

MEMORANDUM

September 22, 2017

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Request (1) adoption of environmental findings, including a mitigation monitoring and reporting program and a statement of overriding considerations, pursuant to the California Environmental Quality Act; and (2) approval of a Disposition and Development Agreement (“DDA”) with FC Pier 70, LLC (the “Developer”), and the attached forms of Master Lease, Vertical Disposition and Development Agreement, and Parcel Lease, for development of 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. (Resolution No. 17-43)

Request approval of a Compromise Title Settlement and Land Exchange Agreement for Pier 70 with the California State Lands Commission. (Resolution No. 17-44)

Request (1) consent to zoning amendments to establish the Pier 70 Special Use District over the 28-Acre Site, the “20th & Illinois Street Parcel” (Assessor’s Block 4110/Lot 001), and land owned by Pacific Gas and Electric Company known as the Hoedown Yard (Assessor’s Blocks 4120/Lot 002 and 4711/Lot 008A) and related amendments to the City’s General Plan and (2) approval of the Pier 70 Design for Development. (Resolution No. 17-45)

Request approval of amendments to the Waterfront Land Use Plan and its Design and Access Element. (Resolution No. 17-46)

Request consent to a Development Agreement between the City and County of San Francisco (“City”) and FC Pier 70, LLC, for the 28-Acre Site. (Resolution No. 17-47)

Request approval of a Memorandum of Understanding between the Port and the City regarding Interagency Cooperation. (Resolution No. 17-48)

Request recommendation to the Board of Supervisors to establish, authorize the issuance of bonds, and otherwise implement (1) Sub-Project Area G-2 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and Sub-Project Area G-4 (Pier 70 - 28-Acre) within Project Area G (Pier 70) of the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); and (2) an Infrastructure and Revitalization Financing District to finance the construction of Affordable Housing in the Pier 70 Special Use District. (Resolution No. 17-49)

Request (1) approval of a Memorandum of Understanding between the Port and the City's Controller, Treasurer and Tax Collector, and Assessor-Recorder to implement the Financing Plan in the DDA; (2) recommendation to the Board of Supervisors to appoint the Port Commission as the agent of the Infrastructure Financing District, the Infrastructure and Revitalization Financing District and one or more Special Tax Districts; and (3) approval of and recommendation to the Board of Supervisors to approve a Form of Special Fund Administration Agreement between the Port, IFD, IRFD, Special Tax Districts, and a corporate trustee. (Resolution No. 17-50)

Request recommendation to the Board of Supervisors to approve proposed amendments to the Special Tax Financing Law, Article X of Chapter 43 of the San Francisco Administrative Code. (Resolution No. 17-51)

Request approval of the terms of the Port's sale of Parcel K North (a portion of Assessor's Block 4110/Lot 001) and a form of Vertical Disposition and Development Agreement. (Resolution No. 17-52)

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolutions

EXECUTIVE SUMMARY

On August 8, 2017, Port staff provided the final informational staff report to the Port Commission and the public regarding the planned development of the 28-Acre Site, the 20th/Illinois Parcel and the Hoedown Yard (collectively, the "Project Site") with a mixed-use development ("Pier 70 Mixed-Use Project" or "Project"). FC Pier 70, LLC ("Developer"), an affiliate of Forest City Realty Trust, Inc., ("Forest City"), is the Port's development partner for the portion of the Pier 70 Mixed-Use Project that is located on the 28-Acre Site (the "28-Acre Project"). This report includes updates to the August 8 staff report, shown in underline and ~~strikethrough~~ and appended in full to this staff report, and the following additional information:

- A. a description of the Planning Commission’s certification of the Project’s Final Environmental Impact Report and related actions on August 24, 2017;
- B. a summary of actions taken by the San Francisco Municipal Transportation Agency (“SFMTA”) Board of Directors on September 5, 2017;
- C. staff responses to Port Commissioner August 8, 2017 comments and questions;
- D. a summary of major changes to the Transaction Documents;
- E. a revised description and staff recommendation for the disposition of the Port-owned Parcel K North at Illinois and 20th Streets;
- F. a description of the proposed Infrastructure Financing Plan for the Project;
- G. a description of the Fiscal Feasibility Report for the Project;
- H. a summary of the amendments to the Waterfront Land Use Plan associated with the Project;
- I. a summary of the Port’s validation of Developer’s cost estimates for the 28-Acre Project;
- J. a description of requested Port Commission actions; and
- K. a summary of next steps.

Attachment A to this report includes corrections to the August 8, 2017 Port Commission staff report.

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| A. San Francisco Planning Commission August 24, 2017 Actions |
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On August 24, 2017, to facilitate the Pier 70 Mixed-Use Project, the San Francisco Planning Commission:

- Certified the Final Environmental Impact Report for the Pier 70 Mixed-Use Project (Case No. 2014-001272ENV) (“FEIR”) in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code by Motion No. 19976;
- Adopted CEQA findings, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and a Mitigation Monitoring and Reporting Program (“MMRP”) by Motion No. 19977;

- Recommended approval by the Board of Supervisors of a draft ordinance establishing the Pier 70 Special Use District (“Pier 70 SUD”) and making conforming amendments to the Zoning Use District Map No. ZN08 and Height and Bulk District Map No. HT08 by Resolution No. 19979 (together, the “Planning Code Text Amendments”);
- Recommended approval by the Board of Supervisors of a draft ordinance establishing the Pier 70 SUD and making conforming amendments to the General Plan by Resolution No. 19978;
- Approval of the Pier 70 Special Use District Design for Development (D4D) document, and adopting various findings, including findings under the California Environmental Quality Act and findings of consistency with the General Plan and Planning Code Section 101.1 by Resolution No. 19980; and
- Recommend approval of a Development Agreement between the City and County of San Francisco and FC Pier 70, LLC, for a 30-year term, and adopting various findings, including findings under the California Environmental Quality Act and findings of consistency with the General Plan and Planning Code Section 101.1 by Resolution No. 19981.

These approvals align the Pier 70 Mixed-Use Project with the City’s General Plan and Planning Code and certify the completeness of the environmental review. Port staff recommends that the Port Commission adopts as its own the Pier 70 CEQA Findings and the MMRP and concurs with the Planning Commission’s actions related to the Planning Code Text Amendments and amendments to the General Plan.

Jobs-Housing Balance

A significant part of the public comment at the Planning Commission related to the City’s need to achieve a better jobs-housing balance. Speakers expressed a desire to add more housing units since regional growth has added jobs at a much faster pace than housing. The Pier 70 SUD has a flexible range of land use options, including a Maximum Residential Scenario and a Maximum Commercial Scenario, as analyzed under the FEIR. The purpose of this flexibility is to allow the Developer to respond to a number of factors as the 28-Acre Project is built out over the next 15-30 years:

- uncertainty about future uses of adjacent industrial properties which could complicate residential development on southern boundary of the 28-Acre Site;
- changing market conditions; and
- environmental conditions within the 28-Acre Site.

Some members of the public suggested that because San Francisco is facing a housing crisis, project sponsors (including the Port) should be required to build the Maximum Residential Scenario. The Planning Commission had a healthy debate about the topic.

Some members supported the notion that housing production is a major priority for the City; others noted that the Project Site, along a major transit corridor, is also appropriate for office development. Some Commissioners suggested that jobs-housing balance is difficult to achieve even at the level of individual cities, and that it is not realistic to expect individual projects to solve the issue of the regional jobs-housing imbalance. Ultimately, the Planning Commission recommended that the Port Commission and the Board of Supervisors determine an appropriate cap on office development within the Pier 70 SUD, above which further office development would be subject to a conditional use authorization approved by the Planning Commission.

Staff notes that the original Pier 70 Preferred Master Plan envisioned a commercial project at the Project Site. Both the Port Commission and staff have embraced a mixed use vision for the Project Site, as well as a measure of land use flexibility to respond to changing market conditions.

To ensure the orderly development of commercial and residential use within the Pier 70 SUD consistent with City policies, staff recommends that the Port Commission approve the 28-Acre Project in its current form. Staff also recommends that the Port Commission urge the Board of Supervisors to consider the following factors in its deliberations regarding the recommendation of the Planning Commission to impose a conditional use requirement above a threshold of office development:

- The Port's public planning process that resulted in the Pier 70 Preferred Master Plan recommended a commercial project, including office and other commercial uses; the Port Commission and the public have subsequently embraced a mixed use project;
- To enable Pier 70 shipyard operations, it is important to locate office uses as a buffer along 20th Street between shipyard operations and residential uses in the rest of the 28-Acre Site;
- The decision as to whether to build office or residential at specific locations in Pier 70 depends on a number of factors, including adjacent land uses on the southern border of the site, site constraints including environmental conditions, and market conditions at the time of the decision.

Resolution 17-45 includes a resolved clause encouraging the Board of Supervisors to consider these factors as it considers the Planning Commission's recommendation.

B. San Francisco Municipal Transportation Agency Board September 5, 2017 Actions

On September 5, 2017, to facilitate the Pier 70 Mixed-Use Project, the SFMTA Board adopted Resolution No. 170905-112 consenting to the Development Agreement between the City and County of San Francisco and the Developer, authorizing the Director of Transportation to execute the SFMTA Consent to the Memorandum of

Understanding between the Port and the City regarding Interagency Cooperation (“ICA”), and adopting the Pier 70 CEQA Findings.

C. Responses to Port Commissioner August 8, 2017 Comments and Questions

Port staff have prepared the following responses to Port Commissioner comments and information requests:

Approval of Transfers

The Port Commission requested further information about how proposed transfers of the horizontal project or individual vertical development sites will be treated.

- **Horizontal Development.** Under the DDA, the Developer can transfer its horizontal development rights and obligations to an affiliate at any time without the Port’s approval so long as the Developer is not in material breach of the DDA, and the affiliate (or its controlling owner) (1) meets an “Experience Requirement” consisting of direct and substantial experience as a master developer of projects similar in size and complexity, and (2) meets a “Net Worth Requirement” of at least \$27.5 million, adjusted by 10% every five years.

For third party transfers, the DDA sets forth a different process. During Phase 1, the Developer is expressly prohibited from transferring its rights to a third party, without Port Commission consent in its sole discretion. Prior to approval of Phase 2 or Phase 3, the Developer may transfer its rights to Phase 2 and/or Phase 3 to a third party that meets certain requirements, including the Experience and Net Worth Requirement, subject to approval by the Port Commission. Once the Developer has commenced construction of Phase 2 or Phase 3, the Developer may transfer its rights as to the applicable Phase, but will not be released from the transferred obligations without approval of the Port Commission, in its sole discretion.

- **Vertical Development.** Development parcels are governed by a Vertical Disposition and Development Agreement (“VDDA”) and, other than parcels that will be sold for residential condominiums, a Parcel Lease.

Port will not unreasonably withhold its consent to a transfer prior to completion of construction if, among other things, the transferee is a “Qualified Transferee” that (a) has, or has engaged a development manager or property manager with at least 10 years’ experience developing and operating major commercial or residential projects and (b) has a net worth equal to at least \$27.5 million, escalated 10% every ten years from the effective date of the DDA. Port consent is not required for a transfer to an affiliate of the vertical developer.

After completion of construction, there are no limitations on transfer for parcels that the Port sells to a vertical developer in fee. After completion of construction on leased parcels, a tenant may transfer its interests under the Parcel Lease to an affiliate or Qualified Transferee without Port’s prior approval and a transfer to any other person will require the prior reasonable approval of the Port.

For the DDA, Port staff negotiated for a Port Commission sole right to approve a Phase 1 transfer because the Port Commission selected Forest City for its expertise, and Developer should execute on its vision for the 28-Acre Project. For subsequent phases, a transfer to a Developer meeting the Experience and Net Worth Requirement would be subject to Port Commission approval in its reasonable discretion.

For vertical development, consistent with market standards, the VDDA and Parcel Leases will permit transfers (sales) to either an affiliate or to a qualified transferee meeting the Experience and Net Worth Requirements above without prior Port approval. If construction on the subject parcel is not yet complete, Port Executive Director approval in her reasonable discretion would be required for transfers to non-affiliates.

Schedule of Performance for Horizontal Development

The Port Commission requested further information about the schedule for the 28-Acre Project. Subject to market conditions and City approvals, Developer is preparing to start construction as early as 2018.

The DDA includes a Schedule of Performance with outside dates for (1) horizontal improvements for each phase, (2) completion of infrastructure transferred to a vertical developer, (3) parks and open space within park parcels, and (4) associated public benefits, including the Arts Building (Building E4) and historic Buildings 12 and 21. Under the Schedule of Performance, the Developer must complete Phase 1 within 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. The Schedule of Performance can be extended for force majeure (delays outside of the Developer’s control), such as (1) earthquake or flood, (ii) failure of regulatory agencies to issue permits in a timely manner, (iii) delays caused by certain types of litigation, including litigation involving the sufficiency of the City’s environmental review under the CEQA and (iv) periods of “down market delay” triggered by an appraisal showing that a parcel’s value is 85% or less than the value in the summary proforma at approval of the 28-Acre Project (see **Attachment B**). Key milestones from the Schedule of Performance are summarized in **Table A** below.

Table A: Key Schedule of Performance Milestones

| Phase Improvements | Phase 1 | Phase 2 | Phase 3 |
|-----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Outside Date – Phase Submittal | 1 year after Project Approval | 2 years after completion of Phase 1 | 2 years after completion of Phase 2 |
| Outside Date – Start Construction | 18 months after Phase 1 approval | 18 months after approval of Phase 2 | 18 months after approval of Phase 3 |

Table A: Key Schedule of Performance Milestones

| Phase Improvements | Phase 1 | Phase 2 | Phase 3 |
|------------------------------------|--|---|---|
| Outside Date - Complete Completion | 5 years after start of construction | 5 years after start of construction | 5 years after start of construction |
| Parks & Open Space | Phase 1 | Phase 2 | Phase 3 |
| Building 12 Plaza (OS-1) | 1 year after Temporary Certificate of Occupancy (“TCO”) for Buildings 2 and 12 | | |
| Market Square (OS-2)* | 1 year after TCO for Building D | | |
| OS-3* | 1 year after TCO for Building C2-B | | |
| Slipways Commons (SC-1) | 1 year after TCO for Parcel E2 | | |
| Slipways Commons (SC-2) | 1.5 years after TCO for Parcel E2 | | |
| Waterfront Promenade (WP-1) | | 1 year after TCO for Building E3 | |
| Waterfront Terrace (WTP) | | | 1 year after TCO for Building B |
| Waterfront Promenade (WP-2) | | | 1 year after TCO for Parcel H2 |
| Irish Hill Park** | | | 1-1.5 years after last TCO for HDY 1 or 2 |
| Other Public Benefits | Phase 1 | Phase 2 | Phase 3 |
| Building E4 | | | VDDA no later than TCO for Building B2 |
| Building 12 | VDDA within 1 year of Maryland St Acceptance | | |
| Building 21 | | VDDA within 1 year of TCO for Building E1 | |

*Vertical Developer obligation.

**Port or Hoedown Yard Vertical Developer obligation, at Port’s discretion.

Community Design Presentations

The Port Commission requested further information about opportunities for public review of proposed designs for parks and buildings in the 28-Acre Project.

The framework for review of phase submittals, parks and open space, and vertical development is set forth in the Pier 70 SUD, the Design for Development (“D4D”), the DDA and VDDAs.

- **Phase Submittals.** Under the DDA, the Developer is required to submit phase application to the Port for Port Executive Director review and approval, except

when the Developer requests major modifications to the Phasing Plan previously approved by the Port Commission, which requires Port Commission approval. Upon approval, the Developer will make an informational presentation regarding the phase submittal to the Port Commission.

- **Vertical Development.** Vertical projects (other than Historic Buildings 2, 12 and 21) are subject to the administrative design review process set forth in the Pier 70 SUD, which provides an opportunity for third parties to review and comment on an application for design review of the vertical project prior to approval by the City's Planning Director. Additionally, the Developer has agreed to make an informational presentation regarding the compliance of its application with the Pier 70 SUD and D4D to the Central Waterfront Advisory Group ("CWAG") within 30 days of its submittal to the Planning Department. If a CWAG meeting cannot be scheduled during that 30 day window, the Developer will have the option to present at the next scheduled CWAG meeting or make a public presentation with at least two weeks' advance notice. Historic Buildings 2, 12 and 21 will be reviewed by the Port for consistency with Secretary of the Interior's Standards for Treatment of Historic Properties ("Secretary's Standards") in accordance with the plan review procedures set forth in the Parcel Lease for Historic Buildings.
- **Parks and Open Space.** Under the DDA, the Port Executive Director will establish a "Design Advisory Committee" composed of qualified design professionals to review schematic design applications for parks. The Design Advisory Committee will hold one or more public hearing(s) on the schematic design for the Building 12 Plaza, Market Square, Slipways Commons, the Waterfront Promenade, the Waterfront Terrace, and Irish Hill Park to ensure the design is consistent with the D4D and other applicable requirements, and make recommendations to the Port Commission. Port staff will then submit the schematic design to the Port Commission for review and approval based on consistency with the D4D and other applicable requirements.

Transportation Improvements

The Port Commission requested further information about transportation improvements planned in conjunction with the Pier 70 Mixed-Use Project.

The Pier 70-Mixed Use Project will be required to satisfy a Transportation Demand Management Program ("TDM Program") that includes strategies designed to reduce daily one-way vehicle trips by 20% compared to the total number of one-way vehicle trips identified in the FEIR.

In addition to these trip reduction strategies, the TDM Program includes a publicly accessible shuttle to be operated at the Project Site to connect its users (residents, employees, and visitors) with local and regional transit hubs. The shuttle service will augment any existing transit services and it is not intended to compete with or replicate Muni service. The TDM Program includes creation of a Transportation Management

Agency (“TMA”) at the site; the TMA will plan and approve shuttle routes, frequencies, and service standards.

The exact routing plan of any shuttle service provided for the Project Site will be based on, and determined in conjunction with, pending changes to neighborhood transit lines, and so is undetermined at this stage. At a minimum, shuttle service is expected to connect the Project Site with both BART and Caltrain, because these are the primary regional transit providers expected to serve ridership generated by the Pier 70 Mixed-Use Project. Correspondingly, details on shuttle service hours will be determined at a later date, but at a minimum will cover extended weekday commute periods (7:00 AM to 10:00 AM and 3:00 PM to 7:00 PM).

As previously noted, the Pier 70 Mixed-Use Project will bring up to \$50M of revenue to fund transportation improvements in the area surrounding the Project Site. Working with the community, SFMTA staff has developed a list of key projects to be funded with that revenue. One key bundle of projects includes SFMTA’s planned upgrades to the existing 10 and 12 MUNI lines, and the addition of a new 11 and XX (not yet named) line. Together, these lines will provide improved access from the neighborhood to the Financial District, Montgomery Street BART, and northward to the Marina and Fort Mason (10 and 11), the Mission (including 16th St. BART), Muni Metro at either Church or Castro Station (XX), and Rincon Hill (12). Outreach on how those lines serve the community is underway, and SFMTA will continue work with the community this fall to meet goals to provide appropriate coverage while also providing connectivity to regional transportation.

While precise routing for these lines is subject to neighborhood outreach over the next year, SFMTA would like the new XX line to route through, and stop within, the Project Site and adjacent Potrero Power Plant development. SFMTA anticipates operating that new XX line east-west on 22nd Street into the Project Site, turning south on Maryland and turning around in the adjacent former Potrero Power Plant site, so both developments will be well served. The Streetscape Master Plan accommodates this routing.

The DA includes a commitment of a single SFMTA staff person to follow up on the transportation related components of the Pier 70 Mixed-Use Project and serve as a point person for the Developer and the community. SFMTA will designate this staff person as soon as is feasible.

Southern Waterfront Community Benefits and Beautification Policy

The Port Commission requested further information about how the 28-Acre Project complies with the Southern Waterfront Community Benefits Policy.

The Port Commission adopted the Southern Waterfront Community Benefits and Beautification Policy (“SWCBB Policy”) by Resolution 07-77 on November 13, 2007. The SWCBB Policy relates to Port areas south of Mariposa Street. It seeks to integrate Port maritime, commercial and industrial uses into the waterfront setting and

neighborhood community through 1) improvements and commitments made by Port tenants and; 2) setting aside a portion of the revenues generated by Port tenants to invest in additional community benefits.

In general, the SWCBB Policy requires a new tenant to:

- Beautify the premises of its leasehold through perimeter and site landscaping;
- Implement a Community Outreach and Good Neighbor Policy to guide interaction with the Port, its neighbors, visitors and users;
- Use, as needed, or support job training and placement organizations serving southeast San Francisco;
- Commit to engage in operational practices that are sensitive to the environment and the neighboring community;
- Commit to use low impact design and other “green” strategies when installing or replacing stormwater infrastructure;
- Employ staff who live in the local neighborhood or community; and
- Use, as needed, Local Truckers.

The Policy also requires the Port to utilize a portion of the revenue generated from each tenant for improvements to Port lands, including:

- Open Space Improvements;
- Wetlands Enhancement;
- Pier Removal;
- Public Art; and
- Historic Preservation.

The above policy requirements are primarily for the Port’s ongoing or interim types of leases. The SWCBB Policy states that the goals and requirements for projects subject to a Request for Proposals (“RFP”) or Exclusive Negotiation Agreement (“ENA”) will be set forth in each RFP or ENA.

Table B below includes the Port staff analysis of how the Pier 70 Mixed-Use Project complies with the SWCBB Policy.

Table B: Pier 70 Mixed-Use Special Use District Project Compliance with SWCBB Policy

| Policy Requirements | Project Compliance |
|---|--|
| Beautify leasehold premises through perimeter and site landscaping | 9 acres of world-class open space |
| Create and implement a Community Outreach and Good Neighbor Policy | Special events subject to Good Neighbor policy under the Master Lease, Building 12 Lease and Arts Building Lease |
| Use, as needed, or support job training and placement organizations serving southeast San Francisco | 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 Also, OEWD and Small Business Services will provide support during lease negotiations with local diverse small businesses |

Table B: Pier 70 Mixed-Use Special Use District Project Compliance with SWCBB Policy

| Policy Requirements | Project Compliance |
|--|---|
| | and engage 1-2 neighborhood economic development organizations that serve small businesses with specific focus on those based in District 10. |
| Commit to engage in operational practices sensitive to the environment and the neighboring community | Comprehensive Transportation Plan and Sustainability Plan |
| Commit to use low impact design and other “green” strategies for stormwater infrastructure | New utility infrastructure, including stormwater management facilities and a proposed blackwater recycling system, as part of Infrastructure Plan |
| Employ staff who live in the local neighborhood or community | 30% local hiring commitment and 17% local business enterprise utilization |
| Use Local Truckers, as needed | Use of Local Truckers, except when in conflict with Project Labor Agreement |
| Request for Proposals/Exclusive Negotiating Agreement | RFP/ENA included a set of Port objectives and goals from the Pier 70 Preferred Master Plan, including: <ul style="list-style-type: none"> • local employment and economic development; • site beautification and development of open space; • low impact design and use of green infrastructure; • operational practices that are sensitive to the environment and the neighboring community; and • historic preservation. |
| Ongoing funding for community benefits | Ongoing capital funding for Pier 70 parks and historic preservation outside of the 28-Acre Site under the Infrastructure Financing Plan (see Section F below). |

At its August 8, 2017 meeting, the Port Commission asked how this project conforms with the SWCBB Policy that sets aside revenues in the Southern Waterfront Beautification Fund (“5% Beautification Set Aside”).

Under staff’s current understanding of the policy, the 5% Beautification Set Aside applies to parameter rent leases in the Southern Waterfront since these leases do not otherwise include a community benefits program. As indicated above, for more complicated projects that are subject to a competitive solicitation or exclusive negotiating agreement (“ENA”), the Commission designates its preferred public benefits at the time of the solicitation or ENA, similar to when the Port Commission endorsed the Pier 70 Preferred Master Plan.

In most cases, land revenues from the 28-Acre Project will be delayed with significant portions of these revenues realized beginning 15 to 30 years after approvals. Other revenues – public financing sources – are either restricted to Pier 70 (such as Infrastructure Financing District proceeds) or constrained as to their use (such as the Community Facilities District proceeds, which are dedicated to shoreline improvements but could be located in the Southern Waterfront).

The Port Commission has the following options with respect to application of the 5% Beautification Set Aside to the 28-Acre Project:

1. Amend Resolution 17-43 to direct staff to apply the 5% Beautification Set-Aside to land revenues from the 28-Acre Project; and/or
2. Defer a decision on the matter until the 28-Acre Project begins to generate land revenues, when the Port Commission can better gauge how the 28-Acre Project will perform and can make trade-off decisions between the 5% Beautification Set Aside and other spending priorities.

Further, the Port Commission may wish to review the policy to clarify whether the 5% set-aside applies to a) parameter rent leases, b) development projects, and/or c) maritime leases.

Port Commission Updates During Implementation

Staff will provide informational updates to the Port Commission regarding implementation of the Pier 70 Mixed-Use Project twice per year.

D. Summary of Changes to Transaction Documents and Public Financing

The following summarizes major, recent changes to the Transaction Documents. These changes are also reflected in more detail in [Attachment A, Section V. \(Key Terms of Transaction Documents\)](#).

Disposition and Development Agreement

- Arts Building: To facilitate the Arts Building as a major public benefit of the 28-Acre Project, the Port has agreed to (1) lease the land for \$1 per year for 50 years with one 15-year extension option at commercially reasonable rents and (2) provide a one-time construction subsidy of up to \$17.5 million generated from the “Arts Facility Special Tax” that the Arts Master Tenant will have to match with an equal amount of private fundraising through a capital campaign.
- Noonan Building Replacement Space: The Noonan Replacement Space will likely be provided in two phases: (1) a temporary space within the 28-Acre Site that will allow for the demolition of the Noonan Building and (2) a permanent space that will likely be located on the site of Parcel E4. As previously agreed, the replacement space must contain at least the same amount of square footage currently occupied by the Noonan Artists 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.
- Historic Buildings 12 and 21: Buildings 12 and 21 will be leased for \$1/year for 66 year, with participation rent equal to 3.5% of modified gross income starting 31

years after issuance of a temporary certificate of occupancy for each building. The leases for Buildings 12 and 21 will also provide the Port with participation in sale and refinancing proceeds in accordance with the same provisions under the form of Parcel Lease described below.

- Events of Default: The Developer's failure to meet its indemnification obligations, including its hazardous materials indemnity obligation, is now a Material Breach under the DDA, along with an unpermitted transfer of Developer's rights under the DDA, 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 28-Acre Project failure to meet indemnification obligations as material breach. In the event of a Material Breach, the Port may terminate all or part of the DDA.
- Interagency Cooperation Agreement: Port staff added a new summary of the Interagency Cooperation Agreement ("ICA") to Section 5 of Attachment A. The ICA is an inter-agency agreement between the Port and other City departments that sets forth procedures for submittal of improvement plans, including public right-of-ways, utility infrastructure and parks and open space, by the applicable Developer and a schedule and procedure for City and/or Port approval and issuance of relevant construction permits. The ICA requires approval and consent of the Port Commission, SFMTA Commission and SFPUC Commission. It must also be approved by the Board of Supervisors and signed by the Mayor, Clerk of the Board of Supervisors, Public Works Director, City Administrator and Controller, on behalf of affected City departments.
- Security: The Developer will provide financial security in the amount of \$5.5 million to cover its indemnification and reimbursement obligations for Port and City Costs under the DDA. This amount is 20% of the net worth requirement for Developer, which is consistent with other major development projects in the City, and is in addition to "Phase Security" that the Developer must provide for (i) delivery of affordable housing parcels; (ii) construction of parks; and (iii) its obligations for the Noonan Artist replacement space.
- Marketing Costs: Developer's marketing budget will be limited to \$920,000 (NPV 2018\$) in reimbursable expenses. If and when vertical development revenues are not sufficient to cover marketing costs equivalent to \$325,000 (2018\$) annually (escalated by 3% per year), and Developer has already spent its maximum Developer marketing budget, the Developer can request the ability to spend additional funds on marketing as a reimbursable expense, which Port may approve in its sole discretion. Marketing expenses are not eligible for reimbursement from public financing sources under the Financing Plan, but are eligible for repayment from Land Proceeds.

Master Lease

- Port's Right to Repair and Maintain: If the Developer fails (1) to maintain and repair Buildings 2, 12 and 21 or the frame of Building 15, or (2) in the event of any imminent risk or violation of law, Port has the right to repair at the Developer's cost and expense.
- Indemnity: The Developer is obligated to indemnify the Port and City for all claims other than those arising from the Port's or City's gross or willful misconduct.
- Events of Default: If the Port terminates the DDA upon occurrence of a Material Breach, the Port will also have the right to terminate the Master Lease. The Port will also have the right to terminate the Master Lease if the Developer uses the site for unpermitted uses.

