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July 10, 2026

To:
Vice President Stephen Engblom
Commissioner Willie Adams
Commissioner Rich Lee
Commissioner Ken McNeely

From:
Michael Martin, Acting Executive Director

DocuSigned by:
Michael Martin
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Subject:
Request approval to launch Phase 1 of the Port of San Francisco's Blue Economy Initiative.

Acting Executive Director's Recommendation:
Approve the Attached Resolution No. 26-38

EXECUTIVE SUMMARY

At the request of Port Commission Vice President Stephen Engblom, Port staff developed the Port of San Francisco Blue Economy Initiative Report (the Report), which was presented to the Port Commission as an informational item on June 9, 2026. The Report provided an overview of the Port's history of sustainable initiatives, a market landscape assessment, an analysis of peer blue economy programs at the Port of San Diego, AltaSea at the Port of Los Angeles, and Maritime Blue in Washington State, and recommendations for a phased implementation framework.

After the June 9 presentation and feedback from the Port Commission, Port staff are now requesting formal Port Commission approval of the Blue Economy Initiative and authorization of a strategic leasing incentive program to begin attracting blue economy ventures to the waterfront. The proposed incentives include three tiers, offering rent reductions, tenant improvement allowances, or both. The plan is to use the $250,000 allocation approved by the Port Commission in the Fiscal Year 2026-27 budget for at least three transactions over the next 18 months. Approving the attached resolution will officially start Phase 1 of the Port's Blue Economy Initiative.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

STRATEGIC PLAN OBJECTIVES

This item supports the Port's 2026-30 Strategic Plan by advancing the following goals:

Economic Growth
Grow portfolio and expand partnerships to contribute to San Francisco's long-term prosperity.

- Launch a Blue Economy Initiative to support the Port portfolio and City economy and attract new, innovation-driven waterfront tenants.

Evolve
Enhance the waterfront experience and adapt the Port to be an equitable, accessible, and economically successful destination that supports San Francisco and the region.

- Partner with other governmental agencies, the private sector, Port tenants, and non-profits to bring new activities and economic benefits to the waterfront and adjacent neighborhoods.

Sustainability
Combat climate change, protect San Francisco Bay, and improve waterfront industries and the quality of life for people.

- Support innovation and foster sustainable business development.

BACKGROUND

At the request of Port Commission Vice President Stephen Engblom, Port staff formed an internal working group and hired Momentum, with support from GHD, to research and draft The Port of San Francisco Blue Economy Initiative Report (the Report).

The Report was presented to the Port Commission as an informational item on June 9, 2026. The Port of San Francisco defines the Blue Economy as the sustainable use of Bay and coastal resources to deliver economic, environmental, and community benefits for Bay Area residents. The goal of this initiative is to identify early-stage, under-capitalized blue economy companies and leverage Port assets like waterfront land, water access, and regulatory expertise to help these companies grow and scale.

With 7.5 miles of waterfront, maritime infrastructure, and proximity to the Bay Area's innovation ecosystem, the Port can serve as a strategic partner for early-stage blue economy ventures, offering concierge services, leasing opportunities, regulatory coordination, and connections to AI business, venture capital, philanthropy, and academia.

The Port Commission has emphasized its intention for the Port to serve as a launch platform for sustainable, maritime-based technology ventures, and this initiative fulfills that objective. The initiative aligns with Mayor Lurie's priorities and the City's Climate Action Plan, which was recently updated by the Department of the Environment to include Innovation as a core strategic pillar. This update establishes a clear goal of reducing barriers to deployment and creating defined pathways for climate technology companies to progress from pilot projects to full-scale operations. The Port is well positioned to advance this objective within the blue economy, building on a decade of Port Strategic Plan priorities focused on economic growth, sustainability, and resilience.

The Report identifies priority sectors in which the Port can play a catalytic role, such as sustainable fishing and seafood systems, ecotourism, clean energy, Bay health, digital transformation, including artificial intelligence, workforce development, and cross-sector innovation, including from venture capital and philanthropy. These sectors offer substantial opportunities for job creation and investment, particularly as California's marine economy currently contributes over $50 billion annually in goods and services.

In developing this initiative, the Port has engaged local, national, and international partners - including environmental organizations, blue economy incubators, maritime experts, and blue-tech startups - to inform the program’s direction and ensure alignment with global best practices.

The Port builds upon an established foundation rather than beginning anew. Over the past two decades, the Port and City have advanced sustainability and maritime innovation through initiatives such as California's first cruise ship shore power installation, support for the world's first commercial hydrogen-powered ferry, living seawall ecological restoration pilots, and renewable diesel conversion for regional ferry fleets. These achievements demonstrate the Port's capacity to convene stakeholders, pilot emerging technologies, and deliver measurable public benefit, providing a strong basis for developing a blue economy program.

