

MEMORANDUM

November 23, 2010

TO: MEMBERS, PORT COMMISSION
Hon. Rodney Fong, President
Hon. Kimberly Brandon, Vice President
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Resolution approving the Host City and Venue Agreement among the City, the America's Cup Event Authority and the San Francisco America's Cup Organizing Committee for the 34th America's Cup, authorizing and urging the Mayor or his designee and the Port to execute the Host City and Venue Agreement; and authorizing the Executive Director of the Port and such other City officials as appropriate to take such steps and execute such additional agreements as are consistent with the Host City and Venue Agreement to bring the 34th America's Cup to the San Francisco Bay

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

SUMMARY

Port staff is requesting approval of a Host City and Venue Agreement (the "HCA") – a binding agreement setting out the parameters under which the City through the Port Commission agrees to host the 34th America's Cup race (together with related activities, the "Event") scheduled for September 2013. The HCA contemplates an Event held primarily on the Port's Central Waterfront with Pier 28, Piers 30-32, Seawall Lot ("SWL"), 330, Pier 48 and Pier 50 as the primary venues of the Event (Exhibit A shows the location of proposed Event venues). The HCA would result in costs of \$43 million to the Port excluding dredging costs with the Port awarding (a) long term, zero rent leases for Piers 30-32 and Pier 50 and (b) the lease or sale of SWL 330, both in consideration for \$150 million in investment by the America's Cup Event Authority (the "Authority") in Piers 30-32 and Pier 50, with breakwaters at each location (the "Authority Infrastructure Works"). The HCA is subject to fiscal feasibility review and approval by the Board of Supervisors (the HCA is attached as Exhibit B).

The Authority and City staff also agreed to request fiscal feasibility approval from the Board of Supervisors of a second option, involving the use of Piers 19-29 as venues in lieu of Pier 48 and Pier 50 (the "Northern Waterfront Alternative"), and to analyze this option as

This Print Covers Calendar Item No. 5A

an alternative pursuant to the California Environmental Quality Act ("CEQA"). In response to a request from the Board of Supervisors, Port staff, in consultation with the City Office of Economic and Workforce Development (the "OEWD"), has developed commercially reasonable terms of an HCA to support this analysis (the "Northern Waterfront HCA" attached as Exhibit C). While Authority representatives conducted initial due diligence on the Northern Waterfront Alternative, they did not have time to complete this analysis prior to deadlines set for the City to submit its bid to host the Event.

The Northern Waterfront HCA would result in costs of \$15.8 million to the Port with the Port awarding long term leases for Piers 30-32 and SWL 330 on commercially reasonable terms plus rent credits in consideration for \$55 million in investment by the Authority in Port property.

Port staff supports the City's bid to host the 34th America's Cup in San Francisco at Port venues and recommends Port Commission approval to forward both the HCA and the Northern Waterfront HCA to the Board of Supervisors for its consideration.

BACKGROUND

In February of 2010, in Valencia Spain, BMW Oracle Racing, sailing for the Golden Gate Yacht Club (together, the "Team"), won the 33rd America's Cup. As the Defender of the America's Cup, they have the right and duty to organize the 34th America's Cup. The Team has worked with City staff to develop parameters for San Francisco to bid for and, if selected, host the 34th America's Cup. The Team has formed the America's Cup Event Authority, LLC (the "Authority") to oversee the Event in accordance with the Protocol for the 34th America's Cup, after the Team finalizes the location for the Event.

The Team has solicited bids from San Francisco and an undisclosed Italian port to host the Event. Team representatives have negotiated the terms of the City's bid with City staff over the past four months.

Exhibit C of the HCA describes the proposed locations of the various functions associated with hosting the 34th America's Cup. The primary sites proposed for the event derive from an assessment by the Team of the proposed race course, team facility requirements, and areas that enable the public to readily view and enjoy race events and festivities. Other piers and Port properties would house support functions. The period of use of these facilities for the 34th America's Cup Event would vary according to each function from a minimum of 6 months to a maximum of 3 years.

On October 5, 2010 the San Francisco Board of Supervisors approved Resolution 465-10 endorsing a non-binding Term Sheet outlining the City's and Team's commitments regarding a potential San Francisco based Event. Since that time City staff has negotiated the HCA that comprises the City's bid for hosting the Event and conforms to the major terms of the Term Sheet. On November 9, 2010 the HCA was introduced at the Board of Supervisors for analysis by the Budget Analyst and consideration by the Supervisors. The HCA contemplates an Event to be held primarily on the Port's Central Waterfront with Pier 28, Piers 30-32, SWL 330, Pier 48, and Pier 50 as the primary venues of the Event. The San Francisco America's Cup Organizing Committee, a recently formed nonprofits

corporation, also would be a party to the HCA and would have the obligation of raising \$32 million to assist the City and the Port in paying for certain of the costs of the Event.

In conjunction with introduction of the HCA on November 9, 2010, a letter from the Golden Gate Yacht Club was submitted indicating the Team's willingness to consider the option of conducting the Event on the Port's Northern Waterfront (the "Northern Waterfront Alternative"). In response to this letter, and a request from Supervisor David Chiu, Port staff has developed terms of a Northern Waterfront HCA which substitutes Piers 19-29 as the primary event viewing location and removes Piers 48 and 50 as sites to host the event and provides for the Authority to receive long-term development rights on Piers 30-32 and SWL 330 on commercially reasonable terms.

Unlike the HCA, the Northern Waterfront HCA has not been reviewed or approved by the Team.

HOST CITY AGREEMENT

Unless revised to mitigate environmental impacts of the Event and subject to completion of environmental analysis under the California Environmental Quality Act (CEQA), the HCA will govern the respective rights and obligations of the Authority, the City and the America's Cup Organizing Committee if the 34th America's Cup Event is held in San Francisco. It identifies a use program, financial terms and many operational details of the Event. The highlights of the agreement, focusing on the affects of the HCA on Port property, are summarized below.

Use Program

The HCA envisions an Event held on the Port's Central Waterfront using facilities there to host the public and support venues of the Event with the Authority leasing Pier 28, Piers 30-32, SWL 330, Pier 48, and Pier 50 as the primary venues of the Event. Piers 30-32 would be the primary event viewing venue for the public, Pier 28 would be used for team hospitality and parking venues, SWL 330 for the media center and parking, and Pier 48 for offices and storage for the Authority and affiliates. Pier 50 would be made available to the racing teams as their industrial bases – where they would store their racing yachts, equipment and work on their boats. The water area between Piers 30-32 and 38 is designated for water-side viewing.

The Port would also make available portions of Pier 80 for use in America's Cup World Series Pre-regattas (in 2011 and/or 2012), to berth *USA 17* for public viewing (the BMW/Oracle yacht that won the 33rd America's Cup), operation of temporary heliport, race operations during the event and temporary facilities during the construction of venues at other locations.

