

MEMORANDUM

January 5, 2018

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation on the proposed transaction documents related to the Alcatraz Embarkation Site located at Piers 31-33 on The Embarcadero at Bay Street: (1) a General Agreement between the Port and the National Park Service (NPS) for a thirty (30) year term with two (2) ten (10) year options for use of the Site by successive ferry operators selected by NPS including: (2) a form lease with an initial ferry concessioner to be selected by NPS for site improvements and ferry services including from the Embarkation Site to Alcatraz Island coterminous with the ferry concession contract; and (3) a lease with the Golden Gate National Park Conservancy for site improvements and to operate visitor amenities including a visitor contact station and café for a thirty (30) year term with two (2) ten (10) year options coterminous with the General Agreement.

DIRECTOR'S RECOMMENDATION: Informational Only -- No Action Required

EXECUTIVE SUMMARY

Staff from the Port and the National Park Service (NPS or Park Service) have negotiated the terms and conditions for three transaction documents that will govern the improvement of and long-term operations of the Alcatraz Island Embarkation Site Project (the "Project") located at Piers 31, 31½, and 33 on The Embarcadero at Bay Street (the "Site" shown on Exhibit A, Site Aerial Map). Most of the Site is currently operated by Alcatraz Cruises (aka, Hornblower Yachts, Inc.), with ferry service to Alcatraz on the marginal wharf and food and beverage in the southern part of the Pier 33 bulkhead.

THIS PRINT COVERS CALENDAR ITEM NO. 13A

The Project is anticipated to generate nearly \$30 million of investment in the Site by the ferry concessioner and the Golden Gate National Parks Conservancy. The Project will activate the Pier 31 bulkhead with a café and public restrooms, transform the Pier 33 bulkhead into a visitor-contact station, improve the visitor experience on the open marginal wharf where visitors begin their ferry service to Alcatraz and improve the efficiency of the ferry operations. Improvements to the Site will be made through a lease with a new tenant, the Golden Gate National Parks Conservancy (Conservancy), and through a lease with a new ferry concessioner, to be selected by NPS through its competitive bid process. The proposal does not contemplate early termination of the existing lease with San Francisco Pier 33 LLC, which expires in July of 2019.

The Project goals are as follows:

- A. Provide an identifiable gateway to Alcatraz Island, and the GGNRA;
- B. Create a clear orientation and quality welcoming experience to Alcatraz Island;
- C. Establish a destination point along the Embarcadero;
- D. Ensure efficiency for the site's various visitor services and ferry operations;
- E. Provide connections to other NPS sites in San Francisco Bay;
- F. Rehabilitate the historic Port structures and tell their stories;
- G. Preserve resources through sustainable strategies; and
- H. Offer a safe and accessible experience for all.

The agreements ("Agreements" or "Transaction Documents") consist of the following:

- A. A General Agreement (GA) between the Port and NPS will be executed with a term of up to 50-years (30 years plus two 10 year options) for the Alcatraz Island ferry embarkation site on Piers 31, 31½, and 33. The GA designates the Site as the long term sole visitor contact station and ferry embarkation for public access to Alcatraz Island. The agreement outlines multiple independent and joint obligations, such as NPS selecting and contracting for ferry concession services and the Port entering leases with NPS's selected operator for ferry concessions and the Conservancy for visitor services and a cafe. The agreement describes capital obligations of the ferry concessioner, the Conservancy, and the Port. The agreement provides for clarity, cooperation and coordination throughout the term between the Port and NPS;
- B. A form of lease with the Port with a ferry concessioner (Concessioner) that NPS selects to provide initial site improvements and ferry services;
- C. A lease with the Port with the Conservancy for improvements and to operate visitor amenities including a visitor contact station and café, consistent with the GA for a thirty (30) year term with two (2) ten (10) year options.

This memorandum provides an informational update on the Project that includes a description of key terms of the three agreements as finally negotiated, and identification and any clarifications to these agreements since Port Commission and Board of Supervisors' endorsement of the Project Term Sheet in July 2016. Staff intends to return to the Port Commission meeting on February 13, 2018 to request

approval of the three agreements. Port then intends to submit the GA and Conservancy Lease for Board of Supervisors (BOS) approval. Under Charter Section 9.118(c), as maritime leases, neither the initial Ferry Concession form lease nor subsequent ferry concessioner leases will require BOS approval. Subsequent Ferry Concession leases will conform to the requirements of the GA and will include the then-current standard terms and conditions in the Port's form lease for similar operations. These leases will also include all then-applicable City Requirements (unless they conflict with federal law or are waived). Subsequent Ferry Concession leases will not require Port Commission approval, provided there are no material changes to the above-described terms.

BACKGROUND

Alcatraz Island is part of and managed by the Golden Gate National Recreation Area (GGNRA), a National Park Service unit that includes numerous diverse resources within the San Francisco area, including Fort Mason, Fort Baker, Ocean Beach, and the Presidio. One of GGNRA's most prominent sites is Alcatraz Island which is historically significant as part of early coastal fortification systems and later as a federal prison. Since 1972, the Port of San Francisco has served as the embarkation point for tourists and local residents visiting Alcatraz Island.

Each year more than 1.7 million people visit Alcatraz Island by ferry from Pier 31½ on the northern waterfront, which is the only embarkation point for service to the Island. Between 4,000 and 5,000 people visit Alcatraz Island each day. While there is some seasonal variation, the Alcatraz Island ferry service operates a full daily schedule all year long. The number of visitors is not dependent on ferry capacity, but limited by NPS's ability to provide for an enjoyable experience on island and for the protection of park resources.

Between 1972 and 2005, service to Alcatraz Island was provided from Pier 41. In 2005, the base of operations was moved to Pier 31½ when Hornblower was awarded the Alcatraz concession contract. The existing concession contract expires in May 2019.

Alcatraz as a destination is extremely popular and ferry service to the Island is one of the Port's highest revenue-generating uses. The Port and NPS saw the benefits of a more permanent site. In 2014 NPS began a NEPA site selection process that culminated in the selection of Pier 31/33. Through this strategy the Port and the Park Service see several key areas which are targeted for improvement through implementation of the three Agreements summarized in this memorandum. The desired outcomes of the long-term Alcatraz Embarkation Project include:

- **Long-term Embarkation site** provides greater certainty for visitors and surrounding businesses
- **Increased competition for the ferry concession contract**, as bidders will not be required to be existing Port tenants as they were in previous solicitations.
- **Significant new investment in the Site**, by both the Port and the future ferry concessioner, which the Park Service is able to recommend due to the long-term nature of the GA.

- **A unified, high quality experience for visitors**, through the inclusion of the Conservancy as a tenant; the Conservancy is already responsible for interpretation on Alcatraz Island through agreements with the Park Service.
- **Collaborative governance structure** between the Port and Park Service in managing the NPS-selected concessioner/tenant and the Conservancy's visitor services and interpretive retail operations.

PROJECT INFORMATION

Project Location and Existing Site Characteristics

The existing Project site is located at Pier 31½ along the northern end of the Embarcadero and within the Port. Visitors enter the site from the Embarcadero just west of the bulkhead building and adjacent to a tour bus and drop-off area compliant with Federal Accessibility Standards (FAS). The existing ferry embarkation site program is located primarily outdoors utilizing the entire Pier 31½ marginal wharf, and has limited operations space located in the Pier 33 shed. A portion of the Pier 31½ marginal wharf is dedicated to vehicle-parking and contains a sump pump that provides Alcatraz Island waste removal via barge service. The current Ferry Concessioner utilizes the Pier 33 shed area for operations, storage and portable public restrooms.

Currently no portion of the existing ferry embarkation site program is located within the Pier 33 South Bulkhead building, which is under separate lease to another entity until July 2019. The three story bulkhead building is currently occupied by the Alcatraz Café on the ground floor, Alcatraz Cruises administrative office space on the entire mezzanine level and an independent subtenant on the entire 3rd floor. The Pier 31 North Bulkhead had contained the current Ferry Concessioner employee break area and was relocated when Pier 31 was closed to provide for the structural and roof repair project along with the north apron repair. In terms of existing maritime improvements, there is currently one float to accommodate two berths at the existing site.

Visitors currently enter the site, use the stand-alone ticket booth located near the plaza entry, circulate through several small interpretive exhibits, and enter the covered queuing area, which has space for visitors to stand. A pre-boarding area adjacent to the gangway offers seating for those with disabilities. Visitors are guided down the gangway and on to the ferry.

Description of Improvements

The Project will result in the following key enhancements and improvements to the Site:

- **Pier 33 South Bulkhead.** The existing café will be demolished and the majority of the mezzanine level removed and replaced with a two-story welcome center for visitors, including interpretive retail uses. The 3rd floor will be retained and utilized as office space by the ferry concessioner.
- **Pier 33 portion of Shed.** Existing restrooms will be replaced with new restrooms and storage space.
- **Pier 31½ Marginal Wharf.** The mix of auto parking, pedestrian circulation and passenger queuing on the Pier 31½ marginal wharf will be replaced with a large, pedestrian-only plaza to guide ferry passengers through embarkation and

debarkation and to also accommodate other visitors seeking to learn more about the Island or just out to enjoy the waterfront plaza. The existing auto parking area and operational area which is comprises approximately 20% of the marginal wharf will be relocated to inside the Pier 31 shed. The reconfigured marginal wharf will provide for an expanded public Civic Center and a newly created Apres Tour area for disembarking passengers.

