

1 [Term Sheet - Orton Development, Inc. - Rehabilitation of the 20<sup>th</sup> Street Historic Buildings  
and Finding of Fiscal Feasibility]

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3 **Resolution finding the proposed rehabilitation of the 20<sup>th</sup> Street Historic Buildings on**  
4 **or near 20<sup>th</sup> Street, east of Illinois Street, fiscally feasible pursuant to Administrative**  
5 **Code Chapter 29 and endorsing the Term Sheet between Orton Development, Inc. and**  
6 **the San Francisco Port Commission.**

7

8 WHEREAS, The San Francisco Port Commission (“Port” or “Port Commission”) owns,  
9 in trust, a cluster of several historic buildings in need of substantial rehabilitation (the “20<sup>th</sup>  
10 Street Historic Buildings”), located on or near 20th Street, east of Illinois Street which  
11 buildings form a part of the area generally referred to as Pier 70; and

12 WHEREAS, Pier 70 is the most intact 19th century industrial complex west of the  
13 Mississippi River, containing a rich collection of resources, and provides a physical record  
14 expressing continuity with past trends in industrial architecture and design; and

15 WHEREAS, The State Office of Historic Preservation has determined that Pier 70’s  
16 approximately 40 historic structures and features are eligible for listing on the National  
17 Register of Historic Places and the 20<sup>th</sup> Street Historic Buildings represent some of the most  
18 important buildings at Pier 70; and

19 WHEREAS, The Pier 70 site is eligible for listing in the National Register as a Historic  
20 District for its national significance in the area of maritime industry for the period 1884 to 1945,  
21 beginning with the initial construction of the Union Iron Works Machine Shop and closing at  
22 the end of World War II; the Pier 70 site is significant for its association with pioneering  
23 technological developments in shipbuilding, labor relations, and government and private  
24 industry relationships, as well as for the production of significant wartime vessels; and the

25

1 Pier 70 site is also significant for architectural design and engineering because it includes  
2 important works of master architects; and

3 WHEREAS, Two of the 20<sup>th</sup> Street Historic Buildings, the Bethlehem Steel Main Office  
4 Building (Building 101) and Powerhouse (Building 102), both designed by two renowned San  
5 Francisco architects, Frederick H. Meyer and Charles Peter Weeks during World War I, create  
6 a grand formal entrance to the shipyard at the corner of 20<sup>th</sup> and Illinois Streets; and these two  
7 buildings, along with the Union Iron Works Administration (Building 104) and the Union Iron  
8 Works Machine Shop and Foundry (Buildings 113/114) along 20<sup>th</sup> Street form the core of the  
9 proposed Pier 70 Historic District, and

10 WHEREAS, The 20<sup>th</sup> Street Historic Buildings are condemned, are deteriorating, and  
11 will be lost if they are not rehabilitated; and

12 WHEREAS, On February 28, 2012, by Resolution 12-18, the Port Commission  
13 awarded Orton Development, Inc. (“Orton”) an exclusive right to negotiate with Port for the  
14 development, rehabilitation, and lease of the 20<sup>th</sup> Street Historic Buildings (the “Project”); and

15 WHEREAS, On April 24, 2012, by Resolution 12-36, the Port Commission authorized  
16 the Port’s Executive Director or her designee to execute an Exclusive Negotiating Agreement  
17 (“ENA”) between Port and Orton for the Project and such parties entered into the ENA  
18 effective May 17, 2012, which ENA required, among other things, for Port and Orton to  
19 negotiate a term sheet to describe the fundamental deal terms for the Project; and

20 WHEREAS, On October 9, 2012, by Resolution No. 12-78, the Port Commission  
21 endorsed the term sheet for the Project (“Term Sheet”) and directed Port staff to present the  
22 Term Sheet to the Board of Supervisors for endorsement and for consideration of a finding  
23 that the Project is fiscally feasible and responsible under San Francisco Administrative Code  
24 Chapter 29; and

1           WHEREAS, The Term Sheet is on file with the Clerk of the Board of Supervisors in File  
2 No. 121045, which is hereby declared to be a part of this motion as if set forth fully herein; and

