

MEMORANDUM

August 3, 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 Pier 70 Mixed Use Special Use District Transaction Structure between:

- (1) the Port and FC Pier 70, LLC 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 a 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

The purpose of this staff report is to provide the final informational staff report to the Port Commission and the public regarding the planned development of the 28-Acres Site and the 20th/Illinois Parcel and the Hoedown Yard (collectively, the "Illinois Street Parcels"), before the formal public approval process starts in September 2017. The Port's development partner in this effort is FC Pier 70, LLC ("Forest City" or "Developer"), an affiliate of Forest City Development California, Inc. This report includes:

- a Pier 70 update, including developments outside the scope of this transaction;

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- review of the proposed Pier 70 mixed Use Project Special Use District (“Pier 70 SUD”) in the context of existing City and Port plans, including a planned amendment to the Waterfront Land Use Plan;
- a summary of the major terms of the transaction documents and the primary public financing strategies including sources and uses to pay for public infrastructure and maintenance in the Pier 70 SUD; and
- financial analysis of the proposed transaction.

BACKGROUND

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)¹. The public comment period for the DEIR closed on February 21, 2017. The San Francisco Planning Commission is scheduled to consider certification of the Final Environmental Impact Report (“FEIR”) at its August 24, 2017 meeting.

On March 14, 2017, Forest City presented to the Port Commission an overview of the Pier 70 SUD Design for Development including standards and guidelines for new and rehabilitated buildings and a waterfront parks design concept for the Pier 70 SUD. On May 23, 2017, Port staff presented an overview of the other Pier 70 SUD master plan documents that will guide future development of the 28-Acre Site and the Illinois Street Parcels (collectively, the “Project” or the “Project Site”), including the Transportation Program, Streetscape Master Plan, Infrastructure Plan, and Sustainability Plan.

On May 9, 2017, Port staff presented the proposed transaction structure for Forest City development of Pier 70, including the 28-Acre Site and the potential third party development of the “Illinois Street Parcels” that comprise the Port-owned parcel at Illinois & 20th Streets and the PG&E-owned Hoedown Yard, which is subject to a City option to purchase. The 28-Acre Site and Illinois Street Parcels are being rezoned as part of the Pier 70 Mixed Use Special Use District (“Pier 70 SUD”).

On June 13, 2017, Port staff provided an overview of the financing plan (“Financing Plan”) that will be an exhibit to the Development and Disposition Agreement (“DDA”) between the City, acting through the Port, and Forest City, to guide future development of the Project. Links to the staff reports for each of these presentations and other Pier 70-related staff reports are included in **Exhibit A**. Prior Board of Supervisors Pier 70 related actions are included in **Exhibit B**. The public presentations for each of the staff reports listed above can also be seen at:

http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92²

¹ A copy of the Draft Environmental Impact Report is available at: <http://sfmea.sfplanning.org/Pier70DEIRFull.pdf>

² This San Francisco Government TV website includes recordings for each Port Commission meeting. To view a single item, click on “Agenda” of the agenda item of interest.

The City departments that have collaborated with Port staff to develop and review the proposed Project include:

Mayor’s Office of Housing and Community Development	(“MOHCD”)
Office of City Attorney Dennis Herrera	(“City Attorney”)
Office of Economic and Workforce Development	(“OEWD”)
San Francisco Municipal Transportation Agency	(“SFMTA”)
San Francisco Planning Department	(“Planning”)
San Francisco Public Utilities Commission	(“SFPUC”)
San Francisco Public Works	(“Public Works”)

Port staff appreciates the vision, assistance and technical input from both Forest City and City staff; without this collective effort, the proposed Project would not be possible.

REPORT DESCRIPTION

Given the inherent complexity of the transaction, this report will not reiterate all of the details of past staff reports, but instead refers back to prior reports, where necessary. The staff analysis provided at the end of this report supports staff’s planned request for the Port Commission project approval at its September 12, 2017 meeting.

Creation of the Pier 70 SUD has been closely coordinated with numerous City and Port plans which establish important context to achieve a balance of maritime, neighborhood, transportation, open space, environmental sustainability and resilience benefits within Pier 70 as well as the broader Southeast San Francisco area. The staff analysis in this report includes the following components:

- I. Pier 70 Updates
- II. Port Strategic Plan
- III. Land Use and Planning Context
- IV. Streets and Infrastructure
- V. Key Transaction Documents and Major Terms
- VI. Public Financing Strategy
- VII. Parcel K North Disposition Strategy
- VIII. Financial Analysis of the Proposed Transaction
- IX. Next Steps

I. Pier 70 Updates

The Port is actively managing several other strategic projects in Pier 70, which also have been carefully integrated with planning and preparation of the Pier 70 SUD. Key planning and implementation efforts for the remainder of Pier 70 include:

- The Port, with assistance from Orton Development, Inc. (“ODI”) is securing the Pier 70 shipyard and making upgrades to the facility in anticipation of Fall 2017 competitive solicitation for a new operator;

- Under Lease No. L-15814 between the Port and Historic Pier 70, LLC (an affiliate of ODI³), ODI is actively rehabilitating Buildings 14, 101, 104, 113, 114, 115, 116 and two smaller outbuildings, with expected opening dates of summer 2017 through late 2018; and
- The Port is constructing the first 6 acre phase of Crane Cove Park using public funds, with an expected opening of mid-late 2018.

For reference, **Exhibit C** contains short description of the Port’s efforts related to these projects.

Current Pier 70 Tenants

Current Pier 70 tenants in the Project Site include:

- Affordable Self-Storage;
- ImPark;
- Paul’s Costless;
- Ernesto Rivera and Michael Rios; and
- Tenants of the Noonan Building.

Port staff has initiated preliminary discussions with tenants about future relocation to permit the first phase of Forest City development. Port staff is currently discussing relocation options with Affordable Self-Storage to allow PG&E to conduct clean-up of certain areas of the Project Site (near the southeast corner of the 28-Acre Site) authorized by the Bay Area Regional Water Quality Control Board. The Port values its tenants and strives to assist them in finding suitable relocation options.

As further described in this report, the project will provide for affordable space for Noonan Building artists (“Noonan Artists”). The Noonan Artists will remain in the Noonan Building, and may be relocated to temporary space pending construction of permanent replacement space in the Project Site.

<h2>II. Port Strategic Plan</h2>

Subject to Port Commission and Board of Supervisors approval, the proposed Project will realize several objectives of the Port’s 2016-2021 Strategic Plan³ including:

Renewal: Consistent with the Port Commission’s emphasis on improving the Southern Waterfront, the Port’s 5 Year Strategic Plan states:

³ <http://sfport.com/port-strategic-plan>

“Prioritize three projects for 2020 – Pier 70, Seawall Lot 337/Pier 48 and the Blue Greenway – to create vibrant new neighborhoods for residents, commercial and industrial/PDR businesses and employees. Incorporate major new waterfront parks and public access while maintaining the integrity of industrial maritime berthing and ship repair operations.”

Engagement: Throughout this process – from the development of the Pier 70 Preferred Master Plan (see below) through the preparation of a Final Environmental Impact Report (“FEIR”), Port and City staff and Forest City have engaged the Central Waterfront Advisory Group, the Dogpatch Neighborhood Association, the Potrero Hill Boosters and other residents and businesses in the planning for Pier 70.

Livability: The Pier 70 SUD will establish a new neighborhood with 30% affordable housing and public amenities such as parks, bicycle routes, and facilities for the arts.

Stability: The Financing Plan will guide capital investment in Port assets that will improve financial performance without risking either the City’s General Fund or the Port’s Harbor Fund. In addition to addressing an estimated **\$163 million** in deferred maintenance and planned renewal requirements in the Port’s 10-Year Capital Plan, investments at the 28-Acre Site will generate new ongoing funding streams for future Port facility renewals and enhancements.

Climate Change: The project includes initial improvements to protect the project from projected sea level rise and the Financing Plan will establish a “Shoreline Reserve” to fund capital investments to address the threats of sea level rise to the Port’s shoreline.

III. Land Use and Planning Context

Port planners and waterfront stakeholders have been captivated by Pier 70’s architectural, maritime and labor history and imagining its amazing potential for more than two decades. The 1997 Waterfront Land Use Plan (“Waterfront Plan”) designated 16 acres including the 20th Street Historic Core as a mixed use opportunity area intended for development. Subsequent Port development efforts found that at the time, Pier 70 was too pioneering a location to attract the public and private investment necessary to revitalize the area⁴.

Since then, Port and City planners have labored to create a strong planning framework to respond to changes at the Port and the City at large to guide future development of the area, including historic preservation and open space. This report section describes how the Pier 70 SUD aligns with the City’s planning context, including the Eastern Neighborhoods Plan, Southern Bayfront Strategy, the Pier 70 Preferred Master Plan,

⁴ For a description of the prior Pier 70 development effort in 2001-2002, please see the Waterfront Plan Review, 1997-2014, page 209:

http://sfport.com/sites/default/files/FileCenter/Documents/9896-WLUP_Review_Chapter4_June2015_part2.pdf

the Union Iron Works Historic District and the Blue Greenway. By integrating with this collective planning and development work, the Pier 70 SUD will require amendments to the Waterfront Plan, which are described in this report.

For this effort, careful planning has aligned neatly with market forces. At the same time as the City completed its planning efforts, Mission Bay is nearly complete, the Golden State Warriors are constructing the new Chase Center, the Port is constructing Phase 1 of Crane Cove Park and Orton Development is putting the finishing touches on the 20th Street Historic Core, all providing an excellent launching point for the first phase of the Pier 70 SUD.

The staff land use and planning analysis in this report builds off of the Port Commission staff reports for the March 14, March 28 and May 23, 2017 Port Commission meetings (see **Exhibit A**).

Exhibit D includes short descriptions of the City's and Port's planning efforts that are the foundation for developing Pier 70, including:

- the Eastern Neighborhoods Program and Pier 70 Preferred Master Plan;
- the Southern Bayfront Strategy;
- the Waterfront Land Use Plan; and
- the Blue Greenway.

Pier 70 Land Uses, Design and Design Review

Building off of and augmenting these prior plans, the proposed Pier 70 SUD and the Design for Development ("D4D") will provide land use controls, detailed development standards and guidelines for buildings, open space and streetscape improvements. The Project will include a mix of commercial office uses, residential uses, and active ground floor uses spanning retail, arts activities, and PDR uses. **Exhibit E** shows the current land use plan.

The design principles in the D4D were developed through a collaborative process with the City agencies, community stakeholders and the Forest City design team led by Site Lab and provide a framework for the D4D document to inform the future revitalization of Pier 70. The design principles include:

- Celebrate Industry and History
- Extend the Dogpatch Community into Pier 70
- Create a Network of Public Spaces
- Open the Waterfront to the Public

New buildings within the site will complement the industrial setting and fabric in size, scale, and material. Historic buildings will be artfully repurposed into spaces for local manufacturing and community amenities. The open spaces will be a collection of

different “mosaics” at multiple scales, shaped by nearby buildings, framing the reclaimed waterfront, and creating a platform for a range of activities and experiences. When the neighborhood is built out, local interactions, revealed art and fabrication, and a connection to the newly accessible waterfront will support a new Pier 70 neighborhood, as authentic as the Dogpatch and San Francisco.

Under the Design for Development, the following components of the Project will be subject to review and approval as follows:

- **New Development:** The Planning Department and Port staff will review new buildings 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:** Port staff and the Planning Department will review historic rehabilitation of Buildings 2, 12 and 21 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.

Union Iron Works Historic District

Forest City’s proposed development of the 28-Acre Site encompasses 28 of the 68 acres within the Union Iron Works Historic District⁵ (“UIW Historic District”) at the south east corner of the former Bethlehem Steel Shipyard. The proposed development concept and design was conceived in response to the competitive solicitation criteria published by the Port in its initial offering. Many of the criteria were derived from the Preferred Master Plan and the historic preservation objectives that led to the creation of the UIW Historic District in 2014. The proposed Pier 70 SUD will support these objectives as discussed below.

The proposed Project would respect the adjacent ship repair yard by locating dwelling units on the interior of the site to minimize land use conflicts between maritime industrial operations and residential use. Ship repair is a form of the historic maritime use that propelled development within the district. Maintaining this use preserves local jobs and the authenticity of the site and helps the public to experience and understand the history and significance of the site as an historic district.

⁵ http://sfport.com/sites/default/files/Planning/Docs/UIW_Natl_Reg_Nom.pdf

Note: Pier 70 as a whole includes 70 acres.

The proposed Project would focus major new construction in an area of the historic district that has a lower concentration of contributing resources and large open vacant area. Focusing new infill development in vacant areas maximizes the retention of contributing resources and preserves the lower density development pattern in the historic core along 20th Street, Crane Cove Park, to the north and west, and the 15 acre Shipyard. The successful development of the 28-Acre Site is significant to the Port's overall economic goals for the larger Pier 70 site and achieving the vision set forth in the Preferred Master Plan.

Within the 28-Acre Site there are a total of eight contributing resources (Buildings 2, 11, 12, 15, 16, 25, 32 and 66). Forest City will rehabilitate three significant contributing resources (Buildings 2, 12 and 21) that served as the focus for the site plan and land use program for the reuse and development of the 28-Acre Site. The proposed Project will demolish the five remaining buildings, primarily to allow for installation of streets and parks. The DEIR determined the impact to the UIW Historic District to be less than significant with mitigation. The proposed mitigations have been designed to minimize or avoid the loss of character defining features of the district.

Port staff and Forest City are working with the California Office of Historic Preservation and the National Park Service ("NPS") to qualify the project for Federal Rehabilitation Tax Credits. Tax credits would allow Forest City to seek a tax credit of up to 20 percent of their eligible rehabilitation expenses. NPS review of the Part 1 (Eligibility) of the Rehabilitation Tax Credit Application is in progress.

Exhibit F includes more detailed descriptions of Buildings 2, 12 and 21 and Forest City's proposed rehabilitation strategy for these resources.

Public Trust Swap

Portions of the Project Site are subject to the common law public trust for commerce, navigation and fisheries and the Burton Act statutory trust (collectively, the "Public Trust"). Other parts of Pier 70 are "after-acquired" lands, acquired by the Port from private landowners after the Burton Act transferred the Port from the State of California to San Francisco. The California State Lands Commission ("State Lands") oversees public trust lands owned by the State of California and the activities of public trust grantees that administer public trust lands that have been granted by the State to local jurisdictions to manage on behalf of the people of California.

Use of Public Trust lands is generally limited to maritime commerce, navigation, fisheries, water-oriented recreation, including commercial facilities that must be located on or adjacent to water, and environmental stewardship and recreation, such as natural resource protection, wildlife habitat and study, and facilities for fishing, swimming, and boating. Ancillary or incidental uses that promote Public Trust uses or accommodate public enjoyment of Public Trust lands are also permitted, such as hotels, restaurants and visitor-serving retail. Residential and general office uses are generally not permitted uses on Public Trust lands.

In 2012, the Port obtained state legislation (Assemblymember Ammiano, AB 418) that authorizes the State Lands Commission to approve a Public Trust Exchange Agreement that would free portions of Pier 70, including the areas planned for mixed use development in the the Project Site, from the Public Trust and place the Public Trust on other areas of Pier 70, including most of Crane Cove Park and the Shipyard.

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 City, through the Port Commission, and State Lands enter the Public Trust Exchange Agreement as part of the Project approvals. After the exchange, the Public Trust will be confirmed on the shoreline parks and certain streets leading to the Bay in the Project Site and all of the development parcels within the Pier 70 SUD will be free of the public trust. **Exhibit G** includes maps of the proposed trust exchange.

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

To support the public trust exchange, Port staff is working with State Lands and Forest City to finalize an appraisal to support an “equal value” trust exchange, title reports, a record of survey, legal descriptions of the property and a trust exchange agreement between the City, acting through the Port Commission, and State Lands.

San Francisco Bay Conservation and Development Commission

Areas of the Project up to 100 feet landward of Mean High Water (MHW) are subject to the permitting jurisdiction of the San Francisco Bay Conservation and Development Commission (“BCDC”). BCDC’s mandate is to regulate shoreline development, prevent Bay fill (except in limited circumstances for water-oriented uses), and ensure maximum feasible public access to the Bay. BCDC also encourages the preservation of industrial uses and creating public access to the waterfront. BCDC’s statutory jurisdiction includes all property within 100 feet of the MHW.

The Port and Forest City have met with BCDC staff and have presented to the BCDC Design Review Board (“DRB”). Forest City and the Port plan to submit an application for a Major Permit to authorize improvements within BCDC’s shoreline jurisdiction. The DRB review for the project on October 17, 2016 generated positive responses, indicating that the system of open spaces including the shoreline open spaces were designed in a way to maximize public access and enjoyment.

A BCDC permit application is anticipated to be submitted in the fall of 2017.

Pier 70 Public Benefits

The Office of Supervisor Malia Cohen, OEWD, Port, and Forest City have negotiated a public benefit package that reflects the goals of the Southern Bayfront, the Preferred Master Plan the UIW Historic District and the San Francisco Bay Trail. Key benefits include:

- **Affordable Housing:** Overall the project will result in 30% onsite affordability, with the following components:
 - 150 or more units of onsite rental inclusionary housing, representing 20% of the units in all onsite rental buildings. These units will be affordable to households from 55% to 110% of area median income, with the maximum number possible at the time of their lottery rented to applicants under the Neighborhood Resident Housing Preference program.
 - 320 or more units of permanently affordable family and formerly homeless housing, in three buildings developed by local nonprofits located close to transit and a children's playground.
- **Transportation Funding and On-Site Services:** Transportation demand management on-site, facilities to support a new bus line through the project, an open-to-the-public shuttle service, and almost \$50 million in funding that will be used to support neighborhood-supporting transportation infrastructure.
- **Workforce Development Program:** 30% local hiring commitment, local business enterprise ("LBE") utilization, participation in OEWD's "First Source" hiring programs, and up to \$1M in funding to support expansion of CityBuild and TechSF training for District 10 residents.
- **Local Diverse Small Business Retail Marketing Program:** OEWD and Small Business Services will provide support during lease negotiations with local diverse small businesses identified through this marketing program and engage 1-2 neighborhood economic development organizations that serve small businesses with specific focus on those based in District 10.
- **Rehabilitation of Union Iron Works Historic Structures:** The project will fund and support the re-use and rehabilitation of three key historic structures (Buildings 2, 12, 21) and interpretive design in support of the Union Iron Works Historic District in open space, streetscape and building design.
- **Parks:** The project will provide over 9 acres of new open space for a variety of activities, including an Irish Hill playground, a market square, a central commons, a minimum ½ acre active recreation on the rooftop of buildings, and waterfront parks along 1,380 feet of shoreline.
- **Retail and Industrial Uses:** The project will provide a 60,000 square foot local market hall supporting local makers, is committing to a minimum of 50,000 square

feet of on-site PDR space, and is developing a small business attraction program with OEWD staff.

