



## MEMORANDUM

February 22, 2019

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Victor Makras  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Competitive Solicitation Strategy for Selected Historic Pier Facilities in the Embarcadero Historic District

**DIRECTOR'S RECOMMENDATION:** No action – Informational Only

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### EXECUTIVE SUMMARY

The Embarcadero Historic District (Historic District) is an integral part of San Francisco's highly distinctive waterfront. The nationally listed district is recognized for the integrity of its historic resources. As the steward of the Historic District, the Port is a key agency responsible for advancing solutions to address Historic District risks which include potential damage from earthquakes and flooding and from deterioration due to lack of investment. Of the historic buildings listed in the National Register, 6 have undergone significant rehabilitation and/or seismic retrofit, 2 have been demolished, and 16 need significant repair.

In this informational memorandum, Port staff seeks the Port Commission's guidance on a strategy to release solicitations for a selection of pier facilities for historic rehabilitation located within the Embarcadero Historic District in a public-private partnership structure. This effort flows from recommendations produced by the Waterfront Plan Working Group and endorsed by the Port Commission, which are focused on rehabilitating and opening more Historic District facilities for public use and economic productivity.

**This Print Covers Calendar Item No. 9A**

The Waterfront Plan Update dialogue acknowledged the Port's limited ability to deliver the expensive improvements needed to open up the piers and endorsed the notion of well-crafted public-private partnerships to deliver the financial investment and public benefits needed for a successful project. The Waterfront Plan Update

recommendations include Embarcadero Public Trust Objectives that are intended to support projects that deliver historic rehabilitation, seismic improvement and public trust benefits, and allow revenue generating uses to meet financial feasibility requirements.

The RFP strategy follows a Request for Information (RFI) process completed last year to better understand market interest and the variety of ideas that could increase the diversity of public-oriented uses along the Port waterfront. Port staff presented RFI responses to the Port Commission on December 11, 2018 and posted an online survey related to the RFI responses and potential pier locations for public-oriented uses.

Since then, Port staff conducted in-depth analysis and consideration of factors affecting a pier development's potential for success in order to develop the following staff recommended RFP strategy. Port staff is seeking guidance from the Port Commission on this strategy to:

- Take a "phased" solicitation approach, with the first solicitation a single Request for Proposals (RFP) for Piers 19, 19½, 23 and 29 (with Piers 29½ and 31 offered as optional piers).
- Conduct further targeted due diligence on Piers 38 and 40 and Piers 26 and 28, which present solicitation opportunities but require better understanding of pier repair costs to determine their potential to meet planning level, financial feasibility needs of a successful RFP offering.

Subject to Port Commission direction, Port staff anticipates consulting with the Port Advisory Groups on the selection criteria for the potential RFPs, consistent with the RFP solicitation public process set out in the Waterfront Plan Update recommendations. Port staff will incorporate those consultations into its recommendations and then return to the Port Commission at a subsequent meeting seeking action to issue one or more RFPs to solicit development partners for exclusive negotiations.

This staff report is organized as follows:

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Port staff is seeking Port Commission direction particularly on: (1) Selection of Phase 1 RFP piers; (2) Continued study of potential second phase of piers RFPs; (3) Solicitation Strategy (see section V. of report); and (4) Next Steps prior to returning to the Port Commission for an action item.

## **I. STRATEGIC OBJECTIVES OF THE PIER SOLICITATIONS**

A successful solicitation will elicit proposals from highly qualified development teams including a range of potential public-oriented tenants and other revenue generating uses to implement a financially feasible project. The project's success will be defined by its rehabilitation and maintenance of a historic asset, its provision of rehabilitated maritime opportunities, new public access, and new activities and attractions for visitors. If approved and implemented, these projects will impact a number of the Port's strategic plan objectives (2019-2023 Strategic Plan):

Productivity: Completed pier rehabilitation projects will make progress on the productivity objective to restore Embarcadero Historic District piers with developer funded improvements, including identifying at least 6 historic piers within the District to be leased and rehabilitated by 2024.

Stability: Successful projects will result in increased annual revenues, supporting the stability objective of achieving \$125 million in annual revenue.

## **II. BACKGROUND**

### **Waterfront Plan Update – Embarcadero Historic Piers Framework**

For much of 2016 and 2017, Port staff and the Waterfront Plan Working Group (Working Group) collaborated to develop a detailed framework for the update to the Waterfront Plan. The challenges and desires for the Embarcadero Historic District have been a key focus among the wide variety of policy issues that were addressed by the Working Group in the Waterfront Plan Update process.<sup>1</sup> The Working Group produced 161 policy recommendations which were accepted and endorsed by the Port Commission to guide Port staff drafting of amendments to update the Waterfront Plan.<sup>2</sup> They included recommendations for Embarcadero Historic District Public Trust Objectives that drive the efforts of this current RFP strategy effort.

### **Embarcadero Historic District**

The Embarcadero Historic District extends for three miles between Pier 45 in Fisherman's Wharf and Pier 48 at China Basin. The Historic District is defined by its

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<sup>1</sup> The Working Group assisted in producing Port-wide policy guidance recommendations on issues such as waterfront resilience, environmental sustainability, transportation, maritime industries, land use and development, and public process procedures.

<sup>2</sup> August 10, 2018 Port Commission staff report endorsing Waterfront Plan Working Group policy recommendations to update the Waterfront Plan, and staff recommendations.

period of significance - between 1878 and 1946 – when the Historic District was the setting for important commerce, transportation, and labor activities. The resources are also recognized for architectural and engineering qualities which contribute to the overall fabric and character of the District (see **Exhibit 6** for map of historic resources).

Over the last 20 years, the Ferry Building and pier historic rehabilitation projects have opened the San Francisco waterfront to the public while continuing to host a diversity of maritime businesses. Of the Historic District's 29 contributing buildings, 6 have been seismically improved while most others have major capital needs. These industrial finger piers and bulkheads were built for warehousing and maritime industry from the early 1900's. They continue to be well-suited for modern day production, distribution and repair (PDR) businesses, but require substantial capital investment that exceeds Port resources to address deferred maintenance and make seismic improvements to safely accommodate large numbers of people. The rate of deterioration of these century old facilities further challenges the Port's asset management efforts to maintain stable leasing for ongoing industrial use.

### **Historic Piers Public Trust Framework**

While keenly aware of the need to work across sectors to address climate change and resilience planning for sea level rise and improvement of the Seawall, the Working Group recognized the public value and responsibility for stewardship of the Port's historic finger piers, bulkhead buildings and resources in the Embarcadero Historic District. After detailed analysis, the Working Group worked with Port staff and in coordination with State Lands Commission staff (State Lands), to produce recommendations for public trust objectives tailored for the Embarcadero Historic District. The Port Commission endorsed these objectives.<sup>3</sup>

The Embarcadero Historic District Public Trust Objectives (see **Exhibit 1** for details) provide criteria for historic rehabilitation, capital improvements, maritime, public access and public-oriented uses, and Port revenues. With an understanding of the extraordinary cost of historic pier repair and rehabilitation, these public trust objectives recognize the need for more lease term flexibility to amortize capital repairs and improvements, and the rationale for allowing high revenue-generating uses to finance them as part of an overall program that achieves public trust objectives.

While embracing the responsibility for managing the Port's architectural and maritime resources and heritage, the Public Trust Objectives also emphasize and expand public-oriented uses that are inclusive and welcoming to all communities. Successful projects and leases to date, including Oracle Ballpark, the Ferry Building, and the Exploratorium have demonstrated how, recreational, entertainment, and museum and cultural centers offer unique and varying ways to expand and diversify public enjoyment of the waterfront, in addition to traditional restaurants and retail attractions that are recognized trust-consistent use (such as in Piers 1½, 3, 5).

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<sup>3</sup> August 10, 2018 Port Commission staff report endorsing Waterfront Plan Working Group policy recommendations to update the Waterfront Plan, and staff recommendations.

## **Partner Agency Consultations**

The Embarcadero Historic District was created as an outcome of past Port and BCDC planning work completed in 2000 to align the Waterfront Plan and BCDC's San Francisco Special Area Plan (SAP) policies. During the Waterfront Plan Update process, Port staff consulted State Lands and San Francisco Bay Conservation and Development Commission (BCDC) staff on the various issues of shared interest, including strategies for supporting the Embarcadero Historic District. State Lands staff also spent considerable time in public meeting discussions with the Working Group as part of its deliberations and recommendations.

