

MEMORANDUM

June 9, 2016

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Informational presentation on the Port's Master Lease to Historic Pier 70, LLC for the rehabilitation, restoration and re-use of the 20th Street Historic Buildings on or near 20th and Illinois Streets at Pier 70

DIRECTOR'S RECOMMENDATION: Information Only; No Action Requested

EXECUTIVE SUMMARY

In May 2014, the Port Commission and the Board of Supervisors unanimously adopted the environmental findings and approved the transaction documents for the rehabilitation of the Pier 70 Historic Core ("**Project**"). In July of last year, Lease No. L-15814 ("**Lease**") between the Port and Historic Pier 70, LLC ("**the Developer**") was executed and construction activities commenced. This memorandum provides the Port Commission with a detailed update of progress to date to rehabilitate the historic buildings pursuant to the transaction documents.

BACKGROUND

In April 2010, the Port published its Preferred Master Plan ("**Master Plan**") for the approximately 65-acre Pier 70 area after an extensive community planning effort. Pier 70 has several sub-areas, three of which are currently in active construction or planning: (1) the Pier 70 Historic Core (the subject of this staff report); (2) the Waterfront Site, a 25-acre mixed-use district (currently being entitled) and (3) Crane Cove Park, a new, 7-acre waterfront park, phase 1 of which is anticipated to break ground in 2016. The

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northeast portions of Pier 70 are leased to BAE Systems which operates a ship repair drydock and recently executed a new lease for the site. The Developer's Project adheres to the Master Plan vision of rehabilitation and preservation of important industrial and maritime contributions of this site.

In general, the Project rehabilitates eight historic buildings to satisfy seismic, structural, and code requirements, implements security measures to combat an atmosphere of neglect and criminal opportunity, and abates hazardous environmental conditions. Once rehabilitated, these historic office and industrial buildings will be subleased to a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The Project also creates an indoor lobby/atrium in Building 113, and an outdoor piazza, both of which will be accessible to the public.

STRATEGIC PLAN COMPLIANCE

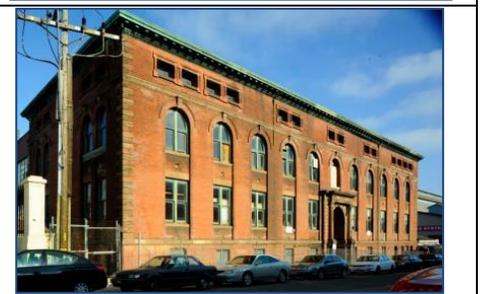
The Project implements the following strategies and objectives of the Port of San Francisco's 2016-2021 Strategic Plan:

1. Renewal
Create vibrant new neighborhoods, engage in adaptive reuse, and expand open spaces
2. Engagement
Meaningful public participation, maintain strategic partnerships
3. Livability
Promote living wage jobs, fulfill Local Hire commitments, expand pedestrian and bike access, preserve light manufacturing and industrial job opportunities
4. Resiliency
Improve resiliency to earthquakes
5. Sustainability
Fulfill Zero Waste obligations in operations and construction, protect the bay's ecology through stormwater management
6. Economic Vitality
Attract non-maritime commerce to contribute to the economic vitality of the Port and the City
7. Stability
Maximize external investment capital through IFD, historic tax credits, private equity and grants, retain a diversified tenant base that will perform through economic cycles

REHABILITATION STATUS

The Port's 66-year master lease with the Developer includes the 6 buildings described below and two smaller outbuildings. Note that Building 102 is available to the Developer as an option pending Port's relocation of electrical equipment.

The Developer has secured numerous building permits and has commenced construction activities site-wide. The following table provides a summary of the significant work underway today.

