

File No. 240342

Committee Item No. 5

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date April 24, 2024

Board of Supervisors Meeting Date \_\_\_\_\_

#### Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

#### OTHER (Use back side if additional space is needed)

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Findings of Fiscal Responsibility and Feasibility</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Piers 30-32 Term Sheet 1/17/2024</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution. No. 24-10 1/23/2024</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution. No. 21-08 2/9/2021</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution. No. 20-45 9/22/2020</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Resolution. No. 19-48 12/10/2019</u>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>PRT Presentation 4/24/2024</u>
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Brent Jalipa Date April 19, 2024

Completed by: Brent Jalipa Date \_\_\_\_\_

1 [Finding of Fiscal Feasibility and Term Sheet Endorsement - Port and Strada TCC, LLC -  
2 Lease and Development of Piers 30-32 & Seawall Lot 330]

3 **Resolution finding the proposed lease and development of Piers 30-32 & Seawall Lot**  
4 **330, an approximately 15.3-acre site generally located along the Embarcadero between**  
5 **Bryant and Beale Streets, fiscally feasible under Administrative Code, Chapter 29 and**  
6 **endorsing the term sheet.**

7  
8 WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority  
9 and duty to use, conduct, operate, maintain, manage, regulate, and control the lands within  
10 Port jurisdiction; and

11 WHEREAS, Piers 30-32 is an approximately 13-acre pier site located along and  
12 bayward of the Embarcadero at the terminus of Bryant Street just south of the Bay Bridge,  
13 and Seawall Lot ("SWL") 330 is an approximately 2.3-acre seawall lot located on the west side  
14 of the Embarcadero bounded by Beale Street and Bryant Streets; and

15 WHEREAS, Piers 30-32 and SWL 330 (collectively, the "Site") are within the Port's  
16 South Beach-China Basin sub-areas under the Port's Waterfront Land Use Plan; and

17 WHEREAS, On December 10, 2019, the Port Commission, by Resolution No. 19-48,  
18 authorized Port staff to issue a request for proposals for the development of Piers 30-32 &  
19 SWL 330, and Strada TCC Partners, LLC ("Strada TCC" or the "Developer") received the  
20 highest score based on the evaluation criteria set forth in the request for proposals; and

21 WHEREAS, On September 22, 2020, pursuant to Resolution No. 20-45, the Port  
22 Commission authorized Port staff to initiate negotiations for an Exclusive Negotiating  
23 Agreement ("ENA") with Strada TCC Partners, LLC ("Strada TCC" or the "Developer"); and  
24  
25

1 WHEREAS, On February 9, 2021, pursuant to Resolution No. 21-08, the Port  
2 Commission authorized the Port Executive Director to execute the ENA with the Developer  
3 and the parties executed the ENA; and

4 WHEREAS, Strada TCC is proposing to develop a mixed-use project at Piers 30-32  
5 and SWL 330 (the "Project"), that includes (i) at Piers 30-32, reconstructing the two existing  
6 finger piers and connecting valley into a smaller single pier with sea level rise and seismic  
7 improvements that protect the Port, the City, the public and property, removing Bay fill,  
8 improving the deep-water berthing facilities for maritime vessels, new aquatic facilities with a  
9 pool, public access and open space areas and revenue-generating commercial space, and (ii)  
10 on SWL 330, a mix of market rate, affordable housing and ancillary retail and open space, all  
11 as further described in the Port Memorandum dated January 19, 2024 on file with the Clerk of  
12 the Board of Supervisors in File No. 240342; and

13 WHEREAS, In September 2023, the State Senate and State Assembly unanimously  
14 voted in support of Senate Bill 273 (sponsored by Senator Wiener and co-sponsored by  
15 Assemblymembers Haney and Ting), which authorizes the California State Lands  
16 Commission to approve the project at Piers 30-32 as proposed by the Developer upon  
17 meeting certain conditions, and Governor Newsom signed into law on October 7, 2023; and

18 WHEREAS, On January 23, 2024, pursuant to Resolution No. 24-10, the Port  
19 Commission endorsed a term sheet that described the fundamental deal terms for the Project  
20 (the "Term Sheet") and directed Port staff to present the Term Sheet to the Board of  
21 Supervisors for endorsement and to submit a request that the Board of Supervisors review the  
22 proposed Project under San Francisco Administrative Code, Chapter 29 and determine  
23 whether the project is fiscally feasible and responsible; and

1 WHEREAS, The Piers 30-32 site will require over \$400 million in critical horizontal  
2 infrastructure including seawall strengthening, seismic improvements, and pier infrastructure;  
3 and

4 WHEREAS, Due to the sizeable cost of the pier infrastructure and resilience  
5 improvements, the Term Sheet contemplates a \$125 million funding gap for horizontal  
6 infrastructure at Piers 30-32; and

7 WHEREAS, SWL 330 is currently a financially viable development site on its own, and  
8 developing the site will provide both economic value to the Port and potential funding for  
9 resilience improvements along the waterfront; and

10 WHEREAS, The Developer and Port will work together to fill the Piers 30-32  
11 infrastructure funding gap through the combination of an improved real estate market,  
12 decreased costs such as reduced entitlement costs, and/or additional sources; and

13 WHEREAS, As part of ongoing efforts, the Port will work with the U.S. Army Corps of  
14 Engineers ("USACE") on coordination between the Piers 30-32 development and other  
15 resilience work related to coastal flood defenses, the San Francisco Waterfront Flood Study or  
16 other relevant efforts; and

17 WHEREAS, The Controller finds that the Project is fiscally feasible collectively, with  
18 inherent economic value in SWL 330 and a currently projected funding shortfall at Piers 30-  
19 32; and

20 WHEREAS, The Term Sheet is on file with the Clerk of Supervisors in File No. 240342  
21 and is incorporated herein by reference; and

22 WHEREAS, The construction cost of the Project will exceed \$25 million and more than  
23 \$1 million in public monies will be used for the predevelopment, planning or construction costs  
24 of the Project, thus triggering review by the Board of Supervisors to determine the fiscal  
25 feasibility of the Project under Administrative Code, Section 29.1; and

1 WHEREAS, Pursuant to Administrative Code, Section 29.3, the Port and Developer  
2 have submitted to the Board of Supervisors a general description of the Project, the general  
3 purpose of the Project, and a fiscal plan; and

4 WHEREAS, Pursuant to Administrative Code, Section 29.2, prior to submittal to the  
5 Planning Department of an environmental evaluation application ("Environmental Application")  
6 required under Administrative Code, Chapter 31 and the California Environmental Quality Act  
7 ("CEQA") related to the Project, it is necessary for the Port to procure from the Board of  
8 Supervisors a determination that the plan to undertake and implement the Project is fiscally  
9 feasible and responsible; and

10 WHEREAS, The Board of Supervisors has reviewed and considered the general  
11 description of the Project, the general purpose of the Project, the fiscal plan, and the Term  
12 Sheet; and

13 WHEREAS, The Term Sheet is not itself a binding agreement that commits the City,  
14 including the Port, or the Developer to proceed with the approval or implementation of the  
15 Project; rather, the Project will first satisfy environmental review requirements under CEQA  
16 and will be subject to public review in accordance with the processes of the City and other  
17 government agencies with approval rights over the Project before any binding agreements,  
18 entitlements or other regulatory approvals required for the Project will be considered; now,  
19 therefore be it

20 RESOLVED, That the Board of Supervisors finds that the plan to undertake and  
21 implement the Project is fiscally feasible and responsible as set forth in San Francisco  
22 Administrative Code, Chapter 29 ("Fiscal Feasibility Finding"); and, be it

23 FURTHER RESOLVED, That pursuant to San Francisco Administrative Code, Chapter  
24 29, the Environmental Application may now be filed with the Planning Department and the  
25

1 Planning Department may now undertake environmental review of the Project as required by  
2 Administrative Code, Chapter 31 and CEQA; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors endorses the Term Sheet and  
4 urges the Port:

5 (1) To seek assistance from the Office of Economic and Workforce Development,  
6 the City Attorney's Office, and other City officials as appropriate, to make evaluation and  
7 further negotiation of the proposed Project among its highest priorities;

8 (2) To work with the Office of Economic and Workforce Development, other City  
9 officials, and the Developer to identify and close the \$125 million infrastructure funding gap for  
10 Piers 30-32 through an improved real estate market, decreased costs such as entitlements,  
11 and/or additional sources;

12 (3) If necessary due to fiscal feasibility constraints or complications arising from  
13 resilience infrastructure work, to explore changes to the Project to move forward viable  
14 opportunities at Piers 30-32 and/or SWL 330, if approved by the Port Commission in its sole  
15 and absolute discretion and, be it

16 FURTHER RESOLVED, That the Board of Supervisors' endorsement of the Term  
17 Sheet and its Fiscal Feasibility Finding do not commit the Board of Supervisors, the Port, or  
18 any other public agency with jurisdiction over any part of the Project to approve the terms of  
19 final leases or other transaction documents or grant any entitlements to the Developer, nor  
20 does either the Term Sheet endorsement or Fiscal Feasibility Finding foreclose the possibility  
21 of considering alternatives to the Project or imposing mitigation measures, or deciding not to  
22 grant entitlement or approve or implement the Project, after conducting and completing  
23 appropriate environmental review under CEQA, and while the Term Sheet identifies certain  
24 essential terms of a proposed transaction with the Port, it does not set forth all of the material  
25 terms and conditions of any final transaction documents; and, be it

1           FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary  
2 actions committing the City to implement the Project, and the provisions of the Term Sheet  
3 are not intended to and will not become contractually binding on the City, unless and until: (1)  
4 the Planning Department has reviewed and considered environmental documentation  
5 prepared in compliance with Administrative Code, Chapter 31 and CEQA for the Project and  
6 has determined that the environmental documentation complies with Administrative Code,  
7 Chapter 31 and CEQA; (2) the Port Commission has adopted appropriate CEQA findings in  
8 compliance with CEQA and has approved the terms of the final transactions documents for  
9 the Project incorporating the Term Sheet provisions; and (3) the Board of Supervisors has  
10 adopted appropriate CEQA findings in compliance with CEQA and approved the terms of the  
11 final leases and any other property transfers for the Project.

12  
13 Recommended by:

14  
15 \_\_\_\_\_/s/

16 Elaine Forbes  
17 Port of San Francisco  
18 Executive Director  
19  
20  
21  
22  
23  
24  
25

<b>Item 5</b> <b>File 24-0342</b>	<b>Department:</b> Port
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would: (a) find the lease and development of Piers 30-32 and Seawall Lot 330 fiscally feasible under Chapter 29 of the Administrative Code; and (b) endorse the term sheet for the project.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The Port has selected a developer to redevelop Piers 30-32 and Seawall Lot 330 into a mixed-use development with housing, office space, retail, aquatic activities, and seismic and resilience improvements to the piers and seawalls. The project would occur over two to three phases over fifteen years.</li> <li>If the Board of Supervisors finds that the project is fiscally feasible and endorses the term sheet, the Project can begin California Environmental Quality Act (CEQA) review and proceed with negotiations for the transaction documents.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>According to a consultant report provided to the Port, the project would generate \$2.48 million of net ongoing General Fund revenues, mostly from the redevelopment of the piers.</li> <li>The developer will rebuild the piers and strengthen the seawall to improve sea level rise and seismic resilience at an estimated cost of \$462 million, benefiting the Port. Additional benefits to the Port include: (a) lease payments over the terms of the long-term ground leases totaling \$71 million; and (b) participation payments totaling \$28.8 million.</li> <li>The project contemplates the creation of an Infrastructure Financing District and a Community Facilities District to finance horizontal infrastructure costs for the piers.</li> <li>Operating and maintenance costs would be the responsibility of the developer.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>Estimated construction costs for the Project total \$1.65 billion, including \$1.12 billion for the development of Piers 30-32 and \$534 million for the development of Seawall Lot 330. Identified sources for the project total \$1.53 billion, resulting in a funding gap of \$125 million for horizontal costs for Piers 30-32.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>Request that the Port provide an update on the Project financing plan when the Port submits the LDDA for approval to the Board of Supervisors.</li> <li>Because the project has a \$125 million funding gap, approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>	



**MANDATE STATEMENT**

Administrative Code Chapter 29 requires the Board of Supervisors to conduct a fiscal feasibility analysis of any project (1) that has a total cost exceeding \$25,000,000, and (2) where the City is expected to incur costs related to project development in excess of \$1,000,000. Chapter 29 requires consideration of five factors: (1) direct and indirect financial benefits to the City including the extent of applicable cost savings or new revenues, including tax revenues, generated by the proposed project; (2) cost of construction; (3) available funding for the project; (4) the long-term operating and maintenance cost of the project; and (5) debt load to be carried by the City or Department.

A determination by the Board of Supervisors that a project is fiscally feasible only finds that the proposed project merits further evaluation and environmental review; a determination of fiscal feasibility does not include a determination the project should be approved.

**BACKGROUND****Redevelopment of Piers 30-32 and Seawall Lot 330**

The Port has selected a developer to redevelop Piers 30-32 and Seawall Lot 330 (the Project) into a mixed-use development with housing, office space, retail, aquatic activities, and seismic and resilience improvements to the piers and seawalls. The sites are located just south of the Bay Bridge in the Port's South Beach subarea. According to a December 2019 Port staff memo to the Port Commission on the authorization of the Request for Proposals (RFP), the two sites have been bundled together for redevelopment since a fire destroyed the Piers' historic bulkhead buildings and shed in 1984. Since that time several efforts to redevelop the sites have failed due to the high costs to rehabilitate the Piers despite the revenue generating potential of Seawall Lot 330.

Due to the deteriorating conditions, only a portion of the 13-acre site is used for car parking and special events. Seawall Lot 330 was previously used as a rail yard until 1993 but is now also used for car parking. Half of the Seawall Lot 330 site is leased to the City for use as a navigation center between 2019 and December 2025 with an additional two-year extension option. The Port may terminate the lease at any point with notice.

In February 2021, the Port entered into an Exclusive Negotiation Agreement with Strada Trammel Crow Company Partners LLC (Strada-TCC)<sup>1</sup> for development of the project. The Exclusive Negotiation Agreement (ENA) establishes the terms and conditions for the parties to negotiate the development of the project and disposition of the sites. In January 2024, the Port Commission approved an amendment to the ENA and endorsed the proposed term sheet. The amended ENA: (a) extended the term by 18 months to a total term of six years due to longer than anticipated

---

<sup>1</sup> Strada-TCC is a joint venture of Strada Investment Group II, LLC (Strada) and Trammel Crow Company (Trammel Crow).

timelines for community outreach and State Agency outreach to obtain legislative changes to the Public Trust necessary for the Project; (b) made related changes to the performance milestones; and (c) allows the Developer to transfer to another investor without Port Commission approval provided Strada Principals, LLC can direct the day-to-day management of the developer.<sup>2</sup>

### Developer Selection Process

In February 2020, the Port issued a Request for Proposals (RFP) for development of Piers 30-32 and Seawall Lot 330. Five respondents responded to the RFP, and three of the five respondents met the minimum qualifications according to a September 2020 Port staff memo to the Port Commission. A scoring panel<sup>3</sup> reviewed the written responses and oral interviews of the three respondents that met minimum qualifications. Written responses were assessed based on the: (a) quality of design and development; (b) strength of financial proposal; (c) financial capacity and economic viability; and (d) experience. Oral interviews were assessed based on: (a) quality of design and development; (b) experience; and (c) team organization. A financial consultant for the Port also provided the evaluation panel a technical review of the proposals.

Strada TCC received the top score of 109.34 out of 130 possible points, as shown in Exhibit 1 below.

### Exhibit 1: RFP Scores

Respondent	Written Proposal (Max 100 pts)	Oral Interview (Max 30 pts)	Total Score (Max 130 pts)
Strada TCC	82.67	26.67	109.34
Tishman Speyer	67.33	22.00	89.33
Vornado	58.00	17.33	75.33

Source: Port

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would: (a) find the lease and development of Piers 30-32 and Seawall Lot 330 fiscally feasible under Chapter 29 of the Administrative Code; and (b) endorse the term sheet for the project.

If the Board of Supervisors finds that the project is fiscally feasible and endorses the term sheet, the Project can begin California Environmental Quality Act (CEQA) review and proceed with negotiations for the transaction documents, including a Lease Disposition and Development

<sup>2</sup> The original ENA permitted a transfer without Port Commission approval as long as Strada (or an affiliate) and Trammel Crow (or an affiliate) can direct the day-to-day management of the developer.

<sup>3</sup> The scoring panel included: (1) an architect and professor of design; (2) San Francisco State Assistant Professor of Geography and Land Use and former San Francisco Planning Department employee; (3) Port Waterfront Plan Manager; (4) Port Northern Advisory Committee Co-Chair and President of the South Beach/Rincon/Mission Bay Neighborhood Association; and (5) retired Port Assistant Deputy Director of Development and Port Waterfront Plan Working Group member.

Agreement (LDDA) between the Port and Strada TCC for the site and up to four ground leases between the Port and Strada TCC Partners. Referral to environmental review does not commit the City or the Board of Supervisors to final project approval. Nor does approval of the proposed resolution commit the City or the Port to any of the specific terms in the proposed term sheet. Final project approval is conditioned upon the Port and the Board of Supervisors adopting the CEQA findings and the final terms of the transaction documents.

### **Term Sheet**

The term sheet provides details on the project's planned phasing, financing, LDDA and ground lease terms, and other terms and conditions regarding the project's development and disposition of the sites.

### *Project Details*

The proposed project would be developed in three phases. Seawall Lot 330 would be developed across Phases 1 and 2 and Piers 30-32 would be developed in Phase 3.

#### Seawall 330 Development (Phases 1 and 2) would include:

- Estimated total of 713 housing units, including 186 affordable housing units (26.1 percent)
  - 619 housing units in two market rate residential buildings to include 92 inclusionary units (14.9 percent) through use of State density bonus to exceed existing height limits for the site
  - An alternate design within existing height limits would result in fewer units and may exacerbate the funding gap (described below) due to fewer market rate units
  - 94 housing units in 100 percent affordable project to be developed separately by an affordable housing developer
- Approximately 13,000 square feet of retail
- Approximately 34,800 square feet of public open space

#### Piers 30-32 Development (Phase 3) would include:

- Infrastructure improvements, including seawall strengthening to improve sea level rise and seismic resilience and demolition of two existing piers and reconstruction of a single pier
- Approximately 375,000 gross square feet of office space
- Approximately 70,000 square feet of retail, including a market hall along the Embarcadero
- A deep-water terminal to accommodate cruise ships as well as U.S. Navy or other vessels responding to an emergency or natural disaster
- A publicly accessible aquatic facility with a pool
- Public open pier space

### *Project Financing*

The proposed project will use public and private sources for horizontal development. According to the proposed term sheet, the City would form an Infrastructure Financing District (IFD) in order to use tax increment financing for the project and a Community Facilities District (CFD) to levy

special taxes. The Developer would receive 100 percent of available tax increment revenues for reimbursement of eligible costs. Issuance of CFD bonds would serve as bridge financing for tax increment revenues, which would be used to pay debt service on CFD bonds. Establishment of these districts would be subject to Board of Supervisors' approval.

Based on the construction budget presented in Exhibit 4, public financing sources would fund approximately one-third of horizontal construction costs for Piers 30-32. The Developer also intends to use tax increment revenues to finance operations and maintenance of the pool and other public facilities.

#### *Infrastructure Funding Gap*

The Developer currently projects a \$125 million funding gap for horizontal infrastructure and resilience improvements at Piers 30-32. The Port and Developer will try to identify additional sources to close the funding gap if market conditions do not improve. According to the proposed term sheet, potential sources include: (a) increased private investment if market conditions improve; (b) adjustments or waivers of the Transfer Tax; (c) reduction or deferred collection of impact fees; (d) increased tax increment if property values exceed projections; (e) State and local grants; (f) Federal or State funding for resilience improvements; (g) Coastal Conservancy grant funding; and (h) revenue sharing from berthing at the reconstructed piers.

#### *Transaction Documents*

A Lease Disposition and Development Agreement between the Port and the Developer would serve as the master agreement for the Site over an anticipated 15-year term. The boundary of the LDDA is shown in Attachment 1. The Port and Developer would also enter into up to four long-term ground leases for each vertical construction site, including up to two leases for the Seawall Lot 330 market rate sites, one lease for the Seawall Lot 330 affordable housing site, and one lease for the Piers 30-32 waterfront site. The ground leases would be executed on a phased basis after the Developer satisfies certain conditions, such as the Developer demonstrating evidence of financing and permit issuance. The term sheet also anticipates that the Developer will seek approval of a Development Agreement to exempt the project from future development impact fees or increases in existing fees.

In addition, the Port and Developer may also enter into a Master Lease or Construction License to allow for demolition of the Piers and seawall improvements earlier than the other Phase 3 improvements, including reconstruction of a single pier. According to Port staff, the Port would pursue this option if grant funding (or another source of funding) is identified for demolition and seawall improvements in advance of Phase 3.

Proposed terms of the ground leases are presented in Exhibit 2 below.

**Exhibit 2: Terms of Proposed Ground Leases**

Site	Seawall 330 Market Rate*	Seawall 330 Affordable	Piers 30-32
Term	75 years	75 years	66 years
Base Rent & Increases	\$600,000; with increases based on CPI of 2% to 6% per year from LDDA execution to Ground Lease execution and every 5 years thereafter	\$0	\$900,000; with increases based on CPI of 2% to 6% per year from LDDA execution to Ground Lease execution and every 5 years thereafter
Construction Rent	\$150,000 (for up to 3 years)	n/a	\$200,000 (for up to 5 years)
Operation, Maintenance, and Repair	Obligation of Developer	Obligation of Developer	Obligation of Developer
Potential Fee Title transfer	Yes	Yes	No
At end of term: return of premises in good condition and obligation to demolish facilities if requested by Port	Yes	Yes	Yes
Other	Non-performance rent of \$1.8 million annually (adjusted by CPI) if site permit for Piers 30-32 has not been approved within 24 months of completion of Phase 1  Transfer fee covenant on sale of individual residential units	No right to assignment before project completion without Port approval and reasonable approval after completion of project	Port obligation to dredge the East Berth

Source: Proposed Term Sheet

\*If Developer develops the market rate site in two phases, two separate ground leases will be executed with 50 percent of rent allocated to each of the two phases.

***LDDA Term and Schedule of Performance***

The LDDA will include a schedule of performance showing outside dates for filing site permits, construction commencement, and construction completion, as shown in Exhibit 3 below. The total anticipated development timeline is 15 years, consistent with the term of the LDDA. However, the LDDA will provide schedule relief if delays are due to reasons outside of the Developer's control. The LDDA will have four options to extend in six-months increments for a fee. The fee for the initial two six-month extensions is \$50,000 per extension, and the fee for the additional two six-month extensions is \$200,000 per extension. The LDDA will also stipulate that if the Developer ceases work on the project for more than 180 consecutive days, it will be considered a default event.

**Exhibit 3: Schedule of Performance**

Phase	Construction Milestone	Target Performance Date*	Performance Date	Performance Date Years after LDDA Execution
1	Permit Issuance	18 months after LDDA	24 months after LDDA	2
	Commencement	6 months after Permit Issuance	12 months after Permit Issuance	3
	Completion	24 months after Commencement	36 months after Commencement	6
2	Permit Issuance	30 months after LDDA	48 months after LDDA	4
	Commencement	6 months after Permit Issuance	12 months after Permit Issuance	5
	Completion	24 months after Commencement	36 months after Commencement	8
3	Permit Issuance	12 months after Phase 2 Completion	24 months after Phase 2 Completion	10
	Commencement	6 months after Permit Issuance	12 months after Permit Issuance	11
	Completion	30 months after Commencement	48 months after Commencement	15

Source: Proposed Term Sheet

\*According to Port staff, the “target performance date” is the goal date and the “performance date” is the outside date by which developer performance will be assessed

The schedule of performance anticipates completion of construction for Phase 1 within six years after LDDA execution, Phase 2 within eight years after LDDA execution, and Phase 3 within 15 years after LDDA execution (assuming Phase 2 is completed within eight years). For Phases 1 and 2, the outside date for construction permit issuance is based on the execution date of the LDDA. For Phase 3, the outside date for construction permit issuance is based on construction completion of Phase 2. Therefore, if completion of Phase 2 is delayed for an excusable reason, construction of Phase 3 will also be delayed.

***Diversity Equity and Inclusion Plan***

The proposed term sheet includes a Diversity Equity and Inclusion (DEI) Plan, which supports the Port’s Racial Equity Action Plan. The DEI plan includes: (a) swim and water sports access for underserved communities; (b) a BIPOC artisan retail program to support BIPOC entrepreneurs for the retail/maker spaces along the north side of the Pier shed building; (c) an emphasis on BIPOC leadership as part of the selection criteria for the affordable housing developer; (d) LBE/WBE participation in the project; and (e) workforce development through a project-wide Project Labor Agreement which may provide opportunities for apprenticeships and pre-apprenticeships in the building trades.

*Port Participation and Reimbursement of Transaction Costs*

After the Developer achieves an 18 percent internal rate of return, the Port will receive 20 percent of net proceeds from the first sale or refinancing resulting in repayment of equity. However, as discussed below, the Developer is not expected to achieve an 18 percent internal rate of return. The Port will also receive 1.5 percent of net proceeds from any subsequent sale or refinancing.

During the term of the LDDA, the Developer will reimburse the Port for all direct transaction costs, including City Attorney and Port staff time.

*Assignment & Transfer*

The Port must approve any assignment or transfer of the Developer's controlling interest for any element of the project. However, the Developer has the right to capitalize any project element with outside investors without Port approval as long as the Developer retains a controlling interest and maintains a minimum equity investment in the project of two percent.

**FISCAL FEASIBILITY**

We present the fiscal feasibility analysis for the project below based on the March 28, 2024 Findings of Fiscal Responsibility and Feasibility Report for the Project, prepared by Keyser Marston Associates, Inc. (KMA) for the Port. Chapter 29 requires consideration of five factors: (1) direct and indirect financial benefits to the City including the extent of applicable cost savings or new revenues, including tax revenues, generated by the proposed project; (2) cost of construction; (3) available funding for the project; (4) the long-term operating and maintenance cost of the project; and (5) debt load to be carried by the City or Department.

**Financial Benefits***Direct Benefits to the City*

According to the KMA report, the Project will generate an estimated average of \$9.9 million per year in on-going revenues to the City, including \$7.1 million to the General Fund and \$2.8 million to other City Funds.<sup>4</sup> The Project will also generate an estimated \$4.62 million in annual General Fund service costs, resulting in net General Fund revenue of \$2.48 million. In addition, the Project will generate \$8.4 million in one-time sales and use tax revenues to the City, including \$6.0 million to the General Fund, and \$70.1 million in development impact fee revenues to mitigate the impacts of the project.

The Project will generate additional property tax revenues of \$8.3 million annually, but these revenues will be dedicated to funding horizontal infrastructure costs through the IFD.

---

<sup>4</sup> Of these ongoing revenues and costs, 67 percent of revenues and 39 percent of expenses are associated with the redevelopment of the piers. Therefore, the piers are projected to generate a net General Fund benefit of \$2.96 million per year and the Seawall Lot 330 portion of the project would cost the General Fund \$0.5 million per year.

*Direct Benefits to the Port*

The developer will rebuild the piers and strengthen the seawall to improve sea level rise and seismic resilience at an estimated cost of \$462 million, benefiting the Port. Additional benefits to the Port include: (a) lease payments over the terms of the long-term ground leases totaling \$71 million in uninflated dollars; and (b) participation payments totaling \$28.8 million in uninflated dollars based on participation rent of 1.5 percent of net refinance or resale proceeds (following the initial sale or refinancing). The Project is not expected to achieve an 18 percent internal rate of return for the developer and is therefore not expected to generate participation rent based on the first sale or refinancing.

After the ground leases expire, ownership of all horizontal and vertical improvements will revert to the Port.

*Indirect Benefits to the City*

The Project is estimated to create: (a) 1,860 permanent jobs with annual wages of more than \$203 million; and (b) 4,100 construction job years with \$335 million in construction wages. The project is also estimated to indirectly support the creation of more than 2,600 new jobs with more than \$267 million of total new wages as the new businesses and direct employees will support other businesses in the City.

**Cost of Construction and Available Funding**

Estimated construction costs for the Project total \$1.65 billion, including \$1.12 billion for development of Piers 30-32 and \$534 million for development of Seawall Lot 330. Identified sources for the project total \$1.53 billion, resulting in a funding gap of \$125 million for horizontal costs for Piers 30-32 as discussed above and shown in Exhibit 4, reflecting a funding gap of 27 percent for Piers 30-32 horizontal costs. Vertical development and entitlement costs totaling \$1.18 billion will be funded with private debt and developer equity. Horizontal costs for Piers 30-32 totaling \$462 million will be funded with developer equity and CFD bond proceeds.



**Exhibit 4: Construction Budget (in \$Millions)**

<b>Sources &amp; Uses</b>	<b>Piers 30-32</b>	<b>Seawall Lot 330</b>	<b>Total</b>
<u>Sources</u>			
Construction Loan	\$534.1	\$320.2	\$854.3
Community Facilities District Bonds (with IFD paying debt service)	78.2	0.0	78.2
Developer Equity to be reimbursed by additional CFD/IFD revenues	71.4	0.0	71.4
Developer Equity (not subject to reimbursement)	309.6	213.4	523.0
<b>Total Sources</b>	<b>\$993.3</b>	<b>\$533.6</b>	<b>\$1,527.0</b>
<u>Uses</u>			
Vertical Development	<u>656.3</u>	<u>523.6</u>	<u>1,179.9</u>
<i>Hard Costs</i>	<i>449.1</i>	<i>417.8</i>	<i>866.9</i>
<i>Soft Costs &amp; Impact Fees</i>	<i>169.0</i>	<i>82.6</i>	<i>251.6</i>
<i>Financing Costs</i>	<i>38.1</i>	<i>23.2</i>	<i>61.3</i>
Horizontal Costs	<u>462.1</u>	<u>10.0</u>	<u>472.1</u>
<i>Entitlement Costs</i>	<i>0.0</i>	<i>10.0</i>	<i>10.0</i>
<i>Horizontal Costs</i>	<i>462.1</i>	<i>0.0</i>	<i>462.1</i>
<i>Financing Costs</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<b>Total Uses</b>	<b>\$1,118.3</b>	<b>\$533.6</b>	<b>\$1,652.0</b>
<b>Funding Gap</b>	<b>\$125.0</b>	<b>\$0.0</b>	<b>\$125.0</b>

Source: KMA Findings of Fiscal Responsibility and Feasibility

Notes: Figures may not add to totals due to rounding. There are no financing costs because interest payments would be paid from project revenues and so are not part of the development budget.

Public financing is contemplated for redevelopment of the Piers 30-32 but not for Seawall Lot 330.

As noted above, the Port and Developer are considering additional sources to close the \$125 million funding gap for Piers 30-32, such as additional private investment if market conditions improve, Federal or State funds for resilience, reductions in transfer taxes or development impact fees, and other sources. If the additional sources result in reduced on-going or one-time revenues to the City, the fiscal benefits to the City may be lower than the figures presented above. Development of Seawall Lot 330 is fully funded and can proceed independently of Piers 30-32, and according to the proposed schedule of performance development of Piers 30-32 would commence within two years following construction completion of Seawall Lot 330.

**Long-Term Project Operating and Maintenance Costs**

According to the proposed term sheet, the operating and maintenance costs will be the sole responsibility of the Developer. The City and the Port will not be responsible for any operating or maintenance costs associated with the Project.

**Debt Load**

The City will not incur any debt for the Project. Although the CFD and IFD formed by City will incur debt, the CFD and IFD debt will not be secured by General Fund revenues.

**Determination of Fiscal Feasibility**

Based on our review of the KMA report our office has determined that the vertical development and entitlement of the proposed project at Seawall Lot 330 meets the basic criteria for fiscal feasibility as required by Administrative Code Chapter 29. However, there is a \$125 million funding gap for horizontal improvements to Piers 30-32. As noted above, a determination by the Board of Supervisors that a project is fiscally feasible only finds that the proposed project merits further evaluation and environmental review; a determination of fiscal feasibility does not include a determination the project should be approved.