- **Gangways and berths.** The existing single gangway and float which accommodates up to two vessels will be replaced with two gangways and floats to accommodate three berths.
- **Pier 31 North Bulkhead.** The currently vacant north side of the Pier 31 Bulkhead will be restored and improved for café operations.
- **Pier 31 portion of Shed.** Currently vacant portions of the shed will be improved with restrooms and storage space to support café operations in the Pier 31 bulkhead. The limited number of auto spaces will be moved from the marginal wharf inside the shed and bike parking will be provided.

The following specific improvements are planned:

In the Bay:

1. **Expanded Berthing Facilities.** An existing floating dock and gangway will be replaced with two individual docking facilities, each with an ADA-accessible gangway, float, and guide piles, to berth a total of three ferry vessels. This will allow for more efficient berthing for the existing ferry service and potential expanded ferry service to other NPS sites or interpretive ferry excursions.

The landside of the proposed project is characterized by the Project components in three zones: Embarkation, Civic Plaza, and Disembarkation.

At the Pier 31½ pier deck:

2. **Ticketing and Interpretive Exhibit Area.** The queuing area for ticket purchases will be reorganized with the stand alone ticket booth removed and new ticket windows would be constructed at the east façade of the Pier 33 bulkhead building. An interpretive exhibit area, including benches, will be created at the plaza area bound by the ticket window area, the primary queuing area for boarding, and the public restrooms in the Pier 33 shed building.
3. **Primary Queuing Area.** A visitor information desk will be installed near the entryway to the queuing area for ticketed passengers adjacent to the Pier 33 shed building. The queuing area will be reorganized from its current configuration, and the existing canopy structure will be replaced by a concrete canopy structure. Benches and glass panels will be used in places to delineate the queuing area. The glass panels will serve as a wind break and will include opaque or semi-transparent overlays with interpretive information.
4. **Entryway and Civic Plaza.** A public plaza will be created at the center of Pier 31½, extending from the sidewalk at Herb Caen Way to the eastern edge of the pier deck, allowing for Bay views that are now partially obstructed. Stepped

seating will be installed at opposite sides of the plaza to provide seating and help organize site circulation. A monument sign similar in design to those found at the Exploratorium (Piers 15/17) and the cruise terminal (Pier 27) will be installed at the Embarcadero entrance. Pedestrian-scale light poles will line the perimeter of the plaza. The new plaza paving will be distinct from the remainder of the deck to define the space, along with the seating and lighting elements.

5. **Secondary Queuing Area and Café.** A secondary queuing area will be provided adjacent to the Pier 31 shed building at the Bay edge. This area will incorporate seating and glass panel elements as described for the primary queuing area. The secondary queuing area will primarily serve the ferry berth used for park interpretive cruises and a proposed future service to Fort Baker. An enclosed seating area will be built adjacent to the secondary queue. Both the secondary queuing area and the seating area will be covered by a single concrete canopy structure.

At the Pier 33 bulkhead and shed buildings:

6. **East Façade Improvements.** New ticket windows will be installed along the east façade, and the façade will be restored, including the historic windows and removal of post-1949 additions.
7. **Interior Renovations.** The bulkhead building interior will be renovated to accommodate exhibits, retail, and a ticket office. The second floor will be mostly demolished except for a small area to create a double height visitor contact station along with a mezzanine level for offices and a mechanical platform. Portions of the shed will be renovated for public restrooms, storage, and site operations. The 3rd floor existing office space is currently highly improved and not likely to require significant renovations.

At the Pier 31 bulkhead and shed buildings:

8. **Interior Renovations.** A café will be constructed within a portion of the ground floor of the bulkhead building. Portions of the shed will be renovated to include public restrooms, public bicycle parking, disabled visitor parking (3 spaces), staff and service parking (10 spaces), and site operations.

Leadership in Energy and Environmental Design (LEED) Compliance

The Initial Tenant Improvements for the Concessioner must achieve a Leadership in Energy and Environmental Design (“LEED®”) Gold rating, regardless of the applicable minimum square footage threshold under the Port Green Building Standards Code unless the Chief Harbor Engineer grants a waiver of such certification based on the circumstances listed in Section 101.12 of the Port Green Building Standards Code (as may be amended from time to time) and subject to any conditions the Chief Harbor Engineer imposes as a condition to such waiver.

Waterfront Design Advisory Committee (WDAC) Review of the Project

The WDAC reviews Port Projects to ensure that they are consistent with policies and design criteria set forth in the Design & Access Element of the Port’s Waterfront Land

Use Plan. The WDAC with the Bay Conservation and Development Commission's (BCDC) Design Review Board (DRB) reviewed the proposed project on August 7, 2017 and supported the overall layout of program of uses, site elements, and circulation. The WDAC requested changes to site furnishings, greater information on proposed wayfinding and interpretive signage, lighting, and bicycles parking. The project will return for a second review by the WDAC and DRB on January 22, 2018 as part of the BCDC permit application process.

Port Improvements at Pier 31½ Marginal Wharf

As a separate project, the Port will undertake the Pier 31½ marginal wharf work. The substructure repair work is being undertaken by the Port through a contract that is currently out to bid. The Pier 31½ project is part of the Marine Structural Project IV that includes Pier 29 substructure repair as well. The Pier 31½ work scope includes specific substructure repairs to the wharf and apron structures, that, once completed will enhance the current and future marine operations and safety. The project is part of a continued effort to maintain and improve Port assets. The Port Repair and Maintenance BCDC permit is covered by a categorical exemption under CEQA.

Compliance with Historic Resource Standards

The project is subject to review for consistency with the *Secretary of the Interior's Standards for the Treatment of Historic Properties* because it is within the *Port of San Francisco Embarcadero Historic District*, and includes alterations to Pier 31 and 33 and the adjacent Pier 31½ marginal wharf. Piers 31, 33 and portions of the adjacent marginal wharf are contributing resources to the historic district and listed on the National Register of Historic Places. Port Commission adoption of the historic district in 2006 included policy requiring that the Secretary Standards apply to all Port and Non-Port projects within the district. Because the project is also subject to environmental review pursuant to the California Environmental Quality Act (CEQA), the project sponsor retained the firm of Architectural Resources Group (ARG), who prepared an evaluation of the project's consistency with the Secretary Standards as part of the required CEQA analysis of impacts on historic resources.

Operational Improvements Facilitated by the Project

Visitor demand is expected to grow in line with a general growth in tourism in San Francisco. Park Service modeling forecasts that 7,790 visitors could visit the primary ferry embarkation site per day, or 1.9 million visitors per year, in 2018. These numbers include both ticketed passengers and visitors to the site without tickets, as well as passengers taking part in interpretative park cruises and the potential for limited ferry service to Fort Baker in the future.

The proposed Project will substantially increase the basic visitor services program's functional area and provide additional and improved orientation and exhibition opportunities by the creation of an interpretive welcome center for visitors and expansion of Civic Plaza as compared to existing conditions. The Project is designed to provide a more logical flow for arriving visitors, and enhance the overall visitor experience. Most of the program elements will be in the outdoor areas on the Pier 31½ marginal wharf between Piers 31 and 33, including interpretive and rest areas, ferry queuing, and boat staging. The proposed Project also includes a newly constructed café and welcome center for visitors with sale of interpretive products in the bulkhead buildings.

These improvements will also better accommodate people who are not visiting Alcatraz Island by providing additional information on other recreational options in the park system. The additional berth will provide an interpretive park cruise, charter transportation for Alcatraz special events, and, at some point in the future, limited service to Fort Baker.

Site transportation access and arrival options will be consistent with those of existing conditions. The small existing staff parking area will be relocated inside the Pier 31 shed with FAS-compliant access to the marginal wharf for persons with disabilities. A FAS-compliant drop-off for tour buses and persons with disabilities will continue to be located along the Embarcadero, adjacent to the bulkhead buildings. Visitors on foot will still enter this site from the Embarcadero, between the two bulkhead buildings directly onto the marginal wharf; however, because parking will be removed from the wharf, the entry will expand to encompass the full space between the buildings. Additional pedestrian access will be provided through the bulkhead buildings.

KEY MILESTONES AND PUBLIC OUTREACH

Term Sheet Endorsement

On July 12, 2016, the Port Commission approved Resolution No. 16-30 endorsing the Term Sheet and authorizing the Executive Director of the Port, or her designee, to execute the Term Sheet and present the Term Sheet to the Board of Supervisors for its endorsement and a determination that the proposed Project is exempt from competitive bidding requirements pursuant to Administrative Code Section 2.6-1. The July 12, 2016 Staff report can be found at www.sfport.com/Commission / Agendas and Minutes / Supporting / July 12, 2016 / Item 13A.

On November 29, 2106 the Board of Supervisors adopted Resolution No.497-16 exempting the Project from the competitive bidding policy set forth in Administrative Code, Section 2.6-1, including (1) a lease for ferry service to Alcatraz Island with a future concessioner selected by NPS and (2) a lease with the Golden Gate National Parks Conservancy. The Board endorsed the Term Sheet, substantially in the form presented to the Board. On December 9, 2016 Mayor Edwin Lee approved the Resolution.

