



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:** Informational Presentation on Potential Next Steps Regarding Piers 30-32 and Seawall Lot 330

**DIRECTOR'S RECOMMENDATION:** Information Only; No Action Requested

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## **EXECUTIVE SUMMARY**

At its May 8, 2018 and August 14, 2018 meetings, the Port Commission requested a report from Port staff regarding potential next steps for the use and improvement of two sites:

- Piers 30-32
- Seawall Lot 330

This report includes considerations for both sites as the Port Commission deliberates next steps.

At the May 8, 2018 meeting, members of the Port Commission asked why Piers 30-32 was not included in the Request for Interest for Prospective Master and Smaller Tenants for Public Oriented Uses in Historic Piers (the "RFI for Historic Piers," authorized pursuant to Resolution 18-31). Port staff responded that: 1) there is stronger public consensus for rehabilitating the Port's historic finger piers in the Embarcadero Historic District, 2) after unsuccessful past development efforts, the public consensus regarding the future treatment of Piers 30-32 is less clear, 3) the California State Lands Commission ("State Lands") and the San Francisco Bay Conservation and Development Commission ("BCDC") permit greater use flexibility in historic finger pier rehabilitation projects in order to preserve these important historic maritime assets, and 4) the RFI for Historic Piers was designed to elicit feedback to show the kinds of uses that may be responsive to the Port's public trust objectives for these sites.

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

At its August 14, 2018 meeting, the Port Commission adopted Resolution 18-45, which among other things directed Port staff to prepare draft amendments to the Waterfront Land Use Plan based on the Waterfront Plan Working Group recommendations. During that presentation Port staff made the staff recommendation to the Port Commission that future development proposals for Piers 30-32 should not depend on revenues from developing Seawall Lot 330. While past proposals have used both sites to complement one another, Port staff believes that the decision to apply the value of Seawall Lot 330 towards any particular capital proposal should be intentional and explicit. This would allow for clear consideration of the policy question as to whether the appropriate use of Seawall Lot 330 development revenues would be to support the development of Piers 30-32.

The August 2018 staff recommendation was made due to the significant cost of rehabilitating and developing Piers 30-32. While that cost was not out of scale as compared to the Port's other large master planned projects at Mission Rock and Pier 70, a Piers 30-32 project alone could not generate sufficient revenues to repay the needed private investment. In short, upon completion Mission Rock and Pier 70 will actually increase Port operating revenues from where they are today, while a Piers 30-32 project will decrease Port revenues from where they are today. This staff report provides more detail on the specifics of this analysis.

Because of this need for substantial subsidy, the past three development efforts for Piers 30-32 have incorporated the value of Seawall Lot 330 to improve project feasibility. All of these proposals failed. Based on staff's greater understanding of Port capital needs, staff recommends that the value and development potential of Seawall 330 be considered independently of Piers 30-32. The value realized from this property could fund other, higher-priority Port needs including resilience programs like the Seawall Earthquake Safety program, the Port's historic piers, improvements to the eco-industrial business district, reposition the Pier 70 shipyard, a second shoreside power system for cruise calls, public realm enhancements in the Southern Waterfront, or could be used to enable the redevelopment of Piers 30-32. Port staff also shared the recommendation to consider development of Piers 30-32 and Seawall Lot 330 separately with the public at the Waterfront Land Use Plan Part 3 workshop on Piers 30-32, held on May 2, 2018.

Based on the recommendation to consider the two sites separately at the August 14, 2018 meeting, members of the Port Commission requested potential next steps for development of Seawall Lot 330, which are also discussed in this report. As summarized below, Port staff recommends that the Commission direct staff to formulate and provide to the Commission for its consideration a competitive solicitation strategy that will clearly outline the revenue generation and/or subsidy proposal for each property separately, but still allows for the Port Commission to consider coordinated development of complementary uses at the two sites if there is a proposal that would benefit the Port and the public in doing so.

## PIERS 30-32

### Site Information

Piers 30-32 is the Port's largest undeveloped pier facility in the South Beach section of the northern waterfront. This pier was altered over time to create the current 13 acre pile-supported platform, which is occupied by only one small structure, Red's Java House; the former historic pier sheds were destroyed in a fire in 1984. Since the 1980s, Piers 30-32 has been proposed in several development projects, along with Seawall Lot 330 across The Embarcadero from the piers. Piers 30-32 is not included in the Embarcadero Historic District. Table 1 provides an overview about site size, condition, and use requirements for Piers 30-32.

Several past Port Commission staff reports and assessments have been presented regarding past development proposals for Piers 30-32 and SWL 330. A summary of these past efforts and findings are presented here with liberal references to these past staff reports, which inform the current analysis and options that Port staff recommend for these two sites in this report.

Table 1 below summarizes information related to potential development of Piers 30-32.

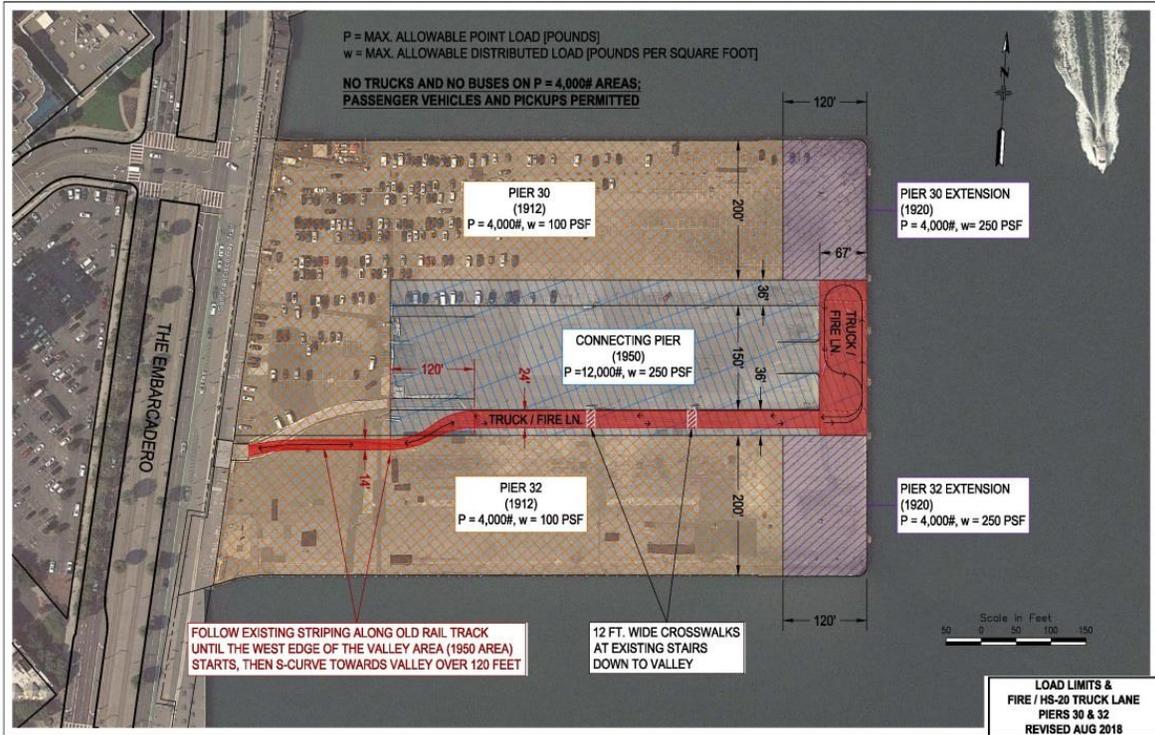
**Table 1: Piers 30-32 Site Characteristics**

#	Characteristic	Description								
1.	<b>Location</b>	South Beach waterfront, adjacent to The Embarcadero between Bryant and Brannan Streets								
2.	<b>Size</b>	13 acres								
3.	<b>Construction History &amp; Condition</b>	<p>Original Piers 30 and 32 were constructed in 1912. The piers were extended in 1926, and in 1950, the water area between the piers was filled, joining with Piers 30 and 32; in 1984, a fire burned the pier sheds. The only structure that remains is Red's Java House. See the Piers 30-32 site plan in Figure 1.</p> <p>In 2018, the Port's rapid facility assessment rated the overall structural condition of Piers 30-32 as Yellow (load restricted). 1912 piles have minor cracks and spalling; some have more extensive deterioration. 1926 and 1950 piles are in better condition. The 1912 and 1926 decks are typically in good condition, with spalling and corrosion of rebar in some areas. Portions of the depressed 1950 deck that have been frequently exposed to water are in poor condition. Piers 30-32 has not been seismically improved.</p>								
4.	<b>Current Use</b>	Interim commuter parking, layberthing for visiting vessels, and special events								
5.	<b>FY 2017-18 Port Revenue</b>	<table> <tr> <td>Parking:</td> <td>\$1,177,769.93</td> </tr> <tr> <td>Layberthing:</td> <td>\$ 180,000.00</td> </tr> <tr> <td>Special Events:</td> <td>\$ 110,528.00</td> </tr> <tr> <td><b>Total:</b></td> <td><b>\$1,468,297.93</b></td> </tr> </table>	Parking:	\$1,177,769.93	Layberthing:	\$ 180,000.00	Special Events:	\$ 110,528.00	<b>Total:</b>	<b>\$1,468,297.93</b>
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6.	<b>Maritime</b>	The Port has long considered this location as a potential for cruise berthing due to the 622-foot dock, deep water, and self-scouring berth at its eastern face. Piers 30-32 was last used as a temporary cruise terminal with passenger staging in 2012, prior to the completion of the James R. Herman Cruise Terminal at Pier 27. <u>In its current condition</u> , the capital and operating cost requirements for a permanent cruise terminal are prohibitive compared to Pier 27 and Pier 35.
7.	<b>Open Space Requirement</b>	Under the BCDC Special Area Plan for the San Francisco Waterfront, development of large piers such as Piers 30-32 have a more significant open space requirement. See Exhibit A.
8.	<b>Permitted Uses &amp; Zoning</b>	The Waterfront Land Use Plan permits a broad list of allowable uses for Piers 30-32 which include a variety of maritime uses, public open space, assembly and entertainment, general office, retail, warehousing, wholesale trade, and community facilities. Piers 30-32 is located in Waterfront Special Use District #2 on the San Francisco Zoning map, zoned M2 (heavy industrial), which permits these uses.
9.	<b>Height Limit</b>	Height limit of 40 feet, which may only be increased by a vote of San Francisco's electorate under Proposition B (2014).
10.	<b>Public Trust</b>	<p>Piers 30-32 is not included in the Embarcadero Historic District. Typically, new construction on non-historic properties must be for trust-consistent uses. The Port, State Lands, and BCDC each have authority to determine public trust consistency of a project. The Port has obtained state legislation on two occasions to permit a broader array of uses at Piers 30-32: 1) AB 1389 (2001, Assemblymember Shelley) was enacted by the California Legislature to facilitate the development of Bryant Street Pier Cruise Terminal and Mixed Use Project; and 2) AB 1278 (2014, Assemblymember Ting) to permit the Warrior's Multi-Purpose Pavilion at Piers 30-32 in 2013, which included public open space, layberthing and a fireboat station.</p> <p>The authorization for AB 1278 expires in 2024. It is unclear whether new state legislation would be required for a new use program at Piers 30-32, but based on past history it is likely that either State Lands or BCDC (or both) would request that the Port seek state legislation if the use program includes substantial non-trust uses and/or substantially differs from the program in AB1278. See policy discussion under <b>Piers 30-32 Competitive Bidding &amp; Development Considerations</b> below.</p>
11.	<b>Regulatory Permitting</b>	<p><b>BCDC:</b> In addition to its public trust determination authority, BCDC will require a Major Permit for a project at Piers 30-32, which will require maximum feasible public access, bay fill analysis and mitigation, and climate change and sea level rise adaptation. Piers 30-32 is listed as a possible fill removal site in prior BCDC Permit #2006.009 issued for the Exploratorium project at Piers 15-17.</p> <p><b>San Francisco Bay Regional Water Quality Control Board ("Water Board"):</b> A project at Piers 30-32 will require a stormwater management plan for the piers and a permit from the Water Board regulating in-water construction and new Bay fill.</p> <p><b>U.S. Army Corps of Engineers ("USACE"):</b> USACE may choose to regulate the substantial number of piles needed to support new development at Piers 30-32 as either piles under the U.S. Rivers and Harbors Act or as fill under the U.S. Clean Water Act. If new piles are regulated as "fill", the allowable uses on the pier are restricted to only those which are "water-dependent" with no feasible upland location.</p>

