

MEMORANDUM

June 8, 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 Design Controls for the Mission Rock Development Project at Seawall Lot 337 and Pier 48, bounded by China Basin Channel, Third Street, Mission Rock Street and San Francisco Bay (AB 8719/Lot 002; AB 9900/Lots 048, 048H, & 62)

DIRECTOR'S RECOMMENDATION: Information Only; No Action Required

EXECUTIVE SUMMARY

Port and City staff have been working with Seawall Lot 337 Associates, LLC (“Developer”) to develop proposed amendments to the Planning Code to add a Mission Rock Special Use District (“SUD”) that will allow for the development of the Mission Rock mixed-use project at Seawall Lot (“SWL”) 337 and Pier 48 (the “Project”). The Project includes construction of up to 1,600 units of new rental housing and 1.4 million square feet of new commercial and office space, as well as space for small-scale manufacturing, retail, and neighborhood services, waterfront parks, public infrastructure and the rehabilitation of historic Pier 48.

As part of this effort, Planning Department, Port staff and the Developer have developed the Mission Rock Design Controls (“Design Controls”). The Design Controls incorporate design standards and guidelines which will be subject to Port Commission and Planning Commission approval and which City staff will subsequently utilize to guide future development of the Project.

At the June 13, 2017 Port Commission meeting, Port staff and the Developer will provide an overview of the proposed Design Controls. In future Port Commission presentations, staff will provide detailed presentations on other relevant planning

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documents including sustainability planning, infrastructure and utilities design, transportation planning, transaction documents and the overall transaction structure for the Special Use District. See Appendix A to this staff report for an overview of these project components.

Full project approvals at the Planning and Port Commissions and Board of Supervisors are anticipated in fall 2017.

BACKGROUND

On March 12, 2013, the Port Commission adopted Resolution 13-10¹ endorsing a Term Sheet between the Port and Developer, an affiliate of the San Francisco Giants, for the mixed-use development of the 28-acre SWL 337 and Pier 48 site, also known as the Mission Rock site (“Mission Rock” or “Site”, shown on Exhibit A). On May 21, 2013, the Board of Supervisors adopted Resolution 142-13, unanimously endorsing the Term Sheet between the parties.

On December 12, 2013, Developer presented the Mission Rock design concept to the Port Commission. The design concept outlined strategies, program elements and design details for a collection of public parks and open space that will become a new amenity for the City’s waterfront.

On June 3, 2014, San Francisco voters approved (59-41%) Proposition B, “Voter Approval for Waterfront Development”, requiring voter approval for any increase in heights for property under the jurisdiction of the San Francisco Port Commission. In response to Proposition B, Developer sought and obtained voter approval (74-26%) for Proposition D, “Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative,” on the November 3, 2015 ballot.

Proposition D permits an increase in the height of the Site ranging from 90’ up to 240’ and adopts open space, housing, affordability, historic rehabilitation, commercial, and urban design policies related to development of the Mission Rock Site.

On January 26, 2017, the Project team sponsored a community open house at Pier 1 where neighbors and stakeholders learned more about the development process and provided feedback to the team.

On November 15, 2016, Developer presented an overview of the proposed land use plan for Mission Rock to the Port Commission, as well as a progress report on site planning, sustainability strategy, and proposed measures to respond to sea level rise.

¹ A copy of the Port Commission staff report, associated exhibits, and Resolution 13-10 is available at:

<http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2209.html>

On April 26, 2017, the San Francisco Planning Department issued a Draft Environmental Impact Report (“DEIR”) for the “Seawall Lot 337 and Pier 48 Mixed-Use Project” (Case 2013-0208E)². The public comment period for the DEIR closed on June 12, 2017.

DESIGN CONTROLS

As described in Appendix A, further approvals for development of the Site will be governed by proposed SUD provisions. The Mission Rock SUD is designed to give effect to the overall vision for the Project and will incorporate the proposed Mission Rock Design Controls, which will be used by Developer and vertical developers to guide the look and function of the neighborhood.

The Port Commission will review consistency with the Design Controls when asked to approve schematic designs for parks and open space. The Planning Director will decide whether a proposed vertical project is consistent with the Planning Code and the Design Controls before granting or denying design approval. Over the course of project build-out, the Port and Planning Commissions will be able to amend the Design Controls if needed to respond to their growing understanding of Project constraints.