The HCA also identifies facilities that will be made available for shorter periods coinciding with stages of the Event. During those periods, the Port will make available the Brannan Street Wharf, and on-shore and on-the-water spectator areas along the Port waterfront. Portions of SWL 337 (or surrounding areas) also will be licensed (at the Authority's election), as will exclusive use of Pier 38 (or like facility), the water area between Pier 32 and Pier 38 (or the water area between Pier 14 and Pier 22½)], Pier 40 and Pier 54.

Portions of Pier 80 will be leased as early as September 2011. Spectator vessels including super yachts would berth in the water basin between Piers 30-32 and Pier 38 or alternate between Piers 14 and 22½.

Table 1 below summarizes the proposed locations and uses:

Table 1: HCA Venue Locations and Uses

Location	Event Use
Pier 28	Team & Sponsor hospitality
Piers 30-32	Race viewing platform
Brannan Street Wharf	Race viewing
Pier 38 (or similar pier)	Super yacht center
Piers 32 – 38 water area	Super yacht mooring
SWL 330	Media center
Pier 40	TBD
Pier 48	Team offices & storage
Pier 50	Team industrial bases
Pier 54	TBD
SWL 337	TV compound
Pier 80	Berthing of <i>USA 17</i> Temporary heliport Temporary facilities during construction Staging of Pre-regattas

Infrastructure Obligations

As part of the HCA, both the City and the Authority have infrastructure obligations to perform. The City’s obligations on Port property include the completion of the Brannan Street Wharf (including the demolition and removal of Pier 36) and the dredging of the Bay floor in the water basin between Piers 30-32 and Pier 38 to a depth of five meters (approximately 16 feet) to accommodate super yachts. Alternately, if the parties agree, the City can dredge the water basin between Pier 14 and Pier 22½. Additionally, the City has the obligation to remove Sheds A, B, C, and D from Pier 50 as soon as possible following certification of an Environmental Impact Report.

The Brannan Street Wharf is a fully funded project previously approved by the Port Commission and in the final stages of environmental review. Port staff estimates the cost of removing the Pier 50 sheds at approximately \$8,645,000. The Port Maintenance Division occupies Pier 50 Shed D and approximately 150,000 square feet of improved land surrounding the shed. Port staff estimates the cost of vacating Shed D and moving the Maintenance Division to another location at approximately \$16 million.

Port staff estimates the cost of dredging the Piers 30-32 – Pier 38 water basin at approximately \$16 million. Dredging to this depth in this area also adds \$3.8 million to the

costs of removing Pier 36 because it necessitates the removal of a large concrete caisson that supports the pier. But for the proposed dredging to accommodate the Event, this caisson would be left in place below the mudline.

The Authority has the obligation to complete, at its own cost, pile replacement, substructure strengthening and deck repair at Piers 30-32 and Pier 50. The Authority is responsible for constructing Event related infrastructure such as breakwaters and repairing other Port facilities to be used in the Event. Consultants to the Authority estimate the cost of Piers 30-32 and Pier 50 repairs at \$105.5 million and breakwater construction at \$36.4 million, totaling \$141.9 million. In the HCA, the City estimates that the Authority will expend \$150 million (or more) in hard and soft costs on Port assets, with a provision to “true up” these investments at the 60% design stage, subject to independent Port verification. If, at “true up” actual investments are estimated to be less than \$150 million, then the long development rights and/or the financial terms of the subject agreements will be reduced accordingly. It should be noted that this investment does not include any “vertical” building improvements used for the Event on these site. All vertical development costs are the responsibility of the Authority.

Financial Terms

Under the HCA, the Authority will have the rights to lease all short and long term venues described above at no cost. The Authority has the rights to lease long term venues (Piers 30-32, SWL 330, Pier 28, Pier 48 and Pier 50) for the duration of the run-up to the Event (following certification of an environmental impact report, currently projected to occur by the beginning of 2013) until six months after the Event concludes. The Port is required to deliver the facilities free of tenants. The leases on these venues may be extended for future America’s Cup events at the immediate option of the Authority. During the Event, the Port will make available the Brannan Street Wharf and the on-shore and on-the-water spectator areas for the Authority’s exclusive use. Piers 30-32, SWL 330 and Pier 50 will be subject to long-term leases and development rights discussed below, regardless of whether the Team wins the 34th America’s Cup or the Authority elects to host future America’s Cup races in San Francisco.

Long Term Development Rights

To enable the Authority to recover the \$150 million it is obligated to invest in Port infrastructure at Piers 30-32, Pier 50 and the breakwaters, the City would enter into disposition and development agreements (DDAs) under which it would award the Authority long term development rights to SWL 330, Piers 30-32 and Pier 50. Long-term development is proposed on Piers 30-32 and SWL 330 after all Event and subsequent Defense races, if any, have concluded, and the Authority has completed environmental analysis of its proposed development.

Piers 30-32 and SWL 330 are designated in the Port’s Waterfront Land Use Plan as a maritime mixed use development opportunity area. Based on current Port policy and site requirements, Piers 30-32 and SWL 330 are viable for the America’s Cup races and related activities, and for subsequent long-term development. Pier 50 is a more challenging development site because it is reserved for maritime activities under the Port’s Waterfront Land Use Plan, it has not been the subject of public, long-range planning

efforts, and it is subject to the San Francisco Bay Conservation and Development Commission's ("BCDC") 50% fill rule (see permitting discussion below).

The long term development rights take the form of 66 year leases at Piers 30-32 and Pier 50 and the 75 year lease or transfer of title of SWL 330 to the Authority. Under Senate Bill 815 (2007), SWL 330 is free of public trust land use restrictions until 2094. The HCA would obligate the City to use best efforts to permanently lift the public trust designation from SWL 330 and subsequently transfer title of SWL 330 from the City to the Authority. The leases and transfer will be free of all rent, and free of all financial participation in profits earned from economic activity at these sites, including subsequent sales or transfers of the leaseholds or title. The City would relinquish its rights to negotiate the uses of these sites pursuant to proprietary lease terms (but would retain its zoning authority). Under the HCA, long-term uses must be consistent with the public trust, as determined by either the California State Lands Commission or the California Legislature. Additionally the HCA allocates the tax increment bonding capacity of these sites to the Authority, obligating the Port to issue long-term Infrastructure Financing District ("IFD") bonds leveraged against the Port's properties at Piers 30-32 and Pier 50 and the transferred property at SWL 330 and delivering all net bond proceeds thereof to the Authority or its successor. Repayment of such IFD bond proceeds would be made from taxes levied on the Authority's development and use of Piers 30-32 and Pier 50 and SWL 330 and paid by real property and possessory interest taxes generated at these sites. The Port would retain IFD collections attributable to the bonds' debt service coverage for its own use.

