

**MEMORANDUM**

May 4, 2018

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Victor Makras  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Request Authorization to Issue a Request for Interest from Prospective Master and Smaller Tenants for Public Oriented Concepts for Historic Pier Facilities in the Embarcadero Historic District

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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**EXECUTIVE SUMMARY**

On November 14, 2017, Port staff provided a briefing to the Port Commission on key recommendations that were being developed during the Waterfront Land Use Plan Update public process (Waterfront Plan Update). Port staff outlined the creation of new leasing and development strategies to rehabilitate historic pier facilities in the Embarcadero Historic District to achieve public trust objectives. At that time, Port staff recommended a two-track, Request for Interest (RFI) from public oriented use operators, and Request for Qualifications (RFQ) from qualified developers to invite market-based ideas and responses on possible pier rehabilitation concepts. Comments from Port Commissioners and the public at the meeting supported the effort to learn more about the opportunities to successfully target and solicit feasible, activating and attractive historic rehabilitation proposals. As noted at that time, no pier project would move forward based on a response to an RFI/RFQ process alone. All would require further action after consultation with stakeholders and at least one public hearing at the Port Commission, with such further action likely including a competitive solicitation.

**THIS PRINT COVERS CALENDAR ITEM NO. 12A**

After further internal and external dialogue, Port staff has refined its recommendation to a single Request for Interest from (a) master tenants and (b) smaller tenants that are maritime and/or public oriented. As compared to the two track RFI/RFQ, this single RFI seeking responses from two user groups (i.e. master tenants on the one hand and maritime and non-maritime public oriented users on the other) would more efficiently inform the Port's strategy to move forward on the competitive solicitation processes required to achieve needed pier rehabilitation projects that protect and activate the Embarcadero Historic District, so the public can enjoy these valuable resources. In addition to aging infrastructure and deferred maintenance, these facilities also face seismic and sea level rise risks.

Port staff now seeks authorization to issue the RFI and pursue subsequent dialogues with the Port Commission and the public as further described below.

## **STRATEGIC OBJECTIVES OF THE RFI**

A successful RFI will elicit expressions of interest from a range of potential tenants as a first step in developing one or more requests for proposals to rehabilitate and preserve historic assets within the Embarcadero Historic District. The successful approval and implementation of these projects will impact a number of the Port's strategic plan objectives:

Stability/Renewal/Resiliency/Sustainability: Successful rehabilitation projects will prevent further deterioration of the Port's historic assets and will reduce seismic and flooding hazards.

Economic Vitality: Successful rehabilitation projects will enliven these assets with a new generation of revenue-generating uses combined with public oriented uses designed to attract visitors to Port property.

Engagement: The RFI is intended to reach out not only to prospective tenants already considering the waterfront but also to sectors and organizations not traditionally associated with waterfront development. The RFI and the follow-up public engagement will further reinforce the positive public dialogue that the Waterfront Plan Update process created.

## **BACKGROUND**

The Embarcadero Historic District extends for three miles between Pier 45 in Fisherman's Wharf to Pier 48 at China Basin. Over the last 20 years, the Ferry Building and pier historic rehabilitation projects have opened the San Francisco waterfront to the public while continuing to host a diversity of maritime businesses. Of the Historic District's 20 piers, 13 have not been seismically improved and have major capital needs. These industrial finger piers and bulkheads were built for warehousing and maritime industry from the early 1900s. They continue to be well-suited for modern day production, distribution and repair (PDR) businesses, but require substantial capital

investment that exceed Port resources to address deferred maintenance and make seismic improvements to support large numbers of people. The rate of deterioration of these century-old facilities further challenges the Port's asset management efforts to continue stable leasing for ongoing maritime and PDR uses.

The challenges and desires for the Embarcadero Historic District have been a key focus among the wide variety of policy issues that the Waterfront Plan Working Group addressed in the public process to update the Waterfront Plan. Part 2 of the Waterfront Plan Update public process produced Port-wide policy guidance recommendations on issues such as waterfront resilience, environmental sustainability, transportation, maritime industries, land use and development, and public process procedures.<sup>1</sup>

While keenly aware of the need to work across sectors to address climate change and resilience planning for sea level rise and improvement of the Seawall, the Working Group recognized the public value and responsibility for stewardship of the Port's historic pier facilities in the Embarcadero Historic District. After detailed orientation and public discussions in Part 1 of the public process, and a financial feasibility model analysis focused on leasing and development scenarios for historic pier facilities in Part 2, the Working Group embraced recommendations that are intended to expand the tools for viable leasing and development of these facilities, within a public trust framework.

