

## MEMORANDUM

October 17, 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:** Request authorization to issue a Request for Proposals (RFP) for the adaptive reuse, rehabilitation, lease and operation of the South Beach Historic Piers (38 and 40) within the Embarcadero National Register Historic District, consistent with the goals and policies of the Draft Waterfront Plan and the Port's Resilience program.

**DIRECTOR'S RECOMMENDATION:** Approve attached resolution authorizing release of RFP

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### **EXECUTIVE SUMMARY**

On May 28, 2019 the Port Commission received an update on the status of advancing the "Embarcadero Historic Piers Program,"<sup>1</sup> which was a strategy developed through Port staff analysis and community feedback in connection with both the Waterfront Plan update and Port Resilience Program. The Embarcadero Historic Piers Program seeks to secure development partners to invest in and rehabilitate the historic piers within the Embarcadero Historic District consistent with public discussions and recommendations that have been incorporated into the Draft Waterfront Plan ("Waterfront Plan") Plan Goals, Embarcadero Public Trust Objectives ("Public Trust Objectives") and the Port Resilience Program.

In summary, the Waterfront Plan promotes the seismic upgrade and historic rehabilitation of Embarcadero Historic District piers, to enable them to be improved for public use and enjoyment and maritime uses. The Waterfront Plan policies recognize financial feasibility requirements for historic pier rehabilitation projects which will require

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

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<sup>1</sup> See May 2019 Staff Report: <https://sfport.com/sites/default/files/Documents/Item%2011A%20Historic%20Piers%20RFP.pdf>

revenue-generating uses to support the costs of seismic and historic rehabilitation, flood protection and sea level rise adaptation, and seawall repair. The Historic Pier Program was developed based on guidance from the Port Commission, the public, and Waterfront Plan Working Group during the Waterfront Plan planning process and has strong public support.

Within the Embarcadero Historic District there are 16 facilities that require investment and rehabilitation. At the May 28 hearing, the Port Commission requested that the initial solicitation would focus on the South Beach Historic Piers (38 & 40), with a subsequent solicitation addressing the Northern Waterfront Historic Piers (19-23 & 29-31).

Since May, Port staff has been planning the RFP, securing consultant assistance for the RFP process and conducting community outreach to secure community and stakeholder “Values and Priorities” for inclusion in the RFP, consistent with the process and draft policy outlined in the Waterfront Plan Goal: *Partnering for Success*.

This staff report provides an overview of key sections of the RFP and includes the following

- I. Strategic Plan Alignment
- II. Project Background
- III. Development Context
- IV. Values and Priorities as heard from the community and stakeholders
- V. Development Concept
- VI. Minimum Qualifications of Respondents
- VII. Scoring Criteria used to Review Responses
- VIII. Response Scoring Panel Composition
- IX. Port Commission Review and Selection Process
- X. Economic Benefits Port is seeking
- XI. Next Steps

Port Staff is seeking:

- guidance and feedback on the proposed RFP content being presented in this staff report. *Exhibit 1, RFP Parameters*, provides an overview of the South Beach Historic Piers offering; and
- approval of the attached resolution, authorizing release of the South Beach Historic Piers RFP.

## **I. STRATEGIC PLAN ALIGNMENT**

A successful solicitation will elicit proposals from highly-qualified development team(s) and include a range of public-oriented and maritime tenants and other revenue-generating uses to implement a financially feasible project. The project’s success will be defined by its rehabilitation and maintenance of historic assets, resilience and adaptation strategies that enliven the South Beach waterfront area and advance the Port’s stewardship of the Embarcadero Historic District, which is listed on the National Register of Historic Places.

If approved and implemented, these projects will achieve five of the Port's Strategic Plan objectives (2019-2023 Strategic Plan):

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

Stability: Maintain the Port's financial strength by addressing deferred maintenance at the subject piers using private capital and project-generated revenues, leaving the Port with more capital funds to address deficiencies at other facilities.

Resiliency: Completed projects will prepare the Port for natural and human made risks and hazards through seismic strengthening of the adjacent sea wall and providing flood protection for the piers.

Engagement: Through the course of the project, we will increase the public's awareness of the purpose and benefits of Port functions and activities.

## **II. PROJECT BACKGROUND**

The Waterfront Plan recommendations developed through a 30-member stakeholder Working Group and public process include Port-wide Goals and Policies, Subarea Objectives, Acceptable Uses, and proposed policies on Embarcadero Public Trust Objectives ("Public Trust Objectives") which will guide the rehabilitation and reuse of the Embarcadero Historic Piers. The Waterfront Plan process led to community consensus for the adaptive reuse the historic piers for a variety of uses that attract the greatest diversity of people to the waterfront and create a more resilient waterfront.

The Public Trust Objectives described further below recognize that delivery of important Trust benefits must be part of a financially feasible project which generates fair market rent to the Port; thus the Trust Objectives allow revenue-generating uses (such as office) to meet these financial feasibility requirements.