FISCAL ANALYSIS OF PORT-RELATED CITY OBLIGATIONS

Revenue Loss

The HCA allows the Authority rent free use of a number of Port facilities. Using the current rent rolls and the timeframes specified in the HCA, Port staff's best estimate of rent loss during the period of the Event is \$13,284,934 (shown on Table 2 below). Displacing maritime tenants at Pier 50 and the disruption of break bulk cargo activities at Pier 80 will lead to the loss of berthage and dockage fees from the Port's maritime operations; Port staff estimates the maritime revenue loss at \$699,329. Based on the long term development rights for SWL 330, Piers 30-32, and Pier 50 the expected permanent Port rent loss is anticipated at \$3,140,350 annually.

As discussed further below, to protect the Port's balance sheet and credit rating, Port staff has proposed a binding agreement between the Port and the Controller to provide payment in lieu of this lost rent, net of any increases to Port revenues attributable to the Event. The resolution pending at the Board of Supervisors approving the HCA contemplates such an agreement.

The Port is obligated to deliver these venues free of the existing 46 tenants. In order to deliver these venues, the Port will need to embark on a process of relocating tenants, paying unamortized tenant improvements performed by tenants, evicting tenants and paying any necessary litigation and settlement costs. Currently only one tenant – Westar Marine Services – has a lease that would require tenant relocation payments, estimated at \$275,000. The Port is likely to have to expend \$1.5 million for negotiated relocations

and/or settlements/evictions with other Port tenants. Payment for previously approved but unamortized tenant improvements are estimated at \$500,000.

Table 2: Port Rent Impacts from HCA Venue Leases

Facility	# of Tenants	Annual Rent	Venue Lease Term under HCA	Total Event Rent Loss
Pier 28	13	\$414,958	December 31, 2012 - June 30, 2013	\$ 414,958
Pier 48	5	\$1,724,463	December 31, 2011 - June 30, 2013	\$3,448,927
Piers 30-32	1	\$802,104	December 31, 2011 - June 30, 2013	\$2,406,312
SWL 330	1	\$559,512	December 31, 2011 - June 30, 2013	\$1,678,536
Pier 50	26	\$1,778,734	December 31, 2011 - May 31, 2013	\$5,336,202
Total	46	\$5,279,771		\$13,284,935

Notes: Based on the current Port rent roll. Total Event rent loss based on timing of the venue leases from HCA Exhibit C including assumption that Port leases would terminate three months before commencing the Venue Lease and Port could re-lease the facility three months after the Venue Lease term ends, except for parking leases.

Port Bonding Capacity

While the annual revenue loss during the Event is estimated at \$5.3 million, several of the properties listed in Table 1 will be returned to the Port following the Event for rental by the Port. Piers 30-32, Pier 50 and SWL 330 will be retained by the Authority (as discussed above) resulting in a permanent rent loss to the Port of approximately \$3,140,350 per year. This \$3.1 million in annual permanent rent loss amounts to approximately 40% of the future annual Port operating surplus. The Port's FY 2010-2011 Capital Plan designates this ongoing annual surplus to pay debt service on future Port revenue bond issuances currently contemplated for issuance in FY 2011-2012. This permanent rent loss would likely reduce the Port's ability to issue approximately \$43 million in future revenue bonds for Port capital projects.

Delivery of Infrastructure Works

The Port-related infrastructure obligations under the HCA will require significant efforts and expenditures by the City. The preparation of Pier 50 as an Event venue includes clearing all tenants, relocation of the Port Maintenance Division and demolition of Sheds A, B, C and D. These efforts will need to begin immediately following certification of an Environmental Impact Report to accomplish these tasks on the time line of the Event. The Port's costs to deliver such infrastructure obligations are estimated at \$25.8 million including \$811,850 of financing costs.

As discussed below, the resolution approving the HCA before the Board of Supervisors contemplates the use of Certificates of Participation or other City financing (rather than Port revenue bond debt) to finance these costs.

Other Port Costs

As outlined above, the Port will undertake a number of tasks for the City to host the Event. These activities include permitting, tenant relocation, and capital/infrastructure projects. Currently Port staff time related to these activities is estimated at \$606,372. As shown on Table 3, the anticipated total of all costs outlined above to fund the Port-related City obligations in the HCA is approximately \$43 million.

Table 3: Summary of Port-Related City Costs

Capital		
Pier 50 Readiness		
	<i>Maintenance facility move</i>	\$15,953,905
	<i>Space planning consultant</i>	\$125,000
	<i>Shed demolition (A-D)</i>	\$8,645,650
	<i>Tenant relocation - Westar</i>	\$275,000
	Subtotal – capital	\$24,999,555
Other Costs		
Tenant Relocation, Claims and Settlements		\$1,500,000
Unamortized Tenant Improvements		\$500,000
Loss of Maritime Revenue		\$699,329
Loss of Venue Rents		\$13,909,710
COP Financing Costs		\$811,850
Staffing		\$606,372
	Subtotal – other	\$18,027,261
Total		\$43,026,816

Note: Excluding all dredging costs as discussed below. Venue rent loss includes use of short term venues.

Valuation of Development Rights

The Port commissioned a study from real estate economics consultant BAE Urban Economics (BAE) to assess the value of long term development rights proposed in the HCA. BAE analyzed the value of long term rights on three sites (Piers 30-32, SWL 330, and Pier 50) and generated scenarios for the value of these sites by examining the sites' current revenue potential to the Port, as-is usage of the sites after the event and long term development of each site to its highest and best use. In order to assess the value of the long term development rights proposed in the HCA, Port staff generated a “most likely” development option based on BAE’s analysis of value. This “most likely” development scenario is simply a guess by Port staff as to how the sites would be used in the near and long terms. It does not represent any vision by the Authority or negotiation of uses with the Authority. As described above, the Authority, in its sole discretion, would determine the proposed uses of the long term development sites, subject to a public trust consistency determination by the California State Lands Commission or the California Legislature.

The Port staff’s “most likely” scenario (as contemplated by the rights enumerated in the HCA) includes sale of SWL 330 in 2014, 10-year interim leasing of Piers 30-32 for parking and improved development pads, and industrial sheds and land uses at Pier 50 (as allowed in Section 7.1(b) of the HCA). After 10 years, Port staff estimate that Piers 30-32 and Pier 50 would become sites for long term development. This 10-year horizon allows for subsequent America’s Cup events to be hosted in San Francisco. Based on BAE’s assessment of highest and best use, Port staff estimate that Piers 30-32 would be developed as a mixed use site with office, retail and passenger cruise terminal uses. Port

staff estimates that Pier 50 would be developed into a trust-consistent hotel resort facility. BAE noted that this use is contingent on the repeal of portions of the City's Proposition H (1990) to allow creation of hotel uses on a specific pier such as Pier 50. Long term development will allow the Authority to capture IFD bonding capacity, a further economic benefit to the Authority under the HCA.¹

Based on Port staff's "most likely" development scenario, it is expected that the long term development rights would generate \$33 million in proceeds from the sale of SWL 330 and annual lease payments ranging from \$4.5 to \$6.9 million. Upon completion of long term development, IFD bonds estimated at \$33.8 million could be issued bringing the total value of these sites to the Authority of \$126 million net present value. Measured against the \$150 million in investment in Port facilities, the Authority would realize a negative \$30 million net present value (based on a 7 percent discount rate) – equivalent to a 5% return on the Authority's investment in Port infrastructure.

