

MEMORANDUM

May 5, 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 Transaction Structure between: (1) the Port and Forest City Development California, Inc. for the 28-Acre Site, located between 20th, Michigan, and 22nd Streets and San Francisco Bay (Assessor's Block 4052/Lot 001 and Lot 002 and Block 4111/Lot 003 and Lot 004); (2) the Port and Third Parties for the "20th/Illinois Parcel" along Illinois Street at 20th Street (Assessor's Block 4110/Lot 001); and (3) the City and a Third Party for Pacific Gas and Electric Company-owned parcel subject to a City option to purchase called the "Hoedown Yard," at Illinois and 22nd Streets (Assessor's Block 4120/Lot 002 and Block 4110/Lot 008A)

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 "Developer") for the mixed use development of the 28 acre Pier 70 28-Acre Site (the "28-Acre 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.

THIS PRINT COVERS CALENDAR ITEM NO. 13A

¹ A copy of the Port Commission staff report on the Term Sheet, associated exhibits, and Resolution 13-20 is available at:

<http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2295.html>

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, the “Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation Initiative”, 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 28-Acre Site from 40’ to 90’. Proposition F also set forth a number of recommended public benefit commitments related to affordable housing, jobs, open space, infrastructure, artist community preservation, and rehabilitation of historic buildings.

As further described in the October 6, 2016 Port Commission staff report², Port and City staff have been working with Forest City since Term Sheet to develop proposed Pier 70 Special Use District (“SUD”) amendments to the Planning Code that 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, neighborhood services, waterfront parks and public infrastructure (the “Project”).

On December 21, 2016, the San Francisco Planning Department issued a Draft Environmental Impact Report (“DEIR”) for the “Pier 70 Mixed-Use District Project” (Case 2014-001272ENV)³. The public comment period for the DEIR closed on February 21, 2017.

On March 28, 2017, Office of Economic and Workforce Development (“OEWD”) staff provided an informational presentation to the Port Commission describing the Project’s public benefits which OEWD and Port staff have negotiated⁴.

This staff report describes the proposed transaction structure for Forest City’s development of the 28-Acre Site and the potential third party development of the “Illinois Street Parcels” comprised of the Port-owned parcel at Illinois & 20th Streets and the PG&E-owned Hoedown Yard for which the City has an option to purchase (“Option”) (each as shown on Exhibit A). The Illinois Street Parcels are being rezoned as part of the Pier 70 SUD.

This report also describes proprietary competitive solicitations the Port will conduct for the sale of the Illinois & 20th Street parcel with the assistance of the Department of Real

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

³ A copy of the Draft Environmental Impact Report is available at:
<http://sfmea.sfplanning.org/Pier70DEIRFull.pdf>

⁴ A copy of the Port Commission staff report is available at:
<http://sfport.com/file/20120>

Estate, and the competitive solicitation the Department of Real Estate will conduct for the sale of the City's Hoedown Yard Option.

BACKGROUND

Since Term Sheet endorsement in 2013, Forest City, the Port and the City have undertaken a major design and entitlement effort for the Project. These efforts include preparation of the DEIR, completion of a Design for Development including standards and guidelines for new and rehabilitated buildings and a waterfront parks design concept which was presented to the Port Commission on March 14, 2017,⁵ preparation of a detailed infrastructure plan and master utilities plans, and creation of development standards and guidelines for streetscape, open space and new buildings. In addition, Forest City, Port and OEWD staff continue to negotiate and draft the financing and transaction documents that will govern implementation of the Project.

Over the next three months, Port staff will present to the Port Commission a series of public informational sessions to discuss various aspects of the Project, including an overview of the Disposition and Development Agreement ("DDA"), key financial terms and financing structures, principle entitlements, public benefits and other topics of interest to the Port Commission. The purpose of this staff report is to provide an overview of the Project and key approval documents in anticipation of these more detailed informational presentations, culminating in final project approvals anticipated to occur in late summer/early fall of 2017.

