



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



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# UNIQUE DEVELOPMENT OPPORTUNITIES

*Photo credit: Amy Snyder © Exploratorium*

## Background

The Waterfront Plan contemplated that the Port would pursue public-private development partnerships through competitive, public processes. The Waterfront Plan Advisory Board did not envision the frequency with which unique, desirable proposals for the use of Port property would present themselves. These opportunities – starting with Pacific Bell/AT&T Ballpark – do not allow for competitive bidding in the way imagined by the Waterfront Plan, and so City staff and the public have had to develop new public processes to allow for project review, sometimes with success, and sometimes without success. Sometimes a project that started with one set of assumptions – such as the 34th America's Cup – ended up occurring differently.





# 11 - Pacific Bell/AT&T Ballpark



Photo credit: Dave Rauenbuehler

After conducting a site selection process to evaluate sites both on and off of Port property, the San Francisco Giants (“Giants”) negotiated with the City to build a new ballpark on Port property north of China Basin. Through those negotiations, the Giants drafted and won passage of Proposition D in 1997. Subsequently, the China Basin Ballpark Company developed this \$357 million privately financed baseball stadium for the San Francisco Giants. The ballpark has made the waterfront a center of attention, attracting 4 million attendees per year to the games, plus concerts, college football and other sports, and community benefit events. The project includes a Portwalk that connects from

South Beach Harbor along the north bank of China Basin Channel, and China Basin Park on the southern shore of China Basin Channel. China Basin Channel (McCovey Cove) is extremely popular with boaters and kayakers on game days. To improve transportation, the Port led development of the China Basin Ferry Terminal, which has become a popular mode of transportation to/from the ballpark from Marin County and Oakland/Alameda.

**COMPLETED:** 2000

**COST:** \$357 Million

## 12 - International Museum of Women (2000 – 2004)



In 2002, the non-profit International Museum of Women (“IMOW”) approached the Port with an unsolicited proposal to rehabilitate historic Pier 26 and convert it into a state-of-art museum honoring women all over the world. After the Board of Supervisors adopted a resolution urging the Port to enter negotiations with IMOW, the Port Commission authorized Port staff to enter negotiations in November, 2002. Pier 26 is an approximately 157,000 square foot finger pier located directly beneath the Bay Bridge between Harrison and Bryant Streets on The Embarcadero, including a 121,000 square foot historic pier shed and bulkhead building currently leased to a number of small tenants for maritime and non-maritime warehouse use.

After performing due diligence on the Pier 26 substructure, IMOW estimated a total project cost of \$138 million to seismically strengthen the pier and to construct a 45,000 square foot museum and other museum related uses that could have included a teen center, an auditorium and office space to generate revenue to support project costs. Port staff and IMOW never agreed on market rate financial terms for the project. IMOW was not successful in raising sufficient funding to address the pier substructure requirements, and the negotiating agreement between the parties lapsed.

### ANALYSIS

This project received a waiver to the Port’s competitive development solicitation process, but museum organizers were unable to mount a capital campaign sufficient to fund pier rehabilitation costs.



### LESSONS LEARNED & RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the International Women’s Museum effort:

- Before entering negotiations with a non-profit entity, the Port should require a verifiable endowment or fundraising track record as evidence of financial capacity.
- Pier 26 — and the adjacent Pier 28 — both have a unique pier substructure construction type involving caissons. Port engineers estimate that the substructures of these piers have an estimated remaining life of 10-15 years. Redeveloping these piers with existing sources of public subsidy may not be financially-feasible.



## 13 - The Exploratorium



Photo © Exploratorium

After examining a number of Port sites including Pier 70, the Exploratorium, the museum of science, art and human perception, selected Piers 15 and 17 on The Embarcadero at Green Street as its preferred new waterfront home. The Port Commission and the Board of Supervisors authorized sole source negotiations in June 2005. After a project entitlement, design and negotiation period of 5 years and a 3 year construction period, the Exploratorium relocated from the Palace of Fine Arts in San Francisco to Piers 15 and 17. Piers 15 and 17 are contributing resources within the Embarcadero Historic District.