**POLICY CONSIDERATION****Funding Gap**

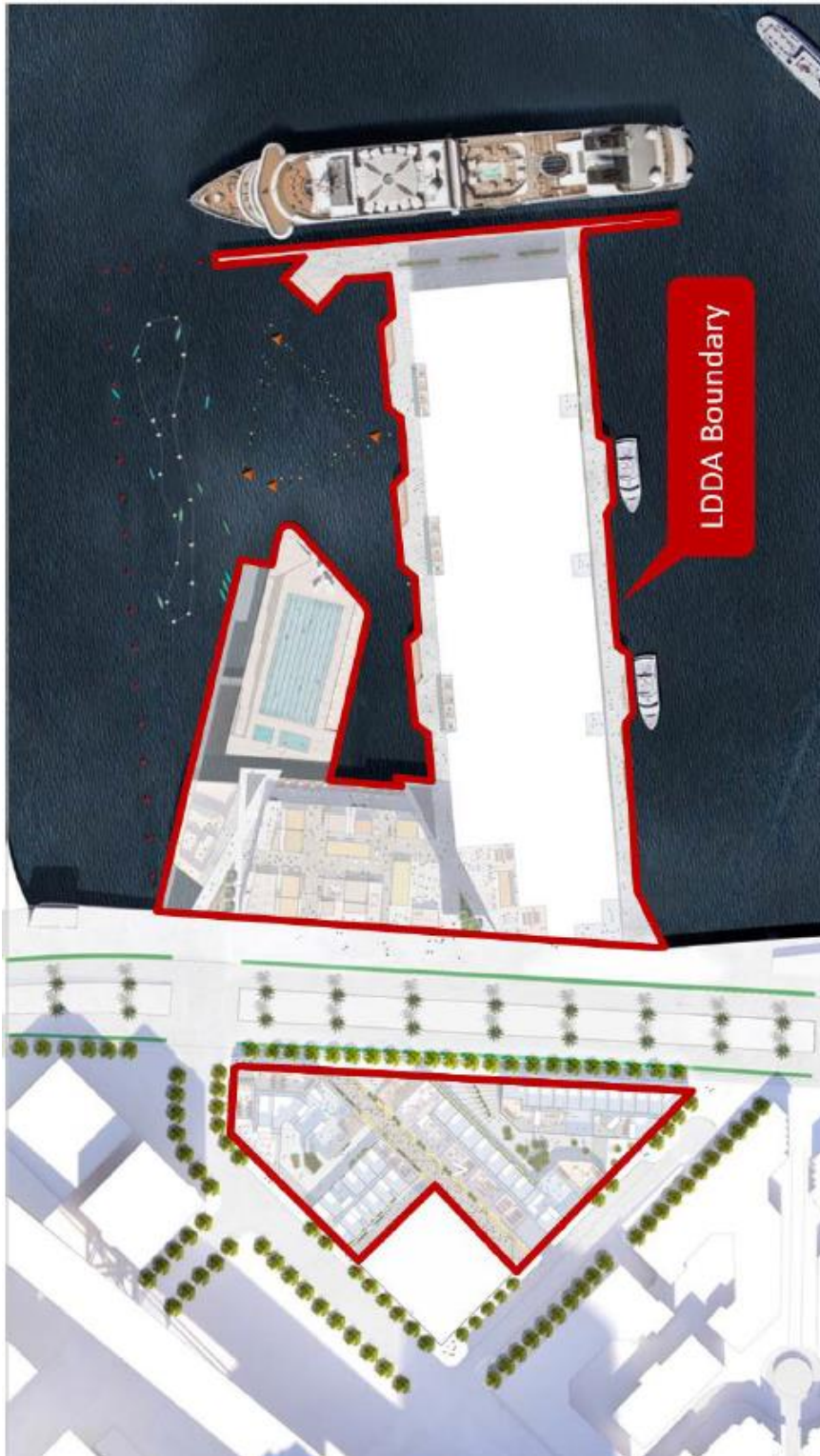
Previous proposals to develop the sites have ultimately failed due to insufficient funding for improvements to Piers 30-32, and there is currently a \$125 million funding gap for Piers 30-32 horizontal improvements under the proposed project. If the LDDA is executed in July 2026, construction commencement of Phase 3 (Piers 30-32) is currently anticipated to begin by January 2033 based on the schedule of performance. Over the next 13 years, market conditions may improve or additional sources, including Federal or State grants, may be identified. However, market conditions may not improve, and outside grants may not be available to the project. Potential other sources, such as waiver impact fees and transfer taxes, are subject to Board of Supervisors approval, which could occur now or years from now.

We recommend that the Board of Supervisors request an update to the financing plan when the Port submits the LDDA for approval to the Board of Supervisors.

**RECOMMENDATIONS**

1. Request that the Port provide an update on the Project financing plan when the Port submits the LDDA for approval to the Board of Supervisors.
2. Because the project has a \$125 million funding gap, approval of the proposed resolution is a policy matter for the Board of Supervisors.

**Attachment 1: LDDA Boundary**



Source: Proposed Term Sheet



# KEYSER MARSTON ASSOCIATES

## **Findings of Fiscal Responsibility and Feasibility Piers 30-32 and Seawall Lot 330 Development Project**

*Prepared for:*  
The City and County of San Francisco

*Prepared by:*  
Keyser Marston Associates, Inc.

March 28, 2024

## TABLE OF CONTENTS

<b>I. EXECUTIVE SUMMARY .....</b>	<b>1</b>
A. Financial Benefits .....	1
B. Cost of Construction and Development.....	3
C. Available Funding for the Project .....	3
D. Long-Term Project Operating and Maintenance Costs.....	4
E. Debt Load to be Carried by the City or the Port.....	4
<b>II. INTRODUCTION .....</b>	<b>5</b>
A. Project Description.....	5
B. Financial Terms of the Lease and Lease Disposition and Development Agreement ("LDDA") .....	7
<b>III. FINANCIAL BENEFITS .....</b>	<b>9</b>
A. Ongoing Fiscal Benefits to the City of San Francisco.....	9
B. Financial Benefits to the Port of San Francisco.....	12
C. Economic Benefits to the City of San Francisco.....	15
D. One-Time Construction Revenues to the City of San Francisco.....	15
E. Fiscal Benefits to Other Taxing Agencies.....	15
<b>IV. COST OF CONSTRUCTION AND AVAILABLE FUNDING.....</b>	<b>16</b>
A. Cost of Construction .....	16
B. Available Funding for the Project .....	16

Appendix A: Term Sheet

Appendix B: Supporting Tables

## **I. EXECUTIVE SUMMARY**

This report has been prepared pursuant to the requirements of Chapter 29 of the City of San Francisco's Administrative Code, which requires the Board of Supervisors to approve the fiscal feasibility of certain development projects before the project can be submitted to the City's Planning Department for environmental review. Under the provisions of Section 29.2 there are five criteria on which to evaluate a project's fiscal feasibility: 1) Direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project; 2) The cost of construction; 3) Available funding for the project; 4) The long-term operating and maintenance cost of the project; and 5) Debt load to be carried by the City department or agency.

The subject project is the Piers 30-32 and SWL 330 Project ("Project") to be undertaken by Strada-TCC Partners, LLC (the "Developer"). At completion, the Project will include approximately 710 units<sup>1</sup> of housing, of which 25% will be affordable, an aquatic center including a swimming pool, a retail market hall, approximately 430,000 square feet of office space, a reconstructed pier, and seismic and sea level rise resilience improvements to the seawall and pier infrastructure.

The Port and the Developer have been negotiating business terms that will be used to prepare transaction documents for the lease of the properties to the Developer and the development of the proposed Project. This analysis reflects the draft terms as contained in the January 17, 2024 Draft Term Sheet, which is provided as Appendix A. While some of the terms may change before the transaction agreements are executed, it is believed the preliminary projections and terms are refined sufficiently for purposes of this analysis to assist the Board of Supervisors in its determination of fiscal feasibility.

### **A. Financial Benefits**

#### ***1. Fiscal Benefits to the City of San Francisco***

The Project is anticipated to generate significant annual revenue to the City of San Francisco. On-going revenues to the City directly generated by the Project include new gross receipts taxes, property taxes in-lieu of motor vehicle license fees, transfer taxes, sales taxes, property/possessory interest taxes, and utility user taxes. It is estimated that on-going revenues to all City funds will average \$9.9 million per year. Of this total, \$7.1 million will accrue to the City's General Fund, while \$2.8 million will accrue to other City Funds. Upon buildout, the Project will generate approximately \$4.62 million of annual General Fund service costs. Net of

---

<sup>1</sup> Project unit counts and non-residential square footages referenced in this report reflect the program modeled in the Developer's October 2023 financial proforma and are consistent with the program quantities referenced in the Draft Term Sheet but may differ slightly due to rounding factors.

service costs, the completed Project is anticipated to annually generate, on average, \$2.48 million of net new General Fund revenue.

The Project will annually generate an additional \$8.3 million of possessory interest (property tax) revenues to the City. In accordance with the Draft Term Sheet, the City will dedicate these revenues to funding a portion of horizontal infrastructure costs through the Port's Infrastructure Financing District (IFD).

The construction of the Project will also generate one-time revenues to the City of San Francisco. Sales and use tax revenues from the purchase of construction materials are estimated to total \$8.4 million, with \$6.0 million accruing to the General Fund and \$2.4 million accruing to Baseline transfer funds. Additionally, the Project will generate a total of \$70.1 million of development impact fee revenues, which are restricted funds and will be used to mitigate the Project's impacts.

## **2. Financial Benefits to the Port**

A primary financial benefit to the Port is securing a developer to rebuild the pier and strengthen the seawall to protect against sea level rise, which is estimated to cost \$462 million, excluding financing costs and the cost of vertical improvements.

The Port will receive ground lease revenue from the Project. Annual base rent on SWL 330 and Piers 30-32 will be \$600,000 and \$900,000, respectively (with escalations). During construction, the annual rent will be reduced to \$150,000 for SWL 330 and \$200,000 for Piers 30-32. Lease payments over the 66-year ground lease term for the pier property and the 75-year term for the SWL property are anticipated to total \$265 million in nominal dollars, or \$71 million in uninflated dollars.

The Port is eligible to receive two forms of "participation" payments that are contingent upon the performance of the Project. The first component of potential participation payments to the Port is 20% of net sales or refinance proceeds after the Project generates a return on equity in excess of 18% from the first sale or refinancing resulting in the repayment of project equity. The Project is not anticipated to achieve the 18% threshold and is therefore not expected to generate any revenue to the Port from this component. The second component of participation rent is 1.5% of net refinance/net resale proceeds that are generated from refinancings/sales that follow the initial sale/refinance. It is estimated that these participation payments will approximate \$127.5 million in inflated dollars and \$28.8 million in uninflated dollars prior to the termination of the ground leases.

Upon the expiration of the ground leases, the land and ownership of all Project improvements will revert to the Port.

### **3. Economic and Indirect Financial Benefits to the City**

It is estimated that the Project's businesses will create approximately 1,860 permanent jobs and over \$203 million of annual wage earnings. The construction of the Project will generate approximately 4,100 job years of construction jobs, and over \$335 million of construction wages. In addition to the direct employment, wages, and tax revenues to be generated by the Project, the new businesses and the employees will support other businesses in San Francisco. Including indirect and induced impacts, the Project's operations are estimated to support the creation of over 2,600 new jobs in San Francisco and over \$267 million of new wage earnings.

#### **B. Cost of Construction and Development**

The Project's development costs are anticipated to exceed \$1.65 billion<sup>2</sup>, comprised of \$1.12 billion of improvements on Piers 30-32 and \$0.53 billion of improvements on SWL 330. The costs are detailed in Section IV of this report.

#### **C. Available Funding for the Project**

Identified funding sources for the Project currently total \$1.53 billion. The Project's \$1.18 billion vertical improvement and entitlement costs will be funded by a combination of private debt and equity. The \$462 million pier infrastructure and seawall improvements will be funded primarily by equity and Community Facility District (CFD)<sup>3</sup> revenues to be generated by a special tax to be levied on the Project's buildings. It is estimated that the Project will require an additional \$125 million to fully fund the horizontal infrastructure and resilience needs at Piers 30-32. Potential sources of gap funding include the following:

- Additional private investment supported by improved market conditions
- Federal and/or State funds for resilience, waterfront infrastructure, or affordable housing
- Reductions or adjustments to the amount of local development impact fees to be paid by the Project
- Waiving or adjusting the City Transfer Tax
- Dedication of other local tax revenues to be generated by the Project
- Coastal Conservancy Grant Funding

---

<sup>2</sup> The development budget excludes the cost of developing the stand-alone affordable housing development with 94 units. While the Developer will be providing the development site, a non-profit developer partner will develop the affordable project. Affordable housing linkage fees and in-lieu fees to be generated by the Project will be allocated to the stand-alone affordable project to off-set a portion of the project's development costs.

<sup>3</sup> While CFD bonds will be issued to raise construction funds, it is anticipated that debt service on CFD bonds will be fully funded by a portion of the Project's possessory interest/property tax payments, which will be allocated to an Infrastructure Financing District (IFD) and used to leverage bond financing.



While the Developer and Port staff have not identified the exact mix of funds to close the \$125 million infrastructure feasibility gap at this time, the team believes that it will be able to secure these funds by the time the Piers 30-32 side of the Project is ready to commence construction. Per the Project's anticipated financing plan, the portion of the Project to be built on SWL 330 will be fully funded by private debt and equity, will not require any public investment, and will be able to proceed independently from the improvements to Piers 30-32.

#### **D. Long-Term Project Operating and Maintenance Costs**

Per the provisions of the Term Sheet, neither the City nor the Port will bear any operating or maintenance costs associated with the Project.

#### **E. Debt Load to be Carried by the City or the Port**

The Project will not require the Port or the City to incur any debt. It is contemplated, however, that the City will form a CFD and an IFD to provide funding for the Project's infrastructure improvement. Neither CFD or IFD debt is secured by the City of San Francisco.

## II. INTRODUCTION

This Report has been prepared pursuant to the requirements of Chapter 29 of the City's Administrative Code, which requires the Board of Supervisors to approve the fiscal feasibility of certain development projects before the project can be submitted to the City's Planning Department for environmental review. A project is subject to this requirement if: 1) the project is subject to environmental review under the California Environmental Quality Act (CEQA); and b) total project costs are estimated to exceed \$25,000,000; and c) construction costs are estimated to exceed \$1,000,000. Under the provisions of Section 29.2 there are five criteria to evaluate the project's fiscal feasibility, as follows:

- 1) Direct and indirect financial benefits of the project to the City, including to the extent applicable cost savings or new revenues, including tax revenues generated by the proposed project;
- 2) The cost of construction;
- 3) Available funding for the project;
- 4) The long-term operating and maintenance cost of the project; and
- 5) Debt load to be carried by the City department or agency.

This report evaluates the anticipated performance of the proposed Pier 30-32 and SWL 330 Project to be undertaken by Strada-TCC Partners, LLC (the "Developer") relative to these five criteria.

The Port and the Developer are currently in the process of negotiating the business terms of agreements that will govern the conveyance of the properties to the Developer and the development of the Project. This analysis reflects the preliminary terms as contained in the January 17, 2024 Draft Term Sheet, which is provided as Appendix A. While some of the terms may change before the transaction agreements are executed, it is believed the preliminary projections and terms are refined sufficiently for purposes of this analysis to assist the Board of Supervisor's in its determination of fiscal feasibility.

### A. Project Description

The Project<sup>4</sup> is comprised of two components: 1) Redevelopment of Piers 30-32 with a mixed-use concept including 430,000 square feet of office space, an aquatic center, and a retail

---

<sup>4</sup> Project unit counts and non-residential square footages referenced in this report reflect the program modeled in the Developer's October 2023 financial proforma and are consistent with the program quantities referenced in the Draft Term Sheet but may differ slightly due to rounding factors.

market hall; and 2) development of SWL 330 with approximately 710 residential units, of which 25 percent will be affordable.

The first two phases of the project will focus on the development of SWL 330 with two residential buildings, containing approximately 616 rental apartments, with 90 units restricted to households earning no more than 80 percent of the Area Median income. The residential units will include studios, one bedroom and two-bedroom units, with an average unit size of 710 square feet. The ground floor of the buildings will include community and retail space. A portion of the SWL 330 site will be set-aside for the development of a 94-unit affordable apartment building, with rental rates affordable to households earning 55 percent of the Area Median Income. The construction of the affordable building is contingent upon obtaining the necessary funding sources including impact fees from the Project and outside sources, such as Low-Income Housing Tax Credits (LIHTC). The Project will also include 175 parking spaces for residents. The first two phases of the project are anticipated to start construction in July 2027 with completion by December 2029.

Phase 3 of the Project includes strengthening the seawall along the Project site, constructing seismically strengthened and sea-level rise resilient infrastructure, and reconstructing the piers. Project components include an aquatic center with a floating swimming pool and access points for personal watercraft, 430,000 square feet of office space and 70,000 square feet of retail space, located primarily in a market hall and space for Red's Java House. Additionally, the Project will include a deep-water berth both for excursions and for Navy and MARD and other vessels to respond to an emergency or natural disaster. Demolition is slated to start in July 2030 and vertical improvements are anticipated to be complete by May 2034.

**Table 1. Summary of Proposed Development Program, Piers 30-32 and SWL 330**

<b>SWL 330</b>	
Approx. Market rate residential units	526
Inclusionary Affordable Units (80% of AMI)	90
Affordable Units (55% of AMI)	<u>94</u>
Approx. Total Residential Units	710
Retail space	8,000 square feet
<b>Piers 30-32</b>	
Approx. Office Space	430,000 square feet
Retail Market Hall	70,000 square feet

The Project will provide a range of public benefits including publicly accessible waterfront space, maritime uses, revenue generation, and significant resilience and infrastructure improvements. Through the Project, the Port will redevelop existing surface parking lots into major mixed-use buildings with seismically strengthened infrastructure built to protect against sea level rise. Additionally, the Project will activate the South Beach waterfront area through on-site retail space and aquatic activities. Subject to all necessary approvals and completion, the Project will

achieve seven of the Port's Strategic Plan objectives: 1) economic recovery; 2) resilience; 3) evolution; 4) engagement; 5) equity; 6) sustainability; and 7) productivity.

## **B. Financial Terms of the Lease and Lease Disposition and Development Agreement (“LDDA”)**

The Port and Developer are currently negotiating the terms of a Lease and Lease Disposition and Development Agreement (“LDDA”), which will identify each party's rights and responsibilities relative to the development of the Project. Port staff and the Developer have negotiated a Draft Term Sheet that presents a conceptual agreement by the parties and is provided as Appendix A.

In summary, the Port's responsibilities consist of: 1) executing up to four separate ground leases (one lease for the Piers 30-32 site, up to two for the SWL sites to be built with mixed-income residential buildings, and one for the SWL affordable site); 2) leasing the Piers 30-32 site for a term of 66 years; and 3) leasing the SWL sites for a term of 75 years; and 4) collaborating with the Developer to explore additional funding sources to fill the \$125 million pier infrastructure feasibility gap.

The Developer's responsibilities consist of: 1) leasing the properties from the Port; 2) reconstructing the existing piers with one single pier, and developing the Project consistent with the approved concept; 3) securing funding for all Project development costs; 4) securing a development partner to develop the 94-unit affordable apartment project; 5) meeting the performance schedule identified in the term sheet; 6) implementing the Community Benefits programs identified in the Term Sheet; and 7) maintaining all of the Project's improvements and facilities.

Annual base rent on SWL 330 and Piers 30-32 will be \$600,000 and \$900,000, respectively (with escalations). Base rent will increase based on the CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution. The Base rent will increase every 5 years after execution based on CPI growth with a floor of 2% per year and a cap of 6% per year. The base rent for Piers 30-32 will increase to \$1.8 million per year if a site permit for the piers 30-32 site has not been approved 24 months after completion of Phase 1.

During construction, the annual rent will be reduced to \$150,000 for SWL 330 and \$200,000 for Piers 30-32. Construction rent on the SWL lease(s) is owed from the execution of the ground lease until the issuance of a certificate of occupancy, with a maximum of 36 months for the SWL leases and 60 months for the Pier lease. Construction rent will increase based on CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution.

Lease payments over the 66-year ground lease term for the pier property and the 75-year term for the SWL property are anticipated to total \$265 million in nominal dollars, or \$71 million in uninflated dollars.

**Table 2. Anticipated Base Ground Lease Revenues to the Port**

	<b><i>Nominal Dollars</i></b>	<b><i>Uninflated Dollars</i></b>
Piers 30-32 Ground Lease	\$129,474,000	\$37,053,000
SWL 330 Leases	\$135,425,000	\$34,018,000
Total	\$264,899,000	\$71,071,000

In addition to base lease revenues, the Port will receive participation payments equal to 20% of net sales or refinance proceeds after the Project generates a return on equity in excess of 18% from the first sale or refinancing resulting in the repayment of project equity. The Project is not anticipated to achieve the 18% threshold and is therefore not expected to generate any participation revenue to the Port from the Developer. The Port will also participate in net revenues from subsequent sales/refinances of the vertical improvements equal to 1.5% of net proceeds (gross proceeds less outstanding debt, equity and transaction costs). Given that the timing of future resales/refinances is unknown, this analysis has conservatively modeled a scenario in which the pier improvements will sell in year 2065, which is 30 years after the Developer's estimate of the initial sale and that the SWL improvements will sell in year 2062 and again in year 2092, which reflect 30-year hold periods until the SWL ground lease expires in 2100. Under this scenario, it is estimated that participation payments to the Port from resales will approximate \$127.5 million if inflated dollars, or \$28.8 million in uninflated dollars.

**Table 3. Anticipated Participation Payments to the Port from Resales/Refinancings**

	<b><i>Nominal Dollars</i></b>	<b><i>Uninflated Dollars</i></b>
Piers 30-32 (one resale until ground lease expires in 2091)	\$42,700,000	\$12,700,000
SWL 330 (two resales until ground lease expires in 2100)	\$84,800,000	\$16,100,000
Total	\$127,500,000	\$28,800,000

Upon the expiration of the SWL leases in 75 years and the Pier 30-32 lease in 66 years, the ownership of all vertical and horizontal improvements will revert to the Port of San Francisco.

### III. FINANCIAL BENEFITS

#### A. Ongoing Fiscal Benefits to the City of San Francisco

##### 1. Ongoing General Fund Revenues

The Project is anticipated to generate a significant amount of annual net revenue to the General Fund of the City and County of San Francisco. As summarized below, it is estimated that upon full buildout and stabilization, the Project will generate approximately \$7.1 million of annual tax/fee revenue to the General Fund, which can be used to fund the full array of General Fund services. This amount is net of \$8.3 million of property tax revenues to be deposited into the IFD for the funding of infrastructure improvements and \$2.8 million of annual of Aggregate Discretionary Revenues (“ADR”) and mandated transfers to be dedicated for restricted uses. Annualized property tax revenues, followed by gross receipts tax revenues and property tax in-lieu of motor vehicle license fees, are expected to be the leading categories of General Fund revenue to be generated by the Project. The calculation of General Fund revenues is presented in Appendix B.

**Table 4. Estimated Annual General Fund Revenue Upon Stabilization**

	<b>Amount</b>
Property/Possessory Interest Tax	\$8,332,000
Annualized Transfer Tax	\$3,953,000
Gross Receipts Taxes	\$3,300,000
Property Tax in-lieu of MVLF	\$1,375,000
Sales Tax	\$501,000
Utility User and Access Line Tax	\$348,000
Business Registration and Commercial Rents	\$399,000
Parking Tax	\$42,000
<i>Annual Unadjusted General Fund Revenues</i>	<i>\$18,250,000</i>
<i>(Less) General Fund Baseline Requirements</i>	<i>(2,820,000)</i>
<i>(Less) Property Taxes Dedicated to IFD</i>	<i>(\$8,332,000)</i>
<b>Net General Fund Revenues</b>	<b>\$7,098,000</b>

- **Property/Possessory Interest Tax Revenues** – It is estimated that property/possessory interest taxes will represent the largest single source of General Fund revenue to be generated by the Project, totaling an estimated \$8.33 million per year. Per the City and County of San Francisco’s Controller’s Office, the San Francisco General Fund receives 64.5882%<sup>5</sup> of the 1% property/possessory interest taxes levied on the Property. Property/possessory interest taxes are based on the incremental assessed value of development. The property’s current assessed value is zero. Per the Draft Term Sheet,

<sup>5</sup> Comprised of 55.5882% base allocation to the General Fund and 9% allocation to the Children’s Services, Library Services, and Parks funds.

100% of the property tax/possessory interest taxes will be dedicated to the IFD to fund the Project's infrastructure costs and will therefore not be available to fund ongoing General Fund service costs.

The Project's assessed value has been estimated using both a cost approach and an income approach. Under the cost approach, assessed value is conservatively based on the sum of imputed land value, hard construction costs and 50% of soft construction costs. Under this approach, the project's assessed value is estimated at \$1.26 billion. Under the income approach, assessed value is based on the capitalized value of the Project's income stream. Based on the Project's projected net operating income of \$67.4 million per year, its assessed value is estimated at \$1.32 billion. The average of these two approaches is \$1.29 billion, which has been assumed in this analysis. Please refer to Appendix B Table 5 for the calculation of the Project's assessed value.

- **Annualized Transfer Taxes** – The Developer anticipates selling the buildings on the SWL in January 2032 and the improvements on the Pier in June 2035. These sales will generate transfer tax revenues at the time of the sales. While sales and transfer taxes will occur infrequently, for purposes of this analysis, these “lumpy” revenues have been converted into an imputed average annualized revenue stream by assuming a 5% average annual turn-over rate and that all commercial real estate transactions will be over \$25 million. Please refer to Appendix B Table 13 for the calculation of annualized transfer taxes.
- **Gross Receipt Taxes** – The third largest source of General Fund revenue to be generated by the Project will be gross receipts taxes. The City and County of San Francisco currently imposes a graduated tax on gross receipts. Gross receipts have been estimated based on employment estimates and output figures generated by the RIMS II model. Office gross receipt estimates reflect the assumption that 50% of receipts are generated by San Francisco activity and are subject to the tax. The Project's office tenants will also generate Homeless Gross Receipts taxes on annual revenues exceeding \$50 million. Please refer to Appendix B Table 10 for the calculation of gross receipt and homeless gross receipt taxes.
- **Property Tax In-Lieu of Motor Vehicle License Fees** – The City receives an allocation of property tax revenues in lieu of motor vehicle license fee revenues from the State based on the growth of Citywide assessed property values. In accordance with SB 1096 and data from the California State Controller's Office, projected revenue from the Project is based on the Project's assessed value. Please refer to Appendix B Table 7 for the calculation of the property tax in-lieu of motor vehicle license fee revenues.
- **Business Registration Fees and Commercial Rents Taxes** – Annual business registration fees have been estimated based on the estimated annual business gross receipts. Commercial rent tax revenues have been estimated based on the Developer's anticipated rental income from office tenants and a 15% allocation to the General Fund. It

has been assumed that the retail businesses will be “non-formula” establishments that are exempt from the tax. Please refer to Appendix B Tables 11 and 12 for the calculation of revenues.

- **Sales Tax Revenues** – Sales tax revenues will be generated by the Project’s retail and restaurant businesses and the retail expenditures of Project residents and employees at retail establishments throughout San Francisco. Resident spending estimates are based on statewide expenditure patterns and the estimated income of residents. The spending estimates differentiate between market rate and affordable units. Employee expenditures reflect the assumption that office employees work on-site an average of three days per week. Please refer to Appendix Tables 8 and 9 for the calculation of sales tax revenues to be generated by the Project.
- **Utility User and Access Line Tax Revenues** – Utility user and access line tax revenues to be generated by Project residents and businesses have been estimated based on City and County of San Francisco per capita budget factors for FY 2023/24. Please refer to Appendix B Table 14 for the calculation of utility user and access line tax revenues.

## 2. Annual ADR and Baseline Transfer Revenues

Per the City’s Charter, 28.43% of annual General Fund revenues are transferred to specific funds. The Project is anticipated to annually generate \$2.8 million of baseline transfer revenues.

**Table 5. Estimated Annual Other City/County Fund Revenue Upon Stabilization**

	<b>Amount</b>	<b>% Allocation from GF Discretionary</b>
Municipal Transit Agency (MTA)	\$912,000	9.1930%
Children’s Services Fund	\$869,000	8.7600%
Library Preservation Fund	\$227,000	2.2860%
Early Care and Education Baseline	\$209,000	2.1035%
Housing Trust Fund	\$108,000	1.0931%
Recreation and Parks	\$187,000	1.8887%
Dignity Fund	\$137,000	1.3785%
Student Success Fund	\$120,000	1.2148%
Street Trees	\$51,000	0.5154%
<b>Total</b>	<b>\$2,820,000</b>	<b>28.4330%</b>

Please refer to Appendix B Table 15 for the calculation of ADR and baseline transfer revenues

## 3. Annual General Fund Service Costs

Upon buildout, the annual cost to provide municipal services to the Project is estimated to total \$4.62 million. The breakdown of expenditures by departments is shown in the following Table.



**Table 6. Annual Project-Generated General Fund Service Costs**

<b>Department</b>	<b>Estimated Annual Department Service Costs</b>
Community Health	\$551,000
Police Protection	\$1,270,000
Fire Protection	\$923,000
Other Protection	\$307,000
Public Works, Transportation & Commerce	\$428,000
Human Welfare and Neighborhood Development	\$785,000
Culture and Recreation	\$99,000
General Administration and Finance	\$169,000
General City Responsibilities	\$90,000
Total Annual General Fund Expenses	\$4,662,000

The cost estimates have been derived based on the application of current citywide service cost factors to the Project's projected service population upon buildout. Citywide per capita service cost factors have been estimated based on the portion of each department's budget that is linked to population and employment growth. Based on prior fiscal impact analyses conducted for the City of San Francisco, it has been estimated that the portion of department budget that are driven by the growth of population is 100% for police and fire departments, 90% for the public works, transportation and commerce department, and 25% for all other departments. Consistent with other recent fiscal impact analyses prepared for the City, it has been assumed that the service population of the City (and of the Project) is equivalent to 100% of residents plus 50% of the number of employees. The 50% factor is in recognition that employees do not require the same level of services as do residents and that a portion of employees are also residents.

The Developer and future owners will be responsible for maintaining all Project improvements, including public plazas. Maintenance to be provided by the Developer/owner will be consistent with all Port standards. The Developer is not aware of any new publicly owned improvements that will be constructed by the Project for which the Port or City will be obligated to maintain or operate. Please see Appendix B Table 17 for the calculation of the Project's annual General Fund Service costs.

## **B. Financial Benefits to the Port of San Francisco**

A primary benefit to the Port is securing a developer to undertake the \$462 million of improvements necessary to reconstruct the piers and strengthen the seawall.

Direct ongoing annual revenues from the Project to the Port will consist of lease revenues. And because the Port is conveying the property to the Developer through long-term ground leases,

the ownership and value of the entire property, including the office and residential units to be constructed by the Developer, will revert to the Port upon the expiration of the ground leases.

## 1. Lease Revenues

It is anticipated that two ground leases will be executed for the SWL property – Phase 1 and Phase 2. Annual base rent on SWL 330 and Piers 30-32 will be \$600,000 (\$300,000 for each phase) and \$900,000, respectively (with escalations). During construction, the annual rent will be reduced to \$150,000 for SWL 330 and \$200,000 for Piers 30-32. Ground rent will increase based on the CPI (limited to 2 to 6 percent annually) every five years. Construction rent on SWL 330 leases will be effective from the execution of the lease until the issuance of a certificate of occupancy, up to a maximum of 36 months. Construction rent on the Piers 30-32 lease will be effective from the execution of the lease until the issuance of a certificate of occupancy, up to a maximum of 60 months.

If a site permit for Piers 30-32 is not approved within 24 months of completion of the first residential building, the total base rent will increase to \$1.8 million per year (plus CPI adjustments), with \$900,000 apportioned to Phase 1 and \$900,000 apportioned to Phase 2. If at any time the Developer receives a site permit for Piers 30-32, base rent will return to \$600,000 annually with CPI adjustments. The table below summarizes the Ground lease terms for each of the four sites:

**Table 7. Piers 30-32 and SWL 330 Ground Lease Terms**

<i>Site</i>	<i>Term</i>	<i>Base Rent</i>	<i>Construction Rent</i>	<i>Additional Terms</i>
<b>SWL 330 Phase 1</b>	75 years	\$300,000	\$75,000 (up to 36 months)	Rent increases to \$900,000 annually if performance benchmarks not met
<b>SWL 330 Phase 2</b>	75 years	\$300,000	\$75,000 (up to 36 months)	Rent increases to \$900,000 annually if performance benchmarks not met
<b>SWL 330 Affordable Site</b>	75 years	\$0	\$0	
<b>Piers 30-32</b>	66 years	\$900,000	\$200,000 (up to 60 months)	

Base ground lease payments over the 66-year ground lease term for the pier property and the 75-year term for the SWL property are anticipated to total \$265 million in nominal dollars, or \$71 million in uninflated dollars. The ground rent on the affordable housing site will be \$0.