A description of the proposed Project components is set forth below. As noted, in addition to the revitalization of the Pier 70 area as a new mixed-use neighborhood, the redevelopment of Pier 70 will deliver numerous public benefits, including affordable housing, transportation improvements and management, jobs and equal opportunity programs, new parks and open space, historic rehabilitation and sustainability. The Project also includes a first-of-its-kind special tax to help pay for future sea level rise measures along the waterfront.

This staff report presents a general outline of the main plans, agreements, approvals and other documents needed for the implementation of the Project. It contains four sections:

- an overview of the proposed development project;
- a summary of the framework of public actions, including entitlements, agreements regarding development and conveyance, financing structure, the public trust exchange and the interrelation among these principal project components;

⁵ A copy of the Port Commission staff report is available at:
<http://sfport.com/file/19844>

- a description of the processes the Port and the Department of Real Estate will use to competitively bid the Illinois & 20th Street parcel and the Hoedown Yard Option; and
- next steps, including the anticipated schedule of upcoming Port Commission informational presentations and a tentative public approval schedule.

PROJECT OVERVIEW

The Project outlines a vision to reintegrate and restore the 28-Acre Site – a portion of the broader 70-acre Pier 70 Area – into the fabric of San Francisco, creating an active, sustainable neighborhood that recognizes its industrial past. As contemplated in the proposed Pier 70 Design for Development, the future of the 28-Acre Site is envisioned as an extension of the nearby Dogpatch neighborhood that joins community and industry, engaging residents, workers, artists, and manufacturers into a lively mix of uses and activities. The Project will reflect this diversity and creativity, inviting all to the parks, which are lined with local establishments, restaurants, arts uses, and event spaces, each with individual identities.

New buildings within the site will complement the industrial setting and fabric in size, scale, and material, with historic buildings repurposed into residential use, spaces for local manufacturing and community amenities. The Project will include a diversity of open spaces at multiple scales, shaped by nearby buildings, framing the waterfront, and creating a platform for a range of experiences.

Key elements of the Project include the following:

- **Housing:** Between 1,100 and 2,150 residential units, including 30 percent affordable housing;
- **Commercial Space:** Between approximately 1 million and 2 million sq. ft. of commercial office (only 1,100 residential units could be built in the maximum office scenario), and approximately 445,000 sq. ft. of retail, light industrial and arts space;
- **Historic Structures:** Rehabilitation and reuse of more than 280,000 sq. ft. in historic structures within the Union Iron Works Historic District covering about 66 acres of Pier 70, including Buildings 2, 12, and 21;
- **Waterfront Parks:** 9 acres of new waterfront open space on the 28-Acre Site and the Illinois Street Parcels, including a playground, market square, central commons and waterfront parks along 1,380 feet of shoreline;
- **Building Heights:** Building heights staggered from 50'-90' with lower heights along the waterfront and all buildings set back at least 100 feet from the shoreline, consistent with the maximum height limits approved in Proposition F,

the Port's Pier 70 Preferred Master Plan and the height of the tallest existing building onsite;

- **Arts and Creative Industries:** Plans include significant space for artist studios, small-scale makers and other creative industries reflective of the Dogpatch area, including
 - providing state-of-the-art space to existing Noonan Building creative community tenants currently onsite in a new, affordable waterfront arts facility of up to 90,000 square feet (“Arts Building”) and accommodation within the Union Iron Works Historic District during any transition period; and
 - tenanting Building 12 with local manufacturers in a “Makers Market Hall” bridging the site’s history and future and serving as an amenity for the surrounding community;
- **Transportation:** A transit-oriented plan that:
 - leverages the City’s investment in the new Central Subway light rail system⁶;
 - prioritizes pedestrians and bicycles with innovative street designs;
 - includes a shuttle service operated by an entity that Forest City will contract to connect the 28-Acre Site to regional transit hubs and multi-modal transportation options including bike-sharing and car-sharing; and
 - generates \$45-50 million in transportation impact fees to support transportation infrastructure improvements outside of the Project;
- **Resiliency:** Entirely new infrastructure with earthquake and 100-year sea level-rise protections; and
- **Economic Access:** A workforce program with a project labor agreement, a commitment to 30 percent local hires for infrastructure and building construction, a Local Business Enterprise component, workforce training programs, and outreach to local businesses regarding retail opportunities in the Project.