The Exploratorium is a \$205 million historic rehabilitation LEED Gold, net-zero-energy facility which opened in Spring 2013. The Exploratorium created a 200,000 square foot museum in Pier 15 including a total of 600 exhibits, indoors and out, office space, class room, event spaces and two cafes. In its first year, the museum enjoyed more than 1 million visitors in its new waterfront home.

Pier 15 enjoys full perimeter public access with a functioning 400-foot long deep water maritime berth on the eastern edge. A boat dock will be constructed on the south apron to provide water taxi service, and Baydelta Maritime, a tug & tow operator, was relocated to Pier 17. Pier 17 provides the Exploratorium with space for industrial functions including fabricating exhibits and future expansion area for the museum. In the interim, the Exploratorium subleases some of the space at Pier 17 on a short-term basis.

**COMPLETED:** 2013

**COST:** \$205 Million

# 14 - 34th Americas Cup



Photo credit: Gilles Martin-Raget © ACEA

In February 2010, BMW Oracle Racing, sailing for the Golden Gate Yacht Club (“GGYC” and together, the “Team”), won the 33rd America’s Cup in Valencia, Spain and, as Defender of the America’s Cup, organized the 34th America’s Cup and related activities. The team created the America’s Cup Event Authority, LLC (the “Event Authority”) for purposes of organizing the event and the America’s Cup Race Management (“Race Management”) to adjudicate the event.

The Event Authority conducted a bidding process to host the event, which largely centered on negotiations with the City to hold races in San Francisco Bay, but later included discussions with Newport, Rhode Island. Newport hosted America’s Cup races from 1930 to 1983.

City negotiations, led by the Office of Economic and Workforce Development, but later including the Port, focused on an offer of development rights as a means to reimburse the Event Authority for improvements required and services the City would provide to enable the event in exchange for commitments to hold preliminary AC World Series races, Louis Vuitton Cup races (to determine the Challenger to Oracle Racing), and the 34th America’s Cup in San Francisco.

From late 2010 until the Event Authority’s recent decision not to host the 35th America’s Cup, negotiations and preparations for the event have consumed much of the Port’s attention. In the end, Oracle’s come-from-behind win over Team Emirates New Zealand on September 25, 2013 to capture the 34th America’s Cup was among the great comebacks in sports history. The event justified the hard work and effort of so many Port and City staff.

Given how much has been written about the America’s Cup, this report is not intended to be an exhaustive analysis of the City’s planning for the event, nor is it intended to draw conclusions about whether the City should seek to host international sporting events and under what circumstances the City should spend money as host to such events. Those decisions belong to the Mayor and the Board of Supervisors. Instead, this analysis is intended to briefly examine the impact of the proposed development deal (which did not go forward) and the event itself on the Port. It is clear that the event helped produce or accelerate major changes along the Port’s waterfront.



## HOST AND VENUE AGREEMENT NEGOTIATIONS

The City and the Event Authority initially agreed on a plan to offer Pier 28, Piers 30-32, Seawall Lot 330, and Pier 50 as sites to host the event, with a grant of long-term development rights at Piers 30-32, Seawall Lot 330, and Pier 50 with no base rent or option consideration as a means of repaying an estimated \$150 million in waterfront improvements required to prepare the waterfront for the event. The Board of Supervisors endorsed a Term Sheet based on this plan in October 2010.

City analysis of the Term Sheet proposal indicated significant financial impacts of this plan to the Port, as well as a need to relocate numerous Port tenants, including major maritime tenants and the Port's maintenance facility at Pier 50. The City developed another plan focused in the northern waterfront – the location of most existing foot traffic on The Embarcadero, and ultimately closer to planned racing – which located the America's Cup Village at Piers 27-29 and accommodated the Port's plan to build the James R. Herman Cruise Terminal prior to the event. The publication of the City's northern waterfront plan almost caused event organizers to move the event to Newport, but ultimately became the basis of the Host and Venue Agreement ("Host Agreement") signed by the Event Authority and Mayor Gavin Newsom, and approved by the Board of Supervisors in December 2010.