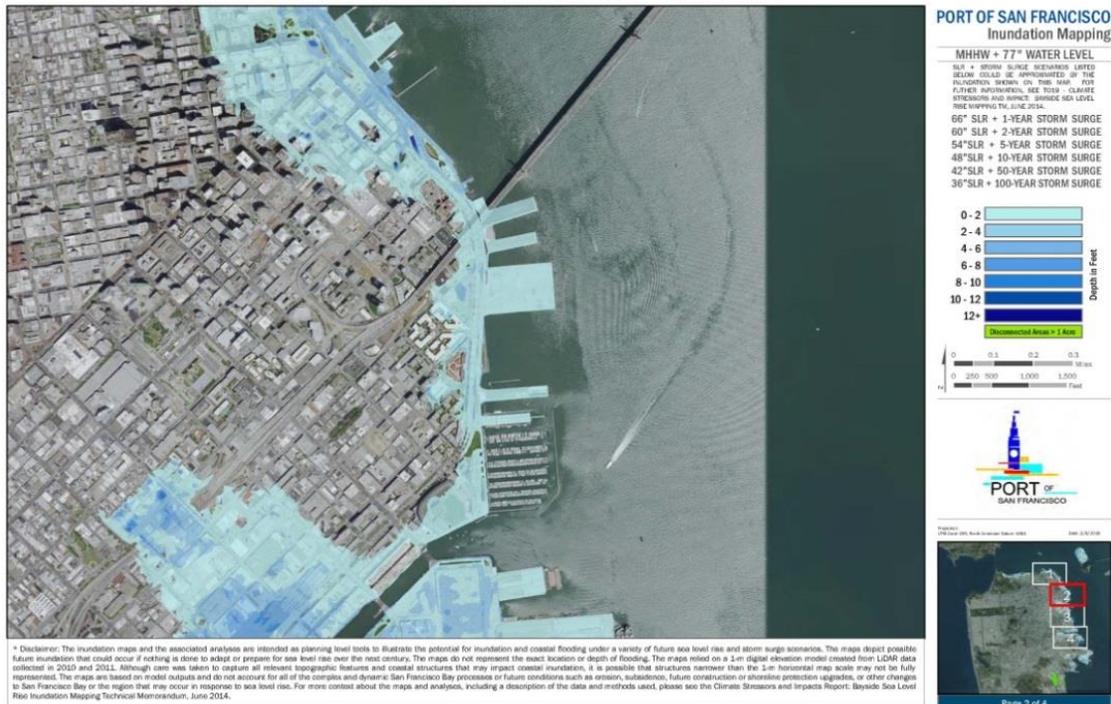
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12.	<b>Approvals</b>	<p>In addition to the State Lands Commission, state legislation and regulatory permits described above, a project at Piers 30-32 would be reviewed by the Waterfront Design Advisory Committee and the BCDC Design Review Board.</p> <p>Port Commission and Board of Supervisors approval of a lease.</p> <p>Potential state legislation for a project with nontrust uses.</p>									
13.	<b>Substructure Condition</b>	<p>See Figure 1 below. Most of the original Piers 30-32 footprint cannot support truck traffic and is limited to automobiles only; the 1926 pier extension and the 1950 connector can accommodate truck traffic. Fire access is limited to the area shown in red on Figure 1.</p>									
14.	<b>Estimated Substructure Costs</b>	<table border="1"> <thead> <tr> <th>Port Capital Plan (2019)</th> <th>Last Warrior's Estimate (2013)</th> <th>Port Engineering Estimate (2014)</th> </tr> </thead> <tbody> <tr> <td><u>Substructure</u> \$55 million</td> <td><u>New Pier</u> \$165 million</td> <td><u>Substructure</u> \$44 million</td> </tr> <tr> <td><u>Conditional Seismic</u> \$71 million</td> <td></td> <td><u>Seismic</u> No seismic upgrade cost provided.</td> </tr> </tbody> </table> <p><b>Seawall:</b> None of these figures includes costs to strengthen the Seawall along the 622' width of Piers 30-32.</p>	Port Capital Plan (2019)	Last Warrior's Estimate (2013)	Port Engineering Estimate (2014)	<u>Substructure</u> \$55 million	<u>New Pier</u> \$165 million	<u>Substructure</u> \$44 million	<u>Conditional Seismic</u> \$71 million		<u>Seismic</u> No seismic upgrade cost provided.
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15.	<b>Embarcadero Historic District</b>	<p>Piers 30-32 is the only major pier in the northern waterfront that is not part of the Embarcadero Historic District. Development at this site is not eligible for federal historic tax credits.</p>									
16.	<b>Sea Level Rise &amp; Flood Risk</b>	<p><b>Sea Level Rise:</b> See Figure 2 below. Piers 30-32 has a deck elevation of +12.4' above Mean Low Lower Water ("MLLW"). At its current elevation, the piers are on the verge of flooding during the current 100-year storm when considering the influence wind and waves have on the total water level. Under non-storm conditions, the pier is expected to regularly flood with 77 inches of sea level rise, which is currently within the range of potential outcomes for sea level rise by 2100.</p> <p>The Golden State Warriors planned to increase the height of the pier deck by 36" to accommodate sea level rise, essentially by building an entirely new pier over the current pier structure. Earlier development plans did not include an adaptive management strategy.</p> <p><b>Flood Risk:</b> FEMA has mapped the pier deck as Zone D (meaning possible but undetermined flood hazards). Flood insurance rates are higher in Zone D.</p>									
17.	<b>Seawall Condition</b>	<p>See Figure 3 below. According to the Port's Seawall Vulnerability Study Phase 2 Report (2015), lateral spreading in the vicinity of Piers 30-32 is expected to be up to 1 foot in a magnitude 8.0 seismic event. The Seawall Earthquake Safety Program is conducting further geotechnical analysis along the waterfront to improve the Port's understanding of these risks.</p> <p>Based on the latest cost estimates, currently in the process of being updated by for the Seawall Program, the average costs to repair the 622" length of the Seawall adjacent to Piers 30-32 would be <b>\$79 million</b>. <b>However</b>, with further refinement of the geotechnical analysis and development of innovative solutions, these costs are expected to change as the specific subsurface conditions are taken into consideration. Near Rincon Point at the Pier 30-32 location, the depth to competent soil or rock is quite shallow, potentially driving down the cost of Seawall strengthening.</p>									

**Figure 1: Piers 30-32 Site Plan and Load Restrictions**



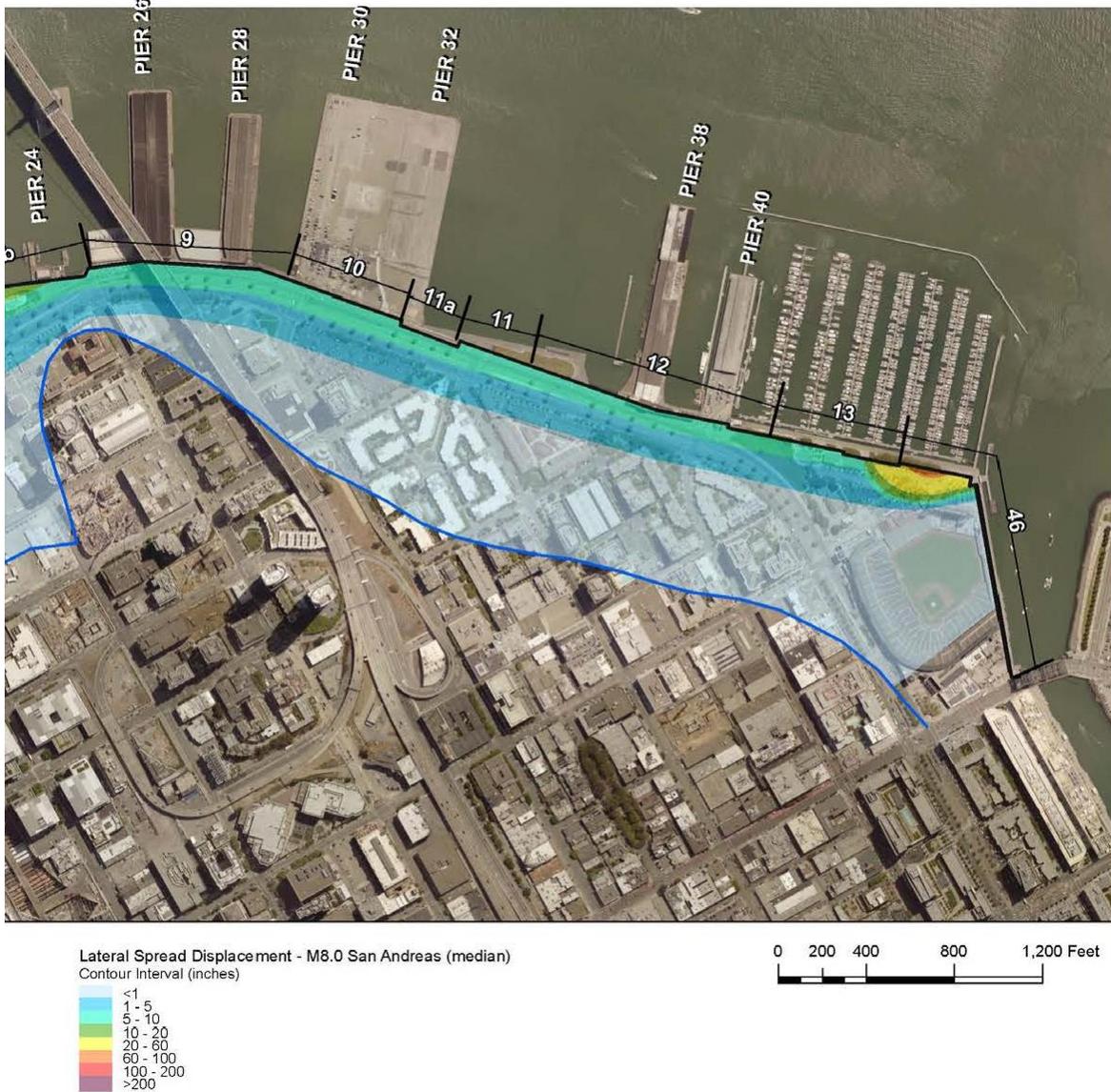
Source: Port of San Francisco Engineering Division.

**Figure 2: Piers 30-32 Sea Level Rise Inundation Map (77" Stillwater or 36" + 100 Year Storm Surge)**



Source: AECOM, Port of San Francisco Sea Level Rise Inundation Mapping Technical Memo, March 2016

Figure 3: Piers 30-32 Seawall Lateral Spread Risk



Source: GHD-GTC, Earthquake Vulnerability Study for the Seawall Vulnerability Study of the Northern Seawall, July 2016

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## **Past Piers 30-32 and Seawall Lot 330 Development Proposals & Financial Analysis**

Piers 30-32 have been the subject of three major development efforts since adoption of the Waterfront Land Use Plan in 1997, all of which included portions of Seawall Lot 330:

- Bryant Street Pier/James R. Herman Cruise Terminal (2000 – 2006);
- 34<sup>th</sup> America’s Cup (2010-2012) which included Pier 30-32 and Seawall Lot 330 as proposed long-term development sites; and
- Golden State Warriors (“GSW”) Piers 30-32 Multi-Purpose Pavilion and Seawall Lot 330 Mixed Use Development.

**Appendix B** includes additional information about prior attempted development of Piers 30-32 published in the 2015 Waterfront Land Use Plan Review. These reports include a description of why these development projects did not proceed, including lessons learned.

On June 14, 2016, Port staff provided a presentation on Piers 30-32, including:

- a site overview,
- pier construction history,
- current use and condition,
- planning context,
- site planning considerations,
- sea level rise,
- financial feasibility analysis, and
- development history.

For members of the public who are not familiar with the history of Piers 30-32, Port staff recommends reading the June 14, 2016 Piers 30-32 staff report, which is attached as Exhibit C.

Port staff’s recommendations on Piers 30-32 are built on its understanding of this past development history. Of the three prior attempts the Port has undertaken to develop Piers 30-32, the only qualified success has been development of the Watermark condominiums on ½ acre of Seawall Lot 330. In that case, the Watermark was meant to generate proceeds to subsidize the Bryant Street Piers project, which was ultimately deemed infeasible by the project sponsor (see discussion under Seawall Lot 330 below for more details).

Prior failures had distinct causes, but all shared a challenge with high substructure and seismic strengthening costs. The remainder of this section describes estimated substructure costs for Piers 30-32 for each development proposal, along with Port and City sources that were negotiated to repay private investment in the Piers 30-32 substructure.

**Bryant Street Pier:** With the Bryant Street Pier project, the Port agreed to subsidize Piers 30-32, Pier 36 removal, and the Brannan Street Wharf open space with

development of ½ acre of Seawall Lot 330. Had the development of Piers 30-32 proceeded as planned, development of the Watermark condominium project would have contributed \$30 million towards the cost of rehabilitating Piers 30-32, removing Pier 36, and constructing the Brannan Street Wharf. Bovis Lend Lease ultimately determined that this subsidy was insufficient to fulfill these tasks, including Piers 30-32 substructure and seismic upgrade costs estimated at **\$82 million**.

This decision allowed the Port to reinvest the \$30 million in Watermark proceeds in the Pier 27 James R. Herman International Cruise Terminal and the Brannan Street Wharf.

**34<sup>th</sup> America's Cup:** Through further analysis of Piers 30-32 accompanying the negotiation of the 34<sup>th</sup> America's Cup LDDA, the subsidy for strengthening Piers 30-32 increased. The financial structure of this agreement was uniquely complicated, requiring the Port to repay America's Cup Event Authority pre-match expenditures estimated at \$74 million ("Authority Infrastructure Work"), including an estimated \$58.5 million at Piers 30-32, with potential, additional post-match expenditures that the Port estimated at \$31 million, for total Piers 30-32 substructure and seismic investment estimated at **\$89.5 million**.

Under the LDDA, the Port was obligated to repay these pre- and post-match investments, coupled with an 11% annual return, with the following sources:

- a no-rent 66 year lease of Piers 30-32 under a public-trust consistent use program;
- transfer of Seawall Lot 330 (pursuant to AB 418) at no cost;
- Potential leases for Piers 26, 28 and 29 (or another mutually-agreeable pier) at \$6 per square foot;
- Infrastructure Financing District ("IFD") proceeds from Piers 30-32, Seawall Lot 330, and Piers 26, 28 and 29.

Ultimately, the Event Authority rejected this development proposal before the Board of Supervisors considered final action on the agreement.

**Golden State Warriors:** Under the Conceptual Framework for the proposed Piers 30-32 Multi-Purpose Venue negotiated between the Port and the Golden State Warriors, the Port agreed to reimburse GSW with rent credits for its actual and verifiable costs of seismically retrofitting and rehabilitating Piers 30-32, including public open space and fill removal, up to **\$120 million**, plus a 13% annual return on costs.

Subject to completing an environmental impact report and approval of a Lease Disposition and Development, the Port conceptually agreed to reimburse the pier substructure costs (with 13% annual return) through three sources of funds:

- 1) Rent credits for Piers 30-32 substructure work in the amount of Piers 30-32 appraised annual rent of \$1,970,000, subject to annual increases and periodic market adjustments;
- 2) Rent credits for Piers 30-32 substructure work in the amount of the Seawall Lot appraised purchase price of \$30.4 million; and
- 3) Infrastructure Financing District proceeds from Piers 30-32 and Seawall Lot 330 (projected at \$60 million) to subsidize the remaining Pier 30-32 substructure costs and parks and open space.

Due to the 13% annual return, the Port was not expected to realize rent from Piers 30-32 during the 66-year lease, and the full value of Seawall Lot 330 and the IFD proceeds would also be required to successfully reimburse the GSW investment. The only revenue the Port expected to realize from the transaction were transfer fees of 1% on the second and all subsequent sales of condominiums on Seawall Lot 330.

### **Piers 30-32 Options**

Based on the site and development history summarized above, Port staff has identified four broad strategies for dealing with Piers 30-32:

1. **Continue to lease the piers without a complete substructure seismic upgrade** for parking, layberthing and special events, including new special event proposals received by staff.
2. **Competitively-bid a mixed-use development opportunity** on all or a portion of the piers.
3. **Consider sole-source proposals** for development of Piers 30-32 and Seawall Lot 330, that clearly outlines the revenue generation and/or subsidy proposal for each property separately.
4. **Remove all or part of the piers**, possibly as a mitigation strategy for the Seawall Safety Program.

This portion of this staff report describes strategies and considerations for each option.

