




## MEMORANDUM

September 18, 2020

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request authorization for Port staff to enter into negotiations for an Exclusive Negotiating Agreement (ENA) with Strada Trammell Crow Company Partners, LLC (Strada TCC), the highest scoring respondent for the Piers 30-32 & Seawall Lot 330 Request for Proposals, located generally on The Embarcadero between, Bryant and Beale Streets

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 20-45

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### **EXECUTIVE SUMMARY**

At the Port Commission's September 8, 2020 meeting, Port staff presented an informational agenda item on the proposals received for the Piers 30-32 & Seawall Lot 330 RFP ("Piers 30-32 & SWL 330") Request for Proposals (RFP). In the RFP, the Port sought a qualified partner to enter exclusive negotiations to develop and operate Piers 30-32 & SWL 330. The offering includes approximately 574,000 sq. ft. (13 acres) of vacant deck surface on Piers 30-32 and a 101,000 sq. ft. (2.3 acres) surface parking lot on SWL. In issuing the RFP, the Port was seeking development partners to invest in redeveloping the two sites within the goals and objectives of with the Draft Waterfront Plan ("Waterfront Plan"), the Port Resilience Program and the values expressed by the community through the Port's citizens' advisory committees.

The Port received five proposal responses to the RFP and determined that three met the minimum qualifications. It is important to note that responses to the RFP are conceptual proposals provided by development teams. These proposals do not yet

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include input from: the public, the Port, regulators, policymakers, and other stakeholders. Based upon prior experience with a project of this complexity, the Port expects the proposal will change to respond to input from a variety of groups over dozens of months of thorough review.

Port staff convened a five-member Scoring Panel and provided the three minimal-qualified responses to the panel for evaluation and scoring. The Scoring Panel ranked the Strada TCC response the highest of the three proposals. Port staff presented this scoring summary and an overview of each of the three respondent proposals to the Port Commission earlier in September. The agenda item included a summary by staff of the RFP, the written and oral evaluation and scores of the responses, and presentations from the three respondents who both met minimum qualifications and submitted complete responses. During the meeting, Port Commissioners requested additional information on the technical experts' documents reviewed by the RFP Scoring Panel (the topics are engineering, architecture, transportation, and financial feasibility), diversity, equity, and inclusion plans, and more details on the housing component of the proposals. Port staff have included this additional information from the written proposals in this memorandum. Note that because the competitive solicitation is open until a respondent is selected, the process does not allow respondents to provide new information or proposals.

Since the September 8 Port Commission meeting, Port staff and Strada TCC presented the Strada TCC concept to the Port's Northern Advisory Committee (NAC) on September 16, 2020, and to the Port's Maritime Commerce Advisory Committee on September 17, 2020. The NAC and MCAC and community stakeholders provided input on the Strada -TCC concept, in general the response was favorable, however some concerns were raised.

Port staff ask the Port Commission to affirm the Scoring Panel's determination that Strada TCC received the top ranked score. Given the strength of the Strada TCC proposal and its potential for success, Port staff is seeking the Port Commission authorization to negotiate an ENA with Strada TCC and ultimately return to the Commission to seek approval of an ENA. As part of the approved RFP process, if the Port Commission does not authorize Port Staff to take the next steps with Strada TCC, the RFP process will be terminated.

This staff report provides an overview of the RFP process to date and includes the below sections. Note sections with an asterisk provide additional information requested by the Port Commissioners since the September 8, 2020 Port Commission meeting.

1. Strategic Plan Alignment Project Background
2. RFP Scoring Panel Process
3. Strada TCC Respondent Proposal Concept for Development
4. \*Additional Information Summary: Equity, Diversity, and Inclusion and Housing Programs
5. \*Review of Strada TCC Proposal with Northern Advisory Committee
6. \*Next Steps

## 1. STRATEGIC PLAN ALIGNMENT

Successfully selecting a development partner and redeveloping Piers 30-32 and SWL 330 will provide for a range of publicly-oriented uses, maritime tenants, and other revenue-generating uses to implement a financially feasible project. The project's success will be defined by its redevelopment of assets, implementation of resilience and adaptation strategies, curation of a mix of uses that enliven the South Beach waterfront area, and advancement of the Port's goals and objectives of its Strategic Plan and draft Waterfront Plan.