The Host Agreement also provided for use of Piers 30-32 for team bases and other event-related uses at Piers 19, 19½, 23, 29½ and portions of Pier 80. The Host Agreement assumed that the Event Authority would spend at least \$55 million on waterfront improvements, and provided a formula for long-term development rights at Piers 30-32, Seawall Lot 330, Piers 26 and 28, depending on final Event Authority investment, and marina rights in open water basins next to Rincon Park and the future Brannan Street Wharf park. In late stages of negotiation to secure

the event, the City agreed to offer additional long-term development rights if needed to repay Event Authority investment, including Pier 29 and potentially Piers 19, 19½ and 23.

The final negotiated Lease Disposition and Development Agreement ("LDDA") concluded in early 2012, provided long-term development rights at Piers 30-32 and Seawall Lot 330 rent free in exchange for the Event Authority's initial \$55 million investment. If investment exceeded that amount, the LDDA allowed rent credits against 10 year lease rights to Piers 26 and 28 and a long-term development right to Pier 29, along with potential marina rights. The LDDA included a City pledge to form an infrastructure financing district to fund public improvements associated with future development at long-term development sites. There was no proposed development program for these sites articulated in the LDDA.

Pursuant to the Host Agreement, the City was responsible for managing and securing all regulatory approvals. The land and water improvements triggered required permits from numerous federal, state and local regulatory and policy agencies. The required environmental review of the 34th America's Cup races and the James R. Herman Cruise Terminal at Pier 27 had to be completed in an amazingly short time frame. The level of collaboration, strategic alignment and regulatory solutions that emerged from the public agency review of the project was itself an extraordinary accomplishment. The interagency coordination efforts would not have been possible without the work of additional dedicated staff loaned by the SFPUC and Planning Department. All project permitting, including federal environmental review necessary to support permitting by the U.S. Army Corps of Engineers and the U.S. Coast Guard, as well as use of Golden Gate National Recreational Area lands were completed on time. BCDC approved permits and a Special Area Plan amendment for the event requiring a broad range of improvements to the waterfront. City staff prepared a range of plans for the event





including the People Plan (the transportation plan for the event), the Security Plan, the Zero Waste Plan, the Youth Involvement Plan, the Workforce Development Plan, the Ambush Marketing Plan, the Water and Air Traffic Plan, and the Sustainability Plan. There was significant public involvement in all of the project planning and entitlement efforts.

After extremely challenging negotiations yielded one positive vote at the Board of Supervisors, the Event Authority announced its withdrawal from LDDA negotiations, giving up on the proposition of long-term development as a means of financing waterfront improvements. The Port and OEWD subsequently negotiated a plan with the Event Authority whereby the City would fund all necessary waterfront improvements for the event and provide venues rent-free, without long-term development rights. The Port Commission and the Board of Supervisors approved this plan, which the Event Authority executed, and the focus shifted to preparations for the event and racing on San Francisco Bay.

The following improvements were made to Port property or the immediate vicinity:

- The Port and the Department of Public Works managed construction of the cruise terminal on an accelerated basis, including removing the Pier 27 shed and finishing core and shell improvements in time to allow the Event Authority to use the space in early 2013
- The Port and America's Cup Race Management oversaw minor, marginal wharf upgrades to Piers 30-32 to enable strategic placement of tent structures for team industrial bases and cranes to lift AC72 vessels out of the water
- The Event Authority and Race Management designed, and Port staff permitted, the America's Cup Village at Piers 27-29 – including pop-up retail along The Embarcadero, a 9,000 seat venue for concerts and a unique mix of uses open to the public in Pier 29, including the America's Cup museum and a café in the open end of Pier 29 facing the Bay
- Port Real Estate staff relocated 75 Port tenants to other locations (primarily) on Port property, to enable use of northern waterfront venues
- Port Finance staff negotiated a quick insurance settlement and Port Engineering oversaw an emergency rebuild of the Pier 29 Bulkhead building consistent with original building plans after a fire destroyed the bulkhead; the project met Secretary of the Interior Standards and received an historic rehabilitation award
- The Army Corps of Engineers removed Pier 36 utilizing federal and Port funding

