

## **MEMORANDUM**

December 6, 2013

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

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Informational presentation on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park

**DIRECTOR'S RECOMMENDATION:** Information Only - No Action Required

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### **EXECUTIVE SUMMARY**

The proposed project envisions a development footprint of approximately 3.6 million square feet of mixed uses on eleven (11) development parcels on Seawall ("SWL") 337 that will require new streets, utilities and related infrastructure over several phases and improvements to Pier 48 to house a light industrial manufacturing facility ("Project"). A site plan and project synopsis is attached to this report (Exhibits A & B).

Since approving the Project term sheet and amending the Exclusive Negotiation Agreement ("ENA") this past March (Resolution 13-10), Port, City staff and development partner Seawall Lot 337 Associates, LLC ("Developer") (together the "Project Team") have been diligently pursuing project entitlements. The Project is on schedule to meet current and future ENA benchmarks.

Over the past 8 months, the Project Team has initiated: 1) the environmental review process pursuant to the California Environmental Quality Act ("CEQA"); 2) site design that will result in the Development Controls and Design Guidelines ("DCDG"), the set of written instructions dictating how the site will look and feel to the end user at full build-out; 3) project infrastructure planning including coordination with relevant City agencies; and 4) drafting of transaction documents that will guide the approved Project through construction and formally define the Port's relationship with the Developer.

**THIS PRINT COVERS CALENDAR ITEM NO. 8C**

Today's presentation will brief the Port Commission on items of current focus and a look ahead at Project goals for 2014.

## **THE PROJECT**

The Developer will create a new mixed-use neighborhood linking Mission Bay to the urban fabric of the City by dividing SWL 337 into 11 buildable parcels. The parcels will be developed as a mix of commercial/office, retail, residential uses and structured parking to serve the Project and other nearby uses, including games and other events at AT&T Park. The parties anticipate that the Project will continue to evolve through site design efforts already in process with the City's Planning Department staff, as well as modifications made through CEQA and the public review processes. The final mix of commercial and residential uses will be driven by market timing and market demands.

As discussed below, Pier 48 would be improved for use by Anchor Brewing Company for the expansion of their production capacity.

## **CURRENT FOCUS ITEMS**

### Environmental Review:

The Project schedule anticipates publishing the draft EIR in November 2014 and the final EIR in early 2015. To meet this schedule, San Francisco Planning Department's Environmental Planning Division has assigned a capable project manager and hired a consultant<sup>1</sup> to draft the environmental impact report ("EIR") and conduct required public outreach in accord with CEQA. An important step in this process is the issuance of a Notice of Preparation ("NOP") providing notice to the public that the project is in environmental review and inviting their comments regarding the scope of that review. The NOP is anticipated to be issued by City Planning in mid-December 2013.

### Project Design

San Francisco Planning Department's Citywide Planning Division has assigned a dedicated team to guide the design for development process. The product of this process is the Development Controls and Design Guidelines document. The DCDG is the guide to designing and constructing Project open spaces, streetscapes, building forms and retail frontages. It formally documents the desired look and feel of the built environment to be approved by the Planning Commission. The Project Team looks forward to returning to the Port Commission with the updated project design as it takes shape over the next several months.

### Project Infrastructure

The Project Team has opened discussions with many City agencies including San Francisco Municipal Transit Agency ("SFMTA"), San Francisco Department of Public Works ("SFPD"), San Francisco Public Utilities Commission ("SFPUC"), Mayor's Office of Disability ("MOD") and San Francisco Office of Community Investment and Infrastructure ("OCII") regarding connecting project infrastructure to the rest of the City. Discussion topics pertain to both on-site and off-site infrastructure as described below.

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<sup>1</sup> ICF International leads the CEQA consulting team with 7 subconsultants including 4 LBE firms.

**On-Site Infrastructure:**

At this stage of site planning, the Project Team has engaged the City-wide expertise of SFMTA, SFPUC, MOD and SFDPW to inform the design of serviceable streets and open space, and help create a functional neighborhood that responsibly addresses its impact to the sanitary sewer, water supply and power grid

**Off-Site Infrastructure:**

Adjacent to the project, OCII is actively building out the network of streets, parks and infrastructure associated with the Mission Bay plan. It is of vital importance that the SWL 337 Project Team coordinates with OCII to ensure that adjacent streets such as Mission Rock Street, are designed and built to function both for Mission Bay and the Port. A strong collaborative relationship is in place to ensure this outcome.