Design Control Document Contents

The Design Control document focuses on the following elements:

1. **Land Use** – Explains permitted uses and preferred diversity of uses
2. **Public Realm** – Defines design controls for interconnected open spaces and streets
3. **Open Spaces** – Describes vibrant and urban open space network and defines parks, plazas, and recreation opportunities and form of kiosks and park structures.
4. **Streets** – Describes requirements for streets that will prioritize pedestrians and cyclists for three streets types including shared streets, paseos, and neighborhood streets.
5. **Ground Floor** – Defines standards for ground floor design and functional ground floor uses including loading and day-to-day servicing.
6. **Building Design** – Delineates requirements for building design, materials, permeability, color, and lighting, among other building elements.
7. **Building Form** – Explains height requirements, shaping, and streetwall requirements and design.

Design Process

² A copy of the Draft Environmental Impact Report is available at:
<http://www.sf-planning.org/sfceqadocs>

Through an extensive seven-year public process, Developer has carefully incorporated and responded to comments made by Port and City Planning staff and members of the public in the proposed Mission Rock Design Controls. Much of the feedback indicates a desire to avoid a uniform or artificially constrained built environment. It has been a paramount design objective that the Site will be open and welcoming to all visitors and San Francisco residents, ensuring a vibrant public realm, maintaining strong connections with the waterfront, and continuing the open space and public access systems seen at the existing Mission Creek and Mission Bay waterfronts.

In addition to overarching design goals of creating a connected, vibrant neighborhood, the design team heard a number of specific outcomes important to city agencies and members of the public. These considerations include creating an abundance of open space especially at the water's edge and ensuring it is welcoming and accessible to all. It is also critical that the Project's design ensure an appropriate scale of development that supports a vibrant public life and a neighborhood feel while acknowledging the adjacent working waterfront at Piers 48 and 50.

Site Approach

The Project's design is premised on the idea of creating a spectacular place along the waterfront by building walkable urban blocks that would exist in harmony with the Port's working waterfront.

San Francisco Walkable Neighborhood Study

To determine the appropriate scale of development at Mission Rock, the Developer's team studied San Francisco's favorite neighborhoods to investigate various elements that characterized these successful places. This analysis focused on the mix of residential and commercial occupancy, the proximity to open space, the number of retail entries, the frequency of these entries, the dimensions of each storefront and the amount of transparency of each storefront. The project team analyzed these metrics and used them to set site wide design guidelines to ensure the success of the new Mission Rock neighborhood.

Street-Level Experience

In developing a proposal for the appropriate dimensions for new building envelopes, the team's primary goal was to define and frame the pedestrian experience throughout the Project site. The design of the base buildings in each development parcel is important for defining a human-scale neighborhood by forming a common, protected and uninterrupted pedestrian zone.

View Analysis

Since the Project will be seen from many neighborhoods around San Francisco, the design approach to the taller building forms balances the need to create a transit-oriented, mixed-use neighborhood while being sensitive to city views and contributing to the overall city skyline.

Shadow Studies

After careful analysis of shadows resulting from the building envelopes, the final design controls of each building form optimize and prioritize sunlight on the Project's open spaces during the active hours of the day, even in the middle of winter when the shadows are longer and the days are shorter.

CONCLUSION

The Mission Rock Project has been designed to ensure an active mix of uses with generous open space served by dynamic, interactive streets. Adhering to enforceable Design Controls ensures the creation of a distinct urban form within a sustainable and resilient framework that meets the Port's and the community's objectives for this unique, valuable waterfront asset.

NEXT STEPS & ANTICIPATED PROJECT SCHEDULE

Port staff recommends the following schedule of Port Commission informational hearings leading up to Port Commission consideration of the Mission Rock transaction documents. Port staff will provide a similar series of briefings to the Central Waterfront Advisory Group after presentations are made to the Port Commission.

