

MEMORANDUM

March 9, 2017

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation regarding the Request for Proposals (RFP) for a Restaurant Opportunity at Pier 33 North, located at Bay Street and The Embarcadero

DIRECTOR'S RECOMMENDATION: Informational only - No action required

EXECUTIVE SUMMARY

The retail space at Pier 33 North has been operating as a restaurant over 30 years, most recently as the Butterfly Restaurant, offering Asian fusion cuisine with full service dining and take-out counter. The space is currently vacant. The space features prominent exposure to The Embarcadero, Bay views and high ceilings. The site is adjacent to Alcatraz Landing and is in close proximity to office workers, residents and millions of visitors, who walk, ride and run by the restaurant annually.

The Port envisions the new restaurant to be casual, affordable, family friendly and appealing to a wide segment of the public. The space should be inviting from the exterior with possible outdoor café dining made available. Given the number of nearby office workers and visitors, there will likely be a large market for relatively quick meals and take out. The new operator will be responsible for all capital improvements at their expense including bringing the premises to the current Building Code, meeting accessibility requirements and obtaining all necessary permits.

The Port's preference is to select an experienced restaurateur who has successfully owned and operated a similar restaurant. Due to stellar outreach efforts from the Port's recent Community Contract Opportunities Open House, the RFP will strongly encourage proposers to partner with certified Local Business Enterprises ("LBE") such as professional services, contractors, trades people and on-going service providers to

create a dynamic and diverse team to respond to the RFP. While the RFP will not require an LBE operator, the selection process will award points based on the LBE participation level to further encourage maximum outreach and participation by the LBE community.

BACKGROUND

Situated on the marginal wharf between Piers 33 and 35, this restaurant site has views of San Francisco Bay from the window wall on the east side of the building. The site is just north of Alcatraz Landing, which draws over 1.3 million visitors per year, and is close to multiple office buildings and private residences. It has a full kitchen, storage and food preparation area, dining room and lounge and is comprised of approximately 3,500 sq. ft. Maximum capacity for the current restaurant layout is approximately 120 persons seated. There is additional support space of up to 4,000 sq. ft. not included in the restaurant square footage that is available adjacent to the restaurant space in Pier 33 for storage, trash/recyclables management and deliveries at additional rent. A site plan is included as Attachment A.

The restaurant site at Pier 33 North has had multiple operators since Lease No. L-12392 was originally signed on December 11, 1996. First operated as “Peer Inn”, City Building, Inc. foreclosed the Lease on April 14, 1999. City Building, Inc. assigned the Lease to Bistro Z on October 13, 1999. Bistro Z assigned the Lease to RGN Corporation on April 1, 2003 and RGN Corporation operated the location as Butterfly Restaurant until it closed in January 2017.

Pursuant to the Port Commission Retail Leasing Policy and San Francisco Administrative Code, retail leasing opportunities must be offered through a competitive public solicitation and any lease with a term in excess of ten (10) years and/or having anticipated revenue to the Port of one million dollars or more requires approval by the Board of Supervisors.

The restaurant space will require upgrades that may include new lighting, kitchen ventilation, pollution control units to filter grease, smoke and odors, grease interceptors and fire suppression systems.

STRATEGIC OBJECTIVE

A new, modernized restaurant at Pier 33 North is expected to contribute in a substantial way to meeting the *Engagement, Economic Vitality and Stability objectives* of the Port’s Strategic Plan.

- *Engagement Objectives*: This RFP provides an opportunity to expand the Port’s diversity in lease opportunities through increased outreach to the underserved communities and through developing partnerships. The upcoming opportunity was presented at the Port’s Contract Opportunities Open House and has been shared with local business organizations, including the African American Chamber of Commerce and the San Francisco Small Business Office.

- *Economic Vitality Objectives:* A successful RFP anticipates supporting the Economic Viability objective to create value and stable income stream to the Port.
- *Stability Objectives:* A successful RFP will retain and modernize an important Port restaurant location, and improve Port revenue, supporting key Stability objectives aimed at retaining a diversified tenant base and increasing Port revenue.

KEY BUSINESS TERMS

Permitted Use: Operation of a full-service restaurant open at least six (6) days per week, serving a minimum of lunch and dinner.

Term: Ten (10) years with a potential option to extend to be determined based on the capital investment.

Rent: Greater of base rent or percentage of gross revenue.