**Table 8. Anticipated Base Ground Lease Revenues to the Port**

	<i>Nominal Dollars</i>	<i>Uninflated Dollars</i>
Piers 30-32 Ground Lease	\$129,474,000	\$37,053,000
SWL 330 Leases	\$135,425,000	\$34,018,000
Total	\$264,899,000	\$71,071,000

In addition to base lease revenues, the Port is eligible to receive two forms of participation payments. The first component is a participation payment equal to 20% of net sales or refinance proceeds after the Project generates a return on equity in excess of 18% from the first sale or refinancing resulting in the repayment of project equity. The Project is not anticipated to achieve the 18% threshold and therefore not anticipated to generate this form of participation revenue to the Port. The second component is participation in subsequent resales or refinances of vertical improvements. The Port will receive participation payments equal to 1.5% of net proceeds (gross proceeds less outstanding debt, equity and transaction costs). Given that the timing of future resales/refinances is unknown, this analysis has conservatively modeled a scenario in which the pier improvements will experience a resale in year 2065, which is 30 years after the Developer's estimate of the initial sale and prior to the lease expiration in 2091. It has been assumed that the SWL improvements will sell in year 2062 and again in year 2092, which reflect 30-year hold periods until the SWL ground lease expires in 2100. It has been assumed that outstanding debt has fully been retired and equity recovered during the 30-year hold periods. Under this scenario, it is estimated that participation payments to the Port from resales will approximate \$127.5 million if inflated dollars, or \$28.8 million in uninflated dollars.

**Table 9. Anticipated Participation Payments to the Port from Resales/Refinancings**

	<i><b>Nominal Dollars</b></i>	<i><b>Uninflated Dollars</b></i>
Piers 30-32 (one resale until ground lease expires in 2091)	\$42,700,000	\$12,700,000
SWL 330 (two resales until ground lease expires in 2100)	\$84,800,000	\$16,100,000
Total	\$127,500,000	\$28,800,000

## **2. Reversion Value upon the Expiration of the Leases**

When the leases on the Pier and SWL properties expire, the ownership of the property, including all vertical improvements will revert to the Port. While the future value of the Project at the lease termination date has not been evaluated, the value of the improved property upon completion is estimated at approximately \$1.29 billion.

## **3. Additional Benefits to the Port**

The Project will provide a range of public benefits including publicly accessible waterfront space, maritime uses, revenue generation, and significant resilience and infrastructure improvements. Through the Project, the Port will redevelop existing surface parking lots into major mixed-use buildings with seismically strengthened infrastructure built to protect against sea level rise. Additionally, the Project will activate the South Beach waterfront area through on-site retail space and aquatic activities. Subject to all necessary approvals and completion, the Project will achieve seven of the Port's Strategic Plan objectives: 1) economic recovery; 2) resilience; 3) evolution; 4) engagement; 5) equity; 6) sustainability; and 7) productivity.

### C. Economic Benefits to the City of San Francisco

It is estimated that the Project's businesses will create approximately 1,860 permanent jobs and over \$203 million of annual wage earnings. The construction of the Project will generate approximately 4,100 job years of construction jobs, and over \$335 million of construction wages. In addition to the direct employment, wages, and tax revenues to be generated by the Project, the new businesses and the employees will support other businesses in San Francisco. Including indirect and induced impacts, the Project's operations are estimated to support the creation of over 2,600 new jobs in San Francisco and over \$267 million of new wage earnings. Please see Appendix B Table 19 for the calculation of economic benefits to be generated by the Project.

### D. One-Time Construction Revenues to the City of San Francisco.

The construction of the Project will also generate one-time revenues to the City of San Francisco. Sales and use tax revenues from the purchase of construction materials are estimated to total \$8.4 million, with \$6.0 million accruing to the General Fund and \$2.4 million accruing to Baseline transfer funds. Additionally, the Project will generate a total of \$70.1 million of development impact fee revenues. Impact fee revenues are restricted revenues to mitigate the impacts created by the Project and are not available for General Fund expenditures.

### E. Fiscal Benefits to Other Taxing Agencies

Other taxing agencies will receive a direct financial benefit from a portion of the Project's annual property taxes, as follows:

**Table 10. Non-City Taxing Agency Benefit**

	<i><b>Percent of Base 1% Property Tax Levy</b></i>	<i><b>Estimated Annual Property Tax Revenues</b></i>
San Francisco Community College District	1.44%	\$186,000
San Francisco Unified School District	7.70%	\$993,000
County Office of Education	0.10%	\$13,000
Bay Area Air Quality Management District	0.21%	\$27,000
Bay Area Rapid Transit District	0.63%	\$82,000
Educational Revenue Augmentation Fund (ERAF)	25.33%	\$3,268,000
Total Property Tax Revenues to Non-City Agencies	35.41%	\$4,568,121

## IV. COST OF CONSTRUCTION AND AVAILABLE FUNDING

### A. Cost of Construction

The Project's development costs are anticipated to exceed \$1.65 billion<sup>6</sup>, comprised of \$1.12 billion of improvements on Piers 30-32 and \$0.53 billion of improvements on SWL 330. The cost to replace the piers and stabilize the seawall is anticipated to total \$462.1 million.

**Table 11. Summary of Project Costs (\$millions)**

	<b><i>Piers</i></b>	<b><i>SWL 330</i></b>	<b><i>Total</i></b>
<b><i>Vertical Development</i></b>			
Hard Costs	\$449.1	\$417.8	\$866.9
Soft Costs/ Impact Fees	\$169.0	\$82.6	\$251.6
Financing Costs	\$38.1	\$23.2	\$61.3
<b><i>Total Vertical Costs</i></b>	<b><i>\$656.3</i></b>	<b><i>\$523.6</i></b>	<b><i>\$1,179.9</i></b>
<b><i>Horizontal Costs</i></b>			
Entitlement Costs	\$0.0	\$10.0	\$10.0
Horizontal Costs	\$462.1	\$0.0	\$462.1
Financing Costs	\$0.0	\$0.0	\$0.0
<b><i>Total Horizontal Costs</i></b>	<b><i>\$462.1</i></b>	<b><i>\$10.0</i></b>	<b><i>\$472.1</i></b>
<b>Total Development Costs</b>	<b>\$1,118.3</b>	<b>\$533.6</b>	<b>\$1,652.0</b>

### B. Available Funding for the Project

Identified funding sources for the Project currently total \$1.53 billion. As shown in the following chart, it is expected that the Project will support \$854.2 million of private debt and \$523.1 million of private equity that will not subject to reimbursement by IFD revenues or other grant funds, yielding a combined total of \$1.38 billion of private funds. The Project's \$1.18 billion of vertical improvement costs will be fully funded by a combination of private debt and equity, leaving a balance of \$197 million of available equity for infrastructure and entitlement costs. It is anticipated that the \$462.1 million of pier infrastructure and seawall improvements will be funded with \$187.5 million of permanent equity, an additional \$71.4 million of equity to be advanced by the Developer but reimbursed by CFD/IFD revenues, \$78.2 million of CFD bond proceeds<sup>8</sup>, and \$125 million of additional funding that has not yet been secured.

<sup>6</sup> The development budget excludes the cost of developing the stand-alone affordable housing development with 94 units. While the Developer will be providing the development site, a non-profit developer partner will develop the affordable project.

<sup>8</sup> Debt service on the CFD bonds will be funded with property tax and possessory interest taxes allocated to the IFD.

**Table 12. Anticipated Sources of Funds (\$millions)**

	<i>Piers</i>	<i>SWL</i>	<i>Total</i>
Construction Loan	\$534.1	\$320.2	\$854.2
CFD with IFD paying Debt Service	\$78.2	\$0	\$78.2
Equity Funds to be reimbursed by additional CFD/IFD	\$71.4	\$0	\$71.4
Equity Funds not subject to reimbursement	\$309.6	\$213.4	\$523.1
Total Identified Funds	\$993.3	\$533.6	\$1527.0
Total Funds Needed	\$1,118.3	\$533.6	\$1652.0
Additional Funds Needed for Infrastructure (Financial Gap)	\$125.0	\$0	\$125.0

Potential sources to fund the \$125 million gap include the following:

- Additional private investment supported by improved market conditions
- Federal and/or State funds for resilience, waterfront infrastructure, or affordable housing
- Reductions or adjustments to the amount of local development impact fees to be paid by the Project
- Waiving or adjusting the City Transfer Tax
- Dedication of other local tax revenues to be generated by the Project
- Coastal Conservancy Grant Funding

While the Developer and Port staff have not identified the exact mix of funds to close the \$125 million infrastructure feasibility gap at this time, the team believes that it will be able to secure these funds by the time the Piers 30-32 side of the Project is ready to commence construction.

Per the Project's anticipated financing plan, the portion of the Project to be built on SWL 330 will be fully funded by private debt and equity, will not require any public investment, and will be able to proceed independently from the improvements to Piers 30-32.

Port 1/17/2024

Section	Provision	Summary of Terms
	Introduction	
1	Parties	<p>Port: City and County of San Francisco (the "City"), acting by and through its Port Commission.</p> <p>Developer: Strada TCC Partners LLC, a Delaware limited liability company ("Strada TCC"), or other entity controlled by Strada Principals, LLC.</p>
2	Premises or Site	<p>Pier 30-32: Approximately 574,000 square foot (about 13 acre) pile-supported structure along The Embarcadero roadway as depicted on Exhibit A.</p> <p>Seawall Lot (SWL) 330: Approximately 101,330 square foot (about 2.3 acre) portion of Seawall Lot 330, excluding Watermark Building site, that fronts The Embarcadero roadway and is bounded by Beale and Bryant Streets as depicted on Exhibit A.</p>
3	Proposed Development Program	<p>Exhibit B describes all aspects of the Development Concept, including:</p> <ul style="list-style-type: none"> <li>• SWL 330 Program</li> <li>• Piers 30-32 Program</li> <li>• Affordable Housing Program</li> <li>• Maritime Uses</li> <li>• Waterfront Recreation and Public Open Space</li> <li>• Pier and Resilience Infrastructure Improvements</li> <li>• Project Phasing</li> </ul>
4	Total Development Cost and Sources of Funding	<p>Strada TCC financial capacity and financial assurances for completion of construction of improvements.</p> <p>Intended sources include:</p> <ul style="list-style-type: none"> <li>• CFD Mello-Roos funding backed by a dual pledge of special taxes and IFD tax increment</li> <li>• Federal and State Grant affordable housing funding (for standalone affordable, if necessary)</li> <li>• 4% Tax Credits (LIHTC) and tax-exempt bond financing for the stand-alone Affordable project</li> <li>• Resiliency funding from local, state and/or federal sources</li> <li>• Developer equity (at least 20 percent) and debt to fund Project costs</li> <li>• Potential PUC infrastructure funding for shoreside power</li> </ul> <p>Parties will identify appropriate financial terms, fees, and penalties, if any, to ensure the successful completion of all phases of the Project.</p>
4.1	Infrastructure Financing Structure	<ul style="list-style-type: none"> <li>• Establishment of IFD comprising the Site</li> <li>• Strada TCC to receive 100 percent of available IFD revenue (capture of 65 percent of ad valorem taxes with up to 90 percent with State authorization), including pay-as-you-go incremental</li> </ul>

Section	Provision	Summary of Terms
		<p>revenues for reimbursement of agreed-upon substructure, public improvements, and associated costs (unimproved land)</p> <ul style="list-style-type: none"> <li>• Strada TCC to receive ongoing pay-as-you-go ad valorem and Special taxes to fund infrastructure costs, including those released after meeting debt service coverage requirements, for reimbursement of horizontal improvements</li> <li>• Strada TCC plans to dedicate ongoing pay-as-you-go taxes to fund operations and maintenance of the pool and other public facilities to subsidize programming in support of its DEI plan</li> <li>• Community Facilities District (Mello-Roos) covering the entire site will serve as bridge to IFD; the CFD will be sized to match projected tax increment amounts, and tax increment will serve as a credit to CFD Special Tax payments</li> <li>• Issuance of CFD bonds with a pledge of IFD revenues as a source for debt service; Strada TCC and its transferees and assignees agree to not appeal any assessment once Baseline Assessed Value is established. Developer will include in all its leases a similar provision prohibiting its tenants from appealing any assessment once Baseline Assessed Value is established</li> <li>• If Strada TCC does not file for a Site Permit or complete construction of Phase 3 within the timeframes described in Exhibit C. Schedule of Performance, as amended by extensions set forth in Section 9 and any force majeure events, herein: <ul style="list-style-type: none"> <li>○ Strada TCC forfeits its rights to any IFD and CFD revenues</li> <li>○ The Port may directly use these sources to fund infrastructure improvements at the Piers 30-32 site (including demolition, seawall strengthening, and reconstruction of the piers)</li> </ul> </li> </ul>
5	LDDA and Ground Leases	<p>The primary Transaction Documents will consist of:</p> <ul style="list-style-type: none"> <li>• Lease Disposition and Development Agreement between the Port and Strada TCC for the Site (LDDA)</li> <li>• Up to Four Separate Ground Leases (Waterfront Site, Up to two (2) Seawall Lot Market Rate Sites, Seawall Lot Affordable Site) between the Port and Strada TCC Partners</li> <li>• Potential for a Master Lease or Construction License to facilitate demolition of the existing Piers 30-32 and seawall improvements</li> <li>• Ground leases to be conveyed on a phased basis after satisfying conditions such as: <ul style="list-style-type: none"> <li>○ Conditions to executing, incl. Strada TCC's evidence of financing, issuance of all permits</li> <li>○ Financial security for construction of improvements on Site</li> <li>○ As-is delivery by Port of Site</li> <li>○ Termination of existing leases/encumbrances</li> </ul> </li> </ul>



Port 1/17/2024

Section	Provision	Summary of Terms
		<ul style="list-style-type: none"> <li>○ Additional conditions as further described below in this term sheet and as set forth in the form ground lease attached as an exhibit to the RFP.</li> <li>• LDDA effective upon final and non-appealable action by Board of Supervisors (“Effective Date”)</li> <li>• Parties intend to pursue approval of a Development Agreement (DA) that will provide that project will be exempt from future development impact fees or increases to existing development impact fees</li> </ul>
6.1	Seawall Lot 330 Market Rate Site Ground Lease Terms	<ul style="list-style-type: none"> <li>• As-is condition</li> <li>• Term: 75 years</li> <li>• Construction Rent: <ul style="list-style-type: none"> <li>○ Reduced rent of \$150,000 annually owed during construction from the execution of the Ground Lease until the issuance of a certificate of occupancy up to a maximum of 36 months</li> <li>○ Increases based on CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution</li> </ul> </li> <li>• Base Rent: <ul style="list-style-type: none"> <li>○ \$600,000 annually</li> <li>○ Increases based on CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution</li> <li>○ Increases every 5 years after execution based on CPI growth with a floor of 2% per year and a cap of 6% per year</li> <li>○ In the event the Site Permit for the Piers 30-32 site has not been approved 24 months after the completion of Phase 1, then Base Rent will increase to \$1,800,000 annually (“Non-Performance Rent”), with CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution</li> <li>○ Non-Performance Rent will end, and Base Rent will return to \$600,000 annually (adjusted for CPI) if Strada TCC receives an approved Site Permit for the Piers 30-32 site and reaches all future Piers 30-32 milestones within Schedule of Performance timelines</li> </ul> </li> <li>• Phasing <ul style="list-style-type: none"> <li>○ Strada TCC has the right, but not the obligation, to develop the market rate residential portion of the SWL in two separate phases per phasing diagram on Exhibit C. Project Phasing. In event of phased delivery, rent will be apportioned with 50 percent allocated to each of the two phases</li> </ul> </li> </ul>

Port 1/17/2024

Section	Provision	Summary of Terms
		<ul style="list-style-type: none"> <li>• Other               <ul style="list-style-type: none"> <li>○ Strada TCC solely responsible for operation, maintenance, and repair obligations for the term of the Ground Lease</li> <li>○ Return of premises in good condition at end of Lease term</li> <li>○ Obligation to demolish all facilities at end of Lease term if requested by Port</li> <li>○ The parties will continue to explore the possibility of fee title transfer</li> <li>○ Transfer fee covenant on every individual unit if residential units offered for sale.</li> </ul> </li> </ul>
6.2	Piers 30-32 Ground Lease Terms	<ul style="list-style-type: none"> <li>• As-is condition</li> <li>• Term: 66 years</li> <li>• Construction Rent:               <ul style="list-style-type: none"> <li>○ Reduced rent of \$200,000 annually owed during construction from the execution of the Ground Lease until the issuance of a certificate of occupancy up to a maximum of 60 months</li> <li>○ Increases based on CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution</li> </ul> </li> <li>• Base Rent:               <ul style="list-style-type: none"> <li>○ \$900,000 annually</li> <li>○ Increases based on CPI growth with a floor of 2% per year and a cap of 6% per year from LDDA execution to Ground Lease execution</li> <li>○ Increases every 5 years after execution based on CPI growth with a floor of 2% per year and a cap of 6% per year</li> </ul> </li> <li>• Other               <ul style="list-style-type: none"> <li>○ Operation, maintenance, and repair obligations solely responsibility of Strada TCC or its successor(s) or assign(s)</li> <li>○ Dredging obligations of the East Berth responsibility of Port</li> <li>○ Return of premises in good condition at end of Lease term</li> <li>○ Obligation to demolish all facilities at end of Lease term if requested by Port</li> <li>○ Leasehold mortgage and mortgagee protection provisions</li> </ul> </li> </ul>
6.3	Seawall Lot 330 Affordable Site Ground Lease Terms	<ul style="list-style-type: none"> <li>• As-is condition</li> <li>• Term: 75 years</li> <li>• Rent: \$0 annually</li> <li>• No right to assignment without Port approval in its sole discretion before completion of Project; reasonable approval after completion of Project. Reasonable approval for subletting</li> <li>• Fee title transfer potential</li> </ul>

Port 1/17/2024

Section	Provision	Summary of Terms
		<ul style="list-style-type: none"> <li>• Operation, maintenance, and repair obligations solely responsibility of tenant</li> <li>• Return of premises in good condition at end of Lease term</li> <li>• Obligation to demolish all facilities at end of Lease term if requested by Port</li> </ul>
7	Participation Structure	<ul style="list-style-type: none"> <li>• First Sale/Refinance by Strada TCC: Port to receive participation on sale (or refinancing resulting in the repayment of project equity) equal to 20% of net proceeds after Strada TCC has achieved an 18% IRR</li> <li>• Port and Strada TCC to develop a methodology to ensure that, in the event that Strada TCC decides to finance the project with more than 50% equity, the portion above 50% will be treated like debt for purposes of calculating Port's participation. Debt costs will be established through a market-based solicitation of debt quotes.</li> <li>• Port to receive participation on any subsequent sale or refinancing equal to 1.5% of net proceeds (gross proceeds less outstanding debt, equity, and transaction costs).</li> </ul>
8	LDDA Term and Extension Fee	<ul style="list-style-type: none"> <li>• LDDA term is anticipated to be 180 months (15 years).</li> <li>• Strada TCC may extend the time for Execution of any Ground Lease or extend a performance milestone under a Ground Lease for the following fees (the "LDDA fee") as consideration for having exclusivity over the Premises during the LDDA Term: <ul style="list-style-type: none"> <li>○ Initial two (2) six-month increments upon the payment of \$50,000 for each six-month extension period</li> <li>○ Additional two (2) six-month increments upon the payment of \$200,000 for each six-month extension period</li> <li>○ LDDA fees will not be prorated</li> </ul> </li> <li>• In addition, the LDDA will have force majeure provisions that will provide for schedule relief due to regulatory delays outside of Strada TCC control.</li> </ul>
9	LDDA Termination Fee and Assignment of Project Materials	If the LDDA terminates before the first transfer of Ground Lease, due solely to a Tenant event of default, Port shall be entitled to retain any Payment Advances previously paid to Port, and upon request, Developer shall assign to the Port its Project Materials and Structural Materials, consistent with the requirements of the ENA, and any and all Project entitlements received as of the termination date.
10	Period to Complete Construction	The LDDA will require Tenant to diligently pursue construction of the Project to completion, and will also provide that it will be an event of default if Developer suspends or abandons work on the Project for more than 180 consecutive days (subject to extension for force majeure events). The LDDA will also include

Section	Provision	Summary of Terms
		<p>a schedule of performance, attached as Exhibit C, that includes outside dates for site permit filing, commencement of construction, and construction completion, subject to force majeure extension.</p> <p>The LDDA will also require delivery of a Completion Guaranty or payment and performance bonds (as more particularly described in Section 14 below) that will secure Tenant's construction obligations.</p>
11	Reimbursement of Port's Transaction Costs	Developer will reimburse Port for all of Port's direct transaction costs, including, but not limited to, Port and City Attorney staff time, incurred during the term of the LDDA, including any extension periods based on the direct costs incurred by the Port. The LDDA will include procedures and reporting requirements that are generally consistent with the cost estimate and payment advance structure set forth in the ENA, including provisions relieving Developer from payment obligations for untimely invoices ( <i>e.g.</i> , more than fourteen months for Port staff costs). Accrual of new reimbursable transaction costs shall cease upon a date on or near the project closeout date and to be agreed upon by Port and Developer prior to the issuance of the final Project Certificate of Completion. Developer's obligation to reimburse the Port for accrued unpaid transaction costs shall survive the expiration, termination, or issuance of the Certificate of Completion.
13	Performance and Payment Bond	Upon Port's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed, Tenant may provide the Port with a Completion Guaranty for the Project from an entity satisfying minimum net worth requirements to be defined in the LDDA in lieu of a Payment and Performance Bond from Developer's General Contractor, before commencement of construction under Port-issued building permits, guarantying completion of construction of the proposed improvements to the Premises, including timely performance of construction of the improvements, and timely payment of all construction materials and labor, and all applicable fees.
14	Deposits	On or before execution of the Lease, Tenant shall provide the Port with a security deposit for performance under the Lease in an amount equal to two months of then current Base Rent due under the Lease.
15	Payment of Impositions	Tenant shall pay when due all impositions, such as real and personal property tax, possessory tax, licensee fees, or periodic permits, as applicable.
16	Uses	Tenant may use the Premises for uses consistent with the Development Concept (collectively, the "Permitted Uses"), and for no other uses without the prior written consent of the Port, not to be unreasonably withheld, conditioned or delayed, and further subject to Section 31 below (Public Trust consistency).

Port 1/17/2024

Section	Provision	Summary of Terms
17	As-Is Condition	Premises will be delivered in its as-is condition. Port will provide or make available to Tenant all prior studies and reports in its possession pertaining to the Premises in advance of executing the LDDA.
18	Assignment and Transfer	<p>Strada TCC has the right to capitalize the project with outside investor(s) without Port approval so long as Strada TCC maintains controlling interest and maintains a minimum of a 2 percent equity investment in the project.</p> <p>Port to have reasonable approval over assignment/transfer of Strada TCC controlling interest for project phases governed by ground leases that have not yet been executed, or if underway, have not received certificate of occupancy.</p>
19	Leasehold Financing	<p>Tenant has the right to obtain construction financing, other interim financings, and permanent take-out financing from bona fide institutional lenders for the development of the Project that will be secured by Tenant's leasehold interest. Financing must not:</p> <ol style="list-style-type: none"> <li>Impair the Port's and Tenant's ability to implement the public financing scheme as contemplated in Section 4 (Total Development Cost and Sources of Funding),</li> <li>Impose conditions upon Port unless agreed to by Port in its sole discretion, subject to leasehold mortgagee provisions included in the LDDA/Ground Lease generally consistent with such provisions in other Port ground leases for comparable projects, or</li> <li>Encumber Port's fee interest in the Premises.</li> </ol>
20	Maintenance and Repair of all components of the Project	Unless Port elects to perform any maintenance itself, sole responsibility of Tenant and consistent with all Port standards. Port will have no maintenance obligations with respect to the Project.
21	Utilities	Port makes no representation regarding existing utilities (including water and sewer) or need to construct new utilities (including water and sewer) or relocate existing utilities (including water and sewer) for development of the Project. Sole responsibility of Tenant.
23	Hazardous Materials	Sole responsibility of Tenant, provided Tenant will not be responsible for any pre-existing hazardous materials so long as they are not released or exacerbated by Tenant or its agents or invitees or due to the Project.
24	Possessory Interest and Other Taxes	Tenant will be required to pay possessory interest taxes on the assessed value of its leasehold interest on the date of any Lease. Tenant also will be required to pay other applicable city taxes, including parking, sales, and payroll taxes, and special assessments imposed under applicable CFDs.
25	No Subordination of Fee Interest or Rent	Under no circumstance will Tenant place or suffer to be placed any lien or encumbrance on Port's fee interest in the Premises. Port will not subordinate its interest in the Premises nor its right to receive rent

Port 1/17/2024

Section	Provision	Summary of Terms
		to any mortgagee, whether such mortgagee is a public entity or private party.
26	Insurance Requirements	<p>Throughout the term of the Lease, Tenant must maintain insurance in amounts and with limits determined appropriate by the Port and with carriers acceptable to the Port in consultation with the City's Risk Manager.</p> <p>Insurance will include (but is not limited to): commercial general liability; workers' compensation; property insurance; automobile liability; personal property; business interruption; builder's risk; pollution legal liability and various maritime coverages, if applicable.</p> <p>The Port and City must be named as additional insureds/loss payees. Insurance will include waivers of subrogation.</p>
27	Trust Consistency	The Project and all uses will be consistent with the public trust, Burton Act, SB 815, AB2797, SB 273, and any other relevant laws as applicable.
28	Regulatory Approval	Tenant is responsible for obtaining all regulatory approvals, at its sole cost and expense. Port shall reasonably cooperate (for any obligations on Site) in such efforts, including applying as a co-permittee where required so long as Tenant assumes all obligations under the permit at its sole cost and expense. Port shall have sole discretion to approve/disapprove any obligations off-site where Port is a co-permittee.
29	Standard Lease Terms	The Lease will include other lease terms generally consistent with other Port leases on projects of this scale and complexity, including but not limited to force majeure event provisions and as set forth in the form ground lease attached as an exhibit to the RFP.
30	Public Benefits and Diversity, Equity, and Inclusion Initiatives	The DEI Plan and planned public benefits are described in Exhibit D. DEI Plan. The benefit list and its characterization are subject to the mutual determination of the Port and Tenant and Port shall not unreasonably withhold condition or delay its approval.
31	Port Regulatory Authority	Port shall issue building permits for the Project.
32	Impact Fees	<p>Strada TCC payment of all applicable fees, inc. but not limited to Childcare Fee, Affordable Housing Fee(s), Transit Impact Development Fee, Public Art Fee, and others.</p> <p>Strada TCC and Port will pursue opportunities to dedicate fees to costs within the project or reduce fees based on performance in other areas (e.g., both meeting inclusionary target and dedicating land for 100% affordable).</p>
33	Indemnification	Strada TCC to indemnify Port as set forth in the form ground lease attached as an exhibit to the RFP.

Port 1/17/2024

Section	Provision	Summary of Terms
34	Infrastructure Funding Gap	<p>Strada TCC and Port acknowledge the Waterfront Site Project currently projects a \$125 million funding gap. Both parties will work to identify and obtain sources to fill this gap. Potential sources include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Increased Project Revenues</li> <li>• Adjustments or waivers of the City Transfer Tax</li> <li>• Impact Fee reductions or deferred collection</li> <li>• State and local Grants/Payments</li> <li>• Federal or State funding for resilience improvements (e.g., Seawall)</li> <li>• Capture of additional tax increment</li> <li>• Coastal Conservancy Grant Funding</li> <li>• Potential revenue sharing from East Berth activities</li> </ul> <p>If the Parties are successful in raising outside funding to close the infrastructure funding gap, but Strada fails to meet the Phase 3 Schedule of Performance obligation to commence construction, as specified in Exhibit 3, then the Port shall be entitled to an additional tier of participation at sale of SWL projects equivalent to 10% of cash flow after Strada TCC achieves a 15% IRR. If the first sale or refinancing of SWL projects occurs before Phase 3 Schedule of Performance obligations and Strada TCC fails to meet Phase 3 obligations, Strada TCC will owe the additional performance upon the date of failure.</p>

Attached Exhibits:

Exhibit "A," LDDA Boundary

Exhibit "B," Development Concept

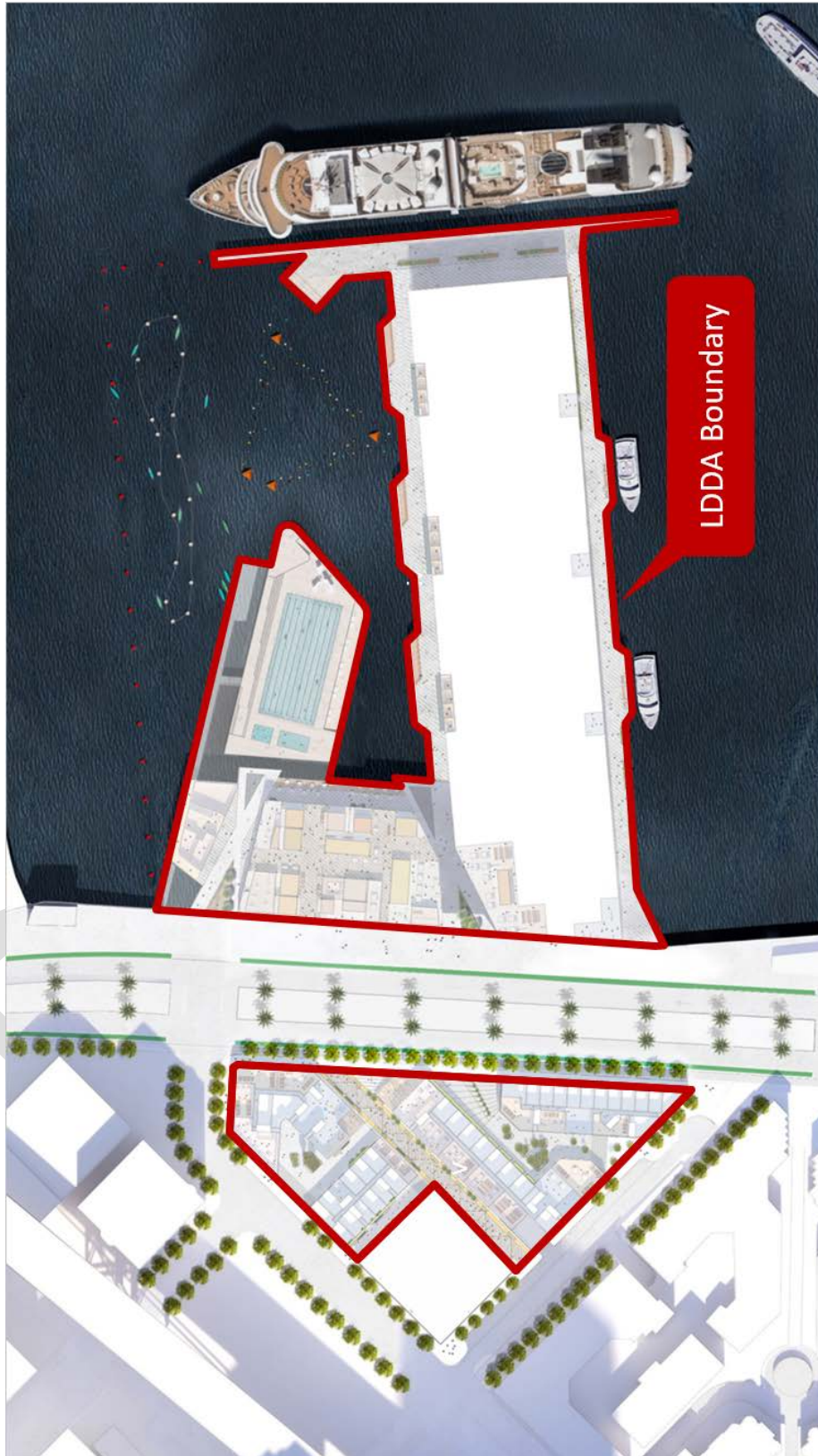
Exhibit "C," Schedule of Performance

Exhibit "D," DEI Plan and Community Benefits

Exhibit "E," SWL 330 Ground Lease Boundaries

**EXHIBIT A. PIERS 30-32 AND SWL 330 LDDA Boundary**





**EXHIBIT B. DEVELOPMENT CONCEPT**

Port 1/17/2024

**Phase 1 – 2 + Affordable Housing Building. SWL 330 Development**

- Projected total of 713 units, including 186 BMR units (26.1%)
- 2 market rate residential buildings totaling 619 units, including 15 percent inclusionary
- Market rate tower assumes use of State Density bonus; alternative design with 105' height limit results in fewer units and potentially larger funding gap
- 1 Affordable Housing building totaling projected 94 units at 55% AMI
- Approximately 13,000 SF of ground floor retail
- Approximately 34,800 SF of publicly accessible ground level open space

**Phase 3. Piers 30-32 Development***Pier and Resilience Infrastructure Improvements*

- Demolition of existing Piers
- Strengthening of Seawall for seismic and sea level rise resilience
- Reconstruction of a single pier
- Strada TCC must construct all horizontal infrastructure in line with requirements and/or guidelines from the Port, Army Corps of Engineers, BCDC, State Lands Commission, or any other governmental agency
- Strada TCC required to fund all costs associated with horizontal infrastructure, may receive funding from sources available in Section 4 or dedicated to infrastructure in the future

*Vertical Improvements*

- Approximately 375,000 GSF office space in Pier Shed with potential for additional 55,000 GSF in mezzanine space within existing first floor
- Approximately 70,000 SF retail space, including a market hall fronting the Embarcadero with publicly accessible restrooms and water bottle filling stations

*Maritime Uses*

A deep water cruise ship terminal built to Port standards that allow for both cruise ship berthing for passenger embarkation and debarkation and emergency/disaster for the Site

*Waterfront Recreation and Public Open Space*

- Publicly accessible aquatic facility with float-in pool of at least, showers, lockers, and other facilities
- Publicly accessible Pier space

All uses and improvements within the Piers 30-32 site must meet the requirements of and be consistent with SB 273.