Public Outreach

The Port and NPS have held numerous public outreach meetings since the Term Sheet endorsement. Outlined below is a representative summary:

- On January 19, 2017 the Port and NPS presented an update of the proposed project which was previously introduced to the Maritime Commerce Advisory Committee at its July 2016 meeting. The presentation included the project scope, sites studied, existing conditions, preferred alternative, concept diagram/ plan, historic context and a proposed schedule.
- NPS and the Golden Gate National Parks Conservancy (Conservancy) introduced the proposed project to the Northeast Waterfront Advisory Group

(NEWAG) at its July 2016 meeting and provided updates to the project at its April 16, 2017 and November 1, 2017 meetings. The presentation included the project scope, sites studied, existing conditions, preferred alternative, concept diagram/plan, historic context and a proposed schedule.

Approval of Issuance of Bid for Pier 31½ Substructure Improvements

On October 24, 2017 the Port Commission approved a Request authorization to advertise for competitive bids for Construction Contract No. 2790, Marine Structural Projects IV, Piers 29 & 31½ Substructure Repair. The Pier 31½ work scope includes specific substructure repairs to the Pier 31½ marginal wharfs and adjacent apron substructures which are currently being used for the Alcatraz Landing Embarkation. The estimated cost to repair the Pier 31½ substructure is approximately \$5.7 million dollars and is funded through the Port Capital Funds through the Pier Repair Fund and the Leasing Capital Fund. The anticipated schedule is to award the contract in early 2018 with a Notice to Proceed shortly thereafter and Substantial Completion in May 2019.

STRATEGIC OBJECTIVES

The proposed Project is expected to contribute in a substantial way to meeting the *economic vitality and stability objectives* of the Port's Strategic Plan.

- *Economic Vitality*: The proposed Project anticipates the development of a third berth at Pier 31½ to accommodate increased bay cruise capacity, supporting the Economic Viability objective designed to expand active water berths.
- *Stability*: The proposed Project retains an important Port visitor-destination and increases Port revenues from the Site, supporting key Stability objectives aimed at retaining a diversified tenant base and increasing Port operating revenue.

KEY TERMS OF TRANSACTION DOCUMENTS

Three transaction documents ("Transaction Documents") will govern the development and operations of Project. In addition to the terms described in the approved Term Sheet (see attached Exhibit C), the Transaction Documents include the key terms described below.

General Agreement:

The General Agreement (GA) which is a partnership agreement between the Port and NPS that designates the Site as the long term sole visitor contact station and ferry embarkation for public access to Alcatraz Island. The GA outlines the independent and joint obligations of the Port and NPS.

NPS Obligations:

- NPS will conduct a solicitation for and award a Ferry Concession Contract with an Initial Ferry Concessioner.

- The initial and each subsequent solicitation for a Ferry Concession Contract must include as part of the information furnished in the Prospectus, a form Ferry Concessioner Lease prepared and approved by Port that the Ferry Concessioner will be required to sign.
- The Initial Ferry Concession Prospectus must include a description of the required Embarkation Site Improvements and a requirement that the improvements shall be completed no later than the date that is five (5) years after the effective date of the Initial Ferry Concession Contract.
- Each Ferry Concession Contract will have a requirement that the Ferry Concessioner operate Interpretive Park Cruises, which may include ferry transportation from the Site to Fort Baker when associated infrastructure improvements at Fort Baker are completed.
- Subsequent to the Initial Ferry Concession Contract, NPS will solicit and contract with successive Ferry Concessioners during the Term in a timely manner.
- Port and NPS agree that, in order to enhance the Visitor Experience, NPS selected the Conservancy to provide the interpretive retail and food and beverage services and other public amenities at the Site and that the Board of Supervisors exempted the Conservancy Lease from the City's competitive bidding process.
- NPS will complete the legally required competitive bid process for selection of a ferry concessioner periodically during the term of the GA and execute a contract, concurrent with the Port's execution of a lease, with the winning bidder.
- NPS is solely responsible for selection of and contracting with operators for the Ferry Concession Contract and Port has no role in the selection, solicitation, and/or award of a contract to a Ferry Concessioner.
- As a federal agency, NPS is unable to indemnify or release the Port absent a specific act of Congress. Port will obtain an indemnity from and be named as an additional insured on the insurance policies of the Ferry Concessioner and the Conservancy and other users of the Site consistent with the Port's standard lease terms. The Port does not indemnify or release NPS and so the parties retain the ability to file claims against the other subject to the terms of the agreement. Each party will provide written notice to the other as soon as it has information that could result in a claim against either party.

Port Obligations:

- Subject to availability of adequate funding (which Port shall use its diligent efforts to secure) as approved and appropriated by the Port Commission and Board of Supervisors, Port will use its diligent efforts to perform improvements to the substructure of the Pier 31½ marginal wharf on a schedule mutually agreeable to the Parties.
- Port is responsible for the maintenance and repair of the Pier 31 marginal wharf substructure, Piers 31 and 33 bulkhead substructure and seawall, and the exteriors of Piers 31 and 33 sheds.
- The aprons and areas of the Pier 31/33 Water Basin outside the leased premises must remain open for safe, unimpeded access to and from The Embarcadero and the leased areas, including for vessel navigation

- Port agrees to enter into a Lease for portions of the Site with the Ferry Concessioner substantially in the form of the lease with no changes other than (A) changes agreed to by the Parties in the sole discretion of each; and (B) to add new Laws and City Requirements effective subsequent to the Effective Date of the GA but prior to the commencement date of the Lease.
- Port agrees to enter into a Lease for portions of the Site with Conservancy substantially in the form lease with no changes other than (A) changes agreed to by Port and Conservancy in the sole discretion of each; and (B) to add new Laws and City Requirements effective subsequent to the Effective Date of this Agreement but prior to the commencement date of the Lease.
- If space within the Site is not available, Port will use diligent efforts to identify adjacent and/or nearby space for the Ferry Concessioner's use for laydown/staging, subject the Ferry Concessioner entering into a Port license or other agreement subject to Port's standard terms and conditions for such agreements and payment of rent as specified in the then-current published Port Commission-approved rental rate schedule; provided that, Port agrees to waive the requirement to pay rent for up to 3,000 square feet of space for up to two (2) years during construction of the Embarkation Site Improvements.
- Port will deliver premises to the Ferry Concessioner generally as follows: all parcels except the Pier 33 South Bulkhead building upon full Lease execution and, subject to the conditions such as Force Majeure, the Pier 33 South Bulkhead building in 2019. Once the Ferry Concessioner completes the required Embarkation Site Improvements on the Pier 33 South Bulkhead building, the Ferry Concessioner Lease will terminate as to certain portions of the Pier 33 South Bulkhead building and that space will be added to the Conservancy Lease.
- Port will deliver premises to the Conservancy generally as follows: Pier 31 bulkhead upon full Lease execution and portions of the Pier 33 South Bulkhead building after the Ferry Concessioner completes the required Embarkation Site Improvements on the Pier 33 South Bulkhead building.

Joint Obligations:

- The GA is for a thirty year term with two extension options for ten (10) years each exercisable by NPS.
- Prior to the extension option being exercised the extension period rent will be adjusted per the GA based upon a fair market value appraisal process.
- For each successive solicitation, the Port's form lease will be included in NPS's solicitation package and the Ferry Concessioner will be required to sign the lease without material modification.
- The Parties agree to cooperate each at its own cost, to do or cause to be done, all things reasonably necessary or advisable to carry out the purposes of this Agreement, including the execution and delivery of any additional documents.
- The GA provides both parties with various rights to terminate the Agreement during the Initial or any Extension Term with advance written notice. Such termination rights for one or both parties are provided under the following limited circumstances that may impact the Site and/or Alcatraz Island: climate changer/sea level rise or other catastrophic events (either party); conditions that render the Site unusable as an Embarkation Site (either party); closure of or

suspension of visits to Alcatraz island for one (1) year or more for reasons within the control of NPS or its Agents (Port in its sole discretion); if the Park Service terminates the Ferry Concession Contract (NPS only); an event of Force Majeure extends beyond four (4) years (either party).

- The GA provides the parties with a clear path to Dispute Resolution, including but not limited to non-binding mediation, in order to avoid more severe remedies such as termination.

Ferry Concession Form Lease:

A form of lease with an initial ferry concessioner to be selected by NPS for the construction of required initial site improvements and ferry services consistent with the GA including from the Embarkation Site to Alcatraz Island for a term coterminous with the initial ferry concession contract between Park Service and Concessioner.

- The lease will be between the Port and the future NPS selected Ferry Concessioner.
- The lease will become effective and expire on the same dates as the NPS Ferry Concession Contract, including extensions (a maximum term of twenty (20) years under current federal law).
- The Ferry Concessioner will provide excursions to Alcatraz Island; other Bay cruises that include a potential landing at Fort Baker and/or other GGNRA parks or substantive interpretive materials regarding the NPS and its parks; and ancillary occasional Special Events.
- The lease shall become effective on the date of award of the Ferry Concession Contract which will occur only after completion of any Congressional notifications, the expiration of any waiting periods required and execution of the Ferry Concession Contract by NPS.
- Port will deliver possession of the overall Site in two phases. Phase I Delivery - Estimated as the “effective date” of the Ferry Concession Contract as defined by the Ferry Concession Contract. The initial phase of the Premises consists of shed and office space; submerged land; and space on the Marginal Wharf comprised of the following and as depicted in Exhibit B: Parcel A Submerged land: approximately 60,000 sq. ft.; Parcel B Pier 31½ Marginal Wharf and plaza: approximately 43,890 sq. ft. of pier-supported outdoor space; and Parcel C Pier 31 Shed: approximately 5,300 sq. ft. of non-contiguous shed space; and Parcel D Pier 33 Shed: approximately 4,062 sq. ft. of shed space; and Parcel D-1 Pier 33 Shed: approximately 1,240 sq. ft. of shed space. Parcels A-D will remain in the Premises for the Term of the Lease.
- Phase II Delivery - Estimated Commencement Date: August 1, 2019: Phase II will consist of a total of approximately 13,775 square feet of retail and office space in the Pier 33 South Bulkhead Building as described below. Parcel E Pier 33 South Bulkhead Building: 1st Floor: approximately 4,612 sq. ft. of on the first floor; and Parcel F Pier 33 South Bulkhead Building 2nd Floor: approximately 4,555 sq. ft. on the second floor; and Parcel G Pier 33 South Bulkhead Building 3rd Floor: approximately 4,612 sq. ft. on the third floor. As of the Phase II

Commencement Date, **Exhibit B-1** showing the Phase II Premises will be added to this Lease as part of the Premises without further action by the parties.

