

MEMORANDUM

December 3, 2015

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

FROM: Monique Moyer
Executive Director

SUBJECT: Request Authorization to issue a Request for Proposals (RFP) for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

At its meeting on November 10, 2015, the Port Commission heard a presentation regarding the proposed RFP for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building. At the meeting, Port Commissioners gave staff further direction which now has been fulfilled. Port staff now requests Port Commission approval of the proposed Resolution.

This report further describes the proposed RFP and provides greater detail than what was presented to the Port Commission on November 10, 2015. Material updates to the November 10, 2015 memorandum are presented herein as underlined text. In particular, updates have been provided related to (1) community outreach, (2) clarification of proposed uses and (3) minor changes to the accompanying Resolution for approval.

SUMMARY

Port staff is seeking Port Commission approval to offer through the competitive solicitation process a Request for Proposals (RFP) for approximately 20,000 s.f. of the Pier 29 Bulkhead Building (the "Site") for a unique destination use and walkup attraction that is "San Francisco Bay Area flavored" that will create and draw activity in the environs of Pier 29. The Site represents approximately 16% of Pier 29, and it consists solely of space in the bulkhead. The Site has been tested as a successful public

destination during the 34th America's Cup events in summer 2013. Any proposed use(s) of the Site must be consistent with the Port's *Waterfront Land Use Plan* ("Waterfront Plan") which enumerates a variety of allowable uses at the Site, including retail uses. However, the RFP will specifically seek uses which focus on the creation and sales of arts, crafts and/or dry goods¹; including artists and designers working out of studio/exhibit spaces; innovators' open studios; galleries; public and other markets; and ongoing exhibitions, cultural and exhibit space, including ancillary space for live demonstrations and displays. Some limited food service may be included. It is staff's goal that this use augment the rich experience of visitors, cruise ship passengers, businesses and residents in the Northeast Waterfront and highlight and promote that which is unique to our region and culture. Staff is open to other creative uses that meet the overall goals of activation and uniqueness provided that the uses are consistent with the Waterfront Plan.

As mentioned above, this item was presented to the Port Commission at its November 10, 2015 meeting at which time the Commission choose to hold this item over, and directed staff to return this item for Port Commission consideration at the next Commission meeting (December 8, 2015) after addressing the following concerns:

1. The Port Commission felt that additional outreach to the community regarding this item was necessary, especially to the Northeast Waterfront Advisory Group ("NEWAG"); and
2. The Port Commission requested that there be more information and clarity regarding the Port's vision for acceptable uses at the Site.
3. The Port Commission wanted clarification regarding the parameters of acceptable uses.

Port staff have addressed these two issues in the following manner:

1. Port staff again re-engaged with the NEWAG at its December 2, 2015 meeting with an informational exchange and discussion regarding proposed uses as described in the RFP; and
2. With the goal of being creative and open to new potential uses, Port staff have amended this staff report to further clarify various preferred uses that may be proposed for the Site. Amendments to the staff report are identified by an underlining of the additional language.

BACKGROUND

Reuse of Pier 29, especially the bulkhead building fronting on The Embarcadero, is an important next step to support the Port's investment in and use of the James R. Herman Cruise Terminal and Cruise Terminal Plaza. Last year, at its July 8, 2014 meeting, Port

¹ Defined for these purposes as textiles, clothing, and notions, etc. Does not mean tobacco or other such products.

staff presented a new leasing strategy and proposal to reposition the Site for public-friendly activities, following upon the positive experience of the temporary Waiheke Island Yacht Club restaurant that occupied the bulkhead building during the 34th America's Cup. Rather than returning the facility to light industrial leases and/or parking, Port staff proposed a different direction given that this facility was completely rebuilt following the major fire in 2012 and in light of the growth in pedestrian volumes since the opening of the James R. Herman Cruise Terminal, Cruise Terminal Plaza and The Exploratorium. The Port also sought to enhance offerings for local residents and workers. This retensing proposal received encouragement and feedback from the Port Commission and the public. In investigating this use opportunity, Port staff had conversed with stakeholders including sessions with the NEWAG, regarding the future use(s) of Pier 29.

At the July 9, 2015 Port Commission meeting, staff further explained a refined retensing proposal for seeking potential use(s) and related lease(s) to improve and operate a visitor-serving facility within a 20,000 square foot portion of the Site, located in the Port's Northeast Waterfront² adjacent to the James R. Herman Cruise Terminal at the foot of Chestnut Street on the Embarcadero.

The activation of the Site is not meant to compete with other existing Port retail areas and activities such as those located in the Fisherman's Wharf and Ferry Building areas. Additionally, although some food service at the Site may be desirable, Port staff do not envision the space as another full service restaurant, such as the Waiheke Yacht Club, occupying the entire 20,000 s.f. Any food service at the Site is envisioned as ancillary and complimentary to the primary proposed use.

As reported separately to the Port Commission, Port staff has commenced with the Waterfront Land Use Plan Update. That project, which includes neighborhood-level planning of the Northeast Waterfront subarea that includes Pier 29, will provide public insights and feedback on possible future public-oriented uses for the pier shed, which comprises of the majority of available space at that location. In the meantime, Port staff also will continue investigation of the remainder of the pier, what uses can be accommodated, what seismic investment may be required and how such investment may be funded. The end result may be that the remainder of Pier 29 is retensed on an area-by-area basis or that a master tenant is identified to rehabilitate and reoccupy the whole facility. Port staff will continue its investigation and return to the Port Commission with results and recommendations as they become available.