#### ***Option 1: Lease Piers 30-32 without a Complete Substructure Seismic Upgrade***

In FY 2017-18, the Port earned a total of \$1.5 million in revenues from parking, layberthing and special events. Since there are fairly few tenants using this space and there is only one structure on the piers (Red's Java House), this is significant revenue with fairly low overhead costs for the Port. Average annual revenue for the past four years was \$1.2 million.

## Recent Piers 30-32 Event Proposals

The Port's approval of the Mission Rock and Pier 70 projects have eliminated two attractive locations for special events (Seawall Lot 337/Lot A and Building 12). Several event operators have reached out to the Port with interest in exploring possible operations at Piers 30-32. While the substructure condition presents an obstacle for many proposals, there may be potential transactions that could target improvements in key locations and allow for code compliance (as was done for the America's Cup team bases), while providing increased revenues to the Port and more opportunities for the public to enjoy the piers. Cirque de Soleil Entertainment Group has proposed to partner with the Port in such an arrangement.

Due to this pending discussion with the Port Commission, staff has not engaged in detailed analysis of these potential projects, but staff does note that these investments could potentially be structured to provide for additional Port benefits such as more durable use of the naturally scouring deep maritime berth on the east face of the piers, while potentially avoiding the lengthy entitlement timeline and cost that a full redevelopment of the site would require.

## Piers 30-32 Leasing Considerations

- Substructure conditions and load limitations confine special events uses to short-term uses lasting less than six months.
- Prior event use has included KFOG Kaboom, Fleet Week, and X-Games, among others.
- The lack of activation at Piers 30-32, particularly at night, has made the site an attractive nuisance, with reporting of sideshows (impromptu car shows, with cars that perform "donuts" in parking lots or on streets) which in the Summer and Fall of 2018 resulted in a significant number of complaints from area residents and is a dangerous activity for those attending the gathering. Real Estate and Maintenance staff have worked with the parking operator to install more secure gate facilities, along with speed bumps and other obstructions to limit the attractiveness of the pier for these nuisance activities. The Port has also deployed additional security personnel and San Francisco Police Department 10B coverage which has eliminated these complaints over the last several months.
- In its August 12, 2014 informational presentation to the Port Commission<sup>1</sup>, Port Engineering estimated that the remaining useful life of Piers 30-32 is ten years, but the life of the piers could be extended by 50 years with a \$44 million

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<sup>1</sup> August 12, 2014 Piers 30-32 Staff Report:

<https://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%20%209A%20Pier%2030-32%20Substructure%20Deferred%20Maint%20Cost-documentid=8460.pdf>

investment (with no seismic upgrade). Without further analysis, it is unclear what uses could be expanded on the piers that could potentially justify this investment.

### ***Option 2: Competitively Bid Piers 30-32 for Mixed Use Development***

Port staff recommends careful consideration of whether to include Seawall Lot 330 in a future project at Piers 30-32, because the Port Commission may prefer to prioritize the revenues realized from this site for the Port's highest priority capital needs, including resilience programs like the Seawall Earthquake Safety program, the Port's historic piers, improvements to the eco-industrial business district, reposition of the Pier 70 shipyard, a second shoreside power system for cruise calls, and public realm enhancements in the Southern Waterfront.

The following are additional considerations that should inform a future competitive offering:

- Substructure and seismic improvement costs at Piers 30-32 are extraordinarily high. Recent negotiations have resulted in proposed deals requiring the Port to subsidize these costs with rent from the piers, the value of Seawall Lot 330 and tax increment from both sites. The rationale for a subsidy is that substructure costs (including seismic) are the costs of creating a buildable pad, and should be deducted from land value.
- Piers 30-32 is the only undeveloped major pier in the northern waterfront that is not part of the Embarcadero Historic District, permitting distinct architecture at this site.
- State Lands and BCDC have previously permitted nontrust uses at Piers 30-32 only with enabling state legislation. New uses at Piers 30-32 that are not consistent with the public trust for commerce, navigation and fisheries may similarly require state legislation. The time and cost of this effort would be a further obstacle to feasibility.
- The Port has not finalized its planning for the first phase of the Seawall Safety Program. With 622' of pier frontage along the Seawall (roughly three times the length of a typical pier), any plan for development of the site will have to factor in costs and coordination associated with protecting the site from Seawall movement in a major earthquake and/or upgrading the Seawall in this area. Prior development efforts did not have to confront these costs, because the condition of the Seawall was not known at the time.
- If the Port Commission pursues development at this site, some consideration should be given as to whether to remove significant portions of the pier, and focus on a smaller development footprint near the Embarcadero, or removal of the original sections to retain the center section and the naturally scrubbing deep water berth. The last cost to fully remove the pier was \$45 million in 2012.

- Red's Java House on the northern portion of Pier 30, is a popular restaurant in the neighborhood. Future development plans for the piers should evaluate how to treat Red's Java House.
- Development of Piers 30-32 is a complicated undertaking, which has typically required significant staff resources. With two new neighborhoods under construction (or soon to be under construction) at the Port, and the various development efforts underway, the Real Estate and Development Division will need to examine staffing constraints and the best method of delivering a project at this site.
- Consideration should be given to the type of offering for any development at Piers 30-32. Prior efforts have left the Port locked into exclusive negotiating agreements for long periods of time, while developers struggled to develop financially feasible approaches to the piers, or to gain public acceptance or permits for proposed development plans. Other options could include:
  - A non-exclusive due diligence period allowing multiple developers to examine the piers and available reports, including prior seismic analysis, prior to bidding;
  - A bid process with fixed financial terms that establish rent based on appraised value with limited rent credits and tax increment from the piers to pay for substructure upgrades, and
  - Include a schedule of performance, a non-refundable deposit and periodic payments in any agreement to develop the site.
- The Waterfront Plan Working Group recommended the following steps for competitively bidding future development proposals:

### **Competitive Solicitation**

50. 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 Port Advisory Committee, 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.

**Option 3: Consider a Sole-Source Proposal for Piers 30-32 and Seawall Lot 330**

From time to time project sponsors have informally approached the Port with proposals for the development of Piers 30-32 and Seawall Lot 330. At the Port Commission’s direction, Port staff could encourage these groups to formally submit a proposal under the procedures recently recommended by the Waterfront Plan Working Group and endorsed by the Port Commission for sole source proposals.

Waterfront Plan Working Group Recommendations for Competitive Bidding and Sole Source Proposals

Only the Board of Supervisors may approve sole source proposals for the use of City property under agreements that the Board of Supervisors approves. The two most recent proposals to develop Piers 30-32 – the 34<sup>th</sup> America’s Cup and the Golden State Warriors Multi-Purpose Venue – both required sole source approvals from the Board of Supervisors.

The Waterfront Plan Working Group had a lively discussion about sole source proposals. In general, the Working Group favored competitive bidding, strong engagement by Port Advisory Committees in the development process, and sole source projects only for unique development opportunities and after following a four-step process. The following are the recommendations of the Waterfront Plan Working Group related to sole source projects.

<p><b><u>Sole Source Proposals</u></b></p> <p>51. Under the San Francisco Administrative Code and the Waterfront Plan, it is City and Port policy to competitively-bid development opportunities. If and when the Port receives unsolicited proposals for unique development opportunities, the Port may only enter a sole source lease for such opportunities if the Board of Supervisors finds that it would be impractical or impossible to follow competitive bidding procedures. These are recommended steps for Port Commission consideration of unsolicited (Sole Source) proposals:</p> <ul style="list-style-type: none"><li>a. <u>Require developer to provide written submittal</u> that describes the proposal, any community outreach completed to date, specific ways in which the project will achieve Waterfront Plan and public trust goals and objectives, and reasons that support waiving the competitive solicitation process.</li><li>b. <u>Port Advisory Committee meeting(s)</u>, for review and comment on the proposal, if not already completed and described above.</li><li>c. <u>Port Commission informational meeting</u> and public comments on Sole Source proposal, including review of information in Item a above.</li><li>d. <u>Board of Supervisors public hearing</u> and consideration of waiving City competitive solicitation leasing policy provisions.</li></ul>
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## Piers 30-32 Sole Source Considerations

- Port staff notes the expressed policy preference of the City and the waterfront Plan working group for competitive solicitation. Accordingly, staff recommends leaving the policy decision as to whether any proposed project merits a sole source waiver to the Board of Supervisors, since the Board of Supervisors adopted the competitive bidding requirements for leasing and property sales, and the sole source waiver provisions for when bidding is “impractical or infeasible.”
- Aside from the competitive bidding policy, development considerations for Piers 30-32 under a sole source proposal are largely the same as those described above under the competitive bidding option:
  - substructure costs are high;
  - the Port Commission may wish to focus development near The Embarcadero;
  - the site provides for a unique opportunity for creative architecture;
  - the Seawall along the piers needs strengthening and the informal proposal presents an opportunity to leverage private investment with the Seawall program, but also is a significant financial and engineering coordination challenge;
  - new uses should complement the existing Red’s Java House, a popular destination; and
  - state legislation may be required if the proposal includes any nontrust uses.
- Development considerations for Seawall Lot 330 are discussed in the second section of this staff report.

### ***Option 4: Remove all or part of Piers 30-32***

The Bryant Street Pier project included a plan to remove approximately 175,000 square feet of Pier 32 (approximately 4 acres), which was a requirement under AB 1389.

In 2009, the Port and the Exploratorium negotiated with BCDC and local stakeholders conditions that were included in the Exploratorium BCDC Permit #2006.009 to allow the Exploratorium project to retain some of the fill between Piers 15 and 17. The permit designated Piers 30-32 as a potential alternative fill removal site, along with other potential alternative fill removal sites at Pier 70, wharves 6, 7 and 8.

In 2012, after the development component of the 34<sup>th</sup> America’s Cup failed, Port Engineering estimated that the cost to remove Piers 30-32 would be \$45 million.

Under the Golden State Warriors proposal, the plan included significant removal of old piles and portions of the old deck to compensate for installation of new super-piles and a new deck. Negotiation of the exact amount of fill removal was never finalized because permits for that project were never finalized.

There are three agencies that issue permits for fill in San Francisco Bay: the U.S. Army Corps of Engineers, BCDC and the Water Board. Typically, permits for new fill require mitigation in the form of removal of old Bay fill at the same or a different location.

### Seawall Safety Program

The team leading the Seawall Safety Program is developing recommended alternatives for strengthening the Seawall. The Port has also undertaken an effort with the U.S. Army Corps of Engineers to study flood control along the Port's waterfront. Both of these efforts are in the planning stage and have not selected preferred alternatives. Alternative will be developed for both projects in 2019.

Depending on the alternatives selected, the Port may need to identify public benefits or mitigation measures including fill removal – particularly for alternatives that involve in-water construction – that will increase public support and/or enable regulatory approvals for the preferred project alternative. Removing all or a part of Piers 30-32 could be a part of the solution. These public and regulatory discussions will occur later in the process, after the selection of a preferred alternative and the commencement of environmental review.

### Considerations related to removing all or a part of Piers 30-32

- Removing all or a part of Piers 30-32 can be combined with development of a portion of the site or operation on an interim basis as described above.
- Since Piers 30-32 has negative land value, as described above, a partial removal strategy is likely to be less expensive than repairing and seismically strengthening the entire 13-acre site, but it would also reduce potential development square footage. Therefore the net financial impact of removal on a project will depend on the particular development program.
- Removing all or a part of Piers 30-32 would significantly enhance Bay views in this area of the waterfront (similar to removal of Pier ½ as part of the 34<sup>th</sup> America's Cup).
- Removing all or a part of Piers 30-32 could be part of an entitlement strategy for the Seawall Safety Program or flood control projects developed with the U.S. Army Corps of Engineers.
- Removing all of Piers 30-32 would deny the Port and the City a naturally deep-water berth that does not require dredging which is a significant operating expense for most other berthing locations.

## SEAWALL LOT 330

### Site Information

Seawall Lot 330 has been the subject of three major development efforts since adoption of the Waterfront Land Use Plan in 1997, including the Bryant Street Pier/Piers 30-32 James R. Herman Cruise Terminal (2000 – 2006), the 34<sup>th</sup> America’s Cup, and the Golden State Warriors (“GSW”) Piers 30-32 Multi-Purpose Pavilion and Seawall Lot 330 Mixed Use Development.

Development of the Watermark condominium project on ½ acre of Seawall Lot 330 as part of the Bryant Street Pier project was the only successful development during these prior efforts.

The Watermark is a 22 story, 136 unit condominium building with 16 inclusionary, below-market units constructed in 2004. The project was intended to subsidize the Piers 30-32 cruise terminal, removal of Pier 36, and construction of Brannan Street Wharf. Because the Piers 30-32 cruise terminal did not proceed, the Port ultimately used these proceeds to build the Pier 27 James R. Herman International Cruise Terminal and the Brannan Street Wharf (along with other sources).

After the ½ acre for the Watermark was sold, the remaining area of Seawall Lot 330 is 2.3 acres.

Exhibit D includes the last rendering of a proposed project on Seawall Lot 330, produced by the Golden State Warriors.