- **Community Facilities:** The project will contribute \$2.5 million towards creating new space to serve the education and recreational needs of the growing community from Central Waterfront, from Mission Bay to India Basin and Potrero Hill.
- **Sea Level Rise Protection:** The project's waterfront edge will be designed to protect buildings against the high-end of projected 2100 sea-level-rise estimates established by the state, and the grade of the entire site will be raised to elevate buildings and ensure that utilities function properly.

Noonan Tenants/Arts Building: The Port currently has leases with a number of tenants in Building 11, also known as the Noonan Building, many of whom are artists (the "**Noonan Tenants**"). The Noonan Tenants are an integral part of Pier 70 community, and have played an important role in introducing the broader San Francisco community to Pier 70 through Open Studios and other events.

The proposed Project includes removal of the Noonan Building, as it was not identified as an historically significant resource. The Developer is obligated under the DDA to provide on-site replacement space to current Noonan Tenants, at a rent based on the Port's current parameter rent schedule escalated to the date of occupancy of the replacement space. The Developer is also obligated to pay for the cost of relocating the Noonan Tenants to the replacement space.

It is currently envisioned that the replacement studio space for the Noonan Tenants will be included in the arts building on Parcel E4, an up to 90,000-square-foot waterfront arts facility ("Arts Building") that will provide affordable, state-of-the-art space for a range of artistic and creative uses, including:

- Arts activity spaces, which would house performance, exhibition, rehearsal, production, post-production and/or educational activities;
- Artist studios, workshop/archive spaces, theaters, studios, rehearsal space, classrooms and/or other similar spaces used principally for arts related activities as well as accessory support space;
- Commercial arts and art-related business facilities, which could include facilities for recording and editing services, film and video services/libraries, special effects production, fashion and photo stylists, wardrobes, and studio property production and rental companies; and
- Community or public uses, with a minimum size of 1,000 square feet, as well as commercial retail and restaurant uses not to exceed 10,000 usable square feet.

In consultation with the Port, the Developer anticipates selecting an Arts Master Tenant, to develop, program and operate the Arts Building. To help ensure the affordability of the Arts Building, the Port has agreed to lease the land at no cost and provide a one-

time construction subsidy of up to \$17.5 million generated from the Arts Facility Special Tax. The Arts Master Tenant will be required to fund any remaining feasibility gap through a capital campaign.

Public Outreach

Public outreach and participation in the proposed Project has been strong and continuous. The Port's process to develop the Preferred Master Plan was extensive, resulting in broad public consensus leading to the Port Commission's selection of Forest City. Forest City has strengthened this consensus through its neighborhood outreach, hosting of events which served to introduce the public to the Project Site, and creative approach to developing the public realm for Pier 70.

As an immediate first step in development of the site plan and design for Pier 70, Forest City engaged a local artist, Wendy MacNaughton, to document the past, present and future of Dogpatch and Pier 70. The resulting piece, "Pier 70: In Its Own Words" was unveiled at a community art opening in 2012. Since that event, Forest City and the Port have hosted a number of local community meetings, workshops, open houses and visioning events to understand Dogpatch and what the Pier 70 community would most like to see in a future development.

In 2013, the Port Commission and the Board of Supervisors each unanimously endorsed the Term Sheet for the proposed Project, outlining the proposed land plan and transaction terms for future development of Pier 70. In order to expand outreach efforts, Forest City in partnership with the Port of San Francisco began hosting public events at Pier 70. The first event – the Urban Air Market – saw attendance of over 5,000. Events hosted since then include Halloween Family Day, Taste of Potrero, the Bayview Community Pop-Up Market and the San Francisco Street Food Festival. Outreach has also included regular presentations at the Port Commission, Central Waterfront Advisory Group, Dogpatch Neighborhood Association and Potrero Boosters. At each event or presentation, attendees are encouraged to learn about the proposed plan for Pier 70 and provide their feedback. Over time, this extensive outreach led to a guiding theme and principle of Pier 70 as a place where an industrial history and Dogpatch sensibility meet at the water.

Seventy three percent of voters supported Proposition F, the 2014 ballot measure supporting reuse of the area and enabling the Board of Supervisors to increase height limits at the project.

Exhibit H contains a list of community outreach meetings attended by Forest City and City staff related to the Project.

IV. Streets and Infrastructure

The infrastructure analysis in this report builds off of the informational presentation regarding the staff report related to the Pier 70 Special Use District Transportation Plan,

Streetscape Master Plan, Infrastructure Plan and Sustainability Plan for the 28-Acre Site for the May 23, 2017 Port Commission Meeting.

Infrastructure, Sustainability, Mapping

The Infrastructure Plan includes conceptual level planning elements of all the infrastructure systems, including dry utility infrastructure, including “joint trench” (electricity, natural gas, and telecommunications), and wet utility infrastructure including water, wastewater, and stormwater management facilities. Forest City developed the plan through studies and site investigations of existing Pier 70 conditions. Forest City conducted supplemental studies in consultation with the Port and SFPUC to further develop the infrastructure planning. The Infrastructure Plan describes Forest City’s obligations to complete streets and infrastructure to support development of the 28-Acre Site, including reconstructed 20th and 22nd Streets. The Port’s and City’s third-party developers will retain certain infrastructure obligations related to the Illinois Street Parcels, including the 20th Street Plaza, Michigan Street, and Irish Hill Park.

Based on these studies and site inspections, Forest City also developed Master Utility Plans – the next level of detail beyond the Infrastructure Plan – to form the engineering basis of design for the Project infrastructure, to be implemented through the construction documentation process for each phase of the Project. In prior City development projects, the City’s master development partners have developed master utility plans after project approvals, which has often led to long delays before the first phase of development could occur. Forest City’s investment in this level of infrastructure planning has positioned the first phase of the Project to start construction as early as 2018.

Phasing and Existing Conditions

The cost to deliver the new horizontal improvements including soft costs and mitigation measures in the Project financial proforma is estimated at \$262.4 million. The Disposition and Development Agreement (“DDA”), including the Financing Plan and attached form of Acquisition and Reimbursement Agreement, describes the process by which Developer will initially finance and be repaid for construction of horizontal improvements, and the process by which City agencies will inspect and finally acquire the public infrastructure in the Project.

The Developer will be obligated to maintain access and utility services to the shipyard, Historic Core, and Crane Cove Park until services are replaced by new systems. The Infrastructure Plan requires Developer to conduct a thorough investigation is required for determining the condition of existing assets, including the capacity of the combined sewer pump station, overhead electrical distribution systems and underground gas lines.

The Project will be developed in several phases (each, a “Phase”) subject to the approval process outlined in the DDA. Each Phase will include development parcels and associated infrastructure to serve the incremental build-out of the Project. Phase

infrastructure will be defined in improvement plans and associated public improvement agreements for each Phase under the 2015 San Francisco Subdivision Regulations (“Subdivision Regulations”) that will ultimately permit construction of buildings on development parcels.

Horizontal Hard and Soft Costs, Projected by Phase

Table 1 below shows the projected hard and soft infrastructure costs by Phase, which are subject to change based on market conditions, inflation, changes to Phases and changing legal requirements based on updated health and safety standards. Port staff and consultants are continuing to review these projected costs and will provide a final report to the Port Commission regarding costs based on third-party review.

Table 1. Pier 70 28-Acre Site Projected Hard and Soft Costs, by Phase (July 2017 Estimates)

Item	Phase 1	Phase 2	Phase 3	Total
Abatement	\$412,300	\$319,556	\$ -	\$731,856
Demolition	\$5,024,377	\$2,426,264	\$1,193,716	\$8,644,357
Auxiliary Water Supply System	\$3,295,409	\$209,115	\$80,375	\$3,584,898
Low Pressure Water	\$3,509,331	\$1,099,739	\$745,507	\$5,354,577
Reclaimed Water	\$2,354,912	\$669,452	\$410,102	\$3,434,467
Storm Drainage System	\$3,397,363	\$311,632	\$1,006,856	\$4,715,851
Combined Sanitary Sewer	\$8,611,226	\$5,224,310	\$748,314	\$14,583,850
Joint Trench	\$3,871,797	\$1,377,311	\$888,614	\$6,137,722
Earthwork	\$5,991,715	\$2,267,524	\$3,791,984	\$12,051,223
Retaining Walls	\$125,440	\$97,385	\$ -	\$222,825
Roadways, Curb, and Gutter	\$8,748,915	\$2,502,935	\$1,526,569	\$12,778,419
Traffic	\$1,144,369	\$454,701	\$31,014	\$1,630,084
Streetscape	\$4,548,170	\$1,551,865	\$1,125,573	\$7,225,608
Parks & Open Space	\$15,355,278	\$6,282,762	\$7,636,542	\$29,274,582
Shoreline Improvements	\$5,068,503	\$14,592,510	\$325,062	\$19,986,075
Hazardous Material Removal	\$2,006,383	\$511,200	\$369,017	\$2,886,600
Historical Building Rehab	\$9,479,869	\$ -	\$ -	\$9,479,869
Subtotal Direct Construction Costs	\$82,945,356	\$39,898,263	\$19,879,246	\$142,722,865
Owner Other Costs (OOC)	\$1,784,168	\$913,962	\$511,742	\$3,209,873
Construction Contingency (CC)	\$12,658,293	\$6,125,531	\$3,106,005	\$21,889,829
Design Contingency	\$4,219,431	\$2,041,844	\$1,035,335	\$7,296,610
Subtotal Hard Costs	\$101,607,248	\$48,979,600	\$24,532,328	\$175,119,177
A&E	\$9,086,490	\$4,391,520	\$2,221,445	\$15,699,455
Insurance	\$1,180,689	\$674,527	\$440,573	\$2,295,788
Bonding Costs	\$1,987,670	\$960,645	\$485,941	\$3,434,256
Legal	\$1,213,086	\$587,030	\$297,659	\$2,097,775
Financing (not reimbursed by CFD/IFD)	\$400,000	\$300,000	\$400,000	\$1,100,000
Soft Cost Contingency	\$2,231,493	\$1,378,072	\$1,138,662	\$4,748,227
Construction Management Fee	\$7,548,766	\$3,909,782	\$2,242,399	\$13,700,948
Subtotal Traditional Soft Costs	\$23,648,194	\$12,201,576	\$7,226,679	\$43,076,449
City Infra Review/Acceptance Costs	\$4,220,000	\$3,495,000	\$3,495,000	\$11,210,000
Community Outreach/Marketing	\$1,600,000	\$1,200,000	\$1,600,000	\$4,400,000
Miscellaneous (appraisals, etc.)	\$2,627,000	\$2,172,000	\$2,446,000	\$7,245,000
Development Management Fee	\$6,290,639	\$3,258,152	\$1,868,666	\$11,417,457
Subtotal Additional Project Soft Costs	\$14,737,639	\$10,125,152	\$9,409,666	\$34,272,457
Noonan Relocation	\$ -	\$1,000,000	\$ -	\$1,000,000
Cash Payments	\$1,195,000	\$650,000	\$6,000,000	\$7,845,000

Workforce	\$615,000	\$455,000	\$40,000	\$1,110,000
Subtotal Other Project Costs	\$1,810,000	\$2,105,000	\$6,040,000	\$9,955,000
Total	\$141,803,081	\$73,411,328	\$47,208,673	\$262,423,083

Codes, Regulations and Standards

The Infrastructure Plan relies on the Subdivision Regulations as the basis for design standards, criteria, and specifications for the Project infrastructure. Where specific provisions of the Infrastructure Plan differ from the Subdivision Regulations, the Developer will request a design modification from the Port and the agency (typically, the SFPUC) that will accept the infrastructure and have it approved before relying upon such provisions.

The Infrastructure Plan also describes the infrastructure obligations of the City, Port and other City Agencies. The Developer will obtain approvals of final infrastructure design in accordance with the Port’s memorandum of understanding with other City agencies for interagency cooperation (“ICA”), which describes how City agencies will review infrastructure design and inspect and accept infrastructure.

The Infrastructure Plan focuses on the infrastructure required to build the Project as described in the Project Environmental Impact Report.⁶ The EIR also includes several Project variants, which may or may not be implemented. Table 2 describes the infrastructure elements.

⁶ A copy of the Draft Environmental Impact Report is available at:

<http://sfmea.sfplanning.org/Pier70DEIRFull.pdf>

Table 2: Description of Infrastructure Elements

Infrastructure Plan Element	Summary Description of Element
Environmental Management	Environmental management of soils under the Port’s adopted Risk Management Plan.
Demolition and Abatement	Demolition and abatement of unusable and dilapidated structures; demolition or abandonment of utility infrastructure; re-use of recycled materials on-site where feasible.
Geotechnical Improvements	Geotechnical improvements to improve seismic stability.
Site Grading and Drainage, including Sea Level Rise	Grading plans designed to remove new development areas from existing FEMA flood plain designation and provide future flood protection from sea level rise, including raising the elevation of historic structures.
Street and Transportation Systems	Efficient site layout provides a dense, transit-oriented development that encourages bicycling and walking.
Low Pressure Water System	New reliable and efficient potable water system based upon reduced demands due to water conservation measures.
Non-Potable Recycled Water System	<p><u>Option 1</u>: Newly constructed buildings will collect graywater and rainwater as required to be reused for toilet and urinal flushing, irrigation, and cooling tower makeup.</p> <p><u>Option 2</u>: A District-Scale Water Treatment and Recycling System (WTRS) will treat blackwater to a non-potable standard and deliver recycled water to development parcels via a new non-potable water distribution system.</p>
Combined Sewer System	Replacement of 20th Street Pump Station to accommodate existing and proposed flows from all of Pier 70. A new wastewater collection system and new stormwater management features to replace the existing combined sewer system.
Auxiliary Water Supply System (“AWSS”)	<p><u>Option 1</u>: baseline scenario consists of a loop of 12-inch high-pressure pipes with four new hydrants, connecting to the existing AWSS distribution system in 3rd Street.</p> <p><u>Option 2</u>: AWSS in 3rd Street at 20th Street at the northern boundary of the Project and at 23rd Street at the southern end of the former Potrero Power Plant Site.</p>
Dry Utility Systems	Replace overhead electrical distribution with a joint trench distribution system following the roadways. New power, gas and communication systems to serve the development.

City Acceptance of Infrastructure

The City will accept complete and functional infrastructure designed to serve the needs of the associated Phase of development for purposes of City maintenance and liability. Within the public right-of-way, complete and functional streets will include the aerial, surface, and subsurface public improvements necessary to safely operate the public

street (except previously agreed deferred items). The City will accept portions of public streets segments with minimum 150 feet in length.

Once the City accepts streets, parks and associated infrastructure, the City will be responsible for its maintenance. Concurrent with Project approvals, the Port is seeking approval of a special tax to fund maintenance of parks and streets.

Sustainability

The Pier 70 Sustainability Plan summarizes how the Pier 70 Mixed-Use District Project will seek to attain high levels of performance in social, economic, and environmental sustainability, with a focus on equity, resilience and climate protection. The Sustainability Plan is a reference document. Requirements and goals are in regulatory documents that are being formally adopted, including the Infrastructure Plan, Master Utility Plans, Transportation Plan and D4D. The Plan is premised on integrating sustainable features throughout the site, from the way homes are designed to how water is used, from the provision of multi-modal transportation choices to how landscape design responds to the site. It addresses the following topics:

- Livability
- Prosperity
- Health & Wellness
- Ecosystems Stewardship
- Climate Protection & Energy Efficiency
- Solid Waste Management

The targets in the Sustainability Plan will form the basis for regular monitoring; as part of each Phase submittal to the Port, Forest City will submit a report of performance against the Sustainability Plan's metrics. Those reports will be reviewed by Port and Planning staff, and made available to public. Progress towards LEED certification for the buildings will be a key part of this process.

District Blackwater

Health Code Article 12C was adopted to reduce the amount of potable water usage in large-scale developments. To address this requirement, Forest City proposes to build a centralized plant to clean combined sewage and distribute back to buildings for non-potable uses such as toilet flushing, landscaping, and building cooling tower water ("District Blackwater System"), which may be a less expensive alternative to treating greywater within each building (another method of complying with Health Code Article 12C).

Port staff has proposed using Building 108 – a contributing resource to the UIW Historic District – to house both the District Blackwater System and the new 20th Street Pump Station required for the Project. This use would require seismic strengthening of Building 108, with a projected cost of \$6.5 million. 20% historic tax credits could be available to offset this cost.

Mapping

A significant part of the Project is creating separate legal parcels. Forest City will produce all maps for the 28-Acre Site in compliance with the San Francisco Subdivision Code and the California Subdivision Map Act (collectively, the “Map Act”). Forest City and Port staff will collaborate with Public Works and the County Surveyor to comply with the Map Act.

Sea Level Rise (“SLR”)

The Project will be built to protect against a reasonable amount of SLR and designed to accommodate higher SLR through adaptive management that allows the Project infrastructure to be adjusted over time in response to SLR. Because the actual rate of future SLR is uncertain, adaptive management is a proactive strategy that can respond to future SLR. The adaptive management strategy will include four basic fundamentals:

- Initial infrastructure design to accommodate reasonable SLR scenarios;
- Infrastructure design that can be adjusted in response to actual SLR;
- Monitoring scientific updates and actual SLR data; and
- Project-based public financing mechanisms to implement necessary improvements to address SLR to protect the Project.