Community Outreach: At the December 2, 2015 meeting of the NEWAG Port staff made another in a series of presentations on the leasing strategy and public offering process for the Site. NEWAG expressed a strong desire to play a role in the tenant selection process and the determination of the eventual use. Staff reiterated its

² The Northeast Waterfront is that portion of the Port's portfolio running south from Pier 35 to Pier 7 just north of the Ferry Building and including the Port's landside properties at Seawall Lots 314, 321, 322, 322-1, 323, 324 & 351. The Northeast Waterfront is part of a former maritime and industrial district which has successfully evolved into a vibrant urban neighborhood.

commitment to continue to provide regular updates to NEWAG. Further, staff agreed to have community participation on the Advisory Panel described below.

PROPOSED SOLICITATION FOR PIER 29 BULKHEAD BUILDING

As indicated above, Port staff has been evaluating the condition and opportunities for both the Site and shed, and currently seeks to re-lease only the Site to capitalize on the significant investment made to date and take advantage of the Site's proximity to The Embarcadero and its ability to complement and support the James R. Herman Cruise Terminal and the Cruise Terminal Plaza.

In addition to having the ability to integrate the Waterfront Land Use Plan Update and further seismic and sea level rise investigations into the process, this approach allows for experimentation and response to changing market conditions. Port staff proposes to start this process with an RFP for leasing, build-out and operating the Site. Through the competitive selection process, Port staff proposes to solicit a potential tenant(s) to perform all tenant improvements, associated infrastructure improvements and needed health and safety upgrades to the Site.

Staff's vision of the optimal re-tenanting of the Site includes a master tenant to serve as the predominant manager or user of the Site. The master tenant may in turn sublet portions of the Site to other complimentary uses. For illustrative purposes only, the following examples are creative combinations of two or more uses that may serve to create the kind of unique public experience that the Port is seeking through this RFP process:

- Arts and crafts work/sell space combined with cultural exhibit space
- Designer/maker work space combined with art gallery/exhibition space
- Innovators' open studios combined with demonstration and display space

The Port purposefully is not being overly prescriptive as to specific uses in order to generate a wider array of creative responses to the RFP. Since the San Francisco region is home to major museums, the California College of the Arts, the San Francisco Art Institute, wine makers, craft breweries, innovation firms, etc., Port staff believes a new combination of unique visitor serving, destination attraction uses can be conceived of and launched in this exceptional space to serve waterfront visitors, cruise passengers and neighbors without replicating a pre-existing waterfront use.

Consistent with other similar Port bidding processes, respondents will be screened for their capabilities and qualifications to undertake improvements at the Site and continuously operate it as a high quality facility.

To ensure the success and consistency of this unique experience, the Port will entertain proposals which emphasize the tenant's ability to manage such a space, which may

include creation of an advisory board similar to the board overseeing the Ferry Building farmer's market.³

Port staff now are ready to seek Port Commission approval of an opportunity and the issuance of an RFP for the Site.

Request for Proposals (RFP)

Subject to approval by the Port Commission, Port will issue an RFP package consistent with standards and criteria for similar opportunities as established by the Port. The package would include an overview, a site map, a narrative description of the opportunities, project objectives, project approvals, lease parameters, selection process, selection criteria, and schedule and submittal requirements.

Advertising: Subject to Port Commission authorization, Port staff will advertise the RFP opportunity on the Port and Office of Contract Administration websites. Port staff will send copies of the RFP to interested parties compiled through industry market research. The Port will host a pre-bid conference to review the RFP, answer respondent questions, and provide a networking opportunity for potential bidders. The pre-bid conference will be followed by a site tour. In addition, the RFP will be advertised using the following resources:

- San Francisco African American Chamber of Commerce
- Hispanic Chamber of Commerce of San Francisco
- Chinese Chamber of Commerce, San Francisco
- LGBT Chamber of Commerce, San Francisco (Golden Gate Business Association)
- San Francisco Chamber of Commerce
- San Francisco Business Times
- Board of Supervisors Neighborhood Outreach Advertising Newspapers
- SPUR
- District 3 Board of Supervisor's Office
- San Francisco Office of Small Business
- #@SFPORT
- The Port of San Francisco Facebook
- @SFPORT Digital Magazine

Advisory Panel: The submittals will be reviewed and evaluated by an advisory panel selected by Port staff, consisting of up to five individuals with experience in real estate economics, real estate development and construction, retail operations and environmental regulatory compliance ("Advisory Panel"). The Advisory Panel will review, evaluate and score all of the written proposals received by the Port. Following the submittal process, up to five of the highest scoring Respondents may be invited to interview with the Advisory Panel and make informational presentations to the Port Commission. Interviews will consist of standard questions asked of selected Respondents, and specific questions regarding individual leasing concept proposals.

³ CUESA (Center for Urban Education about Sustainable Agriculture) is dedicated to cultivating a sustainable food system through the operation of the Ferry Plaza Farmers Market and its educational programs.

Port staff will select the most qualified respondent and make a final recommendation to the Port Commission. The Port Commission, in its sole discretion, will determine whether to authorize exclusive negotiations with a selected respondent.

Local Business Enterprise (“LBE”) Participation: Leases and concessions are exempt from the provisions of the Local Business Enterprise Ordinance. However, in an effort to attract and increase outreach to small local businesses and certified LBE firms, Port staff will email LBEs and local small business firms directly about new leasing opportunities, post notices in the City’s Small Business Exchange, coordinate with the Office of Small Business to increase outreach to local small businesses, and notice the Contract Monitoring Division (“CMD”) of upcoming lease and concession opportunities. The RFP will also be advertised in the Office of Small Business newsletter, which has a circulation of 20,000 local businesses. Port staff will host a pre-proposal meeting and networking event at Pier 1 in January 2016 to discuss and enhance bidding opportunities for small emerging businesses. In addition, Port staff will work with CMD to set a LBE participation goal for construction contracts on tenant improvements associated with the master tenant lease.

