



MEMORANDUM

November 22, 2024

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational Presentation on the Port's Economic Recovery Efforts.

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

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

Since that time, the Port has been a leader in the City and County of San Francisco's ("City") economic recovery efforts by restoring a clean, safe, and vibrant waterfront that has encouraged the return of visitors and the workforce to San Francisco. With the guidance of its Strategic Plan, the Port undertook a targeted economic recovery approach by supporting tenants through the economic downturn, restoring maritime operations, and enhancing its network of waterfront parks and open spaces. The Port pursued activating Fisherman's Wharf to further engage visitors, ensure a safe and clean environment, support existing tenants, and attract new leasing opportunities.

Today operating revenues exceed pre-pandemic levels, but the Port's work is not yet complete due to the need for longer-term financial stability. With that objective, Port staff continue to implement economic initiatives funded through the Port's Economic Recovery Expenditure Plan, as presented to the Port Commission in January 2024, that address lingering areas of need with a focus on restoring revenues in Fisherman's Wharf and improving the real estate and maritime portfolios as well as the visitor experience in the Southern Waterfront.

This economic recovery update provides an overview of the status of the Port's work as well as performance metrics that reflect both the Port's and the City's economic recovery.

STRATEGIC OBJECTIVES

The Port's economic recovery and growth efforts support the following strategic objectives:

Economic Recovery:

The Port is making targeted investments in Fisherman's Wharf and the Southern Waterfront to improve the marketability of vacant facilities, support maritime operations, and activate parks and open spaces. Internal operational improvements, such as the replacement of legacy information technology systems, will make it easier for staff, tenants, and contractors to work for and with the Port. Further, the pursuit and use of external funding sources allow the Port to complete critical capital investments that advance the maritime portfolio and address deferred maintenance, particularly in the Southern Waterfront.

Economic Growth:

Port investments will advance maritime business by addressing deferred maintenance and innovating maritime facilities. Real estate investments will protect and grow operating revenues by retaining existing tenants and improving the marketability of vacant facilities.

Equity:

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

Resilience:

Installation of a new gangway and float in the Fisherman's Wharf Outer Lagoon is a multi-benefit Waterfront Resilience Program (WRP) early project that initiates seismic improvements to the wharf. Additionally, the Waterfront Walk is an economic recovery initiative that aims to use wayfinding, interpretive signage, art, and activations to create a streamlined Port identity for the public to understand and engage in. This work is anticipated to include activities that educate the public about the WRP and the impacts of sea level rise on the waterfront.

Sustainability:

Investments in the Southern Waterfront include planning to facilitate the change to clean fuels for vessels and vehicles. The receipt of a new EPA Clean Ports Grant will support ferry electrification at the Downtown Ferry Terminal as well as at a new Mission Bay Ferry Terminal.

Evolution:

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

Engagement:

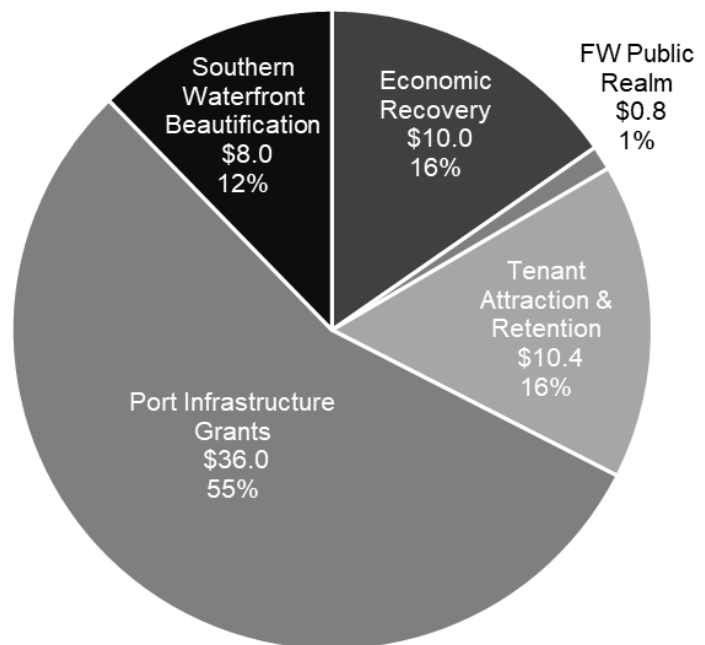
Development of economic recovery and growth initiatives has included broad engagement with stakeholders and the public, including Port and City staff, leadership, advisory committees, community members, and tenants. Staff will continue to engage the community as we implement the Port's economic recovery initiatives. The Port has looked for creative property activation opportunities to further engage the public and draw more interest to the Waterfront.