In crafting the Embarcadero Historic District Public Trust Objectives, Port staff have continued consultations with State Lands and BCDC staff regarding the details and public trust rationale that Port staff believes are essential for responsible stewardship of this Historic District. This Historic District represents one of the last and most intact collections of piers, bulkhead buildings, and associated historic resources in the country. The Port is committed to its stewardship, a key public value expressed and memorialized in the Waterfront Plan Update policy recommendations.

Port staff consultations continue with BCDC to include the Embarcadero Historic District Public Trust Objectives in amendments to BCDC's SAP, in coordination with drafting amendments to update the Waterfront Plan. Port staff will be presenting the Embarcadero Historic District Public Trust Objectives at the March 7<sup>th</sup> BCDC Commission meeting. Port staff anticipates that continuing this engagement with BCDC and State Lands through the planning process will provide a clear and improved policy framework to guide successful historic rehabilitation projects in the Embarcadero Historic District.

## **Recap of the Request for Interest Process**

On May 8, 2018, the Port Commission approved a resolution<sup>4</sup> authorizing Port staff to issue a RFI for prospective master tenants and smaller tenants<sup>5</sup> for public-oriented concepts for facilities in the Embarcadero Historic District. The RFI was issued on August 1, 2018<sup>6</sup> with responses due October 31, 2018. During the 3-month response period, Port staff and Port consultants led an engagement campaign with multiple prongs including 10+ presentations, more than 500 direct email and phone calls, and three Port-sponsored RFI events including an online presentation (50 participants), in-person RFI presentation and Q&A (45 attendees), and an Open House tour at selected facilities in the RFI (120 visits to 3 facilities).

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<sup>4</sup> Staff report and accompanying Resolution 18-31 may be found here:

<https://sfport.com/sites/default/files/Commission/Documents/Item%2012A%20RFI%20authorization.pdf>

<sup>5</sup> "Master Tenants" are defined as entities with a concept and the wherewithal to undertake the major capital and seismic repair costs required for a whole pier rehabilitation project. "Smaller Tenants" are defined as entities with a concept which requires a portion of a pier and which can undertake some repairs on their own behalf.

<sup>6</sup> Request for Interest may be found here: [https://sfport.com/sites/default/files/Planning/082018\\_SFPort-HistoricPiersRFI.pdf](https://sfport.com/sites/default/files/Planning/082018_SFPort-HistoricPiersRFI.pdf)

The Port received 52 responses by the RFI closing date. The responses:

- represented a mix of tenant types including roughly 35% Master Tenants, 35% Smaller Tenants, 20% which may be either Master or Smaller, and 10% partner organizations and
- included ideas with a mix of concept types including:
  - Knowledge transfer: Education, training, incubator
  - Live performances & other attractions
  - Museums and cultural exhibitions
  - Food and beverage
  - Recreation
  - Art and maker studios and specialty retail
  - Maritime excursion and transportation
  - Mixed-use concepts including hotel components (understanding the Proposition H prohibition on hotels)<sup>7</sup>

The number and breadth of responses to the RFI provided the Port with relevant information about interest from public-oriented operators in Port facilities. As noted at the December 11, 2018 Port Commission meeting, staff believes that the RFI was successful as a useful step to encouraging the kinds of proposals that will meet the Port's goals for feasible historic rehabilitation projects preserving multiple piers. As discussed at that meeting, the next challenge is to craft a solicitation strategy that translates that interest into the selection of a successful pier project consistent with the public trust objectives for the Embarcadero Historic District.<sup>8</sup>

### **Time is Running Out**

Current seismic risk, current and future flooding risk, and deterioration from lack of significant capital investment present significant challenges to the Embarcadero Historic District.

#### ***Seismic***

The seismic vulnerability assessments of the Embarcadero Seawall ("Seawall", discussed further below) revealed risk potential to the bulkhead buildings of the historic facilities. Without improvements to seismically strengthen the historic facilities and the Seawall, the bulkhead buildings may suffer significant damage in a large earthquake.

#### ***Flooding***

Focusing on flood risk, some assets within the District are already at risk of flooding from a 100-year flood event and that risk is increasing due to rising sea levels. Projections of future water levels indicate episodic flooding by mid-century and regular

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<sup>7</sup> In 1990, San Francisco voters passed Proposition H which required the development of a Port land use plan and prohibited hotels on the historic piers.

<sup>8</sup> See December 11, 2018 Port Commission staff report here: <https://sfport.com/sites/default/files/Documents/Item%2012A%20RFI%20info.pdf>.

flooding of the finger piers by 2100.<sup>9</sup> While there are approaches that can be taken to reduce the risks from flooding (and the Port is exploring, along with partners at city, regional, and federal agencies level, protection and adaptation measures), it is also true that the increasing flood risk associated with sea level rise presents a narrowing window of opportunity to attract investors to pier rehabilitation projects, as the lease term the Port may offer tenants to justify potentially hundreds of millions of dollars of capital repair costs decreases with each year. Acting quickly (and prudently) to attract capital partners to pier rehabilitation projects will help put the Port in a good position to negotiate leases with the greatest amount of public benefits possible, including those that incorporate measures to reduce flood risk. However, it is important to recognize that as water levels rise and the risk of flooding increases, the financial returns to pier investments worsen and a project's ability to deliver public benefits decreases.

### ***Lack of Investment<sup>10</sup>***

Despite increased investments since the 1990's, some historic sheds and structures have not received major maintenance work since as far back as the late 1940's. The Port Engineering Division's 2016 condition assessment of more than 350 structures report lists 34 facilities as yellow-tagged and 20 facilities as red-tagged (restricted access, unsafe, poor structural condition). While the Port continues to prioritize investments in yellow- and red-tagged facilities, the Port's resources are insufficient to meet the capital needs of all facilities. Deterioration means that, the longer capital items remain unfunded in the Capital Plan, facility conditions may worsen.

### ***Opportunity to Deliver Public Benefits***

In addition to the pressing risks to the physical facilities, acting to bring the public benefits recognized through the Waterfront Plan community planning process provides an additional reason to issue competitive solicitations at this time. The community invested significant time working with Port on the Waterfront Plan Update. Through this deep engagement effort, the Port and community members have established a shared consensus on the type of project that could win support and be implemented. A competitive solicitation is the next step to bringing those community priorities to fruition.

### **Embarcadero Seawall Program**

Through a competitive solicitation, the Port would select a private partner in order to bring, among other things, construction capacity to rehabilitate pier resources. Construction of pier improvements, while mostly over water, will physically intersect the Embarcadero Seawall (Seawall). The Seawall is the foundation of the finger pier and bulkhead wharf waterfront, holding back the filled land and allowing the transition to deep water necessary for maritime activity. While varied along the 3 miles, the Seawall generally consists of a 30 foot thick by 100 foot wide rock dike and a pile supported

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<sup>9</sup> See Port of San Francisco and Sea Level Rise brochure for more information: <https://www.sfseawall.com/2904/documents/3734/download>

<sup>10</sup> See Port's latest capital plan, the 10-Year Capital Plan, 2018-2017, approved by the Port Commission on January 10, 2017, report here: <https://sfport.com/sites/default/files/Finance/Documents/Port%20Capital%20Plan%20FY%202017-18%20to%202026-27.pdf>.

bulkhead wall and wharf structure on the Bayside edge of the dike. This bulkhead wall and wharf structure supports the bulkhead buildings and is integrally connected to the pier structures. Initial studies indicate the highest seismic vulnerability exists at the bulkheads, where following a major earthquake, seawall failures due to liquefaction and lateral spreading have the greatest impact. Refined studies are now underway to better characterize earthquake risk at the facility level.

Previous Port-commissioned studies of the seismic vulnerability of the Sewall estimate repair costs up to \$5 billion for the entire length. With the passage of a \$425 million General Obligation bond in November 2018 to start the Seawall Program, the Port kicked off planning for the largest construction project undertaken on Port property, since the original construction of the Port itself.

