



## MEMORANDUM

June 9, 2023

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Ed Harrington  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request approval of strategies to address food & beverage and retail vacancies including adopting new broker policy, adopting criteria for competitive leasing or licensing for new food and beverage and retail/attraction vacancies, and adopting participation rates and rent abatement terms for short-term activations of such sites while the competitive leasing process is underway.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution Nos. 23-28 and 23-29

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*On May 9, 2023, Port staff presented this staff report as an informational item. Substantive changes to that staff report are formatted underline or ~~strike-through~~ for ease of review.*

### EXECUTIVE SUMMARY

Vacant and shuttered businesses in Fisherman's Wharf are of concern to the Port, nearby Port tenants, adjacent businesses, and local and out-of-town visitors. Port staff prepared this staff report to describe activities currently underway and recommended actions to address these concerns.

As background, Port staff have taken several actions since the end of the COVID pandemic to assist operating tenants and to work with tenants who have not reopened to reopen or end their tenancy with the Port. While developing a deliberate visitor experience and business attraction action plan, Port staff have also focused on how to successfully and efficiently tenant three vacant properties in the Wharf. The Port typically issues Request for Proposals for long-term tenancies but has limited success in re-tenanting vacant property which has led to delays in restarting the solicitation process resulting in ongoing vandalism and maintenance costs for untenanted properties. In addition, a particularly challenging market for food and beverage (F&B) and retail/attraction uses suggests the need for a responsive and flexible solicitation process.

This staff report (a) summarizes ongoing Port work on F&B and retail/attractions tenanting (supervising two broker-managed solicitations and working with a consultant team on a Fisherman's Wharf Retail Strategy) and (b) proposes a solicitation strategy for four existing vacancies in Fisherman's Wharf and upcoming opportunities that reduces barriers for new businesses, is open-ended and opportunistic, and relies on the assistance of retail/attraction and F&B specialists.

Port staff recommend the Port Commission approve the attached resolutions which:

- Adopts a broker policy that allows payment of broker commissions for F&B and retail/attraction leases;
- Adopts criteria for consideration of proposals to lease F&B and retail/attraction vacancies;
- Authorizes Port staff to issue a request for proposals for short-term activations up to 2 years for vacant F&B and retail/attraction sites; and
- Authorizes Port staff to enter into form licenses (or leases) for short terms so long as the license or lease provides not less than 6% participation in sales, less abatement for "significant start-up costs" for sites that have been vacant for more than three years.

## **STRATEGIC OBJECTIVE**

This staff report supports the Productivity (attract and retain tenants) and Evolution (evolve waterfront for changing needs) objectives of the Port's Strategic Plan.

## **BACKGROUND**

The COVID-19 pandemic has had a significant impact on F&B and retailer/attraction businesses in San Francisco. According to a report by the Golden Gate Restaurant Association, nearly half of San Francisco's restaurants permanently closed their doors due to the pandemic. The surviving restaurant and retailer/attraction businesses have had to adapt by offering "to go" options, investing in technology to improve their online ordering systems, and implementing creative marketing strategies to attract customers.

**Figure 1** illustrates gross sales for restaurants and retailers fiscal year to date at the Port between 2019 and 2023. It shows a trending rebound in sales in parts of the waterfront,

with sales at Fisherman’s Wharf standing out in terms of experiencing a slower recovery back to pre-pandemic sales.

Figure 1. Comparison of Gross Sales FY 2019-2021-2023, Fiscal Year to Date



\*FY2019 and FY2021 total spans the months of July - February for comparison purposes.

Figure 2 illustrates the locations of vacant (i.e., no tenant in place), shuttered locations (i.e., a tenant in place but operations are closed), and upcoming opportunities. As shown, the Port currently controls four sites (two are being marketed, two are being assessed); three more sites are expected to come to the Port this year; and three businesses are tenanted but have been closed since 2020.