The recommendations provide criteria for public trust objectives for historic rehabilitation, capital improvements, maritime, public access and public oriented uses, and Port revenues. Based on an updated understanding of the extraordinary cost of historic pier repair and rehabilitation, the recommendations recognize the need for longer lease terms to amortize capital repairs and improvements, and the rationale for allowing high revenue-generating uses to finance pier rehabilitation as part of an overall program that achieves public trust objectives.

While embracing the responsibility for managing the Port's architectural and maritime resources and heritage, the Working Group recommendations also emphasize the need to protect and expand opportunities for public oriented uses that are inclusive and serve all populations. Successful projects and leases to date, including AT&T Ballpark, the Exploratorium, and Pilara Museum have demonstrated how recreational, entertainment, and museum and cultural centers offer unique and varying ways to expand and diversify public enjoyment of the waterfront that are in addition to restaurants and retail attractions, like Pier 39, that traditionally have been recognized as trust consistent uses. Similarly, public oriented maritime businesses that focus on activities that attract more people to use and enjoy the San Francisco Bay provide additional unique experiences on the waterfront (e.g. sightseeing, education, water-related recreational activities).

The real estate market analysis conducted as part of the financial feasibility modelling for the Embarcadero Historic District noted that public oriented uses are often unique;

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<sup>1</sup> Waterfront Plan Part 2 report can be found at the link below:  
<http://sfport.com/sites/default/files/Planning/WLUP%20Documents/9.11.17%20Waterfront%20Update%20Part%202%20Summary%20Report.pdf>

those surveyed were low or moderate revenue generators, and/or required philanthropic or non-profit entities as financing partners. Unlike office, industrial and retail uses, the market analysis for public oriented uses relied on case studies and did not produce a complete list of public oriented concepts. The RFI effort acknowledges that the public and Port need to improve our shared understanding of the economic viability and market reality of these concepts, both individually and as part of an overall pier development and leasing program that can achieve both public trust and feasibility objectives. The public trust is not advanced if a pier project cannot be financed, just as a financeable pier project will not move forward without addressing the objectives of the trust.

## **REFINEMENT OF THE REQUEST FOR INTEREST CONCEPT**

At the November 14, 2017 Port Commission meeting, Port staff observed that the extent and rate of facility deterioration and rising tides required action from the Port to explore how best to increase the pace of pier repair and rehabilitation as part of a strategic leasing and asset management program. At the time Port staff favored a two-track solicitation of input: a Request for Interest (RFI) from public oriented use operators and a Request for Qualifications (RFQ) from qualified developers with access to capital financing for historic rehabilitation. This RFI/RFQ would be followed by one or more Requests for Proposals, which would allow the Port to competitively select and enter negotiations with one or more pier rehabilitation proposers.

As detailed in the November staff report, the RFI/ RFQ process would provide the opportunity to:

- Receive real world feedback to help the Port identify market-based solutions that maximize public serving uses;
- Generate creative and imaginative concepts;
- See new market-based opportunities and approaches to deliver more public oriented uses and test what is possible;
- Understand possible partnering opportunities between maritime and public oriented use entities and developers;
- Explore the modern place of work through review of PDR, office or other revenue-generating anchor tenants that can subsidize the rehabilitation of pier spaces for public oriented uses;
- Learn from the public and the Port Commission concepts that should be further explored in Requests for Proposals; and
- Further inform the Waterfront Plan Update

In the time since the November presentation, Port staff has undertaken internal and external dialogues and reviewed other similar request for interest efforts to refine its thinking. As a result of this review, Port staff is now recommending a single RFI

process that would invite feedback from both potential master tenants with the capital formation and construction expertise to lease and rehabilitate a pier and potential smaller tenants that operate maritime and/or public oriented businesses and nonprofit organizations. The primary reason for the change is efficiency: an RFQ process requires a significant amount of time and effort both on the part of the responders (in preparing detailed responses as to their qualifications) and the Port (in reviewing and scoring those responses). By streamlining the feedback requested to target the information needed for a public dialogue and the eventual development of one or more RFPs, Port staff hopes to lower the barriers to entry, grow the pool of responders and not waste time unnecessarily in vetting qualifications that can be vetted equally well as part of the eventual competitive solicitations for pier development.