A partner for pier rehabilitation provides both an opportunity to leverage private resources for important City infrastructure and a challenge to coordinate Port's construction activities with a private entity. Overall, the Seawall Program is an opportunity to protect and revitalize Embarcadero historic assets and ultimately create a stronger and more vibrant urban waterfront. If a pier solicitation is advanced, the Port will manage the coordination of private partner design and construction with the same for the Seawall Program.

One of the considerations (see next section) in selecting locations for initial phase solicitations is potential for pier rehabilitation project to integrate with the Seawall Program, Port staff's recommendations recognize the timing of key Sewall engineering analyses which will be foundational documents to developing acceptable seismic solutions for the bulkhead and pier structures.

### **III. ANALYSIS OF OPTIONS FOR REQUESTS FOR PROPOSALS**

A public-private partnership model is needed to deliver the capital improvements and public benefits sought by stakeholders and required by the Port to fulfill our stewardship responsibilities for these exceptional historic assets because the Port does not have the financial capacity to restore the historic facilities. Port staff have defined success for any such public-private partnership and considerations for how to proceed with a solicitation strategy below.

#### **Defining "Success" for the RFP and Project**

Distilling recommended policies for the Waterfront Plan Update and integrating those with Port staff's experiences with pier solicitations, the below summarizes the characteristics of a successful solicitation and project.



## Key Characteristics of a Successful Pier Solicitation

- **Open and engaged process from solicitation crafting through project approvals.**
  - The connection from the policies developed in the Waterfront Plan Update and the information gained through the RFI to the solicitation is clear.
  - Development of an RFP solicitation that follows the Waterfront Plan Update’s stakeholder engagement process recommendations (see **Exhibit 2**). In particular:
    - Selection criteria for the solicitation reflect the results of engaging the Port advisory groups and
    - Selection process is well-defined and includes recommendations in **Exhibit 2** (including seating a community member on the selection panel).
- **Negotiations result in an implementable, feasible project that can be delivered efficiently and effectively.**
- **Completed project delivers the highest level of public trust benefits as are financially feasible.**
  - The Embarcadero Historic District Public Trust Objectives will provide the framework of criteria to be used to determine successful projects. Public Trust objectives categories are (see **Exhibit 1** for details):
    - Historic Preservation
    - Capital Repair
    - Seismic & Life Safety
    - Exterior Public Access & Maritime Improvements
    - Interior Uses in Pier
    - Revenue Generation
    - Length of Lease Term
- **Completed project brings the historic resource on the waterfront back to life.**

## Pier Selection Considerations

Because of the time and expense of each solicitation and the urgency to act as described above, Port staff sees the critical importance of achieving a financially feasible, approvable, and implementable project with the initial competitive solicitation of

this effort. The selection of the location for that first offering will be a key factor in addressing this critical objective.

Based upon the framework for a successful project defined in the preceding section, Port staff analyzed characteristics of each facility which may help or hinder prospects for a successful public-private partnership. A multidisciplinary team reviewed information about each facility, including information from the RFI responses, and analyzed the following:

- **Locational Considerations**

- Information considered: Locational preferences of RFI respondents, locational preferences indicated through public online survey (which received more than 250 responses, see ; **Exhibit 3** provides RFI respondent locational preferences and **Exhibit 4** provides public online survey results), potential for a new project to complement existing neighbors along the waterfront (meaning businesses and neighborhoods nearby each facility), potential for new project to bring activity to a “low-activity” area of the waterfront, and potential for new project to enhance an area where the Port has already made an investment.
- Analysis: Analysis of this broad set of considerations informs the locational context of each facility, considering key perspectives that will influence a project’s success and overall benefits – including those of the potential operator, the public, nearby businesses and tenants, nearby residents, and Port operational needs. Facilities prioritized through this consideration are those: (1) which are preferred by RFI respondents and the public (as expressed through the online survey); and (2) where new uses would complement nearby uses (including existing tenants and open spaces) by providing an activity node.
- Conclusion: The results of the locational analysis are qualitative and ultimately subjective. Activation of some piers would fill in an activity “hole” along a relatively active stretch (i.e., Piers 33 or 35 between the high visitor nodes of Alcatraz Embarkation and Pier 39 and Fisherman’s Wharf), others would help activate open space areas where the Port has made significant investments (i.e., Pier 38 near Brannan Street Wharf or Piers 23 and 29 near Cruise Terminal Plaza).

- **Integration with Seawall Program**

- Information considered: Data collection is well underway for the Seawall Program, data relevant to pier improvement projects include test borings and the 2016 Seawall Earthquake Vulnerability Study and related technical studies.<sup>11</sup>

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<sup>11</sup> See Seawall Program library for study and related information, located here: <https://www.sfseawall.com/seawall-library>.

Analysis: With passage of a \$425 million general obligation bond for the initial phase of the Seawall Program, the Port's Seawall team is moving expeditiously to plan and implement Seawall improvements. The importance, relevance, and literal intersection between the Seawall and the Embarcadero Historic Piers requires close coordination between pier and Seawall improvement plans.

- Conclusion: The Port can provide a range of strategies, sufficient for solicitation purposes, for pier locations along the Embarcadero to integrate pier improvement projects into the overall Seawall Program, for all of the facilities in the RFI except for one. The Agricultural Building is an exception to this conclusion because the range of possible seismic solutions is currently very large. This range will diminish over the next year as the Seawall team develops better information. Because of this, Port staff recommends postponing consideration of a solicitation for the Agricultural Building until seismic solutions are better defined for this particular facility.

- **Facility condition and capital backlog.**

- Information considered: Capital Plan, Rapid Structural Assessment reports, and available cost estimates for particular facilities (e.g., Piers 19 and 38 cost estimates commissioned for Waterfront Plan Update-related analyses and Agricultural Building assessments commissioned by WETA as part of Downtown Ferry Terminal Project, among others)
- Analysis: Based upon the available data, Port staff placed each facility into high, medium, or low cost category for the investment needed in the substructure and superstructure facility elements. While specific cost estimates are not available for each facility, 2017 cost estimates for Pier 19 and Pier 38 provide a range for the “low” to “high” cost category facilities: from \$657 to \$890 per gross building square foot.<sup>12</sup>
- Conclusion: Facilities in the “low” investment need category are prioritized for the RFP. Such facilities have the highest likelihood of financial feasibility and greatest ability to support public oriented uses, as discussed in the following *Financial Feasibility* section. While an argument may be made that the Port prioritize worse condition facilities for partnerships in order to steer investment to those piers, that strategy poses a significant risk to a project's success. The Port has experience with private partners abandoning projects due (in whole or in part) to high costs of historic pier rehabilitation.

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<sup>12</sup> See December 8, 2017 final report, Waterfront Land Use Plan Update Real Estate Feasibility Study, Economic & Planning Systems with cost estimates sourced from Moffatt and Nichol analysis.

- **Financial Feasibility.**

- Information considered: In 2017, the Port’s consultants conducted condition assessments, cost estimates, and financial feasibility analysis assuming a fully seismically upgraded pier facility project (including repaired aprons), as part of the Waterfront Plan Update technical studies. It is important to characterize this study as a *planning-level* analysis. The purpose was to evaluate the financial challenges and opportunities of rehabilitating piers to increase, to the extent possible, the areas where the public could enjoy the facilities.

The underlying financial assumptions in the 2017 study were updated to reflect inflated construction costs, up-to-date rental market data, reduced value of historic tax credits resulting from December 2017 tax reform, and increased costs to reduce vulnerability to Seawall risks.

- Analysis: The analysis reviewed two piers in particular: (1) Pier 19, as an example of a good condition pier with concrete-jacketed timber piles similar to successfully retrofitted Piers 1 and 15, and (2) Pier 38, as an example of a worse condition pier with cast-in-place caisson piles typical of piers south of the Ferry Building. The results in 2017 study indicated that a mix of higher revenue uses (office and retail) and lower-revenue, public-oriented uses were feasible for Pier 19 while almost exclusively high-revenue generating uses (office and retail) were needed for Pier 38 to achieve feasibility.