Figure 2. Locations of Vacant, Closed, or Upcoming Sites Requiring New Retail or F&B Tenants (excluding 10 Lombard and 50 Lombard Street)



## Status of Locations Requiring New Tenant Solicitation

- Future F&B/Retail
- Port Controlled
- Tenant in Place - Closed

\*Port will control Pompeii's Grotto and Lou's if mutual termination agreements are approved by Board and signed by Mayor.

Port of San Francisco  
5/3/23

## STRATEGIES AND ACTIONS TO DATE

The Port has implemented several strategies over the last three years to manage retail/attraction and restaurant tenancies and position vacant properties for leasing.

1. **Base rent relief.** Offered base rent relief between March 2020 and April 2021 to tenants who opened for business.
2. **Tenant workouts.** Port staff in constant communication with tenants, asking for plans to reopen and negotiating mutual termination agreements (four since 2021).
3. **Legal notifications and action.** As required, Port staff have sent notices of default and 3-day notices when necessary and are pursuing possession of the property and rent through court action.
4. **Two broker-managed solicitations** underway began marketing in January 2023.
  - a. Pier 33 ½: Broker developed and sent marketing materials to a variety of industry organizations<sup>1</sup> and nearly 1,000 restaurant operators and has conducted 9 tours of the site.
  - b. Ferry Plaza East Building: Broker developed and sent marketing materials to 1,030 recipients including San Francisco brokers, restaurants, and restaurant/hospitality groups, has taken 6 groups on tours of the site, and will host an open house on site in June.

Port staff meet with the broker team bi-weekly to monitor interest, identify any concerns that prospective tenants raise that Port staff may be able to address to reduce barriers to a tenancy, and determine when a site has sufficient interest to issue a request for proposals for long-term tenancies. After receipt of competitive proposals, the Port staff and broker team will score respondents against the adopted criteria and bring successful proposals to the Port Commission for consideration.

5. **Tenant improvement budget.** As part of federal stimulus funds, the Port has approximately \$8 million in funds that must be spent on tenant improvements for an economic return to the Port by 2026. The Port may also seek to draw upon other economic recovery funds currently on budget reserve.
6. **Clarity on exemption on Chapter 6 public contracting rules for tenant-led projects.** This exemption for tenant-led projects approved by the Port Commission in February 2023 was approved by the full Board of Supervisors on May 2, 2023.

## CHALLENGE AHEAD

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<sup>1</sup> San Francisco Chamber of Commerce, Chinese Real Estate Association of America, African American Regional Educational Alliances, San Francisco African American Chamber of Commerce, Hispanic Chambers of Commerce, San Francisco Filipino American Chamber of Commerce, and San Francisco Black Wallstreet.

The Port has possession of three vacant restaurant properties and one other building with frontage on Jefferson Street (former office space). Two are in marketing (Pier 33 ½ and Ferry Plaza East) and Port staff are analyzing the others (Alioto's and 490 Jefferson Street) for near and mid-term activations and leases. If approved by the Board of Supervisors, the Port will also gain possession of two other restaurants (Pompeii's Grotto and Lou's Blues) in the coming months. In addition, the Port will control an F&B pad upon acceptance of Bayfront Park late in 2023. This means the Port will be conducting up to seven competitive solicitations for properties that have been vacant for three to 10 years, in a very unfavorable economy for F&B and retailer/attraction businesses.

## **APPROACH**

The competitive landscape for F&B and retail/attraction leasing is challenging. The City has approximately 3.1 million square feet of F&B and retail/attraction space available<sup>2</sup> and private landlords are offering substantial leasing incentives (turnkey spaces, free rental periods, generous tenant allowance budgets, and percentage rent-only periods, among others). Port staff is taking strategic steps to position Port sites and be nimble to market dynamics. Specifically, the staff is supervising the two broker-managed solicitations and developing a Fisherman's Wharf Retail Strategy with a consultant team. The solicitation strategy, described below, reduces barriers to new businesses for these vacancies, is open-ended and opportunistic, and relies on the assistance of retail and F&B specialists.

