MEMORANDUM

July 5, 2012

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

FROM: Monique Moyer
Executive Director

SUBJECT: Informational Presentation on Orton Development Inc.’s Proposal for the lease and rehabilitation of the 20th Street Historic Buildings within the 69-acre Pier 70 site, located near the intersection of 20th and Illinois Streets.

DIRECTOR’S RECOMMENDATION: Information Only - No Action Required

JULY 2012 PRESENTATION

At the July 10, 2012 Port Commission meeting, Orton Development Inc, (“ODI”) will present their project concept for the 20th Street Historic Buildings at Pier 70 for comment and to begin the public review for this project. The next step will be Port Commission consideration of a term sheet for the project with the parameters for a lease to be reviewed by the Port Commission and the Board of Supervisors, later this year.

This project will rehabilitate six buildings encompassing 250,000+ square feet, including the massive Union Iron Works Machine Shop and the Bethlehem Steel office building at 20th Street and Illinois Streets. Exhibit A shows the location of the 20th Street Historic Buildings. These buildings date from the 1880s and are in a dilapidated condition needing seismic and other upgrades to bring to active use. The Port selected ODI after a Request for Proposals (“RFP”) process.

BACKGROUND

In April 2010, the Port published its Preferred Master Plan (“Master Plan”) for the 65-acre Pier 70 area after an extensive community planning and technical feasibility analysis effort. The Master Plan provides a vision balancing sustained ship repair, historic preservation, new waterfront parks, and new development for the area roughly bounded by the San Francisco Bay and Mariposa, Illinois, and 22nd Streets. In May
2010, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Pier 70 Preferred Master Plan and authorized initial implementation actions\(^1\). Since then, the Port has successfully advanced all three initial implementation actions:

- 20th Street Historic Buildings developer solicitation process to attract private investment, resulting in the selection of ODI.
- A developer solicitation for 25 acres at the eastern edge of Pier 70, primarily for job-focused, office and/or biotech purposes. Following a competitive development solicitation process, on July 8, 2011, the Port Commission approved an exclusive negotiation agreement with Forest City Development California, Inc. for this portion of the Pier 70\(^2\).
- Crane Cove Park, a new park at the northern shore of Pier 70, with an initial phase supported by the 2008 Clean and Safe Neighborhood Parks General Obligation Bond. Staff updated the Port Commission in May 2012 on the status of planning for the park\(^3\) which is scheduled to begin construction in 2013.
- In addition to the actions identified in 2010, on February 28, 2012, the Port Commission authorized investment of $5.7 million to upgrade the electrical systems at the Pier 70 shipyard to reduce emissions and improve air quality\(^4\).

After a competitive RFP process, the Port Commission selected ODI for the 20\(^{th}\) Street opportunity on February 28, 2012\(^5\). On May 17, 2012, the Port entered into an Exclusive Negotiation Agreement (“ENA”) with ODI for the lease, rehabilitation, and development of the 20th Street Historic Buildings. The ENA between the Port and ODI specifies a set of performance benchmarks. In June 2012, ODI provided the Port with the following components of its project proposal:

- Community Outreach Plan
- Project Description
- Term Sheet Proposal

The next performance benchmark is a Design Review package to support more detailed evaluation of the proposal, which is due on August 1, 2012.

**PROPOSAL**

ODI’s concept will reuse these historic office and industrial buildings for a range of businesses from light industrial (such as the SFMade industries), tech office, artisan/artist studios and showrooms, and dining destinations. Exhibit B provides a general overview of the uses proposed by building.

The proposed public/private partnership is structured as a long-term lease with the rehabilitation and operating costs funded by ODI and the Port’s future rent reflecting that


private investment. As this project is an intensive repair of existing buildings and fits within the City’s vision for the area analyzed in the Eastern Neighborhoods Plan, an expedited review process may be possible that can lead to executing a lease late this year.

This project will provide needed office and industrial space for San Francisco’s growth businesses, return to productive use, arguably, the most valuable – and vulnerable – of the Port’s historic buildings, and re-activate a desolated area of the waterfront. The Port’s objectives for the ODI project are a first-class historic rehabilitation, uses that activate Pier 70, and establishment of a tax base and income stream that can help fund further redevelopment of Pier 70.

PIER 70 HISTORIC DISTRICT CONTEXT

These buildings are central to the future Pier 70 National Register Historic District and will be rehabilitated consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties. Later this year, the Port will submit Pier 70 for consideration by the State Historical Resources Commission for nomination to the National Register of Historic Places. Listing on the National Register offers this project (and subsequent historic rehabilitation projects at Pier 70) access to Federal Historic Rehabilitation Tax Credits as an economic incentive for investment. The tax credit process includes project design review by both the California State Office of Historic Preservation and the U.S. National Park Service.

NEXT STEPS

Review of this initial project proposal begins a process of defining a project for the 20th Street Historic Buildings. The ODI proposal will evolve through the public review process including changes to the rehabilitation concept, uses, the mix of uses, and/or other fundamental terms. ODI’s further due diligence, engineering analysis, and design will refine the extent of building repairs needed as well. Prior to approval of a lease for the project, the Port Commission will review and consider environmental documentation prepared in compliance with the California Environmental Quality Act (“CEQA”).

If approved by the Port Commission this Fall, the ODI project will lead the Pier 70 revitalization with occupancy as early as 2013. Subsequent Pier 70 projects will be Crane Cove Park opening in late 2014 and the Forest City 25 acre project at the water's edge. The Port and Forest City are refining the terms of the “Waterfront Site” project which is a substantially larger scale than the ODI project, requires significant infrastructure investment, and new land use approvals to redeploy a largely vacant portion of Pier 70 for new uses in new buildings.

Port staff is working closely with ODI to refine the terms of this exciting project. Our combined efforts will produce a comprehensive term sheet for Port Commission review and approval later this summer.

In addition to this presentation to the Port Commission, ODI has been soliciting community and policymaker perspectives on reuse options for 20th Street, undertaking a
“great listening tour.” Staff and ODI will continue ongoing outreach to the Central Waterfront Advisory Group (CWAG), community groups and appropriate regulatory agencies. On July 25, 2012, ODI will present their proposal to the CWAG at a meeting to be held at Pier 70 at the Noonan Building near the terminus of 20th Street and the Bay. Advisory group member and public comment will be reported when this project returns to the Port Commission for the consideration of the business terms.

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For: Byron Rhett, Deputy Director
Planning & Development

Exhibit A: Project Location
Exhibit B: ODI Project Proposal