**Transaction Documents**

The term sheet<sup>2</sup> set the essential terms upon which the Port and Developer will negotiate to reach agreement on the final development agreement, lease and related documents. The Project Team began these negotiations this fall and is making steady progress in weekly meetings to draft foundational transaction documents like the Disposition and Development Agreement (“DDA”) with its accompanying Financing Plan. These documents will guide the project over the coming years through full build out.

The transaction documents needed to implement the Project are complex and the Project Team is sensitive to the implications for other Port projects of similar size and scope. For instance, in drafting the financing plan for SWL 337, Port and City representatives from the Pier 70 Waterfront Site development project were invited to participate to ensure this framework would add value to both projects.

Negotiations among the Project Team are anticipated to extend until winter 2014 with progress reports to the Port Commission as part of future informational presentations. At the successful conclusion of the CEQA process, staff will seek the Port Commission’s formal approval of the entire suite of transaction documents.

**Jobs and Equal Opportunity Program**

The Project will create thousands of construction and permanent jobs. The planning, design, and construction work will provide substantial contracting opportunities for local contractors and professional service firms as well as countless businesses, employers, and organizations.

The Developer and Port have met with the City’s Contract Monitoring Division (“CMD”, formerly Human Rights Commission or “HRC”) on several occasions to set appropriate goals for the Project. These discussions led to a Third Party Side Agreement (“TPSA”) from CMD’s Executive Director to Developer, dated December 8, 2011. The TPSA

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<sup>2</sup> The Port Commission adopted a term sheet with the Developer at its meeting on March 12, 2013. The term sheet and accompanying Fiscal Feasibility Report were endorsed by the Board of Supervisors on May 14, 2013.

states in part, “Based on the information the [Developer] has provided to CMD as well as an assessment of LBEs currently in our directory, the recommended overall LBE goal is 20% with an intermediate goal of 10% during the entitlement phase. The [Developer] agrees to work in good faith with CMD to meet/exceed the recommended LBE goal.” Ultimately the Project’s Equal Opportunity Program will be memorialized as an attachment to the DDA.

To date, the Project has achieved nearly 14% hiring of LBE’s in the entitlement phase. The Developer is committed to maximize the use of small business enterprises as evidenced by the Project’s 22% participation rate when state and federally recognized small businesses are included.

## **2014 FOCUS ITEMS**

In addition to continuing the efforts described above, in 2014 the Project Team will engage the issues described below.

- **Affordable Housing:** Refine the Project’s affordable housing plan with the Mayor’s Office of Housing & Community Development (“MOH”). The term sheet calls for new rental housing development to meet City inclusionary housing requirements.<sup>3</sup> Developer will work with the City, through MOH, the Office of Economic and Workforce Development, and the Port’s Planning Department to investigate alternative potential ways to meet current requirements. These alternatives may include a sliding scale specifying a higher percentage of units at higher levels of AMI, resulting in equivalent economic impact to the Master Developer and Port. Affordable housing will be delivered in a balanced manner throughout the phasing of the Project.
- **Pier 48:** Anchor Brewing Company (“Anchor”) remains committed to leasing the entirety of Pier 48. Anchor has hired an architectural and engineering team that is now analyzing Pier 48 to determine the scope of improvements needed to expand Anchor’s production capacity. In 2014 the Project Team will develop an improvement plan and negotiate lease terms for Anchor’s use of Pier 48.
- **Transportation Demand Management Plan:** In 2014 the Project Team will develop a Transportation Demand Management Plan that provides a comprehensive strategy to manage the transportation demands created by the Project. The Project will foster multiple modes of sustainable transportation emphasizing pedestrian, bicycle, and public transit. Importantly, the Transportation Demand Management Plan will interact with and be informed by SFMTA’s ongoing waterfront transportation assessment.
- **Sustainability:** The Project Team will continue work on a Sustainability Plan that will provide a comprehensive strategy, identify measurable goals, standards, and performance metrics for inclusion in the Project’s DDA. Additionally, the Project Team is currently performing feasibility analyses of on-site (i.e., district) heating and cooling, stormwater treatment and centralized trash collection.