### ***Port Staff Ongoing Work***

#### Learn from Ongoing Broker-Managed Solicitation Process

In January 2023, Port staff entered a contract with Cushman & Wakefield, after a competitive process among three brokerage firms for the work. After developing marketing materials and facility assessments and conducting tours, Port staff has learned that F&B and retail/attraction businesses:

- *Are risk averse.* Unrenovated facilities that require capital upgrades, as well as tenant improvement costs, are too expensive for many potential tenants and present time-to-open risks that most operators cannot or are not willing to manage.
- *Prefer longer-term leases.* 10 years or more, depending on the capital investment needed.
- *Have many options for the property and can be selective.*
- *Recognize* that the Port has premier waterside locations along the waterfront.

Port staff anticipates receiving broker-managed proposals for at least one site in the coming months and bringing ranked and qualified responses to the Port Commission for consideration.

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<sup>2</sup> See Cushman & Wakefield Q1 2023 San Francisco retail report. This is a 6% vacancy rate, the highest vacancy since 2016. <https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/san-francisco-marketbeats>

## Enhance Understanding of the Context & Market at Fisherman's Wharf

Specific to Fisherman's Wharf, Port staff are taking the time to make strategic moves, with an appropriate level of urgency as several spaces have been shuttered since the pandemic. Port staff began work in May with a consultant team on an intensive, two-month scope to enhance our understanding of the visitor experience (attractions, activities, public realm) and business attraction opportunities for the Wharf. The strategies will consider the current offering for visitors and recommend complementary offerings and new experiences. The work will include interviews, case studies, and property analysis and will result in near-, mid-, and long-term strategies for the Wharf. Port staff will connect this work to the proposed near-term investment in activation and clean and safe work described in the Fisherman's Wharf Community Benefit District grant staff report.

## ***Solicitation Strategy for Multiple Vacant Locations***

Based upon the work to date, the state of the market for F&B and retail/attraction leasing, and the Port's previous experiences with traditional Requests for Proposals, Port staff recommend the following solicitation strategy for multiple vacant locations:

1. ***Seek short-term activations.*** Port staff will market vacant sites for short-term licenses or leases to attempt to reactivate shuttered sites while marketing the sites for new tenants. Adoption of the attached resolution will allow Port staff to seek proposals for activations by issuing a request for proposals for short-term activations up to 2 years including indoor areas of vacant F&B and retail/attraction locations. Pursuant to the resolution, Port staff will offer proposers with minimum qualifications (duly organized entities, with experience successfully managing an activation like the one proposed) a short-term license (or lease) on Port's form document. The resolution provides for rental rates equal to no less than 6% participation in gross sales, with abatement periods allowed that are equal to significant start-up costs. "Significant start-up costs" include building system repairs (i.e., plumbing, lighting, HVAC, etc.), infrastructure improvements, life safety improvements, and improvements needed to obtain a certificate of occupancy. Bidders will be encouraged to include in their proposals a plan to meet Port's LBE and Diversity, Equity, and Inclusion goals. Possible examples are through the ownership structure, a commitment to LBE vendors, or with a program or menu which caters to local communities.
2. ***Reduce barriers for businesses to open at the Port.*** Provide clear and informative marketing materials so businesses are aware of the benefits of the Port's property (e.g., foot traffic & vibrancy, views, and access to low-cost and streamlined ABC permits); market broadly and deliberately reach out to associations representing local and small businesses; revamp the RFP process with specialized consultants or brokers that businesses are accustomed to relying upon; and offer tenant improvement allowances from stimulus source, so long as there is an acceptable return on the investment. Port staff anticipates these marketing efforts will provide opportunities to bring minority businesses to the Waterfront, advancing the Port's Diversity, Equity, and Inclusion goals.