ECONOMIC IMPACTS

Hosting the Event in San Francisco would generate significant public benefits for the City, generating an enormous number of jobs and economic activity in a very short period of time. In order to understand the potential economic impact, the City commissioned a detailed analysis of the potential economic benefits of hosting the Event in San Francisco². The Economic Impact report estimated that the Event would attract approximately 3 million local visitor days and over 600,000 visitor days from outside the region. The Event is expected to generate the equivalent of 8,840 jobs and more than \$1.4 billion of new economic activity for the region. The Event is expected to generate nearly \$85 million in local and state taxes and more than \$24 million to the City's General Fund.

Port staff analyzed the Event's potential effects on Port revenues. The Economic Impact report forecasts an increase in visitor serving industries equivalent to a 5% annual increase in revenues. Assuming that Port visitor serving revenues would increase 5 to 10 percent (assuming that tourist venues along the Port including Fisherman's Wharf would disproportionately draw a greater volume of visitors than the City as a whole), the Port's percentage rents in tourist related businesses including maritime excursions, restaurants and parking, would increase \$850,000 to \$1.5 million. It should be noted that the Port's variable tourist revenues accrue disproportionately on the Northern Waterfront. The HCA contemplates an Event in the Central Waterfront; however, an Event launched from the Northern Waterfront would most likely increase this estimate of ancillary revenue to the Port.

Revenues at other Port maritime tenants will likely increase as well. Port tenants such as the Bar Pilots, Bay and Delta tractor tugs, and Westar Marine Services will likely benefit

¹ Port staff judges that after a period of interim leasing, the Authority will exercise its long term development rights. Though the "as-is" scenario shows higher annual rent, the tax increment bonding capacity, available only after development, makes this blended scenario the highest value scenario.

² A detailed analysis of the potential economic benefits of hosting the Event in San Francisco, "*America's Cup: Economic Impacts of a Match on San Francisco Bay*" was completed jointly by the Bay Area Council Economic Institute and Beacon Economics and issued in September 2010.

from increased ship traffic on the Bay. For example, the Team anticipates as many as 70 large yachts could visit the San Francisco Bay to follow the Event. Such yachts may require the services from the Port's tug boat fleet during daily berthing operations on racing days. Certain of the yachts (and other vessels attracted or required by the Event), might require the San Francisco Bar Pilots to assist them into and out of the Bay. The Port's tenants offering yacht and boating services such as the St. Francis Boatyard and the BAE systems ship repair facility will likely benefit from the needs of an increased volume of small boaters and the larger yachts sailing in the Bay. Likewise, the dredging required to moor the various Event vessels will employ many of the dredging companies throughout the Bay. Port staff also anticipates increased demand for marina services at the Recreation and Park department's San Francisco Marina, the Redevelopment Agency's Pier 40 Marina, Pier 39's Marina, the St. Francis Yacht Club, the Golden Gate Yacht Club, the Bayview Boat Club, the Mariposa Boat Club and the Port's Hyde Street Harbor. Likewise, Port staff anticipate a surge in excursion and water transportation services which will likely benefit the Port's sports fishermen, water taxi operator and ferry operators such as Red & White Fleet, Blue & Gold Fleet, Hornblower Yachts, Golden Gate Ferry, and Alameda Ferry. Port staff hopes that hosting the Event will attract additional passenger cruise itineraries resulting in ongoing benefits to the Port and the City.

Finally, the Event is expected to direct new cargo to the Port for import and export. Boats are usually transported to the race location by ocean-going cargo vessels, meaning possible new cargo for the Port's Pier 80 Omni terminal.

Though the Port does not collect participation rents from most maritime tenants, the increased demand for their services will help the overall health of maritime industries and the demand for Port properties. The Port will experience increased percentage rents (as discussed above) from excursion operators as well as Port restaurants, retail stores and parking lots.

NORTHERN WATERFRONT VENUE OPTION

Pier 50 in the Port's Central Waterfront is currently used for maritime uses. Pier 50 houses the Port's central maintenance facility with over 100 Port employees and 20 craft shops, and the home of Westar Marine, a harbor services business. Both uses were relocated from Pier 46 to Pier 50 to facilitate the development of the San Francisco Giant's ballpark. Use of Pier 50 for the Event would create a competing maritime situation that would require the costly relocation of these uses in a very short period of time.

The City and Port staff has proposed to the Authority an alternate scenario, the Northern Waterfront Alternative, which would shift the Event to the Port's Northern Waterfront with public venues from Piers 19 northward through Piers 29 (Event venues are shown on Table 4 below). The primary Port venues would be Pier 27, Piers 30-32, Pier 28, and SWL 330. Piers 19, 23 and 29 would be available to support the primary venues. Piers 30-32 would host the Team's industrial bases with support uses located at Pier 28 and SWL 330. The yacht mooring would likely shift from the Piers 32 - 38 water location to the Piers 14 - 22½ water location. Pier 48, Pier 50 and Pier 54 would no longer be included for use by the Authority for the Event. All Northern Waterfront leases (Piers 19, 23, 27 and 29) would

be for short duration – no more than 6 months of active use for most northern venues. The water basin between Piers 14 and 22½ could be either for short or long term use.

Table 4: Northern Waterfront Alternative Venues and Possible Uses

Location	Event Use
Pier 19	Team storage
Pier 23	Team offices & storage
Pier 27	Team & Sponsor hospitality and race viewing platform
Pier 29	Media center
Pier 28	Team & Sponsor hospitality
Piers 30-32	Team industrial bases
Brannan Street Wharf	Race yacht viewing
Piers 14-22½ & water area	Superyacht center & mooring
SWL 330	TV compound, parking
Pier 80	Berthing of USA 17 Temporary heliport Temporary facilities during construction Staging of Pre-regattas

Pier 27 currently is used by the Port as a secondary cruise terminal to receive cruise ships that cannot be accommodated at the Port’s main cruise terminal at Pier 35. Pier 27 has the longest berth (about one-quarter of a mile long) in the Port’s Northern Waterfront. Accordingly, the Port is planning to improve this facility as its primary cruise terminal, because it is increasingly difficult to serve today’s large cruise ships at Pier 35, which is deteriorating.

