



Waterfront Plan Working Group

Meeting: April 27, 2016

Historic Resources and Stewardship Meeting Notes

Members Present: Grant Ballard, Kirk Bennett, Reid Boggiano, Mike Buhler, Chris Christensen, Jeffrey Congdon, Linda Fadeke Richardson, Jon Golinger, , , Aaron Hyland, Earl James, Ellen Johnck, Ken Kelton, Janice Li, Ron Miguel, Stewart Morton, Rudy Nothenberg, Tom Radulovich, Alice Rogers, Jasper Rubin, Cristina Rubke, Peter Summerville, John Tobias, Dilip Trivedi, Anne Turner, Corinne Woods, Dee Dee Workman

Absent: Kevin Carroll, Jane Connors, Carolyn Horgan, Stephanie Greenberg, Michael Hamman, Jacquelyn Omotalade, Karen Pierce, Frank Rescino

1. Welcome & Acceptance of April 13 Working Group Meeting Notes (6:00-6:10)
 - Welcomed attendees
 - Working Group accepted Meeting Notes
 - Link to Working Group documents: <http://sfport.com/waterfront-plan-archives>
 - Link to SFGovTV meeting video:
http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=183

2. Port Historic Resources and Stewardship (6:15-7:15)

Link to presentation: http://sfport.com/sites/default/files/2016-4-27%20Historic%20Resources%20and%20Stewardship%20Final%20MRP_0.pdf

Introduction to the Port's Historic Resources: Diane Oshima, Assistant Deputy Director, Planning & Development

- Historic assets form cultural foundation of the Port, and historic rehabilitation is promoted in the Waterfront Plan
- Historic preservation and pier rehabilitation requirements conflicted with BCDC fill removal policies, which led to coordinated planning that resulted in Port and BCDC plan amendments to create the Embarcadero Historic District and strategic fill removal and public open space requirements
- Now \$900m worth of rehabilitation investments are part of the Port's commitment to stewardship

- Development partners have invested hundreds of millions of dollars on projects that have transformed the waterfront; the Port is committed to the urban form and desire to preserve and rehabilitate other Embarcadero Historic District resources
- Introduced Mark Paez to discuss Port historic resources; Wendy Proctor to discuss Port maintenance efforts; and Byron Rhett to discuss Pier 38 as a case study of Port stewardship efforts

Presentation on Port Historic Resources: Mark Paez, Port Preservation Planner

- Port has endured significant change since many of the piers and buildings were built
- “Period of significance” is a period that qualifies a building for historic registry. 1886 is the first year of historic period for Port of San Francisco
- There are twenty historic sites in full development
- Port has two historic districts in addition to several historic landmarks, such as the Ferry Building. The effort to nominate each historic district and obtain formal recognition required many partners – city agencies, SF Bay Conservation and Development (BCDC), community members. The application process revealed that each pier is unique.

I. Embarcadero Historic District was recognized for various assets:

- Maritime Commerce, which is diverse portfolio with cargo, maritime businesses, and merchant trade center for agriculture goods
- Belt Railroad linked all SF Piers, was one of the most significant transportation infrastructure of its time
- Engineering accomplishments were part of the Historic designation
- City Beautiful movement influenced design of waterfront and the Ferry Building marked first of beautification improvements
- “Contributing” elements represent a period of significance. “Non-contributing” no longer reflect period – e.g. Pier 27 and Pier 39, Piers 30-32 – generally due to significant alterations.

Embarcadero District created with key fill removal areas to create water basins and parks in support of BCDC Special Area Plan, in response to discussions of fill versus historic restoration.

II. Pier 70 Union Iron Works Historic District was recognizes for various assets:

- Significant role in World War II ships and military build up
- The Arago was a coal-carrier ship for Oregon goods
- One of the longest operating shipyards in the country
- Pioneer in the use of welding, hydraulics and efficiency methods
- Building 102 provided all power to shipyard
- Historic tax credits
 - \$117m in tax credits for Ferry Building thanks to historic registry listing
 - Exploratorium was a nonprofit so it did not qualify initially but was able to create a for-profit entity to access tax credit
- Historic interpretation and enhancements to public access have been possible with BCDC’s help