The Port used the RFI approach successfully to solicit development ideas for reuse and rehabilitation for Union Iron Works Historic District buildings on 20<sup>th</sup> Street at Pier 70; this ultimately led to selection of Orton Development Inc. as the Port's development partner, which is now completing the rehabilitation of these historic treasures. In the case of the Embarcadero Historic District, given the cost of improvements and potential limits on revenue generation from public oriented uses, Port staff recognizes that input from both master tenants and smaller tenants will be needed to successfully implement facility investment and improvements to support the public oriented uses and realize other stated public trust objectives, mostly notably historic preservation.

## **KEY TERMS OF THE REQUEST FOR INTEREST**

Facilities List: Port staff proposes the following vacant or other facilities with significant capital repair needs for inclusion in this RFI/RFQ process (see Exhibit A for map):

- Pier 35 (maintaining secondary cruise ship berth operations)
- Pier 33 (recognizing long-term Alcatraz embarkation)
- Pier 31 (recognizing long-term Alcatraz embarkation)
- Pier 29½
- Pier 29
- Pier 23
- Pier 19½
- Pier 19
- Agricultural Building
- Pier 26
- Pier 28
- Pier 38
- Pier 40 (maintaining water recreation uses)
- Pier 48 (recognizing SWL 337 Associates option to lease facility)

Preliminary detail on each of these facilities will be provided so respondents can better consider which location may be the best fit for their proposals.

Background Information: The RFI will describe the context of the Port, its property and its regulatory framework, the Waterfront Plan Update, and the San Francisco Seawall Earthquake Safety and Resilience Program.

Information Requested: As noted above, Port staff is seeking to keep the barriers to responding to the RFI low in the interest of maximizing feedback.

All respondents will be requested to provide basic information:

1. Identifying information of organization and key personnel.
2. Whether the response is for the Master Tenant or Smaller Tenant category, or both.
3. Proposed use, along with any rationale for why the use could be considered a maritime or non-maritime public oriented use.
4. Experience.
5. Preferred facility/location.

In addition to the basic information above, all respondents would be asked to reply to additional questions addressing key characteristics of the proposal.

For prospective Master Tenants:

1. Operational site concept, such as: Where in the facility would different uses be located? Approximately how much space would be dedicated to different use-types? What would the public's experience of the facility be like?
2. Physical site concept, including the ways in which enhancement and alterations to the structures must be consistent with Secretary of Interior Standards for Historic Rehabilitation.
3. Narrative description of access to capital funding.

For prospective Smaller Tenants:

1. Capacity to pay rent in addition to funding operations.
2. Capacity to fund tenant/capital improvements in addition to rent and operations.
3. Length of lease term needed to amortize potential tenant improvements.

## **ANTICIPATED RFI OUTREACH**

Both because of the expanded definition of public trust-supporting uses recommended from the update to the Waterfront Plan, and because of the number of facilities included in the solicitation, the intended audience for the RFI is broader than recent efforts the Port has undertaken. Reaching this broad audience will require a multi-pronged

approach. The RFI drafting team is collaborating with Port outreach staff and a marketing and outreach consultant to implement an outreach plan including:

1. Research focused on industry organizations, including maritime, recreation, arts, education, cultural, and other visitor- or public-focused organizations to seek assistance in disseminating informational materials.
2. Outreach to local news outlets and websites, and to news outlets outside of the Bay Area.
3. Outreach to Port tenants and other Port-focused lists.
4. Postings on Port's website.
5. A presence on social media.
6. Host a walking tour of representative pier(s).
7. Seek speaking engagements for Port staff to present the RFI.

## **ANTICIPATED PORT COMMISSION AND PUBLIC DIALOGUES REGARDING RFI RESPONSES**

As noted above, no pier project would move forward based on a response to this RFI process alone. All would require further action after consultation with stakeholders and a public hearing at the Port Commission. Accordingly, Port staff sees the Port Commission and public dialogues following the receipt of RFI responses as a critical bridge taking this improved market understanding to one or more actionable competitive solicitations.

