



MEMORANDUM

July 3, 2025

TO: MEMBERS, PORT COMMISSION
Hon. Gail Gilman, President
Hon. Stephen Engblom, Vice President
Hon. Willie Adams
Hon. Steven Lee
Hon. Ken McNeeley

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of an amendment to Amended and Restated Lease No. L-17134 with the Young Men's Christian Association of San Francisco.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution 25-38

EXECUTIVE SUMMARY

In late Fall 2024, as the Young Men's Christian Association of San Francisco ("YMCA") was nearing completion of construction on Building 49 located within Crane Cove Park, they requested certain changes to the price and terms of the Amended and Restated Lease No. L-17134 ("Lease"). Specifically, the YMCA outlined three requested changes:

- 1) New rent credits of \$150,000 to partially reimburse the YMCA for unexpected costs related to improving the structural condition of the building;
- 2) Elimination of the lease provision that would reduce (by \$6,000) existing "Restroom Rent Credits" due to the inability of the YMCA to open the public restrooms on July 1, 2024 as required by the Lease;
- 3) Retroactive adjustment of the Rent Commencement Date from October 1, 2024 to January 1, 2025.

After careful consideration of the YMCA's request, Port staff recommends amending the Lease in accordance with two of the three items listed above: (1) to provide \$150,000 in rent credits as a Port contribution towards the costs related to seismically strengthening the building, and (2) to allow for the full amount of Restroom Rent Credits to remain intact.

THIS PRINT COVERS CALENDAR ITEM NO. 10D

STRATEGIC OBJECTIVES

Amending the Lease as proposed, to allow for a Port contribution (via rent credits) towards certain unexpected project costs borne by the YMCA, will advance the following Port Strategic Objectives:

Evolution: YMCA's completion in early 2025 of the Building 49 renovation that was begun by the Port in 2020 leverages the public investment associated with the development of Crane Cove Park. The active recreation-focused services and programs offered by the YMCA at their new facility, along with those of its primary subtenant, Dogpatch Paddle, complement and enhance the public benefits associated with Crane Cove Park.

Equity: The newly opened, multi-use facility is accessible, attractive, and beneficial to a diverse group of people who live, work, and/or recreate along the Southern Waterfront.

Productivity: Building 49, a historically significant Port real estate asset, has been returned to productive use following several decades of vacancy. The building's reincarnation serves as another major milestone in the ongoing transformation of the Pier 70 area that seeks to better address the current needs of the public while also honoring the past.

PROJECT BACKGROUND

The Building 49 rehabilitation project was completed by the YMCA in January 2025 after a multi-year effort that began with the Port Commission's approval on October 26, 2021 of Resolution 21-46 which awarded the YMCA exclusive negotiating rights for the lease and development of Building 49.

On April 25, 2023, the Port Commission adopted Resolution No. 23-20 authorizing Port staff to execute Lease No. L-16997 (the "Original Lease") with the YMCA for the development and use of Building 49 located at 701 Illinois Street within Crane Cove Park following approval by the Board of Supervisors, which approval occurred on June 27, 2023 pursuant to Board Resolution No. 344-23. That Original Lease was executed in July 2023.

Shortly after execution of the Original Lease, the YMCA's further due diligence investigation of the existing building conditions during the final design process revealed significant unforeseen costs and risks which forced them to re-think their entire approach with regard to planned seismic/structural upgrades to the building. A second round of negotiations ensued in an effort to incorporate changes to the lease terms that were viewed as necessary to bring the project back into financial feasibility.

The Port Commission adopted Resolution No. 24-01 on January 23, 2024, which authorized execution of a new Lease L-17134 (the "Amended and Restated Lease" or "Lease") that (i) reduced the seismic improvements described in the original lease, (ii) eliminated all rent credits for any seismic work performed by the YMCA, (iii) required the YMCA to open the public restrooms no later than July 1, 2024, (iv) delayed the rent

commencement date to no later than October 1, 2024 and (v) included the other changes and/or clarifications described in the Memorandum to the Port Commission dated January 19, 2024 and on terms set forth in the Amended and Restated Lease.

The new “Dogpatch YMCA of Crane Cove”, along with a water recreation facility operated by their primary subtenant Dogpatch Paddle, opened for business in February 2025, and officially celebrated its opening with a ribbon-cutting ceremony on May 4, 2025.

Construction Costs Escalation (Overall and Specifically Related to Structural Scope)

Table 1 below shows the evolution of project costs as estimated by the YMCA at various milestone events.

Most prominent among the changes to the original lease that were incorporated into the Amended and Restated Lease was a scaled-back seismic/structural scope and a corresponding elimination of the rent credits associated with that original scope. At the time, that change (shown in row 3 below) was understood by the YMCA to allow them to complete the project at a maximum total cost of \$7.3M, even with the elimination of the \$500,000 rent credits. Although that net development cost figure was approximately \$1.1M higher than the YMCA’s original cost estimate of \$6.2M (row 1), it was unchanged as compared to their estimate at the time of receipt of their building permit (row 2).