- Port Engineering staff oversaw timely construction of the Pier 43 Bay Trail Promenade and the Brannan Street Wharf public open space projects
- Port Maintenance staff prepared the northern waterfront sheds for occupancy by the Event Authority and Race Management, including shed repairs, ADA improvements, exiting, asbestos and lead remediation, painting and new lighting
- Port Maintenance staff rebuilt the Pier 19 south apron as BCDC permitted public access
- The Port managed dredging south of Piers 30-32 to facilitate mooring of AC72s
- The Department of Public Works improved Jefferson Street, between Hyde and Jones Streets to transform it in advance of the event to create expand pedestrian sidewalks and incorporate new bicycle access through Fisherman's Wharf
- Port staff negotiated a funding plan and lease amendments with the Port's ship repair operator to install shoreside power at Pier 70 to enable ships in drydock to turn off their engines while undergoing repair; environmental analysis showed this action fully offset all event-related air emissions
- Port Engineering staff oversaw the removal of Pier ½ consistent with BCDC requirements
- Port Planning staff oversaw the development of pocket parks along The Embarcadero
- San Francisco Municipal Transportation Agency staff oversaw implementation of the People Plan, which afforded excellent public access to the waterfront
- Port and Department of Public Works staff kept the waterfront clean during the event
- Port environmental staff drafted a Port Commission-approved Zero Waste Event Policy for large events on Port property prohibiting the use of single use plastic water bottles and balloons and promoting the use of compostable food ware; Recology helped the Event Authority recycle and compost in accordance with the Zero Waste Event Policy
- The Port and City spent a total of \$31.6 million on capital improvements in advance of the racing; all of this preparation enabled the public to watch the amazing AC72 catamarans racing on San Francisco Bay, hydrofoiling above the waves in the final match



## LESSONS LEARNED AND RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port's experience with the 34th America's Cup.

- Race preparations, including building the James R. Herman Cruise Terminal, constructing several Port parks and new public access areas, rebuilding the Pier 29 Bulkhead building, and removal of Pier ½ and the remnants of Pier 64 (currently underway) substantially improved the Port.
- The acceleration of the James R. Herman Cruise Terminal through the CEQA process, BCDC permitting and associated Special Area Plan amendments and construction allowed the Port to bid the project in 2011 — early in the economic recovery and at a time when the Port received a very favorable bid for the project. As a normal public works project, CEQA and BCDC permitting could have collectively taken several years longer than it did, resulting in added project costs.
- BCDC permit requirements for the James R. Herman Cruise Terminal created substantial new — and costly — public access requirements at Piers 19, 23 and 29 that the Port is required to complete within 5-10 years. For the first time, BCDC included more flexible time lines to allow the Port to develop funding sources to pay for these improvements.
- In hindsight, undefined long-term development rights did not seem like the correct way to fund improvements needed to ready the waterfront for racing, and the public was relieved when the long-term development rights were eliminated from the arrangement. It is also conceivable that without the initial offer of development rights, the City would not have been selected to host the event.
- The Port's offer of marina rights in the Rincon Point Open Water Basin and the Brannan Street Wharf Open Water Basin in the Host Agreement was a major conflict with the BCDC Special Area Plan. The Port struggled to correct this problem in negotiations with the Event Authority over the subsequent 13 months.
- For future waterfront events, the City should consider hiring independent firms to produce independent analysis of required event-related improvements and associated costs.
- Working in advance with the community stakeholders, the appropriate city and regional agencies and with strategic marketing has proven, through the People Plan example, that the transportation needs for large special events can be accommodated effectively, with results that meet or exceed the sustainability targets set by the Port.
- The San Francisco Planning Department and the Port's regulatory partners, including State Lands, BCDC, the San Francisco Bay Regional Water Quality Control Board, the U.S. Coast Guard, the U.S. Army Corps of Engineers, and the National Marine Fisheries Service collectively stepped up to deliver needed project approvals on time — exceeding everyone's expectations.