**Table 2: Seawall Lot 330 Characteristics**

#	Consideration	Description
1.	<b>Location</b>	South Beach, bounded by the Embarcadero roadway, Beale and Bryant Streets
2.	<b>Size</b>	101,330 square feet (2.33 acres)
3.	<b>Current Use</b>	Interim commuter parking.
4.	<b>FY 2017-18 Port Revenue</b>	\$831,992.40
5.	<b>Assessor’s Lot</b>	Block 3771, Lot 002 and a portion of Block 3770, Lot 002
6.	<b>Permitted Uses &amp; Zoning</b>	<p>The Waterfront Land Use Plan permits a broad list of allowable uses for Seawall Lot 330, including residential use.</p> <p>Under the Planning Code, the site is zoned SB-DTR: South Beach Downtown Residential Mixed Use District, in the Eastern Neighborhoods Plan Area and Waterfront Special Use District #3. The site is not entitled.</p> <p>There is no designated maximum density for residential uses in this district. Nonresidential uses are permitted up to a ratio of one to six square feet of</p>

#	Consideration	Description
		residential use. Certain non-residential uses are prohibited or require a conditional use. Parking is not required for residential uses, and is permitted up to a maximum of 0.75 stalls per unit. Parking above grade level is not permitted.
7.	<b>Height Limit</b>	The height limit for the subject site is 65/105-R (meaning 65' at locations near the Embarcadero, stepping up to 105'), which may only be increased by a vote of the people under Proposition B (2014).
8.	<b>Yield</b>	Based on the last detailed site analysis, the site has capacity for up to 315 units, with approximately 40,000 square feet of ground floor space for retail and other uses, for a total of 413,400 of above-ground development square footage and a maximum of 325 off-street parking spaces.
9.	<b>Public Trust</b>	<p>The California Legislature has terminated public trust use restrictions on Seawall Lot 330.</p> <p>Under SB 815 (Senator Migden, 2007), the Port may lease the site for nontrust purposes for periods of up to 75 years.</p> <p>Under AB 418, Assemblymember Ammiano, the Port may sell the fee interest in Seawall Lot 330 free of the public trust, the Burton Act trust, and the restrictions of Senate Bill 815, if the consideration received by the Port is equal to or greater than the fair market value of the fee interest conveyed and is used by the Port for trust purposes. If the Port sells Seawall Lot 330, the Port is required to cause the public trust to be impressed upon other lands situated on or adjacent to the San Francisco Bay that have a total area equal to or greater than the area of Seawall Lot 330 and have been determined by the California State Lands Commission to be useful for trust purposes.</p>
10.	<b>Approvals</b>	<p>Design review by the Waterfront Design Advisory Committee.</p> <p>Planning Commission Conditional Use approval required for certain uses or building bulk designs, as specified in the San Francisco Planning Code.</p> <p>Port Commission and Board of Supervisors approval of a lease or sale.</p> <p>State Lands Commission approval of a lease or sale.</p>
11.	<b>Development Impact Fees</b>	<p>Affordable Housing Fees (Planning Code §415)</p> <p>Child Care Fees (Planning Code §414A)</p> <p>Eastern Neighborhoods – Infrastructure Fee – Tier 1 (Planning Code §423.3)</p> <p>School Impact Fees (State Ed. Code Section 17620)</p> <p>Transportation Sustainability Fees (Planning Code §411A)</p>
12.	<b>Sea Level Rise</b>	See Figure 2 on page 6. Seawall Lot 330 is subject to potential future flood risk with 24" of sea level rise and a 100 year storm surge.

### **Seawall Lot 330 Options**

Seawall Lot 330 is a valuable piece of property.

Seawall Lot 330 was last appraised as part of the Golden State Warriors process. The appraised value was \$30,400,000. During the 34<sup>th</sup> America's Cup, Seawall Lot 330 was appraised at \$33,050,413.

Since these appraisals, many factors that would affect the value of Seawall Lot 330 have changed, including impact fee levels, construction costs, and residential values, including rents. Port staff believes that based on the current market an appraisal of the highest and best use of the site would exceed the prior appraisals, with the magnitude of the increase depending on if it is appraised as a fee simple or ground lease interest.

Development of Seawall Lot 330 could also generate property tax increment that the Port could capture to fund other Port improvements, including the Seawall Safety Program. Based on a notional \$300 million development on Seawall Lot 330 (for reference, the Warriors projected a \$215 million development on the site in 2012), the annual tax increment available for bonding would be approximately \$2 million.

If all or a portion of the site is developed for for-sale condominiums, the Port could require transfer fees equal to 1.5% of the sales value of the second and each subsequent sale, which would provide the Port an ongoing revenue stream for use at other Port properties.

#### Mixed-Income or Affordable Housing

The Office of Economic and Workforce Development and the Mayor's Office of Housing and Community Development are always looking for publicly-owned sites for potential mixed income and affordable housing.

Subject to consultation with the local community, one potential strategy for Seawall Lot 330 would be to examine the site in consultation with these City agencies for housing development, including a significant amount of affordable housing.

It is important to note that existing state legislation governing nontrust uses of the site requires a fair market value transaction for the use of the site. The Port pursued this approach with Seawall Lot 322-1 for the 88 Broadway affordable housing project.

The Department of Homelessness and Supportive Housing, in consultation with the Department of Public Works, is also examining potential sites for an additional 1,000 beds for homeless individuals. Subject to the same fair market value considerations and a community outreach process, Seawall Lot 330 could be a candidate for this use.

#### Piers 30-32 Competitive Bidding & Development Considerations

- If the Port Commission wishes to pursue market-rate development of Seawall Lot 330, the Port should follow the competitive bidding procedures vetted by the

Waterfront Plan Working Group (see page 14 above) and endorsed by the Port Commission.

- Another option may be to explore affordable housing, or mixed-income housing development of the site, in consultation with the Office of Economic and Workforce Development and the Mayor's Office of Housing and Community Development.
- Prior development efforts indicate that the approach to massing on the site is critical to gaining broad public support for development.
- If the Port Commission wishes to quickly realize the value of Seawall Lot 330, it could offer the site for sale through a competitive bidding process, which would require a purchaser to pursue project entitlements, largely without the involvement of Port staff. This approach may not realize the full value of the site, because the site is not fully entitled for development, and this approach would not provide for more aggressive approaches to affordable housing development than current code requirements.

Market-rate development of all or a portion of the site could generate significant annual property tax increment (estimated to be \$2 million) to support the Seawall Safety Program or other Port capital needs.

## **STAFF RECOMMENDATION, PUBLIC OUTREACH AND NEXT STEPS**

Based on the information provided in this report, Port staff seeks the Port Commission's direction as to next steps for Piers 30-32 and Seawall Lot 330. A summary of the options for each site is set forth below:

### **Piers 30-32**

Options include:

1. Continue to lease the site for parking, layberthing and special events. Explore other special event options to activate the site. Wait for the Seawall Safety Program to identify a recommended approach for the first \$500 million phase of the Program, including preferred options for addressing Seawall movement due to lateral spreading risk before deciding on next steps for the piers. This is expected to occur by late 2019.
2. Competitively offer all or part of the site for development, with subsidies limited to rent credits against Piers 30-32 rent and tax increment generated from development of the piers.

3. Invite sole source proposers for Piers 30-32 and Seawall Lot 330 to formally submit their ideas for consideration by the Public, the Port Commission and Board of Supervisors.
4. Wait for the Seawall Safety Program and evaluate whether removal of all or a part of the piers is a potentially useful public benefit or regulatory strategy for the Program, which may take 1-2 years.

### **Seawall Lot 330**

Options include:

1. Combine the site with Piers 30-32 as described above, either in association with a competitive offering or in pursuit of the a sole source proposal.
2. Competitively offer the site for market rate development under a lease or sale option. Sale of the site will require the Port to identify other nontrust property along the waterfront which could be impressed with the public trust.
3. Consult with the Office of Economic and Workforce Development and the Mayor's Office of Housing and Community Development regarding potential uses of the site.
4. Form an Infrastructure Financing District over the site to capture growth in tax increment, if any, from future development of the site.

Based on the considerations set forth above, Port staff recommends that the Commission direct staff to formulate and provide to the Commission for its consideration a competitive solicitation strategy that will clearly outline the revenue generation and/or subsidy proposal for each property separately, but still allows for the Port Commission to consider coordinated development of complementary uses at the two sites if there is a proposal that would benefit the Port and the public in doing so. Port staff further recommends vetting these options with the Central Waterfront Advisory Group and conducting further outreach in the South Beach area and incorporating that feedback into the strategy that is brought back for consideration.

Staff looks forward to feedback from the public and direction from the Port Commission regarding these options.

Prepared by: Brad Benson  
Director of Special Projects

Rebecca Benassini,  
Assistant Deputy Director of Development

Diane Oshima,  
Deputy Director of Planning and Development

and

Matt Wickens,  
Project Engineer

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

- Exhibit A: Excerpts from the Waterfront Land Use Plan and the BCDC Special Area Plan Related to Piers 30-32 and Seawall Lot 330
- Exhibit B: Summary of Prior Piers 30-32 Development Efforts
- Exhibit C: Item 12A Piers 30-32 Port Commission Staff Report, June 2016
- Exhibit D: Golden State Warriors Code Compliant Design for Seawall Lot 330

## **Exhibit A: Excerpts from the Waterfront Land Use Plan and the BCDC Special Area Plan Related to Piers 30-32 and Seawall Lot 330**

### **Piers 30-32**

#### *Waterfront Plan*

#### **Piers 30-32 Acceptable Uses:**

Maritime Uses; Public Open Space and Public Access; Commercial Uses (Assembly & Entertainment, General Office; Museums, Accessory Parking, Retail and Restaurants, Recreational Enterprises, Visitor Services, Warehouse/storage, Wholesale Trade/Promotion Center); Other Uses (Community Facilities)

#### **The Bryant Street Pier Mixed Use Opportunity Area:**

The 13-acre pier and three-acre Seawall Lot 330 together represent the Port's largest potential development site. Unlike many of the Port's piers, Pier 30-32 is supported by concrete piles and is in good structural condition. In contrast, adjacent Pier 34 is condemned and should be removed as part of new development on Pier 30-32. The vast size of Pier 30-32, which can berth 800 foot long ships on two sides, offers untold possibilities for providing public entertainment and attractions with a highly visible maritime element. In addition, Pier 30-32 should be a highlight on the PortWalk which would extend the pedestrian path along The Embarcadero onto the pier. Because the site is both prominent and yet somewhat isolated from an architectural standpoint, new development here could become a signature piece in this neighborhood, and should set a standard for other architectural improvements along the shoreline. This site has been proposed as a possible location for a modern cruise terminal, if market conditions and changes in regulations lift the constraints that have limited the number of ships calling in San Francisco. Support services such as parking and neighborhood-serving businesses can be incorporated into development on the seawall lot which also would provide a buffer zone for residents of Bayside Village.

#### **Bryant Street Pier Development Standards for Piers 30-32:**

- Provide activities on Pier 30-32 which attract residents of the City and region, but also include businesses which cater to nearby residents and employees.
- Due to the extraordinary size of Pier 30-32, provide significant maritime and public access uses together with a multi-faceted mix of commercial activities, all oriented around a common theme (such as family-oriented entertainment, or a trade and promotion center for California food and agricultural products), rather than a singular commercial attraction.
- Encourage new activities that do not generate peak traffic volumes during commute periods, to minimize congestion on roadway and public transit systems.

- Require a high standard of architectural design which is appropriate to the prominence of the site and establishes a new architectural identity and standard for waterside development in the South Beach area.
- Incorporate expansive public access on the piers that builds upon and enhances the PortWalk through the South Beach area.
- Apply “Good Neighbor” standards to bars, restaurants which sell alcohol, large fast food restaurants, and assembly and entertainment uses on Piers 30-32 and SWL 330, unless the Port Commission makes a specific finding that a particular condition is unnecessary or infeasible (see Waterfront Plan, p.5 for description of 5 Good Neighbor standards).
- The design of any new development on Piers 30-32 should provide appropriate buffers, setbacks or other design solutions for open air bars, restaurants, and nighttime entertainment activities that front The Embarcadero as necessary to mitigate noise impacts from such uses on residential neighbors.”

*BCDC Special Area Plan for the San Francisco Waterfront*

“6. Public Access for Major Projects on Piers.

b. Large Piers (Piers 30-32, and Piers 27-29 if redeveloped as a Large Pier):

- i) Large Piers should have a higher proportion of their area devoted to public access and open space than Finger Piers;
- ii) Public access provided should consist of:
  - Perimeter access
  - Significant park(s)/plaza(s) on the pier perimeter
  - Additional areas, e.g., small parks or plazas integrated into the perimeter access
  - Significant view corridors to the Bay from points on the pier which by their location have more of a relationship to the water than to the project
- iii) Public open spaces within the interior of large piers that do not provide physical or visual proximity to the Bay should not be included in the determination of maximum feasible public access to be provided on the pier.”

## **Seawall Lot 330**

*Waterfront Plan*

### **Seawall Lot 330 Acceptable Uses:**

Residential and Commercial Uses (Assembly & Entertainment, Hotel, Parking, Retail & Restaurants)

The Bryant Street Pier Mixed Use Opportunity Area Development Standards for SWL 330:

- On Seawall Lot 330, freestanding bars and restaurants which sell alcohol and which are within 100 feet of a residential dwelling on adjoining blocks shall close no later than 12 midnight Sunday through Thursday, and 2 am on Friday, Saturday, and evenings before a holiday, unless such uses are established inside a hotel. Outdoor seating and service along Beale Street shall close and the establishment shall stop service in those areas between the hours of 10:00 pm and 6:00 am. New patrons shall not be seated in such outdoor seating and service areas later than 45 minutes before closing time. In the outdoor service and seating areas, lighting shall be appropriately screened and diffused.

**Exhibit B: Summary of Prior Piers 30-32 Development Efforts  
from the 2014 Waterfront Plan Review**

# 14 - 34th Americas Cup



Photo credit: Gilles Martin-Raget © ACEA

In February 2010, BMW Oracle Racing, sailing for the Golden Gate Yacht Club (“GGYC” and together, the “Team”), won the 33rd America’s Cup in Valencia, Spain and, as Defender of the America’s Cup, organized the 34th America’s Cup and related activities. The team created the America’s Cup Event Authority, LLC (the “Event Authority”) for purposes of organizing the event and the America’s Cup Race Management (“Race Management”) to adjudicate the event.

The Event Authority conducted a bidding process to host the event, which largely centered on negotiations with the City to hold races in San Francisco Bay, but later included discussions with Newport, Rhode Island. Newport hosted America’s Cup races from 1930 to 1983.

City negotiations, led by the Office of Economic and Workforce Development, but later including the Port, focused on an offer of development rights as a means to reimburse the Event Authority for improvements required and services the City would provide to enable the event in exchange for commitments to hold preliminary AC World Series races, Louis Vuitton Cup races (to determine the Challenger to Oracle Racing), and the 34th America’s Cup in San Francisco.

From late 2010 until the Event Authority’s recent decision not to host the 35th America’s Cup, negotiations and preparations for the event have consumed much of the Port’s attention. In the end, Oracle’s come-from-behind win over Team Emirates New Zealand on September 25, 2013 to capture the 34th America’s Cup was among the great comebacks in sports history. The event justified the hard work and effort of so many Port and City staff.

Given how much has been written about the America’s Cup, this report is not intended to be an exhaustive analysis of the City’s planning for the event, nor is it intended to draw conclusions about whether the City should seek to host international sporting events and under what circumstances the City should spend money as host to such events. Those decisions belong to the Mayor and the Board of Supervisors. Instead, this analysis is intended to briefly examine the impact of the proposed development deal (which did not go forward) and the event itself on the Port. It is clear that the event helped produce or accelerate major changes along the Port’s waterfront.

## HOST AND VENUE AGREEMENT NEGOTIATIONS

The City and the Event Authority initially agreed on a plan to offer Pier 28, Piers 30-32, Seawall Lot 330, and Pier 50 as sites to host the event, with a grant of long-term development rights at Piers 30-32, Seawall Lot 330, and Pier 50 with no base rent or option consideration as a means of repaying an estimated \$150 million in waterfront improvements required to prepare the waterfront for the event. The Board of Supervisors endorsed a Term Sheet based on this plan in October 2010.