**EXHIBIT C. SCHEDULE OF PERFORMANCE**

Port 1/17/2024

<b>Performance Benchmarks</b>	<b>Target Performance Date</b>	<b>Performance Date (subject to extension for Excusable Delay)</b>
<b>1. Phase 1 Construction Permit Issuance</b>	<b>18 months post-LDDA execution</b>	<b>24 months post-LDDA execution</b>
<b>2. Phase 1 Construction Commencement</b>	<b>6 months post-Phase 1 Construction Permit Issuance</b>	<b>12 months post-Phase 1 Construction Permit Issuance</b>
<b>3. Phase 1 Construction Completion</b>	<b>24 months post-Phase 1 Construction Commencement</b>	<b>36 months post-Phase 1 Construction Commencement</b>
<b>4. Phase 2 Construction Permit Issuance</b>	<b>30 months post-LDDA execution</b>	<b>48 months post-LDDA execution</b>
<b>5. Phase 2 Construction Commencement</b>	<b>6 months post-Phase 2 Construction Permit Issuance</b>	<b>12 months post-Phase 2 Construction Permit Issuance</b>
<b>6. Phase 2 Construction Completion</b>	<b>24 months post-Phase 2 Construction Commencement</b>	<b>36 months post-Phase 2 Construction Commencement</b>
<b>7. Phase 3 Construction Permit Issuance</b>	<b>12 months post-Phase 2 Completion</b>	<b>24 months post-Phase 2 Completion</b>
<b>8. Phase 3 Construction Commencement</b>	<b>6 months post-Phase 3 Construction Permit Issuance</b>	<b>12 months post-Phase 3 Construction Permit Issuance</b>
<b>9. Phase 3 Construction Completion</b>	<b>30 months post-Phase 3 Construction Commencement</b>	<b>48 months post-Phase 3 Construction Commencement</b>

(\*All dates expire on the last day of the applicable month.)

**EXHIBIT D. DEI PLAN AND COMMUNITY BENEFITS**

- **Swim and Water Sports Access for Underserved Communities:** The pool facility will be controlled and managed by a mission-driven non-profit whose core focus will be to address the racial, gender and economic disparities associated with access to water-oriented sports. There will be a specific focus on increasing swimming proficiency among children of color, where drowning is a leading cause of preventable death and where access to state-of-the-art swim facilities has been historically restricted due to racist policies such as restrictive covenants, redlining and disinvestment in black and brown communities. As part of this effort, Strada will partner with CBOs and city agencies that are already working on bridging the swimming divide (i.e., Boys and Girls Club, YMCA, Rec Park) to make sure we are leveraging the deep capacity that already exists in this area.
- **BIPOC Artisan Retail Program:** Strada will implement a comprehensive program to support BIPOC entrepreneurs for the artisan retail/maker spaces that line the north side of the Pier Shed Building. Strada will make these spaces available on a priority basis to BIPOC entrepreneurs and will provide lease structures that are aligned to maximize potential for success (i.e., below market and/or percentage rent leases). It is anticipated that, for many of the entrepreneurs that lease these spaces, this could be their first “brick and mortar” space. That is one of the reasons we have intentionally designed the spaces on the smaller side – so that we limit the cost of expensive TI buildout and limit operating costs. However, we also intend for the user to be able to occupy the public promenade spaces directly in front of the storefronts to display their goods. This has a twofold benefit: first, it helps to provide the vendor with more display space, but, just as importantly, it helps to activate the promenade. This has the potential to be particularly beneficial on the days that a Cruise Ship is berthed at the Pier when thousands of visitors will be disembarking and walking right by these spaces.

Finally, we see these spaces on the Promenade to be an important “feeder” for the Market Hall: as these entrepreneurs demonstrate success and build momentum, the idea would be to transition these businesses into a larger space in the Market Hall. We anticipate working with outside partners, such as SF Black Wallstreet, on this comprehensive program to both source BIPOC entrepreneurs for the promenade spaces and then to assist with capacity building and growth.

We believe this overall approach has strong alignment with Policy 9.1 of the Port’s Racial Equity Action Plan.

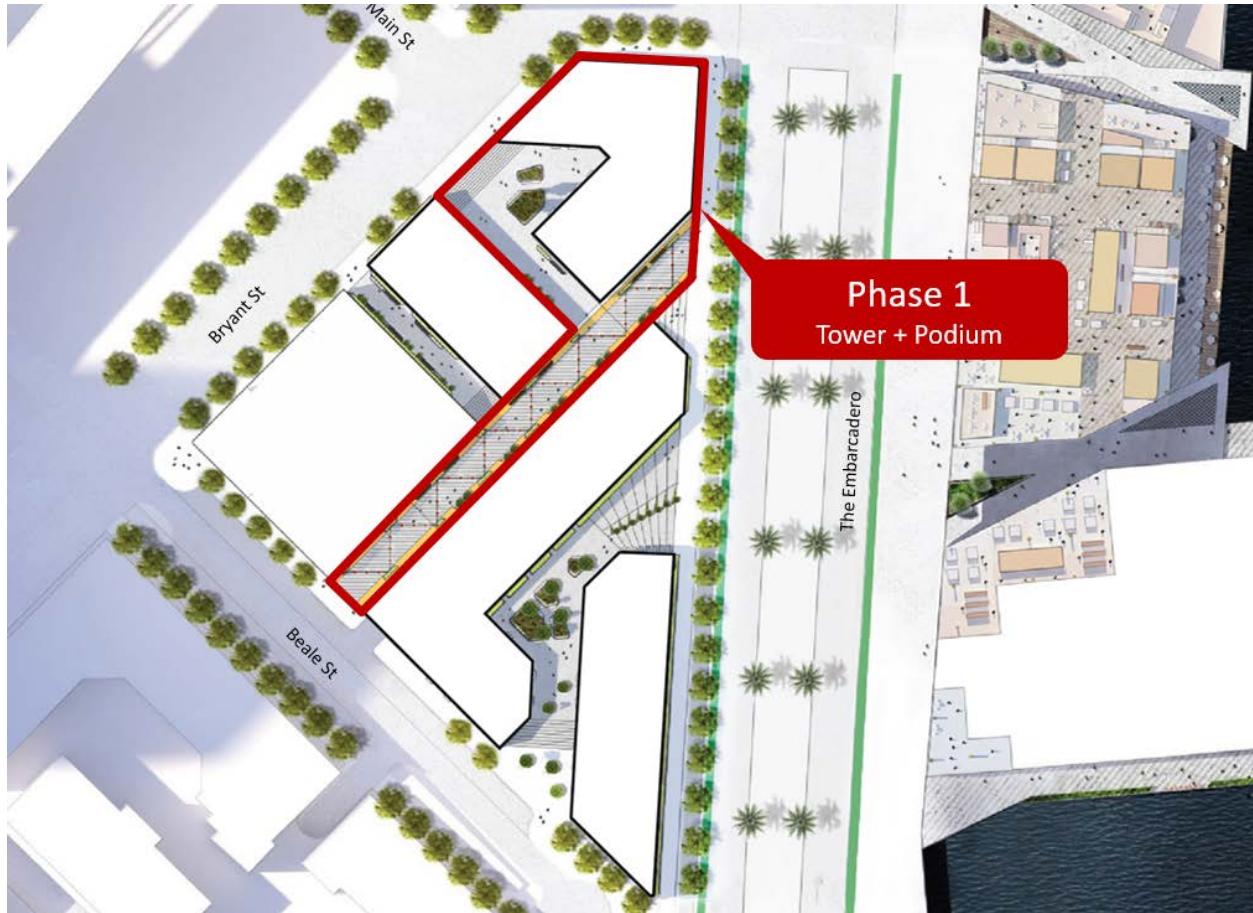
- **Affordable Housing Partnership:** When Strada submitted its response to the RFP, we left the decision open as to who the development partner for the roughly 100-unit stand-alone affordable site would be. We believe that the affordable site represents a strong opportunity to bring in a BIPOC development partner (or team of developers) to execute that component. Following endorsement of the Term Sheet, we would work with the Port and MOHCD, as appropriate, to identify that development partner. We will place a heavy emphasis on BIPOC leadership within the development entities as part of the selection criteria.

Port 1/17/2024

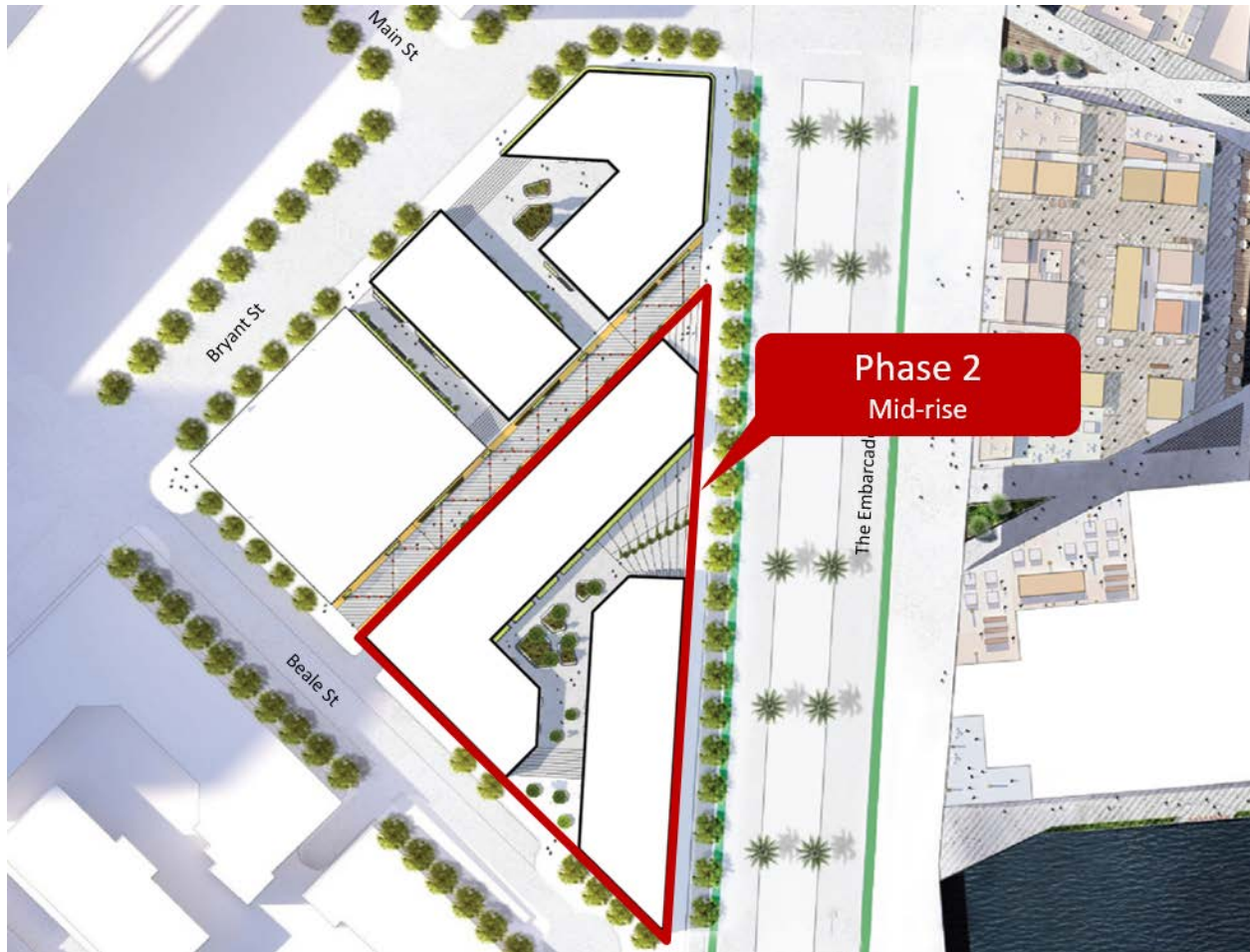
- **LBE/WBE Participation in project:** Strada has a long track record of success obtaining high levels of LBE/MBE/WBE participation on public private projects. For example, Strada ran the contractor engagement and selection process that resulted in an over 45% participation rate on the Golden State Warriors project. Success in that effort was due to extensive early outreach and aggressive efforts to pair larger, non-qualified contractors with smaller qualified LBE/MBE firms. This was done under the OCII model of creating joint ventures or associations. During the preconstruction phase of the project, we would like to explore a similar approach to the OCII model.
- **Workforce Development.** Strada is committed to covering the entirety of this project under a Project Labor Agreement (PLA). We believe there is a tremendous opportunity under the PLA to negotiate for significant commitments for apprenticeship and pre-apprenticeship job opportunities in all of the building trades. To that end, we intend to work with CityBuild to prepare a pipeline of candidates for the project, with a specific focus on recruiting people of color and women for participation in the program. Since this project will have a significant amount of in-water work, we believe there may be an opportunity for a customized CityBuild Academy for the specialized trades for in-water work that would carry over to job opportunities within the Port's overall Resiliency program.

We also think there are significant workforce development opportunities as it relates to the Market Hall and Swim Facility. With the latter, we believe that recruitment of people of color to staff the pool (swim instructors, lifeguards, etc.) will be a critical element of the swimming program. Research has shown that having swim instructors of color leads to better outcomes among participants of color.

**EXHIBIT E. SWL 330 GROUND LEASE BOUNDARIES**











An aerial photograph of the San Francisco waterfront, showing the city skyline, piers, and the bay. The text is overlaid on the left side of the image.

# **Pier 30/32 & SWL 330 Fiscal Feasibility and Term Sheet**

## **Budget and Finance Committee Presentation**

Item XX

April 24, 2024

Wyatt Donnelly-Landolt

Port of San Francisco



# Project Concept

## Phase 1-2

- Two residential buildings with ~15% inclusionary affordable housing
- Land dedicated for 100% affordable housing building
- 713 units total (25% affordable)

## Phase 3

- Reconstruction of a single resilient pier with vertical improvements
- Strengthening of seawall at Project site
- Aquatic center and deep-water berth



# Project Financing

- Term sheet proposes forming both a Community Facilities District (CFD) and Infrastructure Financing District (IFD) Project Area
- Based on current pro forma and market, Project requires an additional \$125 million to balance
- Developer and Port staff will monitor market to determine gap as project moves toward construction
- If conditions do not improve, multiple options to improve financial feasibility currently being explored across City:
  - Adjust impact fees or delaying their collection
  - Utilizing additional tax increment from ad valorem taxes or other sources
  - Adjust or waiving transfer taxes
  - Federal or state funding for infrastructure
  - Sharing of revenue from East Berth



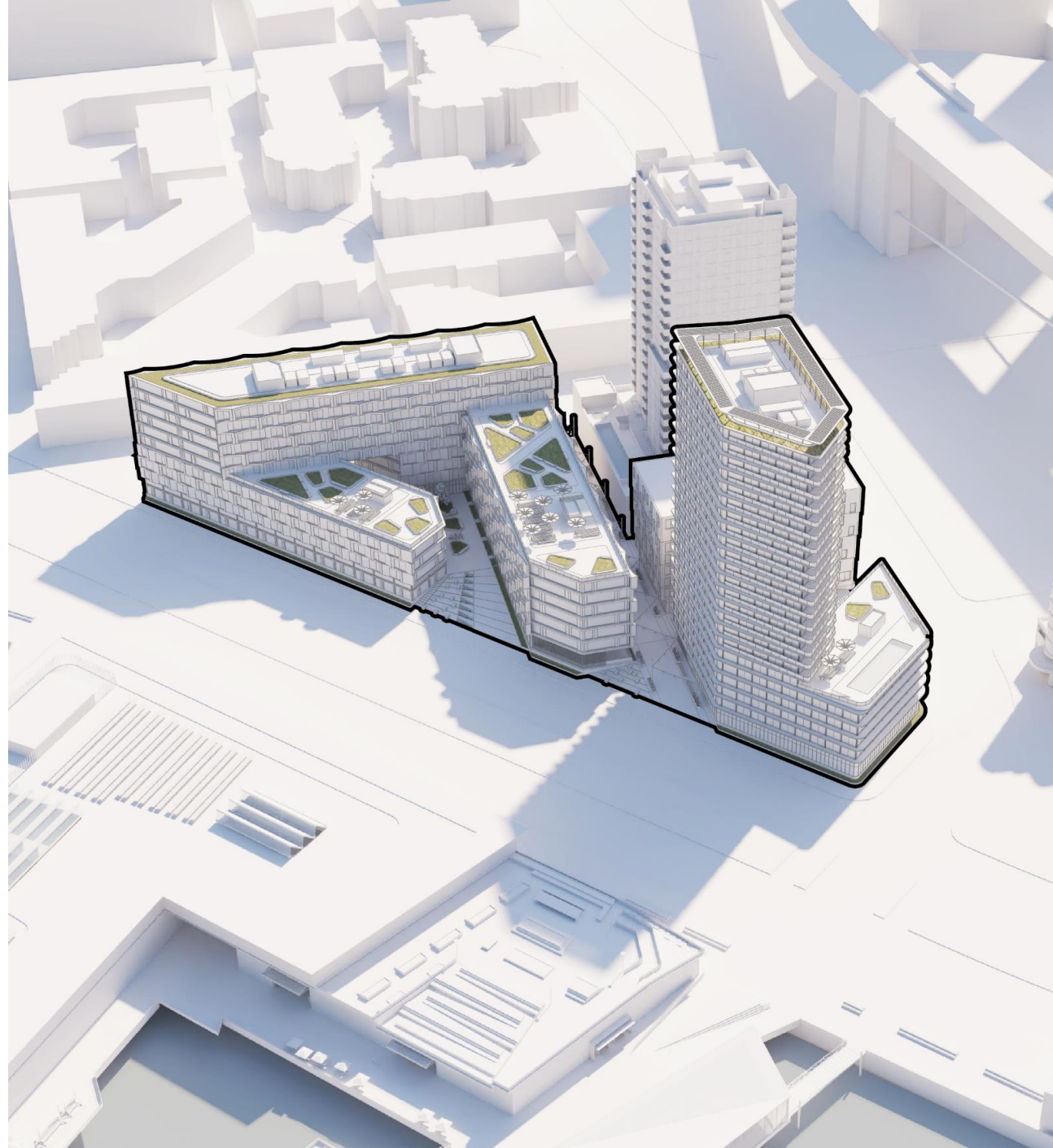
# Term Sheet Details

- Term Sheet contemplates potential for:
  - Lease Disposition and Development Agreement (LDDA)
  - Development Agreement (DA)
  - Separate Ground Leases for each vertical construction site
  - Additional Master Lease/Construction License to facilitate Piers 30-32 construction
- Projected Timeline\*
  - Phase 1-2, SWL 330: 2028 – 2031
  - Phase 3, Piers 30-32: 2031 - 2035
- Piers 30-32 Ground Lease
  - 66-year term
  - \$900k annual rent
- SWL 330 Ground Leases
  - 75-year term
  - \$600k annual rent for market rate buildings; rent increases to \$1.8M if Piers 30-32 performance milestones not met
  - \$0 rent for Affordable building



# Next Steps

1. Developer may submit environmental evaluation application to Planning Department
2. Port staff and Developer will begin working on transaction documents
3. Port staff and Developer pursue opportunities to close the infrastructure funding gap
4. Port staff and Developer coordinate Piers 30-32 design and construction with Port Resilience Project and U.S. Army Corps





# Questions?






## MEMORANDUM

January 19, 2024

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Ed Harrington  
Hon. Steven Lee

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Informational presentation and possible action to request (i) Endorsement of the Proposed Term Sheet and (ii) Amend and extend the Exclusive Negotiating Agreement, both with Strada-TCC Partners, LLC, for the proposed Piers 30-32 and Seawall Lot 330 project generally located along the Embarcadero between Bryant and Beale Streets.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 24-10

---

### EXECUTIVE SUMMARY

On September 22, 2020, the Port Commission authorized Port staff to initiate negotiations towards an Exclusive Negotiating Agreement ("ENA") with Strada-TCC Partners, LLC (the "Developer" or "Strada TCC") for the Piers 30-32 and SWL 330 project (the "Project"). On February 23, 2021, the Port Commission authorized staff to enter into the ENA. Since that time, the Developer and staff have worked through key steps of the ENA process including conducting extensive outreach to State agencies and the community and obtaining critical State legislation.

At completion, the Project will include a projected 713 units of housing, of which 25 percent will be affordable, an aquatic center including a swimming pool, a retail market hall, approximately 375,000 square feet of office space with the potential for an additional 55,000 square feet of mezzanine space within the existing footprint of the building, a reconstructed pier, and seismic and sea level rise resilience improvements to the seawall

and pier infrastructure. The projected cost of the infrastructure and resilience improvements is approximately \$460 million, which does not include vertical development.

In September 2023, the State Senate and State Assembly unanimously voted in support of SB 273 (sponsored by Senator Wiener and co-sponsored by Assemblymembers Haney and Ting), and Governor Newsom signed the bill into law on October 7, 2023. The passage of SB 273 is a huge milestone for the project and allows the developer and Port to continue on the path to environmental review and execution of transaction documents.

The Project will use both an Infrastructure Financing District (“IFD”) and a Community Facilities District (“CFD”) as sources for horizontal infrastructure within the project. Even with these sources, based on the current pro forma the Project requires an additional \$125 million to fully fund the horizontal infrastructure and resilience needs at Piers 30-32. The Developer and Port staff will work to identify and secure sources to ensure the financial success of all phases of the Project.

The final Transaction Documents for the Project may include a Lease Disposition and Development Agreement (“LDDA”), potentially a Master Lease for all or a portion of the site, and 3 – 4 Ground Leases for vertical development. The Seawall Lot 330 site may be separated into three Ground Leases: one for the Phase 1 residential tower, one for the Phase 2 residential building, and one for the Affordable Housing building. The term for each of these leases will be 75 years, with annual rent of \$600,000 with \$300,000 per year from the Phase 1 site, \$300,000 per year from the Phase 2 site, and \$0 per year from the Affordable Housing site. If a Site Permit for Piers 30-32 is not approved within 24 months of the completion of the first residential building, the total base rent will increase to \$1,800,000 per year, apportioned \$900,000 to the Phase 1 Ground Lease and \$900,000 to Phase 2 Ground Lease. The Piers 30-32 site will be under one Ground Lease with a term of 66 years and annual rent of \$900,000.

Timelines for each phase of development are governed by performance dates within the term sheet. Target and performance dates for permit and construction milestones for each phase of the project are detailed in this report.

After Port Commission approval of the term sheet, Port staff will take the term sheet to the Board of Supervisors (“Board”) for endorsement in early 2024, along with a request that the Board find the Project fiscally feasible. If the Board finds that the Project is fiscally feasible, the Developer may submit an environmental evaluation application for the Project to the Planning Department.

## **STRATEGIC PLAN ALIGNMENT**

The Piers 30-32 and SWL 330 project will provide a range of public benefits including publicly accessible waterfront space, maritime uses, revenue generation, and significant resilience and infrastructure improvements. Through the Project, the Port will redevelop existing surface parking lots into major mixed-use buildings with seismically strengthened infrastructure built to protect against sea level rise. Additionally, the Project will activate the South Beach waterfront area through on-site retail space and aquatic activities.



Subject to all necessary approvals and completion, the Project will achieve seven of the Port's Strategic Plan objectives:

Economic Recovery:

Contribute to the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance at other Port facilities.

Resilience:

Reconstruct dilapidated piers to be seismically strengthened and elevated to protect against sea level rise, complete resilience improvements along a portion of the seawall for both seismic and sea level rise projections, and retain deep water berth as a strategic emergency access location.

Evolution:

Contribute to Port's ongoing transformation to better address the needs of the public and the Waterfront.

Engagement:

Throughout the project development process, represent the values of the Waterfront communities and provide amenities that increase the public's awareness of the site's remarkable history and setting.

Equity:

Completed Piers 30-32 and SWL 330 projects will be accessible, attractive, and beneficial to a diverse group of people who live, work, and/or use the recreational assets along the Waterfront.

Sustainability:

Represent environmental stewardship in protecting the Bay and creating housing in transit- and job-rich areas reducing emissions and waste.

Productivity:

Attract tenants who contribute to an economically viable Port and capitalize on the Port's unique assets, including the use of the deep-water berth on Piers 30-32.

## **BACKGROUND**

On December 10, 2019, the Port Commission authorized Port staff to issue an RFP for Piers 30-32 & Seawall Lot 330. After extending the process due to the COVID-19 pandemic, Port staff provided the Port Commission with an informational presentation on September 8, 2020 on the three (3) respondents who submitted complete proposals, met the minimum qualifications in the RFP, and were scored by a five-member panel. On September 22, 2020, the Port Commission authorized Port staff to initiate negotiations towards an Exclusive Negotiating Agreement ("ENA") with Strada-TCC, the respondent the panel scored highest.

Port staff gave an informational presentation to the Port Commission on the terms of the negotiated ENA on February 9, 2021 including the process, key terms, and major performance benchmarks. On February 23, 2021, the Port Commission authorized staff to enter into the ENA. Since that time, the Developer and staff have worked through key steps of the ENA process including obtaining critical State legislation discussed below. Additionally, the Executive Director has authorized two-term extensions as contemplated in the original ENA.

Since the execution of the ENA, Port staff and the Developer have conducted extensive outreach to State agencies, including BCDC and the State Lands Commission, and the community. Based on this feedback, the Developer redesigned both the Piers 30-32 and Seawall Lot 330 parts prior to the introduction of State legislation allowing the Project to move forward.

## **PASSAGE OF SB 273**

The State Senate and State Assembly unanimously voted in support of SB 273 (sponsored by Senator Wiener and co-sponsored by Assemblymembers Haney and Ting) in September 2023, and Governor Newsom signed the bill into law on October 7, 2023.

SB 273 authorizes the State Lands Commission to approve the project at Piers 30-32 generally described in this memorandum. This allows the City to approve the Project through City permitting and environmental review processes. The passage of SB 273 is a huge milestone for the project and allows the developer and Port to continue on the path to environmental review and execution of transaction documents.

## **TERM SHEET**

The next major performance benchmark in the ENA is the Port Commission endorsement of the Term Sheet. After the Port Commission Term Sheet endorsement, Port staff will seek the Board of Supervisors' endorsement and will also ask for a finding of fiscal feasibility for the Project. With these endorsements and approvals, the Project may commence CEQA review and transaction document negotiations. The following sections outline key sections and terms in the proposed Term Sheet.

## **PROJECT CONCEPT**

The proposed Project includes three phases of development across Piers 30-32 and SWL 330.

### Phase 1 – 2:

The first two phases of the Project include a projected 619 units of housing, including 92 below-market rate (“BMR”) units (14.9 percent), in two residential buildings on the North and South side of SWL 330. These two buildings may be constructed together as a single Phase or sequentially as Phase 1 then Phase 2. This Phase utilizes the State Density Bonus Law enabling the buildings to go up from the existing 65/105 feet height limit (a 65-foot podium with a tower up to 105 feet, for a combined existing height limit of 170 feet) to

a single tower of up to 230 feet in height. The ground floor includes community and retail space in the buildings, which form a triangle flanking the streets and framing an open space accessible to the public, and access to an on-site garage serving the residences. Working through the community engagement process, the Developer has also designed a Project alternative with a maximum height of 105 feet. The height decrease would further reduce the number of units in the Project and potentially negatively impact the funding gap and project affordability due to fewer market-rate and inclusionary units.

The Developer will also dedicate a portion of the SWL 330 site for a 100 percent affordable housing building with a projected 94 units. The construction of this building is contingent upon obtaining the necessary funding sources including impact fees from the Project and outside sources such as the Low-Income Housing Tax Credit (LIHTC) program. Upon completion of the 100 percent affordable housing building, the Project will achieve a total of 25 percent affordable housing.

### Phase 3:

Phase 3 of the Project includes strengthening the seawall along the Project site, constructing seismically strengthened and sea-level rise resilient infrastructure, and reconstructing the piers.

The phase will create an aquatic center with a floating swimming pool and access points for personal watercraft. Additionally, the Developer will construct a deep-water berth both for excursions and for Navy and MARD and other vessels to respond to an emergency or natural disaster. Finally, the reconstructed piers will include 375,000 square feet of office space with the potential for an additional 55,000 square feet of mezzanine space within the existing first floor, 70,000 square feet of retail space primarily in a market hall, and accommodations for Red's Java House.

### *Proposed Investment in Port's Assets*

In Phase 3, the Developer will reconstruct the piers and construct necessary seawall and bulkhead wharf infrastructure improvements. The projected cost of these infrastructure and resilience improvements is approximately \$460 million, which does not include vertical improvements. Upon lease expiration or earlier termination, all improvements – including the vertical improvements – would return to the Port.

### *Changes from the Original Proposal*

The current term sheet changes the Project's phasing and final uses as originally proposed during the RFP. As contemplated in the term sheet, the Project will be delivered in up to three phases rather than as a single phase. This change has financial benefits by accelerating the availability of IFD/CFD sources before spending on horizontal infrastructure at Piers 30-32.

The current Project proposal now includes 713 residential units versus 850 units in the original RFP proposal, which was caused by design changes to adjust to community feedback. Second, the Piers 30-32 reconstruction will create one pier with a large retail

market hall and the aquatic center adjacent to it rather than two piers with the aquatic center in between the piers. This redesign responds to State agencies and community input.

## **PROJECT FINANCING**

The Project will utilize a combination of public and private sources for the horizontal infrastructure components (e.g., pier/wharf demolition and reconstruction, seawall improvements).

In the term sheet, the Port and Developer propose forming both an Infrastructure Financing District Project Area to capture tax increment and a Community Facilities District to levy special taxes on the buildings. Any IFD tax increment is anticipated to offset CFD Special Tax charges, similar to the financial structure with the Mission Rock CFD Development Special Tax and the Pier 70 Lease Properties CFD Facilities Tax.

Based on the current pro forma, the Project requires an additional \$125 million to fully fund the horizontal infrastructure and resilience needs at Piers 30-32. Changes in market factors could substantially improve the financial feasibility of the Project, potentially fully eliminating this funding gap. If market factors do not improve, the Developer and Port staff will work to identify and secure sources to ensure the financial success of all phases of the Project.

Across the City, many development projects are facing financial challenges due to the combination of high interest rates, lower demand for office and residential real estate, and rising construction costs. To address these challenges, the City is exploring many options to improve financial feasibility including:

- Adjusting impact fees or delaying their collection
- Utilizing tax increments from ad valorem taxes and other sources
- Adjusting or waiving transfer taxes

The Port may also be able to access federal and/or State funds for resilience, waterfront infrastructure, or affordable housing. As an example, the Port has received \$5.5 million in a Coastal Conservancy Grant to fund 65% design for demolishing the piers and reconstructing the wharf. While the Developer and Port staff have not identified the exact mix of funds to close the \$125 million infrastructure feasibility gap at this time, the team feels confident it can secure these funds well ahead of the start of the Project.

## **DEVELOPMENT AGREEMENT STRUCTURE AND GROUND LEASES TERM**

The Term Sheet contemplates Transaction Documents that consist of a master agreement such as a Lease Disposition and Development Agreement (LDDA) and/or Master Lease along with separate Ground Leases for each vertical construction site. Tenants will be solely responsible for operations, maintenance, and repairs for the entire term of a Ground Lease.