Shoreline: The shoreline area east of the Bay Trail will be improved to provide protection against the current 1 percent chance total water levels (“TWL”) caused by a combination of tides, waves and shoreline geometry. The elevations in the area will provide perimeter protection for the Project to the west.

Building Finished Floor: Buildings in the Project will be inboard (inland) of the perimeter protection, and finished floor elevations will be designed based on two conditions. The first design standard is the 1 percent chance still water level (“SWL”) elevation, plus an allowance for 66-inches SLR, plus 6-inches of freeboard. The second is the Bay Trail protection elevation plus additional elevation to provide for overland release of stormwater from the building pads to the shoreline.

Open Space: Open space inboard of the perimeter protection will be designed to allow for drainage away from buildings and overland release of stormwater from the open space over the Bay Trail protection and shoreline.

V. Key Terms of Transaction Documents

The transaction analysis in this report builds off of the informational presentation regarding the staff report related to the informational presentation regarding the Pier 70 Special Use District Transaction Structure for the May 9, 2017 Port Commission Meeting.

There are 6 principle transaction documents (“Transaction Documents”) that will govern the proposed Project:

- A. Disposition and Development Agreement (“DDA”)
- B. Financing Plan, an attachment to the DDA
- C. Development Agreement (“DA”)
- D. Master Lease
- E. Vertical Disposition and Development Agreement (“VDDA”)
- F. Parcel Lease

This report section summarizes the major terms of each of these Transaction Documents.

A. Disposition and Development Agreement

The DDA is the principal agreement governing development of the Project. The DDA and its 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.

In general, the Developer will be responsible for horizontal development of the Project, which consists of entitlement and other pre-development work, site preparation, 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. Vertical development includes construction or historic rehabilitation of buildings consistent with the Pier 70 SUD and D4D and will be performed by third-parties or affiliates of Developer.

Table 3: DDA Major Terms

Topic	Description
Term	The earlier of 25 years or 5 years after completion of all public improvements.
Project Description	At build-out, the Project will include <ol style="list-style-type: none"> 1. 1,100-2,150 new residential units, at least 30% of which will be constructed on-site and made affordable to a range of low- to moderate-income households; 2. 1 -2 million gsf of new commercial and office space; 3. rehabilitation of three significant contributing resources to the historic district; 4. space for small-scale manufacturing, retail, and neighborhood services; 5. transportation demand management on-site, a shuttle service, and payment of impact fees to the Municipal Transportation Agency for

Table 3: DDA Major Terms

Topic	Description
	<p>use in the neighborhood;</p> <ol style="list-style-type: none"> 6. 9 acres of new open space in the Pier 70 SUD, potentially including active recreation on rooftops, a playground, a market square, a central commons, and waterfront parks along the shoreline; 7. on-site strategies to protect against Sea Level Rise; 8. replacement studio space for the Noonan Tenants; and 9. a new arts space (the “Arts Building”).
Development Phases	<ul style="list-style-type: none"> • The Project will be developed in three Phases. Each Phase will include development parcels for buildings and areas that will be developed for streets, parks, and public access areas. • Before the Developer can begin construction in a Phase, the Executive Director must approve a “Phase Submittal” that establishes the boundaries, phase improvements, associated public benefits and order of development.
Schedule of Performance	<ul style="list-style-type: none"> • The Schedule of Performance establishes outside dates for: (i) submittal of Phase Submittals; (ii) start and completion of horizontal improvements, including streets, utilities and parks; and (iii) development of Historic Buildings 12 and 21 and the Arts Building. • The outside date for completion of all Phase 1 improvements is 7.5 years after Project approval, Phase 2 within 16 years and Phase 3 within approximately 25 years. Parks must be completed between 12-18 months after completion of adjacent buildings. • Remedies include termination of the DDA if Developer fails to meet its obligations with respect to the streets, utility improvements, parks and historic buildings. • The SOP will be extended for force majeure (delays outside of the Developer’s control), such as (i) earthquake, flood, (ii) failure of regulatory agencies to issue permits in a timely manner, (iii) delays caused by certain by types of litigation or CEQA, and (iv) periods of “down market delay” triggered by an appraisal showing that a parcel’s value is 85% or less of the value in the summary proforma at Project approval (“Down Market Threshold”).
Developer Option for Vertical Development	<ul style="list-style-type: none"> • The Developer has an option on all development parcels except the affordable housing parcels (Parcel K South, aka, “PKS”, Parcel C1B and Parcel C2A), Parcel C1A, Historic Buildings 12 and 21, Parcel E4 (the Arts Building parcel). • Except for option parcels that will be developed as residential condominiums, the Port will ground lease option parcels for 99 years. • Parcel K North and the Hoedown Yard, while in the SUD, are not part of the Project. • The Developer must exercise its option for all option parcels within

Table 3: DDA Major Terms

Topic	Description
	<p>a Phase within three years after completion of public improvements within the Phase.</p> <ul style="list-style-type: none"> • If the Developer does not timely exercise its option, the Port will engage in a public offering process to lease or sell to third parties.
Process for Sale/Lease of Option Parcels	<ul style="list-style-type: none"> • The Developer may initiate the option process at any time after the Phase Submittal by written notice. For flexibly zoned parcels, it may identify alternative residential or commercial use programs. • The parties will engage an appraiser to determine the fair market value in accordance with form appraisal instructions and engage in dispute resolution procedures if either party objects to the appraised value. • The Developer must exercise its option within 30 days after delivery of a final appraisal. If the appraisal is below the Down Market Threshold, Developer may exercise its option at the Down Market Threshold or extend the SOP for the duration of the down market delay. • If the Developer exercises its option, the Port and an affiliate of the Developer (the “Vertical Developer Affiliate”) will enter into the Vertical DDA for the Port’s delivery of the parcel.
Public Offering	<ul style="list-style-type: none"> • If the Developer does not exercise its option, the Port will offer the parcel to qualified bidders at a minimum price equal to the Down Market Threshold. If the high bid is between the Down Market Threshold and the appraised value, then the Developer has a right of first refusal to acquire the parcel at the high bid price. • If no bids are received, the Port will remove the option parcel from the market, and the Developer’s option will spring back until expiration of the option period (<i>i.e.</i>, 3 years after completion of all infrastructure in the Phase).
Associated Public Benefits	<p>Developer’s obligations to deliver various public benefits are:</p> <ul style="list-style-type: none"> • Historic Building 2: Historic Building 2 is an option parcel that must be developed under a 99-year lease consistent with the Secretary’s Standards. If the Developer exercises its option, the fair market rental value for the building will be determined by appraisal, taking into account historic rehabilitation costs and whether or not the Developer obtained an allocation of historic tax credits. • Arts Building (E4): The Developer must enter into a 50-66 year lease and begin construction of the Arts Building within three years after completing the office building on Parcel B-2. The Arts Building will be restricted to eligible arts activities, with artist subtenants chosen by a representative selection committee according to geographic preference and at reasonable rates for comparable nonprofit space. It may also be used as replacement space for Noonan Tenants, community or public use space and retail/restaurant of up to 10,000 gsf. The Port will commit \$20 million of public finance proceeds for the arts program:

Table 3: DDA Major Terms

Topic	Description
	<p>Noonan replacement space, a community facility, and the Arts Building.</p> <ul style="list-style-type: none"> • Noonan Tenant Replacement Space: The Developer must provide the Noonan Building tenants with space in a new or rehabilitated building within the Project. The Developer and the Port will provide the Noonan Tenants with at least 24 months' prior written notice with the opportunity to relocate to the proposed permanent replacement space, and the Developer may provide a temporary replacement space before that time. The replacement space must contain at least the same amount of square footage currently occupied by the Noonan Tenants that choose to move, at permanently restricted rents equal to the Port's parameter rent schedule for the tenant's existing space (currently \$1.30/gsf) with annual CPI adjustment plus reasonable cost recovery for building common expenses. The Developer will also prepare an Artist Transition Plan that will include procedures for determining the size of individual subtenant spaces and priority for selection. The Developer will secure these obligations with a guaranty or other security in the amount of \$13.5 million. • Historic Buildings 12 and 21: A vertical developer affiliate must enter into a 66-year lease for Building 12 within a year after completion of the public improvements for Parcel E-2, and for Building 21 within a year after completion of the building on Parcel E-1 and seek historic tax credits. Base rent will be \$1/year, with participation rent payable in accordance with each lease. • PDR: The Project must provide at least 50,000 gsf of space that will be restricted for PDR use, determined at Phase Submittal. • Childcare: The Developer will designate one child-care facility in Phase 1, and one child-care facility in Phase 2 or 3, each with a capacity of 50 kids. • Affordable Housing: See discussion below.
Port and City-Controlled Parcels	<ul style="list-style-type: none"> • 20th/Illinois Parcel: The Port will subdivide the parcel into Parcel K North and Parcel K South (PKS). PKS will be an affordable housing parcel. The Port will offer Parcel K North at its appraised market value for development in accordance with the SUD and D4D and use its sale proceeds to pay Developer's Entitlement Costs. • Hoedown Yard: The City has an option to purchase the approximately 3-acre Hoedown Yard from PG&E. Development of the Hoedown Yard will be governed by the SUD and D4D. The site will be subdivided into three separate parcels and offered for sale. The City may also ask the Hoedown Yard developer to build Irish Hill Park, in which case, the City and the Port will agree to pay the developer's costs with special tax proceeds from the parcels and the Port's share of tax increment from the 28-Acre Site and Parcel K North. • C1A: C1A is a development parcel that was formerly designated for

Table 3: DDA Major Terms

Topic	Description
	a potential parking structure. The Port will offer the parcel for office or residential development and keep all proceeds.
Events of Defaults	<ul style="list-style-type: none"> • The DDA for two types of defaults: typical “Events of Default” with specified contract remedies and more serious “Material Breaches” that allow the Port to terminate all or part of the DDA. • Material Breaches include an unpermitted transfer of Developer’s rights, Developer’s failure to comply with the SOP, failure to provide the required security for its obligations, failure to pay property taxes and failure to reimburse the Port and City for administrative costs of the Project. • The Port may offer the development opportunity for the terminated portions of the DDA to third parties, but will not permit uses that are incompatible with any of the Developer’s retained development rights under the DDA. • If the Port terminates (whether before or after completion of the Phase), the Developer’s return is reduced to a Cumulative IRR of 12% on Developer capital spent on Phase improvements before the termination date, but only to the extent of Project Payment Sources generated by the option parcels in the Phase on which Developer has closed escrow before the termination date.
Construction Procedures	<ul style="list-style-type: none"> • Procedures for review of construction documents for Horizontal Improvements will be included in the ICA. The Port’s review will be final and conclusive, but will not disapprove or require changes as to matters that it has previously approved. • The Port will have the right to review change orders for more than \$250,000 for commercial reasonableness. • The Port will have certain review rights over Developer’s general contractor selection, bid packages and security.
Schematic Design Review of Parks; Review of Signage	<ul style="list-style-type: none"> • The Port Commission must approve the schematic design of the parks within the Project after review by a design advisory committee that the Port Director will designate. • The Port must also approve supplemental signage standards and guidelines, including (i) park signage; (ii) public right-of-ways signage; (iii) building signage; and (iv) an Interpretive Signage Plan to educate visitors to the 28-Acre Site to key historic, cultural and natural features.
Deferred Infrastructure	<ul style="list-style-type: none"> • The Developer may assign elements of infrastructure to vertical developers within street, sidewalk and park areas adjacent to the applicable development parcel (“Deferred Infrastructure”). The SOP generally requires completion of these items within 12 months after building occupancy or completion of the adjacent park parcel.
Vertical Development Parcels	Developer must complete all work necessary to prepare Development Parcels for transfer to vertical developers, including creating separate legal parcels on a subdivision map, site preparation as needed (grading

Table 3: DDA Major Terms

Topic	Description
	and soil compaction), and providing or securing the installation of public improvements to serve the development parcel.
Security	Developer must provide financial security for (i) its reimbursement obligations for Port and City Costs and indemnities under the DDA; (ii) delivery of Affordable Housing Parcels; (iii) construction of parks; and (iv) its obligations for the Noonan Tenant replacement space.
Transfers	<ul style="list-style-type: none"> • Developer must not transfer the DDA during Phase 1 to a non-affiliate without Port Commission consent, in the Port’s sole discretion. • Developer has a right at any time without Port consent to assign to affiliates meeting net worth and experience requirements. • After Phase 1, Developer may transfer its rights under the DDA to third parties before beginning construction of Phase improvements, subject to Port Commission approval. The Port will release Developer from future obligations that were transferred. • After construction has begun, Developer may transfer its rights under the DDA but it will not be released from the transferred obligations without Port Commission approval in its sole discretion.
Affordable Housing Plan Exhibit	<p>The Affordable Housing Plan describes the following measures to ensure that at least 30% of all residential units at the 28-Acre Site are affordable to low- and moderate-income households.</p> <ul style="list-style-type: none"> • Developer must construct all horizontal improvements necessary for development of 100% affordable housing on two designated affordable housing parcels: PKS, Parcel C2A and Parcel C1B. The Port will enter into agreements with the Mayor’s Office of Housing and Community Development (“MOHCD”) to facilitate these stand-alone affordable housing developments. • All vertical developers of market-rate rental projects must provide 20% of the rental units as below-market rate, on-site inclusionary units. • Developers of market-rate condominium projects must pay an inclusionary housing fee to MOHCD for development of the affordable housing parcels. • Developers of commercial projects must pay an impact fee similar to the City’s jobs/housing linkage program to MOHCD for development of the affordable housing parcels. • The City has agreed to form an IRFD over the Hoedown Yard. Under the proposed IRFD financing plan, IRFD tax increment will be used for development of the affordable housing parcels.
Workforce Development Plan	<p>The Workforce Development Plan requires Developer and its contractors and subcontractors, vertical developers, and tenants to comply with applicable provisions. Workforce plan obligations include the following:</p> <ul style="list-style-type: none"> • Permanent employers must enter a First Source Hiring Agreement that will require participation in the City’s Workforce System, good

Table 3: DDA Major Terms

Topic	Description
	<p>faith efforts to meet the hiring certain hiring goals and, where applicable, partnership with TechSF.</p> <ul style="list-style-type: none"> • Developer and vertical developers of projects that are not otherwise covered by local hire requirements must enter into a First Source Hiring Agreement for construction. • Developer (or vertical developers) must provide funding for OEWD job readiness and training programs run by CityBuild and TechSF. • Developer and vertical developers must meet the local hiring goals and apprenticeship goals applicable to certain construction work for Local Residents and Disadvantaged Workers for Covered Projects. • Developer and Vertical Developers must comply with the Local Business Enterprise (“LBE”) Utilization Plan to make good faith efforts to meet the outreach goals applicable to certain construction work for LBEs. • Tenants and owners must make good faith efforts to meet the outreach goals applicable to leasing of retail space suitable for use by Small Business Enterprises.
Transportation Plan	<p>Key provisions of the Transportation Plan and Transportation Demand Management Program (“TDM Program”) include the following:</p> <ul style="list-style-type: none"> • Vertical developers (other than the affordable housing parcels, Historic Buildings 12 and 21, and the Arts Building) must pay a transportation fee that SFMTA will use and allocate for transportation improvements in the area. • Developer, building owners, and tenants must implement the TDM Program designed to reduce Project-related one-way vehicular traffic by 20%. The TDM Program will be administered by a Transportation Management Association created for the Pier 70 SUD.
Office Development (Prop M, Planning Code §§ 320-325)	<p>Under Prop M, office development on Port property counts against the available allocation citywide. The DDA restricts the timing and amount of office development by Phase if there is a constraint on Prop M availability elsewhere in the City by providing a maximum amount of office space per Phase, and an ‘no earlier than’ date for office development in certain circumstances.</p>

B. Financing Plan

The Financing Plan will be attached to the DDA. Table 4 is a summary of the material terms of the Financing Plan.

