



PORT OF SAN FRANCISCO WATERFRONT LAND USE PLAN 1997 – 2014 REVIEW



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REAL ESTATE

Background

The Port includes more than 834 acres of land along its 7½ miles of waterfront property, including 629 acres of landside property and 205 acres of waterfront property. As of July 2014, there are 525 maritime, commercial and industrial leases of Port property. The Port's Real Estate and Maritime Division staff negotiate and manage leases, which constitute the Port's primary source of revenue to fund Port staffing, operations and capital repairs, improvements and enhancement projects identified through the Port's 10 Year Capital Plan and capital project process. Given the Port's facilities, industrial leases represent the largest proportion of Port leases.

Port major accomplishments of the Real Estate Division include:

- Maintaining a diverse lease portfolio that has enabled the Port to have stable revenue during times of economic downturn
- Allowing Port property to serve as incubator space for emerging small businesses in the City
- Meeting the requirements of multiple regulatory agencies in managing leases and tenants including renovations consistent with historic standards

The majority of Port leases are for terms of 10 years or less, although some long-time tenants have had longer terms. These leases are distinguished from development projects managed by the Port's Planning & Development Division, which typically are for very long terms of 66 years to amortize substantial infrastructure and public benefit improvements; development projects are described in Chapters 4H and 4I. Given the Port's facilities, most leases are for industrial uses. However, there is a diverse and eclectic mix of Port tenant businesses, managed by Port Real Estate and Maritime staff. The Port tenants profiled below are examples of businesses that reflect San Francisco's innovative creative energy, environmental advances, a love of food, and have made improvements that enhanced the larger neighborhood with shorter term leases.



G1 - Capurro's Restaurant



Capurro's, located in Fisherman's Wharf, is the product of a complete rebuild and repositioning effort by the existing long time tenant of this Port location. The Port re-negotiated an existing 66- year lease with the tenant that included a \$1.2 million complete modernization and expansion of the full-service restaurant. The rebuild included a complete interior and exterior renovation of the restaurant space.

SITE SIZE: 4,286 square feet

TERM: until 2036

COST: \$1.2 million

COMPLETION: 2004

G2 - Boudin's Restaurant



Located in Fisherman's Wharf, the Port negotiated a 40-year lease with the tenant that included a complete rebuild, expansion and repositioning of its flagship location, to a 19,891 square feet full service restaurant with ancillary retail space. Boudin's redesign also incorporates a sourdough bakery tour and museum with large windows to let the public see the baking process and learn about the history and current baking operations of Boudin.

SITE SIZE: 19,891 square feet

TERM: 40 years

COST: \$21.3 million

COMPLETION: 2005

G3 - Lou's Fish Shack



Located in Fisherman's Wharf, the project was a substantial rebuild of the interior restaurant and replacement of the exterior façade, which has enhanced patio café dining along Jefferson Street.. The two-story restaurant and entertainment venue underwent \$1,000,000 in core and shell and tenant improvements and focused on improving accessibility between the two floors. The project was required to meet design criteria of the Fish Alley Historic District and meet ADA accessibility requirements to both floors. The façade improvements used repurposed wood and metal to balance the historical style of the area with a contemporary feel. Use: full service restaurant.

SITE SIZE: 4,363 square feet

TERM: 15 years with one five-year option

COST: \$1 million

COMPLETION: 2012

G4 - Roundhouse



MK Think, the current tenant, invested in excess of \$1.5 million in the adaptive reuse and rehabilitation of the 21,237 square foot Belt Railroad Engine House Roundhouse One building, which is listed on the National Register of Historic Places. MK Think is an architectural design firm specializing in insight and invention. The firm integrates research, analysis, design and technical services to provide thoughtful solutions to contemporary issues at the intersection of culture, architecture and the environment. Additionally, the massive wooden train doors were recently replaced in June of 2012.

SITE SIZE: 21,237 square feet

TERM: 10 years with one 5-year option

COST: \$1.5 million

COMPLETION: 2006

G5 - Pier 9 – Autodesk



Autodesk is a 3D software company that creates everything from professional animation software to consumer applications such as Sketchbook. Autodesk opened its showcase office last year at Pier 9. An infill leasing project, Autodesk rehabilitated 30,000 square feet of interior shed space into office space and an extensive workshop, which includes everything from seven high-end 3D printers to a state of the art metal shop. Total investment in core and shell and tenant improvements was \$16,000,000 as well as \$500,000 in public access improvements.