To test interest from small and large operators, the Port issued a Public-oriented Use Request for Interest (RFI) in the summer of 2018 for 14 facilities in the Embarcadero Historic District. Port staff presented the 52 RFI responses it received to the Port Commission on December 11, 2018.<sup>2</sup> Port staff also conducted in-depth analysis and consideration of factors affecting a pier development's potential for success and presented an RFP strategy to the Port Commission on February 26, 2019.<sup>3</sup> On May 28, 2019, the Port Commission directed staff to advance the RFP process starting with the South Beach Piers, followed by the Northern Waterfront Piers in 2020. Since May, staff have formed an inter-divisional team, developed a milestone schedule, secured

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<sup>2</sup> <https://sfport.com/sites/default/files/Documents/Item%2012A%20RFI%20info.pdf>

<sup>3</sup> <https://sfport.com/sites/default/files/Commission/Item%209A%20-%20Historic%20Piers%20FINAL.pdf>

consultant assistance and completed the community outreach to seek stakeholder input on Values and Priorities for Piers 38 and 40. The following provide details of key sections of the RFP.

### **III. DEVELOPMENT CONTEXT**

#### **Site Location and Setting**

The South Beach Historic Piers are located within the Port's South Beach subarea. The Piers are located directly adjacent to Oracle Ball Park, Mission Bay and the recently rezoned Central SOMA area and is approximately one mile south of the City's Financial District (see Exhibit 2: Site Location and Setting). The South Beach area is well served by public transit, including BART, Caltrain, SF Muni, and Ferries and has nearby access to both I-280, and the Bay Bridge.

These piers are among the oldest along the Waterfront and are in moderate to poor condition, creating financial feasibility challenges for pier rehabilitation and intensification of use. Port staff has worked with real estate economics consultants to analyze the factors bearing on feasibility under conservative assumptions; the strategy of combining Pier 38 with Pier 40 into a single development opportunity within a relatively flexible RFP is intended to improve the likelihood of a successful project (see "Economic Minimums" section below for further discussion of the solicitation strategy).

There are also other locational factors that will bear on project performance and advancement of public objectives. This area of the waterfront attracts high levels of local and regional foot traffic and Pier 38 received significant interest from RFI respondents. Pier 40 is adjacent to the South Beach Harbor, a well utilized recreational boating harbor with 700 Slips and 400 feet of guest and commercial docks. Additionally, the harbor has excursion yachts, a yacht club, harbor masters office, community room and the South Beach Park. Pier 40 includes existing commercial businesses that support recreational boating.

#### **Draft Waterfront Plan**

The Waterfront Plan<sup>4</sup> released in June of 2019 is an update to the Waterfront Land Use Plan originally adopted in 1997. The Waterfront Plan is the outcome of a three-year community planning process that led to 161 policy recommendations, including Public Trust Objectives. Those recommendations were endorsed by the Port Commission at the August 14, 2018 meeting<sup>5</sup> and incorporated into the Plan's proposed 9 goals, policies, objectives and acceptable land use tables for five subareas along the Port's 7 ½ mile waterfront, including the South Beach Subarea.

The Plan's goals, polices, objectives and acceptable uses guide the development of the historic piers. The nine Port wide goals are summarized below:

1. **MARITIME:** Preserve and enhance the Port's diverse maritime industries

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<sup>4</sup> [https://sfport.com/sites/default/files/UPDATED\\_COMPRESSED\\_FinalWaterfrontPlan\\_DigitalVersion\\_6.10.2019.pdf](https://sfport.com/sites/default/files/UPDATED_COMPRESSED_FinalWaterfrontPlan_DigitalVersion_6.10.2019.pdf)

<sup>5</sup> <https://sfport.com/sites/default/files/Commission/Documents/Item%2011A%20Endorse%20WLUP%20recommendations.pdf>

2. **DIVERSE USES AND PEOPLE:** Public-oriented, recreational, workplace and civic uses that complement maritime industry and provide economic opportunity
3. **PARKS AND OPEN SPACE:** Complete the waterfront open space network, protect natural habitat areas, create a new Ferry Building plaza, activate and enliven waterfront parks
4. **QUALITY URBAN DESIGN:** Respect the waterfront's maritime heritage, promote physical and visual connections between the City and the Bay
5. **FINANCIALLY STRONG PORT:** Stimulate investment and waterfront revitalization, and equitably providing new jobs, revenues, and amenities for everyone
6. **SUSTAINABLE TRANSPORTATION:** Safe and accessible for people and goods, by all modes, for workers, neighbors, visitors and Port tenant operations
7. **ENVIRONMENTAL SUSTAINABILITY:** Limit the impacts of climate change, improve the ecology of the Bay, and promote healthy waterfront neighborhoods
8. **A RESILIENT PORT:** Strengthen resilience to hazards and climate change effects while protecting the community, ecological, social and economic assets and services
9. **PARTNERING FOR SUCCESS:** Strengthen partnerships and community engagement to increase public understanding of Port and community needs and opportunities

A significant outcome of the Waterfront Plan was the establishment of Public Trust Objectives that define feasible adaptive reuse criteria for the Embarcadero Historic Piers, developed in collaboration with California State Lands Commission staff. The resulting objectives recognize that preservation and adaptive reuse of these nationally significant historic maritime structures provides a public trust benefit, enabling these facilities to serve maritime and public access trust uses, activities that attract the public to use and enjoy these historic resources and uses that generate revenue to finance necessary improvements. The Public Trust Objectives are summarized below:

1. Repairs and rehabilitation that preserves the integrity of the pier facility and the Embarcadero Historic District, consistent with U.S. Secretary of the Interior Standards for the Treatment of Historic Properties
2. Capital repairs including seismic and life safety improvements and flood and sea level rise adaptation to support public uses and occupancy
3. Maritime and public access (public trust) uses provided on pier exteriors
4. Public trust and public-oriented uses included in the development program, with priority for providing these activities in the bulkhead buildings and, if feasible, in pier sheds
5. Revenue generation to finance project improvements and support other Port needs
6. Length of lease term as determined to amortize improvement costs

In the Waterfront Plan, the South Beach Subarea includes seven subarea specific objectives, which put a finer level of detail on the Port-wide goals. These will guide future development of the South Beach Historic Piers six of which provide guidance for Piers 38 and 40:

1. Preserve and improve existing maritime uses and provide focal points for public enjoyment of maritime and water-dependent activities in South Beach.
2. Maintain and activate an integrated series of parks and public access improvements that extend through South Beach and provide a unifying pedestrian connection to Mission Bay at China Basin Channel.
3. Promote activities and public access in South Beach pier projects within the Embarcadero Historic District
4. Take advantage of proximity to downtown San Francisco by providing attractions for the general public while respecting the living environment of the Rincon Hill and South Beach neighborhoods.
5. Maintain close working relationships with the San Francisco Municipal Transportation Agency and transportation agency partners to expand public transit and alternative transportation services that improve the safety and comfort of travel along the Embarcadero in South Beach.
6. Coordinate closely with resilience proposals produced through the Embarcadero Seawall Program to build understanding and support for innovations required to adapt to the impacts of climate change while respecting the history, character, and authenticity of the South Beach waterfront

The Waterfront Plan also identifies acceptable uses for each facility, Table 1 Acceptable Land Uses for Piers 38 & 40 is below. Details on types of publicly oriented uses are further described in *Exhibit 3: Diverse Use Policies* from the Waterfront Plan.

*Table 1- Piers 38 & 40 Acceptable Uses*

<p><i>Maritime</i></p> <ul style="list-style-type: none"> <li>• Ferry, Excursion &amp; Water Taxi</li> <li>• Historic Ships</li> <li>• Maritime Office</li> <li>• Harbor Services &amp; Maritime Industrial</li> <li>• Passenger Cruise Industry</li> <li>• Recreational Boating/Water Recreation</li> <li>• Ship Repair</li> <li>• Temporary &amp; Ceremonial Berthing</li> </ul>	<p><i>Public-Oriented</i></p> <ul style="list-style-type: none"> <li>• Artist/Designers</li> <li>• Assembly &amp; Entertainment</li> <li>• Museum &amp; Cultural</li> <li>• Retail (including food and beverages)</li> <li>• Recreational Enterprises</li> <li>• Visitor Service</li> <li>• Academic Organizations</li> </ul>
<p><i>Open Space/Public Access</i></p> <ul style="list-style-type: none"> <li>• Public Access/Public Realm</li> </ul>	<p><i>Commercial &amp; Industrial</i></p> <ul style="list-style-type: none"> <li>• General Office</li> <li>• Production, Distribution, Repair (PDR)</li> </ul>
	<p><i>Other</i></p> <ul style="list-style-type: none"> <li>• Community Facilities</li> <li>• Transportation Services</li> <li>• Short Term Interim Uses</li> </ul>

### Port Resilience Program

Current seismic risk, current and future flooding risk present significant challenges to the Embarcadero Historic District (“District”). The Port is undertaking three efforts, including: 1) the Embarcadero Seawall Program; 2) the U.S. Army Corps of Engineers (“USACE”) Flood Resiliency Study; and 3) the Historic Piers Rehabilitation program (the subject of this report) – to address these risks.

### *Seismic*

The 2016 Seismic Vulnerability Assessment of the Embarcadero Seawall (“Seawall”, discussed further below) revealed risk potential to the bulkhead buildings of the historic facilities. Without improvements to seismically strengthen the historic facilities and the Seawall, the bulkhead buildings may suffer significant damage in a large earthquake due to ground shaking, differential settlement or lateral spreading that causes the Seawall to move bay-ward.

### *Flooding*

Some assets within the Embarcadero Historic District are already at risk of flooding from a 100-year flood event and that risk is increasing due to rising sea levels. Projections of future water levels indicate episodic flooding by mid-century and regular flooding of the finger piers by 2100.<sup>6</sup> While there are approaches that can be taken to reduce the risks from flooding, it is also true that the increasing flood risk associated with sea level rise presents a narrowing window of opportunity to attract investors to pier rehabilitation projects. Acting quickly (and prudently) to attract capital partners to pier rehabilitation projects will help put the Port in a good position to negotiate leases with the greatest amount of public benefits possible, including those that incorporate measures to reduce flood risk.

### *Embarcadero Seawall Program and USACE Flood Resiliency Study*

Initial studies indicate the highest seismic vulnerability exists at the bulkheads, where following a major earthquake, seawall failures due to liquefaction and lateral spreading have the greatest impact. Refined studies are now underway to better characterize earthquake risk at the facility level, including an analysis of the expected performance of the various types of finger piers.