TRANSACTION FRAMEWORK AND PUBLIC APPROVALS

The City approvals relating to the proposed Project include:

⁶ In 2019, the Central Subway is schedule to open and increase rider capacity from 800-1,200 during peak periods at the 20th and 23rd street stops.

1. Entitlements, including certification and approval of a Final Environmental Impact Report (“EIR”), amendments to the City’s General Plan, Planning Code and Zoning Map, amendments to the Waterfront Land Use Plan and adoption of a Design for Development;
2. Implementing Documents, centering on the DDA and its associated exhibits (including an Affordable Housing Plan, Financing Plan, Infrastructure Plan and Jobs Program, forms of Vertical Disposition and Development Agreement (“VDDA”), Parcel Lease and Master Lease), an Interagency Cooperation Agreement (“ICA”) between the Port and various City agencies; a Reimbursement and Acquisition Agreement (“Acquisition Agreement”) , and a Development Agreement between the City and the Developer;
3. Public Financing and approvals, including establishment of one or more infrastructure financing district (“IFD”) project areas (each, an “IFD Project Area”), an Infrastructure and Revitalization Financing District (“IRFD”), and community facilities districts (each, a “CFD”), and an inter-departmental memorandum of understanding regarding tax assessments and allocation (“Tax Allocation MOU”); and
4. a Trust Exchange that requires approval and implementation of a Compromise Title Settlement and Land Exchange Agreement (“Trust Exchange Agreement”) with the California State Lands Commission (“State Lands”) consistent with the requirements of AB 418⁷ (Assemblymember Ammiano; 2012).

An overview of these project components is discussed below, subject to discretionary approvals by various City entities, including the Port Commission, the Planning Commission and the Board of Supervisors, as shown in Table 1 below.

Table 1: Pier 70 Special Use District Project Approvals

Project Approval	Board of Supervisors	Port Commission	Planning Commission
<i>Entitlements</i>			
Final FEIR	Adopt Findings & MMRP	Adopt Findings & MMRP	Certify
Pier 70 SUD	Approve	Recommend	Recommend
Design for Development		Approve	Approve
General Plan Amendments	Approve		Approve
Waterfront Plan Amendments		Approve	
<i>Implementing Documents</i>			
Disposition & Development Agreement &	Approve	Approve	

⁷ For a copy of AB 418 (Assemblymember Ammiano; 2012), see: http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB418

Project Approval	Board of Supervisors	Port Commission	Planning Commission
Exhibits: <ul style="list-style-type: none"> • Financing Plan • Acquisition Agreement • Form of Master Lease • Form of Vertical DDA • Form of Parcel Lease • Affordable Housing Plan • Infrastructure Plan • Streetscape Plan • Jobs and Equal Opportunity Program • Mitigation Monitoring & Reporting Program 			
Development Agreement	Approve	Consent	Recommend
Interagency Cooperation Agreement (1)		Approve (also approved by SFPUC, SFMTA & Public Works)	
<i>Public Financing</i>			
Port Infrastructure Financing District (“IFD”) No. 2, Sub-Project Area G-2	Approve	Recommend	
Infrastructure and Revitalization Financing District (“IRFD”)	Approve	Recommend	
Community Facilities Districts (“CFD”)	Approve	Recommend	
Tax Allocation Memorandum of Understanding	Approve	Approve (Port Executive Director, Controller, and Assessor will execute)	
<i>Trust Exchange</i>	Approve	Approve (also approve by CA State Lands Commission)	
<i>Sale of Parcel K North and South</i>	Approve	Approve	
<i>Sale of Hoedown Yard Option</i>	Approve		

Notes:

- (1) The ICA will be an interdepartmental memorandum of understanding between the Port and other City agencies, including the San Francisco Public Utilities Commission (“SFPUC”), San Francisco Municipal Transportation Agency (“SFMTA”), and San Francisco Public Works (“Public Works”). The ICA will govern review and acceptance of public infrastructure constructed by Developer.