SITE SIZE: 30,590 square feet

TERM: 10 years

COST: \$16.5 million

COMPLETION: 2014



G6 - Pier 24 Annex



The Pilara Foundation is the current tenant at Pier 24 Annex. The tenant expended \$12,500,000 in this adaptive reuse and historic restoration project, to create a museum gallery for an extraordinary photographic collection managed by the Pilara Foundation that is open free to the public. The improvements included complete core and shell and tenant improvements along with public access and substructure improvements. The project was named a finalist in the San Francisco Business Times Real Estate Deal of the Year 2011 for Best Rehabilitation and Renovation Project, Privately funded.

SITE SIZE: 27,624 square feet

TERM: 10 years

COST: \$12.5 million

COMPLETION: 2007

G7 - Pier 26 Annex



IDEO, an internationally respected innovation and design firm, is the current tenant at Pier 26 Annex. In 2012, IDEO expanded into and renovated a nearly 30,000 square foot portion of the Pier 26 Annex Building. The tenant expended in excess of \$900,000 to create a wide range of studio, work and meeting spaces that provide for an eclectic studio/office atmosphere. Private spaces are mixed with open space to create a workplace that is designed to encourage overlap and communal interaction. The studio design also was meant to create a strong visual connection between the IDEO community and the busy pedestrian walkway of The Embarcadero. Award: 2013 IIDA Northern California Notable Award for Work Small

SITE SIZE: 29,987 square feet

TERM: 5 years with one 5-year option

COST: \$900,000

COMPLETION: 2011

G8 - Mission Rock Resort



Mission Rock Resort, formerly known as Kelly's Mission Rock, is located in the Southern Waterfront near the Pier 70 shipyard facility and just across the street from the Mission Bay Development. In 2012, the restaurant was purchased in bankruptcy court by Golden Bear Restaurant Company III. The Port negotiated a new lease for 15 years with one 5-year option with Golden Bear and required the tenant to invest at least of \$1 million dollars in hard construction cost to renovate and reposition this old iconic Southern Waterfront restaurant. The construction work included renovation of both the interior and exterior of the restaurant.

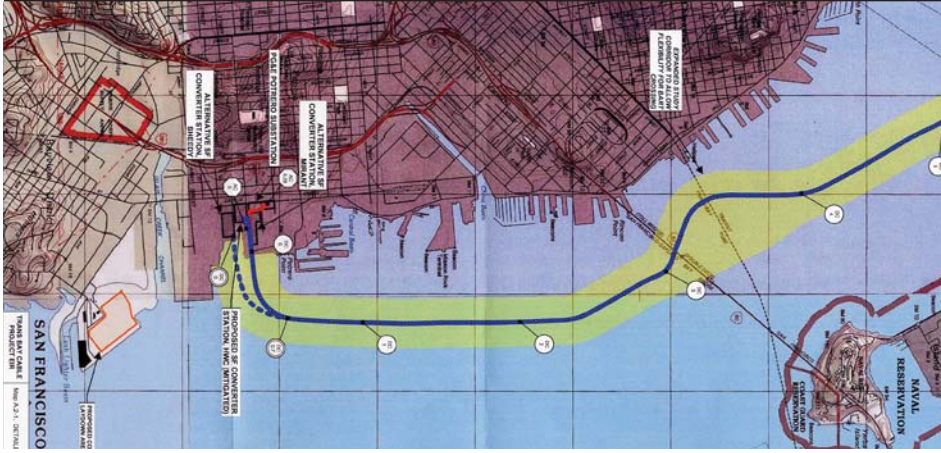
SITE SIZE: 13,856 square feet

TERM: 15 years with one 5-year option

COST: \$1 million

COMPLETION: 2012

G9 - Trans Bay Cable



SITE SIZE: 5 acres of private waterfront property (Potrero Converter Station)

