



MEMORANDUM

April 21, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of 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: Approve the Attached Resolution No. 23-22

EXECUTIVE SUMMARY

The Port Commission heard an informational presentation on this topic on November 8, 2022. Staff provide this updated memorandum to address questions during the meeting with additions indicated in underline below.

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 issued a Request for Proposals (“RFP”) on February 23, 2023, 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 is 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 an RFP.

DOE issued an RFP on February 21, 2023, for a new site operator of the building products reuse center located at 701 Amador Street. Responses were due March 31, 2023. DOE intends to award a grant for a term of 60 months that will include sublease of the site from DOE to the new site operator and a subsidy from DOE covering approximately two-thirds of the lease cost to the Port. The grantee will partner with DOE, acting as the site operator and manage the day-to-day activities of the site which will receive, sort, process, and resell reclaimed surplus building products, as well as be a hub for information and education on related topics.

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?](#)

As a result of these discussions, the RFP included the following as part of the scoring criteria:

- Describe how the project will address the needs of San Francisco's diverse and/or historically underserved populations including through workforce economic development.
- Describe how the organization will work collaboratively with community groups and others to expand education, awareness, and benefits of building products reuse.
- Identify how the proposal will enhance the site appearance as it is located in a highly visible gateway to the Bayview Community.
- Identify portions of the project for which the partnering organization(s) or individual(s) will be responsible.
- How will your business address beautification of the periphery of the property, including fencing/screening, eyesore abatement of products, litter, graffiti, illegal dumping and weed removal?
- What kinds of signage will your business utilize?

The answers to the above are part of the Project Description requirements and can provide up to 40 points of 80 total points available.

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 then 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 the 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 as contemplated by the RFP. 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, the Port and DOE have agreed to terms for a new MOU, including that DOE will:

- Improve the perimeter screening to address the visibility of stacked material along Cargo Way.
- Seat a Port Southern Advisory Committee (“SAC”) member on the selection panel for the RFP or a community stakeholder recommended by Port should no SAC member wish to participate. At the March 29, 2023 SAC meeting, Port staff announced the opportunity.
- 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 (subletting will be authorized but Tenant will remain responsible for rent)			
<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.			
<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.			

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to enter a new five (5) year MOU with DOE for space at Seawall Lot 344 for a reuse facility for salvaged building materials as described above.

Prepared by: Kimberley Beal, Assistant Deputy Director
Real Estate and Development

For: Rebecca Benassini, Deputy Director
Real Estate and Development

Attachments: San Francisco Environment Department Request for Proposal

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

RESOLUTION NO. 23-22

- WHEREAS, California Statutes of 1968, Chapter 1333, as amended (commonly known as the “Burton Act”) and Charter Section B3.581 empower the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control Port area of the City and County of San Francisco; and
- WHEREAS, The San Francisco Department of the Environment (“DOE”) has been a tenant of the Port at Seawall Lot 344 (“SWL 344”) since 1999, initially under Memorandum of Understanding (“MOU”) No. 12680 and currently as a holdover tenant under MOU No. M-14809; and
- WHEREAS, Port Staff negotiated the terms for a new five (5) year MOU to lease a portion of SWL 344 consisting of 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, for collective use as a reuse facility for the acceptance and sale of salvaged building materials, public education and outreach, and related uses as described in the Memorandum to the Port Commission dated April 21, 2023; and; and
- WHEREAS, The permitted use under the proposed MOU is a continuation of an existing use, and has no potential to result in any new direct or indirect physical change to the environment; approval of the proposed MOU is therefore not a project subject to review under the California Environmental Quality Act (CEQA); and
- WHEREAS, Port staff recommends approval of a proposed new MOU with DOE which will generate revenues of approximately \$19,809.67 per month during the first year and increasing each year as described in the Memorandum to the Port Commission dated April 21, 2023; and now therefore be it
- RESOLVED, That the Port Commission hereby approves the terms of the proposed Memorandum of Understanding with DOE to lease 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 as described above, and authorizes the Executive Director or her designee to execute said MOU in substantially the same form on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments, or other modifications to the MOU that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port, and are necessary or advisable to complete the transaction that authorized in this Resolution.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 25, 2023.

Secretary