- (2) The Tax Allocation Memorandum of Understanding will govern the roles and responsibilities of the Port, Controller, Tax Collector, and Assessor as to the collection, allocation and administration of property tax increment under the IFD, IRFD and CFD.

I. Entitlements

Final Environmental Impact Report. The Planning Department is in the process of preparing an EIR for the Project that thoroughly analyzes the potentially significant environmental impacts of the proposed development of the Project. The Planning Department circulated the DEIR for public comment, held a public hearing on the draft on February 9, 2017, and is preparing responses to all of the public comments that were received either at the public hearing or in writing during the public comment period. The Planning Commission will consider whether to certify the Final EIR in accordance with the California Environmental Quality Act (“CEQA”). The Final EIR must be certified before the Port, the Board of Supervisors or any other City Agency may grant discretionary approvals for the Project. As indicated in Table 1 above, subject to Board of Supervisors approvals, the Port Commission must adopt specific CEQA findings and a mitigation monitoring and reporting program (the “MMRP”) to mitigate the significant environmental effects of the Project.

Special Use District (SUD). Zoning for the 28-Acre Site and the Illinois Street Parcels will be established through the SUD. The SUD will establish permitted land uses and certain development standards, including standards governing building height, bulk, setbacks, open space and parking and loading (including bicycle parking and car share). The SUD will also set forth the procedures through which the Planning Department and the Port will review and approve buildings to be developed within the SUD.

Design for Development. The Design for Development will be incorporated into the SUD. The Design for Development establishes more detailed development standards and guidelines for buildings, open space and streetscape improvements and will control all development within the SUD. Under the Design for Development, the following components of the Project will be subject to approval as follows:

- **New Development:** New buildings will be reviewed by Planning Department staff, in consultation with Port staff, for consistency with the standards and guidelines in the Design for Development, with a recommendation to the Planning Director who will approve or deny applications for proposed new buildings;
- **Historic Rehabilitation:** Historic rehabilitation of Buildings 2, 12 and 21 will be reviewed by Port staff, in consultation with Planning Department staff, for consistency with Secretary of the Interior’s Standards for Treatment of Historic Properties (“Secretary’s Standards”) and the standards and guidelines in the Design for Development as part of the Port’s building permit process, with a recommendation to the Port Executive Director, who will approve or deny plans for proposed historic rehabilitation projects; and

- **Parks and Open Space:** Design of parks and open space will undergo public design review by a design advisory committee appointed by the Port Executive Director, with a recommendation to the Port Commission, which will approve or deny park designs.

General Plan and Waterfront Land Use Plan Amendments. The Board of Supervisors, upon recommendation of the Planning Commission, will consider amendments to the General Plan to allow findings of consistency with the SUD and other Project approvals. In addition, staff will recommend that the Port Commission adopt conforming amendments to the Waterfront Land Use Plan.

II. Implementing Documents

This section describes the implementing documents that will govern development of the Project:

1. Disposition and Development Agreement (DDA).

The principal agreement governing development of the Project is the DDA between the Port and Forest City. The parties will execute the DDA following approval of the entitlements described above. The DDA and its various exhibits provide the overall road map for development of the Project, including both “horizontal” and “vertical” development of the Project, delivery of public benefits and the financial structure for the transaction (see Financing Plan below).

In general, Developer will be responsible for horizontal development of the Project which consists of entitlement, site preparation (including grading and environmental remediation), subdivision and construction work related to streets and sidewalks, public realm amenities (e.g., parks and open space), public utilities and shoreline improvements to create development parcels and support and protect buildings (including affordable housing). Vertical development includes entitlement and development of buildings consistent with the SUD and Design for Development. The following is a broad overview of the purposes of the DDA.

- a. Approval, Phasing and Construction of Horizontal Improvements. The DDA will describe the scope, timing, standards and procedures for Forest City’s delivery of horizontal improvements and associated public benefits (collectively, the “Horizontal Obligations”), including:
 - (i) streets, utilities, parks and open space⁸;
 - (ii) historic rehabilitation of Buildings 2, 12 and 21; and

⁸ Streets, utilities, parks and open space will be developed in accordance with the Streetscape Master Plan and Infrastructure Plan (described below) and the Design for Development (described above).

