



MEMORANDUM

October 9, 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: Informational presentation on a competitive solicitation strategy for the potential rehabilitation and reuse of two historic structures - the former 'Kneass Building' and 'Building 49' - both located in the Pier 70 Area adjacent to Crane Cove Park generally along Illinois Street between 18th and 19th Streets

DIRECTOR'S RECOMMENDATION: Information Only - No Action Required

EXECUTIVE SUMMARY

On September 30th, the Port celebrated the opening of Crane Cove Park, a seven-acre public open space designed to host a wide variety of recreational activities, including a beach area for water recreation within the Southern Waterfront. Two long-vacant historic structures that frame the park, the Kneass Building and Building 49, a contributing resource in the Pier 70 Union Irons Works Historic District, offer the opportunity to provide community, water recreation and visitor-serving uses that would enhance and activate Crane Cove Park. Port staff is seeking Port Commission feedback on an approach to rehabilitating and activating these two properties.

As detailed below, Port staff proposes to include both properties in a single Request for Proposal (RFP) solicitation to seek private investment in these important public facilities that will enhance Crane Cove Park and deliver maximum benefits to the public and the Port. The proposed solicitation would allow respondents to propose on the Kneass Building only, Building 49 only, or both buildings.

Subject to Port Commission direction, Port staff anticipates consulting with the Port's Southern Advisory Committee on the objectives and public values for the potential

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Request for Proposals (RFP), consistent with the RFP solicitation public process set out in the Draft Waterfront Plan. In addition, Port staff propose additional outreach to neighborhood groups and other community stakeholders. Port staff will incorporate those consultations into recommended objectives and public values for an RFP and then return to the Port Commission at a subsequent meeting to report on the outreach and seek direction to issue an RFP to solicit partner(s) for exclusive negotiations.

This staff report is organized as follows:

- I. Strategic Objectives
- II. Background
- III. Development Context
- IV. Assessing Community Values and Equity Goals
- V. Solicitation Strategy
- VI. Conclusions and Next Steps

I. STRATEGIC OBJECTIVES

A successful solicitation will elicit proposals from qualified respondent teams that provide community, water recreation and public-oriented tenants, and revenue generating uses to implement a financially feasible project. The success of the project or projects will be defined by rehabilitation and maintenance of historic resources, providing water recreation and publicly-oriented uses that enhance Crane Cove Park, offering new activities and attractions for the neighborhood and park visitors, and accomplishing these objectives within a financially feasible project and a sustainable operating structure.

If approved and implemented, a successful RFP will support five of the Port's strategic plan objectives (2019-2023 Strategic Plan):

Evolution: Successful project(s) will serve as milestones in the ongoing transformation of the Pier 70 area to better address the needs of the public and the Waterfront.

Engagement: Successful project(s) will provide amenities that increase the public's awareness of the sites' remarkable history and setting.

Equity: Successful project(s) will be accessible, attractive and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Southern Waterfront, particularly visitors to Crane Cove Park.

Productivity: Successful project(s) will return two long-vacant and deteriorated structures to productive use and attract tenants who contribute to an economically-viable Port and capitalize on the Port's unique assets, including the new Crane Cove Park.

Stability: Successful project(s) will help maintain the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance.

II. BACKGROUND

Both the Kneass Building and Building 49 are a part of the City of San Francisco's rich shipbuilding legacy. The Kneass (671 Illinois Street) building takes its name from an early San Francisco boatbuilder, George Kneass, who took over the property in 1936 and operated his business out of the building until 1970. Building 49 (located within Crane Cove Park along Illinois Street southeast of the 18th Street T-intersection) is a contributing resource in the Pier 70 Union Iron Works Historic District. It was constructed in 1940 or 1941 during a time of shipyard modernization, as World War II raged in Europe but the U.S had yet to be attacked. Inside, steel components were galvanized, or coated with zinc, in order to reduce corrosion.

Recent investment in the immediate vicinity including the redevelopment of the 20th Street Historic Core and the completion of Crane Cove Park has spurred significant interest from the community in restoring the buildings and returning them to productive use for the benefit of the public. In response to this continued interest in the buildings, Port staff have conducted preliminary financial feasibility analysis which found that, although limited due to the high rehabilitation costs, there is the potential for the buildings to provide positive net revenues to the Port in addition to providing community and Public Trust benefits that are complementary to nearby development and benefit the overall Southern Waterfront.