The Seawall Lot 330 site will be separated into three Ground Leases: one for the Phase 1 residential tower, one for the Phase 2 residential building, and one for the Affordable Housing building. The term for each of these leases will be 75 years, and the term sheet does contemplate the potential for a fee title transfer. The Port will receive a total of \$600,000 in annual ground rent for SWL 330 upon completion of the full project: \$300,000 per year from the Phase 1 site, \$300,000 per year from the Phase 2 site, and \$0 per year from the Affordable Housing site. Ground rent will increase based on CPI (limited to 2 – 6 percent annually) every five years. The tenant will pay reduced construction rent of \$150,000 per year from the execution of the lease until the issuance of a certificate of occupancy, up to a maximum of 36 months.

If a Site Permit for Piers 30-32 is not approved within 24 months of the completion of the first residential building, the total base rent will increase to \$1,800,000 per year (plus CPI adjustments), apportioned \$900,000 to Phase 1 and \$900,000 to Phase 2. If at any time the Developer receives a Site Permit for Piers 30-32, base rent will return to \$600,000 annually with any CPI adjustments.

The Piers 30-32 site will be under one Ground Lease with a term of 66 years. Base rent will be \$900,000 per year, with an increase based on CPI (limited to 2 – 6 percent annually) every five years. The tenant will pay reduced construction rent of \$200,000 per year from the execution of the lease until the issuance of a certificate of occupancy, up to a maximum of 60 months.

The table below summarizes Ground Lease terms for each of the four sites.

**Table 1. Piers 30-32 and SWL 330 Ground Lease Terms**

Site	Term	Base Rent	Construction Rent	Additional Terms
<b>SWL 330 Phase 1</b>	75 years	\$300,000	\$150,000 (up to 36 months)	Rent increases to \$900,000 annually if performance benchmarks not met
<b>SWL 330 Phase 2</b>	75 years	\$300,000	\$150,000 (up to 36 months)	Rent increases to \$900,000 annually if performance benchmarks not met
<b>SWL 330 Affordable Site</b>	75 years	\$0	\$0	
<b>Piers 30-32</b>	66 years	\$900,000	\$200,000 (up to 60 months)	

## **ASSIGNMENT AND TRANSFER**

The Port retains approval rights over any assignment or transfer of Strada TCC's controlling interest for project phases governed by ground leases that have not yet been executed or, if underway, receive a certificate of occupancy. Thus, for Strada TCC to transfer any element of the project they must obtain Port approval. However, Strada TCC does have the right to capitalize any element of the project without outside investor(s) so long as they retain a controlling interest.

## **REIMBURSEMENT OF PORT'S TRANSACTION COSTS**

The Developer will reimburse the Port for all the Port's transaction costs including but not limited to staff time, City Attorney time, and consultant costs.

## **DEI PLAN**

As part of the term sheet, the Developer has proposed a conceptual Diversity, Equity, and Inclusion (DEI) Plan. The Project DEI Plan supports the Port's Racial Equity Action Plan (REAP) in several key areas including creating access to waterfront open space and activities, providing support and space for BIPOC-owned small businesses, and offering economic opportunities for local, BIPOC-owned, and women-owned businesses. Key proposals in the DEI Plan include:

- Providing swim and water sports access to address racial, gender, and economic disparities related to water sports access, including increasing swimming proficiency among children of color.
- Creating a BIPOC Artisan Retail Program to support BIPOC entrepreneurs for the artisan retail and maker spaces on the north side of the Pier shed building and structuring leases to improve opportunities for success.
- Emphasizing BIPOC leadership when selecting a partner for the affordable housing site on Seawall Lot 330.
- Creating economic opportunity through LBE, MBE, and WBE participation, a planned Project-wide Project Labor Agreement (PLA), and a potential pipeline program with CityBuild.

Further details on the DEI Plan such as goals and metrics will be further refined in the coming years and included in the final transaction documents.

## **PORT PARTICIPATION**

The Port will receive participation equal to 20 percent of the net proceeds after the Developer has achieved an 18 percent IRR from the first sale or refinancing resulting in repayment of project equity. Additionally, if the Developer does not meet performance benchmarks for Phase 3 of the Project, the Port also receives additional participation equal to 10 percent of net proceeds after the Developer achieves a 15 percent internal rate of return (IRR).

## PERFORMANCE SCHEDULE

Table 2 below shows the Schedule of Performance included with the Term Sheet. All dates are based on the actual LDDA execution and prior milestones.

**Table 2. Piers 30-32 & SWL 330 Schedule of Performance**

<b>Performance Benchmarks</b>	<b>Target Date</b>	<b>Performance Date (subject to extension for Excusable Delay)</b>
1. Phase 1 Construction Permit Issuance	18 months post-LDDA execution	24 months post-LDDA execution
2. Phase 1 Construction Commencement	6 months post-Phase 1 Construction Permit Issuance	12 months post-Phase 1 Construction Permit Issuance
3. Phase 1 Construction Completion	24 months post-Phase 1 Construction Commencement	36 months post-Phase 1 Construction Commencement
4. Phase 2 Construction Permit Issuance	30 months post-LDDA execution	48 months post-LDDA execution
5. Phase 2 Construction Commencement	6 months post-Phase 2 Construction Permit Issuance	12 months post-Phase 2 Construction Permit Issuance
6. Phase 2 Construction Completion	24 months post-Phase 2 Construction Commencement	36 months post-Phase 2 Construction Commencement
7. Phase 3 Construction Permit Issuance	12 months post-Phase 2 Completion	24 months post-Phase 2 Completion
8. Phase 3 Construction Commencement	6 months post-Phase 3 Construction Permit Issuance	12 months post-Phase 3 Construction Permit Issuance
9. Phase 3 Construction Completion	30 months post-Phase 3 Construction Commencement	48 months post-Phase 3 Construction Commencement

\*All dates expire on the last day of the applicable month.

For illustrative purposes, Table 3 below shows the target and performance dates under the term sheet assuming LDDA execution in July 2026. Actual dates will align with the above schedule and begin following the actual LDDA execution



**Table 3. Piers 30-32 & SWL 330 Potential Schedule of Performance**

<b>Performance Benchmarks</b>	<b>Target Date*</b>	<b>Performance Date (subject to extension for Excusable Delay)*</b>
1. Phase 1 Construction Permit Issuance	January 2028	July 2028
2. Phase 1 Construction Commencement	July 2028	July 2029
3. Phase 1 Construction Completion	July 2030	July 2032
4. Phase 2 Construction Permit Issuance	January 2029	July 2030
5. Phase 2 Construction Commencement	July 2029	July 2031
6. Phase 2 Construction Completion	July 2031	July 2034
7. Phase 3 Construction Permit Issuance	July 2032	July 2036
8. Phase 3 Construction Commencement	January 2033	July 2037
9. Phase 3 Construction Completion	July 2035	July 2041

\*All dates expire on the last day of the applicable month.

## **AMENDMENTS TO THE EXCLUSIVE NEGOTIATING AGREEMENT**

To align the ENA to the proposed Term Sheet, the ENA requires two amendments.

First, the Term of the ENA would increase from four years and six months to six years to align to Term Sheet Schedule of Performance. The additional eighteen months accommodates longer than expected community and State Agency outreach, including the need to obtain State legislation in SB273. Accordingly, the specific milestones for the ENA would change as shown in Table 4 below:

**Table 4. ENA Performance Schedule**

<b>Performance Benchmarks</b>	<b>Target Date*</b>	<b>Performance Date*</b>
<b>1. Developer Formation Documents:</b> Developer must submit a copy of its Operating Agreement and a description of its affiliates (any person or entity controlling Developer, any entities controlled by Developer, or any entities under common control with Developer)	February 2021	March 2021 (completed)
<b>2. Submit Community Outreach Plan.</b>	June 2021	July 2021 (completed)



<b>3. Submit Regulatory Approval Plan.</b>	June 2021	July 2021 (completed)
<b>4. Submit Revised Development Concept based upon outreach and site due diligence.</b>	January 2022	February 2022 (completed)
<b>5. Port Endorsement:</b> Port Commission to adopt a resolution endorsing the Term Sheet	January 2024 ( <i>July 2022</i> )	February 2024 ( <i>August 2022</i> )
<b>6. Board Endorsements:</b> Board to take the following actions: (a) endorsing the Term Sheet; and (b) making a fiscal feasibility determination, if necessary	March 2024 ( <i>October 2022</i> )	May 2024 ( <i>November 2022</i> )
<b>7. Publication of Draft EIR</b>	September 2025 ( <i>April 2024</i> )	May 2026 ( <i>May 2025</i> )
<b>8. Planning Commission EIR Certification and Planning Approvals:</b> Planning Commission certifies EIR and issues necessary Planning approvals.	April 2026 ( <i>November 2024</i> )	November 2026 ( <i>May 2025</i> )
<b>9. Final Transaction Documents:</b> Developer and Port must reach final agreement on the form of LDDA, Lease and all related Transaction Documents	April 2026 ( <i>November 2024</i> )	November 2026 ( <i>May 2025</i> )
<b>10. Port Approval of Final Transaction Documents:</b> Port Commission to make Public Trust Determination and approve final Transaction Documents and recommend Board approval.	April 2026 ( <i>November 2024</i> )	November 2026 ( <i>May 2025</i> )
<b>11. Board of Supervisor Approvals:</b> Board to make Public Trust Determination and approve the Lease and other Transaction Documents and City Regulatory Approvals that require Board approval.	July 2026 ( <i>February 2025</i> )	February 2027 ( <i>August 2025</i> )
<b>12. Regulatory Approvals:</b> Developer to obtain necessary Regulatory Approvals by outside agencies.		Within timeframe set forth in LDDA

\*All dates expire on the last day of the applicable month. Original milestone dates shown italicized in parentheses.

Currently, the ENA allows the Developer, Strada TCC Partners LLC (a joint venture of Strada Investment Group II, L.L.C (“Strada”) and Trammell Crow Company (“Trammell Crow”)) to transfer to another investor without Port Commission approval so long as Strada (or an affiliate it controls) and Trammell Crow (or an affiliate it controls), have the direct or indirect power to direct or cause the direction of the day-to-day management of Developer. The second change to the ENA would further allow the Developer to transfer to another investor without Port Commission approval so long as Strada Principals, LLC (or an affiliate it controls) has the direct or indirect power to direct or cause the direction of the day-to-day management of the Developer. The specific clarification is expanded to allow such transfers to an investment entity controlled solely by Strada Principals, LLC, not only Strada and Trammell Crow, collectively.

## **NEXT STEPS**

If the Port Commission approves the term sheet, Port staff will introduce the term sheet to the Board of Supervisors (“Board”) for endorsement in early February, along with a request that the Board find the Project fiscally feasible. If the Board finds that the Project is fiscally feasible, the Developer may submit an environmental evaluation application for the Project to the Planning Department. A Port economic consultant is currently preparing a fiscal feasibility analysis.

Prepared by:	Wyatt Donnelly-Landolt Waterfront Development Manager Real Estate and Development
Through:	Josh Keene Assistant Deputy Director, Development Real Estate and Development
For:	Mike Martin Assistant Port Director

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

**RESOLUTION NO. 24-10**

- 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, Piers 30/32 is an approximately 13-acre pier site located along the Embarcadero at the terminus of Bryant Street just south of the Bay Bridge, and Seawall Lot 330 is an approximately 2.3-acre seawall lot located on the west side of the Embarcadero bounded by Beale Street and Bryant Streets; and
- WHEREAS, Piers 30/32 and SWL 330 (collectively, the “Site”) are within the Port’s South Beach-China Basin sub-areas area under the Port’s Waterfront Land Use Plan; and
- WHEREAS, On September 22, 2020, pursuant to Resolution No. 20-45, the Port Commission authorized Port staff to initiate negotiations for an Exclusive Negotiating Agreement (“ENA”) with Strada Trammell Crow Company Partners LLC (“Strada TCC” or the “Developer”); and
- WHEREAS, On February 9, 2021, pursuant to Resolution No. 21-08, the Port Commission authorized the Port Executive Director to execute the ENA with the Developer; and
- WHEREAS, Strada TCC is proposing to develop a mixed-use project at Piers 30/32 and SWL 330, that includes (i) at Piers 30/32, the reconstruction of a reduced footprint of single pier, removal of Bay fill, maintaining a deep-water berth, berthing for ferry or excursion vessels, aquatic facilities with a pool, public access and open space areas and revenue-generating commercial space with sea level rise and seismic improvements that protect the Port, the City, the public and property, and (ii) on SWL 330, a mix of market rate, affordable housing and ancillary retail and open space, all as further described in the Memorandum accompanying this resolution; and
- WHEREAS, Strada TCC and the Port desire to extend existing ENA term due to the time needed for community and State Agency outreach and the passage of SB273, and to permit another Strada Principals, LLC controlled entity to be the developer party in both the term sheet and ENA; and
- WHEREAS, Strada TCC and Port have negotiated a Term Sheet, as further described in the Memorandum accompanying this resolution and a form of which is attached to this resolution; now therefore be it

RESOLVED, That the Port Commission hereby endorses the Term Sheet and directs the Executive Director of the Port to seek Board of Supervisors' endorsement of the Term Sheet and finding that the Project is fiscally feasible and responsible under San Francisco Administrative Code Chapter 29 (the "Fiscal Feasibility Finding"), and be it further

RESOLVED, That if the Board of Supervisors fails to make a Fiscal Feasibility Finding for the Project or does not endorse the Term Sheet, the Port Commission directs the executive Director to either terminate the ENA or present to the Port Commission for its endorsement, a revised Term Sheet that addresses the concerns raised by the Board of Supervisors; and be it further

RESOLVED, That if the Board of Supervisors endorses the Term Sheet and makes a Fiscal Feasibility Finding for the Project, the Port Commission directs the Executive Director of the Port, or her designee, to work with the Planning Department and Developer to undertake review of the Project under the California Environmental Quality Act (CEQA) and Chapter 31 of the San Francisco Administrative Code and negotiate the terms and conditions of the final transaction documents including, but not limited to, a lease disposition and development agreement and various leases (collectively, the "Transaction Documents"), with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and Developer during the exclusive negotiation period will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and be it further

RESOLVED, That the ENA be amended to extend the term from four years and six months to six years and permit the developer party to be Strada TCC Partners LLC or another entity controlled by Strada Principals, LLC; and be it further

RESOLVED, That the Port Commission reserves the right, if exclusive negotiations with Developer are unsuccessful and do not lead to approval of the Transaction Documents, to undertake any other efforts relating to the development or lease of the Site, including, but not limited to, issuing a request for qualifications or proposals or entering into direct agreements without a solicitation, at the Port Commission's sole discretion; and be it further

RESOLVED, That the Port Commission's endorsement of the Term Sheet and direction to Port staff does not commit the Port Commission or the City to approve final Transaction Documents, implement the Project, or grant any entitlements to Developer, nor does endorsement of the Term Sheet foreclose the possibility of considering alternatives to the proposal, imposing mitigation measures, or deciding not to grant entitlement or approve or implement the Project, after conducting and completing appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed transaction with the Port, it does not set forth all of the material terms and conditions of any final Transaction Documents; and be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the Port Commission has reviewed and considered environmental documentation prepared in compliance with CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved final Transaction Documents for the Project.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 23, 2024.***

---

Secretary



## MEMORANDUM

February 5, 2021

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. John Burton  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes   
Executive Director

**SUBJECT:** Request authorization to enter into an Exclusive Negotiation Agreement with Strada - TCC Partners, LLC for the lease and development of a mixed-use project including commercial, residential, retail, maritime and public access uses for Piers 30-32 and Seawall Lot 330 generally located along the Embarcadero between Bryant and Beale Streets.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 21-08

---

### **Executive Summary**

On September 22, 2020 the Port Commission authorized staff (Resolution 20-45) to initiate negotiations with Strada Trammel Crow Company Partners LLC ("Developer" or "Strada-TCC") for an Exclusive Negotiating Agreement ("ENA") for the Piers 30/32 and Seawall Lot (SWL) 330 project ("Project"). A link to the staff report is set forth at the bottom of this page<sup>1</sup>. The Strada-TCC entity is a joint venture of Strada Investment Group and Trammell Crow Company. The Strada-TCC team was the highest scoring respondent scored by a diverse five-member selection panel to Port's Request for Proposals ("RFP") for the Piers 30/32 & SWL 330 sites. The RFP offering includes approximately 574,000 sq. ft. (13 acres) of deck surface on Piers 30-32 and a 101,000 sq. ft. (2.3 acres) surface lot at seawall lot 330 (*See Exhibit 1, Site Location*). In issuing the RFP, the Port sought development partners to invest in redeveloping the two sites to realize the Draft Waterfront Plan's goals and objectives ("Waterfront Plan"), the Port

---

<sup>1</sup> [Item 11B Piers 30-32 & SWL 330 to ENA\\_final.pdf \(sfport.com\)](#)

Resilience Program, and the values expressed by the community through the Port's citizens' advisory committees.

The ENA sets forth the process, terms, and conditions upon which the Port and Developer will negotiate for the disposition of the sites and the development and operation of the proposed Project. Upon the successful completion of a multi-year process to: complete negotiations, environmental review, and other project approvals, the ENA will be replaced by a lease disposition and development agreement, a long-term ground lease and other related agreements and documents required for the proposed Project. Throughout the ENA negotiations, the Port and Strada-TCC will work with both community stakeholders and its regulatory partners to shape the project so that it aligns with existing policies and is an amenity to the Port, City and Region.

Since the September 22, 2020 Port Commission Authorization, Port and Strada-TCC have been negotiating the ENA terms. The RFP included an ENA form for the Project; however, four specific terms were revised to address the Project's complexities. They are as follows: 1) addition of Diversity, Equity and Inclusion goals; 2) increased length of the ENA term; 3) an early termination right if Developer reasonably believes after early outreach with the Port's regulatory partners that alignment on the Project's objectives among the parties and Port's regulatory partners agencies are not feasible; and 4) provision that allows Port Executive Director approval of certain transfers to institutional investors. The Port has also reached out to its regulatory partners to initiate discussions regarding the Project.

This staff report includes the following sections:

1. Alignment with the Port's Strategic Plan.
2. Background information on the Project and process.
3. Exclusive Negotiations Process and ENA Key Terms.
4. The proposed ENA performance benchmarks.
5. Next Steps.

### **1. Strategic Plan Alignment**

Entering an ENA with the Strada-TCC team and ultimately redeveloping Piers 30-32 and SWL 330 will provide a range of publicly-oriented uses, maritime uses, revenue-generating uses and resilience improvements to implement a financially feasible project.

The Project's success will be defined by its redevelopment of assets, implementation of resilience and adaptation strategies, curation of a mix of uses that enliven the South Beach waterfront area, and advancement of the Port's goals and objectives of its Strategic Plan and Waterfront Plan.

If approved and implemented, this Project will achieve seven of the Port's Strategic Plan objectives:

Evolution: Contribute to Port's ongoing transformation to better address the needs of the public and the Waterfront.

Resiliency: Better prepare the Port for natural and human-made risks and hazards through the seismic strengthening of the adjacent Seawall and the construction of flood protection for the Piers, and retention of the naturally scrubbing deep water berth of 650' which is a strategic emergency location and asset for earthquake response and other emergencies, especially those that require goods movement by water

Engagement: Throughout the project development process, represent the values of the Waterfront communities and provide amenities that increase the public's awareness of the sites' remarkable history and setting.

Equity: Completed Piers 30-32 and SWL 330 projects will be accessible, attractive and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Waterfront.

Sustainability: Represent environmental stewardship in protecting the Bay, reducing emissions and waste, and prioritizing environmentally-sustainable transportation.

Productivity: Attract tenants who contribute to an economically-viable Port and capitalize on the Port's unique assets, including use of the deep-water berth on Piers 30-32.

Stability: Contribute to the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance at other Port facilities.

## **2. Background**

The Waterfront Plan recommendations developed through a 30-member stakeholder working group and public meetings between 2017 and 2019 produced Port-wide and Subarea Goals, Policies, Objectives, and Acceptable Uses for the Port's 7.5 miles of waterfront property. These provisions of the Waterfront Plan helped guide the Port's discussions with Port Advisory Groups and public members in 2019 regarding the RFP for the redevelopment of Piers 30-32 and SWL 330. These community discussions resulted in a consensus of site-specific "Community Values" that emphasize maritime, urban design, quality-of-life, sustainability, public access, and equity benefits that Port staff incorporated in the Project RFP.

On December 10, 2019, the Port Commission authorized Port staff to issue an RFP for Piers 30-32 & Seawall Lot 330. After extending the process through the onset of the COVID-19 pandemic, on September 8, 2020 Port staff provided the Port Commission an informational presentation on the three respondents who submitted complete proposals, demonstrated that they met the minimum qualifications, and were scored by a five-member panel. On September 22, the Port Commission authorized Port staff to initiate negotiations towards an ENA with the Strada-TCC, the respondent that scored the highest by the panel.



### Strada-TCC Project Concept

The Strada-TCC proposal meets the goals, objectives, and values described in the Port's RFP. Strada-TCC recognizes the need for further discussions with the Port, regulatory partners and stakeholders to refine the concepts while still achieving the goals and objectives established in the Port's plans and programs. It is essential to recognize that the proposal received is an initial concept that will likely evolve through community dialogue, additional site due diligence, policy direction, and lease negotiations. Ultimately, a successful project will have an appropriate balance of uses and improvements that meet the Port's plans and programs' goals and objectives.

### *Vision*

*Exhibit 2* illustrates the Strada-TCC land use and program proposal, which is summarized below. The proposal includes:

- providing market-rate and affordable housing on SWL 330
- demolishing Piers 30-32 and reconstruction of two new resilient finger piers (approximately 45% smaller), which would support a mix of maritime, open space, public recreation and commercial uses and build resilience for the City and Port.

### *Piers 30-32*

Specifically, the land uses proposed for the rebuilt Piers 30-32 include:

- a floating swimming pool and access points for personal watercraft
- retail uses open to the public
- maritime uses including a deep-water and ferry or excursion berths with a vehicle access path from the Embarcadero and space beside the berth for vessel provisioning.
- amenities to support water recreation for human-powered craft.
- commercial office space in two-story buildings totaling 376,000 gross square feet
- accommodation for the existing Red's Java House.

The proposal also includes financing the Project through creation of an Infrastructure Finance District ("IFD") subarea for the sites and creating a Community Facilities District to impose and use special taxes.

The newly constructed finger piers would replace the demolished existing pier slab and piles with a 45% smaller footprint, removing approximately 6 acres of Bay fill. The resulting piers would be a total of 7.2 acres in size, of which about three acres would be public open space.

The Port received three proposals that were deemed complete and met the minimum qualifications as required in the RFP. The Strada-TCC proposal was the only proposal that removed Bay fill, through demolition and rebuilding of the Piers with a reduced footprint. The Strada-TCC proposal included the least amount of revenue generating commercial use, while still delivering significant maritime improvements, public access, open space and other community serving uses. The Port's market and economic

consultant as well as the RFP scoring panel believe that the Strada-TCC proposal reflects the market realities that will lead to a successful project.

#### *SWL 330*

On SWL 330, the Strada-TCC team proposes 850 units of housing, 207 (25%) of which will be affordable to a range of income levels, paid for by the Project and using the State Density Bonus Law. The proposal notes that the State Density Bonus may reach heights above the existing zoned height, enabling buildings to go up from 105 feet two towers of 218 feet in height. The ground floor includes community and retail space in the buildings, which form a triangle flanking the streets and framing an open space accessible to the public, and access to an on-site garage serving the residences.

#### *Proposed Investment in Port's Assets*

Strada-TCC's proposal to demolish the existing piers and replace them with two-finger piers and necessary seawall and bulkhead wharf infrastructure improvements includes an allowance of \$379 million this does not include the cost of the new vertical development on the piers. Total private investment (excluding the cost of the 150-unit stand-alone affordable residential Project) is projected to total \$1.18 billion. Upon lease expiration or earlier termination, the value of the land and improvements would revert to the Port.

### **3. Exclusive Negotiations Process and ENA Key Terms**

The ENA will commit the Port to negotiate exclusively with Strada-TCC for the duration of its term. During the ENA period, the parties will finalize transaction documents that will govern the disposition and development of the Project. It establishes time and performance benchmarks, provisions for time extensions to perform and termination for non-performance. It specifies negotiation fees payable to Port and recovery of Port's costs associated with the Project.

During the ENA period, the following key events are anticipated to occur:

- Port and Strada-TCC will work with regulatory partners to seek regulatory alignment and strategies to advance the Project.
- Strada-TCC will work with Port to develop goals for inclusion of small, local, and diverse contractors, consultants, and other service providers for predevelopment work and will use its best efforts to maximize diversity, equity, and inclusion.
- Strada-TCC will conduct community outreach to stakeholders.
- Strada-TCC will negotiate a term sheet for Port Commission and Board endorsement.
- Strada-TCC will complete preliminary architectural and engineering designs, finalize financial projections addressing lease payments to the Port, and the equity and debt required to completely finance the development's entitlement, construction, and operation.

- Strada-TCC will complete, if required, an environmental impact report in compliance with the California Environmental Quality Act.
- The Port and Strada-TCC will negotiate as applicable a lease disposition and development agreement, a form lease, and related documents governing the development and operation of the site.

#### Key Terms Differing from Form ENA

The RFP included a form ENA; however, each development project and development partner has unique attributes that require some ENA negotiations. The following summarizes four key terms that differ from the form ENA attached to the RFP:

- 1) *Race, Equity, and Inclusion* - During the ENA period, the Developer's expenditures associated with the Project are not subject to the Local Business Enterprise (LBE) policies. The ENA will now include a Diversity, Equity and Inclusion goal for the predevelopment process, which requires Strada-TCC to work with Port to include small, local, and diverse contractors, consultants, and other service providers for predevelopment work during the ENA period.
- 2) *Term* – The ENA term is 4.5 years, with two 6-month extension options. The extended term is consistent with the scale and complexity of the Project, which will require comprehensive and extensive stakeholder and regulatory partner outreach and collaboration. The performance benchmark schedule negotiated between the parties is attached as Exhibit 3 to this staff report.
- 3) *Initial Consultation Period/Termination Option* - Prior attempts to develop Piers 30/32 have encountered regulatory challenges. Recognizing the need for regulatory alignment with partner agencies and understanding the complexity of the Project, the ENA provides the parties four months to initiate conversations with its regulatory partners ("Initial Consultation Period). If at the end of the Initial Consultation Period, Strada-TCC reasonably believes that alignment on the Project's objectives with regulatory partners is not feasible, then Strada-TCC will have the option to terminate the ENA without payment of a termination fee. The negotiation fee will be deferred for the first six-months of the ENA term until the Term sheet is endorsed by the Port Commission and Board of Supervisors at which time the deferred fee will be due and payable to the Port. Strada-TCC continue to pay Port's transaction costs during this period.
- 4) *Transfer*- The Port is entering into this ENA based on the Developer's special skills, capabilities, and experience. However, there is a possibility that Developer may seek new investors for additional capital. The form ENA requires Port Commission approval of transfers of more than 50% of the ownership interest in Developer. The negotiated proposal is that only the Port Executive Director approval is required if the transfer of more than 50% is to an institutional investor (such as a pension fund) with assets of at least \$500 million and Strada-TCC has the direct or indirect power for the day-to-day management of the Project.

The Port Commission, by approving the ENA is not approving a project, nor committing either party to a project. Rather, the ENA establishes the parameters for consideration of a possible project or development.

#### **4. Project Timeline:**

If the Port Commission approves the ENA, *Exhibit 3 - Performance Benchmarks*, provides a schedule of various Project milestones the Strada-TCC team must meet. The schedule includes a "target date" that both the Port and Strada-TCC will strive to reach, and a "performance date", which is the outside date for Strada-TCC to achieve such milestone. The early focus is to conduct community and regulatory outreach to help shape a project that has Port, Strada-TCC, community and regulatory partner alignment and to begin term sheet negotiations.

#### **5. Next Steps**

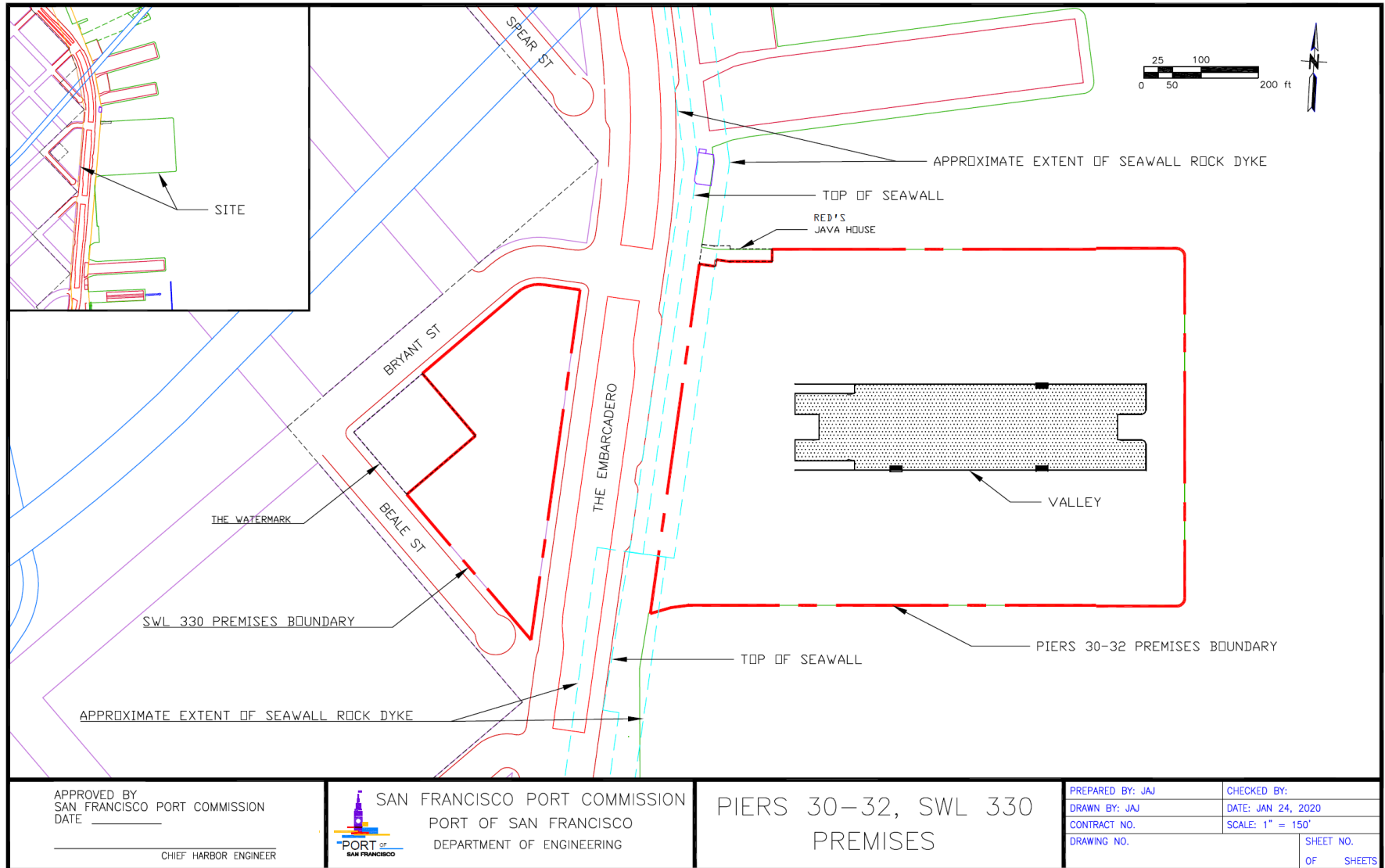
Port staff will work with the Strada-TCC team, stakeholders, and regulatory partners to advance the Project. Staff will return to the Port Commission with regular updates on the Project progress or as required to seek input during negotiations on key deal points.