Selection Criteria

The Port will select a Respondent with whom to enter into exclusive negotiations. The Respondent must have the demonstrated ability to deliver a project that meets the Port’s Project Objectives.

The Advisory Panel will use the following general criteria in evaluating the written responses to the RFP:

A. Experience and organization of the Respondent’s team based on clear lines of authority and assignment of responsibilities, demonstrated responsiveness and decisiveness, and overall qualifications and availability of key individuals of the Respondent’s team, economic success of similar ventures, relationships with other similar operators, ability to implement development and or leasing projects quickly and effectively, and ability to work constructively with City and community representatives. **(10 Points)**

B. Experience and reputation of the Respondent based on the Respondent’s breadth of experience in public/private or private ventures, quality and success of other retail/restaurant ventures over time, uniqueness of other ventures, and ongoing management of retail/restaurant operations. **(15 Points)**

C. Experience and qualifications of design consultants (engineer, architect, landscape architect, interior designer, etc.) based on their experience on projects with similar site characteristics, reputation for flexibility and responsiveness to public and community concerns, compatibility of designs with setting, especially with nearby historic resources, success in integrating indoor and outdoor settings, and experience with design review processes of the City. **(10 Points)**

D. Quality, uniqueness, and potential for success and successful fit of the use concept based on the type and character of project proposed, targeted clientele, engagement of LBE partners, appeal to a diversity of users, compatibility with the neighborhood's setting, augmentation of the Port's rich Northern Waterfront experience and uniqueness and the extent to which the proposed uses would promote the public trust objectives as set forth in the Burton Act and in the Waterfront Land Use Plan. **(15 Points)**

E. Quality of conceptual design for proposed tenant improvements based on conceptual design and space layout, relationship of the design to the Embarcadero Roadway and Promenade, sensitivity to and integration with adjacent historic properties, the minimum amount of alteration to the building exterior, enhancement of views to, from, through and around the building, success in meeting design criteria in the Waterfront Plan and its Design and Access Element. **(10 Points)**

F. Financial capacity and plan of the Respondent based on ability to fund preliminary design and predevelopment costs and ability to raise and commit capital for construction, start up operations, and continuing operations and maintenance. Financial viability of the proposal based on adequacy of projected revenues to support the investment, reasonableness of the cash flow analysis (pro-forma), and proposed capital investment for improvements. Description of Capital Investment: Proposals must include descriptions of proposed sources and uses of capital investments and the anticipated level of proposed capital investment. **(20 Points)**

G. Economic return to the Port based on Base Rent and Percentage Rent proposed by Respondent. Term of Lease based on minimum term required to support cost of proposed improvements and comparable situations in the market. **(20 Points)**

Exclusive Negotiations

Upon Port Commission authorization of exclusive negotiations, the selected respondent will provide a \$30,000 fee to be retained by the Port for a four month period of exclusive negotiations. The Port and the selected respondent would enter into an Exclusive Right to Negotiate Agreement ("ERN") during the period of exclusive negotiations to complete Lease negotiations.

During the period of exclusive negotiations, the following events will occur:

- A Lease agreement and related documents for the lease and development of the Site in a final form approved by the City Attorney's Office will be negotiated;
- The selected respondent will complete its due diligence review of the site, finalize financial projections, and complete preliminary site plans; and
- The selected respondent, with the Port's cooperation, will complete the project approval processes, any required supplemental environmental review pursuant to the California Environmental Quality Act and obtain necessary approvals from regulatory agencies such as the San Francisco Bay Conservation and Development Commission.

Proposed Rent and Key Lease Terms

Subject to Port Commission authorization and upon successful completion of negotiations with the selected respondent, the Port will enter into a lease for the Site, with the following key terms and the additional key terms described in Attachment F.

Rent: Rather than set a minimum monthly rental rate for the Site, the Port is asking Respondents to propose a monthly rate comparable to like situations in the market. Rental adjustments should also be proposed. A period of rent abatement for the purpose of constructing improvements may also be proposed.

If applicable, proposals should include a Percentage Rent payable to the Port on gross receipts for food, beverages and merchandise. Percentage Rent may also be proposed on other revenue streams such as rents from subtenants. The level of percentage rental rate is not being dictated by the Port but should be comparable to like situations in the market.

Premises: The premises is comprised of approximately 20,000 s.f. of interior space located within the Pier 29 Bulkhead Building. The respondent will be allowed to propose the specific configuration of the 20,000 s.f. within the bulkhead building in order to allow the Respondent to maximize the viability and success of the proposed use.

Term: Proposals must include a proposed initial term. Proposals may include option periods, if needed, which should be the minimum length of term practical based on the cost and financing of tenant and building improvements and comparable situations in the market.

Earthquake Vulnerability Study

As reported separately to the Port Commission, the Port is currently in the process of conducting an Earthquake Vulnerability Study of the Northern Waterfront Seawall, a component of the overall effort to improve resiliency of the waterfront by quantifying risks, prioritizing actions, and executing improvement projects. The Northern Waterfront Seawall ("Seawall") stabilizes four miles of historic waterfront stretching continuously from Fisherman's Wharf to Mission Creek. The Earthquake Study is a high level engineering study that will assess earthquake vulnerability, predict damage and economic impacts from a range of earthquake events, develop conceptual mitigation alternatives, and make recommendations for further action and/or study. The information is vital for the Waterfront Land Use Plan Update and to inform Port and City efforts to respond to climate change and sea level rise. A draft of the study and recommendations are expected to be released in 2016. Results of the study may call for further strengthening of the Seawall at or near the Pier 29 Bulkhead Building.