To accommodate this Northern Waterfront Alternative, the Port would accelerate the design and site preparation for the Pier 27 Cruise Terminal project. The Event would either use the site in advance of the construction of the cruise terminal or be the first user of the core and shell of a new cruise terminal building. During race events, Pier 27 could not be used to receive cruise ship calls.

The Port would provide Venue Leases at no cost to the Authority. However, both the Port and Authority’s infrastructure obligations would diminish as compared with the current HCA – neither the demolition of the Pier 50 sheds nor the relocation of the Port Maintenance Division would be required of the City. Neither the Pier 50 infrastructure investment nor the breakwater investment would be required of the Authority³. The Authority would be required to demolish portions of the Pier 27 shed and temporarily move shoreside power installations at Pier 27. The Authority would also be allowed to demolish portions of the

³ According to America’s Cup Race Management CEO and Regatta Director, the selection of AC72 catamaran yachts for the Match makes the construction of breakwaters unnecessary.

Pier 29 shed⁴ consistent with Secretary of the Interior's Standards for the Treatment of Historic Properties, if it chose to open the eastern portion of the Pier for viewing. The Port would be required to accelerate its Pier 27 Cruise Terminal and increase its short term funding of the project by \$6.5 million.

The Authority would still be required to invest approximately \$47 million in Piers 30-32 and \$7.5 million in Pier 27. In order to recover these investments the Authority would receive long term development rights at Piers 30-32 and SWL 330. However, to reflect the significantly lower investment in Port facilities, these rights would take the form of long term development leases⁵ on commercially reasonable financial terms with a rent credit reflecting the Authority's infrastructure investment (currently estimated at \$55 million). This structure, which largely reflects the terms of the Exploratorium development lease at Piers 15-17, offers the most flexibility to complete the needed improvements in the Northern Waterfront and allows the Authority to equitably recover its investments in Port facilities.

As shown on Table 5, the Northern Waterfront Alternative would reduce the Port's rent loss to \$6,711,685. Beyond lost rent, under this Northern Waterfront Alternative, the Port is likely to expend \$1.5 million for tenant relocations and settlements and to incur staff and finance related expenses. Based on the long term development rights for SWL 330 and Piers 30-32 the expected permanent Port rent loss is anticipated at \$1,395,606 annually. The overall cost estimate of Port-related City expenditures in this Northern Waterfront Alternative is \$15.8 million (shown on Table 6).

Table 5: Port Rent Loss – Northern Waterfront Alternative

Facility	# of Tenants	Annual Rent	Venue Lease Term under HCA	Total Event Rent Loss
Piers 30-32	1	\$802,104	2078 (66 years)	\$2,406,312
SWL 330	1	\$559,512	2087 (75 years)	\$1,678,536
Pier 28	16	\$414,958	December 31, 2012 - June 30, 2013	\$414,958
Piers 19-23	21	\$819,900	December 31, 2011 - August 31, 2012	\$1,024,875
Pier 27	5	\$1,134,538	January 1, 2013 - October 1, 2013	-
Pier 29	13	\$593,502	December 31, 2011 - June 30, 2013	\$1,187,004
Total	57	\$4,290,524		\$6,711,685

Notes: Based on the current Port rent roll. Total Event rent loss based on timing of the venue leases from HCA Exhibit C (based on moving similar use facilities to the Northern Waterfront) including assumption that Port leases would terminate three months before commencing the Venue Lease and Port could re-lease the facility three months after the Venue Lease term ends, except for parking leases.

⁴ The historic integrity of the portion of the Pier 29 shed that intersects with Pier 27 has been compromised and may be treated differently under the Standards for Treatment of Historic Properties.

⁵ The Authority and Port would still jointly explore transfer of SWL 330 if it reflects the best way to develop this site and maximizes the public trust values.

Table 6: Port-Related City Costs – Northern Waterfront Alternative

Item	Costs
Cruise Terminal Shortfall	\$6,500,000
Other Tenant Relocation Costs: Claims and Settlements	\$1,500,000
Loss of Venue Rents	\$6,711,685
Cost of Issuance	\$811,850
Staffing	\$290,072
Total	\$15,813,607

RECOVERY OF PORT COSTS

Without question, there are numerous benefits of hosting the Event in San Francisco and at certain of the Port’s facilities. The specific benefits and costs to the Port have been enumerated above. A significant portion of the benefits will accrue to private entities throughout the City that, in turn, will remit revenues to the City’s general fund.

Notwithstanding the foregoing, the terms of the HCA will require significant City capital investment and will result in substantial lost rent to the Port. In the estimation of Port staff, the Port cannot finance the proposed City capital improvements with Port revenue bonds, because the projects will not increase Port revenues. Likewise, due to its existing and planned debt issuances required for the Pier 27 Cruise Terminal and other approved capital projects, the Port cannot reasonably absorb \$16 million in lost rent over a 2 year period. The Port and OEWD staffs have discussed proposed solutions to address these issues. The proposed resolution approving the HCA states:

“(k) The City has identified potential financial impacts to the Port of hosting the 34th America’s Cup and a range of potential solutions, including using Charter Section B7.320 to offset race-related, net short-term rent reductions to the Port, financing the costs of Pier 50 site preparations and relocation of the Port’s maintenance facility with City certificates of participation, and City financing for waterfront improvements to offset reductions in the Port’s revenue bond capacity, subject to the review and approval of the Capital Planning Committee, the Mayor and the San Francisco Board of Supervisors, as applicable; and”

Charter Section B7.320 states:

(a) The Mayor may submit to the Board of Supervisors for approval a memorandum of understanding or other form of interagency agreement between the Port Commission and another department or departments of the City and County, approved by the Port Commission by resolution, that requires the department(s) to expend funds or to transfer funds to the Port Commission, or requires the Port Commission to transfer funds to the department(s).

(b) If the Board of Supervisors approves the interagency agreement by resolution, the City and County shall appropriate funds sufficient to fund the

expenditure or transfer until such time as the agreement expires, or is terminated by the Port Commission and other departmental parties, subject to the approval of the Mayor and the Board of Supervisors by resolution.

Accordingly, Port staff will submit to the Mayor and the Controller a proposed Memorandum of Understanding (“MOU”) for their consideration providing that the City will make payments in-lieu of rent for the Venue sites, net of any increased rents realized by the Port as a result of the Event. Such a binding MOU will provide the necessary certainty to existing bondholders that the Port’s revenues will be stable.

Port staff has also met with the Controller and the Director of Public Finance to seek their recommendations as to the most practical means of financing City capital costs, including Pier 50 site preparation and moving the Port’s maintenance facility, associated with the HCA.

