900	98,838	100,815
Other Income	86,700	88,434	90,203	86,700	88,434	90,203	86,700	88,434	90,203
SF GInats SB Park	40,575	41,387	42,214	40,575	41,387	42,214	40,575	41,387	42,214
<b>Subtotal Operating Revenue</b>	<b>4,159,571</b>	<b>4,459,455</b>	<b>4,550,675</b>	<b>3,825,836</b>	<b>4,403,563</b>	<b>4,437,638</b>	<b>3,927,444</b>	<b>4,649,041</b>	<b>5,235,948</b>
<b>Deficit</b>	134,644	0	(0)	468,379	(0)	(0)	366,771	0	0
<b>Operating Sources</b>	<b>4,294,215</b>	<b>4,459,455</b>	<b>4,550,675</b>	<b>4,294,215</b>	<b>4,403,563</b>	<b>4,437,638</b>	<b>4,294,215</b>	<b>4,649,041</b>	<b>5,235,948</b>

Scenario #1 - Compared to San Francisco Marina post construction berth rates, South Beach Harbor rates are approximately 16% to 27% lower. This option recommends an immediate berth rate increase in the first budget year to an amount equal to the adopted post construction rates for San Francisco Marina and an ongoing adjustment for CPI in subsequent years. Under this proposal, the first budget year will still generate a slight deficit but will be able to designate money to capital improvement needs beginning in FY 2013/14.

Scenario #2 – This option recommends an increase in the berth rate amount to the San Francisco Marina post construction rate but spread over a period of two years instead of all at once. While this option phases in rate increases, which the customers will support, it results in a higher budget deficit in the first year and only a modest capital budget of approximately \$50,000 in FYs 2013/14 and 2014/15, respectively.

Scenario #3 – This option recommends adoption of new berth rates equaling those rates identified in the Rental Rate Survey as the highest end of the market range. The Survey recommends a market rental rate range from \$12.09 to \$18.09/ft/month. This scenario suggests increases to be phased over three years. With this option, the South Beach Harbor would have a deficit of \$370,000 in the first budget year. However, the next two years should see significant funds allocated to capital improvement needs, ultimately achieving approximately a 20 percent allocation of operating revenue in FY 2014/15 consistent with the Port Commission's policy for the Port's overall budget.

## Parking

Currently, each of the 700 berth holders can obtain two free parking passes. There are approximately 205 parking spaces combined between Pier 40 and Pier 40a. The South Beach Harbor's proximity to AT&T Park and the growing South Beach community has increased the need for parking in the area. Harbor staff has informed us of operational issues and abuses of the harbor parking passes particularly during baseball/event days. Additionally, berth holders at the Port's Hyde Street Harbor pay a fee for parking on Port property.

Port staff is working with our Southern waterfront parking operator, Imperial Parking (US) LLC to analyze the current parking operation at the South Beach Harbor. We anticipate having Imperial Parking revamp the current parking operation in order to control abuses, better manage the asset, create equity among all of the Port's berth holders and generate additional revenues. The goal would be to integrate the parking operation of the South Beach Harbor to more closely follow current Port policy. Port staff anticipates that we will recommend that South Beach Harbor berth holders continue to have preferential access to parking at reduced market rates.

## Operations

South Beach Harbor's current employees will become Port employees and will be brought into the Port organization and report to the Port's Maritime Division. The marina operates 365 days a year, 24 hours a day. It currently has 8.6 FTEs supplemented by contract security, custodial and landscaping vendors. These employees are represented by the International Federation of Professional and Technical Engineers (IFPTE), Local 21, and the Service Employee International Union (SEIU) Local 1021.

## Next steps

Port staff has presented a series of options to improve the financial outlook for the South Beach Harbor to maintain the facility in its current high standard. Achieving financial stability is within the program's reach with a combination of berth rate increases to comparable market rates, changes in parking management and execution of new leasing opportunities on Pier 40. Port staff met with the South Beach Harbor boaters on Thursday, June 7, 2012 to gather suggestions and input.

At its June 12, 2012 meeting, Port staff will seek Port Commission feedback on its preferred option for addressing financial shortfalls and for increasing berth rates. At its July 10, 2012 meeting, Port staff will return to the Port Commission with a resolution to implement berth rate increases and adopt necessary budget changes. Port staff will implement other operation improvements related to parking and leasing in FY 2012/13 as staff gathers more information and data on the operations.

The transition of the management of these assets to the Port represents an opportunity for the Port to expand in its key business lines, maritime and property management, on its own property. The former SFRDA staff that serve the South Beach Harbor are a professional group who have made the marina a premier facility. The Port looks forward to continuing this legacy.

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