

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 Authorization to Issue a Request for Proposals (RFP) for a Restaurant Opportunity at Pier 40, located near South Beach Harbor on The Embarcadero

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

At the May 23, 2017 Port Commission Meeting, Port staff made an informational presentation on a potential restaurant lease opportunity at Pier 40. At the meeting the Port Commission provided further direction on the request for proposals (RFP) which has been incorporated into this staff report.

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

EXECUTIVE SUMMARY

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

Port staff envisions the new restaurant to be casual, affordable, family friendly and appealing to a wide segment of the public. Given the number of nearby office workers, visitors, and the ballpark, there will likely be a large market for relatively quick meals and take out. The new operator will be responsible for all capital improvements at their

expense including bringing the premises to the current Building Code, meeting accessibility requirements and obtaining all necessary permits.

Port staff preference is to select an experienced restaurateur who has successfully owned and operated a similar restaurant. In the first week of October 2017, the Port intends to host a Pre-Proposal Conference to release both the Pier 40 Restaurant RFP as well as the Pier 33 ½ Restaurant RFP. Site visits of both locations will take place on this same date. The RFP will strongly encourage proposers to partner with certified Local Business Enterprises (“LBE”) such as professional services, contractors, trades people and on-going service providers to create a dynamic and diverse team to respond to the RFP. Respondents are encouraged to include a Local Business Utilization Plan and a Community Engagement Plan. While the RFP will not require an LBE operator, the selection process will award points based on the LBE participation level to further encourage maximum outreach and participation by the LBE community.

BACKGROUND

Situated adjacent to South Beach Harbor, this restaurant site has views of San Francisco Bay from inside the restaurant and the outdoor dining area. The site is north of AT&T Park, which draws over 3.6 million visitors per year, and is close to multiple office buildings and private residences. The site has a full kitchen, storage and food preparation area, dining room and bar and is comprised of approximately 1,630 sq. ft. of indoor space with an occupancy load of 58. The restaurant is required to maintain approximately 525 square feet of non-exclusive outdoor seating area. A site plan is included as Attachment A.

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

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

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

Pursuant to the Port Commission Retail Leasing Policy and San Francisco Administrative Code, retail leasing opportunities must be offered through a competitive public solicitation and any lease with a term in excess of ten (10) years and/or having anticipated revenue to the Port of one million dollars or more requires approval by the Board of Supervisors.

The restaurant space will require upgrades that may include new lighting, an updated kitchen, remodeled restrooms, pollution control units to filter grease, smoke and odors, grease interceptors and fire suppression systems.

STRATEGIC OBJECTIVE

A new, modernized restaurant at Pier 40 is expected to contribute in a substantial way to meeting the Engagement, Economic Vitality and Stability objectives of the Port's Strategic Plan.

- *Engagement Objectives:* This RFP provides an opportunity to expand the Port's diversity in lease opportunities through increased outreach to underserved communities and through developing partnerships. The upcoming Pre-Proposal Conference will encourage restaurant operators to partner with LBE professionals and service providers.
- *Economic Vitality Objectives:* A successful RFP will create value and a stable income stream to the Port.
- *Stability Objectives:* A successful RFP will retain and modernize an important Port restaurant location, and improve Port revenue.

Request for Proposals (RFP)

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

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

- San Francisco African American Chamber of Commerce
- Hispanic Chamber of Commerce of San Francisco
- Chinese Chamber of Commerce, San Francisco
- LGBT Chamber of Commerce, San Francisco (Golden Gate Business Association)
- San Francisco Chamber of Commerce

- San Francisco Business Times
- Board of Supervisors Neighborhood Outreach Advertising Newspapers
- SPUR
- District 3 Board of Supervisor's Office
- San Francisco Office of Small Business
- #@SFPORT
- The Port of San Francisco Facebook
- @SFPORT Digital Magazine

SELECTION PROCESS

The following criteria are identified for proposal evaluation (Detailed Evaluation Sheet attached as Exhibit D):

Proposed Concept (20 points)

- Overall appeal of respondent's concept to area residents, tourists and businesses. Respondent's plan for marketing the restaurant, and maximizing sales, revenue and customer satisfaction.
- Proposed operations plan, including hours of operation, menu, pricing, staffing, and sourcing of product and services.

