

MEMORANDUM

March 24, 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 Pier 70 Special Use District proposed by Forest City Development California, Inc. and associated public benefits

DIRECTOR'S RECOMMENDATION: Information Only; No Action Required

EXECUTIVE SUMMARY

On May 28, 2013, the Port Commission adopted Resolution 13-20¹ endorsing a Term Sheet between the Port and Forest City Development California, Inc. ("Forest City" or "Master Developer") for the mixed use development of the 28 acre Pier 70 Waterfront Site (the "Waterfront Site," shown on Exhibit A). On June 11, 2013, the Board of Supervisors adopted Resolution 201-13, unanimously endorsing the Term Sheet between the parties.

On June 3, 2014, San Francisco voters approved Proposition B, "Voter Approval for Waterfront Development" (59-41%), requiring voter approval for any increase in heights for property under the jurisdiction of the San Francisco Port Commission. In response to Proposition B, Forest City sought and obtained voter approval for Proposition F on the November 4, 2014 ballot (73-27%). Proposition F, "Pier 70 Development Site Height Limit Increase", permits an increase in the height of the Site from 40' to 90'. Proposition F also set forth a number of non-binding public benefit commitments related to affordable housing, jobs, open space, infrastructure, artist community preservation, and historic buildings.

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¹ A copy of the Port Commission staff report, associated exhibits, and Resolution 13-20 is available at: <http://www.sfport.com/index.aspx?page=2295>

Since that time, Port staff have worked with Forest City and other city agencies to both expand these public benefit commitments, and confirm their details. This informational presentation describes the Project's public benefits as negotiated by Port and Office of Economic and Workforce Development ("OEWD") staff.

PIER 70 PUBLIC BENEFITS SUMMARY

As further described in the October 6, 2016 Port Commission staff report², proposed amendments to the Planning Code will allow for the development of approximately 1,100 to 2,150 new residential units, and between 1 million and 2 million gross square feet of new commercial and office space, as well as small-scale manufacturing, retail, and neighborhood services at the Project Site. The Port, Forest City, and other City agencies have worked together to agree upon appropriate public benefits associated with this amount and type of development. Commitments to public benefits to date address:

1. **Affordable Housing:** 30% affordable housing, constructed on-site.
2. **Transportation:** Transportation demand management on-site, combined with improved transportation connections through the neighborhood including a shuttle service operated by Pier 70 to connect the District to regional transit hubs, bike-sharing stations, car-sharing services and other ways to encourage walking, biking and use of public transit. Additionally, \$50 million by the project to support transportation infrastructure improvements outside of the project.
3. **Jobs and Equal Opportunity:** including a 30% local hiring commitment and local business enterprise ("LBE") utilization (goal still being developed).
4. **Parks:** Comprehensive provision of new open space for a variety of activities, potentially including active recreation on rooftops of buildings, such as an Irish Hill playground, a market square, a central commons and waterfront parks along 1,380 feet of shoreline.
5. **Sea Level Rise Infrastructure:** Privately funded new infrastructure to support project elements. The new infrastructure will preserve, protect and open up the waterfront, including a significant source of long-term private funding to support the seawall and protect the shoreline from 100-year sea-level rise projections.
6. **Arts, Industrial Uses and Public Facilities:** A local market hall supporting local makers, new quality replacement studio space for the Noonan Building artists, and a new arts space run by a local nonprofit.

² A copy of the Port Commission staff report, associated exhibits, is available at: <http://sfport.com/file/16762>

7. **Historic Rehabilitation:** Re-use and rehabilitation of three key historic structures, and support of the Historic District in open space, streetscape and building design.
8. **Sustainability:** State-of-the-art green development techniques, and district-scale sustainability strategies to lead to leading to greater efficiencies and improved sustainability performance.

The Port and the Developer's commitment to this program of public benefits will ultimately be memorialized in a Development Agreement ("DA") and a Disposition and Development Agreement ("DDA"), which will establish contractual conditions and obligations for development of the Port-owned property. Implementing documents, such as the Affordable Housing Plan and Transportation Plan, will be attached as DDA exhibits. All of these documents will be brought forth for approval by the Port Commission in summer 2017, before seeking final approval from the Board of Supervisors.