- Embarkation Site Improvements will include demolition/construction of significant portions of the Phase II Premises and construction of an approximately 992 square foot mezzanine to replace the second floor. Upon Completion of the Embarkation Site Improvements to the Pier 33 South Bulkhead Building as described below and written notice by Port (“Pier 33 South Bulkhead Building Completion Date”), Tenant shall surrender Parcel D-1, and approximately 3,280 sq. ft. on the first floor and the entire second floor mezzanine of the Pier 33 South Bulkhead Building. Tenant shall surrender and deliver the relevant property to Port strictly in compliance with the conditions and specifications in the Work Letter, including without limitation, the Scope of Development, (including the Schematic Design and Drawings,). Acceptance of such surrender and conditions shall be in Port’s sole discretion. As of the Pier 33 South Bulkhead Building Completion Date, this Lease will terminate as to such portions of the Premises and **Exhibit B-2** will replace and supersede **Exhibit B-1** in its entirety without further action by the parties.
- The remainder of the Pier 33 South Bulkhead Building will remain under this Lease, consisting of: Parcel E-1 Pier 33 South Bulkhead Building: 1st Floor: approximately 1,382 sq. ft. of space on the first floor; and Parcel G Pier 33 South Bulkhead Building 3rd Floor: approximately 4,612 sq. ft. of office space.
- The final premises shall consist of approximately 119,250 sq. ft. as depicted in **Exhibit B-2**.
- The initial Phase I monthly Base Rent will be approximately \$43,600. Base Rent for the final premises shall be approximately \$64,345. All square footages and related Base Rent will be subject to re-measurement upon completion of each phase. Base Rent for office space will increase by 3% annually and Base Rent for all other space will increase by 2.5% annually.
- In addition to the monthly Base Rent specified above, Tenant shall pay monthly Percentage Rent of:
 - (i) 7.50% of Gross Ticket Revenue minus the NPS Concession Franchise Fee; PLUS
 - (ii) 8.00% of Gross Ancillary Revenue minus the NPS Concession Franchise Fee; PLUS
 - (iii) 7.25% of Gross Food and Beverage Revenue minus the NPS Concession Franchise Fee.
- The NPS franchise fee deducted from the above revenue types will be no greater than 25.5%.
- As previously described in detail, Tenant must complete the following: waterside improvements, including new ferry barges, docks and associated infrastructure; Pier 31½ Marginal Wharf deck surface and visitor amenities; Pier 33 Shed visitor restrooms; Pier 31 bulkhead restrooms; interior improvements in the Pier 31 and Pier 33 Sheds; Pier 33 South Bulkhead Building ticketing area improvements; and demolition of a portion of the 2nd floor of the Pier 33 South Bulkhead Building and construction of a mezzanine area no later than the 5th anniversary date.

- NPS estimate the costs of Embarkation Site Project Improvements to be approximately \$25 million for the ferry concessioner. Tenant shall be entitled to a rent credit in a maximum amount of \$2,520,000 for the Embarkation Site Improvements. Once the improvements are completed, certain portions of the property will be turned over to the Conservancy.
- Upon Completion of the Initial Tenant Improvements, Tenant shall be eligible for the rent credit amounts shown above amortized on a straight line basis over a 48-month period starting upon Completion of each phase yielding equal monthly amounts to be taken at a rate of seventy percent (70%) of the total monthly Rent due.
- Tenant shall have a one-time right of first refusal to use additional aprons in the Water Basin for lay berthing at standard rates set by the Port Commission. Otherwise, the aprons and water basin must remain open for safe, unimpeded vessel navigation and routine Port maritime uses as depicted in **Exhibit B-3**.
- Port will maintain and repair: the substructure of the Pier 31 Marginal Wharf; the substructure of the Pier 31 and Pier 33 bulkhead buildings; the Seawall; and the exterior of Sheds 31 and 33 (including roof, but excluding exterior roll up doors, doors and windows). Tenant shall be responsible for all other maintenance and repair obligations. Under certain circumstances, Tenant may perform Port's obligations in exchange for rent credits.
- The Port reserves the rights to enter and use the Premises as needed for the purpose of inspecting, repairing, and rebuilding the Seawall and/or to terminate the Lease as needed due to the Seawall repair project.
- Tenant required to implement flood protection measures as determined to be necessary by the Chief Harbor Engineer (CHE) to protect the Site and public health and safety from a significant risk of flooding or other damage resulting from climate change or sea level rise.
- In the event that the Port/NPS Agreement is terminated under the Port/NPS Agreement due to issues with Alcatraz Island, and (a) no Event of Default, and (b) Tenant has Completed the Embarkation Site Improvements; then, Port may elect in its sole discretion to either: (i) terminate this Lease and pay Tenant a portion of the Improvements Costs for the Embarkation Site Improvements under the terms and conditions specified in Lease based on the expected term of the Ferry Concession Contract and this Lease; or (ii) offer Tenant an extension option to continue this Lease until the earliest of the following events: (A) the original expiration date of the Ferry Concession Contract; (B) NPS chooses another party as a Ferry Concessioner; or (C) the date the Embarkation Site Improvements are amortized.
- All city requirements are contained in the Lease and none of the requirements "conflict with federal law" including non-discrimination, local hire, prevailing wages, HCAO.
- Except as otherwise provided, the lease is on the Port's standard form lease for visitor-serving retail operations, including as-is provisions, compliance with laws (including historic preservation requirements), subleasing; Port's right to terminate, damage and destruction and eminent domain, defaults and remedies (subject to coordination with NPS under the General Agreement), indemnity and

exculpation, Hazardous Materials, insurance, management covenants, and financial guarantees, including contractor's bonds.

Golden Gate National Parks Conservancy Lease:

A lease with the Golden Gate National Park Conservancy for initial and ongoing site improvements and to operate visitor amenities including a visitor contact station and café consistent with the GA for a thirty (30) year term with two (2) ten (10) year options

- Port will deliver possession of the Premises in two phases. The initial phase of the Premises consists of approximately 3,760 sq. ft. of retail and storage space as depicted in **Exhibit B**. Phase I Premises has an estimated commencement date of October 1, 2018. The Initial Ferry Concessioner will perform improvements to the Phase II Premises prior to Port's delivery to Tenant. Upon the Initial Ferry Concessioner's Completion of the required improvements as defined and described in the Initial Ferry Concessioner's Lease, Port shall deliver the following additional Phase II parcels to Tenant, as depicted in **Exhibit B-1**
- The lease term is 30 years per the original Term Sheet. Per a request from NPS and the Conservancy the lease will allow two 10-year extension options (options available only if GA is extended and concurrent with the GA). With its extension option notice, the Conservancy must submit to Port a capital investment and improvement plan outlining its proposal for refurbishment of the restaurant and interpretive retail space during the Extension Term. At a minimum, the Plan shall include the scope of work for tenant improvements, a binding performance schedule, the estimated cost of such improvements, a financial projection pro-forma and evidence of adequate financing to implement the Plan based on the Port's Retail Leasing Policy. The Plan will be subject to Port's approval in its reasonable discretion.
- Improvements including the build-out of the Pier 31 bulkhead cafe; and in a later phase the Pier 33 visitor contact station/interpretive retail center. Port and NPS estimates the costs of initial Tenant Improvements to be approximately \$4.8 million. Tenant shall be entitled to a rent credit of \$554,000 for the Initial Tenant Improvements. Tenant must complete the Initial Tenant Improvements no later than the First (1st) anniversary of each of the two phases.
- Upon completion of the Initial Tenant Improvements, and subject to the conditions of the Lease, Tenant shall be eligible for the rent credit amounts shown above amortized on a straight line basis over a 48-month period starting upon Completion of each phase yielding equal monthly amounts to be taken at a rate of seventy percent (70%) of the total monthly Rent due.
- Port will maintain and repair: the substructure of the Pier 31 Marginal Wharf; the substructure of the Pier 31 and Pier 33 bulkhead buildings; the Seawall; and the exterior of Sheds 31 and 33 (including roof, but excluding exterior roll up doors, doors and windows). Tenant shall be responsible for all other maintenance and repair obligations.
- The Port reserves the rights to enter and use the Premises as needed for the purpose of inspecting, repairing, and rebuilding the Seawall and/or to terminate the Lease as needed due to the Seawall repair project.

