



## MEMORANDUM

February 5, 2021

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

**FROM:** Elaine Forbes   
Executive Director

**SUBJECT:** Request authorization to enter into an Exclusive Negotiation Agreement with Strada - TCC Partners, LLC for the lease and development of a mixed-use project including commercial, residential, retail, maritime and public access uses for Piers 30-32 and Seawall Lot 330 generally located along the Embarcadero between Bryant and Beale Streets.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 21-08

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### **Executive Summary**

On September 22, 2020 the Port Commission authorized staff (Resolution 20-45) to initiate negotiations with Strada Trammel Crow Company Partners LLC (“Developer” or “Strada-TCC”) for an Exclusive Negotiating Agreement (“ENA”) for the Piers 30/32 and Seawall Lot (SWL) 330 project (“Project”). A link to the staff report is set forth at the bottom of this page<sup>1</sup>. The Strada-TCC entity is a joint venture of Strada Investment Group and Trammell Crow Company. The Strada-TCC team was the highest scoring respondent scored by a diverse five-member selection panel to Port’s Request for Proposals (“RFP”) for the Piers 30/32 & SWL 330 sites. The RFP offering includes approximately 574,000 sq. ft. (13 acres) of deck surface on Piers 30-32 and a 101,000 sq. ft. (2.3 acres) surface lot at seawall lot 330 (*See Exhibit 1, Site Location*). In issuing the RFP, the Port sought development partners to invest in redeveloping the two sites to realize the Draft Waterfront Plan's goals and objectives (“Waterfront Plan”), the Port

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<sup>1</sup> [Item 11B Piers 30-32 & SWL 330 to ENA\\_final.pdf \(sfport.com\)](#)

Resilience Program, and the values expressed by the community through the Port's citizens' advisory committees.

The ENA sets forth the process, terms, and conditions upon which the Port and Developer will negotiate for the disposition of the sites and the development and operation of the proposed Project. Upon the successful completion of a multi-year process to: complete negotiations, environmental review, and other project approvals, the ENA will be replaced by a lease disposition and development agreement, a long-term ground lease and other related agreements and documents required for the proposed Project. Throughout the ENA negotiations, the Port and Strada-TCC will work with both community stakeholders and its regulatory partners to shape the project so that it aligns with existing policies and is an amenity to the Port, City and Region.

Since the September 22, 2020 Port Commission Authorization, Port and Strada-TCC have been negotiating the ENA terms. The RFP included an ENA form for the Project; however, four specific terms were revised to address the Project's complexities. They are as follows: 1) addition of Diversity, Equity and Inclusion goals; 2) increased length of the ENA term; 3) an early termination right if Developer reasonably believes after early outreach with the Port's regulatory partners that alignment on the Project's objectives among the parties and Port's regulatory partners agencies are not feasible; and 4) provision that allows Port Executive Director approval of certain transfers to institutional investors. The Port has also reached out to its regulatory partners to initiate discussions regarding the Project.

This staff report includes the following sections:

1. Alignment with the Port's Strategic Plan.
2. Background information on the Project and process.
3. Exclusive Negotiations Process and ENA Key Terms.
4. The proposed ENA performance benchmarks.
5. Next Steps.

### **1. Strategic Plan Alignment**

Entering an ENA with the Strada-TCC team and ultimately redeveloping Piers 30-32 and SWL 330 will provide a range of publicly-oriented uses, maritime uses, revenue-generating uses and resilience improvements 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 Waterfront Plan.

If approved and implemented, this Project will achieve seven of the Port's Strategic Plan objectives:

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 the seismic strengthening of the adjacent Seawall and the construction of flood protection for the Piers, and retention of the naturally scrubbing deep water berth of 650' which is a strategic emergency location and asset for earthquake response and other emergencies, especially those that require goods movement by water

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 for the Port's 7.5 miles of waterfront property. These provisions of the Waterfront Plan helped guide the Port's discussions with Port Advisory Groups and public members in 2019 regarding the RFP for the redevelopment of Piers 30-32 and SWL 330. These community discussions resulted in a consensus of site-specific "Community Values" that emphasize maritime, urban design, quality-of-life, sustainability, public access, and equity benefits that Port staff incorporated in the Project RFP.