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<sup>3</sup> The City’s inclusionary ordinance calls for 15% of on-site units to be affordable to residents earning 55% of area median income.

- **Bay Conservation and Development Commission (“BCDC”):** The Project Team will continue to pursue required amendments to the Bay Area Seaport Plan sponsored by BCDC and the San Francisco Bay Area Metropolitan Transportation Commission. Currently the Seaport Plan designates Pier 48 as a future site for neobulk cargo shipping and the eastern six acres of SWL 337 adjacent to Pier 48 and Pier 50 as a “Port priority” area to provide backland area for cargo operations. These designations will need to be amended to accommodate the Project’s proposed uses. Amendments to the Seaport Plan may trigger a need to amend BCDC’s San Francisco Waterfront Special Area Plan.
- **Early Activation Plan:** To physically introduce prospective tenants and the existing neighbors to the Project Team’s vision for SWL 337, the Developer is working on an exciting proposal to activate a portion of the site on a year-round basis. More information will be forthcoming in early 2014 as the concept takes shape. The Project Team looks forward to the Port Commission’s and public’s comments on such activation.
- **Public Outreach:** The Project Team will continue a robust public outreach program. Some of the groups we will be meeting with include:

#### Advisory/Regulatory Bodies

- Maritime Commerce Advisory Committee
- Central Waterfront Advisory Group
- Mission Bay Community Advisory Group
- Bay Conservation and Development Commission (staff)
- State Lands Commission (staff)
- Waterfront Design Advisory Committee

#### City Groups

- Chambers of Commerce (including San Francisco, African American, Hispanic and Chinese chambers)
- Rincon/South Beach Neighborhood Group
- Potrero Boosters
- SF Housing Action Coalition Endorsement Committee
- Council of Community Housing Organizations
- SF Bike Coalition
- SPUR
- San Francisco Parks Alliance
- Individual neighbors and business owners

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Waterfront Development

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Development, Development Project Manager

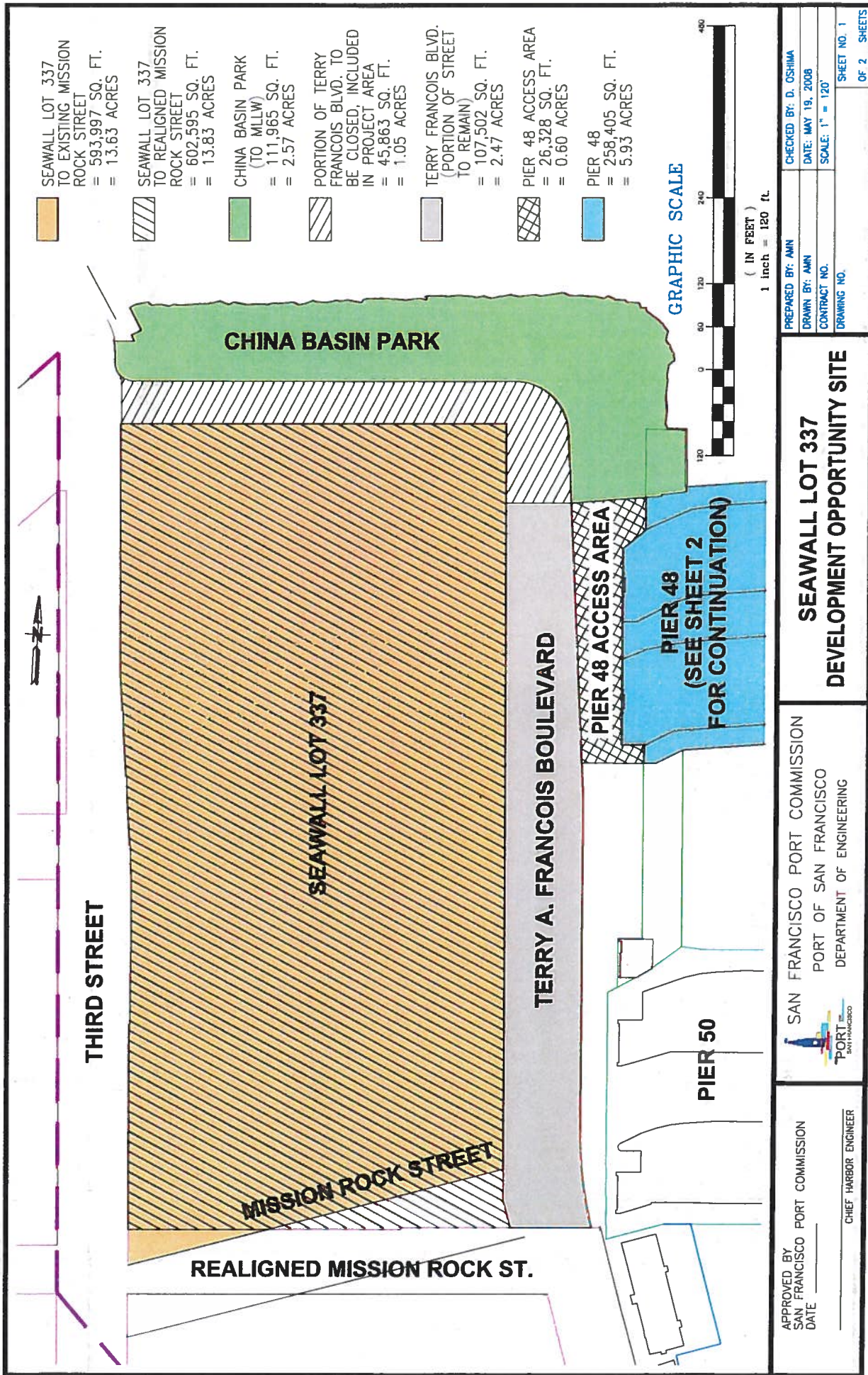
For: Byron Rhett, Port Deputy Director  
Planning & Development

