

## MEMORANDUM

October 23, 2014

**TO:** MEMBERS, PORT COMMISSION  
Hon. Leslie Katz, President  
Hon. Willie Adams, Vice President  
Hon. Kimberly Brandon  
Hon. Mel Murphy  
Hon. Doreen Woo Ho

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request authorization to submit to the Board of Supervisors Teatro Zinzanni's request for a waiver of the competitive bidding policy set forth in Administrative Code Section 2.6-1

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### **EXECUTIVE SUMMARY**

At its last meeting on October 14, 2014, Port staff and representatives of Teatro Zinzanni (Teatro) made a presentation to the Port Commission. Additions to the staff report prepared for the October 14, 2014 meeting are underlined. A proposed resolution has also been added. Teatro, formerly located at Pier 29 along The Embarcadero at Battery Street, was displaced to make way for the new James R. Herman Cruise Terminal. Pursuant to the Port's approved Tenant Relocation Plan, the Port and Teatro mutually identified Seawall Lot (SWL) 324, as a potential relocation site. Teatro sought broad public input on their design based on a 10 to 15 year lease of approximately half of SWL 324 with a series of temporary structures focused on their historic Spiegel tent. In order to accommodate the community's thoughtful comments on their design and compatibility with the Northeast Waterfront Historic District, Teatro has sought to expand their project. Teatro now proposes to construct a permanent home for their operations in conjunction with a hotel under a long term lease on the entirety of SWL 324, SWL 323, and portions of the Vallejo and Davis Street rights-of way (see attached map) with development expertise from Kenwood Investments.

After Teatro's presentation to the Port Commission on October 14, 2014, and after considering public comments, the Port Commission directed staff to work with Teatro as they seek a waiver from the Board of Supervisors of the competitive bidding policy set forth in Administrative Code Section 2.6-1.

**THIS PRINT COVERS CALENDAR ITEM NO. 10B**

Teatro remains committed to early and thorough public involvement. Since the October 14, 2014 Port Commission presentation, Teatro has conducted further outreach including meeting with the Barbary Coast Neighborhood Association, Golden Gateway Tenants Association and Gateway Commons Board of Directors.

## **BACKGROUND**

Teatro is one of the Port tenants that was relocated to make way for the construction of the James R. Herman Cruise Terminal project located at Piers 27 and 29, pursuant to the Port's approved Tenant Relocation Plan. Teatro is a popular dinner theatre performed in a historic Spiegel tent, which provides a big top setting for live music, comedy and acrobatic entertainment.

In December 2011, the Port and Teatro mutually identified SWL 324, as a potential relocation site. The site is currently being operated as a surface parking lot. Currently SWL 324 is leased to Priority Parking and the site generates approximately \$1 million annually in Port rent. In connection with the Tenant Relocation Plan, the Port and Teatro agreed to negotiate in good faith and seek to complete the necessary documents for a term lease on Port property at the proposed new site. Teatro's initial proposal was to relocate the Spiegel tent, as well as construct accessory facilities for support functions including kitchen and food service, dressing rooms, lobby and storage uses.

Teatro's proposed relocation to SWL 324 is contemplated in the 34<sup>th</sup> America's Cup and James R. Herman Cruise Terminal and Northeast Wharf Plaza Final Environmental Impact Report (FEIR), as required by the California Environmental Quality Act. The FEIR was certified by the Planning Commission on December 15, 2011 and upheld by the Board of Supervisors on January 24, 2012.

SWL 324 is located within the Northeast Waterfront Historic District, which was approved by the Board of Supervisors in 1972, and listed in Article 10 of the City Planning Code. To ensure that the design of the relocated venue is compatible with the architectural character of the Northeast Waterfront Historic District, the FEIR included a mitigation measure requiring Historic Preservation Commission (HPC) review. Specifically the HPC must determine whether the project design complies with Article 10, Appendix D of the City Planning Code, and the Secretary of the Interior Standards for Historic Preservation (Appendix D). This includes addressing the architectural and visual characteristics that define the historic district, including façade line continuity, fenestration and design elements for new construction, and appropriate roof treatments. The FEIR mitigation measure requirements must be satisfied prior to Port Commission action to approve the lease. In addition to this requirement, the project is also subject to review by the Waterfront Design Advisory Committee for consistency with Design and Access Element of the Port's Waterfront Land Use Plan.

An initial proposal for the relocated facilities received preliminary review by the Architectural Review Committee of the HPC in December 2011. At that time the Committee expressed concern about the consistency of the proposed design with the historic district design standards set forth in Appendix D.

In February and May 2012 the Port Commission received informational presentations on Teatro's proposed design and the conceptual business terms for the lease. Port Commissioners indicated in those hearings that a Teatro lease would need to pay base rent in an amount sufficient to replace future SWL 324 parking revenue and allow for participation in potential financial upside in the form of percentage rent.

## **PROJECT EVOLUTION**

From 2011 through 2013, Teatro and their design team modified the project design to respond to HPC and Port staff comments. This proposed design was presented to the Port Commission at several meetings in 2012 as well as the Port's Northeast Waterfront Advisory Group (NEWAG), and various neighborhood community groups. This design occupied approximately half of SWL 324 and featured the historic Spiegel tent as the focal point supported by a group of inter-connected non-permanent structures, including a new secondary tent to support pre and post-function and guest activities, and a number of accessory modular structures with applied facades. In order to be economically feasible with a 10 to 15 year lease, this design was based on modular, one-story accessory structures containing the lobby area, kitchen and food preparation, dressing rooms, restrooms and other support functions.