BACKGROUND

The COVID-19 pandemic had a devastating impact on the Port's budget. When the public was ordered to shelter-in-place in March 2020, tenants closed their doors, and maritime operations stalled. Ultimately, the Port's FY 2019-20 revenues fell to 83% of pre-pandemic levels while most operating expenses remained constant. If not for a federal stimulus award of \$117 million, the Port would have faced severe budget-balancing measures, such as laying off staff and limiting facility maintenance.

As health restrictions gradually lifted, Port revenues slowly recovered and by FY 2022-23, exceeded pre-pandemic levels. Today, operating revenues continue to grow, with \$134.6 million generated in FY 2023-24 (24 percent higher than FY 2019-20). On top of revenue improvements, the Port regularly makes local headlines for activation and beautification efforts that range from opening two major parks in Mission Bay – China Basin Park and Bayfront Park – to hosting events all along the waterfront, such as Pier Party

**Figure 1:
\$65.2 million
Port Economic Recovery Investments
(\$ millions)**



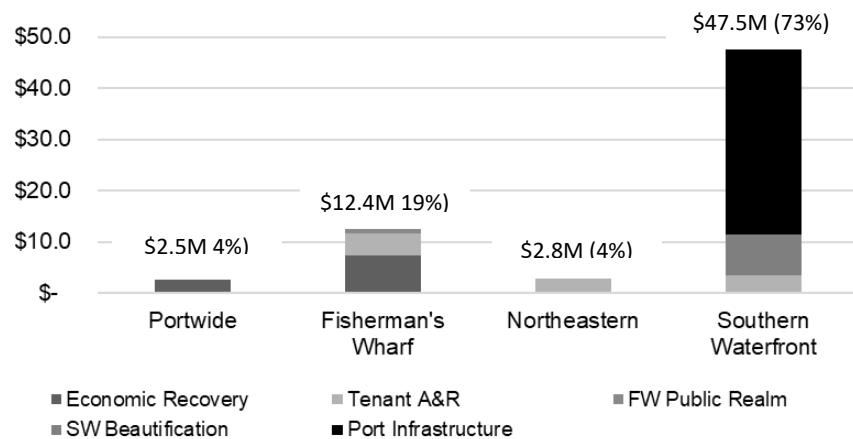
at the Wharf in Fisherman’s Wharf and Pop-Ups on the Plaza at the Ferry Building; and installing new art like the Thomas J. Price sculpture, *When Sound Turns to Noise*, at Pier 1½. These are all signals that the Port is recovering and plays an invaluable role in the City’s overall economic recovery efforts by maintaining a clean, safe, and vibrant

waterfront that attracts workers downtown and visitors to San Francisco’s top destinations.

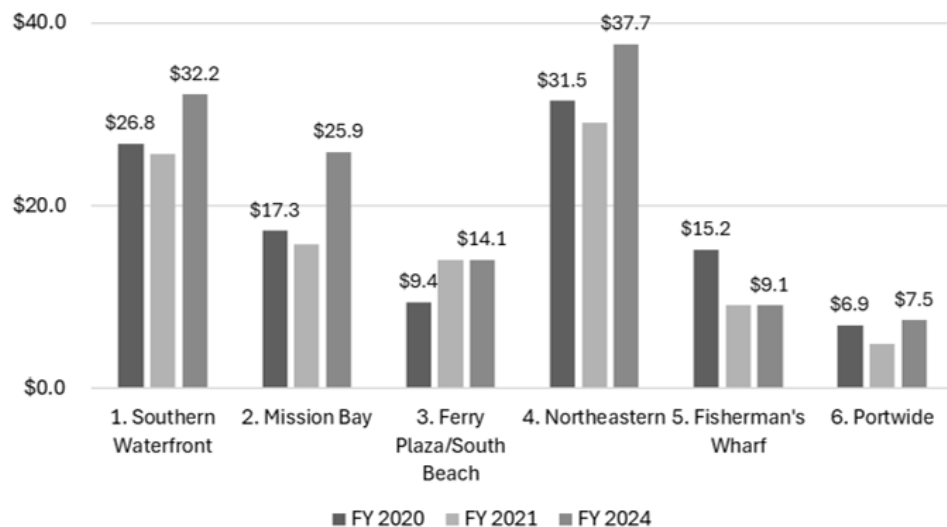
Despite these improvements, the Port must continue to implement initiatives detailed in the Economic Recovery Expenditure Plan presented to the Port Commission in January 2024. Such economic recovery efforts are intended to address ongoing challenges that are hidden beneath the overall trends and position the Port for longer-term economic growth and financial stability (see, *Figure 1*).¹ As detailed in *Figure 2*, the expenditure plan focuses resources on the Southern Waterfront and Fisherman’s Wharf to attract visitors and improve the Port’s real estate and maritime portfolios. Additionally, the Port is