- Tenant required to implement flood protection measures as determined to be necessary by the Chief Harbor Engineer (CHE) to protect the Site and public health and safety from a significant risk of flooding or other damage resulting from climate change or sea level rise.
- All city requirements are contained in the Lease and none of the requirements “conflict with federal law” including non-discrimination, local hire, prevailing wages, HCAO.
- Except as otherwise provided, the lease is on the Port’s standard form lease for visitor-serving retail operations, including as-is provisions, compliance with laws (including historic preservation requirements), subleasing; Port’s right to terminate, damage and destruction and eminent domain, defaults and remedies (subject to coordination with NPS under the General Agreement), indemnity and exculpation, Hazardous Materials, insurance, management covenants, and financial guarantees, including contractor’s bonds and all current City requirements.

CLIMATE ACTION

Due to the long term nature of the agreements, the Port and NPS have agreed that the GA may be terminated due to climate change/sea level rise or other catastrophic events at the Site or Alcatraz that pose a risk to public health and safety.

In addition both the Ferry Concessioner and the Conservancy may be required to implement flood protection measures determined to be necessary by the Chief Harbor Engineer (CHE) to protect the Site and public health and safety from a significant risk of flooding or other damage resulting from climate change or sea level rise. Such measures may include: (1) temporary public access closures, sandbagging or similar temporary measures to minimize the risks associated with wave overtopping of the pier apron; (2) waterproofing or relocation of utility infrastructure from underneath the pier to minimize the risk of water or wastewater discharges to San Francisco Bay; and/or (3) short perimeter flood walls, but would not include raising first floor elevations or regional improvements such as breakwater or levee improvements. If the CHE determines conditions continue to pose a threat to public health and safety, Port may terminate a lease.

ENVIRONMENTAL AND REGULATORY REVIEW

A final Environmental Impact Statement (EIS) was released by NPS in January 2017 as required by the National Environmental Protection Act (NEPA). As the project is also subject to the California Environmental Quality Act (CEQA), the San Francisco Planning Department published a Preliminary Mitigated Negative Declaration (PMND) for the Project on December 6, 2017. The required 30-day public review period ended on January 5, 2018. The Planning Department, NPS, and the Port will address any comments received during the review period and prepare a Final MND prior to bringing the Transaction Documents to the Port Commission for approval. As of the publication of this staff report, the comment period for the preliminary mitigated negative declaration was open and City Planning had received an appeal of the document.

A number of regulatory approvals are also required including permits from the Bay Conservation and Development Commission (BCDC), the U.S. Army Corps of Engineers (USACE), and the Regional Water Quality Control Board (RWQCB). Port staff will coordinate with NPS and the Conservancy on preparing the permit applications and seeking approvals over the course of the next 12-18 months. As described above, the project was reviewed by the WDAC and BCDC's DRB on August 7, 2017, and will return for a second review on January 22, 2018, as part of the BCDC permit application process.

ANALYSIS OF THE TRANSACTION

Since endorsement of the Term Sheet, Port and NPS staff have negotiated proposed transaction documents implementing the Term Sheet and collaborated with City Planning and BCDC on Project design and environmental review. Port staff has also coordinated with Port Engineering to deliver the Pier 31½ substructure repair and with Port Maritime to maximize continued availability of berths within the Piers 31-33 water basin.

The key benefits of the proposed transaction are described below.

- 1) Long-term retention of:
 - a) One of the highest revenue operations on Port property.
 - b) A high-profile and important maritime operation on Port property.
 - c) One of the highest volume operations on Port property, which attracts more than one million visitors to the waterfront, providing positive economic benefits to complementary businesses.
- 2) Significant private investment in Port property of approximately \$30 million.
- 3) Activation of a currently vacant Bulkhead and creation of a unified site.
- 4) Opportunity for revenue upside through the expansion of services to include a new Park Cruise excursion.

The Port contracted with Seifel Consulting (Seifel), a respected economics firm and with R. Blum and Associates, a MAI-certified appraiser. With assistance from these consultants, staff prepared the following revenue projections and analysis in bringing the Term Sheet to the Port Commission. The below analysis has not changed since the endorsement of the Terms Sheet in 2016.

1. **The rent structure is on par or higher than comparable recent leases.** Retail, food and beverage, base rents, and office rents reflect rates of recent leases in and around the waterfront. Percentage rent on ferry services – the largest by far of the rental revenue from the Project – will continue at the recently-increased level of 7.5% of adjusted gross receipts. This level is .5% below the rate achieved by New York City Parks for Statue of Liberty ferry service (8.0% on unadjusted gross revenues) but is consistent with San Francisco Bay Area ferry

service percentage rent and above ferry excursion percentage rents found in Southern California.

- The Project and deal structure facilitates revenue growth for the Port.** A Port negotiating principle was to ensure that each component of the Project – ferry, retail, food and beverage – met fair market value. Another principle was to ensure that the overall Project exceeded plausible alternatives. **Figure 1** illustrates these alternatives alongside the Project, with a 15-year projection of cash flow to the Port.

Figure 1. Project vs. Illustrative Alternatives – Projected Revenue to Port



Figure 1 includes:

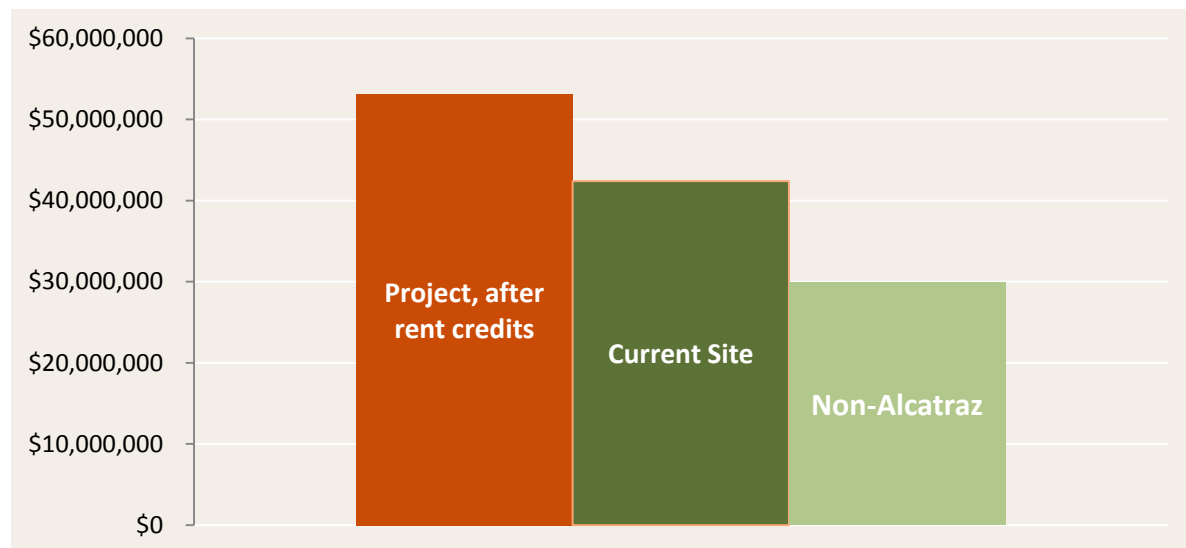
- a. **Non-Alcatraz anchored site.** This alternative assumes the Alcatraz ferry moves off of Port property and the Site is occupied by a bay cruise ferry and ancillary retail and restaurant uses. It produces the lowest estimated Site revenue.
- b. **Current site.** This projection is based on current site operations.
- c. **Project.** The two lines at the top of the chart reflect estimated Project revenues. Year 0 reflects current site revenues and Year 1 reflects the first year of stabilized operations.¹ The top line reflects gross Port rent. The second line from the top reflects gross rent, less anticipated rent credits in years 1 to 4.

The revenue projection for the Project, after deducting rent credits, dips slightly below the Current site alternative for years 1 and 2 (because of the rent credits) and then increases to appreciably above the Current site lease revenues in years 5 and beyond. The Project provides higher Port revenues and significant investment in the Site (\$30 million from tenants and \$5.7 million from the Port).

Figure 2 provides this similar comparison in net present terms (calculated for 30 years with a 6 percent discount rate). The net present value (NPV) of: Project revenues to the Port total \$53 million (after rent credit deductions); Current site revenues are estimated at \$43 million in NPV; and Non-Alcatraz NPV of revenues total \$26 million.

Figure 2. Project vs. Illustrative Alternatives – Net Present Value of Revenue to Port

30 years, 6% discount rate



¹ This reflects a simplification of the likely reality, which is anticipated to include more than a year of construction on different parts of the site. However, ferry service to Alcatraz is anticipated to continue uninterrupted during construction so years 1 and 2 revenues from the Project are projected to include a stable source of rental revenue.

It is also important to note two compromises the Port has made in pursuing the proposed transaction:

- 1) The Port will not select a ferry tenant for the Pier 31½. Rather, under the GA, NPS would conduct its mandated competitive process to select the Alcatraz ferry concessioner and the selected operator from that process would be the recipient of both the Alcatraz Concession Contract and the Port's lease. NPS is the controller entity for Alcatraz Island and the only way for the Port to retain the Alcatraz Embarkation Site on Port property over the long-term is to rely upon NPS's competitive process to select the Tenant.
- 2) The proposed lease for the retail and café portions of the Site operated by the Conservancy is for a term concurrent with the GA, for 30 years plus 2 10-year options if the GA is extended for that period. The Port generally prefers more frequent turnover of these types of leases. The Conservancy's unique role as NPS's nonprofit partner and as the primary entity which interprets the Alcatraz Island experience for the public set it apart from the Port's typical approach to visitor-serving food and beverage and retail.

