

FILE NO. 991811

RESOLUTION NO. 1140-99

1 (Approval of Ferry Building Lease and Negative Declaration)

2 APPROVING LEASE WITH FERRY BUILDING INVESTORS, LLC, FOR THE
3 REHABILITATION OF THE FERRY BUILDING (THE EMBARCADERO AND MARKET
4 STREET) AS A MIXED USE PROJECT; APPROVING NEGATIVE DECLARATION; PROVIDING
5 FOR SPECIFIC WRITTEN REPORTS FROM THE PORT TO THE BOARD OF SUPERVISORS.

6 WHEREAS, City Charter Section B3.581(g) authorizes the Port Commission to enter
7 into leases and franchises for the operation of property within the jurisdiction of the Port
8 Commission; and,

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10 WHEREAS, The Port of San Francisco's Waterfront Land Use Plan ("Waterfront
11 Plan") calls for reuniting the City with its waterfront, and its objectives for improvements to the
12 Ferry Building Waterfront call for preserving and restoring historic structures both to recall the
13 area's historic uses and to accommodate new uses; and,

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15 WHEREAS, The Waterfront Plan identifies the restoration and adaptive reuse of the
16 Ferry Building, a City landmark listed on the National Register of Historic Places, and the
17 surrounding buildings and piers as critical to the reunification of the City with its waterfront and
18 to reestablishing the Ferry Building's civic importance, and calls for the Ferry Building
19 restoration to continue as one of the highest priorities of the Port Commission; and,

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21
22 WHEREAS, The Waterfront Plan notes that the high cost of renovating the Ferry
23 Building and other historic structures in the area will require the Port to pursue a mix of public
24 and private resources in order to achieve an appropriate quality and mix of uses, and that because
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1 of its central downtown location, the Ferry Building Waterfront offers perhaps the best
2 opportunity for a successful public and private partnership to provide new public amenities, jobs
3 and other benefits to the Port, the City and the region; and,
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5 WHEREAS, Renovation of the Ferry Building will serve the region's interest in
6 promoting efficient water transit service through public walkways through and around the
7 building, ticketing facilities and other services for transit patrons within the building, and
8 covered areas providing shelter from inclement weather.
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10 WHEREAS, At present, the Port of San Francisco occupies, leases and maintains the
11 Ferry Building for office space for commercial, primarily office tenants and its own
12 administrative offices; and,
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14 WHEREAS, The Port of San Francisco intends to relocate its administrative offices to
15 Pier 1 under a lease and sublease approved by Board of Supervisors Resolution No. 329-99 to
16 facilitate the plan to restore the Ferry Building as an intermodal ferry terminal and mixed-use
17 development, while retaining its Commission hearing room and an ancillary office within the
18 Ferry Building; and,
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20 WHEREAS, the Commission must conserve Port revenue to subsidize those maritime
21 uses and public improvements for which private investment is not economic and therefore, the
22 Port can not directly fund all necessary capital improvements to repair historic Port facilities
23 such as the Ferry Building (with an estimated project cost of \$70 million); and,
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1 WHEREAS, on May 15, 1998, the Port issued a Request for Qualifications and Proposals
2 to Rehabilitate and Lease the Ferry Building ("RFQ/P"), in order to assess the availability of
3 private investment to achieve its objectives; and,
4

5 WHEREAS, the Port received qualifications responses from four major developers
6 ("Respondents") whose qualifications were reviewed and analyzed by Port staff and a selection
7 panel of experts, and the Port Commission under Resolution No. 98-70 determined that all four
8 Respondents met the qualifications requirements and invited the four Respondents to submit
9 proposals for rehabilitation and lease of the Ferry Building; and,
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11 WHEREAS, the Port received proposal responses from all four Respondents, whose
12 proposals were reviewed and analyzed by Port staff, a selection panel of experts, and
13 independent financial consultants; and,
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15 WHEREAS, the Port Commission reviewed and evaluated the Respondents, reviewed
16 their responses, including the requested additional information, their interviews with Port staff,
17 the analyses of economic, design and planning and land use parameters prepared by Port staff
18 and by the Port's independent real estate economics consultants, and reviewed the Port staff
19 recommendation, and determined that William Wilson and Associates best met the qualification
20 requirements for rehabilitation and lease of the Ferry Building; and,
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22 WHEREAS, the Port Commission on November 17, 1998 under Resolution No. 98-114
23 awarded William Wilson and Associates the opportunity to enter into an Exclusive Right to
24 Negotiate agreement; and,
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1 WHEREAS, William Wilson and Associates has merged with Cornerstone Properties, a
2 national real estate investment trust, and is now known as Wilson Cornerstone; and,

3 WHEREAS, Port and Wilson Cornerstone staff negotiated a Lease Disposition and
4 Development Agreement (“LDDA”) and Ground Lease (“Lease”) for the rehabilitation of the
5 Ferry Building; and,

