



## MEMORANDUM

October 7, 2022

**TO:** MEMBERS, PORT COMMISSION  
Hon. Willie Adams, President  
Hon. Kimberly Brandon, Vice President  
Hon. John Burton  
Hon. Gail Gilman  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Informational presentation on the proposed development and multi-use lease of Building 49 located within Crane Cove Park by the YMCA of San Francisco

**DIRECTOR'S RECOMMENDATION:** Information Only – No Action Required

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### **Executive Summary**

In 2021, the Port sought a qualified partner to enter exclusive negotiations to develop and operate Building 49 through a competitive Request for Proposals (“RFP”) process. The Port received two responses to the RFP for Building 49; the respondents were Ted Choi, dba “City Kayak”, and YMCA SF.

As part of the RFP process, the Port convened a five-member scoring panel including community leaders, experts from key disciplines, and Port staff to review and score both the written responses and oral interviews, based upon the criteria approved by the Port Commission and described in the RFP. The YMCA SF submittal, which met the goals, objectives, and values described in the RFP, scored significantly higher on its RFP submittal than the other respondent.

On October 26, 2021 the Port Commission adopted Resolution 21-46 which authorized staff to begin negotiating a long-term lease with the Young Men’s Christian Association of San Francisco, a California Nonprofit Public Benefit Corporation (“YMCA SF”) for Building 49 located within Crane Cove Park at 701 Illinois Street. The YMCA SF’s proposed program includes a center for the community focused on human-powered watercraft,

fitness & wellness, food concessions, diverse & inclusive programming, and educational programs.

Since the Port Commission authorization, the Port and YMCA SF have worked diligently to negotiate lease terms while YMCA SF has performed its due diligence review of the building including assessing its structural integrity. In order to provide interim activation while the long-term lease itself is being negotiated, the Port entered into a temporary license agreement with the YMCA SF this past June to allow its future subtenant, Dogpatch Paddle, to operate its popular youth camps out of the building during the summer months. The camp was well received and a preview of things to come under the eventual lease.

The purpose of this informational update is to review the key preliminary lease terms as negotiated, to preview the upcoming development and project, and to absorb any feedback that will inform the final lease negotiations, which will be subject to future Port Commission and Board of Supervisors approval.

This staff report is broken into the following sections:

1. Alignment with the Port's Strategic Plan
2. Background information on the Project and Selection Process
3. Review of the Diversity Equity and Inclusion Plan
4. Key Lease Terms
5. Next steps

### **Strategic Plan Alignment**

YMCA SF's proposal is to rehabilitate and maintain this historic resource, provide water recreation and publicly-oriented uses that enhance Crane Cove Park, offer new activities and attractions for the neighborhood and park visitors, and accomplish these objectives within a financially-feasible project, with a sustainable operating structure.

Specifically, the lease and development of Building 49 by the YMCA SF as proposed will support four of the Port's strategic plan objectives (from the 2021-2025 Strategic Plan):

1. **Evolution**: The completion by the YMCA SF of the Building 49 renovation that was begun by the Port in 2020 will serve as a milestone in the ongoing transformation of the Pier 70 area to better address the needs of the public and the Waterfront.
2. **Engagement**: The re-opening and activation of this contributing resource to the Pier 70 Union Ironworks Historic District will provide amenities that increase the public's awareness of the history of the Pier 70 area.

3. Equity: Building 49 will be accessible, attractive and beneficial to a diverse group of people who live, work and/or recreate along the Southern Waterfront.
4. Productivity: The proposed lease and development of Building 49 by the YMCA SF will return the building to productive use and attract visitors to Crane Cove Park.

### **Background**

Building 49 is a part of the City of San Francisco's rich shipbuilding legacy. It is located within Crane Cove Park, along Illinois Street southeast of the 18th Street T-intersection and is a contributing resource in the Pier 70 Union Iron Works Historic District. Building 49 was constructed in 1940 or 1941 during a time of shipyard modernization, as World War II raged in Europe.

Recent investments in the immediate vicinity, which include the redevelopment of the 20th Street Historic Core, the completion of Crane Cove Park, and major infrastructure improvements at the 28-acre site at Pier 70, have spurred significant interest from the community in restoring Building 49 and integrating it within Crane Cove Park for the benefit of the public.