Climate Change and Plan for Sea Level Rise

Repair and re-tenanting of the Pier 29 Bulkhead Building may result in these improvements being placed at risk as sea levels rise over the next decades. The lease will include provisions to address future flood mitigation measures, should these be

needed to protect the property or public safety. During the term of the proposed lease, there is some risk that the maintenance of the substructure of this facility will be more difficult and expensive to maintain. The lease will include provisions requiring the tenant to prepare and submit a plan for addressing these issues due to possible sea level rise.

RFP Schedule

Port staff recommends a competitive solicitation schedule as follows:

Issue RFP	<u>December, 2015</u>
Pre-submittal conference and site tour for prospective bidders	<u>January 21, 2016</u>
Submittal deadline	<u>March, 2016</u>
Selection of bidder(s) for additional review	<u>April, 2016</u>
Presentation(s) by selected bidder(s)	<u>May, 2016</u>
Port Commission approval of selected bidder	<u>June, 2016</u>
Execution of ERN and lease negotiations	<u>September, 2016</u>
Port Commission approval of lease	TBD
Board of Supervisors approval of lease	TBD

Recommendation

Port staff recommend that the Port Commission approve the attached resolution authorizing Port staff to issue a Request for Proposals for a Retail Leasing Opportunity at the Pier 29 Bulkhead Building, located at Chestnut Street and The Embarcadero.

Prepared by: Mark Lozovoy
Assistant Deputy Director, Real Estate

For: Susan Reynolds
Deputy Director, Real Estate

Attachments

- A. Map of Northern Waterfront
- B. Map of Pier 29
- C. Waterfront Land Use Plan Implementation Process
- D. Building and Site Conditions
- E. Strategic and Project Objectives
- F. Key Lease Terms

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

RESOLUTION NO. 15-41

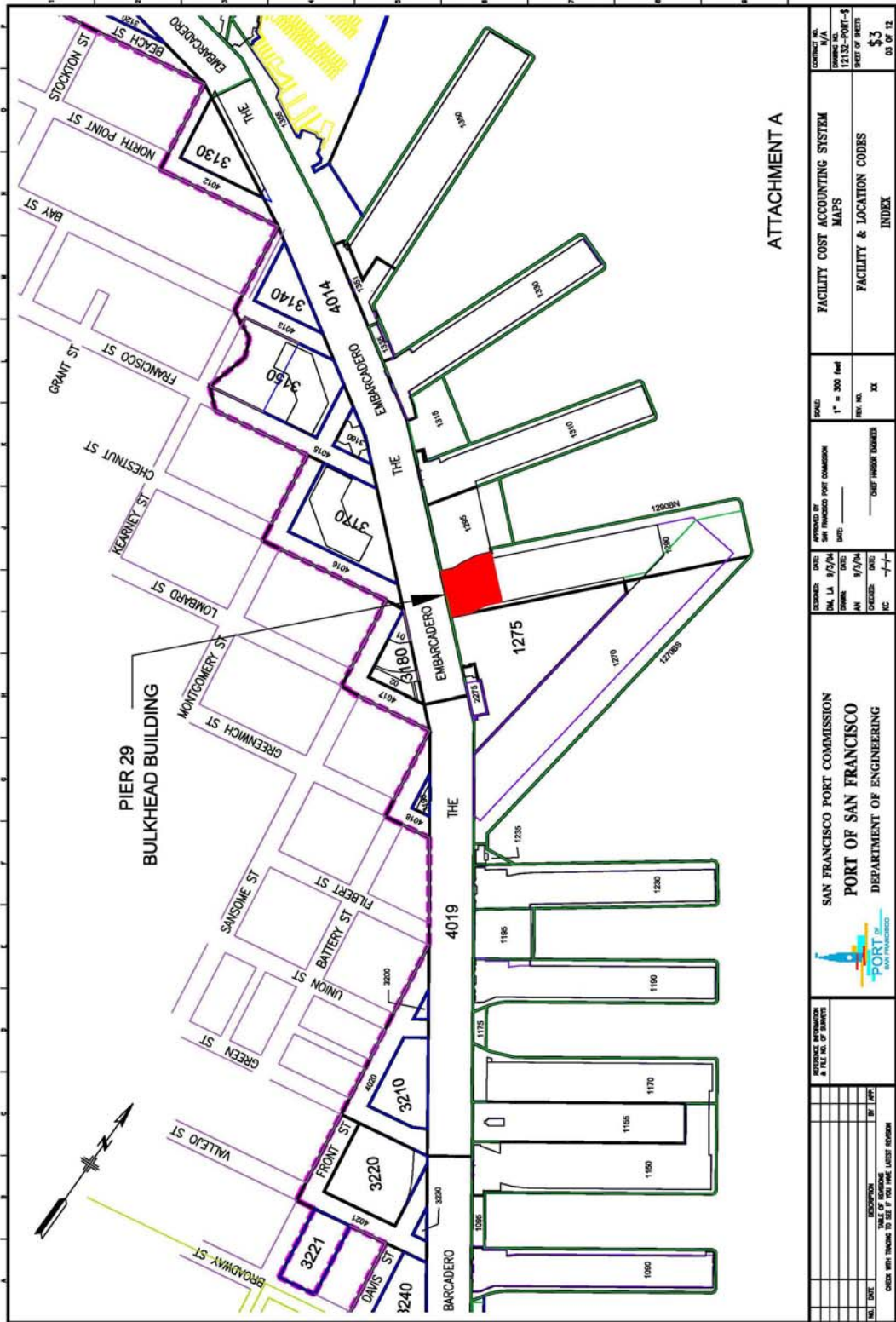
- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, Reuse of the Pier 29 Bulkhead Building fronting on The Embarcadero is an important next step to support the Port's investment in and use of the James R. Herman Cruise Terminal and Cruise Terminal Plaza; and
- WHEREAS, The Pier 29 Bulkhead Building has been tested as a successful public destination and walk-up attraction during the 34th America's Cup events in summer 2013; and
- WHEREAS, Based on the public's positive response to this temporary use, Port staff envision the Pier 29 Bulkhead Building as a site for a unique destination use and walk-up attraction that is "San Francisco Bay Area flavored" that will create and draw activity in the environs of Pier 29; and
- WHEREAS, There is currently an opportunity to lease approximately 20,000 square feet of the Pier 29 Bulkhead Building (the "Site"); and
- WHEREAS, Staff proposes to specifically seek uses which focus on creation and sales of arts, crafts and/or dry goods; including artists and designers working out of studio/exhibit spaces; innovators' open studios; galleries; public and other markets; and ongoing exhibitions, cultural and exhibit space, including ancillary space for live demonstrations and displays; and
- WHEREAS, Respondents are encouraged to include a Local Business Enterprise as a partner either in providing specific goods or services such as community outreach engagement and development, operations, maintenance, security or managing the retail or other operations as an actively participating partner of the Respondent and the Port Commission encourages the participation of Local Business Enterprises ("LBEs") and CMD-Certified Small and Local Economically Disadvantaged Business entities in this RFP opportunity; and