Vertical DDA

- Indemnity: The vertical developer will be obligated to indemnify the Port and City for all claims other than those arising from the Port's or City's gross or willful misconduct.
- Marketing: As a condition of the sale or lease of any parcel, a vertical developer must pay Developer a one-time payment equal to \$1.45 (2018\$) per gross square foot of developable space permitted under the Pier 70 SUD and D4D, (escalated 3% annually) for purposes of shared marketing expenses for Pier 70 SUD.

Parcel Lease

- Port Participation in Proceeds from Sale and Refinance: If a sale occurs three years after the commencement of the lease, the Port participates in 1.5% of net sale proceeds. Net sale proceeds is the amount of the sale price less (1) costs associated with the sale (i.e. brokerage fees), (2) the greater of prior purchase price/development cost or most recent mortgage amount secured by property, and (3) the cost of capital items that have not been amortized from modified gross revenues. The Port will also participate in 1.5% of net refinancing proceeds and 1.5% of net recapitalization proceeds.
- Indemnity: The vertical developer will be obligated to indemnify the Port and City for all claims other than those arising from the Port's or City's gross or willful misconduct.

Acquisition Agreement

Port staff added a summary of the Acquisition Agreement to Section 5 of Attachment A. The Acquisition Agreement will govern the legal process under which the Developer will

submit payment requests to the Port for reimbursement, subject to the DDA and Financing Plan.

Community Facilities District

Port staff and Developer completed calculations of proposed Community Facilities District special tax rates, which will be subject to later Port Commission and Board of Supervisors approval in 2018, as further described in **Section F** below, and as shown in **Attachment D**.

Notably, based on these recently completed special tax rate calculations, Parcel K North and the Hoedown Yard will generate approximately \$736,000 annually to fund maintenance of Irish Hill Park, Michigan Street, Crane Cove Park, and other areas north of 20th Street.

E. Revised Description and Staff Recommendation for Disposition of Parcel K North at Illinois and 20th Streets

A key financial strategy that the Port Commission endorsed at approval of Term Sheet is the planned sale of the Port-owned Illinois and 20th Street Parcel, also known as Parcel K North. This site is 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. Due to the extensive planned development work at Pier 70, Parcel K North is now an attractive offering, with easy access to Crane Cove Park and clear views of the most important historic resources in the Union Iron Works Historic District.

Under the SUD, Parcel K North, which is approximately 68,800 square feet in land area, is programmed for approximately 239 to 300 residential condominium units, approximately 6,600 square feet of ground floor retail/art/light industrial space, and 186 on-site parking spaces. Parcel K North, which is currently being used for automobile parking, is planned as the first development parcel to go to market under the Pier 70 SUD because it is proximate to existing utility infrastructure in Illinois Street.

Under the DDA, the Port is required to offer Parcel K North for sale at or above its fair market value, close escrow and transfer sale proceeds to the Developer within one year after approval of the 28-Acre Project. Under the Financing Plan for the 28-Acre Project, proceeds from the sale of Parcel K North will be used to reimburse the Developer for its entitlement costs.

Port staff have been collaborating with the City's Real Estate Division ("DRE") to prepare for its sale. Staff's proposed disposition process for Parcel K North includes these key steps:

1. *Appraiser Determines Parcel K North Fair Market Value:* Port staff is working with DRE to determine Parcel K North'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. *Port/City Selects a Real Estate Brokerage Firm to Market Parcel K North to Buyer/Developers:* DRE, in consultation with Port staff, has selected Colliers International ("Colliers") from DRE's broker pool to assist in the sale of Parcel K North. Colliers has the requisite experience and track record of performance in selling entitled development sites with a similar profile, and will be paid an appropriate sales commission of 0.5% of the Parcel K North sales price¹ to be paid from sales proceeds at the close of escrow. Use of a broker to sell Parcel K North is beneficial because it allows the Port to leverage the brokerage firm's well-primed marketing infrastructure, pool of potential local and international buyers, recent experience selling similar high-profile sites, and ability to proceed with an efficient RFP/RFQ process.
3. *Broker Completes Pre-Marketing and Develops a Marketing Plan:* Colliers will be required to complete a number of tasks, including gathering information on Parcel K North, the Project Site, and up-to-date market conditions and producing an effective marketing plan within 30 to 40 days after executing a contract with DRE.
4. *Port Staff Seeks Approval from Port Commission and Board of Supervisors:* Port staff is seeking pre-approval of the form of Vertical DDA ("Parcel K North Vertical DDA"), concurrent with Project approvals, as further detailed below.
5. *Broker Launches 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. *Broker Creates a Short List:* Colliers, in consultation with DRE and Port staff, will create a short list of qualified buyers by December 2017. To qualify, the potential buyer must possess the necessary experience and financial capacity to timely perform the obligations of the Parcel K North Vertical DDA. Colliers, Port and DRE staff will review the capacity and financial profiles of each shortlisted prospective buyer to ensure each meets the minimum threshold.

¹ Three brokers on the pre-approved City-pool who met the experience and qualification requirements were asked to submit bids for the sale of Parcel K North. DRE, in consultation with Port staff, selected the brokerage firm judged to provide the best combination of relevant experience, understanding of project context, and value. The selected firm was also the lowest bidder, requesting a commission of 0.5 percent of the sale price to carry out the marketing and sale.

7. *Short-Listed Prospects Submit “Best & Final Offer” by January 2018:* Each prospective buyer will have to review and tender conditional acceptance of its offer and the Parcel K North Vertical DDA provisions and remove all of its contingencies. Port and DRE staff will evaluate offers based on, among other things, the bid price and amount and timing of required deposits.
8. *Buyer Completes Due Diligence by early February 2018:* Once a buyer is identified, Port staff will provide all available information on Parcel K North to the buyer for its due diligence.
9. *Port and Buyer Enter into Parcel K North Vertical DDA and Close Escrow by 2018 Q1-Q2.*

Parcel K North Buyer/Developer Obligations

The Parcel K North buyer will be required to enter into the Parcel K North Vertical DDA, which will specify certain rights and obligations, including the following:

1. Close escrow no more than 3 months after being selected as the highest qualified bidder, but in no event later than 12 months after the Board of Supervisors approves the sale;
2. Commence construction within 24 months after close of escrow;
3. Construct the project consistent with the requirements of the MMRP;
4. Construct the 20th/Illinois St. Plaza, as defined in the D4D, as a public benefit of the Pier 70 Mixed-Use Project;
5. Construct improvements to the adjacent Michigan Street segment according to public works contracting requirements, subject to reimbursement by the Port from public financing sources;
6. Provide a limited amount of space in the ground floor parking area at no charge to the San Francisco Public Utilities Commission to install and maintain electrical equipment;
7. Provide Developer with the first right to receive surplus soil from the site at a location for delivery within the 28-Acre Site identified by Developer;
8. Enter into a deed restriction or other binding covenant that incorporates the Illinois Street Parcel Additional Measures attached to the DDA, which include long-term noise measurements during the normal operations of American Industrial Center (“AIC”);² appropriate soundproofing and performance criteria for

² Parcel K North and the American Industrial Center are in close proximity. The Port, Forest City and the American Industrial Center desire to ensure long-term compatibility between the proposed Project and the

the design of the project, restrictions on unprotected outdoor residential uses fronting Illinois Street, and disclosures to future owners regarding the active loading and industrial operations at AIC, and a process for dispute resolutions;

9. Consent to deed restrictions requiring that the second and each later purchaser of a residential unit pay a transfer fee in the amount of 1½% of the purchase price, payable to Harbor Fund for Public Trust purposes;
10. If not previously formed, vote in favor of a community facilities agreement and covenant to pay facilities and maintenance special taxes commencing at the earlier of (1) issuance of a building permit, or (2) two years after close of escrow. CFD facilities and maintenance special taxes and annual TMA fees will average approximately \$6,000/unit annually.
11. Comply with applicable land use restrictions, impact fees, and exactions imposed by the Pier 70 SUD, including a requirement to pay in-lieu affordable housing fees equal to 28% of the number of on-site market-rate condominium units times a per unit charge established by the Mayor's Office of Housing and Community Development;
12. Pay all other applicable impact fees, including school facilities, utilities, and transportation fees;
13. Implement the TDM Program, in compliance with FEIR Mitigation Measure M-AQ; and
14. Comply with the City's First Source Hiring Program under Chapter 83 of the City's Administrative Code.

A form of the Parcel K North Vertical DDA, which contains these provisions, is on file with Commission Secretary.

F. Public Financing

The public financing strategy described in this section of the report will enable the Port and the City ability to pay for streets, utilities, parks, sea level rise improvements, affordable housing, historic rehabilitation, and development of the proposed Arts Building, Noonan Relocation Space and community space. The strategy is complicated, involving the formation of both infrastructure financing districts and community facility districts, but it is vital to project success. Without this public

American Industrial Center in order to minimize potential conflicts between American Industrial Center activities and potential future uses at Parcel K North.

investment, the Pier 70 Mixed-Use Project, as envisioned in the D4D, would not be possible.

The principal benefit of the use of public financing is to lower the overall cost of public investments required for the project. This lower cost of capital allows the project to move forward with more efficiency and certainty than would otherwise be possible. The strategy was developed in consultation with the Controller's Office of Public Finance, Port and City economic and public finance consultants including Century Urban, Public Financial Management, Goodwin & Associates and Stifel, and the City Attorney, including outside counsel Jones Hall.

I. Infrastructure Financing Districts

Port Infrastructure Financing Districts

AB 1199 (Assemblymember Ammiano) (the "Port's IFD Law") operates in much the same way as former redevelopment law: when approved by the Board of Supervisors, the Port may form an infrastructure financing district (a "Port IFD") and establish a base year, after which the Port may capture growth in property or possessory interest taxes³ ("Tax Increment"), either annually ("pay-go") or through the issuance of bonds, to fund facilities of "communitywide significance" as part of an approved infrastructure financing plan.

The Port's 10-Year Capital Plan has included projected proceeds from a Port IFD to fund major capital improvements since 2007. Within the Port IFD, the Port establishes "project areas" encompassing each project site, but only when the Board of Supervisors approves the related development. Port IFD Law generally allows the capture of Tax Increment for periods of up to 45 years; establishing different project areas allows the Port to set different 45-year "clocks" for each project area, thus maximizing capture of Tax Increment.

Port IFD Law allows the following uses of Tax Increment:

- Repairs and upgrades to piers, docks and wharves and the Port's seawall;
- Installation of piles, both to support piers and to support buildings where soil is subject to liquefaction;
- Parks and shoreline improvements, where the Port has been unable to secure General Obligation bond funding to fund new parks;
- Utility infrastructure, including utility requirements to comply with standards imposed by the Regional Water Quality Control Board and/or the Bay Area Air Quality Management District;
- Streets and sidewalks;

³ Possessory interest taxes are property tax levied against leasehold interests. Port tenants are responsible for paying possessory interest taxes to the City.

- Seismic upgrades and improvements to the City’s seawall and other measures to address sea level rise;
- Environmental remediation;
- Historic rehabilitation; and
- Improvements to Port maritime facilities.

The Board of Supervisors previously formed City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) in conjunction with the 34th Americas Cup. In 2016, the Board of Supervisors adopted legislation forming IFD Sub-Project Area G-1, encompassing the 20th Street Historic Buildings, currently under development by an affiliate of Orton Development, Inc.

It should be noted that debt issued by the Infrastructure Financing District is secured solely by the tax increment revenue streams created by private investment over the life of the districts. There is no direct or implied reliance on the Port’s Harbor Fund or the City’s general fund. This security structure will be clearly disclosed in the documents supporting the bond issues.

Board of Supervisors Resolutions of Intent

On July 25, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced two proposed resolutions to initiate the process to form Sub-Project Areas G-2, G-3, and G-4 in the IFD, including:

1. 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.
2. Resolution of Intention to Issue Bonds in an Amount Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4, respectively, City and County of San Francisco Infrastructure Financing District No. 2.

These resolutions provide the public with notice of the City’s intent to form Sub-Project Areas G-2, G-3, and G-4 and to issue bonds repaid by Tax Increment, and direct City and Port staff to finalize an appendix to the IFP (as defined below) for Sub-Project Areas G-2, G-3, and G-4 – corresponding to the 3 phases of the 28-Acre Project – which includes a detailed expenditure plan for available Tax Increment. The Tax Increment allocated to the IFP with respect to Sub-Project Areas G-2, G-3 and G-4 consists of Tax Increment of the City and Tax increment of the County Educational Revenue Augmentation Fund (“ERAF” or “State Share of Tax Increment”). The City’s Capital Planning Committee considered and unanimously recommended approval of these resolutions to the Board of Supervisors on September 11, 2017.

After the Board of Supervisors approves the resolutions of intention described above, the following legislation will be introduced at the Board of Supervisors to approve the formation of Sub-Project Areas G-2, G-3, and G-4:

- Ordinance establishing 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); approving Appendix G-2 to Infrastructure Financing Plan; approving Special Fund Administration Agreement; affirming the Planning Department’s determination under the California Environmental Quality Act; and approving other matters in connection therewith;
- Resolution approving issuance of Bonds in an Amount Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4, respectively, for City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); approving Indentures of Trust and Pledge Agreements; and approving other matters in connection therewith; and
- Resolution approving a Memorandum of Understanding and Special Fund Administration Agreement relating to and Appointing Port Commission as Agent of Pier 70 Special Use District Financing Districts; and approving other matters in connection therewith.

The Board of Supervisors’ resolution approves the issuance of bonds and the form of indenture and pledge agreement. The resolution would further direct the judicial validation action with respect to the IFD. While bonds are not anticipated to be issued until FY 2019-20, bond counsel recommends approval of the resolution authorizing issuance of the bonds now for the validation process.

Infrastructure Financing Plan, Appendix G-2 - Overview

In consultation with the Controller’s Office of Public Finance, Port and City economic and public finance consultants including Century Urban, Public Financial Management, and Stifel, and the City Attorney, including outside counsel Jones Hall, City staff has prepared Appendix G-2, on file with the Commission Secretary and the Clerk of the Board of Supervisors, to supplement and amend the Infrastructure Financing Plan (“IFP”) that was adopted when the IFD was formed.

Appendix-G-2 includes the infrastructure financing plan for each of Sub-Project Area G-2, G-3, and G-4 in the IFD and describes financing public improvements serving the Pier 70 Mixed-Use Project using tax increment collected from these Sub-Project Areas.

Developer intends to develop the 28-Acre Project in three phases. The IFD will include Sub-Project Areas that match each anticipated Project phase, to provide for a separate 45-year tax increment allocation period for each phase, as permitted under the Port’s IFD Law:

| | |
|-----------------------|-----------|
| Sub-Project Area G-2: | Phase I |
| Sub-Project Area G-3: | Phase II |
| Sub-Project Area G-4: | Phase III |

If approved, each Sub-Project Area would receive property tax increment for 45 years to finance public infrastructure and public realm improvements necessary for development of the 28-Acre Project and activation of the area.

Appendix G-2 describes the financing framework and limitations, gives a projection of tax revenue the IFD will receive, and describes the public infrastructure and public realm improvements the IFD will support. Appendix G-2 adheres to the *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*, which the Board of Supervisors adopted on April 23, 2013, following Capital Planning Committee recommendation in November of 2012. Threshold Criteria 5 states “the Port must demonstrate the net fiscal impact of the proposed project area on the City’s General Fund and show that the project area will result in a net economic benefit to the City, including the Port.” A fiscal and economic analysis prepared by Berkson Associates is on file with the Commission Secretary and summarized in Section G below.

The funding plan for Appendix G-2 is summarized in **Table C** below. The Appendix anticipates that facilities will be funded with a combination of Tax Increment from Sub-Project Areas G-2, G-3, and G-4 used on a pay-go basis, proceeds of bonds issued by the IFD and/or a communities facilities district (“CFD”), special taxes levied on property within an overlapping CFD, capital to be advanced by the Developer (to be repaid by the CFDs and IFD with Tax Increment from Sub-Project Areas G-2, G-3, and G-4), and advances of land proceeds (to be repaid by the CFDs and IFD with Tax Increment from Sub-Project Areas G-2, G-3, and G-4).

The DDA anticipates the possible use of CFD bonds under the Code (defined as Chapter 43, Article X of the San Francisco Administrative Code, which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with California Government Code Section 53311), and IFD bonds under the IFD Law. Tax Increment will be used to pay debt service on IFD bonds and CFD bonds from the Leased Property CFD (see CFD description below). The type of bond to be issued will be determined based on market conditions approaching the time of issuance. Tax Increment in excess of what is required to service debt on bonds and to fund applicable reserves will be applied on a pay-go basis to eligible Project costs.

IFD Law requires Appendix G-2 and the Ordinance establishing the Sub-Project Areas to define limits on 1) the amount of tax increment to be collected under an IFP, and 2) the amount of bonds that will be issued, both in the resolutions of intention to form the districts. Because Pier 70 will be built out over a long period of time, and because staff recommends using Tax Increment as a source to fund future phases of the Seawall project and to make other shoreline improvements to address sea level rise after 28-Acre Project costs are paid, staff has inflated the projections of Tax Increment and bonds that will be issued by approximately 88%-92%, to be conservative. Each future bond issuance will be subject to approval by the Board of Supervisors, with a recommendation from the Capital Planning Committee.

Table C: Anticipated Sources and Use of Tax Increment, Appendix G-2

| Anticipated Sources and Uses of Funds | | |
|--|------------------------|------------------------|
| | 2017/18 Dollars | Nominal Dollars |
| Anticipated Sources of Funds | | |
| Annual Tax Increment | \$596,720,000 | \$1,578,818,000 |
| Bond Proceeds | \$137,429,000 | \$169,593,000 |
| Developer Capital | \$133,832,000 | \$150,273,000 |
| Advances of Land Proceeds | \$164,931,000 | \$192,200,000 |
| Total Sources | \$1,032,912,000 | \$2,090,884,000 |
| Anticipated Uses of Funds | | |
| Bond Debt Service | \$253,893,000 | \$522,328,000 |
| Interest on Advanced Funds | \$22,975,000 | \$27,042,000 |
| Repay Developer Capital | \$121,166,000 | \$150,274,000 |
| Repay Advances of Land Proceeds | \$101,663,000 | \$192,200,000 |
| Pier 70 Sub-Project Areas G-2, G-3, and G-4 Facilities | \$287,909,000 | \$329,382,000 |
| Pier 70 Wide Facilities | \$53,041,000 | \$140,339,000 |
| Sea Level Rise Protection | \$130,379,000 | \$498,964,000 |
| ERAF | \$61,886,000 | \$230,355,000 |
| Total Uses | \$1,032,912,000 | \$2,090,884,000 |

* ERAF indicates deposits to the State of California's County Educational Revenue Augmentation Fund, when the IFD is no longer permitted to capture the State's Share of Tax Increment.

Infrastructure Financing Plan, Appendix G-2 – Expenditure Plan

By agreement between the Port and Developer and subject to approval by the Port Commission and the Board of Supervisors, Tax Increment generated from Sub-Project Areas G-2, G-3, and G-4 will be divided 91.1% to 28-Acre Project costs and 8.9% ("Port Share of Tax Increment") to the Port's other Pier 70 capital costs ("Pier 70 Wide Facilities"). The Financing Plan commits the Port to contribute funding from this source to the Historical Building Feasibility Gap and the proposed Irish Hill Park (if Hoedown Yard CFD funding is insufficient). Otherwise, the decision about how to spend the Port's Share of Tax Increment will be a later decision for the Port Commission and the Board of Supervisors, subject to CEQA analysis for each project that is financed with this source.

Based on current projections, Sub-Project Areas G-2, G-3, and G-4 will generate \$23.9 million in Port Share of Tax Increment in 2017 \$ (assuming a 6% discount rate) to fund Pier 70 Wide Facilities.

Developer projects eligible costs of \$260,530,000 in 2017 \$ for the three phases of the 28-Acre Project. **Attachment C** includes line item estimates of these costs for each of the three phases of the 28-Acre Project. **Table D** below includes the Port staff cost estimates for Pier 70 Wide Facilities. **Note:** the total costs of Pier 70 Wide Facilities exceeds the Port Share of Tax Increment that staff currently projects will be available, but staff has included a broad range of projects to leave wide discretion to the Port Commission and the Board of Supervisors as each body considers how to allocate these proceeds in the future.

**Table D: Appendix G-2, Improvements to be Funded by IFD
Pier 70 - 28-Acre Site (Forest City) & Pier 70 Wide Facilities (Port, from Port
Share of Tax Increment)**

| Type of Improvement | Target Completion Timing | Estimated Cost (2017 \$) |
|--|--------------------------|--------------------------|
| Subtotal - Sub-Project Area G-2 (Phase I – 28-Acre Site) | | \$141,295,000 |
| Subtotal - Sub-Project Area G-3 (Phase II – 28-Acre Site) | | \$72,972,000 |
| Subtotal - Sub-Project Area G-4 (Phase III – 28-Acre Site) | | \$46,263,000 |
| Pier 70 Wide Facilities (subject to Port Commission and Board of Supervisors approval) | | |
| Irish Hill Park including Landscaping, Site Furnishings, Public Art, Recreation Equipment, Playground Equipment, and Stormwater Management | 2019-2030 | \$10,000,000 |
| Historic Building 12 and 21 Feasibility Gap (which will also be funded by Project Tax Increment from these two buildings) | 2019-21 | \$3,000,000 |
| Building 106 Rehabilitation | 2019-2040 | \$30,000,000 |
| Building 111 Rehabilitation | 2019-2040 | \$20,000,000 |
| Shipyards Electrical Service including Electrical Power Separation | 2019-2030 | \$3,000,000 |
| Crane Cove Park including Expanded Park to East, Buildings 109 and 110 Rehabilitation, Site Furnishings, and Park Upgrades | 2019-2040 | \$30,000,000 |
| Shipyards Improvements including Historic Resource Rehabilitation, Facilities Disposal (Cranes and Drydocks), Pile and Fill Removal, and Stormwater Management | 2019-2040 | \$20,000,000 |
| Pier 70 Wide Site Interpretation and Public Realm Improvements | 2019-2040 | \$500,000 |
| Subtotal - Pier 70 Wide Facilities | | \$113,500,000 |
| Total Estimated Costs | | \$374,030,000 |

Infrastructure Financing Plan, Appendix G-2 – Proposed Expenditures After the Conversion Date

Staff projects that Sub-Project Areas G-2, G-3, and G-4 will generate significantly more Tax Increment than required for the 28-Acre Site and the Pier 70 Wide Facilities. Consistent with *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 and City staff recommend authorizing the use of these proceeds in the IFP for future improvements to San Francisco's shoreline to fund 1) sea level rise adaptations, and 2) future phases of the Seawall Resiliency Project, subject to future approvals by the Port Commission and the Board of Supervisors.

Based on current projections, staff expects nominal proceeds of \$499 million to be available for future Seawall phases and shoreline adaptation projects starting in approximately 2050.

II. Infrastructure Revitalization and Financing Districts

Under Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53369 (the "IRFD Law"), the Board of Supervisors is authorized to establish an infrastructure and revitalization financing district ("IRFD"). The IRFD Law is similar in many respects to the Port IFD Law. Unlike the Port IFD Law, the IRFD Law authorizes the use of IRFD Tax Increment to finance affordable housing.

To facilitate the goal of 30% affordable housing on the 28-Acre Site and Parcel K South and to satisfy Proposition F policies, Port and City staff propose the formation of an IRFD over the Hoedown Yard.

On July 25, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced three proposed resolutions to initiate the process to form the Hoedown Yard IRFD, including:

1. 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 (File # 170880).
2. Resolution authorizing and directing the Executive Director of the Port of San Francisco, or designee thereof, to prepare an 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 (File # 170881).
3. 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 (File # 170882).

These resolutions provide the public with notice of the City's intent to form IRFD No. 2 (Hoedown Yard) and to issue bonds repaid by Tax Increment, and direct City and Port staff to finalize an IFP for the Hoedown Yard IRFD – which includes an expenditure plan for available Tax Increment. The City's Capital Planning Committee considered and

unanimously recommended approval of these resolutions to the Board of Supervisors on September 11, 2017.

After the Board of Supervisors approves the resolutions of intention described above, the following legislation will be introduced at the Board of Supervisors to approve the formation of IRFD No. 2 (Hoedown Yard):

- Resolution proposing adoption of infrastructure financing plan and formation of City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard); and determining other matters in connection therewith;
- 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;
- Resolution calling special election for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith;
- Resolution declaring results of special elections for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard); and determining other matters in connection therewith;
- Ordinance creating City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and adopting an Infrastructure Financing Plan for such district;
- Resolution authorizing issuance of bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) in an aggregate principal amount not to exceed \$91.9 million and determining other matters in connection therewith; and
- Resolution approving a Memorandum of Understanding and Special Fund Administration Agreement relating to and Appointing Port Commission as Agent of Pier 70 Special Use District Financing Districts; and approving other matters in connection therewith.

The IRFD Law require a landowner vote to establish the IRFD and approve IRFD bonds; the IFD Law does not require a vote to establish Sub-Project Area G-2, G-3 and G-4.

The Board of Supervisor's resolution approving issuance of bonds would authorize the issuance of bonds and approve the form of indenture and pledge agreement. The resolution would further direct the judicial validation action with respect to the IRFD. While bonds are not anticipated to be issued until FY 2023-24, bond counsel

recommends approval of the resolution authorizing issuance of the bonds now for the validation process.

As noted earlier, bonds issued in connection with the IRFD do not rely on any backing from the Harbor Fund of the Port or the General Fund of the City, but are secured solely by the growth in property taxes created by private investment in the district.

Infrastructure Financing Plan, IRFD No. 2 (Hoedown Yard)

In consultation with the Controller’s Office of Public Finance, Port and City economic and public finance consultants including Century Urban, Public Financial Management, and Stifel, and the City Attorney, including outside counsel Jones Hall, City staff has prepared the IFP for IRFD No. 2 (Hoedown Yard), on file with the Commission Secretary and the Clerk of the Board of Supervisors. The fiscal and economic analysis prepared by Berkson Associates also analyzes IRFD No. 2 (Hoedown Yard). A copy of this analysis is on file with the Commission Secretary and summarized in Section G below.

The purpose of the IRFD No. 2 (Hoedown Yard) is straightforward: it will provide funding estimated at \$19 million to complement other sources of funding generated by the 28-Acre Project, which collectively are projected to fully fund development of more than 320 units of 100% affordable housing on 3 dedicated affordable housing pads in the 28-Acre Site and Parcel K South.

Table E below shows anticipated sources and uses of Tax Increment from IRFD No. 2 (Hoedown Yard).

Table E: Anticipated Sources and Use of Tax Increment, IRFD No. 2

| Anticipated Sources and Uses of Funds | | |
|--|------------------------|------------------------|
| | 2017/18 Dollars | Nominal Dollars |
| Anticipated Sources of Funds | | |
| Annual Tax Increment | \$70,170,000 | \$157,922,000 |
| Bond Proceeds | \$18,263,000 | \$22,210,000 |
| Total Sources | \$88,433,000 | \$180,132,000 |
| Anticipated Uses of Funds | | |
| Bond Debt Service | \$33,158,000 | \$61,718,000 |
| Affordable Housing | \$18,969,000 | \$23,091,000 |
| General Fund [1] | \$36,306,000 | \$95,323,000 |
| Total Uses | \$88,433,000 | \$180,132,000 |

Notes

[1] Excess tax increment is allocated to the General Fund.

III. Community Facilities Districts

In 2018, Port and City staff will request that the Board of Supervisors establish three community facilities districts (“CFDs”) under the City’s Special Tax Financing Law to

provide financing for improvements and ongoing services in the Pier 70 Mixed-Use Project.

As described Attachment A (Section V.), staff recommends the formation of three CFDs in the Project Site to fund the following:

- reimburse the Port and Developer for project entitlement costs;
- reimburse the Port and Developer for construction costs for public improvements or pay directly for these improvements;
- partially fund Historic Buildings 12 and 21 up to the feasibility gap (the Historic Building Feasibility Gap) to rehabilitate these buildings and construction of the Noonan Replacement Space, communities facilities, and 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.

Formation of these CFDs is not possible concurrent with Pier 70 Mixed-Use Project approvals, because in order to form these CFDs, the formation documents must identify legal parcels as they will be taxed in the future. This requires subdividing the Project Site into future, planned development parcels under the City's subdivision code.

Staff anticipates the formation of three CFDs, as shown in **Table F**.

