



## MEMORANDUM

August 7, 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 Pacific Waterfront Partners (PWP), the highest scoring respondent for the Piers 38 & 40 Request for Proposals, or to terminate the Piers 38 & 40 Request for Proposals process.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 20-37

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### EXECUTIVE SUMMARY

On October 22, 2019, the Port Commission authorized Port staff to issue a Request for Proposals (RFP) for the South Beach Piers 38 & 40 ("Piers 38 & 40")<sup>1</sup> and on January 10, 2020 the Port issued the RFP. In the RFP, the Port sought a qualified partner to enter exclusive negotiations to develop and operate Piers 38 &

40 within the Embarcadero National Register Historic District. The offering includes approximately 176,000 sq. ft. of interior bulkhead and shed space, 56,600 sq. ft. of outdoor pier apron space, and a 20,000 sq. ft. surface parking lot that may be potentially developable and water areas to support water-dependent activities.

The Embarcadero Historic Piers Program seeks development partners to invest in and rehabilitate the historic piers within the Embarcadero Historic District. The Port's goal is

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<sup>1</sup> [https://sfport.com/sites/default/files/Documents/Item%2012A%20Piers%2038\\_40%20Authorization-F.pdf](https://sfport.com/sites/default/files/Documents/Item%2012A%20Piers%2038_40%20Authorization-F.pdf)

historic facility rehabilitation, consistent with the Draft Waterfront Plan ("Waterfront Plan") Goals, Embarcadero Public Trust Objectives ("Public Trust Objectives"), the Port Resilience Program, the Port capital program and strategic plan, and the values expressed by the community through the Port's citizens' advisory committees.

The Port received two responses to the RFP, both of which met the minimum qualifications and were scored by the five-member scoring panel. The scoring panel ranked the PWP response the highest and Port staff presented both respondent proposals to the Port Commission on July 14, 2020. Since the July 14 Port Commission meeting, Port staff and PWP presented the concept to the Port's Northern Advisory Committee (NAC). The NAC and community members present provided favorable input and showed excitement towards the concept, while also raising concerns about traffic and noise.

Given the strength of the proposal and the potential for success for the highest-scoring bidder, Port staff intend to continue this process and seek the Port Commission authorization to negotiate an ENA with PWP. If approved, Port staff would then return to the Port Commission to seek approval of an ENA.

This staff report provides an overview of the RFP process to date and includes the following sections:

1. Strategic Plan Alignment Project Background
2. PWP Respondent Development Concept
3. Review of PWP Response with Northern Advisory Committee
4. Next Steps

## **1. STRATEGIC PLAN ALIGNMENT**

Successfully selecting a development partner and adaptively reusing the Embarcadero historic piers 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: rehabilitation and maintenance of historic 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 stewardship of the Embarcadero Historic District, which is on the National Register of Historic Places.

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

Productivity: Completed pier rehabilitation projects will make progress on the Productivity objective to restore Embarcadero Historic District piers with developer-funded improvements, including identifying at least six historic piers within the District to be leased and rehabilitated by 2024.

Stability: Maintain the Port's financial strength by addressing deferred maintenance at the subject piers using private capital and project-generated revenues and leaving the Port with more capital funds to address deficiencies at other facilities.

Resiliency: Completed projects will prepare the Port for natural and human-made risks and hazards through the seismic strengthening of the adjacent seawall and providing flood protection for the piers.

Engagement: Through the course of the project, we will increase the public's awareness of the purpose and benefits of Port functions and activities.

## 2. BACKGROUND

Port staff developed The Embarcadero Historic Piers Program based on guidance from the Port Commission, the public, and the Waterfront Plan Working Group during the Waterfront Plan planning process. To date, the Historic Piers Program benefits from strong stakeholder engagement and public support. The Embarcadero Historic Piers Program seeks to secure development partners to invest in and rehabilitate the historic piers within the Embarcadero Historic District, consistent with the Waterfront Plan Goals, Embarcadero Public Trust Objectives ("Public Trust Objectives"), the Port Resilience Program, and the values expressed by the community through the Port's citizens' advisory committee. (see *Exhibit 1: Excerpts from RFP and Waterfront Plan*). Exhibit 1 is a full description of the Waterfront Plan Goals, Public Trust Objectives, sub-area objectives, acceptable land uses, and the community's values.

A key objective of the Historic Piers Program is to foster activities that draw the public to the waterfront for recreation and enjoyment and to experience San Francisco's maritime history and architecture, especially within Embarcadero Historic District pier facilities.

