




## MEMORANDUM

January 19, 2024

**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 for approval to amend and restate Lease No. L-16997 with the Young Men's Christian Association of San Francisco for Building 49 located within Crane Cove Park.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 24-01

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**This item was presented as an informational item at the December 12, 2023 Port Commission meeting and is now before the Port Commission for approval. For convenience, substantive changes from the prior report are shown in underline and strikeout.**

### EXECUTIVE SUMMARY

Lease No. L-16997 ("Existing Lease", or "Lease") that was approved by the Port Commission<sup>1</sup> and the Board of Supervisors in late Spring and early Summer of this year, respectively, includes a commitment from the Young Men's Christian Association of San Francisco ("YMCA") to perform a partial, seismic retrofit of the building that is not required by the Port building code (the "Seismic Improvements"). The Existing Lease also stipulates that the Port will provide rent credits up to an amount equal to 50% of the total cost of the Seismic Improvement or \$500,000, whichever is less.

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<sup>1</sup> [https://sfport.com/files/2023-04/042523-7d\\_building\\_49\\_ymca\\_lease\\_and\\_license\\_approval\\_.pdf](https://sfport.com/files/2023-04/042523-7d_building_49_ymca_lease_and_license_approval_.pdf)

In early October 2023, the YMCA notified Port staff that, due to budgetary constraints owing in part to the unanticipated increased cost from potential additional disturbance of hazardous materials that would be required to carry out the Seismic Improvements, along with overall construction costs escalation, performing the Seismic Improvements to Building 49 has become infeasible. As a result, the YMCA has requested that their obligation to construct the Seismic Improvements be removed from the Existing Lease. Removing the Seismic Improvements would also eliminate the up to \$500,000 in rent credits that the Port had agreed to provide to partially offset the cost of the Seismic Improvement.

The YMCA is proposing a revised seismic scope that will lessen the disturbance of hazardous materials and is financially feasible for the YMCA. Port structural plan reviewers understand the general concept the YMCA has proposed and agree that, subject to a detailed plan check review, the new concept can be designed in compliance with Port Building Code requirements and enhance the building's current structural condition and expected seismic performance.

## **BACKGROUND**

On April 25, 2023, the Port Commission adopted Resolution 23-20 authorizing Port staff to execute the Existing Lease with the YMCA for the lease and development of Building 49 located at 701 Illinois Street within Crane Cove Park. The Existing Lease was also approved by the Board of Supervisors, on June 27, 2023 (Resolution 344-23). The Existing Lease was subsequently executed by the parties on July 28, 2023.

Based on further due diligence analysis and advanced project design by the YMCA since the execution of the Lease, the YMCA has concluded that the planned Seismic Improvements are beyond their budgetary resources to deliver, as further described in Exhibit 1 (Letter from YMCA's President and CEO dated October 5, 2023).

The YMCA has assured Port staff that they remain fully committed to the project as described in the Existing Lease (other than construction of the Seismic Improvements contemplated in the Existing Lease) and are prepared to proceed immediately with construction upon issuance of a Building Permit by the Port. Construction is expected to last approximately 6-8 months.

## **PROPOSED CHANGES TO EXISTING LEASE**

Due primarily to project delays associated with the YMCA's need to re-think the seismic approach (i.e. redesign work to minimize hazardous materials disturbance and bring the project back into financial feasibility), the YMCA has requested a few additional changes to the Existing Lease which Port staff supports and which are intended to: (1) accommodate the current construction schedule which was originally expected to span 11 months from the Lease Commencement Date of August 1, 2023 (through June 30, 2024) but is now expected to take an additional 3 months to complete (through September 2024); (2) support the YMCA's goal of facilitating early occupancy (i.e. prior to full completion of construction for the entire building) of a portion of the building by one of their two

subtenants, Dogpatch Paddle, to the extent that can be achieved and authorized by Port Building Permits via issuance of a partial temporary certificate of occupancy (“Partial TCO”) for the Premises; and (3) ensure that the public restrooms located within the building are open and managed/maintained by the YMCA by no later than July 1, 2024.

While the most significant proposed change to the Existing Lease is the revision of the seismic improvements scope, Port staff supports each of the other proposed changes and/or clarifications to the Existing Lease described below to facilitate successful project delivery and achieve the Port’s project objectives, including but not limited to preserving the historic resource, providing community and visitor-serving uses, and enhanced activation of Crane Cove Park.

