

MEMORANDUM

May 18, 2017

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation regarding the Request for Proposals (RFP) for a Restaurant Opportunity at Pier 40, located near South Beach Harbor on The Embarcadero

DIRECTOR'S RECOMMENDATION: Informational only - No action required

EXECUTIVE SUMMARY

Port staff is proposing to issue an Request for Proposal ("RFP") for a restaurant opportunity at Pier 40. The retail space at Pier 40 has been operating as a restaurant for over 15 years, most recently as the SB40 Cafe, formerly known as Carmen's Restaurant. SB40 Café operates as a casual dining, bar and restaurant serving Filipino inspired dishes. The space features outdoor seating along The Embarcadero with beautiful views of the Bay and of South Beach Harbor. The site is less than a mile from AT&T Park and is in close proximity to office buildings, residents and millions of visitors, who walk, ride and run by the restaurant annually.

Port staff envisions the new restaurant to be casual, affordable, family friendly and appealing to a wide segment of the public. Given the number of nearby office workers, visitors, and the ballpark, 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.

Port staff preference is to select an experienced restaurateur who has successfully owned and operated a similar restaurant. Due to the breadth of 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 adjacent to South Beach Harbor, this restaurant site has views of San Francisco Bay from inside the restaurant and the outdoor dining area. The site is north of AT&T Park, which draws over 3.6 million visitors per year, and is close to multiple office buildings and private residences. The site has a full kitchen, storage and food preparation area, dining room and bar and is comprised of approximately 1,600 sq. ft. of indoor space and approximately 525 square feet of outdoor seating area. A site plan is included as Attachment A.

Until 2012, the restaurant site at Pier 40 was leased to and managed by the former San Francisco Redevelopment Agency ("SFRA") under a long term ground lease with the Port dated December 7, 1984. In 2002, SFRA subleased the site to Carmen and Benito Solis for operation of a restaurant known as Carmen's Restaurant. Carmen's Restaurant had been operating as a Filipino-American café on the San Francisco waterfront for decades. Prior to their move to Pier 40, Carmen's Restaurant operated a restaurant at 998 Fourth Street on Wharf 62, a small pier located at the south end of the Fourth Street Bridge. Their relocation to Pier 40 was prompted by the City's work on the Fourth Street Bridge as part of the overall Third Street Rail Project. In 2012, Carmen's renamed their restaurant *SB40 Café* to help identify the location of their restaurant, South Beach, Pier 40.

Pursuant to California Assembly Bill 26 and the subsequent California Supreme Court ruling, the SFRA dissolved in 2012 and the South Beach Rincon Point Redevelopment Project area, which included the restaurant, reverted back to the Port. The Port assumed all asset and property management responsibilities of Pier 40 and South Beach Harbor.

The tenant has voluntarily agreed to surrender the site on October 31, 2017 as documented in a Mutual Termination Agreement between Tenant and the Port.

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, an updated kitchen, remodeled restrooms, pollution control units to filter grease, smoke and odors, grease interceptors and fire suppression systems.

STRATEGIC OBJECTIVE

A new, modernized restaurant at Pier 40 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 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 will 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.

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. Extension opportunity is to be determined on basis of tenant's capital investment.

Rent: The 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, upgrades, furnishings, fixtures, equipment, etc., and provide an appealing design for the proposed concept.

Experience: Documented experience exhibiting successful operation of 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, 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.
- Verifiable 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 40. 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 potential 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	Ongoing
Issue RFP	July 2017
Pre-Proposal Conferences/Site Visit	July – August 2017
Deadline for Submission of Questions	September 2017
Submission of proposals	October 2017
Evaluation of proposals	November 2017
Port Commission lease approval	December 2017
Board of Supervisors’ lease approval	January 2018

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 40 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.

Upon completion of the RFP, the 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 40 restaurant location. Port staff will incorporate Port Commission input and issue the RFP targeted for July 2017.

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For: Michael Martin, Deputy Director
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Attachments

- A. Map of Pier 40
- B. Map of the Central Basin/South Beach Waterfront
- C. Photos of the Premises