III. DEVELOPMENT CONTEXT

Location

The two buildings are located within the Port's Southern Waterfront subarea, along Illinois Street just south of the Ramp restaurant and adjacent to the newly opened Crane Cove Park in the Pier 70 area and within the Central Waterfront area. (See *Exhibit 1*).

Exhibit 1: Site Map



The Dogpatch along with the Mission Bay neighborhoods in the Central Waterfront have seen a tremendous amount of development and growth over the past two decades, transforming the area into a vibrant and still-growing waterfront neighborhood filled with old and new residences, restored historic buildings, modern office buildings, two world class sports and entertainment venues, a world class university hospital, bars, restaurants, retail businesses, and more. Within this larger neighborhood context, redevelopment of the Pier 70 Area east of Illinois Street and roughly between Mariposa and 22nd Street continues to re-shape Port lands.

Waterfront Plan

The Port's Waterfront Land Use Plan was adopted in 1997 which provides policies and objectives to guide the improvement of Port properties, including a description of Acceptable Uses. The menu of Acceptable Uses for the Kneass Building and Building 49 include Community Facilities, water and recreational uses, retail, and office uses. . In June 2019, the Port published a Draft Waterfront Plan¹ . The updated Draft Waterfront Plan includes updated goals (described below) and policies which have been endorsed by the Port Commission, and which express sub-area objectives that inform this proposal to improve the Kneass Building and Building 49. The proposed uses we seek for these buildings should be consistent with both the adopted Waterfront Land Use Plan and the Draft Waterfront Plan.

The Draft Waterfront Plan's nine Port-wide goals are summarized below:

1. **MARITIME:** Preserve and enhance the Port's diverse maritime industries
2. **DIVERSE USES AND PEOPLE:** Public-oriented, recreational, workplace and civic uses that complement maritime industry and provide economic opportunity
3. **PARKS AND OPEN SPACE:** Complete the waterfront open space network, protect natural habitat areas, create a new Ferry Building plaza, activate and enliven waterfront parks
4. **QUALITY URBAN DESIGN:** Respect the waterfront's maritime heritage, promote physical and visual connections between the City and the Bay
5. **FINANCIALLY STRONG PORT:** Stimulate investment and waterfront revitalization, and equitably providing new jobs, revenues, and amenities for everyone
6. **SUSTAINABLE TRANSPORTATION:** Safe and accessible for people and goods, by all modes, for workers, neighbors, visitors and Port tenant operations
7. **ENVIRONMENTAL SUSTAINABILITY:** Limit the impacts of climate change, improve the ecology of the Bay, and promote healthy waterfront neighborhoods
8. **A RESILIENT PORT:** Strengthen resilience to hazards and climate change effects while protecting the community, ecological, social and economic assets and services
9. **PARTNERING FOR SUCCESS:** Strengthen partnerships and community engagement to increase public understanding of Port and community needs and opportunities

¹ https://sfport.com/sites/default/files/UPDATED_COMPRESSED_FinalWaterfrontPlan_DigitalVersion_6.10.2019.pdf

The Draft Waterfront Plan describes objectives for each of the five geographic segments of the Port waterfront. Crane Cove Park, Kneass Building and Building 49 are located in the Southern Waterfront subarea, which includes the area from *Crane Cove Park to India Basin*. The eight specific Southern Waterfront sub-area objectives below provide a finer level of detail on the Port-wide goals and guide future development of the Crane Cove Park Buildings (particularly those goals indicated in **bold**):