implementing a portwide economic recovery initiative referred to as the “Waterfront Walk” to create a coherent sense of place and interest portwide through new and improved signage, artwork, and activations. As shown in *Figure 3*, revenues have recovered in the Southern Waterfront, with a 20 percent

**Figure 2:
Regional Distribution of Investments
(\$ millions)**



**Figure 3:
Port Revenues by Region
(\$ millions)**

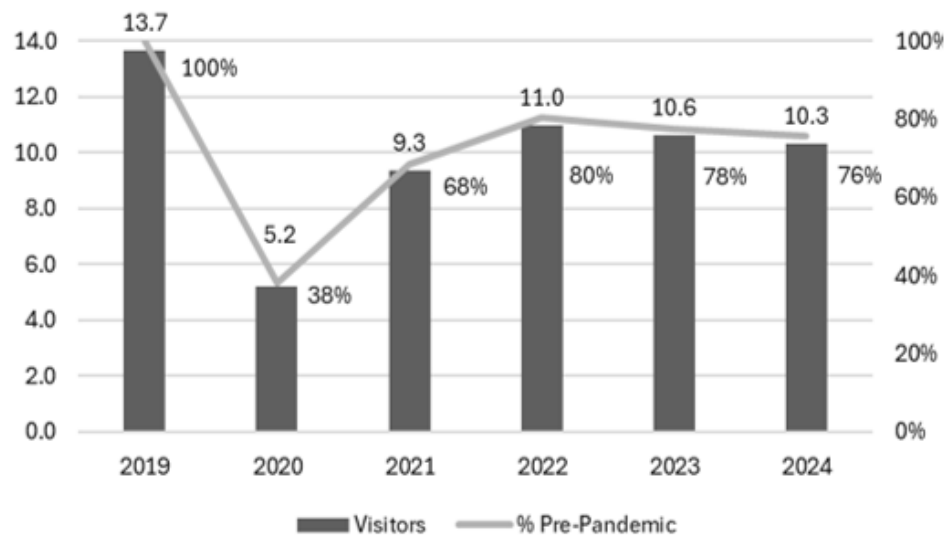


¹ On June 11, 2024 the Port Commission approved an amendment to the Port’s grant to the Fisherman’s Wharf Community Benefit District (FWCBD) that was funded will previously allocated Tenant Attraction & Resilience funds and a new allocation of \$0.8M from the Fisherman’s Wharf Resilience and Public Realm Planning project funding. This additional funding increased the Expenditure Plan from \$64.4M to \$65.2M.

increase compared to FY 2019-20 due primarily to new leases with City departments and rents from Pier 70. However, improving piers and roadways with **Port Infrastructure Grants (“Grants”)** is critical for addressing deferred maintenance and expanding the Port’s maritime portfolio. Further, investing funds from the **Tenant Attraction & Retention Fund (“TARF”)** project will help retain and attract real estate tenants in the area. The Port is also investing its **Economic Recovery** and **Southern Waterfront Beautification (“SWBF”)** project funds to improve the community’s experience with additional general maintenance, wayfinding, landscaping, and other public realm enhancements. While the Piers 80-96 maritime eco-industrial center is less well-known, it is within a community and should be maintained with the same pride that is shown in other well-traveled areas of the waterfront.

Meanwhile, Fisherman’s Wharf revenues remain below pre-pandemic levels due to the closure of several restaurants, including Pompeii’s Grotto, Lou’s Fish Shack, Castagnola’s, Tarantino’s, Alioto’s, and Fisherman’s Grotto #9. Additionally, as shown in *Figure 4*, visitor trends are still significantly below

**Figure 4:
Fisherman’s Wharf Domestic Visitor Trends**



pre-pandemic levels, with only 76% of domestic visitors anticipated in 2024 compared to those in 2019. Recognizing that Fisherman’s Wharf is both a major source of revenue for the Port and the City, with an estimated 65% of all San Francisco tourists visiting Fisherman’s Wharf, it is critical to rebuild its foot traffic. The Port is using a variety of project funding sources, including from the **Economic Recovery**, **Tenant Attraction and Retention**, and **Fisherman’s Wharf Resilience and Public Realm Planning (“FW Public Realm”)** projects, to support existing tenants and generate new business by activating and beautifying Fisherman’s Wharf and supporting tenant improvements of vacant spaces with new leases. Notably, the **Economic Recovery** project funds will be used to support local fishers who struggle to remain in Hyde Street Harbor by investing in a new float in the Outer Lagoon and improved berthing and ice infrastructure on Pier 45.

