

SF Port wants ideas floated for decaying piers

By J.K. Dineen - October 9, 2017



The Port of San Francisco has a problem it wants to turn into an opportunity — what to do with its alluring but crumbling finger piers.

The Beaux Arts bulkhead buildings along San Francisco's waterfront are the perfect backdrop for the city's revitalized waterfront, with their white stucco, red-tiled roofs and flow of cyclists, street cars and joggers passing by.

But behind the white stucco and red-tiled roofs is the Port of San Francisco's billion-dollar problem: crumbling piers, rotting aprons, pier sheds that need more than \$100 million in work to be made safe and usable.

With many of those historic piers in desperate need of repair, the port has decided to solicit ideas from developers or organizations with the resources, or even just the imagination, needed to take on the spectacular but challenging Bayfront properties.

The solicitation, part of a larger ongoing waterfront plan update, will focus on eight piers that are either vacant or being used for storage or parking: 19, 23, 29, 31, 26, 28, 38 and 40. Port Chief Operating Officer Byron Rhett called the approach similar to the process used for the historic buildings at Pier 70, which resulted in interest from everything from a circus school to a winery.

Because the port wants to encourage creative concepts of all kinds, the ideas won't be limited to those "trust consistent" uses — those generally allowed under the state public trust rules. Those rules generally don't allow housing or hotels, and require that any project have a balance of maritime and other uses, such as restaurants, retail and some office.

"We are going to go out to the world and invite all kinds of ideas — trust consistent and others that are financially viable but aren't traditionally trust consistent," said Rhett. "We want the development community to help us understand what the opportunities might be."

Michael Martin, the port's deputy director of real estate, said the responses would help as the port works on an update of its 1997 waterfront plan.

"It doesn't serve anybody's interest to develop a plan that doesn't speak to realities of what can be done," Martin said.

Over the past 20 years the port has had a mixed record when it comes to reviving the former industrial piers, most of which have been underused since the 1960s and 1970s, when cargo business migrated to the Port of Oakland.

The successes are spectacular. The Ferry Building Market Place and AT&T Park both draw millions to the waterfront. The Justin Herman Cruise Terminal at Pier 27 has become a popular destination for cruise ships. The Exploratorium revived Pier 15, while Pier 24 was converted into a photography center. Pacific Waterfront Partners, which redeveloped Pier 24, also rehabbed Piers 1½, 3 and 5 with a collection of restaurants, office space and a water taxi terminal.

But for every hard-fought victory, there are other projects that died, some because of opposition and some because of economics.

After five years of working on a plan to convert the 25,000-square-foot bulkhead at Pier 38 into office space and retail, in August developer TMG informed the port that it would not go forward with the plan.

Pier 38 has been vacant since 2011, when the port evicted tenant Carl Ernst for violating the terms of his lease, including filling it with parking and tech startups instead of boat storage and maritime-related office space. He also failed to make safety improvements, so the port red-tagged the building.

TMG's decision to give up was not surprising. The cost of getting the bulkhead buildings in usable condition jumped from \$12 million in 2013 to \$20 million today, Rhett said.

Rhett said that the port looked at ways to include a portion of the adjacent pier shed to make the project more financially attractive for TMG, but that nothing came of it.

"The project just couldn't absorb the additional costs," said Rhett. "The more time we spent looking for ways to add value to the project the more costs started going up. The project just kept getting further and further away from us." In other instances, politics have come into play.

Both Mills Corp. and Shorenstein Properties spent years, and millions of dollars, negotiating to take over 19 acres at Piers 27-31. Both plans ultimately faltered because of neighborhood opposition.

Australian developer Lend Lease and the Golden State Warriors both abandoned plans to revive Piers 30-32 — Lend Lease because of the \$155 million it would cost to fix the piers and the Warriors because of neighborhood resistance to putting a new basketball arena there.

In addition, San Francisco voters have made it clear that they don't want to see the waterfront overdeveloped. In 2014, 59 percent of voters passed Proposition B, which restricts the height of new waterfront construction to current zoning limits unless voters approve an exception for a specific project.

Telegraph Hill neighborhood activist Jon Golinger, who led the Prop. B initiative, said he doesn't have a problem with gathering ideas for new uses for the piers, but added that he would oppose any process that "let developers drive what to build on the waterfront." "This just sounds like deja vu all over again," Golinger said. "The port has aggressively tried to jam huge projects through and burned valuable money and valuable time with projects that failed."