**Exhibits**

Exhibit A – Site Map

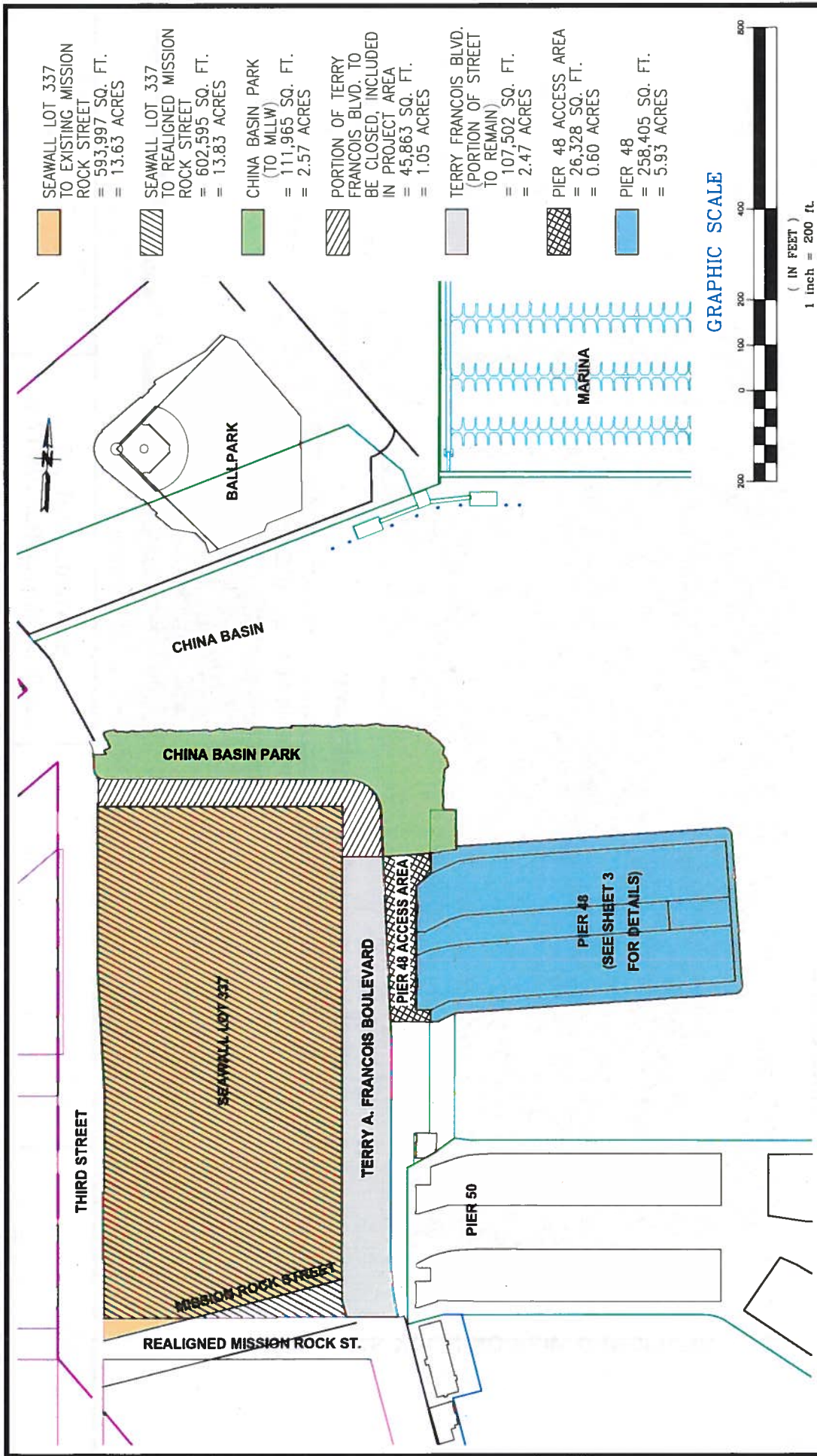
Exhibit B – Synopsis of Project





APPROVED BY SAN FRANCISCO PORT COMMISSION DATE _____ CHIEF HARBOR ENGINEER	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	<b>SEAWALL LOT 337</b> <b>DEVELOPMENT OPPORTUNITY SITE</b>		PREPARED BY: AMN DRAWN BY: AMN CONTRACT NO. _____ DRAWING NO. _____
