

1 [Port of San Francisco – Proposed Piers 27-31 Mixed Use Recreation Project Fiscal
2 Feasibility]

3 **Resolution adopting findings that the proposed Piers 27-31 Mixed Use Recreation**
4 **Project is fiscally feasible and responsible under Administrative Code Chapter 29.**

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6 WHEREAS, Chapter 29 of the Administrative Code requires the Board of Supervisors
7 to determine whether certain projects proposed by a City department or other entity are
8 fiscally feasible and responsible; and

9 WHEREAS, The Port of San Francisco (the "Port") is the Project Sponsor of a
10 proposed mixed use recreation project at Piers 27-31, which includes the historic rehabilitation
11 of Piers 29, 29-1/2 and 31, new active recreational uses, extensive public access and open
12 space, recreational boating facilities, maritime berthing, active recreation-oriented retail,
13 general office space, other retail uses, restaurants and accessory parking (the "Piers 27-31
14 Recreation Project"); and

15 WHEREAS, The Port's Waterfront Land Use Plan, as amended (the "Waterfront Plan"),
16 identifies Mixed Use Opportunity Areas where new commercial development is encouraged
17 as part of mixed use developments that also include maritime, open space and public
18 activities, and bring day and nighttime activity to the waterfront; and

19 WHEREAS, The Waterfront Plan includes Piers 27-31 within the Chestnut/Lombard
20 Street Piers Mixed Use Opportunity Area (the "Chestnut/Lombard Opportunity Area"); and

21 WHEREAS, Under the Waterfront Plan, development in the Chestnut/Lombard
22 Opportunity Area should provide an integrated mix of maritime, commercial, open space and
23 public access uses, which help to unite the waterfront with the rest of the City, with the
24 opportunity for a unique and inviting waterfront mixed use recreation project integrating a
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1 varied mix of maritime and commercial uses and open space, including the Northeast Wharf
2 Plaza, oriented around active recreational pursuits; and

3 WHEREAS, Developments in the Mixed Use Opportunity Areas generally are
4 undertaken as public-private partnership developments in order to generate sufficient revenue
5 to finance the maritime, open space and public access improvements included in the projects,
6 and yield fair market returns to the Port to meet other capital and operational costs; and

7 WHEREAS, The existing facilities at Piers 27-31 currently are being leased on an
8 interim, short-term basis for parking, maritime berthing and warehouse uses; and

9 WHEREAS, The existing facilities at Piers 27-31 are in need of rehabilitation and will
10 require in excess of \$7 million to make necessary repairs to the substructure of Piers 29 and
11 31 to continue the Port's interim leasing program; and

12 WHEREAS, The Port's financial resources to carry out its mission, including funding
13 deferred maintenance and capital improvements, are constrained, and the Port relies on
14 revenue-generating activities permitted by the Public Trust Doctrine to fund Port maritime
15 operations, maintain Port property and provide public access, open space and recreational
16 improvements; and

17 WHEREAS, On August 31, 2000, the Port issued a Request for Proposals to lease and
18 develop Piers 27-31 as a mixed use recreation project; and

19 WHEREAS, The Port Commission at its April 18, 2001 meeting, by Resolution No. 01-
20 30, awarded SF Piers 27-31, LLC ("Developer"), the opportunity to enter into an Exclusive
21 Right to Negotiate agreement for the negotiation of a lease disposition and development
22 agreement ("LDDA") and 66-year ground lease ("Lease") of Piers 27-31; and

23 WHEREAS, The Port and Developer entered into an Exclusive Right to Negotiate
24 agreement dated as of June 30, 2001, as amended (the "ERN"); and

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1 WHEREAS, Under the terms of the ERN, Port staff and the Developer have negotiated
2 a Development Memorandum that sets forth the terms and conditions for the proposed Piers
3 27-31 Recreation Project that must be agreed upon by the Developer in the LDDA and Lease
4 before the Executive Director of the Port will recommend to the Port Commission and Board
5 of Supervisors that the LDDA and Lease be approved; and

6 WHEREAS, On November 9, 2004, the Port Commission endorsed the terms of a
7 revised Development Memorandum by Port Commission Resolution No. 04-95; and

8 WHEREAS, On June 14, 2005, the Port Commission approved a revised site plan and
9 description of the Piers 27-31 Recreation Project, which balances the use program sought by
10 the Port for Piers 27-31 with the public trust restrictions proscribed by the Public Trust
11 Doctrine and the State Lands Commission; and

12 WHEREAS, The provisions of Chapter 29 apply to the proposed Piers 27-31
13 Recreation Project because (1) environmental review of the proposed Piers 27-31 Recreation
14 Project under the California Environmental Quality Act had commenced as of July 1, 2005 and
15 has not been completed; (2) the implementation and construction costs of the Piers 27-31
16 Recreation Project will exceed \$25 million; and (3) under the terms of the Development
17 Memorandum, the Developer will receive public monies for the predevelopment, planning or
18 construction costs in excess of \$1 million, in the form of a rent credit from the Port not to
19 exceed \$2.1 million to compensate the Developer for its actual costs to construct the
20 Northeast Wharf Plaza – a new 2.4 acre public open space that the Port is required to
21 construct under the Bay Conservation and Development Commission (BCDC) San Francisco
22 Waterfront Special Area Plan; and,