Proposed Design and Capital Investment (20 points)

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

Experience and Financial Strength (20 points)

- Documented experience operating a full service restaurant.
- Annual gross revenue for the latest 3 years of operation.
- Verifiable source of funds for the initial capital investment (cash, loan types).

Proposed Rent and Business Plan (25 points)

- Proposed base rent.
- Proposed percentage rent.
- Five year financial pro forma with projected sales, revenue to the Port, expenses and net income, with a demonstrated ability to fund continuing operations from the cash flow generated by the operation.

Local Business Participation (15 points)

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

Selection: The submittals will be reviewed and evaluated by an advisory panel selected by Port staff, consisting of up to five individuals with experience in real estate, retail leasing, restaurant operations and related industries ("Advisory Panel"). The Advisory

Panel will review, evaluate and score all of the responsive written proposals received by the Port. Following the evaluation of the written proposals, up to three of the highest scoring Respondents will be invited to interviews with the Advisory Panel. Interviews will consist of standard questions asked of selected Respondents, and specific questions regarding individual proposals. Interviews will be worth 100 points. Points awarded for interviews will be separate from the points awarded from the written submittal process and will be of equal weight as the written scores. The lead staff of the Respondent should be present for the interview as well as the lead staff of any partners, including Local Business Enterprise firms.

Following the Advisory Panel interviews, the Advisory Panel will invite the top three most qualified Respondents to make an additional presentation before a public meeting of the Port Commission. Subsequent to such Commission meeting, Port staff will make a final recommendation of the most qualified Respondent to the Port Commission. The Port Commission in its sole discretion will determine whether to award the opportunity and whether to authorize exclusive negotiations with a selected Respondent.

KEY BUSINESS TERMS

Permitted Use: Operation of a full-service restaurant open at least six (6) days per week, serving a minimum of lunch and dinner.

Premises: The premises consist of approximately 1,630 square feet of former restaurant space at Pier 40.

Up to an additional approximately 200 square feet of space above the restaurant, located on the second floor, may be leased separately for storage/'back of house' operation at additional rent. No elevators are available at this location.

Term: Ten (10) years with a potential option to extend. Extension opportunity is to be determined on basis of tenant's capital investment and other factors.

Rent: The greater of base rent or percentage of gross revenue.

- Minimum base rent per square foot, to be quantified by respondent in the proposal but in no event less than \$3.50 per square foot monthly, escalated annually by 3%.
- Minimum percentage rent based on gross revenue, to be quantified by the respondent in the proposal but in no event less than 7% or greater of Gross Revenues.
- Port may agree to a rent-free construction period of up to 12 months from the date the Lease is fully executed to complete design, permitting and construction conditioned based upon Port's review of the respondent's proposed design, permitting and construction schedule.
- Storage/'back of house' space may be leased independently at the then current Fair Market Rent but in no event less than \$1.70 per square foot escalated annually by 3%.

- Respondents may offer a base rent and/or percentage rent in excess of the minimums required by the RFP. The Port's typical "market percentage rent" is 7% or greater of Gross Sales less Sales Tax.

Minimum Capital Investment: The minimum capital investment must be sufficient to address required code upgrades, Americans with Disabilities Act ("ADA") requirements, upgrades, furnishings, fixtures, equipment, etc., and provide an appealing design for the proposed concept.

Experience: Documented experience exhibiting successful operation of a full service restaurant for a minimum of 5 years full time during the last 7 years. Newly formed entities, such as a joint venture or partnership, are acceptable so long as principals who own an aggregate of 51% or more of the entity meet the minimum experience requirement.