3. ***Use specialized, professional support including brokers.*** Expand broker usage beyond the two current locations (Piers 33 ½ and Ferry Plaza East). Port staff may also use hourly consultant assistance to prepare marketing materials, track and respond to prospects, tour the facilities, analyze potential tenant entities and concepts for financial feasibility and financial capacity, and complete facility assessments, among other tasks. Using this professional expertise is critical both from a competitive lens (as the method by which nearly all landlords find tenants and tenants identify leasing opportunities) and from a staff capacity viewpoint (existing staff resources cannot manage multiple competitive processes).
4. ***Provide clear guidance on desired outcomes via criteria. Attachment 1*** contains an amended version of the criteria approved by the Port Commission for Piers 33 ½ and Ferry Plaza East (including additional points for the plan to advance Diversity, Equity, and Inclusion goals and fewer for project design). These approved criteria effectively represent the Port's mission and values in tenant selection and Port staff recommend them, with tailored language for each site's physical conditions, for other vacant sites.
5. ***Integrate flexibility into process.*** Consulting with outside professionals, flexibly assess and respond to how the market receives each site. For example, if a site is oversubscribed with interest, call for tenant offers and move to score against criteria. Alternatively, if a site receives little interest, delay any planned request for proposals, but be prepared to start again with a revised outreach plan and marketing materials.
6. ***Feedback loop with Port Commission.*** Provide updates to Port Commission as Port staff sign short-term activation licenses or leases and, as part of any recommended new lease, including in the staff report a summary of requests for proposals, proposals received scores for proposals and proposed lease/license terms.

## **CONCLUSION**

The Port is challenged with vacancies since Covid-19. This staff report summarizes the staff's ongoing and proposed actions to meet these challenges with near- and mid-term solutions for attracting and retaining new tenants. **Attachment 2** illustrates how these steps may occur over time.

## **REQUESTED ACTION**

Port staff seek Port Commission approval of the attached resolutions to facilitate solicitations that reduces barriers for new tenants, are open-ended and opportunistic, and rely on the assistance of retail/attraction and F&B specialists, as other landlords do. The attached resolutions include:



1. Resolution 23-28, Broker Fees and Commissions: Allows the payment of broker fees and commissions for vacant F&B and retail/attraction spaces under the Broker Policy attached to the resolution. Note, this Broker Policy is similar to the one adopted in July 2023 (Resolution 22-37, for Piers 33½ and Ferry Plaza Building East).<sup>3</sup>
2. Resolution 23-29.
  - a. Authorizes Port staff to either directly or jointly with a broker or a consultant issue multiple solicitations, subject to the criteria for new tenants for vacant retail/attraction and F&B spaces (see **Attachment 1**). Potential tenants identified through this method will be brought to the Port Commission for consideration and Port staff will provide updates on the solicitation process through the monthly leasing report Port Commissioners receive from the Port's Real Estate & Development Division. Under the resolution, Port staff are authorized to solicit for a new tenant through this process for the sites listed in this staff report and for other F&B and retail sites (such as Kneass Building and the former deli and dry cleaner sites at 10 Lombard and 50 Lombard respectively or other restaurant sites that are vacated in the future).
  - b. Authorizes Port staff to enter short-term licenses or leases (for up to two years) for activations of F&B and retail/attraction properties, subject to the following process and conditions:
    - i. Issuance of a request for proposals, similar to the Pop Up Request for Qualifications issued in 2019, but specifically for indoor vacant F&B and retail/attraction locations.
    - ii. Similar to the Pop Up RFQ, Port staff will review responses for minimum qualifications (i.e., duly organized entity with experience successfully managing an activation similar in nature to the one proposed).
    - iii. Port staff will enter into standard form license (or lease) agreements, with the following financial terms: (1) Not less than 6% participation in gross sales from activation and (2) Abatement of such participation for a period commensurate with licensee or tenant's "significant start up" costs for the activation.
      1. "Significant start up" costs for the activations that warrant participation rent or fee abatement include building system repairs, (i.e. plumbing, lighting, HVAC, etc.), infrastructure improvements, life safety improvements, or improvements needed to obtain a certificate of occupancy. Port staff anticipate activating buildings that have been vacant for several years may have significant start-up costs.

