



MEMORANDUM

November 4, 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 regarding a proposed new Memorandum of Understanding (“MOU”) with the San Francisco Department of the Environment (“DOE”) for approximately 27,502 square feet of paved land, approximately 5,766 square feet of unpaved land, and approximately 3,615 square feet of shed space at Seawall Lot 344 for a term of five years

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

EXECUTIVE SUMMARY

The San Francisco Department of the Environment (“DOE”) through its current subcontractor, San Francisco Community Recyclers/Building Resources, operates a reuse facility for salvaged building materials on a portion of Seawall Lot 344 at 701 Amador Street under Port MOU M-14809 which expired on March 31, 2015.

The DOE is issuing a Request for Proposals (“RFP”) for a new subcontractor for the handling of reused building materials and the site at Seawall Lot 344 is vital to the City achieving its climate goals. The DOE is therefore seeking a new MOU for a five-year term to ensure access and use of the site for continued operations. This is being brought to the Port Commission because rent from the MOU is anticipated to generate more than \$1 million in revenues.

STRATEGIC OBJECTIVE

The proposed new MOU will contribute to meeting the Stability Objective of the Port's Strategic Plan by managing the real estate portfolio to maximize value and income to the Port and to retain a tenant that can perform through economic cycles. This will also contribute to meeting the Sustainability Objective by advancing environmental stewardship through recycling and reuse of materials.

BACKGROUND

DOE has been a tenant of the Port at Seawall Lot 344 since 1999, initially under MOU No. 12680 and currently as a holdover tenant under MOU No. M-14809. DOE's subcontractor, San Francisco Community Recyclers/Building Resources, a California nonprofit corporation ("SFCR/Building Resources"), under a Zero Waste Grant operates a reuse facility for salvaged building materials at the site. SFCR/Building Resource's mission is to reduce the amount of material being disposed of at local landfills through active recycling, reuse, and education programs. Materials for which there is a known market such as lumber, stone, tile, windows, sinks, and doors are received via donation, sorted and then sold on site. The combined donation center and retail space reduces the throughput of waste materials being placed in dumpsters and ending up in landfills. Secondary to these activities and part of current operations, Building Resources receives and processes scrap glass materials in the form of non-redemption beverage containers, as well as plate and tempered glass sheets. These are then repurposed through a tumbling process and sold at both retail and wholesale levels to the landscape and design industry.

Current occupancy is month-to-month as the existing MOU was for five (5) years and expired on March 31, 2015. DOE is seeking a new MOU at this time because DOE will be soliciting a new operator through a Request for Proposals (RFP) and wishes to secure the site for continued operations after the conclusion of the existing grant to SFCR/Building Resources.

Rent for the site was most recently increased September 1, 2022 and is currently \$19,368.54 per month covering 27,502 square feet of paved land, 5,766 square feet of unpaved land, and 3,615 square feet of shed space. Although SFCR/Building Resources occupies the site, DOE is responsible for payment of rent. There has been no history of payment issues and DOE is currently in good standing.

Request for Proposals

DOE contracted with a consultant to research reuse centers throughout the country in order to determine best practices and set standards for the upcoming RFP. In discussion with DOE about the RFP, Port staff requested the proposers address in detail the following aspects as part of the RFP:

Community/Workforce Development/Education

- Explain plans to incorporate diversity, equity, and inclusion goals into your business plan.
- How will this business support the Bayview community values and priorities?
- Can your business offer classes to the public on how to utilize reusable building materials? If so, please elaborate on what type of classes and frequency.

- How can your business work collaboratively with other businesses utilizing reusable products, refurbishment, or fix-it clinics.

Beautification

- How can your business address beautification of the periphery of the property, litter abatement, graffiti removal, and weed removal?
- What kinds of signage will your business utilize and how will it be maintained?
- Are there other ways that your business will contribute to the [Policy for Southern Waterfront Community Benefits and Beautification?](#)

RECOMMENDATIONS FOR NEW MOU

Rent Adjustment

With the current MOU, DOE utilizes three different types of space: paved land, unpaved land, and shed space. The rate per square foot under the existing agreement had been the same for each property type \$0.36 psf. Under current parameter rental rates that went into effect September 1, 2022, each type of space has a different rate. Port staff adjusted the rent to the low end of parameter on September 1, 2022, resulting in a monthly rent of \$19,369, a 40% increase in base rent. Staff opted to increase the rent based on the low end of parameter recognizing the adjustment is a significant increase and given that the rent will be further increased with the new MOU. The rent as of the effective date of the new MOU will increase by 3% and 3% annually thereafter

Southern Waterfront Community Benefits and Beautification

The Southern Waterfront Community Benefits and Beautification Policy encourages tenant practices such as beautification, outreach and good neighbor policies, environmentally sensitive practices, local hire, green stormwater treatment, and hiring of local truckers and local business enterprises. The subtenant has supported this policy in the following manner:

- Hired staff from the local community.
- Utilizes a company based in Hunters Point for its roll-off bins.
- The core mission of salvage and resale of building materials is inherently environmentally sensitive.
- Engaged with the local community, including residents, tradespeople, artists and merchants, all of whom shop at Building Resources and bring new inventory.
- Exhibit environmental arts, crafts, and media as well as offer education and engagement on the environmental art movement via the Reclaimed Room Art Gallery.