If approved and implemented, this project will achieve seven of the Port's Strategic Plan objectives (from the 2019-2023 Strategic Plan):

Evolution: Contribute to Port's ongoing transformation to better address the needs of the public and the Waterfront.

Resiliency: Better prepare the Port for natural and human made risks and hazards through seismic strengthening of the adjacent Seawall and the construction of flood protection for the Piers.

Engagement: Throughout the project development process, represent the values of the Waterfront communities and provide amenities that increase the public's awareness of the sites' remarkable history and setting.

Equity: Completed Piers 30-32 and SWL 330 projects will be accessible, attractive and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Waterfront.

Sustainability: Represent environmental stewardship in protecting the Bay, reducing emissions and waste and prioritizing environmentally-sustainable transportation.

Productivity: Attract tenants who contribute to an economically-viable Port and capitalize on the Port's unique assets, including use of the deep-water berth on Piers 30-32.

Stability: Contribute to the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance at other Port facilities.

## 2. BACKGROUND

The Waterfront Plan recommendations developed through a 30-member stakeholder working group and public meetings between 2017 and 2019 produced Port-wide and Subarea Goals, Policies, Objectives, and Acceptable Uses. These provisions of the Waterfront Plan helped guide the Port's discussions with Port Advisory Groups and members of the public in 2019 regarding the RFP for the redevelopment of Piers 30-32

and SWL 330 (*Exhibit 1*). These community discussions resulted in a consensus of site-specific “Community Values” that emphasize maritime, urban design, quality-of-life, sustainability, and equity benefits that are incorporated in the RFPs for rehabilitating or developing such sites.

In Summer and Fall of 2019, Port staff also provided the Port Commission with an update on retrofitting and redeveloping Piers 30-32, including a Port Engineering estimate that the costs of upgrading Piers 30-32 to development standards that accommodate the Seawall Program, seismic retrofit and sea level rise could range between \$264M and \$369M, and that demolishing the Piers’ deck and substructure for altogether removal could range between \$45M-\$55M in 2019 dollars.

On December 10, 2019 the Port Commission authorized Port staff to issue an RFP for Piers 30-32 & Seawall Lot 330.<sup>1</sup> The Port Commission directed staff to issue an RFP for Piers 30-32 and SWL 330 with these specific directions to:

- Consider developer responses that meet minimum qualifications that propose development of both Piers 30-32 and SWL 330, or that propose development at only one of the two sites,
- Include a deep-water berthing facility and related facility access at Piers 30-32
- Consider proposals for Piers 30-32 that might include a plan to partially rebuild the Piers rather than propose to recover the entire 13-acre site, and
- Include the summary of “Community Values” reflecting Advisory Group and neighborhood input to guide the RFP development,
- Work expeditiously to develop and release the RFP by February 3, 2020,
- Convene a five-person Scoring Panel to review and score qualifying developer responses using criteria set in the RFP; and
- Present the Scoring Panel’s results to the Port Commission in an informational hearing with two recommended course s of action for the Port Commission to consider: to authorize Port staff to enter into an ENA with the team representing the top-scoring development response; or to terminate the RFP process.

### **3. RFP Scoring Panel Process**

The RFP Scoring Panel Process is documented in greater detail in the prior staff report, the below provides a summary of the process.<sup>2</sup>

Consistent with the steps outlined in the Waterfront Plan and as approved by the Port Commission, the Port selected a five-member scoring panel to review the written responses and oral interviews. The scoring criteria are in Table 1.