On December 10, 2019, the Port Commission authorized Port staff to issue an RFP for Piers 30-32 & Seawall Lot 330. After extending the process through the onset of the COVID-19 pandemic, on September 8, 2020 Port staff provided the Port Commission an informational presentation on the three respondents who submitted complete proposals, demonstrated that they met the minimum qualifications, and were scored by a five-member panel. On September 22, the Port Commission authorized Port staff to initiate negotiations towards an ENA with the Strada-TCC, the respondent that scored the highest by the panel.

### Strada-TCC Project Concept

The Strada-TCC proposal meets the goals, objectives, and values described in the Port's RFP. Strada-TCC recognizes the need for further discussions with the Port, regulatory partners and stakeholders 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 Port's plans and programs' goals and objectives.

### *Vision*

*Exhibit 2* illustrates the Strada-TCC land use and program proposal, which is summarized below. The proposal includes:

- providing market-rate and affordable housing on SWL 330
- demolishing Piers 30-32 and reconstruction of two new resilient finger piers (approximately 45% smaller), which would support a mix of maritime, open space, public recreation and commercial uses and build resilience for the City and Port.

### *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 and ferry or excursion berths with a vehicle access path from the Embarcadero and space beside the berth for vessel provisioning.
- amenities to support water recreation for human-powered craft.
- commercial office space in two-story buildings totaling 376,000 gross square feet
- accommodation for the existing Red's Java House.

The proposal also includes financing the Project through creation of an Infrastructure Finance District ("IFD") subarea for the sites and creating a Community Facilities District to impose and use special taxes.

The newly constructed finger piers would replace the demolished existing pier slab and piles with a 45% smaller footprint, removing approximately 6 acres of Bay fill. The resulting piers would be a total of 7.2 acres in size, of which about three acres would be public open space.

The Port received three proposals that were deemed complete and met the minimum qualifications as required in the RFP. The Strada-TCC proposal was the only proposal that removed Bay fill, through demolition and rebuilding of the Piers with a reduced footprint. The Strada-TCC proposal included the least amount of revenue generating commercial use, while still delivering significant maritime improvements, public access, open space and other community serving uses. The Port's market and economic

consultant as well as the RFP scoring panel believe that the Strada-TCC proposal reflects the market realities that will lead to a successful project.

#### *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 State Density Bonus may reach heights above the existing zoned height, enabling buildings to go up from 105 feet 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 and necessary seawall and bulkhead wharf infrastructure improvements includes an allowance of \$379 million this does not include the cost of the new vertical development on the piers. Total private investment (excluding the cost of the 150-unit stand-alone affordable residential Project) is projected to total \$1.18 billion. Upon lease expiration or earlier termination, the value of the land and improvements would revert to the Port.

### **3. Exclusive Negotiations Process and ENA Key Terms**

The ENA will commit the Port to negotiate exclusively with Strada-TCC for the duration of its term. During the ENA period, the parties will finalize transaction documents that will govern the disposition and development of the Project. It establishes time and performance benchmarks, provisions for time extensions to perform and termination for non-performance. It specifies negotiation fees payable to Port and recovery of Port's costs associated with the Project.

During the ENA period, the following key events are anticipated to occur:

- Port and Strada-TCC will work with regulatory partners to seek regulatory alignment and strategies to advance the Project.
- Strada-TCC will work with Port to develop goals for inclusion of small, local, and diverse contractors, consultants, and other service providers for predevelopment work and will use its best efforts to maximize diversity, equity, and inclusion.
- Strada-TCC will conduct community outreach to stakeholders.
- Strada-TCC will negotiate a term sheet for Port Commission and Board endorsement.
- Strada-TCC will complete preliminary architectural and engineering designs, finalize financial projections addressing lease payments to the Port, and the equity and debt required to completely finance the development's entitlement, construction, and operation.