July 11, 2017	Presentation regarding Infrastructure Plan, Transportation Plan and Sustainability Plan
August 8	Presentation regarding public finance framework
September 12	Presentation regarding Staff analysis of the Mission Rock transaction
Summer	San Francisco Planning Commission, certification of the Seawall Lot 337 and Pier 48 Mixed-Use District Project Final EIR and consideration of Design Controls, recommendations for Planning Code and General Plan amendments, and related actions
September 26	San Francisco Port Commission consideration of the Mission Rock CEQA findings, Mitigation, Monitoring and Reporting Program ("MMRP"), Design Controls, transaction documents, and related actions (subject to Planning Commission issuance of the FEIR)
October	Board of Supervisors consideration of the Mission Rock CEQA findings, MMRP, Planning Code and General Plan amendments, transaction documents, and related actions (subject to its consideration of any appeals as to the adequacy of the Final EIR under CEQA)

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Exhibit A: Mission Rock Site

Appendix A: Transaction Framework and Public Approvals

APPENDIX A

TRANSACTION FRAMEWORK AND PUBLIC APPROVALS

The City approvals relating to the proposed Project include:

1. Entitlements, including certification and approval of a Final Environmental Impact Report (“EIR”), Planning Code and Zoning Map, amendments to the Waterfront Land Use Plan, adoption of Design Controls, and amendments to Mission Bay South Redevelopment Plan (OPA) regarding incorporation of P20 in SWL 337;
2. Implementing Documents, centering on the DDA and its associated exhibits (including a 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 other 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”), and community facilities districts (each, a “CFD”), and an inter-departmental memorandum of understanding regarding tax assessments and allocation (“Tax Allocation MOU”); and

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: Mission Rock 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
Mission Rock SUD	Approve	Recommend	Recommend
Design Controls		Approve	Approve
General Plan Consistency Findings	Adopt Findings	Adopt Findings	Adopt Findings
Waterfront Plan Amendments		Approve	
<i>Implementing Documents</i>			
Disposition & Development Agreement & Exhibits: • Financing Plan	Approve	Approve	

Project Approval	Board of Supervisors	Port Commission	Planning Commission
<ul style="list-style-type: none"> • Acquisition and Reimbursement Agreement • Form of Master Lease • Form of Development Agreement • Project Schedule of Performance • ICA • Forms of Appraisal Instructions (Residential and Commercial) • Form of Vertical DDA • Form of Parcel Lease • Housing Plan • Infrastructure Plan • Jobs and Equal Opportunity Program (Workforce Plan) • Mitigation Monitoring & Reporting Program 			
Development Agreement	Approve	Consent	Recommend
Interagency Cooperation Agreement (1)	Approve	Approve (also approved by SFPUC, SFMTA & Public Works)	
<i>Public Financing</i>			
Port Infrastructure Financing District (“IFD”) No. xx, Sub-Project Area G-xx	Approve	Recommend	
Community Facilities Districts (“CFD”)	Approve	Recommend	
Tax Allocation Memorandum of Understanding	Approve	Approve (Port Executive Director, Controller, and Assessor will execute)	

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 and CFD.

1. 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 June 1, 2017, and will prepare responses to all of the public comments that were received either at the public hearing or in writing during the public comment period which concluded on June 12, 2017. 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 (or any other non-City regulatory 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)

The SUD will contain two key elements, zoning and design controls.

Zoning for the Project Site 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, consistent with the Design Controls.

Design Controls. The Design Controls will be referenced in the SUD. The Design Controls establish more detailed development standards and guidelines for buildings, open space, and streetscape improvements and will control all development within the SUD. Under the Design Controls, the following components of the Project will be subject to approval as described below.

- **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 Controls, with a recommendation to the Planning Director who will approve or deny applications for proposed new buildings.
- **Historic Rehabilitation:** Historic rehabilitation of Pier 48 will be reviewed by Port staff, in consultation with Planning Department staff, for consistency with: (1) Secretary of the Interior’s Standards for Treatment of Historic Properties (“Secretary’s Standards”) and (2) the standards and guidelines in the Design Controls. This review will be completed as part of the Port’s building permit process.
- **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 and the Planning Department Director. The committee will provide a recommendation relative to the park and open space design to the Port Commission, which will have the authority to approve park designs. The committee will review park and open design at Mission Rock and the Waterfront Site at Pier 70.

