



## MEMORANDUM

July 9, 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:** Informational presentation on the proposed lease and development of a project including commercial, retail, maritime, and public access uses for Piers 38-40 located along the Embarcadero by San Francisco Waterfront Partners III, LLC

**DIRECTOR'S RECOMMENDATION:** Informational Only – No Action Required

### **Executive Summary**

On February 23, 2021 the Port Commission adopted Resolution 21-10 which authorized to enter into an Exclusive Negotiating Agreement (“ENA”) with San Francisco Waterfront Partners III, LLC (“SFWP”) <sup>1</sup> for the Piers 38/40 project (“Project”) (See *Exhibit 1, Site Location*). The SFWP proposed program includes a mix of visitor serving restaurant and retail space, maritime uses, including an expansion of South Beach Harbor, youth sailing, retention of Pier 40 tenants that support the marina uses, public access and open space and revenue-generating office uses. The Request for Proposals (RFP) that the Port released resulted in the selection of SFWP. The RFP sought development partners to invest in redeveloping the two historic piers to realize the goals and objectives of the Draft Waterfront Plan (“Waterfront Plan”), to make safety improvements to the facilities to withstand earthquake and flood risks, and to realize the values expressed by the community through the Port’s citizens’ advisory committees.

<sup>1</sup> See staff report and resolution here: [Item 11A 38-40 ENA Approval\\_final.pdf \(sfport.com\)](https://sfport.com/Item%2011A%2038-40%20ENA%20Approval%20final.pdf)

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 and environmental review and to secure 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 to implement and operate the proposed Project. Throughout the ENA negotiations, the Port and SFWP will work with both community stakeholders and the Port's regulatory partners to shape the project so that it aligns with policies and is an amenity to the Port, City, and Region.

Since the February 23, 2021 Port Commission Authorization, the Port and SFWP have focused on the following:

1. Drafting a Community Outreach Plan and kicking off public and stakeholder outreach, including initial meetings with the Port's Northern Advisory Committee, South Beach Harbor Stakeholders group, existing tenants, and other neighborhood groups;
2. Outreach to sister City agency partners;
3. Drafting a Diversity Equity and Inclusion Plan;
4. Refinements to the development concept based upon outreach conducted to date; and
5. An Amendment to the Performance Benchmark schedule as allowed under the terms of the ENA.

This staff report includes the following sections:

1. Alignment with the Port's Strategic Plan
2. Background information on the Project and process
3. Review of the Diversity Equity and Inclusion Plan
4. Review of the Community Outreach Plan and results to date
5. Next steps

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

The proposed Piers 38 & 40 project once constructed will provide a range of publicly-oriented uses, maritime uses, revenue-generating uses, and resilience improvements necessary for the facilities to withstand earthquake and flood risks, within a financially feasible project that meets both the Port's and the Developer's financial objectives.

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, Waterfront Plan and Resilience Program.

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.

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

Resiliency: A completed Piers 38 & 40 project will prepare the Port and City for natural and human-made risks and hazards through the seismic strengthening of the adjacent seawall and providing flood protection to the facilities and surrounding public property.

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

Equity: A completed Piers 38 & 40 project will be accessible, attractive, and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Waterfront. Further, the effort will deploy best practices in equity through Local Hire, LBE, and other efforts aimed to ensure the project includes diverse businesses and workers.

## **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 stakeholders in 2019 regarding the RFP for the redevelopment of Piers 38 & 40. 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 August 11, 2020, the Port Commission authorized Port staff to negotiate an ENA with SFWP and on February 23, 2021 the Port Commission authorized staff to enter the ENA negotiated with SFWP.