Port staff recommends that the Existing Lease be amended and restated pursuant to a new Lease No. 17134 (the “Amended and Restated Lease”) in the following ways:

- YMCA’s obligation to construct the Seismic Improvements described in the Existing Lease be removed and replaced with an alternate, reduced seismic scope that will be designed in the context of the specific tenant improvements being made and is consistent with Port Building Code requirements.
  - The Port’s obligation to provide rent credits for any seismic improvement work will be eliminated altogether.
- The public restrooms located within the building are to be open and operated/maintained by the YMCA in a manner consistent with the YMCA’s obligation under the Existing Lease beginning on July 1, 2024, or within 5-days following issuance by the Port of a TCO for any or all of the building, whichever is earlier.
- So long as the YMCA opens the public restrooms by July 1, 2024 or, if earlier, within five days following issuance of a TCO (“Restroom Opening Date”), and manages the same in accordance with the Lease, the YMCA shall receive a \$2,000 monthly rent credit (“Restroom Rent Credit”). The Port will have remedies prescribed in the Amended and Restated Lease for any failure by the YMCA to comply with this requirement.
  - Failure by Tenant to satisfy the bathroom operations and maintenance requirements ~~within five (5) days of July 1, 2024 or any occupancy prior to that date~~ will constitute a default under the terms of the Amended and Restated Lease.
  - Failure by Tenant to open the Restrooms by the Restroom Opening Date will result in a reduction of the Restroom Rent Credit of \$175.00 for each day after the Restroom Opening Date until the Restrooms are opened to the public (subject to temporary closures, as permitted under this Lease), up to a maximum reduction of \$6000.

- If Dogpatch Paddle occupies the building pursuant to a Partial TCO, YMCA shall pay the Port an amount equal to the pro-rata share of the sublease rent based on the portion of the subleased premises occupied by the subtenant, subject to the YMCA’s obligations above, less the available Restroom Rent Credit.
  - Example: If the full amount of monthly base rent for the Dogpatch Paddle space is \$2,918 and if Dogpatch Paddle is only able to occupy 75% of their space on an early, interim basis, the amount of base rent due to the Port would be  $\$2,918 \times 75\%$ , which is \$2,189.
  - If Dogpatch Paddle is unable to occupy the space early for any reason, and the YMCA opens the public restrooms by July 1, 2024 and is in compliance with the requirement to operate and maintain the public restrooms as described above, the Restroom Rent Credit shall be retained by the YMCA but delayed (i.e. “banked”) until Rent Commencement, at which time it may then be applied immediately against any outstanding rent obligations (i.e. the full amount of any such banked Restroom Rent Credit shall be applied in full and at once against the amount of base rent due until fully exhausted).
- Full Rent Commencement on October 1, 2024 or upon issuance of a TCO for the full building, whichever is earlier (i.e. maximum of three months of additional construction period rent abatement as compared to the Existing Lease).
- All other terms of the Existing Lease will remain the same.

**RECOMMENDATION**

Port staff recommends approval of the attached Resolution No. 24-XX authorizing the Port Executive Director to forward the approved Amended and Restated Lease to the Board of Supervisors for approval and to execute the Amended and Restated Lease upon approval from the Board of Supervisors.

Prepared by:            Jamie Hurley  
    Development Projects Manager  
    Real Estate and Development

For:                            Josh Keene  
    Assistant Deputy Director  
    Real Estate and Development

   Kimberley Beal  
    Acting Deputy Director  
    Real Estate and Development

Exhibits:            Letter from Jamie Bruning-Miles, YMCA SF President and CEO, dated October 5, 2023

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

**RESOLUTION NO. 24-01**

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 April 25, 2023, the Port Commission adopted Resolution 23-20 authorizing Port staff to execute Lease No. 16997 (“Existing Lease”) with the Young Men’s Christian Association of San Francisco (the “YMCA SF”) for the development and use of Building 49 located at 701 Illinois Street within Crane Cove Park following approval of the Existing Lease by the Board of Supervisors, which approval occurred on June 27, 2023 (Resolution 344-23); and

WHEREAS, The Port Commission and the Board of Supervisors each adopted environmental findings regarding the Existing Lease in Resolutions 23-20 and 322-23, respectively; and

WHEREAS, The Existing Lease was executed by the parties on July 28, 2023, with a Lease Commencement date of August 1, 2023; and

WHEREAS, The rehabilitation, reuse, lease and operation of Building 49 by the YMCA SF as described in the Memorandum to the Port Commission dated April 21, 2023 will benefit the public trust through historic rehabilitation of and investment in trust assets, enhance water recreation opportunities, and provide visitor-serving amenities which will attract the public to use and enjoy these cultural and historic resources and generate revenue to fund necessary improvements throughout the Port; and

WHEREAS, The YMCA SF agreed under the Existing Lease to perform a partial, seismic retrofit of the building that is not required by the Port building code, and Port agreed to contribute, in rent credits, 50% of the total cost associated with such seismic work or \$500,000, whichever is less; and