- (iii) delivery of the proposed Arts Building and replacement space for the Noonan Building tenants.

Specifically, the DDA will establish the scope and timing of Project phasing through a Phasing Plan and Schedule of Performance. The Schedule of Performance will establish deadlines by which Forest City must submit development applications for each Phase, commence and complete the Horizontal Obligations within each Phase, and deliver public benefits, subject to excusable delay. Material breach of key Horizontal Obligations could subject Forest City to termination of the DDA.

b. Master Lease and Parcel Conveyance Procedures and Agreements.

- i. Master Lease. To provide Forest City the right to access and control the 28-Acre Site during construction of the Horizontal Obligations, the Port will enter a Master Lease for all, or substantially all⁹, of the 28-Acre Site shortly after Project approval. The Master Lease will provide construction access, and permit Forest City to interim lease portions of the 28-Acre Site (for uses such as parking). Upon completion and acceptance of public infrastructure by the Port or City, or the conveyance of a development parcel to a vertical developer, the Master Lease will terminate as to the applicable property. Development parcels taken out of the Master Lease will be governed by a Purchase Agreement or ground lease (“Parcel Lease”), as described below.
- ii. Process for Parcel Conveyances. The DDA will also set the terms and procedures the Port will follow to determine the fair market value of Development parcels and then convey development parcels to vertical developers. The DDA will provide Forest City, or a related vertical developer, with the option to acquire or ground lease each development parcel in the 28-Acre Site at its appraised fair market value, and for the Port to convey such parcels to third parties under a competitive bidding process if Forest City elects not to exercise its option.
- iii. Vertical DDA (VDDA). The DDA will include a form of VDDA that the Port will enter into with each vertical developer. The VDDA will include the following:
 - 1. procedures for the Port’s delivery of the parcel to the vertical developer, including delivery of a ground lease (for lease parcels) or deed (for residential condominium parcels);

⁹ Portions of the site leased to Noonan Building tenants and Affordable Self-Storage will remain under direct lease between the Port and its tenants. These areas will be added to the Master Lease when tenants relocate.

2. the vertical developer's rights and obligations regarding development of the parcel, including use, density and off-street parking limitations, compliance with standard City requirements, payment of impact fees and compliance with the MMRP and Affordable Housing Plan;
 3. when required, details regarding a vertical developer's obligations to construct street and utility improvements between the curb and the parcel boundary (back-of-curb) serving the parcel;
 4. the forms of quitclaim deed or Parcel Lease; and
 5. forms of any restrictive covenants to be recorded against the parcel.
- iv. Parcel Lease. All commercial and residential rental housing parcels will be conveyed to vertical developers through 99-year Parcel Leases. Rent for each Parcel Lease will either be fully prepaid, or, when the Project performs well, partially prepaid at the Port's election, with the balance paid as annual rent and will include participation in transfers and refinancing proceeds.
 - v. Sale Parcels. The Port will sell parcels to be developed as residential ownership housing (condominium) by delivery of a quitclaim deed in accordance with procedures set forth in the VDDA.
- c. Public Benefits. In addition to the Horizontal Obligations described above, the DDA will also address conditions under which Developer will rehabilitate Buildings 2, 12 and 21 consistent with Secretary's Standards, will require the Developer to build parks and open space consistent with the Design for Development, and comply with an Affordable Housing Plan, Jobs and Equal Opportunity Program and Transportation Demand Management Plan, as well as implement green building techniques, and district-scale sustainability strategies, as described in more detail in the March 28, 2017 Port Commission staff report. The Financing Plan attached to the DDA (described below) will also provide for the funding of sea level rise infrastructure through a Community Facilities District special tax to fund shoreline improvements. The DDA will require Developer compliance with the MMRP.
 - d. Financing Plan. The Financing Plan attached to the DDA will be a binding commitment on the part of the Port and Forest City and will set out the economic terms of the Project. In general, Forest City will be required to fund 100% of the at-risk capital required for the Project and the Infrastructure Financing District ("IFD"), Infrastructure and Revitalization Financing District ("IRFD") and Community Facility Districts ("CFD"), each described in Section IV. below) that the City will establish will provide public financing for

Horizontal Obligations, including public infrastructure and other public improvements. The Port will have the right, but not the obligation, to co-invest capital alongside the Developer, and the City will have the right to provide early public financing in lieu of Developer capital to fund infrastructure.