On June 24<sup>th</sup> SFWP requested an amendment and time extension to the ENA Performance Benchmark schedule. Section 3.2 of the ENA requires and allows the Port's Executive Director to approve an extension to the Performance Benchmark so long as certain conditions are met. SFWP met the conditions, and on June 29<sup>th</sup> the Port's Executive Director approved the time extension. The time extension was largely due to the additional time required to address sea level rise and seismic adaptation for the project. This will be the first development project on the historic piers that addresses resilience, and it is important that the design and analysis is coordinated with the Port's

Resilience Team since it is a gating topic that substantially affects costs and leasable space

### SFWP Project Concept

The SFWP proposal meets the goals, objectives, and values described in the Port's RFP. SFWP recognizes that ongoing discussions with the Port, regulatory partners and stakeholders will enable further refinements to the project concept while still achieving the goals and objectives established in the Port's RFP. It is essential to recognize that the proposal received is at the conceptual level and the proposal will 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 objectives for the rehabilitation of these historic facilities.

### *Vision*

*Exhibit 2* illustrates the SFWP land use and program concept, which is set forth below. SFWP describes its vision for Piers 38 & 40 as:

- A waterfront public "playground" where families can engage in water-oriented recreation, which is welcoming and accessible for a diverse Bay Area and visitor population;
- Expansion and improvement of maritime facilities and related maritime production distribution and repair, and a water-oriented transportation hub accommodating water taxis, ferries, and tour boats;
- Public-oriented facilities supporting community functions and outdoor areas for picnics, fishing, and strolling;
- History Walks that engage visitors in the history of the cultural heritage of South Beach and the Port;
- A large-covered public area in the current parking lot in front of Pier 40 will be usable night and day, year-round for activities such as a Latin food market, night markets, and affordable eating and entertainment venues;
- Rehabilitation of the structures to meet Secretary of the Interior's Standards for Historic Rehabilitation;
- Commercial space to generate the revenue needed to rehabilitate the historic piers, provide the publicly-oriented use program and benefits and provide resiliency; and
- A seismically strengthened seawall that will be the first public/private project to accomplish seismic stability of a segment of the seawall and improve resiliency against the impacts of sea level rise on historic assets.

The project's proposed community benefits are to provide:

- Affordable rents, for public-serving uses such as restaurants, cafés, and food markets that strive to reduce menu pricing;

- Construction assistance by investing more in base building improvements to minimize tenant construction costs and enable emerging chefs to get a start toward ownership;
- New areas of indoor and outdoor public access and opportunities to appreciate the historic resources;
- Free facilities for children and boaters;
- Free training space and support for disadvantaged youth seeking training;

### Proposed Investment in Port's Assets

The project, once completed, will include seismically upgraded facilities and a perimeter flood barrier to address sea level rise. The project proposes necessary upgrades as required to address the seismic needs of the seawall.

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

The estimated development cost of the proposed development is \$383 million, including all costs associated with the marina and new breakwater. SFWP 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.

### **3. Diversity, Equity, and Inclusion Plan**

The ENA requires SFWP to prepare a Diversity, Equity, and Inclusion (DEI) Plan for the duration of the project. The Plan includes use of small, local, and diverse contractors, consultants, and other service providers for predevelopment work during the ENA period and then carries these plans forward into the development and ongoing project operations.

SFWP, through its Managing Member, Pacific Waterfront Partners, LLC (PWP) has submitted to the Port a DEI Plan that outlines their approach to DEI during the ENA phase of the project and for the ultimate development and operations of the project. The DEI plan is separate but supportive of the City's Contract Management Division (CMD) Local Business Enterprise (LBE) program. The Port and SFWP will work with CMD on establishing LBE project goals consistent with City and Port policies at the appropriate time. The SFWP DEI Plan will guide diversity, equity, and inclusion and will integrate with the LBE program once it is developed.

The SFWP DEI plan focuses on workforce and economic development opportunities in the fields of professional services, construction trades and restaurants and hospitality. PWP is partnering with Cornerstone Concilium, Inc. (Cornerstone) in the project management of the development and will contract with the Cornerstone Institute of

Anointing (CI) on Professional Services, RDJ Enterprises on Construction trades, En2Action and Shanghai K Charitable Foundation on Restaurant and Hospitality. RDJ Enterprises will consult to the partnership and monitor the progress of the plan.

### Professional & Construction Services

Pacific Waterfront Partners is in the process of forming Pacific Cornerstone Partners, LLC (PCP), a joint venture of SFWP and Cornerstone. Cornerstone is a Black-owned company established in 1986 built on embracing Diversity Equity and Inclusion. It continuously creates pathways for Black, Indigenous, and Other People of Color (BIPOC) who have been marginalized, disenfranchised, exploited, and left out of economic opportunity.