The YMCA SF is a proven local community engager, operating 14 YMCAs throughout San Francisco, Marin, and San Mateo Counties, including one on the Embarcadero near Rincon Park and one in Bayview Hunter's Point. Their mission is "to build strong kids, strong families, and strong communities by enriching the lives of all people in spirit, mind, and body".<sup>1</sup>

As in its RFP proposal, YMCA SF has partnered with two local organizations who will occupy portions of the building under subtenant agreements:

- Dogpatch Paddle, a human powered boating business/club that was spawned by the opening of Crane Cove Park and currently has over 900 members. Dogpatch Paddle offers stand up paddle board (SUP) and kayak rentals, lessons, camps, and equipment sales, and will operate the aquatic center at the eastern end of the building. (<https://dogpatchpaddle.com>)
- Daily Driver is a community-oriented, female-owned food and beverage business specializing in bagels and house-made butter and cream cheese. Their flagship restaurant and production facility is located near Crane Cove Park in the American Industrial Building on 3<sup>rd</sup> Street, and they also have a location within the Ferry Building. (<https://dailydriver.com/>)

### **YMCA SF's Project Concept**

Through its own programming and its service partners, the YMCA SF's vision for Building 49 is "a community hub focused on human-powered watercraft, fitness, and

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<sup>1</sup> See: <https://www.ymcasf.org/>

wellness, hyper-local food concessions, diverse and inclusive programming, targeted retail, and educational programs”. YMCA SF proposes to construct an approximately 4,000 square foot, membership-based community wellness center that includes traditional gym amenities like cardio machines, weights, and group exercise classes, along with gender-neutral locker rooms, onsite wellness coaching, health education classes, and personal training for members and guests.

Dogpatch Paddle will occupy approximately 2,200 square feet on the water-facing east side of the facility. They will offer lessons, rentals, classes, youth programs, and a retail store featuring equipment sales and beach provisions, as they seek to expand their current operations and draw more of the surrounding community and beyond to Crane Cove Park. They will offer drop-in services and monthly memberships, as well as combined aquatics and fitness packages in partnership with the YMCA SF.

Daily Driver will occupy 480 square feet and offer healthy grab-and-go provisions at the southwest corner of the building, nearest the picnic tables on the south side of Crane Cove Park.

The proposed lease includes a requirement that the YMCA SF maintain the public restrooms located at the northeast corner of the building near the intersection of 18<sup>th</sup> and Illinois streets.

Exhibit 1 further details the YMCA SF’s proposed use program.

### **Diversity, Equity, and Inclusion Plan**

The YMCA of San Francisco is deeply embedded in communities among the most deeply impacted by structural inequality and racism. Foundational to their approach is a belief in community-centered solutions and the value they place on community dialogue. Through culturally, linguistically, and gender responsive practices, YMCA SF ensures that people who have historically been impacted by structural inequality have both access and voice in their programs. Community-based staff are essential to their work.

YMCA staff live and work in the communities they serve, and the shared understanding and experiences allow them to build rapport with the young people they work with and create the safe and trusting spaces conducive to positive youth experiences.

The YMCA of San Francisco has historically been one of the largest employers in the City and a significant employer of young adults; for many of their membership and youth development staff, the YMCA is their first professional experience. Additionally, their workforce development programs provide job readiness, skill building and job and internship placements for underserved youth.

As an organization, YMCA SF is committed to diversity and inclusion at all levels.

They maintain an agency-wide diversity and inclusion committee which advances inclusive internal policies including job development for underrepresented groups in leadership positions. The YMCA SF is committed to staff professional development and has invested significantly in training and mentoring programs within the organization to ensure that they can retain and promote diverse staff. YMCA SF has partnered with the San Francisco Department of Public Health (SFDPH) and Trauma Transformed to adopt the Trauma Informed Systems (TIS) model for organizational change.

With regard to membership cost, they offer inclusive, sliding scale packages. They bring a strong commitment to providing access to underserved populations (including through their African American Holistic Wellness program based at the Bayview YMCA and their partnership with the SF Department of Public Health).

