



**Waterfront Plan Working Group
Land Use Subcommittee Meeting**

Meeting Notes: May 31, 2017

Present: Alice Rogers (chair), Larry Beard, Jane Connors, Jon Golinger, Stewart Morton, Don Neuwirth, Jasper Rubin, Corinne Woods, Dee Dee Workman

Not Present: Kirk Bennett, Ellen Johnck, Ron Miguel, Karen Pierce

Other Working Group and Advisory Team Members Present: Mike Buehler, Jeffry Congdon, Linda Fadeke-Richardson, Howard Wong

Port Staff: Diane Oshima, Kari Kilstrom, Elaine Forbes, David Beaupre, Rebecca Benassini, Brad Benson, Anne Cook, Aaron Golbus, Norma Guzman, Mark Paez, Byron Rhett

Agency Staff: Reid Boggiano (State Lands via conference call), Andrea Gaffney (BCDC)

1. Introductions.

2. Hotel Use discussion. Alice Rogers noted that hotel use was in the media earlier today and subcommittee opted to start with pier hotel use agenda item first. Port Director Elaine Forbes opened the conversation with some remarks. She expressed gratitude for the Working Group's time and dedication. She noted that the Embarcadero Historic District is a highly valued resource for San Francisco. Port's goal with hotel feasibility analysis is to make sure that the Land Use Subcommittee has all of the information that it needs to make recommendations about feasible uses that can help rehabilitate the historic finger piers that are at risk from further deterioration, and possible demolition if no intervention is made. Hotel use inside a historic pier structure is more feasible than previously thought. Hotels are found on other waterfronts, and are a trust consistent use. The Port does not have any proposal pending for a pier hotel, or plans to take the matter to the voters.

Discussion/comments

Discussion of pier hotels was addressed separately from other historic district leasing recommendations. The goal was to have a broad, open discussion to: get concerns on the table, lay concerns to rest where possible, and see if there's any common ground to communicate to staff. After concluding discussion (summarized below), all except one attending Subcommittee member supported further consideration by the Port of allowing hotel use as one way to rehabilitate Embarcadero Historic District piers. The Subcommittee did not address nor make any recommendations about whether the Proposition H prohibition of pier hotels should be revisited; the discussion was focused on feasibility of use.

- One subcommittee member was contacted for the hotel phone survey, and criticized that it was misleading. The question made it sound like Port would build Miami Beach above the finger piers. It's not fair to ask the question in that manner when all we are talking about is the possibility of a hotel within a historic pier shed.

- One subcommittee member had the hotel survey question and recited it: “A measure proposed for the ballot would repeal a previous voter measure that prohibits developers from building luxury hotels on top of public piers on the waterfront. In other words, this measure would allow developers to build luxury hotels on top of public piers on the waterfront. If the election were held today, would you vote to oppose or support the measure? (17% support, 71% opposed, 13% not sure)” The survey included two other questions (followed by would you oppose or support): “A measure proposed for the ballot would make it official city policy that public recreation, arts programs, and cultural activities should be encouraged as uses for empty waterfront piers. (70% support, 14% opposed, 16% not sure)”; and “A measure proposed for the ballot would authorize the City to issue \$350 million in general obligation bonds to fund repairs to the Embarcadero seawall to protect the waterfront from earthquake damage. (63% support, 20% opposed, 17% not sure)”
 - Important for Port to make clear: the Port never proposed a wall of hotels on the waterfront, that is not what we’re discussing or considering; it’s really misleading
 - Examiner reports about a hotel ‘on’ the pier – when the Subcommittee is discussing a hotel ‘inside’ a historic pier shed consistent with secretary of interior standards - so the poll question and reporting evokes another concept entirely.
 - That is a push-poll to get to a certain outcome; wording is designed to get a certain vote
 - John King’s article (April 28) reports accurately that the purpose of considering hotel now is for preservation of the historic piers
 - Public is supportive about fixing the Port seawall; be careful about confusing people about the true issues that are being discussed
- The hotel use question is part of this public plan update process and should be addressed in these public meetings, - not in blogs, polls, and news columns – let’s all earnestly come to this table and discuss the issues together.
- Imminently reasonable for Port to consider hotel in pier shed if goal is to restore historic piers. A limited number of uses can achieve that goal, so pulling hotel use off the table is short-sighted. If floodgate of hotels is the concern, the number can easily be capped.
- People voted for Prop H (30-yrs ago) due to fear of ‘Miami beach’ in SF. Today, we’re not talking about high rise hotel, we are talking about restoring a historic pier with a hotel, which is trust consistent and revenue generating (which very few trust uses are). We must advocate for this to help the Port.
- People conjure different images, from resort high-rise to low-key historic waterfront. Taking hotel off table pre-emptively is wrong; have faith in voters of SF.
- Encourage Port to explore hotel opportunity. Port needs a variety of tools to tackle restoration of 10 historic piers; there aren’t that many viable solutions over next 20 years. Port can follow good examples of historic restoration piers from other cities; strict historic guidelines. Get creative with use of hotel tax to fund other waterfront needs.

