

Pier 70 Special Use District



Request Approval

Port Commission • September 26, 2017

Project Team

Port Team

- Commission + Staff •
- Century Urban • Berkson Associates • Jones Hall • Goodwin Associates • Public Financial Management • Stifel • Parsons

City Team

- City Attorney • OEWD • Planning • MTA • SFPUC • Public Works • Fire • MOHCD • Controller's Office

Community

- CWAG • Dogpatch Neighborhood Association

Forest City Team

State / Regional

- BCDC • State Lands Commission

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

Recent City Agency Actions



August 24, 2017

- Certified FEIR + adopted CEQA Findings
- Recommended Pier 70 SUD approval
- Approved D4D
- Recommended Development Agreement for BOS Approval
- Recommended BOS set cap on office

September 5, 2017

- Consented to Development Agreement
- Adopted CEQA Findings
- Consented to Interagency Cooperation Agreement

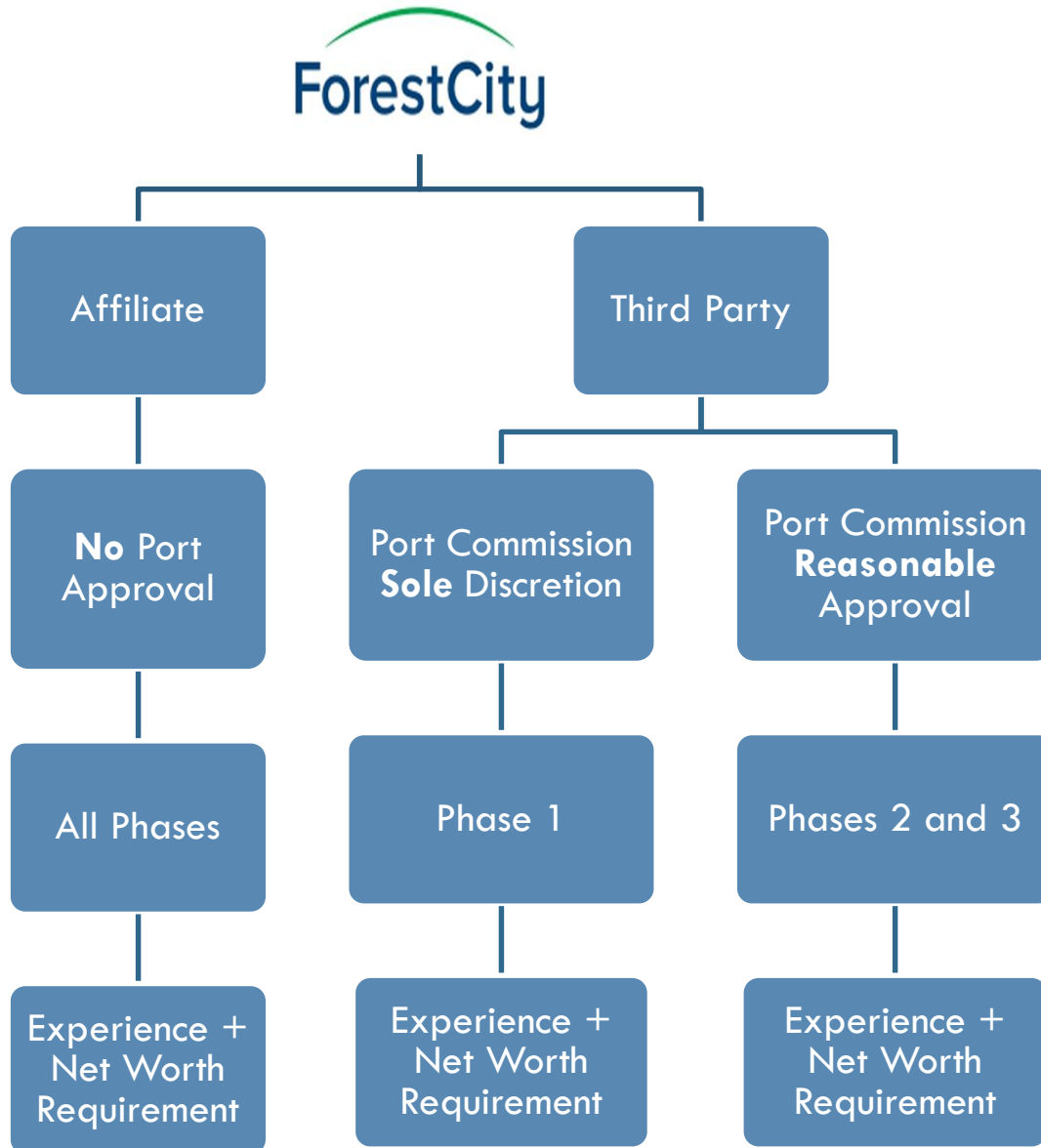
Resolution 17-45 urges BOS to consider ship repair, environmental conditions and adjacent uses as it considers how to address jobs-housing balance.



Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments**
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

DDA Transfers



Experience Requirement

- Direct and substantial
- Master developer
- Similar size and complexity

Net Worth Requirement

- \$27.5M, escalated 10%/5 years

Participation in Transfer

- Monetary consideration treated as Land Proceeds (to Project costs or 55% to Port after 18% IRR)
- Stock sales not treated as Land Proceeds

Parcel Lease Transfers

Prior to Building Completion

- **No** Port Approval for Affiliate
- **ED Reasonable Approval** for Qualified Transferee
- **1.5% participation**, net of original price and 12% on soft costs, in first 3 years (“Anti-Flip”)

Post Building Completion

- **Notice** to Port for Affiliate or Qualified Transferee
- **1.5% participation**, net of total development costs or last sales price and qualified building investment
- 50% + 1 **stock sales** trigger participation w/reappraisal consistent with current CA reassessment law

Qualified Transferee

- Experience w/similar projects
- Net Worth \$27.5M, escalated

Schedule of Performance

Phase 1 7.5 Years from Project Approval

Building 12
Building 12 Plaza
Market Square
Open Space-3
Slipway Commons
1 and 2

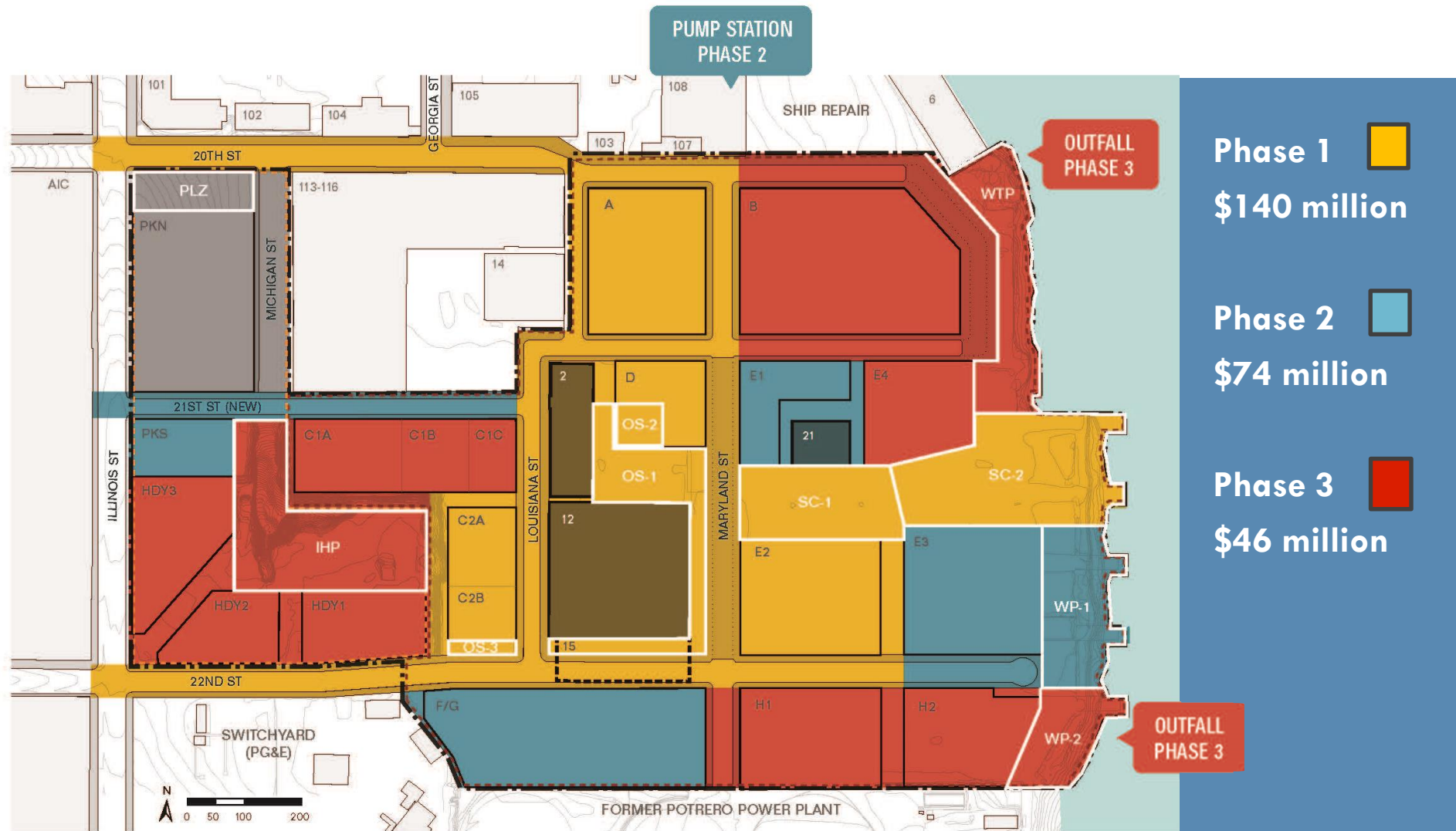
Phase 2 8.5 Years from Phase 1

Building 21