The adjustments to the 2017 study overall reduce the feasibility of the pier examples. For Pier 19, the result remains positive though more high-

### **Substructure Construction Character**

#### ***North of Ferry Building***

Historic Piers in the Northern Waterfront – including Piers 35, 33, 31, 29, 19, 23, 15, 9, 3, and 1 – were constructed between the late 1910’s and early 1930’s. These piers are mostly supported on reinforced concrete piles and pile jackets that were fabricated off-site.

Advances in concrete construction technology during this period contributed to the relative durability of these piers. It is noteworthy that all of the historic piers that have been seismically repaired for high density uses (Pier 1, Piers 1½ -3-5, and Pier 15) are all located in the Northern Waterfront.

#### ***South of Ferry Building***

Historic Piers south of the Ferry Building – including Piers 26, 28, 38, and 40 were all constructed around 1910 and are supported on caisson piles that were cast in place using cylindrical formwork, rather than driven into ground. These are some of the earliest examples of reinforced concrete pier construction and are the oldest finger piers in the Port. Their age and construction character tends to make these piers more costly to repair.

**Exhibit 5** provides an overview of the vintage of Port’s assets.

revenue generating uses are required to achieve feasibility. For Pier 38, the result is slightly negative. It is important to stress that the analysis is aimed at comparing the Port's best opportunities for a financially feasible, successful project; it is not intended to be a determinative analysis for the financial feasibility of a particular pier or program.

- Conclusion: Piers in better condition are likely to achieve financial feasibility, including market rent to the Port. Worse condition piers require additional study to establish a financially feasible repair and use scheme which meets public trust objectives for the District.

- **Opportunity Cost of a project.**

Information considered: Existing revenues or projected revenues (if site is currently generating no rent) from each site.

- Analysis: Public-private partnerships at the Port have often involved the Port receiving less than the revenues it could receive at a site in the near-term, in exchange for significant, private investment in a facility. Understanding a facility's current or projected revenue to the Port is an important consideration because selection of the facility for development may mean decreasing or delaying revenues while a major investment is made.
- Conclusion: Prioritize facilities generating lower revenue over those generating higher revenue for a development solicitation.

#### **IV. RFP SELECTION CONSIDERATIONS CONCLUSIONS**

##### **Conclusions for Each RFI Facility**

In order to facilitate capital repairs that the Port cannot fund on its own and to deliver the public trust benefits described in Waterfront Plan Update policy recommendations, Port staff recommend pursuing a solicitation process immediately for some historic facilities and to gather more information prior to advancing other historic facilities.

**Table 1** outlines the recommendation by facility and is based upon the evaluation of the key RFP considerations above. As shown, some facilities are included in the "Phase 1" solicitation, others are in potential subsequent solicitations, and others should be considered for solicitations but would benefit from additional information.

**Table 1. Summary of Next Steps for Each Facility**

**Bold** formatting indicates pier was included in RFI

| <b>Pier</b>                  | <b>RFP Priority</b> | <b>Key Facts</b>  | <b>Proposed Next Step</b>  |
|------------------------------|---------------------|---|--|
| Pier 45                      | Low                 | Currently used to support fishing, fish processing, and wholesale fish. Was not part of RFI.                      | Sensitive and congested area requires more specific sub-area planning for attracting investment in rehabilitation.   |
| <b>Pier 35</b>               | Low-Moderate        | Agreement with Metro through 2024. Used for cruise when two ships berthed.  | Evaluate best use after new air emissions regulations are finalized, with respect to cruise operations.  |
| <b>Pier 33</b>               | Moderate            | Currently providing important maritime-support space. Alcatraz improvements to bulkhead anticipated in 1-5 years. | Plan to continue use for maritime-support.   |
| <b>Pier 31</b>               | High                | Alcatraz improvements to bulkhead anticipated in 1-5 years.   | Consider as option pier for Phase 1 RFP, once certain milestones are reached.  |
| <b>Pier 29</b>               | High                | High scoring and no identified solicitation barriers.   | Part of Phase 1 RFP.   |
| <b>Pier 23</b>               | High                | High scoring and no identified solicitation barriers.   | Part of Phase 1 RFP.   |
| <b>Pier 19</b>               | High                | High scoring and no identified solicitation barriers.   | Part of Phase 1 RFP.   |
| Pier 17                      | Low                 | Under lease to Exploratorium through 2026. Exploratorium has first right of offer for rehabilitation of Pier 17.  | Examine space as 2026 deadline nears.  |
| Pier 9                       | Low                 | In relatively good condition and currently a high revenue generating pier. Was not included in RFI.               | Maintain status quo and examine opportunities to leverage resources to maintain asset.   |
| <b>Agricultural Building</b> | Low-Moderate        | Seawall Program geotechnical work will better characterize this area by early 2020.                               | Potential RFP once Seawall program characterization is complete.<br><br>Wait for in-depth geotechnical work, consider solicitation once results available. |
| <b>Pier 26</b>               | Low                 | Lower scoring and financial feasibility screening is negative.  | Consider for subsequent phase RFP, depending on financial feasibility additional analysis.   |

| Pier    | RFP Priority | Key Facts  | Proposed Next Step  |
|---------|--------------|--|---|
| Pier 28 | Low          | Lower scoring and financial feasibility screening is negative.   | Consider for subsequent phase RFP, depending on financial feasibility additional analysis.  |
| Pier 38 | Low-Moderate | High scoring but financial feasibility screening is negative.  | Consider for subsequent phase RFP, depending on financial feasibility additional analysis.  |
| Pier 40 | Low          | Currently providing space for maritime-support services. Lower scoring and financial feasibility screening is negative.  | Conduct more in depth review of facility as potential option pier along with Pier 38.   |
| Pier 48 | Low-Moderate | Pier 48 is under lease to SF Giants through 2028. Port may “put” rehabilitation pier project to Mission Rock Partners (MRP) through Mission Rock DDA, if certain conditions are met. At present, Port is working collaboratively with MRP to share information about Pier 48 gained through RFI. | Consider conducting financial feasibility and programming analysis as required to begin pier project prior to the 2028 end of lease term. |

### **Recommended Phase 1 Solicitation Piers**

The preceding conclusions suggest that a solicitation for Piers 19, 23, 29, and potentially 29½ and 31 would be well-positioned for success. These piers are located within the Northeast Waterfront (Pier 9 to Pier 35). This area of the District has the highest number of historic resources, with two near-continuous stretches of historic bulkhead and pier buildings, between Piers 35 and 29 and Piers 23 and 9. These stretches give the clearest sense of what the San Francisco waterfront looked like during its period of significance. In addition, the many Classical Revival style bulkhead buildings within the Northeast Waterfront are evidence of the City Beautiful Movement,<sup>13</sup> which spurred the effort to beautify utilitarian piers and sheds with classically ornamented bulkhead buildings.

**Table 2** summarizes key facts about the piers.

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<sup>13</sup> City Beautiful was a national movement was inspired by the architecture of the 1893 Chicago World's Fair and championed by Daniel H. Burnham, one of San Francisco's urban planners. City Beautiful ideas were popular in San Francisco; they inspired the Civic Center and numerous parks.

**Table 2. Key Facts for Recommended Phase 1 Piers**

| Facility    | Building Sq.Ft.  | Important Characteristics  |
|-------------|--|--|
| Piers 19-23 | Pier 19: 98,500<br>Pier 19.5: 40,000<br><u>Pier 23: 96,300</u><br>Approx. Total: 234,800 | Relatively large building complex.<br>Connector building is non-historic, provides opportunity for new connection to water.<br>Water basin provides flexible maritime use opportunity.<br>Recent Port Investments include mechanical, electrical, plumbing, roofing, apron demo and apron repair.  |
| Pier 29     | 165,000  | South-facing shed is uniquely connected - visually and physically - with the Embarcadero Promenade. Ground Transportation Area provides opportunity access pier shed along south face rather than just the bulkhead.<br>Open air “tip” provides opportunity for public gatherings.<br>Recent Port t investments include bulkhead substructure repair; utility upgrades, and bulkhead repairs after fire. |
| Pier 29½-31 | Pier 29½ 42,000<br>Pier 31 <u>99,000</u><br>Total: 141,000                               | South water basin provide flexible maritime use opportunity<br>North water basin is occupied by Alcatraz ferry for the long-term<br>Recent Port investments in roofing, utilities, and restroom repairs  |

**Potential Next Phase Piers**

Staff recommends conducting additional due diligence on Piers 26, 28, 38, and 40 and making a recommendation relatively quickly to the Port Commission. These piers represent the oldest surviving pier structures in the Historic District (Piers 38 and 40 were built in 1908) and represent the last surviving examples of Mission and Renaissance style shed/ bulkhead buildings (Piers 26, 28, and 38). In addition, Pier 38, which has been vacant since 2011 and suffered deterioration over the last 7+ years, would benefit from private investment.<sup>14</sup>

<sup>14</sup> Pier 38 has been a priority for Port leasing staff. Staff has toured several prospective tenants through Pier 38 over the years and began ultimately unsuccessful negotiations with more than one prospect. Thus far, the potential tenants have not executed leases because of the relatively high cost of improvements required to occupy the space.



