



MEMORANDUM

June 9, 2023

TO: MEMBERS, PORT COMMISSION

Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Request for approval to award a sole source grant to the Fisherman's Wharf Association of San Francisco, also known as the Fisherman's Wharf Community Benefits District, and waive Port license fees and the prohibition on sugar-sweetened beverages.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 23-27

On May 9, 2023, Port staff presented this memorandum as an informational item. Substantive changes to that staff memorandum are formatted underline or ~~strike-through~~ here for ease of review.

EXECUTIVE SUMMARY

As part of the economic recovery effort for Fisherman's Wharf, the Port plans to seek approval to award a sole source grant for \$2,188,446 disbursed over two years to the Fisherman's Wharf Association of San Francisco, also known as the Fisherman's Wharf Community Benefit District (FWCBD), to develop and implement a multi-faceted public space activation and stewardship program for Port property adjacent to the FWCBD – primarily on Taylor Street and Jefferson Street.

The FWCBD currently provides activation and stewardship services that supplement baseline City services in areas adjacent to Port property. As an association comprised of area property and business owners, the FWCBD is highly motivated and well-positioned to help the Port and the Fisherman's Wharf neighborhood recover from the continuing

impacts of the coronavirus (COVID-19, or COVID) pandemic on the neighborhood's economy.

The Port and the FWCBD have been working together to identify how to attract local San Franciscans to Fisherman's Wharf, as well as how to extend the visits of tourists in the area. The proposed grant leverages the FWCBD's expertise and resources to improve the visitor experience at Fisherman's Wharf with additional cleaning and safety staffing, beautification of public and vacant building exteriors, and programming of public spaces.

The grant is structured to provide maximum early benefits as Port staff work with several tenants to either reopen or enter agreements to terminate leases. Accordingly, the grant is for a two-year period with increased funding in the first year and reduced in the second year to reflect one-time beautification and marketing efforts in the first year of the grant and the anticipated return of private investments over time through new leases and business openings.

STRATEGIC OBJECTIVES

The proposed sole-source grant award supports the following strategic objectives:

Economic Recovery

Targeted Activation: Partner with tenants to increase visitors and activation by offering authentic Fisherman's Wharf and San Francisco experiences and ensuring safe and inviting public access to the waterfront.

Economic Growth

Property Portfolio: Work to attract new tenants to vacant facilities and restore Port revenues to pre-pandemic levels through beautification and activation, increased marketing efforts, and targeted building improvements in Fisherman's Wharf.

Equity

Share Economic Prosperity. Ensure Port activities equitably advance public benefits that appeal to and attract a diverse population to the Waterfront. Ensure equal access to opportunities, particularly for BIPOC-owned and local business enterprises.

Engagement

Stakeholder Awareness: Partner with the FWCBD, which represents the businesses in Fisherman's Wharf, to address issues and implement solutions that will support tenants and other stakeholders as the Port plans for and implements economic recovery and growth initiatives.

BACKGROUND

Fisherman's Wharf (the Wharf) is world famous for its scenic Bay views, historic crab stands, and family-owned seafood restaurants. With its active fishing industry, four shopping centers, more than 3,200 hotel rooms, 400 retail businesses, and more than 100 restaurants and food stands, the Wharf is known as a vibrant commercial and entertainment destination that generates substantial revenues for the Port and the City.

The synergy of industry and tourism at the Wharf also creates a strong business environment for ferry and excursion vessels, sport and recreational fishing, and other commercial maritime businesses and activities.