- WHEREAS, The Port Commission encourages maximum outreach to LBE's and CMD-Certified Small and Local Economically Disadvantaged Business entities; and
- WHEREAS, Under City and Port policies retail leasing opportunities must be competitively bid unless impractical or infeasible; and
- WHEREAS, The Port Commission wishes to proceed with activation of the Site through a lease for these purposes; and
- WHEREAS, Any such lease would require approval of the Port Commission and the Board of Supervisors; and
- WHEREAS, Issuance of a request for proposals ("RFP") does not commit the Port to proceeding with any lease or lease project, and the Port cannot approve a lease for the project until after environmental review has been completed in compliance with the California Environmental Quality Act; now, therefore, be it
- RESOLVED, That the Port Commission authorizes Port staff to offer the opportunity for the lease and operation of the Pier 29 Bulkhead Building through a competitive solicitation process consistent with Port and industry standards and for the uses and under the terms and conditions set forth in the staff report accompanying this Resolution; and, be it further
- RESOLVED, That the Port Commission authorizes Port staff to take further actions in connection with the competitive solicitation as necessary to achieve the purposes described herein.

I hereby certify that the Port Commission at its meeting of December 8, 2015 adopted the foregoing Resolution.

Secretary

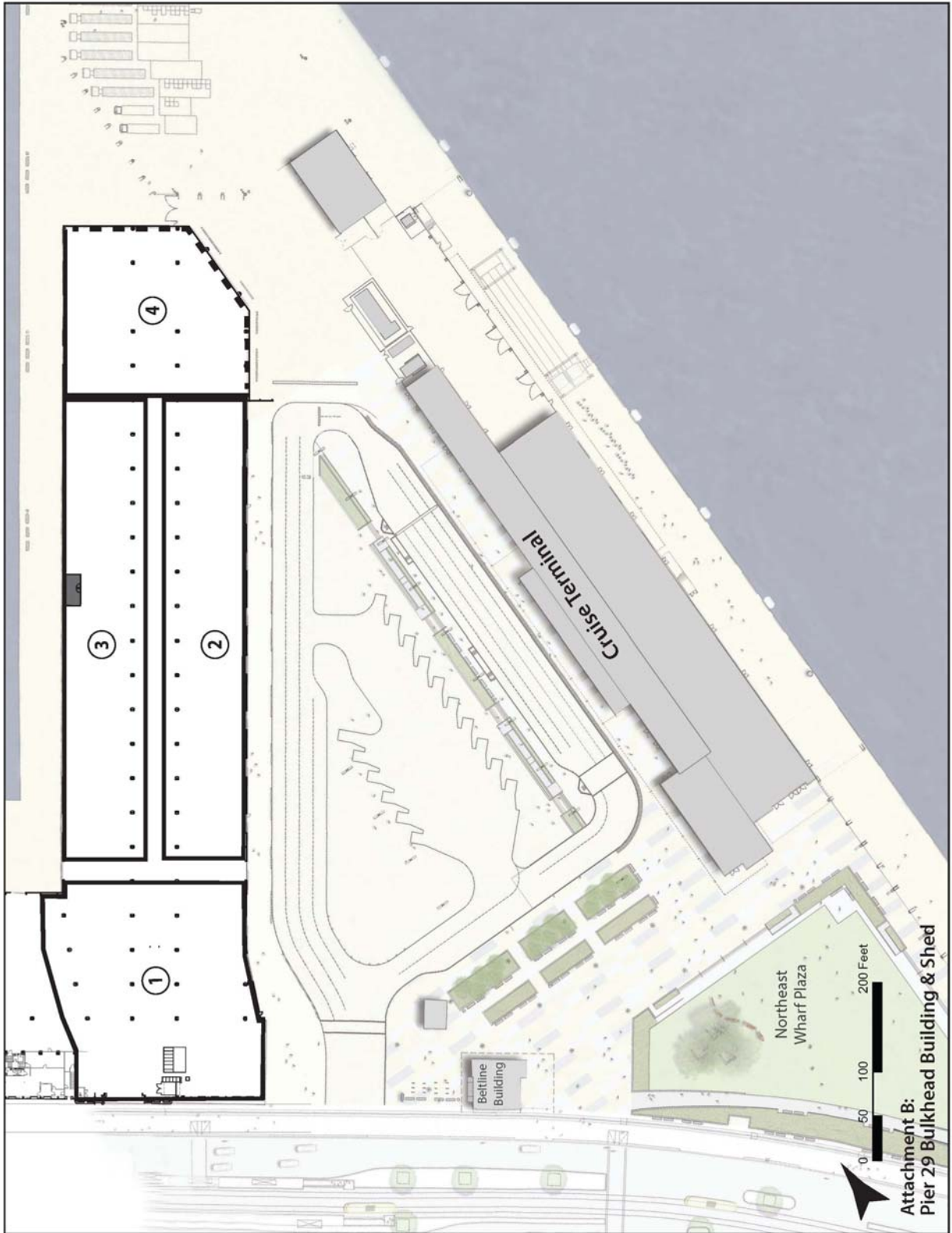
Attachment A



ATTACHMENT A

SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING		APPROVED BY: SW FRANCISCO PORT COMMISSION DATE:		SCALE: 1" = 300' H&M SHEET NO.: XX		CONTRACT NO.: N/A MAPS: 12133-PORT-4 SHEET OF SHEETS: 33 CD OF 12	