CALIFORNIA ENVIRONMENTAL QUALITY ACT AND PERMITTING

The HCA, while a binding agreement, contemplates that the Event, site preparation activities, and the venue leases will be subject to analysis pursuant to CEQA. The HCA acknowledges that the City may elect, in its sole discretion, a different alternative with lesser environmental impacts, or to pursue no project (i.e., not hold the Event). The HCA permits either the City or the Authority to terminate the HCA prior to entering the Venue Lease with no penalty to either party.

Under the terms of the HCA, CEQA costs for analyzing the Event will be borne by the City. These costs are expected to be reimbursed by the America’s Cup Organizing Committee from private fundraising. OEWD will lead the City’s CEQA effort, with technical support from City Planning, Port staff and consultants.

Pursuant to the HCA, CEQA must be completed no later than twelve months after the Authority has provided the City with sufficient information to prepare the “project” description required for CEQA review. This is an extremely aggressive schedule for a CEQA review of this complexity.

Since the Authority Infrastructure Works contemplated under the HCA involves construction of two breakwaters, as well as the potential use of federal property for race viewing, the project will likely require concurrent review under the National Environmental Policy Act (“NEPA”).

Due to the proposed in-Bay construction, numerous additional permits and reviews will be required from state and federal agencies including the U.S. Army Corps of Engineers, the National Oceanic and Atmospheric Agency, U.S. Fish and Wildlife Service, U.S. Environmental Protection Agency, the Bay Area Regional Water Quality Control Board, California Department of Fish and Game, and the San Francisco Bay Conservation and Development Commission. Consistent with the practice of the San Francisco Public Utilities Commission with its Water System Improvement Project, Port staff recommends

that the City facilitate this permitting with cooperative agreements with each of the subject agencies.

Port staff notes that CEQA/NEPA review and related permitting would be substantially simplified by limiting the review to one preferred option, instead of two. In particular, if they are not needed for race purposes, as represented to City staff by the America's Cup Race Management, eliminating the breakwaters from the project description would also substantially simplify the environmental analysis. City staff has conveyed these recommendations to the Team.

Under the HCA, the Authority is responsible for environmental review of long-term development at Piers 30-32, SWL 330, and Pier 50 before the Port will be obligated to enter those long-term agreements. Under CEQA review for each long-term development, the City may also elect, in its sole discretion, a different alternative with lesser environmental impacts, or to pursue no project.

Long-term development at Pier 50 is likely to be complicated by the application of the BCDC 50% fill rule and BCDC's water-dependent use restrictions that currently regulate the site. The 50% fill rule requires that future development of the site must set aside half of the site area for public open space or, alternatively, removal of half of the pier to create open water. The water-dependent use restrictions do not permit visitor-serving commercial uses that are otherwise permitted by the public trust. Changing these rules will require an amendment to the BCDC Bay Plan.

POLICY ANALYSIS OF HCA AND NORTHERN WATERFRONT ALTERNATIVE

As described above, City staff has spent 4 months negotiating the Term Sheet and HCA that form the basis of the City's bid to host the 34th America's Cup. While the decision of where to host the Event is in the sole discretion of the Team, indications are that if the City approves the HCA, San Francisco is likely to win its bid. The economic benefits of hosting the Event to local and regional businesses and workers will be substantial, and will help stimulate the region's recovery from the recent recession.

Fiscal analysis of the proposed HCA indicates that hosting the Event will require substantial public investment. The required public investment would be substantially lower in the draft HCA for the Northern Waterfront Alternative that staff has shared with, but has not been approved by, the Team. Port staff does not know whether the Northern Waterfront Alternative would be acceptable to the Team as a bid in lieu of terms in the HCA.

Port staff offers the following policy analysis to assist the Port Commission, the Board of Supervisors and the Mayor in their respective deliberations:

HCA - Pier 28, Piers 30-32, SWL 330, Pier 48, and Pier 50

Pros

- Transforms an entire segment of the City's Central Waterfront from Pier 28 to Pier 50;
- Requires \$150 million in private investment in Piers 30-32, Pier 50 and adjacent breakwaters;
- Focuses transportation and other race-related impacts in a single area of the waterfront, where existing residents historically welcome private development;
- Generates substantial tax increment financing that the Mayor and the Board of Supervisors may, in their sole discretion, dedicate to publicly-oriented waterfront improvements;
- Repurposes Pier 50 several decades before market forces would likely trigger relocation of existing Port uses;
- Provides a Space Plan that has been vetted and approved by the Team; and
- Brings new demand for services to all of the Port's maritime tenants.

Cons

- Requires substantial City investment, particularly at Pier 50, that will not yield direct financial benefits to the Port;
- Necessitates relocation of the Port's Pier 50 Maintenance Facility (including over 100 employees and 20 craft shops) and valued maritime tenants that carry out the Port's public trust mandate;
- Results in significant rent losses to the Port, which will likely need to be backfilled by the City;
- Incorporates breakwaters, which may not be needed for race-related purposes and are likely to complicate environmental review and permitting;
- Denies the City a role in negotiating uses of the subject long-term development sites on a proprietary basis;
- Proposes development at Pier 50 without the benefit of public planning and requires an uncertain BCDC Bay Plan Amendment to permit development of more than half of Pier 50; and

- Includes zero-rent lease terms that do not include standard Port provisions for participation rent and participation in subsequent sales and leasehold refinancings.

HCA – Northern Waterfront Alternative – Piers 19-29, Pier 28, Piers 30-32, SWL 330

Pros

- Locates race viewing activities closer to where races are most likely to be held (between the Golden Gate and Pier 27);
- Focuses visitor traffic in an area of the waterfront that has substantial existing retail and hospitality;
- Requires the relocation or eviction of fewer Port tenants and does not necessitate moving the Port's Maintenance Facility;
- Reduces rent losses to the Port that will likely have to be backfilled by the City;
- Requires only those City investments that the City was planning to undertake pursuant to its adopted Capital Plan (i.e., the Pier 27 Cruise Terminal) which will have a long-term benefit to the Port;
- Uses a portion of the Authority's required infrastructure investment to close the existing financing gap for the Pier 27 Cruise Terminal;
- Simplifies environmental review and approvals by eliminating the proposed breakwaters and the Pier 50 substructure work from the proposed plan;
- Brings new demand for services to all of the Port's maritime tenants.

Due to lower upfront investment by the Team:

- Includes commercially reasonable long term lease terms including a rent credit feature that are comparable to other Port development projects like the Exploratorium;
- Permits the City to negotiate uses of the subject sites and to remove the public trust from SWL 330 only in consideration for a substantial benefit to the trust; and
- Permits the use of tax increment bond proceeds by either the City or the Authority, at the discretion of the Mayor and the Board of Supervisors.