## V. SOLICITATION STRATEGY

In addition to the overall recommendation itself, Port staff are seeking Port Commission feedback on the following key strategic recommendations for a solicitation strategy.

### 1. One Solicitation for Multiple Sites

For the Phase 1 piers (19-23, 29, and 31), Port staff recommend a single Request for Proposals (RFP) for Piers 19-23 and 29, and provide Piers 29½ and 31 to be considered as optional facilities. Staff made this recommendation because the relatively large size of the offering (almost 400,000 total existing building square feet and about 540,000 total square feet with the optional piers)<sup>15</sup> provides ample opportunity to accomplish key public trust objectives including:

- Historic preservation of 3 to 4 piers
- A significant amount of apron space which can be repaired and opened for maritime and/or public access space
- A mix of uses, including significant space for public-oriented uses, like those of respondents to the RFI and others not represented among the respondents
  - Staff sees a particular opportunity for public oriented uses in the Pier 29 shed, a location with particularly good access
- Financially feasible project, as relatively fixed costs - transaction, approvals, and permitting - are spread among more building square feet
- Rent to Harbor Fund to support other maintenance and capital needs of Port facilities

In addition, having one partner for multiple pier sites would lessen the coordination challenge with the Seawall Program in that area of the waterfront.

### 2. One Solicitation Out at a Time

While staff recommend completing additional due diligence relatively quickly for the potential subsequent phase solicitation piers, staff recommend completing the Phase 1 piers selection process before issuing a second solicitation. This will allow proposing teams not selected to consider a second pier opportunity.

### 3. RFP Criteria Categories

If directed by the Port Commission to continue exploring a pier solicitation, Port staff will follow the process set forth in the Waterfront Plan Update policy recommendations for RFP development (see **Exhibit 3** for relevant excerpt). That process requires that Port staff discuss potential RFP selection criteria with Port advisory group(s). To facilitate

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<sup>15</sup> For context, the recent solicitation by the Presidio Trust for Fort Scot was for 280,000 square feet of building space (see here <https://www.presidio.gov/fort-winfield-scott/rfp>) and the Port's RFP for the Historic Core at Pier 70 in 2011, composed almost 300,000 square feet of building space, as improved

this potential direction, below is a framework for Phase 1 piers RFP criteria for respondents:

- Community engagement commitment, plan, and experience
- Early public-oriented activation strategy for Pier 29
- Abundant and diverse spaces for public/visitors and maritime & water dependent uses
- Experience implementing projects over water and in seismically active areas
- Financially feasible project with market rent and participation rent to Port

## **VI. CONCLUSIONS AND NEXT STEPS**

As detailed above, the competitive solicitation for historic pier development proposals is a key step that builds off the productive dialogues fostered by the Waterfront Plan Update and the RFI. If executed with thoughtfulness and care, the Port's RFP strategy will generate stakeholder support and investor interest and set up a clearer path through negotiations, regulatory reviews and approvals. Therefore the feedback from the Port Commission and the public at today's hearing is critical in the further refinement of the proposed approach in anticipation of seeking Port Commission direction to issue the first RFP.

Subject to the Port Commission's direction at today's hearing, Port staff intends to pursue the following next steps:

- Bring this presentation, focused on RFP criteria to the affected Port advisory group(s).
- Incorporate feedback from the Commission and the public and return to the Port Commission with an action item to authorize issuance of an RFP to the Port Commission.
- If the RFP issuance is approved, assemble staff and consultant team for the RFP process.
- Draft and Issue the RFP, incorporating the process recommendations under the Waterfront Plan Update.

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- Exhibit 1 The Embarcadero Historic District Public Trust Objectives
- Exhibit 2 Waterfront Plan Update's Engagement Process Recommendations
- Exhibit 3 RFI Respondent Preferences
- Exhibit 4 Public Online Survey related to: RFI Respondent Categories and RFP Locations
- Exhibit 5 Map Illustrating Construction Vintage of Port Facilities
- Exhibit 6 Port-wide Historic Resources and List of 29 Contributing Resource Buildings in the Embarcadero Historic District:

## Exhibit 1 Public Trust Objectives<sup>16</sup>

*Objective: Open more historic pier facilities for public-oriented uses, maritime and business partnerships to activate and invite the public to enjoy the Embarcadero Historic District and public waterfront at the Port of San Francisco.*

|   |   |
|---|---|
| <p>The Embarcadero Historic District RFI process was initiated in response to citizen recommendations and desire to open more piers to public use and economic productivity. The RFI focuses first on inviting concepts that can expand recreational, maritime and public-oriented activities within pier facilities that attract people of all ages and backgrounds to the waterfront, and to solicit public input about desirable activities. To incorporate these types of uses and reopen piers to the public, lease and development plans also will need to satisfy other objectives and requirements, described below. The unique mix of uses and pier structural conditions in any project will vary and influence how these objectives and requirements are addressed in the project.</p> |   |
| <b>Historic Preservation</b>  | Port pier rehabilitation projects must meet federal historic architectural and preservation standards (“Secretary of Interior Standards”) targeted at preserving the “character-defining features” which reflect the historical maritime activities and history represented in the facility and Historic District. Any pier projects for public-oriented and other uses need to be designed to comply with Secretary of Interior Standards. |
| <b>Capital Repairs</b>  | Embarcadero Historic District pier facilities are approaching 100 years old or older. They are in varying states of deterioration which require structural, utility and capital repairs to meet applicable Port Building Code requirements for any pier use program.  |
| <b>Seismic &amp; Life Safety</b>  | Pier facilities were built for maritime and industry, prior to modern seismic building requirements. Opening up piers for public use typically will trigger seismic improvements to the pier deck and piles (“substructure”) and/or pier bulkhead and shed (“superstructure”).  |
| <b>Exterior Public Access &amp; Maritime Improvements</b>   | The walkway or “apron” around the perimeter of piers are valuable for providing public access to the Bay and/or maritime work space and berthing for ferries, cruise ship, tug boats and other harbor vessels. Any pier development project will include public access and/or maritime public trust benefits.   |
| <b>Interior Uses in Pier</b>  | Traditional maritime public trust uses and visitor-serving and public-oriented uses (including public access) are highly desirable inside piers. The more area occupied by these types of uses, the better, with the bulkhead buildings that front on the Embarcadero Promenade being the most desirable for public-oriented attractions and activities.  |
| <b>Revenue Generation</b>   | Historic pier rehabilitation projects are expensive and will likely require high revenue-generating uses or other strong economic engine to fund pier repairs, seismic retrofit and historic preservation costs. The Port, as an enterprise agency, also must generate revenue to finance other capital improvements to maintain the waterfront.  |
| <b>Length of Lease Term</b>   | The length of a Port lease is based on the amount of time required to amortize (pay off) pier improvement costs. The more expensive the repairs and improvements, the longer the lease term. The Port may enter into leases for up to 66 years.   |

<sup>16</sup> This matrix is a tool Port staff developed in collaboration with State Lands staff. It reflects the organizations’ working agreement on the public trust objectives for projects within the Embarcadero Historic District. In addition, Port staff anticipate recommending other specific criteria and objectives for any RFP for the Historic District piers. These specific criteria and objectives will be guided by policies contained in the Port’s Strategic Plan, Capital Plan, and Waterfront Land Use Plan, among others.