A detailed description of the YMCA SF’s Diversity, Equity, and Inclusion (DEI) Plan is provided in Exhibit 2.

**Key Lease Terms**

**Table 1** below outlines the key negotiated lease terms which Port staff believes will deliver a financially feasible project that meets all of the Port’s objectives for the rehabilitation and reuse of Building 49 as described in the RFP.

**Table 1: Key Lease Terms**

<b>Premises</b>	Building 49 includes approx. 8,000 square feet as more particularly shown on <b>Exhibit 1</b> . Total Rentable Area: 6,758 square feet.
<b>Primary Tenant</b>	YMCA SF (4,068 square feet): Community Wellness Facility
<b>Subtenants</b>	Dogpatch Paddle (2,210 square feet): Retail/Aquatics Center  Daily Driver (480 square feet): Retail Food and Beverage
<b>Required Tenant Improvements</b>	Tenant estimates the proposed capital investment to cost approximately \$5.4 million as of September 2022, subject to escalations over time, as set forth on Exhibit 3 (the “Development Budget”). Tenant is solely responsible for these improvements and costs.

<b>Seismic Work - Cost Sharing/Rent Credits</b>	With Port’s consent, Tenant intends to perform voluntary seismic improvements and structural upgrades to the building, estimated to cost approximately \$1,000,000. If Port elects for this work to proceed, Port will share these additional structural improvement costs through rent credits equal to 50% of the actual costs of the seismic strengthening/structural improvement work or \$500,000, whichever is less.
<b>Initial Lease Term</b>	Ten (10) Years
<b>Construction Rent Abatement</b>	Port will provide 270 days of rent abatement during construction of the Tenant Improvements
<b>Tenant Extension Options</b>	Four, 5-Year Tenant Extension Options and two, 2-year Tenant Extension Options pursuant to the terms of the Lease.  Total possible lease term inclusive of all Extension Options and 270 days of construction = 34 years, 9 months
<b>Base Rent</b>	Year 1 Base rent of \$93,500 per annum to be paid by YMCA SF in monthly installments of approximately \$7,792
<b>Initial Term Base Rent Escalation</b>	The annual Base Rent amount will be increased 3% every year during the Initial Lease Term.
<b>Extension Periods Base Rent Escalation</b>	The annual Base Rent escalation for each year during any 5-year Extension Term shall be escalated by the percentage that is the “collared” average of the CPI for the prior 5 years, which average is subject to a minimum of 1% and maximum of 4% per year. In no event shall Base Rent be less than Base Rent in the prior lease year. For the final two, 2-year options, the calculation will be based upon the average CPI for the preceding two years, subject to a minimum of 1% and maximum of 4% per year.
<b>Percentage Rent for Subtenant Activities</b>	Tenant is responsible for payment of Percentage Rent equal to 6% of gross revenues generated at Building 49 by each for-profit subtenant. For each for-profit subtenant (initially Dogpatch Paddle and Daily Driver), if the Percentage Rent calculation falls below the subtenant’s respective share of Base Rent as defined in the Lease in any given month, only Base Rent shall be due.

<p><b>Maintenance and Repair</b></p>	<p>Sole responsibility of Tenant for all Building including roof, core, shell, windows and interiors, including all site infrastructure, storm water and drainage, and sea level rise measures; Tenant responsible for all security, daily custodial servicing and maintenance and repair of public restrooms (including improvements, replacements and other capital costs). Port will have no maintenance obligations with respect to the Site.</p>
<p><b>Port Financial Contribution to Maintenance of Public Restrooms</b></p>	<p>Port shall contribute financially to the cost of maintaining and repairing the Public Restrooms to agreed-upon standards through a reduction of Base Rent of \$2,000 each month, subject to increase at the rate of the applicable annual escalation factor.</p>
<p><b>Port Form Lease and City Requirements</b></p>	<p>The Lease will be consistent with the Port’s form retail lease and include standard provisions regarding Security Deposits, bonding and other financial guarantees, Consent to Subtenants, Assignments and Transfers and Port participation in such events, Sea Level Rise/Flooding, Taxes, Utilities, Maintenance and Repair, Hazardous Materials, Defaults and Remedies, Indemnity and Waiver, Insurance, all applicable City requirements and other customary provisions for similar leases.</p>
<p><b>Southern Waterfront Community Benefits and Beautification Policy</b></p>	<p>Consistent with the latest adoption of Parameter Rates, 6.5% of lease revenues will be set aside in the Port’s <a href="#">Southern Waterfront Community Benefits and Beautification</a> fund. Also, Tenant will support key elements of this Port policy. YMCA brings a proven track record of engagement with the community, supports local hiring practices, and has a strong commitment to environmental sustainability through their building design and operations as well as their educational programming. Tenant agrees that Port staff and Tenant will work collaboratively to highlight the areas of benefits to the public through ongoing engagement with the community, and to consider community members’ comments and proposals in the context of Tenant’s operations and the requirements and constraints of the new lease.</p>