Table F: Recommended Community Facilities District for the Pier 70 Mixed-Use Project

| | CFD/Tax Rate Area | Parcels Included | Annexation Areas | Facilities & Operations Funded |
|---------------------|---------------------------|---|--|---|
| Leased Property CFD | Leased Property CFD | 28-Acre Site Residential Rental and Commercial Office Parcels | Parcels South of 22 nd Street | <p>Facilities Tax: 28-Acre Project public facilities (credited by Tax Increment)</p> <p>Arts Tax: Noonan Replacement Space, Community Space, & Arts Building (or public building)</p> <p>Shoreline Tax: Project Reserve for Project shortfalls) and Shoreline Reserve (for sea level rise improvements on Port property)</p> <p>Maintenance Tax: Maintenance of 28-Acre Project public facilities</p> |
| Condo CFD | Condo CFD Tax Rate Area 1 | Parcel K North | NA | <p>Facilities Tax: Michigan Street, 28-Acre Project public facilities, and Shoreline Reserve (for sea level rise and shoreline improvements on Port property, after 28-Acre Site and Michigan Street are paid)</p> <p>Maintenance Tax: Maintenance of Illinois Street public facilities & Crane Cove Park</p> |
| | Condo CFD Tax Rate Area 2 | 28-Acre Site Condominium Parcels | Parcels South of 22 nd Street | <p>Facilities Tax: 28-Acre Project public facilities and Shoreline Reserve (for sea level rise and shoreline improvements on Port property, after 28-Acre Site and Pier 70 Wide Facilities are paid)</p> <p>Arts Tax: Noonan Replacement Space, Community Space, & Arts Building (or public building)</p> <p>Maintenance Tax: Maintenance of 28-Acre Project public facilities</p> |
| Hoedown CFD | Hoedown Yard CFD | Condominium or Office Parcels on the Hoedown Yard | NA | <p>Facilities Tax: Irish Hill Park and acquisition of former Hunters Point Power Plant shoreline property, and Shoreline Reserve (for sea level rise improvements on Port property)</p> <p>Maintenance Tax: Maintenance of Irish Hill Park, Illinois Street public facilities & Crane Cove Park</p> |

Formation of the CFDs requires the Board of Supervisors to take the following actions:

- Adopt resolutions declaring its intent to form the CFDs and issue bonds and other debt for the CFDs;

- Hold a public hearing and adopt a resolution establishing the CFDs, then hold a landowner election on the questions of levying special taxes in the CFDs according to a rate and method of apportionment of special tax (RMA) and issuing bonds and other debt for the CFDs; and
- Approve by ordinance the levy of special taxes in the CFDs.

Bonds issued for a CFD will be payable from special taxes levied in the CFD, but debt service on bonds secured by the Facilities Special Tax in the Leased Property CFD will be paid by Tax Increment. The purpose of this strategy – paying debt service on CFD bond to offset facilities special taxes with tax increment generated by ground leased properties – is to allow for issuance of early CFD bonds while maximizing Port land value. Bonds issued by the CFD are secured solely by the special taxes levied in the district, and collateralized by the value of the land. There is no direct or implied reliance or backing from the Port’s Harbor Fund or the City’s General Fund.

Staff is still collaborating with Developer and the City’s public finance team to develop these formation documents and the accompanying rate and method of apportionment that will direct how each parcel will be taxed in each fiscal year.

Attachment D contains the tax rates proposed by staff and Developer, which are subject to future approval of the Port Commission and the Board of Supervisors.

Port staff will return to the Port Commission in 2018 to recommend the formation of these CFDs.

IV. Proposed Amendments to the City’s Local Financing Law

To facilitate the use of funding from these CFDs in a manner that will benefit the Port and the Project, Port and City staff propose amending the City’s Local Financing Law as described in this section.

One of the public financing mechanisms available to the City to finance public infrastructure and public services is special tax financing under Chapter 43, Article X of the San Francisco Administrative Code (“Code”), which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with California Government Code Section 53311 (“Mello-Roos Act”).

For the Pier 70 Mixed-Use Project, Port and City staff recommend that the Board of Supervisors amend the Special Tax Financing Law for the following purposes, as shown in **Table G** below.

Table G: Proposed Changes to the City's Local Financing Law

| Proposed Change | Rationale |
|---|--|
| For Port property | |
| Authorize use of special taxes to finance rehabilitation of historic buildings, whether publicly or privately owned | Enables rehabilitation of Historic Buildings 12 and 21 |
| Authorize use of special taxes to finance entitlement costs that establish a regulatory framework that would guide development of vertical improvements if the vertical improvements are necessary to create the value that the Port needs to finance horizontal improvements | Enables the Port to pay for portions the Pier 70 SUD transaction documents including the Pier 70 SUD, the D4D, the FEIR, the Transportation Plan, the Sustainability Plan that might otherwise be ineligible for reimbursement |
| Authorize use of special taxes to fund reimbursement of special taxes paid by a developer of horizontal improvements before the Port enters into an option or other contract for development of vertical improvements on Port land | Enables the Port to require Developer to pay special taxes early in the Project, before Vertical Developers assume special tax obligations, and to subsequently reimburse Developer |
| Authorize use of special taxes to finance operation and maintenance of parks, streets and open space that is available for public enjoyment prior to acceptance by the City | Allows the CFD to finance maintenance of parks and passageways that are accessible to the public before they have been accepted by a public agency. |
| Limit the increases in special taxes that can be levied on a residential property as a result of neighbors' special tax delinquencies to no more than 10% of the maximum authorized special tax for the property (1) | Protects residential special taxpayers from large increases in taxes when there are tax delinquencies and calculates the 10% off of the maximum special taxes rather than the actual levy amount |
| For all City property | |
| Authorize use of special taxes to finance affordable housing | Allows funding for affordable housing |
| Authorize use of special taxes to finance improvements at the San Francisco shoreline to protect the area from perils associated with seismic events and climate change, including sea level rise and floods | Allows funding for shoreline improvements on Port and City property |

(1) Commercial taxpayers will be afforded a similar protection in the Rate and Method of Apportionment for the Leased Property CFD.

Port staff recommends that the Port Commission recommend approval of these changes to the Local Financing Law to the Board of Supervisors.

V. Special Fund Administration Agreement

California law requires tax increment generated within the Sub-Project Areas and the IRFD and special taxes from the CFDs to be deposited into special funds to ensure that they are spent only for authorized purposes.

The Special Fund Administration Agreement (the “SFAA”) will be entered into by a special fund trustee and the Port, on its own behalf and as agent of the IFD with respect to the Sub-Project Areas, as agent of the IRFD, and as agent of the CFDs. The SFAA is intended to provide for the administration and disposition of tax increment generated within the Sub-Project Areas and the IRFD, special taxes from the CFDs, and advances of Port capital and land proceeds to pay for public improvements in the Pier 70 Mixed-Use Project.

Port staff recommends that the Port Commission recommend approval of the SFAA to the Board of Supervisors.

VI. Port-Controller-Treasurer-Tax Collector-Assessor-Recorder Memorandum of Understanding

San Francisco Charter Section B7.320 authorizes the Mayor to submit to the Board of Supervisors for approval a memorandum of understanding between the Port Commission and another department or departments of the City that requires the department(s) to expend funds or to transfer funds to the Port Commission.

The Port is proposing a Memorandum of Understanding (Pier 70 SUD Financing Districts) (“MOU”) among the Port, Treasurer and Tax Collector, Assessor-Recorder and Controller for the Pier 70 Mixed-Use Project to ensure communication and cooperation among the City’s departments in connection with implementation of the Financing Plan, most notably the levy, collection and expenditure of tax increment generated in the Sub-Project Areas and IRFD and special taxes from the CFDs.

Port staff recommends that the Port Commission recommend approval of the Port-Controller-Treasurer-Tax Collector-Assessor-Recorder MOU to the Board of Supervisors.

G. Fiscal Feasibility Analysis

The Port’s economic subconsultant, Berkson & Associates, has prepared a fiscal feasibility analysis, on file with the Commission Secretary, which updates a 2013 evaluation of the fiscal feasibility of proposed development at Pier 70. Note that all dollar amounts are expressed in terms of 2017 purchasing power, unless otherwise noted. All information and assumptions are based on data available as of August 2017.

Fiscal Benefits

The Pier 70 Mixed-Use Project will generate City taxes and fees and create new demand for City services. The fiscal analysis resulted in the following conclusions relative to the balance between these revenues and costs:

- **City General Fund.** The 28-Acre Site and 20th/Illinois Street Parcel (covered by the IFD) are projected to create approximately \$8.0 million in new, annual ongoing general tax revenues to the City net of tax increment (note that tax increment is directed for 45 years to fund the required project infrastructure) and after deducting direct service costs. The redevelopment of the Hoedown Yard (covered by the IRFD) is projected to create approximately \$248,000 in new, annual ongoing general tax revenues to the City (also net of tax increment directed to affordable housing). Additional one-time revenues for both geographies combined, including construction-related sales tax and gross receipts tax, are projected to total \$7.5 million.
- **CFD maintenance taxes.** Special CFD taxes will be paid by property lessees and owners in the Pier 70 Mixed-Use Project to fund public services including parks and roads maintenance.
- **Development impact fees** to fund infrastructure improvements Citywide and to serve the Project total an estimated \$184.1 million. Certain development fees, including Jobs Housing Linkage fees and Affordable Housing In-lieu fees, will help to fund affordable housing at the Project.

Economic Benefits

The Pier 70 Mixed-Use Project is projected to provide a range of direct and indirect economic benefits to the City and the Port. These include a range of economic benefits such as new jobs, economic activity, and increased public and private expenditures, based on the Project proforma available at the time this analysis was conducted.

- \$2.1 billion of construction activity over a period of 15 to 20 years (including infrastructure and building development), resulting in 16,800 direct, indirect and induced construction-related job-years during construction.
- 6,100 new jobs, plus another 5,300 additional indirect and induced jobs, for a total of 11,400 jobs in San Francisco resulting from new businesses and employees.
- Up to 2,150 new residential units, of which 30% will be affordable including sites and funding for an more than 320 affordable units in 100 percent affordable developments. This housing is critical to economic growth in San Francisco and the region.

The Pier 70 Mixed-Use Project provides space for arts and light industrial uses that can help to retain cultural activities in the City, and encourage innovation and growth of new small businesses in the crafts and arts trades, as well as high-tech industries.

Direct Financial Benefits to the Port

The Port, as property owner, will participate in and benefit financially from development and ongoing leasing activities at the Pier 70 Mixed-Use Project. Direct benefits totaling an estimated \$186 million in net present value (NPV, 2017 \$\$) include participation in financial returns, tax increment and special taxes generated by new development.

New Public Access Facilities

The Pier 70 Mixed-Use Project will provide a range of public parks, public access and open space, and a network of landscaped pedestrian connections and bicycle networks. These facilities will benefit San Francisco residents, and provide amenities to encourage retention and attraction of businesses, employees, and residents.

Other Public Benefits

The redevelopment of the Pier 70 Mixed-Use Project will generate benefits for the City and community in the form of urban revitalization, employment and living opportunities, preservation of historic maritime facilities and structures, improved public waterfront access, delivery of affordable housing, improvements to Port property including sea level rise protections, new outdoor recreation opportunities, and City-wide fiscal and economic benefits as described in other sections of the report.

H. Amendments to the Waterfront Land Use Plan

In 1997, the Port Commission adopted the Waterfront Land Use Plan, including the Design and Access Element (collectively, the “Waterfront Plan”), after an intensive seven year planning process that culminated in the Board of Supervisors and Planning Commission adopting conforming amendments to the City’s General Plan and Planning Code. The Waterfront Plan is a land use policy document governing property under the jurisdiction of the Port, including Pier 70 and its surrounding area.

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 waterfront’s overall popularity and its significant capital needs. Staff anticipates completion of this update in 2019.

Because Pier 70 SUD approvals precede the planned Waterfront Plan update, Port staff is recommending that the Port Commission adopt Waterfront Plan amendments to facilitate the Pier 70 Mixed-Use Project. These amendments will recognize the Pier 70 SUD and D4D as the controlling documents that will guide the phased development of improvements. When the Waterfront Plan is amended as a result of the ongoing update process, Port staff envisions refinements to Pier 70 policies to ensure consistency between the Waterfront Plan update amendments and the other Pier 70 projects underway, including the Pier 70 SUD.

The pages of the Waterfront Plan that will be amended 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 the Pier 70 SUD & D4D;
- Chapter 4, Waterfront Mixed Use Opportunity Areas map, p. 81 – to reference the Pier 70 SUD;
- Chapter 4, p. 158 – update objective and narrative to recognize and promote a 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; and
- Chapter 4, Pier 70 Mixed Use Opportunity Area, p. 166 – to reference Pier 70 SUD.

These amendments are further detailed in **Exhibit A** attached to Resolution 17-46.

I. Review of Cost Estimates for the 28-Acre Project

Port staff consulted with an independent, third party firm to validate the 28-Acre Project cost estimates provided by the Developer. The firm, consisting of the joint venture Parsons | Lotus Water, reviewed these costs using a commercially reasonable standard for projects of comparable size and complexity. The team’s findings are summarized below and further detailed in **Attachment E**:

- The hard construction costs are reasonable and a 15% construction contingency is recommended;
- Traditional soft costs of 24% are reasonable and compare favorably with other projects of this magnitude and scope;
- Additional project soft costs are reasonable provided controls are put in place to limit construction management and development management fees to no more than 15% in combined aggregate; and

Port staff also reviewed other costs not directly related to construction and found these costs to be reasonable.

J. Staff Recommendations for Port Commission Action

The resolutions attached to this staff report approve the Pier 70 Mixed-Use Project transaction structure between:

- (1) the Port and FC Pier 70, LLC for the 28-Acre Site; and
- (2) the Port and Third Parties for the “20th/Illinois Parcel”.

The remaining transaction between the City and a Third Party for the Hoedown Yard is subject to separate approval by the Board of Supervisors.

Table H below includes a summary of each Port Commission resolution attached to this staff report, which together will approve the Pier 70 Mixed-Use Project transaction and authorize Port and City staff to execute and implement the transaction documents on file with the Port Commission Secretary.

Table H: Port Commission Resolutions Implementing the Pier 70 SUD Transaction

| Res. No. | Action | Companion Documents on File | Discussed in Staff Report Section(s) |
|----------|---|---|--|
| 17-43 | Adopt CEQA Findings and Approve DDA | CEQA Findings, MMRP, Planning Commission Motion Nos. 19976 and 19977, DDA and its exhibits, including the Financing Plan, forms of Master Lease, Parcel Lease, and Vertical DDA | Section A. (San Francisco Planning Commission August 24, 2017 Action) Attachment A, Section V. (Key Terms of Transaction Documents) |
| 17-44 | Approve Trust Exchange Agreement | Trust Exchange Agreement | Attachment A, Section III. (Land Use and Planning Context) |
| 17-45 | Consent to Pier 70 SUD and related amendments to General Plan | Planning Commission Resolution Nos. 19979 (Pier 70 SUD) and 19978 | Section A. (San Francisco Planning Commission August 24, 2017 Action) |

Table H: Port Commission Resolutions Implementing the Pier 70 SUD Transaction

| Res. No. | Action | Companion Documents on File | Discussed in Staff Report Section(s) |
|----------|--|---|--|
| | | (General Plan) | Attachment A, Section III. (Land Use and Planning Context) |
| 17-46 | Approve amendments to Waterfront Plan | Amendments attached to Resolution | Section H. (Amendments to the Waterfront Land Use Plan) Attachment A, Section III. (Land Use and Planning Context) |
| 17-47 | Consent to Development Agreement | Development Agreement | Section A (San Francisco Planning Commission August 24, 2017 Action) Attachment A, Section V. (Key Terms of Transaction Documents) |
| 17-48 | Approve ICA | Interagency Cooperation Agreement | Attachment A, Section V. (Key Terms of Transaction Documents) |
| 17-49 | Recommend establishment of Sub-Project Areas G-1, G-2, and G-3 of the IFD and IRFD No. 2 | Appendix G-2 Hoedown Yard IFP | Section F. (Public Financing) Attachment A, Section VI. (Public Financing Strategy) |
| 17-50 | Approve an MOU to implement the Financing Plan, recommend Port as agent of IFD, IRFD, and Special Tax Districts, and approve a Special Fund Administration Agreement | MOU and Special Fund Administration Agreement | Section F. (Public Financing) |
| 17-51 | Recommend amendments to the Special Tax Financing Law | | Section F. (Public Financing) Attachment A, Section VI. (Public Financing Strategy) |
| 17-52 | Approve the Sale of Parcel K North | Form of Parcel K North VDDA | Section E. (Revised Description and Staff Recommendation for Disposition of Parcel K North at Illinois and 20th Streets) Attachment A, Section VII. (Parcel K North Sale Strategy) |

Port staff requests Port Commission approval of these resolutions.

K. Next Steps

San Francisco Public Utilities Commission

The San Francisco Public Utilities Commission has agendaized the following item related to the Pier 70 Mixed-Used Project for its September 26, 2017 meeting:

Discussion and possible action to authorize the General Manager of the San Francisco Public Utilities Commission to consent, on behalf of the SFPUC, to the Development Agreement (“DA”) between the City and County of San Francisco (the “City”) and FC Pier 70, LLC (“Developer”), as it relates to matters under the SFPUC’s jurisdiction ; consent to the Pier 70 Interagency Cooperation Agreement; adopt findings, pursuant to the California Environmental Quality Act (CEQA), including a Mitigation and Monitoring and Reporting Program (MMRP); and authorize the General Manager to negotiate and execute a Memorandum of Understanding with the Port regarding the relocation of the SFPUC’s 20th Street Pump Station as a part of the proposed project.

San Francisco Board of Supervisors

Subject to Port Commission approval of the attached resolutions, the Pier 70 Mixed-Use Project is now subject to consideration and approval by the Board of Supervisors.

On July 25, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced the following legislation to approve the Pier 70 SUD and approve the Development Agreement:

- Ordinance amending the Planning Code and the Zoning Map to add the Pier 70 Special Use District; making findings under the California Environmental Quality Act, and making findings of consistency with the General Plan, the eight priority policies of Planning Code, Section 101.1, and Planning Code, Section 302 (File # 170864).
- Ordinance approving a Development Agreement between the City and County of San Francisco and FC Pier 70, LLC, for 28 acres of real property located in the southeast portion of the larger area known as Seawall Lot 349 or Pier 70; and bounded generally by Illinois Street on the west, 22nd Street on the south, and San Francisco Bay on the north and east; waiving certain provisions of the Administrative Code, Planning Code, and Subdivision Code; and adopting findings under the California Environmental Quality Act, public trust findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b) (File # 170863).

On September 5, 2017, the Planning Commission introduced the following legislation to amend the General Plan:

- Ordinance amending the General Plan to revise Maps 4 and 5 of the Urban Design Element to refer to the Pier 70 Mixed-Use Project Special Use District; adopting findings under the California Environmental Quality Act, and Planning

Code, Section 340; and making findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1 (File # 170930).

On September 12, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced the following legislation to approve the Pier 70 Mixed-Use Project:

- Resolution approving a Disposition and Development Agreement between the Port and FC Pier 70, LLC, for 28 acres of real property located in the southeast portion of the larger area known as Seawall Lot 349 or Pier 70; adopting findings under the California Environmental Quality Act; adopting findings of consistency with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b); and adopting public trust consistency findings (File # 170986).
- Resolution approving the Compromise Title Settlement and Land Exchange Agreement for Pier 70 between the City and the California State Lands Commission in furtherance of the Pier 70 Mixed Use Project located at Pier 70; and adopting findings under the California Environmental Quality Act (File # 170987).
- Resolution approving the Memorandum of Understanding between the Port and other City Agencies regarding Interagency Cooperation; and adopting findings under the California Environmental Quality Act (File # 170988).
- Ordinance approving the sale of Parcel K North, located at 20th Street and Illinois Street, by the Port Commission; waiving certain provisions of the Administrative Code; and adopting findings under the California Environmental Quality Act, public trust findings, and findings of consistency with the General Plan, and the eight priority policies of Planning Code Section 101.1(b) (File # 170983).

The Board of Supervisors may not act on any of these proposed resolutions and ordinances until it considers any timely appeals related to the sufficiency of the FEIR. Under the current schedule, the Board of Supervisors is scheduled to consider the Pier 70 Mixed Use Project in October, 2017. Public financing related approvals, including the formation of the IFD, Appendix G-2 and the IRFD No. 2 (Hoedown Yard), are expected to trail Project approvals by several weeks.

Subject to the Port Commission's approval actions today, Port staff will represent the Port Commission at Board of Supervisors hearings to consider these matters.

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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

Attachments

- A: Corrections to the August 8, 2017 Port Commission Staff Report
- B: Summary Proforma and Strike Prices for Measuring Down Market Delay
- C: Line Item Cost Estimates for IFP Appendix G-2
- D: Proposed CFD Tax Rates, Subject to Approval by the Port Commission and the Board of Supervisors
- E. Review of Costs for the 28-Acre Project

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

RESOLUTION NO. 17-43

- WHEREAS, The Port owns approximately 72 acres along San Francisco’s Central Waterfront, roughly bounded by Mariposa Street, Illinois Street, 22nd Street, and the San Francisco Bay known as Pier 70.
- WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco’s Central Waterfront Plan Area (the “Project Site”); and
- WHEREAS, The Project Site includes an approximately 28-acre area owned by the Port known as the “28-Acre Site,” bounded generally by Michigan Street on the west, 22nd Street on the south, 20th Street on the north and San Francisco Bay on the east; and
- WHEREAS, From 2007 to 2010, the Port conducted a community process that evaluated the unique site conditions and opportunities at Pier 70 and built a public consensus for Pier 70’s future that nested within the policies established for the Eastern Neighborhoods-Central Waterfront. This process culminated in the Pier 70 Master Plan, which was endorsed by the Port Commission in May 2010, and the proposed mixed-use development of the Project Site (the “Pier 70 Mixed-Use Project”); and
- WHEREAS, In April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. (“Forest City”), through a competitive process, the opportunity to negotiate for the development of the 28-Acre Site as a mixed-use development and historic preservation project (the “28-Acre Project”); and
- WHEREAS, In May 2013, by Resolution No. 13-20, the Port Commission endorsed the Term Sheet for the 28-Acre Project. Subsequently, in June 2013, by Resolution No. 201-13, the Board of Supervisors found the 28-Acre Project fiscally feasible under Administrative Code, Chapter 29 and endorsed the Term Sheet for the 28-Acre Project; and
- WHEREAS, Port staff and FC Pier 70, LLC, an affiliate of Forest City (“Developer”), have negotiated the terms of the Disposition and Development Agreement (“DDA”) and related transaction documents that are incorporated into the DDA and provide the overall road map for development of the 28-Acre Project, including a Financing Plan, an

Infrastructure Plan, an Affordable Housing Plan, a Transportation Plan that includes a Transportation Demand Management Program, a Workforce Development Plan, an arts program for the use of the arts building on Parcel E4 (including replacement studio space for the artist community in the Noonan building), and forms of an interim Master Lease, Vertical Disposition and Development Agreement and Parcel Lease (including applicable lease terms for Historic Buildings 2, 12 and 21); and

WHEREAS, The Developer has engaged in an extensive community outreach process that has included more than 120 community meetings since 2011, including workshops, focus groups, art events, formal and informal presentations, open houses and site tours. Additionally, in 2014, 73% of voters supported Proposition F, the ballot measure supporting reuse of the area and increasing the height limits for the 28-Acre Project, conditional upon Port Commission approval of a development plan for the 28-Acre Project; and

WHEREAS, Developer is an affiliate of Forest City and Forest City Realty Trust, Inc., a publicly-traded company with exceptional access to capital, and Port financial staff have reviewed and confirmed the financial capacity of Developer's parent in amounts sufficient to satisfy its obligation to fund its obligations under the DDA; and

WHEREAS, The parties wish to enter into the DDA substantially in the form on file with the Commission Secretary and incorporated in this resolution by reference; and

WHEREAS, Concurrently with this resolution, the Port Commission has taken or intends to take a number of other actions in furtherance of the 28-Acre Project, including: (1) approving a trust exchange agreement ("Exchange Agreement") between the Port and the California State Lands Commission; (2) consenting to amendments to the Planning Code that create the Pier 70 Special Use District ("Pier 70 SUD") over the Project Site and related amendments to the zoning maps; (3) consenting to the Development Agreement as it relates to matters under Port jurisdiction; (4) approving the Design for Development, which provides more detailed land use controls of the Pier 70 SUD and conforming amendments to the Waterfront Land Use Plan; (5) approving and recommending that the Board of Supervisors approve a memorandum of understanding for interagency cooperation among the Port, the City, and other City agencies with respect to approvals related to the subdivision of the 28-Acre Site and construction of infrastructure and other public facilities; (6) recommending that the Board of Supervisors approve formation proceedings for sub-project areas to Project Area G of City and County of San Francisco Infrastructure Financing District No. 2 and a

memorandum of understanding between the Port and the Assessor, the Treasurer-Tax Collector, and the Controller regarding the assessment, collection, and allocation of ad valorem and special taxes to the financing districts; and (7) approving and recommending that the Board of Supervisors approve the public offering and disposition of Parcel K North that is adjacent to the 28-Acre Site; and

WHEREAS, Under the DDA and other transaction documents, at full build-out, the 28-Acre Project will include: (1) 1,100 to 2,150 new residential units, including on-site housing affordable to a range of low- to moderate-income households as described in the Affordable Housing Plan; (2) between 1 million and 2 million gross square feet of new commercial and office space; (3) rehabilitation of three significant contributing resources to the Union Iron Works 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 improved transportation connections through the neighborhood; (6) 9 acres of new open space, 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; and (8) replacement studio space for artists currently leasing space in the Noonan Building and a new arts space; and

WHEREAS, The DDA governs: (1) Developer's obligations to complete horizontal development of the 28-Acre Project, including entitlements, 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 (together, "Horizontal Development"), all to create development parcels and support and protect buildings; and (2) Developer's option to purchase or ground lease the majority of developable lots in the 28-Acre Site for vertical development, all in accordance with all of the governing land use and entitlement documents, including the Development Agreement, Pier 70 SUD, and Design for Development; and

WHEREAS, The DDA also governs Developer's obligations to deliver various public benefits, including: (1) the rehabilitation of Historic Buildings 2, 12, and 21 in accordance with the Secretary of the Interior's Standards for the Rehabilitation of Historic Properties; (2) a new up to approximately 90,000-square-foot arts facility; (3) replacement space for current tenants of the Noonan Arts Building; (4) at least 50,000 square feet of Production, Distribution and Repair space; (5) two on-site child care facilities; (6) 9 acres of new parks and open space; (7) on-site sea level rise protections; and (8) affordable housing as described below; and

WHEREAS, The DDA includes a Schedule of Performance that includes outside dates for the completion of public infrastructure, including streets, utilities and parks, and the development of Historic Buildings 12 and 21 and the Arts Building; and

WHEREAS, The DDA provides the Port with remedies in the event that Developer does not meet its obligations under the Schedule of Performance or other provisions of the DDA, including specific performance and termination for material breach; and

WHEREAS, The DDA, which is premised on approval of the Pier 70 trust exchange under the Exchange Agreement, (1) establishes processes to ensure that the Port receives fair market value for the sale or lease of all option parcels as established by appraisal or public offerings on the open market; (2) provides for three development parcels to be used for 100% affordable housing development through an agreement with the City that the Port will lease the parcels at below-market rents and the City will apply impact fees payable by developers of commercial parcels and market-rate housing to development of the affordable housing sites; (3) provides for the use of nontrust revenue sources in the form of tax increment and special tax revenues to the extent necessary to make the rehabilitation of two historic buildings financially feasible; and (4) provides for the Port to be repaid, with interest, from nontrust revenues for costs of constructing infrastructure and public facilities needed and desired to support development at the 28-Acre Site; and

WHEREAS, The Financing Plan provides that (1) Developer is responsible for funding all entitlement costs and the costs of constructing Horizontal Development to the extent other 28-Acre Project sources are not available, subject to reimbursement; (2) Developer's costs will be repaid with an 18% market rate of return from a number of potential sources, including the sale or lease of parcels at fair market value, community facilities district and infrastructure financing district proceeds, and, at the Port's discretion, Port capital; and (3) after Developer's costs are repaid, land revenues will be split 55% to the Port and 45% to Developer; and

WHEREAS, The Affordable Housing Plan includes measures to ensure that at least 30% of all residential units produced at the 28-Acre Site and the adjacent Parcel K South are affordable to low- and moderate-income households, with the following components: (1) 150 or more inclusionary rental units, representing 20% of all on-site rental units and (2) 320 or more permanently affordable units in three buildings to be developed by local nonprofits in the 28-Acre Site and Parcel K South. The Port will enter into a memorandum of understanding with

the Mayor's Office of Housing and Community Development for developer selection, rent-free leases, and development of the permanently affordable housing projects on the three sites; and

WHEREAS, The Infrastructure Plan includes the conceptual level planning elements of all the infrastructure systems necessary to serve the Pier 70 SUD and describes Developer's obligation to complete streets and infrastructure to support development of the 28-Acre Site. The Port's and City's third-party developers will retain certain infrastructure obligations related to the adjacent Illinois Street Parcels, including the 20th Street Plaza, Michigan Street, and Irish Hill Park; and

WHEREAS, The Transportation Plan requires, among other things, that (1) vertical developers pay a transportation fee that the Municipal Transportation Agency will use and allocate for transportation improvements in the area and (2) Developer, building owners, and tenants implement a Transportation Demand Management Program designed to reduce 28-Acre Project-related one-way vehicular auto trips by 20%; and