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<sup>1</sup>

<https://sfport.com/sites/default/files/Commission/Documents/Commission%20Meeting%20Staff%20Reports/Item%2013A%20-%20%20Piers%2030-32%20Final%20with%20exhibits.pdf>

<sup>2</sup> <https://sfport.com/meeting/san-francisco-port-commission-september-8-2020-supporting-documents>

**Table 1. Scoring Criteria**

<b>Evaluation and Selection Criteria Summary</b>	<b>Written</b>	Total: 100 points
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	
	<b>Oral</b>	Total 30 points
Quality of Design and Development	12 points	
Experience	11 points	
Team Organization	7 points	

The Port was very fortunate to convene a five-member Scoring Panel with extensive knowledge and experience in waterfront planning, land use, design, development and community engagement: 1) Michael Willis, architect and professor of design; 2) Jasper Rubin, San Francisco State Assistant Professor of Geography and Land Use, and former member of the San Francisco Planning Department; Kari Kilstrom, Port of San Francisco Waterfront Plan manager; Katy Liddell, Port Northern Advisory Committee Co-chair and President of the South Beach - Rincon - Mission Bay Neighborhood Association; and Kirk Bennett, retired Port Assistant Deputy Director of Development, and Port Waterfront Plan Working Group member. Port staff expresses its appreciation to the Scoring Panel members for the significant dedication of time they invested to support this development solicitation process.

The Scoring Panel:

- Attended a panel orientation via Zoom on July 21, 2020, during which panelists received the RFP responses to the panelists, the technical memos, and written evaluation score sheets. During the orientation, Port staff instructed panelists to score according to the criteria in the RFP.
- Met virtually on August 6 and 10, 2020 to discuss the proposals and scoring criteria, and to ask clarifying technical questions about the proposals. The authors of the technical memoranda participated in the meetings on an as-needed basis. The panel also reviewed and finalized interview questions.
- Provided scores for the written proposal on August 11, 2020.
- Held three oral interviews held on August 13, 2020 at 10 am, 1 pm and 3 pm.
- Deliberated at the conclusion of each panel interview and after all interviews were completed.
- Provided interview score sheets to the Port by August 14 at noon.

A tabulation of the scores is below. Port staff tallied the panelists' scores for both the written responses and oral interviews. The maximum possible score for written proposals is 100 points and up to an additional 30 points based on the oral interviews. The highest attainable possible score is 130 points. The high and low scores of the Panel members for each scoring criteria for each respondent were discarded and the remaining three scores were averaged to determine the scores presented in Table 2.

**Table 2. Panel Scoring Results**

Item	Strada TCC	Tishman Speyer	Vornado
Written Proposal	82.67	67.33	58.00
Oral Interviews	26.67	22.00	17.33
Total	109.34	89.33	75.33
Rank	1	2	3

#### 4. STRADA TCC DEVELOPMENT CONCEPT

The Strada TCC development response met the goals, objectives, and values described in the Port's RFP. *Exhibit 2* is an executive summary of the proposal prepared by Strada TCC. Strada TCC recognized the need to further the Port and the stakeholders' discussion to refine the concepts while still achieving the goals and objectives established in the Port's plans and programs. It is essential to recognize that the proposal received is an initial concept that will likely evolve through community dialogue, additional site due diligence, policy direction, and lease negotiations. Ultimately a successful project will have an appropriate balance of uses and improvements that meet the goals and objectives of the Port's plans and programs.

##### Vision

*Exhibit 3* illustrates the Strada TCC land use and program proposal, which is set forth below. The proposal includes:

- providing market-rate and affordable housing on SWL 330
- demolishing Piers 30-32 and constructing two new finger piers which would support a mix of commercial uses and public recreational uses.

##### Piers 30-32

Specifically, the land uses proposed for the rebuilt Piers 30-32 include:

- a floating swimming pool and access points for personal watercraft
- retail uses open to the public
- maritime uses including a deep-water berth with a vehicle access path from the Embarcadero and space beside the berth for loading and vessel access
- commercial office space in two-story buildings totaling 376,000 gross square feet (GSF)

- accommodation for the existing Red's Java House.