SOUTHERN BAYFRONT STRATEGY

The Southern Bayfront strategy is an ongoing collaboration by City departments, including the Office of Economic & Workforce Development, the Port, and other relevant agencies to ensure a coordinated set of community and City-wide public benefits from proposed large-scale development projects in the southeastern part of the City, like the Pier 70 project. The strategy takes a closer look at all development projects in the area along the Bay from Mission Creek to Candlestick Point – almost 5 miles of San Francisco's waterfront. A few development projects are already underway in the north and south ends of the district, such as Mission Bay and Hunters Point Shipyard/Candlestick Point; and several more are seeking entitlement in addition to Pier 70, including Mission Rock, the former Potrero Power Plant site, PG&E Hunters Point Power Plant, and India Basin.

The Southern Bayfront strategy is premised on ensuring that this tremendous growth not only occurs under a cohesive City-led policy vision, but that it also leverages the investment made in each project towards a greater whole, to address the needs of the Bayfront's diverse communities. The strategy focuses collective public benefits in the same key areas addressed by the Pier 70 public benefits proposal: Housing Affordability, Transportation, Economic and Workforce Development, Open Space, Sea Level Rise Infrastructure, Public Facilities, and Environmental Sustainability

AFFORDABLE HOUSING

In Proposition F, Forest City committed to providing 300 to 600 new affordable homes comprising 30% of all units on the 28-Acre Site, and also committed to the majority of residential units being rental housing. The 30% affordable housing level would exceed the City's current requirement of 25% on-site affordability. To implement those commitments, City staff and Forest City, in consultation with the Mayor's Office of

Housing and Community Development, have arrived at an affordable housing proposal as follows:

- A majority of residential buildings on-site will be designated as rental buildings.
- District 10 focused programs including neighborhood preference program, as allowed by MOHCD, and an affordable housing marketing program focused on District 10 residents and families.
- 20% inclusionary units will be provided in all residential rental buildings.
- The remainder of affordable units will be provided in 3 dedicated 100% affordable housing parcels, with approximately 330 units total.
- Project generated gap funding required for dedicated affordable housing parcels on a per unit basis, after taking into account readily available state and local funds such as tax credits, is projected at approximately \$300,000 per unit, escalated annually.
- The projected \$99 million in gap funding needed to construct affordable housing buildings on the 3 dedicated parcels will be provided through:
 - **Tax increment from the PG&E Hoedown Yard.** If the City is able to relocate this use (PG&E gas utility operations) to other property, and the City exercises its Hoedown Yard purchase option³, Port and City staff, including Mayor’s Budget staff, recommend forming an Infrastructure and Revitalization Financing District (“IRFD”), which can be used to fund affordable housing under existing state law – over the Hoedown Yard to fund increased affordable housing;
 - **Jobs Housing Linkage Fees** paid by all office projects, equivalent to \$34.20/SF with escalation over time; and
 - An **in lieu affordable housing fee** paid by all condominium projects, equivalent to 24% of units.

Table 1 below lists estimated project-generated sources to pay for development of the three (3) dedicated affordable housing parcels (totaling approximately 330 units):

³ For more information on the City’s Hoedown Yard Option, please see:
<http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%2012B%20Approve%20PGE%20ZA1%20Embarcadero-Potrero%20Transmission%20Line%20License%2015762%20060514%20clean%20copy-documentid=8196.pdf>

Table 1: Pier 70 Dedicated Affordable Housing Gap Funding Sources	
Hoedown Yard IRFD Proceeds [1]	~\$24 million
Jobs, Housing Linkage Fees of \$34.20/SF, escalated per Planning Code	~\$41 million
Condominium In-Lieu Fees equal to 24% of units, escalated per Planning Code	~\$34 million

The proposed affordable housing strategy is expected to yield more than 520 total units of affordable housing, primarily at low income levels, under the most likely land use scenario for the project.

TRANSPORTATION

To meet the travel demand needs of the site, and its surrounding residents, Forest City’s consultants have drafted a plan including a context-sensitive array of transportation options intended to meet the City’s future mobility and sustainability goals.

Some of these transportation options will be provided through development of the site, which will include new streets enabling pedestrian access to the site and the waterfront, a comprehensive bike network through the new streets and along the waterfront, and include streets designated to support a new San Francisco Municipal Transportation Agency (“SFMTA”) bus line, pending continued outreach between SFMTA and the community.