The Port sought a qualified partner through the RFP to enter exclusive negotiations to develop and operate Piers 38 and 40 within the Embarcadero National Register Historic District. The offering includes approximately 176,000 sq. ft. of interior bulkhead and shed space, 56,600 sq. ft. of outdoor pier apron space, and a 20,000 sq. ft. surface parking lot that may be potentially developable and water areas to support water-dependent activities. On January 10, 2020, the Port issued the RFP and conducted a pre-RFP meeting and site tour on January 24, 2020. On March 4, 2020, the Port received two proposals, both of which met the minimum qualifications and advanced to the five-member scoring panel. Between April and June 2020, the Port convened and facilitated the scoring panel to review the written responses and conduct verbal interviews. The scoring panel ranked the PWP response the highest and Port staff presented both respondent proposals to the Port Commission on July 14<sup>2</sup> and to the Port's NAC on July 29.

## 3. PWP DEVELOPMENT CONCEPT

The PWP submittal met the goals, objectives, and values described in the Port's RFP. **Exhibit 2** is an executive summary of the proposal prepared by PWP. PWP recognized

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<sup>2</sup><https://sfport.com/sites/default/files/Commission/Documents/Commission%20Meeting%20Staff%20Reports/Item%2010A%20Piers%2038%20%26%2040%20Respondent%20Info%20Staff%20Report%20FINAL.pdf>.

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, Port Commission strategic plan objectives and advance Port mission,

### Vision

**Exhibit 3** illustrates the PWP land use and program proposal, which is set forth below. PWP describes its vision for Piers 38 & 40 as:

- A waterfront public "playground" where families can engage in water-oriented recreation, welcoming and accessible for a diverse Bay Area population and visitors;
- Expansion and improvement of maritime facilities and related production distribution and repair (PDR) requirements (Maritime support) for a water-oriented transportation hub accommodating water taxis, ferries, and tour boats;
- Public-serving facilities supporting community functions and outdoor areas for picnics, fishing, or just promenading along a contiguous Port Walk by the Bay;
- History Walks that engage visitors in the Southern Waterfront history, of the cultural heritage of the South Beach and the shed and bulkhead buildings;
- A large-covered public area in the current parking lot in front of Pier 40 will be usable night and day, year-round for such activities such as a Latin food market, night markets, and affordable eating and entertainment venues;
- People Places created with thoughtful planning and design that both meet the Secretary of the Interior's Standards for Historic Rehabilitation and adapt the assets to maximize the public's accessibility to all areas of the project; and
- Swimming areas at east end of Pier 40; and
- A seismically strengthened seawall that will be the first public/private project to accomplish seismic stability along the waterfront and improve resiliency and the impacts of sea-level rise on historic assets.

### Uses and Community Benefits

The PWP program's public-oriented uses include maritime recreation, a flexible, covered market and entertainment space in front of Pier 40, public access to both the pier interiors and around the piers. Another community benefit offered is free space for a nonprofit workforce development use. The use program includes general office within each of the sheds.

### Maritime and Water Recreation Uses

The land use program PWP proposed to include a variety of maritime uses, such as

- A youth sailing center and marina area on the north side of Pier 38 which would help activate the Brannan Street Wharf.

- A small human-powered craft center between Piers 38 and 40 and protected swim areas on the east end of Pier 40. The improvements include new docks and an extension of the Pier 40 breakwater, which would support water recreation and help with wave attenuation to address sea-level rise and project resilience.
- Docks and berths to support water-borne transportation area to serve the South Beach area and accommodating water taxis and ferries between Piers 38-40.
- A landing for other ticketed public vessels would be located at the Western half of the Northside of Pier 40, affording faster on and offboarding.
- A waterfront Promenade that would be aligned around and through the Piers and incorporated into the public spaces.

### "People Places"

Support for community functions would be on the expanded aprons between the Piers and in the area of Pier 40 currently used for parking. A large covered public plaza area, which would be available night and day, year-round for such activities as a food market, night markets, affordable eating and entertainment, would be created in the place of existing parking and the Pier 38 Bulkhead along the Embarcadero. In order to provide amenities to the building tenants and to cultivate inspiring local offerings, common area charges from office and other commercial uses would subsidize infrastructure and maintenance costs for the "Plug and Play" food court food vendors.

### Nonprofit Space

The project would include new office space on the second level of the bulkhead building and within the pier sheds to generate revenue and public benefits. The proposed nonprofit area consists of free offices and learning space for Cornerstone Institute for Anointing (CIA), a sister company to Cornerstone Facilities Consulting (CFC), both of which are a Local Business Enterprise (LBE) and Disadvantaged Business Enterprise (DBE). CIA's mission is to provide training to produce the most optimum workforce to meet the current industry demand for the most relevant skills available worldwide. The Pier 38-40 Project would provide CIA with permanent space for learning facilities to pursue their mission. The project also proposes to integrate and maintain existing tenants on Pier 40 such as the nonprofit BAADS, support facilities for local enterprises such as South Beach Yacht Club, and other uses that serve a public purpose. Restaurant space would be on the ground level of the Pier 38 bulkhead and extending into the shed.