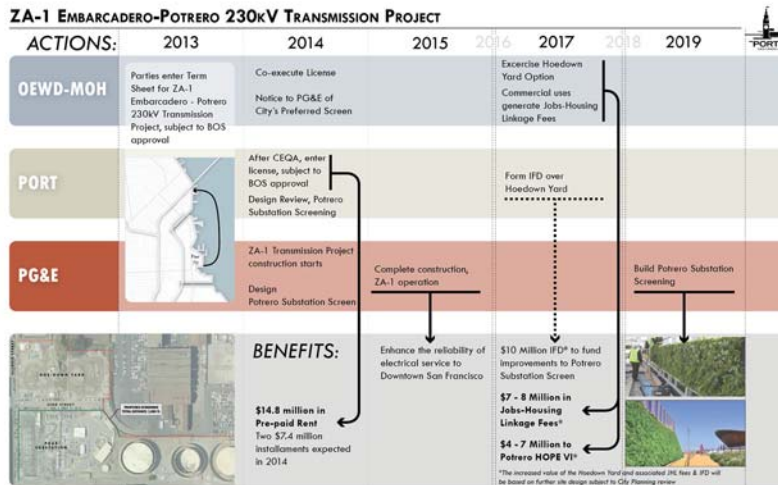
TERM: 29 years with 10 year option (for use of Bay floor)

COST: \$80 million (construction cost for Potrero Converter Station)

COMPLETION: 2009

In 2007, the Port negotiated an agreement with Trans Bay Cable LLC (“TBC”) for use of 9.4 miles of submerged lands and a small portion of 23rd Street shoreline to install a 53 mile long 400 MW high voltage trans Bay transmission line between Pittsburg, CA and the Potrero Switchyard. This project captures excess electric energy capacity in Pittsburg for use in San Francisco. This new transmission capacity, coupled with other transmission upgrades by PG&E, allowed for the permanent closure of the Potrero Power Plant immediately south of Pier 70. In addition to annual Port rent payments, TBC will pay the Port \$5.5 million to fund new parks and related waterfront improvements over 10 years, and \$28.5 million to the San Francisco Public Utilities Commission for energy efficiency and related programs. TBC substantially improved a 5 acre site immediately south of Port property between 23rd and 24th Streets, including new landscaped pedestrian public space along Illinois Street and 24th Street, and a new converter station to connect with the Potrero Switchyard.

G10 - ZA-1 Embarcadero-Potrero 230kV Cable



SITE SIZE: 3 acre Hoedown Yard option site

TERM: 40 years with a 26 year option (for use of Bay floor)

CONSTRUCTION START: 2014

In 2014, the Port negotiated an agreement with Pacific, Gas and Electric Company (“PG&E”) for use of 3.5 miles of submerged lands to install the ZA-1 Embarcadero-Potrero 230kV Transmission Project. This new transmission capacity provides seismically safe, redundant transmission service to downtown San Francisco and interconnects the City’s 230 kV and 115 kV transmission grids. In addition to a lump sum rent payment to the Port, PG&E agreed to seek funding and approvals to either screen or enclose the Potrero Switchyard between 23rd and 24th Streets along Illinois Street and to provide the City with an option to acquire the 3 acre, PG&E-owned Hoedown Yard at the doorstep of Pier 70. The City, if it acquires the Hoedown Yard, can rezone the site for residential or commercial use, and sell the site via competitive bid to a 3rd party, with the net proceeds going to the Potrero Terrace and Annex HOPE VI rebuild project. Together with the Trans Bay Cable project, this project has the potential to complete the conversion of the central waterfront away from its predominant history as a heavy industrial power generation and distribution site and into an area that can be developed for mixed uses.

G11 - Muni Metro East



SITE SIZE: 13 acres

TERM: jurisdictional transfer (perpetual)

COST: \$230 million

COMPLETION: 2009

In 2001, the Port and the Municipal Railway (now the San Francisco Municipal Transportation Agency) entered into a Memorandum of Understanding for the jurisdictional transfer of 17 acres of Seawall Lot 355 for the construction of Muni Metro East. Muni paid the Port \$29.7 million for the property; the Port was required to spend \$4 million of these proceeds on the Illinois Street Bridge project and to transfer \$4 million in State Highway Improvement Project funding to Muni for the 3rd Street Light Rail Project and MUNI Metro East facility. The Muni Metro East is a \$230 million, 180,000 square foot maintenance facility for Muni Light Rail Vehicles including daily service bays, heavy running repair areas, and a pantograph repair shop. The Port conducted design review of the facility in conjunction with the Arts Commission. The facility includes a 30,000 square foot administrative space, areas for rail operations and maintenance offices, training areas, and exercise, shower, and changing facilities. The 13 acre site is paved and included five miles of test, queuing/distribution, and storage tracks for up to 80 vehicles. SFMTA plans to use the adjacent 4 acre site for future facility expansion.