- Minimum base rent per square foot, to be quantified in the RFP.
- Minimum percentage rent based on gross revenue, to be quantified in the RFP.
- Proposers may offer a base rent and/or a percentage rent in excess of the minimum required by the RFP.
- The successful proposer will have rent abated for up to 12 months from the date the Lease is fully executed to complete design, permitting and construction.

Minimum Capital Investment: The minimum capital investment must be sufficient to address required code upgrades, Americans with Disabilities Act (“ADA”) requirements, furnishings, fixtures, equipment, etc., and provide an appealing design for the proposed concept.

Experience: Documented experience successfully operating a full service restaurant for a minimum of 5 years full time during the last 7 years. Newly formed entities, such as a joint venture or partnership, are acceptable so long as principals who own an aggregate of 51% or more of the entity meet the minimum experience requirement.

SELECTION PROCES

The Port intends to establish a selection panel to review and recommend a restaurant operator based on the information contained in the responses to the RFP, an investigation of the entity’s financial capability, past projects and performance, oral interviews (if Port staff elects to hold such interviews) and other pertinent factors.

The following criteria are identified for proposal evaluation:

Proposed Concept

- Overall appeal of proposer’s concept to area residents, tourists and businesses.

- Proposer’s plan for marketing the restaurant, and maximizing sales, revenue and customer satisfaction.
- Proposed operations plan, including hours of operation, menu, pricing, staffing, and sourcing of product and services.

Proposed Design and Capital Investment

- Overall appeal, interior design, signage, floor plan, front elevation, and images depicting interior and exterior.
- Amount of initial capital investment.

Experience and Financial Strength

- Documented experience operating a full service restaurant.
- Annual gross revenue for the latest 3 years of operation.
- Source of funds for the initial capital investment (cash, loan types).

Proposed Rent and Business Plan

- Proposed base rent.
- Proposed percentage rent.
- Five year financial pro forma with projected sales, revenue to the Port, expenses and net income, with a demonstrated ability to fund continuing operations from the cash flow generated by the operation.

Local Business Participation

- Proposer is a local business or is partnered with a local business. Proposer demonstrates a partnership with LBE professional and service providers to develop and operate the restaurant.

LOCAL OWNED BUSINESS ENTERPRISE ROLE/OPPORTUNITIES

The Port of San Francisco encourages the participation of Local Business Enterprises (“LBEs”) in the RFP process. The primary goal of this RFP is to attract qualified and experienced restaurant operators to Pier 33 North. This proposed RFP will provide numerous opportunities for LBE’s as proposer/operators or restaurant partners, as well as participation in the improvement process, and the management and operations of the facility. The Port expects opportunities for LBEs in the following occupations: architectural design, construction, project management, various vendors and suppliers, financial and accounting, building maintenance services and security, among others. Port staff will work with our partners to determine minimum LBE criteria to be included in the RFP.

PROJECTED RFP SCHEDULE

To properly advertise this leasing RFP opportunity, continue outreach to local business organizations and allow interested parties sufficient time to prepare detailed proposals, staff proposes the following schedule:

Local Business Outreach
Issue RFP

Ongoing
May 2017

Pre-Proposal Conferences/Site Visit	May – June 2017
Deadline for Submission of Questions	June 2017
Submission of proposals	July 2017
Evaluation of proposals	August 2017
Port Commission lease approval	October 2017
Board of Supervisors' lease approval	November 2017

This schedule is an estimate and may vary on factors beyond Port staff's control.

SUMMARY

Port staff welcomes the Port Commission's review and comment on the proposed RFP for the Pier 33 North restaurant site. Port staff will continue its outreach with community groups and finalizing the RFP document in accordance with the proposed terms, criteria and schedule. Port staff also welcomes ideas for meaningful participation for LBEs within the proposed opportunity.

Port staff is preparing to issue the RFP from qualified restaurant operators. Selection of an operator and award of a lease will be subject to the approval of the Port Commission, and the Board of Supervisors as required.

NEXT STEPS

Port staff recommends the Port Commission direct staff to prepare the proposed RFP and return to the Port Commission with a resolution authorizing issuance of an RFP for a retail leasing opportunity at the Pier 33 North restaurant location. Port staff will incorporate Port Commission input and issue the RFP targeted for May 2017.

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Attachments

- A. Map of Pier 33 North
- B. Map of the Northeastern Waterfront
- C. Photos of the Premises