Staff recognize these compromises and judge them to be fair ones, in light of the benefits described above (among them, investment in Site and retention of high-revenue and high-visibility use for 30-plus years) that will accrue to the Port and to the visitors to the Waterfront who will enjoy a significantly improved plaza, retail and café amenities, and ferry embarkation site.

TIMELINE / NEXT STEPS

Port staff intends to seek Port Commission adoption of the Final MND and the Mitigation Monitoring and Reporting Program of the Final MND (MMRP) (which will be an enforceable condition of the leases), as well as Public Trust Consistency findings, and approval of the Transaction Documents at the Port Commission meeting on February 13, 2018. Thereafter, the Port will seek the Board of Supervisor's approval. The Board of Supervisor action will include public hearings and opportunities for public comment.

The form of lease for the Concessioner will be attached to NPS's concession contract prospectus for Alcatraz ferry service which is expected to be released in January 2018. The solicitation, award and transition process is expected to take approximately 16 months, with an effective date of early May 2019 for the new concession contract.

The Ferry Concession lease is expected to be fully executed on or before May 2019. The Conservancy will be fully executed and effective after BOS approves in March 2018, but tenant won't take possession until 10/18.

They key project milestones are summarized below; dates shown are estimates only and subject to change.

- NPS released Prospectus for new ferry concession contract: **Mid-January 2018**
- Final Mitigated Negative Declaration (FMND) issued by San Francisco Planning Department (subject to any appeal): **2/1/2018**
- National Parks Conservancy signs Port lease: **2/10/2018**
- Port Commission Approval of Transaction Documents: **2/13/2018**
- Introduction to Full Board – **2/27/2018**
- Hearing at Budget and Finance – **3/15/2018**
- Board Approval - **3/20/2018**
- Mayor Signs Resolution – **3/30/2018**
- Prospectus solicitation period ends: **5/10/2018**
- Conservancy takes possession for Phase I: **10/1/18**
- Conservancy completes Phase I construction: **6/1/19**
- Bid evaluation process, award, Congressional notification, and contract transition: **5/10/2018 – 4/30/2019**
- Concession Contract and Lease Effective Dates: **5/1/2019**
- Concession Construction Period: **10/1/2019 – 12/1/2023**
- Conservancy commences Phase II construction: **4/1/2020**
- Site becomes completely built out: **2024**

CONCLUSION

Following Port Commission and Board of Supervisors' endorsement of a Term Sheet in July, 2016, Port staff concluded negotiations with the National Park Service on a set of Transaction Documents that will facilitate a major maritime project, namely the creation of a permanent Alcatraz Embarkation Site located at Piers 31, 31½ and 33. This Project entails significant capital upgrades to Port maritime and commercial facilities at the Site, and will enable the Port and the National Park Service to deliver an enhanced visitor experience to Alcatraz Island visitors, along with enhanced public access for all visitors to the Embarkation Site, for many years to come. As described above, the three Transaction Documents work together to facilitate the planned improvements as well as the long-term, revenue-generating operations of the Site. Port staff intends to return to the Port Commission seeking approval of the Transaction Documents upon the terms and conditions as described above and more fully within the documents themselves at the Port Commission hearing on February 13, 2018. If approved the NPS and Conservancy transaction documents will be forwarded to the Board of Supervisors for final approval.

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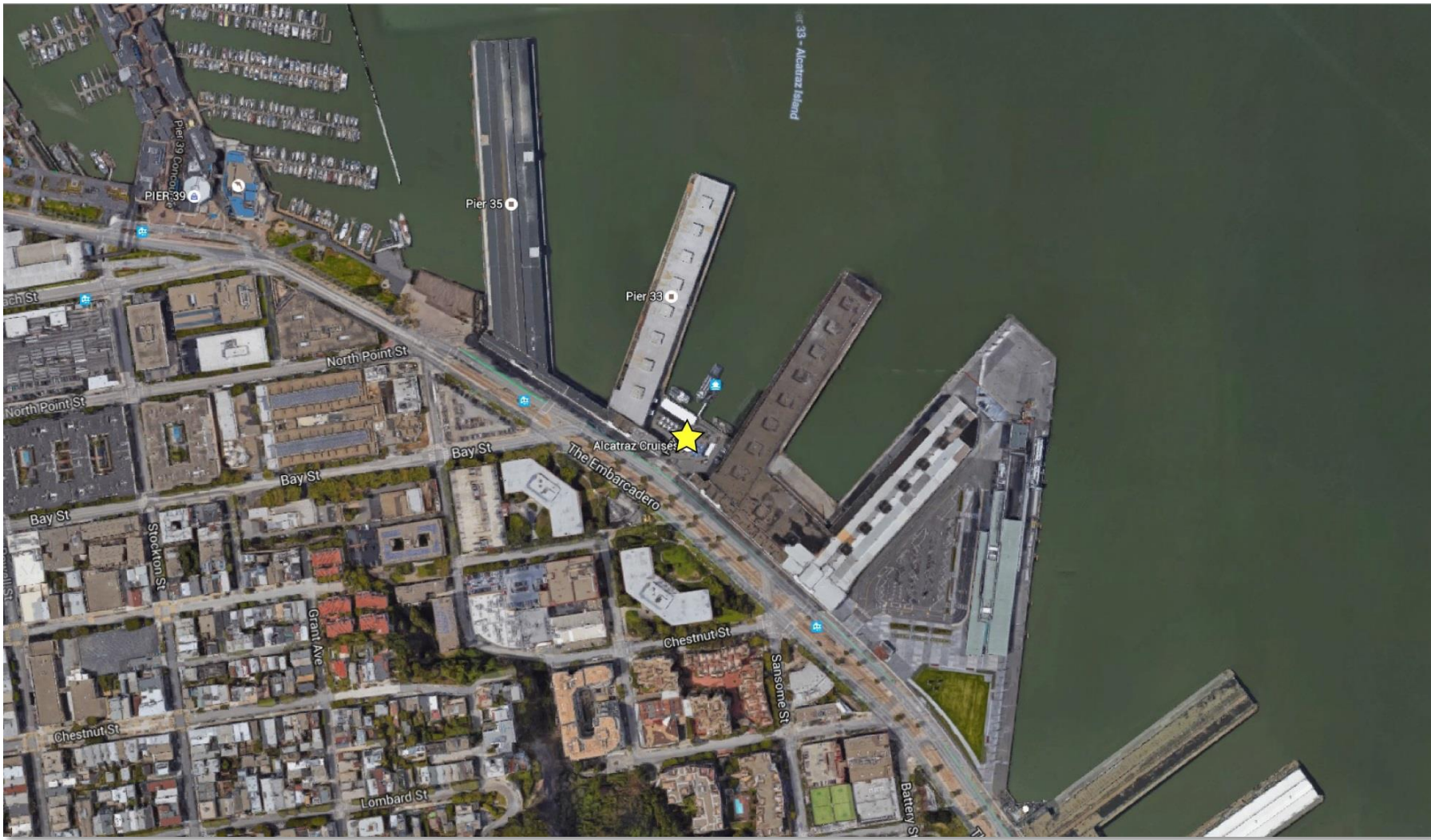
Michael Martin
Deputy Director
Real Estate & Development

Byron Rhett
Port Chief Operating Officer

ATTACHMENTS

Exhibit A: Site Aerial Map
Exhibit B: Parcel Maps
Exhibit C: Term Sheet

Exhibit A: Site Aerial Map



Alcatraz Embarkation Site indicated by star

Exhibit B: See Attached Parcel Maps

Exhibit C: Term Sheet

Port / NPS Draft Summary of Business Terms Alcatraz Ferry Embarkation June 27, 2016

Partnership Structure:

- Port and National Park Service (NPS) will enter into a Memorandum of Understanding (MOU) that designates Pier 31½ as the ferry embarkation site for Alcatraz Island and other potential ferry excursions to NPS sites, Pier 33 bulkhead for an Alcatraz visitor contact station, and Pier 31 bulkhead as a casual dining amenity.
- The MOU will include the respective obligations of Port and NPS regarding the Alcatraz Ferry Embarkation, including the term, default provisions, liability allocation, any applicable City requirements (unless in conflict with applicable federal laws or mutually agreed to be waived subject to Port Commission and Board of Supervisor approval) and other terms generally included in such agreements. The MOU also will stipulate the premises and use, rent structure, capital improvements, repair and maintenance obligations, cross default provisions, and any other pertinent terms for the ferry concessioner and Golden Gate National Parks Conservancy (Conservancy) leases as further outlined below.
- Attached to the MOU will be a form lease for the ferry concessioner, to be selected by NPS as described in the MOU, and a form of lease for the Conservancy. The Conservancy is uniquely qualified to operate and manage the visitor contact center and casual dining facility.
 - Port will enter into an initial 10 year or longer lease with the NPS-selected ferry concessioner for a ferry operation with ancillary food and beverage on vessel, photo, and visitor support services. The NPS will issue the concession prospectus with the form lease attached and the Port and concessioner will sign the lease without modification. Port and concessioner may propose non-material modifications to the lease which shall be subject to NPS approval. The concessioner will not offer food and beverage on land. The Port shall provide for extensions of the ferry concessioner's lease consistent with any extensions of an NPS concession contract, and will enter into subsequent lease agreements with future/successive ferry concessioners over the term of the MOU. The initial form lease will be attached to the MOU.
 - Each lease with a ferry concessioner will include provisions in the standard Port retail lease and successive leases will be subject to City requirements in effect at the time of lease execution, subject to federal law. If standard Port

lease terms or City requirements then in effect would violate federal law if included in the lease, or if they are mutually agreed to be waived subject to Port Commission and Board of Supervisors approval, changes to standard lease terms may be made with approval of NPS, Port, and Board of Supervisors, if required.