## Exhibit 2 Waterfront Plan Update's Engagement Process Recommendations

The Waterfront Plan Update recommendations call for ongoing, meaningful engagement between Port Commission, Port staff and Port Advisory Committees and public, to build and maintain public understanding and support of the Port's responsibilities and waterfront improvement efforts. The recommendations describe procedures and steps to create or improve public input and transparency in review of proposals that emerge through Competitive Solicitations for developers (Recommendation 50).

### Competitive Solicitation

1. Port staff should provide Community Input Process for Competitive Solicitation for:
  - Long-term, non-maritime development opportunities for Embarcadero Historic District piers (including bulkhead buildings), Seawall Lots, and other Port properties.
  - Intermediate-term master lease opportunities for majority or entire Embarcadero Historic District piers (including bulkhead buildings) except for intermediate-term leases for maritime only businesses in the Embarcadero Historic District and other Port facilities.
  - Lease opportunities that would convert maritime/industrial/PDR space to new retail, restaurant or other public-oriented use in bulkhead buildings, piers or other Port facilities. *(Solicitations to re-tenant existing retail/restaurant spaces are not subject to this request)*

Recommended steps for competitive solicitation opportunities should include:

- a. Port Commission meeting and public comments to consider preparation of a competitive lease/development solicitation opportunity after review of Port staff report describing competitive solicitation opportunity, including requirements and key Waterfront Plan and public trust goals and objectives;
- b. Community review and input by PAC, city and regional stakeholders to determine community and public trust values and priorities to be reflected in the lease/development solicitation opportunity;
- c. Port Commission meeting and public comments, and authorization to issue the competitive lease/development solicitation opportunity, and establish a Review Panel process to evaluate and score response submittals consistent with City Contract Monitoring Division rules and standards. Review Panel should include a development expert, Port staff member, a PAC member, and a member providing city or regional stakeholder perspective. PAC representatives and public should attend Port Commission meeting to provide public comments prior to Port Commission authorization of competitive solicitation opportunity.
- d. Evaluation of responding lease/development proposals by Port staff for compliance with minimum qualifications, financial capability, and references; and by Review Panel for scoring developer interviews and responses.
- e. Port Commission informational public meeting to receive presentations from qualified developer respondents, receive Port Commission, PAC and public comments.
- f. Port Commission consideration of developer selection, after review of Port staff report of Review Panel and Port staff scores and recommendation.

**Exhibit 3**

Ranked Locations (Highest to Lowest) for All Responses and By Category of Response

| All Responses | Active Recreation | Art, Makers, and Assoc. Retail | Knowledge Transfer: Education, Training, Incubator, Innovation hub | Food and Beverage | Live Performance, Entertainment, Attractions | Maritime excursion, charter, and transportation | Mixed use w/Hotel concept (understanding Prop H limitation) | Museum and Cultural Exhibition | Waterfront-wide concept and Interest in partnerships |
|---------------|-------------------|--------------------------------|--|-------------------|--|---|---|--------------------------------|--|
| Pier 29½ & 29 | Pier 29½ & 29     | Pier 29½ & 29                  | Ag Building  | Pier 38           | Pier 29½ & 29                                | Pier 28   | Pier 26   | Pier 29½ & 29                  | Pier 29½ & 29  |
| Pier 19½ & 19 | Pier 38           | Pier 19½ & 19                  | Pier 26  | Ag Building       | Pier 23                                      | Pier 19½ & 19                                   | Ag Building   | Pier 31                        | Pier 19½ & 19  |
| Pier 38       | Pier 28           | Pier 48                        | Pier 28  | Pier 19½ & 19     | Pier 19½ & 19                                | Pier 26   | Pier 28   | Pier 19½ & 19                  | Pier 38  |
| Pier 28       | Pier 26           | Pier 23                        | Pier 38  | Pier 40           | Pier 28                                      | Pier 38   | Pier 38   | Pier 28                        | Pier 23  |
| Ag Building   | Pier 19½ & 19     | Pier 28                        | Pier 19½ & 19  | Pier 29½ & 29     | Pier 31                                      | Pier 33   | Pier 29½ & 29   | Ag Building                    | Pier 26  |
| Pier 26       | Pier 40           | Pier 35                        | Pier 35  | Pier 23           | Pier 48                                      | Pier 29½ & 29                                   | Pier 19½ & 19   | Pier 33                        | Pier 28  |
| Pier 23       | Pier 48           | Pier 33                        | Pier 23  | Pier 26           | Pier 26                                      | Pier 31   | Pier 35   | Pier 23                        | Pier 40  |
| Pier 31       | Ag Building       | Pier 31                        | Pier 48  | Pier 31           | Pier 38                                      | Pier 23   | Pier 33   | Pier 26                        | Pier 35  |
| Pier 48       | Pier 33           | Ag Building                    | Pier 29½ & 29  | Pier 28           | Pier 33                                      | Pier 48   | Pier 31   | Pier 35                        | Pier 33  |
| Pier 33       | Pier 31           | Pier 38                        | Pier 33  | Pier 48           | Pier 35                                      | Pier 40   | Pier 23   | Pier 38                        | Pier 31  |
| Pier 40       | Pier 35           | Pier 40                        | Pier 31  | Pier 35           | Pier 40                                      | Pier 35   | Pier 40   | Pier 48                        | Ag Building  |
| Pier 35       | Pier 23           | Pier 26                        | Pier 40  | Pier 33           | Ag Building                                  | Ag Building                                     | Pier 48   | Pier 40                        | Pier 48  |

**Exhibit 4**  
**Public Online Survey related to: RFI Respondent Categories and RFP Locations**

The Port received 263 responses to an online, public survey regarding the responses to the RFI. The survey asked respondents for their preferences among the categories of public-oriented uses the Port received through the RFI, where along the waterfront they would like to see those uses, and open ended questions regarding desired uses along the waterfront. Below are charts reflecting the aggregate responses.

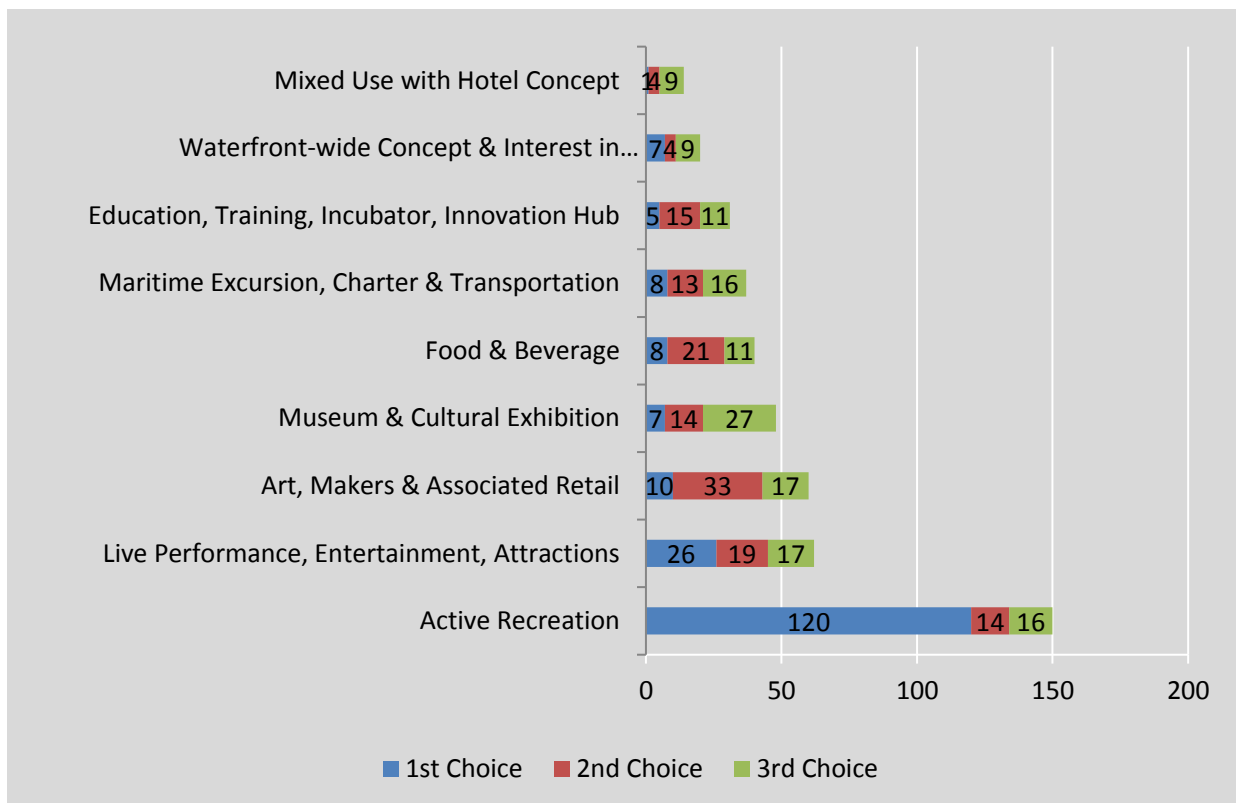
It is important to note that this survey is not intended to replace other engagement efforts – including communications with the Port via Port Commission meeting and through Port Advisory Group meetings. The online survey was provided to give another forum for communication with the Port.