Table 4: Financing Plan

Topic	Description
Purpose and Goals	<p>The Financing Plan establishes the contractual framework for financing horizontal development and for the distribution of net proceeds from the development of the Project. The basic principles underlying the Financing Plan include the following:</p> <ul style="list-style-type: none"> • Developer is responsible for funding all entitlement costs and the costs of constructing Horizontal improvements to the extent other Project sources are not available. • Land proceeds from the sale or lease of options parcel at fair market values and the Project Based Financing described below will be used for the “Project Payment Obligation” repaying Developers capital costs with an 18% market rate of return (“Developer Return”). After the Project Payment Obligation is satisfied, land revenues will be split 55% to the Port (the “Port’s Profit Participation”) and 45% to Developer (“Developer’s Project Participation”). • No City General Funds or Port Harbor Funds (except for Project-generated Land Proceeds) are pledged for the Project. The Port Commission will have the option in its sole discretion to invest Port Capital in the Project and to earn a 10% annual return on this investment. • In addition, the Port will benefit from or receive a number of other Project-generated revenues, including the following: <ul style="list-style-type: none"> • A special tax on residential rental and office development to fund shoreline protection along the City’s waterfront; • A special tax on condominium developments to fund horizontal improvements and, after the initial bond issuances, shoreline protection along the City’s waterfront; • A special tax on development to fund the operations and maintenance of parks, streets, and open space within the Project; • 100% of the proceeds of the sale or lease of Parcel C1A for office use or market rate condominiums; • To maximize public benefits like affordable housing and parks, the Port will use community facilities district (“CFD”) proceeds and infrastructure financing district (“IFD”) proceeds (together, the “Project Based Financing”) to the maximum extent legally permissible to satisfy the Project Payment Obligation and to reimburse the Port for Advances of Land Proceeds described below. • Approximately 82% of every dollar of tax increment will be “Project Tax Increment” available to secure certain Mello-Roos bonds, to pay Project-related costs and allowable return, and then to fund shoreline improvements. • Approximately 8% of every dollar of tax increment will be Port Tax Increment available to fund Irish Hill Park (if needed) and then to fund other Pier 70 costs. • The Port will use its proceeds of the sale of Parcel K North to pay

Table 4: Financing Plan

Topic	Description
	<p>Developer’s entitlement costs, Developer Return, and Horizontal Development Costs.</p> <ul style="list-style-type: none"> • The Port also has the right, but not the obligation, to invest Port Harbor Revenues other than land proceeds funds and earn a 10% return on its investment.
Proforma Assumptions	<p>In structuring the Financing Plan, the Developer and City and Port staff and consultants used “proforma” analysis of estimated Project revenues and costs to estimate Project costs and revenues for the Port and test the overall financial feasibility of the Project.</p>
Additional Sources	<p>The City, the Port, and the Developer will cooperate to identify additional sources and incentives that might be available for the Project, such as incentives for historic rehabilitation, brownfield remediation, transit-oriented development, and sustainable development, subject conditions in the Financing Plan.</p>
Financing Districts	<p>The City will form one or more CFDs over the 28-Acre Site and Parcel K North that will be authorized to levy the following:</p> <ul style="list-style-type: none"> • A Facilities Special Tax, to be levied on residential rental and office development and condominiums; • A Shoreline Special Tax, to be levied on residential rental and office development only; • An Arts Building Special Tax, to be levied on residential rental and office development and condominiums in the 28-Acre Site; and • Services Special Tax, to be levied on residential rental and office development and condominiums. <p>To preserve the Port’s land value, the Facilities Special Tax (other than the Shoreline Special Tax and the Arts Building Special Tax) on residential rental and office parcels will be offset by available Project Tax Increment. CFD and IFD proceeds will only be used for authorized improvements and benefits like grading and site preparation, parks and streets, infrastructure, and SLR improvements.</p> <p>To minimize the accrual of Developer Return and maximize the efficiency of Project-based financing, the Port will advance all land revenues to the CFDs to pay the Project Payment Obligation until fully paid. As the Port will record each “Port Advance of Land Proceeds” in a promissory note that the CFDs and IFD will be obligated to pay after the Project Payment Obligation is satisfied. All CFD and IFD payment on the note will be treated as land proceeds and will be deposited into a special fund established with an institutional trustee that will distribute the funds to pay the Developer’s Profit Participation and the Port’s Profit Participation.</p>
Conveyance Terms for Option Parcels	<p>Proceeds from the Port’s conveyance of improved option parcels will be a primary source to pay the Project Payment Obligation. Parcels designated for condominiums will be sold in fee. Parcels designated for multi-family apartments or offices will be conveyed by 99-year leases. Until the Project Payment Obligation is satisfied, all leases will be 100% prepaid. After the Project Payment Obligation is met, the Port can choose for leases to be fully</p>

Table 4: Financing Plan	
Topic	Description
	or partially prepaid, with annual rent paid over the lease term.
Hoedown Yard	<p>The City will form an IRFD over the subdivided Hoedown Yard and dedicate the resulting proceeds to develop affordable housing in the 28-Acre Site and PKS.</p> <p>The City will form a CFD over the Hoedown Yard to fund Irish Hill Park, and potentially the costs of acquiring shoreline property near the former Hunters Point Power Plant.</p>
Arts Building	<p>The Developer must provide replacement space for the Noonan Tenants (“Noonan Replacement Space”). The Port will provide a parcel dedicated for an Arts Building under a lease with a qualified nonprofit 501(c)(3) organization to lease, subject to certain conditions. If the Developer or its designated, qualified nonprofit 501(c)(3) organization declines the option for this site, the Port and City may utilize this site for any public building.</p> <ul style="list-style-type: none"> • The Arts Building will be leased with \$1 annual base rent. • Up to \$17.5 million of the costs of the Arts Facility will be financed through the Arts Building Proceeds that the CFD special taxes generate. Up to \$13.5 million of this amount could be used to fund Noonan Replacement Space, if it is not located in the Arts Facility. • \$2.5 million generated from CFD special taxes will be available for community space near the Project (under certain conditions) or within the Project.
Historic Buildings 12 and 21	<p>On proforma, Historic Buildings 12 and 21 do not appear to be financially feasible rehabilitation projects, even with federal historic tax credits, but the parties have agreed that saving these buildings is a key Project requirement. To that end, the City and Port will utilize Public Financing Proceeds to fund a Historic Building Feasibility Gap.</p> <ul style="list-style-type: none"> • The Historic Building Feasibility Gap shall be separately determined for Historic Building 12 and Historic Building 21. • At the earlier of one year after receipt of a TCO or 90% occupancy space in the applicable Historic Building, the Historic Building Feasibility Gap shall be determined by adding the applicable Vertical Developer Affiliate’s actual costs of rehabilitation of the applicable building and 10% profit on such total costs and then subtracting the capitalized value of the actual operating revenues (accounting for the 3.5% payment described below), assuming a 7% capitalization rate and historic tax credits. • The Port will utilize the next available property tax increment (both Project Tax Increment and Port Tax Increment from Historic Buildings 12 and 21), coupled with CFD proceeds, to finance the Historic Building Feasibility Gap. • Starting in year 31, the Port will earn 3.5% of modified gross receipts on Buildings 12 and 21.

C. Development Agreement

The DA vests the Developer’s entitlements for the 28-Acre Site. The DA is a contract between Forest City that is authorized under state and local law because it obligates Developer to provide certain public benefits to the City, directly or through vertical developers, that are greater than what the City could exact under existing law. Table 5 is a summary of the material terms of the DA.

Table 5: Development Agreement Major Terms	
Topic	Description
Public Benefits	<p><u>Generally:</u> The City is authorized to enter the DA and grant Developer certain vested rights because the Developer is providing certain public benefits to the City that are beyond those achievable by the City through existing law. The public benefits that are Developer obligations are all set forth in the DDA and most notably include:</p> <ul style="list-style-type: none"> • infrastructure improvements completed by the Developer; • provision of affordable housing in accordance with the Affordable Housing Plan; • replacement of the Noonan Building artist studio space (approximately 20,000 gsf); • delivery of a minimum of 50,000 gsf of PDR space (currently planned to be delivered in Building 12); • provision of on-site child care and community facilities; • developer fees to fund nearby SFMTA transportation improvements; • TDM Program to mitigate traffic impacts; and • workforce and local business promotion goals in the Workforce Development Plan, Local Business Enterprise Policy and Contract and Equal Benefits Policy.
Term and Termination	The DA term will be generally concurrent with the term of the DDA or applicable Vertical DDAs for Option Parcels.
Project / Vested Rights	<ul style="list-style-type: none"> • The DA grants the Developer the right to develop the 28-Acre Site in accordance with and subject to the applicable project approvals and transaction documents, applicable existing laws and future changes in laws (collectively, “DA Requirements”) only to the extent permitted under the DA. • The City agrees to process all subsequent approvals in accordance with the DA Requirements. • New City laws and policies will apply to development of 28-Acre Site except to the extent that they would conflict with existing Project Approvals, the Transaction Documents, or the Burton Act, AB 418, or the Charter. • City and Port Building Code standards in effect at the time of construction will apply to vertical development. • For horizontal development, then-current standards will apply on a per-Phase basis so long as they are in place Citywide; they would not require the retrofit, removal, supplementation or reconstruction of previously approved infrastructure, and, for utility infrastructure, they would not result in a material increase in the cost of the Project.

Table 5: Development Agreement Major Terms	
Topic	Description
	<ul style="list-style-type: none"> All City agencies must process future approvals in accordance with the ICA and to approve applications that are consistent with prior approvals and the DA Requirements.
Fees and Exactions	<p>The City agrees not to impose any Impact Fees or Exactions other than those identified in the DA at the specified rates, which will be subject to the annual escalation under Planning Code section 409:</p> <ul style="list-style-type: none"> The Transportation Fee will be payable on all development except the Public Use Parcels. The 28-Acre Site Jobs/Housing Linkage Fee will be payable on office and other nonresidential uses. One on-site child-care facility to be provided in Phase 1, and one in either Phase 2 or 3, accommodating 50 children each within locations identified in the DDA. Provide the City with up to 15,000 gsf for community facilities. Compliance with the Affordable Housing Plan. <p>The Developer must also pay:</p> <ul style="list-style-type: none"> SFPUC water and wastewater capacity charge fees in effect on the date of connection. Any school impact fees payable under state law.
Annual Review and Compliance	The DA includes procedures for the Developer to provide annual reports for the Planning Director's determination of compliance.
Default	A default under the DA would cause a default under the DDA. The provisions of the DDA regarding cross-default will also apply. DDA issue, not DA.
Assignment	The DA will treat any horizontal or vertical developer that assumes DDA obligations as a party to the DA.

D. Master Lease

The Master Lease sets the terms and conditions under which the FC Pier 70 LLC will lease the 28-Acre Site (except, initially, for the Noonan Building, Affordable Self-Storage and Building 21, all of which will remain under Port control) from the Port for the purposes of constructing Horizontal Infrastructure like parks, roads and utilities in accordance with the DDA and interim parking. Individual development parcels will be removed from the Master Lease and will subsequently be governed by a VDDA and, in some cases, a Parcel Lease. Table 6 is a summary of the material terms of the Master Lease.

Table 6: Master Lease Major Terms	
Topic	Description
Adjustment of Premises	The Master Lease, which includes the 28-Acre Site (except, initially, for the Noonan Building, Affordable Self-Storage and Building 21). The Master Lease includes a procedure for the partial release of the Master Lease as to

Table 6: Master Lease Major Terms

Topic	Description
	development parcels that will be conveyed to vertical developers or accepted by the City for public improvements, as contemplated under the DDA.
Delivery of Premises	The Premises will be delivered in its “as is” condition, subject only to title exceptions permitted under the conveyance procedures of the DDA
Term	Approximately 25-years (coterminous with Developer obligations under the DDA)
Rent	<u>Base Rent</u> : \$1.00 per year. <u>Other Rent</u> : All rent, fees, or other charges due to Tenant from any Subtenant will be applied as Land Proceeds that the Port can contribute as an Advance of Land Proceeds pursuant to the DDA.
Security Deposit	Tenant will provide the Port with a \$25,000 security deposit on or before the commencement date.
Permitted Use	<u>Primary Permitted Uses</u> : (i) Development of the Horizontal Improvements; and (ii) one or more surface parking lots to service the Noonan Building and the Historic Core project. <u>Ancillary Permitted Uses</u> : So long as Primary Permitted Uses are not adversely impacted, (i) construction staging in connection with the development of the Horizontal or Vertical Improvements; (ii) Special Events in Building 12, subject to certain agreed upon procedures; (iii) model units and sales/leasing officers relating to Vertical Improvements; (iv) any other uses authorized by the Port in writing, which authorization may be withheld in the Port’s sole discretion. <u>Special Events</u> : An exhibit to the Master Lease sets for the procedures for holding Special Events, which among other things requires approval of the Port’s Executive Director for events with an anticipated attendance of over 5,000 visitors.
Repair and Maintenance	Tenant is obligated to maintain and repair the Premises, Horizontal Improvements, utilities serving the Noonan Building tenants and artists, and the other Improvements. The Port and the City may make periodic inspections of the Premises and repair any deterioration or damage at the Tenant’s cost and expense.
Horizontal Improvements	Tenant is obligated to construct (or cause the Master Developer to construct) the Horizontal Improvements during the term of the Master Lease in accordance with the DDA. Tenant must make the Horizontal Improvements available for the public’s use, but will own all such improvements until they are accepted by the City.
Transfers	Tenant has the right to transfer the Master Lease without the Port’s consent in connection with a Transfer of the DDA or to an Affiliate, provided the transferee assumes all obligations of the Tenant. Tenant must obtain the Port’s prior written consent for any other Transfer.
Subletting	Tenant has the right to sublease portions of the Premises for Permitted Ancillary Uses without the Port’s prior consent, provided certain criteria are met.
Hazardous Materials	Tenant agrees to comply with all environmental laws, any operation plans, and the Pier 70 Risk Management Plan, and will not permit the handling of

Table 6: Master Lease Major Terms	
Topic	Description
	hazardous materials on the Premises without prior written consent of the Port. Tenant agrees to notify the Port if hazardous materials are released on the premises and must pay for all environmental remediation at its sole cost.
Mortgages	The Master Lease provides Tenant with customary mortgagee protection rights.
Indemnity	Tenant is obligated to indemnify, defend and hold harmless Port and City parties for all claims other than certain claims arising from the actions of Port and the City parties.
Default	In the event of default, Port may exercise a termination right only for certain material defaults that occur after notice and cure, including failure to pay rent, abandonment of the premises, use of the premises for prohibited uses, failure to adequately maintain the premises and failure to comply with requirements re: hazardous materials.

E. Vertical Disposition and Development Agreement

The Vertical DDA is a form attached to the DDA. It sets forth the conditions to a Vertical Developer’s acquisition of the parcel lease or fee interest of each “Development Parcel” within the 28-Acre Site of Pier 70. It also sets forth applicable Port and City requirements if the Vertical Developer constructs the applicable development project and any adjacent “deferred infrastructure”. Terms and conditions regarding the construction obligations and coordination of infrastructure with the Developer will be addressed in a separate Vertical Coordination Agreement directly between the Developer and the Vertical Developer. The Vertical DDA will terminate upon completion of the development project and deferred infrastructure. Table 7 is a summary of the material terms of the Vertical DDA.

Table 7: Vertical DDA Major Terms	
Topic	Description
Parties	City, operating by and through the Port, and A Vertical Developer, which will be an affiliate of Developer if Forest City accepts its Option after a final appraisal, or may be an unaffiliated developer if the Site is competitively bid.
Property	The property will be the applicable Development Parcel to be acquired by the Vertical Developer.
Form of Conveyance of Property	For fee parcels (condominiums): the Port will convey the parcel by quitclaim deed For leased parcels (residential rental and commercial office): the Port will convey by the Parcel Lease
Fair Market Value	The acquisition price will be established by appraisal or through the bidding process described in the DDA.
Payment of Acquisition Price; Deposit	<ul style="list-style-type: none"> • Initial deposit of 10% of the Acquisition Price; becomes non-refundable at expiration of the initial diligence period • Residential parcels must close escrow within 30-days after end of diligence period.

Table 7: Vertical DDA Major Terms	
Topic	Description
	<ul style="list-style-type: none"> For commercial parcels only, Vertical Developer will have an option to extend the period for Close of Escrow by an additional 6 months under certain conditions if Vertical Developer increases the deposit by another 10% (total 20% non-refundable deposit, credited toward purchase price at close). Payments made by Vertical Developer Affiliates will be made by Credit Bid as described in the Financing Plan; payments by third parties will be made in cash.
Acknowledgement re: CFD	<ul style="list-style-type: none"> Vertical Developer agrees to deliver to Port (prior to Close of Escrow) an acknowledgement regarding the terms of the CFD and CFD assessments, and to comply with the CFD and CFD assessment requirements.
Condition of Property	<ul style="list-style-type: none"> Vertical Developer acknowledges that it will acquire the premises in its 'AS-IS' condition and provides a general release of City and Port.
Transfer Fee Covenant for Condominiums	<ul style="list-style-type: none"> A Transfer Fee Covenant for condominium parcels, under which each residential condominium owner must pay the Port 1.5% of the purchase price of each condominium unit to the Port after (but not including) the initial sale. For fee parcels, a restrictive covenant will be recorded against the property establishing the use of the property (residential density and off-site parking); affordable housing requirements; workforce requirements; and compliance with mitigation measures.
Closing Expenses	Vertical Developer will pay any real property transfer taxes, personal property transfer taxes, escrow fees, recording charges and other escrow costs and charges.
Defaults, Remedies and Liquidated Damages Before Close of Escrow	<ul style="list-style-type: none"> If escrow fails to close due to a Vertical Developer default, Port's sole remedy is to terminate the DDA and receive the Deposit as liquidated damages. If Port defaults before close of escrow, Vertical Developer may terminate and receive a return of the Deposit or sue for specific performance.
No Obligation to Construct Vertical Project	After close of escrow, other than residential fee parcels designated for condominiums only, a Vertical Developer is not obligated to construct the project.
Schedule of Performance for Residential Fee Parcels Designated for Condominiums	For residential fee parcels designated for condominiums only, a Vertical Developer will be subject to a schedule of performance for completion. Failure to construct within the schedule of performance may result in financial penalties and/or a repurchase right.
Construction of Infrastructure	<ul style="list-style-type: none"> Vertical Developer is solely responsible for developing all improvements within the Property, which may include certain horizontal infrastructure ("Deferred Infrastructure").
Port/City Costs	<ul style="list-style-type: none"> Port and City are entitled to reimbursement for costs incurred in performing their obligations under the VDDA and any changes to VDDA requested by Vertical Developer that are not otherwise covered by permit and administrative fees.

Table 7: Vertical DDA Major Terms	
Topic	Description
Default by Vertical Developer	<ul style="list-style-type: none"> • If Vertical Developer defaults for a leased parcel, it will trigger a default under the corresponding Parcel Lease. • If Vertical Developer defaults for a fee parcel, Port retains all available remedies at law or in equity. • A default under the schedule of performance for a condominium fee parcel may result in financial penalties or repurchase right.
Transfers and Assignments – Leasehold Parcels	<ul style="list-style-type: none"> • After close of escrow, Vertical Developer may transfer its interest in the VDDA in conjunction with a transfer permitted by the Parcel Lease or approved by Port in accordance with the Parcel Lease.
Transfers and Assignments – Fee Parcels	<ul style="list-style-type: none"> • No transfer restrictions will apply after issuance of a Certificate of Completion.
Indemnification	<ul style="list-style-type: none"> • Vertical Developer is obligated to indemnify, defend and hold harmless Port and City parties for all claims other than certain claims arising from the actions of Port and the City parties.

F. Parcel Lease

The Parcel Lease will serve as the template by which Vertical Developers will acquire rights to development parcels which are conveyed by ground lease (“Parcel Lease”) rather than deed. The form will be modified to address circumstances unique to (1) Parcel E4 (the Arts Building, including restrictions to allow arts uses and on rent); and (2) Historic Buildings 2, 12 and 21 (including Port review of construction plans and consistency with Secretary’s Standards). Table 8 is a summary of the material terms of the Parcel Lease.