WHEREAS, In October of 2023, the YMCA notified Port staff that due to a lack of adequate project funding and unanticipated increased costs from potential additional disturbance of hazardous materials that would be required to carry out the Seismic Improvements, along with overall construction costs escalation, they would not be able to perform the seismic/structural improvements to Building 49 as described in the Existing Lease, and they requested that the seismic scope be reduced

in order to restore financial feasibility to the project, and the Existing Lease be amended accordingly; and

WHEREAS, The parties propose to amend and restate the Existing Lease pursuant to a new Lease No. 17134 (the “Amended and Restated Lease”) that will, among other things, (i) reduce the seismic improvements scope described in the Existing Lease, (ii) eliminate all rent credits for any seismic work performed by the YMCA SF, (iii) require the YMCA SF to open the public restrooms no later than July 1, 2024, (iv) delay the rent commencement date and (v) include the other changes and/or clarifications described in the Memorandum to the Port Commission accompanying this resolution and on terms set forth in the Amended and Restated Lease on file with the Port Commission Secretary; and now therefore be it

RESOLVED, For purposes of this action, the Port Commission relies on the environmental findings it adopted in Port Commission Resolution 23-20 and incorporates the same environmental findings herein by reference; and be it further

RESOLVED, That the Port Commission hereby approves the Amended and Restated Lease on the terms and conditions described in this resolution and authorizes the Executive Director or her designee to forward the Amended and Restated Lease to the Board of Supervisors for their consideration and approval; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee, to execute the Amended and Restated Lease after approval of the Amended and Restated Lease by the Board of Supervisors; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee, to enter into any additions, amendments or other modifications to the Amended and Restated Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 23, 2024.***

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Secretary

## EXHIBIT A

### Letter from Jamie Bruning-Miles, YMCA SF President and CEO



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FOR SOCIAL RESPONSIBILITY

October 5, 2023

Via Email

Port of San Francisco  
Pier 1  
San Francisco, CA 94111

Attention: Mr. Michael Martin, Assistant Port Director, Chief Operating Officer, Port of San Francisco

**Re: Seismic Improvement Decision Letter re Lease No. L-16997 of Building 49, Crane Cove Park, San Francisco**

Dear Michael:

As discussed in detail with Josh Keene, Jamie Hurley and the Port Planning Team, the YMCA of San Francisco (YSF) proposes to alter the planned scope of work associated with the voluntary seismic improvements for Building 49 as described in the Lease. YSF had proposed to improve the structural integrity of Building 49 on a voluntary (i.e., not required by Code, RFP or Port standards) basis by installing new steel braced frames and a new steel roof truss diaphragm system, estimated at a total cost of \$1.5M (of which up to \$500k would be shared by the Port through rent abatement). This anticipated cost was within a total estimated project cost of \$6.7m.

Despite our substantial initial diligence, further site exploration and consultation with the Port's planning team indicate that the scope of work contemplated in the Lease will require additional extensive work with respect to the contaminated soils and other existing hazardous materials at Building 49, adding significantly more risk and cost to the project. Additional mitigation expenses of at least \$500,000 will be necessary, and there will be delays in project completion. The minimum cost increase alone is beyond our available resources and there are considerable risks that the ultimate scope and cost will be significantly greater. In particular, there is a substantial risk that the work may trigger the Maher Ordinance, which would lead to further permitting requirements, with associated significant further delays, costs and risks.

In consultation with our engineers and the Port's engineering team, we now intend to forgo any seismic improvements to Building 49 because the costs and risks associated with managing the hazardous materials make doing so infeasible. With the proposed change of use and low occupancy, we are willing to proceed without improving the building's seismic resilience. As a result, the Port will no longer be required to provide the \$500k of rent credits and we should be able to proceed more expeditiously to complete the project and commence operations for the benefit of all involved. This decision comes with YSF's continued enthusiastic commitment to the Building 49 Project as a whole and our desire to establish a vibrant community hub for both local residents and visitors to Crane Cove Park.

Our ability to complete all other improvements remains subject to the approval of the Port of San Francisco's Department of Building Inspection and applicable building codes.

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We would like to proceed promptly on this basis and look forward to your confirmation that we may do so, hopefully without the need for additional approvals beyond the permitting process. We will be happy to answer any questions.

Sincerely,

Jamie Bruning-Miles  
President & CEO  
YMCA of San Francisco

cc: Ms. Elaine Forbes, Executive Director, Port of San Francisco  
Mr. Josh Keene, Waterfront Development Manager, Port of San Francisco  
Mr. Jamie Hurley, Real Estate Development Project Manager, Port of San Francisco