STATUS OF INITIATIVES

With a high-level strategy and a detailed expenditure plan in place, it is critical for the Port to track individual initiatives and remain accountable for their delivery. The following tables provide the status of initiatives by waterfront region and major objectives.

| SOUTHERN WATERFRONT | | | | |
|--|----------------------------------|--|---------------------------|-------------------------------|
| Objective | Initiative | Status | Funding Sources | Funding Amount |
| TARGETED ACTIVATION: PARKS & OPEN SPACES | Purchase a Truck | Underway. Procurement of a new truck dedicated to staff in the Southern Waterfront. | SWBF | \$0.1 M |
| | Hire Two Laborers | Underway. The position descriptions for two SWBF-funded positions have been approved and HR has submitted requisitions to fill. | SWBF | \$1.5 M |
| | Gilman Street Repaving | Underway. The Maintenance Division is underway with the repaving of this roadway. | SWBF | \$0.8 M |
| | Assign a Project Manager | Completed. Paul Chasin has been assigned as PM to lead the completion of a series of public realm improvements. | SWBF | \$0.3 M |
| | Warm Water Cove Maintenance | Design. The Department of Public Works is currently designing a series of public realm improvements. The Port has committed \$2M for this initial phase and an additional \$1M is reserved for future phases. | SWBF | \$3.0 M |
| | Illinois Street Fencing | | | |
| | Islais Creek Maintenance | | | |
| | Backland Tree Plantings | | | |
| | Heron's Head Park Restroom | | | |
| | Youth Scholarships | Pending. The Port will fund community youth campus located in the Southern Waterfront. | SWBF | \$0.1 M |
| | Activations | Planning. Staff is exploring ways to secure partners to organize activities in public spaces and opportunities to partner with WRP engagement efforts. | SWBF Economic Recovery | \$0.1 M \$0.2 M \$0.3 M |
| | Portola Music Festival & Sail GP | Underway. Activities are ongoing and annually activate the Southern Waterfront. | NA | NA |
| | Crane Cove Park/ YMCA | Underway. This work is underway with an anticipated opening in 2025. | NA | NA |
| SOUTHERN WATERFRONT (continued) | | | | |

| Objective | Initiative | Status | Funding Sources | Funding Amount |
|-------------------------------|------------------------------------|--|-------------------|----------------|
| MARITIME PORTFOLIO | Truck Fleet Emissions Mitigation | Pending. The Board of Supervisors approved the accept/expend legislation for receipt of a state transportation grant. Consultant scope finalized, contract being finalized. Funds are available to initiate work. | Grants | \$0.4 M |
| | Pier 96 Crane Demolition | Design. Simon Betsalel is leading this SWBF-funded project to remove four cranes. Preparing to go out to bid. | SWBF | \$2.1 M |
| | Pier 90 Grain Silo Demolition | Design. Erica Peterson is leading this SWBF/ ARPA-funded project. Staff hopes to remove all structures except for the silos. Preparing to go out to bid. | SWBF | \$3.0 M |
| | Amador Street Improvements | Pending Construction. Noel Aquino is leading this CalSTA/PIDP-funded project to improve and beautify the roadway. | Grants | \$12.8 M |
| | Pier 80 Fendering & Subsidence | Design. Noel Aquino is leading this CalSTA/ARPA-funded project. Design is underway and staff is preparing to go out to bid. | Grants | \$19.1 M |
| PROPERTY PORTFOLIO | Pier 80 Roof Repairs | Pending. Design has not been initiated yet. | TARF | \$1.8 M |
| | Pier 96 Gatehouse Demolition | Design. Work is underway to complete design. | TARF | \$0.5 M |
| | Pier 96 Admin Building Deck Repair | Design. Work is underway to complete design. | TARF | \$0.4 M |
| FISHERMAN'S WHARF | | | | |
| Objective | Initiative | Status | Funding Sources | Funding Amount |
| MARITIME PORTFOLIO | Ice Machine | Underway. Port staff is currently underway with the procurement of the ice machine. | Economic Recovery | \$0.3 M |
| Commercial Fishing Facilities | Pier 45 West Apron | Design. Work is underway to complete design. | Economic Recovery | \$2.8 M |
| | Outer Lagoon Gangway & Float | Construction. Working towards substantial completion by the end of November 2024. | Economic Recovery | \$3.0 M |