Table 1: Evolution of Project Costs - March 31, 2023 through April 1, 2025

Milestone Event	Total Development Cost	Portion of Total Costs Related to Structural Improvements	Rent Credits for Structural Improvements	Net Development Costs
Approval of Original Lease (3/31/23)	\$ 6.7M	\$ 1.4M	\$ 500K	\$ 6.2M
Final/Approved Permit Set Submittal (8/22/23)	\$ 7.8M	\$ 1.1M	\$ 500K	\$ 7.3M
Approval of Amended and Restated Lease (3/6/24)	\$ 7.3M	\$ 581K	\$ 0	\$ 7.3M
Final Actual Cost (4/1/25)	\$ 7.6M	\$ 987K	\$ 150K*	\$ 7.45M

**If approved*

Complications Related to Steel Corrosion in Existing Building Frame

After starting construction with a \$7.3M total development budget (at the time the Amended and Restated Lease was executed), the YMCA and their contractor encountered a number of existing structural elements which were either (a) compromised to the point of being non-salvageable and thus had to be replaced entirely, or (b) required extensive and costly repairs to mitigate corrosion at the base of the steel columns. Those previously unknown site/building conditions resulted in further cost escalation; as shown above, the final (actual) project costs came out to \$7.6M.

RECOMMENDATION

Staff recommend approval of the attached resolution based in part on the following factors:

- The YMCA had to overcome extraordinary challenges in order to successfully rehabilitate and repurpose Building 49, especially in regard to improving the building's structural integrity and seismic resiliency in the face of adverse existing building/site conditions.
- With the successful completion of the building rehabilitation project and the long-awaited opening of the new facility, the YMCA has delivered on their commitment to providing significant community benefits per the Port's RFP objectives.
- The YMCA's request for \$150,000 of rent credits is consistent with the Port's original commitment to sharing in the costs directly related to enhancing the seismic resiliency and life safety profile of the building.

NEXT STEPS

The attached Resolution 25-38 authorizes the Port Executive Director to amend Lease No. L-17134. If approved by the Port Commission, Port Staff will seek approval of the lease amendment by the Board of Supervisors.

Prepared by:	Jamie Hurley Development Projects Manager Real Estate and Development
For:	Scott Landsittel Deputy Director Real Estate and Development

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

RESOLUTION NO. 25-38

- 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 April 25, 2023, the Port Commission adopted Resolution No. 23-20 authorizing Port staff to execute Lease No.16997 (“Original Lease”) with the Young Men’s Christian Association of San Francisco (the “YMCA”) for the development and use of Building 49 located at 701 Illinois Street within Crane Cove Park following approval by the Board of Supervisors, which approval occurred on June 27, 2023 pursuant to Resolution No. 344-23; and
- WHEREAS, On January 23, 2024 the Port Commission adopted Resolution No. 24-01, which authorized execution of Lease L-17134 (“the Amended and Restated Lease”, or “Lease”) that (i) reduced the improvements described in the Original Lease, (ii) eliminated all rent credits for any seismic work performed by the YMCA, (iii) required the YMCA to open the public restrooms no later than July 1, 2024, (iv) delayed the rent commencement date to no later than October 1, 2024 and (v) included the other changes and/or clarifications described in the Memorandum to the Port Commission dated January 19, 2024 and on terms set forth in the Lease; and
- WHEREAS, The Port Commission and the Board of Supervisors each adopted environmental findings regarding the Original Lease in Resolutions 23-20 and 322-23, respectively, and relied on such findings when they approved the Amended and Restated Lease; and
- WHEREAS, The Port Commission relies on the environmental findings approved by Resolution 24-01 again in this resolution; and
- WHEREAS, Port staff believes that it is in the interest of both parties to amend Lease No. L-17134 to: 1) eliminate the provision which would (due to the tenant’s inability to safely open the public restrooms on July 1, 2024 as required by the Lease) reduce by \$6,000 the amount of rent credits that are intended to offset operation and maintenance costs associated with the public restrooms under the terms of the original lease; and 2) provide \$150,000 in new rent credits to partially offset unexpected costs related to improving the structural condition of Building 49; and
- WHEREAS, Port staff recommends approval of an amendment to Lease No. L-17134 (the “First Amendment”) with the Young Men’s Christian Association of

San Francisco, which will provide for rent credits totaling \$156,000, and make no other changes; now, therefore be it

RESOLVED, That the Port Commission hereby approves the First Amendment on the terms and conditions described in this Resolution and the Memorandum to the Port Commission dated July 3, 2025, and in form substantially similar to the form on file with the Port Commission Secretary; and be it further

RESOLVED, That the Port Commission hereby authorizes the Executive Director or her designee to forward the First Amendment to the Board of Supervisors for their consideration and approval; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee to execute the First Amendment after approval of the First Amendment by the Board of Supervisors; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director or her designee, to enter into any additions, amendments or other modifications to the Lease and First Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of July 8, 2025.

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Secretary

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