6 WHEREAS, the Port and Wilson Cornerstone are committed to a project that would meet
7 the Secretary of the Interior’s Standards (“Secretary’s Standards”) and, therefore, be eligible for
8 historic preservation tax credits, consistent with the Waterfront Plan and San Francisco General
9 Plan policies intended to preserve the strong architectural and historic character of this notable
10 landmark building and the Ferry Building area; and,

11 WHEREAS, Wilson Cornerstone has created a development entity known as Ferry
12 Building Investors, LLC, a California limited liability company (“Ferry Building Investors”),
13 which company is the developer for the Ferry Building project; and,

14 WHEREAS, On August 24, 1999, the Port Commission adopted findings and approved,
15 by Resolution No. 99-67, the LDDA and Lease for the rehabilitation of the Ferry Building; and,

16 WHEREAS, On September 21, 1999, the Port Commission approved a modification to
17 the Lease; and,

18 WHEREAS, The LDDA sets forth certain conditions precedent to the conveyance of a
19 66-year leasehold estate in the Ferry Building to Ferry Building Investors, and governs Ferry
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1 Building Investors' initial construction obligations for the Ferry Building improvements;
2 and,

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4 WHEREAS, the LDDA and the Lease with Ferry Building Investors will promote
5 maritime commerce by creating inviting new ground level food-oriented commercial retail and
6 dining establishments which will attract workers, residents and visitors to the City to the
7 waterfront and San Francisco Bay with its recreational and water transit opportunities; and,

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9 WHEREAS, the Lease provides for full-service and casual restaurants and bars, specialty
10 food or market uses, specialty retail uses, entertainment open to the public, services provided to
11 ferry passengers, transportation terminal uses, general office use and a Port Commission hearing
12 room and ancillary office above the ground floor, public access and ingress and egress, parking
13 and loading for customers and users, and associated storage of maintenance equipment and
14 supplies; and,

15
16 WHEREAS, the LDDA and the Lease also serve the important objective of
17 accommodating the historic rehabilitation of the Ferry Building, a landmark second only to San
18 Francisco City Hall in civic importance and the senior of these two landmark buildings; and,

19
20 WHEREAS, the Ferry Building project is consistent with the San Francisco General
21 Plan's Northeastern Waterfront Plan ("Northeastern Waterfront Plan") objectives and policies
22 designed to contribute to the waterfront's environmental quality, enhance the economic vitality
23 of the Port and the City, preserve the unique maritime character, and provide for the maximum
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1 feasible visual and physical access to and along the Bay because the project rehabilitates the
2 Ferry Building and supports adjoining water transit services; and,

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4 WHEREAS, the Ferry Building project is consistent with the Northeastern Waterfront
5 Plan's Urban Design policies calling for retention of older buildings of architectural merit or
6 historical significance to preserve the architectural and historical character of the waterfront and
7 ensure the compatibility of new development, and more specifically calling for retention of the
8 Ferry Building, which policies are met by this project's adaptively reusing this historic structure
9 consistent with the Secretary's Standards; and,

10
11 WHEREAS, The Board of Supervisors hereby adopts the following findings with
12 respect to the Final Negative Declaration, case file no. 94.684E ("Final Negative Declaration"),
13 for the Ferry Building Project ("the Project"):

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15 1. The San Francisco Planning Department ("Department"), fulfilled all procedural
16 requirements of the California Environmental Quality Act (Cal. Pub. Res. Code Section 21000
17 et. seq., "CEQA"), the State CEQA Guidelines (Cal. Admin. Code Title 14, Section 15000 et.
18 seq., "CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter
19 31"), and,

20
21 2. Pursuant to CEQA § 21094 and CEQA Guideline § 15162, the Project Negative
22 Declaration is tiered from the Waterfront Land Use Plan Environmental Impact Report
23 ("Waterfront Land Use Plan EIR") certified by the San Francisco Planning Commission on
24 January 9, 1997, and,

1 3. In accordance with CEQA § 21166, the Project is consistent with the Waterfront
2 Land Use Plan, is consistent with the San Francisco General Plan and Planning Code
3 requirements, and as relevant with respect to this project (1) no substantial changes are proposed
4 which would require major revisions to the Waterfront Land Use Plan EIR; (2) no substantial
5 changes have occurred with respect to the circumstances under which the Project is being
6 undertaken which would require major revisions in the Waterfront Land Use Plan EIR; and (3)
7 no new information of substantial importance, which was not known or could not have been
8 known at the time the Waterfront Land Use Plan EIR was certified, has become available, and,
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10 4. Based on the Initial Study, the Department determined that there was no
11 substantial evidence that the Project could have a significant effect on the environment, and,
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13 5. On August 8, 1998, the Department issued a Preliminary Negative Declaration,
14 and in accordance with CEQA, the CEQA Guidelines, and Chapter 31, the Department posted
15 the document in the Department offices, and mailed a copy of the document to the project
16 sponsor. The Department provided notice of the preparation of a the Preliminary Negative
17 Declaration in a newspaper of general circulation and this notice was mailed to the Department's
18 list of persons requesting such notice, and,
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20 6. In accordance with CEQA § 21091(b) and CEQA Guidelines § 15073, the
21 Preliminary Negative Declaration was available for a 30-day public review period, and,
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23 7. One comment letter was received in response to the Preliminary Negative
24 Declaration from the San Francisco Municipal Railway. The Department responded in writing to
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1 the letter and comments from the letter were integrated into the Final Negative Declaration, and,