Under the terms of a recommended new MOU, Port staff have negotiated a commitment to focus on the beautification portion of the policy, requiring that the Tenant conduct more frequent maintenance of the screening treatment and explore the possibility of extending the screening upwards three or four feet to obscure the inventory stored on the top shelf of the recently installed pallet racks along the Cargo Way fence line.

Tenant

Port staff considered contracting directly with the new site operator and concluded that contracting with DOE is a better option for a five-year contract. DOE may select another entity to continue operations on the site pursuant to the anticipated RFP process. Accordingly, a direct MOU with DOE instead of the operator will provide certainty for the current operator’s grant period and for DOE’s RFP process to continue a building material reuse facility in the future.

Updates on Request for Proposal

While Department of Environment is the entity responsible under the MOU, the day-to-day operations of the site are important to the Port as well. To provide transparency on operations, should the MOU move forward prior to the selection of the new operator, the Port and DOE have agreed in the MOU that DOE will:

- Improve the perimeter screening to address the visibility of stacked material along Cargo Way.
- Consider seating a Port advisory group member on the selection panel for the RFP.¹
- Include a Port staff member on the selection panel for the RFP.
- Provide an update to the Port Commission on the results of the RFP.

PROPOSED MOU TERMS

<i>Tenant:</i>	San Francisco Department of Environment
<i>Premises:</i>	Parcel A – Approximately 27,502 sq. ft. of paved land Parcel B – Approximately 5,766 sq. ft. of unpaved land Parcel C – Approximately 3,615 sq. ft. of shed space
<i>Permitted Use:</i>	General office use, accept and sell salvaged building materials, public education and outreach and for no other purpose. All operations shall be subject to requirements outlined in the operations plan
<i>Term:</i>	Five (5) years
<i>Commencement Date</i>	Upon the full execution of the MOU, which is subject to approval by the Port Commission and Board of Supervisors.

¹ DOE is unable to commit that an advisory group member will be on a selection panel, as contracting requirements, panel expertise requirements, or scheduling conflicts may mean advisory group members are unable to serve.

<i>Monthly Base Rent:</i>	Months	Sq. Ft.	Rate PSF	Monthly Rent
<i>Parcel A</i>	1-12	27,502	\$0.49	\$13,475.98
<i>Parcel B</i>		5,766	\$0.39	\$ 2,248.74
<i>Parcel C</i>		3,615	\$1.13	<u>\$ 4,084.95</u>
				\$19,809.67
<i>Parcel A</i>	13-24	27,502	\$0.50	\$13,751.00
<i>Parcel B</i>		5,766	\$0.40	\$ 2,306.40
<i>Parcel C</i>		3,615	\$1.16	<u>\$ 4,193.40</u>
				\$20,250.80
<i>Parcel A</i>	25-36	27,502	\$0.52	\$14,301.04
<i>Parcel B</i>		5,766	\$0.41	\$ 2,364.06
<i>Parcel C</i>		3,615	\$1.19	<u>\$ 4,301.85</u>
				\$20,966.95
<i>Parcel A</i>	37-48	27,502	\$0.54	\$14,851.08
<i>Parcel B</i>		5,766	\$0.42	\$ 2,421.72
<i>Parcel C</i>		3,615	\$1.23	<u>\$ 4,446.45</u>
				\$21,719.25
<i>Parcel A</i>	49-60	27,502	\$0.56	\$15,401.12
<i>Parcel B</i>		5,766	\$0.43	\$ 2,479.38
<i>Parcel C</i>		3,615	\$1.27	<u>\$ 4,591.05</u>
				\$22,471.55
<i>Holdover Rent</i>	Should DOE holdover, the monthly rent shall be increased on the expiration date to the then-current parameter rent and on each subsequent annual anniversary during which the MOU is still in effect by 4%.			
<i>Security Deposit</i>	As a sister agency, no security deposit will be required.			
<i>Southern Waterfront Community Benefits and Beautification Policy Elements</i>	6.5% of MOU revenues will be set aside in the Port's Southern Waterfront Community Benefits and Beautification fund. This equates to approximately \$80,000 over the five-year term.			

NEXT STEPS

Port staff anticipate notifying the Southern Advisory Committee of this item and returning to the Port Commission as soon as the December 13, 2022 Port Commission meeting to seek approval of a MOU with DOE for a period of five-years on such terms and conditions as described in this staff report.

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