Staff will recommend that the Port Commission adopt conforming amendments to the Waterfront Land Use Plan.

2. Implementing Documents

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

A. Disposition and Development Agreement (DDA).

The Port and SWL 337 Associates (“Master Developer” or “Developer”) will execute the Disposition and Development Agreement and the companion Developer Option Agreement (together 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 (as described in the Exhibits to the DDA) 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 any environmental remediation), subdivision and construction work related to streets and sidewalks, public realm amenities (e.g., parks and open space), public utilities and shoreline access 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 Controls. 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 Developer’s delivery of horizontal improvements and associated public benefits (collectively, the “Horizontal Obligations”), including:
 - (i) streets, utilities, parks and open space³; and
 - (ii) historic rehabilitation of Pier 48.

³ Streets, utilities, parks and open space will be developed in accordance with the Infrastructure Plan (described below) and the Design Controls (described above).

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 for Developer's submittal of 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 result in termination of the DDA.

- b. Master Lease and Parcel Conveyance Procedures and Agreements.
 - i. Master Lease. To provide Developer the right to access and control the Project Site during construction of the Horizontal Obligations, the Port will enter a Master Lease for all, or substantially all, of the Project Site shortly after Project approval. The Master Lease will provide construction access, and permit Developer to lease portions of the Project 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 ground lease ("Parcel Lease"), as described below. The Port will also enter into an interim agreement to provide for continued use of Pier 48.
 - ii. Process for Parcel Conveyances. The DDA will set the terms and procedures for determination of the fair market value of development parcels and for conveyance of development parcels to vertical developers. The DDA will provide Developer, or a related vertical developer, with the option to ground lease each development parcel in the Project Site at its appraised fair market value, and for the Port to convey such parcels to third parties under a competitive bidding process if Developer 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;
 - 2. the vertical developer's rights and obligations regarding development of the parcel, including use, density and off-street parking limitations, compliance with other applicable requirements, payment of impact fees and compliance with the MMRP and 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 form of 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 75-year Parcel Leases. Rent for each Parcel Lease will either be fully prepaid, or partially prepaid, with the balance paid as annual rent and will include participation in transfers and refinancing proceeds.
- c. Public Benefits. In addition to the Horizontal Obligations described above, the DDA will also address rehabilitation of Pier 48 consistent with Secretary's Standards, will require the Developer to build parks and open space consistent with the Design Controls and Infrastructure Plan, and comply with a Housing Plan, Jobs and Equal Opportunity Program and Transportation Demand Management Plan, as well as utilization of green building techniques, and district-scale sustainability strategies. 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 Developer and will set out the economic terms of the Project. In general, Developer will fund the majority of the at-risk capital required for the Project Development costs, plus a market rate return, and will be repaid from a combination of Port advances of prepaid rent from the lease of development parcels and proceeds of the Infrastructure Financing District ("IFD") and Community Facility Districts ("CFD"), each described in Section IV. below). 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.

In addition, the Port will receive several streams of vertical participation revenues 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
 - Acquisition Agreement

- Form of Master Lease
- Forms of VDDA and Parcel Lease, [and Purchase Agreement]
- Housing Plan
- Infrastructure Plan
- Jobs and Equal Opportunity Program
- Mitigation Monitoring and Reporting Program

B. Infrastructure Plan.

The Infrastructure Plan (also an exhibit to the ICA and 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. Developer is exploring a “graywater” 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 Infrastructure Plan will include 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 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.

C. Interagency Cooperation Agreement (ICA).

The ICA will be an interdepartmental memorandum of understanding between the Port and City 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.

D. Development Agreement.

The Development Agreement (“DA”) will be a contract between the City and Developer vesting 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 City laws by the DA.

3. 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 and historic rehabilitation, as follows:

Port Infrastructure Finance District (“IFD”). Consistent with IFD law 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*,⁴ the City will form an IFD encompassing the Project Site to capture future growth in property taxes that will occur as a result of the Project.

The IFD will capture the City’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-xx”). 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.

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 Developer for project entitlement costs;
- reimburse the Port and Developer for construction costs for public improvements or pay directly for these improvements;
- fund 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.

⁴ 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>