**Figure 1** illustrates first, second, and third choice public-oriented **use type** preferred by survey respondents.

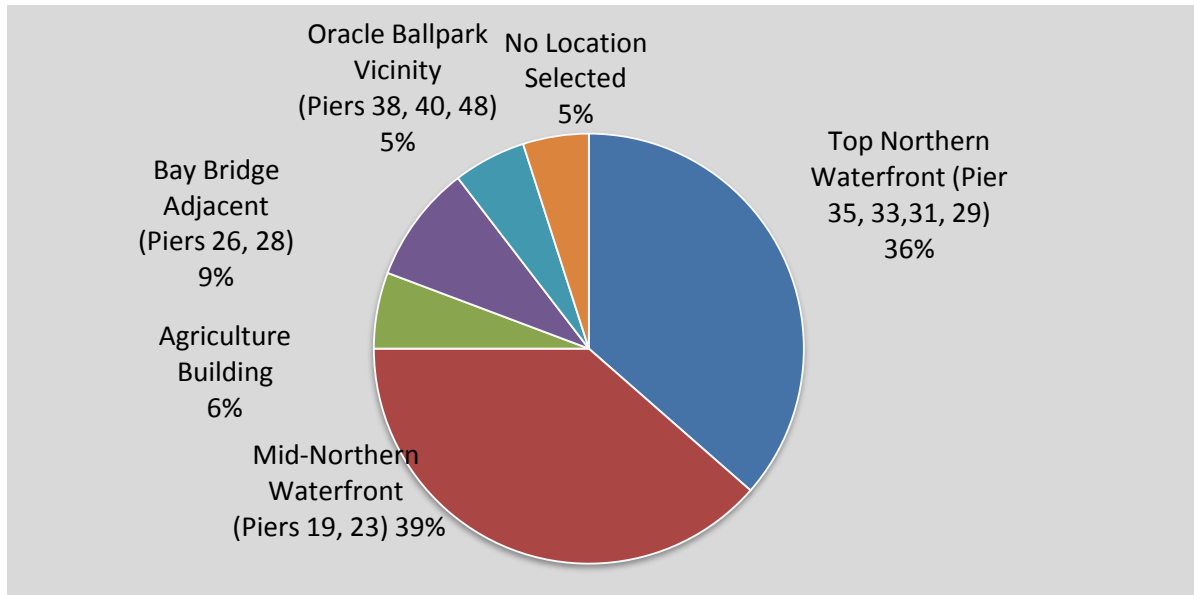
**Figure 2** illustrates **which segment** of the waterfront respondents would most like to see more public-oriented uses.