Prepared by:

Jennifer Gee, Senior Property Manager

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<sup>3</sup> Changes to the policy include: (i) edits to tenant registration process wherein brokers provide Port information about tenant prospects; (ii) clarification of responsibility for commission payments for current tenants or potential tenants identified by the Port.

Don Kavanagh, Senior Property Manager  
Sandra Oberle, Senior Property Manager  
Real Estate & Development

For: Kimberley Beal, Acting Deputy Director  
Real Estate & Development

Attachments: Attachment 1 - Criteria  
Attachment 2 - Potential Process for Short-Term Activation and  
New Lease Solicitations  
Attachment 3 - Prior RFP Processes & Result

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

**RESOLUTION NO. 23-28**

WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and

WHEREAS, Between December 1993 and April 2007, the Port Commission allowed payment of brokers' commissions pursuant to Resolutions 93-151, 95-80, and 97-98. In April 2007, the Port Commission rescinded the ability to pay brokers' commissions based on the low property vacancy rates at the time and overall market conditions under Resolution 07-29. In July 2022, the Port Commission adopted Resolution 22-37, rescinding Resolution 07-29's prohibition on payment of brokers' commissions and adopting a broker commissions policy for Piers 33½ and Ferry Plaza East Building; and

WHEREAS, The COVID-19 pandemic has impacted the San Francisco commercial real estate market in many aspects, including significant declines in office commuters and leisure, business convention, and tourist populations, which has led to increased retail and restaurant vacancies and reduced gross sales for such businesses, particularly in visitor-serving districts, as described in the staff report accompanying this resolution; and

WHEREAS, The Port has a large number of vacant restaurants and retail sites, limited staff capacity, and must compete with landlords offering an array of incentives to lease space and would benefit from specialized retail and restaurant professional services including from brokers to assist in marketing, vetting, and negotiating with new tenants; and

WHEREAS, Based on continued weak market conditions, vacancies to lease relative to Port's staff capacity, and the advantages of broker assistance to the Port by way of increases in marketing, analysis of tenant proposals, and access to relevant market data among other benefits, Port staff recommend allowing the payment of broker commissions and fees for any retail or restaurant site at the Port, subject to the conditions and limitations set forth in Attachment A to this Resolution (the "Broker Policy"); now, therefore, be it

RESOLVED, That the Broker Policy attached to this Resolution as Attachment A is hereby adopted.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 13, 2023.***

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Secretary

## ATTACHMENT A Broker Policy

In order that the Port may compete more effectively in the commercial leasing market, the Port Commission desires to establish a Broker Policy to fill vacancies at restaurant and retail/attraction properties and for payment of brokers' commissions and fees to licensed brokers hired directly by the Port or hired indirectly through other departments or divisions of the City, for services in procurement of tenants to lease Port properties as set forth below.