### *Multi-Hazard Risk Assessment*

The Port is currently undertaking a Multi-Hazard Risk Assessment to assess expected casualties, economic damages to buildings, transportation infrastructure and utilities, and the consequences of those damages including business interruption. The Port expects to publish results of the Multi-Hazard Risk Assessment in Spring 2020. The results of this work will allow the Port to prioritize initial Embarcadero Seawall Program Phase 1 improvements to improve life safety and support the City’s post-disaster emergency response efforts.

### *Floodproofing the Piers Study*

The Port is conducting a study of flood adaptation measures for finger piers to extend the life of the piers. This study – which staff expects to complete in Winter 2019/20 – includes conceptual approaches to address intermittent or more frequent flooding, including deployable measures, building floodproofing, raised floor elevations, flood walls (and associated stormwater management strategies), moving under-pier utilities above the deck, etc. The Study will provide capital planning level cost estimates and analysis of measures. This study could inform finger pier planning, design, permitting strategies and will establish various water level scenarios.

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<sup>6</sup> See Port of San Francisco and Sea Level Rise brochure for more information: <https://www.sfseawall.com/2904/documents/3734/download>



### *USACE Flood Resiliency Study*

The Port and USACE are collaborating on the San Francisco Waterfront Flood Resiliency Study which is examining flood risk to the Port's entire 7½ mile waterfront, including the Embarcadero Historic District. If the study identifies a federal interest in a federal flood management project on the San Francisco waterfront, the Flood Resiliency Study will result in a *Tentatively Selected Plan* to manage flood risks and conduct preliminary engineering and environmental analysis of that plan. *Federal interest* in this context is defined as project benefits – mainly in the form of reduced economic damages – that exceed project costs. Dependent on a finding of federal interest, the study could lead to a USACE recommendation to Congress, expected in 2024 or later, to fund the Tentatively Selected Plan.

The Flood Resiliency Study will examine flooding on a range of expected sea level rise curves. The Tentatively Selected Plan, if approved by USACE and funded by Congress, is expected to provide flood protection throughout its design life (2080) and to be adaptable to subsequent sea level rise. To achieve this performance, the plan will require installation of flood management measures at a higher elevation – still to be determined – than the current Seawall. The potential location(s) of these measures is still being studied; options that are being analyzed include locations bay-ward of the piers, in the near shore area, at the shoreline or along the Embarcadero Roadway.

The Port will share available analysis and reports from these efforts with prospective bidders for historic pier rehabilitation<sup>7</sup>.

### *Historic Pier Rehabilitation*

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

The Port expects to analyze the following elements of a development partner's rehabilitation and financing plans after award of an exclusive negotiating agreement and an appropriate period of due diligence and preliminary engineering:

- *Seismic Performance* – Under the Port's Building Code, project proponents will need to demonstrate code compliance including a demonstration that the marginal wharf substructure and bulkhead building will be designed to withstand anticipated lateral spreading and other seismic forces.
- *Adaptive Flood Management* – In consultation with permitting agencies including the Bay Conservation and Development Commission, project proponents will need to demonstrate an adaptive management strategy for flood protection

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<sup>7</sup> See Seawall Program library for study and related information, locate here: <https://www.sfseawall.com/seawall-library>.



through the expected life of the project based on a range of sea level rise curves. A long-term lease will include lease provisions memorializing adaptive management requirements.

- *Project Relationship to City Flood Protection Determination* – Through the Flood Resiliency Study or the Port or the City’s own flood management policies and plans, the Port and City may select a line of defense for urban flood protection that intersects with proposed project sites, which may result in design changes to proposed projects (or parts of projects), including changes in elevations.
- *Future Flood Protection Funding* – Consistent with other significant shoreline development projects approved by the Port Commission, the Port maintains the right to negotiate for ongoing funding to fund adaptive management for flood control, including a potential special tax.

#### State Lands & BCDC Coordination

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

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

#### Workforce Development and Local Business Enterprise (LBE)

Once a development partner is selected, Port staff will work with the successful respondent and the City’s Contract Monitoring Division (CMD) to establish LBE goals for the various phases of the entitlement and development. CMD will collaborate in negotiating the design of each LBE participation program tailored to the project, develop LBE goals, provide developers with technical assistance to maximize LBE participation, and where necessary, conduct outreach to LBEs regarding procurement opportunities. The project will also need to comply with the City’s Local Hiring Policy for Construction (mandatory 30% of project hours by trade) and requirements for wage and apprenticeship programs.

### **IV. VALUES AND PRIORITIES**

In addition to the Goals, Policies and objectives articulated in the Waterfront Plan, the

draft values below represent key points that Port staff heard at the joint Port Central Waterfront Advisory Group (CWAG) and Northern Waterfront Advisory Group (NEWAG) meetings on July 17th and September 18, 2019, the South Beach Harbor stakeholders meeting on July 11, 2019 and the South Beach, Rincon, Mission Bay Neighborhood Association meeting on September 9, 2019.

For purposes of the RFP and community engagement process, the Port defines “Values” to mean the places, spaces, experiences, or other attributes of the RFP project site that are public priorities. These values may include existing assets or resources the project should leverage, unique locations to curate different experiences along the waterfront, or specific conditions or locations that lend themselves to a new use opportunity, among others.

The values expressed from the various stakeholders aligned and confirmed the work of the Waterfront Plan Working Group and are consistent with the Waterfront Plan. The stakeholders input confirmed the plan Objectives and Goals and expressed the communities’ priorities from among which were identified in the Waterfront Plan.