All RFI responses will be made publicly available. Port staff will summarize responses to the RFI in a staff report to the Port Commission and will make presentations to the Commission and stakeholder groups like the Northeast Waterfront Advisory Group and Central Waterfront Advisory Group. Respondents are welcome to attend any of these public meetings to hear how the RFI responses are received by the public and public officials.

The Port will not rank, score, and otherwise evaluate responses nor will the Port use the response to create a pool for potential future solicitations for the reasons set forth above.

While it bears emphasizing that the Port is not obligated to undertake a solicitation from this RFI, Port staff intends to build on information from the RFI to develop requests for proposals that maximize public enjoyment, public trust values and historic preservation of the historic pier facilities. Port staff will work closely with the Port Commission on next steps. These discussions also should include timelines associated with the different rehabilitation options and will assume ongoing short-term leasing in pier and

bulkhead buildings under existing policies, to maintain use of facilities and revenue generation that would not conflict with these longer-term development efforts.

## **CONCLUSION AND RECOMMENDATION**

With the recommendations the Waterfront Plan Working Group has offered, Port staff believes that the time is ripe to explore whether investment in the historic pier facilities could create a more public and activated Embarcadero Historic District, able to better withstand seismic and flood risks. The Waterfront Plan Working Group shared expectations that the Port would save these historic resources if possible. The RFI will provide the kind of real-world feedback to identify market-based solutions that maximize the public orientation of our waterfront. Attracting private investment to the waterfront may result in much more pier rehabilitation than the Port could accomplish using its own resources. The proposed RFI would provide a laboratory for ideas that will be reviewed and discussed with the Port Commission and the public. The RFI process also may identify more severe feasibility issues than we realize, which may point to consideration of the trade-offs necessary to achieve historic rehabilitation, before the Waterfront Plan is updated and amended.

For the reasons stated above, Port staff recommends approval of the attached resolution.

Prepared by: Michael Martin  
Deputy Director, Real Estate and Development

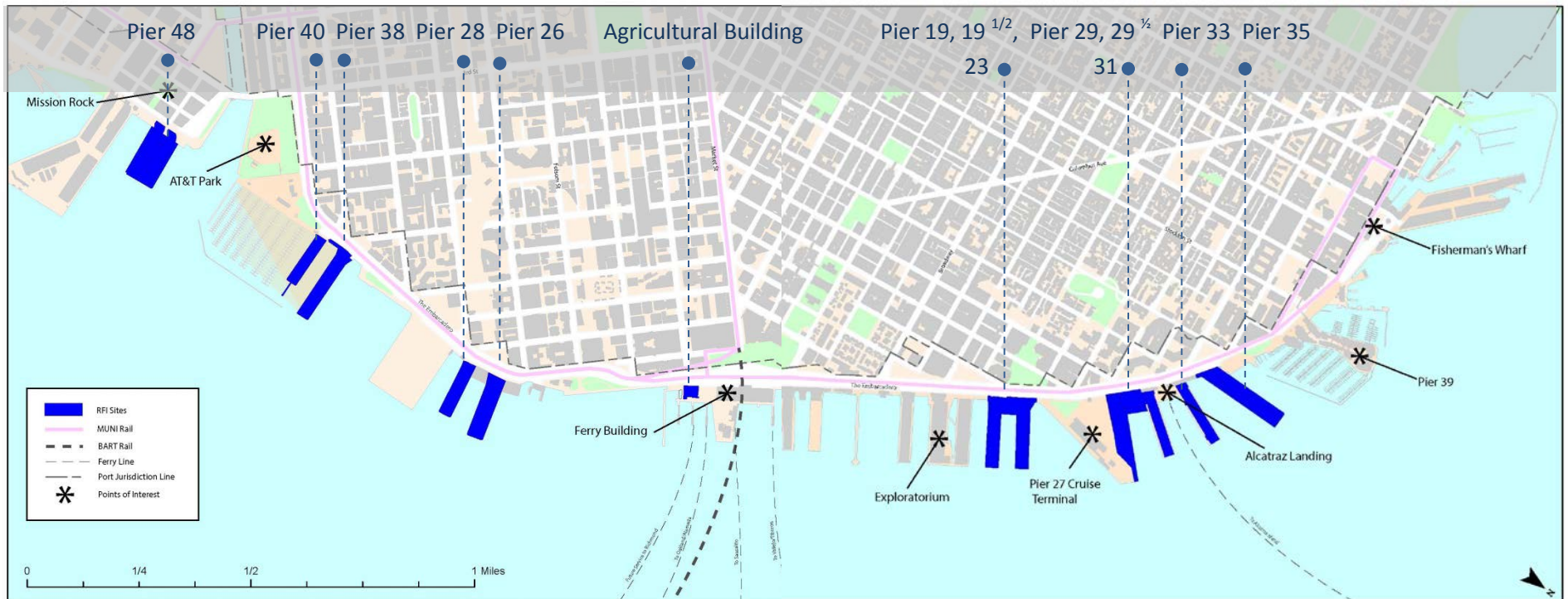
Rebecca Benassini  
Assistant Deputy Director,  
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For: Elaine Forbes  
Executive Director