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3 8. No appeal of the Preliminary Declaration was filed with the Department, and,

4 9. The Department prepared the Final Negative Declaration, which was adopted and
5 issued on October 1, 1998, and,
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7 10. Since publication of the Final Negative Declaration, the Ferry Building Project
8 has been further refined, resulting in an overall reduction in square footage, including reductions
9 in office, retail, restaurant/club and entertainment space from the retail and office scenarios
10 analyzed in the Final Negative Declaration. The Department after reviewing the revised project
11 has concluded, in its Memorandum to File No. 94.684E, Ferry Building Project, dated August
12 19, 1999, that the analyses conducted and the conclusions reached in the Final Negative
13 Declaration adopted and issued on October 1, 1998 remain valid and that no supplemental
14 environmental review is required, and,
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17 11. The project as modified is within the scope of the Final Negative Declaration, an
18 addendum to the Final Negative Declaration is not required and, pursuant to CEQA Guidelines
19 Sec. 15162, (1) no substantial changes are proposed which would require major revisions to the
20 Final Negative Declaration; (2) no substantial changes have occurred with respect to the
21 circumstances under which the Ferry Building Project is being undertaken which would require
22 major revisions in the Final Negative Declaration; and (3) no new information of substantial
23 importance, which was not known or could not have been known at the time the Final Negative
24 Declaration was adopted, has become available, and,
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1 12. Since the Final Negative Declaration assumed that rehabilitation of the Ferry
2 Building would comply with the Secretary of the Interior's Standards, and since the LDDA
3 requires that the project qualify as a certified tax credit project meeting the Secretary of the
4 Interior's Standards, the project as refined will not result in any new significant impacts to
5 cultural (historic and architectural) resources; and,
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7 WHEREAS, On August 24, 1999, the Port Commission adopted, in Resolution No. 99-
8 67, the Final Negative Declaration and mitigation monitoring program, and since that time no
9 substantial changes in the project or the circumstances under which the project is being
10 undertaken or new information of substantial importance has become available that would
11 require additional analysis or an addendum to the Final Negative Declaration; and,
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13 WHEREAS, Charter Section 9.118 requires in relevant part for the Board of
14 Supervisors to approve non-maritime leases of real property for a period of ten or more years, or
15 contracts or agreements entered into by a City department for a term in excess of ten years; and,
16

17 WHEREAS, A copy of the proposed form of Lease, including a copy of the LDDA, is
18 on file with the Clerk of the Board in File No. 991811 ; and,
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20 RESOLVED, The Board of Supervisors has reviewed and considered the Final Negative
21 Declaration and finds that it reflects the independent judgment and analysis of the Department,
22 the Port Commission and the Board, is adequate, accurate, and objective, and that incorporation
23 of the comments resulted in no significant revisions to the Preliminary Negative Declaration, and
24 that there is no substantial evidence that the Project will have a significant effect on the
25 environment, and hereby adopts the Final Negative Declaration; and, be it

1 FURTHER RESOLVED, The Board of Supervisors hereby adopts the mitigation
2 monitoring program prepared for the Project, a copy of which is attached to Port Commission
3 Resolution No. 99-67 and is on file with the Clerk of the Board in File No. 991811; and, be
4 it

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6 FURTHER RESOLVED, That the Board of Supervisors approves the form and
7 substance of the Lease, and the transactions which the Lease contemplates, (including without
8 limitation the terms of the LDDA to the extent incorporated or referenced in the Lease)
9 incorporating the business terms set forth in the Memorandum for Agenda Item 8A for the Port
10 Commission meeting on August 24, 1999, and Memorandum for Agenda Item 4B for the Port
11 Commission Meeting on September 21, 1999, copies of which are on file with the Clerk of the
12 Board in File No. 991811; and, be it

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14 FURTHER RESOLVED, That the Board of Supervisors authorizes and directs the
15 Executive Director of the Port (the "Executive Director") to execute the Lease upon satisfaction
16 or waiver of the conditions precedent set forth in the LDDA in substantially the form of such
17 agreements on file with the Clerk of the Board in File No. 991811, in such final form as is
18 approved by the Executive Director in consultation with the City Attorney; and, be it