REFERENCE INFORMATION & FILE NO. OF SHEETS		FACILITY COST ACCOUNTING SYSTEM MAPS		FACILITY & LOCATION CODES INDEX		FILE: s:\p\project\12133\port\map\12133-PORT-4-XX.dwg	
SHEET NO.:	SHEET DESCRIPTION:	DATE:	BY:	CHECKED:	DATE:	CHECKED:	DATE:
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Attachment B

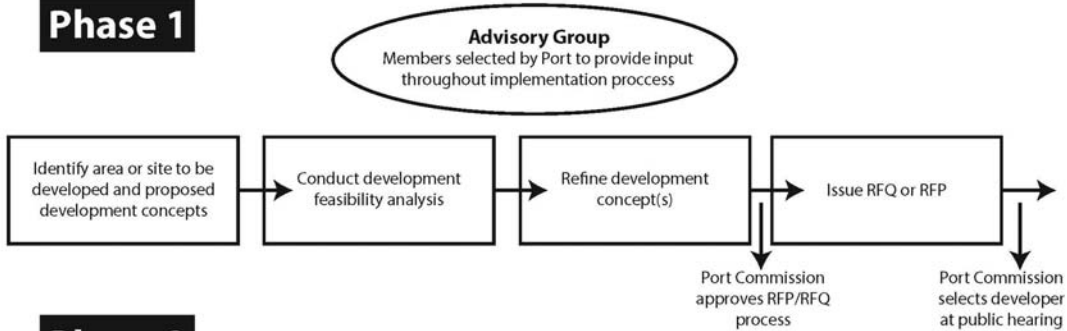


Attachment B:
Pier 29 Bulkhead Building & Shed

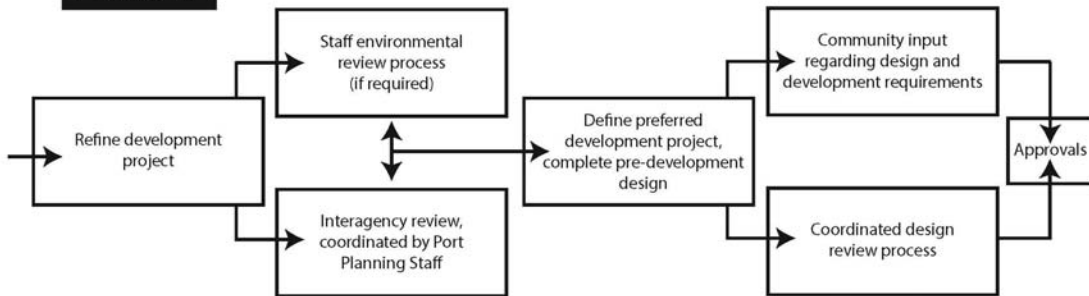
Attachment C

Waterfront Plan Implementation Process

Phase 1



Phase 2



Attachment D Building and Site Conditions

The Pier 29 Bulkhead Building is a timber-framed, pile-supported building fronting on The Embarcadero. It is within walking distance of the Ferry Building, the City's central business district, Fisherman's Wharf, Chinatown and North Beach. The Site is well placed on The Embarcadero Promenade adjacent to the Port's James R. Herman Cruise Terminal, adjoining 2.5 acre Cruise Terminal Plaza and historic Beltline Building. Port staff do not propose to use any portion of the Site for parking and recommend that this solicitation clearly state that there is no dedicated parking at the Site. However, paid parking is available in the Pier 27-29 valley on days when the adjacent James R. Herman Cruise Terminal is not in use or not preparing for a cruise ship call or major event.

The bulkhead portion of Pier 29 was originally built in 1918 and is a contributing resource within the Embarcadero Historic District, which is listed on the National Register of Historic Places. The Site was renovated after a significant fire in June 2012. Alterations to the Site to facilitate future use will require conformity with historic rehabilitation standards and all Port Building Code and Fire Code requirements, including fire suppression and safe exiting.