		CHECKED BY: D. OSHIMA DATE: MAY 19, 2008 SCALE: 1" = 120' SHEET NO. 1 OF 2 SHEETS		G:\07 STAFF\Working\Planning\SR1337_for_Geom.dwg





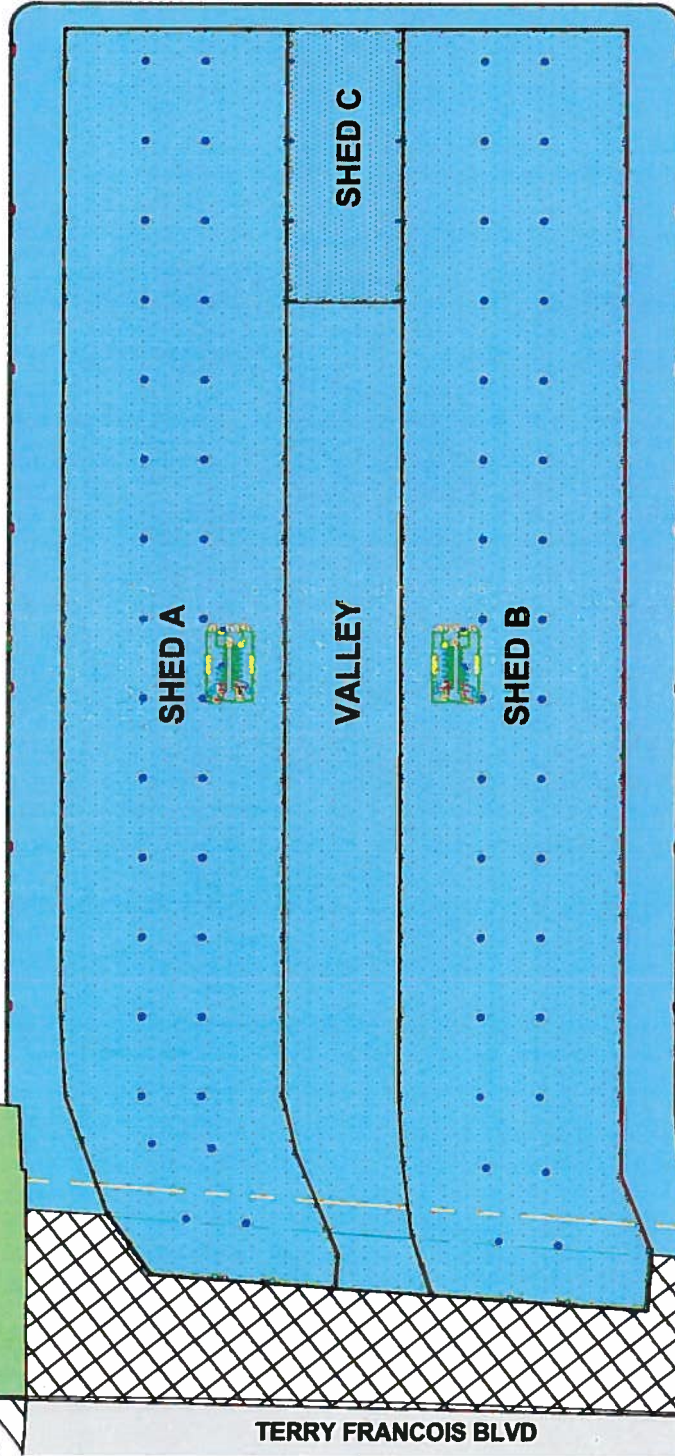
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		CHECKED BY: D. OSHIMA DATE: MAY 19, 2008 SCALE: 1" = 200' SHEET NO. 2 OF 2 SHEETS		