- Seems to be a majority that we don't want to forego the possibility of discussing hotels that are included within historic pier structures.
- Appreciate information, but we don't have all the information needed about hotel use to encourage the use, e.g. public safety costs, what locations would be considered. Further consideration/equal weight should be given to recreation that pays for itself and art/cultural uses. Voters love the waterfront and based on projects like Ferry Building, Exploratorium, Piers 1.5-5, etc. people have high expectations. Concerned about discussing hotel, that it becomes a symbol of whether Port has learned anything from last 10 years. Prefer spending time on other uses like recreation or cultural uses; groups could raise money to pay for or supplement these uses. Hotel must reverse a ballot measure; others in City should weigh-in along the way if we discuss hotel use.
- Thirty years is a long time (since Prop H); use of the Port has changed a great deal. It seems like this should be considered for one or two historic piers. Population has changed in that time; doesn't seem like anyone would object. Hotel would put people at the waterfront destination, so fewer cabs/cars from City-center to waterfront. A ballot measure 30 years ago is worth re-thinking (it took 3 ballot measures to remove central freeway ramps); ballot measures are worst way to plan
- It would be nice to have a better way to finance/deliver funds to the Port. Budget analyst could write a report – identify additional ways of funding the Port.
- Hotel seems as private as office (except Fairmont, which allows you to wander through); there are boundaries where public can't go. Concerned with parking to serve waterfront uses. Concern about making a choice now, without more information.
- We need to provide Port with opportunity to find as many potential partners to make this high investment; \$100s of millions to restore piers. Hotels employ locals, buy produce from local farms, and provide place for regional visitors and friends to stay.
- Seems to be common ground in these comments, but limited to one or two hotels. It would be simple to craft something that encourages Port to look at a range of uses, including one or two hotel opportunities, but also spend energy finding cultural uses and other uses as well.
- Hotel doesn't seem particularly public-serving, but neither is Exploratorium; many waterfront uses that can fund restoration of historic piers are too expensive for people of limited economic-means.
- This group hasn't learned anything from Mills and 8 Washington battles –arguments like trust-consistent and revenue-generating may be reasonable, but they aren't the end of the story. Strong dissent; the case hasn't been made. The Port will spin its wheels again for years, because groups in and out of the City will make this difficult.
- Concern that committee and meeting attendees don't represent younger people (next generation); hope to get those opinions. The Port should use its properties to generate revenue to the extent possible rather than relying on public funding, and loading up debt and taxes on next generation.

Question/Answer:

Does Prop H prohibit hotel on seawall lots? No, only within 100-foot shoreline band.

Could revenue from hotel on seawall lot fund pier improvements? A key revenue generator for Port of San Diego is hotel tax, and those revenues are used to repair the Harbor. In SF, Port does not receive hotel tax for seawall lot hotels; legislation would be needed. The economic analysis find hotels are economically viable inside a historic pier, without public subsidy, and they are consistent with the trust and publicly-oriented objectives, particularly important for piers.

What is point of discussion; language in Plan? Port has been asked whether hotels would be viable inside historic piers as it is a trust-consistent use. Intention of Port staff was to provide information and have an open discussion as part of Subcommittee's consideration of financially feasible approaches for rehabilitating piers in the Embarcadero Historic District. The goal is to have the broadest possible discussion, identify concerns and opportunities.

Seems there could be challenges to meeting Secretary of Interior standards. Will there be air and light in the rooms? And bay views? What about the cost of hotel, i.e. putting a bathroom in every room and structural cost? Consultants had limited budget so this is a preliminary analysis, focused on determining whether the use was physically/financially feasible generally, within the rectangular dimensions of a pier shed, and whether this could be achieved consistent with Secretary Standards. The hotel evaluation assumed preservation of historic windows and roll-up doors that would bring light into the space. They used low/high range of '\$per/sf' estimates for structural costs for 250 rooms, including restrooms, and other, hotel-related requirements (e.g. fire access/egress). The cost for hotel is much higher than other uses; hotel revenues are higher as well. The physical layout includes some rooms with nice bay views; some event space could have those views, too. Fire access/egress was checked and got good feedback; no details as to which pier would be best in that regard.