In keeping with current Building, Seismic and Fire Codes, the portion of the Pier 29 Bulkhead Building available for lease through this process is a maximum of 20,000 square feet with a maximum occupancy load of 100 square feet (s.f.) per person. As such, Port staff envision a single use or a mix of curated uses for the space. The space may be used for one or more distinct operations under a lease with a single user provided the combined uses do not exceed the occupant load factor of 100 s.f. per person. Such use may include a dedicated portion of the space for administrative support, required on-site storage and visitor-serving amenities including required restrooms⁴ as well as supporting food and beverage service within the maximum available square footage and maximum allowable occupant load factor.

Port engineering staff have conducted initial evaluations of the Pier 29 substructure and superstructure. The Pier 29 substructure is 100 years old and consists of reinforced concrete slabs supported over reinforced concrete beams spanning over reinforced concrete piles. Engineering staff have estimated that repairs to the entire substructure of Pier 29 would cost in excess of \$11,000,000. The substructure specific to the 20,000 s.f. at the Pier 29 Bulkhead Building is in 'Fair' to 'Good' structural condition. A percentage of the slabs and beams have incurred concrete spalling and rusting of their

⁴ The Pier 29 Bulkhead Building does not include any dedicated restrooms. Newly constructed restrooms to serve multiple tenants are located in the north side of the Pier 29 Shed, approximately 300 feet to the east of the Site. Additionally, the Port has constructed additional restrooms in the adjacent Beltline Building to support users of Cruise Terminal Plaza

rebar. Due to the existence of the damaged framing, the substructure is rated for 100 pounds per s.f. live load. A condition of the use of this area is a limit of 100 s.f. per occupant load. The Port has committed in its 2015/16 Capital Budget to fund \$2,700,000 in substructure repairs to the marginal wharf underneath the Pier 29 Bulkhead Building. With this investment, Engineering staff believes that the weight load capacity in this area would be increased to at least 200 pounds per s.f. live load. Additionally, the useful life of the substructure in this area would be increased by 30 years.

Piers 27 and 29 substructure decks were seismically strengthened after the 1989 Loma Prieta earthquake using FEMA funds. Piers 27 and 29 substructure decks are up to seismic standards as per current Port Building Code.

The Pier 29 superstructure (i.e., that portion above the pier deck) consists of both the newly rebuilt Bulkhead Building and the attached 99-year old Pier 29 Shed Building. Both structures are framed with long-span wood roof trusses and columns. The Bulkhead Building is in 'Excellent' structural condition. The Shed Building is framed with wood rafters and concrete walls and is in 'Good' structural condition. Neither portion meets current building codes for lateral force requirements. Port's engineers have estimated that the cost of meeting the lateral force requirements with a seismic upgrade to the entire Pier 29 superstructure is \$9,000,000.

Attachment E Strategic and Project Objectives

Strategic Objectives

The Port strives to enhance the quality of life and economic vitality of the City and the region. As such, the Port continues to work to reinvigorate its historic waterfront assets to enhance these public benefits. Pier 29 represents a unique and valuable asset for the Port. Activation of the Site enhances the Port's recent investments in the James R. Herman Cruise Terminal, the new 2.5 acre Cruise Terminal Plaza and the rebuilding of the Site, following a 2012 fire. Activation of the Site also supports the Port's need to ensure its financial stability in order to address the growing backlog of deferred maintenance and ensure the finger piers' viability for future generations.

Strategic objectives are:

- to activate and enliven the waterfront for public enjoyment without diluting existing Northeast Waterfront uses;
- to return the Pier 29 Bulkhead Building to economic use, generating a significant, on-going revenue stream to the Port's Harbor Fund;
- to provide support services and amenities to cruise passengers, plaza users and visitors to the Port; and
- to reopen a restored historic maritime structure in the Embarcadero Historic District for public-oriented uses that advance understanding and appreciation of Port history.

Project objectives

Port staff believe any future tenancy should take full advantage of Pier 29 Bulkhead Building's distinctive location, the adjacent cruise terminal, adjacent plaza and Embarcadero Promenade and should uniquely activate and enliven the waterfront without duplicating existing uses in the Northeast Waterfront or violating good neighbor practices. To that end, Port staff have crafted the project objectives below to guide future reuse of the Pier 29 Bulkhead Building.

Project objectives are for a use(s) that:

- creates a vibrant people destination serving residents and travelers alike;
- cohesively knits the Pier 29 Bulkhead Building into the northeast neighborhoods and the Bay's edge;
- celebrates and communicates the quality and cultural diversity of the San Francisco Bay Area;
- promotes new technologies and changes in art, culture, society and/or the environment through creative products and inspirational content;
- cultivates innovation, community engagement, and social and environmental responsibility;

- creates community partnerships and serves the Bay Area's diverse populations including consistent business and employment opportunities for local workers and companies during the project's operation as well as design and construction phases;
- is consistent with the policies, standards and design criteria in the Waterfront Plan and the Waterfront Design & Access Element; and
- provides for adaptive reuse of a vacant facility that conforms to the Secretary of the Interior Standards for Rehabilitation and Article 10 of the City's Planning Code and meets all Building and Fire Code requirements.

Attachment F Key Lease Terms

If the Port Commission authorizes issuance of a competitive solicitation for Retail Leasing Opportunity at the Pier 29 Bulkhead Building, Port staff recommends that respondents be required to indicate acceptance of the following Key Lease Terms, and to make a lease proposal that is consistent with these Key Lease Terms. Actual terms of the Lease are negotiated with a prospective tenant (“Tenant”) by Port staff and are subject to final approval by the San Francisco Port Commission and the Board of Supervisors.