The following is what Port staff heard from the various stakeholders organized into Values that are common to the entire historic district and those that are specific to the South Beach Piers.

#### Common Values within the Historic District:

1. Includes the largest diversity and offering of uses that offer benefits to the greatest number and broadest variety of users.
2. Provides equitable access for all (including economic access by including no/low cost uses and offerings)
3. Has an authentic and unique character defined by location and setting of facilities
4. Creates a sense of place, including interpretive opportunities relevant to the waterfront
5. Balances the objective of rehabilitation of the piers and seawall repair, providing facilities for maritime uses and generating revenue, with the objective of equitably serving a diverse group of neighbors and visitors with publicly oriented uses.

#### Values for South Beach Piers: Piers 38 and 40

1. Enhance Pier 40 recreational boating or uses that support recreational boating
2. Leverage Ballpark activities and foot traffic
3. Opportunity to leverage excursion berthing operations at Pier 40
4. Enhance use and activation of Brannan Street Wharf and South Beach Park
5. Opportunity for new uses on Pier 40 to activate The Embarcadero edge
6. Opportunity to enhance and connect Piers 38 and 40 to the South Beach neighborhood Townsend commercial corridor

## **V. DEVELOPMENT CONCEPT**

Piers 38 includes approximately 35,000 square feet of vacant office/retail space in the bulkhead building and an additional 95,000 square feet of shed space. The pier is approximately 950 linear feet. Pier 40 includes a 20,000 square feet area used for parking directly adjacent to The Embarcadero Roadway, where a portion of the shed and a bulkhead once existed, and a 46,000 square foot shed and is approximately 650 linear feet (*see Exhibit 4 Piers 38 & 40 Drawings*). Based upon the Waterfront Plan, Goals, Public Trust Objectives, Allowable Uses and Values heard from the stakeholders and feasibility testing for a collection of piers in various states of conditions the Port seeks a use program that creates a place that is inviting and affordable to the greatest diversity of the general public. The use program should also accommodate opportunities for increased maritime berthing and public access while accommodating revenue-generating uses required to finance pier facility rehabilitation, future flood protection, and seismic strengthening of the piers and adjacent seawall. *Exhibit 5*, illustrates a range of broad use scenarios developed on a “generic pier facility” as a part of the Waterfront Plan. These uses are accompanied by a table illustrating the Public Trust Objectives. The exhibit is meant to illustrate a variety of scenarios that balance publicly oriented uses, maritime uses, public access and revenue generating uses.

## **VI. MINIMUM QUALIFICATIONS OF RESPONDENTS**

Each respondent team must meet the following minimum qualifications as determined by Port staff for consideration of its development proposal. The Port will not consider or evaluate submittals from respondents that have not demonstrated they have met the following minimum qualifications:

- I. Obtained at least \$40 million in committed funding for a single development project.
- II. Entitled a single development project with a total cost of at least \$40 million.
- III. Completed construction of a single development project with a total cost of at least \$40 million.
- IV. The submittal of a signed form verifying adherence to conditions governing communications with City staff prior to execution of an Exclusive Negotiating Agreement (ENA).

The \$40 million threshold was established recognizing that a successful project will likely require a significant investment, potentially ranging up to \$250 million. By setting the minimum qualification at a substantial but lower amount Port staff seeks to avoid pricing out all but very large developers in hopes of fostering a wider range of potential experienced interest.

Minimum Qualification IV. requires respondents to agree to direct all communications related to the RFP to specified Port staff members. Only Port staff that are identified in the RFP as contacts for this competitive solicitation are authorized to respond to comments or inquiries from proposers, or potential proposers. The form referenced above will describe that communications relationship and will include the following text:

During the selection process under this RFP, potential proposers, their agents, contractors, representatives, and associates may not contact or solicit the Mayor and her staff, Members of the Port Commission, or any other Port, City, or Commission staff member other than the contact persons designated by the Port (which may be updated at the Port's discretion through a written communication), regarding this RFP, the content of this RFP, any responses or proposals received in response to this RFP, or for the purpose of influencing the content of the competitive solicitation, bids, or the award of the Exclusive Negotiating Agreement (ENA). Failure to comply with this provision may result in the disqualification of the proposer from the solicitation process at the sole discretion of the Port.

This prohibition extends from the date the RFP is issued until the date the ENA is executed. This prohibition does not apply to communications with the City regarding normal business not related to this RFP.

## **VII. SCORING CRITERIA TO REVIEW RESPONSES**

Responses to the RFP will be scored by a Port staff selected scoring panel with qualifications described below. The panel will review proposals based upon a set of criteria established and described in the RFP. Only those respondents that have met the minimum qualifications described above will advance to panel scoring. The Panel will review and score both written responses and in person interviews. A point system as shown below will be used to score these categories.