Building Rehabilitation Status as of May 2016	
<p>Building 113/114 The 95,157 square foot former Union Iron Works Machine Shop consists of two masonry buildings built from 1885-1888, later joined by a concrete connector in 1914. The Building 113 masonry has been repointed and cleaned; the windows have been rebuilt and restored. Micropiles were driving into the ground in advance of a new concrete slab and structural steel has been procured and is now being installed. Market interest in all or portions of this space is strong and the Developer regularly provides site tours to prospective subtenants.</p>	
<p>Buildings 115/116 The 38,694 square foot Union Iron Works Foundry & Warehouse was constructed in 1916/1917 and comprises a three-bay reinforced concrete structure. The building has been cleared of debris and dilapidated equipment; hazardous material abatement is now underway as the Developer seeks a PDR subtenant(s).</p>	
<p>Building 101 The 61,311 square foot former Bethlehem Steel Office building was built in 1915; it has been fully subleased to a PDR subtenant, has been cleared of debris and is undergoing hazardous material abatement in advance of subtenant improvements leading to mid-2017 completion.</p>	
<p>Building 102 The 11,266 square foot former Compressor House, currently houses BAE Ship Repair's electrical distribution. The Port is working to remove the electrical facilities, following which the Developer may exercise an option to redevelop the building as a restaurant.</p>	
<p>Building 104 The 45,237 square foot former Union Ironworks office building was built in 1896; it has been fully subleased to a PDR subtenant; has been cleared of debris and is undergoing hazardous material abatement in advance of subtenant improvements leading to early 2017 completion.</p>	
<p>Building 14 Building 14 is a 16,315 square foot double-gable metal warehouse constructed in 1944; the Developer is in final negotiations to sublease the entire building to a PDR subtenant with improvements anticipated to be complete in early 2017.</p>	

SUBTENANTS

Building 101 - Restoration Hardware

Restoration Hardware, Inc. (RH), is a national provider of home furnishings and design services to the decorator trade for indoor and outdoor residential and commercial spaces. RH would use the majority of the space as a furniture gallery showroom, where design professionals would show patrons how the products look and function in finished settings. The public will be invited throughout the building including proposed new and expanded architectural features now under review by historical preservation regulatory agencies at the state and federal level.

Building 104 - Tea Living

Tea Collection (“Tea”) is a Dogpatch-based, majority women-owned studio and designer of globally inspired children’s apparel. Tea was founded thirteen years ago in San Francisco by Emily Meyer and Leigh Rawdon, with a vision for world-inspired children’s apparel. Twice each year Tea designers travel the globe and bring inspiration home to create original designs that express the spirit of their adventures abroad. Tea’s outstanding designs have made Tea an exceptional design company, have led to many awards and recognitions and have inspired a loyal and devoted customer base.

Building 14 – PDR Tenant TBA at time of this report.

LOCAL CONTRACTING AND HIRING COMMITMENTS

The Developer is working with the City’s CityBuild program and the Contract Monitoring Division (“**CMD**”) to ensure that local disadvantaged businesses (“**LBE**”) and local residents participate in this Project. The Developer has agreed to use local workers for 25% of total worker hours and a LBE participation goal of 17%.

Local Business Enterprises

CMD has reviewed Developer’s LBE payment data submitted on June 1st, 2016. Developer’s LBE participation to date is **24.13%**, with total expenditures to date of \$9,099,315, which is above the 17% goal. Total payments made to LBEs to date is \$2,195,765.

Local Hire

According to the latest workforce compliance report, the overall local hire percentage to date is at **25.83%** exceeding the 25% workforce goal. As construction escalates over the coming months, subcontractors will increase their workforce and the Project is expected to remain in compliance and hopefully continued to exceed the requirements.

Additionally, the Lease requires the Developer and its subtenants to participate in the City's First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions.

COMMUNITY OUTREACH

The Developer has met on numerous occasions with the Central Waterfront Advisory Group, San Francisco Architectural Heritage, Dogpatch Neighborhood Association, Potrero Boosters and numerous individual members of the neighborhood. Comments and observations generated through these outreach efforts have positively shaped and informed the Project plans.