WHEREAS, The Workforce Development Plan requires Developer and its contractors and subcontractors, vertical developers, and tenants to comply with applicable workforce provisions, including a 30% local hiring commitment, local business enterprise utilization, participation in the City's "First Source" hiring programs, and up to \$1 million in funding to support expansion of CityBuild and TechSF training for District 10 residents; and

WHEREAS, The Master Lease is a form that sets forth the terms and conditions under which the Port will lease most of the 28-Acre Site to Developer when it is ready to begin constructing horizontal improvements, including parks, streets and utilities in accordance with the DDA. Individual development parcels will be removed from the Master Lease upon completion of the horizontal improvements serving each parcel as they are leased or sold to vertical developers; and

WHEREAS, The Vertical Disposition and Development Agreement is a form that sets forth (i) the conditions to a vertical developer's acquisition of the lease or fee interest in each development parcel within the 28-Acre Site and (ii) applicable Port and City requirements for constructing the applicable development project; and

WHEREAS, The Parcel Lease is a form that sets forth the terms and conditions under which vertical developers will acquire rights to development parcels that are conveyed by ground lease rather than deed, and will be modified, as described in the staff memorandum accompanying this resolution, to address circumstances unique to (1) the Arts Building expected to be built on Parcel E4, 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); and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project ("FEIR") (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act ("CEQA"), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the "Pier 70 CEQA Findings"), and adopted a Mitigation Monitoring and Reporting Program ("MMRP"). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed Use-Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; now, therefore be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, That the Port Commission hereby approves the DDA and finds that the 28-Acre Project is consistent with and furthers the purposes of the common law public trust and the statutory trust under the Burton Act; and, be it further

RESOLVED, That the Port Commission approves the development plan described in the DDA as a Development Plan under Section 4 of the Union Iron Works Historic District Housing, Waterfront Parks, Jobs and

Preservation Initiative (Proposition F, November 2014); and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or her designee, to execute the DDA, subject to Board of Supervisors' approval, and recommends to the Board of Supervisors approval of the DDA; and, be it further

RESOLVED, That to the extent that implementation of the DDA involves the execution and delivery of additional agreements, notices, consents and other instruments or documents by the Port, including, without limitation, instruments conveying or leasing development parcels to Developer or vertical developers (such as the Master Lease, Parcel Leases and Vertical Disposition and Development Agreements) (collectively, "Subsidiary Agreements"), the Executive Director, or her designee, as she may deem necessary or appropriate in consultation with the City Attorney, is authorized to execute all such Subsidiary Agreements so long as the transactions governed by such Subsidiary Agreements are contemplated in, and comply with the terms of, the DDA, and with respect to the Master Lease, Parcel Leases and Vertical Disposition and Development Agreements, are substantially in the form of the Master Lease, Parcel Lease and Vertical Disposition Agreement attached as Exhibits to the DDA; and, be it further

RESOLVED, That the Port Commission authorizes and urges all officers, employees, and agents of the Port and the City to take all steps that they deem necessary or appropriate, to the extent permitted by applicable law, in order to implement the DDA in accordance with this resolution, including preparation and attachment of exhibits, execution of subsequent documents, or to otherwise effectuate the purpose and intent of this resolution and the DDA as described in the in the staff memorandum accompanying this resolution; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or her designee, to enter into any amendments or modifications to the DDA that the Executive Director determines, in consultation with the City Attorney, are in the best interest of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 17-44**

- WHEREAS, The Port owns approximately 72 acres along San Francisco’s Central Waterfront, roughly bounded by Mariposa Street, Illinois Street, and 22nd Streets and the San Francisco Bay, known as Pier 70. Pier 70 includes approximately 61.29 acres of land and approximately 10.42 acres of submerged lands; and
- WHEREAS, Under the Burton Act and the City Charter, certain State lands granted to the City and County of San Francisco subject to the public trust for commerce, navigation and fisheries (“Public Trust”) were placed within the administration and control of the City acting by and through the Port Commission; and
- WHEREAS, Pier 70 consists of lands granted under the Burton Act and adjacent lands later acquired by the Port. Under the agreement between the City and the State of California transferring the granted lands to the City (“Transfer Agreement”), the City agreed that lands later acquired by the Port would be held as assets of the Public Trust subject to the Burton Act; and
- WHEREAS, The Port along with its development partners and interested stakeholders have been working for more than two decades to develop a land use plan to facilitate the beneficial development of Pier 70 and generate substantial revenue for the Port as part of a proposed mixed-use project (the “Pier 70 Mixed-Use Project”); and
- WHEREAS, The Pier 70 area consist of five sub-areas including: 1) the ship repair yard, 2) the 20th Street Historic Core, 3) Crane Cove Park, 4) the 28-acre Waterfront Mixed-Use Special Use District area, and 5) other development opportunities; and
- WHEREAS, The extent to which the Public Trust covers lands at Pier 70 is subject to dispute, and the State and the Port disagree as to the existence of the Public Trust on certain of those lands; and
- WHEREAS, The existing configuration of trust and non-trust lands at Pier 70 is such that the purposes of the Public Trust cannot by fully realized, and the Pier 70 Mixed-Use Project cannot be developed due to the current trust configuration; and
- WHEREAS, The California legislature, through Chapter 477 of the Statutes of 2011 (Assembly Bill 418) (“AB 418”) authorized the Port, subject to applicable laws, to enter into an exchange agreement with the California State Lands Commission (“State Lands”) to effectuate a

Public Trust exchange in accordance with the terms of the statute, and to transfer, convey or otherwise grant interests in or rights to use or occupy all or any portion of the Pier 70 areas removed from the Public Trust pursuant to the exchange; and

WHEREAS, The exchange authorized under AB 418 would resolve the Public Trust title uncertainties and reconfigure the Public Trust at Pier 70 in a manner that furthers the purposes of the Public Trust and provides a more useful configuration of Public Trust lands by placing the Public Trust along the entire shoreline of Pier 70 and on other lands of high value to the Public Trust, while removing the Public Trust from lands in the interior of Pier 70 that are cut off from the water, thereby removing impediments to their productive reuse and development; and

WHEREAS, To implement development of Pier 70, the Port and its development partners have negotiated, among other agreements, a Compromise Title Settlement and Land Exchange Agreement for Pier 70 (the "Exchange Agreement") between the Port and State Lands, as more particularly described in the staff memorandum to which this resolution is attached; and

WHEREAS, The Exchange Agreement implements the exchange through conveyances by which State Lands will take title to the lands from the Port and convey them back to the Port either subject to or free of the Public Trust; and

WHEREAS, Following these conveyances, the Port would hold the Public Trust lands as trustee, subject to the terms and conditions of the Burton Act and AB 418, and would hold the Trust termination lands as assets of the Public Trust, but free of the use and alienability restrictions of the Public Trust, the Burton Act and the Transfer Agreement; and

WHEREAS, The Exchange Agreement makes conforming amendments to the Transfer Agreement to effectuate the exchange authorized by AB 418; and

WHEREAS, The Exchange Agreement contains provisions to ensure that public access is provided to Public Trust lands; and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project ("FEIR") (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California

Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; now, therefore be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, That in order to effectuate the beneficial development of Pier 70, the Port Commission approves the Exchange Agreement and authorizes the Executive Director or her designee to execute, deliver and perform the Exchange Agreement in substantially the form on file with the Port Commission Secretary, subject to obtaining Board of Supervisors approval of the Exchange Agreement; and, be it further

RESOLVED, That the Port Commission finds that the lands or interests in lands that will be impressed with the Public Trust will provide a significant benefit to the Public Trust and are useful for the Public Trust purposes authorized by AB 418; and, be it further

RESOLVED, That the Port Commission authorizes and urges the Executive Director, prior to execution of the Exchange Agreement, to make changes and take any and all steps, including but not limited to, the attachment of exhibits and the making of corrections, as the Executive Director determines in consultation with the City Attorney, are necessary or appropriate to consummate the Exchange Agreement in accordance with this resolution; provided, however, that such changes and steps do not materially decrease the benefits to or materially

increase the obligations or liabilities of the Port, and are in compliance with all applicable laws; and, be it further

RESOLVED, That all actions heretofore taken by the officers and employees of the Port with respect to the Exchange Agreement are approved, confirmed and ratified; and, be it further

RESOLVED, That the Port Commission authorizes and urges all officers, employees, and agents of the Port and the City to take any and all steps as they deem necessary or appropriate, to the extent permitted by applicable law, in order to consummate the Exchange Agreement in accordance with this resolution and to implement the Exchange Agreement, including execution of subsequent documents and conveyance of real property to, and the acceptance of real property from, State Lands, or to otherwise effectuate the purpose and intent of this resolution and the Port's performance under the Exchange Agreement; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to enter into any amendments or modifications to the Exchange Agreement that the Executive Director or her designee determines, in consultation with the City Attorney, are in the best interest of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

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

RESOLUTION NO. 17-45

- WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco’s Central Waterfront Plan Area (the “Project Site”); and
- WHEREAS, The Project Site includes a 28-Acre portion (the “28-Acre Site”) for which, in April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. (“Forest City”), through a competitive process, the opportunity to negotiate the development thereon of a mixed-use development and historic preservation project; and
- WHEREAS, Over the past 6 years, Port staff, FC Pier 70, LLC (“Developer”), an affiliate of Forest City, the Planning Department and the Mayor’s Office of Economic and Workforce Development, have conducted numerous community outreach meetings and negotiated the terms of the Disposition and Development Agreement, Development Agreement and associated transaction documents (collectively, the “Transaction Documents”) that provide the overall road map for development of the 28-Acre Site; and
- WHEREAS, The Transaction Documents also contemplate development by the Port and/or City of two adjacent parcels along Illinois Street within the Project Site; and
- WHEREAS, Because the proposed mixed-use development on the Project Site (“Pier 70 Mixed-Use Project”) would not comply with many of the existing zoning controls which affect the Project Site, the Port and Developer, as project sponsors, have proposed the establishment of a Pier 70 Special Use District and the adoption of various Planning Code text amendments described below that would articulate a unique set of zoning regulations and approval processes for the development of the Project Site; and
- WHEREAS, The adoption of the Pier 70 Special Use District and related Planning Code text amendments also require amendments to the City’s General Plan (collectively, the “General Plan Amendments”); and

WHEREAS, To implement the Port’s vision for the development of the Project Site, on July 25, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced ordinances that would establish the Pier 70 Special Use District (herein “Pier 70 SUD”), add the Pier 70 SUD in Planning Code Section 249.79 and amend Zoning Use District Map No. ZN08 and Height and Bulk District Map No. HT08 for the Pier 70 Mixed-Use Project (collectively, the “Planning Code Text Amendments”); and

WHEREAS, On June 22, 2017, the Planning Commission adopted Resolution No. 19949 to initiate the General Plan Amendments for the Project Site; and

WHEREAS, The Planning Code Text Amendments would enable the development of the Project Site for new market-rate and affordable residential uses, commercial use, retail-arts-light industrial uses, parking, shoreline improvements, infrastructure development and street improvements, and public open space. Depending on the uses proposed, the Pier 70 Mixed-Use Project would include between 1,645 to 3,025 residential units, between 1,102,250 to 2,262,350 gross square feet (“gsf”) of commercial-office use, and between 494,100 to 518,700 gsf of retail-light industrial-arts use, and nine acres of publicly-owned open space; and

WHEREAS, The Project Site would include new buildings that would range in height from 50 to 90 feet. This height range is consistent with Proposition F, passed by the voters of San Francisco in November 2014, which increased building height limits on the 28-Acre Site from 40 feet to 90 feet (except for a 100-foot-wide portion adjacent to the shoreline that remains at 40 feet); and

WHEREAS, The Planning Code Text Amendments would establish the Pier 70 SUD, which would outline the land use controls for the Project Site, alongside the Pier 70 SUD Design for Development (“D4D”) that includes further controls, standards and guidelines specific to the Project Site, providing development requirements for both infrastructure and community facilities as well as private development of buildings. The D4D would therefore implement the Planning Code Text Amendments; and

WHEREAS, The Planning Code Text Amendments would amend Zoning Use District Map No. ZN08 to rezone Assessor’s Block 4052 Lot 001 (partial), Block 4111 Lot 004 (partial), Block 4110 Lots 001 and 008A from M-2 (Heavy Manufacturing) to Pier 70 Mixed-Use District, and Block 4120 Lot 002 from P (Public) to Pier 70 Mixed-Use District; and

WHEREAS, The Planning Code Text Amendments would amend Height & Bulk District Map No. HT08 to increase the height limit for Block 4052 Lot

001 (partial), Block 4111 Lot 004 (partial), and Block 4120 Lot 002 from 40-X to 90-X; and

WHEREAS, The General Plan Amendments would amend Map No. 04 “Urban Design Guidelines for Heights of Buildings” and Map No. 5 “Urban Design Guidelines for Bulk of Buildings” in the Urban Design Element to reference the Pier 70 Mixed-Use Project Special Use District, as well as update and amend the Land Use Index of the General Plan accordingly; and

WHEREAS, Together with the Planning Code Text Amendments, the D4D will be the key source for development controls and design guidelines for land use, buildings, parking, streets and public open spaces, architecture, and more. Parks and open spaces will also follow a subsequent design review and approval process to ensure that they meet Port standards. The D4D addresses street layout, open space, and blocks, and establishes overarching strategies for placement of uses and buildings relative to street and open space typologies. Following adoption, any amendments to the D4D would be approved by both Planning and Port Commissions, and any further amendments to the Planning Code Text Amendments would be approved by the Board of Supervisors, following recommendations by the Planning and Port Commissions; and

WHEREAS, The D4D contemplates that the Developer will submit a Building Signage Plan to the Port and Planning Department that will serve as further guidance to Port and Planning staff in reviewing building signage for consistency with the D4D, which will be approved by the Port Director and Planning Director; and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project (“FEIR”) (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be

found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, At the same hearing, the Planning Commission discussed the issue of the jobs-housing balance, as further described in the staff report attached to this resolution. The Port Commission acknowledges and supports the citywide discussion about promoting an appropriate balance of jobs and housing;

WHEREAS, The Port Commission finds that the land use plan with the proposed mix of commercial and residential uses is appropriate for the site, due to (i) the public planning process to date, which initially resulted in the Pier 70 Preferred Master Plan that recommended an entirely commercial project, including office and other commercial uses, (ii) the site's adjacent industrial and ship repair uses, and environmental conditions, (iii) the incorporation of at least 1,650 units of housing into the Project, and (iv) the Port's responsibilities as trustee under the Burton Act to protect Port property, including funding critical seawall repairs and implementing protective and adaptive measures to address sea level rise;

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; and

WHEREAS, On August 24, 2017, the Planning Commission by Resolution No. 19979 recommended approval by the Board of Supervisors of a draft ordinance, substantially in the form attached hereto as Exhibit A, that would establish the Pier 70 SUD and amend Zoning Use District Map No. ZN08 and Height and Bulk District Map No. HT08 for the Pier 70 Mixed-Use Project as provided in the Planning Code Text Amendments; and

WHEREAS, On August 24, 2017, the Planning Commission by Resolution No. 19978 recommended approval by the Board of Supervisors of a draft ordinance, substantially in the form attached hereto as Exhibit A, that would adopt the General Plan Amendments; and

WHEREAS, The Port Commission through Resolution 17-46 is concurrently approving amendments to the Waterfront Land Use Plan and Design and Access Element to be consistent with the Planning Code Text

Amendments, D4D, and the General Plan Amendments; now, therefore, be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, That the Port Commission has considered the Planning Code Text Amendments and recommends approval thereof by the Board of Supervisors; and be it further

RESOLVED, That the Port Commission has considered the General Plan Amendments and recommends approval thereof by the Board of Supervisors; and be it further

RESOLVED, That the Port Commission approves the D4D, contingent on approval of the Planning Code Text Amendments by the Board of Supervisors, for the following reasons:

1. The D4D would help implement the Pier 70 Mixed-Use Project to transform currently underused industrial land into a vibrant new mixed-use and sustainable neighborhood, with fully rebuilt infrastructure, with a network of new parks and open space serving residents and visitors alike, and will improve the site's multi-modal connectivity to and integration with the surrounding City fabric, and connect existing neighborhoods to the City's central waterfront.
2. The D4D would help ensure that new development on Port property will be high quality, with active streets, open spaces and physical and visual connections with the waterfront; and be it further

RESOLVED, That the Port Commission finds the D4D is in general conformity with the Waterfront Land Use Plan as amended as set forth in Port Commission Resolution No. 17-46; and be it further

RESOLVED, That the Port Commission urges the Board of Supervisors to consider site's adjacent industrial and ship repair uses and environmental conditions in its deliberations regarding the recommendation of the Planning Commission to impose a conditional use requirement above a threshold of office development to address the City's balance of jobs and housing; and, be it

RESOLVED, That the Port Commission delegates to the Port Executive Director the authority to take all such actions as are contemplated by and reasonably necessary to effectuate the D4D, including, without limitation, the authority to review and approve the Building Signage

Plan contemplated under the D4D and Disposition and Development Agreement.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

EXHIBIT A-1
PLANNING CODE TEXT AMENDMENTS
(Attached)

EXHIBIT A-2
GENERAL PLAN AMENDMENTS
(Attached)

**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO
RESOLUTION NO. 17-46**

- WHEREAS, In 1997, the Port Commission adopted the Port of San Francisco Waterfront Land Use Plan, including the Design and Access Element (collectively, the “Waterfront Plan”) after an intensive seven year planning process that culminated in the Board of Supervisors and Planning Commission adopting conforming amendments to the City’s General Plan and Planning Code; and
- WHEREAS, The Waterfront Plan is a land use policy document governing property under the jurisdiction of the Port of San Francisco, including Pier 70 and its surrounding area; and
- WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco’s Central Waterfront Plan Area (the “Project Site”); and
- WHEREAS, The Project Site includes a 28-acre portion owned by the Port (the “28-Acre Site”) for which in April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. (“Forest City”), through a competitive process, the opportunity to negotiate the development thereon of a mixed-use development and historic preservation project; and
- WHEREAS, Over the past 6 years, Port staff, FC Pier 70, LLC (“Developer”), an affiliate of Forest City, the Planning Department and the Mayor’s Office of Economic and Workforce Development, have conducted numerous community outreach meetings and negotiated the terms of the Disposition and Development Agreement, Development Agreement and associated transaction documents (collectively, the “Transaction Documents”) that provide the overall road map for development of the 28-Acre Site, including a Financing Plan, an Infrastructure Plan, an Affordable Housing Plan, a Transportation Plan that includes a Transportation Demand Management Program, a Workforce Development Plan, an arts program for the use of the arts building on Parcel E4 (including replacement studio space for the artist community in the Noonan building), and forms of an interim Master Lease, Vertical Disposition and Development Agreement and Parcel Lease (including applicable lease terms for Historic Buildings 2, 12 and 21); and

- WHEREAS, The Transaction Documents also contemplate development by the Port and/or City of the 20th & Illinois Street Parcel that is adjacent to the 28-Acre Site within the Project Site; and
- WHEREAS, Because the proposed mixed-use development on the Project Site (the “Pier 70 Mixed-Use Project”) would not comply with many of the existing zoning controls which affect the Project Site, the Port and Developer, as project sponsors, have proposed the establishment of a Pier 70 Special Use District and the adoption of various Planning Code text amendments that would articulate a unique set of zoning regulations and approval processes for the development of the Project Site (“Planning Code Text Amendments”); and
- WHEREAS, To implement the Port’s vision for the development of the Project Site, on July 25, 2017, Mayor Edwin Lee and Supervisor Malia Cohen introduced ordinances for Planning Code Text Amendments to establish the Pier 70 Special Use District (herein “Pier 70 SUD”) that would add the Pier 70 SUD in Planning Code Section 249.79 and amend Zoning Use District Map No. ZN08 and Height and Bulk District Map No. HT08 for the Pier 70 Mixed-Use Project; and
- WHEREAS, The Pier 70 SUD, in turn, refers to the Pier 70 SUD Design for Development document (herein “D4D”) for further controls, standards, and guidelines specific to the site, providing development requirements for both infrastructure and community facilities as well as private development of buildings. The D4D would therefore be an extension of the Pier 70 SUD; and
- WHEREAS, As an extension of the Planning Code Text Amendments, the D4D would enable and guide the entire Project Site; and
- WHEREAS, In April 2015, the Port initiated an extensive community engagement process to update the Waterfront Plan, recognizing that certain major projects, including Pier 70, were already underway and would continue with focused community and interagency coordination during the Waterfront Plan update process; and
- WHEREAS, The Port land subject to the Waterfront Plan includes the 28-Acre Site and the 20th & Illinois Street Parcel (collectively, the “WLUP Project Site”); and
- WHEREAS, The Port Commission desires to amend the Waterfront Plan to reflect the development standards and guidelines set forth in the Pier 70 SUD and D4D and to have those amendments reflected in the Waterfront Plan update; and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project (“FEIR”) (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; now, therefore be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, The Port Commission finds that the proposed development of the WLUP Project Site, as reflected in the Transaction Documents, as well as under the proposed Pier 70 SUD and D4D, is consistent with objectives under the Waterfront Plan, to “promote non-maritime activities in and around the three historic Union Iron Works buildings to facilitate the revitalization of an area that survives as an example of San Francisco’s earliest maritime industry” and to “enhance the public’s appreciation of the waterfront by providing greater opportunities for access in a manner which does not compromise the efficiency of maritime operations,” and will further the Port’s goals for the Pier 70 area by including the adaptive reuse of historic structures, providing new shoreline open space and mixed use infill development; and be it further

RESOLVED, That the Port Commission hereby approves the amendments to the October 2009 Revised Version of the Waterfront Plan that are described in Exhibit A to this resolution and incorporated herein by reference; and be it further

RESOLVED, That the Port Commission hereby approves the amendments to the Waterfront Land Use Plan Design and Access Element that are described in Exhibit A to this resolution and incorporated herein by reference; and be it further

RESOLVED, That staff is directed to include in the forthcoming update to the Waterfront Land Use Plan the amendments described above to achieve general conformity with the Pier 70 SUD and D4D.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

EXHIBIT A
WATERFRONT LAND USE PLAN AMENDMENTS

Chapter 3 Page 57 - Map B Open Space and Public Access

Add note to Map:

For Pier 70 area (including SWL 349) Refer to SF Planning Department's Pier 70 Special Use District for Planned Open Spaces (Planning Commission Motion 19979)

Chapter 4 page 81A - Map D

Amend Map to

Expand Pier 70 Special Use District to include the SF Planning Department Pier 70 Special Use District (Planning Commission Motion 19979)

The following are text edits to the Waterfront Land Use Plan

Chapter 4 page 158-159 - Update objective statement:

Promote public appreciation of the non-maritime activities in and around three historic Union Iron Works Historic District, and buildings to facilitate the revitalization of an area that survives as an example of San Francisco's earliest maritime industry.

The Union Iron Works Historic District memorializes Pier 70's rich history as Located a few miles from the center of San Francisco, the area around Pier 70 was developed in the late 1800's the west coast's major for-maritime center from the late 1800's. The Historic District is a national historic resource for its association with the development of steel ship building and for its architecture for the period of 1884-1945. and other industrial businesses, with nearby residences for working-class families. The Union Iron Works and its successor company, Bethlehem Steel Corporation, stood at the center of the American shipbuilding industry from the Spanish American War through World War II, producing and repairing warships that were essential to the military success of the United States. The Irish Hill and Dogpatch neighborhoods emerged to provide the workforce needed to support the manufacturing and industrial operations. was established at Twentieth and Illinois in 1883 for the building of steel steamships and men-of-war.

Pier 70 improvements will continue to maintain modern ship repair operations, a core maritime priority of the Port, on 14 acres of land plus water area. The area surplus to shipyard operations includes several contributing historic resources, including the 20th Street historic core, that will be preserved and rehabilitated as part of a new
~~Unfortunately, the total amount of ship repair opportunities has diminished greatly since the end of the Vietnam War (see Appendix A). As ship repair contracts have decreased, the number of piers dedicated to use as ship repair facilities also has decreased. San Francisco Drydock, which operates out of Pier 70, and Service Engineering Company~~

~~(SECO), which operates out of Pier 50, are the only full service ship repair companies with year-round operations at the Port.~~

~~In 1994, San Francisco Drydock recently requested that the Port remove 18 acres, which are no longer needed for ship repair operations, from their lease agreements with the Port. The vacated area includes three turn-of-the-century Union Iron Works buildings along 20th Street (Port Building #101, 102, 104) which have outlived their maritime function and are slowly deteriorating. Especially noteworthy is the former Bethlehem Steel headquarters, a Beaux Arts-style building at the corner of 20th and Illinois Street. The City's Landmarks Preservation Advisory Board has nominated these buildings as City landmarks. Renovation and incorporation of these three buildings in a mixed-use development, if consistent with the urban design guidelines called for in the Waterfront Plan, will preserve the industrial form of a by-gone era, while creating leasable space to meet current market opportunities.~~

~~A mix-development designed to be compatible with ship repair operations. The Port will develop Crane Cove Park, a major Blue Greenway open space that includes water recreation ture of maritime and non-maritime land uses also is desirable to improve access to the Bay, and the Forest City Pier 70 Special Use District will create a resilient mixed-use neighborhood and new infrastructure systems that support the entire Pier 70 area. attract people to this historic section of the City. Limited commercial uses (such as restaurants and retail establishments) would provide services for employees as well as attractions for the broader public and, at the same time, improve security in the area. Commercial uses in this heavily industrial part of the working waterfront should be designed to benefit the local maritime community as well as the general public. Of paramount importance, however, is the compatibility of any improvements with the ongoing ship repair operations.~~

Chapter 4, page 162 - Amend the Southern Waterfront Acceptable Land Use Table

Text in table to be amended to read:

~~Pier 70 Mixed Use Opportunity Area (portions of Pier 66 and 68 and SWLs 345 and 349)~~

~~Pier 70 Maritime Area (Pier 70, portion of Pier 68 and SWL 349) Ship Repair Area~~

Add new area definition (in table) as a note

~~Pier 70 Special Use District)- For allowable uses, see SF Planning Zoning Ordinate for Pier 70 Special Use District allowable uses (Planning Commission Motion 19979). Zoning Use District Map No. ZN08 and Height and Bulk District Map No. HT08 for the Pier 70 Mixed-Use Project.~~

Chapter 4, page 163A - Southern Waterfront Subarea Acceptable Use Map

Amend Map to recognize the following:

- Creation of the approximately 14 acre Ship Repair area
- Establish boundary for the Pier 70 Special Use District
- Delete "other maritime areas" category

Chapter 4 page 166 - Update Pier 70 Mixed Use Opportunity Area description

Edit text to reflect:

Pier 70 Mixed Use Neighborhood Opportunity Area
Development Standards

~~Approximately 16 acres between 18th Street and 21st Street in the vicinity of Pier 70 have been identified as a Mixed Use Opportunity Area. The preservation and adaptive reuse of three historic Union Iron Works buildings in this area (Port Building #101, 102, 104) will pose a considerable challenge. One of the structures is built of unreinforced masonry, requiring substantial repair and seismic re-engineering before it can be reused, and two of the structures contain asbestos, lead and other potentially toxic substances. The cost of renovating these buildings would be prohibitive for maritime businesses and most public uses. Flexible regulations should allow non-maritime tenants to use the buildings, maximizing opportunities to preserve the buildings.~~

- ~~• Permit non-maritime land uses which result in the preservation and adaptive reuse of the three Union Iron Works 20th Street Historic Buildings, consistent with the urban design and historic preservation guidelines called for in this Plan, provided that such uses do not preclude nearby water-dependent activities or associated support services.~~
- ~~• Include Crane Cove Park, Slipways Park and Blue Greenway public access improvements extending to the water's edge in the area adjacent to Seawall Lot 345 in the South Beach/China Basin subarea, in any renovation efforts of the Union Iron Works buildings, particularly if such restoration involves additional development on land surrounding the structures.~~
- ~~• Permit development of the mixed use neighborhood on 28 acres as set forth in the Forest City Pier 70 Special Use District.~~

~~Preserve the working waterfront's authentic maritime character by respecting the work-a-day qualities of the industrial setting.~~

- ~~• Encourage accessory retail activities which provide services to area workers and opportunities for people to better acquaint themselves with maritime industries in the area.~~
- ~~• Provide parking on site because of the limited availability of public transportation~~

Waterfront Land Use Plan Design and Access Element- Amendments

Chapter 3 page 22A - Public Access & Open Space Map

Amend Map to include the following "Planned Open Spaces" within Pier 70 and SWL 349 area:

- Crane Cove Park
- Illinois and 20th Street Plaza
- Slipways Commons
- Waterfront Promenade

- Market Square

Chapter 3, page 28 - Southern Waterfront Public Access and Open Space

Amend Map to include the following “Planned Opens Spaces” within Pier 70 and SWL 349 area:

- Crane Cove Park
- Illinois and 20th Street Plaza
- Slipways Commons
- Waterfront Promenade