In conclusion, the Report recommends that the Port advance the Blue Economy Initiative using a three-phase implementation framework. Building off decade-long similar effort success from the Port of San Diego, Los Angeles, and the State of Washington, the Port’s approach includes a three-phase implementation framework:

- **Phase 1:** Launch the program, including the approval of leasing incentives and deployment of initial transactions.
- **Phase 2:** Grow the ecosystem to more than 50 member organizations, expand program offerings, secure external funding, and plan for dedicated facilities.
- **Phase 3:** Build long-term capacity, secure diverse revenue streams, and support more than 100 ecosystem partners.

Across all phases, the Port will utilize its waterfront assets, operational expertise, and stakeholder relationships to lower barriers for emerging blue economy ventures and establish sustainable pathways for long-term growth.

PORT COMMISSION RESPONSE

On June 9, 2026, the Port Commission heard an informational presentation about the Report. At that meeting, the Port Commission expressed enthusiasm and support for the Blue Economy Initiative. Commissioner McNeely welcomed the opportunity to marry San Francisco's technology ecosystem with its maritime and fishing industries, affirming the city's place alongside other leading port cities in innovation. Commissioner Adams drew on his Pacific Northwest roots to highlight the depth of Washington State's Maritime Blue program, including tribal involvement, federal support and the Seaport Alliance, framing it as a model for what San Francisco could achieve.

Vice President Engblom identified the initiative as an expression of the Port's public trust responsibilities under the Burton Act, noting the convergence of maritime commerce, climate resilience, workforce development, and the Bay Area's unique strengths in AI and venture capital. President Gilman echoed that enthusiasm, highlighting West Coast port solidarity and the importance of bringing the fishing community along as the initiative matures.

Taken together, the Port Commission's message was to move quickly, think ambitiously, and leverage San Francisco's unique position at the intersection of the waterfront and the innovation economy.

NEXT STEPS & STRATEGIC LEASING INCENTIVES

Port staff will initiate Phase 1 of the Blue Economy Initiative by establishing an interdivisional working group to coordinate implementation across relevant Port divisions. Led by the Executive Division, the program management team will include representatives from Real Estate, Maritime, Waterfront Resilience, and Planning divisions, ensuring that prospective blue economy tenants receive coordinated support from initial inquiry and site identification through lease execution, permitting navigation, and stakeholder connection.

To accelerate the attraction of blue economy companies to the waterfront, Port staff recommend a three-tier leasing incentive program designed to lower upfront barriers most commonly cited by early-stage firms. Tier 1 offers qualifying tenants a space incentive of up to 25% off applicable lease or license rates, capped at $25,000 per transaction. Tier 2 extends a combined space and water incentive of up to 50% off applicable rates for tenants requiring Bay access for testing or operations, capped at $50,000 per transaction. Tier 3 provides tenant improvement support equal to the lesser of the tenant's Tier 1 or Tier 2 incentive amount or 50% of total improvement costs, and may be combined with either preceding tier. All incentives are funded from the $250,000 in Blue Economy capital budget funding included in the Port's FY 2026–27 budget, with delegated authority granted to the Acting Executive Director to offer and execute transactions up to that aggregate cap.

To keep the Port Commission updated, staff will provide status reports six months and one year after the resolution is adopted. These reports will cover completed transactions, total incentives given, sectors involved, and any suggested changes to the program or incentives. If the total incentive cap is reached, staff will return to the Port

Commission to share progress and suggest new or updated incentives based on what has happened so far.

Staff looks forward to working with the Port Commission on the evolution of this program as the Port builds a thriving blue economy ecosystem on the San Francisco waterfront.

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For:
Michael Martin, Acting Executive Director

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 26-38

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and

WHEREAS, The Port defines the Blue Economy as the sustainable use of Bay and coastal resources to deliver economic, environmental, and community benefits for Bay Area residents, and has identified an opportunity to cultivate a “Blue Economy Initiative” by leveraging Port waterfront assets and its position at the nexus of a globally recognized innovation ecosystem; and

WHEREAS, The Port’s primary goal of the Blue Economy Initiative (the “Initiative”) is to identify early-stage, under-capitalized blue economy companies and to leverage the Port’s assets, including waterfront land, Bay access, maritime infrastructure, and regulatory expertise, to support these companies in developing, demonstrating, and scaling their technologies and business models; and

WHEREAS, The Port intends the Initiative to generate meaningful results across four areas: environmental benefits through improved ocean health, climate resilience, and sustainable maritime practices; economic gains for the businesses themselves as they expand and create jobs; and

WHEREAS, The Port developed a Blue Economy Initiative Roadmap (the “Roadmap”), prepared by Momentum and GHD in partnership with Port staff and presented to this Port Commission at its June 9, 2026 informational hearing, which assessed the regional market, peer programs, Port assets, and set forth a phased implementation strategy; and

WHEREAS, The Roadmap identifies seven interconnected areas of focus for the Blue Economy Initiative: (1) Sustainable Seafood Ecosystem; (2) Ecotourism; (3) Clean Energy; (4) Bay Health; (5) Workforce Development; (6) Digital Transformation; and (7) Partnerships and Innovation; and