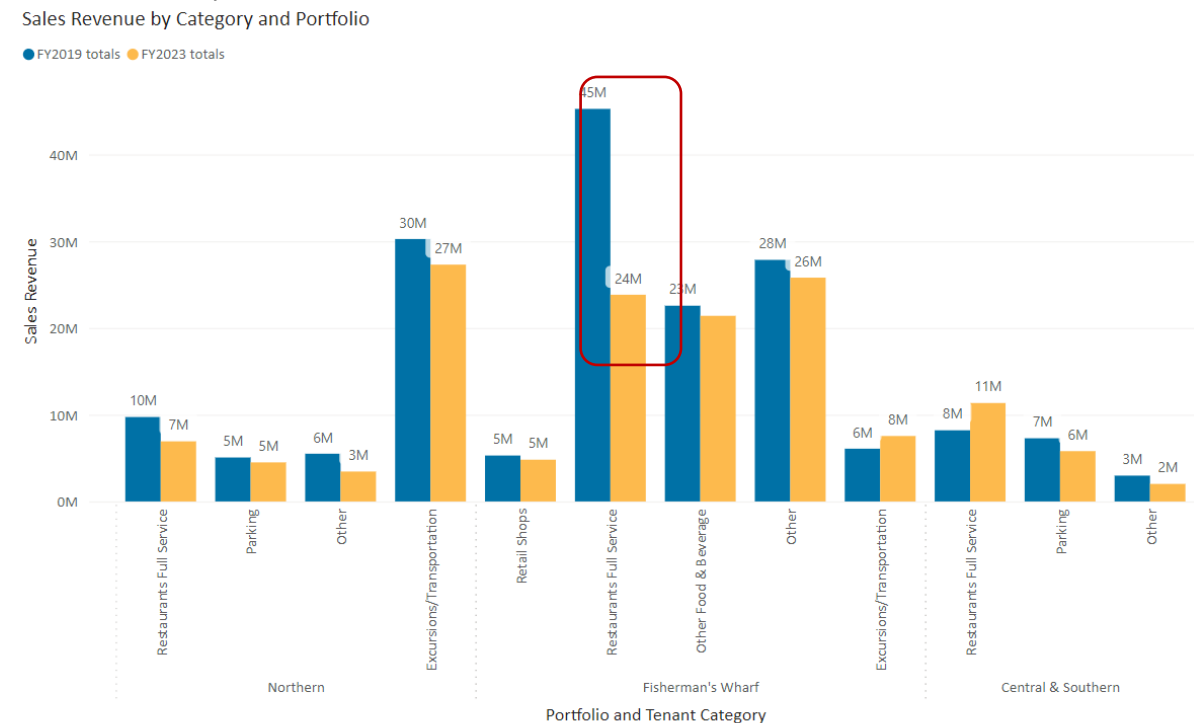
Historically the Wharf has been one of the top tourist destinations in California with approximately 65 percent of all visitors to San Francisco and more than 16 million people visiting the Wharf annually. On average, 24,838 people visited every day, although this number grows to 120,000 depending on the season.

Pre-pandemic, the Wharf generated approximately \$600 million annually in retail sales and \$250 million in hotel expenditures. In early 2020, it was estimated that Fisherman’s Wharf supported more than 8,300 jobs, including 1,475 jobs in the 14 hotels located at Fisherman’s Wharf. There were 185 active fishing vessels and 22 seafood distribution and processing companies.¹

Economic Impacts of the Pandemic & Ongoing Trends

While it is difficult at this time to fully understand the current visitor, jobs, and revenue trends in the Wharf, the pandemic significantly impacted all Fisherman’s Wharf businesses, especially the full-service restaurants located on Port property.

Figure 1: Sales Revenue by Portfolio and Tenant Category. Full-service restaurants in Fisherman’s Wharf are the slowest of all the Port’s portfolio and tenant categories to recover from the economic impacts of the COVID-19 pandemic.



As shown in **Figure 1**, with \$21 million less in projected gross sales in the current fiscal year compared to this time in FY 2018-19, full-service restaurant sales in Fisherman’s Wharf are the farthest behind pre-pandemic figures than any other Port revenue category.

¹ *Economic Impact Study: Prepared for the Port of San Francisco*, BA Urban Economics, March 31, 2020.

This trend is driven by the closure of six major restaurants in the area, including Alioto's, Guardino's, Tarantino's, Castagnola's, Lou's, and Pompei's Grotto.

The Port has approximately 235,000 square feet of commercial space along Jefferson and Taylor Streets (the heart of the Wharf). The Wharf's restaurants have been operated by many of the same families since the late 1960s and 1970s with little reinvestment in most of the facilities. One of the Port's best-known restaurants, Alioto's, terminated its lease in 2022 and five other restaurants have not operated since closing in March 2020. The Port is now in the process of regaining control of Lou's and Pompei's Grotto on Jefferson Street. If all currently closed restaurants remain so and the Port regains control of those sites, six restaurants totaling roughly 46,600 square feet of building space will be vacant and in need of new tenancies. The facilities range in their condition, and the most challenging are spaces larger than those desired by the restaurant market today. All will need upgrades and repairs to the building systems, and interior renovations.