By year 5 of the lease, (depending on whether the voluntary seismic upgrade is elected by both parties, these lease terms would result in: \$5.4 to \$6.4M invested in the

building; \$67k to \$125k in annual rent to the Port, and publicly accessible restrooms, food and beverage cafe, water recreation center, and community wellness facility.

The following section provides a brief discussion of how the key lease terms outlined in the table above relate to the Port's goals as stated in the RFP and the original proposal submitted by YMCA SF in response to the RFP.

#### Consistency with RFP Goals and YMCA Response to RFP

Throughout the lease negotiations process over the past several months, Port staff have focused on delivering a lease and development program for Building 49 that meets the community values and priorities listed in the RFP as:

- Provide programs and uses that support human-powered recreational boating (e.g. kayaks, paddleboards)
- Enhance use and activation of Crane Cove Park
- Provide needed amenities for park visitors, including public bathroom facilities
- Preserve historic character and maritime function of the building

As we conclude negotiations and look ahead to lease approval and execution, Port staff are confident that the YMCA SF will not only deliver on all of these priorities, but will also deliver a robust program of community benefits through their organizational mission and their keen focus on diversity, equity, and inclusion as more particularly described above and in Exhibit 2.

Another goal of the lease negotiations has been to maintain consistency with the original proposal submitted by the YMCA SF, which scored very highly on each of the criteria set forth in the RFP. That said, the further due diligence investigation into the scope and cost of the building improvements required to complete the renovation begun by the Port, and to successfully operate and maintain the facility have revealed the need to temper the Port's expectations with regard to financial benefits to the Harbor Fund.

In particular, a review of the structural integrity of the building has resulted in a substantial unanticipated cost for a partial seismic retrofit the building. Port staff agrees that this work – estimated at \$1M - is prudent to undertake from both a life-safety perspective and a preservation of the historic resource perspective given the potential for a significant seismic event over the next 30 years. Therefore, Port staff propose to share these costs through rent credits as described in Table 1 above ("Seismic Cost Sharing") in order to make the project financially feasible for the YMCA SF.

There are two other negotiated financial terms that deviate somewhat from the YMCA's original proposal: (1) a 15% reduction to starting Base Rent in exchange for annual escalation of Base Rent; and (2) monthly rent credits to offset the expected maintenance and repair costs associated with the public restrooms (both as described in Table 1). With these financial concessions by the Port and additional improvements by the Tenant, all parties believe that the proposed project will be financially feasible and sustainable. Indeed, in addition to delivering on the promise of preserving this



historic resource and delivering a facility that serves the needs of the community and enhances the experience of visitors to Crane Cove Park, Building 49 will become a productive asset for the Port, generating positive net revenues to the Harbor Fund well into the future.

**Next Steps**

Port staff will continue to work with the YMCA SF to finalize a lease agreement that meets the goals of the RFP and is consistent with the negotiated lease terms described in this report. The Port will also review the proposed lease and development of Building 49 at an upcoming meeting of the Port’s Southern Advisory Committee (“SAC”). Subject to the outcome of those discussions and further direction from this Commission, Port staff intends to return to the Port Commission (and subsequently, the Board of Supervisors) to seek approval of the lease.