Table 8: Parcel Lease Major Terms	
Topic	Description
Parties to Agreement	City and County of San Francisco acting by and through the San Francisco Port Commission (“Port”) as Landlord, and Vertical Developer entity to be determined (“Developer”) as Tenant
Premises	Development parcels within the 28-Acre Site that are conveyed to Vertical Developers under the DDA.
Term	99 years (50 or 66 years for Historic Buildings 12 and 21 and the Arts Building)
Rent	<p><u>Prepayment:</u> Parcel Lease rental payment will either be pre-paid in full or subject to partial prepayment in accordance with the hybrid lease structure described in the Financing Plan. Monthly base rent for hybrid leases will be determined by converting fair market fee value to an annual rent according to a formula applied by the appraiser engaged through the DDA conveyance procedures.</p> <p><u>Base Rent:</u> Where rent is partially pre-paid, monthly base rent amount will be fixed in the Ground Lease and adjusted by CPI every 5 years, increased 2-4% per annum.</p>

Table 8: Parcel Lease Major Terms

Topic	Description
	<p><u>Percentage Rent (Years 30–99)</u>: With the exception of gross rent received from any residential condominiums, Buildings 12 and 21 and Parcel E4, Tenant will pay 1.5% of Modified Gross Income generated from ground-leased premises for years 30 through 59 of the Ground Lease and 2.5% of Modified Gross Income for years 60 to 99 of the Ground Lease.</p>
<p>Port Participation in Proceeds from Sale and Refinance</p>	<p>If a transfer occurs within the earlier of 3 years after the commencement of the lease or issuance of a building permit, net proceeds will be distributed in accordance with the DDA Financing Plan flow of funds subject to a 12% return to the Developer for its entitlement costs. If the transfer occurs after the 3-year period, Port participates in 1.5% of net sale proceeds. Port will also participate in 1.5% of refinancing proceeds.</p>
<p>Permitted Use</p>	<p>Permitted uses will be those uses allowable under the Pier 70 SUD and Design for Development, subject to a scope of development that will set maximum density and off-street parking. The tenant of residential parcels must also comply with applicable provisions of the affordable housing plan that requires 20% inclusionary units.</p>
<p>Mitigation and Improvement Measures</p>	<p>Tenant must comply with the MMRP measures applicable to the ground lease parcel.</p>
<p>Jobs and Equal Opportunity</p>	<p>Tenant must comply with the applicable requirements of the Workforce Development Plan.</p>
<p>Maintenance and Repair</p>	<p>Tenant is obligated to maintain and operate the Premises and to maintain and repair the improvements, provide the Port with a periodic facilities condition report after 20 years and maintain adequate capital reserves.</p>
<p>Subletting</p>	<p>Tenant has right to sublet the Premises to non-affiliates without Port’s prior approval, so long as the subleases meet certain conditions.</p>
<p>Mortgages</p>	<p>Tenant has right to grant mortgages of Tenant’s interest in the Ground Lease, any subleases and any personal property on ground-leased Premises, subject to customary mortgagee protection provisions.</p>
<p>Transfer</p>	<p>Port has reasonable approval rights prior to completion of improvements. After completion, tenant may assign the lease subject to prior notice to tenant’s meeting certain financial and experience qualifications.</p>
<p>CFD Matters</p>	<p>Tenant must acknowledge and agree to comply with obligations of community facility district applying to the Development Parcel.</p>
<p>Default</p>	<p>In the event of default, Port may exercise a termination right only for certain material defaults that occur after notice and cure, including failure to pay rent or taxes, VDDA default, abandonment, use of the premises for prohibited uses, failure to adequately maintain the premises and failure to comply with requirements re: hazardous materials.</p>
<p>Indemnification</p>	<p>Tenant is obligated to indemnify, defend and hold harmless Port and City parties for all claims other than claims arising from the sole negligence or willful misconduct of Port and the City parties.</p>

VI. Public Financing Strategy

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.

Port IFD No. 2, Sub-Project Areas G-2, G-3 and G-4

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*,⁷ staff will recommend that the City will form IFD Sub-Project Areas G-2, G-3 and G-4 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-Acre Site, including the Irish Hill Park⁸, and rehabilitation of historic buildings in other areas of Pier 70.

IFD Sub-Project Areas G-2, G-2 and G-3 – formed over the three phases of the proposed Project – 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.

Infrastructure and Revitalization Financing District

Staff will also 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.

⁷ 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>

⁸ 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.

IFD Legislative Process

Table 9 below shows legislation introduced by Mayor Edwin Lee and Supervisor Malia Cohen on July 27, 2017 and subsequent legislation that will be required to form these districts.

Table 9: IFD and IRFD Legislation		
File #	Introduction Date	Description
170879	7/27/17	Resolution of Intention to establish Sub-Project Area G-2, Sub-Project Area G-3, and Sub-Project Area G-4 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco).
170878	7/27/17	Resolution of Intention to issue bonds in an amount not to exceed \$273,900,000 for Sub-Project Area G-2, \$196,100,000 for Sub-Project Area G-3, and \$323,300,000 for Sub-Project Area G-4, for the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco).
TBD	9/5/17	Ordinance forming the Infrastructure Financing District and adopting the Infrastructure Financing Plan (Appendix G-2, G-3, and G-4 – 28-Acre Site and Parcel K North)
TBD	9/5/17	Resolution Authorizing Issuance of Bonds in an amount not to exceed \$273,900,000 for Sub-Project Area G-2, \$196,100,000 for Sub-Project Area G-3, and \$323,300,000 for Sub-Project Area G-4, for the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) for Sub-Project Area G-2 (“G-2 Issue Bond”)
170880	7/27/17	Resolution of Intention to establish City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) on land within the City and County of San Francisco commonly known as the Hoedown Yard to finance the construction of affordable housing within Pier 70 and Parcel K South; to call a public hearing on October 24, 2017 on the formation of the district and to provide public notice thereof; and determining other matters in connection therewith.
170881	7/27/17	Resolution authorizing and directing the Executive Director of the Port of San Francisco, or designee of the Executive Director of the Port of San Francisco to prepare an infrastructure financing plan for City and County of San Francisco Infrastructure Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith.
170882	7/27/17	Resolution of intention to issue bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith.

Table 9: IFD and IRFD Legislation		
File #	Introduction Date	Description
TBD	9/5/17	Resolution proposing adoption of infrastructure financing plan and formation of City and County of San Francisco Infrastructure and Revitalization Financing No. 2 (Hoedown Yard); and determining other matters in connection therewith.
TBD	9/5/17	Resolution approving infrastructure financing plan for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard); and determining other matters in connection therewith.

Community Facilities Districts

Port and City staff will also recommend that the City form one or more CFDs over the areas in the Pier 70 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 maintenance funds for operations, capital repairs, and maintenance costs of parks, open space, streets and sidewalks (see discussion under.

The proposed use of CFD special taxes will require amendments to the City’s local version of the Mello-Roos law (“Local Financing Law”) to permit use of special taxes for specified purposes in the project, including the Arts Building, historic rehabilitation, shoreline protection and preparation of vertical development pads and appropriate, related vertical costs.

Both the amendments to the Local Financing Law, and the legislation to form the CFDs over the Pier 70 SUD will trail project approval. The Port’s special tax consultant has recommended pursuing the formation of the CFD when taxable parcels have been created within the Pier 70 SUD, which is currently projected to occur in early to mid-

2018. Staff intend to attach projected tax rates for each property type to the Financing Plan for consideration during project approvals.

The use of CFD of IFD tax increment in the proposed Project is designed to combine the benefits of land-secured financing under the Mello-Roos Act, which generally provides for lower interest rates and costs of debt issuance, with the benefits of the Port's IFD Law, which allows capture of both the local and state share of tax increment at Pier 70.

Under the Financing Plan, the parties intend to issue the following types of bonds to maximize early public financing in the Project:

- **CFD Bonds** secured by residential rental and commercial office properties, secured by a facilities special tax levy on these properties that will be credited by available tax increment from the Project. To the extent that there is sufficient land value in the Project at the time of bond issuance to meet a 3:1 value to debt ratio, this strategy will allow issuance of CFD bonds at building permit for these rental properties – many years before an IFD bond could be issued.
- **CFD Bonds** secured by condominium properties, secured by a facilities special tax on condominium owners, also issued as early as building permits are issued for condominium properties, and subject to the 3:1 test.
- **IFD Bonds** secured by stabilized tax increment from condominium projects, after these properties have been placed on the property tax rolls.

By making available CFD bond proceeds early in each Phase of development, the proposed strategy will allow the Port to quickly repay Developer capital, and in some instances, to pay directly for the costs of Project infrastructure, at a much lower cost than the cost of Developer capital.

VII. Parcel K North Sale Strategy

A key financial strategy endorsed by the Port Commission at Term Sheet is the planned sale of Parcel K North (PKN), located across from the American Industrial Center Building on the west side of Illinois Street, facing Historic Building 101 on the north side of 20th Street and Historic Buildings 113, 114, 115 and 116 on the east side of Michigan Street. PKN is an attractive offering, with easy access to Crane Park and clear views of the most important historic resources in the UIW Historic District.

To meet its DDA obligation, the Port is to sell PKN within one year after Project approval or offer it to Forest City at its appraised value, Port staff has been collaborating with the City's Real Estate Division ("DRE") to prepare for its sale.

PKN is approximately 68,800 square feet in land area with a projected capacity of approximately 239 condominium units under the proposed Pier 70 SUD. PKN is currently being used for automobile parking. Since it is proximate to existing utility

infrastructure in Illinois Street, it is planned as the first new development parcel to go to market under the proposed Pier 70 SUD.

PKN's disposition process includes these key steps:

1. *Determine PKN Fair Market Value:* Port staff is working with DRE to determine PKN's fair market value, which will set the floor for its expected minimum sale price. DRE, in consultation with Port staff, has selected Cushman-Wakefield as its appraisal firm from DRE's appraisal pool. Cushman-Wakefield has the requisite experience to conduct the appraisal.
2. *Select a Real Estate Brokerage Firm to Market PKN to Buyer/Developers:* Benefits of using a broker for the proposed sale includes leveraging the brokerage firm's well-primed marketing infrastructure, reservoir of potential local and international buyers, recent experiences in selling similar high-profile sites, and ability to proceed with an efficient RFP/RFQ process. DRE, in consultation with Port staff, has selected Colliers International ("Colliers") from DRE's broker pool to assist in the sale of PKN. Colliers has requisite experience and track record of performance in selling entitled development sites with a similar profile. Colliers will be paid an appropriate sales commission negotiated by DRE and Port staff to be paid from sales proceeds at the close of escrow.
3. *Broker to Complete Pre-Marketing and Develop a Marketing Plan:* Colliers will be required to complete a number of tasks, including gathering information on PKN, Pier 70, and up-to-date market conditions and producing an effective marketing plan within 30 to 40 days after executing a contract with DRE. Port staff will provide information for the broker's due diligence and pre-marketing tasks by the end of August 2017.
4. *Seek Approval from Port Commission and Board of Supervisors:* Port staff will seek pre-approval of the sale documents containing Port and City requirements, including the form of Vertical DDA, concurrent with Project approvals.
5. *Broker to Launch Marketing Campaign/Calls for an Initial Offer:* Within 45 days after executing the contract with DRE, Colliers will issue its marketing brochure and ask for initial offers by November 2017.
6. *Create a Short List:* Colliers, in consultation with DRE and Port staff, will create a short list of qualified buyers by December 2017.
7. *Ask the Short-Listed Prospects to Submit "Best & Final Offer" by January 2018.*
8. *Buyer to Complete Due Diligence by early February 2018.*
9. *Close of Escrow for PKN by 2018 Q1-Q2.*

PKN Buyer/Developer Obligations

The PKN buyer/developer will be required to fulfill the following obligations:

1. Start construction of the proposed development within 24 months after close of escrow);
2. Construct the project consistent with the requirements of Mitigation Monitoring and Reporting Program and the additional requirements negotiated with the American Industrial Center;⁹
3. Construct a plaza on the adjacent 14,000 square feet land at Illinois & 20th Streets;
4. Construct improvements to the adjacent Michigan Street segment, subject to repayment by the Port; and
5. Pay special assessments and taxes commencing at the earlier of (1) issuance of a building permit, or (2) two years after close of escrow; and
6. Pay an in-lieu affordable housing fee equal to 28% of units built on-site and transportation fees.

PKN will be subject to CFD facilities and maintenance special taxes averaging \$6,000/unit annually. Deeds for condominium units will include a requirement to pay the Port a transfer fee equal to 1.5% of the second and each subsequent sale of the unit to be deposited in the Harbor Fund for Public Trust purposes.

VIII. Financial Analysis of the Proposed Transaction

This report section includes Port staff's financial analysis of the proposed transaction, based on recent proforma analysis. In preparation for the Port Commission's final consideration of the transaction, Port staff will continue to analyze projected Horizontal Improvement costs provided by Forest City in July 2017, and other factors including real estate market trends and public financing interest rates. Staff will revise this analysis accordingly in the September 12, 2017 Port Commission staff report.

⁹ The Pier 70 SUD and the American Industrial Center are in close proximity. Forest City and the American Industrial Center desire to ensure long-term compatibility between the proposed Project and the American Industrial Center in order to minimize potential conflicts between American Industrial Center activities and potential future uses at Parcel K North. Measures include appropriate soundproofing of and performance criteria for new building design, deed language recognizing active loading and industrial operations at AIC, open space restrictions along Illinois Street and establishment of methods of communications and dispute resolution between property owners, tenants and occupants.

Port's FY 2018-27 10-Year Capital Plan

In the 10-year plan period covered by the Port's FY 2018-27 10-Year Capital Plan¹⁰, the \$270 million concept for horizontal project includes nine acres of waterfront parks, playgrounds and recreation opportunities; new housing units (including 30 percent below market-rate homes); restoration and reuse of currently deteriorating historic structures; new and renovated space for arts, cultural, small-scale manufacturing, local retail, and neighborhood services; up to 2,000,000 square feet of new commercial and office space; and parking facilities and other transportation infrastructure.

The investments will also address an estimated **\$163 million** in deferred maintenance and renewal needs of Port capital assets. This represents about 10% of the state of good repair need for Port assets identified over the next 10 years. The project will also enhance Port capital assets through \$82 million in capital improvements that go above and beyond renewals, such as the creation of new open space, and \$24 million in seismic improvements, representing approximately 4% of the conditional seismic costs captured in the Capital Plan. In total, the public and private investments on the Forest City project represent approximately 20% of the total, Port-wide revenue identified in the Port's 10-year Capital Plan.

Developer Financial Capacity

At the Term Sheet endorsement, Port staff conducted a financial review of Forest City. Since that time, the ultimate parent company of FC Pier 70, LLC restructured from a public traded company into a public Real Estate Investment Trust ("REIT"). The restructure took place on January 1, 2016, and along with the restructure, that company changed its name from Forest City Enterprises, Inc. to Forest City Realty Trust. REITs, which were first created by Congress in the 1960s, must abide by several regulations, including maintaining 75% of their assets and income in real estate, and distributing 90% of their earnings to shareholders through dividends.

Staff is still conducting its review of the newly formed, limited liability entity FC Pier 70 LLC with which Forest City proposes the City contract with under the DDA. All of Forest City's activities during the entitlement period have been funded through monies provided by its parent. Information provided by Forest City indicates that as of June 30, 2017 FC Pier 70, LLC has total assets in the low-mid eight figures, all of which were classified as projects under developments. Net worth was in the same range.

Forest City formed FC Pier 70 LLC in 2014. Since it is a relatively new entity, the Port must rely on the financial ability of Forest City Realty Trust to provide the funding needed to enable the FC Pier 70, LLC to meet its responsibilities and obligations under the DDA.

¹⁰ <http://sfport.com/sites/default/files/Finance/Documents/Port%20Capital%20Plan%20FY%202017-18%20to%202026-27.pdf>

Forest City Realty Trust's 10-K report filed with the U.S. Securities and Exchange Commission for the fiscal year ended 12/31/16 reveals that at year end the FCRT had total assets of \$8.2 billion. These assets consisted primarily of real estate. As of 12/31/16, the firm had \$175 million in cash and cash equivalent investments on hand, \$149 million of cash restricted as to its use, and \$565 in investments in unconsolidated subsidiaries. Equity at year-end was \$3.3 billion.

Of somewhat greater importance is the firm's ability to generate cash and earnings from its operating activities. This ability can be evaluated, in part, by reviewing the following measures: (i) cash from operations; (ii) NOI (net operating income); and (iii) EBITDA (earnings before interest, taxes, depreciation and amortization). Cash provided by company operations amounted to \$293 million for the fiscal year ended 12/31/16, up somewhat from the \$275 million posted for the prior year. Cash generated from operations has been growing slowly, but steadily over the past three years.

NOI for the year ended 12/31/16 was \$622 million, up 2% over the \$610 million reported for the prior year. The firm's earnings appear to be reasonably diversified by product type, with approximately 31% of its NOI generated from apartments, 43% from office and 26% from retail, a breakdown that was similar to last year's results. Forest City reports that it is consolidating its real estate holdings to focus on office and retail in core urban markets around the country.

In its September 12, 2017 staff report, Port staff will provide further information about the legal relationship between FC Pier 70, LLC and Forest City Realty Trust, as well as information about how Forest City will capitalize Forest City Pier 70, LLC to undertake Phase 1 improvements.

Entitlement Costs

Forest City has incurred entitlement costs that will be reimbursed from project sources. These expenses include horizontal and vertical Entitlement Costs incurred and paid by the Developer between July 12, 2011, as provided under the Exclusive Negotiating Agreement between the Port and Forest City, and the Project Approval Date to entitle the Project. Entitlement expenses that are eligible for reimbursement include:

1. preliminary planning, design work, and due diligence;
2. environmental review under CEQA;
3. negotiating the financial and other terms of the Transaction Documents;
4. obtaining Project Approvals, including community outreach; and
5. Developer's corporate office, personnel, and overhead costs directly required to achieve the above project requirements.

The following expenses are not eligible for reimbursement:

1. Developer's corporate office, personnel, and overhead costs, except as noted as eligible;

2. staff, consultant, advertising, and any other costs incurred to lobby or campaign for the Project;
3. charitable and political contributions; and
4. general accounting errors (i.e. duplication, miscoding etc.).