Can the Port exceed 66-year leases? 66 years is in the Burton Act, which is usually the maximum. In only two cases, the State Legislature has determined that lands are not needed for trust purposes, and the revenue from those leases go into the Harbor Fund to benefit the trust. At Pier 70, those are 99-year leases, for commercial and residential rental uses. Pushing the Burton Act for longer leases may be difficult, and may set precedent on a statewide basis.

Regarding text on Attachment 2, Intermediate Lease Scenarios: What are current barriers to interim leases for high-revenue PDR/office? Is this about new lease structures that allow Port to use some of these structures for office or PDR? Are these uses not coming in because they can't get a long-enough term? Two things: 1) longer terms are increasingly necessary to amortize improvements in general. 2) Deteriorating piers and high cost of repairs is driving the need for higher revenue uses that can afford to make improvements to the piers. In industrial piers, there is a limited area that can be used for higher-revenue generating PDR, like maker- or tech-PDR, or office, that support the growing cost of repair. The intermediate lease diagrams indicate residual areas that are industrial/warehouse, maritime, or open to possible pop-up; unlikely to be homogeneous use throughout a pier.

If Port does all short term leases, it will have to come up with the capital for repairs on its own.

Are those funds available? No. The Port has some tenants that can use industrial piers sheds with no improvements for storage, etc., but those numbers are shrinking and pier deterioration is increasing, so that's given rise to intermediate- or longer-terms for uses that can afford to make more costly repairs and capital improvements.

3. Policy Guidance Recommendations for Embarcadero Historic District Leasing and Development Alice summarized comments at May 24th meeting, where there general consensus for the Historic District leasing recommendations, but some further edits were discussed and requested:

Page 1, first paragraph under “Findings”: Modified redline/edit in the third sentence to read:

The State Lands Commission has recognized that historic preservation projects, applying the Secretary of Interior Standards for Historic Rehabilitation can, along with other elements, be consistent with the public trust and that preserving the historic piers may require new sources of revenue and/or investment including private fundraising, targeted public investment, and a variety of high revenue-generating and other financially feasible uses.

Page 3, 2nd paragraph, last sentence: Modified to be consistent with the edits on Page 1.

Absent outside funding and financing resources such as private fundraising or targeted public investment, intermediate- and long-term leases both require high revenue-generating and other financially feasible uses to finance historic rehabilitation and capital improvements.

In response to 5/24 meeting comments, 5/31 recommendations include revisions to Attachment 2 to provide explanation improvements, types of uses and financial feasibility requirements for intermediate- and long-term leases of historic piers in the Historic District, based on EPS analysis.

For Attachment 1, Port staff added explanations and revisions to improve understanding of the matrix, with particular focus on the lease term column, to address 5/24 meeting comments. The Public Trust Objectives Matrix is valuable for the Port and State Lands Commission staff to document the objectives and provide a stable tool for reviewing projects. Short term leases are desirable from a trust perspective to allow flexibility to change uses as needed, however it is also true that a successful, trust-consistent mix-use development that rehabilitates an historic pier in this Historic District also is desirable even under a 66-year lease.

The Subcommittee endorsed the revised Recommendations, including above described edits, which will be incorporated.

Will there be recommendations re land uses here or at some point in the process? Even a few paragraphs that express what we're thinking about certain uses? The recommendations include descriptions of uses on p. 3, to prioritize retail, cultural and public-oriented uses in the bulkhead buildings, in addition to maritime berthing, public access, water recreation recommendations made in earlier Subcommittee meetings, to maintain a diversity of uses. Attachment 1 (Public Trust Objectives) also characterizes various uses in terms of furthering trust objectives; additional text about land uses could be developed from that.

Staff will circulate a clean copy of the Policy Guidance Recommendations; it will not be calendared for further discussion.

The Group accepted the [Meeting Notes](#) from the May 10 meeting. The Group will consider the May 24 Draft Meeting Notes will be at next meeting.

There was not time to address the Seawall Lots topic discussion and this will take place at the next meeting on June 7th.