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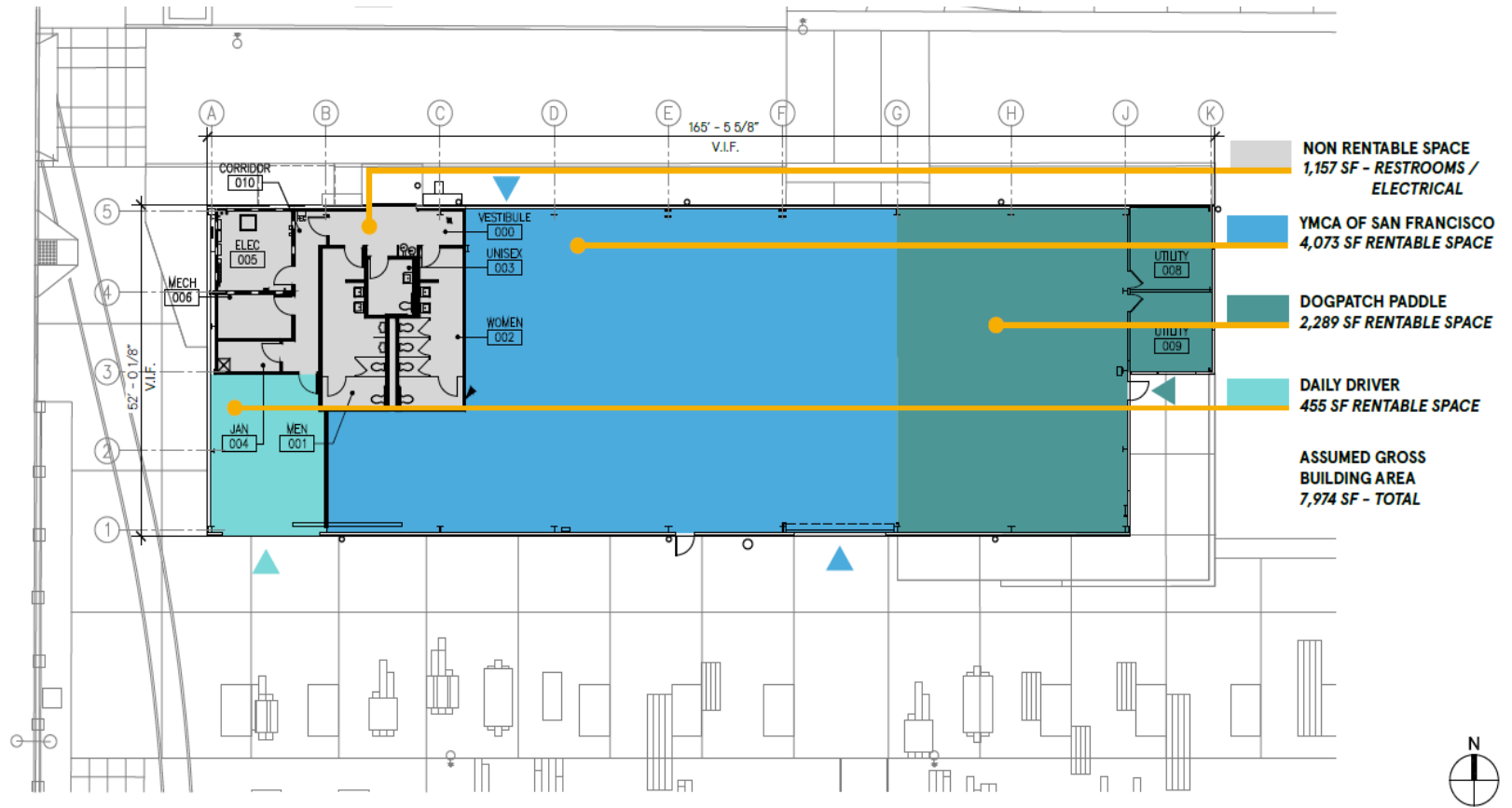
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- Exhibits:**
1. Building Use Program
  2. DEI Plan
  3. Development Budget

## Exhibit 1 Building Use Program



SCALE: 1/16" = 1' - 0"

## Exhibit 2

### Diversity, Equity, and Inclusion (DEI) Plan

**Mission and Vision:** The mission of the YMCA of San Francisco (“the Y”) is to build healthy, equitable and sustainable communities for all generations. We are guided by our vision of building strong communities, where you can be, belong, and become.