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20 FURTHER RESOLVED, That the Board of Supervisors authorizes the Executive
21 Director to enter into any additions, amendments or other modifications to the Lease (including,
22 without limitation, preparation and attachment of, or changes to, any or all of the exhibits or the
23 LDDA) that the Executive Director, in consultation with the City Attorney, determines are in the
24 best interests of the City, do not materially increase the obligations or liabilities of the City, and
25

1 are necessary or advisable to complete the transactions which the Lease contemplates and
2 effectuate the purpose and intent of this resolution, such determination to be conclusively
3 evidenced by the execution and delivery by the Executive Director of the LDDA and Lease and
4 any such amendments thereto; and, be it

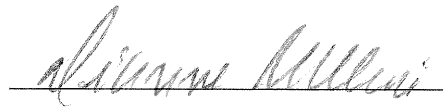
5 FURTHER RESOLVED, That the Board of Supervisors authorizes and urges the
6 Executive Director and any other appropriate officers, agents or employees of the City to take
7 any and all steps (including, but not limited to, the execution and delivery of any and all
8 certificates, agreements, notices, consents, escrow instructions, closing documents and other
9 instruments or documents) as they or any of them deems necessary or appropriate, in
10 consultation with the City Attorney, in order to consummate the transactions under the Lease and
11 the LDDA (to the extent referenced or incorporated in the Lease), in accordance with this
12 resolution, or to otherwise effectuate the purpose and intent of this resolution, such determination
13 to be conclusively evidenced by the execution and delivery by any such person or persons of any
14 such documents; and, be it

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17 FURTHER RESOLVED, That the Board of Supervisors approves, confirms and ratifies
18 all prior actions taken by the officials, employees and agents of the Port Commission or the City
19 with respect to the implementation of the project contemplated by the Lease.; and be it

r 20 (*See next page)

21 APPROVED AS TO FORM

22 LOUISE H. RENNE
23 City Attorney

24 By: 
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2 FURTHER RESOLVED, That, without modifying or affecting in any way the
3 rights or obligations as between the parties under the Ferry Building Ground Lease, at
4 least 25 days prior to the Port's approval of any proposed sale, transfer, or assignment
5 of the Ground Lease, as approved by this Resolution, for which the Port's approval is
6 required under the Ground Lease (except for Mortgages), the Port shall deliver to the
7 Board of Supervisors a written report that explains the proposed transaction. The
8 report shall include, but not be limited to, the following information:

- 9 1. The names of the proposed transferee and any persons or entities with
10 controlling interests in the transferee, and
11 2. All significant terms of the proposed transaction; and be it

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13 FURTHER RESOLVED, That without modifying or affecting in any way the rights
14 or obligations as between the parties under the Ferry Building Ground Lease, at least
15 30 days prior to Port's written election whether or not to participate in net proceeds from
16 the transfer of the Ground Lease pursuant to Section 2.4.5 of the Ground Lease, as
17 approved by this Resolution, the Port shall deliver to the Board of Supervisors a written
18 report that shall include the following information:

- 19
20 1. The information provided by Tenant regarding the probable transfer prices, as
21 more particularly specified in Section 2.4.5 of the Ground Lease; and
22 2. The Port's recommendation regarding its election whether or not to
23 participate in net proceeds from a proposed transfer.



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

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Resolution

File Number: 991811

Date Passed:

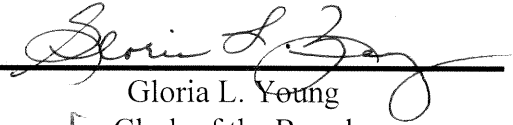
Resolution approving lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building (The Embarcadero and Market Street) as a mixed use project; approving Negative Declaration; providing for specific written reports from the Port to the Board of Supervisors.

December 20, 1999 Board of Supervisors — ADOPTED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

File No. 991811

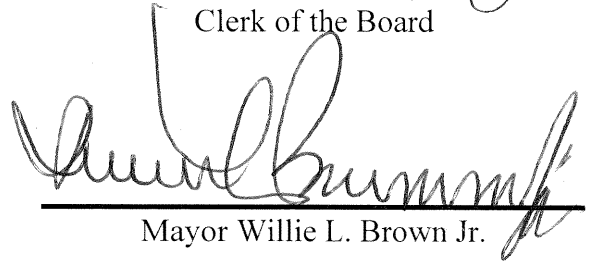
I hereby certify that the foregoing Resolution was ADOPTED on December 20, 1999 by the Board of Supervisors of the City and County of San Francisco.



Gloria L. Young
Clerk of the Board

DEC 23 1999

Date Approved



Mayor Willie L. Brown Jr.