Under the terms of the Financing Plan and as agreed to between the Port and Forest City, the Developer will submit a preliminary Entitlement Cost Statement that includes expenses and accrued Developer Return starting no earlier than July 12, 2011 and ending at a period approximately 90 days prior to project approval. Within 90 days following Project Approval, Developer will provide a supplemental Entitlement Cost Statement that includes expenses and accrued Developer Return between July 1, 2017 and the date of Project Approval.

The Project proforma currently includes a projected entitlement sum of \$33 million. A preliminary review of expenses, dating to April 28, 2017, totaled \$28 million, including \$15.0 million consultant and legal costs, \$2.4 million Port incurred expenses (e.g. City Attorney fees, third party consultants, and permitting fees), and \$10.6 million Developer overhead and travel and expenses.

The Port has secured a third party reviewer to validate the Developer's preliminary and supplemental Entitlement Cost Statements and establish a final Entitlement Sum. The Port is obligated to pay the amount of the Entitlement Sum reflected in the final, reviewed, and approved Entitlement Cost Statement. The September 12, 2017 staff report will include the results of the Port's third-party review.

Developer Capital and Return

Project costs will be funded by Developer capital, bond proceeds, prepaid ground lease revenues, tax increment, and Port capital (funds the Port Commission elects, in its sole discretion to invest in the Project). While all of these sources may be deployed to directly fund Project costs under the deal structure, Developer capital is projected to be relied upon as the primary early source of project funding because prepaid ground lease revenues, bond proceeds, and tax increment revenues are anticipated to be only available at Project outset in relatively limited quantities and to grow over Project buildout.

The proposed reliance on Developer capital, particularly during the early stages of a project, is typical for new neighborhood developments with significant amounts of horizontal investment required. In addition to Entitlement Costs described above, total Project costs for infrastructure, parks, and open space (aka "horizontal") are estimated to be \$262.4 million in 2017 dollars. The base case model estimates that \$155.1 million or 59% of Project entitlement costs and infrastructure, parks, and open space investments will be funded directly by Developer capital.

Developer capital for both Entitlement Costs and Project costs will be repaid with interest at a rate of 18% per year, compounded quarterly. This is consistent with the rate of return negotiated at Project Term Sheet. This return on Developer capital was a

key point of negotiations and was carefully scrutinized by the City, Port, and consultant teams. The staff's due diligence on this return on equity resulted in a strong confidence that this level of preferred return to the Developer is consistent with market requirements for investors. The due diligence and rationale for this return include:

- **Interviews with market actors.** Prior to Term Sheet approval in May 2013, two of the Port's consultant firms independently contacted 22 investors and developers. Through these interviews, the Port's consultants found that: (1) all respondents specified expected returns on entitlement expenditures between 22 and 35 percent and (2) all respondents except for one indicated that expected returns for a horizontal investment similar to the Waterfront Site to be above 20 percent. The blended 18% return the Port has agreed to for Developer's entitlement and horizontal equity investments is consistent with or lower than the expected returns that were found in the marketplace through this interview process.
- **Blended rate.** The 18% return applies to both entitlement and infrastructure costs over three phases of buildout. Dollars invested early in the project, e.g., Entitlement Costs from 2013 through 2017 are more risky (and thus, require a higher return) than dollars invested in, for example, Phase 3, after much of the infrastructure and vertical buildings have been built. Investors will require higher returns on spending to achieve entitlements and lower returns towards the end of the Project.
- **"Similar" projects.** It is difficult to find similar projects (e.g., size, market, environmental condition, entitlement risks, etc.) and similar financial structures. Keeping that comparability issue in mind, below are several project examples and preferred returns on equity negotiated by the parties:
 - Hunters Point Shipyard/Candlestick – 22.5% return
 - Treasure Island – 18% return, then share with Navy. TIDA shares after 22.5% return.
 - Alameda Point Site A – 18% return

Proforma Results

The Port and Forest City teams collaborated to develop an annual cashflow model for the project including the amount and timing of: infrastructure expenditures, land proceeds (prepaid or hybrid ground leases), and public finance proceeds. This tool has been used throughout the project development and transaction negotiation to evaluate expected project financial performance for each party.

The estimates and assumptions in the model have been refined with input from a multi-disciplinary team including Port development, finance, and engineering staff and the Port's real estate economics and public finance consulting firms. Forest City contracted with Plant Construction to develop cost estimates for key infrastructure, park and open space, and vertical building cost estimates based on horizontal and vertical assumptions that reflect the D4D. The current costs – provided by Forest City to the Port in July, 2017 – reflect current dollar estimates of required site investments.

The Port has retained Parsons to review Forest City's revised infrastructure cost estimates, including hard and soft costs. The results of this review will be included in the September 12, 2017 staff report to the Port Commission.

Market values for office, residential, and RALI uses in the proforma reflect achievable real estate values (rather than top-of-the-market values) which have been reviewed by Port staff with real estate economics consulting support.

The key outputs of the model are: Developer's expenditures, revenues, and cashflow internal rate of return and Port's cashflow in total nominal dollars and in net present value terms. The Port's revenue includes ground and participation rents and transfer fees, which will be deposited to the Harbor Fund and excess tax increment and Special Taxes, which will go towards a broad range of capital projects along the San Francisco Bayfront.

The Port's revenue streams broadly fall into four categories:

1. **Rent and Special Taxes, if 18% IRR is met.** Category includes annual ground rent, once Developer achieves an 18% IRR and Special Taxes which are held in a Project Reserve until the 18% IRR is reached.
2. **Rents and Participation, irrespective of achievement of 18% IRR.** This category of revenue includes percentage rent from parcel leases, participation in refinancing and sale of leases, and a transfer tax each time a condominium is resold.
3. **Tax increment dedicated to other Pier 70 needs, irrespective of achievement of 18% IRR.** This is a relatively small but important revenue stream (consisting of \$0.08 of each \$1.00 of tax increment generated in the IFD) which is dedicated to Pier 70 needs off of the Waterfront Site, including important historic buildings in need of rehabilitation in the Union Ironworks District.
4. **All other Pier 70 tax increment and Special Taxes, irrespective of achievement of 18% IRR.** Tax increment and Special Taxes not used by the Project will be dedicated to shoreline improvements along San Francisco Bay to protect the City from seismic and flood risk, planning and adaption investments for sea level rise, including the Port's Seawall Project, and any further improvements that may be needed in the future to protect the Project Site.

The Base Case model projects the Developer achieving a 18.3% IRR and net cashflow of \$80.6 million in NPV terms and \$267.0 million in nominal dollar terms. The Port is projected to receive \$157.5 million in NPV terms, including funding for shoreline protection to protect the Port and the City, and \$6.8 billion in nominal dollar terms. Table 10 illustrates these results.

Table 10. Base Case Results

PIER 70 HORIZONTAL MODEL		
Pro Forma Summary Results (2012 \$)		
	Nominal Revenues	NPV Revenues (2012)
<u>Developer Cash Flow/Return Summary</u>		
Capital Contributions	(\$155,123,815)	(\$95,167,425)
Capital Distributions	\$155,123,815	\$71,631,397
Preferred Return	\$196,620,479	\$91,379,241
Prepaid Portion of Annual Ground Rent	\$0	\$0
Remaining Land Proceeds Distributions	\$70,397,150	\$12,787,350
Total Developer Cash Flow	\$267,017,629	\$80,630,563
IRR	18.31%	18.31%
<u>Port of San Francisco Cash Flow Summary</u>		
Annual Ground Rent	\$0	\$0
Remaining Land Proceeds Distributions	\$86,040,961	\$15,628,983
Port Development Parcel (C-1A) Annual Ground Rent	\$235,268,550	\$6,235,154
Net Tax Increment to Port/Pier 70 (\$0.08)	\$146,966,710	\$17,760,003
1.5% of Net Proceeds from Refinancings	\$192,893,139	\$4,414,818
1.5% (Yrs 30-59) & 2.5% (Yrs 60-99) of Revenue	\$1,765,832,040	\$16,994,588
Condominium Resale Transfer Fees [1]	\$1,684,030,812	\$27,535,858
Total Port of San Francisco Cash Flow	\$4,111,032,212	\$88,569,405
<u>Public Financing Sources for Shoreline Protection</u>		
Unused Tax Increment for Shoreline/Seawall (\$0.65)	\$610,134,195	\$34,808,413
CFD Shoreline	\$2,095,136,054	\$34,219,525
Total Public Financing Sources for Shoreline Protection	\$2,705,270,249	\$69,027,938

Figure 1. Port & City Revenue Projected Over Lease Terms (in millions)

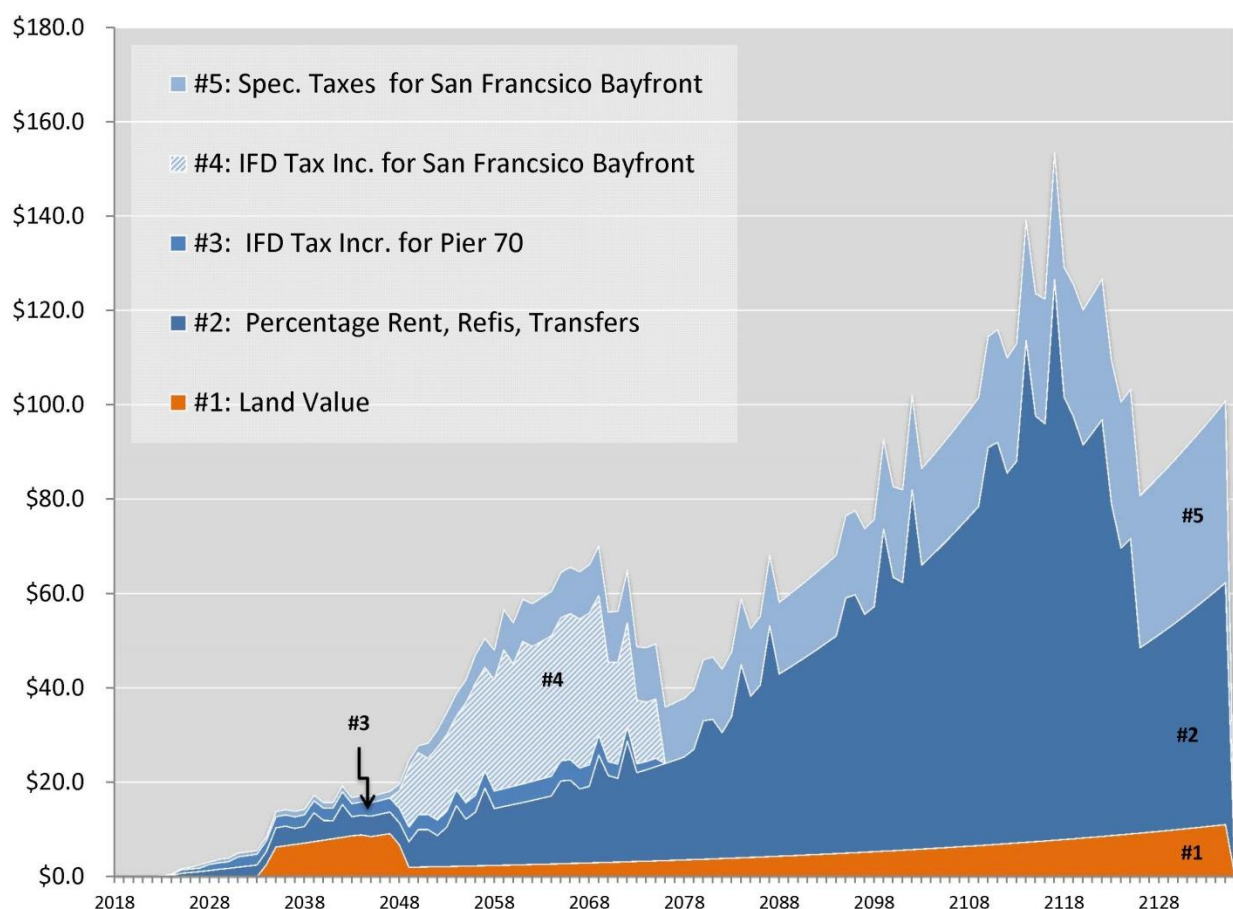


Table 10 reports the estimated performance based upon best available assumptions. The Parties recognize that actual Project performance will vary from those shown on proforma. The key variables in the proforma are:

- **Infrastructure and vertical construction costs.** Costs have increased steadily since 2013. The Parties are cognizant of the construction cost environment in the Bay Area, which has experienced sustained and high increases in construction costs.
- **Rents and sales prices and income capitalization rates.** The parties have included market values for apartment and office rental rates and condominium sales prices which reflect current prices achievable in the market area and are intentionally below top-of-the-market values to avoid an overly-optimist view of a successful Project. Current market trends suggest a slight softening in the residential rental and office sectors heading into 2018.
- **Public financing interest rates.** Interest rates remain near historic lows. To be conservative, the proforma assumes a cost of public debt of 7%, whereas current

interest rates for the type of land-secured debt anticipated for the project is currently closer to 5.5%.

- **Timing.** The Base Case proforma schedule includes steady development over time and does not include any lengthy delay periods from a flat market or a large market downturn. Delays in Project timing will negatively affect Project performance because the Developer may have design and phase preparation costs outstanding for longer than is modeled.

As Port staff prepare for the formal project approval phase, staff will continue to review and analyze the assumptions underlying the proforma, including costs, revenues, interest rates and timing, and will adjust staff's financial analysis accordingly.

Maintenance Funding

Consistent with the Term Sheet 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*, Port staff have negotiated a maintenance special tax across all properties in the Pier 70 SUD to fund maintenance of parks, street repair and periodic capital replacement of outdoor fixtures and equipment such as lights, bollards, benches, picnic tables and playground equipment.

Port Maintenance staff developed detailed staffing and budget estimates after reviewing the D4D, in consultation with Finance and Administration staff and the Port's engineering consultant Parsons. Forest City solicited multiple quotes from MJM Management Group, which provides park maintenance services to OCII in Mission Bay. After several rounds of review, the Port's estimated cost of maintenance and Forest City's estimate yielded projections that were within a small margin of difference. Table 11 below shows the Port's final estimate.

Table 11. Pier 70 Maintenance Operations Budget

Port of San Francisco	
Maintenance Personnel	1,032,159
Staffing Subtotal	1,032,159
Contract Subtotal	520,082
Maintenance & Repair Subtotal	21,400
Materials & Supplies Subtotal	115,660
Utilities and Refuse-Recycling Subtotal	198,600
Administrative Subtotal	241,959
Contingency (10%)	212,986
Contingency Subtotal	212,986
Total Operating	\$2,342,846
Total Annual Reserves	\$536,613
Grand Total CFD Maintenance Tax	\$2,879,459

Under the proposed agreement, maintenance taxes would escalate annually at the lower of changes in the Bay Area Consumer Price Index, or 5.5%.

IX. Next Steps

Port and City staff intend to present the proposed Project at the August 24, 2017 Planning Commission, when the Planning Commission will consider certification of the FEIR and the proposed Development Agreement.

At the August 8, 2017 Port Commission meeting, Port staff will seek direction and comment from the Port Commission regarding the proposed transaction in both closed and open session, and comment from the public.

Port staff will return to the Port Commission with its recommendation to approve the proposed Project on September 12, 2017, including an updated financial analysis and an updated analysis of the fiscal feasibility of the proposed Project pursuant to Chapter 29 of the Administrative Code.

The actions that Port staff will recommend to the Port Commission at its September 12, 2017 meeting will include:

- Adopt CEQA findings and the Mitigation Monitoring and Reporting Program;
- Approve a Waterfront Land Use Plan amendment conforming to to the Pier 70 SUD;
- Approve the Design for Development;
- Adopt public trust findings, approve, and recommend the Trust Exchange Agreement;
- Approve and recommend the Master Lease;
- Approve and recommend Board approval of the Disposition and Development Agreement, the development plan per Charter § B7.310, forms of Option Agreement, Vertical DDA, and Ground Lease for Option Parcels, lease terms for Historic Buildings 2, 12 and 21 and Parcel E4, and a Memorandum of Understanding (“MOU”) with MOHCD for development of Affordable Housing Parcels in accordance with the DDA Affordable Housing Plan;
- Approve and recommend the public offering of Parcel K North for sale and development as residential condominiums;
- Approve and recommend the Tax Allocation MOU and ICA per Charter § B7.320;
- Consent to the Development Agreement and the Planning Code and Zoning Map Ordinances;
- Recommend an Administrative Code amendment to revise the Special Tax Financing Law;
- Recommend formation proceedings to establish IFD sub-project areas G-2, G-3, and G-4 over Parcel K North and the 28-Acre Site and approve infrastructure financing plan appendices for each; and
- Recommend formation proceedings to establish an IRFD over the Hoedown Yard and approve an infrastructure financing plan.