Teatro sought broad public input on this design and found that they were unable to accommodate the community's thoughtful comments on design issues as well as compatibility with the Northeast Waterfront Historic District without more permanent architecture and revenue generating uses. In order to accommodate the community's thoughtful comments on their design and compatibility with the Northeast Waterfront Historic District, Teatro has sought to expand their project. Teatro now proposes to construct a permanent home for their operations in conjunction with a hotel under a long term lease on an approximately 1.4 acres site encompassing the entirety of SWL 324, SWL 323, and portions a of the Vallejo and Davis Street rights-of way (Site) with development expertise from Kenwood Investments.

In order to achieve these goals Teatro proposes to construct a permanent home for their operations in conjunction with a modest hotel under 40 feet in height. Teatro has teamed with Kenwood Investments, part of the Treasure Island development team to develop a proposal under a long term lease on the Site. As set forth in Administrative Code Section 2.6-1, the Board of Supervisors' policy is to approve only such proposed leases involving City property or facilities that departments have awarded to the highest responsible bidder under competitive bidding procedures, except where competitive bidding is impractical or impossible. After consultation with the Port Commission on October 14, 2014, Teatro is prepared to seek a waiver from the Board of Supervisors of the competitive bidding policy set forth in Administrative Code Section 2.6-1 (Sole Source Waiver). Given the Port's Tenant Relocation Plan for the Pier 27 Cruise Terminal and Teatro's unique character and history on the waterfront, Port staff believe it is reasonable for Teatro to seek a Sole Source Waiver from the Board.

## **NEXT STEPS**

After hearing the Port Commission's input Teatro has sought further community input on their conceptual design from neighborhood groups and will seek input from the Port's Northeast Waterfront Advisory Group (NEWAG). Since the October 14, 2014 Port Commission presentation, Teatro has conducted further outreach including meeting with the Barbary Coast Neighborhood Association, Golden Gateway Tenants Association and Gateway Commons Board of Directors.

If the Port Commission approves the attached resolution, Port staff will assist Teatro to develop and introduce a resolution seeking the Board's Sole Source Waiver. If the Board grants this exception to competitive bidding, Teatro and the Port will continue discussions regarding project design and economic terms. This would lead to Port Commission consideration of an Exclusive Negotiating Agreement and, if successful, a Term Sheet.

The Term Sheet, outlining key business terms, is subject to Port Commission and Board endorsement. It is expected that key economic terms will include base rent in an amount sufficient to replace future SWL 324 parking revenues and participation in potential financial upside in the form of percentage rent.

The project design would be refined in consultation with the NEWAG, HPC and neighborhood groups as well as being subject to review by the Waterfront Design Advisory Committee for consistency with Design and Access Element of the Port's Waterfront Land Use Plan.

Prepared by:           Ricky Tijani, Development Manager  
                              Jonathan Stern, Asst. Dep. Dir., Waterfront Development Projects

For:   Byron Rhett, Deputy Director Planning & Development

Attachment  
1) Map

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

**RESOLUTION NO. 14-58**

- 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, The City and County of San Francisco (the "City"), acting by and through the Port Commission (the "Port"), owns approximately 1.4 acres at Seawall Lots 324 and 323 and portions of the Vallejo and Davis Street rights-of way on the west side of The Embarcadero at Vallejo Street ("Site"); and
- WHEREAS, Teatro Zinzanni ("Teatro") wishes to lease the Site from the Port to build a new privately financed performance venue and hotel that would be used for Teatro performances, its non-profit and charitable activities, temporary artist housing, lodging and related uses ("Project"); and
- WHEREAS, As set forth in Administrative Code Section 2.6-1, the Board of Supervisors' policy is to approve only such proposed leases involving City property or facilities that departments have awarded to the highest responsible bidder under competitive bidding procedures, except where competitive bidding is impractical or impossible; and
- WHEREAS, The Waterfront Land Use Plan identifies SWL 324 and SWL 323 as part of the Broadway Pier Mixed-Use Opportunity Area, and the City, through the Port, has undertaken unsuccessful attempts to develop the Site in accordance with the Waterfront Land Use Plan's objectives; and
- WHEREAS, Teatro is one of the Port tenants that was relocated to make way for the construction of the James R. Herman Cruise Terminal project located at Piers 27 and 29, pursuant to the Port's approved Tenant Relocation Plan; and
- WHEREAS, In connection with the Tenant Relocation Plan, the Port and Teatro mutually identified SWL 324 as a potential relocation site and agreed to negotiate in good faith and seek to complete the necessary documents for a term lease on Port property at the proposed new site; and

WHEREAS, Teatro believes a waiver from the Board of Supervisors of the competitive bidding policy set forth in Administrative Code Section 2.6-1 is necessary to the feasibility of the project, and Teatro intends to seek a waiver given the Tenant Relocation Plan and Teatro's history on the waterfront as a unique and popular dinner theatre performed in a historic Spiegel tent; now, therefore, be it

RESOLVED, That the Port Commission directs the Port Executive Director to assist Teatro in developing and introducing a resolution to the Board of Supervisors to consider waiving the competitive bidding policy set forth in Administrative Code Section 2.6-1 with respect to the potential lease of the Site to Teatro; and be it further

RESOLVED, That the Port Commission urges Teatro to engage in outreach to affected and interested neighbors, community members, tenants, the arts community and stakeholders to ensure that the proposed Project is designed with maximum public input.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 28, 2014.***

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Secretary