Chapter 3, page 56 – 57 - Pier 70 Historic Resource Policies

Amend Text and revise Map to include the following

Pier 70 Buildings and Structures: Buildings to be Retained and Reused

Add buildings:

- 2 - World War II Bethlehem Warehouse
- 12 – Bethlehem Plate Shop No. 2
- 21 - Risdon Ironworks- Powerhouse

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

RESOLUTION NO. 17-47

- WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco's Central Waterfront Plan Area (the "Project Site"); and
- WHEREAS, The Project Site includes an approximately 28-acre area at Pier 70 owned by the Port known as the "28-Acre Site," bounded generally by Michigan Street on the west, 22nd Street on the south, 20th Street on the north and San Francisco Bay on the east; and
- WHEREAS, From 2007 to 2010, the Port conducted a community process that evaluated the unique site conditions and opportunities at Pier 70 and built a public consensus for Pier 70's future that nested within the policies established for the Eastern Neighborhoods-Central Waterfront. This process culminated in the Pier 70 Master Plan, which was endorsed by the Port Commission in May 2010, and the proposed mixed-used development on the Project Site (the "Pier 70 Mixed-Use Project"); and
- WHEREAS, In April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. ("Forest City"), through a competitive process, the opportunity to negotiate for the development of the 28-Acre Site as a mixed-use development and historic preservation project (the "28-Acre Project"); and
- WHEREAS, In May 2013, by Resolution No. 13-20, the Port Commission endorsed the Term Sheet for the 28-Acre Project. Subsequently, in June 2013, by Resolution No. 201-13, the Board of Supervisors found the 28-Acre Project fiscally feasible under Administrative Code, Chapter 29 and endorsed the Term Sheet for the 28-Acre Project; and
- WHEREAS, Chapter 56 of the San Francisco Administrative Code authorizes the City to approve a development agreement with a developer of property in the City and County of San Francisco in accordance with California law; and
- WHEREAS, The Planning Commission has recommended that the Board of Supervisors approve a Development Agreement with FC Pier 70, LLC ("Developer"), an affiliate of Forest City; and

- WHEREAS, The Development Agreement would vest development rights in exchange for the delivery of public benefits with respect to the development of the 28-Acre Site with new market-rate and affordable residential uses, commercial uses, retail-arts-light industrial uses, parking, shoreline improvements, infrastructure development and street improvements, and public open space; and
- WHEREAS, Depending on the uses proposed, the 28-Acre Project would include between 1,100 and 2,105 residential units, a maximum of between 1 million and 2 million gross square feet (“gsf”) of commercial-office use, and a maximum of up to 500,000 gsf of retail-light industrial-arts use, construction of transportation and circulation improvements, new and upgraded utilities and infrastructure, geotechnical and shoreline improvements, and nine acres of publicly-owned open space; and
- WHEREAS, Since the Port Commission selected Forest City through a competitive process to serve as master developer for the 28-Acre Project in 2011, Port staff and Developer have negotiated a number of transaction documents that will govern horizontal and vertical development of the 28-Acre Site (“Transaction Documents”) consistent with the Term Sheet and Proposition F, which the voters approved in 2014; and
- .WHEREAS, The Port Commission is concurrently taking a number of other actions in furtherance of the 28-Acre Project, which include approving a disposition and development agreement (“DDA”) with Developer; approving a Design for Development and conforming amendments to the Waterfront Land Use Plan / Waterfront Design and Access Element; approving a public trust exchange agreement; approving an interagency memorandum of understanding regarding cooperation in matters relating to horizontal development, and approving terms related to disposition of parcels and formation proceedings for financing districts; and
- WHEREAS, While the Port is not a party to the Development Agreement, it would work in concert with the DDA, which incorporates Developer’s obligations under the Development Agreement; and
- WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project (“FEIR”) (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; now, therefore be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, Upon consideration of the Development Agreement, the Port Commission hereby consents to the Development Agreement as it relates to matters under Port jurisdiction; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director, or her designee, to execute the consent to the Development Agreement, in substantially the form on file with the Port Commission Secretary, subject to such further changes and revisions as deemed necessary and appropriate to implement this resolution; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director, or her designee, to enter into any amendments or modifications to the consent to the Development Agreement that the Executive Director determines, in consultation with the City Attorney, are in the best interest of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

**PORT COMMISSION
CITY AND COUNT OF SAN FRANCISCO**

RESOLUTION NO. 17-48

- WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco's Central Waterfront Plan Area (the "Project Site"); and
- WHEREAS, The Project Site includes an approximately 28-acre area at Pier 70 owned by the Port known as the "28-Acre Site," bounded generally by Michigan Street on the west, 22nd Street on the south, 20th Street on the north and San Francisco Bay on the east; and
- WHEREAS, From 2007 to 2010, the Port conducted a community process that evaluated the unique site conditions and opportunities at Pier 70 and built a public consensus for Pier 70's future that nested within the policies established for the Eastern Neighborhoods-Central Waterfront. This process culminated in the Pier 70 Master Plan, which was endorsed by the Port Commission in May 2010, and a proposed mixed-used development on the Project Site (the "Pier 70 Mixed-Use Project"); and
- WHEREAS, In April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. ("Forest City"), through a competitive process, the opportunity to negotiate for the development of the 28-Acre Site as a mixed-use development and historic preservation project (the "28-Acre Project"); and
- WHEREAS, In May 2013, by Resolution No. 13-20, the Port Commission endorsed the Term Sheet for the 28-Acre Project. Subsequently, in June 2013, by Resolution No. 201-13, the Board of Supervisors found the 28-Acre Project fiscally feasible under Administrative Code, Chapter 29 and endorsed the Term Sheet for the 28-Acre Project; and
- WHEREAS, Port staff and FC Pier 70, LLC ("Developer"), an affiliate of Forest City, have negotiated the terms of the Disposition and Development Agreement ("DDA") and related transaction documents that are incorporated into the DDA which provide the overall road map for development of the 28-Acre Project, including a Financing Plan, an Infrastructure Plan, an Affordable Housing Plan, a Transportation Plan that includes a Transportation Demand Management Program, a Workforce Development Plan, an arts program for the use of the arts

building on Parcel E4 (including replacement studio space for the artist community in the Noonan building), and forms of an interim Master Lease, Vertical Disposition and Development Agreement and Parcel Lease (including applicable lease terms for Historic Buildings 2, 12 and 21); and

WHEREAS, Depending on the uses proposed, the 28-Acre Project would include between 1,100 and 2,150 residential units, a maximum of between 1 million and 2 million gross square feet (“gsf”) of commercial-office use, and up to 500,000 gsf of retail-light industrial-arts use, construction of transportation and circulation improvements, new and upgraded utilities and infrastructure, geotechnical and shoreline improvements, and nine acres of publicly-owned open space; and

WHEREAS, On May 23, 2017 Port staff presented to the Port Commission the proposed Streetscape Master Plan, Transportation Plan, and Infrastructure Plan providing the vision, intent, and guidelines for infrastructure and public facilities, known as horizontal improvements, that will serve and physically transform the Pier 70 Special Use District (“Pier 70 SUD”) over the Project Site into a new, vibrant neighborhood; and

WHEREAS, In order to promote development in accordance with the objectives and purposes of the DDA, it is contemplated that the City will undertake and complete certain proceedings and actions necessary to be carried out by the City to assist in the implementation of the DDA, including entering into a Memorandum of Understanding between the Port and other City agencies regarding Interagency Cooperation (the “ICA”), a copy of which is on file with the Commission Secretary, that sets out cooperative procedures for administering horizontal improvement plans submitted in accordance with the Subdivision Code and design, development, construction, and inspection of horizontal improvements; and

WHEREAS, The ICA also establishes procedures relating to approvals by the San Francisco Fire Department, San Francisco Public Utilities Commission, San Francisco Public Works, and San Francisco Municipal Transportation Agency; and

WHEREAS, As authorized under the ICA, staff intends to negotiate a memorandum of understanding among City departments setting out permitting, maintenance, liability, and ownership responsibilities for the streets and other infrastructure and public facilities in the Pier 70 SUD; and

WHEREAS, Under San Francisco Charter Section B7.320, the Mayor may submit to the Board of Supervisors a memorandum of understanding between

the Port Commission and another department of the City, approved by the Port Commission by resolution; and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed-Use Project (“FEIR”) (Case No. 2014-001272ENV); (2) found the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; now, therefore be it

RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further

RESOLVED, That the Port Commission determines that the 28-Acre Project is furthered by the ICA, is in the best interests of the Port, the City, and the health, safety, morals and welfare of its residents, and is in accordance with the public purposes and provisions of applicable federal, state and local laws and requirements; and be it further

RESOLVED, That the Port Commission hereby approves and authorizes the Executive Director, or her designee, to execute the ICA and recommends its approval to the other consenting City departments, the

Board of Supervisors, and the Mayor under Charter Section B7.320;
and be it further

RESOLVED, That the Port Commission authorizes and delegates to the Executive Director authority to make changes and take any and all steps, including but not limited to, the attachment of exhibits and the making of corrections, as the Executive Director determines, in consultation with the City Attorney, are necessary or appropriate to consummate the ICA in accordance with this Resolution, including entering into subsequent interagency memoranda of understanding with other City departments regarding permitting, maintenance, liability, and ownership responsibilities for the streets and other infrastructure and public facilities in the Pier 70 SUD; provided, however, that such changes and steps do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port Commission, and are in compliance with all applicable laws.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

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

RESOLUTION NO. 17-49

- WHEREAS, California Statutes of 1968, Chapter 1333 (“Burton Act”) and the San Francisco Charter Sections 4.114 and B3.581 empower the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, In 1990 the City's voters adopted Proposition H, which required the City to prepare a comprehensive waterfront land use plan with maximum feasible public input. Following a 7-year public planning process, the Port Commission adopted the Port of San Francisco Waterfront Land Use Plan (“Waterfront Plan”) in 1997 and has periodically made minor amendments to address specific issues arising from capital development projects to existing Port resources. Under the 1997 Waterfront Plan, maritime and industrial uses were considered the most appropriate uses of the majority of Port lands south of China Basin; and
- WHEREAS, In recognition of changes in the cargo industry and the development potential of Seawall Lot 337 and Pier 70, the Port consulted with the State Lands Commission and engaged in public discussions regarding those sites. In 2007, the Port initiated a two-step solicitation for a Seawall Lot 337 developer that would respond to “Development Objectives and Criteria” developed in the public process. The Port published a “Pier 70 Preferred Master Plan” to guide redevelopment of that site in 2010 and soon after began solicitations for rehabilitation of several significant historic buildings on 20th Street and new development of a largely unimproved 28-acre area in the southeast corner of Pier 70 known as the 28-Acre Site; and
- WHEREAS, The Port also collaborated with the State Lands Commission and California legislators to amend the Burton Act to lift or suspend its statutory trust use restrictions that impede the Port’s ability to realize the development potential of Port lands. Under Senate Bill 815 (Stats. 2007, ch. 660, as amended by Stats. 2016, ch. 529) (“SB 815”), the Port is authorized to lease certain seawall lots south of Market Street, including Seawall Lot 337, for nontrust purposes, providing revenues for rehabilitation of historic wharves and piers and other trust uses. Similarly, Assembly Bill 418 (Stats. 2011, ch. 477) (“AB 418”) authorizes the State Lands Commission to approve an internal trust exchange at Pier 70 that preserves the trust on Pier 70 areas most valuable to the trust and creates development opportunity areas free of

public trust use restrictions that the Port may ground lease or sell. Both SB 815 and AB 418 allow long-term nontrust uses that are not permissible under the Burton Act as a primary mechanism to generate Port revenues for trust purposes, including the construction of infrastructure needed for development; and

WHEREAS, In 2015, Port staff presented a comprehensive review of land use changes and events that have occurred under the Waterfront Plan to the Port Commission. In the 2015 Waterfront Plan Review Report, Port staff described a public process to update and amend the Waterfront Plan; and

WHEREAS, “The Waterfront Plan seeks a balanced array of uses to help meet the Port’s financial needs. On the revenue-dependent side of the Port’s ledger, the Plan reserves most Port properties for expansion of maritime operations, and encourages creation of new public access, recreation and open space areas along the Bay. On the revenue-producing side, sites for compatible new commercial development are identified to improve the waterfront for public enjoyment, help subsidize maritime industries, fund new public access and open spaces, preserve and rehabilitate historic waterfront resources, and stem the continuing deterioration of Port property. With this balanced plan, the Port will be better able to manage its property and operations, which must be carried out without state or local funding”; and

WHEREAS, Since then, the Port has been engaged in a public planning process to update the Waterfront Plan with the assistance of public members of a Waterfront Plan Working Group representing regionwide interests and Advisory Teams with multi-disciplinary expertise. Among other things, the update will address appropriate uses for Port land south of China Basin; and

WHEREAS, The 28-Acre Site is the subject of an Exclusive Negotiating Agreement between Forest City Development California, Inc. (“Forest City”) and Port approved by the Port Commission by Resolution 11-49 (“Original ENA”); and

WHEREAS, The Port selected Forest City to act as master developer for the 28-Acre Site, to initiate rezoning and development of design standards and controls for a multi-phased, mixed-use development for a Special Use District (“Pier 70 SUD”) encompassing the 28-Acre Site and 7 acres of adjacent parcels owned by the Port and Pacific Gas & Electric Company along Illinois Street (“Illinois Street Parcels”) (collectively, “Project Site”); and

- WHEREAS, With the adoption of Board of Supervisors Resolution 201-13 endorsing the project term sheet (“Term Sheet”), Forest City as master developer successfully completed Phase 1 of the Original ENA; and
- WHEREAS, As envisioned, the proposed Pier 70 Mixed-Use District Project (“Pier 70 Mixed-Use Project”) on the Project Site would include market-rate and affordable residential uses, commercial-office, retail, light industrial-arts use, parking, infrastructure development, including street improvements, and public open space; and
- WHEREAS, The Port Commission approved Resolution 14-03 on January 10, 2014, establishing new milestones for the Pier 70 Mixed-Use Project; and
- WHEREAS, In the general election held on November 4, 2014, an initiative entitled, the “Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation Initiative” (“Proposition F”), was approved by the voters in the City; and
- WHEREAS, Pursuant to Proposition F, the voters in the City approved a policy of the City, that the City encourage the timely development of the 28-Acre Site with a development project that includes certain major uses, including without limitation, new below market-rate homes affordable to middle- and low-income families and individuals, representing 30 percent of all new housing units (“Affordable Housing”); and
- WHEREAS, An affiliate of Forest City and the City, acting by and through the Port Commission, anticipate entering into a Disposition and Development Agreement (“DDA”), including a Financing Plan, which will govern the disposition and development of the 28-Acre Site and provide for the financing of certain capital facilities and public services related to the Proposed Project; and
- WHEREAS, On April 23, 2013, by Resolution No. 123-13, the City adopted “Guidelines for the Establishment and Use of Infrastructure Financing Districts on Project Areas on Land under Jurisdiction of the San Francisco Port Commission” (“Port IFD Guidelines”) relating to the formation of infrastructure financing districts by the City on waterfront property in San Francisco under the jurisdiction of the Port Commission; and
- WHEREAS, Under Government Code Section 53395 et seq. (“IFD Law”), the Board of Supervisors is authorized to establish an infrastructure financing district and to act as the legislative body for an infrastructure financing district; and

- WHEREAS, Under Section 53395.8 of the IFD Law, a waterfront district may be divided into project areas; and
- WHEREAS, On March 27, 2012, by Resolution No. 110-12 (“Original Resolution of Intention to Establish IFD”), the Board of Supervisors declared its intention to establish a waterfront district to be known as “City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)” (“IFD”), and designated initial proposed project areas within the IFD; and
- WHEREAS, On June 12, 2012, by Resolution No. 227-12 (“First Amending Resolution”), the Board of Supervisors amended the Original Resolution of Intention to propose, among other things, an amended list of project areas, including Project Area G (Pier 70); and
- WHEREAS, On November 17, 2015, by Resolution 421-15 (“Second Amending Resolution”, and together with the Original Resolution of Intention to Establish IFD and the First Amending Resolution, the “Resolution of Intention to Establish IFD”), the Board of Supervisors amended the Original Resolution of Intention, as amended by the First Amended Resolution, to propose, among other things, a further amended list of project areas, including Project Area G (Pier 70), as a Pier 70 district, and Sub-Project Area G-1 (Pier 70 – Historic Core), as a Pier 70 district; and
- WHEREAS, In the Resolution of Intention to Establish IFD, the Board of Supervisors directed the Executive Director of the Port of San Francisco (“Executive Director”) to prepare an infrastructure financing plan for the IFD (“Infrastructure Financing Plan”) that would comply with the IFD Law, and reserved the right to establish infrastructure financing plans in the future specific to other project areas and sub-project areas within the IFD; and
- WHEREAS, In accordance with the IFD Law, at the direction of this Board of Supervisors, the Executive Director prepared the Infrastructure Financing Plan; and
- WHEREAS, On February 23, 2016, by Ordinance No. 27-16 (“Ordinance Establishing IFD”), the Board of Supervisors, among other things, declared the IFD to be fully formed and established with full force and effect of law and adopted the Infrastructure Financing Plan; and
- WHEREAS, In connection with the Proposed Project, the Port Commission wishes to recommend that the Board of Supervisors establish three additional sub-project areas within Project Area G (Pier 70) of the IFD designated Sub-Project Area G-2 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and Sub-Project Area G-4 (Pier 70 - 28-Acre)

(collectively, "Proposed Sub-Project Areas") that generally correspond to planned phases of the Proposed Project; and

WHEREAS, Under Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53369 ("IRFD Law"), the Board of Supervisors is authorized to establish an infrastructure and revitalization financing district and to act as the legislative body for an infrastructure and revitalization financing district; and

WHEREAS, In connection with the Proposed Project, the Port Commission wishes to recommend that the Board of Supervisors establish an infrastructure and revitalization financing district ("IRFD") to finance the construction of Affordable Housing in the Pier 70 SUD to satisfy the requirements for Affordable Housing under Proposition F; now, therefore, be it

RESOLVED, That all of the recitals herein are true and correct; and, be it further

RESOLVED, That the Port Commission hereby recommends that the Board of Supervisors establish the Proposed Sub-Project Areas and the IRFD, and authorizes the Executive Director (or designees) to take all appropriate actions in connection with the establishment of the Proposed Sub-Project Areas and the IRFD; and, be it further

RESOLVED, That the Port Commission hereby finds that, pursuant to Title 14, California Code of Regulations, Sections 15378 and 15060(c)(2), this Resolution is not a "project" under the California Environmental Quality Act because it does not result in a physical change in the environment.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

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

RESOLUTION NO. 17-50

- WHEREAS, California Statutes of 1968, Chapter 1333 (“Burton Act”) and the San Francisco Charter Sections 4.114 and B3.581 empower the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, In 1990 the City's voters adopted Proposition H, which required the City to prepare a comprehensive waterfront land use plan with maximum feasible public input. Following a 7-year public planning process, the Port Commission adopted the Port of San Francisco Waterfront Land Use Plan (“Waterfront Plan”) in 1997 and has periodically made minor amendments to address specific issues arising from capital development projects to existing Port resources. Under the 1997 Waterfront Plan, maritime and industrial uses were considered the most appropriate uses of the majority of Port lands south of China Basin; and
- WHEREAS, In recognition of changes in the cargo industry and the development potential of Seawall Lot 337 and Pier 70, the Port consulted with the State Lands Commission and engaged in public discussions regarding those sites. In 2007, the Port initiated a two-step solicitation for a Seawall Lot 337 developer that would respond to “Development Objectives and Criteria” developed in the public process. The Port published a “Pier 70 Preferred Master Plan” to guide redevelopment of that site in 2010 and soon after began solicitations for rehabilitation of several significant historic buildings on 20th Street and new development of a largely unimproved 28-acre area in the southeast corner of Pier 70 known as the 28-Acre Site; and
- WHEREAS, The Port also collaborated with the State Lands Commission and California legislators to amend the Burton Act to lift or suspend its statutory trust use restrictions that impede the Port’s ability to realize the development potential of Port lands. Under Senate Bill 815 (Stats. 2007, ch. 660, as amended by Stats. 2016, ch. 529) (“SB 815”), the Port is authorized to lease certain seawall lots south of Market Street, including Seawall Lot 337, for nontrust purposes, providing revenues for rehabilitation of historic wharves and piers and other trust uses. Similarly, Assembly Bill 418 (Stats. 2011, ch. 477) (“AB 418”) authorizes the State Lands Commission to approve an internal trust exchange at Pier 70 that preserves the trust on Pier 70 areas most valuable to the trust and creates development opportunity areas free of

public trust use restrictions that the Port may ground lease or sell. Both SB 815 and AB 418 allow long-term nontrust uses that are not permissible under the Burton Act as a primary mechanism to generate Port revenues for trust purposes, including the construction of infrastructure needed for development; and

WHEREAS, In 2015, Port staff presented a comprehensive review of land use changes and events that have occurred under the Waterfront Plan to the Port Commission. In the 2015 Waterfront Plan Review Report, Port staff described a public process to update and amend the Waterfront Plan; and

WHEREAS, “The Waterfront Plan seeks a balanced array of uses to help meet the Port’s financial needs. On the revenue-dependent side of the Port’s ledger, the Plan reserves most Port properties for expansion of maritime operations, and encourages creation of new public access, recreation and open space areas along the Bay. On the revenue-producing side, sites for compatible new commercial development are identified to improve the waterfront for public enjoyment, help subsidize maritime industries, fund new public access and open spaces, preserve and rehabilitate historic waterfront resources, and stem the continuing deterioration of Port property. With this balanced plan, the Port will be better able to manage its property and operations, which must be carried out without state or local funding”; and

WHEREAS, Since then, the Port has been engaged in a public planning process to update the Waterfront Plan with the assistance of public members of a Waterfront Plan Working Group representing regionwide interests and Advisory Teams with multi-disciplinary expertise. Among other things, the update will address appropriate uses for Port land south of China Basin; and

WHEREAS, The 28-Acre Site is the subject of an Exclusive Negotiating Agreement between Forest City Development California, Inc. (“Forest City”) and Port approved by the Port Commission by Resolution 11-49 (“Original ENA”); and

WHEREAS, The Port selected Forest City to act as master developer for the 28-Acre Site, to initiate rezoning and development of design standards and controls for a multi-phased, mixed-use development for a Special Use District (“Pier 70 SUD”) encompassing the 28-Acre Site and 7 acres of adjacent parcels owned by the Port and Pacific Gas & Electric Company along Illinois Street (“Illinois Street Parcels”) (collectively, “Project Site”); and

- WHEREAS, With the adoption of Board of Supervisors Resolution 201-13 endorsing the project term sheet (“Term Sheet”), Forest City as master developer successfully completed Phase 1 of the Original ENA; and
- WHEREAS, As envisioned, the proposed Pier 70 Mixed-Use District Project (“ Pier 70 Mixed-Use Project) on the Project Site would include market-rate and affordable residential uses, commercial-office, retail, light industrial-arts use, parking, infrastructure development, including street improvements, and public open space; and
- WHEREAS, The Port Commission approved Resolution 14-03 on January 10, 2014, establishing new milestones for the Proposed Project; and
- WHEREAS, In the general election held on November 4, 2014, an initiative entitled, the “Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation Initiative” (“Proposition F”), was approved by the voters in the City; and
- WHEREAS, Pursuant to Proposition F, the voters in the City approved a policy of the City, that the City encourage the timely development of the 28-Acre Site with a development project that includes certain major uses, including without limitation, new below market-rate homes affordable to middle- and low-income families and individuals, representing 30 percent of all new housing units (“Affordable Housing”); and
- WHEREAS, An affiliate of Forest City and the City, acting by and through the Port Commission, anticipate entering into a Disposition and Development Agreement (“DDA”), including a Financing Plan, which will govern the disposition and development of the 28-Acre Site and provide for the financing of certain capital facilities and public services related to the Proposed Project; and
- WHEREAS, On April 23, 2013, by Resolution No. 123-13, the City adopted “Guidelines for the Establishment and Use of Infrastructure Financing Districts on Project Areas on Land under Jurisdiction of the San Francisco Port Commission” (“Port IFD Guidelines”) relating to the formation of infrastructure financing districts by the City on waterfront property in San Francisco under the jurisdiction of the Port Commission; and
- WHEREAS, Under Government Code Section 53395 et seq. (“IFD Law”), the Board of Supervisors is authorized to establish an infrastructure financing district and to act as the legislative body for an infrastructure financing district; and
- WHEREAS, Under Section 53395.8 of the IFD Law, a waterfront district may be divided into project areas; and

WHEREAS, On March 27, 2012, by Resolution No. 110-12 (“Original Resolution of Intention to Establish IFD”), the Board of Supervisors declared its intention to establish a waterfront district to be known as “City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)” (“IFD”), and designated initial proposed project areas within the IFD; and

WHEREAS, On June 12, 2012, by Resolution No. 227-12 (“First Amending Resolution”), the Board of Supervisors amended the Original Resolution of Intention to propose, among other things, an amended list of project areas, including Project Area G (Pier 70); and

WHEREAS, On November 17, 2015, by Resolution 421-15 (“Second Amending Resolution”, and together with the Original Resolution of Intention to Establish IFD and the First Amending Resolution, the “Resolution of Intention to Establish IFD”), the Board of Supervisors amended the Original Resolution of Intention, as amended by the First Amended Resolution, to propose, among other things, a further amended list of project areas, including Project Area G (Pier 70), as a Pier 70 district, and Sub-Project Area G-1 (Pier 70 – Historic Core), as a Pier 70 district; and

WHEREAS, In the Resolution of Intention to Establish IFD, the Board of Supervisors directed the Executive Director of the Port of San Francisco (“Executive Director”) to prepare an infrastructure financing plan for the IFD (“Infrastructure Financing Plan”) that would comply with the IFD Law, and reserved the right to establish infrastructure financing plans in the future specific to other project areas and sub-project areas within the IFD; and

WHEREAS, in accordance with the IFD Law, at the direction of this Board of Supervisors, the Executive Director prepared the Infrastructure Financing Plan; and

WHEREAS, On February 23, 2016, by Ordinance No. 27-16 (“Ordinance Establishing IFD”), the Board of Supervisors, among other things, declared the IFD to be fully formed and established with full force and effect of law and adopted the Infrastructure Financing Plan; and

WHEREAS, In connection with the Proposed Project, the Port Commission intends to recommend that the Board of Supervisors establish three additional sub-project areas within Project Area G (Pier 70) of the IFD designated Sub-Project Area G-2 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and Sub-Project Area G-4 (Pier 70 - 28-Acre Site) (collectively, “Proposed Sub-Project Areas”) that generally correspond to planned phases of the Proposed Project; and

- WHEREAS, Under Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53369 (“IRFD Law”), the Board of Supervisors is authorized to establish an infrastructure and revitalization financing district and to act as the legislative body for an infrastructure and revitalization financing district; and
- WHEREAS, In connection with the Proposed Project, the Port Commission intends to recommend that the Board of Supervisors establish an infrastructure and revitalization financing district (“IRFD”) to finance the construction of Affordable Housing in the Pier 70 SUD to satisfy the requirements for Affordable Housing under Proposition F; and
- WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code (“Code”), which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with California Government Code Section 53311 (“Mello-Roos Act”), the Board of Supervisors is authorized to establish a special tax district and to act as the legislative body for a special tax district; and
- WHEREAS, In connection with the Proposed Project, the Port Commission anticipates recommending that the Board of Supervisors establish one or more special tax districts (“Special Tax Districts”); and
- WHEREAS, San Francisco Charter Section B7.320 authorizes the Mayor to submit to the Board of Supervisors for approval a memorandum of understanding between the Port Commission and another department or departments of the City, approved by the Port Commission by resolution, that requires the department(s) to expend funds or to transfer funds to the Port Commission; and
- WHEREAS, The Port Commission wishes to approve a Memorandum of Understanding by and among the Port Commission and the City’s Controller (“Controller”), Treasurer and Tax Collector (“Tax Collector”) and Assessor-Recorder (“Assessor”), pursuant to which those City departments and the Port Commission would agree to implement the DDA, the Proposed Sub-Project Areas, the IRFD and the Special Tax Districts, and to recommend that the Board of Supervisors approve the Memorandum of Understanding; and
- WHEREAS, The Port Commission wishes to recommend that the Board of Supervisors appoint the Port Commission to act as the agent of the IFD with respect to the Sub-Project Areas, the agent of the IRFD and the agent of the Special Tax Districts, as set forth in the Memorandum of Understanding; and

WHEREAS, There has been presented at this Commission hearing a form of Special Fund Administration Agreement (“Special Fund Administration Agreement”), by and between the City acting through the Port Commission, on its own behalf and as agent of the IFD, IRFD and Special Tax Districts, and a corporate trustee to be identified in the future by the Executive Director, that provides, among other things, for the administration and disposition of tax increment revenues allocated to the IFD with respect to the Sub-Project Areas, tax increment revenues allocated to the IRFD and special taxes levied in the Special Tax Districts; now, therefore, be it