San Francisco tourism has been returning steadily, but key metrics are not projected to return to 2019 levels until between 2024 and 2026 (SF Travel, March 2023 report). This trend, along with the slow recovery of downtown and economic uncertainty, has and will continue to affect the demand for restaurant space – particularly space in the condition of Port restaurant properties.

While Port staff are actively engaged with consultants on near-, mid-, and long-term business attraction plans for the Wharf, these efforts will take one to two years before currently shuttered buildings are re-leased. Port staff need to accelerate leasing. The Wharf needs new strategies now to immediately improve the visitor experience, support existing tenants, and create a clean, safe, and vibrant waterfront for the Wharf. This is not only critical for the health of the Wharf as a destination, but for the Port's financial model which relies on rent revenues from the Wharf, and for the City and County of San Francisco, which relies upon the Wharf as an economic driver.

Economic Recovery Strategy

In January 2023 Port staff embarked on an effort to assess and identify ways to improve the economic conditions of Fisherman's Wharf. Staff spoke with a variety of partners, ranging from restaurant tenants to Pier 39 Partners, LLC and SF Travel, to develop an understanding of business needs and tourism trends. Staff explored the Wharf and toured the interior of vacant Port properties to understand both street and facility conditions. Also, staff attended Fisherman's Wharf development proposal community meetings to hear directly from the public.

Common themes that emerged from staff engagement included the following:

- **Make the Wharf feel safer** by addressing homelessness, drug use, illegal vending of food, alcohol and retail merchandise.
- **Make the Wharf more vibrant** through music, art, and other forms of beautification and activation.

- **Connect people to the water and our fishing community** by activating vacant spaces with a seafood market and/or restaurant pop-ups.
- **Rebuild a durable base of hometown visitors** who will bring friends and family to visit the Wharf for generations to come.
- **Act quickly.** The Port has a narrow window of opportunity to enhance the experience for visitors this summer.

With limited staff capacity, the Port needs a partner to implement and manage work in Fisherman’s Wharf. Such a partner must have experience overseeing a wide variety of activities, from beautification to security, and that partner must have the ability to work effectively with the Port, Port tenants, the public, and other neighborhood stakeholders. Under normal circumstances, the Port would issue a competitive solicitation for a contract or grant to undertake the tasks outlined in this report; however, given the urgency of timing, the Port must secure and engage the partner very quickly.

After discussions with tenants and other community partners, it was clear to staff that the FWCBD is uniquely positioned to, and has a direct interest in, reviving the economic engine of Fisherman’s Wharf. The FWCBD staff has a deep understanding of the neighborhood’s business and visitor community, regularly engages with Port tenants, and has the organizational capacity to quickly expand its community benefit district activities to include Port properties. In addition, and like the rationale for the award of the sole source grant to Foodwise in February 2023, the FWCBD’s mission, deep knowledge of the local business and visitor community, and expertise as the only entity providing similar services in the area make them uniquely qualified as a Port partner.

Fisherman’s Wharf Community Benefit District

The FWCBD was founded in 2005 by business and property owners in the Wharf who sit on its Board of Directors. The CBD is managed by the Fisherman’s Wharf Association of San Francisco, a 501(c)(3) nonprofit organization that is allowed to seek grants and sponsorships in addition to spending the special property assessment authorized by the CBD membership through its Management Plan under the authority of the City of San Francisco.

Between 2006 and 2020, “waterside” businesses in Fisherman’s Wharf were part of the FWCBD. In 2020, in the heart of the pandemic, the businesses located on Port property voted to terminate out of the CBD and no longer contribute to the special property assessment collected as the district’s primary source of revenue. Today, with a \$1.4 million budget approved for Fiscal Year 2023-24, the FWCBD provides cleanliness and safety services, marketing, and event programming, as well as streetscape beautification services solely to its members. The proposed grant award will re-initiate and expand services on the Portside, increasing the business district’s annual budget by \$1.3 million for a new total of \$2.7 million.

PROPOSED GRANT AWARD

The Port seeks to partner with the FWCBD to undertake a two-year program starting in June 2023 to improve the visitor experience at the Wharf. Activities outlined in the scope of work will serve to sustain and strengthen tourism until its full recovery; draw new local visitors to the area; support area businesses; and attract new businesses and activation partners to Port properties and the broader Fisherman's Wharf neighborhood.