Waterfront
Promenade 1

Phase 3 8.5 Years from Phase 2

Waterfront Terrace
Waterfront
Promenade 2
Irish Hill Park
Building E4

Schedule of Performance



Design Review and Public Participation



Phase Submittals

Review and Approval by Executive Director

Informational Presentation to Port Commission

Historic Buildings

Port and Planning Staff Plan Review

Consistent with Secretary's Standards

New Construction

Planning and Port Staff Design Review

CWAG or Other Public Presentation

Planning Director Design Approval

Parks and Open Space

Port Design Review Committee

Port Commission Schematic Design Approval

Transportation Improvements



Site Design

- **New street grid**
- **Safe bicycle network** with Class II and sharrows
- **Bay Trail** and **Blue Greenway** connections



Transportation Demand Management

- **Transit passes** for residents
- **Unbundled parking**
- **Shuttle** to Muni, BART and Caltrain
- **Transportation Management Agency**
- **Reduce vehicle trips by 20%**



\$45 – \$50M Impact Fees

- **Upgrades to 10 and 12 MUNI Lines**
- **New 11 Line and XX MUNI Lines**
- **Precise routing subject to neighborhood outreach**

Southern Waterfront Beautification

Port Commission: Set-Aside 5% of Land Revenues to Beautification Fund or Determine Project Performance & Consider Priorities Later?