Cons

- Lowers the amount of private investment in the Central Waterfront by a factor of almost 3;

- Results in less tax increment that can be used to construct publicly-oriented improvements to the waterfront;
- Involves a Space Plan that has not been thoroughly vetted by the Team and has not been subject to significant public review for Event purposes;
- Requires aggressive shortening of the project timeline for the Pier 27 Cruise Terminal;
- Increases potential impacts to the Port's cruise business before and during the race; and
- Focuses traffic in an already congested area of the waterfront.

HCA DREDGING OBLIGATION

Under HCA Section 6.1, the City is obligated to perform dredging of the area between Pier 32 and Pier 38 or between Pier 14 and 22½, if the parties agree, to a depth of 5 meters. The Authority originally estimated the cost of this dredging at \$2 million.

Port staff completed its preliminary review of dredging costs under the HCA for these sites and estimates that:

1. Dredging the area from Piers 30-32 to Pier 38 to a depth of 5 meters will cost from \$14-18 million; or
2. Dredging the area between Pier 14 and 22½ to a depth of 5 meters will cost \$28-36 million.

There will be undetermined mitigation costs for either location. The area between Piers 14 and 22½ is approximately 1.75 times the area between Piers 32 and 38. Port maintenance staff reports that when the piers between Pier 14 and 22½ were removed, the supporting piles were removed (except for concrete piles that used to support the marginal wharf). However, there is more likely to be residual creosote in the sediment in the areas of the former piers. Thus any cost savings due to easier dredging are likely to be offset by more expensive dredge spoils disposal costs.

The next recommended step to refine these cost estimates is to perform a hydrographic survey of the subject areas.

Under the proposed HCA Section 6.1(b), dredging costs are a City responsibility. The need for this dredging is related to berthing super yachts, which is part of the business model for Event organizers and contributes to increased demand for the services of Port maritime tenants.

After consulting with City finance experts, Port staff does not see a practical City debt instrument to finance dredging costs on this order of magnitude. Neither the General Fund

nor the Harbor Fund seems like an appropriate source of funding for costs of this magnitude.

Port staff recommends shifting this dredging cost to the Authority under both the HCA and the Northern Waterfront Alternative HCA.

NEXT STEPS FOR HCA, BID & AWARD

After the Port Commission's consideration at its special meeting on November 30, 2010, the Board of Supervisor's Budget & Finance Committee is scheduled to consider the HCA at its regularly scheduled meeting on December 8, 2010. The full Board is scheduled to consider the HCA and make findings of Fiscal Feasibility and Responsibility under Chapter 29 of the Administrative Code at its regularly scheduled meeting on December 14, 2010. If the HCA is approved by the Port Commission and the Board of Supervisors and the accompanying City Resolution is signed by Mayor Gavin Newsom, the HCA will be submitted to the Team as the City's official bid. City staff expects a decision from the Team regarding the selection of a host city by December 31, 2010. If San Francisco is not selected, the HCA will terminate. If, after conducting CEQA, the parties do not negotiate mutually agreeable terms of Venue Leases, the HCA can be terminated by either party without liability, except for the City's obligation to indemnify the Authority for any claims by Port tenants.

If San Francisco is selected, Port staff will return to the Port Commission to report on staffing and contract needs required to execute the Port's role under the HCA.

The HCA and Northern Waterfront HCA set forth the basic elements of the Team's proposed venues and uses if the City is selected as the host city for the Event, and the economic parameters and other fundamental terms that will serve as the basis for negotiating detailed Venue Leases and DDAs that will provide the basis for the Legacy Leases and the Transfer Agreement, following further CEQA review of development on the properties subject to the DDAs, with the understanding that the Event will continue to evolve throughout the public review process. The HCA and Northern Waterfront HCA are subject to completion of environmental review of the Event, including a full range of appropriate alternatives and mitigation measures for the Event in its entirety under CEQA. The HCA and Northern Waterfront HCA may be subject to further changes in the course of public review of the Event during the extensive approval processes that will follow CEQA review and in response to other City, Port, and public concerns that may arise, and is limited to the uses currently proposed by the Team, and does not cover all potential uses for the Venues, which the Port may consider in the course of the approval processes. The HCA and Northern Waterfront HCA may be amended to reflect any subsequent proposal to change the uses, the mix of uses, the intensity of development, or other fundamental terms, subject to Port Commission review and additional CEQA review, if the changes have not already been analyzed. The HCA and Northern Waterfront HCA are not intended to be, and will not become, contractually binding until CEQA review is complete.

RECOMMENDATION

The 34th America's Cup offers an opportunity to create a one-of-a-kind maritime experience, even in a city that already hosts a diverse and colorful mix of maritime uses along the Port waterfront. If San Francisco is selected as the host city, the Event would provide an extraordinary public access opportunity along the Port's waterfront. The proposed race course would be a unique venue, providing viewing areas surrounding its entirety for the public to experience the excitement of the sail boats and the exhilaration of the various races, as well as appreciate the beauty of San Francisco Bay.

Port staff recommends shifting the dredging costs under Section 6.1 of the HCA to the Authority, and forwarding both the HCA and the Northern Waterfront HCA as amended to the Board of Supervisors for its consideration. Prior to Board action, City staff will further explore the Authority's willingness to enter into the Northern Waterfront HCA.

Prepared By:

Jonathan Stern, Asst. Deputy Director, Waterfront
Development Projects
Brad Benson, Special Projects Manager

Attachments:

Exhibit A: Venue Location Map

Exhibit B: Host City and Venue Agreement

Exhibit C: Northern Waterfront Host City and Venue Agreement

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

RESOLUTION NO. 10-73

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, In February 2010, BMW Oracle Racing, sailing for the Golden Gate Yacht Club (together, the "Team"), won the 33rd America's Cup in Valencia, Spain; and
- WHEREAS, The Team, as Defenders of the America's Cup, has the right and duty to organize the 34th America's Cup and related activities (the "34th America's Cup Event"), and has created an Event Authority for purposes of organizing the Event; and
- WHEREAS, Hosting the 34th America's Cup Event in San Francisco would generate significant public benefits for the Port and the City, including: (i) the repair, improvement and productive reuse of certain Port piers along the Port's Central Waterfront that are currently in a state of disrepair; (ii) the generation of significant new jobs and economic development in a very short period of time, including over 8,840 jobs and more than \$1.4 billion of new economic activity, as projected in an economic impact analysis jointly completed by the Bay Area Council Economic Institute and Beacon Economics in September 2010; and (iii) substantially increased public access to the waterfront, new opportunities for people to view and enjoy the San Francisco Bay and an extraordinary showcase for the Bay to the world; and
- WHEREAS, On October 5, 2010, by Resolution 465-10 (File No. 101254), the Board of Supervisors approved a Term Sheet that outlined the basis for the City, the America's Cup Organizing Committee (the "ACOC"), and the Event Authority to negotiate a Host City and Venue Agreement for the 34th America's Cup; and
- WHEREAS, Consistent with the Term Sheet, City staff has negotiated a Host City and Venue Agreement with the America's Cup Organizing Committee and the America's Cup Event Authority (the "Authority") and has presented the agreement to the Port Commission for approval; and a copy of the agreement is on file with the Port Commission Secretary and is hereby declared to be a part of this Resolution as if set forth fully herein (the "Host Agreement"); and
- WHEREAS, Under the Host Agreement, the Team and the Authority will continue to assess and analyze information to determine the final type and placement of facilities and infrastructure necessary to host the 34th America's Cup Event,

and will work collaboratively with the City to further refine the plans for the 34th America's Cup Event that do not materially increase the obligations or liabilities of the City or the Port and are necessary to accomplish the Event contemplated by the Host Agreement; and