- Strada-TCC will complete, if required, an environmental impact report in compliance with the California Environmental Quality Act.
- The Port and Strada-TCC will negotiate as applicable a lease disposition and development agreement, a form lease, and related documents governing the development and operation of the site.

#### Key Terms Differing from Form ENA

The RFP included a form ENA; however, each development project and development partner has unique attributes that require some ENA negotiations. The following summarizes four key terms that differ from the form ENA attached to the RFP:

- 1) *Race, Equity, and Inclusion* - During the ENA period, the Developer's expenditures associated with the Project are not subject to the Local Business Enterprise (LBE) policies. The ENA will now include a Diversity, Equity and Inclusion goal for the predevelopment process, which requires Strada-TCC to work with Port to include small, local, and diverse contractors, consultants, and other service providers for predevelopment work during the ENA period.
- 2) *Term* – The ENA term is 4.5 years, with two 6-month extension options. The extended term is consistent with the scale and complexity of the Project, which will require comprehensive and extensive stakeholder and regulatory partner outreach and collaboration. The performance benchmark schedule negotiated between the parties is attached as Exhibit 3 to this staff report.
- 3) *Initial Consultation Period/Termination Option* - Prior attempts to develop Piers 30/32 have encountered regulatory challenges. Recognizing the need for regulatory alignment with partner agencies and understanding the complexity of the Project, the ENA provides the parties four months to initiate conversations with its regulatory partners ("Initial Consultation Period). If at the end of the Initial Consultation Period, Strada-TCC reasonably believes that alignment on the Project's objectives with regulatory partners is not feasible, then Strada-TCC will have the option to terminate the ENA without payment of a termination fee. The negotiation fee will be deferred for the first six-months of the ENA term until the Term sheet is endorsed by the Port Commission and Board of Supervisors at which time the deferred fee will be due and payable to the Port. Strada-TCC continue to pay Port's transaction costs during this period.
- 4) *Transfer*- The Port is entering into this ENA based on the Developer's special skills, capabilities, and experience. However, there is a possibility that Developer may seek new investors for additional capital. The form ENA requires Port Commission approval of transfers of more than 50% of the ownership interest in Developer. The negotiated proposal is that only the Port Executive Director approval is required if the transfer of more than 50% is to an institutional investor (such as a pension fund) with assets of at least \$500 million and Strada-TCC has the direct or indirect power for the day-to-day management of the Project.

The Port Commission, by approving the ENA is not approving a project, nor committing either party to a project. Rather, the ENA establishes the parameters for consideration of a possible project or development.

**4. Project Timeline:**

If the Port Commission approves the ENA, *Exhibit 3 - Performance Benchmarks*, provides a schedule of various Project milestones the Strada-TCC team must meet. The schedule includes a "target date" that both the Port and Strada-TCC will strive to reach, and a "performance date", which is the outside date for Strada-TCC to achieve such milestone. The early focus is to conduct community and regulatory outreach to help shape a project that has Port, Strada-TCC, community and regulatory partner alignment and to begin term sheet negotiations.