1. **Valid Contract Required.** A fully executed City-Broker contract is required. Submission of a letter of interest from a prospective tenant or any other expression of interest by a prospective tenant to lease or license Port property does not qualify for payment of broker's commission or fee. Any obligation by Port to pay the broker's commission arises only when a lease or license is signed, any applicable deposit is made, and sufficient rent is clearly achievable to cover a substantive portion of the brokerage commission as negotiated.
2. **Sole Determination of Port to Lease.** The determination of when and if a property of the Port should be leased or licensed, and the terms thereof, are decisions to be made solely and exclusively by the Port and no obligation is imposed upon the Port to pay any commission because a broker presents to the Port a proposal for the lease or license of Port property. The Port's decision to enter into a lease may be based on the proposed use, the financial offer, the creditworthiness of the prospective tenant, and any other factors deemed relevant in the Port's sole discretion.
3. **Prerequisite of Valid Broker Contract.** There must be a valid City Attorney-approved broker contract either (a) between the Port and the broker or brokerage firm or (b) between the City and broker or brokerage firm, should the Port elect to participate in that department's contract with the approval of that department.
4. **Prerequisite requiring submittal of written confirmation of brokerage signed by both Broker and Prospective Tenant.** At the time a broker presents a prospective tenant to the Port, both the broker and prospective tenant must submit to the Port written confirmation stating that the broker is the prospective tenant's sole and exclusive agent concerning the subject property. If the prospective tenant leases or licenses property when the Port does not call for bids or proposals, a commission computed in accordance with Sections 6 and 7 below shall be paid to the broker if otherwise allowed pursuant to this policy. A broker is entitled to a commission for the lease or license of Port property only if both the broker and the prospective tenant have previously submitted the confirmation required by this Section 4 and a fully executed broker contract is in place.
5. **Broker Commission Payment Structure:** Broker commissions will be paid up to and through the initial term of the lease only, excluding any lease renewals or option terms, and will be established at competitive market rates, as affirmed by

the City's Real Estate Division. Broker commission rates are expected to be between approximately 4% to 7% of the total base rent due for the initial term of the lease or license.

6. **Manner of Payment and Payment Sources.** Broker commissions are intended to be paid from rents the Port collects under the applicable lease the broker helped procure and/or any other funds the Port authorizes to pay Broker commissions and fees. Port may pay broker commissions monthly or quarterly basis or as negotiated.
7. **Limitations on the Payment of Commissions.**
  - (a) No commission shall be payable for leases or licenses awarded pursuant to a Port Commission request for bids or proposals for long-term tenancies.
  - (b) No commission shall be payable in any case where a prospective tenant of Port property is identified in the broker contract as a party previously identified by the Port as a prospective tenant.
  - (c) No commissions shall be payable for renewals or extensions of leases, licenses, or other new lease or license agreements with current Port tenants.
  - (d) No commission shall be payable in any case where the broker has a direct or indirect proprietary interest in the prospective tenant, as determined by Port.
  - (e) If a lease or license is granted by the Port to a prospective tenant represented by a third-party broker not affiliated with the Port, and the lease or license grants to the tenant:
    - (1) An option to expand the premises, the commission shall be calculated only on the rentals for which the tenant has an absolute obligation and shall not include rentals that may become due if the tenant exercises its option; or
    - (2) An option to extend its term, the commission shall be calculated only on the term prior to the time when such term may be extended; or
    - (3) A right to cancel or terminate the lease or license at the tenant's discretion at some time during its term, the commission shall be calculated only on the term prior to the time when the lease or license may be canceled or terminated.
  - (f) If a prospective tenant has previously contacted the Port regarding the lease or license of the property in question, the right is reserved and retained by the Port, in the Port's sole discretion, to identify the party in the broker contract and decline to pay a commission to a broker allegedly representing such party.

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

**RESOLUTION NO. 23-29**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and
- WHEREAS, The Port has several vacant retail and food and beverage properties today and anticipates more in the near future and wants to offer properties for lease through a competitive solicitation process in recognition of the recent market changes brought on by the COVID-19 pandemic; and
- WHEREAS, The Port Commission rescinded Resolution 07-29 (prohibiting payment of brokers' commissions) and adopted a new broker policy allowing payment of brokers' commissions and fees (the interim "Broker Policy") as detailed Resolution No. 22-37 and on June 13, 2023, the Port Commission adopted Resolution No. 23-28, a Broker Policy allowing payment of broker fees and commissions to find tenants to fill vacancies at food and beverage, restaurant, and retail locations; and
- WHEREAS, Under City and Port policy, retail leasing opportunities must be publicly bid, including for the sites listed in the staff report accompanying this resolution; and
- WHEREAS, Port staff wishes to request bids to lease or license on a short-term basis, the sites listed in the staff report accompanying this resolution through a broker-assisted, competitive solicitation process using the criteria described in the staff report; and
- WHEREAS, Prospective tenants or bidders will be encouraged to include in their proposals a plan to meet the Port's LBE and Diversity Equity and Inclusion goals; and
- WHEREAS, The proposed offerings and the submission of proposals to lease any Port property do not commit the Port Commission to approve a lease;
- WHEREAS, Port Commission approval of any lease or license of Port property will require the completion of applicable environmental review in compliance with the California Environmental Quality Act; and
- WHEREAS, Ongoing concerns due to vandalism and maintenance costs for untenanted properties, combined with the economic costs that vacant properties exact on neighboring businesses, the Port would benefit from reactivation of sites as quickly as feasible, and