Consistent with the Term Sheet, the Port will participate in net revenues of the Horizontal Project once the Developer achieves a market rate of return of 18%, but bears no financial risk if the Horizontal Project does not perform as well as expected (e.g., because costs are higher, revenues are lower or estimated timing is delayed). The Horizontal Project will also benefit from the use of public financing tools that are funded solely from revenues from parcels within the SUD, not the City's General Fund or any other portion of the Port's Harbor Fund, as further described below.

In addition, the Port will receive several streams of vertical participation revenues regardless of how well the Horizontal Project performs, including a portion of gross revenues and other proceeds from vertical development and the Shoreline Tax described above.

e. Exhibits. Major exhibits to the DDA will include the following:

- Financing Plan (discussed above)
- Acquisition Agreement
- Form of Master Lease (discussed above)
- Forms of VDDA and Parcel Lease, and Purchase Agreement (discussed above)
- Affordable Housing Plan
- Infrastructure Plan and Streetscape Master Plan (discussed below)
- Jobs and Equal Opportunity Program
- Mitigation Monitoring and Reporting Program (discussed above)

2. Infrastructure Plan and Streetscape Master Plan.

The Infrastructure Plan (also an exhibit to the DDA) will be a concept-level design for dry utility infrastructure, including “joint trench” (electricity, natural gas, and telecommunications), and wet utility infrastructure including water, wastewater, and stormwater management facilities. Forest City is currently exploring a “blackwater” recycling system to recycle nonpotable water for uses such as toilet flushing and irrigation. Utility systems will be further detailed through Master Utility Plans which will be approved by acquiring agencies concurrent with Project approvals. The Streetscape Master Plan, which DPW will approve, will be a concept-level design for streets in the SUD, including traffic lanes, bike lanes, sidewalks and “raised” streets, designed in accordance with the City’s Better Streets policies, Americans with Disabilities Act policies, City standards and truck access based on a design vehicle and turning radius analysis to facilitate truck deliveries. The Master Utility Plans and Streetscape Master Plan will guide future schematic and final designs of utility systems and streets under

the City's Subdivision Regulations. The City will approve the final designs, in the form of Improvement Plans as a condition of the Chief Harbor Engineer's issuance of a permit.

3. Interagency Cooperation Agreement (ICA).

The ICA will be an interdepartmental memorandum of understanding between the Port and other City agencies, including the SFPUC, SFMTA, and Public Works. The purpose of the ICA is to ensure that the Port and the City departments responsible for processing applications for horizontal improvements under the DDA and the City's Subdivision Regulations understand their respective roles and procedures in the implementation of the Project. City departments agree to expedite the review and processing of Developer applications in a timely and coordinated manner that is consistent with Project development requirements. OEWD will enforce the ICA.

4. Development Agreement.

The Development Agreement ("DA") will be a contract between the City and Forest City vesting the Developer with certain development entitlements with regard to environmental review, fees, exactions and future changes to law. Affordable housing and transportation fees and the manner in which these fees will be escalated will be established at the outset of the Project, along with zoning established by the SUD. Developer will be protected from future changes to law by the DA.