**5. Next Steps**

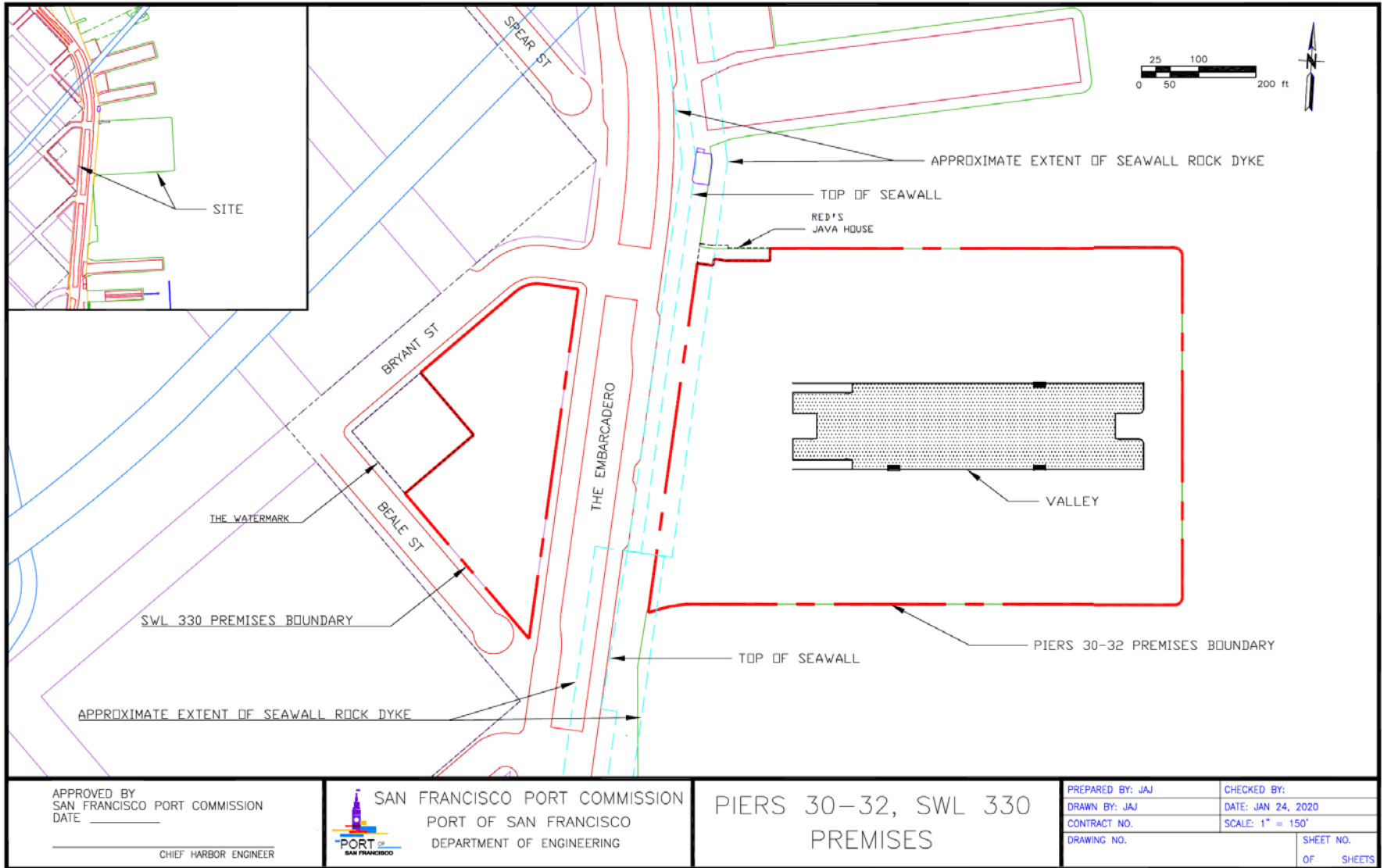
Port staff will work with the Strada-TCC team, stakeholders, and regulatory partners to advance the Project. Staff will return to the Port Commission with regular updates on the Project progress or as required to seek input during negotiations on key deal points.