WHEREAS, The Port wishes to encourage the near-term activation of vacant food and beverage and retail sites by issuing a request for proposals for short-term activations up to two years; now, therefore, be it

RESOLVED, That the Port Commission has reviewed the criteria in the accompanying staff report to this resolution and authorizes Port staff to issue and/or pursue new tenants using a broker-assisted, competitive solicitation process in accordance with the Broker Policy in order to lease the subject properties as described herein and in the staff report accompanying this Resolution, and be it further

RESOLVED, That the Port Commission authorizes Port staff to issue a request for proposals for short-term activations up to two years, to review proposals, and to offer those proposers meeting minimum qualifications standard form license (or lease) agreements, with the following financial terms: (1) Not less than 6% participation in gross sales from activation and (2) Abatement of such participation for a period commensurate with the licensee or tenant's "significant start-up" costs for the activation; and now be it further

RESOLVED, That the Port Commission authorizes Port staff to take further actions in connection with the offering as necessary to achieve the purposes described in this Resolution, and be it further

RESOLVED, That Port staff is directed to return to the Port Commission to report on the progress of these offerings as described in the staff report accompanying this Resolution.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of June 13, 2023.***

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Secretary

## **Attachment 1 – Criteria**

Port staff recommends the following criteria for evaluating the proposals:

### **Proposed Concept – 20 points**

- Overall appeal of proposer’s concept to meet Port objectives
- Proposer’s plan for marketing to increase patronage and drive sales/revenues
- Proposed operations plan, including hours of operation, menu, pricing, staffing, sourcing of products and services, and how to maintain customer satisfaction

### **Proposed Design –10 points**

- Overall appeal, interior design, exterior design if applicable, signage, floor plan, front elevation, and images depicting interior and exterior

### **Experience and Financial Strength – 25 points**

- Documented experience operating the type of operation proposed
- Annual gross revenue for calendar years 2018 through 2022 of operation, as applicable
- Balance Sheet and Credit Rating
- Capital investment plan, including sources of capital funding