Prepared by: Brad Benson, Port Director of Special Projects

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David Beaupre, Port Senior Waterfront Planner

For: Michael Martin, Port Deputy Director of Real Estate
and Development

Byron Rhett, Port Chief Operating Officer

Ken Rich, Office of Economic and Workforce
Development, Director of Development

Exhibits

- A: Prior Pier 70-Related Staff Reports
- B: Prior Board of Supervisors Actions Related to Pier 70
- C: Updates Regarding Other Pier 70 Projects
- D: City and Port Planning Efforts Related to Pier 70, including
Proposed Pier 70 Amendments to Waterfront Land Use Plan Policies
- E: Pier 70 Land Use Plan
- F: Historic Buildings 2, 12 and 21
- G: Proposed Trust Exchange
- H: Forest City and Port/City Pier 70 Outreach

EXHIBIT A
Previous Port Commission Staff Reports Related to Pier 70

Port Commission Staff Report	Meeting Date	Web Address
Informational presentation on the comments received and proposed revisions to complete the Pier 70 Preferred Master Plan and on the Pier 70 Development Solicitation Process	March 9, 2010	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/ftp/uploadedfiles/meetings/supporting/2010/Item%2011A%20Pier%2070%20Preferred%20Master%20Plan_Solicitation-fulldraftv6.pdf
Informational Presentation Regarding Environmental Investigation in the Pier 70 Master Plan Area, located east of Illinois Street between Mariposa and 22nd Streets	March 23, 2010	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=1410.html
Request to authorize real estate developer solicitations to implement the April 2010 Preferred Master Plan for the Pier 70 project area	May 11, 2010	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=1412.html
Request approval to award the Pier 70 Waterfront Site development opportunity to Forest City Development California, Inc. and to enter into exclusive negotiations for a lease and development agreement of 25 acres to achieve the objectives specified in the Port's August 30, 2010 development solicitation for the site	April 12, 2011	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=1774.html
Informational Presentation on the Progress from Plans to Projects for the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets	September 25, 2012	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=2128.html
Informational presentation of the Term Sheet between the Port and Forest City Development California, Inc. for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay	May 14, 2013	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%2010B%20Pier%2070%20Staff%20Report%20051013%20FINAL-documentid=6146.pdf
Request endorsement of the Term Sheet between the Port and Forest City Development California, Inc. for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20 th Street, Michigan Street, 22 nd Street and the San Francisco Bay. (Resolution No. 13-20)	May 28, 2013	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=2295.html
Request approval of the First Amendment to the Exclusive Negotiation Agreement between the Port and Forest City Development California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay	January 14, 2014	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx?page=2379.html

Port Commission Staff Report	Meeting Date	Web Address
Request approval of a Revocable License Agreement for Special Events with Forest City Development California, Inc. for approximately 97,202 square feet of unimproved shed space located at Buildings 12/15/16 and 32 and approximately 170,305 square feet of paved land at the Pier 70 Waterfront Site. (Resolution No. 14-21)	March 25, 2014	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2403.html
Informational presentation regarding Forest City Development California, Inc.'s Waterfront Parks Concept Design for the Pier 70 Waterfront Site	March 25, 2104	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%2013C%20Forest%20City%20Building%2012%20Waterfront%20Parks%20Design%20Concept-documentid=7841.pdf
Request approval of License 15762 with Pacific, Gas and Electric Company for the ZA-1 Embarcadero-Potrero 230kV Transmission Project for approximately (i) 435,600 square feet of submerged land between Pier 28½ and the foot of 23rd Street, (ii) 52,272 square feet of underground access for horizontal directional drilling and (iii) 21,120 square feet of land along 23rd Street for a 40 year term, with a 26 year option, subject to approval by the Board of Supervisors. (Resolution No. 14-43) <i>Note: Includes description of City's Hoedown Yard Option.</i>	June 10, 2014	http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2453.html
Informational presentation regarding the revised Forest City mixed-use development plan for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, and proposal for a Pier 70 Special Use District	March 10, 2015	http://sfport.com/sites/default/files/FileCenter/Documents/9536-Item%2012A%20Pier%2070%20Waterfront%20Site%20Development%20Plan%20and%20Pier%2070%20Special%20Use%20District%20%282%29.pdf
Request approval of the Second Amendment to the Exclusive Negotiation Agreement ("ENA") between the Port and Forest City Development California, Inc. ("Forest City") for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay. (Resolution No. 15-16)	April 28, 2015	http://sfport.com/meeting/san-francisco-port-commission-april-28-2015-supporting-documents
Informational presentation on the proposed Infrastructure Financing Plan for Pier 70 Subarea G-1 encompassing the Pier 70 - Historic Core and approval of the Port-Controller Memorandum of Understanding to implement the Pier 70 - Historic Core Infrastructure Financing Plan. (Resolution No. 15-43)	November 10, 2015	http://sfport.com/meeting/san-francisco-port-commission-november-10-2015-supporting-documents

Port Commission Staff Report	Meeting Date	Web Address
Informational presentation by the City of San Francisco's Office of Economic and Workforce Development (OEWD) on the Southern Bayfront (Mission Bay, Central Waterfront, Bayview Hunters Point, Candlestick areas) interagency coordination to guide community and citywide investment	May 10, 2016	http://sfport.com/meeting/san-francisco-port-commission-may-10-2016-supporting-documents
Informational presentation regarding the mixed-use development plan for the Forest City Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, and the proposal for a Pier 70 Special Use District	October 11, 2016	http://sfport.com/file/16762
Informational presentation regarding the Forest City proposed Pier 70 Special Use District Design for Development for the area bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay	March 4, 2017	http://sfport.com/file/19844
Informational presentation regarding the Forest City proposed Pier 70 Special Use District Design for Development for the area bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay	March 14, 2017	http://sfport.com/meeting/san-francisco-port-commission-march-14-2017-supporting-documents
Informational presentation regarding the Pier 70 Special Use District proposed by Forest City Development California, Inc. and associated public benefits	March 28, 2017	http://sfport.com/file/20120
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)	May 9, 2017	http://sfport.com/meeting/san-francisco-port-commission-may-9-2017-supporting-documents

Port Commission Staff Report**Meeting Date****Web Address**

Informational presentation regarding the Pier 70 Special Use District Transportation Plan, Streetscape Master Plan, Infrastructure Plan and Sustainability Plan 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) and the "20th/Illinois Parcel" along Illinois Street at 20th Street (Assessor's Block 4110/Lot 001) and 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)	May 23, 2017	http://sfport.com/file/21736
Informational presentation regarding the Financing Plan 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) and the "20th/Illinois Parcel" along Illinois Street at 20th Street (Assessor's Block 4110/Lot 001) in Pier 70 and Pacific Gas and Electric ("PG&E") 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)	June 13, 2017	http://sfport.com/file/22286

EXHIBIT B
Prior Board of Supervisors Actions Related to Pier 70

Enacted Title
#

- 110-12 Resolution of Intention to establish Infrastructure Financing District No. 2 for the City and County of San Francisco at the Port of San Francisco (Mayor Edwin Lee, Supervisor David Chiu – April 5, 2012).
- 227-12 Resolution amending Resolution of Intention to establish Infrastructure Financing District No. 2 (File No. 120128) for the City and County of San Francisco at the Port of San Francisco (Port Commission – June 20, 2012).
- 123-13 Resolution adopting 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 (Mayor Edwin Lee, Supervisor Jane Kim – April 20, 2013).
- 201-13 Resolution finding the proposed development of the Pier 70 Waterfront Site, an approximately 28-acre site located in the southeast corner of Pier 70, fiscally feasible under Administrative Code, Chapter 29, and endorsing the Term Sheet between Forest City Development California, Inc., a California corporation, and the Port Commission (Mayor Edwin Lee, Supervisor Malia Cohen – June 21, 2013).
- 421-15 Resolution further amending Resolutions of Intention to establish Infrastructure Financing District No. 2 (Resolution Nos. 110-12 and 227-12) for the City and County of 5 San Francisco at the Port of San Francisco (Mayor Edwin Lee, Supervisor Malia Cohen – November 25, 2015).
- 027-16 Ordinance establishing an Infrastructure Financing District (IFD) (including Sub-Project Area G-1 (Pier 70 - Historic Core) and adopting an Infrastructure Financing Plan (IFP) (including Appendix G-1) for City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); approving a Tax Administration Agreement; affirming the Planning Department's determination under the California Environmental Quality Act; and approving other matters in connection with the IFD and IFP, as defined herein (Mayor Edwin Lee, Supervisor Malia Cohen – March 11, 2016).
- 059-16 Resolution approving a Memorandum of Understanding (MOU) relating to Sub-Project Area G-1 (Pier 70 - Historic Core) of City and County of San Francisco Infrastructure District No. 2 (Port of San Francisco); and approving other matters in connection with the MOU, as defined herein (Mayor Edwin Lee, Supervisor Malia Cohen – March 4, 2016).

Pier 70-Related State Legislation

AB 1199 Chapter 664 of the Statutes of 2009. Assemblymember Tom Ammiano. Infrastructure financing districts: City and County of San Francisco. Authorizing the City and County of San Francisco to create infrastructure financing districts that include specified waterfront property, modifying the procedures for San Francisco to adopt an infrastructure financing plan, and allocating projected increases in ad valorem property taxes to specified annual apportionments.

AB 418 Chapter 477 of the Statutes of 2011. Assemblymember Tom Ammiano. Tidelands and submerged lands: City and County of San Francisco: Pier 70. Authorizing the State Lands Commission to approve an exchange of trust lands within the Pier 70 area.

EXHIBIT C
Updates Regarding Other Pier 70 Projects

Pier 70 Shipyard

The Port's prior shipyard operator, Puglia Engineering abandoned the shipyard in May 27th, 2017. Since then the Port has been paying all expenses for maintaining the shipyard in a safe, secure, and steady-state and plans to do so for the next several months while it prepares the site for the next tenant and shipyard operator.

The Port's development agreement with Orton Development Inc. ("ODI") for the adjacent historic buildings along 20th Street provides a mechanism for ODI to perform tasks that assist in the harmonization of utilities and other infrastructure between ODI's adjacent development and the shipyard. Under this provision, ODI has hired five former shipyard employees to assist in such efforts and to keep the yard safe and secure during this interim period. The Port and ODI are planning a significant electrical system upgrade and separation and demolition and removal of two condemned shipyard buildings, funded through the Port's FY 2017-18 Capital Plan, which will create 20,000 square feet of additional work area on the shipyard premises.

At its July 11, 2017 meeting, the Port Commission authorized Port staff to issue a Request for Proposals for the lease and operation of the shipyard with the goal of entering into a lease with a new operator with the experience, economic capacity and knowledge of the U.S. West Coast ship repair commercial market and qualifications to operate and revitalize this important maritime industry at the Port. Staff anticipates that the solicitation process will conclude with a new shipyard operator in Fall 2017.

Orton Development, Inc.

In April 2010, the Port's Preferred Master Plan for Pier 70 included as a sub-area the Pier 70 20th Street Historic Core. In May 2014, the Port Commission and the Board of Supervisors unanimously adopted environmental findings and approved transaction documents for the rehabilitation of the Historic Core and in July 2015, Lease No. L-15814 between the Port and an ODI affiliate was executed and construction activities commenced pursuant to the Master Plan vision of rehabilitation, preservation and repurposing.

Currently, ODI is actively rehabilitating Buildings 14, 101, 104, 113, 114, 115, 116 and two smaller outbuildings. Work includes seismic, structural, and code required upgrades and hazardous material remediation, all performed to the Secretary's Standards for historic structures. These historic office and industrial buildings are being marketed and subleased to a range of businesses, including light industrial, technology, life science, office, showrooms, and restaurant uses. First occupancy is anticipated this summer in Buildings 14 and 104, with full occupancy of all buildings expected to occur in late 2018. The project creates an indoor lobby/atrium in Building 113, and an outdoor piazza, both of which will be accessible to the public.

ODI is collaborating closely with Forest City to coordinate construction phasing and infrastructure planning between the Historic Core and the 28-Acre Site. ODI has made significant progress to return the Historic Core to use as a vibrant part of the City. The benefits of enlivening these buildings with active, new uses will be enjoyed by workers, residents and visitors alike, a significant step forward in realizing the vision for the Port's Pier 70 Preferred Master Plan.

Crane Cove Park

Crane Cove Park is an approximately 9 acre park in the northern area of Pier 70 generally bounded by Illinois Street on the west, 19th street on the south, the Bay on the east and Mariposa Street on the north. The first phase of the park is currently under construction and will include improvements to approximately 6 acres, including an eastward extension of 19th Street to provide access to the Pier 70 shipyard and the park. The first phase improvements include creation of a new beach, restoration of slipway 4 including the cranes, Crane Plaza at 19th and Illinois Streets, a multi-purpose lawn, an off leash dog run, picnic areas, site history interpretation, park restrooms and core and shell improvements for a future human powered boating center and café in building 49. The initial phase is expected to be completed in mid to late 2018.

A temporary parking lot just south of 19th Street, east of Illinois Street and north of Building 101, will also be constructed with the Crane Cove Park improvements.

EXHIBIT D
City and Port Planning Efforts Related to Pier 70, including
Proposed Pier 70 Amendments to Waterfront Land Use Plan Policies

Eastern Neighborhoods Program and Pier 70 Preferred Master Plan

The Eastern Neighborhoods Program¹¹ was adopted by the Planning Commission in 2009 to address land use issues in neighborhoods that historically contained the majority of the City's industrially-zoned land. One of the goals of the Eastern Neighborhoods Program was to find a balance between the growth of housing and commercial space in these areas, while still dedicating areas for Production, Distribution, and Repair (PDR) facilities. Other Eastern Neighborhood goals included: 1) encourage mixed use development consistent with the neighborhood character; 2) adaptively reuse historic resources; 3) support increased housing while respecting production areas; 4) advocate for multimodal transit; 5) promote access to the waterfront; and 6) provide improvements to the public realm.

Port staff worked closely with the Planning Department during the Eastern Neighborhood planning process. The Pier 70 site was intentionally not rezoned as part of the Eastern Neighborhoods Program, anticipating a community planning process focused on Pier 70. Between 2007 and 2010 the Port led an extensive community process to develop the Pier 70 Preferred Master Plan¹² ("Preferred Master Plan"). This plan established site wide goals, below, which balanced the many competing needs and desires for Pier 70, planned to also integrate with the Eastern Neighborhoods Program:

1. Maintaining and enhancing ship repair activities;
2. Establishing a National Register Historic District and adaptive reuse of the resources;
3. Creating of a system of opens spaces, including new shoreline parks;
4. Bringing back the historic activity level through economic development and new infill development; and
5. Conducting site clean-up as needed, construct new infrastructure to support new development and develop the site utilizing state of the art sustainability practices.

The land use plan preserved the shipyard and historic buildings along 20th Street, created a site-wide Blue Greenway open space network, and a development use and massing plan to establish an appropriate site density, integrated into a proposed Union

¹¹ <http://sf-planning.org/eastern-neighborhoods>

¹² <http://sfport.com/pier-70-area-preferred-master-plan>

Iron Works Historic District. It was anticipated that the plan would evolve once development partners was solicited and secured.

The Preferred Master Plan identified the 28-Acre Site and Parcel K (at Illinois and 20th Streets) as the areas that would receive the most significant infill development density. The Preferred Master Plan identified primarily commercial and open space uses for the 28-Acre Site and residential uses on Parcel K. The Forest City team, along with Port and City staff and the community, continued the public dialogue that led to a wider mix of uses on the 28-Acre Site that are proposed in the Pier 70 SUD, which would still meet the goals of the Preferred Master Plan. The new uses include:

- residential uses, which bring 24-hour activity to the site, address the City’s housing crisis and improve the City’s job-housing balance;
- Production, Distribution and Repair (“PDR”) uses, which reflect Pier 70’s history of making;
- retail uses to enliven and activate the site, including the open spaces; and
- arts and cultural uses, which reflect the Dogpatch neighborhood and Noonan artist community that exists at site today.

The current mass, bulk and heights for the 28-Acre Site is nearly identical to the density and heights called out in the Preferred Master Plan.

Southern Bayfront Strategy

The Forest City project and Pier 70 SUD are part of a Southern Bayfront Strategy¹³, managed by OEWD. OEWD seeks to manage and coordinate public benefits and investment in community facilities and infrastructure in major projects south of China Basin to revitalize underutilized properties and open appropriate areas of the industrial waterfront to the public and deliver maximum public benefits to existing and future populations. OEWD is responsible for ensuring that the projects described below provide site-specific and off-site improvements that are coordinated and strategic, and contribute to transportation, open space, affordable housing and community facility needs that benefit the broader southeast San Francisco community. The Southern Bayfront projects will deliver 20,000 new households of which 33% will be affordable, 38,000 new jobs and 520 acres of new and renovated parks and open space as well as other public facilities and infrastructure.

1. Mission Rock project (Port);
2. Golden State Warriors Arena (Office of Community Investment and Infrastructure, “OCII”);
3. Pier 70 projects (Port);
4. former Potrero Power Plant site (OEWD);

¹³ <http://oewd.org/southernbayfront>

5. former Hunters Point Power Plant site;
6. India Basin (Recreation and Parks Department);
7. the Hunters Point Shipyard and Candlestick (OCII); and
8. Executive Park.

All of these projects also are being planned and executed in coordination with creation of a network of new public open spaces to realize the Blue Greenway, including Crane Cove Park at Pier 70 and other southern waterfront open space improvements.

The Pier 70 SUD land use, community benefits and improvements have been coordinated through the Southern Bayfront process, with a focus on a funding strategy to ensure 30% affordable housing, develop 9 acres of new open space, create new shoreline adaptation funding sources and a sustainable transportation program.

Waterfront Land Use Plan

In 2015, the Port initiated a process to update the Waterfront Plan, that will recognize the projects completed to date waterfront wide, the major planning that has occurred since its adoption (including Pier 70 planning) and new and future conditions the Port is facing, including: sea level rise, seismic issues, assets reaching the end of their useful lives, the historic facilities, transportation, open space and access, the waterfronts overall popularity and its significant capital needs. It is anticipated that update to the Waterfront Land Use Plan will be completed in 2019.

Because Pier 70 SUD approvals precede the planned Waterfront Plan update, Port staff will recommend that the Port Commission adopt Waterfront Plan amendments to facilitate the project including a short, high-level summary of the overall Pier 70 strategy based on the planning work completed to date and point to the Special Use District and D4D documents for more detail. When the Waterfront Plan Update is completed, Port staff envisions later refinements to Pier 70 policies to ensure consistency with the planned Waterfront Plan Update amendments, including consistently with the other Pier 70 projects underway.

The pages of the Waterfront Plan that will be amended to recognize the UIW Historic District, and cross-reference the Pier 70 SUD, D4D are:

- Chapter 3, Public Open Space map, p. 57 – to recognize Pier 70 open spaces
- Chapter 3, Residential and Commercial Use map, p. 65 – to reference Pier 70 SUD & D4D
- Chapter 4, Waterfront Mixed Use Opportunity Areas map, p. 81 – to reference Pier 70 SUD
- Chapter 4, p. 158 – update objective and narrative to recognize and promote financially feasible mixed use economic development to support rehabilitation of UIW Historic District resources and the Pier 70 SUD.
- Chapter 4, Southern Waterfront Acceptable Land Use Table, p. 162 – modification to “Pier 70 Mixed Use Opportunity Area” row to reference Pier 70 SUD
- Chapter 4, Southern Waterfront Subarea map, p. 163 – to reference Pier 70 SUD

- Chapter 4, Pier 70 Mixed Use Opportunity Area, p. 166 – to reference Pier 70 SUD

The Waterfront Plan amendments approved as part of the Forest City Project approvals will be for the purpose of recognizing the Pier 70 SUD and D4D as the controlling documents to guide the phased development of improvements.