III. Public Financing

The Financing Plan creates a framework under which staff will recommend that the City establish several public financing tools to fund public infrastructure, historic rehabilitation and a new Arts Building, as follows:

Port IFD No. 2, Sub-Project Area G-2. Consistent with IFD law (Gov't Code §§ 53395-53397.11) and the City's *Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land Under the Jurisdiction of the San Francisco Port Commission*,¹⁰ the City will form IFD Sub-Project Area G-2, encompassing the 28-Acre Site and a portion of the Illinois & 20th Street parcel known as "Parcel K North" to capture future growth in property taxes that will occur as a result of the Project. The Port will use about 92 percent of the tax increment from IFD Sub-Project Area G-2 to fund public streets, utilities, parks, historic rehabilitation and sea-level-rise protection and about 8 percent to fund Port improvements outside of the 28-

¹⁰ For a copy of Board of Supervisors Resolution 123-13 related to the policy, see: <https://sfgov.legistar.com/LegislationDetail.aspx?ID=1323177&GUID=19D641A0-A64B-4F34-B428-D7C7FCD037A4&Options=ID|Text|&Search=130264>

Acre Site, including the Irish Hill Park¹¹, and rehabilitation of historic buildings in other areas of Pier 70.

IFD Sub-Project Area G-2 will capture both the City's and State's share of property tax increment for a period of up to 45 years, and authorize issuance of bonds and receive annual tax increment to fund improvements described in a Project-specific appendix to the Infrastructure Financing Plan ("Appendix G-2"). Through a special trustee authorized by the Port Commission, the Port will use these funds to acquire public improvements constructed by the Developer at its own cost, or to pay directly for these improvements. Staff will recommend that the City, through the Port, SFPUC, and Public Works, accept these improvements after they are complete according to procedures described in the Acquisition Agreement attached to the DDA.

Infrastructure and Revitalization Financing District. As described in Table 1, staff will recommend that the City form an Infrastructure and Revitalization Financing District ("IRFD") over the Hoedown Yard and an IRFD Financing Plan authorizing the IRFD to use property tax increment to help fund three 100 percent affordable housing development projects in the SUD. Other sources of funding for those projects will include in-lieu affordable housing fees which the condominium projects will generate and Jobs-Housing Linkage Fees which the commercial buildings in the 28-Acre Site will generate.

Community Facilities Districts. As described in Table 1, staff will recommend that the City form one or more CFDs over the areas in the SUD. Each CFD will levy special taxes to provide separate streams of funding for the purposes described below. Staff will recommend that the Board of Supervisors approve rates and methods of apportionment that establish tax rates for all taxable and authorize the CFD to issue CFD bonds and to use bond proceeds and annual special taxes to:

- reimburse the Port and Forest City for project entitlement costs;
- reimburse the Port and Forest City for construction costs for public improvements or pay directly for these improvements;
- partially fund Historic Buildings 12 and 21 up to the feasibility gap to rehabilitate these buildings and construction of the Arts Building;
- fund shoreline improvements including the seawall and similar improvements to protect against sea-level rise; and
- fund ongoing, perpetual funds for operations, capital repairs, and maintenance costs of parks, open space, streets and sidewalks.

¹¹ The Port will construct, or delegate to 3rd party vertical developers, parks outside of the 28-Acre Site, including the Illinois Street Plaza and Irish Hill Park.

IV. Trust Exchange

To ensure that the Project proceeds in compliance with the public trust for commerce, navigation and fisheries and AB 418 (collectively, “Public Trust”), staff will recommend that the Port and State Lands will enter the Trust Exchange Agreement. The Trust Exchange Agreement will settle uncertainty as to the Public Trust status of portions of Pier 70, by confirming the trust status of portions of Pier 70 that are beneficial to the Public Trust and lifting the Public Trust from other portions of Pier 70. After the exchange, the Public Trust will be confirmed on the shoreline parks and certain streets leading to the Bay and all of the development parcels within the SUD will be free of the public trust.

The purpose of the trust exchange is to provide development parcels at Pier 70 that can be leased or sold for nontrust purposes and provide nontrust revenues from these parcels for trust purposes.

ILLINOIS STREET PARCELS

When the Port initiated the competitive solicitation for the 28-Acre Site in 2010, the focus of that solicitation was the 28-Acre Site shown on Exhibit A. The Port later added the Illinois & 20th Street parcels and the PG&E Hoedown Yard to plans for the SUD, in part due to a realization that orderly development of the area will move from Illinois Street east to the water. As a result, Development of the Illinois Street Parcels will be governed by the Pier 70 SUD, Design for Development, Infrastructure Plan and Streetscape Plan, but these parcels will be offered for competitive bidding to 3rd party developers as follows:

Illinois & 20th Street Parcel. This Port-owned parcel will be subdivided into three areas: Parcel K North, a portion of the future 21st Street, and Parcel K South.