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CHINA BASIN

SAN FRANCISCO BAY



TERRY FRANCOIS BLVD

## PIER 48

SHED A = 84,649 Sq Ft  
SHED B = 86,954 Sq Ft  
SHED C = 9,555 Sq Ft  
VALLEY = 31,313 Sq Ft

APPROVED BY  
SAN FRANCISCO PORT COMMISSION  
DATE

SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
DEPARTMENT OF ENGINEERING

SEAWALL LOT 337  
DEVELOPMENT OPPORTUNITY SITE  
PIER 48 DETAILS

DRAWN BY: ECC  
CHECKED BY: D. OSHIMA  
PLACE CODE NO.

DATE: MAY 19, 2008  
SCALE: 1" = 100'

1480-00

SHEET NO. 3  
OF 3 SHEETS

EXHIBIT A

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# Mission Rock

## A PROPOSED NEW NEIGHBORHOOD AT SEAWALL LOT 337 & PIER 48

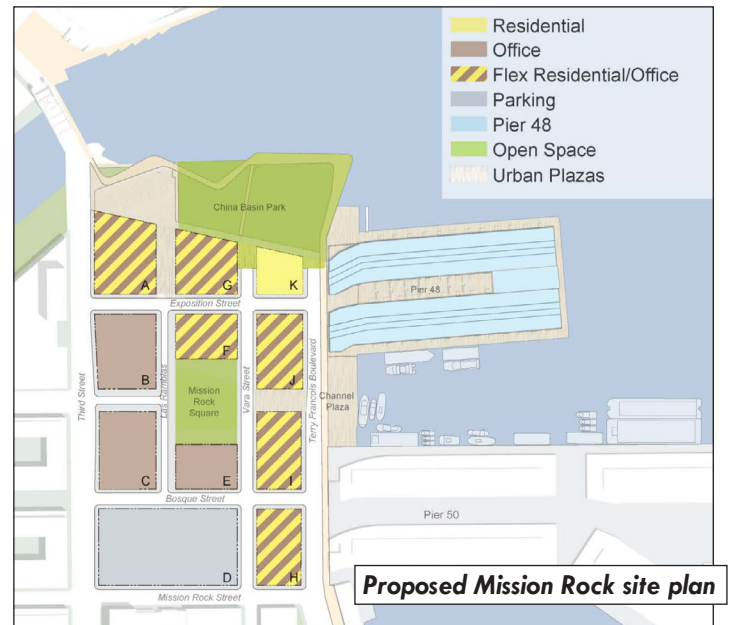
### ■ BACKGROUND

Mission Rock is a proposed mixed-use development at Seawall Lot 337 (“SWL 337”) and Pier 48. The Port of San Francisco (“Port”), the Office of Economic and Workforce Development (“OEWD”), and Mission Rock’s competitively-selected master developer, Seawall Lot 337 Associates, LLC (“Mission Rock Developer”), have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet that the Port Commission endorsed on March 12, 2013. If the Board of Supervisors also endorses this Term Sheet and finds the terms to be fiscally feasible, the project team will begin the environmental review process and negotiations for a binding disposition and development agreement.