Beautify

- 9 Acres of Open Space

Job Training & Placement

- First Source Hiring Program
- \$1.0m for District 10 job training

Environment/Neighborhood Sensitivity

- Transportation Plan
- Sustainability Plan

Low Impact Stormwater Design

- Infrastructure Plan
- Blackwater recycling system

Local Employment

- 30% local hire commitment
- 17% LBE utilization

Local Truckers

- Use local truckers, subject to Project Labor Agreement

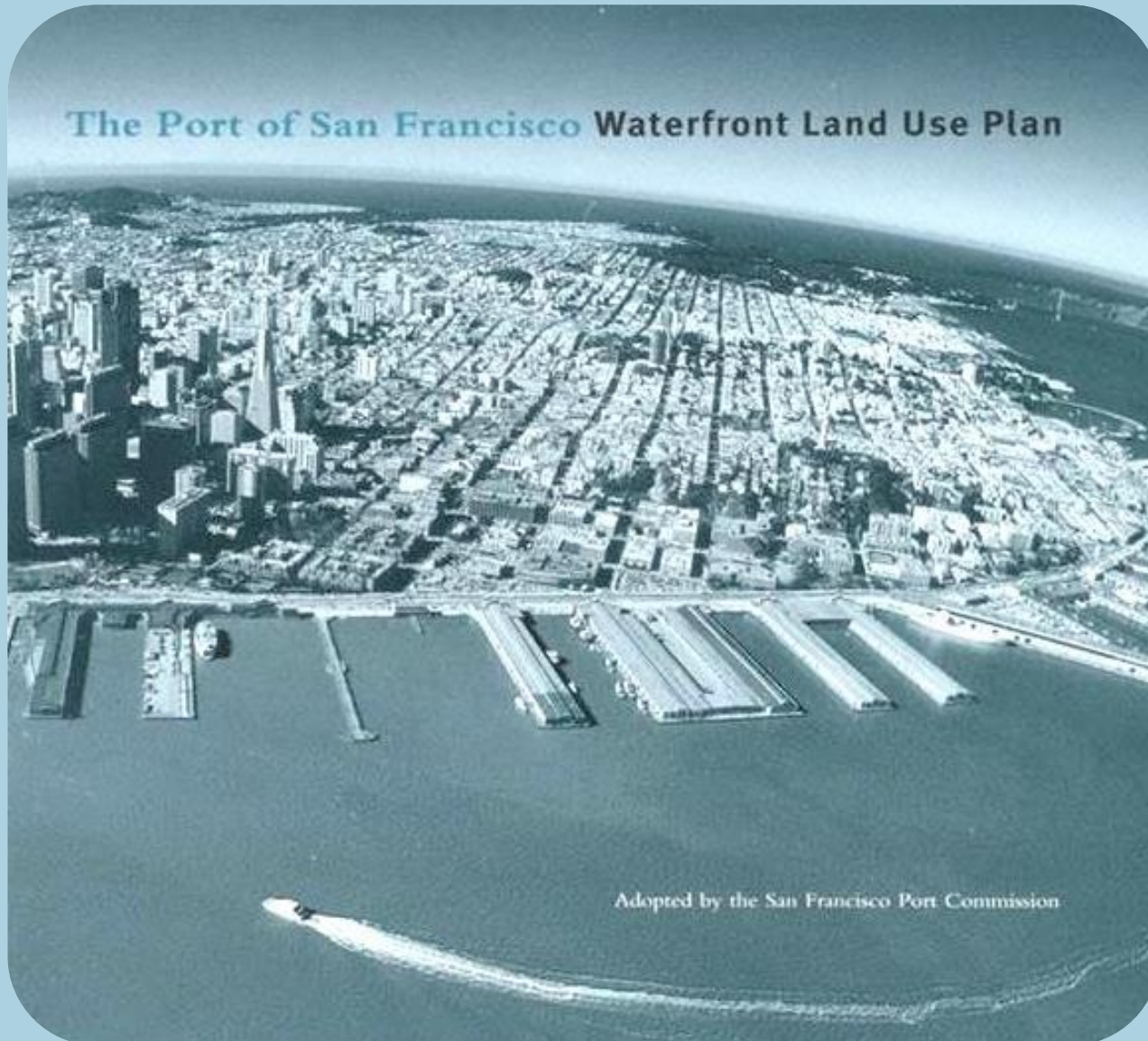
Ongoing Funding

- Pier 70 Parks
- Historic Preservation outside of 28-Acre Site

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates**
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

Waterfront Plan Amendments



Amend WLUP
now to conform
with SUD/D4D



Revise later w/
WLUP updates
(2019)