## 15 - Golden State Warriors Piers 30-32 Multi-Purpose Pavilion



existing facilities. The cost of repairing and seismically upgrading Piers 30-32 for these uses was estimated at \$165 million. The City's contribution to project pier substructure costs was capped at \$120 million, with funding to come from project-generated Infrastructure Financing District (IFD) tax increment proceeds, rent credits against the fair market value rent of Piers 30-32 and the fair market land value of Seawall Lot 330. In response to permitting challenges and the expected need for voter approval of the project, in Spring 2014 GSW dropped plans to build at Piers 30-32 and purchased the Salesforce.com site in Mission Bay for their new facility.

Concurrent with the unanimous approval of sole source negotiations, the Board of Supervisors and the Port Commission initiated a public Piers 30-32 Citizen Advisory Committee ("CAC") at the outset to vet the project and make recommendations, which held many full committee and subcommittee meetings and heard from a broad cross-section of the public.

### ANALYSIS

#### **Land Use**

In the wake of terminated negotiations with the America's Cup Event Authority over development of Piers 30-32, and given the success of AT&T Ballpark, Port staff welcomed the proposed use as a publicly-oriented use and believed that the project could afford to tackle the high substructure costs at Piers 30-32 – the principal cause of failure of the Bryant Street Piers Project at the site in 2006.

The design of the facility by Snøhetta was generally recognized as being world class and responded to virtually all comments from Port, Planning Department and BCDC staff. The proposed facility's maritime program included a new fire station to house the San Francisco Fire Department's marine unit, currently housed at Pier 22½ and would have preserved the deep water vessel berth at the east end of the pier. The public nature of the project, with its emphasis on

In 2012, the City and the Golden State Warriors (GSW) partnered on a proposal to develop and build a premiere sports and entertainment pavilion on the waterfront pursuant to sole source negotiations authorized unanimously by the Board of Supervisors and the Port Commission. The project was proposed at Piers 30-32, south of the Bay Bridge, between the Ferry Building and AT&T Park. GSW proposed to repair and seismically upgrade 13 acres of deteriorating piers to build a multi-purpose venue with private funds and develop Seawall Lot 330 with a mix of residential, hotel and retail uses. The project included open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay. Total project costs were estimated at over \$1 billion.

The facility was designed to host the Bay Area's NBA basketball team, as well as provide a new venue for concerts, cultural events and conventions, and other prominent events that the City currently cannot accommodate with



entertainment and public open space would have enlivened this area of the waterfront. Many residents, however, see the neighborhood as a predominantly residential neighborhood that could not handle the twin pressures of baseball games at AT&T Park and events hosted at GSW's proposed pavilion. Many members of the public viewed the project – which would have required rezoning from 40 feet to approximately 128 feet – as inappropriate for the site, and not in keeping with an established consensus for waterfront heights. Others made a distinction between an open air baseball park with Bay views, and a closed basketball arena, and concluded that a basketball arena could not be a public trust use.

Site due diligence revealed that Piers 30-32 substructure costs exceeded the City's sources to repay the private investment in that public infrastructure. As a result, the project dealt with a clear capital need for the Port, but generated no future base rent.

The GSW proposal responded proactively to projected sea level rise by elevating the pier to deal with projected sea level rise of 55 inches. The GSW planned a LEED Gold facility that sought to comply with the Port's aggressive Zero Waste Event Policy.

There was controversy about the proposal to build mixed use development on Seawall Lot 330 higher than existing heights. In response, the GSW began developing a code compliant project within existing height limits.

The San Francisco Municipal Transportation Agency coordinated a Waterfront Transportation Assessment with the Transportation Subcommittee of the CAC to address transit and related improvements necessary to get people to and from the facility and to avoid seriously exacerbating traffic conditions along The Embarcadero.

