

## 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:** Request authorization to issue a Request for Proposals (RFP) for a Restaurant Opportunity at Pier 33 North, located at Bay Street and The Embarcadero

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

---

On March 14, 2017 at the Port Commission meeting, staff made an informational presentation on a potential restaurant lease opportunity at the Pier 33 North Bulkhead Building. At the meeting the Port Commission provided further direction on the request for proposals (RFP) which has been incorporated into this staff report.

This report describes the proposed RFP in greater detail than the previous informational report. In particular, the proposed Evaluation and Scoring section has been quantified and expanded along with the Key Business and Lease terms.

### **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 and has been vacant since January 2017. 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

**THIS PRINT COVERS CALENDAR ITEM NO. 12C**

and take out. The new operator will be responsible for all capital improvements at its expense including bringing the premises into compliance with the current Port 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 the successful outreach efforts from the Port's recent Community Contract Opportunities Open House, the RFP will strongly encourage respondents to partner with certified Local Business Enterprises ("LBE") such as professional services, contractors, trades-people and ongoing service providers to create a dynamic and diverse team to respond to the RFP. While the RFP will not require a Local Business 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 of ten (10) years or more 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 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 support 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.

## **Request for Proposals (RFP)**

Subject to approval by the Port Commission, Port will issue an RFP package consistent with standards and criteria for similar opportunities as established by the Port. The package would include an overview, a site map, a narrative description of the opportunities, project objectives, project approvals, lease parameters, selection process, selection criteria, and schedule and submittal requirements.

**Advertising:** Subject to Port Commission authorization, Port staff will advertise the RFP opportunity on the Port and Office of Contract Administration websites. Port staff will send copies of the RFP to interested parties compiled through industry market research. The Port will host a pre-bid conference to review the RFP, answer respondent questions, and provide a networking opportunity for both potential bidders and prospective LBE's. The pre-bid conference will be followed by a site tour. In addition, the RFP will be advertised using the following resources:

- San Francisco African American Chamber of Commerce
- Hispanic Chamber of Commerce of San Francisco
- Chinese Chamber of Commerce, San Francisco
- LGBT Chamber of Commerce, San Francisco (Golden Gate Business Association)
- San Francisco Chamber of Commerce
- San Francisco Business Times
- Board of Supervisors Neighborhood Outreach Advertising Newspapers
- SPUR
- District 3 Board of Supervisor's Office
- San Francisco Office of Small Business
- #@SFPORT
- The Port of San Francisco Facebook
- @SFPORT Digital Magazine

## **SELECTION PROCESS**

The following criteria are identified for the proposal evaluation (Detailed Evaluation sheet attached as Exhibit D).

### **Proposed Concept -20 points**

- Overall appeal of the respondent's concept to area residents, tourists and businesses.
- Respondent'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 -20 points**

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

### **Experience and Financial Strength -20 points**

- 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 -25 points**

- 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 -15 points**

- Respondent's Community Engagement Plan that includes programs such as the Office of Economic and Workforce Development Hospitality Initiative.
- Respondent's Local Business Utilization Plan such as LBE professional and service providers hired by Respondent for the design, permitting and construction phases and/or maintenance, janitorial, suppliers and vendors of the restaurant.

**Advisory Panel:** The submittals will be reviewed and evaluated by an advisory panel selected by Port staff, consisting of up to five individuals with experience in real estate retail leasing, restaurant operations and related industries ("Advisory Panel"). The Advisory Panel will review, evaluate and score all of the written proposals received by the Port. Following the submittal process, up to three of the highest scoring Respondents may be invited to interview with the Advisory Panel. Interviews will consist of standard questions asked of selected respondents, and specific questions regarding individual leasing concept proposals. Port staff will select the most qualified respondent 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 and make a final

recommendation to the Port Commission. The Port Commission, in its sole discretion, will determine whether to authorize exclusive negotiations with a selected respondent.

### **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.

**Premises:** The premises consist of approximately 3,500 square feet of former restaurant space inside the Pier 33 Historic Bulkhead as shown on Exhibit A.

Up to an additional approximately 2,000 square feet of adjacent shed space in the Pier 33 shed can be leased separately for storage, trash/recyclables management and deliveries at additional rent.

**Term:** Ten (10) years with a potential option to extend at the Port's sole discretion. The Port will evaluate tenant performance, tenant proposed capital improvements and the Port Commission broader goals for leasing in formulating a recommendation.