1. Continue inter-agency coordination to align maritime, industrial, and development priorities and investments in the Southern Waterfront.
2. **Throughout the Southern Waterfront, improve and enhance Blue Greenway and open space and public access areas that do not compromise maritime operations or sensitive environmental habitat areas, and provide education to promote public safety among maritime, small boating, and recreational water users.**
3. **Implement approved development plans for the Pier 70 Special Use District, Historic Core, and Crane Cove Park projects to connect and integrate all areas within Pier 70, which will give new life to the Union Iron Works Historic District and create a unique waterfront neighborhood addition in the Dogpatch area.**
4. Explore new business partnerships to operate the Pier 70 ship repair and drydock facility, as part of a broader maritime strategy that evaluates additional maritime opportunities for the shipyard and facilities.
5. Increase marketing efforts to support maritime business partnerships to maximize the utilization of existing cargo terminal facilities in a dynamic urban environment.
6. In the Pier 90-94 Backlands, pursue development of industrial warehouse facilities that are compatible with cargo terminal operations and provide space for maritime support uses, generate economic value and benefits to the Port and community, and productively improve land to support a stable industrial base in San Francisco.
7. Protect wildlife habitat and shoreline areas.
8. **Work with the community to assess vulnerabilities, consequences, and community priorities to build resilience, reduce risks, and advance benefits in the Southern Waterfront.**

The Draft Waterfront Plan also identifies acceptable uses for both the Kneass Building and for Crane Cove Park (home to Building 49) shown in Table 1, an excerpt from the Plan's "Southern Waterfront Acceptable Land Uses."

Table 1- Southern Waterfront Acceptable Land Uses (excerpt for Crane Cove Park and the Kneass Building)

<u>Kneass Building: Acceptable Uses</u>	<u>Crane Cove Park Acceptable Uses</u>
Maritime Office	Recreational Boating/Water Recreation
Harbor Services and Maritime Industry	Parks/Open Space
Retail (includes food and beverage uses)	Public Access/Public Realm
General Office	Accessory Retail (including food and beverage uses)
Community Facilities	Short Term Interim Uses
Short Term Interim Uses	

Public Trust

The Kneass Building is not subject to public trust use requirements because it was included in the Pier 70 public trust exchange – a reconfiguration of trust and non-trust properties as part of planning for development in the Pier 70 area. Building 49, located south of the Kneass along Illinois Street and within Crane Cove Park, remains subject to the Public Trust use requirements to promote maritime commerce, navigation and fisheries, protect and enhance natural resources (including historic cultural resources), and provide facilities that attract the public to use and enjoy the waterfront.

These objectives recognize the validity of using or reusing waterfront facilities to serve maritime and public access trust uses, activities that attract the public to use and enjoy these cultural and historic resources and uses that generate revenue to finance necessary improvements.

State Lands & BCDC Coordination

During the Waterfront Plan Update process, Port staff consulted with State Lands and San Francisco Bay Conservation and Development Commission (BCDC) staff on various issues of shared interest, including strategies for supporting the reuse and development of the Port’s historic resources. The two Crane Cove Park buildings lie beyond the 100-foot shoreline band that is subject to BCDC review authority. However, Port staff will be consulting with BCDC staff as well as the State Lands Commission staff regarding the details of rehabilitating and reusing these two historic structures in ways that are compatible with their respective agencies’ missions, including enhancing public use and enjoyment of Crane Cove Park.

Workforce Development and Local Business Enterprise (LBE)

Once a partner or partners are selected, Port staff will work with the successful respondent and the City’s Contract Monitoring Division (CMD) to establish LBE goals for the various phases of the project. CMD will collaborate in negotiating the design of each LBE participation program tailored to the project, develop LBE goals, provide developers with technical assistance to maximize LBE participation, and where necessary, conduct outreach to LBEs regarding procurement opportunities. The project will also need to comply with the City’s Local Hiring Policy for Construction (mandatory 30% of project hours by trade) and requirements for wage and apprenticeship programs.

IV. ASSESSING COMMUNITY VALUES AND DEFINING EQUITY GOALS

In addition to the Goals, Policies and objectives articulated in the Draft Waterfront Plan and the Public Trust doctrine, Port staff will spend time working directly with community stakeholders to understand and articulate a specific set of community values to be integrated into the solicitation process. As part of this effort, in addition to working with the Port's Southern Advisory Committee, Port staff propose to conduct outreach and engagement that will focus on minority groups and those representing a younger demographic within Southern Waterfront neighborhoods.

V. SOLICITATION STRATEGY

Respondents to the RFP may propose programs for one or both of the two buildings described below.