Prepared by: David Beaupre,  
Senior Development Project Manager  
Real Estate and Development

For: Rebecca Benassini,  
Acting Deputy Director,  
Real Estate and Development

**Exhibits:**    "1"    Site Location  
                  "2"    Site and Land Use Program  
                  "3"    Performance Benchmarks

## Exhibit "1" Site Location



- Port Commission Item 11A Piers 30/32 & SWL 330 Strada-TCC ENA- 2/9/21  
Exhibit "1," Site Location



## Exhibit “2” Site and Land Use Program

### Strada TCC LLC – Proposal Site Plan for Piers 30-32/SWL 330 RFP



**Exhibit “3”  
Performance Benchmarks**

<b>Performance Benchmarks</b>	<b>Target Date</b>	<b>Performance Date</b>
<b>1. Developer Formation Documents:</b> Developer must submit a copy of its Operating Agreement and a description of its affiliates (any person or entity controlling Developer, any entities controlled by Developer, or any entities under common control with Developer)	<b>February 2021</b>	<b>March 2021</b>
<b>2. Submit Community Outreach Plan.</b>	<b>June 2021</b>	<b>July 2021</b>
<b>3. Submit Regulatory Approval Plan.</b>	<b>June 2021</b>	<b>July 2021</b>
<b>4. Submit Revised Development Concept based upon outreach and site due diligence.</b>	<b>January 2022</b>	<b>February 2022</b>
<b>5. Port Endorsement:</b> Port Commission to adopt a resolution endorsing the Term Sheet	<b>July 2022</b>	<b>August 2022</b>
<b>6. Board Endorsements:</b> Board to take the following actions: (a) endorsing the Term Sheet; and (b) making a fiscal feasibility determination, if necessary	<b>October 2022</b>	<b>November 2022</b>
<b>7. Publication of Draft EIR</b>	<b>April 2024</b>	<b>November 2024</b>
<b>8. Planning Commission EIR Certification and Planning Approvals:</b> Planning Commission certifies EIR and issues necessary Planning approvals.	<b>November 2024</b>	<b>May 2025</b>
<b>9. Final Transaction Documents:</b> Developer and Port must reach final agreement on the form of LDDA, Lease and all related Transaction Documents	<b>November 2024</b>	<b>May 2025</b>
<b>10. Port Approval of Final Transaction Documents:</b> Port Commission to make Public Trust Determination and approve final Transaction Documents and recommend Board approval.	<b>November 2024</b>	<b>May 2025</b>
<b>11. Board of Supervisor Approvals:</b> Board to make Public Trust Determination and approve the Lease and other Transaction Documents and City Regulatory Approvals that require Board approval.	<b>February 2025</b>	<b>August 2025</b>
<b>12. Regulatory Approvals:</b> Developer to obtain necessary Regulatory Approvals by outside agencies.		<b>Within timeframe set forth in LDDA</b>

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

**RESOLUTION NO. 21-08**

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, Piers 30/32 is an approximately 13-acre pier site located along the Embarcadero at the terminus of Bryant Street just south of the Bay Bridge and Seawall Lot 330 is an approximately 2.3-acre seawall lot located on the Embarcadero bounded by Beale Street and Bryant Streets; and

WHEREAS, Piers 30/32 and SWL 330 (collectively, the “Site”) are within the Port’s South Beach -China Basin sub-areas area under the Port’s Waterfront Land Use Plan; and

WHEREAS, On September 22, 2020, pursuant to Resolution No. 20-45, the Port Commission authorized Port staff to initiate negotiations for an Exclusive Negotiating Agreement with Strada Trammell Crow Company Partners LLC (“Strada TCC”); and

WHEREAS, Strada-TCC is proposing to develop a mixed-use project at Piers 30/32 and SWL 330, that includes (i) at Piers 30/32, the demolition and reconstruction of a reduced footprint of Piers 30/32, removal of Bay fill, maintaining a deep-water berth, berthing for ferry or excursion vessels, public access and open space areas and revenue generating commercial space with sea level rise and seismic improvements that protect the Port, the City, the public and property, and (ii) on SWL 330, a mix of market rate, affordable housing and ancillary retail and open space, all as further described in the Memorandum accompanying this resolution; and

WHEREAS, The Strada-TCC Partners, LLC, a Delaware limited liability company (“Strada-TCC” or “Developer”), is the entity entering into the Exclusive Negotiation Agreement (“ENA”) as the developer; and

WHEREAS, Strada-TCC and Port have negotiated the terms of the ENA, as further described in the Memorandum accompanying this resolution; now therefore be it

RESOLVED, That the Port Commission authorizes the Executive Director of the Port (“Executive Director”) or her designee to execute the ENA and any additions, amendments or other modifications thereto that are necessary and advisable to complete the ENA consistent with the terms and conditions set forth in the Memorandum accompanying this resolution and in a form approved by the City Attorney and, be it further



RESOLVED, That the Port Commission reserves the right, if negotiations with Strada-TCC are unsuccessful and do not lead to approval of a lease disposition and development agreement, lease and related documents, or if the ENA is terminated before expiration of its term, to undertake other efforts, which may include selecting a developer/tenant by any other means, or issuing a developer solicitation, all in the Port Commission's sole discretion; and, be it further

RESOLVED, That the ENA does not commit the Port Commission to approval of any specific development concept or project proposal, nor does the ENA foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant entitlements or approve the lease and development of the proposed concept; and, be it further

RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease or related documents and that the Port Commission shall not take any discretionary actions committing it to the proposed development until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 9, 2021.***


DocuSigned by:  
  
Secretary  
BFA59E31E3B84A8...



## MEMORANDUM

September 18, 2020

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request authorization for Port staff to enter into negotiations for an Exclusive Negotiating Agreement (ENA) with Strada Trammell Crow Company Partners, LLC (Strada TCC), the highest scoring respondent for the Piers 30-32 & Seawall Lot 330 Request for Proposals, located generally on The Embarcadero between, Bryant and Beale Streets

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution No. 20-45

---

### **EXECUTIVE SUMMARY**

At the Port Commission's September 8, 2020 meeting, Port staff presented an informational agenda item on the proposals received for the Piers 30-32 & Seawall Lot 330 RFP ("Piers 30-32 & SWL 330") Request for Proposals (RFP). In the RFP, the Port sought a qualified partner to enter exclusive negotiations to develop and operate Piers 30-32 & SWL 330. The offering includes approximately 574,000 sq. ft. (13 acres) of vacant deck surface on Piers 30-32 and a 101,000 sq. ft. (2.3 acres) surface parking lot on SWL. In issuing the RFP, the Port was seeking development partners to invest in redeveloping the two sites within the goals and objectives of with the Draft Waterfront Plan ("Waterfront Plan"), the Port Resilience Program and the values expressed by the community through the Port's citizens' advisory committees.

The Port received five proposal responses to the RFP and determined that three met the minimum qualifications. It is important to note that responses to the RFP are conceptual proposals provided by development teams. These proposals do not yet

**THIS PRINT COVERS CALENDAR ITEM NO. 11B**

include input from: the public, the Port, regulators, policymakers, and other stakeholders. Based upon prior experience with a project of this complexity, the Port expects the proposal will change to respond to input from a variety of groups over dozens of months of thorough review.

Port staff convened and five-member Scoring Panel and provided the three minimal-qualified responses to the panel for evaluation and scoring. The Scoring Panel ranked the Strada TCC response the highest of the three proposals. Port staff presented this scoring summary and an overview of each of the three respondent proposals to the Port Commission earlier in September. The agenda item included a summary by staff of the RFP, the written and oral evaluation and scores of the responses, and presentations from the three respondents who both met minimum qualifications and submitted complete responses. During the meeting, Port Commissions requested additional information on the technical experts' documents reviewed by the RFP Scoring Panel (the topics are engineering, architecture, transportation, and financial feasibility), diversity, equity, and inclusion plans, and more details on the housing component of the proposals. Port staff have included this additional information from the written proposals in this memorandum. Note that because the competitive solicitation is open until a respondent is selected, the process does not allow respondents to provide new information or proposals.

Since the September 8 Port Commission meeting, Port staff and Strada TCC presented the Strada TCC concept to the Port's Northern Advisory Committee (NAC) on September 16, 2020, and to the Port's Maritime Commerce Advisory Committee on September 17, 2020. The NAC and MCAC and community stakeholders provided input on the Strada -TCC concept, in general the response was favorable, however some concerns were raised.

Port staff ask the Por Commission to affirm the Scoring Panel's determination that Strada TCC received the top ranked score. Given the strength of the Strada TCC proposal and its potential for success, Port staff is seeking the Port Commission authorization to negotiate an ENA with Strada TCC and ultimately return to the Commission to seek approval of an ENA. As part of the approved RFP process, if the Port Commission does not authorize Port Staff to take the next steps with Strada TCC, the RFP process will be terminated.

This staff report provides an overview of the RFP process to date and includes the below sections. Note sections with an asterisk provide additional information requested by the Port Commissioners since the September 8, 2020 Port Commission meeting.

1. Strategic Plan Alignment Project Background
2. RFP Scoring Panel Process
3. Strada TCC Respondent Proposal Concept for Development
4. \*Additional Information Summary: Equity, Diversity, and Inclusion and Housing Programs
5. \*Review of Strada TCC Proposal with Northern Advisory Committee
6. \*Next Steps

## 1. STRATEGIC PLAN ALIGNMENT

Successfully selecting a development partner and redeveloping Piers 30-32 and SWL 330 will provide for a range of publicly-oriented uses, maritime tenants, and other revenue-generating uses to implement a financially feasible project. The project's success will be defined by its redevelopment of assets, implementation of resilience and adaptation strategies, curation of a mix of uses that enliven the South Beach waterfront area, and advancement of the Port's goals and objectives of its Strategic Plan and draft Waterfront Plan.

If approved and implemented, this project will achieve seven of the Port's Strategic Plan objectives (from the 2019-2023 Strategic Plan):

Evolution: Contribute to Port's ongoing transformation to better address the needs of the public and the Waterfront.

Resiliency: Better prepare the Port for natural and human made risks and hazards through seismic strengthening of the adjacent Seawall and the construction of flood protection for the Piers.

Engagement: Throughout the project development process, represent the values of the Waterfront communities and provide amenities that increase the public's awareness of the sites' remarkable history and setting.

Equity: Completed Piers 30-32 and SWL 330 projects will be accessible, attractive and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Waterfront.

Sustainability: Represent environmental stewardship in protecting the Bay, reducing emissions and waste and prioritizing environmentally-sustainable transportation.

Productivity: Attract tenants who contribute to an economically-viable Port and capitalize on the Port's unique assets, including use of the deep-water berth on Piers 30-32.

Stability: Contribute to the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance at other Port facilities.

## 2. BACKGROUND

The Waterfront Plan recommendations developed through a 30-member stakeholder working group and public meetings between 2017 and 2019 produced Port-wide and Subarea Goals, Policies, Objectives, and Acceptable Uses. These provisions of the Waterfront Plan helped guide the Port's discussions with Port Advisory Groups and members of the public in 2019 regarding the RFP for the redevelopment of Piers 30-32

and SWL 330 (*Exhibit 1*). These community discussions resulted in a consensus of site-specific “Community Values” that emphasize maritime, urban design, quality-of-life, sustainability, and equity benefits that are incorporated in the RFPs for rehabilitating or developing such sites.

In Summer and Fall of 2019, Port staff also provided the Port Commission with an update on retrofitting and redeveloping Piers 30-32, including a Port Engineering estimate that the costs of upgrading Piers 30-32 to development standards that accommodate the Seawall Program, seismic retrofit and sea level rise could range between \$264M and \$369M, and that demolishing the Piers’ deck and substructure for altogether removal could range between \$45M-\$55M in 2019 dollars.

On December 10, 2019 the Port Commission authorized Port staff to issue an RFP for Piers 30-32 & Seawall Lot 330.<sup>1</sup> The Port Commission directed staff to issue an RFP for Piers 30-32 and SWL 330 with these specific directions to:

- Consider developer responses that meet minimum qualifications that propose development of both Piers 30-32 and SWL 330, or that propose development at only one of the two sites,
- Include a deep-water berthing facility and related facility access at Piers 30-32
- Consider proposals for Piers 30-32 that might include a plan to partially rebuild the Piers rather than propose to recover the entire 13-acre site, and
- Include the summary of “Community Values” reflecting Advisory Group and neighborhood input to guide the RFP development,
- Work expeditiously to develop and release the RFP by February 3, 2020,
- Convene a five-person Scoring Panel to review and score qualifying developer responses using criteria set in the RFP; and
- Present the Scoring Panel’s results to the Port Commission in an informational hearing with two recommended course s of action for the Port Commission to consider: to authorize Port staff to enter into an ENA with the team representing the top-scoring development response; or to terminate the RFP process.

### **3. RFP Scoring Panel Process**

The RFP Scoring Panel Process is documented in greater detail in the prior staff report, the below provides a summary of the process.<sup>2</sup>

Consistent with the steps outlined in the Waterfront Plan and as approved by the Port Commission, the Port selected a five-member scoring panel to review the written responses and oral interviews. The scoring criteria are in Table 1.

---

<sup>1</sup>

<https://sfport.com/sites/default/files/Commission/Documents/Commission%20Meeting%20Staff%20Reports/Item%2013A%20-%20%20Piers%2030-32%20Final%20with%20exhibits.pdf>

<sup>2</sup> <https://sfport.com/meeting/san-francisco-port-commission-september-8-2020-supporting-documents>

**Table 1. Scoring Criteria**

<b>Evaluation and Selection Criteria Summary</b>	<b>Written</b>	Total: 100 points
Quality of the Design and Development Submittal	35 pts	
Strength of Financial Proposal	20 pts	
Financial capacity of Respondent/economic viability of proposal	20 pts	
Experience, organization and reputation of Respondent's team	25 pts	
	<b>Oral</b>	Total 30 points
Quality of Design and Development	12 points	
Experience	11 points	
Team Organization	7 points	

The Port was very fortunate to convene a five-member Scoring Panel with extensive knowledge and experience in waterfront planning, land use, design, development and community engagement: 1) Michael Willis, architect and professor of design; 2) Jasper Rubin, San Francisco State Assistant Professor of Geography and Land Use, and former member of the San Francisco Planning Department; Kari Kilstrom, Port of San Francisco Waterfront Plan manager; Katy Liddell, Port Northern Advisory Committee Co-chair and President of the South Beach - Rincon - Mission Bay Neighborhood Association; and Kirk Bennett, retired Port Assistant Deputy Director of Development, and Port Waterfront Plan Working Group member. Port staff expresses its appreciation to the Scoring Panel members for the significant dedication of time they invested to support this development solicitation process.

**The Scoring Panel:**

- Attended a panel orientation via Zoom on July 21, 2020, during which panelists received the RFP responses to the panelists, the technical memos, and written evaluation score sheets. During the orientation, Port staff instructed panelists to score according to the criteria in the RFP.
- Met virtually on August 6 and 10, 2020 to discuss the proposals and scoring criteria, and to ask clarifying technical questions about the proposals. The authors of the technical memoranda participated in the meetings on an as-needed basis. The panel also reviewed and finalized interview questions.
- Provided scores for the written proposal on August 11, 2020.
- Held three oral interviews held on August 13, 2020 at 10 am, 1 pm and 3 pm.
- Deliberated at the conclusion of each panel interview and after all interviews were completed.
- Provided interview score sheets to the Port by August 14 at noon.

A tabulation of the scores is below. Port staff tallied the panelists' scores for both the written responses and oral interviews. The maximum possible score for written proposals is 100 points and up to an additional 30 points based on the oral interviews. The highest attainable possible score is 130 points. The high and low scores of the Panel members for each scoring criteria for each respondent were discarded and the remaining three scores were averaged to determine the scores presented in Table 2.

**Table 2. Panel Scoring Results**

Item	Strada TCC	Tishman Speyer	Vornado
Written Proposal	82.67	67.33	58.00
Oral Interviews	26.67	22.00	17.33
Total	109.34	89.33	75.33
Rank	1	2	3

#### **4. STRADA TCC DEVELOPMENT CONCEPT**

The Strada TCC development response met the goals, objectives, and values described in the Port's RFP. *Exhibit 2* is an executive summary of the proposal prepared by Strada TCC. Strada TCC recognized the need to further the Port and the stakeholders' discussion to refine the concepts while still achieving the goals and objectives established in the Port's plans and programs. It is essential to recognize that the proposal received is an initial concept that will likely evolve through community dialogue, additional site due diligence, policy direction, and lease negotiations. Ultimately a successful project will have an appropriate balance of uses and improvements that meet the goals and objectives of the Port's plans and programs.

##### Vision

*Exhibit 3* illustrates the Strada TCC land use and program proposal, which is set forth below. The proposal includes:

- providing market-rate and affordable housing on SWL 330
- demolishing Piers 30-32 and constructing two new finger piers which would support a mix of commercial uses and public recreational uses.

##### Piers 30-32

Specifically, the land uses proposed for the rebuilt Piers 30-32 include:

- a floating swimming pool and access points for personal watercraft
- retail uses open to the public
- maritime uses including a deep-water berth with a vehicle access path from the Embarcadero and space beside the berth for loading and vessel access
- commercial office space in two-story buildings totaling 376,000 gross square feet (GSF)

- accommodation for the existing Red's Java House.

The proposal also includes financing through the creation of an Infrastructure Finance District ("IFD") subarea for the site and the creation of a Community Facilities District to impose and use special taxes. The respondent entity is a joint venture of Strada Investment Group and Trammell Crow Company.

The newly-constructed finger piers would replace the demolished existing pier slab and piles with a 45% smaller footprint, thereby reducing the amount of Bay fill. The resulting pier would be a total of 7.2 acres in size, of which about three acres would be public open space.

### SWL 330

On SWL 330, the Strada TCC team proposes 850 units of housing, 207 (25%) of which will be affordable to a range of income levels, paid for by the project and using the State Density Bonus Law. The proposal notes that the Density Bonus may allow for an increase above the existing zoned height – which allows buildings up to 105 feet - to proposal of two towers of 218 feet in height. The ground floor includes community and retail space in the buildings which form a triangle flanking the streets and framing an open space accessible to the public, and access to an on-site garage serving the residences.

### Proposed Investment in Port's Assets

Strada TCC's proposal to demolish the existing piers and replace them with two finger piers includes an allowance of \$321.4M to build the smaller piers and complete the seawall improvements. Total private investment (excluding the cost of the 150-unit stand-alone affordable residential project) is projected to total \$1.18 billion. Upon the expiration of the leases, the value of the land and improvements would revert to the Port.

Strada TCC offered a base rent for the combined sites of \$1.5M per year, following issuance of a certificate of occupancy with escalations. Strada TCC also offered to pay a reduced base rent of \$350,000 per year during the construction period. Strada TCC proposed to pay the Port 20% of the project's net cash flow after debt service after the project generates a threshold 18% leveraged IRR. Strada's cashflow estimates this revenue stream would sum to \$13.8M (nominal dollars) over the lease term.

Strada TCC also indicated an interest in developing only SWL 330 if that was the Port Commission's preference: if Strada TCC were to lease only SWL 330, the base rent would be \$3M per year.

## **4. \*Additional Information Summary: Equity, Diversity, and Inclusion and Housing Programming**



## Equity, Diversity, and Inclusion

Equity, Inclusion and Diversity are priority Port goals within the Piers 30-32/SWL 330 RFP. The RFP references the “Equity” and “Engagement” priorities of Port’s 2019-2023 Strategic Plan that call to:

- Invite community members to engage in dialogue about how the Port can be a better neighbor,
- Use community input to develop a Port-wide Public Benefit Framework for Port Commission review,
- Grow the number of local businesses competing for Port contracts by engaging teams that support the diversity of our City, and
- Strengthen public understanding and support of Port responsibilities and projects through community engagement and participation at many levels.

The RFP also listed the Waterfront Plan’s Port-wide Goals of “Diversity of Activities and People,” “Public Access and Open Space Along the Waterfront,” and “A Financially Strong Port with Economic Access for All” which emphasize the importance of including communities which have historically been underrepresented or excluded from the planning discussions, enjoyment and/or the economic prosperity of the Waterfront and its development.

Recognizing the Commissions desire to emphasize the value of equity, inclusion and diversity as highlighted in the RFP, Port staff worked with the Scoring Panel to review the three qualifying responses. The responses from the three teams all referenced and reflected, in varying degrees, a commitment to:

- activating the open spaces so that they may be accessible and enjoyed for free for all users
- programming the open spaces and active uses with the intent of removing barriers (based on income, ability, cultural appeal, etc.) to ensure the Waterfront is enjoyed by a diverse population reflecting San Francisco and the Bay Area,
- supporting potential community-serving non-profit partners seeking an affordable base for their activities at this site,
- providing affordable housing in greater proportion to the basic provisions set by the City of San Francisco for new, large scale residential development,
- engagement with workforce programs that increase opportunity for locally-owned businesses represented by a diverse range of owners to participate in the construction of the project, and to find employment or operate a business in the redeveloped sites,
- initial and on-going outreach and discussions with a broad, diverse range of stakeholders in the planning, programming, completion and operation of the redeveloped sites.

The Scoring Panel reviewed the three proposals with these considerations from the RFP, and their assessments of each team’s experience and demonstrated understanding of Equity, Inclusion and Diversity were reflected in the scoring of both the written and oral responses from the development teams.

## Housing Programming

Table 3 below summarizes the housing programs of the respondents for SWL 330. As shown, Strada TCC includes 850 units, Tishman Speyer includes 460 units, and Vornado includes 360 units. The proposals provided differing levels of specificity about unit sizes, targeted income levels, and delivery (partnering) and financing at this early stage.

**Table 3. Summary of Housing Proposed on SWL 330**

	<u>Strada TCC</u>		<u>Tishman Speyer</u>		<u>Vornado</u>
<b>Tenure</b>	Rental		Rental		Rental
<b>Affordable Units</b>	207	<sup>1</sup>	230		90
<b>Market Rate Units</b>	<u>643</u>	<sup>1</sup>	<u>230</u>		<u>270</u>
<b>Total Unit Count</b>	850	<sup>1</sup>	460		360
<b>Number of Affordable Units</b>					
Studios	58		47		0
One Bedrooms	69		91		90
Two Bedrooms	80		92		0
<b>Affordable Unit Sizes, NSF</b>					
Studios	475		330		
One Bedrooms	775		605		750
Two Bedrooms	938		888		
<b>Unit Count by Affordability Level</b>					
Very Low Income (up to 50% of AMI)	57		0		0
Low Income (up to 80% AMI)	150		0		90
Moderate Income (up to 120% AMI)	0		230	<sup>2</sup>	0
<b>Affordable as a % of Total Project</b>					
Total Affordable	24%	<sup>1</sup>	50%		25%
Very Low Income (up to 50% of AMI)	7%		0%		0%
Low Income (up to 80% AMI)	18%		0%		25%
Moderate Income (up to 120% AMI)	0%		50%	<sup>2</sup>	0%
<b>Location of Affordable Units</b>					
Integrated with Market Rate Units	57	<sup>1</sup>	230		90
100% Affordable Bldg.	150				

<sup>1</sup> There is a discrepancy between the narrative portion of the proposal and the provided financial tables. The narrative indicates that there will be 25% affordable units - 208 affordable units (58 integrated with market rate units and 150 in separate building), while the financial tables indicate 207 affordable units (57 integrated and 150 in a separate building). 208 units represents 24% affordability, compared with the stated percentage of 25%.

<sup>2</sup> Financial tables in proposal indicates that "proposal assumes an average of 90% AMI for the financial model. Specific mix will be determined through negotiations". Proposal narrative states that "Income levels will go far beyond the City's Inclusionary Housing mandates, with units set aside for low-income residents as well as workforce housing aimed at the "missing middle." Unit mix standards will ensure a range of household types, from singles to families with children."

<sup>3</sup> Narrative indicates that the rental rates on the affordable units will be less than 50% of market rate rents.

## **5. Review of Strada TCC response with Port Advisory Committees**

Consistent with the RFP process outlined in the updated Waterfront Plan, on September 16th and 17th, 2020 Port staff and the Strada TCC team presented the proposals to both the Port's Northern Advisory Committee (NAC) and Maritime Commerce Advisory Committee (MCAC) including an overview of the RFP process to date. Both the NAC and community voiced support of the concept and expressed concerns to be considered. In general, the comments included:

### General Comments:

1. Appreciation of how Community Values were reflected in the response
2. Appreciation of strategy to make the Piers and SWL a community asset and revenue-generator
3. Interest in continuing a dialogue with the community on proposal
4. A desire for a strong plan to manage traffic, parking

### Piers 30-32:

1. Appreciation of the overall engineering approach (demolish and rebuild) and how well the deep-water berth and access route to berth are accommodated
2. Appreciation of design: similarity to historic finger piers, site circulation and the low-profile form,
3. Appreciation for reduced footprint of a rebuilt pier and benefit to Bay ecology.
4. Appreciation for the public access areas
5. Concern about the market demand for office proposed in post-COVID world

### SWL 330

1. Appreciate the "sculpted" design of architecture
2. Concern about height and massing along The Embarcadero and Brannan Street
3. Generally seen as a better long-term use than the Navigation Center or parking
4. Appreciation of proposed community space in SWL 330

## **6. \*Next Steps**

Strada TCC's response to the RFP is a conceptual proposal devised by the development team without the benefit of input from a variety of stakeholder groups. Based upon prior experience with a project of this complexity, the Port expects the proposal will change to respond to input from a variety of groups over dozens of months of thorough and public review.

If approved by the Port Commission, Port staff will initiate negotiations for an ENA in the form attached to the RFP with Strada TCC. The ENA sets forth the process, terms, and conditions upon which the Port and Developer will negotiate terms for the disposition of the sites and the development and operation of the proposed project and more specifically, seek to award the opportunity under the RFP by completing and entering into a written disposition and development agreement, a long-term ground lease and other related agreements and documents required for the proposed project.

If ENA negotiations are successful, Port Staff will return to the Commission late in 2020 or early in 2021 to seek approval of the ENA with Strada TCC. Entering into ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease, or related documents Port staff and Strada TCC will continue to engage with the NAC and community throughout the negotiations. As part of the approved RFP process, if the Port Commission does not authorize Port Staff to take the next steps with Strada TCC, the RFP process will be terminated.

## **Recommendation**

Port staff recommends that the Commission authorize staff to initiate negotiations for an ENA with Strada TCC in the form described in the RFP and return to the Port Commission to seek approval to enter into an ENA.

Prepared by: Peter Albert  
Development Project Manager  
Real Estate and Development

Prepared for: Rebecca Benassini  
Acting Deputy Director  
Real Estate and Development

Exhibit 1: Excerpt from RFP and Waterfront Plan  
Exhibit 2: Strada TCC Executive Summary  
Exhibit 3: Strada TCC Proposed Site Plan

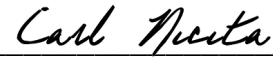
**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 20-45**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, On December 10, 2019, the Port Commission, by Resolution 19-48, authorized Port staff to issue a request for proposals for the development of Piers 30-32 & SWL 330; and
- WHEREAS, On February 3, 2020, the Port issued the Request for Proposals for the Piers 30-32 & SWL 330 Project (the “RFP”); and
- WHEREAS, On June 26, 2020, the Port received proposals from three respondents who met the RFP minimum qualifications; and
- WHEREAS, In accordance with the RFP, a five-member scoring panel (“Scoring Panel”) was formed, which Scoring Panel consisted of a person with real estate development expertise, a Port staff person, a Port advisory committee member, a citywide stakeholder and a person with architectural design expertise; and
- WHEREAS, The Scoring Panel conducted interviews and scored the three proposals against the objectives and evaluation criteria set forth in the RFP; and
- WHEREAS, The proposal from Strada Trammell Crow Company Partners LLC (“Strada TCC”) received the highest score from the Scoring Panel; and
- WHEREAS, On September 8, 2020, the Port Commission received a briefing on the Scoring Panel process and the three proposals scored by the Scoring Panel; and
- WHEREAS, Port staff is requesting that the Port Commission authorize staff to negotiate an Exclusive Negotiating Agreement (“ENA”) in the form attached to the RFP with Strada TCC; now therefore be it

- RESOLVED, That the Port Commission expresses its thanks and appreciation to the five members of the Scoring Panel for their participation in and support of the Port's evaluation of responses to the RFP; and
- RESOLVED, The Port Commission authorizes Port staff to begin ENA negotiations with Strada TCC for the opportunity described in the RFP and, if such negotiations are successful, to seek Port Commission approval of the ENA; and
- RESOLVED, That entering into ENA negotiations does not commit the Port Commission to approval of an ENA, a final lease disposition and development agreement, final lease, or related documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 22, 2020.***



---

Secretary

## **MEMORANDUM**

December 6, 2019

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Victor Makras  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Request authorization to issue a Request for Proposals ("RFP") for the development, lease and operation of a mixed-use project at Piers 30-32 and/or Seawall Lot (SWL) 330 generally located along the Embarcadero between Bryant and Brannan Streets, consistent with the goals and policies of the Draft Waterfront Plan and the Port's Resilience Program.

**DIRECTOR'S RECOMMENDATION:** Approve attached resolution authorizing release of an RFP (Resolution No 19-48)

---

### **EXECUTIVE SUMMARY**

On July 9, 2019 the Port Commission received an update on the status of advancing the long-term development of Piers 30-32 and Seawall Lot ("SWL") 330. The presentation provided the histories of previous development efforts at these two sites, along with updated cost estimates for the rehabilitation and repair of Piers 30-32, including the accommodation of sea level rise, the Seawall Program and related seismic upgrades. The presentation also included a summary of relevant recommendations that have been incorporated into the Goals, Objectives and Policies of the Draft Waterfront Plan ("Waterfront Plan"), including an outreach strategy with the Port's Advisory Groups and with neighborhoods surrounding the two sites. This outreach strategy was designed to ensure that the draft Request for Proposals ("RFP") for release next month reflects the Waterfront Plan and the neighborhood-specific community values of the adjacent South Beach and Rincon Hill communities and other relevant waterfront land use advocates, as expressed during the community advisory meetings described below (the "Community Values").

**THIS PRINT COVERS CALENDAR ITEM NO. 13A**



In summary, the Waterfront Plan promotes the seismic upgrade and redevelopment of Piers 30-32 for public use and enjoyment and for maritime uses, allowing for innovative urban design solutions that need not be subject to the guidelines of the adjacent Embarcadero Historic District but that should nonetheless respect the historic context of the adjacent piers within that District. The Waterfront Plan also promotes the development of SWL 330 in ways that sustain high quality-of-life and urban design standards in the context of the South Beach neighborhood, while reflecting the site's regionally-prominent and accessible location in proximity to Downtown San Francisco. For both sites, the Waterfront Plan calls for community engagement to "help complete improvements that achieve Waterfront Plan goals," and also calls for the financial feasibility of development projects to generate revenue that will help support the costs of Port-wide seismic and flood protection, sea level rise adaptation and Seawall repair. In particular, the Waterfront Plan recognizes the challenges of a financially feasible, structurally sound redevelopment of Piers 30-32.

On July 9, 2019, the Port Commission endorsed the development strategy proposed by Port staff for Piers 30-32 and SWL 330, acknowledging several key points that would guide the development of an RFP as further described below:

After July, Port staff has been planning the RFP, securing consultant assistance for the RFP process and conducting community outreach to identify Community Values for inclusion in the RFP, consistent with the process and draft policy outlined in the Waterfront Plan Goal: *Partnering for Success*.

Port staff came back to the Port Commission on November 12, 2019 to provide an informational update on the progress made in developing content for the RFP, including the identification of Community Values following the outreach meetings, and the staff proposals for Minimum Qualifications to screen for qualified respondents to the RFP, the composition of a scoring panel to review the qualified respondents and the selection criteria the panel will use to score responses, and the review and award process the Port Commission may use once the panel scores are complete and a staff recommendation is made.

This staff report provides an overview of key sections of the RFP and includes the following:

- I. Strategic Plan Alignment
- II. Background
- III. Development Context
- IV. Community Values (as heard from the community/stakeholders)
- V. Development Concept
- VI. Economic Minimums the Port will be seeking from respondents
- VII. Minimum Qualifications of Respondents
- VIII. Scoring Criteria Used to Review Responses
- IX. Response Scoring Panel Composition
- X. Port Commission Review and Selection Process
- XI. Next Steps

## **REFINEMENTS SINCE INFORMATIONAL ITEM**

This report includes all of the information presented in the staff report for the November 12, 2019 Port Commission informational hearing (Item 11A) for the Project, as well as updates to the Background section reflecting Port Commission feedback and staff clarifications from the November hearing. Refinements, including those made to the “Scoring Criteria Used to Review Responses” section, the “Response Scoring Panel Composition” section, and the “Port Commission Review and Selection Process” section, are shown in underline (addition of text to the staff report) or ~~strike-through~~ (deletion of text to the staff report) formatting.

The key areas of change include the following:

- Updating the “Background” Section to reflect the November 12, 2019 informational hearing and related discussion.
- Re-ordering of listed Scoring Criteria to emphasize the Respondents’ composition, expertise and qualifications that reflect a diverse development team with a history of successful community engagement and utilization of workforce and/or business development programs similar, to the certified San Francisco Local Business Enterprise program.
- Clarification of desired expertise in the composition of the scoring panel to include Financial Expertise and Architectural/Urban Design Expertise.
- Clarification of details regarding the recommended Port Commission actions as they pertain to the results of the scoring panel reviews.

Port staff is seeking:

- guidance and feedback on the proposed RFP content as presented in this staff report (*Exhibit 1: RFP Parameters* provides an overview of the Piers 30-32 and Seawall Lot 330 offering).
- approval of the attached resolution (Resolution No. 19-48), authorizing release of the Piers 30-32 and SWL 330 RFP.