Cornerstone's role in achieving equity and inclusion in the Development will be two-fold: first, as a joint venture partner in PCP; second, through its affiliate CI, to provide training and workforce development. CI trains students and teaches skills that build the students' employment capacity using a combination of an accelerated curriculum and on the job training/mentoring primarily for the construction trades..

PCP, in consultation with RDJ Enterprises, has designed a framework called "Five Pillars of Successful DEI." It will help people of color and underserved communities break into and navigate opportunities through the Development and future projects.

SFWP will allocate space in the Development for CI to continue its mission, and for the local community to share the space as a community benefit. The space to be used for workforce development by CI will also be available for community or neighborhood use. If demand exist, the space may also be available for training and education to other sectors in demand, such as clean energy technology, maritime innovation, or entrepreneurship, to name a few.

### Restaurants and Hospitality

San Francisco's economy is strongly grounded in the Visitor and Convention industry. It is also a mecca for food lovers. SFWP will engage on a mission to train a new class of entrepreneurs from underserved communities from the Bay Area.

SFWP will be partnering with En2Action, a San Francisco based non-profit organization headed by Andrea Baker Consulting (ABC), to form the Seat at the Table (SATT) program which will identify, recruit, and train under-represented and underserved San Francisco Bay Area residents seeking opportunities and placement in the restaurant and hospitality sector.

The proposed dual path SATT program will support local emerging chefs and aspiring restaurateurs to lay a foundation for their enterprise in affordable restaurants on the public plaza at Pier 40 (currently, 8 restaurant spaces are planned on the plaza). Through several of SFWP's existing tenants and relationships, they have identified 12 mentees [clarify, is it 12 mentees meaning they have identified 12 people or 12 businesses?] which they hope to start in the Fall of this year. Additionally, job

placement for program participants will be available in the modified market rate restaurants in the Development.<sup>2</sup>

San Francisco has the highest percentage of people of Chinese descent of any major U.S. city<sup>3</sup> and SFWP is pursuing a unique opportunity to recognize this sizable community with a long history in San Francisco.

PCP is in discussions with Paul Tchen, Honorary Chair, of the Sir Horace Kadoorie Youth Development Foundation (SHKYDF) which operates as Shanghai K Charitable Foundation in Shanghai. It began with a purpose of “Helping others help themselves.” The mission of the SHKYDF is “to empower disadvantaged youth with the confidence and skills to enter the workforce. To lay the foundations of a career that will make them self-sustaining and eradicate personal poverty from their future.”

PCP is in the process of developing a partnership with SHKYDF to learn from the robust and substantial influence that its program has had on youth from some of the most remote and undeveloped locations in China.

PCP plans to understand the ways in which the SHKDF can serve as a model to inform the overall DEI Plan, as well as contribute to its goal of becoming a self-sustaining organization that can build its presence in other locations world-wide. Moreover, this represents an opportunity for an exchange of students to encourage them to “think globally and act locally.”

#### **4. Community Outreach**

SFWP has submitted to the Port a Community Outreach Plan and has initiated the outreach. The outreach focusses around 3 primary touch points: 1) Close-Up Conversations, 2) Community Outings and 3) Local Partnering.

- The Close-Up Conversations are with existing Pier 40 tenants, South Beach Harbor berth holders, other nearby Port tenants and businesses, the South Beach, Mission Bay Rincon Hill Neighborhood Association, the Port’s NAC, and

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<sup>2</sup> “Modified” in this sentence refers to the fact that the project plans to have market rate restaurant spaces, but the project will provide a higher than typical level of base building work, so the tenant will have a lower capital dollars requirement to start the business.

<sup>3</sup> People of Chinese descent make up the highest percentage of residents of any major U.S. city- “History of Chinese Americans in San Francisco.” *Wikipedia*, Wikimedia Foundation, 18 March 2021, [en.wikipedia.org/wiki/History\\_of\\_Chinese\\_Americans\\_in\\_San\\_Francisco](https://en.wikipedia.org/wiki/History_of_Chinese_Americans_in_San_Francisco)

water recreation enthusiasts. These are underway and will continue through the entitlement process.