In fulfilling our mission and vision, the Y aims to:

- Champion an accessible, connected, resilient, and just Bay Area
- Enhance individual, staff, family and community health and well-being
- Open pathways to social and economic mobility
- Expand opportunities at all ages and life stages
- Advance a safe, collaborative, and sustainable future

**Our Cause to Advance Equity for All:** The Y is made up of people from all walks of life working side by side to strengthen communities. Through a focus on youth development, healthy living and social responsibility, the Y is committed to advancing equity for all so that everyone—regardless of who they are or where they come from—has an opportunity to reach their full potential and live life to its fullest.

**Operationalizing DEI/EAR:** The Y has prioritized Diversity, Equity and Inclusion (“DEI”) consistently for over a decade. Through engagement of a consultant in late 2020, the Y has developed – together with its board and community – an Equity and Anti-Racism (EAR) Strategy with eight areas of focus: 1) Organizational Strategy & Impact Measurement; 2) Board Engagement, Development & Governance; 3) HR/Employee Engagement, Supervision & Development; 4) Financial Strategy, Budgeting and Management; 5) Fund Development and Fundraising; 6) Communications, Marketing and Branding; 7) Facilities, Technology and Operations; 8) Programs, Services, and Community Engagement. This EAR Strategy is a foundation of our ‘2030 Vision’ strategic and operational plan, which will be implemented beginning in January 2023 across all areas of the Ys programs, services and operations. The Y’s DEI/EAR work is guided by a standing committee of the Y’s board and a dedicated and cross-hierarchical staff team. The Y also is a member of the YMCA of the USA DIG (diversity, inclusion and global) Innovation Network, a group of Ys from across the United States committed to pioneering DEI, innovation and global engagement best practices.

**Hiring Practices:** Y staff and volunteers thrive in a culturally diverse and vibrant work community. The Y values all individuals and families and is inclusive and welcoming to all races, religions, ethnicities, abilities, sexual orientations, gender identities or gender expressions. Many of our staff and volunteers are members of the communities we serve and are integral to ensuring that the Y remains a vital resource to our diverse members.

Equal Employment Opportunity- The Y is an equal opportunity employer. It is Y policy that applicants will be selected for employment solely on the basis of their qualifications for a given position and without regard to race, color, ancestry, religious creed, national origin, gender, sexual orientation, gender identity and gender expression (including transgender individuals who are transitioning, have transitioned, or are perceived to be transitioning to the gender with which they identify), sex, pregnancy, childbirth and related medical conditions, marital status, domestic partnership status, veteran status, age (40 and above), physical disability (including HIV/AIDS), mental disability, medical condition, genetic characteristics, information or testing or any other consideration made unlawful by federal, state or local laws. The Y also does not discriminate based on the perception that a person has any of these characteristics. We comply with the Genetic Information Nondiscrimination Act (GINA).

To comply with applicable laws ensuring equal employment opportunities to a qualified individual with a disability, the Y will make reasonable accommodations for the known physical or mental limitations of an otherwise qualified individual with a disability who is an applicant or an employee, unless undue hardship and/or a direct threat to the health and/or safety of the individual or others would result.

**Membership for All:** Y membership is open to all, regardless of ability to pay, due to a sliding scale of membership fees. No one is turned away.

With 14 branches in San Francisco, Marin, and San Mateo counties, as well as more than a hundred program sites in these three counties, the Y looks to attract a diversity of citywide and regional users. Our “membership for all” model allows access to all Y facilities, regardless of the ‘home branch’. Crane Cove members therefore will have access to a myriad of health and wellness opportunities in all our Y facilities, including six pools. In addition, because of the Nationwide Membership program, members may visit any participating YMCA in the United States and Puerto Rico, at no additional cost.