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**Exhibits:** "1" Site Location  
"2" Site and Land Use Program  
"3" Performance Benchmarks

## Exhibit "1" Site Location

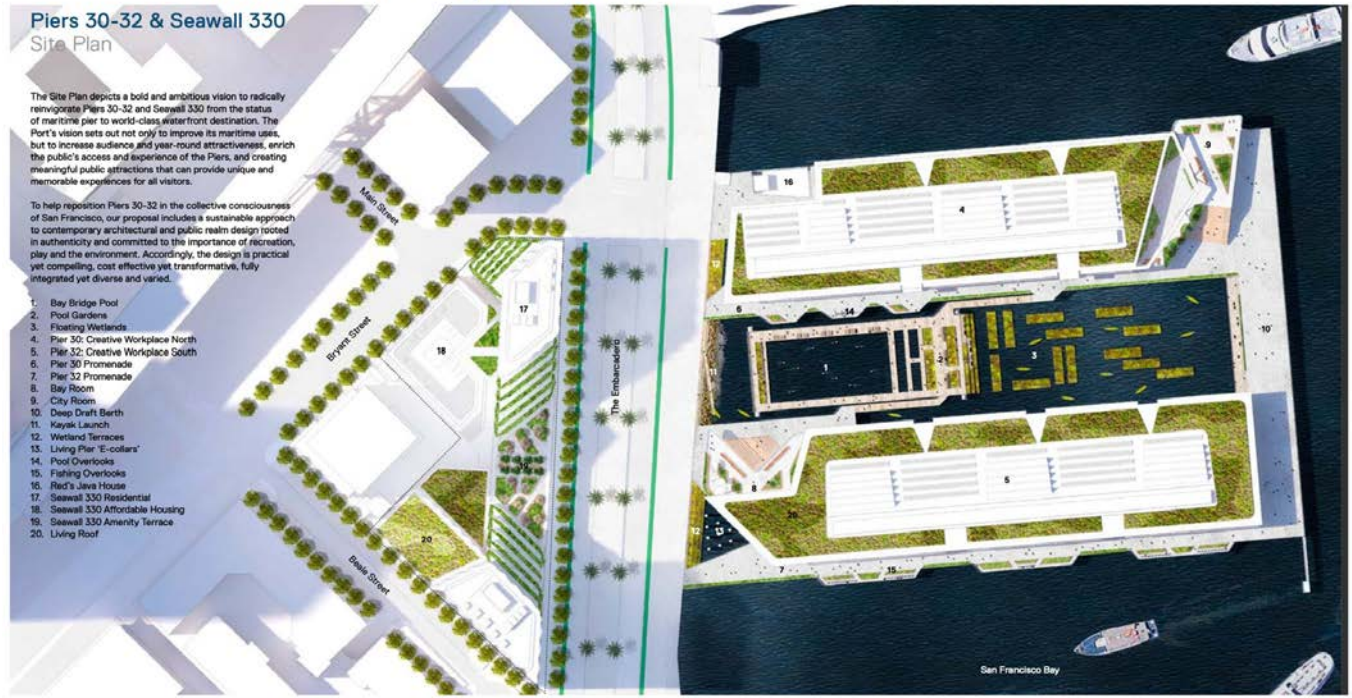


- Port Commission Item 11A Piers 30/32 & SWL 330 Strada-TCC ENA- 2/9/21  
Exhibit "1," Site Location