- The Community Outings are a hybrid of early activation, as was done at Pier 70 with Brookfield, and open houses to seek feedback on the concept. These are planned to begin in the summer of 2021 and continue through the spring of 2022.
- Local Partnering seeks opportunities to partner with local businesses and is tied into the DEI plan. Partnering opportunities include working with existing local restaurants to initiate mentoring programs commencing in the fall of 2021, activities with water recreation enthusiasts, and private water transportation providers, such as the Port's Water Taxi and excursion operators.

To date, the feedback from the outreach has generally been favorable. Community members are excited about the concept of additional restaurants and food services in the neighborhood. Additionally, mariners are excited about more activation, including new water recreation opportunities and excursions and water transportation opportunities. Some concerns have been raised about increased traffic and parking demand, proposed reduction of parking on Pier 40, and potential nuisances such as noise that may arise out of uses that activate a neighborhood.

## **5. Next Steps**

Port Staff and SFWP will continue the negotiations as defined in the amended Performance Benchmark Schedule (See Exhibit 3). Port staff and SFWP will also begin outreach to its regulatory partners and continue community and stakeholder outreach as previously described. Lastly, Port staff will track performance of the SFWP DEI Plan and engage with CMD on establishing project LBE goals.

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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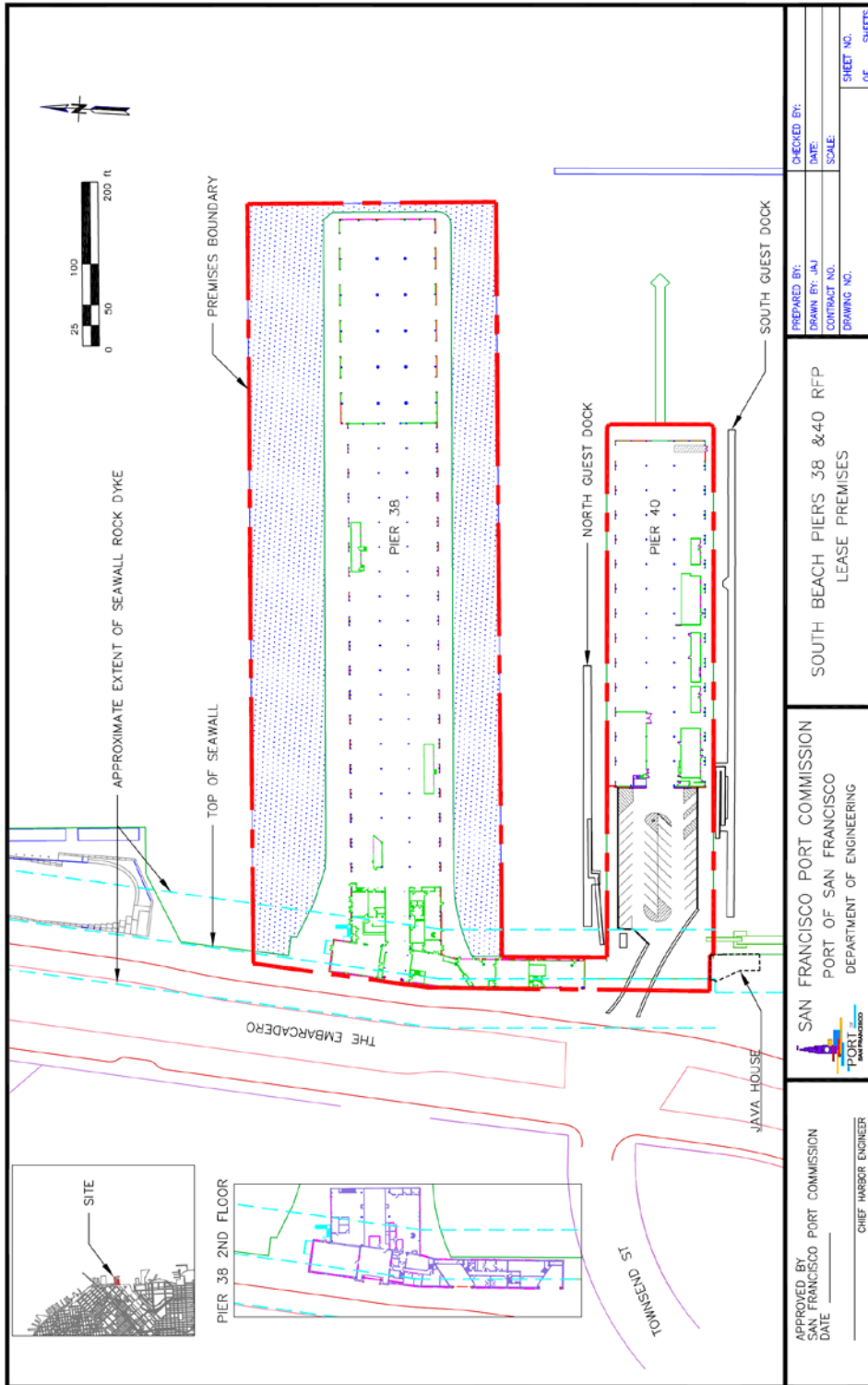
For: Rebecca Benassini  
Deputy Director  
Real Estate and Development