The proposal also includes financing through the creation of an Infrastructure Finance District (“IFD”) subarea for the site and the creation of a Community Facilities District to impose and use special taxes. The respondent entity is a joint venture of Strada Investment Group and Trammell Crow Company.

The newly-constructed finger piers would replace the demolished existing pier slab and piles with a 45% smaller footprint, thereby reducing the amount of Bay fill. The resulting pier would be a total of 7.2 acres in size, of which about three acres would be public open space.

### SWL 330

On SWL 330, the Strada TCC team proposes 850 units of housing, 207 (25%) of which will be affordable to a range of income levels, paid for by the project and using the State Density Bonus Law. The proposal notes that the Density Bonus may allow for an increase above the existing zoned height – which allows buildings up to 105 feet - to proposal of two towers of 218 feet in height. The ground floor includes community and retail space in the buildings which form a triangle flanking the streets and framing an open space accessible to the public, and access to an on-site garage serving the residences.

### Proposed Investment in Port's Assets

Strada TCC’s proposal to demolish the existing piers and replace them with two finger piers includes an allowance of \$321.4M to build the smaller piers and complete the seawall improvements. Total private investment (excluding the cost of the 150-unit stand-alone affordable residential project) is projected to total \$1.18 billion. Upon the expiration of the leases, the value of the land and improvements would revert to the Port.

Strada TCC offered a base rent for the combined sites of \$1.5M per year, following issuance of a certificate of occupancy with escalations. Strada TCC also offered to pay a reduced base rent of \$350,000 per year during the construction period. Strada TCC proposed to pay the Port 20% of the project’s net cash flow after debt service after the project generates a threshold 18% leveraged IRR. Strada’s cashflow estimates this revenue stream would sum to \$13.8M (nominal dollars) over the lease term.

Strada TCC also indicated an interest in developing only SWL 330 if that was the Port Commission’s preference: if Strada TCC were to lease only SWL 330, the base rent would be \$3M per year.

## **4. \*Additional Information Summary: Equity, Diversity, and Inclusion and Housing Programming**

## Equity, Diversity, and Inclusion

Equity, Inclusion and Diversity are priority Port goals within the Piers 30-32/SWL 330 RFP. The RFP references the “Equity” and “Engagement” priorities of Port’s 2019-2023 Strategic Plan that call to:

- Invite community members to engage in dialogue about how the Port can be a better neighbor,
- Use community input to develop a Port-wide Public Benefit Framework for Port Commission review,
- Grow the number of local businesses competing for Port contracts by engaging teams that support the diversity of our City, and
- Strengthen public understanding and support of Port responsibilities and projects through community engagement and participation at many levels.

The RFP also listed the Waterfront Plan’s Port-wide Goals of “Diversity of Activities and People,” “Public Access and Open Space Along the Waterfront,” and “A Financially Strong Port with Economic Access for All” which emphasize the importance of including communities which have historically been underrepresented or excluded from the planning discussions, enjoyment and/or the economic prosperity of the Waterfront and its development.

Recognizing the Commissions desire to emphasize the value of equity, inclusion and diversity as highlighted in the RFP, Port staff worked with the Scoring Panel to review the three qualifying responses. The responses from the three teams all referenced and reflected, in varying degrees, a commitment to:

- activating the open spaces so that they may be accessible and enjoyed for free for all users
- programming the open spaces and active uses with the intent of removing barriers (based on income, ability, cultural appeal, etc.) to ensure the Waterfront is enjoyed by a diverse population reflecting San Francisco and the Bay Area,
- supporting potential community-serving non-profit partners seeking an affordable base for their activities at this site,
- providing affordable housing in greater proportion to the basic provisions set by the City of San Francisco for new, large scale residential development,
- engagement with workforce programs that increase opportunity for locally-owned businesses represented by a diverse range of owners to participate in the construction of the project, and to find employment or operate a business in the redeveloped sites,
- initial and on-going outreach and discussions with a broad, diverse range of stakeholders in the planning, programming, completion and operation of the redeveloped sites.