Parcel K North plays a unique role in the transaction with Forest City. Consistent with the Term Sheet, the Port will sell this parcel, currently slated as a residential ownership parcel (condominiums), to the highest qualified bidder after Project approval. The Port will seek the authority to sell this parcel to the highest qualified bidder concurrent with Project approvals, subject to the requirements of the SUD and Design for Development and a requirement to build the Illinois Street Plaza, a signature open space which is required under the Design for Development as proposed. Proceeds from this sale will be used to repay Forest City for a portion of its Project entitlement costs, currently estimated at \$30 million, plus accrued return.

A portion of the Illinois & 20th Street parcel will be dedicated as the new 21st Street, extending from Illinois Street down into the 28-Acre Site, Parcel K South will include a new, dedicated affordable housing parcel under the Affordable Housing Plan, which the Mayor’s Office of Housing and Community Development will develop with the assistance of a nonprofit housing developer.

Hoedown Yard. The Hoedown Yard is a 3-acre parcel north of 22nd Street along Illinois Street that Pacific Gas and Electric Company (“PG&E”) owns. As part of the ZA-1 License for a submarine cable between the Port and PG&E, City staff in consultation with the Mayor’s Office negotiated a transferable option for the City to purchase the Hoedown Yard from PG&E for \$8,315,302 (“Hoedown Yard Option Agreement”), subject to PG&E finding a suitable replacement site for its current utility operations (temporary soil storage) at the yard, which is an asset of PG&E’s natural gas division. Port and OEWD staff are working with PG&E to find a suitable replacement site.

Under the Hoedown Yard Option Agreement, PG&E also agreed to allow the City and Forest City to rezone the Hoedown Yard for residential or commercial use. The Port Commission approved the ZA-1 License by Resolution 14-43 on June 10, 2104. The Board of Supervisors and the Mayor approved Resolution 275-14 approving the Hoedown Yard Option Agreement in July 2014.

The SUD currently provides flexible zoning options for the Hoedown Yard, including residential condominium, residential rental, and commercial uses. Consistent with Resolution 275-14, City staff will seek the authority from the Board of Supervisors to authorize the Director of Real Estate to sell the City’s option rights under the Hoedown Yard Option Agreement to the highest qualified bidder concurrent with Project approvals. The Director of Real Estate will utilize a real estate broker selected from the Real Estate Division’s broker pool to market and sell the option rights through a competitive solicitation as soon as PG&E relocates its Hoedown Yard operations from the site. Under Resolution 275-14, net proceeds of the sale of the Hoedown Yard (or the option) to a private developer will be dedicated to the HOPE VI Rebuild projects, as directed by Mayor Edwin Lee.

NEXT STEPS & ANTICIPATED PROJECT SCHEDULE

Port staff recommends the following schedule of Port Commission informational hearings leading up to Port Commission consideration of the Pier 70 transaction documents, as described in this report. Port staff will provide a similar series of briefings to the Central Waterfront Advisory Group, after presentations are made to the Port Commission.

May 23, 2017	Presentation regarding Pier 70 Infrastructure Plan, Transportation Plan and Sustainability Plan
June 13, 2017	Presentation regarding Pier 70 Financing Plan & Public Finance Strategy
July 11, 2017	Presentation regarding Forest City’s Phase 1 Project
July 11, 2017	Presentation regarding Staff Analysis of the Pier 70 Transaction

- July 20, 2017 San Francisco Planning Commission, Certification of the Pier 70 Mixed-Use District Project Final EIR and Consideration of Entitlements
- August 8, 2017 San Francisco Port Commission Consideration of the Pier 70 Transaction
- October, 2017 Board of Supervisors Consideration of the Pier 70 Transaction and Entitlements (subject to its consideration of any appeals as to the adequacy of the Final EIR under CEQA)

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Exhibit A: Pier 70 Special Use District, 28-Acre Site and Illinois Street Parcels

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