| FISHERMAN'S WHARF | | | | |
|--|---|--|-----------------------------------|-------------------------------|
| Objective | Initiative | Status | Funding Sources | Funding Amount |
| TARGETED ACTIVATION: FISHERMAN'S WHARF ~~~ Vacant Space Leasing & Activation | SkyStar Wheel | Underway. Seismic improvements were completed that enabled the SkyStar to continue operation for a total of two years. Ridership in July 2024 was double ridership in July 2023, when the SkyStar was in Golden Gate Park. | NA | NA |
| | Fisherman's Wharf Community Benefits District Grant | Underway. Clean, safe, and vibrant work is underway, including operation of new FW Promenade. This has provided a means for new legal vending and pop-up container retail opportunities. Grant term ends July 2025. | Stimulus FW Public Realm | \$2.4 M \$0.9 M \$3.3 M |
| | Leasing & Activation | Pending. Have entertained new pop-up opportunities and continue to explore occupancy strategies for vacancies. Available for future activation and public realm improvements needed to facilitate interest, such as continuation of operation of the FW Promenade for a second year. | Economic Recovery | \$1.0 M |
| | 490 Jefferson | Pending. Staff is actively in discussion with a potential tenant for this space. | TARF | \$1.5 M |
| | 340 Jefferson (aka Pompeii's) | Underway. Letters of Interest signed for spaces after successful broker solicitation and selection. Tentatively scheduled for January 2025 Port Commission meeting for approval pending lease negotiation and documentation. This lease is expected to generate an average annual base rent of \$151k over the 10-year term as well as 5.5% in percentage rent. | | |
| | 300 Jefferson (aka Lou's) | Underway. Letter of Interest signed for after successful broker solicitation and selection. Tentatively scheduled for December 2024 Port Commission meeting for approval pending lease negotiation and documentation. This lease is expected to generate an average annual base rent of \$182k over the 10-year term as well as a 5% year 1 and 6% thereafter in percentage rent. | | |

| FISHERMAN’S WHARF | | | | |
|--|-----------------------|--|-------------------|----------------|
| Objective | Initiative | Status | Funding Sources | Funding Amount |
| | Tarantino's | Pending. Limited interest given size and conditions. Exploring alternative / temporary uses and/or reposition strategies. Significant capital improvements required to reach occupancy. | | |
| | Alioto's | | | |
| | Fisherman’s Grotto #9 | | | |
| | Castagnola’s | Pending. Staff negotiating with existing Tenant to facilitate re-starting operations and open as a new concept. | | |
| WATERFRONT WALK | | | | |
| Objective | Initiative | Status | Funding Sources | Funding Amount |
| TARGETED ACTIVATION: PARKS & OPEN SPACES | Wayfinding | Design. Staff is working with a design firm to identify Port branding. Preparing to conduct an RFQ for fabrication of wayfinding cabinets by Q1 2025. | Economic Recovery | \$0.5 M |
| | Art | Planning. Staff is working with the SF Arts Commission to identify locations and potential partnerships for an art program. | Economic Recovery | \$0.5 M |
| | Activation | Planning. Identifying targeted areas for activation along the waterfront and procurement tools for engaging partners. | Economic Recovery | \$0.5 M |

CONCLUSION

Since 2020, Port staff developed and are now implementing initiatives to address the economic impacts of the pandemic and rebuild a path toward a sustainable financial future by growing its maritime and real estate portfolios. In the last two years, the Port developed a strategic Economic Recovery Program, that includes a detailed expenditure plan that includes resourcing, metrics, and other features for success in implementation. While revenues are increasing in most areas of the waterfront, Fisherman's Wharf continues to lag due to the closure of several major restaurants in the area. In contrast, the Southern Waterfront is showing full recovery in revenues but has great potential for improvement in both its maritime and real estate portfolios as well as in public realm spaces along the Blue Greenway and other key locations.

The Port's efforts to implement its Economic Recovery Expenditure Plan are intended to address these immediate needs, which will in turn attract new business and improve the

public's experience along the waterfront. It is critical for the Port to pursue these efforts, not only to recover from the economic impacts of the pandemic but also to build a more sustainable financial future.

Prepared by: Meghan Wallace
Economic Recovery Manager