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents**
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

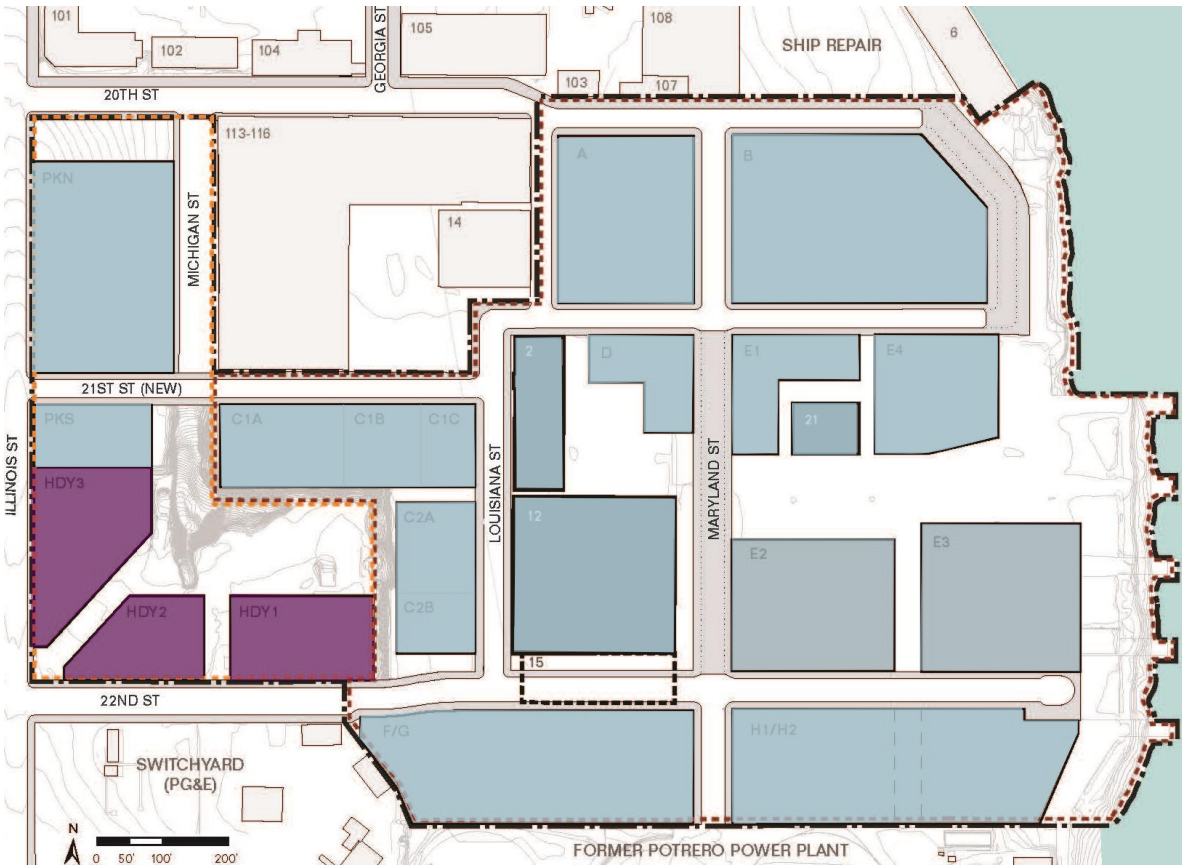
Changes to Transaction Documents

| | | |
|---------------------|--------------------------------------|---|
| DDA | Arts Building | 50 yr lease, CFD \$17.5M w/fundraising |
| | Noonan Tenants | Affordable replacement space |
| | Historic Bldgs 12 + 21 | 3.5% participation in Year 31 |
| | Events of Default | Indemnity noncompliance = Material Breach |
| | ICA | Approval of improvement plans |
| | Security | \$5.5M Forest City corporate guaranty |
| | Marketing Costs | Horizontal budget capped at \$920,000 |
| Parcel Lease | Sale & Refi Participation | 1.5% of net sale, refi & recap proceeds |
| | Indemnity | Unknown Haz Mats & State Lands |