Presentation on Pier Condition: Wendy Proctor, Port Facilities Engineer

- Building codes are an integral part of engineering operations, including the Historical Building Code
 - A major part of pier stewardship is roof repair, so the Port has a roof survey with detailed information of the last time each Port building was roofed
 - Some work restrictions include limited hours available to do repair work – due to tides, nesting seasons, spawning fish, high numbers of visitors at certain times
 - Facilities Assessment Program – Port staff and consultants perform duty to keep Port and public informed regarding building's condition and safety
 - Structural rating categories are shown in structural rating map in green, yellow, red and this map is available in the February 9, 2016 Port Commission meeting documents page at: http://sfport.com/sites/default/files/docs/Item%2013A%20Load%20Restriction%20Informational%20Presentation.pdf?mc_cid=bce44ea26e&mc_eid=9ced3c49ca
- And exhibits:
- http://sfport.com/sites/default/files/Executive/Docs/Item%2013A%20All%20Exhibits.pdf?mc_cid=bce44ea26e&mc_eid=9ced3c49ca
- The proactive Facility Assessment Program is effective; no Port facilities have been “red tagged” and closed due to failing condition since 2013
 - To execute rehab process, Port uses four lenses of engineering, planning, finance, real estate/maritime divisions
 - Many repair jobs are locally designed by Port staff – Port also has own maintenance crew that can handle some work
 - Private public partnerships – change in building occupation trigger seismic safety upgrades
 - Many Port capital projects are restricted in scope because of limited funds. Port has to target areas that are in severe need and is not always able to take a holistic approach to improvements. For example, some projects are partial projects such as one project with new roof but aprons still in poor state.
 - Roof repairs are funded with a variety of Port capital funding sources:
 - Pier 33.5 is one of the few holistic projects and was primarily funded with revenue bonds funded
 - Pier 29 had complex emergency repair which was fast paced because of America's Cup
 - Pier 31 is a completely Port funded project and was built in 1918, the project includes structural and roofing repairs, utilities and bathroom upgrades to make building leasable
 - We have hope that facilities can continue to be incrementally improved based on the success of other previous projects

Pier 38 Case Study: Byron Rhett, Deputy Director, Planning & Development

- Pier 38 is a vacant building in need of repair, between Brannan Street Wharf open space and South Beach Harbor
- Built in 1908, used for maritime storage and movement of cargo
- In 1990, the Port signed a 20-year maritime recreation lease for the site; the tenant incorporated uses that were not permitted, which led to protracted litigation

- The Port also determined improvements that did not meet Building Code standards and facility conditions that led to red tagging the facility and tenant removal
- The Port conducted an RFP process to select a new interim use tenant for Pier 38 bulkhead building, seeking a partner to finance repairs and rehabilitation, and selected TMG partners
- The condition of the facility and cost for repair drove the need for longer amortization period, but lease term was too short to access historic tax credits; TMG determined its desire to do voluntary seismic repairs to the bulkhead wharf supporting the bulkhead building, which added more cost
- The lease term grew to 25 years requiring the Port to consult with State Lands regarding trust consistency for the interim lease
- As part of approving the lease in 2015, the Port Commission authorized Port capital funding to assist bulkhead wharf seismic repairs to support historic rehabilitation of the bulkhead building. However, in light of new information from the Port's Seawall seismic vulnerability report, TMG is now assessing the implications for their project and lease.
- Learned from RFP rehabilitation process:
 - Port has opportunity to become an investor into its own right to access additional revenue, so this is in a sense a new type of project for the Port
 - 25 year lease allows Port to get return as well
 - Opportunity to rehab with some of Port's own revenue
 - Challenges include:
 - Hard costs per square foot has increased from \$200 to \$600 in the last few decades
 - Less direct timeline from start of RFP to finish because of the complications of pier condition and repairs
 - Seawall investment is a new challenge, and TMG is now reassessing how it should proceed under its lease

Responses to Questions:

- Which buildings are "red-tagged"? A complete assessment of Port building conditions is provided in the Pier Condition Report and Exhibits, provided to the Working Group as a 'link' to this meeting Agenda (February 4, 2016 Informational Memo to Port Commission).
- What is an eligible/ineligible historic resource? Eligible resources qualify for historic designation, are typically 50 years old or older. There are two historic registers California and national register that can qualify a site. Ineligible resources no longer qualify as historic due to deterioration, period, or other factors.
- How do historic districts affect development projects? We will talk about that later in presentation, specifically how historic district designation allowed us to access tax credits for project funding.
- Is the Ag building a separate landmark or part of Ferry Building? It is not a landmark but it is contributing to the Embarcadero Historic District.
- Did adaptive reuse result from historic designation? We call it rehabilitation which is the same as adaptive reuse.