The Solicitation Offering

The Kneass Building, located at 671 Illinois Street just south of the Ramp restaurant, is a long-vacant, historically significant two-story structure that is unoccupied and in poor and deteriorating condition. The Kneass Building was removed from the Public Trust as part of the Pier 70 Trust Exchange, which consolidated Public Trust lands along the waterfront and on streets leading to the waterfront. While it is not included in the Union Ironworks Historic District, a private partner could nominate Kneass Building for historic status which could unlock historic tax credits for the substantial rehabilitation work that the building requires for re-occupancy.

Building 49 is listed on the Register of Historic Register of Building and is part of the City's rich shipbuilding history. The Port is developing a bid package which will deliver core and shell improvements to the building. This contract will deliver a partial renovation of the building, including constructing public restrooms on the northwest corner. The work also includes plumbing and electrical work for the restrooms, replacing the building's roof, replacing some of the exterior corrugated metal panels, painting, and signage. The budget for this work is \$2 million. This project will ready the building for future development or leasing for a small café and human powered boating storage and rental. The planned project does not include any structural work and without additional structural retrofit, the use of the building is limited to 100 people or less. The schedule for completion of this work is Fall 2021. Port staff desire to have a tenant in place in time for the building opening.

Desired Responses

Kneass Building. Propose, design, entitle, develop, and operate a mixed-use, community-oriented historic rehabilitation project at the former Kneass Building under a lease development and disposition agreement and long-term lease. Proposals must include a well-defined community-serving concept which will anchor the building program. Revenue-generating uses like office, events, and food-serving uses may also be part of the program to ensure a financially-feasible program. Proposers should propose rent to Port and/or in-kind services which benefit the public and the newly completed Crane Cove Park.

Building 49. Provide all necessary tenant improvements and operate – either directly through a Port building lease or through a master tenant and subtenant arrangement - a park-serving facility that will include, at a minimum, a personal watercraft rental, storage, and sales facility (i.e. aquatics center) to serve the park-going public as well as maintenance and security for the public restrooms within the building. In addition to these minimum requirements, the building also has the potential for a “take out” café with designated space within the park for out-door service or for a more intensive development program.

Overall goal. While the solicitation will offer the opportunity to propose a project at either site as described above, Port staff sees the provision of at least one café and one personal watercraft rental, storage and sales facility as the minimum of park-serving uses in these buildings. The community-developed goals and objectives will provide more detail for additional services above this baseline.

Desired Economic Benefits

Based upon a financial feasibility analysis of the sites, Port staff recommends the following draft economic benefits for an RFP:

1. *Significant investment in Port assets.* The financial feasibility analysis roughly estimated rehabilitation costs of between \$10 M and \$15 M in these buildings (combined), depending on uses and programming.
2. *Assume maintenance responsibilities, provide in-kind benefits, and provide rent, participation in net revenues, and/or upside revenues.* Maintenance of the public restrooms in Building 49, programming and “eyes on Crane Cove Park”, and a participation rent structure are all elements of significant benefits to the Port, in transforming these currently empty buildings into activated, beneficial public assets.

Solicitation Strategy

In conducting outreach for an RFP and in crafting the RFP, Port staff intend to highlight the different opportunities and constraints of each building and to clearly articulate overarching policy goals for the RFP. Port staff will maintain openness in gathering and integrating community visions and desires for these important buildings which frame the beautiful Crane Cove Park that the Port has worked so hard to deliver. We will be clear about the very different physical conditions of the buildings. The Kneass Building is deteriorated and will require significant capital from a private party to rehabilitate and reoccupy. Building 49 will be in relatively good condition upon delivery next year. Notably, however, the anticipated work on the building does not increase its occupancy which is a key constraint on future use of the building, unless a respondent proposes structural improvements which would increase building occupancy and allow more intensive uses.

VI. CONCLUSION AND NEXT STEPS

Port staff are seeking Port Commission input and direction on this proposed RFP and RFP strategy. If the Port Commission directs, Port staff will begin conducting community outreach regarding the objectives of this RFP and based on the results of that outreach will prepare an action item for issuance of an RFP for Port Commission consideration in the coming months.

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