## **I. STRATEGIC PLAN ALIGNMENT**

A successful solicitation will elicit proposals from highly-qualified development team(s) and include a range of public-oriented and maritime tenants (for Piers 30-32) and other revenue-generating uses that ~~represent~~ create a financially feasible project. The RFP’s success will be defined by its consistency with the Port’s goals for Piers 30-32 and/or SWL 330, including a proposal of high-quality urban design that is accessible to an economically diverse group of users and that enhances its spectacular, pedestrian-friendly and transit-rich waterfront location.

The issuance of the proposed RFP is a key step toward potential approval and implementation of a project or projects that would revitalize these sites. Such project(s) completed according to the terms described in this staff report ~~would advance five~~ would advance all seven of the Port’s Strategic Plan objectives (2019-2023 Strategic Plan).

Evolution: Completed Piers 30-32 and SWL 330 projects will serve as milestones in the Port's ongoing transformation to better address the needs of the public and the Waterfront.

Resiliency: Completed Piers 30-32 and SWL 330 projects will prepare the Port for natural and human made risks and hazards through seismic strengthening of the adjacent Seawall and the construction of flood protection for the piers.

Engagement: Completed Piers 30-32 and SWL 330 projects will represent the values of the Waterfront communities and will provide the amenities that increase the public's awareness of each the site's remarkable history and setting.

Equity: Completed Piers 30-32 and SWL 330 projects will be accessible, attractive and beneficial to a diverse group of people who live, work and/or use the recreational assets along the Waterfront.

Sustainability: Completed Piers 30-32 and SWL 330 projects will represent environmental stewardship in protecting the Bay, reducing emissions and waste and prioritizing environmentally-sustainable transportation.

Productivity: Completed Piers 30-32 and SWL 330 projects will attract tenants who contribute to an economically-viable Port and capitalize on the Port's unique assets, including the deep-water berth on Piers 30-32.

Stability: Completed Piers 30-32 and SWL 330 projects will help maintain the Port's financial strength by (a) using investor capital to address the Port's deferred maintenance backlog and/or (b) generating revenues for the Port to sustain ongoing operations and address deferred maintenance.

## **II. BACKGROUND**

The Waterfront Plan recommendations developed through a 30-member stakeholder Working Group (the "Working Group") and public process include Port-wide Goals and Policies, Subarea Objectives, and Acceptable Uses, ~~and proposed policies on Embarcadero Public Trust Objectives ("Public Trust Objectives")~~ which will guide the redevelopment of Piers 30-32 and SWL 330. The Waterfront Plan process led to community consensus for a variety of land uses on both properties that would attract, serve and sustain diverse groups of people, creating a more resilient waterfront.

~~The Public Trust Objectives described below recognize that delivery of important Trust benefits must be part of a financially feasible project which generates fair market rent to the Port; thus the Trust Objectives allow revenue-generating uses (such as office) to meet these financial feasibility requirements.~~

As part of the Waterfront Plan update process, Port staff organized a "walkshop" (a walking tour and brainstorming workshop) with the Working Group and members of the public around Piers 30-32 and SWL 330 on May 2, 2018. At the workshop, staff provided information about the land use and development history of both Pier 30-32 and

SWL 330, summarized the 1997-adopted Waterfront Plan recommendations for re-use of the sites (including the increasingly outdated assessment that Piers 30-32 were structurally sound) and solicited public comments and ideas about possible approaches and options for site improvements going forward. The input from this workshop helped inform the Waterfront Plan update, including the “South Beach Acceptable Land Use Table” (see Table 1 below in “Development Context”) for Piers 30-32 and SWL 330 in the Waterfront Plan’s South Beach Subarea section.

The Port Commission received the summary of these planning sessions regarding Piers 30-32 and SWL 330 on August 14, 2018, and on February 26, 2019, Port staff presented the Commissioners with more information on the sites’ development history and the deteriorating structural conditions of Piers 30-32, as affirmed by previous developers’ studies to rehabilitate or rebuild the Piers (see “Development Context” below). During that presentation, the Port Commission requested staff update the costs of rehabilitating the Piers, including the costs of seismic retrofit and ~~incorporating the Piers’ proportionate cost of the Seawall Program repair.~~ At its May 28, 2019 meeting, the Port Commission discussed the potential issuance of RFPs for development of several Historic Piers and directed staff to undertake community outreach to support and advance the RFP process in sequential order: ~~starting with 1) Piers 38 and 40 (also known as the South Beach Piers); followed by 2) Piers 30-32 and SWL 330; and 3) with Piers 19, 19.5, 23 and 29 (also known as the Northern Waterfront Piers)-proceeding in 2020.~~

On July 9, 2019, Port staff reported to the Port Commission that it had formed an inter-divisional team to advance the RFP process for the above sites. Staff also provided the Commission with updated retrofit and rehabilitation cost estimates for Piers 30-32. ~~As a~~ A Port Engineering analysis estimates that the costs of upgrading Piers 30-32 to development standards that include Seawall repairs~~accommodate the Seawall Program~~, seismic retrofit and sea level rise adaptation, would range between \$264M and \$369M.

Importantly, this analysis also clarifies that the continuing deterioration of Piers 30-32 is a time-urgent and cost-intensive challenge even if the intent is to simply stabilize the conditions or remove the Piers altogether. Demolishing the Piers’ deck and substructure is estimated to range between \$45M-\$55M in 2019 dollars.

Port staff also presented the RFP milestone schedule and a community outreach strategy to seek input on Community Values to inform the RFP for developing Piers 30-32 and/or SWL 330. The Commission endorsed this progress and directed staff to advance with the RFP for Piers 30-32 and SWL 330 with these five specific directions:

- to consider developer responses with a proposal at both Piers 30-32 and SWL 330, or with a proposal at only one of the two sites,
- to include a deep-water berthing facility and related facility access at Piers 30-32
- to consider proposals for Piers 30-32 that might include a plan to only partially rebuild the Piers rather than propose to recover the entire 13-acre site, and
- to include a summary of “Community Values” reflecting Advisory Group and neighborhood input to guide the RFP development, and

- to move as expeditiously with the development and release of the RFP as reasonably possible.

On November 12, 2019, Port staff presented an informational update to the Port Commission that included an overview of the RFP content, a summary of the community meetings held on the RFP process and of the Community Values identified in these meetings, and a recommended RFP respondent Scoring Criteria and Port Commission Review and Selection Process.

The following provide details of key sections of the RFP.

### **III. DEVELOPMENT CONTEXT**

#### **Site Location, Setting and Current Conditions**

Piers 30-32 and SWL 330 are located within the Port's South Beach subarea, just south of the Bay Bridge along the Embarcadero between its intersections with Beale and Brannan Streets (*See Exhibit 2: Site Location and Setting*).

Piers 30-32 occupy about 13 acres and are located on the east side of the Embarcadero, directly north of the Port's Brannan Street Wharf Park, but for the purpose of this development opportunity RFP, the Piers do not include the parcel occupied by Red's Java House at the northwest corner of Pier 30.

SWL 330 is directly across the Embarcadero from Piers 30-32, occupying 2.3 acres on the triangular lot bounded by the Embarcadero to the east, Bryant Street to the northwest, Beale Street to the southwest, and does not include the rectangular parcel at the corner of Bryant and Beale Streets.

Both sites are within a short walk of Downtown San Francisco and are well-served by public transit, with the Muni Metro light rail's Brannan Street Station directly adjacent to both sites, and with the regional rail transit services of BART and Caltrain, the regional bus services at the Salesforce Transit Center, and the regional ferry services operated by Golden Gate Transit and SF Bay Ferry/WETA all within three-quarters of a mile. Both sites are well-connected to these transit hubs by the Embarcadero's pedestrian promenade (especially well-used during baseball games and other events at Oracle Park) and by the Embarcadero's Class 1 and 2 bicycle facilities and the broader South of Market District's numerous bicycle lane networks. Both sites have relatively direct access to ramps serving both I-280 and the Bay Bridge.

#### **Piers 30-32 Development History**

Piers 30-32 were built in 1912 as deep-water ship-berthing facilities that took advantage of their naturally self-scouring location on the Waterfront. They were extended east in 1926, and then spanned by a deck that effectively joined the two Piers in 1950. A fire in 1984 destroyed the Pier sheds and historic bulkhead buildings, rendering the Piers ineligible for the Embarcadero Historic District and the financial incentives and use and/or permitting exemptions that are designed to make redevelopment of historic properties financially feasible. On the other hand, the lack of a historic shed or bulkhead

building also removes Public Trust design-compatibility requirements that would otherwise govern historic structures.

In the time since the 1984 fire, Piers 30-32 and SWL 330 have been bundled together for several ambitious proposals that envisioned complex and architecturally-distinctive mixed-use developments. These proposals include the Bryant Street Wharf (a cruise terminal, shopping center and hotel complex) from 2000-2006; an event facility “base camp” with long-term development rights in connection with the America’s Cup host agreement from 2010-2012; and the Golden State Warriors initial proposal for an Arena and hotel from 2012-2014. In each case, the strategy to defray the significant costs of upgrading and rehabilitating the deteriorated Piers’ substructure has included the development of SWL 330 for revenue generation. Also in each case, the developer sponsored State legislation in consultation with the State Lands Commission that would have allowed certain uses on the Piers that were not consistent with the Public Trust, but would generate revenue needed to cover the Piers upgrade costs. Despite these strategies, the developers in each case ultimately abandoned their proposals, largely due to the high costs that a Piers 30-32 rehabilitation/reconstruction effort would have entailed.

Piers 30-32 today are only partially used for surface automobile parking because the deteriorating condition of the Piers’ substructure severely limits which portions of the facility are safe for such use. However, much of the Piers’ 13 acres are still safe enough to host temporary special events, such as the X Games and the Pro Beach Volleyball Tour, and the eastern edge is still intermittently used as a deep-water berth, including but not limited to berthing for Navy ships during Fleet Week.

### **SWL 330 Development History**

SWL 330 was historically used as a rail yard for the State Belt Railroad (and later, the San Francisco Belt Railroad) since 1889 and ceased operations in 1993. Since then, SWL 330 was paved and used for surface automobile parking. As noted above, SWL 330 was an integral part of the three mixed-use development proposals that did not advance to development.

In 2019, slightly more than half of the SWL 330 site was leased to the City for use as the Embarcadero SAFE Navigation Center, a temporary facility designed to offer low-threshold, high-service residential programs and services for adults experiencing homelessness in San Francisco and operated by the Department of Homelessness & Supportive Housing. The initial term of this temporary use is two years, with a possible and conditional extension of two additional years if the Port Commission determines the SAFE Navigation Center meets its “good neighbor” obligations.

### **Draft Waterfront Plan**

The Waterfront Plan<sup>1</sup> released in June of 2019 is an update to the “Waterfront Land Use Plan” originally adopted in 1997. The updated Plan is the outcome of a three-year community planning process that led to 161 policy recommendations, including Public Trust Objectives. Those recommendations were endorsed by the Port Commission at

---

<sup>1</sup> [https://sfport.com/sites/default/files/UPDATED\\_COMPRESSED\\_FinalWaterfrontPlan\\_DigitalVersion\\_6.10.2019.pdf](https://sfport.com/sites/default/files/UPDATED_COMPRESSED_FinalWaterfrontPlan_DigitalVersion_6.10.2019.pdf)

its August 14, 2018 meeting<sup>2</sup> and incorporated into the Plan's proposed nine goals, policies, objectives and acceptable land use tables to guide development in five subareas along the Port's 7.5-mile waterfront, including the South Beach Subarea.

The nine Port-wide goals are summarized below:

1. **MARITIME:** Preserve and enhance the Port's diverse maritime industries
2. **DIVERSE USES AND PEOPLE:** Public-oriented, recreational, workplace and civic uses that complement maritime industry and provide economic opportunity
3. **PARKS AND OPEN SPACE:** Complete the waterfront open space network, protect natural habitat areas, create a new Ferry Building plaza, activate and enliven waterfront parks
4. **QUALITY URBAN DESIGN:** Respect the waterfront's maritime heritage, promote physical and visual connections between the City and the Bay
5. **FINANCIALLY STRONG PORT:** Stimulate investment and waterfront revitalization, and equitably providing new jobs, revenues, and amenities for everyone
6. **SUSTAINABLE TRANSPORTATION:** Safe and accessible for people and goods, by all modes, for workers, neighbors, visitors and Port tenant operations
7. **ENVIRONMENTAL SUSTAINABILITY:** Limit the impacts of climate change, improve the ecology of the Bay, and promote healthy waterfront neighborhoods
8. **A RESILIENT PORT:** Strengthen resilience to hazards and climate change effects while protecting the community, ecological, social and economic assets and services
9. **PARTNERING FOR SUCCESS:** Strengthen partnerships and community engagement to increase public understanding of Port and community needs and opportunities

The Waterfront Plan's *Chapter 3: Waterfront Subareas* includes the Section *South Beach: Rincon Park to the Ballpark* that includes seven specific objectives which provide a finer level of detail on the Port-wide goals and guide future development of Piers 30-32 and SWL 330:

1. Preserve and improve existing maritime uses and provide focal points for public enjoyment of maritime and water-dependent activities in South Beach.
2. Maintain and activate an integrated series of parks and public access improvements that extend through South Beach and provide a unifying pedestrian connection to Mission Bay at China Basin Channel.
3. Promote activities and public access in South Beach pier projects within the Embarcadero Historic District.
4. Create opportunity for the design of new development in South Beach to create a new architectural identity while respecting the Embarcadero Historic District.
5. Take advantage of proximity to downtown San Francisco by providing attractions for the general public while respecting the living environment of the Rincon Hill and South Beach neighborhoods.

---

<sup>2</sup> <https://sfport.com/sites/default/files/Commission/Documents/Item%2011A%20Endorse%20WLUP%20recommendations.pdf>



6. Maintain close working relationships with the San Francisco Municipal Transportation Agency and transportation agency partners to expand public transit and alternative transportation services that improve the safety and comfort of travel along the Embarcadero in South Beach.
7. Coordinate closely with resilience proposals produced through the Embarcadero Seawall Program to build understanding and support for innovations required to adapt to the impacts of climate change while respecting the history, character, and authenticity of the South Beach waterfront.

The Waterfront Plan also identifies acceptable uses for Piers 30-32 and SWL 330 as shown in Table 1, an excerpt from the Plan's "South Beach Acceptable Land Uses." Details on types of publicly-oriented uses are further described in *Exhibit 3: Diverse Use Policies from the Waterfront Plan*.

*Table 1- South Beach Acceptable Land Uses (excerpt for Piers 30-32 and SWL 330)*

<b><u>Piers 30-32 &amp; SWL 330: Acceptable Uses</u></b> Artists/Designers Assembly/Entertainment Museums/Cultural Retail (including food/beverage) Recreational Enterprises Visitor Services Academic Organizations Short Term Interim Uses	<b><u>Acceptable Uses unique to Piers 30-32</u></b> Ferry/Excursion Boat/Water Taxi Historic Ships Maritime Office Harbor Services/Maritime Industrial Passenger Cruise Recreational Boating/Water Recreation Ship Repair Temporary/Ceremonial Berthing Parks/Open Space Public Access/Public Realm General Office
<b><u>Piers 30-32 &amp; SWL 330: Accessory Uses</u></b> Parking	<b><u>Acceptable Uses unique to SWL 330</u></b> Hotels Residential

## Public Trust

The Waterfront Plan includes references to the Public Trust, its doctrine and its mission that define feasible adaptive reuse and design criteria for Port properties (and notably for the Historic Piers within the Embarcadero Historic District, whose historic architectural integrity the Plan calls adjacent, non-historic properties such as Piers 30-32 and SWL 330 to respect). Land uses that are determined to be consistent with the Public Trust generally support the following Trust missions:

1. Promote Maritime Commerce, Navigation and Fisheries
2. Protect natural (and cultural, including historic) resources
3. Provide facilities that attract the public (local and regional) to use the waterfront.

These objectives recognize the validity of using or reusing waterfront facilities to serve maritime and public access trust uses, activities that attract the public to use and enjoy these cultural and historic resources and uses that generate revenue to finance necessary improvements.

## SF General Plan

The San Francisco Planning Department maintains the City's *General Plan* and its Zoning Ordinance that together outline land-use zoning designations, parking and

building height/bulk standards and urban design guidelines for every parcel in San Francisco in accordance with the Charter provisions of the State of California.

Piers 30-32 and Seawall Lot 330 are located within the “East SoMa (South of Market) Area Plan” of the General Plan, which generally permits as-of-right:

- a wide variety of commercial, industrial and other uses on Piers 30-32, subject to the M-2/Heavy Industrial zoning district and limited by the 40-X height/bulk district (which sets a general height limit of 40 that is generally unrestricted in bulk); and
- residential and limited mixed-use development for Seawall Lot 330, subject to the SB-DTR/*South Beach – Downtown Residential* zoning district and limited by the 65-105R height/bulk district (which sets a podium height limit of 65 feet that is generally unrestricted in bulk, and sets the height of any tower(s) rising above the podium to 105 feet and restricts the tower(s) bulk by specific plan (90 feet) and diagonal (120 feet) dimensions.

### **Port Resilience Program**

Current seismic risk, current and future flooding risk present significant challenges to the Port properties along the Embarcadero. The Port is undertaking three efforts to address this concern, including:

- 1) the Embarcadero Seawall Program;
- 2) the U.S. Army Corps of Engineers (“USACE”) Flood Resiliency Study; and
- 3) the Historic Piers Rehabilitation program— to address these risks.

### *Seismic*

The 2016 Seismic Vulnerability Assessment of the Embarcadero Seawall revealed seismic risk to Port pier facilities. Without improvements to seismically strengthen the Seawall, Piers 30-32 may suffer significant damage in a large earthquake due to ground shaking, differential settlement or lateral spreading that causes the Seawall to move bay-ward.

### *Flooding*

Many Port assets along the Embarcadero, including the “finger” piers and many of the Seawall lots, are already at risk of flooding from a 100-year flood event and that risk is increasing due to rising sea levels. Projections of future water levels indicate episodic flooding by mid-century and regular flooding of the finger piers by 2100.<sup>3</sup> While there are approaches that can be taken to reduce the risks from flooding, it is also true that the increasing flood risk associated with sea level rise presents a narrowing window of opportunity to attract investors to pier rehabilitation projects. Acting quickly (and prudently) to attract capital partners to Pier and SWL development projects will help put the Port in a good position to negotiate leases with the greatest amount of public benefits possible, including those that incorporate measures to reduce flood risk.

### *Embarcadero Seawall Program and USACE Flood Resiliency Study*

Initial studies indicate seismic vulnerability exists along the Embarcadero, where Seawall failures due to liquefaction and lateral spreading caused by an earthquake

---

<sup>3</sup> See Port of San Francisco and Sea Level Rise brochure for more information: <https://www.sfseawall.com/2904/documents/3734/download>

would likely have the greatest impact. Due to the proximity to the Seawall and the nature of Bay fill upon which Piers 30-32 and SWL 330 were constructed, liquefaction and lateral spreading is a structural concern for both facilities. Refined studies are now underway to better characterize earthquake risk at the facility level.

#### *Multi-Hazard Risk Assessment*

The Port is currently undertaking a Multi-Hazard Risk Assessment to assess expected casualties, economic damages to buildings, transportation infrastructure and utilities, and the consequences of those damages including business interruption. The Port expects to publish results of the Multi-Hazard Risk Assessment in Spring 2020. The results of this work will allow the Port to prioritize initial Embarcadero Seawall Program Phase 1 improvements to improve life safety and support the City's post-disaster emergency response efforts.

#### *USACE Flood Resiliency Study*

The Port and USACE are collaborating on the San Francisco Waterfront Flood Resiliency Study which is examining flood risk to the Port's entire 7.5-mile waterfront. If the study identifies a federal interest in a federal flood management project on the San Francisco waterfront, the Flood Resiliency Study will result in a Tentatively Selected Plan to manage flood risks and conduct preliminary engineering and environmental analysis of that plan. Federal interest in this context is defined as project benefits – mainly in the form of reduced economic damages – that exceed project costs. Dependent on a finding of federal interest, the study could lead to a USACE recommendation to Congress, expected in 2024 or later, to fund the Tentatively Selected Plan.

The Flood Resiliency Study will examine flooding on a range of expected sea level rise curves. The Tentatively Selected Plan, if approved by USACE and funded by Congress, is expected to provide flood protection throughout its design life (2080) and to be adaptable to subsequent sea level rise. To achieve this performance, the plan will require installation of flood management measures at a higher elevation – still to be determined – than the current Seawall. The potential location(s) of these measures is still being studied; options that are being analyzed include locations bay-ward of the piers, in the near shore area, at the shoreline or along the Embarcadero Roadway.

The Port will share available analysis and reports from these efforts with prospective bidders for the redevelopment of Piers 30-32<sup>4</sup>.

#### **2015 Waterfront Transportation Assessment (WTA)**

The "Study Area" is defined as SoMa (bounded by the Embarcadero, Mission, 12<sup>th</sup> & Division Streets and China Basin) and Central Waterfront (bounded by China Basin, the Waterfront, Cesar Chavez and I-280). The concerns of transportation impacts of Port property development in the Study Area are highlighted in both the Waterfront Plan and its South Beach Subarea. The Community Values (discussed in Section IV below) especially reflect the concerns about how street congestion and automobile traffic undermine local quality-of-life.

---

<sup>4</sup> See Seawall Program library for study and related information, locate here: <https://www.sfseawall.com/seawall-library>.

The WTA identified the Study Area's local and regional transit services accessing these sites, highlighting where and how that these services are already limited and severely overcrowded, and how South Beach streets are disproportionately impacted by traffic that uses the bridge/freeway onramps and offramps during commute periods. The WTA emphasized the importance of strategically investing in and utilizing key infrastructure dedicated to the “sustainable” modes of transit (especially supporting the plans underway to the capacity of BART, Muni Metro and Caltrain rail transit and the ferry service expansion for East Bay and North Bay commuters), and enhancing the safety and connectivity of pedestrian and bicycle networks to accommodate growth without exacerbating street congestion.

For the purposes of the RFP for Piers 30-32 and SWL 330, the WTA findings emphasize the importance of ensuring investment and prioritizing access to these sustainable modes, including the integrity of a development's Transportation Demand Management programs that will direct and incentivize people to use these modes rather than to rely upon the automobile and exacerbate congestion.

### **Partnerships in Pier Rehabilitation**

A partner for pier rehabilitation provides both an opportunity to leverage private resources for important City infrastructure and a challenge to coordinate Port's construction activities with a private entity. Overall, the Seawall Program is an opportunity to protect and revitalize the Port's assets on both sides of the Embarcadero and ultimately to create a stronger and more vibrant urban waterfront. If a development partner is selected for Piers 30-32, the Port will manage the coordination of private partner design and construction with any nearby or adjacent design and construction activities related to the Seawall Program.

The Port expects to analyze the following elements of a development partner's rehabilitation and financing plans after award of an exclusive negotiating agreement and an appropriate period of due diligence and preliminary engineering:

- *Seismic Performance* – Under the Port's Building Code, project proponents will need to demonstrate code compliance including a demonstration that the Piers' substructure will be designed to withstand anticipated lateral spreading and other seismic forces.
- *Adaptive Flood Management* – In consultation with permitting agencies including the Bay Conservation and Development Commission, project proponents will need to demonstrate an adaptive management strategy for flood protection through the expected life of the project based on a range of sea level rise curves. A long-term lease will include lease provisions memorializing adaptive management requirements.
- *Project Relationship to City Flood Protection Determination* – Through the Port's Flood Resiliency Study or the City's own flood management policies and plans, the Port and City may select a line of defense for urban flood protection that

intersects with proposed project sites, which may result in design changes to proposed projects (or parts of projects), including changes in elevations.

- *Future Flood Protection Funding* – Consistent with other significant shoreline development projects approved by the Port Commission, the Port maintains the right to negotiate for ongoing funding to fund adaptive management for flood control, including a potential special tax.

### **State Lands & BCDC Coordination**

During the Waterfront Plan Update process, Port staff consulted with State Lands and San Francisco Bay Conservation and Development Commission (BCDC) staff on various issues of shared interest, including strategies for supporting the reuse and development of the Port's assets along the Embarcadero. State Lands staff also spent considerable time in public meeting discussions with the Working Group as part of its deliberations and recommendations.

As noted earlier, the Port has a history of collaborating with State Lands on refining developer-proposed legislative proposals that have addressed Public Trust use limitations for the redevelopment of Piers 30-32, given the financial and administrative challenge of upgrading the deteriorating facilities to a reasonable state of functionality. In updating the Waterfront Plan and coordinating it with the Public Trust missions, the Port will continue to consult with State Lands and BCDC staff regarding the details of rehabilitating and reusing Piers 30-32 that are essential for responsible stewardship of the properties (SWL 330 is more than 100 feet from the Bay shoreline and thus not subject to BCDC review authority).

### **Workforce Development and Local Business Enterprise (LBE)**

Once a development partner is selected, Port staff will work with the successful respondent and the City's Contract Monitoring Division (CMD) to establish LBE goals for the various phases of the entitlement and development. CMD will collaborate in negotiating the design of each LBE participation program tailored to the project, develop LBE goals, provide developers with technical assistance to maximize LBE participation, and where necessary, conduct outreach to LBEs regarding procurement opportunities. The project will also need to comply with the City's Local Hiring Policy for Construction (mandatory 30% of project hours by trade) and requirements for wage and apprenticeship programs.

## **IV. COMMUNITY VALUES**

In addition to the Goals, Policies and objectives articulated in the Waterfront Plan and the Public Trust doctrine, the Community Values below represent key points that Port staff heard at the Port Central Waterfront Advisory Group (CWAG) meetings on July 17, August 21 and October 16, 2019, at the Port Maritime Commerce Advisory Committee (MCAC) meeting on July 18, 2019, and the South Beach/Rincon/Mission Bay Neighborhood Association meeting on September 9, 2019.

For purposes of the RFP and community engagement process, the Port defines

“Values” to mean the places, spaces, experiences, or other attributes of the RFP project site that are public priorities. These values may include existing assets or resources the project should leverage, unique locations to curate different experiences along the waterfront, or specific conditions that lend themselves to a new use opportunities.

### **Community Values that Apply to Both Piers 30-32 and SWL 330**

#### *Funding and Economics*

- Balance the objectives of generating revenue with providing equitable use and access for diverse members of the public.
- Ensure revenue-generation to sustain viable operations and a public-realm maintenance program over the long term.

#### *Urban Design*

- Support high-quality urban design that meets the goals of the Waterfront Plan and the South Beach neighborhood.
- Promote waterfront site authenticity and sense of place in the design of development at both sites.

#### *General Land Use*

- Promote land uses that support a diverse, equitably-accessible and economically-viable waterfront.
- Prioritize land uses that can manage traffic to prioritize safety, minimize congestion and sustain neighborhood quality of life.

#### *General Sustainability*

- Ensure development supports the City’s environmental/emission goals, including protection of avian and marine life.

#### *Transportation*

- Prioritize safety for residents, employees, visitors and customers making trips to and around Piers 30-32 & SWL 330.
- Prioritize environmentally-sustainable transportation (including ferries) that serves users of all ages, abilities and incomes.
- Manage transportation demand to prioritize transit and avoid reliance upon the private automobile and exacerbating congestion.

### **Community Values that Apply Uniquely to Piers 30-32**

#### *Berthing and Berthing Access*

- Support the provision for Maritime Berthing (including for deep-water vessels) and related access needs at Piers 30-32.

#### *Land Use and Urban Design*

- Provide public Open Space/wildlife viewing/recreation opportunities on Piers 30-32, including as part-time use of berth access areas.
- Support the adjacent Embarcadero Historic District and its assets access needs in the design and development of Piers 30-32.

#### *Sustainability*

- Leverage the natural resources of the Piers 30-32 site to support generating sustainable energy (e.g., solar, wind & tidal).

#### *Museum/Arts/Cultural Center*

- Consider a Museum/Arts/Cultural Center that references the extraordinary site, with interpretive signage, site awareness.

- Consider a Museum/Arts/Cultural Center that appeals to and draws a diverse group of the public.

### **Community Values that Apply Uniquely to SWL 330**

#### *Ground Floor/Public Realm*

- Design ground floor uses that enliven the pedestrian experience, are inclusive and enhance & serve the neighborhood.

#### *Housing*

- Emphasize Housing at SWL 330 as an acceptable/desirable use and “good neighbor” to South Beach residents.

#### *Hotel*

- Consider Hotel as a revenue-generating use, provided that it specifically manages transportation demand consistent with Transportation Values above.

## **V. DEVELOPMENT CONCEPT**

Piers 30-32 includes approximately 574,000 square feet (about 13 acres) of an asphalt and concrete deck, approximately 950 feet deep and 625 feet wide, on the east side of the Embarcadero, bounded by the intersections of Bryant and Brannan Streets. The small rectangular portion at the northwest corner (approximately 65 feet by 260 feet) occupied by Red’s Java House is not included in this development RFP (see *Exhibit 4: Piers 30-32 Plan Diagrams*). As noted above, the Piers’ substructure, which includes the two original Piers that are over 100 years old and the 69-year-old deck that bridges them are deteriorated and compromised to the point of severe loading and would require upgrades estimated by Port engineering staff to cost approximately \$264M-\$369M (including seismic upgrade and adaptation for sea level rise), estimated in 2019 dollars.

SWL 330 includes approximately 101,500 square feet (about 2.3 acres) located on a roughly triangular parcel bounded by the Embarcadero on the east, Beale Street on the southwest and Bryant Street on the northwest. The property excludes the parcel occupying the western point of the triangle (adjacent to the intersection of Beale and Bryant Streets) which is the site of the Watermark condominiums (see *Exhibit 5: SWL 330 Plan Diagram*).

## **VI. ECONOMIC MINIMUM PORT IS SEEKING**

The Port’s economic benefits for the Piers 30-32 and SWL 330 RFP include significant investment in Port assets, minimum revenues (rent and/or special taxes), and participation in upside revenues.

### **Recent History**

Piers 30-32 is used for automobile parking, layberthing for vessels and also special events, subject to the structural limitations. In fiscal year 2017-2018, the Port received \$1.47 million in revenue from the site.

Until 2019, SWL 330 was used for automobile parking. In fiscal year 2017-2018, SWL 330 generated approximately \$832,000 in Port revenues. The Embarcadero SAFE Navigation Center began construction in summer 2019 and now occupies about half of the SWL 330 site. The Port has leased the property to the City's Department of Homelessness and Supportive Housing for about \$442,000/year. The City will operate the Navigation Center for two years at this site, after which (based on the "good neighbor" record of the Navigation Center in its South Beach context), the Port Commission may authorize a two-year extension of the lease.

Because the structural characteristics, capital improvement needs, scope of allowable uses/heights/bulk and other land use/contextual issues differ so widely between Piers 30-32 and SWL 330, Port staff are open to receiving responses for Piers 30-32 and SWL 330 combined as one master development proposal, or as one proposal for either SWL 330 or Piers 30-32 individually. While Port staff acknowledge the challenge in proposing a financially feasible redevelopment of Piers 30-32 at this planning-level stage, a positive response to an RFP at this site is anticipated for respondents who are willing to take on market risk associated with the project due to the attraction and scarcity of developable waterfront property of this acreage in San Francisco. RFP respondents will be able to leverage market knowledge and project implementation expertise to improve financial feasibility by, for example:

- Bringing a sharpened approach to redeveloping the unique space, including identifying methods to decrease costs and increase revenues.
- Leveraging the two sites as one combined project ~~RFP~~ for potential cross-subsidies and cost savings, and creating attractive leasing opportunities as a relatively large offering for tenants
- Identifying innovative approaches to use Piers 30-32 in ways that maintain consistency with the Waterfront Plan, Public Trust and Community Values.

### **Desired Economic Benefits for Port's Balance Sheet**

Based upon the recent and existing economic conditions of the sites, Port staff recommend the following economic benefits in evaluating responses to the South Beach Piers RFP:

1. *Removal of liability.* As the substructure of Piers 30-32 continues to deteriorate, simply sustaining the status quo is already an expensive prospect, while the alternative option of demolition is even more cost-intensive. A development proposal that assumes responsibility or generates sufficient revenue to support the critically-needed upgrades and facilitates on-going viability helps relieve the Port of the financial burden of maintenance and liability (and eventual demolition when the facility is no longer operable).
2. *Significant investment in Port assets.* Piers 30-32 facility rehabilitation, reduction of seismic risk from the fronting Seawall and flood protection represents hundreds of millions of dollars of investment. This is a significant benefit to the Port in addressing its agency-wide capital backlog and improving its asset management.