**Exhibits:**

1. Site Location
2. Site and Land Use Program
3. Performance Benchmarks



# Exhibit 1 Site Location



<p>APPROVED BY: SAN FRANCISCO PORT COMMISSION DATE _____</p> <p>CHIEF HARBOR ENGINEER</p>	<p><b>SAN FRANCISCO PORT COMMISSION</b> PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING</p>	<p><b>SOUTH BEACH PIERS 38 &amp; 40 RFP</b> LEASE PREMISES</p>	<p>CHECKED BY: _____ DATE: _____ SCALE: _____</p> <p>SHEET NO. _____ OF SHEETS _____</p>
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## Exhibit 2 Site and Land Use Program

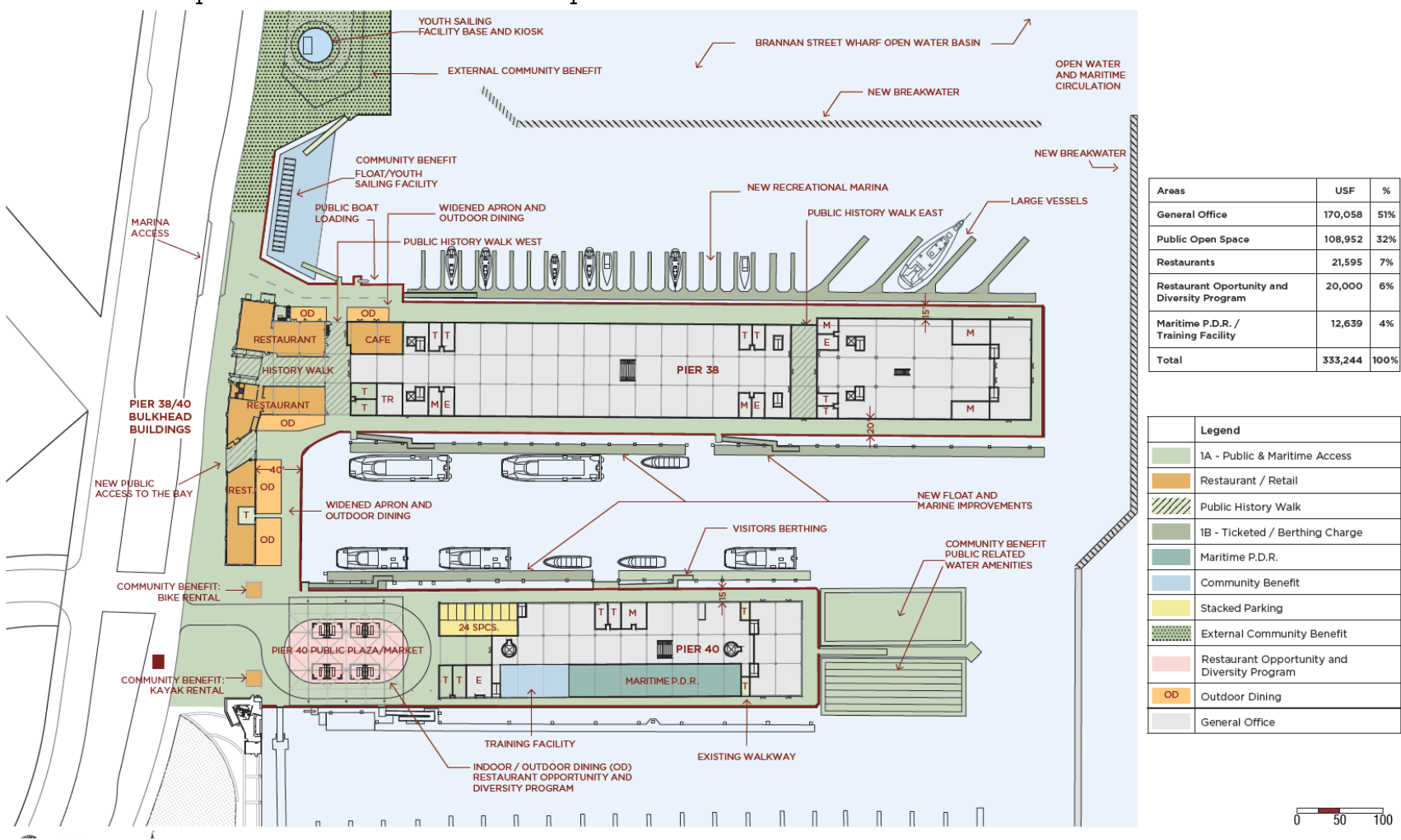


Exhibit 2. Site and Land Use Plan

## Exhibit 3

### AMENDED

#### Performance Benchmarks

Performance Benchmarks	Target Date	Performance Date
<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)	<del>February 3, 2021</del>	<del>February 3, 2021</del>
<b>2. Submit Community Outreach Program</b>	<del>April 1, 2021</del>	<del>April 1, 2021</del>
<b>3. Submit Diversity, Equity &amp; Inclusion Program</b>	<del>April 16, 2021</del>	<del>May 7, 2021</del>
<b>4. Submit Revised Development Concept for Term Sheet, based upon outreach and site due diligence.</b>	<del>July 1, 2021</del> <u>September 1, 2021</u>	<del>July 1, 2021</del> <u>March 1, 2022</u>
<b>5. Port Endorsement:</b> Port Commission to adopt a resolution endorsing the Term Sheet	<del>August 1, 2021</del> <u>December 14, 2021</u>	<del>October 1, 2021</del> <u>July 12, 2022</u>