- The Port will enter into a 30 year lease with the Conservancy to operate a visitor contact station, including interpretive retail, interpretive exhibits, visitor experiences, and food and beverage services. The initial form lease will be attached to the MOU. The lease will include provisions in the standard Port retail lease. If standard Port lease terms or City requirements would violate federal law if included in the Conservancy lease, changes to standard lease terms may be made with approval of NPS, Port, and Board of Supervisors, if required.

MOU Terms:

- The term will be thirty (30) years with two ten (10) year options to renew; the term will commence after obtaining approval of the MOU by the Port Commission and Board of Supervisors upon a date agreed to by the parties.
- Options are exercisable at NPS's discretion. Port and NPS will have the ability to terminate the MOU or any options to renew due to climate change/sea level rise impacts or as mutually agreed in the MOU. Port and NPS will also have the ability to terminate the MOU or any options to renew for catastrophic events.
- For the purposes of any rent increases, Year 1 will commence upon the respective commencement dates of the applicable Port lease with the ferry concessioner and the Conservancy.
- All base rents noted in the sections below are applicable for Years 1-30, with fixed annual increases specified.
- All percentage rents in the sections below are applicable for Years 1-30. Every 10 years thereafter, percentage rent shall be reviewed for fair market value. The parties will clearly define this review process in the MOU.
- Lease commencement for any portion of the premises currently occupied is subject to the existing tenants' vacating the premises along with removal of personal property per the terms of the existing leases. The Port will make reasonable efforts to ensure tenants surrender their premises in a timely manner such that the overall premises are available upon lease termination, but shall not be liable for delays due to a tenant's failure to vacate.

Premises, Use and Tenant:

- Ferry Concessioner Premises are described below and summarized in **Table 1:**

- Pier 31 shed – approximately 5,000 sq. ft. to be used as maritime storage, employee vehicular parking.
- Pier 31 shed – approximately 1,200 sq. ft. public restrooms.
- Pier 31½ marginal wharf – approximately 43,000 sq. ft. to be used as public assembly for ferry service.
- Pier 33 bulkhead (south) – approximately 1,800 sq. ft. for ticketing on the first floor. Port agrees that the concessioner may demolish a portion of the 4,515 square feet 2nd floor and retain a mezzanine area (of approximately 500 square feet although the actual square footage shall be determined by mutual agreement between the Port, NPS and the Concessioner) subject to applicable historic preservation standards. This area is under a current lease that expires in 2019. Upon expiration and surrender by the current tenant, this area will be added to the MOU and the Concessioner’s lease.
- Pier 33 Shed – approximately 6,000 sq. ft. for NPS Ferry Concessioner maritime storage, bike parking and public restrooms.
- Submerged land – approximately 60,000 sq. ft. to be used for vessels, floats and ramps.
- Pier 33 bulkhead (south) approximately 4,515 sq. ft. office space on the third floor

Table 1. Ferry Concessioner Premises

Item*	Pier 31	Pier 31	Pier 31 1/2	Pier 33	Pier 33	Pier 33	Between 31 and 33	Pier 33	Total
Component	Shed	Shed	Marginal Wharf	Bulkhead, ground floor	Bulkhead, mezzanine	Shed	Submerged land	Bulkhead, 3rd floor	
Use	Martime Storage, Employee Parking	Public restrooms	Public assembly for ferry service	Ferry ticketing	Exhibit space	Martime storage, bike parking, public restrooms	Vessels, floats, ramps	Office	
Approx. Sq. Ft.	5,000	1,200	43,000	1,800	500	6,000	60,000	4,515	
Total Building Sq.Ft.									62,015
Total Submerged land									60,000

* Some areas of the premises will not be available when the MOU is expected to be executed (e.g., Pier 33 bulkhead); these premises will be added once the Port regains control of the site from the existing tenant.

- **Conservancy Premises:**
 - Pier 31 bulkhead – approximately 2,500 sq. ft. casual dining restaurant to be operated directly by Conservancy or a Conservancy subcontractor which shall be subject to Port consent), with operator to be defined in the MOU.

- Pier 31 shed - approximately 1,000 sq. ft. as retail and restaurant storage.
- Pier 33 bulkhead (south) - approximately 2,700 sq. ft. on 1st floor for a visitor contact station and interpretive retail directly related to Alcatraz and the NPS mission to be operated by the Conservancy.
- Pier 31½ marginal wharf – some outdoor dining square footage adjacent to the Pier 31 bulkhead is being contemplated by the parties and will be defined in the MOU.

Table 2. Conservancy Premises

Item	Pier 31	Pier 31	Pier 33	Total
Component	Bulkhead, ground floor	Shed	Bulkhead, ground floor	
Use	Casual dining	Retail and restaurant storage	Visitor contact station, interpretive retail	
Approx. Sq.Ft.	2,500	1,000	2,700	
Total Building Sq.Ft.				6,200

*All square footages are approximate and subject to final site plan.

Base and Percentage Rent

- **Ferry Operations – Base Rent**

- Ferry operations include ticket sales and charters to all destinations. (Alcatraz, Park Cruise, other NPS sites.) The Ferry Concessioner shall initially operate two berths and will build a third berth planned to be operational by approximately 2020, subject to all necessary permitting and regulatory approvals.
- Rent shall be the greater of the guaranteed monthly Base Rent or Percentage Rent, calculated and paid to the Port monthly.
- Initial Base Rent shall be set as approximately \$58,000 per month (or \$696,000 per year) escalated by 2.5% annually.
- Base rent will be suspended during periods when Alcatraz Island closes for reasons outside of NPS’s control to visitors for more than one day and to the extent the interruption is not covered by concessioner’s insurance, such as in the event of a federal government shutdown. Percentage rent will remain in effect.
- Base Rent will be in effect upon delivery of premises by Port and will be calculated as follows:

- Pier 31 Shed – \$7,500 (5,000 sq. ft. x \$1.50 per ft. / mo.) \$90,000 annually
- Pier 31 Shed restrooms - \$1,800 (1,200 sq. ft. x \$1.50 per ft. / mo.) \$21,600 annually
- Pier 31½ marginal wharf – \$17,200 (43,000 sq. ft. x \$0.40 per ft. / mo.) / \$206,400 annually
- Pier 33 Bulkhead - \$9,000 (1,800 sq. ft. x \$5.00 per ft. / mo.) / \$108,000 annually
- Pier 33 Bulkhead 2nd Floor mezzanine - \$1,500 (500 sq. ft. x \$3 per ft. / mo.) \$18,000 annually
- Pier 33 Shed – \$9,000 (6,000 sq. ft. x \$1.50 per ft. / mo.) \$108,000 annually
- Submerged land – \$12,000 (60,000 sq. ft. x \$.20 per ft. / mo.) \$144,000 annually

If construction of the initial improvements results in interruptions to ferry service, the parties will agree on a waiver for Concessioner from base rent for a period of time to be defined in the MOU.

*All Base Rents are based on approximate square footages that are subject to the final site plan.

- Ferry Concessioner – Percentage Rent

- **7.50% of Adjusted Gross Revenue from Ferry Service**

- Adjusted Gross Revenue from Ferry Service Defined as Gross Receipts for Ferry Service less:

1. Sales taxes
2. Conservancy audio and interpretive tours revenue
3. NPS Federal Lands Recreation Enhancement Act (FLREA) Fees
4. Angel Island Tram Tour and Park Entrance Fees
5. NPS Concession Franchise Fees, capped at 25.5% of Gross Receipts for Ferry Service less items 1 through 4 above.² The future NPS Concession Franchise Fee deduction to Gross Revenue shall remain capped at no greater than 25.5% throughout the initial 30 year term of the MOU.

- 7.5% of Adjusted Gross Revenue from Ferry Service for Years 1 - 30.

- **7.25% of Adjusted Gross Revenue from Ferry Food and Beverage**

- Food & Beverage sales on-board all ferry vessels less the NPS Concession Franchise Fee deduction and less sales tax. The

² Throughout the Term Sheet, the NPS Franchise Fee will be defined as 25.5% of the gross revenues less all applicable “pass-through” payments such as sales tax and park entrance fees, as defined in each department. The NPS Franchise Fee deduction will be capped at not more than 25.5% of gross revenues less these defined pass-throughs for years 1-30 of the MOU.

concessioner may only offer food and beverage sales on-board the vessels.

- The future NPS Concession Franchise Fee deduction to Gross Revenue shall remain capped at no greater than 25.5% of the Adjusted Gross Revenue throughout the initial 30 year term of the MOU.
- Rent shall be the greater of guaranteed monthly Base Rent or Percentage Rent, paid to the Port monthly.
- 7.25% of Gross Receipts on all food and beverage sales generated from waterside ferry operations through Years 1 - 30.