- Is red or yellow tag decision made by Port or City? Port makes decision based on conditions (reported in the Rapid Structural Assessments) such as cracked beams. The Port Building Code is adopted from the State and local codes. Can only change based on geographical needs.
- What is the role of rent credits in rehabilitation projects, in Pier 38 for example? The Port is investing some of its capital resources for seismic substructure repairs, as well as allowing rent credit provisions in the 38 lease. The Port may use rent credits as a lease mechanism to allow tenants to finance facility repairs and improvements that the Port cannot complete. Working Group questioned whether rent credits should be considered as outside financing resource (“OPM, Other People’s Money”) when the Port foregoes rent revenues that support Port operations and capital projects budget. Questions also were raised about whether there are cheaper alternatives to rent credits to finance improvements as part of Port leasing and development projects.
- Do we expect revenue immediately after handing over the Pier 38 property to development partners? Proposal included a small guaranteed amount of base rent consistent with current financial structures. Port rental income is expected to increase during the lease term, as a percentage of revenues earned by the tenant.
- If the Pier 38 project is trust consistent, why not have a longer lease? The Port’s intention was to re-tenant the bulkhead building first on an interim-use basis including some structural improvements. A longer term project would require further Port assessment of the Pier 38 shed. Long-term development and Part 3 review of South Beach waterfront in the Waterfront Plan Update also should inform long-term development decisions.
- The proposed office use for Pier 38 is not listed in the Waterfront Plan—is this use allowed? The Waterfront Plan has separate policies for interim leasing vs. uses in long-term development projects (referenced as “Acceptable Uses”). The Waterfront Plan allows interim uses, including non-trust uses such as office, as long as it is consistent with City zoning. Pier 38 case study illustrates how pier condition and repair costs are driving the need for longer interim lease terms, and creates confusion about whether they are becoming development projects. For long-term development projects, the National Historic Register listing of Port finger piers has afforded use flexibility; State Lands and BCDC recognize historic rehabilitation that complies with Secretary of the Interior Standards as an in support of the Public Trust. This, and the federal historic tax credit program, have been essential to enabling the Ferry Building, Pier 1-5 and Exploratorium projects.
- Is there a mechanism for enforcement of the Waterfront Plan? No one wants the Waterfront Plan to be inflexible, but it should not be ignored when individual projects come along. Can we schedule discussion of enforcement provisions for this Plan, including the role of zoning? Yes. Flexibility of uses is important to sustain the ongoing operation of pier repair and use of the facilities. Waterfront Plan interim use policies allow uses that are permitted under City zoning. However, interim leases are requiring longer terms to amortize repairs and improvements. Questions about interim uses vs. long-term development are a key issue for Working Group discussions in the Waterfront Plan Update process.
- Has everything been designated as historic that could be designated now and in a few years? Additional sites are eligible, especially in southern waterfront, but have not been formally designated as historic resources. Historic designation is not an automatic process.

- What are the implications of building alterations on a property's historic eligibility? Each property is very different and it depends on a case-by-case basis. In the case of Pier 38, the interior alterations did not affect the overall historic character.
- How is the historic tax credit level assessed for each project? The National Park Service and the Internal Revenue Service determine this. Depending on the project scope, some project costs are eligible and others are not. The Exploratorium had additional costs for structures outside of the historic building that were not eligible.
- How does the existing Waterfront Plan inform prioritization of historic rehabilitation projects? The Capital Plan is more informative on how the Port prioritizes rehabilitation while the Waterfront Plan informs the uses. The Capital Plan and the facilities condition reports inform Port year-to-year maintenance.
- What is the Port vision regarding improvements to the historic piers? Waterfront Plan goals are about creating a vibrant and diverse waterfront and meeting public trust purposes. These values are reiterated in the goals of the Waterfront Plan including attracting people to the Waterfront, protecting historic resources, driving Maritime commerce and providing safe and enjoyable experiences. The Port uses these values as we score capital improvement projects so expenditures are aligned with Port goals.
- What is the status of a tour, especially of Pier 70? We will work on putting together a tour, likely from the landside. If any of you have further thoughts regarding transportation mode or other, please share with us offline.
- What is the Port's relationship with the National Park Service (NPS) Municipal Pier at Aquatic Park, and whether it provides possible breakwater protection of Pier 45? Municipal Pier is an NPS facility. Port has studied this and found that it does not have a major impact on Pier 45. Port has large backlog of improvements and does not have funds to repair. The Port is supportive and there is some coordination with Parks Service but that agency has not prioritized it for repairs.
- As a partial investor, can the Port get a return on investment in historic asset? We have serious backlog with capital program and investment returns could help fund improvements. In the Pier 38 case, returns looked good based on strong market. The public sector typically avoids risk but it may be worth exploring to capture some of the revenues for Port capital needs.
- Can historic or landmark status add to the uses allowed?
 - Reid Boggiano with State Lands Commission responded that State Lands works with the Port on historic rehabilitation projects for National Register resources. Each project is a unique and delicate balance of uses and project amenities. State Lands looks at project as a whole to make trust consistency determinations, including whether public access is maximized. It is a thorough process.

Comments:

- Regarding investment and resources – needing flexibility of terms for rehab projects that may not generate revenue for first few years.
- Regarding seismic seawall risks and sea level rise risks - These conditions now are considered in every Port project. Given different site and project conditions and requirements, each project

is individually reviewed to determine a strategy that balances these risks and Port business needs.

- Regarding zoning or conditional uses. Since zoning has not been updated since the 1960s, it could be one implementation step to create enforcement and amend legislatively through public process. This would allow public input. Reponses: Port went through Waterfront Plan Update with amendments to City's General Plan and zoning map to align land use controls. Waterfront Plan amendments resulting from the current public process will also have to address any associated amendments to the Planning Code and Zoning Map.

4. Announcement regarding the July 6th Transportation meeting date. Next Working Group meeting will be on May 11, 2016 Port Real Estate and Development.