**Diverse Uses and People:** The Y serves over 30,000 households each year through our wellness offerings. Thirty-five percent of our members receive financial assistance or subsidy for their gym membership. The Y partners with corporations, government agencies, and health providers to ensure that everyone can meet their wellness goals. The YMCA is committed to providing access to critical health and wellness programs for all.

The Y’s programming reflects the needs of our communities. This is a fundamental precept of our organization. In addition to traditional gym offerings, the Y provides workshops, behavioral coaching, and other health-based programs to ensure members meet their wellness goals. Most of these programs are free to members. The Y also leverages its reach through free services such as Diabetes Prevention classes, walking groups, and Zumba classes, as well as active older adult wellness classes.

The Y's Wellness Center at Building 49 is expected to be an anchor for youth and community programming. Young people from across the City will have the opportunity to recreate on the waterfront, while also being immersed in a creative and responsible environmental education curriculum.

With Building 49, we see an opportunity to build on our mission to provide equitable water safety training by furthering our reach into water sports through the partnership with Dogpatch Paddle. Crane Cove is the perfect training venue for water sports such as stand-up paddle boarding and kayaking, yet without the support of organizations like the Y, we are unlikely to see people of color participating in these sports. The Y's participation will create a more inclusive environment and broader representation . By taking the broad view of water safety education related to other water sports participation, our combination can introduce these exciting activities to a much wider audience.

**Maritime:** By partnering with Dogpatch Paddle at Building 49, we are opening new opportunities for water sports access to under-resourced communities as well as providing a diverse complement of fitness and recreation activities for a holistic offering on and off the water. Adding human-powered watercraft along the waterfront has brought new life to the Bay. Since Crane Cove Park opened, Dogpatch Paddle has become the de-facto water sports operator and guardian to the community seeking safe and healthy outdoor activities. By leveraging the reach of the Y with the on-water resources of Dogpatch Paddle, we will facilitate opportunities for under-resourced communities to enjoy Crane Cove Park and the Southern/Central Waterfront, from the water.

The Y is committed to ensuring water sports activity during the life of the lease. The Y will consult with the Port on any changes to the water sports provider that may become necessary.

**Parks and Open Space:** Our contribution to Crane Cove Park will activate and enliven the experience of visitors, completing the original vision of the Port. The programming available from our combination with service partners, including concessions and fitness, is poised to bring community benefits to life on the Cove.

Because of the size and presence of Building 49 in Crane Cove Park, we believe it will be beneficial to utilize its prominence for educational purposes regarding history, marine biology, and the human impact on climate. These elements will be factored into our core design principles and will be a consistent thread throughout the publicly accessible areas of the site that are within our service area. Specifically:

1. Placards and Kiosks: Consistent with the Port's efforts in Crane Cove Park we will continue to offer educational materials at the site. In addition to the placards that

exist on the south exterior, we will add further displays around the perimeter of the building, including the entryways, that will prominently feature the crane gantry.

2. **Interactive exhibits:** Reminiscent of the Exploratorium, we intend to create some simple, low-maintenance, self-sustaining outdoor exhibits to illustrate environmental concepts related to use and enjoyment of the Bay through water sports.
3. **Augmented reality:** There is a significant opportunity to educate visitors through technology by building interactive applications that reimagine historical cityscapes and wildlife habitats or ponder the scale of the Great Pacific Garbage Patch.

**Financially Strong Port:** Our investment in Port assets will stimulate new jobs, greater usage of the Park's broader facilities, and ultimately, revenues for the Port and tenants alike.

**Environmentally Sustainable:** Working with Integral Group ensures that Building 49 will utilize deep green and sustainable building practices. Moreover, the Y's commitment to the Bay environment is grounded in respect, advocacy, and education. We have developed an environmental curriculum for our youth programs and will also develop publicly accessible environmental education exhibits on site.

### Exhibit 3

#### Development Budget

##### Crane Cove Preliminary Budget

1. Construction Budget (base building TIs) (Design cost, fees, construction costs and contingency)	\$ 5,376,445
2. Seismic costs (Port of SF 50% share lesser of \$500,000 or 50% of costs)	\$ 1,000,000
3. Total	\$ 6,376,445