City analysis of the Term Sheet proposal indicated significant financial impacts of this plan to the Port, as well as a need to relocate numerous Port tenants, including major maritime tenants and the Port's maintenance facility at Pier 50. The City developed another plan focused in the northern waterfront – the location of most existing foot traffic on The Embarcadero, and ultimately closer to planned racing – which located the America's Cup Village at Piers 27-29 and accommodated the Port's plan to build the James R. Herman Cruise Terminal prior to the event. The publication of the City's northern waterfront plan almost caused event organizers to move the event to Newport, but ultimately became the basis of the Host and Venue Agreement ("Host Agreement") signed by the Event Authority and Mayor Gavin Newsom, and approved by the Board of Supervisors in December 2010.

The Host Agreement also provided for use of Piers 30-32 for team bases and other event-related uses at Piers 19, 19½, 23, 29½ and portions of Pier 80. The Host Agreement assumed that the Event Authority would spend at least \$55 million on waterfront improvements, and provided a formula for long-term development rights at Piers 30-32, Seawall Lot 330, Piers 26 and 28, depending on final Event Authority investment, and marina rights in open water basins next to Rincon Park and the future Brannan Street Wharf park. In late stages of negotiation to secure

the event, the City agreed to offer additional long-term development rights if needed to repay Event Authority investment, including Pier 29 and potentially Piers 19, 19½ and 23.

The final negotiated Lease Disposition and Development Agreement ("LDDA") concluded in early 2012, provided long-term development rights at Piers 30-32 and Seawall Lot 330 rent free in exchange for the Event Authority's initial \$55 million investment. If investment exceeded that amount, the LDDA allowed rent credits against 10 year lease rights to Piers 26 and 28 and a long-term development right to Pier 29, along with potential marina rights. The LDDA included a City pledge to form an infrastructure financing district to fund public improvements associated with future development at long-term development sites. There was no proposed development program for these sites articulated in the LDDA.

Pursuant to the Host Agreement, the City was responsible for managing and securing all regulatory approvals. The land and water improvements triggered required permits from numerous federal, state and local regulatory and policy agencies. The required environmental review of the 34th America's Cup races and the James R. Herman Cruise Terminal at Pier 27 had to be completed in an amazingly short time frame. The level of collaboration, strategic alignment and regulatory solutions that emerged from the public agency review of the project was itself an extraordinary accomplishment. The interagency coordination efforts would not have been possible without the work of additional dedicated staff loaned by the SFPUC and Planning Department. All project permitting, including federal environmental review necessary to support permitting by the U.S. Army Corps of Engineers and the U.S. Coast Guard, as well as use of Golden Gate National Recreational Area lands were completed on time. BCDC approved permits and a Special Area Plan amendment for the event requiring a broad range of improvements to the waterfront. City staff prepared a range of plans for the event



Photo credit: Gilles Martin-Raget © ACEA

including the People Plan (the transportation plan for the event), the Security Plan, the Zero Waste Plan, the Youth Involvement Plan, the Workforce Development Plan, the Ambush Marketing Plan, the Water and Air Traffic Plan, and the Sustainability Plan. There was significant public involvement in all of the project planning and entitlement efforts.

After extremely challenging negotiations yielded one positive vote at the Board of Supervisors, the Event Authority announced its withdrawal from LDDA negotiations, giving up on the proposition of long-term development as a means of financing waterfront improvements. The Port and OEWD subsequently negotiated a plan with the Event Authority whereby the City would fund all necessary waterfront improvements for the event and provide venues rent-free, without long-term development rights. The Port Commission and the Board of Supervisors approved this plan, which the Event Authority executed, and the focus shifted to preparations for the event and racing on San Francisco Bay.

The following improvements were made to Port property or the immediate vicinity:

- The Port and the Department of Public Works managed construction of the cruise terminal on an accelerated basis, including removing the Pier 27 shed and finishing core and shell improvements in time to allow the Event Authority to use the space in early 2013
- The Port and America's Cup Race Management oversaw minor, marginal wharf upgrades to Piers 30-32 to enable strategic placement of tent structures for team industrial bases and cranes to lift AC72 vessels out of the water
- The Event Authority and Race Management designed, and Port staff permitted, the America's Cup Village at Piers 27-29 – including pop-up retail along The Embarcadero, a 9,000 seat venue for concerts and a unique mix of uses open to the public in Pier 29, including the America's Cup museum and a café in the open end of Pier 29 facing the Bay
- Port Real Estate staff relocated 75 Port tenants to other locations (primarily) on Port property, to enable use of northern waterfront venues
- Port Finance staff negotiated a quick insurance settlement and Port Engineering oversaw an emergency rebuild of the Pier 29 Bulkhead building consistent with original building plans after a fire destroyed the bulkhead; the project met Secretary of the Interior Standards and received an historic rehabilitation award
- The Army Corps of Engineers removed Pier 36 utilizing federal and Port funding

- Port Engineering staff oversaw timely construction of the Pier 43 Bay Trail Promenade and the Brannan Street Wharf public open space projects
- Port Maintenance staff prepared the northern waterfront sheds for occupancy by the Event Authority and Race Management, including shed repairs, ADA improvements, exiting, asbestos and lead remediation, painting and new lighting
- Port Maintenance staff rebuilt the Pier 19 south apron as BCDC permitted public access
- The Port managed dredging south of Piers 30-32 to facilitate mooring of AC72s
- The Department of Public Works improved Jefferson Street, between Hyde and Jones Streets to transform it in advance of the event to create expand pedestrian sidewalks and incorporate new bicycle access through Fisherman's Wharf
- Port staff negotiated a funding plan and lease amendments with the Port's ship repair operator to install shoreside power at Pier 70 to enable ships in drydock to turn off their engines while undergoing repair; environmental analysis showed this action fully offset all event-related air emissions
- Port Engineering staff oversaw the removal of Pier ½ consistent with BCDC requirements
- Port Planning staff oversaw the development of pocket parks along The Embarcadero
- San Francisco Municipal Transportation Agency staff oversaw implementation of the People Plan, which afforded excellent public access to the waterfront
- Port and Department of Public Works staff kept the waterfront clean during the event
- Port environmental staff drafted a Port Commission-approved Zero Waste Event Policy for large events on Port property prohibiting the use of single use plastic water bottles and balloons and promoting the use of compostable food ware; Recology helped the Event Authority recycle and compost in accordance with the Zero Waste Event Policy
- The Port and City spent a total of \$31.6 million on capital improvements in advance of the racing; all of this preparation enabled the public to watch the amazing AC72 catamarans racing on San Francisco Bay, hydrofoiling above the waves in the final match

## LESSONS LEARNED AND RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port's experience with the 34th America's Cup.

- Race preparations, including building the James R. Herman Cruise Terminal, constructing several Port parks and new public access areas, rebuilding the Pier 29 Bulkhead building, and removal of Pier ½ and the remnants of Pier 64 (currently underway) substantially improved the Port.
- The acceleration of the James R. Herman Cruise Terminal through the CEQA process, BCDC permitting and associated Special Area Plan amendments and construction allowed the Port to bid the project in 2011 — early in the economic recovery and at a time when the Port received a very favorable bid for the project. As a normal public works project, CEQA and BCDC permitting could have collectively taken several years longer than it did, resulting in added project costs.
- BCDC permit requirements for the James R. Herman Cruise Terminal created substantial new — and costly — public access requirements at Piers 19, 23 and 29 that the Port is required to complete within 5-10 years. For the first time, BCDC included more flexible time lines to allow the Port to develop funding sources to pay for these improvements.
- In hindsight, undefined long-term development rights did not seem like the correct way to fund improvements needed to ready the waterfront for racing, and the public was relieved when the long-term development rights were eliminated from the arrangement. It is also conceivable that without the initial offer of development rights, the City would not have been selected to host the event.
- The Port's offer of marina rights in the Rincon Point Open Water Basin and the Brannan Street Wharf Open Water Basin in the Host Agreement was a major conflict with the BCDC Special Area Plan. The Port struggled to correct this problem in negotiations with the Event Authority over the subsequent 13 months.
- For future waterfront events, the City should consider hiring independent firms to produce independent analysis of required event-related improvements and associated costs.
- Working in advance with the community stakeholders, the appropriate city and regional agencies and with strategic marketing has proven, through the People Plan example, that the transportation needs for large special events can be accommodated effectively, with results that meet or exceed the sustainability targets set by the Port.
- The San Francisco Planning Department and the Port's regulatory partners, including State Lands, BCDC, the San Francisco Bay Regional Water Quality Control Board, the U.S. Coast Guard, the U.S. Army Corps of Engineers, and the National Marine Fisheries Service collectively stepped up to deliver needed project approvals on time — exceeding everyone's expectations.

## 15 - Golden State Warriors Piers 30-32 Multi-Purpose Pavilion



Photo credit: Golden State Warriors

existing facilities. The cost of repairing and seismically upgrading Piers 30-32 for these uses was estimated at \$165 million. The City's contribution to project pier substructure costs was capped at \$120 million, with funding to come from project-generated Infrastructure Financing District (IFD) tax increment proceeds, rent credits against the fair market value rent of Piers 30-32 and the fair market land value of Seawall Lot 330. In response to permitting challenges and the expected need for voter approval of the project, in Spring 2014 GSW dropped plans to build at Piers 30-32 and purchased the Salesforce.com site in Mission Bay for their new facility.

Concurrent with the unanimous approval of sole source negotiations, the Board of Supervisors and the Port Commission initiated a public Piers 30-32 Citizen Advisory Committee ("CAC") at the outset to vet the project and make recommendations, which held many full committee and subcommittee meetings and heard from a broad cross-section of the public.

### ANALYSIS

#### **Land Use**

In the wake of terminated negotiations with the America's Cup Event Authority over development of Piers 30-32, and given the success of AT&T Ballpark, Port staff welcomed the proposed use as a publicly-oriented use and believed that the project could afford to tackle the high substructure costs at Piers 30-32 – the principal cause of failure of the Bryant Street Piers Project at the site in 2006.

The design of the facility by Snøhetta was generally recognized as being world class and responded to virtually all comments from Port, Planning Department and BCDC staff. The proposed facility's maritime program included a new fire station to house the San Francisco Fire Department's marine unit, currently housed at Pier 22½ and would have preserved the deep water vessel berth at the east end of the pier. The public nature of the project, with its emphasis on

In 2012, the City and the Golden State Warriors (GSW) partnered on a proposal to develop and build a premiere sports and entertainment pavilion on the waterfront pursuant to sole source negotiations authorized unanimously by the Board of Supervisors and the Port Commission. The project was proposed at Piers 30-32, south of the Bay Bridge, between the Ferry Building and AT&T Park. GSW proposed to repair and seismically upgrade 13 acres of deteriorating piers to build a multi-purpose venue with private funds and develop Seawall Lot 330 with a mix of residential, hotel and retail uses. The project included open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay. Total project costs were estimated at over \$1 billion.

The facility was designed to host the Bay Area's NBA basketball team, as well as provide a new venue for concerts, cultural events and conventions, and other prominent events that the City currently cannot accommodate with

entertainment and public open space would have enlivened this area of the waterfront. Many residents, however, see the neighborhood as a predominantly residential neighborhood that could not handle the twin pressures of baseball games at AT&T Park and events hosted at GSW's proposed pavilion. Many members of the public viewed the project – which would have required rezoning from 40 feet to approximately 128 feet – as inappropriate for the site, and not in keeping with an established consensus for waterfront heights. Others made a distinction between an open air baseball park with Bay views, and a closed basketball arena, and concluded that a basketball arena could not be a public trust use.

Site due diligence revealed that Piers 30-32 substructure costs exceeded the City's sources to repay the private investment in that public infrastructure. As a result, the project dealt with a clear capital need for the Port, but generated no future base rent.

The GSW proposal responded proactively to projected sea level rise by elevating the pier to deal with projected sea level rise of 55 inches. The GSW planned a LEED Gold facility that sought to comply with the Port's aggressive Zero Waste Event Policy.

There was controversy about the proposal to build mixed use development on Seawall Lot 330 higher than existing heights. In response, the GSW began developing a code compliant project within existing height limits.

The San Francisco Municipal Transportation Agency coordinated a Waterfront Transportation Assessment with the Transportation Subcommittee of the CAC to address transit and related improvements necessary to get people to and from the facility and to avoid seriously exacerbating traffic conditions along The Embarcadero.

The Quality of Life subcommittee of the CAC collaborated with City staff to identify a range of potential services (street cleaning, graffiti removal) and potential funding mechanisms to address impacts of crowds on the South Beach neighborhood.

### **Process**

GSW's initial public announcement of the move to San Francisco, and to Piers 30-32 specifically, surprised members of the South Beach neighborhood.

The CAC and members of the public who attended were frustrated at their inability to discuss other potential sites for the multi-purpose venue. The CAC operated under Brown Act and Sunshine Act public meeting rules that limited CAC interaction with the public and public comment time allocations, and created a stilted format for a project planning forum. By contrast, most Port advisory committees are advisory to Port staff, and allow for an exchange of ideas between CAC members, staff and the public that is more casual and conversational.

GSW committed significant resources and time engaging the public and the Port's regulatory partners. Despite this significant investment, there was a strong sense that the project was being rushed due to the need to open a facility by 2017.

### **Regulatory Approvals**

Early outreach by City staff to State Lands and BCDC staff indicated the need for state legislation to address the consistency of the proposal with the public trust for commerce, navigation and fisheries. The California Legislature adopted AB 1273 setting standards for the facility and making findings of project trust consistency after lengthy negotiations with both State Lands staff and BCDC. The legislative approval of AB

1273 and BCDC hearings on the topic generated significant controversy.

The project required approvals from BCDC and the Army Corps of Engineers. BCDC staff determined that its Special Area Plan would need to be amended to address the height and scale issues raised by the proposed pavilion. The Army Corps of Engineers suggested a 3 to 5 year timeline for permitting new pile installation for the pier substructure. In both cases the approach was different than anticipated based on past projects and added years to the schedule – a fundamental conflict with the project sponsor’s timeline.

### LESSONS LEARNED & RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port’s experience with the GSW Piers 30-32 Multi-Purpose Pavilion project.