3. *Reliable revenue stream.* Port staff anticipate that over the long-term, a redeveloped SWL 330 would generate sufficient revenue to both repay the initial investment and produce revenues both to the lessee and the Port. Depending on the structure of the transaction the Port could also consider receiving all or a portion of the funds up-front, to help with addressing one-time capital needs.
4. *Participation in upside revenues.* Port long-term development leases include participation in revenues on an ongoing basis and participation in capital events (lease transfers and refinancings).

## **VII. MINIMUM QUALIFICATIONS OF RESPONDENTS**

Each respondent team must meet the following minimum qualifications as determined by Port staff for consideration of its development proposal. The Port will not consider or evaluate submittals from respondents that have not demonstrated they have met all of the following minimum qualifications:

- I. Obtained at least \$40 million in committed funding for a single development project.
- II. Entitled a single development project with a total cost of at least \$40 million.
- III. Completed construction of a single development project with a total cost of at least \$40 million.
- IV. For respondent teams proposing a Piers 30-32 project, successfully constructed a development project over water with a value of at least \$40 million,
- V. The submittal of a signed form verifying adherence to conditions governing communications with City staff (including the Port Commissioners and the Mayor) prior to execution of an Exclusive Negotiating Agreement (ENA).

The \$40 million threshold was established recognizing that a successful project will likely require a minimum investment of \$250 million. By setting the minimum qualification at a substantial but lower amount, Port staff seeks to avoid pricing out all but very large developers in hopes of fostering a wider range of potential experienced interest.

Minimum Qualification V requires respondents to agree to direct all communications related to the RFP to specified Port staff members. Only Port staff identified in the RFP as contacts for this competitive solicitation are authorized to respond to comments or inquiries from proposers, or potential proposers. The form referenced above will describe that communications relationship and will include the following text:

During the selection process under this RFP, potential proposers, their counsel, agents, contractors, representatives, and associates may not contact or solicit the Mayor and her staff, members of the Port Commission, any members of the Selection Panel (once those members are identified) or any other Port, City, or Commission staff member other than the contact persons designated by the Port (which may be updated at the Port's discretion through a written communication), regarding this RFP, the content of this RFP, any responses or proposals received in response to this RFP, or for the purpose of influencing the content of the

competitive solicitation, bids, or the award of the Exclusive Negotiating Agreement (ENA). Failure to comply with this provision may result in the disqualification of the proposer from the solicitation process at the sole discretion of the Port.

This prohibition extends from the date the RFP is issued until the date the ENA is executed. This prohibition does not apply to communications with the City regarding normal business not related to this RFP.

## **VIII. SCORING CRITERIA TO REVIEW RESPONSES**

Responses to the RFP will be scored by a scoring panel selected by Port staff and as described below. The panel will review proposals based upon a set of criteria established and described in the RFP. Only those respondents that have met the minimum qualifications described above will advance to panel scoring. The panel will review and score both written responses and in person interviews. A point system will be created for the categories below.

### *1 - Quality of the Design and Development submittal* based on factors such as:

- a) response to RFP development planning objectives and goals, and community values and priorities
- b) evaluation of the development program's conformance with Waterfront Plan goals, Public Trust Objectives and Community Values
- c) character and design quality of the development (e.g., connectivity to the surrounding area, massing and treatment of buildings, quality of open spaces and public realm)
- d) effectiveness of ongoing management programs dealing with transportation demand, the strategic balance of maritime uses with public access, clarity and integrity of sustainability principles, comprehensiveness of "good neighbor" strategies, and inclusiveness of a diverse group of potential users and tenants
- e) programmatic balance of public-serving, maritime, and revenue-generating uses

### *2 - Strength of Financial Proposal* based on factors such as:

- a) proposed economic return to the Port, base rent and percentage rent or other forms of participation proposed by the respondent
- b) evaluation based upon understanding of real estate/market assessment of the site(s)
- c) evaluation based upon financial feasibility assessment of the proposer's program and project proforma

### *3 - Financial Capacity of the Respondent and Economic Viability of Proposal* based on factors such as:

- a) ability to raise and commit funds for the project and continuing operations and maintenance
- b) adequacy of projected revenues to support the respondent's proposed investment
- c) revenues to Port

- d) reasonableness of the cash flow analysis
- e) proposed capital investment for improvements including Seawall and flood protection

4 -*Experience, organization and reputation of the respondent's team*, based on factors such as:

- a) experience engaging the community
- b) team make-up and diversity reflecting San Francisco population
- c) experience and success in utilization of certified San Francisco Local Business Enterprise (LBE) businesses, California Small Business Enterprise (SBE) or similar municipal, state, or federal work force and business development programs in development projects
- d) team & key personnel qualifications and availability
- ~~e) team make-up and diversity reflecting San Francisco population~~
- ~~f) experience and success in utilization of certified San Francisco Local Business Enterprise (LBE) businesses, California Small Business Enterprise (SBE) or similar municipal, state, or federal work force and business development programs in development projects~~
- e) experience with over-water construction project (for responses/proposals that include addressing Piers 30-32)
- f) experience with complex regulatory environment
- g) history of on-time and on-budget projects
- h) economic success of similar ventures
- i) design excellence of completed projects
- j) clear lines of authority and responsibilities
- ~~j) team & key personnel qualifications and availability~~
- k) litigation and compliance record
- l) demonstrated ability to comply with City requirements
- ~~l) experience engaging the community~~
- m) experience with the Port/public agencies collaboration and coordination
- n) experience with sustainability with programs like 0-80-100 Roots

<b>Evaluation and Selection Criteria Summary</b>	<b>Written Total: 100 Points</b>
Quality of the Design and Development Submittal	35 pts
Strength of Financial Proposal	20 pts
Financial capacity of Respondent/economic viability of proposal	20 pts
Experience, organization and reputation of Respondent's team	25 pts

In addition to the 100 points achievable through the written proposal, up to 30 additional points may be awarded based upon performance in the oral interviews regarding the quality of design and development, experience, and team organization.

## **IX. RESPONSE SCORING PANEL COMPOSITION**

The draft Waterfront Plan goal of “Partnering for Success”, includes a policy that defines a scoring panel that represents diverse interests to assist the Port Commission in the selection of a development partner. As recommended by that policy, the scoring panel reviewing the Piers 30-32 and/or SWL 330 RFP teams that meet the Minimum Qualifications will include, at a minimum, the following types of representative individuals:

1. development expert
2. Port staff person
3. Port advisory group member
4. person representing a City or regional stakeholder perspective

Scoring panel members will also be selected for their expertise in the areas of finance and architectural/urban design. The scoring panel may include other stakeholder representations should the Port deem desirable. Development experts should include experts with development experience in the Bay Area, and particularly waterfront projects and projects with maritime berthing capacities and innovative mixed-use programs. The Port staff person should be a senior level person with a broad range of real estate, development, finance, or planning background. The Port Advisory Group member should be from the advisory group within the geography of the project, and the City or Regional representative should be a stakeholder that complements or fills an expertise gap or unique project quality or issue. The panel will be diverse, reflecting the San Francisco community.

## **X. PORT COMMISSION REVIEW AND SELECTION PROCESS**

The following process is proposed to seek Port Commission input and eventual approval to award the opportunity and enter into an ENA with the successful development partner. This process allows the Port Commission to hear from qualified respondents, receive background information regarding the proposals and their relative financial and regulatory feasibility prior to Port staff providing its recommendation for action based on the results of the scoring process. The process includes the following steps:

- The proposals meeting the Minimum Qualifications will be vetted by a third-party economics consultant for feasibility, with input from Port engineering for occupancy and code compliance consistency. This review will be summarized in a memo for use by the scoring panel in their evaluation and scoring of the proposals;
- The scoring panel will review the qualifying proposals and the third-party evaluation memo and then will interview the qualifying proposers, in order to score the proposals based upon the scoring and selection criteria outlined above;
- Port staff will develop up to three recommendations (the “Port Staff Recommendations”) for award of the right of exclusive negotiation: the highest-

scoring combined Piers 30-32/SWL 330 proposal (if any); the highest-scoring Piers 30-32-only proposal (if any), and/or the highest-scoring SWL 330-only proposal (if any). The number of Port Staff recommendations will depend on whether there are qualifying proposals in each category.

- After scoring is complete, all respondents meeting the Minimum Qualifications will be invited to make a brief presentation as part of an information item at a Port Commission meeting. The RFP will require that all respondents provide an executive summary of their proposals; accordingly, the staff report for the information item will attach all of the executive summaries from qualifying respondents and will include the results of the scoring panel reviews. The Port Commission will be advised that in order to keep the process balanced, that the information item is intended simply to provide information to the Port Commission and public about the responses received and not for scoring purposes.
- At that same Port Commission meeting, but after the item described in the preceding bullet, Port staff will provide a staff report and presentation laying out the Port Staff recommendations.
- At a subsequent meeting, Port staff will calendar an action item under which the Port Commission can then decide to (a) select the top-scoring combined Piers 30-32/SWL 330 proposal (if any), (b) select both top-scoring single-site proposals (if any of either), (c) select only one of the top-scoring single-site proposals and reject the other, or (d) reject all proposals and terminate the process.

In addition to the key sections of the RFP outlined in this staff report, the RFP will also require that respondents agree to: a) enter into a lease disposition and development agreement substantially similar to the form presented in the RFP; b) execute a lease substantially similar to the form presented in the RFP; and c) agree to abide by all City policies and laws. Additionally, issuance of an RFP does not commit the Port to proceeding with any agreement or project, and the Port cannot approve any lease or other development agreement for the project until after environmental review has been completed in compliance with the California Environmental Quality Act.

## **XI. NEXT STEPS**

If the Port Commission approves the release of the RFP ~~in December 2019~~, Port staff will complete drafting and target January 2020 for release of the RFP. Assuming that target holds, staff projects the schedule to proceed as follows:

- |                     |   |
|---------------------|---|
| • late January 2020 | Pre-submittal open house                          |
| • February 2020     | Respondents' questions to Port due                |
| • early March 2020  | Port responses to questions published             |
| • late March 2020   | Proposals Due                                     |
| • April/May 2020    | Form scoring panel and review proposals           |
| • May 2020          | Informational presentations at Port Commission    |
| • June 2020         | Seek authorization from Port Commission to select |

Development partner(s) and enter into ENA(s)

The Port has and will continue to reach out to potential and interested developers to make them aware of the RFP opportunity and will conduct the following outreach:

- Update and notify potential respondents to the RFP
- Run advertisements or otherwise seek news coverage in professional periodicals and newspapers
- Conduct outreach through professional organizations
- Conduct outreach with the neighborhood, local, regional and ethnic Chambers of Commerce
- Coordinate outreach with CMD and through other City agency outreach events

Prepared by:

Peter Albert  
Project Manager  
Real Estate and Development

Assisted by:

David Beaupre  
Senior Project Manager  
Real Estate and Development

Rebecca Benassini  
Assistant Deputy Director  
Real Estate and Development

Prepared for:

Michael Martin  
Deputy Director  
Real Estate and Development

Exhibit 1: RFP Parameters

Exhibit 2: Site Location and Setting

Exhibit 3: Diverse Use Policies from the Waterfront Plan

Exhibit 4: Piers 30-32 Plan Diagram

Exhibit 5: SWL 330 Plan Diagram

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

**RESOLUTION NO. 19-48**

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port owns in trust the Piers 30-32 site, consisting of approximately 13 acres of paved deck currently used primarily as a parking lot; and the Seawall Lot ("SWL") 330 site, consisting of approximately 2.3 acres and currently used as a parking lot and a SAFE Navigation Center
- WHEREAS, Piers 30-32 and SWL 330 represent a rare waterfront resource of significant developable acreage; and
- WHEREAS, On May 28, 2019 the Port Commission directed staff to prepare for a release of a development Request for Proposals ("RFP") for Piers 30-32 and SWL 330; and
- WHEREAS, On August 14, 2018 the Port Commission endorsed the Draft Waterfront Plan Goals, Public Trust Objectives, and Plan Objectives and 161 Policy Recommendations; and
- WHEREAS, The Draft Waterfront Plan recommends that Piers 30-32 and SWL 330 be redeveloped for publicly-oriented, waterfront-activating, maritime, and revenue generating uses; and
- WHEREAS, Successful redevelopment of Piers 30-32 and SWL 330 would be consistent with the following Port's Strategic Plan objectives: Evolution, Productivity, Stability, Resiliency, Equity, Sustainability and Engagement; and
- WHEREAS, Successful redevelopment of Piers 30-32 would be consistent with the Port's Resilience Program and must mitigate seismic and flooding risks for the piers and marginal wharfs; and
- WHEREAS, The Port will continue to collaborate with the State Lands Commission and Bay Conservation Development Commission on accommodating uses to benefit the Public Trust; and
- WHEREAS, The Port and a selected developer respondent will work with the City's Contract Monitoring Division to establish appropriate Local Business Enterprise and work force development goals; and

- WHEREAS, Port staff has conducted community and stakeholder outreach consistent with the Draft Waterfront Plan policies and has identified Community Values for redevelopment of Piers 30-32 and SWL 330; and
- WHEREAS, The Draft Waterfront Plan identifies potential development concepts for Piers 30-32 and SWL 330; and
- WHEREAS, Port staff presented an informational update to the Port Commission on November 12, 2019, on the development of the RFP, the results of the community and stakeholder outreach that contributed to the identification of Community Values to be included in the RFP, the proposal for Minimum Qualifications and selection criteria to be used by Port staff and a scoring panel in evaluating responses to the RFP, and a recommendation to the Port Commission for reviewing and awarding responses to the RFP; and
- WHEREAS, Staff will first determine whether respondents meet the Minimum Qualifications described in the staff memorandum accompanying this resolution (“Staff Memorandum”); proposals submitted by respondents who fail to meet the Minimum Qualifications will not be considered; and
- WHEREAS, In addition to meeting the Minimum Qualifications regarding experience and communications with City representatives as specified in the attached staff report, as a Minimum Qualification, each team responding with a proposal for Piers 30-32 must have experience with a project that included over-water work; and
- WHEREAS, As further described in the Staff Memorandum, the RFP will include a communications policy (“blackout policy”) that prohibits respondents from having certain communications with Port staff and Port Commission members; the blackout policy will also prohibit respondents from communicating with members of the scoring panel except during oral interviews; the blackout policy will not prohibit respondents from participating in Port Commission meetings; and
- WHEREAS, Proposals submitted by respondents meeting the Minimum Qualifications will be scored by a panel selected by Port staff, with scoring based on a set of criteria as described in the Staff Memorandum; and
- WHEREAS, The scoring panel will be a diverse panel, including, at a minimum, a development expert, a Port staff employee, a Port Advisory Group member and a person representing the City or regional interest; additional members may be added should the Executive Director deem it appropriate; and
- WHEREAS, After scoring of the proposals are completed by the panel, staff will present as an informational item at a Port Commission meeting, an executive summary of each proposal scored by the panel and the scoring



results; all respondents whose proposals were scored by the panel will be given an opportunity to present their proposal at the meeting; and

WHEREAS, At a subsequent Port Commission meeting, as an action item, staff will provide up to three recommendations of award for the Port Commission's consideration as follows: (i) one recommendation of the respondent receiving the highest score by the scoring panel for a development proposal that combines both Piers 30-32 and SWL 330 (if any); (ii) one recommendation of the respondent receiving the highest score by the scoring panel for a development proposal for Piers 30-32 alone (if any); and (iii) one recommendation of the respondent receiving the highest score by the scoring panel for a development proposal for SWL 330 alone (if any); and

WHEREAS, If the Port Commission does not award to one or more of the highest scoring respondent(s), the RFP process will be terminated; and

WHEREAS, The RFP will include a requirement that the proposals must include an economic benefit package, which will provide Port a stable revenue stream and participation in additional revenues and capital events as described in the Staff Memorandum; and

WHEREAS, Port staff recommends that publicly soliciting proposals through a RFP process for the development of Piers 30-32 and SWL 330 will garner the best market response(s) and provide the Port with the best opportunity to meet its overall goals for the sites; and

WHEREAS, Issuance of an RFP does not commit the Port to proceeding with any agreement or development project, and the Port cannot approve any lease or other development agreement 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 has reviewed the goals and objectives of a RFP for Piers 30-32 and SWL 330, the proposed Minimum Qualifications, selection criteria, selection panel representation, Commission review and selection process, and economic benefit package to Port, all as described in the Staff Memorandum and authorizes Port staff to issue a RFP and manage the solicitation process described herein and in the Staff Memorandum, and be it further

RESOLVED, The Port Commission authorizes Port staff to take further actions in connection with the RFP to achieve the purposes described in this Resolution.

***I hereby certify that the Port Commission at its meeting of December 10, 2019 adopted the foregoing Resolution.***

*AG Quesada*

---

## Exhibit 1- RFP Parameters

Location: Piers 30-32 and Seawall Lot 330, The Embarcadero between Bryant and Beale Streets

### Site Areas and Uses:

#### *Piers 30-32*

- 574,000 gross square feet (approx. 13 acres) paved surface over two piers bridged by a deck, currently operated by the Port as a surface parking lot and occasional special event location
- Piers linear dimension (extending east from the Embarcadero): 950 feet
- Piers width (fronting the Embarcadero) 625 feet
- Waterfront Plan Uses: maritime (ferry/excursion, passenger cruise, historic ships, ship repair, temporary berthing), public access, public open space, publicly-oriented (artist, cultural, assembly, entertainment, museum, retail, restaurant, beverage, recreation, visitor services, academic organizations), revenue generating (short-term interim uses, office)

#### *Seawall Lot 330*

- 101,471 square feet (approx. 2.3 acres) of paved land, currently operated as a parking lot with a portion occupied by a temporary structure housing Embarcadero SAFE Navigation Center homeless services for limited-term duration
- Waterfront Plan Uses: publicly oriented (artist, cultural, assembly, entertainment, museum, retail, restaurant, beverage, recreation, visitor services, academic organizations), revenue generating (short-term interim uses), residential, hotel

Term: Dependent on investment and sea level rise adaption plan, up to 66 years

Existing Tenants: Port will work with developer so that existing users, including automobile parking operations, are kept informed of timing of development, consistent with the limited-duration terms of the Embarcadero SAFE Navigation Center

Resilience: There are two active Port efforts to address resilience for the Port's piers: the Embarcadero Seawall Program and the US Army Corps of Engineers Flood Resilience Study. The successful respondent will be required to coordinate and collaborate on each of these efforts and the Port will provide criteria on seismic and adaption thresholds.

### Public Financing:

- Infrastructure Financing District

### Projected RFP Timing:

1. Release RFP ~~December 2019~~ January 2020
2. RFP Responses Due March 2020
3. Port Commission Informational Item May 2020
4. Port Commission /Action Item June 2020

# EXHIBIT 2: Piers 30-32 and Seawall Lot 330 Site Location and Setting



## Exhibit 3: DIVERSE USE POLICIES

(excerpted from [Draft Waterfront Plan](#), pages 37-41)

### Public-Oriented Uses

1. Leases and Port developments should support a diversity of public-oriented uses that equitably serve and attract visitors of all ages, races, income levels, and abilities from California and the world.
2. Provide more equitable access by increasing the number of free or low-cost activities and events along the waterfront.
3. Include activities that promote physical activity, connection with nature, and healthful living for visitors of all ages.
4. Design public-oriented uses to be inclusive, to create visitor experiences, and to convey a sense of place that is oriented to San Francisco Bay (e.g., include lower-cost takeout/happy hour offerings from restaurants, creative public access/public realm design amenities, lobbies open to the public).
5. Highlight visual connections with maritime features and public access improvements in the design of public-oriented uses in new pier developments, where possible.
- ~~6. In historic properties, include tenant improvements that enhance visitor enjoyment of the Port's maritime history and architecture, consistent with Waterfront Plan urban design and historic preservation policies.~~
7. Give top priority to public-oriented uses that are water-oriented and provide water-dependent activities uses that are open to the public.
8. Encourage temporary public-oriented uses that promote a dynamic waterfront. Allow pilot projects and small business opportunities.
9. Integrate commercial revenue generation with public-oriented uses and benefits as needed to meet project financial feasibility requirements.
10. For developments that include academic organizations, require programs and facilities that offer public educational opportunities (e.g., short courses or workshops) as well as public events and gatherings that enhance and activate public access areas.

### Commercial and Industrial Uses

- ~~11. Maintain maritime and non-maritime industrial leasing opportunities in Port pier sheds, warehouses, and industrial properties.~~
- ~~12. Maintain leasing opportunities for maritime and general office uses in existing office building developments, historic buildings that are listed in the National Register of Historic Places, and as permitted.~~
- ~~13. Consistent with Chapter 2A, Maritime Policies 14 & 15, pursue development of new warehouses on the Pier 90-94 Backlands to maintain industrial facilities in San Francisco that protect the viability of Port cargo and maritime support businesses at Piers 80, 92 and 94-96, generate economic activity and jobs for the city, Port revenues for capital investment, and improved properties in the Bayview-Hunters Point community.~~
14. Develop commercial and industrial projects that are consistent with applicable urban design and architectural policies (in Chapter 2D) and environmental sustainability policies (in Chapter 2G), and that complement and enhance the waterfront public open space network (see Chapter 2C).
15. Prohibit new private clubs with exclusive memberships (i.e., clubs that require members to be voted in). Allow clubs that may charge membership fees (e.g., YMCA) but that provide pay-as-you go use of facilities or other measures to allow occasional club use by the public to the maximum feasible extent.
16. Promote the use of public transit and alternative transportation modes in commercial and industrial projects, consistent with Waterfront Plan transportation policies (in Chapter 2F).

## **Other Uses: Transportation Services**

17. Provide attractively designed and inviting passenger waiting and service areas to encourage use of public and private water transportation services, including terminals, docks, and public spaces that support water transportation facilities/

18. In major developments, encourage ticket sales for all local and regional public transportation modes to and within San Francisco.

19. Plan vehicle staging areas that minimize congestion on nearby streets and adverse impacts on public access.

## **Other Uses: Community Facilities**

20. Allow public safety and other community service facilities on sites that are strategically located to provide service to the Port or the City and County of San Francisco (City).

21. Where rational and feasible, include spaces in new developments that can be used by the public (e.g., community meetings, government services) and that activate the waterfront.

22. Maintain the Port Executive Director's authority to direct the utilization of Port facilities for medical airlift and other emergency services.

## **Seawall Lots**

34. Encourage uses on seawall lots that integrate and connect with the surrounding neighborhood and waterfront.

35. Activate and clean up underused northern seawall lot areas, and promote new uses and design that enhance the public realm on the west side of the Embarcadero.

36. Promote design of seawall lot developments along the Embarcadero so they provide physical and visual access to the west side of the Embarcadero, the Embarcadero Historic District, and the Bay, and access to a diverse range of users.

37. Ensure that seawall lot developments:

- a. Incorporate public-oriented uses that enliven the pedestrian/ground level experience in a variety of ways.
- b. Provide land uses that, whether oriented to residents, visitors, or workers, support and attract diverse populations to the waterfront.

38. Allow hotels as an acceptable use on seawall lots and Port properties more than 100 feet upland of the Bay shoreline, consistent with Proposition H.

~~39. Seek state legislation to lift trust restrictions on the remaining seawall lots north of Market Street on a case-by-case basis, only if necessary, and ensure that development includes public-oriented use(s) to activate or enhance the public realm.~~

40. To support Port capital improvements, generate revenue from a broad range of uses, including non-trust uses (e.g., office, residential, general retail) where permitted by Senate Bill 815 or other state legislation, and invite new ideas to enhance surrounding neighborhoods and connections across the Embarcadero; support development that is well-designed and advances public goals.

41. Pursue significant financial benefits from seawall lot developments that rely on state legislation, to support historic rehabilitation of piers, waterfront parks, and public access.

42. Comply with applicable City policy regarding provision of affordable housing in new residential development projects and, whenever possible without undermining financial value to the Port, exceed the City's policy.

43. Encourage inclusion of social and common areas that could be available for community meetings to serve on-site or nearby residents.

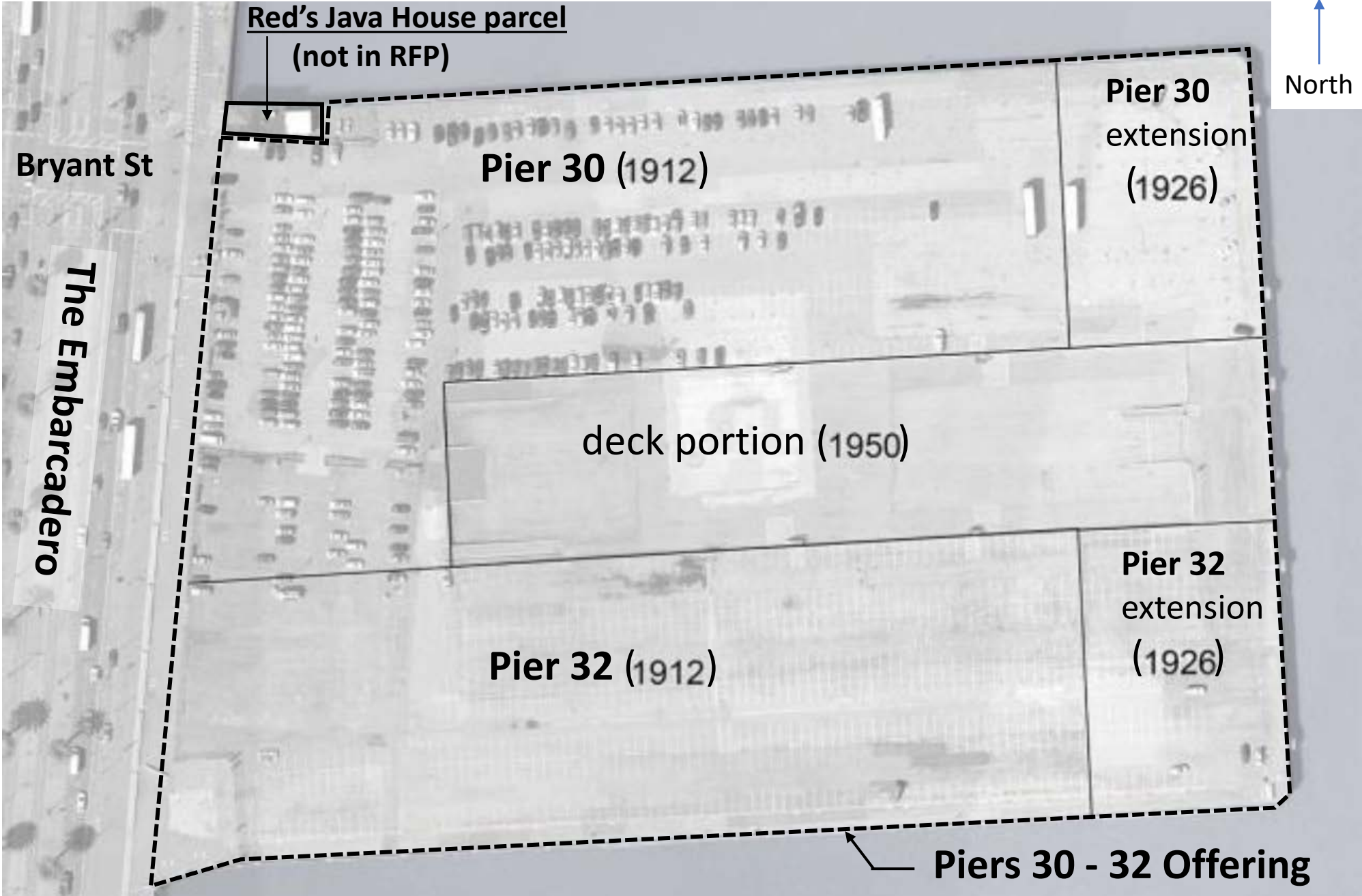
44. Recognize that parking on seawall lots is a trust use that furthers trust objectives by:

- a. Accommodating Port visitors who drive from elsewhere in the region or state, especially families with children, seniors, people with disabilities, and tour buses.
- b. Supporting Port businesses, their service needs, and their employees who are currently underserved by transit (e.g., maritime operators, Fisherman's Wharf businesses).
- c. Providing a revenue stream for Port capital needs on an interim basis, until other uses are approved.

45. Ensure that seawall lot parking uses are consistent with transportation policies in Chapter 2F and informed by further studies of people visiting the waterfront, delivery and loading needs, and transit and bicycle use.



**EXHIBIT 4: PIERS 30-32 PLAN DIAGRAM**





## EXHIBIT 5: SEAWALL LOT 330 PLAN DIAGRAM

**North** →





## San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

[ethics.commission@sfgov.org](mailto:ethics.commission@sfgov.org) . [www.sfethics.org](http://www.sfethics.org)

Received On:

File #: 240342

Bid/RFP #:

### Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

#### 1. FILING INFORMATION

<b>TYPE OF FILING</b>	<b>DATE OF ORIGINAL FILING (for amendment only)</b>
original	
<b>AMENDMENT DESCRIPTION – Explain reason for amendment</b>	

#### 2. CITY ELECTIVE OFFICE OR BOARD

<b>OFFICE OR BOARD</b>	<b>NAME OF CITY ELECTIVE OFFICER</b>
Board of Supervisors	Members

#### 3. FILER'S CONTACT

<b>NAME OF FILER'S CONTACT</b>	<b>TELEPHONE NUMBER</b>
Angela Calvillo	415-554-5184
<b>FULL DEPARTMENT NAME</b>	<b>EMAIL</b>
office of the clerk of the Board	Board.of.Supervisors@sfgov.org

#### 4. CONTRACTING DEPARTMENT CONTACT

<b>NAME OF DEPARTMENTAL CONTACT</b>	<b>DEPARTMENT CONTACT TELEPHONE NUMBER</b>
wyatt Donnelly-Landolt	(415) 439-9610
<b>FULL DEPARTMENT NAME</b>	<b>DEPARTMENT CONTACT EMAIL</b>
PRT Port	wyatt.donnelly-landolt@sfport.co

5. CONTRACTOR	
<b>NAME OF CONTRACTOR</b> Strada TCC Partners, LLC	<b>TELEPHONE NUMBER</b> 415-263-9151
<b>STREET ADDRESS (including City, State and Zip Code)</b> 201 Spear Street, Suite 1650, San Francisco, CA 94105	<b>EMAIL</b> cmiller@stradasf.com

6. CONTRACT		
<b>DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)</b>	<b>ORIGINAL BID/RFP NUMBER</b>	<b>FILE NUMBER (If applicable)</b> 240342
<b>DESCRIPTION OF AMOUNT OF CONTRACT</b> 0		
<b>NATURE OF THE CONTRACT (Please describe)</b> Non-binding term sheet for the mixed-use development of Port property at SWL 330 and Piers 30-32		

7. COMMENTS

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Blout	Jesse	Other Principal Officer
2	Cohen	Michael	Other Principal Officer
3	Goodman	William	Other Principal Officer
4	Krukowski	Nikolas	Other Principal Officer
5	Miller	L. Clarke	Other Principal Officer
6	Mogabgab	Joshua	Other Principal Officer
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			

**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			

**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor's board of directors; (B) the contractor's principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			

☐ Check this box if you need to include additional names. Please submit a separate form with complete information. Select "Supplemental" for filing type.

**10. VERIFICATION**

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

**I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.**

**SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK**

**DATE SIGNED**

BOS Clerk of the Board



**From:** [Trejo, Sara \(MYR\)](#)  
**To:** [BOS Legislation. \(BOS\)](#)  
**Cc:** [Paulino, Tom \(MYR\)](#); [Delepine, Boris \(PRT\)](#)  
**Subject:** Mayor -- Resolution -- Piers 30-32 and Seawall Lot 330  
**Date:** Tuesday, April 2, 2024 3:00:13 PM  
**Attachments:** [Piers 30-32 Term Sheet FINAL.docx](#)  
[Resolution 19-48 Piers 30-32 RFP Final with exhibits.pdf](#)  
[Resolution 20-45 Piers 30-32 & SWL 330 ENA.pdf](#)  
[Resolution 21-08 Piers 30-32 and SWL 330 ENA Approval.pdf](#)  
[012324 12a piers 30-32 term sheet and ena amendment - info and possible action.pdf](#)  
[Piers 30-32 & SWL 330 Fiscal Feasibility FINAL 3.28.24.pdf](#)  
[Piers 30-32 & SWL 330 Fiscal Feasibility Resolution FINAL V2.docx](#)

---

Hello Clerks,

Attached is a Resolution finding the proposed lease and development of Piers 30-32 & Seawall Lot 330, an approximately 15.3-acre site generally located along the Embarcadero between Bryant and Beale Streets, fiscally feasible under Administrative Code, Chapter 29 and endorsing the term sheet.

Best regards,

**Sara Trejo**

Legislative Aide

Office of the Mayor

City and County of San Francisco

415.554.6141 | [sara.trejo@sfgov.org](mailto:sara.trejo@sfgov.org)