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing**
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

IFD - Tax Increment Growth



Infrastructure
Financing District



Infrastructure Revitalization
Financing District

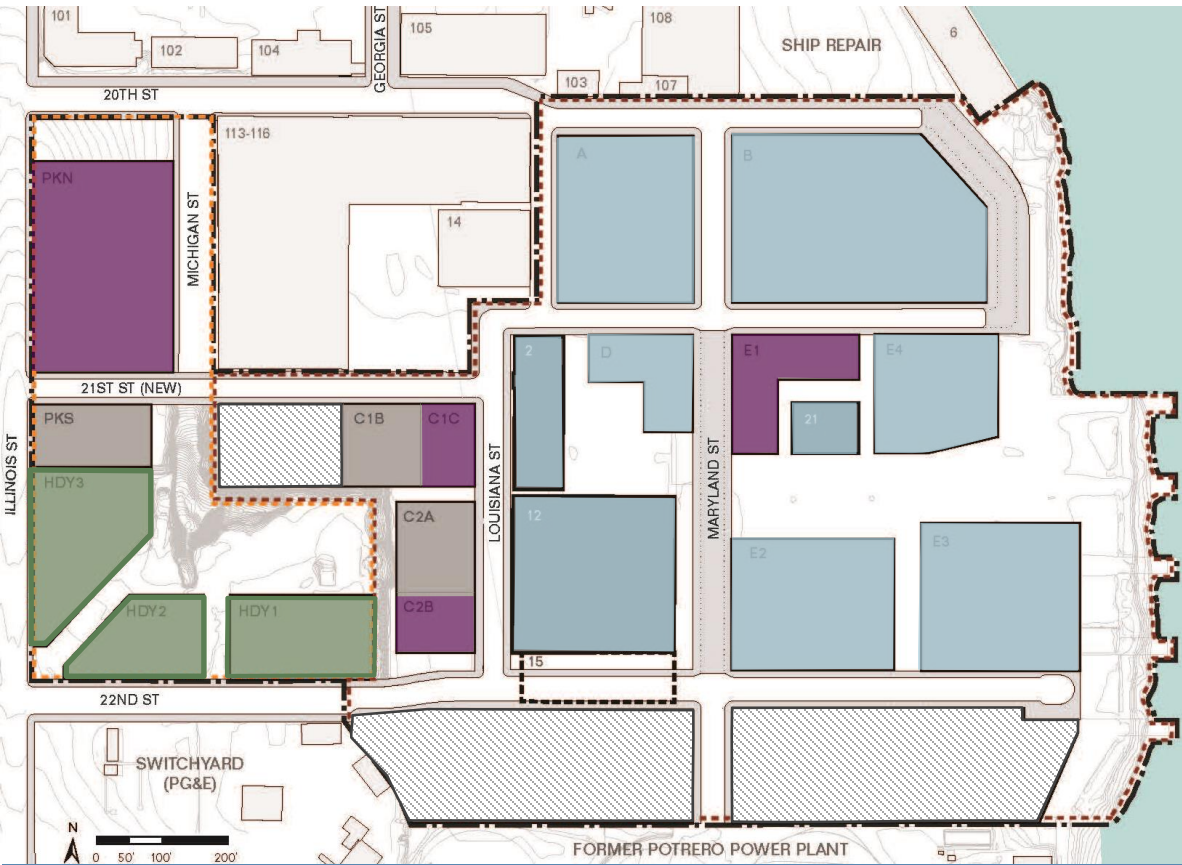
IFD

- Local & state tax increment
- 92% to 28-Acre facilities
- **8% to other Pier 70 needs;** Port and BOS decide allocation later (**\$18M**)
- After Project needs, **\$29 M** to seawall & sea level rise
- **General Fund** and **Harbor Fund** protected

IRFD

- Affordable housing (**\$13 M**)
- Remainder to General Fund

CFDs - Early, Lower Cost Financing



Leased Properties CFD

- Public Improvements (credited)
- Arts Building
- Maintenance
- SLR Improvements (\$20 M)