- For high profile projects such as major sports facilities, a public site selection process with clear selection criteria such as cost, availability, transportation access, infrastructure requirements & cost and compatibility with surrounding uses can help build consensus for a selected site, which can then be authorized for sole source negotiations.
- The Waterfront Plan and other adopted Port policies do not include a formal policy articulating how unique development opportunities that are not the product of a development RFP process should be handled through the public process. To address this shortcoming, the Port Commission should consider adoption of a policy articulating how the public process for such unique opportunities should be evaluated, and incorporating it into the Waterfront Plan.
- The Port and the San Francisco Municipal Transportation Agency should

continue to collaborate on the Waterfront Transportation Assessment and related efforts to address current congestion along The Embarcadero. The Port and the Department of Public Works should continue to work with the South Beach and Mission Bay neighborhoods to address quality of life concerns arising from crowds coming to and from AT&T Ballpark.

- Port staff, the public and the Port Commission should evaluate whether the Piers 30-32 designation in the Waterfront Plan as a mixed use development opportunity site is still appropriate. Development may be possible on a portion of the site near The Embarcadero, but is likely financially infeasible for the whole 13 acre site.
- Early consultation with State Lands, BCDC and the Army Corps of Engineers is a key to project success. The Port should consult with State Lands, BCDC and the Army Corps of Engineers about a project proposal before the City authorizes negotiations between the Port and a specific developer for a particular Port site. As the Port learned with the Exploratorium project, amendments to the BCDC Special Area Plan developed through a public planning process are better received than those that arise through planning for specific projects.

**Exhibit C: Item 12A Piers 30-32 Port Commission Staff Report, June 2016**

## MEMORANDUM

June 9, 2016

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

**FROM:** Elaine Forbes  
Interim Executive Director

**SUBJECT:** Informational presentation on site conditions and assessment of trust use options for Piers 30-32, located adjacent to The Embarcadero between Bryant and Brannan Streets

**DIRECTOR'S RECOMMENDATION:** Information Only; No Action Requested

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### EXECUTIVE SUMMARY

This staff report provides an overview of Piers 30-32, including land use context, prior development efforts, permitting challenges, and financial feasibility analysis of public-trust consistent uses on the piers. The report responds to the Port Commission's request for an update about Piers 30-32 and is also intended as a resource to support the Waterfront Plan Working Group's process to recommend updates to the Port's Waterfront Land Use Plan.

### OVERVIEW

As one of the Port's largest piers on the northern waterfront, Piers 30-32, a 13 acre open site, was designated in the 1997 Waterfront Land Use Plan as a mixed use development site. At the August 12, 2014 Port Commission meeting, Port Engineering staff gave a report on Piers 30-32 facility condition<sup>1</sup>. This report describes the regulatory environment, and key site concepts to analyze development feasibility, as well as the attempts to develop the site since 1997. These concepts are overlaid with recent findings and approaches for addressing a rising sea level in the Bay. This report

**THIS PRINT COVERS CALENDAR ITEM NO. 12A**

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<sup>1</sup> Item 9A Staff Report:  
<http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2483.html>

presents a few preliminary options for how the Pier 30-32 site could be used given the regulatory framework.

Piers 30-32 is a challenging development site. As discussed further in this report, a combination of factors – preliminary Federal Emergency Management Agency (“FEMA”) flood hazard designations, projected sea level rise and the cost of substructure and seismic improvements – suggests that new development options will be costly and that uses will be constrained by the public trust doctrine and may be further limited by federal rules.

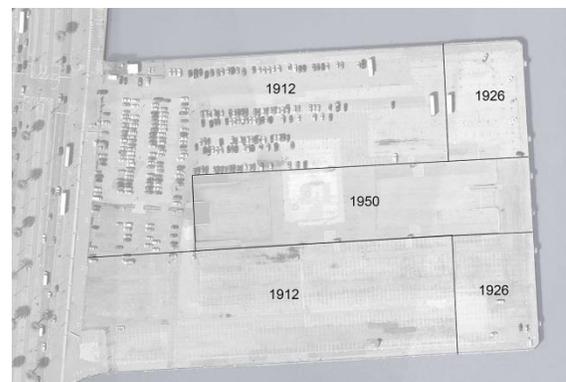


The current Waterfront Land Use Plan Update process will examine potential uses of this site when Port staff engages waterfront stakeholders in a focused look at uses of undeveloped sites in the South Beach area in order to develop public recommendations for Port Commission consideration. This report’s examination of Piers 30-32 is intended to inform and support that forthcoming public process.

Given the costs of developing the Piers, Port staff’s preliminary analysis focuses on trust consistent uses such as parks and maritime activities, and recognizes that any financially-feasible development may be limited to a different, as yet unknown “big idea” – where location matters much more than cost – with a development partner who is willing to obtain state legislation authorizing their project and has the patience to navigate a complicated State and City regulatory process. Although Piers 30-32 is a challenging development site, it is a one of a kind location with sweeping Bay views in the vibrant South Beach neighborhood.

## **CONSTRUCTION HISTORY OF PIERS 30-32**

Located just south of the Bay Bridge in the South Beach area, Piers 30-32 is a 13 acre pier that was originally built as two separate pile supported finger piers. Prior to building the piers, the Port constructed the seawall in this area from 1910 to 1912, which extended the City out to its current location at the Embarcadero.



The wharf at Piers 30-32 is the pile supported portion of the structure adjacent to the seawall and was built at about the same time as the seawall. Immediately thereafter, Piers 30-32 were constructed as two piers extending approximately 750 feet into the bay to

facilitate shipping of sugar. In 1926 the piers were extended 124 feet further into the bay, and in 1950 the space between the two Piers was filled for its entire length with a pile supported section built at a lower loading dock height. In 1984 a fire broke out destroying the Piers' timber warehouse shed buildings. Soon after the remains of those buildings were removed leaving the concrete substructure similar to how it exists today. In preparation for the 34th America's Cup in 2013, the Port spent approximately \$1.9 million to repair isolated sections of the Piers 30-32 wharf adjacent to the seawall. Prior to the 2013 repairs, the Port had made no significant structural repairs or improvements to the Piers substructure since the 1950 addition.

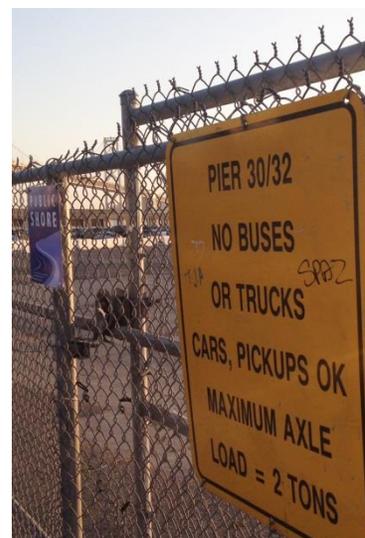
## LEASING AND DEVELOPMENT EFFORTS

During the past 15 years, Piers 30-32 has seen grand development proposals, spectacular special events, and daily life as commuter parking. Proposals have included a new cruise terminal in the early 2000s that included a mix of office and commercial uses, and more recently a proposal for a major sports arena/event center. Proponents abandoned major development projects for a combination of reasons including the high cost of renovating the Piers and the uncertainty of being able to receive project entitlements. A summary of those projects is provided in Exhibit 1. Detailed discussion of past Piers 30-32 development efforts was included in a comprehensive review of changes under the Waterfront Land Use Plan Review from 1997- 2014<sup>2</sup>.

Since 2000 the Piers have been the site of various temporary uses such as the 'X Games', the annual Fleet Week celebration, a backup cruise terminal for the Port, commissioning of the USS America, and berthing of many visiting ships. Between events, the east berth frequently is used for lay-berthing. On a daily basis the Piers are a commuter parking lot during the day and are closed in the evening. More recently, special events and parking have been scaled back due to deteriorating substructure conditions resulting in weight limits on the Piers.

## CURRENT USE AND CONDITION

Piers 30-32 are currently used for lay-berthing, auto parking, limited special events, and back-up cruise terminal berthing. In 2011 the Port's engineering consultant recommended repairs to the structural concrete slab, concrete girders and beams, and concrete piles that have deteriorated due to the presence of salt water and the porous nature of concrete. The Piers have long since survived beyond their anticipated design life, which at the time of construction was a 50 year expected lifespan. Given the unpredictable nature of deterioration, in 2014 the Port's Engineering Division estimated the remaining useful life of



<sup>2</sup> Waterfront Land Use Plan Review: [http://sfport.com/sites/default/files/FileCenter/Documents/9896-WLUP\\_Review\\_Chapter4\\_June2015\\_part2.pdf](http://sfport.com/sites/default/files/FileCenter/Documents/9896-WLUP_Review_Chapter4_June2015_part2.pdf)

the Piers at about 10 years. During this period and beyond, the Piers are expected to suffer localized failures at random points throughout the 13 acres. When such failures occur, Port engineers will reassess the Piers and likely barricade the failed areas, taking them out of use. The Piers may also suffer serious damage during a moderate to major earthquake. As a result of a recent Port structural assessment load restrictions now limit vehicle access to parts of the Piers.

## **PLANNING CONTEXT**

### ***Historic District***

The Embarcadero Historic District runs adjacent to Piers 30-32 and includes Pier 28 and the Embarcadero seawall. Piers 30-32 is not a contributing resource to the District because the Pier bulkheads and sheds burned down in the 1980's. Red's Java House, located on the northwest edge of Pier 30 near the Embarcadero, is not a contributing historic resource to the Embarcadero Historic District, but is a valued community resource.

### ***State Lands***

Piers 30-32 and most all property under the jurisdiction of the Port of San Francisco are subject to use limitations described in the Burton Act (which granted the Port to the City) and the common law public trust (together, the Public Trust). Uses allowed under the Public Trust include maritime, environmental preservation and recreation and ancillary or incidental uses that promote Trust uses or that facilitate the public's use and enjoyment of the waterfront. Common revenue generating uses such as private office and neighborhood serving retail (dry cleaners, barber and beauty shops) are not consistent with the Public Trust, except in the context of historic rehabilitation projects when combined with other Public Trust uses. Uses such as ship berthing, recreational marinas, public open space, and visitor serving retail are typically found to be consistent with the Public Trust.

Any proposed use of Piers 30-32 that includes significant uses that are not consistent with the Public Trust will likely require state legislation with California State Lands Commission (State Lands) and the Bay Conservation and Development Commission (BCDC) review and comment, similar to the legislation for the Bryant Street Pier and Golden State Warriors Multi-Purpose Arena projects (see Exhibit 1 for more detail).

### ***Waterfront Land Use Plan***

On August 11, 2014 the Port of San Francisco released the *Draft – Port of San Francisco Waterfront Land Use Plan 1997 – 2014 Review* (WLUP Review). The WLUP Review looked back at the Port's Land Use Plan and cited how the Port has implemented the Plan in the 17 years since its adoption. The WLUP Review also provided high level policy recommendations for Port Commission consideration and specific recommendations for Port properties including those in the South Beach area and Piers 30-32.

Addressing Piers 30-32, the WLUP Review stated:

“Given the current understanding about the extraordinary expense of pile-supported pier repairs and new utilities and infrastructure, the Port and the local community should evaluate next steps for Piers 30-32. Until the Port Commission makes a decision about the disposition of this site, Piers 30-32 should continue to generate revenue from daily parking and provide periodic lay berthing access, including Fleet Week and other dignitary, scientific or visiting vessels.”

While development plans have not succeeded at Piers 30-32, the WLUP Review states that “The Port Commission has directed Port staff to take stock of the challenge and return with a proposed strategy for Piers 30-32.” The WLUP Review acknowledges the extent of deterioration that limits use opportunities and that more intense levels of use would trigger seismic upgrades, and that parking, layberthing on the east end, and interim special events will continue until the Port Commission decides on a more permanent use.

Currently the Waterfront Land Use Plan states a broad list of allowable uses for Piers 30-32 which include a variety of maritime uses, public open space, assembly and entertainment, general office, retail, warehousing, wholesale trade, and community facilities.

#### ***San Francisco Planning Code***

Piers 30-32 is located in Waterfront Special Use District #2 on the San Francisco Zoning map, zoned M2 with a height limit of 40 feet.

#### ***Bay Conservation and Development Commission (BCDC)***

BCDC has jurisdiction of land within 100 feet of the shoreline band and also is obligated to find a project consistent with the Public Trust principles when granting a permit. For example, BCDC policies require that any development proposal achieve “maximum feasible public access” within 100 feet of the edge, and that a project should not include new fill or bay cover. The BCDC *Special Area Plan for the San Francisco Waterfront* assumes Piers 30-32 is a development site, but also calls it out as a potential *fill removal* site.

#### ***Army Corps of Engineers (ACOE)***

Piers 30-32 are subject to ACOE permitting for work in the Bay that involve installing piles or placing or removing fill. As described above, the ACOE may choose to regulate a substantial number of piles that have the effect of impeding water flow as fill under the Clean Water Act.

### ***Federal Emergency Management Agency (FEMA)***

FEMA's recently released draft flood insurance rate maps show that Piers 30-32 are in a Coastal High Hazard area (VE Zone). The current Base Flood Elevation (BFE) of Piers 30-32 with respect to North Atlantic Vertical Datum (NAVD) is 14.0 feet, which is about 1.3 feet higher than the existing Piers 30-32 deck. Subject to further direction from the Port Commission, Port staff is planning to appeal the BFE for Piers 30-32 and nearby piers to FEMA based on it being substantially higher than that of piers to the north and south.

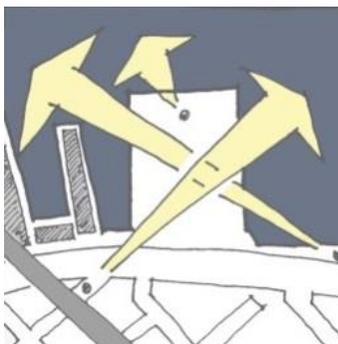
In a Coastal High Hazard Zone, FEMA regulations prohibit construction of new buildings seaward of the mean high tide, with exceptions for water dependent uses. If a new project were to include construction of buildings that are not for water dependent uses, the proposal would need to address the current and future flooding associated with sea level rise and a remap of the Piers from the Coastal High Hazard Zone to a less hazardous flood zone.

### **SITE PLANNING CONSIDERATIONS**

The following are key concepts when the future of Piers 30-32 is considered. These concepts express the values of the Port's Public Trust mission, compatibility with the Embarcadero Historic District, desires by many City and waterfront visitors, and the natural environment of the Bay.

#### ***A Berth for Large Ships***

Piers 30-32 has one of the Port's best deep water berths due to the tidal flushing action of the Bay. Reuse or reconstruction of the Piers should maintain the eastern edge in approximately its current location.