The Mission Rock project site comprises approximately 25 acres of property owned by the Port, which in its 10-year capital plan has identified \$2.04 billion in Port-wide capital needs and conditional seismic work. These obligations include the preservation of historic piers (such as Pier 48) and other historic structures, as well as the construction and maintenance of waterfront open space. California Senate Bill 815, passed in 2007, allows the Port to use new lease revenues from SWL 337 to further these and other objectives.



**Artist rendering of conceptual Mission Rock buildings**



### ■ DEVELOPMENT PLAN

With these considerations in mind, the City and Mission Rock Developer have agreed on a development plan that includes:

- Approximately 8 acres of public parks and open spaces, including a 5.2-acre regional waterfront park
- 650 to 1,500 new housing units, 15 percent of them affordable to low-income households
- 1.3 to 1.7 million square feet of commercial space
- 150,000 to 250,000 square feet of retail space, with tenants that create unique local character and activate the parks
- Approximately 3,000 parking spaces within mixed-use buildings and a parking structure, which will serve Giants patrons and Mission Rock occupants and visitors
- The rehabilitation and reuse of historic Pier 48; Anchor Brewing Company is working with the Port, City, and Mission Rock Developer to expand its San Francisco brewing/distilling operations to Pier 48



# Exhibit B

## MISSION ROCK

## Seawall Lot 337 & Pier 48

### ■ FINANCIAL DEAL STRUCTURE

The City and Port's contribution will be the SWL 337 and Pier 48 properties and property tax increment generated by the project, utilized through an Infrastructure Financing District. The Mission Rock Developer will entitle the project and provide the capital for all infrastructure (roads and utilities), public amenities (parks and open spaces), and possibly a portion of Pier 48's rehabilitation. These public facility costs are estimated at \$20 million for entitlement, \$106 million for infrastructure and parks, and \$22 million for Pier 48 (all values in 2013 dollars).

The rights to construct buildings at SWL 337 will be controlled through separate leases, each with its own financial terms and lasting 75 years. Each of Seawall Lot 337's ten development parcels, which do not include the land dedicated to the parks and parking garage, will be leased at fair market value to a "vertical" developer, which may be an affiliate of the Mission Rock Developer. The leasehold value will be converted into up-front and ongoing payments intended to 1) reimburse the Mission Rock Developer's expenditure, with a market-based return on equity, and 2) provide rental revenues to the Port. The splits between equity repayment and rent will vary by

development parcel, depending on market conditions, the parcel's funding needs, and the timing and cost of public financing.

For the first two development parcels, all fair market value paid by the vertical developers will be devoted to retiring the Mission Rock Developer's predevelopment costs and associated return on equity, with no rent payments anticipated. This strategy benefits the Port by paying off the predevelopment costs quickly, which limits the return on equity that can accrue to the Mission Rock Developer.

The remaining eight development parcels will provide rent to the Port in addition to repaying the Master Developer's infrastructure costs. The Term Sheet sets a minimum annual "reserve rent" of \$3.5 million for these eight parcels, though current market-based estimates project \$4.5 million per year. The Term Sheet also contains multiple mechanisms to increase revenues to the Port as Mission Rock becomes more valuable over time.

The Port may seek approval to lift the Public Trust from up to two of the development parcels and sell them outright instead of leasing them for 75 years. In that case, the Mission Rock Developer would have the option to purchase one or both parcels for a premium above appraised fair market value.



**China Basin Park, a new five-acre regional waterfront park**

### ■ ECONOMIC AND FISCAL BENEFITS

Mission Rock is expected to create 10,130 jobs during construction and 11,100 fulltime jobs when fully built. Taxes paid by Mission Rock's residents, businesses, and visitors are projected to generate an additional \$21.4 million for the City each year, though a portion of those proceeds may be used help fund Mission Rock's infrastructure. The City will also receive an estimated \$60.2 million in one-time development impact fees and tax revenues associated with construction.

*For more information, please contact:*

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