The Scoring Panel reviewed the three proposals with these considerations from the RFP, and their assessments of each team’s experience and demonstrated understanding of Equity, Inclusion and Diversity were reflected in the scoring of both the written and oral responses from the development teams.



## Housing Programming

Table 3 below summarizes the housing programs of the respondents for SWL 330. As shown, Strada TCC includes 850 units, Tishman Speyer includes 460 units, and Vornado includes 360 units. The proposals provided differing levels of specificity about unit sizes, targeted income levels, and delivery (partnering) and financing at this early stage.

**Table 3. Summary of Housing Proposed on SWL 330**

	Strada TCC		Tishman Speyer		Vornado
Tenure	Rental		Rental		Rental
<b>Affordable Units</b>	207	<sup>1</sup>	230		90
<b>Market Rate Units</b>	<u>643</u>	<sup>1</sup>	<u>230</u>		<u>270</u>
<b>Total Unit Count</b>	850	<sup>1</sup>	460		360
<b>Number of Affordable Units</b>					
	Studios		47		0
	One Bedrooms		91		90
	Two Bedrooms		92		0
<b>Affordable Unit Sizes, NSF</b>					
	Studios		330		
	One Bedrooms		605		750
	Two Bedrooms		888		
<b>Unit Count by Affordability Level</b>					
	Very Low Income (up to 50% of AMI)		0		0
	Low Income (up to 80% AMI)		0		90 <sup>3</sup>
	Moderate Income (up to 120% AMI)		230	<sup>2</sup>	0
<b>Affordable as a % of Total Project</b>					
	Total Affordable	24%	<sup>1</sup>	50%	25%
	Very Low Income (up to 50% of AMI)	7%		0%	0%
	Low Income (up to 80% AMI)	18%		0%	25%
	Moderate Income (up to 120% AMI)	0%		50%	<sup>2</sup> 0%
<b>Location of Affordable Units</b>					
	Integrated with Market Rate Units	57	<sup>1</sup>	230	90
	100% Affordable Bldg.	150			

<sup>1</sup> There is a discrepancy between the narrative portion of the proposal and the provided financial tables. The narrative indicates that there will be 25% affordable units - 208 affordable units (58 integrated with market rate units and 150 in separate building), while the financial tables indicate 207 affordable units (57 integrated and 150 in a separate building). 208 units represents 24% affordability, compared with the stated percentage of 25%.

<sup>2</sup> Financial tables in proposal indicates that "proposal assumes an average of 90% AMI for the financial model. Specific mix will be determined through negotiations". Proposal narrative states that "Income levels will go far beyond the City's Inclusionary Housing mandates, with units set aside for low-income residents as well as workforce housing aimed at the "missing middle." Unit mix standards will ensure a range of household types, from singles to families with children."

<sup>3</sup> Narrative indicates that the rental rates on the affordable units will be less than 50% of market rate rents.

## **5. Review of Strada TCC response with Port Advisory Committees**

Consistent with the RFP process outlined in the updated Waterfront Plan, on September 16th and 17th, 2020 Port staff and the Strada TCC team presented the proposals to both the Port's Northern Advisory Committee (NAC) and Maritime Commerce Advisory Committee (MCAC) including an overview of the RFP process to date. Both the NAC and community voiced support of the concept and expressed concerns to be considered. In general, the comments included:

### General Comments:

1. Appreciation of how Community Values were reflected in the response
2. Appreciation of strategy to make the Piers and SWL a community asset and revenue-generator
3. Interest in continuing a dialogue with the community on proposal
4. A desire for a strong plan to manage traffic, parking

### Piers 30-32:

1. Appreciation of the overall engineering approach (demolish and rebuild) and how well the deep-water berth and access route to berth are accommodated
2. Appreciation of design: similarity to historic finger piers, site circulation and the low-profile form,
3. Appreciation for reduced footprint of a rebuilt pier and benefit to Bay ecology.
4. Appreciation for the public access areas
5. Concern about the market demand for office proposed in post-COVID world