Port staff also is managing a larger public process for the Waterfront Plan Update project, which may lead to further refinements to align the Pier 70 Forest City amendments with the comprehensive Waterfront Plan amendments. Any such amendments would retain the purpose and substance of recognizing the Pier 70 SUD and D4D documents as the policy and controls that apply to the Forest City Project.

Blue Greenway

The Blue Greenway¹⁴ is a City and Port project to complete the Bay Trail and Bay Area Water Trail. The planned open space in the Pier 70 Special Use District closes a critical gap in the Pier 70 eastern shoreline open space network. Furthermore, the pedestrian and bicycle amenities provided in the plan enhance the ability for pedestrian and bicyclist to get to the site from the adjacent neighborhoods and to circulate through the site comfortably and safely. The new Waterfront Park includes an 18' wide multi-use pathway that connects the 28-Acre Site with Crane Cove Park.

¹⁴ <http://sfport.com/blue-greenway-project>

EXHIBIT E Pier 70 Land Use Plan

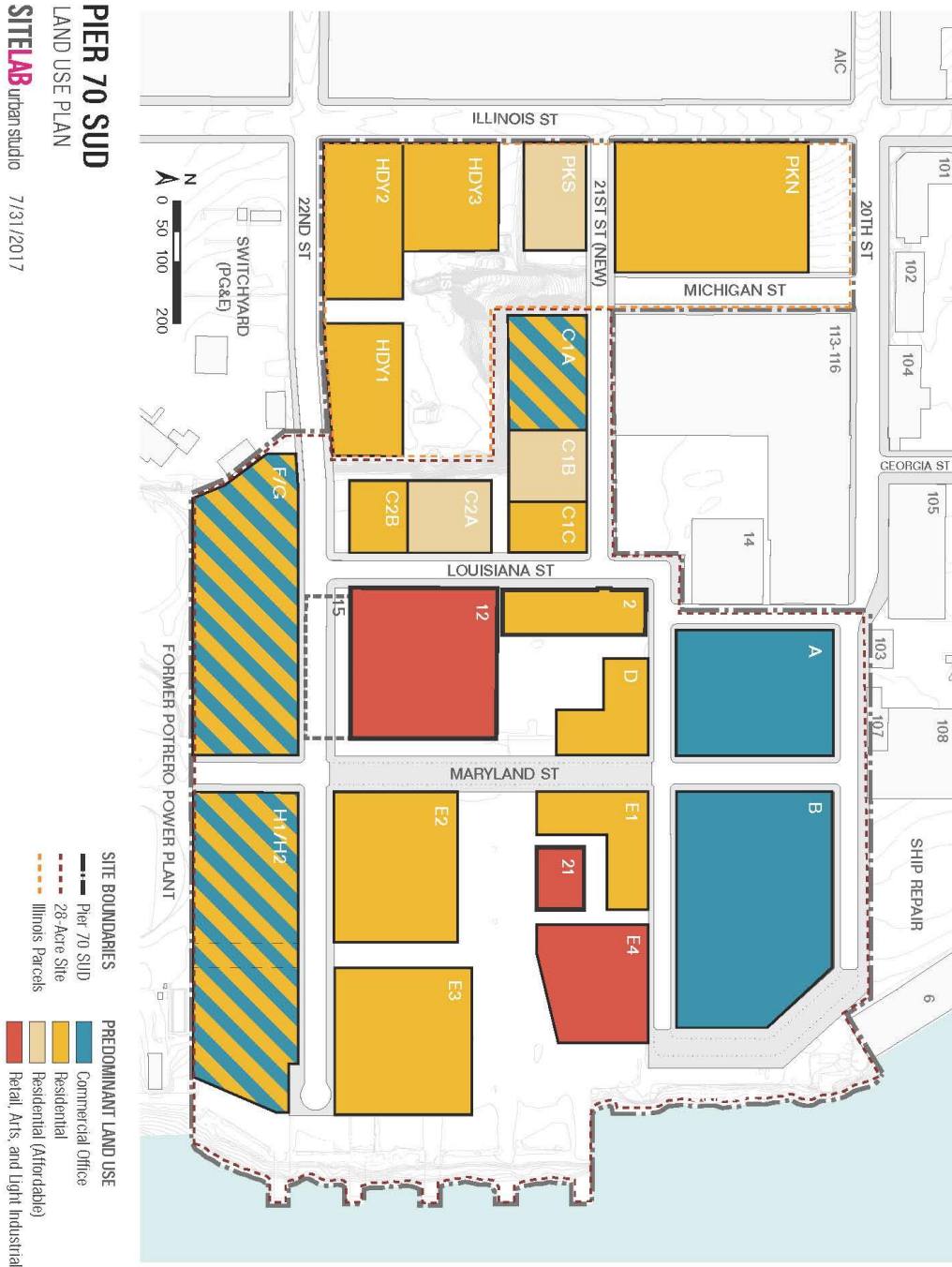


EXHIBIT F
Forest City's Proposed Rehabilitation Strategy
for Buildings 2, 12 and 21

Building 2 (Warehouse No. 2): Building 2 is a six-story concrete warehouse that was constructed in 1941 and 1944, and contains a total of 98,804 square feet. Building 2 is one of the tallest existing buildings in the historic district at 80 feet. The building originally functioned as a warehouse to support hull construction at the Building 12 complex and outfitting of naval vessels, with the sixth floor containing a drafting room and the first and second floors containing offices. The building is currently occupied by Paul's Warehouse and used for commercial storage.

Building 2 will be rehabilitated consistent with the Secretary's Standards to accommodate residential rental uses; the anticipated Project plan assumes approximately 100 rental dwelling units. The first floor of Building 2 has a podium level approximately five feet above the ground to accommodate the loading docks that encircle the building. The proposed Project anticipates placement of up to four feet of new soil surrounding this building to ensure proper functioning of gravity-fed utilities as well as protection of the building from future sea level rise, while also conforming to proposed grades at the 20th Street historic core and the neighboring ship repair facility.

Building 12 (Plate Shop No.2): Building 12 was constructed in 1941 as the central building of the New Yard. The building was designed and built by government (Navy) personnel as part of the joint public-private World War II shipbuilding effort. Building 12 is approximately 60 feet tall, and contains 118,890 square feet spread across two floors. The building is constructed of steel and timber with corrugated steel cladding. Building 12 housed the plate shop and mold loft for the Building 12 complex and was central to hull construction at Slipways 5 through 8 to the east. Building 12 is currently used for special events.

Building 12 will be rehabilitated to the Secretary's Standards to accommodate retail, entertainment, arts, recreation, industrial and PDR uses. The ground floor and a proposed mezzanine level will act as a "Makers Market Hall" with ample space for local manufacturing, retail and PDR uses. The mold loft level will be fitted for office uses. To protect the building from future sea level rise as well as ensure proper functioning of gravity-fed utilities, the building structure will be raised approximately nine feet and placed on new slab foundations. The surrounding grade would gradually slope away from the building as needed for drainage purposes.

Surrounding Building 12 on the south, east and north facades will be the Building 12 Plaza and Market Square - a series of small plazas and outdoor market spaces. Market Square will be located directly north of Building 12 and east of Building 2 with access points from Louisiana Street (through a narrow space between Building 12 and Building 2), 21st St, Maryland St and 22nd St.

The proposed Project would potentially retain a metal-frame remnant of Building 15 above the new 22nd Street alignment, directly south of Building 12, subject to structural feasibility and City approval. The Building 15 frame would act as a gateway to Pier 70 and a reminder of the materials, scale and aesthetic that defines the historic district.

Building 21 (Substation No. 5): Building 21 is two stories and 44 feet in height containing 10,172 square feet. It is steel frame, with corrugated metal cladding with a corrugated metal-clad double gable roof. The building dates to the Risdon Iron Works period circa 1900 and is the only survivor of that use that pre-dated the expansion of the shipyard use to create the New Yard to support World War II. Building 21 will be rehabilitated to the Secretary's Standards. As a part of its rehabilitation the building would be relocated approximately 75 feet to the southeast, and in its new location it would front Slipways Commons, part of the new 5-acre waterfront park. Building 21 will accommodate arts and institutional uses and sits directly next to the proposed new waterfront arts facility.

The Project also includes the remnant of Irish Hill, a serpentine rock promontory approximately 24 in height, that is a contributing landscape feature within the historic district. The Project has been designed to minimize or avoid alteration of the character-defining features of Irish Hill by making it part of the site's network of public open spaces. Due to health risks associated with the serpentine rock and the instability of the hill, it will not accommodate public access but will become a focal point for a public park that will include a children's playground and historic interpretive exhibits on the south and east sides of the hill. A public access pathway of a minimum width of 44 feet will connect Irish Hill to Illinois Street through proposed new development on Parcel K.

EXHIBIT G
Proposed Trust Exchange

EXHIBIT H
Forest City's and Port/City Pier 70 Outreach

The Port and Forest City have led a 10-year planning process for Pier 70 in which thousands of people participated in open houses and public meetings and voters approved a ballot measure supporting reuse of the area by 73% in 2014. Below is a detailed list of meetings conducted from 2006 to through June 2017.

Meetings:

1. 07/11/06 - Port Commission (Approval of Historic Preservation Contract)
2. 11/15/06 - Central Waterfront Advisory Group (CWAG) meeting
3. 01/10/07 - Central Waterfront Advisory Group (CWAG) meeting
4. 03/27/07 - Central Waterfront Advisory Group (CWAG) meeting
5. 05/23/07 - Central Waterfront Advisory Group (CWAG) meeting
6. 06/12/07 - Port Commission-(Preferred Master Plan Background Information Basis for Plan)
7. 07/25/07 - Pier 70 Preferred Master Plan Community Workshop # 1- Background Information, Basis for the Plan
8. 06/31/07 - Potrero Boosters - Background Information, Basis for the Plan
9. 08/16/07-San Francisco Planning and Urban Research (SPUR) – Background Information, Basis for the Plan
10. 09/19/07 - Central Waterfront Advisory Group (CWAG) meeting
11. 10/17/07 - Central Waterfront Advisory Group (CWAG) meeting
12. 10/07/07 – Pier 70 Second Community Workshop (Framework Plan Alternatives
13. 11/27/07 - Potrero Boosters (Review of Framework Concepts and comments to date)
14. 12/16/07 - Port Commission (Review of Framework Concept and Community Meeting)
15. 12/18/08 - Central Waterfront Advisory Group (CWAG) meeting
16. 02/13-08 - San Francisco Tomorrow Board – (Review of Framework Concepts and comments to date)
17. 01/16/08 - Central Waterfront Advisory Group (CWAG) meeting
18. 01/22/08 - San Francisco Planning Commission (Review of Framework Concepts and comments to date)
19. 05/05/08 - Central Waterfront Advisory Group (CWAG) meeting
20. 05/07/08 - San Francisco Landmarks Preservation Board
21. 05/21/08 - San Francisco Planning Commission- Eastern Neighborhoods
22. 05/28/08 - Central Waterfront Advisory Group (CWAG) meeting
23. 06/02/08 – San Francisco Planning Commission
24. 07/17/08 - Pier 70 Third Community Workshop- Draft Plan
25. 07/22/08 - SF Board of Supervisors 07/23/08 - Central Waterfront Advisory Group (CWAG) meeting
26. 08/12/08 - Port Commission Meeting – Review of Draft Plan and
27. Public Comments
28. 09/30/08 - Potrero Boosters - Review of Draft Plan and Public Comments
29. 10/06/08 - San Francisco Architectural Heritage - Resources Committee
30. 10/09/08 - San Francisco Chamber of Commerce
31. 10/09/08 - SPUR - Review of Draft Plan and Public Comments
32. 10/14/08 - Dogpatch Neighborhood Association- Review of Draft Plan and Public Comments
33. 01/11/08 - Port Commission (Approve expanded scope for EPS team)
34. 04/22/08 - Port Commission Approval to Release RFP for Environmental Services)
35. 08/12/08 - Port Commission (Review of Draft Concept Plan and Public Comments to date)

36. Fall '08 – Proposition D Campaign (approximately 60 neighborhood meetings to discuss Proposition D and Plan)
37. 11/13/09 - Port Maritime Commerce Advisory Committee- Review of Draft Framework Plan
38. 11/19/09 - Central Waterfront Advisory Group (CWAG) meeting Fall '08 – Proposition D Campaign (approximately 60 neighborhood meetings to discuss Proposition D and Plan)
39. 01/29/08 - Central Waterfront Advisory Group (CWAG) meeting
40. 06/30/09 - Potrero Boosters- Pier 70 Environmental Investigation Work Program and Plan Overview
41. 07/14/09 - Port Commission
42. 07/29/09 - Pier 70 Fourth Community Workshop- Final Draft Plan
43. 08/11/09 - Port Commission Meeting
44. 08/12/09 - San Francisco Tomorrow Board Meeting
45. 08/26/10 - Central Waterfront Advisory Group
46. 09/01/09 - San Francisco Architectural Heritage
47. 09/02/09 - SPUR Lunch Time Brown Bag
48. 09/16/09 - San Francisco Historic Preservation Commission
49. 09/17/09 - San Francisco Planning Commission
50. 09/30/09 - San Francisco Housing Action Coalition
51. 11/05/09 - Urban Land Institute Project Analysis Session (ULI National Conference in SF)
52. 11/18/09 - Central Waterfront Advisory Group
53. 12/09/10 - Central Waterfront Advisory group
54. 1/11/10 - SPUR Project Review Committee
55. 2/17/10 - Central Waterfront Advisory Group
56. 3/09/10 - Port Commission Meeting
57. 8/13/12 - Ideation Workshop
58. 8/4/12 – Ideation Workshop
59. 9/6/12 – Community Workshop Cultural Institution
60. 9/12/12 - Local Employees Community Workshop
61. 11/8/12 – Business Owner Charrette –8:00 PM at Noonan Building
62. 11/2012 - CWAG Workshop
63. 11/8/12 - Pier 70 Open House inviting community to view the Principles of Place — 8:00 PM at Noonan Building
64. 12/5/12 – Pier 70 Open House inviting community to view the Principles of Place
65. 12/12/12- Arts and making Focus Group
66. 1/26/13 - Pier 70 Waterfront Site Concept Plan Open House
67. 2/13/13 – Open House
68. 4/26/13 – Pier 70 and Bayview Bike Tour
69. 5/1/13 – Open House
70. 8/13 - Urban Air Market
71. 10/16/13 – Community Design Meeting
72. 10/30/13 – Phase 0 Dreamstorm
73. 4/2014 Public Realm Presentation Feedback from Community
74. 3/19/14 - Central Waterfront Advisory Group (CWAG) meeting
75. 3/26/14 – Presentation to the Port Commission
76. 3/27/14 – public realm open house
77. 4/24/14 – public realm feedback from community
78. 4/30/14 – Noonan Building tenant meeting
79. 5/4/14 – Sunday Streets
80. 5/8/14 – Bayview Community Popup Market at Pier 70
81. 6/4/14: Informal Open House Sutton Cellars - 601 22nd St. (at Illinois St)
82. 6/7/14: Informal Open House Dogpatch Café - 2295 3rd St. (at 20th St)
83. 6/17/14: Informal Open House Potrero Hill Neighborhood House - 953 De Haro St.

84. 6/18/14 - CWAG
85. 6/10/14 – DNA meeting
86. 6/24/14 – Boosters meeting
87. 9/8/14 – SB|MB|RH neighborhood association
88. 10/18/14 – Potrero Hill Festival
89. 12/10/15 – D4D Working Group Public Realm & Open Space
90. 2/18/15 - CWAG
91. 3/10/15 – Port Commission
92. 5/15/15 – Port Commission
93. 5/28/15 – Notice of Preparation public hearing
94. 7/27/15 – D4D Working Group – Design
95. 10/17/15 – Potrero Hill Festival
96. 12/10/15 – D4D Working Group – Public Realm/Open Space
97. 2/10/16 – D4D Working Group - Architecture
98. 2/15/16 – CWAG
99. 3/1/16 - Sunday Streets
100. 4/25/16 - D4D Working Group Transportation Meeting
101. 4/28/16 - D4D Working Group Transportation Meeting
102. 9/19/16 – D4D Working Group – Infrastructure/Sustainability
103. 10/11/16 - Port commission Informational
104. 10/29/16 - Open House
105. 10/15/16 – Potrero Hill Festival
106. 11/10/16 – Planning Commission
107. 11/14/16 – DNA DDC
108. 11/16/16 – Historic Preservation Commission
109. 11/28/16 – San Francisco Heritage Committee
110. 11/2/16 - Open House
111. 11/21/16 - Booster Subcommittee meeting
112. 11/29/16 - Boosters Meeting
113. 12/6/16 - Noonan Meeting
114. 3/14/17 - Informational presentation regarding the Forest City proposed Pier 70 Special Use District Design for Development for the area bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay to the Port Commission
115. 3/18/17 - Informational presentation regarding the Pier 70 Special Use District proposed by Forest City Development California, Inc. and associated public benefits.
116. 3/23/17 – Informational Presentation at Planning Commission
117. 4/19/17 – Boosters Development Committee
118. 4/28/17 – Informational presentation at Port Commission on Overview of Pier 70 Transaction with Forest City
119. 5/8/17 – DNA Development Committee
120. 5/9/17 – Informational Presentation at Port Commission on Transaction Overview
121. 5/11/17 – Informational Presentation at Planning Commission
122. 5/18/17 – Community Q&A
123. 5/23/17 – Informational session on Infrastructure plan, transportation plan, and Sustainability plan to the Port Commission
124. 5/25/17 – Community Q&A
125. 6/5/17 – Irish Hill Community Meeting
126. 6/6/17 – Community Q&A
127. 6/7/17 – DNA Development Committee
128. 6/13/17 – Pier 70 presentation at the DNA
129. 6/22/17 – Community Q&A
130. 6/26/17 – Irish Hill Community meeting
131. 6/27/17 – Pier 70 Presentation at the Potrero Boosters