Condominium CFD

Approx. \$6,000/unit annually:

- Public Improvements
- Arts Building
- Maintenance
- SLR Improvements, after 30 years (\$14 M)

Hoedown Yard CFD

Approx. \$6,000/unit annually:

- Irish Hill Park, purchase shoreline property
- Maintenance
- SLR Improvements

28-Acre Site Maintenance: \$2.8M/year
Irish Hill Park, Michigan St & Crane Cove Park: \$730k/yr

Recommended Special Tax Law Amendments



**Historic
Buildings**
(12 and 21)



**Maintenance
of Public
Facilities
before City
Acceptance**



**Affordable
Housing**



**Shoreline
Improvements**

Project Provides Direct + Indirect Benefits



Fiscal Benefits

- \$8M new annual revenues to General Fund
- CFD Maintenance Taxes
- \$184M Impact Fees

Economic Benefits

- \$2B construction activity
- 17k construction jobs
- 11.4k new permanent jobs
- 2k new residential units

Port Financial Benefits

- \$178M from development and ongoing leasing (2017\$)

Public Access Facilities

- Parks and Open Space
- Pedestrian Connections
- Bicycle Networks

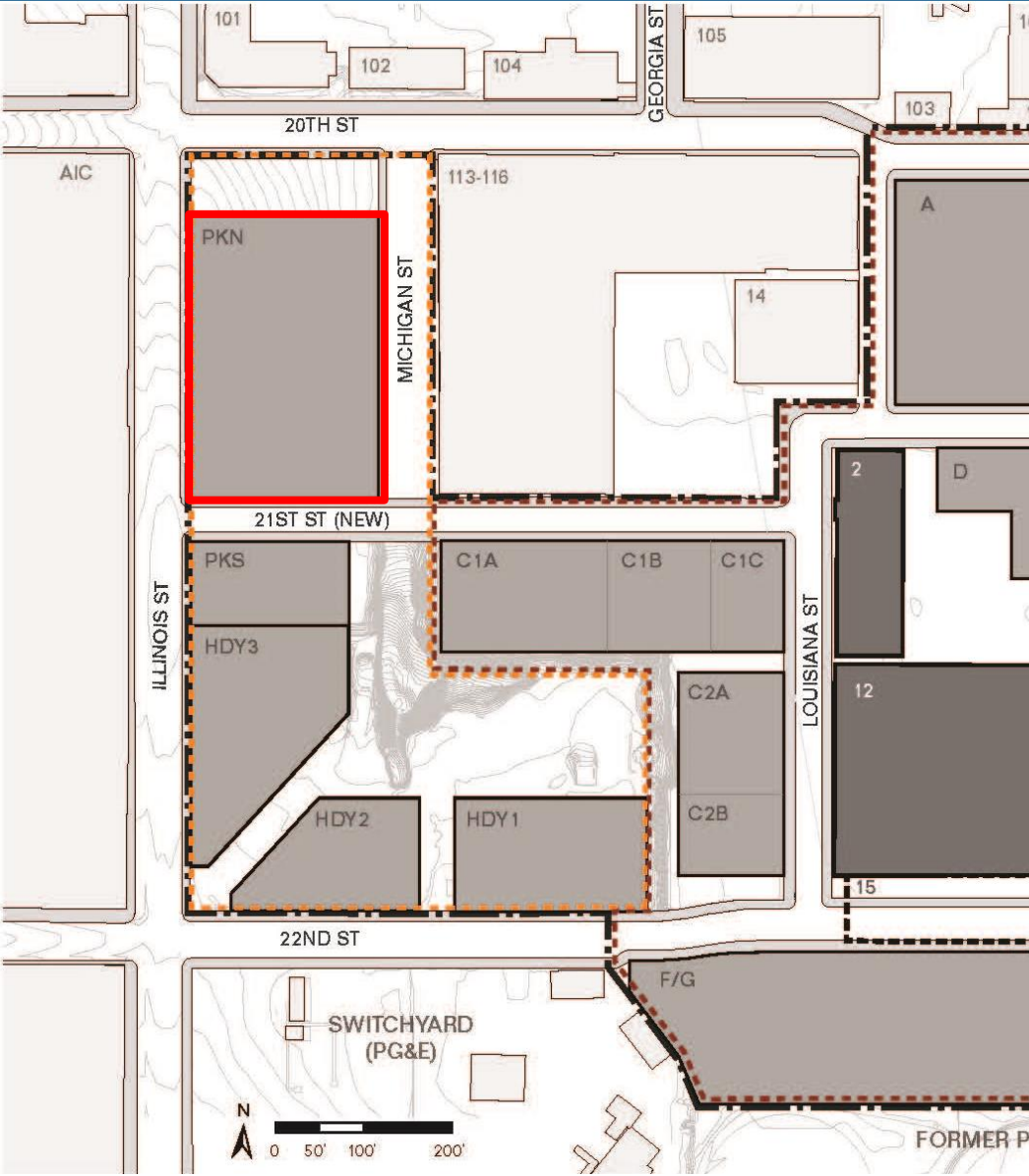
Other Public Benefits

- Urban Revitalization
- Historic Preservation
- Affordable Housing
- Sea Level Rise Protections

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 Next Steps

Sale of PKN to Pay Portion of Entitlement Costs



Vertical DDA Sets Terms of Sale

Third Party Buyer



Close Escrow within 12 months

Construct 20th/Illinois Plaza & Michigan St.

Illinois Street Additional Measures (AIC)

Consent to 1 1/2% transfer fee

Pay CFD special taxes

Comply w/ Pier 70 SUD

Implement TDM Program

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 **Financial Results**
- 8 Staff Recommendations
- 9 Next Steps

Net Financial Benefits

| September 2017 Base Underwriting (No Port Capital) | Nominal Revenues over ~120 Years | Net Present Value 2017\$ |