### SWL 330

1. Appreciate the "sculpted" design of architecture
2. Concern about height and massing along The Embarcadero and Brannan Street
3. Generally seen as a better long-term use than the Navigation Center or parking
4. Appreciation of proposed community space in SWL 330

## **6. \*Next Steps**

Strada TCC's response to the RFP is a conceptual proposal devised by the development team without the benefit of input from a variety of stakeholder groups. Based upon prior experience with a project of this complexity, the Port expects the proposal will change to respond to input from a variety of groups over dozens of months of thorough and public review.

If approved by the Port Commission, Port staff will initiate negotiations for an ENA in the form attached to the RFP with Strada TCC. The ENA sets forth the process, terms, and conditions upon which the Port and Developer will negotiate terms for the disposition of the sites and the development and operation of the proposed project and more specifically, seek to award the opportunity under the RFP by completing and entering into a written disposition and development agreement, a long-term ground lease and other related agreements and documents required for the proposed project.

If ENA negotiations are successful, Port Staff will return to the Commission late in 2020 or early in 2021 to seek approval of the ENA with Strada TCC. Entering into ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease, or related documents Port staff and Strada TCC will continue to engage with the NAC and community throughout the negotiations. As part of the approved RFP process, if the Port Commission does not authorize Port Staff to take the next steps with Strada TCC, the RFP process will be terminated.

### **Recommendation**

Port staff recommends that the Commission authorize staff to initiate negotiations for an ENA with Strada TCC in the form described in the RFP and return to the Port Commission to seek approval to enter into an ENA.

Prepared by: Peter Albert  
Development Project Manager  
Real Estate and Development

Prepared for: Rebecca Benassini  
Acting Deputy Director  
Real Estate and Development

Exhibit 1: Excerpt from RFP and Waterfront Plan  
Exhibit 2: Strada TCC Executive Summary  
Exhibit 3: Strada TCC Proposed Site Plan

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

**RESOLUTION NO. 20-45**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, On December 10, 2019, the Port Commission, by Resolution 19-48, authorized Port staff to issue a request for proposals for the development of Piers 30-32 & SWL 330; and
- WHEREAS, On February 3, 2020, the Port issued the Request for Proposals for the Piers 30-32 & SWL 330 Project (the “RFP”); and
- WHEREAS, On June 26, 2020, the Port received proposals from three respondents who met the RFP minimum qualifications; and
- WHEREAS, In accordance with the RFP, a five-member scoring panel (“Scoring Panel”) was formed, which Scoring Panel consisted of a person with real estate development expertise, a Port staff person, a Port advisory committee member, a citywide stakeholder and a person with architectural design expertise; and
- WHEREAS, The Scoring Panel conducted interviews and scored the three proposals against the objectives and evaluation criteria set forth in the RFP; and
- WHEREAS, The proposal from Strada Trammell Crow Company Partners LLC (“Strada TCC”) received the highest score from the Scoring Panel; and
- WHEREAS, On September 8, 2020, the Port Commission received a briefing on the Scoring Panel process and the three proposals scored by the Scoring Panel; and
- WHEREAS, Port staff is requesting that the Port Commission authorize staff to negotiate an Exclusive Negotiating Agreement (“ENA”) in the form attached to the RFP with Strada TCC; now therefore be it

RESOLVED, That the Port Commission expresses its thanks and appreciation to the five members of the Scoring Panel for their participation in and support of the Port's evaluation of responses to the RFP; and

RESOLVED, The Port Commission authorizes Port staff to begin ENA negotiations with Strada TCC for the opportunity described in the RFP and, if such negotiations are successful, to seek Port Commission approval of the ENA; and

RESOLVED, That entering into ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease disposition and development agreement, final lease, or related documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 22, 2020.***

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Secretary