This work is critical to the Port's economic recovery efforts by creating an environment that will help our current tenants thrive and attract new tenants and new vibrancy to the waterfront. The improved economic activity of Fisherman's Wharf is critical to the long-term viability of the Port's balance sheet as well as the City's broader economic recovery efforts.

Scope of Work

The FWCBD's scope of work will include, but is not limited to, the following:

- **Stewardship Assistance** – Implement a robust stewardship program that supports comfortable daily use of the Wharf's public spaces, with a particular focus on ensuring the safety and quality of experience for visitors. FWCBD will participate in joint operations with the Port, City agencies, and the Welcome Ambassador program.
- **Small Beautification Elements** – Develop and implement small-scale beautification projects and temporary amenities that facilitate area use and reduce blight, such as temporary murals and art installations, bistro lighting, and landscaping elements. These projects will be implemented in partnership with Port staff, as appropriate.
- **Outdoor Events and Storefront Activations** – Develop and implement regular event programming for the area's public spaces, with a focus on activating the empty spaces in front of vacant buildings. Programming will be episodic (i.e., weekly, or monthly), but may also include one-time or seasonal events that draw new visitors to the area. Programming will be primarily free to the public but may include the sale of goods.
- **Marketing and Business Attraction** – Build a marketing campaign around each activation to include social, digital, radio, and television, phone apps, PR outreach, and potential tenant engagement. See Attachment 1 for details about upcoming events.
- **Community Engagement and Equity Plan** – Develop a community engagement and equity plan to support Fisherman's Wharf's economic recovery efforts. This plan may include, but is not limited to:

- Outreach to existing businesses and area residents, including communities of color, in the surrounding neighborhoods.
- Outreach to draw locals to Fisherman’s Wharf, with targeted efforts to engage San Francisco’s diverse cultural communities in Wharf activities.
- Free or reduced cost programming.
- Affordable food and beverages.
- Creation of economic opportunities and/or jobs for artists, low-income individuals, and those with barriers to employment.
- Program evaluation through community surveys, digital surveys, and stakeholder interviews/surveys.

Budget

The proposed award supports the following two-year budget:

Item	Description	Y1	Y2	Total
Stewardship Assistance	Implement a robust stewardship program that supports comfortable daily use of the Wharf’s public spaces.	\$ 393,760	\$ 393,760	\$ 787,520
Small Beautification Elements	Develop and implement small-scale beautification projects and temporary amenities that facilitate area use and reduce blight.	\$ 259,226	\$ 62,000	\$ 321,226
Outdoor Events and Storefront Activations	Develop and implement regular event programming for the area’s public spaces.	\$ 420,600	\$ 352,100	\$ 772,700
Engagement, Marketing and Business Attraction	Develop and implement a community engagement, marketing, and business attraction plan.	\$ 149,500	\$ 37,500	\$ 187,000
Admin and Staffing	Admin and staffing time that cannot be billed against assessments.	\$ 70,000	\$ 50,000	\$ 120,000
Total		\$ 1,293,086	\$ 895,360	\$ 2,188,446

The grant will be funded with federal stimulus funds awarded to the Port in 2021 through the American Rescue Plan Act (ARPA) 2021. The Port received the funds in part to help the Port support tenants and invest in the waterfront to stabilize and restore revenues, which aligns directly with the intended outcomes of the proposed program. The Port must expend these funds before they expire at the end of 2026.

Licensing, Permits & Other Requirements

Port staff propose waiving Port special events, storage, and other Port license fees to maximize the use of funds for non-Port expenses. While the FWCBD will be required to obtain and pay for permits from other City agencies as necessary, Port staff will work to streamline permitting and licensing for program activities.

Additionally, the FWCBD will be required to indemnify the City and maintain insurance and, if necessary, provide insurance for consultants and vendors; and be responsible for any setup and clean up for events.