Other options will be addressed through the project’s Transportation Demand Management strategy, which is intended to reduce auto trips generated by the uses on-site, and includes the following components:

- A commitment to a 20% reduction in project trips;
- Monitoring and achievement of trip reduction goals, via annual monitoring, a report to the Board of Supervisors for review and approval, and implementation of changes to transportation program if needed;
- A transit pass program for residential units;
- A publicly accessible shuttle service connecting to regional transit networks. The program will be developed and implemented based on then current travel patterns and will likely included access to BART and Caltrain;

- Passenger amenities including real-time arrival screens at transit stations/stops, and real-time transportation information screens in lobbies/main entry/exits of buildings;
- Provision of ridematching services;
- Bikeshare and carshare membership to all residents and tenants;
- Provision of event-specific TDM plans to limit driving trips associated with on-site events;
- Enrollment in San Francisco County Emergency Ride Home Program;
- Creation, operation, and maintenance of a TMA website;
- One or more new bikeshare stations; and
- Provision of bicycle parking, showers, and lockers throughout the development.

Finally, the City has negotiated payment of a transportation fee in lieu of the City's Transportation Sustainability Fee, which could provide as much as \$50 million dollars to support transportation and street improvements in the surrounding neighborhoods.

JOBS AND EQUAL OPPORTUNITY

Forest City estimates the Project will create up to 10,000 permanent jobs on the site, and up to 11,000 construction jobs through the life of the project buildout. The Project will be subject to a 30% mandatory Local Hire requirement; and to a Local Business Enterprise ("LBE") participation requirement (still under development), which will apply to all horizontal work, hard costs, and soft costs.

In addition, the developer is discussing additional ways to increase direct participation from the neighborhood in the project's short and long-term labor force, including:

- Hiring an external LBE consultant/outreach coordinator with expertise in working with disadvantaged communities to facilitate marketing and outreach of contracting opportunities at Pier 70, with a specific focus on southeastern neighborhoods;
- Holding annual workshops over the life of the horizontal, vertical and T/I project build-out to publicize upcoming contracting opportunities;
- Working collaboratively with the Workforce Division of the Office of Economic and Workforce Development ("OEWD") to place trained local workers in relevant long-term job opportunities, such as retail, and potentially entry level technology positions; and

- A targeted program for diverse and District 10 small business opportunities in retail, PDR and other commercial spaces in the project (still being developed).

PARKS

Proposition F committed to nine acres of waterfront parks, playgrounds and recreational facilities on the Project Site, which represents a tripling of the amount of parks currently existing in the Dogpatch neighborhood. Open spaces programmed as part of the project are the Waterfront Promenade, the Waterfront Terrace, Slipways Commons, the Building 12 Market Plaza and Market Square, the Irish Hill Playground, 20th Street Plaza, and Buildings C1 and C2 structured parking rooftops, if parking structures are built on these parcels. These open spaces are anticipated to accommodate everyday passive uses as well as public outdoor events, including art exhibitions, theater performances, cultural events, outdoor fairs, festivals and markets, outdoor film screenings, evening/night markets, food events, street fairs, and lecture services. The project will also extend the Bay Trail along its portion of the shoreline for biking and walking along the waterfront.

The design and program of each of these open spaces on Port property will be approved directly by the Port Commission prior to implementation.

SEA LEVEL RISE INFRASTRUCTURE

Forest City projects that over \$200 million dollars will be spent on infrastructure development through the life of the project buildout, which includes new streets, open spaces and public facilities, as well as earthquake and 100-year sea level rise projections.

Since Term Sheet, staff has negotiated an additive special tax, via a Community Facility District (“CFD”), on condominium parcels and residential rental and commercial parcels within the 28 acres to fund shoreline protection within the project as well as along the Port’s waterfront. Port staff projects that the value of this source will \$19-36 million on a net present value basis (in today’s dollars), and \$1.1 - 2.3 billion on a nominal basis (over the next 100 years). Actual tax receipts will depend on project financial performance. This long-term funding stream is will act to protect against increased infrastructure costs within the project site, and will serve as a stable revenue source for shoreline protection along the Port’s waterfront, addressing not only immediately vulnerable to the seismic and flood risk concerns of the immediate area, but also serving the Port and City’s shoreline protection needs.