## Exhibit "2" Site and Land Use Program

### Strada TCC LLC – Proposal Site Plan for Piers 30-32/SWL 330 RFP



**Exhibit “3”  
Performance Benchmarks**

<b>Performance Benchmarks</b>	<b>Target Date</b>	<b>Performance Date</b>
<b>1. Developer Formation Documents:</b> Developer must submit a copy of its Operating Agreement and a description of its affiliates (any person or entity controlling Developer, any entities controlled by Developer, or any entities under common control with Developer)	<b>February 2021</b>	<b>March 2021</b>
<b>2. Submit Community Outreach Plan.</b>	<b>June 2021</b>	<b>July 2021</b>
<b>3. Submit Regulatory Approval Plan.</b>	<b>June 2021</b>	<b>July 2021</b>
<b>4. Submit Revised Development Concept based upon outreach and site due diligence.</b>	<b>January 2022</b>	<b>February 2022</b>
<b>5. Port Endorsement:</b> Port Commission to adopt a resolution endorsing the Term Sheet	<b>July 2022</b>	<b>August 2022</b>
<b>6. Board Endorsements:</b> Board to take the following actions: (a) endorsing the Term Sheet; and (b) making a fiscal feasibility determination, if necessary	<b>October 2022</b>	<b>November 2022</b>
<b>7. Publication of Draft EIR</b>	<b>April 2024</b>	<b>November 2024</b>
<b>8. Planning Commission EIR Certification and Planning Approvals:</b> Planning Commission certifies EIR and issues necessary Planning approvals.	<b>November 2024</b>	<b>May 2025</b>
<b>9. Final Transaction Documents:</b> Developer and Port must reach final agreement on the form of LDDA, Lease and all related Transaction Documents	<b>November 2024</b>	<b>May 2025</b>
<b>10. Port Approval of Final Transaction Documents:</b> Port Commission to make Public Trust Determination and approve final Transaction Documents and recommend Board approval.	<b>November 2024</b>	<b>May 2025</b>
<b>11. Board of Supervisor Approvals:</b> Board to make Public Trust Determination and approve the Lease and other Transaction Documents and City Regulatory Approvals that require Board approval.	<b>February 2025</b>	<b>August 2025</b>
<b>12. Regulatory Approvals:</b> Developer to obtain necessary Regulatory Approvals by outside agencies.		<b>Within timeframe set forth in LDDA</b>

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

**RESOLUTION NO. 21-08**

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, Piers 30/32 is an approximately 13-acre pier site located along the Embarcadero at the terminus of Bryant Street just south of the Bay Bridge and Seawall Lot 330 is an approximately 2.3-acre seawall lot located on the Embarcadero bounded by Beale Street and Bryant Streets; and

WHEREAS, Piers 30/32 and SWL 330 (collectively, the “Site”) are within the Port’s South Beach -China Basin sub-areas area under the Port’s Waterfront Land Use Plan; and

WHEREAS, On September 22, 2020, pursuant to Resolution No. 20-45, the Port Commission authorized Port staff to initiate negotiations for an Exclusive Negotiating Agreement with Strada Trammell Crow Company Partners LLC (“Strada TCC”); and

WHEREAS, Strada-TCC is proposing to develop a mixed-use project at Piers 30/32 and SWL 330, that includes (i) at Piers 30/32, the demolition and reconstruction of a reduced footprint of Piers 30/32, removal of Bay fill, maintaining a deep-water berth, berthing for ferry or excursion vessels, public access and open space areas and revenue generating commercial space with sea level rise and seismic improvements that protect the Port, the City, the public and property, and (ii) on SWL 330, a mix of market rate, affordable housing and ancillary retail and open space, all as further described in the Memorandum accompanying this resolution; and

WHEREAS, The Strada-TCC Partners, LLC, a Delaware limited liability company (“Strada-TCC” or “Developer”), is the entity entering into the Exclusive Negotiation Agreement (“ENA”) as the developer; and

WHEREAS, Strada-TCC and Port have negotiated the terms of the ENA, as further described in the Memorandum accompanying this resolution; now therefore be it

RESOLVED, That the Port Commission authorizes the Executive Director of the Port (“Executive Director”) or her designee to execute the ENA and any additions, amendments or other modifications thereto that are necessary and advisable to complete the ENA consistent with the terms and conditions set forth in the Memorandum accompanying this resolution and in a form approved by the City Attorney and, be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with Strada-TCC are unsuccessful and do not lead to approval of a lease disposition and development agreement, lease and related documents, or if the ENA is terminated before expiration of its term, to undertake other efforts, which may include selecting a developer/tenant by any other means, or issuing a developer solicitation, all in the Port Commission's sole discretion; and, be it further

RESOLVED, That the ENA does not commit the Port Commission to approval of any specific development concept or project proposal, nor does the ENA foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant entitlements or approve the lease and development of the proposed concept; and, be it further

RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease or related documents and that the Port Commission shall not take any discretionary actions committing it to the proposed development until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 9, 2021.***

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Secretary