- **8.00% of Ferry Concessioner Ancillary Revenue**
 - Ancillary Revenue shall be all other forms of revenue including but not limited to charter transportation for special events and photo sales. Ancillary revenue shall exclude Ferry ticket sales and Food & Beverage sales. Ancillary gross receipts shall be less the NPS Concession Franchise Fee deduction and less sales tax.
 - Rent shall be the greater of guaranteed monthly Base Rent or Percentage Rent, paid to the Port monthly.
 - 8.00% of Gross Receipts for other all other retail revenue (photo concession, special events, etc.) for Years 1 - 30.

- Ferry Concessioner Additional Monthly Rent
 - Ferry Concessioner shall pay as additional monthly Rent for the 3rd floor of the Pier 33 Bulkhead, approximately \$13,545 per month escalated by 3.00% annually (4,515 sq. ft. x \$3.00 per ft. / mo.). Rent to commence upon delivery of the premises by the Port to the Concessioner vacant.

Table 3 summarizes the Base Rent, Percentage Rent, and Additional Rent for the Ferry Concessioner.

Table 3. Ferry Concessioner Base Rent, Percentage Rent, and Additional Monthly Rent

Item*	Pier 31	Pier 31	Pier 31 1/2	Pier 33	Pier 33	Pier 33	Between 31 and 33	Pier 33	Total
Component	Shed	Shed	Marginal Wharf	Bulkhead, ground floor	Bulkhead, mezzanine	Shed	Submerged land	Bulkhead, 3rd floor	
Use	Martime Storage, Employee Parking	Public restrooms	Public assembly for ferry service	Ferry ticketing	Exhibit space	Martime storage, bike parking, public restrooms	Vessels, floats, ramps	Office	
Approx. Sq. Ft.	5,000	1,200	43,000	1,800	500	6,000	60,000	4,515	
Rent type per sq.ft./month	Base \$1.50	Base \$1.50	Base \$0.40	Base \$5.00	Base \$3.00	Base \$1.50	Base \$0.20	Office \$3.00	
total per month	\$7,500	\$1,800	\$17,200	\$9,000	\$1,500	\$9,000	\$12,000	\$13,545	
total per year	\$90,000	\$21,600	\$206,400	\$108,000	\$18,000	\$108,000	\$144,000	\$162,540	
Total Base Rent per Month *									\$58,000
Total Base Rent per Year *									\$696,000
Total Additional Office Rent per Month *									\$13,545
Total Additional Office Rent per Year *									\$162,540
Percentage Rent Across all Concessioner Premises, Excluding 3rd Floor Bulkhead									
7.50% on Ferry Tickets • 7.25% on Ferry Food/Bev • 8.00% on All other Ferry Revenue									

*Rents applicable upon delivery of premises by Port to Concessioner.

- Conservancy Base and Percentage Rent (Pier 31 Bulkhead / Pier 33 Bulkhead)
 - Rent shall be the greater of guaranteed monthly Base Rent or Percentage Rent, paid to the Port monthly.
 - Rent will be in effect upon delivery of premises by Port.
 - The parties will agree on a waiver for Conservancy from base rent during construction of initial improvements and to the extent operations are interrupted, for a period of time to be defined in the MOU.
 - Base rent will be suspended during periods when Alcatraz Island closes for reasons outside of NPS's control to visitors for more than one day and to the extent the interruption is not covered by insurance, such as in the event of a federal government shutdown. Percentage rent will remain in effect.
 - Base rent will be phased in during operational ramp-up as follows:
 - a) 70% of effective base rent during first full year of operation.
 - b) 85% of effective base rent during second full year of operation.
 - c) 100% of effective base rent during third full year of operation.

- Percentage rent shall be based on gross sales reported monthly less sales tax. No other deductions shall apply unless noted in the MOU.
- **Pier 31 Ground Floor**
 - Initial Base Rent for Pier 31 ground floor shall be set as approximately \$14,000 per month (or \$168,000 per year) escalated by 2.5% annually. This rent includes two components:
 - Pier 31 Bulkhead: \$12,500 / mo. (2,500 sq. ft. x \$5.00 per ft. / mo.) \$150,000 annually
 - Pier 31 shed – \$1,500 (1,000 sq. ft. x \$1.50 per ft. / mo.) \$18,000 annually
 - 7.5% of Gross Receipts on all food and beverage sales generated from land side operations for Years 1- 30.
- **Pier 33 Bulkhead Ground Floor**
 - Initial Base Rent for Pier 33 Bulkhead ground floor shall be set as approximately \$13,500 per month (or \$162,000 per year) escalated by 2.5% annually.
 - 7.5% of Gross Receipts on all retail sales generated from land side operations for Years 1- 30.

*All Base Rents are approximate and subject to final site plan.

Table 4. Conservancy Base Rent and Percentage Rent

Item	Pier 31	Pier 31	Total, Pier 31	Pier 33
Component	Bulkhead, ground floor	Shed		Bulkhead, ground floor
Use	Casual dining	Retail and restaurant storage		Visitor center, interpretive retail
Approx. Sq.Ft.	2,500	1,000		2,700
Rent type	Base	Base		Base
<i>per sq.ft./ month</i>	\$5.00	\$1.50		\$5.00
<i>total per month</i>	\$12,500	\$1,500		\$13,500
<i>total per year</i>	\$150,000	\$18,000		\$162,000
Total Base Rent per Month *			\$14,000	\$13,500
Total Base Rent per Year *			\$168,000	\$162,000
Percentage Rent Conservancy Premises			7.50% of all gross sales from premises	7.50% of all gross sales from premises

*Rents applicable upon delivery of premises by Port to lessee.

Capital, Maintenance and Repair Responsibility

- **Port Capital, Maintenance and Repair Responsibility**
 - Port to invest approximately \$5,000,000 for Pier 31 marginal wharf substructure repair/upgrade, per the scope of work as outlined in the Port's substructure consultant's report. Repairs to be made as mutually agreed upon in the MOU.
 - Port is responsible for the maintenance and repair of the Pier 31 marginal wharf substructure, Piers 31 and 33 bulkhead substructure and seawall, and the exteriors of Piers 31 and 33 sheds.

- **NPS Ferry Concessioner Capital, Maintenance and Repair Responsibility**
 - NPS Concessioner is responsible for the construction, maintenance and repair to ferry barges, docks and associated waterside infrastructure, marginal wharf deck surface, Pier 33 visitor restrooms, Pier 33 ticketing, interior of the Pier 31 and 33 sheds, the Pier 31 bulkhead restrooms including all ferry and related uses. Concessioner shall be responsible for all maintenance and repairs to the Pier 33 interior and exterior of the Bulkhead including exterior windows and doors.
 - The parties will agree on a reasonable schedule of performance for all improvements to be completed by the Concessioner and the MOU will reflect that schedule.
 - Concessioner is responsible for site operations, including utilities, janitorial services, waste management / disposal and security for its premises.
 - All new utilities must be installed above deck in order to access and repair due to anticipated Sea Level Rise.
 - Concessioner shall be provided a maximum of \$2,520,000 in rent credits for direct and indirect costs. Rent credits shall be applied to monthly base or percentage rent on a straight line basis over the initial 4 years of the lease and subject to verification of work performed.

- **Conservancy Capital, Maintenance and Repair Responsibility:**
 - Conservancy is responsible for the construction, maintenance and repair as follows: Pier 31 interior bulkhead improvements including exterior windows, doors and roof, interior of shed buildings within its premises; the build out of the Pier 31 bulkhead restaurant use including exterior windows doors and roof (only in the event of modifications or penetrations to the roof in order to install any equipment associated with Conservancy's use); and the Pier 33 visitor contact station / interpretive retail center tenant improvements.

- The parties will agree on a reasonable schedule of performance for all improvements to be completed by the Conservancy and the MOU will reflect that schedule.
- Conservancy is responsible for site operations, including utilities, janitorial services, waste management / disposal and security for its premises.
- All new utilities shall be installed above deck in order to access and repair due to anticipated Sea Level Rise.
- Conservancy shall be provided \$554,000 in rent credits for direct and indirect costs. Rent credits shall be deducted from monthly rent over the initial 4 years of the term of the Conservancy lease and subject to verification of work performed.

Terms subject to:

All terms and conditions are subject to Port Commission, Board of Supervisors and all other regulatory approvals, including but not limited to the Bay Conservation and Development Commission (BCDC), and U.S. Army Corps of Engineers (ACE).

While this term sheet summarizes certain essential terms of the MOU and other related transaction documents, it does not set forth all of the material terms and conditions of those documents. This term sheet is not intended to be, and will not become, contractually binding on the Port, City, or NPS and no legal obligation will exist unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the National Environmental Protection Act (NEPA)/California Environmental Quality Act (CEQA) environmental review processes and on other public review and hearing processes and subject to all applicable governmental approvals.

The Port, the City, and NPS retain the absolute discretion before action on the Project by the Port Commission, the Board of Supervisors, the Mayor, the Planning Commission, or any other government agency, as applicable, to mutually agree to (i) make such modifications to the transaction documents and the Project as may be necessary to mitigate significant environmental impacts, (ii) select other feasible alternatives to avoid significant environmental impacts, (iii) balance the benefits against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, or (iv) determine not to proceed with the Project.

If as a result of the environmental review or other public approval process there are any proposed material modifications to the transaction documents or the terms specified herein that are not acceptable to the parties in their respective sole discretion, then there shall not be deemed to be any understanding of the parties to proceed with the Project under the principles outlined in this term sheet.