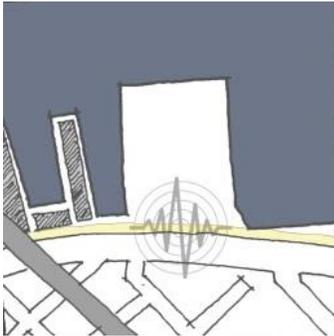
#### ***Views from and through the Piers***

The South Beach waterfront features expansive views of the Bay Bridge, Yerba Buena Island and the East Bay hills. New structures should be positioned to maintain or frame significant views from Brannan Street Wharf, the Embarcadero and Spear Street. Development on the Piers could also provide new view opportunities across the Bay.



### ***Reinforce the Waterfront Pattern of Buildings at the Embarcadero***

Bulkhead buildings located at the seawall are one of the strongest and most defining features of the Embarcadero Historic District. Development on Piers 30-32 could consider reinforcing this built form with new structures.

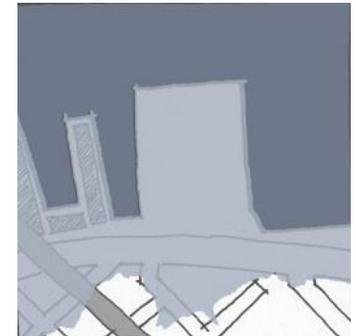


### ***Seismically Reinforce the Seawall and the Piers***

To improve safety and the City's resilience in a major earthquake, strengthen the seawall and the Piers.

### ***Plan for Sea Level Rise***

The Port with the City continues to study sea-level-rise and its potential impacts on the San Francisco waterfront. As described in greater detail below, redevelopment of Piers 30-32 should accommodate the anticipated rise and consider the Piers' role in protecting the City.



## **SEA LEVEL RISE**

As per most of the buildings within the Embarcadero Historic District, Piers 30-32 were built adjacent to the seawall when it was constructed from about 1910 to 1912. The deck elevation was set to provide adequate protection from tides and wave surge, while being at a height to allow loading and unloading of ships. Most piers are not currently prone to flooding even in the highest tide and storm conditions, however, sea levels are expected to rise in the coming years.

The City is in the process of determining the extent of impacts of sea level rise and is exploring options to adapt to a higher water level. At this time the City is planning for a sea level rise of about 16 inches by 2050, and 36 to 66 inches by 2100. By 2050 many of the Port's historic piers will experience regular flooding. A rise of 16 inches at Piers 30-32 could impact Piers 30-32 several times per year. When the Port's piers begin to experience flooding, so will the Embarcadero Roadway. The Mayor's Sea Level Rise Coordinating Committee has initiated long-range planning to examine possible solutions to the problem of coastal flooding due to sea level rise, including a planned design competition called Resiliency by Design. The City's sea level rise planning will examine options to protect the Port.

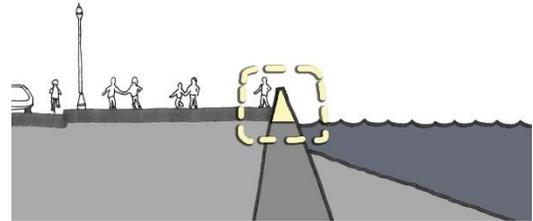
Sea level rise will likely create difficulties with pier maintenance and accelerate damage to piers. With rising sea levels, the available time windows to work under the piers to

perform inspection, repair, and maintenance of pier substructure deck and piles, will slowly be reduced, thus incrementally increasing time and expense for conducting these activities. Also, due to increased exposure to the corrosive marine environment, concrete degradation is expected to accelerate.

Several approaches are explored here for how Piers 30-32, or the area now occupied by Piers 30-32, could be changed to accommodate the anticipated sea level rise in 2050 or possibly 2100.

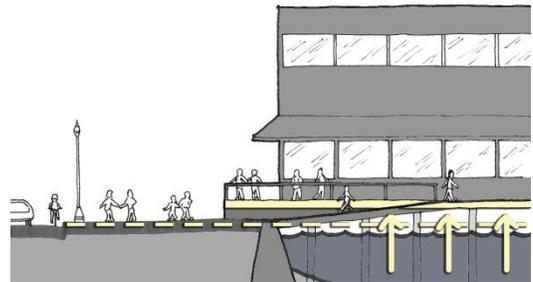
### **Raise the Seawall**

Construct or modify the seawall, now located at the edge of the Embarcadero Promenade, to a higher elevation to limit City flooding. Raising the seawall could be part of a larger seismic strengthening project along the waterfront.



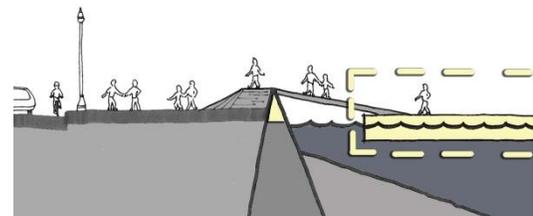
### **Build a Higher Wharf**

The wharf, the pile supported area immediately adjacent to the seawall could be reconstructed at a higher elevation in conjunction with a raised seawall. A new adjoining pier could also be reconstructed at a higher elevation.



### **Floating Pier**

Remove the existing Piers 30-32, raise the seawall as described above, and provide a new floating pier. The float could be sized for its intended use, whether as a simple walkway to provide access to a ship berth, or as a larger surface to accommodate a building or open uses.



## **FINANCIAL FEASIBILITY ANALYSIS OF PRELIMINARY TRUST-CONSISTENT OPTIONS**

There are many ways that Piers 30-32 could be configured that would meet the suggestions described in Site Planning Considerations while also improved for projected sea level rise.

This section of the staff report enumerates several site options which would be consistent with the Public Trust and therefore would not require state legislation. Staff developed these options in response to the Port Commission's request, and to further

inform planning for Piers 30-32 as part of the Waterfront Plan Update process. Port Engineering and Finance staff provided assistance in the development of conceptual design, construction cost estimates, and revenue projections for each alternative. Not examined in this report is a mixed-use program (with significant non-trust uses) that in order to proceed would require state legislation.

Port staff expects that the Port Commission and the public will have further ideas about the future of Piers 30-32. The concepts discussed in this report are illustrative, based in part on ideas that members of the public have previously mentioned. The purpose of this analysis is to demonstrate an approach to site planning and financial feasibility analysis that can inform future land use recommendations in the subarea planning process planned for South Beach in 2017, and the Port Commission's future land use decisions for Piers 30-32 as it considers updates to the Waterfront Land Use Plan.

Based on staff's preliminary analysis, most of the preliminary options presented in this report are financially infeasible without significant public subsidy. Given the need to address the Port's seawall and steward the Port's historic resources, there are very important competing needs along the Port that also require public subsidy. The Port's 10 Year Capital Plan FY 2016-2025 identifies \$1.1 billion of unmet need of which Piers 30-32 represents \$102 million for substructure and seismic improvements. These estimates do not include costs for sea level rise adaptation improvements.

The following diagrams are concepts that respect the general framework of the current regulatory environment. None are intended to be a design for a project, but are rather intended as a springboard for Port Commission and public discussion about the future of Piers 30-32.

Each diagram presents a program of uses that would be consistent with the Port's Public Trust requirements. Each scenario would provide significant public space and access along the Pier's edges, and often in larger areas or in combination with other uses. Each scenario is configured to remain within the footprint of the existing Piers. In addition, most scenarios meet the following criteria:

- Provide an opportunity for a ship berth at the deep, east end of the Piers
- Continue an Embarcadero built edge
- Consider views, and
- Provide an approach to accommodate a rising sea level

An approach for dealing with the deteriorated condition of Piers 30-32 is addressed in each of the options except in Option A, which would continue to use the Piers in their current condition. The analysis for each is based on a conceptual layout of uses. If a more complete understanding of project costs is desired the land use concepts would need to be developed into a design and analyzed further. Port staff has developed a planning level feasibility analysis that includes 2015 construction costs (without escalation), revenue estimates, operating cost estimates and financial assumptions which are summarized at a high level in this report.

Several use programs were tested, assuming a seismic upgrade of the existing Piers, or new construction. New construction is explored through both pile supported piers and floating piers. The concepts presented here are a starting point to assist others in imagining reuse possibilities.

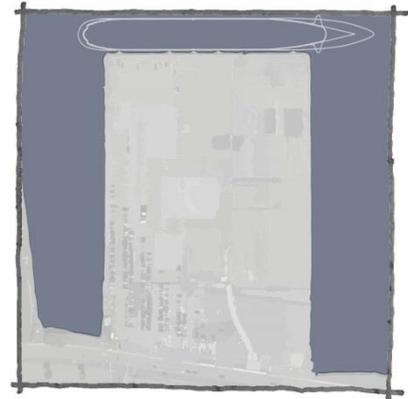
Importantly, the analysis below does not assume that public subsidies are available to underwrite the costs of Piers 30-32. In the past, the Port has offered development of a portion of Seawall Lot 330 for mixed use development as a source of subsidy for Piers 30-32. Recent efforts have demonstrated that even with this subsidy, the costs associated with Piers 30-32 yield a *negative land value*. The Port's capital needs associated with its historic resources and the Seawall are so significant that staff recommends that the value of Seawall Lot 330, and associated tax increment, be reserved for high priority Port capital needs that will score well under the Port Commission's adopted capital planning criteria.

### *Option A* **Continue Existing Uses**

#### Option A Assumptions:

Continue to use for commuter parking

- Evaluate condition every 5 to 10 years
- Periodic structural repairs
- Cordon off unsafe areas
- Functional life likely will end in 20-30 years
- Red's Java House remains



The existing 13 acre Piers would continue with their present uses: special events, parking for Giants games and commuters on a daily basis; periodic ship berthing for cruise and other visiting ships; and special events about six times per year. Parking generates almost all of the \$750,000 in annual revenue. The Piers would not be upgraded for assembly uses, but could continue with occasional special events. Red's Java House is located on the north edge of Piers 30-32 adjacent to The Embarcadero Promenade and would continue in operation as long as this section of the pier is safe.

The pier structure should be evaluated every 5 to 10 years to determine the viability of continuing existing uses. It may be determined that the Piers are no longer able to be used and would need to be removed from service. The financial analysis assumes that the Port would perform \$1M in repairs to the substructure every five years to extend the useful life. Because of the limited amount of investment and not addressing sea level rise, portions of the Piers could fail as soon as 5 or 10 years, and it is unlikely that the Piers could continue to be used beyond 20 to 30 years from this time.

**Option A Financial Summary (Years 1-30)**

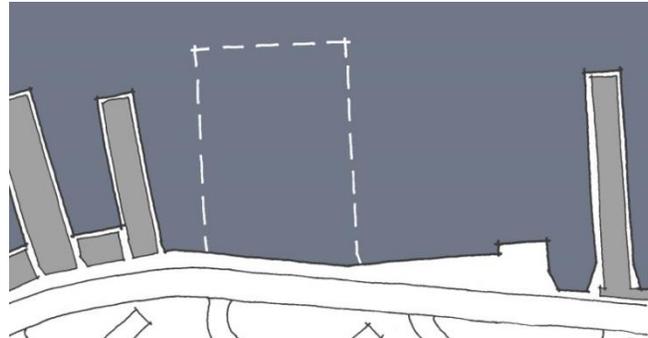
<b>NPV (Sum of Cash Flow PV)</b>	\$9,999,377
<b>Net Income</b>	\$21,000,833
<b>Total Capital Costs</b>	\$6,000,000
<b>ROI</b>	350%

*Option B*

**Remove Existing Piers**

Option B Assumptions:

- Demolish existing piers and wharf
- New 13 acres of open water between Pier 28 and Brannan Street Wharf



The entire pier would be demolished to create a substantial new open water area. Because this option does not include any revenue producing uses the cost of removal likely would need to be publicly funded. Removal would require substantial public investment and the Port would need to absorb the loss of current revenue, which is not considered in the total capital cost assumption.

**Option B Financial Summary**

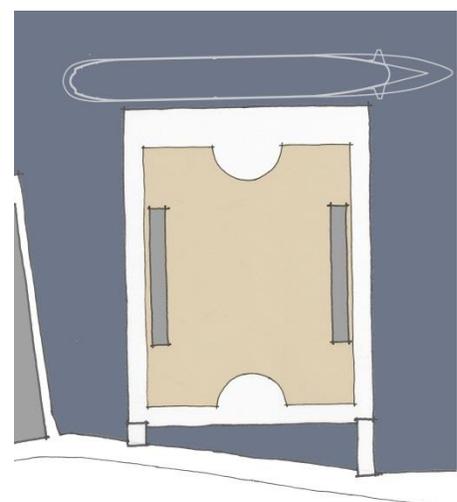
<b>Total Capital Costs</b>	\$40,180,000
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*Option C*

**Removal with Floating Open Space**

Option C Assumptions:

- Remove existing pier and wharf
- Raise seawall for flood protection and improve for earthquake safety
- Construct new 11 acre float for public open space
- New ship berth
- New event building



The entire pier would be demolished and the historic seawall would be strengthened for earthquake safety and raised for sea level rise protection. A new 480,000 square foot (11 acres) float would be constructed for use as a premier public open space. A 30,000 square foot multi-use event building is included at the ship berth.

Revenue from the event building and ship berth would not be enough to significantly offset the project cost. Construction would require substantial public investment.

<b>Option C Financial Summary</b>	
<b>NPV (Sum of Cash Flow PV)</b>	<b>(\$504,184,025)</b>
<b>Total Construction Cost</b>	\$453,830,000
<b>Total Capital Cost (1)</b>	\$722,222,641
<b>ROI</b>	-96%

(1) Capital cost is projected to be higher than construction cost due to ongoing capital costs to maintain a floating pier over its lifespan.

### *Option D*

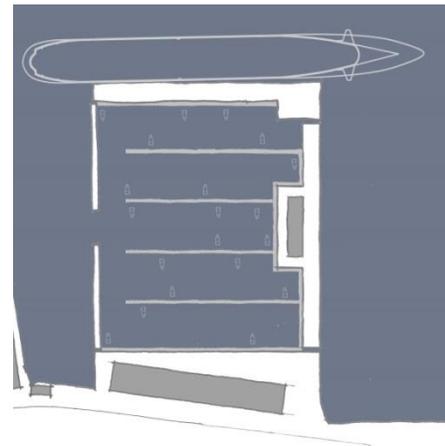
#### **Pier Removal and New Marina**

Option D Assumptions:

Remove existing pier and wharf

- Raise seawall for flood protection and improve for earthquake safety
- Construct new wharf for commercial uses and public access
- Construct a new floating walkway and ship dock
- New recreational marina and ship berth

The entire pier would be demolished, and the historic seawall would be strengthened for earthquake safety and raised for sea level rise protection. A new 130,000 square foot wharf would be constructed at a higher elevation with bulkhead buildings that would reinforce the built pattern along the Embarcadero seawall. The buildings assume a mix of retail uses. A new 220 berth recreational marina and ship berth would be built and accessed via large floats. Marina users would drop-off passengers and supplies on the pier, and parking would need to be supplied off pier. As part of pier demolition dredging would be required for the marina. Construction would require substantial public investment.