- 1 - Quality of the Design and Development Submittal based on factors such as:
  - a) responsiveness to RFP development planning objectives and goals, and community values and priorities
  - b) evaluation of the development program's conformance with Public Trust Objectives
  - c) character and design quality of the development (e.g., connectivity to the surrounding area, massing and treatment of buildings and historic features, clarity of sustainability principles)
  - d) evaluation of the development concept's consistency with Secretary of the Interior Standards for treatment of historic resources
  - e) balance of public serving, maritime, and revenue generating uses
- 2 - Strength of Financial Proposal based on factors such as:
  - a) proposed economic return to the Port, base rent and percentage rent or other forms of participation proposed by the respondent
  - b) Evaluation of the proposer's understanding of real estate/market assessment of the site(s)
  - c) Assessment of financial feasibility of the proposer's program and project proforma
- 3 - Financial Capacity of the Respondent and Economic Viability of Proposal based on factors such as:

- a) ability to raise and commit funds for the project and continuing operations and maintenance
- b) adequacy of projected revenues to support the respondent's proposed investment
- c) revenues to Port
- d) reasonableness of the cash flow analysis
- e) proposed capital investment for improvements including Seawall and flood protection

4 -Experience, organization and reputation of the respondent's team, based on factors such as:

- a) experience with over-water construction project
- b) experience with complex regulatory environment
- c) history of on-time and on-budget projects
- d) economic success of similar ventures
- e) team make-up and diversity reflecting the San Francisco population
- f) experience and success in utilization of certified San Francisco Local Business Enterprise (LBE) businesses, California Small Business Enterprise (SBE) or similar municipal, state, or federal work force and business development programs in development projects
- g) experience completing projects with historic resources consistent with Secretary Standards
- h) design excellence of completed projects
- i) clear lines of authority and responsibilities
- j) team & key personnel qualifications and availability
- k) litigation and compliance record
- l) demonstrated ability to comply with City requirements
- m) experience engaging the community
- n) experience with the Port/public agencies collaboration and coordination
- o) experience with sustainability with programs like 0-80-100 Roots

<b>Evaluation and Selection Criteria Summary</b>	<b>Written Total: 100 Points</b>
Quality of the Design and Development Submittal	35 pts
Strength of Financial Proposal	20 pts
Financial capacity of Respondent/economic viability of proposal	20 pts
Experience, organization and reputation of Respondent's team	25 pts

In addition to the 100 points achievable through the written proposal, up to 30 additional points may be awarded based upon performance in the oral interviews regarding the quality of design and development, experience, and team organization.

## **VIII. RESPONSE SCORING PANEL COMPOSITION**

The draft Waterfront Plan goal of “Partnering for Success”, includes a policy that defines a scoring panel that represents diverse interests to assist the Port Commission in the selection of a development partner. As recommended by the policy, the panel will include the following types of representative individuals:

1. development expert
2. Port staff person
3. Port advisory group member
4. person representing a City or regional stakeholder perspective

The panel may include other stakeholder representations should the Port deem desirable. Development experts should include experts with development experience in the Bay area, waterfront projects or historic preservation projects. The Port staff person should be a senior level person with a broad range of real estate, development, finance, or planning background. The Port Advisory Group member should be from the advisory group within the geography of the project, and the City or Regional representative should be a stakeholder that complements or fills an expertise gap or unique project quality or issue. The panel will be diverse, reflecting the San Francisco community.

## **IX. PORT COMMISSION REVIEW AND SELECTION PROCESS**

The following process is proposed to seek Port Commission input and eventual approval to award the opportunity and enter into an ENA with the successful development partner. This process allows the Port Commission to hear from qualified respondents, receive background information regarding the proposals and their relative financial and regulatory feasibility prior to Port staff providing its recommendation for action based on the results of the scoring process. The process includes:

- All respondents meeting the minimum qualifications will be asked to provide an executive summary and will be invited to make a brief 5-minute presentation to the Port Commission. The staff report will attach all of the executive summaries from qualifying respondents. The Port Commission will be advised that in order to keep the process balanced, that the information item is intended simply to provide information to the Port Commission and public about the responses received and not for scoring purposes. Port staff will use the RFP to set the required contents of the executive summary, including but not limited to the land use concept, preservation approach, approach to meeting Public Trust Objectives and other key data points;
- The proposals meeting the minimum qualifications will be vetted by third party economics consultant for feasibility, with input from: (a) third party historic preservation expert, and (b) Port engineering for occupancy and code compliance consistency. This review will be summarized in a memo for use by the scoring panel in their evaluation and scoring of the proposals;



- The scoring panel will first review the written proposals and the third party evaluation memo and score them based upon the scoring and selection criteria outlined above; the scoring panel will then interview for additional scoring;
- Port staff will tabulate the scoring panels review, provide the Port Commission with a staff recommendation and will seek a resolution from the Port Commission authorizing Port staff to enter into an ENA.

In addition to the key sections of the RFP outlined in this staff report, the RFP will also require that respondents agree to: a) enter into an LDDA; b) execute a lease substantially similar to the form presented in the RFP; and c) agree to abide by all City polices and laws. Additionally, issuance of an RFP does not commit the Port to proceeding with any agreement or project, and the Port cannot approve any lease or other development agreement for the project until after environmental review has been completed in compliance with the California Environmental Quality Act.

## **X. ECONOMIC BENEFITS PORT IS SEEKING**

The Port's economic benefits for the Piers 38 and 40 RFP include significant investment in Port assets, minimum revenues (rent and/or special taxes), and participation in upside revenues.

The Port received \$181,000 in rent from Pier 40 and \$6,000 in rent from Pier 38 in the fiscal year ending June 30, 2019.