**Figure 3** combines the concepts, showing **which use** is preferred for **which waterfront segment**.

**Figure 1: What categories of public-oriented uses would people like to see on the San Francisco waterfront?**



**Figure 2: Where would people like to see activation of the San Francisco waterfront?**



**Figure 3: How would people like to see activation of the San Francisco waterfront (by location)?**

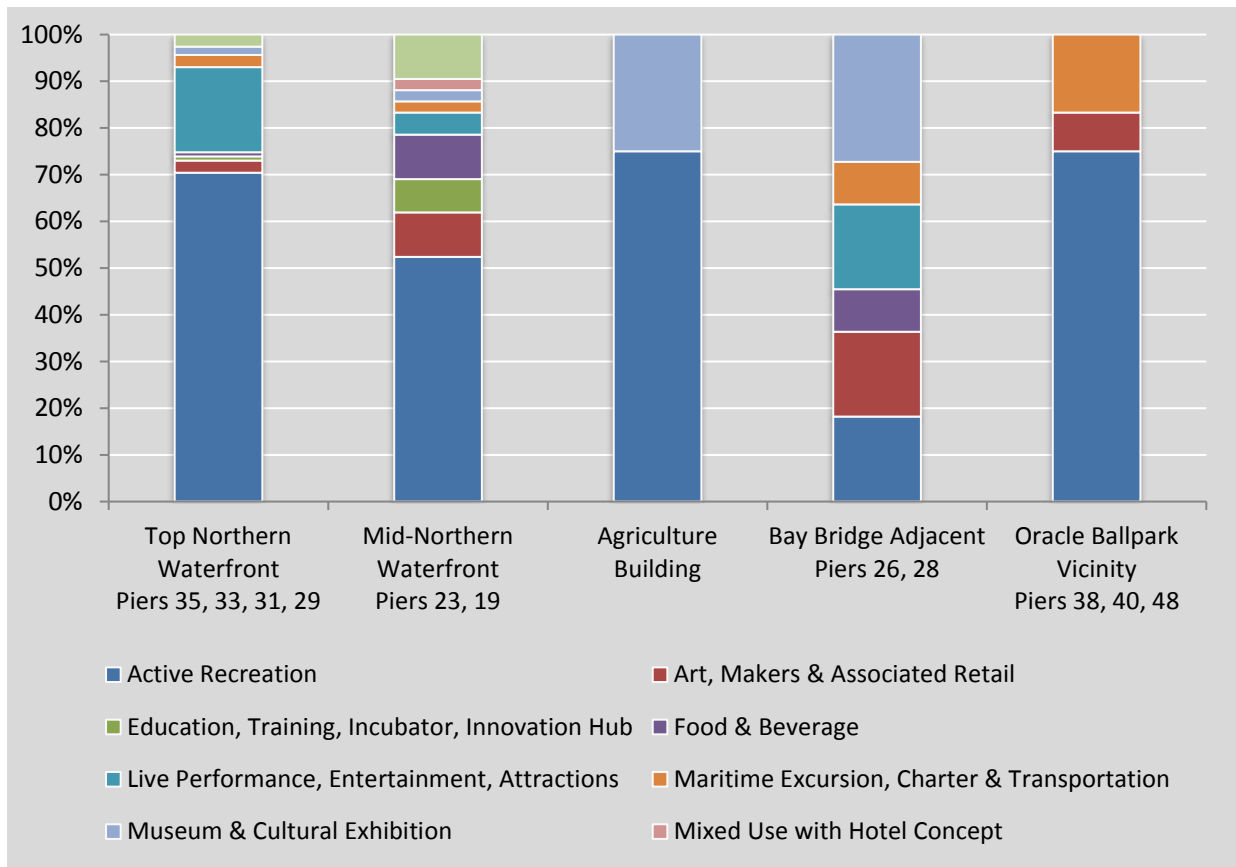
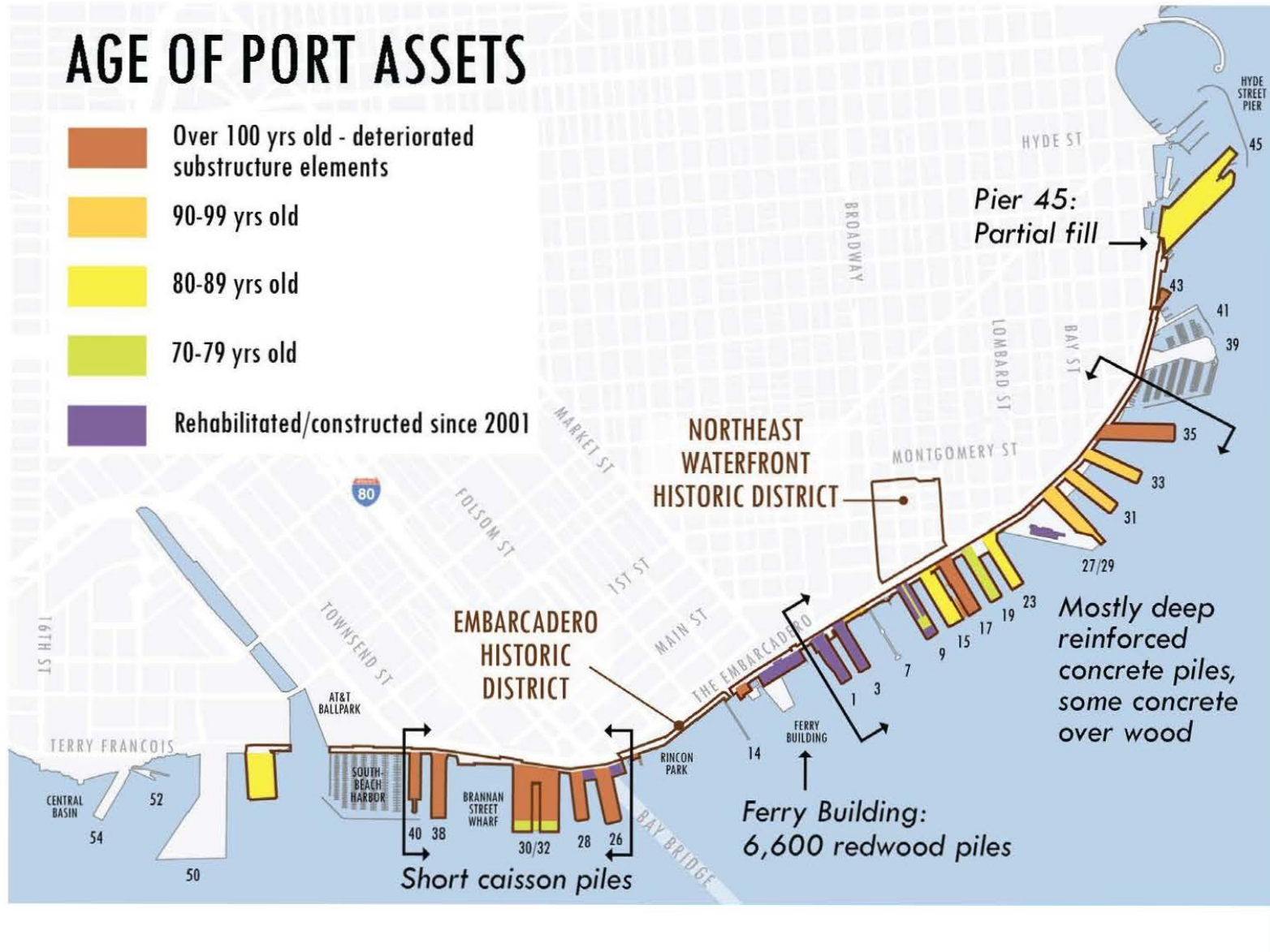
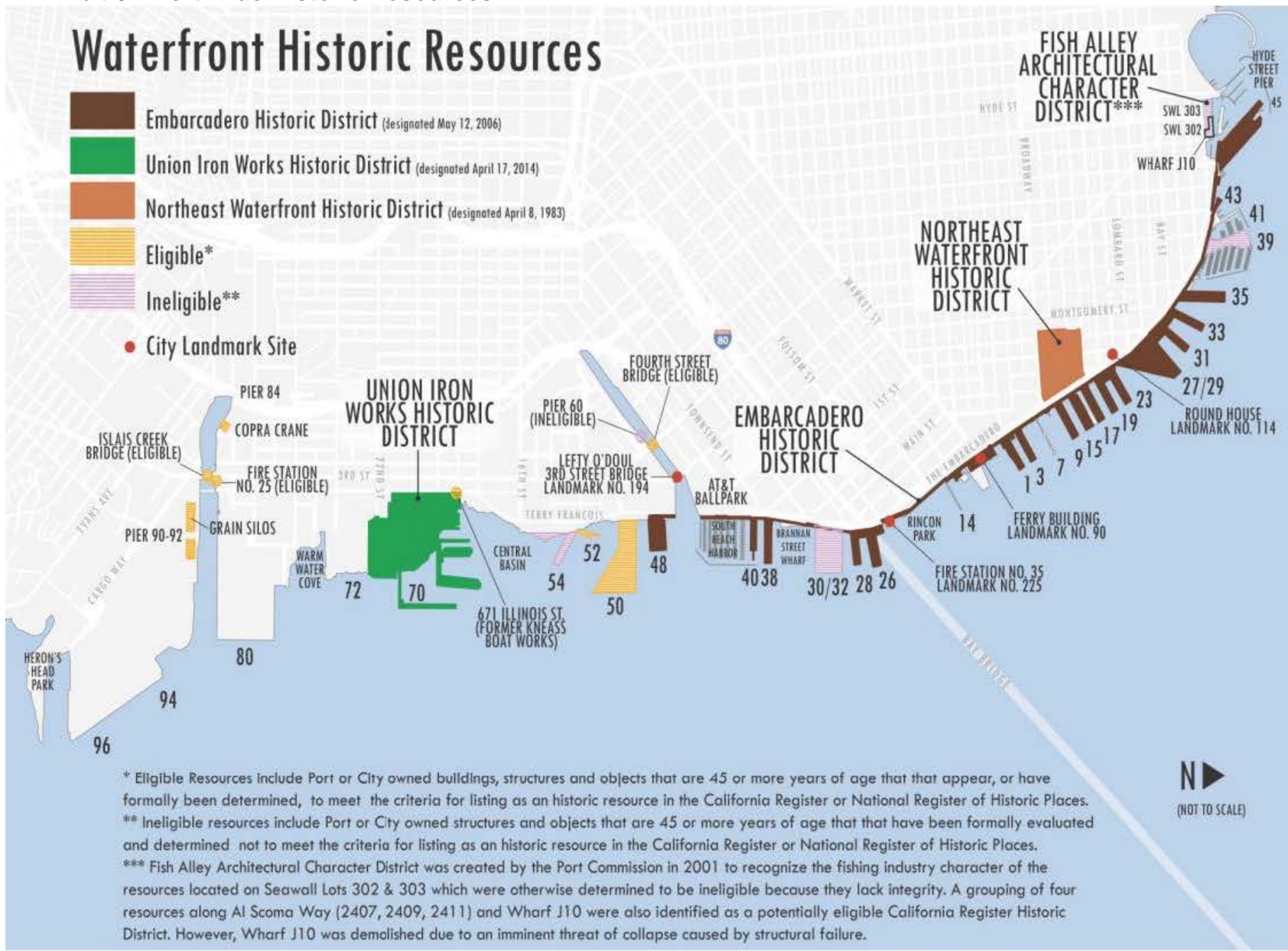




Exhibit 5 Map Illustrating Construction Vintage of Port Facilities



**Exhibit 6 Port-wide Historic Resources**



### List of Embarcadero Historic District: 29 Contributing Resource Buildings

1. Pier 45 Sheds
2. Pier 43 Headhouse
3. Pier 35 Bulkhead & Shed
4. Pier 33 Bulkhead & Shed
5. Pier 31 Bulkhead & Shed
6. Pier 29 Bulkhead & Shed
7. Pier 29 Annex
8. Pier 23 Restaurant
9. Pier 23 Bulkhead & Shed
10. Pier 19 Bulkhead & Shed
11. Pier 17 Shed
12. Pier 15 Bulkhead & Shed
13. Pier 9 Bulkhead & Shed
14. Pier 5 Bulkhead
15. Pier 3 Bulkhead
16. Pier 1 ½ Bulkhead
17. Pier 1 Bulkhead & Shed
18. Ferry Building
19. Agricultural Building
20. Fire Station 35
21. Pier 24 Annex
22. Pier 26 Shed
23. Pier 26 Annex
24. Pier 28 Shed
25. Pier 28 ½ Restaurant
26. Pier 38 Bulkhead & Shed
27. Pier 40 Shed
28. Pier 40 Java House
29. Pier 48 Bulkhead & Sheds