WHEREAS, The Port’s waterfront assets, including deployable shoreline sites, water access, deep-water berths, maritime industrial facilities, and public-facing spaces, can create a unique portfolio of test environments that can support blue economy enterprises at multiple stages of development, from proof-of-concept to longer-term tenancy; and

WHEREAS, The Port has an established track record of advancing maritime sustainability and innovation, including becoming the first California port to provide cruise ship shorepower in 2010, partnering in the development of the Sea Change, the world's first commercial hydrogen fuel cell ferry, pioneering the transition of the regional ferry fleet to renewable diesel, launching a Living Seawall pilot in partnership with the Smithsonian Environmental Research Center, and developing the Waterfront Resilience Program to protect San Francisco's bayside shoreline from sea level rise and seismic risk; and

WHEREAS, Peer programs at the Port of San Diego, Maritime Blue in Seattle, and AltaSea at the Port of Los Angeles demonstrate that port-based blue economy initiatives can attract significant outside investment, support startups at various stages of maturity, and generate meaningful economic, environmental, and workforce benefits when implemented; and

WHEREAS, The Roadmap recommends a phased approach beginning in 2026–27 with Port Commission support, establishment of interdivisional program management, adoption of leasing incentives, and deployment of an initial three transactions or more by the end of 2027, before expanding the ecosystem and ultimately pursuing a dedicated facility; and

WHEREAS, Upfront capital costs and regulatory complexity are frequently cited barriers for early-stage blue economy companies seeking waterfront space, and targeted leasing incentives can lower those barriers while generating market intelligence to inform the Initiative's future development; and

WHEREAS, Port staff has developed a three-tier leasing incentive program, together with an overall cap and delegated authority structure, designed to encourage new blue economy tenants to locate on Port property and to jump-start a blue economy ecosystem on the waterfront while preserving Port Commission oversight; and

WHEREAS, The Port Commission finds that endorsing the Blue Economy Initiative and adopting a leasing incentive program are in the best interests of the Port and the people of the City and County of San Francisco; now, therefore be it

RESOLVED, That the Port Commission hereby endorses and adopts the Blue Economy Initiative as described in the Blue Economy Initiative Roadmap presented at the Port Commission's June 9, 2026 hearing, and directs Port staff to implement the Initiative consistent with the phased approach set forth therein, with a focus on the seven identified priority areas of sustainable seafood, ecotourism, clean energy, bay health, workforce development, digital innovation, and partnerships; and be it further

RESOLVED, That the Port Commission hereby authorizes and adopts the Blue Economy Leasing Incentive Program (the “Program”) as follows:

Tier 1 — Space Incentive. Any entity meeting the Blue Economy Roadmap criteria seeking a new Lease or License or other agreement on Port property may receive a discount of up to 25% off applicable new Lease or License or other agreement. The aggregate discount under any single Tier 1 transaction shall not exceed $25,000,

Tier 2 — Space and Water Incentive. Any party meeting the Blue Economy Roadmap criteria that also requires access to the Bay for testing, operations, or other program-related purposes may receive a combined discount of up to 50% off applicable Lease or License or other agreement rates for land and water space. The aggregate discount under any single Tier 2 transaction (combining land and water components) shall not exceed $50,000. A tenant receiving a Tier 2 incentive is not eligible to also receive a Tier 1 incentive; the tiers are separate and not additive,

Tier 3 — Tenant Improvement Incentive. In recognition that upfront capital is a primary barrier for early-stage enterprises, any tenant meeting Blue Economy Roadmap criteria and entering into a Lease or License of at least one year in duration may receive Port-funded tenant improvement support in an amount equal to the lesser of: (a) the amount of the tenant’s Tier 1 or Tier 2 incentive, as applicable; or (b) 50% of the total tenant improvement cost, the Tier 3 incentive may be combined with either Tier 1 or Tier 2,

Funding for this incentive is sourced from the $250,000 of Blue Economy capital budget funding included in the Port’s FY 2026–27 and FY 2027–28 budgets; and be it further

RESOLVED, That the Port’s Acting Executive Director or his designee is hereby granted delegated authority to offer and execute Blue Economy leasing incentives under the Program up to an aggregate total of $250,000 in cumulative Tier 1 and Tier 2 discounted rent across all transactions; upon reaching or approaching that aggregate cap, staff shall return to the Port Commission to report on the Program’s progress and propose additional or revised incentives based on analysis of leasing activity to date; and be it further

RESOLVED, That the Acting Executive Director or his designee is authorized to establish an intake and review process for Blue Economy leasing incentive candidates; and be it further

RESOLVED, That Port staff shall provide the Port Commission with a status report on the Blue Economy Initiative and the Leasing Incentive Program six months and again at one year following adoption of this Resolution; and be it further

RESOLVED, That the Port Commission finds that this Resolution is consistent with the Port's public trust obligations, the Burton Act, the Port's Strategic Plan, and the City and County of San Francisco's Climate Action Plan and directs staff to take all further actions necessary to implement this Resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting on July 14, 2026.

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Secretary