Port staff also proposes waiving the standard grant agreement prohibition on the sale or distribution of sugar-sweetened beverages, as defined by San Francisco Administrative Code Chapter 101. Section 101.5(a) of the Administrative Code allows a department, with the approval of the Purchaser, to waive the prohibition of the sale or distribution of sugar-sweetened beverages if the department determines that strict application of the requirement would not be feasible, would create an undue hardship or practical difficulty, or that similar circumstances otherwise warrant granting of the waiver. Here, strict application of the prohibition will create an undue hardship or practical difficulty, because one of the purposes of the grant is to deliver special events that will appeal to a wide variety of demographics; further, the FWCBD will receive Port special events licenses that do not prohibit the distribution of sugar-sweetened beverages. The FWCBD will strive to provide balanced beverage options, including no/low sugar-sweetened and non-alcoholic beverages.

Quarterly Reporting & Accountability

The FWCBD will provide end of quarter reports with performance metrics that include budget updates, attendance numbers, social media analytics, photos, and expenditure and revenue reports. This information will be used to evaluate the performance of the grant and the ongoing conditions of the neighborhood. This approach allows the Port to enter into a multi-year grant agreement with comfort that the grantee will be held accountable to perform well. The grant agreement allows the Port to terminate the grant in the event of non-performance.

Attachment 1 provides an overview of events and shareable social media posts. Under the Director's report, staff will provide the Port Commission quarterly marketing and social media metrics starting in October 2023 and biannual presentations starting in early 2024.

Sole Source Grant

San Francisco Administrative Code Chapter 21G governs the award of grants and requires the Port to follow a competitive solicitation process to award a grant unless an exception to the solicitation requirement applies or a sole-source award is approved in accordance with the Purchaser's rules and regulations. Port staff recommends the Port Commission approve a sole-source grant in the amount of \$2,188,446 to be disbursed over two years to the FWCBD.

The FWCBD's mission, deep knowledge of the local business and visitor community, and expertise as the only entity providing similar services in the area make them uniquely qualified as a Port partner. The FWCBD has been in operation since 2005 and represents both businesses and property owners in Fisherman's Wharf. Engaging the organization in this work ensures a cohesive, holistic approach to marketing, activation, and community ambassador work that will maximize the benefits to the business district by leveraging current resources and activities.

Although a competitive solicitation process is possible, it would be impracticable, causing confusion for the public and businesses due to the duplication of many of the efforts already underway by the FWCBD.

REQUESTED ACTION

Port staff seeks Port Commission approval of the attached resolution to award a \$2,188,446 sole-source grant to be disbursed over two years to the Fisherman's Wharf Association of San Francisco, doing business as Fisherman's Wharf Community Benefit District, and waive Port event and other licensing fees for the purposes of developing and implementing a multi-faceted public space activation and stewardship program for the Port property along Taylor and Jefferson Streets in Fisherman's Wharf. Staff also requests a waiver on the prohibition of sugar-sweetened beverages to give the FWCBD flexibility to serve a variety of beverages that appeal to special events.

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Meghan Wallace, Economic Recovery Manager

For: Kimberley Beal, Acting Deputy Director
Real Estate & Development

ATTACHMENTS: Attachment 1 – Draft Events Schedule

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

RESOLUTIONS NO. 23-27

- 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, In May 2021, Governor Newsom announced a one-time \$250 million allocation from the Federal American Rescue Plan Act of 2021 (ARPA) funding to California’s ports, including \$117 million to the Port of San Francisco, to mitigate the negative economic impacts resulting from the COVID-19 pandemic (“pandemic”), such as for activities that avoid layoffs, restore jobs and lost services, and support safe operations; and
- WHEREAS, The Port of San Francisco is actively developing and implementing 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, As of February 2023, full-service restaurants in Fisherman’s Wharf generated \$21 million less in gross sales fiscal year-to-date compared to February 2019 due primarily to the economic impact of the pandemic resulting in the closure of six major restaurants from the pandemic; and
- WHEREAS, The Port is seeking a partner to undertake a two-year program in the summer of 2023 to improve the visitor experience at the Wharf, including activities that sustain and strengthen tourism, draw new local visitors to the area, support area businesses, and attract new businesses to Port properties and the broader Fisherman’s Wharf neighborhood; and
- WHEREAS, Port staff recommends partnering with the Fisherman’s Wharf Community Benefit District (FWCBD), which has been in operation since 2005 and represents both businesses and property owners in Fisherman’s Wharf and has a deep understanding of the local business and visitor community as well as expertise in providing marketing and activation services in Fisherman’s Wharf; and
- WHEREAS, Engaging the FWCBD in this work ensures a cohesive, holistic approach to marketing, activation, and community ambassador work that will maximize the benefits to the business district by leveraging current resources and activities; and
- WHEREAS, The Port Commission may waive an open and competitive process and authorize the award of a sole-source grant agreement under San Francisco Administrative Code Chapter 21G if: (1) a competitive process would be infeasible or impracticable, or if the purpose of the grant may

reasonably be accomplished by one particular grantee; and (2) the grant is not a recurring grant to the same recipient without a competitive process, among other exceptions; and