RESOLVED, That all of the recitals herein are true and correct; and, be it further

RESOLVED, That the Memorandum of Understanding between the Port Commission and the Controller, Tax Collector and Assessor, in the form attached to the Staff Report accompanying this resolution, is hereby approved. The Executive Director (or her designee) is hereby authorized to execute the Memorandum of Understanding with such changes, additions and modifications as the Executive Director (or her designee) may make or approve in accordance with this Resolution; and, be it further

RESOLVED, That the Executive Director, upon consultation with general counsel to the Port Commission, is hereby authorized to make such modifications, changes and additions to the Memorandum of Understanding as may be necessary or desirable and in the interests of the Port Commission, and which changes do not materially increase the obligation of the Port Commission or reduce its rights thereunder. The approval by the Executive Director (or her designee) of such modifications, changes and additions shall be conclusively evidenced by the execution and delivery of the Memorandum of Understanding by the Executive Director; and, be it further

RESOLVED, That the Port Commission hereby [recommends that the Board of Supervisors approve the Memorandum of Understanding and authorize the Controller, Tax Collector and Assessor to execute the Memorandum of Understanding; and, be it further

RESOLVED, That the Port Commission hereby recommends that the Board of Supervisors appoint the Port Commission to act as the agent of the IFD with respect to the Sub-Project Areas, the IRFD and the Special Tax Districts, as set forth in the Memorandum of Understanding; and, be it further

RESOLVED, That the Special Fund Administration Agreement, in the form on file with the Commission Secretary, is hereby approved. The Executive Director (or her designee) is hereby authorized to execute the Special

Fund Administration Agreement with such changes, additions and modifications as the Executive Director (or her designee) may make or approve in accordance with this Resolution; and, be it further

RESOLVED, That the Executive Director, upon consultation with general counsel to the Port Commission, is hereby authorized to make such modifications, changes and additions to the Special Fund Administration Agreement as may be necessary or desirable and in the interests of the Port Commission, and which changes do not materially increase the obligation of the Port Commission or reduce its rights thereunder. The approval by the Executive Director (or her designee) of such modifications, changes and additions shall be conclusively evidenced by the execution and delivery of the Special Fund Administration Agreement by the Executive Director; and, be it further

RESOLVED, That the Port Commission hereby recommends that the Board of Supervisors approve the Special Fund Administration Agreement; and, be it further

RESOLVED, That the Executive Director is hereby authorized and directed to select a corporate trustee to provide the trustee services described in the Special Fund Administration Agreement; and, be it further

RESOLVED, That the Port Commission hereby finds that, pursuant to Title 14, California Code of Regulations, Sections 15378 and 15060(c)(2), this Resolution is not a "project" under the California Environmental Quality Act because it does not result in a physical change in the environment.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

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

RESOLUTION NO. 17-51

- WHEREAS, California Statutes of 1968, Chapter 1333 (“Burton Act”) and the San Francisco Charter Sections 4.114 and B3.581 empower the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, In 1990 the City's voters adopted Proposition H, which required the City to prepare a comprehensive waterfront land use plan with maximum feasible public input. Following a 7-year public planning process, the Port Commission adopted the Port of San Francisco Waterfront Land Use Plan (“Waterfront Plan”) in 1997 and has periodically made minor amendments to address specific issues arising from capital development projects to existing Port resources. Under the 1997 Waterfront Plan, maritime and industrial uses were considered the most appropriate uses of the majority of Port lands south of China Basin; and
- WHEREAS, In recognition of changes in the cargo industry and the development potential of Seawall Lot 337 and Pier 70, the Port consulted with the State Lands Commission and engaged in public discussions regarding those sites. In 2007, the Port initiated a two-step solicitation for a Seawall Lot 337 developer that would respond to “Development Objectives and Criteria” developed in the public process. The Port published a “Pier 70 Preferred Master Plan” to guide redevelopment of that site in 2010 and soon after began solicitations for rehabilitation of several significant historic buildings on 20th Street and new development of a largely unimproved 28-acre area in the southeast corner of Pier 70 known as the 28-Acre Site; and
- WHEREAS, The Port also collaborated with the State Lands Commission and California legislators to amend the Burton Act to lift or suspend its statutory trust use restrictions that impede the Port’s ability to realize the development potential of Port lands. Under Senate Bill 815 (Stats. 2007, ch. 660, as amended by Stats. 2016, ch. 529) (“SB 815”), the Port is authorized to lease certain seawall lots south of Market Street, including Seawall Lot 337, for nontrust purposes, providing revenues for rehabilitation of historic wharves and piers and other trust uses. Similarly, Assembly Bill 418 (Stats. 2011, ch. 477) (“AB 418”) authorizes the State Lands Commission to approve an internal trust exchange at Pier 70 that preserves the trust on Pier 70 areas most valuable to the trust and creates development opportunity areas free of

public trust use restrictions that the Port may ground lease or sell. Both SB 815 and AB 418 allow long-term nontrust uses that are not permissible under the Burton Act as a primary mechanism to generate Port revenues for trust purposes, including the construction of infrastructure needed for development; and

WHEREAS, In 2015, Port staff presented a comprehensive review of land use changes and events that have occurred under the Waterfront Plan to the Port Commission. In the 2015 Waterfront Plan Review Report, Port staff described a public process to update and amend the Waterfront Plan; and

WHEREAS, “The Waterfront Plan seeks a balanced array of uses to help meet the Port’s financial needs. On the revenue-dependent side of the Port’s ledger, the Plan reserves most Port properties for expansion of maritime operations, and encourages creation of new public access, recreation and open space areas along the Bay. On the revenue-producing side, sites for compatible new commercial development are identified to improve the waterfront for public enjoyment, help subsidize maritime industries, fund new public access and open spaces, preserve and rehabilitate historic waterfront resources, and stem the continuing deterioration of Port property. With this balanced plan, the Port will be better able to manage its property and operations, which must be carried out without state or local funding”; and

WHEREAS, Since then, the Port has been engaged in a public planning process to update the Waterfront Plan with the assistance of public members of a Waterfront Plan Working Group representing regionwide interests and Advisory Teams with multi-disciplinary expertise. Among other things, the update will address appropriate uses for Port land south of China Basin; and

WHEREAS, Development of Port property presents unique challenges in addition to trust use restrictions. Most areas suitable for development encompass historic structures that require seismic bracing, which may entail replacing pilings in Bay waters. All of the Port’s shoreline property is vulnerable to the effects of sea level rise, including Port property subject to SB 815 and AB 418. The Port and the City have negotiated development, land use, and financing documents with its selected master developers for the proposed development of Seawall Lot 337/Pier 48 and the 28-Acre Site; and

WHEREAS, Both master developers propose raising their sites between four to six feet and taking other measures to protect the developed land from the impacts of sea level rise. Because of these measures, the traditional distinction between site preparation for construction of public utilities and amenities, commonly known as horizontal development, and site

preparation for construction of buildings, commonly known as vertical development, are difficult to apply to development on Port land. In connection with these development and potential future development opportunities, the Port Commission intends to ask the Board of Supervisors to approve a variety of public financing mechanisms, including special tax financings; and

WHEREAS, To more adequately address the unique challenges of development on Port land, staff has caused to be prepared and the Port Commission wishes to recommend that the Board of Supervisors make amendments to Article X of Chapter 43 of the San Francisco Administrative Code as described in the staff report attached to this resolution and in substantially the form of on file with the Port Commission; now, therefore, be it

RESOLVED, That all of the recitals herein are true and correct; and, be it further

RESOLVED, That the Port Commission hereby recommends approval to the Board of Supervisors of proposed amendments to Article X of Chapter 43 of the San Francisco Administrative Code in substantially the form on file with the Commission Secretary; and, be it further

RESOLVED, That the Port Commission finds that, pursuant to Title 14, California Code of Regulations, Sections 15378 and 15060(c)(2), adoption of this Resolution and any proposed amendments to Article X of Chapter 43 of the San Francisco Administrative Code are not “projects” under the California Environmental Quality Act because they do not result in a physical change in the environment.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

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

RESOLUTION NO. 17-52

WHEREAS, The Port owns approximately 72 acres along San Francisco's Central Waterfront, roughly bounded by Mariposa Street, Illinois Street, 22nd Street, and the San Francisco Bay known as Pier 70; and

WHEREAS, Beginning in 2006, the Port initiated an intensive planning process that has culminated in a project that would restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south in San Francisco's Central Waterfront Plan Area (the "Project Site"); and

WHEREAS, The Project Site includes a 28-acre portion (the "28-Acre Site") for which, in April 2011, by Resolution No. 11-21, the Port Commission awarded to Forest City Development California, Inc. ("Forest City"), through a competitive process, the opportunity to negotiate the development thereon of a mixed-use development and historic preservation project (the "28-Acre Project") as further described in the staff report (the "Staff Report") accompanying this Resolution; and

WHEREAS, The Project Site also includes the following two adjacent parcels along Illinois Street: (1) the "Illinois & 20th Street Parcel" owned by the Port, also known as "Parcel K", bounded by Illinois Street on the west, 20th Street to the north, Michigan Street to the east, and (2) private property to the south owned by PG&E known as the "Hoedown Yard"; and

WHEREAS, In May 2013, by Resolution No. 13-20, the Port Commission endorsed the Term Sheet for the 28-Acre Project. Subsequently, in June 2013, by Resolution No. 201-13, the Board of Supervisors found the 28-Acre Project fiscally feasible under Administrative Code, Chapter 29 and endorsed the Term Sheet; and

WHEREAS, Over the past 6 years, Port staff, FC Pier 70, LLC ("Developer"), an affiliate of Forest City, the Planning Department and the Mayor's Office of Economic and Workforce Development, have conducted numerous community outreach meetings and negotiated the terms of the Disposition and Development Agreement ("DDA") and associated transaction documents (collectively, the "Transaction Documents") that provide the overall road map for development of the 28-Acre Site; and

WHEREAS, The Transaction Documents also contemplate development by the Port and/or City of the Illinois & 20th Street Parcel; and

WHEREAS, Concurrently with this resolution, the Port Commission has taken or intends to take a number of other actions in furtherance of the proposed mixed-use development on the Project Site (the “Pier 70 Mixed-Use Project”), which includes the 28-Acre Project, including: (1) approving a trust exchange agreement (“Exchange Agreement”) between the Port and the California State Lands Commission; (2) approving the DDA; (3) consenting to amendments to the Planning Code that create the Pier 70 Special Use District (“Pier 70 SUD”) over the Project Site; (4) approving the Design for Development (“D4D”), which provides more detailed land use controls for the Pier 70 SUD; and (5) conforming amendments to the Waterfront Land Use Plan, all as more particularly described in the Staff Report; and

WHEREAS, If approved by the Board of Supervisors and the California State Lands Commission under Chapter 477 of the Statutes of 2011 (“AB 418”), the Exchange Agreement will implement the exchange authorized under AB 418 to resolve Public Trust title uncertainties and reconfigure the Public Trust at the 28-Acre Site and the Illinois & 20th Street Parcel in a manner that furthers the purposes of the Public Trust and provides a more useful configuration of Public Trust lands; and

WHEREAS, In cooperation with San Francisco Public Works and the County Surveyor, and as further described in the Staff Report, the Port intends to vacate an approximately 12’ portion of Michigan Street adjacent to the Illinois & 20th Street Parcel, merge this land with the Illinois & 20th Street Parcel and then subdivide the resulting merged parcel into four new parcels: the Plaza Parcel, Parcel K North, the 21st Street right-of-way extension parcel, and Parcel K South. Parcel K South will be developed as an affordable housing site; and

WHEREAS, Under the DDA, the Port is required to offer Parcel K North (as shown on Exhibit A) for sale at or above its fair market value established by a proprietary appraisal and specify that the successful bidder must close escrow on the sale within 12 months after the date of the Board of Supervisors’ approval of the sale, with resulting proceeds used to pay for entitlement costs associated with the 28-Acre Project; and

WHEREAS, Development of Parcel K North will be subject to the Pier 70 SUD and the D4D. Under the Pier 70 SUD, Parcel K North is programmed for a development that would include approximately 239 to 300 market rate residential units, approximately 6,600 square feet of ground floor retail/art/light industrial space, and on-site parking for approximately 186 vehicles; and

WHEREAS, On August 24, 2017, the Planning Commission (1) reviewed and considered the Final Environmental Impact Report for the Pier 70 Mixed Use Project (“FEIR”) (Case No. 2014-001272ENV); (2) found

the FEIR to be adequate, accurate and objective, thus reflecting the independent analysis and judgment of the Planning Department and the Planning Commission; and (3) by Motion No. 19976, certified the FEIR as accurate, complete and in compliance with the California Environmental Quality Act (“CEQA”), the CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code; and

WHEREAS, At the same hearing, the Planning Commission approved the Pier 70 Mixed-Use Project and in so doing, adopted approval findings under CEQA by Motion No. 19977, including a Statement of Overriding Considerations (the “Pier 70 CEQA Findings”), and adopted a Mitigation Monitoring and Reporting Program (“MMRP”). A copy of the Planning Commission Motions, the Pier 70 CEQA Findings, and the MMRP are on file with the Port Commission Secretary and may be found in the records of the Planning Department at 1650 Mission Street, San Francisco, CA, and are incorporated in this resolution by reference as if fully set forth herein; and

WHEREAS, The Port Commission has reviewed the FEIR, the MMRP and the CEQA Findings, and finds that the approvals before the Port Commission are within the scope of the FEIR and that no substantial changes in the Pier 70 Mixed-Use Project or the circumstances surrounding the Pier 70 Mixed-Use Project have occurred and no new information that could not have been known previously showing new significant impacts or an increase in severity in impacts has been discovered since the FEIR was certified; and

WHEREAS, The Port’s offering documents for Parcel K North will require the buyer or vertical developer to enter a Vertical Disposition and Development Agreement (“Parcel K North VDDA”) governing future development of the site, in substantially the form on file with the Port Commission Secretary; and

WHEREAS, Consistent with the requirements of the DDA and the Pier 70 SUD, and as further described in the Staff Report, the Parcel K North VDDA will require the vertical developer of the site to, among other things:

1. Close escrow no more than 3 months after being selected as the highest qualified bidder, but in no event later than 12 months after the Board of Supervisors approves the sale;
2. Commence construction within 24 months after close of escrow;
3. Construct the project consistent with the requirements of the MMRP;

4. Construct the 20th/Illinois St. Plaza, as defined in the D4D, as a public benefit of the Pier 70 Mixed-Use Project, subject to reimbursement from public financing sources;
5. Construct improvements to the adjacent Michigan Street segment according to public works contracting requirements, subject to reimbursement from public financing sources;
6. Provide a limited amount of space in the ground floor parking area at no charge to the San Francisco Public Utilities Commission to install and maintain electrical equipment;
7. Provide Developer with the first right to receive surplus soil from the site as more particularly described in the DDA;
8. Enter into a deed restriction that incorporates the Illinois Street Parcel Additional Measures attached to the DDA, in order to minimize potential conflicts between American Industrial Center activities and future residential uses at the site;
9. Enter into a deed restriction requiring the second and each subsequent condominium purchaser to pay the Port a transfer fee equal to 1.5% of the purchase price to be deposited in the Harbor Fund for Public Trust purposes;
10. If not previously formed, vote in favor of a community facilities agreement and covenant to pay special taxes commencing at the earlier of (1) issuance of a building permit, or (2) two years after close of escrow;
11. Comply with applicable land use restrictions, impact fees, and exactions imposed by the Zoning Amendments, including a requirement to pay in-lieu affordable housing fees equal to 28% of the costs of on-site market-rate condominium units;
12. Pay all other applicable impact fees, including school facilities, utilities, and transportation fees;
13. Implement the Transportation Demand Management Program, in compliance with FEIR Mitigation Measure M-AQ; and
14. Comply with the City's First Source Hiring Program under Chapter 83 of the City's Administrative Code.

WHEREAS, Port staff proposes to sell Parcel K North to the highest qualified bidder through a broker-assisted competitive solicitation; and

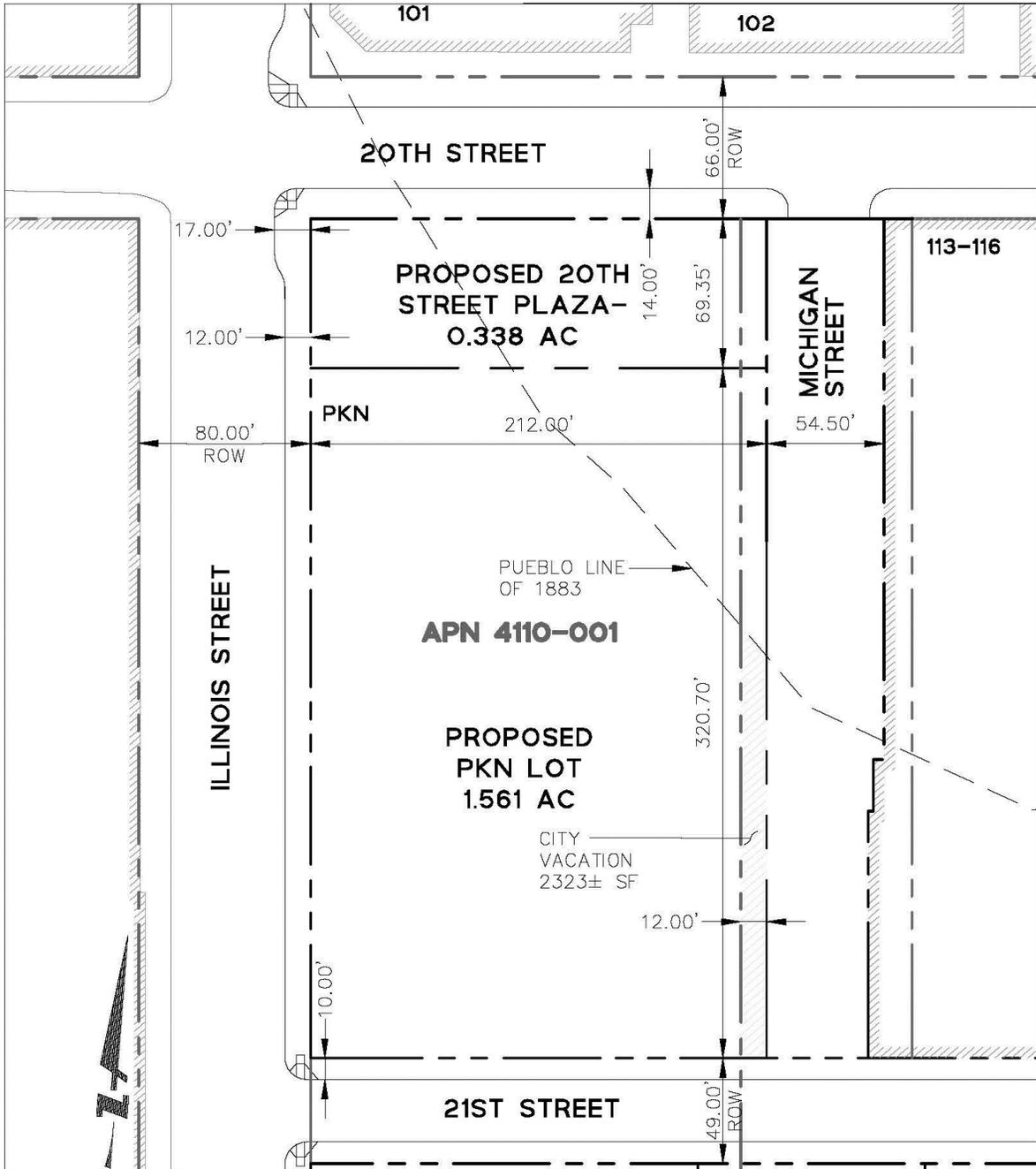
- WHEREAS, In anticipation of the proposed sale, Port staff is working with the Department of Real Estate (“DRE”) to determine Parcel K North’s fair market value through an appraisal of the site, which will set the minimum sale price (“Minimum Bid Price”), and DRE has selected an experienced and qualified brokerage firm with experience in selling comparable land parcels in San Francisco; and
- WHEREAS, Based on the foregoing, Port staff is requesting that the Port Commission authorize Port staff to sell Parcel K North on the terms described in the Staff Report and this Resolution, subject to approval by the Board of Supervisors; now, therefore be it
- RESOLVED, That the Port Commission adopts the Pier 70 CEQA Findings as its own and adopts the MMRP and imposes its requirements as a condition to this approval action; and be it further
- RESOLVED, That the Port Commission approves the sale of Parcel K North to the highest qualified bidder in a competitive solicitation for a sales price equal to or greater than the Minimum Bid Price as more particularly described in the Staff Report and this Resolution, subject to (1) Board of Supervisors’ approval of the sale and (2) closing of the trust exchange contemplated under the Exchange Agreement; and be it further
- RESOLVED That the Port Commission approves the form of the Parcel K VDDA, substantially in the form on file with the Port Commission Secretary and incorporating the conditions to sale set forth in this Resolution; and be it further
- RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or her designee, to enter into any amendments or modifications to the Form of Parcel K North VDDA that the Executive Director determines, in consultation with the City Attorney, are in the best interests of the Port, do not materially decrease the benefits to or materially increase the obligations or liabilities of the Port, and are in compliance with all applicable laws; and, be it further
- RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the Parcel K North VDDA with the highest qualified bidder for a sales price equal to or greater than the Minimum Bid Price; and be it further
- RESOLVED, That the Port Commission authorizes and urges all officers, employees, and agents of the Port and the City, including the Director of Property and the County Surveyor, to take all steps that they deem necessary or appropriate, to the extent permitted by applicable law, in order to sell and develop Parcel K North subject to Parcel K North

VDDA in accordance with this Resolution, including execution of subsequent documents, or to otherwise effectuate the purpose and intent of this resolution and the Port's performance under the Parcel K North VDDA.

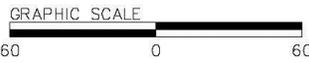
I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 26, 2017.

Secretary

EXHIBIT A
SITE MAP OF PARCEL K NORTH



PLOT DATE: 08-12-17
PLOTTER BY: rcls



| Date | No. | Revisions |
|------------|----------|-----------|
| 08/12/2017 | | |
| Scale | 1"=50' | |
| Design | RKG | |
| Drawn | PLR | |
| Approved | TRM | |
| Job No | 20170208 | |

PIER 70 SUD
LOT PKN EXHIBIT

CITY & COUNTY OF SAN FRANCISCO CALIFORNIA



255 SHORELINE DRIVE, STE 200
REDWOOD CITY, CA 94065
650/482-6300
650/482-6399 (FAX)

BKF Engineers

ATTACHMENT A:
Corrections to the August 8, 2017 Port Commission Staff Report

This attachment is a complete copy of the August 8, 2017 Port Commission staff report, with corrections. Additions are shown in underline and deletions are shown in ~~strikethrough~~.

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 Realty Trust, Development California, Inc. (~~“Forest City”~~). This report includes:

- a Pier 70 update, including developments outside the scope of this transaction;
- review of the proposed Pier 70 ~~m~~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)⁴. 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~~Developer 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

⁴ A copy of the Draft Environmental Impact Report is available at:
<http://sfmea.sfplanning.org/Pier70DEIRFull.pdf>

and the Illinois Street Parcels (collectively, the “Pier 70 Mixed-Use 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 Developer~~ development of Pier 70, including the 28-Acre Site (the “28-Acre Project”) 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 Developer~~, to guide future development of the 28-Acre 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=92⁵

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 Developer~~ 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.

⁵ 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.

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 ODI”), 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 have 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 initially remain in the Noonan Building, and may be relocated to temporary space pending construction of permanent replacement space in the Project Site.

II. Port Strategic Plan

Subject to Port Commission and Board of Supervisors approval, the ~~proposed~~ Pier 70 Mixed-Use Project will realize several objectives of the Port’s 2016-2021 Strategic Plan⁶ including:

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

“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~~ Forest City Developer 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,

⁶ <http://sfport.com/port-strategic-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 area⁷.

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, 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:

⁷ 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 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 Pier 70 Mixed-Use 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~~ zoning map.

The design principles in the D4D were developed through a collaborative process with the City agencies, community stakeholders and the ~~Forest City Developer~~ 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; and
- 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~~D4D, the following components of the Pier 70 Mixed-Use 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~~D4D, 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~~D4D

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 Developer's~~ proposed development of the ~~28-Acre Site~~ encompasses 28 of the 68 acres within the Union Iron Works Historic District⁸ ("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 28-Acre 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.

The proposed 28-Acre 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 Developer~~ 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~~ 28-Acre 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

⁸ http://sfport.com/sites/default/files/Planning/Docs/UIW_Natl_Reg_Nom.pdf

Note: Pier 70 as a whole includes 70 acres.

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~~Developer 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~~Developer 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~~Developer’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 28-Acre 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 Pier 70-Mixed Use 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 Developer~~ 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 Pier 70 Mixed-Use 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 Developer~~ have met with BCDC staff and have presented to the BCDC Design Review Board (“DRB”). ~~Forest City Developer~~ 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 Developer~~ 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~~ 28-Acre Site Project will result in 30% onsite affordability, with the following components:
 - Up to 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.

- In-lieu affordable housing fees and Jobs-Housing Linkage Fees from residential and commercial development of Parcel K North and the Hoedown Yard.
- **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~~ Pier 70 Mixed-Use 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~~ 28-Acre 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~~ 28-Acre 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~~ 28-Acre 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 ~~Artists 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~~ 28-Acre 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 ~~Artists 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 ~~Artists Tenants~~ to the replacement space.

It is currently envisioned that the replacement studio space for the Noonan ~~Artists 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 facilitate the Arts Building as a major public benefit of the 28-Acre Project, the Port has agreed to lease the land for \$1 and to provide a one-time construction subsidy of up to \$17.5 million generated from the Arts Facility Special Tax that the Arts Master Tenant will have to match on a dollar-for-dollar basis with private fundraising through a capital campaign.

Public Outreach

Public outreach and participation in the ~~proposed~~ Pier 70 Mixed-Use 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~~ 28-Acre 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 28-Acre Project.

Exhibit H contains a list of community outreach meetings attended by Forest City and City staff related to the Pier 70 Mixed-Use 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 SUD ~~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 Developer~~ developed the plan through studies and site investigations of existing Pier 70 conditions. ~~Forest City Developer~~ conducted supplemental studies in consultation with the Port and SFPUC to further develop the infrastructure planning. The Infrastructure Plan describes ~~Forest City Developer~~’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 Developer~~ 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 Developer~~’s investment in this level of infrastructure planning has positioned the first phase of the 28-Acre 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 28-Acre 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 28-Acre 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 has been updated and 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 |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Direct Construction Costs | \$82,604,452 | \$39,922,910 | \$20,194,956 | \$142,722,318 |
| Owner Other Costs (OOC) | \$1,784,168 | \$913,962 | \$511,742 | \$3,209,872 |
| 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 |
| A&E | \$9,086,490 | \$4,391,520 | \$2,221,445 | \$15,699,455 |
| Insurance | \$1,180,689 | \$674,527 | \$440,573 | \$2,295,789 |
| Bonding Costs | \$2,103,174 | \$1,029,467 | \$872,795 | \$4,005,436 |
| City Infra Review/Acceptance Costs | \$4,220,000 | \$3,495,000 | \$3,495,000 | \$11,210,000 |
| 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 |
| Community Outreach/Marketing | \$1,107,600 | \$120,000 | \$160,000 | \$1,387,600 |
| Miscellaneous (appraisals, etc.) | \$2,627,000 | \$2,172,000 | \$2,446,000 | \$7,245,000 |
| Noonan Relocation | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| Soft Cost Contingency | \$2,193,804 | \$1,276,954 | \$1,033,347 | \$4,504,105 |
| Construction Management Fee | \$7,560,791 | \$3,870,345 | \$2,175,291 | \$13,606,427 |
| Development Project Management Fee | \$6,300,659 | \$3,225,287 | \$1,812,743 | \$11,338,689 |
| Subtotal Soft Costs | \$56,655,185 | \$31,223,467 | \$20,007,935 | \$107,886,587 |
| Cash Payments | \$195,000 | \$2,438,778 | \$6,000,000 | \$8,633,778 |
| Workforce | \$615,000 | \$455,000 | \$40,000 | \$1,110,000 |
| | | | | |
| Total | \$140,069,637 | \$74,040,155 | \$46,242,890 | \$260,352,682 |

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 Pier 70 Mixed-Use Project as described in the DEIR Project Environmental Impact Report.⁹ The DEIR also includes several Project variants, which may or may not be implemented. Table 2 describes the infrastructure elements.

| 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 | <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. <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. |
| 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. |

⁹ 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 |
|--|---|
| 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 Pier 70-Mixed Use 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 Sustainability 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~~Developer 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~~Developer 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 have 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 Pier 70 Mixed-Use 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 28-Acre Project is creating separate legal parcels. ~~Forest City~~Developer 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~~Developer and Port staff will collaborate with Public Works and the County Surveyor to comply with the Map Act.