3           WHEREAS, The construction cost of the Project will exceed \$25 million and Port will  
4 contribute more than \$1 million towards construction of the Project, thus triggering review by  
5 the Board of Supervisors to determine the fiscal feasibility of the Project under Administrative  
6 Code Section 29.1; and

7           WHEREAS, Pursuant to Administrative Code Section 29.3, Port and Orton have  
8 submitted to the Board of Supervisors a general description of the Project, the general  
9 purpose of the Project, and a fiscal plan; and

10           WHEREAS, Pursuant to Administrative Code Section 29.2, prior to submittal to the  
11 Planning Department of an environmental evaluation application (“Environmental Application”)  
12 required under Administrative Code Chapter 31 and the California Environmental Quality Act  
13 (“CEQA”) related to the Project, it is necessary to procure from the Board of Supervisors a  
14 determination that the plan to undertake and implement the Project is fiscally feasible and  
15 responsible; and

16           WHEREAS, The Board of Supervisors has reviewed and considered the general  
17 description of the Project, the general purpose of the Project, the fiscal plan and other  
18 information submitted to it and has considered the direct and indirect financial benefits of the  
19 Project to the City of San Francisco, the cost of construction, the available funding for the  
20 Project, the long-term operating and maintenance costs of the Project, and the debt load to be  
21 carried by Port; and

22           WHEREAS, The Board of Supervisors has reviewed and considered the terms for a  
23 possible lease by Port to Orton of the 20<sup>th</sup> Street Historic Buildings as set forth in the Term  
24 Sheet; and

1           WHEREAS, The Term Sheet is not itself a binding agreement that commits the City or  
2 Orton to proceed with the approval or implementation of the Project, and that the Project will  
3 first undergo environmental review under CEQA and will be subject to public review in  
4 accordance with the processes of the City and other government agencies with approval  
5 rights over the Project before any entitlements and other regulatory approvals required for the  
6 Project will be considered; now, therefore, be it

7           RESOLVED, That the Board of Supervisors finds that the plan to undertake and  
8 implement the Project is fiscally feasible and responsible under San Francisco Administrative  
9 Code Chapter 29 (“Fiscal Feasibility Finding”); and, be it

10          FURTHER RESOLVED, That pursuant to San Francisco Administrative Code  
11 Chapter 29, the Environmental Application may now be filed with the Planning Department  
12 and the Planning Department may now undertake environmental review of the Project as  
13 required by Administrative Code Chapter 31 and CEQA; and, be it

14          FURTHER RESOLVED, That the Board of Supervisors endorses the Term Sheet; and,  
15 be it

16          FURTHER RESOLVED, That any ground lease negotiated between Port and Orton for  
17 the 20<sup>th</sup> Street Historic Buildings require that Orton comply with the Secretary of the Interior’s  
18 Standards for the Treatment of Historic Properties in connection with any rehabilitation of the  
19 20<sup>th</sup> Street Historic Buildings; and, be it

20          FURTHER RESOLVED, That at the time the Board of Supervisors considers whether  
21 to approve a ground lease for the Project pursuant to Charter Section 9.118(c), Port report  
22 back to the Board of Supervisors on the Project’s (1) revised cost estimates, project financing,  
23 and pro forma financial analysis; and (2) Port’s procedures to control and verify project costs;  
24 and, be it

1           FURTHER RESOLVED, That if the Board of Supervisors approves a ground lease for  
2 the Project, any change to the financial terms of such ground lease after such approval that  
3 materially decrease the benefits or otherwise materially increase the obligations or liabilities of  
4 the City or Port is subject to the prior approval of the Board of Supervisors; and, be it

5           FURTHER RESOLVED, That endorsement of the Term Sheet and the Fiscal  
6 Feasibility Finding does not commit the Board of Supervisors to approval of the terms of a  
7 final lease or grant any entitlements to Orton, nor does the Term Sheet endorsement or Fiscal  
8 Feasibility Finding foreclose the possibility of considering alternatives to the Project or  
9 mitigation measures to reduce or avoid significant environmental impacts or preclude the City,  
10 after conducting appropriate environmental review under CEQA, from deciding not to grant  
11 entitlements or approve or implement the Project, and while the Term Sheet identifies certain  
12 essential terms of a proposed transaction with the City through the Port Commission, it does  
13 not set forth all of the final, material terms and conditions of a lease or other transaction  
14 documents.