WHEREAS, The FWCBD will initiate special events and activations associated with the public space activation and stewardship program that require licensing and permits; and

WHEREAS. The FWCBD will provide end of quarter reports with performance metrics that include budget updates, attendance numbers, social media analytics, photos, and expenditure and revenue report to evaluate the performance of the grant and ongoing conditions of the neighborhood; and

WHEREAS, Waiving Port special event, storage, and other fees required to implement the public space activation and stewardship program is in the public's interest and will maximize the use of grant funds on non-Port expenses; and

WHEREAS, Chapter 101 of the San Francisco Administrative Code and the City and County of San Francisco standard grant agreement, section 16.19(a) prohibits the distribution of sugar-sweetened beverages in some circumstances; and

WHEREAS, The proposed grant agreement includes terms regarding the delivery of special events and activations that will benefit from the flexibility to serve beverages that appeal to a wide range of customer demographics; and

WHEREAS, Port special event licenses do not prohibit the sale or distribution of sugar-sweetened beverages; and

WHEREAS, Administrative Code Chapter 101.5(a), allows departments, with the approval of the Purchaser, to waive the sugar sweetened beverages prohibition in full or in part if the department determines that strict application of the requirement would not be feasible, would create an undue hardship or practical difficulty, or that similar circumstances otherwise warrant granting of the waiver; and now therefore be it

RESOLVED, The Port Commission finds the award of a sole source grant agreement to the Fisherman's Wharf Association of San Francisco (DBA Fisherman's Wharf Community Benefit District), a California nonprofit corporation, is justified because the organization's mission, deep knowledge of the local business and visitor community, and expertise as the only entity providing similar services in the area make them uniquely qualified as a Port partner. Engaging the organization in this work ensures a cohesive, holistic approach to marketing, activation, and community ambassador work that will maximize the benefits to the business district by leveraging current resources and activities; and be it further

- RESOLVED, The Port Commission authorizes the Port Executive Director, or the Executive Director's designee, to directly negotiate and execute a grant agreement with the Fisherman's Wharf Association of San Francisco (DBA Fisherman's Wharf Community Benefit District) for an amount not to exceed \$2,188,446 with a maximum term of two (2) years to develop and implement a multi-faceted public space activation and stewardship program for the Port property in Fisherman's Wharf; and be it further
- RESOLVED, The Port Commission authorizes staff to waive special events, storage, and other Port licensing fees required to implement the public space activation and stewardship program; and be it further
- RESOLVED, The Port Commission finds that the prohibition on sugar-sweetened beverages would create an undue hardship or practical difficulty, because one of the purposes of the grant is to deliver special events that will appeal to a wide variety of demographics, and the FWCBD will receive Port special events licenses that do not prohibit the distribution of sugar-sweetened beverages; and be it further
- RESOLVED, The prohibition on the sale or distribution of sugar-sweetened beverages, as defined by San Francisco Administrative Code Chapter 101, is waived, subject to approval of the Purchaser.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 13, 2023.

Secretary

ATTACHMENT 1 – Fisherman’s Wharf CBD, Calendar of Events as of June 2023

PORT OF SAN FRANCISCO

Fisherman's WHARF

PIER Party at the WHARF

**GET READY TO ROCK THE DOCK FROM 2:00 - 6:00 PM
IN SAN FRANCISCO'S ICONIC FISHERMAN'S WHARF ON...**

JULY 14	SEPTEMBER 8
JULY 21	SEPTEMBER 9
JULY 28	SEPTEMBER 15
AUGUST 4	SEPTEMBER 16
AUGUST 11	SEPTEMBER 22
AUGUST 18	SEPTEMBER 23
AUGUST 19	SEPTEMBER 29
AUGUST 25	SEPTEMBER 30
AUGUST 26	

TAYLOR & JEFFERSON STREETS

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