### **Proposed Rent and Business Plan – 25 points**

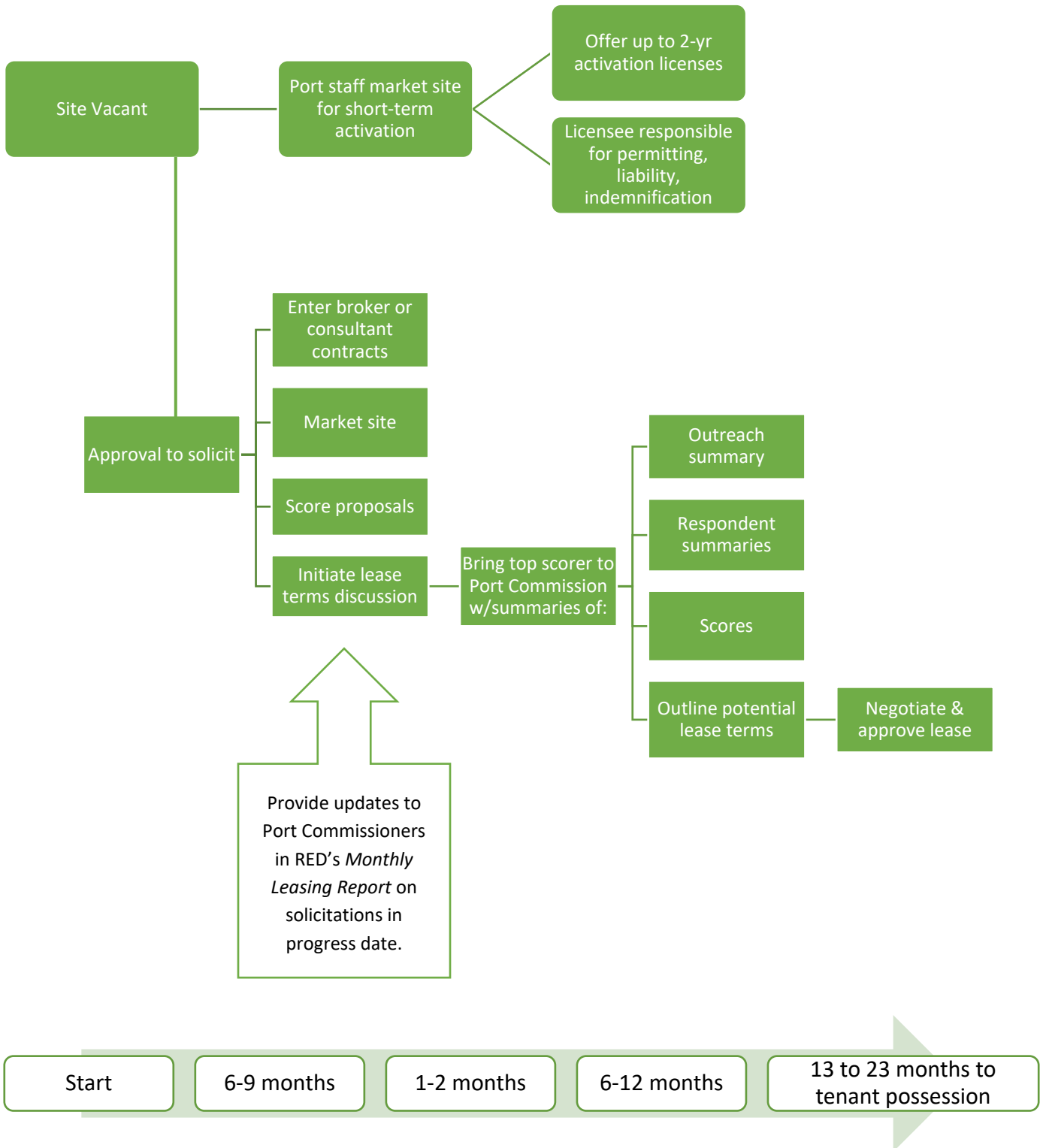
- Proposed base rent
- Proposed percentage rent
- Five-year financial pro forma with projected sales, revenue to the Port, expenses, and net income, with a demonstrated ability to fund continuing operations from the cash flow generated by the operation

### **Local Business Participation & Diversity Equity Inclusion Program –20 points**

- Proposed plan to meet Port’s LBE and Diversity Equity Inclusion goals



## Attachment 2 – Potential Process for Short-Term Activation and New Lease Solicitations



### Attachment 3 – Prior F&B and Retail RFP Processes & Result

<b>Year Issued</b>	<b>Site</b>	<b>Result</b>
2021	Building 49	Lease approved by Port Commission
2021	Kneass Building	No respondent selected
2017	Pier 33 ½ (former Butterfly space)	Respondent selected, no lease
2017	Pier 40 restaurant (former Carmen's space)	No respondent selected
2016	Pier 29 Bulkhead	Respondent selected, no lease
2012	295 Terry Francois Blvd	Respondent selected, failed to come to terms; Negotiations successful with the second bidder, lease approved and in operation as Atwater Tavern