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

- Minimum base rent per square foot, to be quantified by respondent in the proposal but in no event less than \$3.50 per square foot monthly escalated annually by 3%.
- Minimum percentage rent based on gross revenue, to be quantified by the respondent in the proposal.
- Port may agree to a rent-free construction period of up to 12 months from the date the Lease is fully executed to complete design, permitting and construction conditioned based upon Port 's review of the respondent's proposed design, permitting and construction schedule.
- Ancillary shed space in Pier 33 may be leased independently at the then current Fair Market Value but in no event less than \$1.50 per square foot escalated annually by 3%.
- Respondents may offer a base rent and/or a percentage rent in excess of the minimums required by the RFP. The Port's typical "market percentage rent" is 7.0 % or greater of Gross Sales less Sales Tax.

**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.

Key Business and Lease provisions are more fully outlined in the attached Exhibit F.

## **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 LBEs participation in the design, permitting and improvement process, and the maintenance, supplies and products of the restaurant. 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.

Respondent is encouraged to develop a Community Engagement Plan with its proposal. For example the Office of Economic and Workforce Development has the Hospitality Initiative, launched in 2011, designed to effectively coordinate training and employment resources that support the growth of a diverse and well-qualified hospitality sector workforce in San Francisco. The Initiative includes the following objectives: to prepare San Francisco residents for training and employment opportunities in the hospitality sector; to fulfill hiring needs of hospitality sector employers with qualified candidates that are job ready, possess the skills and abilities to perform job duties, and hold knowledge and passion for the industry; to educate workforce system service providers and jobseekers about the hospitality industry and to provide them with relevant and current information on connecting to jobs, careers, and/or relevant training.

Industry partnerships play a critical role in establishing sector programming. Collaborative partners of the Hospitality Initiative include San Francisco Hotel Council (and affiliated members), Golden Gate Restaurant Association (and affiliated members), San Francisco Travel, Moscone Center, City College of San Francisco, San Francisco Unified School District, Unite Here Local 2, and community based organizations and industry employers.

## **PROJECTED RFP SCHEDULE**

Local Business Outreach	Ongoing
Issue RFP	June 2017
Pre-Proposal Conferences/Site Visit	June 2017
Deadline for Submission of Questions	July 2017
Submission of proposals	August 2017
Evaluation of proposals	August –September 2017
Staff Presentation of RFP results	September 2017
Port Commission approval of selected Respondent	September 2017
Port Commission lease approval	October 2017
Board of Supervisors’ lease approval	November 2017

This schedule is an estimate and may vary.

**RECOMMENDATION:**

Port staff recommends that the Port Commission approval the attached resolution authorizing Port staff to issue a Request for Proposals for the restaurant space located at Pier 33 North on the Embarcadero at the foot of Bay Street.

Prepared by: Jay Edwards  
Senior Property Manager, Real Estate

Sandra Oberle  
Property Manager, Real Estate

For: Michael Martin, Deputy Director  
Real Estate and Development

Attachments

- A. Floor Plan
- B. Map of Pier 33 North
- C. Map of the Northeastern Waterfront
- D. Photos of the Premises
- E. Proposed Evaluation Sheet
- F. Proposed Key Business Terms

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

**RESOLUTION NO. 17-25**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and
- WHEREAS, under City and Port policy, retail opportunities must be publically bid and the Port wishes to issue a Request for Proposals (RFP) for a restaurant opportunity at Pier 33 North Bulkhead Building which is located in the northern waterfront on The Embarcadero at Bay Street; and
- WHEREAS, the opportunity consists of a lease for a restaurant operation for a term of ten (10) years with a potential option to extend for approximately 3,500 square feet of ground floor space; and
- WHEREAS, the qualifications, criteria and process for selecting the most qualified Respondent(s) are summarized in the Memorandum to the Port Commission dated May 12, 2017; and
- WHEREAS, Respondents are encouraged to include a Local Business Utilization Plan in providing specific services such as architectural design, construction, project management, various vendors and suppliers, financial and accounting, building maintenance services and security, among others and Community Engagement Plan; and
- WHEREAS, any lease would require approval of the Port Commission and the Board of Supervisors; and
- WHEREAS, issuance of an RFP does not commit the Port to proceeding with any lease, and the Port cannot approve a lease for the project until after environmental review has been completed in compliance with California Environmental Quality Act; now, therefore be it
- RESOLVED, That the Port Commission authorizes Port staff to offer the opportunity for the lease and operation of a restaurant at the Pier 33 North Bulkhead Building through an RFP consistent with Port and industry standards and for the uses and under the terms and conditions set forth in the Memorandum to Request authorization to issue a Request for Proposals (RFP) for a Restaurant Opportunity at Pier 33 North, located at Bay Street and The Embarcadero dated May 12, 2017; and, be it further
- RESOLVED, That the Port Commission authorizes Port staff to take further actions in connection with the RFP as necessary to achieve the purposes described herein.



RESOLVED, Port staff will return to the Port Commission to share the RFP results and seek approval of the most qualified Respondent(s).

*I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 23, 2017.*

---

**Secretary**