Sea Level Rise ("SLR")

The 28-Acre 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 28-Acre 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 7 principle transaction documents (“Transaction Documents”) that will govern the proposed 28-Acre 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
- G. Acquisition Agreement

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 28-Acre Project. The DDA and its exhibits provide the overall road map for development of the 28-Acre Project, including both “horizontal” and “vertical” development of the 28-Acre Project, delivery of public benefits and the financial structure for the transaction.

In general, the Developer will be responsible for horizontal development of the 28-Acre 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 | <p>At build-out, the <u>Pier 70 Mixed-Use Project</u> will include</p> <ol style="list-style-type: none"> 1. <u>Between 1,100 to 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;</u> 2. <u>A maximum of 1,102,250 to 2,262,350 gross square feet (gsf) of commercial-office use 1–2 million gsf of new commercial and office space;</u> 3. rehabilitation of three significant contributing resources to the historic district; 4. <u>a maximum of 494,100 to 518,700 gsf of retail-light industrial-arts use, including space for small-scale manufacturing, retail, and neighborhood services;</u> 5. <u>between 2,495 and 2,550 off-street parking spaces;</u> 6. <u>new and upgraded utilities and infrastructure, geotechnical and shoreline improvements;</u> 7. transportation demand management on-site, a shuttle service, and payment of impact fees to the Municipal Transportation Agency for use in the neighborhood; 8. 9 acres of new <u>publicly-owned</u> 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; 9. on-site strategies to protect against Sea Level Rise; 10. replacement studio space for the Noonan <u>Artists Tenants</u>; and 11. a new arts space (the “Arts Building”). |
| Development Phases | <ul style="list-style-type: none"> • The <u>28-Acre Project</u> 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: |

Table 3: DDA Major Terms

| Topic | Description |
|---|---|
| | <p>(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.</p> <ul style="list-style-type: none"> • The outside date for completion of all Phase 1 improvements is 7.5 years after Project approval, Phase 2 within 16 years <u>is 8.5 years after Phase 1 completion of infrastructure and Phase 3 is 8.5 years after Phase 1 completion of infrastructure within approximately 25 years</u>. 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, <u>and Parcel E4 (the Arts Building parcel)</u>. • <u>The Port, in its sole discretion and in consultation with OEWD and MOHCD, reserves the right to determine the land use of the Hoedown Yard and Parcels C1A, C1B, C1C, C2A and C2B, provided that in formulating the land use, the Port will not permit uses that are incompatible with Developer’s development rights under any portion of the DDA.</u> • 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 <u>Pier 70 SUD</u>, are not part of the <u>28-Acre Project</u>. • The Developer must exercise its option for all option parcels within a Phase within three years after completion of public improvements within the Phase. • 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 |

Table 3: DDA Major Terms

| Topic | Description |
|----------------------------|---|
| | <p>use programs.</p> <ul style="list-style-type: none"> • 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): <u>Subject to raising at least \$17.5 million in private charitable contributions, the Developer will enter into a 50-year lease (with a 15-year extension option) 66-year lease and begin construction of the Arts Building within three years after completing the office building on Parcel B-2. Base rent for the initial 50-year term will be \$1 per year; base rent for the 16-year extension term will be set at a commercially reasonable amount as agreed-upon by Port and the master tenant.</u> The Arts Building may be developed in two phases, which could include a stand-alone building to accommodate the Noonan tenants on 1/3 of the site, or as a single phase, but in either case, 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 |

Table 3: DDA Major Terms

| Topic | Description |
|-------|--|
| | <p>space, and may be used as replacement space for Noonan Tenants, for community or public use space and retail/restaurant of up to 10,000 gsf. <u>If constructed as a single building, the Arts Building must accommodate the permanent Noonan tenant replacement space unless otherwise approved by the Port.</u> The Port will commit \$20 million of public finance proceeds for the arts program, <u>comprising the Noonan replacement space, a community facility, and the Arts Building.</u> <u>If Developer fails to enter into a lease for the Arts Building but the Port has used funds to pay for permanent replacement space for the Noonan Artists, the Port may terminate Developer's right to developer Parcel E4 and call on \$13.5 million security instrument provided by Developer to developer Parcel E4 for public uses.</u></p> <ul style="list-style-type: none"> <p>Noonan Tenant Replacement Space: The Developer must provide the Noonan Artists Building tenants with space in a new or rehabilitated building within the Project ("<u>Noonan Replacement Space</u>"). <u>The Noonan Replacement Space will likely be provided in two phases: a temporary space within the 28-Acre Site that will allow for the demolition of the Noonan Building and the development of a permanent transition space that will likely be located on the site of Parcel E4.</u> The Developer and the Port will provide the Noonan Artists Tenants with <u>between 6 and at least 24 months' prior written notice for the temporary replacement space, and at least 24 months' prior written notice for the</u> 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 Artists 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.</p> <p>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 <u>equal to 3.5% of modified gross income starting 31 years after issuance of a temporary certificate of occupancy for each building, payable</u></p> |

Table 3: DDA Major Terms

| Topic | Description |
|----------------------------------|---|
| | <p>in accordance with each lease <u>The leases for Buildings 12 and 21 will also provide the Port with participation in sale and refinancing proceeds in accordance with the same provisions under the form of Parcel Lease described below.</u></p> <ul style="list-style-type: none"> • PDR: The <u>28-Acre</u> 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 <u>Pier 70 SUD and D4D</u> and use its sale proceeds to pay Developer’s <u>Entitlement accrued Entitlement Costs, Developer Return and Horizontal Development Costs.</u> • 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 <u>Pier 70 SUD and D4D</u>. 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 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 <u>provides</u> 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, <u>Developer’s failure to meet its indemnification obligations, including its hazardous materials indemnity obligations,</u> 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 <u>28-Acre Project.</u> • The Port may offer the development opportunity for the terminated portions of the DDA to third parties, but will not |

Table 3: DDA Major Terms

| Topic | Description |
|--|---|
| | <p>permit uses that are incompatible with any of the Developer’s retained development rights under the DDA.</p> <ul style="list-style-type: none"> • 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 submittal and review of construction documents for Horizontal Improvements are 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 <u>Pier 70 Mixed-Use Project</u> 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 | <p>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.</p> |
| <u>Interagency Cooperation Agreement; Completion and Acceptance of Public Improvements</u> | <ul style="list-style-type: none"> • <u>The Interagency Cooperation Agreement, an inter-agency agreement between the Port and other City departments, sets forth procedures for submittal of improvement plans by the applicable Developer or Vertical Developer performing Deferred Infrastructure and a schedule and procedure for City and/or Port approval and issuance of relevant construction permits. Developer agrees in the DDA (and in its consent to ICA) to comply with the submittal requirements under the ICA for improvement plans, including public right-of-ways, utility infrastructure and parks and open space. The ICA will be approved and consented to by the Port Commission, SFMTA Commission and SFPUC Commission. It will also be approved by the Board of Supervisors and signed by the Mayor, Clerk of the Board of Supervisors, Public Works</u> |

Table 3: DDA Major Terms

| Topic | Description |
|---------------------------------|---|
| | <p><u>Director, City Administrator and Controller, on behalf of affected City departments.</u></p> <ul style="list-style-type: none"> • <u>The DDA sets forth the procedures for sign-off on completion of components of the public improvements. The Board of Supervisors will take action to accept public improvements that are to be accepted into the City’s system of public right-of-ways and utility infrastructure. The public parks and open space will be owned and controlled by the Port; upon completion of each park parcel, the Chief Harbor Engineer will calendar the acceptance action at the Port Commission, with an understanding that adjacent Deferred Infrastructure may be incomplete. In its acceptance action, the Port Commission will delegate future acceptance of associated Deferred Infrastructure within the applicable Park Parcel to the Chief Harbor Engineer.</u> |
| 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 and soil compaction), and providing or securing the installation of public improvements to serve the development parcel. |
| Security | Developer must provide financial security for <u>as follows: (iA)) “Loss Security in the amount of \$5.5 million to cover its reimbursement obligations for Port and City Costs and indemnities under the DDA; and (B) “Phase Security” for</u> (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 | The Affordable Housing Plan describes the following measures to ensure that at least 30% on-site affordability across the 28-Acre Site Project, with units of all residential units at the 28-Acre Site are |

Table 3: DDA Major Terms

| Topic | Description |
|----------------------------|---|
| | <p>affordable to low- and moderate-income households, <u>under a midpoint development scenario:</u></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, <u>including the PKS affordable housing parcel.</u> • 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. <p><u>Note:</u> <u>Under the Pier 70 SUD, third-party developers of the Illinois Street Parcels will be required to in-lieu affordable housing fees or Jobs-Housing Linkage Fees directly to MOHCD for residential or commercial uses developed on these sites.</u></p> |
| 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 faith efforts to meet the hiring certain hiring goals and, where applicable, partnership with TechSF. • 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, <u>and pay prevailing wages for certain construction work over a threshold amount.</u> |

Table 3: DDA Major Terms

| Topic | Description |
|---|---|
| | <ul style="list-style-type: none"> • Developer and Vertical Developers must comply with the Local Business Enterprise (“LBE”) Utilization Plan to make good faith efforts to meet a <u>the-17%</u> outreach goal applicable to certain construction work for LBEs. • <u>The project establishes</u> goals applicable to leasing of retail space suitable for use by Small Business Enterprises <u>by Tenants and building owners.</u> |
| 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 Pproject-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 <u>depending on Phase</u> in certain circumstances, <u>particularly when there is an existing constraint on office space allocation available for use elsewhere in the City.</u></p> |
| <u>Illinois Street Parcels Additional Measures</u> | <p><u>The DDA requires the Port to include certain measures to resolve potential use and adjacency conflicts between new residential uses along Illinois Street and existing light industrial uses across the street. These Illinois Parcel Additional measures will be binding on Parcel K North and Parcel K South in the applicable Port conveyance documents. The Port will work with the City to make sure that these measures are also included by the City in the conveyance documents for any of the Hoedown Yard parcels if sold by the City for condominium development.</u></p> |
| <u>Marketing Costs</u> | <p><u>Developer’s marketing budget costs shall be limited to \$920,000 (NPV 2018\$) in reimbursable costs. If and when vertical development revenues are not sufficient to cover marketing costs equivalent to \$325,000 (2018\$) annually, escalated by 3% annually, and Developer has already spent its maximum Developer marketing budget, Developer may request the ability to spend additional funds on marketing as reimbursable cost which Port may approve in its sole discretion. Marketing expenses are not eligible for reimbursement from public financing sources under the Financing Plan attached to this DDA as an eligible expense, but are eligible for repayment from Land Proceeds.</u></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. |

Table 4: Financing Plan

| Topic | Description |
|----------------------|--|
| | <ul style="list-style-type: none"> • Approximately 8% of every dollar of tax increment will be Port Tax Increment available to fund <u>a portion of Building 12 and 21 Historic Building Costs, Irish Hill Park (if needed) and then to fund other Pier 70 costs.</u> • The Port will use its proceeds of the sale of Parcel K North to pay Developer’s entitlement costs, Developer Return, and Horizontal Development Costs. • 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 | 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. |
| Additional Sources | 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 <u>to conditions</u> in the Financing Plan. |
| Financing Districts | <ul style="list-style-type: none"> • 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: <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. • To preserve the Port’s land value, <u>debt service on Mello-Roos Bonds secured by the Facilities Special Tax (other than the Shoreline Special Tax and the Arts Building Special Tax) will be paid by Project Tax Increment, thus offsetting the Facilities Special Tax on residential rental and office parcels will be offset by available Project Tax Increment.</u> • 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. • 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 |

Table 4: Financing Plan

| Topic | Description |
|-------------------------------------|--|
| | institutional trustee that will distribute the funds to pay the Developer’s Profit Participation and the Port’s Profit Participation. |
| Conveyance Terms for Option Parcels | 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 <u>Interim Satisfaction has been achieved</u> , all leases will be 100% prepaid. After the Project Payment Obligation <u>Interim Satisfaction</u> is met, the Port can choose for leases to be fully or partially prepaid, with annual rent paid over the lease term. |
| Hoedown Yard | <ul style="list-style-type: none"> • 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. • 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. |
| Arts Building | <ul style="list-style-type: none"> • 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. • 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 | <ul style="list-style-type: none"> • 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. • 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. |

| Table 4: Financing Plan | |
|-------------------------|--|
| Topic | Description |
| | <ul style="list-style-type: none"> 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~~ Developer 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<u>25,000</u> 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. |

| Table 5: Development Agreement Major Terms | |
|--|--|
| Topic | Description |
| | <ul style="list-style-type: none"> • 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. • 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 and Workforce Development 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 Developer will lease the 28-Acre Site (except, initially, for the Noonan Building, Affordable Self-Storage, an

area that PG&E plans to remediate and Building 21) 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 | <ul style="list-style-type: none"> 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 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 <u>34</u> 25 -years (coterminous with Developer obligations under the DDA) |
| Rent | <ul style="list-style-type: none"> <u>Base Rent</u>: \$1.00 per year. <u>Other Rent</u>: All <u>net</u> rent, fees, or other charges (<u>other than limited expenses related to paving for surface parking lots</u>) 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 | <ul style="list-style-type: none"> <u>Primary Permitted Uses</u>: (i) Development of the Horizontal Improvements; <u>(ii) temporary streets, and (iii) one or more surface parking lots to service the Noonan Building and, if Tenant elects, the general public to service the Noonan Building and the Historic Core project.</u> <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, <u>any damage by Tenant to the</u> utilities serving the Noonan Building tenants and artists, and the other Improvements. The Port and the City may make periodic inspections of the Premises. <u>If Tenant (1) fails to maintain and repair Buildings 2, 12 and 21 or the frame of Building 15, or (2)</u> |

| Table 6: Master Lease Major Terms | |
|-----------------------------------|--|
| Topic | Description |
| | and in the event of any imminent risk or violation of law, Port has the right to 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 may must make the Horizontal Improvements available for the public's use so long as City or Port enters, 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 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 <u>gross or willful misconduct</u> 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, including any adjacent "deferred 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, ~~if applicable,~~ 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 <u>Forest City Developer</u> if Forest City accepts its Option after a final appraisal, or may be an unaffiliated developer if the <u>Development Parcel Site</u> is competitively bid. |
| Property | The property will be the applicable Development Parcel to be acquired by the Vertical Developer. |
| Form of Conveyance of Property | <ul style="list-style-type: none"> • 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. • For commercial parcels only, <u>escrow will close within 6 ½ months after end of diligence period, but</u> 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 Vertical DDA and receive the Deposit as liquidated damages. • If Port defaults before close of escrow, Vertical Developer may |

| Table 7: Vertical DDA Major Terms | |
|---|--|
| Topic | Description |
| | 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 <u>commencement-completion</u> . Failure to <u>commence construction</u> construct within the schedule of performance may result in financial penalties and/or a repurchase right. |
| Construction of Infrastructure | Vertical Developer is solely responsible for developing all improvements within the Property, which may include certain horizontal infrastructure (“Deferred Infrastructure”). |
| Port/City Costs | 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. |
| Default by Vertical Developer <u>After Close of Escrow</u> | <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 <u>consisting of a failure to commence construction under the schedule of performance</u> for a condominium fee parcel may result in financial penalties or repurchase right. |
| Transfers and Assignments – Leasehold Parcels | After close of escrow, Vertical Developer may transfer its interest in the <u>Vertical DDA</u> 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"> • <u>Prior to issuance of a Certificate of Completion, Port will have reasonable approval rights over any non-affiliate transferee, but Port will approve the transfer if, among other things, the transfer is to a qualified transferee that has a net worth of at least \$27.5 million (increased periodically) and has, or has engaged a manager with, at least 10 years’ experience managing major commercial or residential projects.</u> • No transfer restrictions will apply after issuance of a Certificate of Completion. |
| Indemnification | Vertical Developer is obligated to indemnify, defend and hold harmless Port and City parties for all claims other than certain claims arising from the <u>actions of gross negligence or willful misconduct of Port and the City parties.</u> |
| <u>Marketing</u> | <u>As a condition of sale or lease of any parcel, Vertical Developer shall pay Developer a one-time payment equal to \$1.45 (2018\$) per gross square foot of developable space permitted under the Pier 70 SUD and D4D, payable at Close of Escrow and escalated 3% annually to the date of the Close of Escrow, for purposes of shared marketing expenses for the Pier 70 SUD.</u> |

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 <u>under the Vertical DDA entity to be determined</u> (“Developer”) as Tenant |
| Premises | Development parcels within the 28-Acre Site that are conveyed to Vertical Developers under the DDA. |
| Term | 99 years (5066 or 5066 years for Historic Buildings 12 and 21 and the Arts Building, <u>respectively</u>) |
| Rent | <ul style="list-style-type: none"> • <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 <u>leasehold</u> fee value to an annual rent according to a formula applied by the appraiser engaged through the DDA conveyance procedures. • <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. • <u>Percentage Rent (Years 30–99)</u>: With the exception of gross rent received from any residential condominiums (<u>which will be conveyed in fee and not by parcel lease</u>), 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. |
| Port Participation in Proceeds from Sale and Refinance | <ul style="list-style-type: none"> • 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 <u>of</u> for its entitlement costs <u>and a 12% return thereon</u>. • If the transfer occurs after the 3-year period, Port participates in 1.5% of net sale proceeds. • <u>Net sale proceeds = sale price less cost associated with sale (i.e. brokerage fees), less: (1) the greater of prior purchase price/development cost or the highest single mortgage amount secured by property and (2) cost of capital items that have not been amortized from modified gross revenues.</u> • Port will also participate in 1.5% of <u>net</u> refinancing proceeds and |

Table 8: Parcel Lease Major Terms

| Topic | Description |
|-------------------------------------|---|
| | 1.5% of net recapitalization proceeds. |
| Permitted Use | <ul style="list-style-type: none"> 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 require 20% inclusionary units. |
| Mitigation and Improvement Measures | Tenant must comply with the MMRP measures applicable to the ground lease parcel. |
| Jobs and Equal Opportunity | Tenant must comply with the applicable requirements of the Workforce Development Plan. |
| Maintenance and Repair | Tenant is obligated to maintain and operate the Premises, and to maintain and repair the improvements, and to provide the Port with a periodic facilities condition report after 20 years and maintain adequate capital reserves. |
| Subletting | Tenant has right to sublet the Premises to non-affiliates without Port's prior approval, so long as the subleases meet certain conditions. |
| Mortgages | 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. |
| Transfer | Port has reasonable approval rights over non-affiliate transfers prior to completion of improvements. After completion, tenant may assign the lease subject to prior notice and to proposed transferee <u>tenant's meeting certain financial and experience qualifications, including a net worth of at least \$27.5 million (as increased periodically).</u> |
| CFD Matters | Tenant must acknowledge and agree to comply with obligations of community facility district applying to the Development Parcel. |
| 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 or taxes, VDDA default, abandonment, use of the premises for prohibited uses, failure to adequately maintain the premises failure to adequately maintain the premises and failure to comply with requirements re: hazardous materials. |
| Indemnification | Tenant is obligated to indemnify, defend and hold harmless Port and City parties for all claims other than claims arising from the <u>gross negligence or willful misconduct of Port and the City parties.</u> sole negligence or willful misconduct of Port and the City parties. |

G. Acquisition Agreement

The Acquisition Agreement will govern the legal process under which Developer will submit payment requests to the Port for reimbursement from Project sources:

- The Acquisition Agreement describes the procedures by which the Developer is to be reimbursed for improvements to the land, subject to the DDA and Financing Plan;
- Developer will use its own funds to construct Horizontal Improvements as obligated under the DDA;
- The Port will reimburse the Developer for the actual costs of Horizontal Improvements, Development Costs, Entitlement Costs, Deferred Infrastructure, and Developer Return; and
- The Port will review and approve all Developer requests for payment and may use an outside auditor to supplement Port staff.

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*,¹⁰ 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 Pier 70 Mixed-Use Project.

The Port will use about 92 percent of the tax increment from IFD Sub-Project Area G-2, Sub-Project Area G-3, and Sub-Project Area G-4 to fund public streets, utilities, parks, historic-rehabilitation of Buildings 12 and 21 (the "Historic Building Feasibility Gap") and sea-level-rise protection and about 8 percent to fund Port improvements outside of the 28-Acre Site, including the Irish Hill Park¹¹, the Historic Building Feasibility Gap, and rehabilitation of historic buildings in other areas of Pier 70.

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

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

IFD Sub-Project Areas G-2, G-3 and G-4 – formed over the three phases of the proposed 28-Acre 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.

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 | <u>TBD</u> | Ordinance <u>designating sub-project areas of the</u> 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 | <u>TBD</u> | 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 |

| Table 9: IFD and IRFD Legislation | | |
|-----------------------------------|-------------------|--|
| File # | Introduction Date | Description |
| | | San Francisco) for Sub-Project Area G-2, <u>Sub-Project Area G-3, and Sub-Project Area G-4</u> (“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 <u>and Revitalization</u> 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. |
| TBD | <u>TBD</u> | Resolution proposing adoption of infrastructure financing plan and formation of City and County of San Francisco Infrastructure and Revitalization Financing <u>District</u> No. 2 (Hoedown Yard); and determining other matters in connection therewith. |
| TBD | <u>TBD</u> | 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~~ three 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 property and authorize the CFD to issue CFD bonds and to use bond proceeds and annual special taxes to:

- reimburse the Port and ~~Forest City~~Developer for project entitlement costs and associated Developer Return;
- reimburse the Port and ~~Forest City~~Developer for construction costs for authorized improvements or pay directly for these improvements and associated Developer Return;
- partially fund Historic Buildings 12 and 21 up to the feasibility gap to rehabilitate these buildings and construction of the Noonan Replacement Space, community facilities, and 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, affordable housing, 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 CFDs when taxable parcels have been created within the Pier 70 SUD, which is currently projected to occur in early to mid-2018. Staff intends to attach projected tax rates for each property type to the Financing Plan for consideration during project approvals.

The use of IFD tax increment to pay debt service on Mello-Roos Bonds in the proposed Pier 70 Mixed-Use 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 28-Acre Project infrastructure, at a much lower cost than the cost of Developer capital.

VII. Parcel K North Sale Strategy (Note: Entire Section Updated)

A key financial strategy endorsed by the Port Commission at approval of Term Sheet for the 28-Acre Project is the planned sale of the Port-owned Illinois and 20th Street Parcel, also known as Parcel K North, 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. Parcel K North is an attractive offering, with easy access to Crane Cove Park and clear views of the most important historic resources in the Union Iron Works Historic District.

Under the SUD, Parcel K North, which is approximately 68,800 square feet in land area, is programmed for approximately 239 to 300 residential condominium units, approximately 6,600 square feet of ground floor retail/art/light industrial space, and 186 on-site parking spaces. Parcel K North, which is currently being used for automobile parking, is planned as the first development parcel to go to market under the Pier 70 SUD because it is proximate to existing utility infrastructure in Illinois Street.

Under the DDA, the Port is required to offer Parcel K North for sale at or above its fair market value and close escrow within one year after approval of the 28-Acre Project. Under the Financing Plan for the 28-Acre Project, proceeds from the sale of Parcel K North will be used to reimburse the Developer for its entitlement costs.

Port staff have been collaborating with the City's Real Estate Division ("DRE") to prepare for its sale. Staff's proposed disposition process for Parcel K North includes these key steps:

1. Appraiser Determines Parcel K North Fair Market Value: Port staff is working with DRE to determine Parcel K North'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. Port/City Selects a Real Estate Brokerage Firm to Market Parcel K North to Buyer/Developers: DRE, in consultation with Port staff, has selected Colliers International (“Colliers”) from DRE’s broker pool to assist in the sale of Parcel K North. Colliers has the requisite experience and track record of performance in selling entitled development sites with a similar profile, and will be paid an appropriate sales commission of 0.5% of the Parcel K North sales price to be paid from sales proceeds at the close of escrow. Use of a broker to sell Parcel K North is beneficial because it allows the Port to leverage the brokerage firm’s well-primed marketing infrastructure, pool of potential local and international buyers, recent experience selling similar high-profile sites, and ability to proceed with an efficient RFP/RFQ process.
3. Broker Completes Pre-Marketing and Develops a Marketing Plan: Colliers will be required to complete a number of tasks, including gathering information on Parcel K North, the Project Site, and up-to-date market conditions and producing an effective marketing plan within 30 to 40 days after executing a contract with DRE.
4. Port Staff Seeks Approval from Port Commission and Board of Supervisors: Port staff is seeking pre-approval of the form of Vertical DDA (“Parcel K North Vertical DDA”), concurrent with Project approvals, as further detailed below.
5. Broker Launches 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. Broker Creates a Short List: Colliers, in consultation with DRE and Port staff, will create a short list of qualified buyers by December 2017. To qualify, the potential buyer must possess the necessary experience and financial capacity to timely perform the obligations of the Parcel K North Vertical DDA. Colliers and Port and DRE staff will review the capacity and financial profiles of each shortlisted prospective buyer to ensure each meets the minimum threshold.
7. Short-Listed Prospects Submit “Best & Final Offer” by January 2018: Each prospective buyer will have to review and tender conditional acceptance of its offer and the Parcel K North Vertical DDA provisions and remove all of its contingencies. Port and DRE staff will evaluate offers based on, among other things, the bid price and amount and timing of required deposits.
8. Buyer Completes Due Diligence by early February 2018: Once a buyer is identified, Port staff will provide all available information on Parcel K North to the buyer for its due diligence.
9. Port and Buyer Enter into Parcel K North Vertical DDA and Close Escrow by 2018 Q1-Q2.

Parcel K North Buyer/Developer Obligations

The Parcel K North buyer will be required to enter into the Parcel K North Vertical DDA, which will specify certain rights and obligations, including the following:

15. Close escrow and deposit the purchase price into the Port's escrow account no more than 3 months after being selected as the highest qualified bidder, but in no event later than 12 months after the Board of Supervisors approves the sale;
16. Commence construction within 24 months after close of escrow;
17. Construct the project consistent with the requirements of the MMRP;
18. Construct the 20th/Illinois St. Plaza, as defined in the D4D, as a public benefit of the Pier 70 Mixed-Use Project, subject to reimbursement by the Port from public financing sources;
19. Construct improvements to the adjacent Michigan Street segment according to public works contracting requirements, subject to reimbursement by the Port from public financing sources;
20. Provide a limited amount of space in the ground floor parking area at no charge to the San Francisco Public Utilities Commission to install and maintain electrical equipment;
21. Provide Developer with the first right to receive surplus soil from the site at a location for delivery within the 28-Acre Site identified by Developer;
22. Enter into a deed restriction or other binding covenant that incorporates the Illinois Street Parcel Additional Measures attached to the DDA, which include long-term noise measurements during the normal operations of American Industrial Center ("AIC");¹² appropriate soundproofing and performance criteria for the design of the project, restrictions on unprotected outdoor residential uses fronting Illinois Street, and disclosures to future owners regarding the active loading and industrial operations at AIC, and a process for dispute resolutions;
23. Consent to deed restrictions requiring that the second and each later purchaser of a residential unit pay a transfer fee in the amount of 1½% of the purchase price, payable to Harbor Fund for Public Trust purposes;
24. If not previously formed, vote in favor of a community facilities agreement and covenant to pay facilities and maintenance special taxes commencing at the earlier of (1) issuance of a building permit, or (2) two years after close of escrow.

¹² Parcel K North 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.

CFD facilities and maintenance special taxes and annual TMA fees will average \$6,000/unit annually.

25. Comply with applicable land use restrictions, impact fees, and exactions imposed by the Pier 70 SUD, including a requirement to pay in-lieu affordable housing fees equal to 28% of the costs of on-site market-rate condominium units;
26. Pay all other applicable impact fees, including child care, school facilities, utilities, and transportation fees;
27. Implement the TDM Program, in compliance with FEIR Mitigation Measure M-AQ; and
28. Comply with the City's First Source Hiring Program under Chapter 83 of the City's Administrative Code.

A form of the Parcel K North Vertical DDA, which contains these provisions, is on file with Commission Secretary.

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~~ Developer in July and August 2017, and other factors including real estate market trends and public financing interest rates. Staff will revise this analysis accordingly in the September 1226, 2017 Port Commission staff report.

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 Plan¹³, 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~~ Developer 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~~ has completed 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. As typical of master development projects, 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.

¹³ <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. Forest City Realty Trust will provide a guaranty of \$5.5 million – equal to 20% of the Net Worth Requirement – to secure FC Pier 70, LLC's obligations under the DDA and Master Lease.

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 4226, 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 FC Pier 70, LLC to undertake Phase 1 improvements.

Entitlement Costs

Forest City and Developer have 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 date the 28-Acre Project is approved ("Project Approval Date"). 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~~ Developer, the Developer ~~will~~ has submitted a preliminary Entitlement Cost Statement that includes expenses and accrued Developer Return ~~starting no earlier than~~ from July 12, 2011 through June 30, 2017. Within 90 days following the Project Approval Date, the 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~~ Project Approval Date.