The Quality of Life subcommittee of the CAC collaborated with City staff to identify a range of potential services (street cleaning, graffiti removal) and potential funding mechanisms to address impacts of crowds on the South Beach neighborhood.

### **Process**

GSW's initial public announcement of the move to San Francisco, and to Piers 30-32 specifically, surprised members of the South Beach neighborhood.

The CAC and members of the public who attended were frustrated at their inability to discuss other potential sites for the multi-purpose venue. The CAC operated under Brown Act and Sunshine Act public meeting rules that limited CAC interaction with the public and public comment time allocations, and created a stilted format for a project planning forum. By contrast, most Port advisory committees are advisory to Port staff, and allow for an exchange of ideas between CAC members, staff and the public that is more casual and conversational.

GSW committed significant resources and time engaging the public and the Port's regulatory partners. Despite this significant investment, there was a strong sense that the project was being rushed due to the need to open a facility by 2017.

### **Regulatory Approvals**

Early outreach by City staff to State Lands and BCDC staff indicated the need for state legislation to address the consistency of the proposal with the public trust for commerce, navigation and fisheries. The California Legislature adopted AB 1273 setting standards for the facility and making findings of project trust consistency after lengthy negotiations with both State Lands staff and BCDC. The legislative approval of AB

1273 and BCDC hearings on the topic generated significant controversy.

The project required approvals from BCDC and the Army Corps of Engineers. BCDC staff determined that its Special Area Plan would need to be amended to address the height and scale issues raised by the proposed pavilion. The Army Corps of Engineers suggested a 3 to 5 year timeline for permitting new pile installation for the pier substructure. In both cases the approach was different than anticipated based on past projects and added years to the schedule – a fundamental conflict with the project sponsor’s timeline.

## LESSONS LEARNED & RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port’s experience with the GSW Piers 30-32 Multi-Purpose Pavilion project.

- For high profile projects such as major sports facilities, a public site selection process with clear selection criteria such as cost, availability, transportation access, infrastructure requirements & cost and compatibility with surrounding uses can help build consensus for a selected site, which can then be authorized for sole source negotiations.
- The Waterfront Plan and other adopted Port policies do not include a formal policy articulating how unique development opportunities that are not the product of a development RFP process should be handled through the public process. To address this shortcoming, the Port Commission should consider adoption of a policy articulating how the public process for such unique opportunities should be evaluated, and incorporating it into the Waterfront Plan.
- The Port and the San Francisco Municipal Transportation Agency should

continue to collaborate on the Waterfront Transportation Assessment and related efforts to address current congestion along The Embarcadero. The Port and the Department of Public Works should continue to work with the South Beach and Mission Bay neighborhoods to address quality of life concerns arising from crowds coming to and from AT&T Ballpark.

- Port staff, the public and the Port Commission should evaluate whether the Piers 30-32 designation in the Waterfront Plan as a mixed use development opportunity site is still appropriate. Development may be possible on a portion of the site near The Embarcadero, but is likely financially infeasible for the whole 13 acre site.
- Early consultation with State Lands, BCDC and the Army Corps of Engineers is a key to project success. The Port should consult with State Lands, BCDC and the Army Corps of Engineers about a project proposal before the City authorizes negotiations between the Port and a specific developer for a particular Port site. As the Port learned with the Exploratorium project, amendments to the BCDC Special Area Plan developed through a public planning process are better received than those that arise through planning for specific projects.



**Table 4-9 Unique Development Opportunity Projects**

Project Number	Project Name - Location	Size(Square Feet)	Cost	Date Finished	Web
I1	Pacific Bell/AT&T Ballpark		\$357,000,000	2000	
I2	Exploratorium	220,000	\$205,000,000	2013	<a href="http://sf-port.org/index.aspx?page=264">http://sf-port.org/index.aspx?page=264</a>
I3	34th America's Cup Regatta		\$8,816,000	2013	
Total		220,000	\$570,816,000		