The project's proposed community benefits are to:

- Provide affordable rents, and in some areas, no minimum rents for public-serving entertainment such as restaurants, cafés, and food markets that strive to reduce menu pricing;
- Provide construction assistance by investing more in base building improvements to minimize tenant construction costs and enable emerging chefs to get a start toward ownership;

- Provide new areas of indoor and outdoor public access and to appreciate the historic resources;
- Provide free facilities for children and boaters;
- Provide free facilities for disadvantaged young people seeking skills training; and Encourage participation and inclusion of all public stakeholders as we work together in developing preliminary designs and uses.

### Proposed Investment in Port's Assets

The project would deliver seismically upgraded facilities, a perimeter barrier to address sea-level rise, extending the entire perimeter of the project from the Brannan Street Wharf Park to South Beach Harbor. The project also proposes necessary upgrades as required to address the seismic needs of the seawall.

PWP is committed to diversity and to supporting local small business. PWP is committed to meet and aims to exceed LBE goals to be set by the City's Contract Monitoring Division. PWP will partner in the project management with an LBE, Cornerstone Facilities Consulting.

The estimated development cost of the proposed development is \$383 million, including all costs associated with the marina and new breakwater. PWP will work with the Port to explore funding mechanisms, such as Community Financing Districts, Infrastructure Financing Districts, historic tax credits, and boating grants or loans for specific capital improvements. The project commits to a minimum rent and a participation rent, ensuring the Port has a steady revenue stream and participation in project upside.

#### **4. Review of PWP response with Northern Advisory Committee**

Consistent with the process outlined in the updated Waterfront Plan, on July 29, 2020 Port staff presented each of the proposals to the NAC with an overview of the process to date and PWP introduced their concept. The NAC and community voiced support of the concept and expressed some concerns to be considered. In general, the comments included:

- the design is inspiring and the vision is strong
- an appreciation of PWP's focus on diversity and access for all
- a recognition and appreciation of the diversity of land and water public uses
- appreciation for the approach to the sea wall and sea-level rise resilience improvements
- concerns raised about noise from restaurant and public uses
- concerns raised about traffic

The NAC and public felt that the concerns could be resolved through appropriate planning and ongoing dialogue with the community.

#### **5. Next Steps**

If approved by the Port Commission, Port staff will initiate negotiations for an ENA in the form attached to the RFP with PWP. The ENA sets forth the process, terms, and conditions upon which the Port and Developer will negotiate terms for the disposition of the Site 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 Port Commission in the fall or winter to seek approval of the ENA with PWP. Entering ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease, or related documents Port staff and PWP 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 PWP, the RFP process will be terminated.

### **Recommendation**

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

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Real Estate and Development

Prepared for: Rebecca Benassini  
Acting Deputy Director  
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Exhibit 1: Excerpt from RFP and Waterfront Plan  
Exhibit 2: PWP Executive Summary  
Exhibit 3: PWP Proposed Site Plan

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

**RESOLUTION NO. 20-37**

- 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 October 22, 2019, the Port Commission, by Resolution 19-43, authorized Port staff to issue a request for proposals for the South Beach Piers 38 & 40 rehabilitation project; and
- WHEREAS, on January 10, 2019, the Port issued the Request for Proposals for the South Beach Piers 38 & 40 (the “RFP”); and
- WHEREAS, on March 4, 2020 the Port received two responses that met the RFP minimum qualifications; and
- WHEREAS, a five-member scoring panel consisting of real estate development expertise, a Port staff person, a Port advisory committee member, a citywide stakeholder and a person with City planning experience conducted interviews and scored the two against the objectives and evaluation criteria set forth in the RFP; and
- WHEREAS, the Pacific Waterfront Partners (“PWP”) proposal received the highest score from the selection; and
- WHEREAS, on July 14, 2020 the Port Commission received a briefing on the responses received, the concepts presented and the scoring panel process; and
- WHEREAS, on July 29, 2020 Port staff and PWP presented to the Port’s Northern Advisory Committee (NAC) a briefing on the responses received, the concepts presented and the scoring panel process; and;
- WHEREAS, the NAC and community provided input and comment on the PWP concept; 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 PWP; now therefore be it



RESOLVED, that the Port Commission expresses its thanks and appreciation to the five-member 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 to negotiate an ENA with PWP 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 ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease, or related documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 11, 2020.***

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Secretary