23 WHEREAS, Chapter 29 requires that the Port, as Project Sponsor, submit to the Board
24 of Supervisors, (1) this proposed resolution, for consideration and adoption by the Board of
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1 Supervisors, finding that the plan to undertake and implement the proposed Piers 27-31
2 Recreation Project is fiscally feasible; and (2) information about the proposed Piers 27-31
3 Recreation Project, including but not limited to, a general description of the project, the
4 general purpose of the project, and a fiscal plan describing the estimated cost and all known
5 and potential available funding sources for the project; and

6 WHEREAS, Chapter 29 also requires that if environmental review has commenced for
7 a proposed project on July 1, 2005, the applicant for environmental review identify costs that it
8 has incurred for environmental review of the project so far, as well as other costs it has
9 incurred to date; and

10 WHEREAS, Prior to or on September 27, 2005, the Port submitted to the Board of
11 Supervisors the "Fiscal Responsibility and Feasibility Report - Proposed Piers 27-31 Mixed
12 Use Recreation Project" (the "Fiscal Feasibility Report") containing the information required by
13 Chapter 29, which Fiscal Feasibility Report is on file with the Clerk of the Board of Supervisors
14 in File No. _____, and is hereby declared to be a part of this resolution as if set forth fully
15 herein; and,

16 WHEREAS, Chapter 29 provides that the Board shall use the following criteria when it
17 evaluates a project's fiscal feasibility: (1) direct and indirect financial benefits of the Project to
18 the City, including to the extent applicable cost savings or new revenues, including tax
19 revenues, generated by the proposed project; (2) the cost of construction; (3) available
20 funding for the project; (4) the long term operating and maintenance costs of the project; and
21 (5) debt load to be carried by the City department or agency; and the Board may consider
22 other criteria that may be useful in evaluating a project's fiscal feasibility; and

23 WHEREAS, The proposed Piers 27-31 Recreation Project provides direct and indirect
24 financial benefits to the Port and the City as described in the Fiscal Feasibility Report,
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1 including: (1) guaranteed base rent to the Port in excess of net revenues that are projected to
2 be generated from continued interim leasing of Piers 27-31; (2) the opportunity for the Port to
3 participate in the financial success of the proposed Piers 27-31 Recreation Project through
4 participation rent and participation in net sales and refinancing proceeds; (3) the creation of
5 open space and public access next to the Bay, including the 2.4-acre Northeast Wharf Plaza,
6 a 6-acre public access network, a 0.8 acre Sports Valley, and 1-acre of floating docks for
7 public recreational use in the Marine Sports Basin; (4) the transfer to the Developer of all of
8 the Port's repair, maintenance and capital improvement obligations for Piers 27-31 (including
9 repair and maintenance of the piers substructure, the Northeast Wharf Plaza and other open
10 space and public access areas); (5) new tax revenues to the City and County from payroll,
11 possessory interest, sales, and parking taxes generated by the Piers 27-31 Recreation
12 Project; (6) the historic rehabilitation of Piers 29, 29-1/2 and 31 in accordance with the historic
13 preservation standards of the Department of the Interior; and (7) the creation of union
14 construction jobs, end use jobs, youth employment and other employment opportunities for
15 San Franciscans in accordance with a comprehensive workforce development plan that the
16 Developer has agreed to implement in connection with the proposed Piers 27-31 Recreation
17 Project; and

18 WHEREAS, The costs of implementing, constructing and maintaining the proposed
19 Piers 27-31 Recreation Project during the entire 66-year Lease term will be borne by the
20 Developer without City or Port funding except for the maximum \$2.1 million rent credit for the
21 Northeast Wharf Plaza;

22 WHEREAS, Neither the Port nor any other City department or agency will carry any
23 debt associated with the Piers 27-31 Recreation Project; now, therefore, be it
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1 RESOLVED, That the Board of Supervisors finds, based on the Fiscal Feasibility
2 Report and other relevant documents in File No. _____, that the plan for undertaking and
3 implementing the proposed Piers 27-31 Recreation Project is fiscally feasible and responsible
4 in accordance with Administrative Code Chapter 29; and, be it

5 FURTHER RESOLVED, That the Board's finding that the plan for implementing and
6 undertaking the proposed Piers 27-31 Recreation Project is fiscally feasible and responsible is
7 a determination that the proposed Piers 27-31 Recreation Project merits further evaluation
8 and environmental review and is not a determination as to whether the Port or other unit of the
9 government of the City and County should approve the proposed Piers 27-31 Recreation
10 Project; and, be it

11 FURTHER RESOLVED, That the Port will not enter into a final LDDA or Lease for the
12 Piers 27-31 Recreation Project that would allow for its development until (1) there has been
13 compliance with the California Environmental Quality Act; (2) the Port Commission has
14 adopted a resolution approving the form of the LDDA and the Lease; and (3) the Board of
15 Supervisors has adopted a resolution approving the Lease.

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