G12 - Bode Gravel Company



SITE SIZE: 192,072 square feet

TERM: 10 years with three 5-year options

COST: \$5 million

COMPLETION: 2002

In 2002 the Port entered into a maritime-industrial lease with Bode Gravel Company (Bode) for the development and ongoing operation of a concrete batching plant at Pier 92. The term of the lease extends for 10 years with three 5-year options. The premises consist of approximately 192,072 square feet of land. Bode invested in excess of \$5 million in the development of the batching plant, which produces various concrete products used by the construction industry. These materials are essential for the City's ability to meet construction goals for both public infrastructure and private projects. Bode was the first major project implemented to establish an Eco-industrial complex for construction material businesses in the Southern Waterfront. By locating adjacent to the Port's Pier 94 bulk terminal that receive rock and aggregate imports, and a sand mining operation managed by Hansen Aggregates, Bode has immediate access to source materials to manufacture concrete and greatly reduced the need for industrial truck transport of materials. Bode also incorporated on-site stormwater design to capture most of the process water to reuse in producing concrete.

G13 - CEMEX USA



Similar to the lease with Bode Gravel Company, the Port entered into a maritime-industrial lease with RMC Pacific Materials, which was eventually purchased by CEMEX USA, the current tenant. This leasehold is adjacent to Bode, and also extends for a term of 10 years with three 5-year options. The premises consist of approximately 151,700 square feet of land. Cemex invested in excess of \$6 million in the development of the batching facility. CEMEX also produces concrete for the construction industry. Both the Bode Gravel Company and CEMEX USA leases require the tenants to import bulk aggregate materials by water through the Port's maritime facilities.

SITE SIZE: 151,700 square feet

TERM: 10 years with three 5-year options

COST: \$6 million

COMPLETION: 2006

G14 - Recology



The current lease with Recology at Pier 96 is for approximately 195,281 square feet of shed space and 201,626 square feet of land. The term of the lease extends for 25 years, terminating in 2023. The premises are utilized for Recology's recycling facility and serve as the location where the City's "blue bin" recyclables (paper, glass, aluminum and plastics) are taken to be sorted, packed and exported to various markets for reuse. This facility is a key component to the City's excellent record of recycling and its commitment to achieving zero waste and maximizing land fill diversion. In addition to the blue bin recyclable operations, Recology also operates a concrete recycling center on site.

SITE SIZE: 396,907 square feet

TERM: 25 years

COST: \$35.2 million

COMPLETION: 1998

Table 4-7 Real Estate Projects

Project Number	Project Name - Location	Size (Square Feet)	Tenant Investment	Date Finished	Term	Web
G1	Capurro's Restaurant	4,286	\$1,200,000	2004	Until 2036	
G2	Boudin's Restaurant	19,891	\$21,300,000	2005	40 Years	
G3	Lou's Fish Shack	4,363	\$1,000,000	2012	15 Years with one 5-year option	
G4	Roundhouse	21,237	\$1,500,000	2006	10 Years with one 5-year option	http://sfport.com/Modules/ShowDocument.aspx?documentid=2229
G5	Pier 9 Autodesk	30,590	\$16,500,000	2014	10 Years	http://sfport.com/modules/showdocument.aspx?documentid=4516
G6	Pier 24 Annex	27,624	\$12,500,000	2007	10 Years	http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2007/Item11bPilaraFamilyFoundation-LeasePier24Annex.pdf
G7	Pier 26 Annex	29,987	\$900,000	2011	5 Years with one 5-year option	
G8	Mission Rock Resort	13,856	\$1,000,000	2012	15 Years with one 5-year option	
G9	Trans Bay Cable (9.4 Miles of Cable)	-	\$5,500,000	2009	29 years with 10 year option	
G10	ZA-1 Embarcadero - Potrero 230kV Cable (3.5 Miles of Cable)	-	-	2014	40 years with a 26 year option	
G11	Muni Metro East	566,280	\$230,000,000	2009	Jurisdictional transfer	
G12	Bode Gravel Company	192,072	\$5,000,000	2002	10 Years with three 5-year options	http://sfport.com/modules/showdocument.aspx?documentid=4830
G13	Cemex	151,700	\$6,000,000	2006	10 Years with three 5-year options	
G14	Recology	396,907	\$35,200,000	1998	25 Years	
Total		1,458,793	\$337,600,000			