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

LOCAL OWNED BUSINESS ENTERPRISE ROLE/OPPORTUNITIES

The Port of San Francisco encourages the participation of Local Business Enterprises ("LBEs") in the RFP process. The primary goal of this RFP is to attract qualified and experienced restaurant operators to Pier 40. This proposed RFP will provide numerous opportunities for LBEs participation in the design, permitting and improvement process, and the maintenance, supplies and products of the restaurant. The Port encourages Respondent to include a Local Business Utilization Plan providing opportunities for LBEs in the following occupations: architectural design, construction, project management, various vendors and suppliers, financial and accounting, building maintenance services and security, among others.

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

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

PROJECTED RFP SCHEDULE

To properly advertise this leasing RFP opportunity, continue outreach to local business organizations and allow interested parties sufficient time to prepare detailed proposals, staff proposes the following schedule:

Local Business Outreach	Ongoing
Community Outreach/Issue RFP/Site Visit	October 12, 2017 (9 a.m. – Noon)
Pre-proposal Conference/Site Visit #2	October 2017
Deadline for Submission of Questions	November 2017
Submission of proposals	November 2017
Evaluation of proposals	December 2017
Oral Interviews of Proposers by Advisory Panel	December 2017/January 2018
Presentation to Port Commission by Selected Proposers	February 2018
Selection of Proposer	February 2018
Port Commission Approval of Proposer	February 2018
Port Commission Lease Approval	March 2018
Board of Supervisors' Lease Approval	April 2018

This schedule is an estimate and may vary on factors beyond Port staff's control.

RECOMMENDATION:

Port staff recommends the Port Commission approve the attached resolution authorizing Port staff to issue a Request for Proposals ("RFP") for the restaurant space located at Pier 40.

Prepared by: Elsa Lamb
Property Manager, Real Estate

For: Michael Martin, Deputy Director
Real Estate and Development

Attachments

- A. Floor Plan
- B. Map of Pier 40 Restaurant Opportunity
- C. Map of the Central Basin/South Beach Waterfront
- D. Photos of the Premises
- E. Proposed Evaluation Sheet
- F. Proposed Key Business Terms

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

RESOLUTION NO. 17-42

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, under City and Port policy, retail opportunities must be publically bid and the Port wishes to issue a Request for Proposals (RFP) for a restaurant opportunity at Pier 40, which is located on the central waterfront on the Embarcadero, adjacent to South Beach Harbor; and

WHEREAS, the opportunity consists of a lease for a restaurant operation for a term of ten (10) years with a possible extension options; and

WHEREAS, the qualifications, criteria and process for selecting the most qualified Respondent (s) are summarized in the Memorandum to the Port Commission dated September 22, 2017; and

WHEREAS, Respondents are encouraged to include a Local Business Utilization Plan in providing specific services such as architectural design, construction, project management, various vendors and suppliers, financial and accounting, building maintenance services and security, among others, and a Community Engagement Plan; and

WHEREAS, any lease with a term of 10 years or more would require approval of the Port Commission and the Board of Supervisors; and

WHEREAS, issuance of an RFP does not commit the Port to proceed with any lease, and the Port cannot approve a lease for the project until after environmental review has been completed in compliance with California Environmental Quality Act; now therefore be it

RESOLVED, that the Port Commission authorizes Port staff to offer the opportunity for the lease and operation of a restaurant at Pier 40 through an RFP consistent with Port and industry standards and for the uses and under the terms and conditions set forth in the Memorandum to Request Authorization to Issue a Request for Proposals (RFP) for a Restaurant Opportunity at Pier 40, located near South Beach Harbor on The Embarcadero dated September 22, 2017; and be it further

RESOLVED, that the Port Commission authorizes Port Staff to take further actions in connection with the RFP as necessary to achieve the purposes described herein; and be it further

RESOLVED, that Port staff will return to the Port Commission to share the RFP results, invite selected Respondents to make a presentation before a public meeting of the Port Commission, and seek approval of the most qualified Respondent (s).

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

Secretary