### **Pier 38 – Recent Occupancy History**

After terminating the master tenant in 2013 at Pier 38, the Port undertook a solicitation and negotiation with a selected developer between 2014 and 2018. Though that effort resulted in Port Commission approval of a 25-year lease for Bulkhead portion of the site, the developer and Port ultimately ceased negotiations prior to taking the project to the Board of Supervisors due to then-emerging information about seawall seismic vulnerability.

Until 2012, the restaurant space at the south end of the Bulkhead was leased and managed by the former San Francisco Redevelopment Agency under a long-term lease from the Port dating back to 1984. After the State adopted legislations winding down all local Redevelopment Agencies, the Port regained management of the restaurant space and retained the restaurant tenant located on the south end of the Bulkhead, through 2017. The Port issued an RFP for the restaurant space in 2017. The one respondent to the restaurant RFP ultimately withdrew his response and the Port has not issued a new restaurant RFP in acknowledgement of the challenge of establishing a leasehold in a bulkhead building that is intended to be rehabilitated by a different lessee under the proposed South Beach Historic Piers RFP.

### Pier 40 – Recent Occupancy History

The former Redevelopment Agency developed the South Beach Harbor and invested in improvements in Pier 40 under a long-term ground lease with the Port between 1984 and 2012. The Port assumed property management of Pier 40 in 2012 after redevelopment dissolution. The Port received full transfer of the property in 2019, which included assumption of a Cal Boating loan. The terms of the loan require that all revenues from Pier 40 and the South Beach Harbor be available to service the loan. The loan will be retired in 2033 and has an outstanding balance of \$5.88 million.

There are currently 11 tenants and licensees at Pier 40 made up of a number of small maritime-related businesses, a bike rental company, and a wireless facility license. The term of the leases and licenses at Pier 40 will be up on or prior to 2024.

### Financial Feasibility Results

The February 26, 2019 staff report summarized the results of a 2017 financial feasibility report conducted by the Port’s consultants for the Waterfront Plan Update. The preliminary analysis found that piers in the South Beach waterfront are significantly deteriorated and required high-revenue generating uses in most or all of the pier shed to achieve financial feasibility. The analysis did result in a fully rehabilitated pier, with maritime and public access along the aprons and bulkhead areas with retail and restaurant uses.

Port staff updated the underlying financial assumptions in the 2017 study to reflect 2019 conditions (inflated construction costs, up-to-date rental market data, reduced value of historic tax credits resulting from December 2017 tax reform, and increased costs to reduce vulnerability to Seawall seismic risks). These updates changed the results for South Beach piers, with the proforma indicating a negative value, even with a very high proportion of interior space dedicated to high-revenue uses.

Despite these preliminary financial feasibility results, Port staff recommend bidding the two piers through an RFP. While typical cost and revenue assumptions do not produce a positive financially feasible result for Piers 38 and 40, relatively small changes to the assumptions and inputs for the financial feasibility evaluation do produce a positive result. While Port staff judge this project to be “borderline” financially feasible at this planning-level stage, we expect a positive response to an RFP. This is because respondents will likely be able to take on market risk associated with the project due to the attraction and scarcity of waterfront property in San Francisco. RFP respondents will be able to leverage market knowledge and project implementation expertise to improve financial feasibility by, for example:

- Bringing a sharpened approach to rehabilitating and tenanting the unique space, meaning identifying methods to decrease costs and increase revenues.
- Leveraging the efficiency of the two adjacent piers for potential cost savings and creating attractive leasing opportunities, as a relatively large offering for tenants
- Identifying approaches to more intensively use the Pier 40 shed and parking lot facility as:
  - Interim project cashflow as Pier 38 is being built out and/or

- A larger development site

Desired Economic Benefits for Port’s Balance Sheet

Based upon the recent and existing economic conditions of the sites, Port staff recommend the following economic benefits in evaluating responses to the South Beach Piers RFP:

1. **Significant investment in Port assets.** Pier facility rehabilitation, reduction of seismic risk from the fronting seawall, and flood protection investments will sum to hundreds of millions of dollars of investment. This investment is a significant benefit to the Port is managing the Port’s capital backlog and improving its asset management.
2. **Reliable revenue stream.** While the site has financial feasibility challenges, Port staff anticipate that over the long-term, a rehabilitated pair of piers will generate sufficient revenue to both repay the initial investment and produce revenues both to the lessee and the Port. This revenue stream may take one or more forms, such as:
  - a. Retirement of Cal Boating loan, which Port currently services.
  - b. Minimum rent payment.
  - c. Special taxes such as shoreline Community Facilities District.
3. **Participation in upside revenues.** Port long-term development leases include participation in revenues on an ongoing basis and participation in capital events (lease partial and full transfer and lease refinance).