**Exhibit A: Map of Embarcadero Historic District Structures Included in Request for Interest**



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

**RESOLUTION NO. 18-31**

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, The Port's jurisdiction includes historic piers and other structures that comprise the Embarcadero National Historic District, which is listed in the National Register of Historic Places (the "Historic District"); and

WHEREAS, Port staff is currently engaged in an update (the "Waterfront Plan Update") of the Waterfront Land Use Plan governing the use of the lands within Port jurisdiction (the "Waterfront Plan"); and

WHEREAS, As part of the Waterfront Plan Update, Port staff have staffed a public process led by the Waterfront Plan Working Group of community and regulatory stakeholders (the "Working Group") to develop consensus recommendations regarding new policies that the Port should address in amendments to update the Waterfront Plan to respond to new information and conditions that have develop since 1997 when the Waterfront Plan was adopted; and

WHEREAS, The Working Group discussions included the articulation of a shared interest in preserving and opening historic piers and structures to the public in the Historic District, and technical analysis reflecting the financial and engineering challenges the Port and project sponsors face in doing so; and

WHEREAS, The Working Group recommendations include new leasing and use strategies to support historic rehabilitation of Historic District facilities in projects that include revenue generating uses, lease terms sufficient to amortize pier repair costs, and priorities for traditional maritime, public access and visitor-oriented public trust uses; and

WHEREAS, In addition to traditional restaurant and visitor-oriented retail public trust uses, the Working Group recommendations call for a broader diversity of public-oriented activities in Historic District lease projects, to attract people of all ages, incomes and backgrounds to the waterfront, and to promote appreciation of San Francisco's maritime and architectural history; and

WHEREAS, At the November 14, 2017 Port Commission meeting, Port staff made an informational presentation outlining the guidance coming out of the Waterfront Plan Update process and received feedback regarding the manner in which to gather more market input on the feasibility of the recommendations relating to pier rehabilitation for maritime and/or public-oriented tenants; and

WHEREAS, Port staff has incorporated the feedback from the November 14 meeting and developed an approach to a request for interest (“RFI”) process as described in the staff report accompanying this item; and

WHEREAS, In an effort to further its understanding of potential feasible projects that can activate and preserve facilities within the Historic District, Staff recommends publicly soliciting interest from master and smaller tenants for public oriented concepts for historic pier facilities within the Historic District to allow the Port and its stakeholders to generate a better shared understanding of the market interest in pursuing a historic preservation project or projects meeting the public trust objectives summarized above; and

WHEREAS, The Port Commission recognizes that implementation of any particular historic rehabilitation project within the Historic District will be a long term effort that will require many funding sources, including private investment, tax credits, and potentially other public sources; and

WHEREAS, Issuance of the RFI does not commit the Port to proceeding with any competitive solicitation or associated development project, and the Port cannot approve a ground lease or development agreement for any project until after environmental review has been completed in compliance with the California Environmental Quality Act (“CEQA”); now, therefore, be it

RESOLVED, That the Port Commission has reviewed the RFI strategy included in the staff report accompanying this Resolution and agrees that such an effort will assist the Port Commission in its consideration of subsequent competitive solicitations for historic preservation projects within the Historic District; and be it further

RESOLVED, That the Port Commission authorizes staff to prepare and issue an RFI and manage the RFI and subsequent public engagement process consistent with the staff report.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of May 8, 2018.***

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Secretary