|---|--|-----------------------------|
| Developer Cash Flow | | |
| Capital Contributions | (\$152 Million) | (\$122 Million) |
| Capital Distributions | \$152 Million | \$100 Million |
| Developer Cash Flow (Profit, After Capital is Repaid) | \$227 Million | \$94 Million |
| Developer IRR | 18.7% | |
| Net Financial Benefit to Port & City | | |
| Port Land Revenues from Repayment of Port Advances, Parcel Lease Rent & Participation Rent, Condominium Transfer Fees | \$4 Billion | \$102 Million |
| Port's Share of IFD for Pier 70 Wide Facilities | \$146 Million | \$24 Million |
| Trailing Tax Increment for Seawall and SLR | \$555 Million | \$40 Million |
| CFD Revenues, Net of Project Costs, for Seawall and SLR | \$2 Billion | \$48 Million |
| Total Financial Benefit to Port & City | \$7 Billion | \$215 Million |

2 ways Port can manage Developer Capital:
Early CFD Bonds and Port Capital

72% of Port Land Revenues not contingent on 18% IRR

IFD and CFD projected to create ~\$88 M (2017) for the Seawall and SLR

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 **Staff Recommendations**
- 9 Next Steps

Staff Recommends Approval

Pier 70 Mixed-Use Project

- Trust Exchange
- SUD
- Waterfront Plan Amendments
- CEQA Findings & MMRP

28-Acre Project

- DDA, Master Lease, VDDA, Parcel Lease
- Development Agreement
- ICA

Public Financing

- IFD Appendix G2
- IRFD (Hoedown)
- MOU – Assessor Controller, Treasurer + Port
- CFD Financing Law Amendments

Parcel K North

- Vertical DDA

Presentation Overview

- 1 Recent City Agency Actions
- 2 Responses to Commissioner Comments
- 3 Waterfront Land Use Plan Updates
- 4 Changes to Transaction Documents
- 5 Public Financing
- 6 Parcel K North
- 7 Financial Results
- 8 Staff Recommendations
- 9 **Next Steps**

Next Steps