Use

Proposals must include a full description of proposed uses, such as: fully detailed description of improvements to the facility, all planned activities within the premises, products to be made and/or sold, and any other extraordinary activities that may be planned for the site.

Premises

The premises shall be comprised of approximately 20,000 square feet of interior space located within the Pier 29 Bulkhead Building. The respondent will be allowed to propose the specific configuration of the 20,000 within the bulkhead building in order to allow the Respondent to maximize the viability and success of the proposed use.

Base Rent

Rather than set a minimum base monthly rental rate, the Port is requiring Respondents to propose a base monthly rate comparable to like situations in the market. Rental adjustments must also be proposed. A period of rent abatement for the purpose of constructing improvements may be included.

Percentage Rent

If applicable, proposals must include a Percentage Rent payable to the Port on gross receipts for food, beverages and merchandise. Percentage Rent may also be proposed on other revenue streams such as rents from subtenants. The percentage rental rate is not being dictated by the Port but should be comparable to like situations in the market.

The higher of the Base Rent or the Percentage Rent would be payable to the Port. In any month in which the Percentage Rent does not exceed the Base Rent, only the Base Rent would be payable to the Port.

Term

Proposals must include a proposed initial term plus option periods, if any, which shall be the minimum length practicably based on the cost and financing of tenant and building improvements and comparable situations in the market.

Capital Investment

Proposals must include descriptions of proposed capital investments and the anticipated level of proposed capital investment.

Form of Lease

The successful Respondent will be required to enter into a lease to be negotiated by and between the Port and Respondent during the period of exclusive negotiations. A copy of the Port's standard form lease is included in the RFP package as Appendix E (the "Form of Lease") as an example of the Port's standard lease requirements. However, the final lease may be substantially different to: a) reflect the business terms negotiated between the successful Respondent and the Port; b) incorporate any City requirements adopted after the drafting of the Form of Lease; and c) incorporate any other provisions desired by the Port Commission or negotiated by the parties.

Sale/Transfer/Refinancing

The Port expects to participate in the proceeds that the Tenant receives from the sale, transfer or refinancing of the leasehold.

Maintenance/Repairs

During the term of the lease, the Tenant shall be responsible for all improvements, maintenance, repairs and operating expenses associated with the Site, including any non-exclusive areas such as access roads, utilities, and general buffer areas.

Possessory Interest and Other Taxes

The Tenant will be required to pay possessory interest taxes on the assessed value of the leasehold interest. The Tenant also will be required to pay other applicable city taxes, including sales and payroll taxes.

Security Deposit

A security deposit will be required in an amount equal to no less than two month's Base Rent in the form of cash.

Insurance Requirements

Throughout the term of the Lease, the Tenant will be required to maintain insurance typical for the approved project in amounts and with limits determined appropriate by the Port, the City's Risk Manager, and with carriers acceptable to the Port. Insurance will include, but is not limited to: comprehensive general liability; workers' compensation; property insurance on the Premises; automobile liability; watercraft liability; personal property; business interruption; builder's risk; pollution legal liability; a policy endorsement in a form acceptable to Port; and any other insurance required by law. The Port and City must be named as additional insureds.

Environmental Deposits

The lease will require two forms of environmental financial assurance designed to protect the Port and the community from liability arising out of the operation of a retail facility:

1. A Letter of Credit (Environmental Performance Deposit) in a form determined by the Port and in an amount sufficient to compensate the Port for any damage it might incur as a result of the tenant's failure to perform its environmental obligations.
2. A \$10,000 Environmental Oversight Deposit which may be used by the Port if the Tenant receives a Notice of Violation or regulatory order and such notice of violation cannot be cured or Tenant cannot comply with such regulatory order within 14 calendar days after delivery of such notice, and the Tenant is not actively working to cure such notice of violation or comply with such regulatory order.

Hazardous Materials

During the "due diligence" period, the respondents may conduct environmental site assessments of the Site. The Port will make existing information about physical and environmental conditions available to respondents.

Operations Plan

All Permitted Uses must be performed in compliance with an Operations Plan approved by the Port detailing environmental performance measures during construction and ongoing operations of the facility under the lease. The Operations Plan must address issues such as; health and safety mitigations during construction, dust control, manage stormwater, handle hazardous materials, recycling of unused materials, janitorial and cleaning operations, food preparation and handling, hours and full description of operations etc.

Assignment/Sublease

The Port will have the right to approve any assignment, sublease or transfer of the Lease, subject to any participation provisions, as described above under the heading "Sale/Transfer/Refinancing".

City Requirements

The Lease will require the Tenant to comply with all City requirements in effect.

The Port Commission is interested in encouraging the participation of disadvantaged business entities in this RFP opportunity. The Tenant will be encouraged to consult with the City's Contract Monitoring Division to determine appropriate methods for promoting participation by disadvantaged business such as Construction Contracting, Trucking and Hauling, Janitorial Services, Food Preparation and sales, and Security Guard Services businesses.

The Port will also require the Tenant to pay prevailing wages in the construction of the project in accordance with prevailing wage and labor standards adopted by the San Francisco Board of Supervisors pursuant to SF Admin. Code Section 6.22(e).

The Tenant will also have an approved Local Hiring Plan as required by SF Admin Code Section 6.22(g) if improvements are in excess of \$1 million.

Community and Good Neighbor Policies

Tenant shall be required to adhere to all Community and Good Neighbor Policies currently in effect and those that may be enacted in the future.

Performance Benchmarks

All documents governing the approval and development of the site will contain time and performance benchmarks, including provisions for payment of liquidated damages, with termination for non-performance.