<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	<del>August 1, 2022</del> <u>January 11, 2022</u>	<del>October 1, 2021</del> <u>September 13, 2022</u>
<b>7. Final Transaction Documents:</b> Developer and Port must reach final agreement on the form of LDDA, Lease and all related Transaction Documents	<del>March 21, 2022</del> <u>October 1, 2022</u>	<del>April 18, 2022</del> <u>November 3, 2023</u>
<b>8. Final CEQA Determination:</b> By Planning Department or Planning Commission, as required.	<del>April 18, 2022</del> <u>October 13, 2022</u>	<del>April 18, 2022</del> <u>November 9, 2023</u>
<b>9. Port Commission Approval of Final Transaction Documents:</b> Port Commission to make Public Trust Determination and approve final Transaction Documents and recommend Board approval.	<del>May 1, 2022</del> <u>November 8, 2022</u>	<del>June 1, 2022</del> <u>November 14, 2023</u>
<b>10. Board of Supervisor Approvals:</b> Board to approve the Lease and other Transaction Documents and City Regulatory Approvals that require Board approval.	<del>June 1, 2022</del> <u>January 10, 2023</u>	<del>July 1, 2022</del> <u>November 28, 2023</u>
<b>11. Regulatory Approvals:</b> Developer to obtain necessary Regulatory Approvals by outside agencies.		Within timeframe set forth in LDDA