**XI. NEXT STEPS**

If the Port Commission approves the release of the RFP, Port staff will complete drafting and target November 2019 for release of the RFP. Assuming that target holds, staff projects the schedule to proceed as follows:

- early December 2019      pre-submittal open house
- late December 2019      Respondents’ questions to Port due
- early January 2020      Port responses to questions published
- early February 2020      Proposals Due
- March 2020              form scoring panel and review proposals
- April 2020              Information presentation to Port Commission on teams that meet minimum qualifications
- April 2020              Seek authorization from Port Commission to select Development partner and enter into ENA

The Port has and will continue to reach out to potential and interested developers to make them aware of the RFP opportunity and will conduct the following outreach:

- Update and notify respondents to the RFI

- Run advertisements or otherwise seek news coverage in professional periodicals and newspapers
- Conduct outreach through professional organizations
- Conduct outreach with the neighborhood, local, regional and ethnic Chambers of Commerce
- Coordinate outreach with CMD and through other City agency outreach events

## **RECOMMENDATION**

Port staff recommends that the Port Commission authorize and direct staff to issue an RFP for the lease of Piers 38 and 40, which will incorporate the terms indicated above. The attached resolution authorizes the actions and establishes the policy parameters resulting from these real estate actions.

Prepared by: David Beaupre  
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Real Estate and Development

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Prepared for: Michael Martin  
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Real Estate and Development

Exhibit 1: RFP Parameters  
Exhibit 2: Site Location and Setting  
Exhibit 3: Diverse Use Policies  
Exhibit 4: Piers 38 & 40 Drawings  
Exhibit 5: Trust Use Diagrams

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

**RESOLUTION NO. 19-43**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns in trust the Piers 38 and 40 site, consisting of approximately 95,000 square feet of shed space, 35,000 square feet of bulkhead office and retail space and 28,000 square feet of apron space associated with Pier 38 and a 20,000 square feet parking lot, 46,000 square feet of shed space and 10,000 square feet of apron space associated with Pier 40; and
- WHEREAS, Piers 38 and 40 are contributing resources to the Embarcadero National Historic District; and
- WHEREAS, On May 28, 2019 the Port Commission directed staff to prepare for a release of a development Request for Proposals (RFP); and
- WHEREAS, On August 14, 2018 the Port Commission endorsed the Draft Waterfront Plan Goals, Embarcadero Public Trust Objectives, and Plan Objectives and 161 Policy Recommendations; and
- WHEREAS, The Draft Waterfront Plan recommends that piers within the Embarcadero National Register District be adaptively rehabilitation for publicly oriented, maritime, and revenue generating uses; and
- WHEREAS, Successful adaptive reuse of the Historic Piers is consistent with the following Port's Strategic Plan objectives: Productivity, Stability, Resiliency, and Engagement; and
- WHEREAS, Successful adaptive reuse of the Historic Piers is consistent with the Port's Resilience Program and must mitigate seismic and flooding risks for the piers and marginal wharfs; and
- WHEREAS, The Port will continue to collaborate with the State Lands Commission and Bay Conservation Development Commission on accommodating uses to benefit the Public Trust; and
- WHEREAS, The Port and a selected developer respondent will work with the City's Contract Monitoring Division to establish appropriate Local Business Enterprise and work force development goals; and

- WHEREAS, Port staff has conducted community and stakeholder outreach consistent with the Draft Waterfront Plan policies and has identified community Values and Priorities for adaptive reuse; and
- WHEREAS, The Draft Waterfront Plan identifies potential development concepts consistent with the Embarcadero Public Trust Objectives for Piers 38 and 40; and
- WHEREAS, Minimum Qualifications have been established for prospective proposers that will determine if the proposers will be qualified to present to the Port Commission at an informational hearing and be scored for selection and those not meeting the qualifications will not be considered as articulated in the attached staff report; and
- WHEREAS, Responses to the RFP will be scored by a scoring panel selected by Port staff and the panel will review proposals based upon a set of criteria and weighting established and described in the attached staff report; and
- WHEREAS, The scoring panel will include a diverse panel representing a development expert, Port staff person, a Port Advisory Group member, a person representing City or regional interest and potentially additional members, should staff deem appropriate; and
- WHEREAS, Staff has established a process to provide summary information on qualified proposals to the Port Commission for an informational presentation prior to seeking authorization to enter into an Exclusive Negotiation Agreement as outlined in the attached staff report at a subsequent meeting; and
- WHEREAS, The RFP will include a Port Economic Benefit it seeks for Piers 38 and 40, which includes a stable revenue stream and participation in additional revenues and capital events as described in the staff report; and
- WHEREAS, Port staff recommends that publicly soliciting proposals through a request for proposals process for the lease of Pier 38 and Pier 40, which lease will require the successful respondent to repair and rehabilitate such Piers, will garner the best market response and provide the Port with the best opportunity to meet its overall goals for the sites; and
- WHEREAS, Issuance of an RFP does not commit the Port to proceeding with any agreement or development project, and the Port cannot approve any lease or other development agreement for the project until after environmental review has been completed in compliance with the California Environmental Quality Act; now, therefore, be it



RESOLVED, That the Port Commission has reviewed the goals and objectives for Piers 38 and 40, the proposed minimum qualifications, selection criteria, selection panel representation, Commission review and approval process, and economic minimum as described in the Memorandum to Port Commission dated October 17, 2019 and authorizes Port staff to issue an RFP and manage the solicitation process described in the staff report accompanying this resolution, and be it further

RESOLVED, The Port Commission authorizes Port staff to take further actions in connection with the RFP to achieve the purposes described in this Resolution.

***I hereby certify that the Port Commission at its meeting of October 22, 2019 adopted the foregoing Resolution.***

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Secretary