ARTS, INDUSTRIAL USES AND PUBLIC FACILITIES

Proposition F committed to providing substantial new and renovated space for arts, cultural uses, non-profits and small scale manufacturing. Forest City and City staff have developed a program of uses to flesh out this commitment, including:

- A new 90,000 square foot arts facility; developed in concert with a local nonprofit, that provides below market leasing to arts organizations and artists;
- New, state-of-the-art artist studio space equivalent to the amount currently occupied by the Noonan Tenants, provided to those tenants at permanently affordable rents based off the Port parameter rent schedule for the Noonan Building;
- A Market Hall in Building 12, with retail and production space for local makers;
- A minimum of 50,000 gross floor feet of Production, Distribution and Repair (“PDR”) space in the project.

Additionally, the project will pay all applicable school impact fees, utility fees, including the San Francisco Public Utilities Commission (“SFPUC”) Wastewater Capacity Charge and SFPUC Water Capacity Charge, and all other administrative fees charged by the City. Forest City has committed to providing on-site child care facilities sufficient to serve the needs of residents and workers in the 28 Acre Site.

HISTORIC BUILDINGS

The Project will rehabilitate three historic structures critical to the Pier 70 Historic District. Under the DDA, it is anticipated that Forest City will rehabilitate Historic Building 12 and Historic Building 21, and if it exercises its Option, Historic Building 2, all in accordance with the Secretary of the Interior’s Standards for the Rehabilitation of Historic Buildings. It is also anticipated that Forest City will work with the Port on an interpretation plan of the Union Iron Works Historic District which will be implemented in open spaces throughout the site, addressing Pier 70’s history of ship building and repair.

ENVIRONMENTAL SUSTAINABILITY

The City of San Francisco has incorporated aggressive sustainability measures into its Planning and Building Codes in recent years, including Green Building Standards, Mandatory Recycling and Composting, and its Better Roofs Policy. The Pier 70 Project will meet all required Codes and Standards, and will additionally work to include innovative district based systems such as a grey or blackwater system to reuse treated water on-site, usage high energy efficient street lighting, a district-wide shared energy system, solar on available rooftop areas, and solar thermal hot water systems.

IMPLEMENTATION OF PUBLIC BENEFITS

In addition to the public benefits described above, the City’s independent economic consultant is preparing an updated fiscal impact analysis, projecting the potential changes in fiscal revenues associated with development of the proposed project. This document will provide new figures to support the 2013 Administrative Code Chapter 29 findings of fiscal responsibility and feasibility, which illustrated significant revenues over

the life of the project to the Port of San Francisco, and no fiscal impact to City services or the General Fund.

To ensure delivery of these public benefits, Forest City will be required to submit phase submittals to the Port, and each submittal will need to demonstrate proportionately of the public benefits in each phase of development.

Additionally, the City's implementation team, comprised of Planning Department and OEWD staff, will monitor the ongoing implementation of the project to monitor public benefit commitments.

NEXT STEPS

Port and Office of Economic and Workforce Development staff to continue to negotiate and finalize key transaction documents for the development of the Pier 70 SUD. Staff will continue to seek Port Commission policy direction during the negotiation.

The parties project the following key milestones for the Project:

Certification of Final EIR:	July 2017
Port Commission Approval	July 2017
Board of Supervisors:	September 2017
1st Phase Construction:	Early 2018

The EIR process will provide the public and decision-makers with an opportunity to review the technical details of the project and potential environmental impacts, and provide the public with opportunities to comment on the proposed Pier 70 SUD.

Forest City and City staff will continue to:

1. Conduct public outreach and engagement regarding the proposed Pier 70 SUD;
2. Coordinate site infrastructure planning, including the Streetscape Plan and site design to respond to projected sea level rise, with affected City agencies;
3. Finalize the proposed Affordable Housing, Transportation and Sustainability Plans; and
4. Pursue site-wide coordination with Puglia Marine, Orton Development, and existing Port tenants at Pier 70 that may be required to relocate to accommodate phased development of the area.

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Exhibit A: Pier 70 Waterfront Site