Gabriel Metcalf, executive director of the urban think tank SPUR, said that he supports the port's call for pier reuse concepts. "It's a good idea, now and then, to go out to the community and see if there are any great ideas that people have," he said. "The worst thing that could happen is nobody has anything that works. But maybe they get lucky and turn up some creative ideas that are actually viable."

Developer Simon Snellgrove of Pacific Waterfront Partners, which developed Pier 24 and Piers 1½, 3 and 5, said he "remains enthusiastic about the waterfront" and would respond to the port's call for ideas. Snellgrove said he continues to believe that one or two hotels or housing should be allowed on select piers. "The waterfront is fantastic, but there has to be an economic engine there that will pay the bills for the public to use it," he said.

David Polatnick, who was a real estate consultant for the Exploratorium on Pier 15, said uncertainties about sea level rise and the waterfront plan update have made the port reluctant to commit to long-term leases, which makes rehabilitation projects tough to finance. "The up-front infrastructure costs are so expensive you need a long-term lease, or the numbers don't work out," he said. "These leaky sheds are romantic but very expensive to work on. You start with less than land. You have to work under water. You have to watch the tides. You have to use scuba divers to work under the piers."

Meanwhile, the city's piers continue to decay.

At Pier 38, six years after the tech workers were ousted, the building remains eerily quiet. The green carpeting is stained with deposits from seagulls and other fowl, along with cast-off cabling and dust-covered workbenches, business cards and signage from forgotten startups. The windows on the north side of the property are boarded up to prevent squatters from getting in.

Yet the views are stunning: the water, the Bay Bridge, cargo ships passing on one side and street cars rattling by on the Embarcadero. It's easy to see why many developers will be interested — even if failure is a distinct possibility. “What this building needs is a developer who has the experience, the money and the stomach to take on a project this big,” said Elliot Riley, a senior property manager with the port.

Added to the urgency of shoring up the piers is the port's looming \$5 billion plan to upgrade the seawalls to protect against earthquakes and sea level rise, which will likely go to the ballot in 2018.

Once that work starts, there may not be an opportunity to fix individual piers for quite a while, said SPUR's Metcalf, who said the city needs to have an open mind about future occupation.

“I think if we don't open our thinking to a bigger range of uses, we will probably end up losing a lot of the piers,” he added.

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Image 1 of 8



Image 2 of 8



Pier 38 is seen on the Embarcadero near Townsend Street in San Francisco. Photo: Paul Chinn, The Chronicle

Image 3 of 8



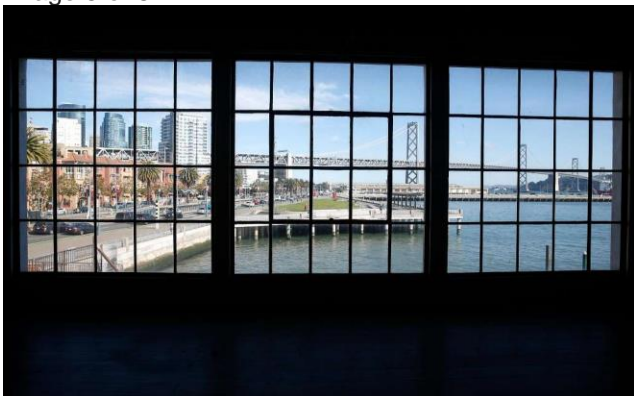
A shed sits on Pier 38, which has been vacant since 2011, when the port evicted the tenant for violating terms of the lease. Photo: Paul Chinn, The Chronicle

Image 4 of 8



Steps lead to an upstairs office space inside Pier 38 in San Francisco. A plan to renovate the pier for tech office space was abandoned when the project proved to be too costly. Photo: Paul Chinn, The Chronicle

Image 5 of 8



The corner office space has waterfront views inside Pier 38 in San Francisco. Photo: Paul Chinn, The Chronicle

Image 6 of 8



Pier 38 is seen on the Embarcadero near Townsend Street in San Francisco. Photo: Paul Chinn, The Chronicle

Image 7 of 8



The cavernous shed sits on Pier 38 is seen in San Francisco. Photo: Paul Chinn, The Chronicle

Image 8 of 8



Rental kayaks are stored outside of Pier 38 in San Francisco. Photo: Paul Chinn, The Chronicle