<b>Option D Financial Summary</b>	
<b>NPV (Sum of Cash Flow PV)</b>	<b>(\$266,062,128)</b>
<b>Total Construction Cost</b>	\$256,415,000
<b>Total Capital Cost (2)</b>	\$446,524,454
<b>ROI</b>	-85%

(2) Capital cost is projected to be higher than construction cost due to ongoing capital costs to maintain a new wharf, marina and berth over its lifespan.

## **CONCLUSIONS AND NEXT STEPS**

Staff has prepared this preliminary site analysis to assist the Port Commission and the public in forthcoming discussions regarding potential uses of this unique site. Staff welcomes feedback on the analysis from the Port Commission.

Prior proposals for Piers 30-32 required state legislation – developed with input from State Lands and BCDC – to authorize non-trust uses contemplated to make the developments financially feasible. Those development use programs were much more intensive than the options examined in this report. With the exception of continued use of the piers for parking, the public trust-consistent uses analyzed in this report require public subsidy ranging from \$40 million for pier removal to hundreds of millions of dollars for marina or floating park uses. There are likely more financially feasible locations for such uses along the waterfront.

Port staff did not examine costs and financial feasibility for the next “big idea” that may be proposed for Piers 30-32. For such a use to be successful at the site, location must matter more than cost, and patience will be required to obtain public support and to navigate the very challenging regulatory process for this unique site. New state legislation developed in consultation with State Lands and BCDC may very well be required for such an effort. In the view of Port staff, the Port’s other capital needs, including the Seawall, will preclude Port subsidy of such a redevelopment effort,

The Port Commission has already directed staff to engage the public in a focused discussion of land use in South Beach, including the Piers 30-32 site; staff expects that this subarea planning effort will commence in 2017 after the Waterfront Plan Working Group completes its 2016 analysis of waterfront-wide land use policies. Staff will report back to the Port Commission with Piers 30-32 discussions as they unfold in this process.

Prepared by: Dan Hodapp,  
Senior Waterfront Planner

Brad Benson,  
Director of Special Projects

For: Byron Rhett,  
Deputy Director of Planning  
and Development

Exhibit 1: Major Piers 30-32 Development Efforts

## Exhibit 1: Major Piers 30-32 Development Efforts

### ***Bryant Street Pier/ Piers 30-32 James R. Herman Cruise Terminal (2000 – 2006)***

Following a 1998 Port report that found that both Piers 27-29 and Piers 30-32 were strong candidates for a new cruise terminal, the Port Commission authorized a request for proposals for a mixed- use development at Piers 30-32 and Seawall Lot 330 in which the Port's primary objective was to develop a state-of-the art James R. Herman cruise terminal facility, with a hotel on Seawall Lot 330. In May 1999, the Port issued a request for proposals and in January 2000, the Port Commission approved the recommendation by Port staff to enter into exclusive negotiations with San Francisco Cruise Terminal, Inc. ("SFCT"), a subsidiary of Bovis Lend Lease.

Port staff and SFCT negotiated a three-phase, \$347 million, 16-acre project at Piers 30-32 and Seawall Lot 330 featuring:

- a 22-story condominium tower known as the Watermark with 136 units (16 of which are below market rate units) on Seawall Lot 330, intended to generate proceeds to fund later project phases;
- demolition of Pier 36 and construction of the Brannan Street Wharf, utilizing funds generated from the Watermark and development of Piers 30-32;
- a 100,000 square foot, state-of-the-art international cruise terminal served by an 850 foot long berth along the pier's northern edge and a 1,000 foot long berth along the eastern edge, approximately 325,000 square feet of office space and 195,000 square feet of retail space, and 425 parking spaces, with 35% of Piers 30-32 dedicated to public access.



In attempting to become an economically viable project, the Port and SFCT pursued and obtained State Legislation (AB 1389) to allow a greater amount of office space to support the Trust consistent maritime uses. The project received environmental clearance, but did not receive all permits required for in-water construction. The Watermark was constructed and opened in 2006. Despite better than expected revenues from condominium sales, SFCT determined that the cost of the piers and the cruise terminal had escalated by 45% and 24%, respectively, and that the pier project was not financially feasible - a finding later confirmed by DeBartolo Development. Port revenues from the Watermark were used to fund construction of the Brannan Street Wharf and the James R. Herman International Cruise Terminal at Pier 27.

### **34<sup>th</sup> America's Cup (2010-13)**

In December 2010, the BMW Oracle Racing, sailing for the Golden Gate Yacht Club selected San Francisco as the host city for the 34<sup>th</sup> America's Cup and created the America's Cup Event Authority, LLC (the "Event Authority") for purposes of organizing the event and the America's Cup Race Management ("Race Management") to adjudicate the event.

The City and the Event Authority concluded negotiations on a Lease Disposition and Development Agreement ("LDDA") in early 2012, which provided long-term development rights at Piers 30-32 and Seawall Lot 330 rent free in exchange for the Event Authority's initial \$55 million investment for improvements to support the America's Cup race events, and provisions for lease and development rights affecting Piers 26, 28 and 29 if investment exceeded \$55 million. The LDDA included a City pledge to form an infrastructure financing district to fund public improvements associated with future development at long-term development sites. There was no proposed development program for these sites articulated in the LDDA. Negotiations and the entitlement process sought to define the details of temporary improvements required for the America's Cup race events, and lease and development parameters for the other piers.

The Event Authority expended considerable effort analyzing Piers 30-32 and the costs to seismically strengthen and improve the piers – first to host team bases for competitors in the event – and then as a platform for future development. Costs to improve Piers 30-32 rose throughout the negotiations. While the City managed to permit the America's Cup race improvements in time, City staff had real concerns about the ability to construct Piers 30-32 improvements in time for the event.



The rising cost estimates for long-term development and Board of Supervisors and community stakeholder concerns made the negotiations challenging. There was controversy regarding Port and City expenditures to support the event compared to the tax and economic benefits of the event which were originally forecast. Ultimately, the Event Authority's withdrew from the LDDA negotiations and gave up on the proposition of long-term development as a means of financing waterfront improvements.

The Port and Office of Economic and Workforce Development subsequently negotiated a plan with the Event Authority whereby the City would fund all necessary waterfront improvements for the event and provide venues rent-free, without long-term development rights. The Port implemented strategic repairs and improvements to serve

the race events and ongoing uses thereafter, which were financed primarily through Port sources. This included \$1.9 M spent on Piers 30-32 to repair a portion of the marginal wharf and pier to support industrial truck access and permit team bases to occupy the Piers. The Port Commission and the Board of Supervisors approved this plan, which City staff executed, and the focus shifted to the 34<sup>th</sup> America's Cup sailboat racing events on San Francisco Bay.

### ***Golden State Warriors Piers 30-32 Multi-Purpose Pavilion and Seawall Lot 330 Mixed Use Development***



In 2012, the City and the Golden State Warriors (GSW) partnered on a proposal to develop and build a premiere sports and entertainment pavilion at Piers 30-32 pursuant to sole source negotiations which the Board of Supervisors and Port Commission authorized unanimously. GSW proposed to repair and seismically upgrade 13 acres of deteriorating piers to build a multi-purpose venue with private funds and develop Seawall Lot 330 with a mix of residential, hotel and retail uses. The project included open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay. Total project costs were estimated at over \$1 billion.

The facility was designed to host the Bay Area's NBA basketball team, as well as provide a new venue for concerts, cultural events and conventions, and other prominent events that the City currently cannot accommodate with existing facilities. The cost of repairing and seismically upgrading Piers 30-32 for these uses eventually rose to \$165 million. The City's contribution to project pier substructure costs was capped at \$120 million, with funding to come from project-generated Infrastructure Financing District (IFD) tax increment proceeds, rent credits against the fair market value rent of Piers 30-32 and the fair market land value of Seawall Lot 330.

The design of the facility by Snøhetta was generally recognized as being world class and responded to virtually all comments from Port, Planning Department and San Francisco Bay Conservation and Development Commission (“BCDC”) staff. The proposed facility’s maritime program included a new fire station to house the San Francisco Fire Department’s marine unit, currently housed at Pier 22½ and would have preserved the deep water vessel berth at the east end of the pier. The public nature of the project, with its emphasis on entertainment and public open space would have enlivened this area of the waterfront. Many residents, however, see the neighborhood as a predominantly residential neighborhood that could not handle the twin pressures of baseball games at AT&T Park and events hosted at GSW’s proposed pavilion. Some members of the public made a distinction between an open air baseball park with Bay views, and a closed basketball arena, and concluded that a basketball arena could not be a public trust use. Others viewed the project – which would have required rezoning from 40 feet to approximately 128 feet – as inappropriate for the site, and not in keeping with an established consensus for waterfront heights. In June, 2014, voters approved Proposition B – a measure requiring voter approval of height increases on Port property

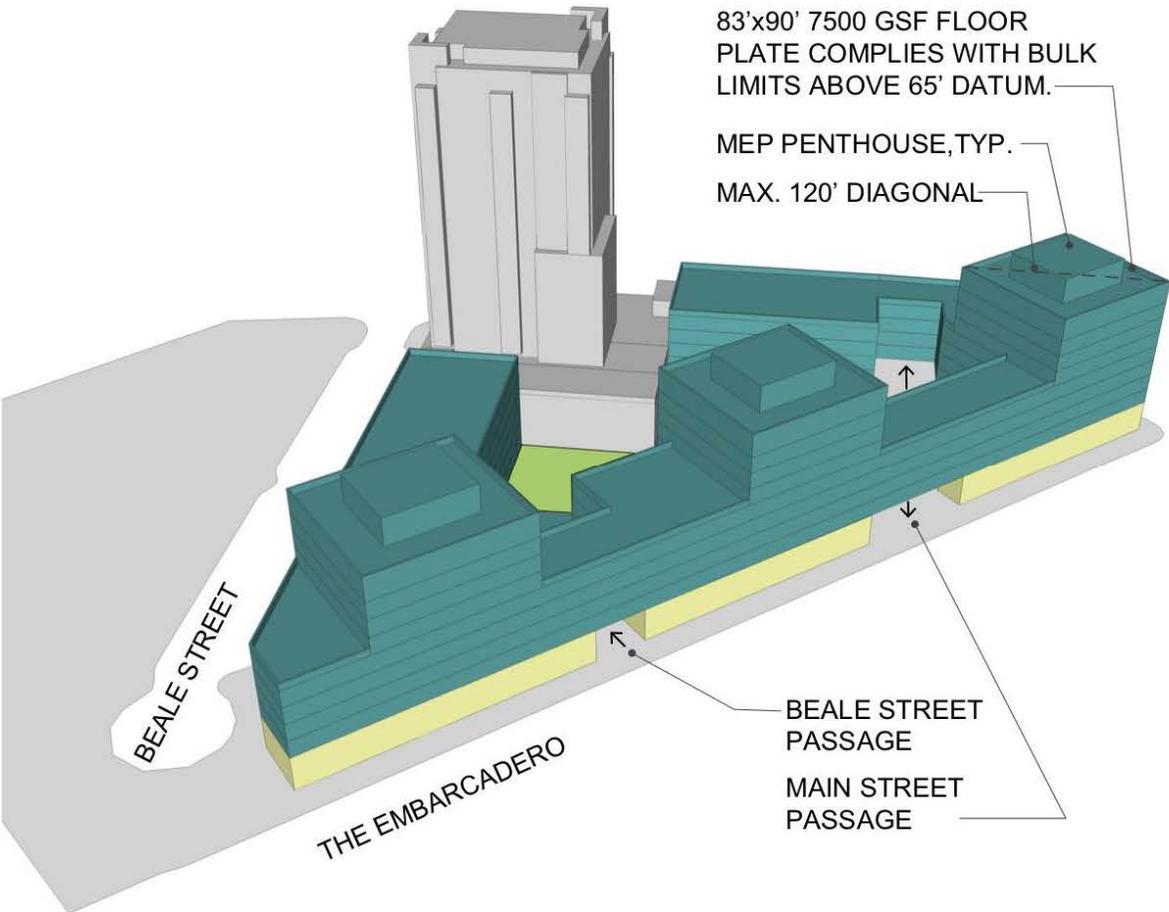
Site due diligence revealed that Piers 30-32 substructure costs exceeded the City’s sources to repay the private investment in that public infrastructure. As a result, the project dealt with a clear capital need for the Port, but generated no future base rent. Early outreach by City staff to California State Lands Commission (“State Lands”) and BCDC staff indicated the need for state legislation to address the consistency of the proposal with the public trust for commerce, navigation and fisheries. The California Legislature adopted AB 1273 setting standards for the facility and making findings of project trust consistency after lengthy negotiations with both State Lands and BCDC staff. The legislative approval of AB 1273 and BCDC hearings on the topic generated significant controversy.

The project required approvals from BCDC and the Army Corps of Engineers. BCDC staff determined that its Special Area Plan would need to be amended to address the height and scale issues raised by the proposed pavilion – a very lengthy process that requires the BCDC Commission to find that plan amendments are "necessary to the health, safety or welfare of the public in the entire Bay Area." Staff of the Army Corps of Engineers suggested a 3 to 5 year timeline for permitting new pile installation for the pier substructure, and also suggested that due to the number of piles proposed, the Corps retained the discretion to regulate the project as fill under the Clean Water Act. Placement of fill under the Clean Water Act requires three important findings:

- The fill is required for flood control purposes or to support a water-dependent use;
- There is no feasible upland location for the project; and
- The project is the least damaging practicable alternative.

In response to permitting challenges and the expected need for voter approval of the project, in Spring 2014 GSW changed plans to build at Piers 30-32 and purchased a site in Mission Bay for their new facility.

**Exhibit D: Golden State Warriors Code Compliant Design for Seawall Lot 330**



**GOLDEN STATE WARRIORS**  
SEAWALL LOT 330 - CODE COMPLIANT ALTERNATE  
VIEW FROM SOUTH  
NTS

**SNØHETTA** BARARCHITECTS  
**CEQA SUBMITTAL**  
12/17/13 - CEQA NEEDS REF. DF