CONCLUSION

The Developer has made significant progress to return the Pier 70 historic core to use as a vibrant part of the City. The benefits of enlivening these buildings with active, new uses will be enjoyed by workers, residents and visitors alike. In fulfillment of the Pier 70 Master Plan and the vision of the community, the Port's once dilapidated facilities are being rehabilitated to add vitality to the Dogpatch neighborhood and the central waterfront for generations to come.

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Through:	Rebecca Benassini, Assistant Deputy Director Waterfront Development
For:	Byron Rhett, Deputy Director Planning & Development

Attachment:
Exhibit A: Location Map and Premises

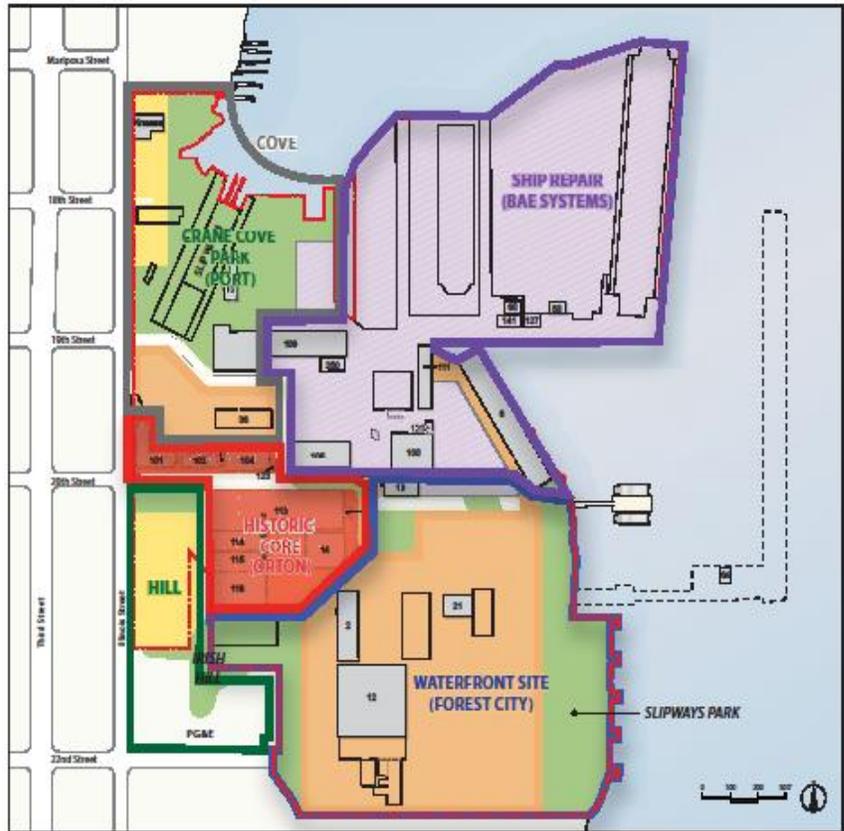
EXHIBIT A: PIER 70 PROJECTS

-  HISTORIC BUILDINGS
-  SHIP REPAIR (HISTORIC USE)
-  OFFICE, BIOTECH, COMMERCIAL, R&D, PDR
-  MIXED USE- RESIDENTIAL ALLOWED
-  COMMERCIAL/SPECIAL USE- HISTORIC CORE
-  OPEN SPACE
-  BUILDING PROPOSED FOR REMOVAL
-  PIER 70 AREA BOUNDARY

PIER 70 PROJECT SUB-AREAS

-  SHIP REPAIR
-  FOREST CITY WATERFRONT SITE*
-  ORTON - HISTORIC CORE*
-  COVE
-  HILL

* NOTE: BOUNDARIES BETWEEN PROJECTS ARE CONCEPTUAL. VARY SLIGHTLY FROM THE EXCLUSIVE NEGOTIATING AGREEMENT TERMS. AND WILL BE REFINED AS LEASE DETAILS ARE NEGOTIATED.



SEPTEMBER 2012