The ~~Project~~ proforma currently includes a projected entitlement sum of \$33 million through the Project Approval Date. The preliminary Entitlement Cost Statement included ~~A preliminary review of expenses, dating to April 28, 2017, totaled~~ approximately \$28.5 million, including \$15.0 million consultant and legal costs, \$2.54 million Port incurred expenses (e.g. City Attorney fees, third party consultants, and permitting fees), and \$10.46 million Developer project management, labor 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.~~

To evaluate the preliminary Entitlement Cost Statement, the third party reviewer, in consultation with the Port:

- Selected approximately 10% of the invoiced items included in the preliminary Entitlement Cost Statement, representing approximately 22% of the total costs included in the statement; and
- Completed a compliance review of invoiced entitlement costs, which included a review of compliance with the definition of eligible entitlement costs, supporting documentation, proof of payment, the dates services were provided, and allocation to the correct project.

The review of labor overhead costs of approximately \$10 million is still underway, pending the receipt of additional supporting documentation from the Developer.

For invoiced entitlement costs and travel and expense costs, the third party review found the following exceptions:

- Two of the selected invoices related to another one of the Developer's projects. One invoice was found to be incorrectly allocated between the 28-Acre Project and another one of the Developer's projects. This triggered the correction of multiple related invoices from the same vendor for the correct allocation and the selection of an additional 20 invoices for testing. No additional miscoded invoices were discovered as a result of the supplemental testing. Including the supplemental testing, 120 samples accounting for \$4,111,734 or approximately 22% of the invoiced costs were tested.
- Travel and expense costs incurred by employees prior to July 12, 2011 were submitted for reimbursement within the entitlement period. It appears the costs were included because the payment from the Developer to the employee occurred within the entitlement period. However, since the actual expense was incurred by the employee prior to the commencement date, they were determined to be excluded from entitlement costs.

In response to these findings, the Developer agreed to take a second look at its entitlement costs. An adjustment was made to remove \$422,495 from invoiced entitlement costs and \$10,963 from travel and expense entitlement costs, for a total reduction of \$433,458. This reduction brings the total eligible costs in the preliminary Entitlement Cost Statement from \$28,511,511 to \$28,078,053. Of that amount, approximately \$10 million of labor overhead costs is still under review.

A supplemental Entitlement Cost Statement will be provided to the Port following the Project Approval Date. At that time, the third party review will be completed for all Developer labor overhead costs and any entitlement costs incurred between June 30, 2017 and the Project Approval Date and a final Entitlement Sum will be established.

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 ~~P~~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~~ the outset of the Pier 70 Mixed-Use Project in relatively limited quantities and to grow over ~~Project~~ buildout of the project.

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 28-Acre 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 28-Acre Project entitlement costs and infrastructure, parks, and open space investments will be funded directly by Developer capital.

Developer capital for both Entitlement Costs and 28-Acre 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~~ 28-Acre 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 28-Acre 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; and
 - Alameda Point Site A – 18% return.

Proforma Results

The Port and ~~Forest City~~ Developer teams collaborated to develop an annual cashflow model for the Pier 70 Mixed-Use Pproject 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 Developer~~ 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 Developer~~ to the Port in July, 2017 – reflect current dollar estimates of required site investments.

The Port has retained Parsons to review ~~Forest City Developer's~~ revised infrastructure cost estimates, including hard and soft costs. The results of this review will be included in the September 26, 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~~ 28-Acre 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 28-Acre 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~~28-Acre Site.

The Base Case model projects the Developer achieving a 18.73% IRR and net cashflow of ~~\$80.6~~ \$70.5 million in NPV terms and ~~\$267.0~~ \$226.9 million in nominal dollar terms. The Port is projected to receive ~~\$157.5~~ \$160.4 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 has been recalculated and replaced here and illustrates these results.

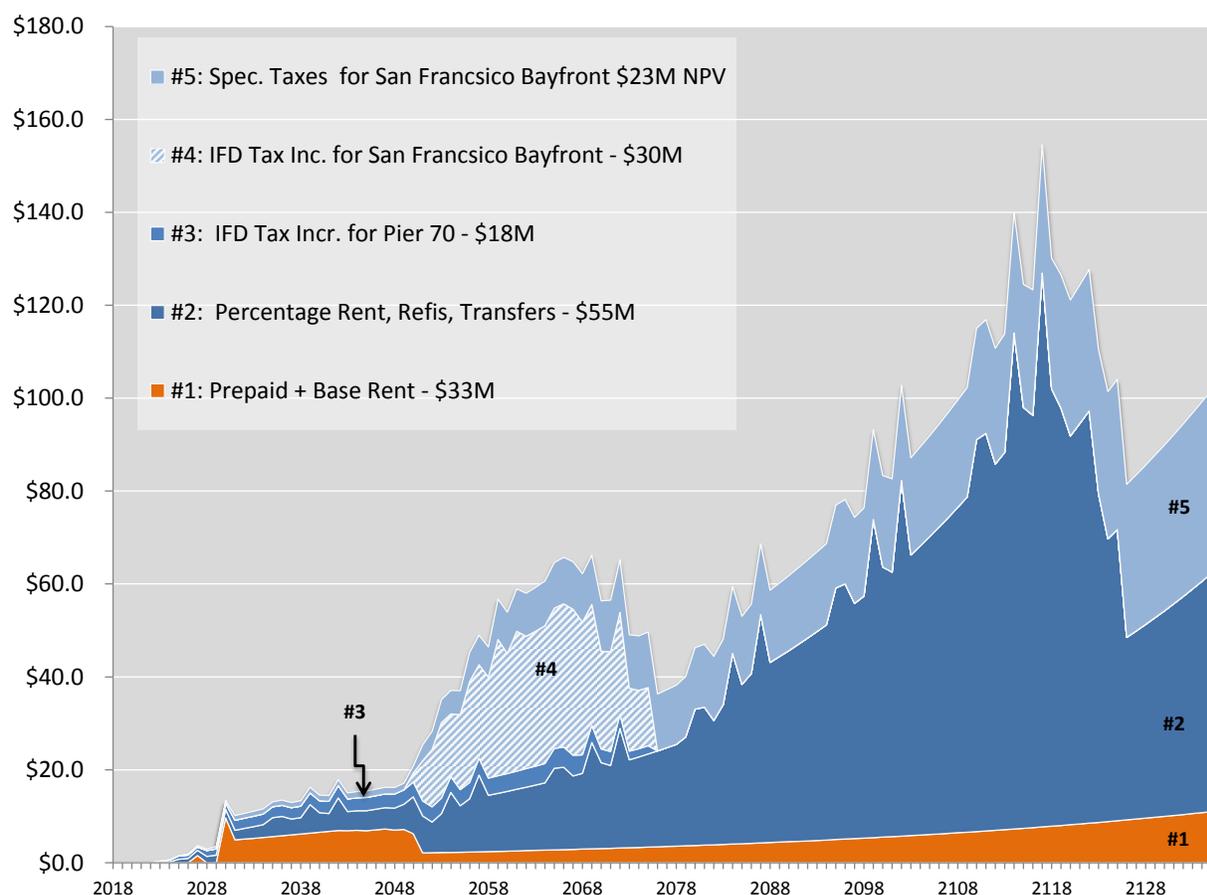
Table 11 (which is new since the August 8, 2017 staff report) illustrates results if the Port invests \$15 million in Port Capital. The Port Commission may elect to invest Port Capital and earn a 10% annual return. The Port Commission has indicated that it will consider whether to make Port Capital investments in the Project based on the Port's overall capital needs at the time.

| Table: 11 28-Acre Site and Parcel K North Underwriting - \$15 Million Port Capital Investment | | |
|--|---|---------------------|
| Source of Revenue | Nominal Revenues over ~120 Years | Amount (NPV) |
| Developer Cash Flow | | |
| Capital Contributions | (\$136,661,430) | (\$84,874,184) |
| Capital Distributions | \$136,661,430 | \$67,128,053 |
| Developer Return | \$126,072,055 | \$64,905,531 |
| Developer's 45% Share of Hybrid Lease | \$0 | \$0 |
| Developer's 45% Share | \$87,587,563 | \$19,398,156 |
| Subtotal Developer Cash Flow | \$213,659,617 | \$66,557,557 |
| Developer IRR | 19.0% | |
| Port Capital Investment | | |
| Capital Contributions | (\$15,000,000) | (\$9,250,074) |
| Capital Distributions | \$15,000,000 | \$7,419,817 |
| Port Capital Return | \$6,867,585 | \$3,270,720 |
| Subtotal Port Capital Investment | \$6,867,585 | \$1,440,463 |
| Revenues - Net Economic Benefit to Port | | |
| Port's Annual Rent from Hybrid Lease | \$0 | \$0 |
| Port's 55% Share | \$107,051,465 | \$23,708,858 |
| C1A Ground Rent | \$244,450,180 | \$6,478,489 |
| 1.5% of Net Proceeds from Refinancings | \$193,260,917 | \$4,420,586 |
| 1.5% (Yrs 30-59) & 2.5% (Yrs 60-99) of Revenue | \$1,769,535,033 | \$17,023,064 |
| Condominium Resale Transfer Fees | \$1,684,030,812 | \$27,535,858 |
| Subtotal Land Revenues | \$3,998,328,407 | \$79,166,854 |

Table: 11 28-Acre Site and Parcel K North Underwriting - \$15 Million Port Capital Investment

| Source of Revenue | Nominal Revenues over ~120 Years | Amount (NPV) |
|---|---|----------------------|
| IFD Revenues - to the Port for Pier 70 Wide Facilities and for City Shoreline Protection | | |
| Port's 8 Cents of Tax Increment | \$145,780,770 | \$17,852,749 |
| Unused Tax Increment to Port after Project is Complete - for City shoreline protection | \$555,853,397 | \$29,802,397 |
| Subtotal IFD Revenues | \$701,634,167 | \$47,655,146 |
| CFD Revenues - for City Shoreline Protection | | |
| Available Shoreline CFD Proceeds | \$321,176,840 | \$8,756,943 |
| Available CFD Condominium Proceeds | \$1,353,066,606 | \$14,427,636 |
| Unused Project Reserve | \$452,068,948 | \$11,677,211 |
| Unused CFD Condominium Proceeds Applied to Waterfall | \$6,852,694 | \$1,189,395 |
| Subtotal CFD Revenues | \$2,133,165,088 | \$36,051,185 |
| Subtotal All Port Revenues | \$6,833,127,662 | \$162,873,184 |

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



Tables 10 & 11 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 Developer~~ 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 Developer's~~ estimate yielded projections that were within a small margin of difference. Table 124 below shows the Port's final estimate.

Table 124. 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 5.05-5%.

Based on recently completed special tax rate calculations, Parcel K North and the Hoedown Yard will generate approximately \$736,000 annually to fund maintenance of Irish Hill Park, Michigan Street, Crane Cove Park, and other areas north of 20th Street.

IX. Next Steps

Port and City staff intend to presented the proposed Project at the August 24, 2017 meeting of the Planning Commission, when wherein the Planning Commission certified the will consider certification of the FEIR and recommended approval of 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~~26~~, 2017, including an updated financial analysis and an updated analysis of the fiscal feasibility of the proposed Pier 70 Mixed-Use Project pursuant to ~~Chapter 29 of the Administrative Code.~~

The actions that Port staff will recommend to the Port Commission at its September 4~~2~~26, 2017 meeting will include:

- Adopt CEQA findings and the Mitigation Monitoring and Reporting Program;
- Approve a Waterfront Land Use Plan amendment conforming 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

Sarah-Dennis Phillips, Project Director, Office of
Economic and Workforce Development

Rebecca Benassini, Port Assistant Deputy Director of
Development

Christine Maher, Port Development Project Manager

Kevin Masuda, Port Infrastructure Project Manager

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~~ Zoning Map
- 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~~Developer 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 Program¹⁴ 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 Plan¹⁵ ("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

¹⁴ <http://sf-planning.org/eastern-neighborhoods>

¹⁵ <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 Developer~~ 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 Strategy¹⁶, 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);

¹⁶ <http://oewd.org/southernbayfront>

4. former Potrero Power Plant site (OEWD);
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% onsite affordability, 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 Greenway¹⁷ 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.

¹⁷ <http://sfport.com/blue-greenway-project>

EXHIBIT E
Pier 70 Zoning Map
 (for informational purposes only)

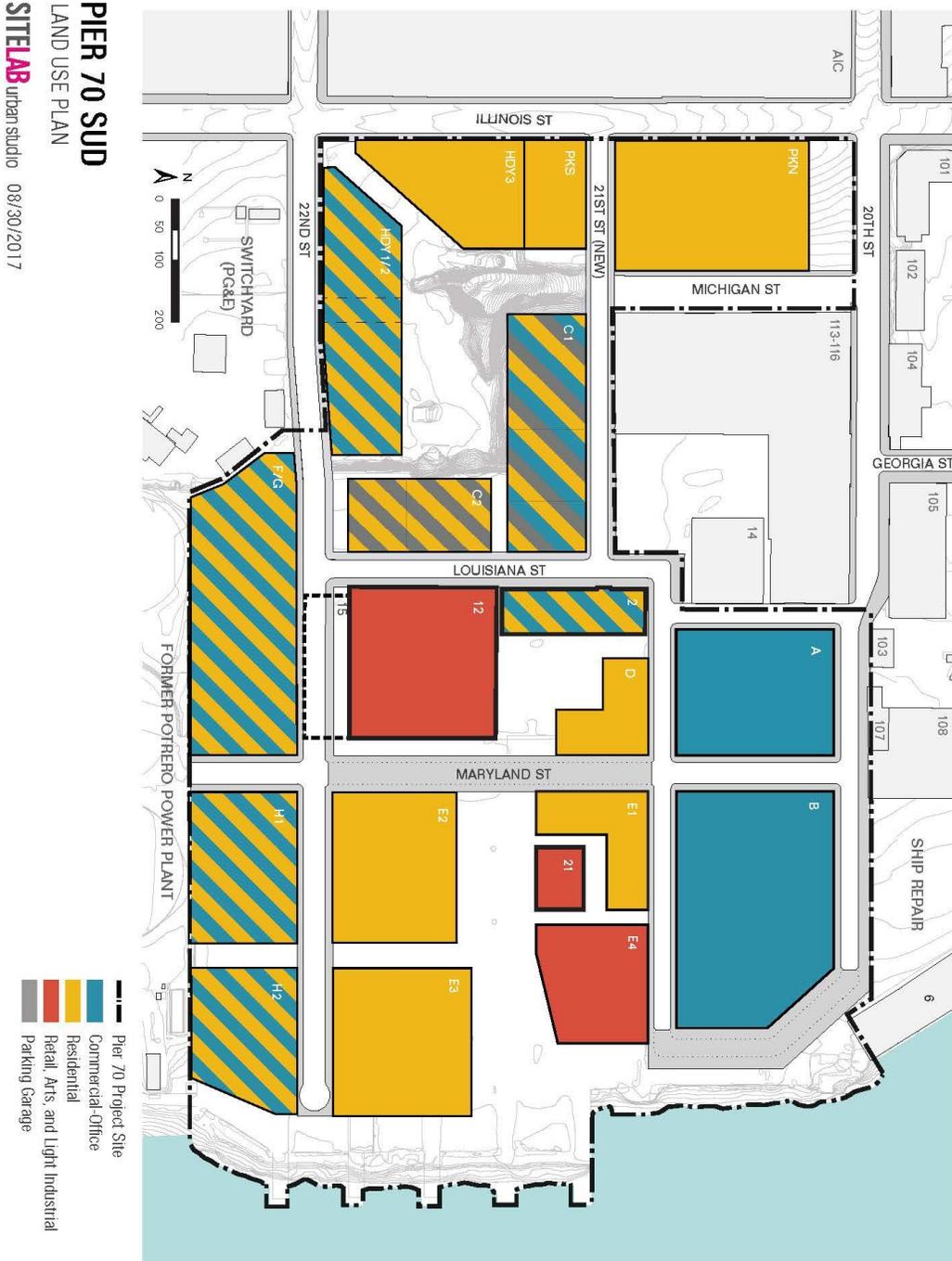


EXHIBIT F
Forest City's Proposed Rehabilitation Strategy
for Buildings 2, 12 and 21

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

(Updated version on file with Commission Secretary)

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

ATTACHMENT B-1
Summary Proforma

ATTACHMENT B-2
Strike Prices for Measuring Down Market Delay

ATTACHMENT C:
IFD Public Facility Improvement Schedule Infrastructure Financing Plan,
Infrastructure Financing District No. 2, Sub-Project Areas G-2, G-3, and G-4 (Pier
70 - 28-Acre Site)

Appendix G-2, Improvements to be Funded by IFD

| Type of Improvement | Target Completion Timing | Estimated Cost (2017 \$) |
|---|--------------------------|--------------------------|
| Sub-Project Area G-2 (Phase I) Facilities | | |
| Demolition and Abatement | 2018 - 2021 | \$5,437,000 |
| Auxiliary Water Supply System | 2018 - 2021 | \$3,295,000 |
| Low Pressure Water | 2018 - 2021 | \$3,509,000 |
| Reclaimed Water | 2018 - 2021 | \$2,355,000 |
| Combined Sanitary Sewer | 2018 - 2021 | \$12,009,000 |
| Joint Trench | 2018 - 2021 | \$3,872,000 |
| Earthwork, Soil Disposal, and Retaining Walls | 2018 - 2021 | \$8,873,000 |
| Roadways | 2018 - 2021 | \$9,138,000 |
| Streetscape | 2018 - 2021 | \$4,548,000 |
| Parks & Open Space | 2018 - 2021 | \$20,424,000 |
| Historical Building Rehabilitation | 2018 - 2021 | \$9,480,000 |
| Owners Other Cost | 2018 - 2021 | \$1,784,000 |
| Construction Contingency | 2018 - 2021 | \$12,658,000 |
| Design Contingency | 2018 - 2021 | \$4,219,000 |
| Indirect Costs | 2018 - 2021 | \$37,509,000 |
| Indirect Cost Contingency | 2018 - 2021 | \$2,185,000 |
| Subtotal - Sub-Project Area G-2 (Phase I) | | \$141,295,000 |
| Sub-Project Area G-3 (Phase II) Facilities | | |
| Demolition and Abatement | 2022 - 2024 | \$2,746,000 |
| Auxiliary Water Supply System | 2022 - 2024 | \$209,000 |
| Low Pressure Water | 2022 - 2024 | \$1,100,000 |
| Reclaimed Water | 2022 - 2024 | \$669,000 |
| Combined Sanitary Sewer | 2022 - 2024 | \$5,536,000 |
| Joint Trench | 2022 - 2024 | \$1,377,000 |
| Earthwork, Soil Disposal, and Retaining Walls | 2022 - 2024 | \$3,091,000 |
| Roadways | 2022 - 2024 | \$2,742,000 |
| Streetscape | 2022 - 2024 | \$1,552,000 |
| Parks & Open Space | 2022 - 2024 | \$20,875,000 |
| Historical Building Rehabilitation | 2022 - 2024 | \$0 |
| Owners Other Cost | 2022 - 2024 | \$914,000 |
| Construction Contingency | 2022 - 2024 | \$6,126,000 |
| Design Contingency | 2022 - 2024 | \$2,042,000 |

Appendix G-2, Improvements to be Funded by IFD

| Type of Improvement | Target Completion Timing | Estimated Cost (2017 \$) |
|---|--------------------------|--------------------------|
| Indirect Costs | 2022 - 2024 | \$22,655,000 |
| Indirect Cost Contingency | 2022 - 2024 | \$1,338,000 |
| Subtotal - Sub-Project Area G-3 (Phase II) | | \$72,972,000 |
| Sub-Project Area G-4 (Phase III) Facilities | | |
| Demolition and Abatement | 2025 - 2028 | \$1,194,000 |
| Auxiliary Water Supply System | 2025 - 2028 | \$80,000 |
| Low Pressure Water | 2025 - 2028 | \$746,000 |
| Reclaimed Water | 2025 - 2028 | \$410,000 |
| Combined Sanitary Sewer | 2025 - 2028 | \$1,755,000 |
| Joint Trench | 2025 - 2028 | \$889,000 |
| Earthwork, Soil Disposal, and Retaining Walls | 2025 - 2028 | \$4,348,000 |
| Roadways | 2025 - 2028 | \$1,371,000 |
| Streetscape | 2025 - 2028 | \$1,126,000 |
| Parks & Open Space | 2025 - 2028 | \$7,962,000 |
| Historical Building Rehabilitation | 2025 - 2028 | \$0 |
| Owners Other Cost | 2025 - 2028 | \$512,000 |
| Construction Contingency | 2025 - 2028 | \$3,106,000 |
| Design Contingency | 2025 - 2028 | \$1,035,000 |
| Indirect Costs | 2025 - 2028 | \$20,668,000 |
| Indirect Cost Contingency | 2025 - 2028 | \$1,061,000 |
| Subtotal - Sub-Project Area G-4 (Phase III) | | \$46,263,000 |
| Pier 70 Wide Facilities (subject to Port Commission and Board of Supervisors approval) | | |
| Irish Hill Park construction, including landscaping, site furnishings, public art, recreation equipment, children's playground equipment and stormwater management features | 2019-2030 | \$10,000,000 |
| Rehabilitation of Building 106 | 2019-2040 | \$30,000,000 |
| Rehabilitation of Building 111 | 2019-2040 | \$20,000,000 |
| Electrical service to the Shipyard, including electrical power separation | 2019-2030 | \$3,000,000 |
| Crane Cove Park improvements including, expanded park to east, rehabilitation of Buildings 109 & 110, site furnishings and general park upgrades | 2019-2040 | \$30,000,000 |

Appendix G-2, Improvements to be Funded by IFD

| Type of Improvement | Target Completion Timing | Estimated Cost (2017 \$) |
|--|--------------------------|--------------------------|
| Shipyards improvements including rehabilitation of historic resources, disposal of facilities (cranes and drydocks), pile and fill removal, and stormwater management features | 2019-2040 | \$20,000,000 |
| Pier 70 wide site interpretation, and public realm improvements | 2019-2040 | \$500,000 |
| Subtotal - Pier 70 Wide Facilities | | \$113,500,000 |
| | | |
| Total Estimated Costs | | \$374,030,000 |

ATTACHMENT D:
Proposed CFD Tax Rates, Subject to Port Commission
and Board of Supervisors Approval

**Table D1: Proposed CFD Tax Rates for Leased Properties,
Subject to Port Commission and Board of Supervisors Approval**

| Parcel | Land Use | Estimated Gross Square Feet (GSF) | Estimated GSF Excl. Residential Retail | Estimated GSF Excl. Retail & Affordable Housing | Tax Category | Tax Rate/ GSF | Total Estimated Annual Taxes (1) |
|------------------------------|-------------|-----------------------------------|--|---|---|--------------------------------------|--|
| A-1 | Office | 273,960 | NA | NA | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.55 \$1.00 | \$0 \$140,000 \$151,000 \$274,000 |
| F-G (could flex to Condo) | Office | 426,180 | NA | NA | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.82 \$1.00 | \$0 \$217,000 \$349,000 \$426,000 |
| B-1 – B-2 | Office | 500,788 | NA | NA | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.82 \$1.00 | \$0 \$255,000 \$411,000 \$501,000 |
| C-1A | Office | 126,300 | NA | NA | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.82 \$1.00 | \$0 \$64,000 \$104,000 \$126,000 |
| E2 | Residential | 236,934 | 227,589 | 191,416 | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.57 \$1.00 | \$0 \$98,000 \$130,000 \$191,000 |
| 2 | Residential | 107,616 | 107,616 | 86,093 | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.57 \$1.00 | \$0 \$44,000 \$61,000 \$86,000 |
| E3 | Residential | 237,396 | 224,012 | 192,594 | Facilities Arts Sea Level Rise Maintenance | \$0.00 \$0.51 \$0.85 \$1.00 | \$0 \$98,000 \$190,000 \$193,000 |
| H-1 | Residential | 209,925 | 196,425 | 170,640 | Facilities | \$0.00 | \$0 |

**Table D1: Proposed CFD Tax Rates for Leased Properties,
Subject to Port Commission and Board of Supervisors Approval**

| Parcel | Land Use | Estimated Gross Square Feet (GSF) | Estimated GSF Excl. Residential Retail | Estimated GSF Excl. Retail & Affordable Housing | Tax Category | Tax Rate/ GSF | Total Estimated Annual Taxes (1) |
|---------|-------------------|-----------------------------------|--|---|----------------|---------------|----------------------------------|
| | | | | | Arts | \$0.51 | \$87,000 |
| | | | | | Sea Level Rise | \$0.93 | \$183,000 |
| | | | | | Maintenance | \$1.00 | \$171,000 |
| Bldg 12 | Office/Innovation | 165,500 | NA | NA | Facilities | \$0.00 | \$0 |
| | | | | | Arts | NA | NA |
| | | | | | Sea Level Rise | NA | NA |
| | | | | | Maintenance | NA | NA |
| Bldg 21 | Innovation | 10,200 | NA | NA | Facilities | \$0.00 | \$0 |
| | | | | | Arts | NA | NA |
| | | | | | Sea Level Rise | NA | NA |
| | | | | | Maintenance | NA | NA |

Notes:

(1) Total Estimated Annual Taxes is calculated assuming credit of tax increment to Facilities Special Tax.

**Table D2: Proposed CFD Tax Rates for Condominiums (28-Acre Site and Parcel K North),
Subject to Port Commission and Board of Supervisors Approval**

| Parcel | Land Use | Estimated Gross Square Feet (GSF) | Estimated GSF Excl. Residential Retail | Tax Category | Tax Rate/GSF | Total Estimated Annual Taxes |
|--------|--------------|-----------------------------------|--|--------------------|--------------|------------------------------|
| D-1 | Condominiums | 139,053 | 134,103 | Facilities | \$3.76 | \$504,000 |
| | | | | Arts | \$0.51 | \$71,000 |
| | | | | Sea Level Rise (1) | NA | NA |
| | | | | Maintenance | \$1.00 | \$139,000 |
| C-2B | Condominiums | 65,790 | 65,790 | Facilities | \$3.76 | \$247,000 |
| | | | | Arts | \$0.51 | \$34,000 |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance | \$1.00 | \$66,000 |
| E1 | Condominiums | 142,934 | 137,934 | Facilities | \$3.76 | \$519,000 |
| | | | | Arts | \$0.51 | \$73,000 |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance | \$1.00 | \$143,000 |
| C-1C | Condominiums | 68,309 | 63,161 | Facilities | \$3.76 | \$237,000 |
| | | | | Arts | \$0.51 | \$35,000 |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance | \$1.00 | \$68,000 |

Table D2: Proposed CFD Tax Rates for Condominiums (28-Acre Site and Parcel K North), Subject to Port Commission and Board of Supervisors Approval

| Parcel | Land Use | Estimated Gross Square Feet (GSF) | Estimated GSF Excl. Residential Retail | Tax Category | Tax Rate/GSF | Total Estimated Annual Taxes |
|--------|--------------|-----------------------------------|--|-----------------|--------------|------------------------------|
| H-2 | Condominiums | 226,827 | 208,861 | Facilities | \$3.76 | \$785,000 |
| | | | | Arts | \$0.51 | \$116,000 |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance | \$1.00 | \$227,000 |
| PKN | Condominiums | 255,215 | 248,615 | Facilities | \$4.27 | \$1,062,000 |
| | | | | Arts | NA | NA |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance (2) | \$1.00 | \$255,000 |

Notes:

(1) Condominiums do not pay an upfront Sea Level Rise special tax, but after Project facilities are constructed, the Port and City will use this Facilities source to fund sea level rise improvements.

(2) Maintenance taxes from PKN and Hoedown Yard are dedicated to maintaining Irish Hill Park, Michigan Street, and Crane Cove Park.

Table D3: Proposed CFD Tax Rates for Condominiums (Hoedown Yard), Subject to Port Commission and Board of Supervisors Approval

| Parcel | Land Use | Estimated Gross Square Feet (GSF) | Estimated GSF Excl. Residential Retail | Tax Category | Tax Rate /GSF | Total Estimated Annual Taxes |
|---------|--------------|-----------------------------------|--|-----------------|---------------|------------------------------|
| HDY 1/2 | Condominiums | 267,914 | 267,914 | Facilities | \$3.97 | \$1,064,000 |
| | | | | Arts | NA | NA |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance (1) | \$1.25 | \$335,000 |
| HDY 3 | Condominiums | 116,451 | 116,451 | Facilities | \$3.97 | \$462,000 |
| | | | | Arts | NA | NA |
| | | | | Sea Level Rise | NA | NA |
| | | | | Maintenance (1) | \$1.25 | \$146,000 |

Notes:

(1) Maintenance taxes from PKN and Hoedown Yard are dedicated to maintaining Irish Hill Park, Michigan Street, and Crane Cove Park.

ATTACHMENT E:
Review of Costs for the 28-Acre Project