WHEREAS, The Team and the Authority currently are evaluating Piers 19-29 in combination with Piers 30-32 as an alternative Event location that may be preferred by the City, as further described in a letter dated November 8, 2010 from Stephen Barclay on behalf of the America's Cup Event Authority and Golden Gate Yacht Club; and

WHEREAS, City staff has drafted a Host City and Venue Agreement as amended for the Northern Waterfront Alternative described in the accompanying staff memorandum dated November 23, 2010 and a copy of the draft agreement is on file with the Port Commission Secretary and is hereby declared to be a part of this Resolution as if set forth fully herein (the "Northern Waterfront HCA"); and

WHEREAS, Port staff has conducted substantial economic analysis of the impacts on the Port under both the Host Agreement and the Northern Waterfront HCA and has recommended that dredging costs under both alternatives be shifted to the Team should a host city agreement be approved; and

WHEREAS, The City will undertake environmental review under the California Environmental Quality Act ("CEQA") of the 34th America's Cup Event and facilities and will work with the Team as well as experts and the public to develop a thorough environmental analysis that will inform both the design and placement of the 34th America's Cup Event and facilities, and the City and the Team intend the 34th America's Cup Event and facilities to be models of green, sustainable technology and event planning; and

WHEREAS, The Venue Leases (and licenses) and the disposition and development agreements ("DDAs"), Legacy Leases and Transfer Agreement contemplated in the Host Agreement will be subject to later discretionary approvals by the Port Commission and the Board of Supervisors, following completion of environmental review of the Event under CEQA; and

WHEREAS, Under Section 1 of the Host Agreement, the Host Agreement will terminate if the City is not selected as host city for the 34th America's Cup Event except for the City's obligation to indemnify the Team against claims of the City's tenants; and under Section 2 of the Host Agreement, the Host Agreement will terminate without liability to any Party (except for the City's indemnification obligations) if the Parties otherwise are unable to reach agreement on a variety of contingencies, including if environmental review under CEQA would require unacceptable modifications to the Event or other terms of the Host Agreement; and

WHEREAS, In accordance with Chapter 29 of the Administrative Code (Findings of Fiscal Feasibility and Responsibility), the City will conduct a financial feasibility study at such time as the project components are better defined through the process contemplated by this Resolution; and

WHEREAS, That the Port Commission hereby supports the defense of the 34th America's Cup to be held in San Francisco; and, now therefore be it

RESOLVED, That the Port Commission, together with Mayor Gavin Newsom and with the support of the entire city family, will do everything possible to secure a San Francisco venue suitable for the hosting of the 34th America's Cup Event on the San Francisco Bay, and, be it further

RESOLVED, That the San Francisco Port Commission affirms its support for the City's efforts to bring the 34th America's Cup Event to San Francisco; and, be it further

RESOLVED, That the City will conduct environmental review of the 34th America's Cup Event under CEQA and nothing in this resolution implements any approvals or facilities for the 34th America's Cup Event, or grants any entitlements to the Event Authority, nor does adoption of this resolution foreclose the possibility of considering alternatives to the proposal, mitigation measures or deciding not to grant entitlement or approve or implement any actions to construct necessary amenities for the 34th America's Cup Event after conducting appropriate environmental review under CEQA, and while the Host Agreement and Northern Waterfront HCA identify many of the essential terms of a proposed transaction between the Event Authority and the City, it does not set forth all of the material terms and conditions of a project proposal; and, be it further

RESOLVED, That the Port Commission hereby authorizes staff to forward both the Host Agreement and Northern Waterfront HCA to the Board of Supervisors for consideration, with the recommendation that dredging costs under any agreement it approves assigns the costs of any required dredging for the Event to the Authority and authorizes the Executive Director, to enter into and perform the Port's obligations under either the Host Agreement or Northern Waterfront HCA, if approved by the Board of Supervisors; and, be it further

RESOLVED, That direction to Port staff to forward the HCA and Northern Waterfront HCA to the Board of Supervisors for consideration and authorization for the Port Executive Director to enter into the HCA or Northern Waterfront HCA, as approved by the Board of Supervisors, as set forth above, do not commit the Port Commission to approval of final Venue Leases or DDA, or implementation of the HCA or Northern Waterfront HCA, or grant any entitlements to the Team, nor does the HCA or Northern Waterfront HCA, if approved by the Board of Supervisors, foreclose the possibility of considering

alternatives to the HCA and Northern Waterfront HCA, mitigation measures, or deciding not to grant entitlements or approve or implement the HCA and Northern Waterfront HCA, after conducting appropriate environmental review under CEQA, and while the HCA and Northern Waterfront HCA identify certain essential terms of a proposed agreement with the Port, it does not necessarily set forth all of the material terms and conditions of any final Venue Leases or DDAs; and, be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the HCA or Northern Waterfront HCA, and the provisions of the HCA and Northern Waterfront HCA are not intended and will not become contractually binding on the Port unless and until the Port Commission has reviewed and considered environmental documentation prepared in compliance with CEQA for the Event and negotiated and approved final Venue Leases and DDAs; and, be it further

RESOLVED, That the Port Commission hereby authorizes and urges the Executive Director to take such steps and enter into any additions, amendments or other modifications to the Host Agreement or Northern Waterfront HCA as they, in consultation with the City Attorney, determine are in the best interests of the City, do not materially increase the obligations or liabilities of the City or the Port except those obligations or liabilities that are offset by a commensurate benefit to the City or the Port and are necessary or advisable to bring the 34th America's Cup to San Francisco Bay and effectuate the purpose and intent of this Resolution, and further ratifies such actions that the Executive Director may undertake within the scope of this authority before final adoption of this Resolution, except for the Venue Leases and the DDAs, Legacy Leases and Transfer Agreement contemplated in the Host Agreement and the Northern Waterfront HCA, which all will be subject to later discretionary approvals by the Port Commission and Board of Supervisors, as applicable, following applicable CEQA review.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of November 30, 2010.

Secretary