

1 [Teatro ZinZanni Hotel/Theater/Park Project - Sole Source Negotiations]

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3 **Resolution exempting from the competitive bidding policy set forth in Administrative**
4 **Code, Section 2.6-1, the potential real estate transaction involving Port property at**
5 **Seawall Lots 324 and 323 on the west side of The Embarcadero at Vallejo Street with**
6 **Teatro ZinZanni, and financial partner Kenwood Investments No. 6, LLC, operating**
7 **together as TZK Broadway, LLC (TZK), for development of a dinner-theater and**
8 **maximum 200-room, 40-foot boutique hotel and an approximately 7,500 square foot**
9 **privately financed public park and ancillary uses; urging the Port, Teatro ZinZanni, and**
10 **TZK to engage in outreach to affected and interested neighbors, community members**
11 **and other stakeholders to ensure that the proposed project is designed with public**
12 **input; and urging the Port Director, with the assistance of Port staff, the City Attorney’s**
13 **Office and other City officials to take all actions needed to negotiate an exclusive**
14 **negotiating agreement and a term sheet with Teatro ZinZanni and TZK on a sole source**
15 **basis, consistent with this Resolution.**

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17 WHEREAS, Teatro ZinZanni (“Teatro”), a former Port Commission of San Francisco
18 (“Port”), tenant at Pier 27, is a unique hybrid of comedy, theater, cabaret, music, and dining
19 that is part circus and part cabaret combining improv comedy, vaudeville revue, music, dance,
20 cirque, and sensuality into an evolving form that is never quite the same from evening to
21 evening; and

22 WHEREAS, Teatro is a one-of-a-kind production, inspired in 1998 by the great
23 cabarets of Europe and now famous for its Spiegel-tent, displaying comedy and acrobatics;
24 and

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1 WHEREAS, Teatro has produced over 50 productions consisting of more than 6,000
2 performances in Seattle, San Francisco, and Costa Mesa, in which it engages, transforms,
3 educates and delights audiences; and

4 WHEREAS, Teatro first came to San Francisco in 2000, and for eleven years operated
5 as a successful cultural event combining dinner and theater at Pier 27 and during such period
6 Teatro welcomed 145 performing artists and 800,000 customers, frequently partnering with
7 many local charities; and

8 WHEREAS, Teatro was a tenant in good standing as defined by the Port's current
9 leasing policies throughout its tenure as a Port tenant; and

10 WHEREAS, In 2011, the Port asked Teatro to terminate its lease for Pier 27 and
11 vacate its location at Pier 27 to accommodate the hosting of the 34th America's Cup and the
12 construction of the new James R. Herman Cruise Terminal; and

13 WHEREAS, The City and County of San Francisco (the "City"), acting by and through
14 the Port, owns approximately 1.4 acres at Seawall Lots 324 and 323 and portions of the
15 Vallejo and Davis Street rights-of-way on the west side of The Embarcadero at Vallejo Street
16 ("Site"); and

17 WHEREAS, Under the City's music and culture sustainability policy, as articulated in
18 Chapter 90A of the Administrative Code, the City "is committed to supporting and encouraging
19 the use of City and County property, including Port property, for indoor and outdoor music and
20 other cultural events" and is committed to preserving and enhancing San Francisco's music
21 and performance venues from displacement due to development; and

22 WHEREAS, Administrative Code, Section 90A(e) articulates the City's support and
23 encouragement of innovative approaches to the provision of low-cost housing to musicians,
24 artists, performers, event planners, and others who have an integral role in San Francisco's
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1 music and cultural life and Section 90A(g) articulates the City’s support and encouragement of
2 workforce development efforts between cultural producers and the City; and

3 WHEREAS, The Port and Teatro entered into a Mutual Agreement for Lease
4 Termination and Reservation of Rights Agreement (“Mutual Terminal Agreement”) dated
5 August 12, 2011, which provides that in exchange for terminating its lease at Pier 27, Teatro
6 will be given the exclusive right to negotiate in good faith with the Port for a new lease to
7 relocate to Seawall Lot 324; and

8 WHEREAS, Teatro, following execution of the Mutual Termination Agreement, spent
9 many months in 2012 and 2013 considering its long-term options to return to San Francisco at
10 Seawall Lot 324 on The Embarcadero across from Pier 9, and meeting with and listening to
11 the concerns and suggestions of numerous community groups and stakeholders such as The
12 Barbary Coast Neighborhood Association, Gateway Commons Buildings I, II, III, Chinese
13 Community Development Center, Telegraph Hill Dwellers, Golden Gateway Tenants
14 Association, the Northeast Waterfront Advisory Group, the Historic Preservation Commission,
15 Architectural Review Subcommittee, and the Port and City staff; and

16 WHEREAS, The results of Teatro’s investigations and community meetings resulted in
17 accord among the groups that Teatro’s unique and highly successful dinner-theater
18 performance is an unmatched addition to the neighborhood, City and region and in returning
19 to San Francisco, Teatro should devise a project which is a long-term addition, includes
20 improved public access as a gateway between the neighborhood and the waterfront,
21 incorporates Teatro’s unique Spiegel-tent in a manner that better suits the location and the
22 neighborhood, is consistent with the character, zoning and massing of the historic warehouse
23 district and is true to San Francisco’s unique cultural history; and

24 WHEREAS, The total cost of the design, permitting, and construction necessary to
25 rebuild Teatro as a stand-alone structure would be at least five times the original cost of

1 locating at Pier 27 so Teatro sought out and retained a partner to help with plans,
2 development and financing for a new project at Seawall Lots 324 and 323; and

3 WHEREAS, Teatro, operating together with TZK Broadway, LLC (“TZK”), a California
4 limited liability company comprised of Teatro and Kenwood Investments No. 6, LLC, wishes to
5 build a new privately financed, state-of-the-art theater as a long-term home for Teatro’s
6 internationally acclaimed dinner-theater performance and state-of-the-art boutique hotel
7 comprised of a maximum of 200 rooms, including up to 10 transient residences for visiting
8 Teatro artists, situated within a 40-foot, four-story building, together with related public
9 infrastructure and access improvements and other improvements, including construction of a
10 new public park at the north end of the Site (the “Project”); and

11 WHEREAS, Hotel, entertainment, theater and public open space are listed as
12 acceptable uses for Seawall Lots 324 and 323 in the Port’s Waterfront Land Use Plan, the
13 City Planning Department’s Northeastern Waterfront Subarea Plan, the Northeast
14 Embarcadero Study and the Asian Neighborhood Design Community Vision for the Northeast
15 Waterfront; and

16 WHEREAS, The Site offers an opportunity for Teatro to return to San Francisco on a
17 long-term basis to develop world-class entertainment and hotel uses that (i) are consistent
18 with the Port’s and City’s long-term plans for the Site; (ii) are ideal for the Port, the City,
19 Teatro, its fans and the public in the entire Bay Area region; (iii) would improve public open
20 space and expand public use and enjoyment of the waterfront on trust lands at this location;
21 and (iv) will provide a use that is appropriate for the neighborhood and the Site’s neighbors;
22 and

23 WHEREAS, The Site provides an incredibly beautiful, vibrant and easily accessible
24 place for the public from all over the Bay Area and beyond the Bay Area to enjoy and offers a
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1 transit-rich location that emphasizes access and proximity to the San Francisco Bay and the
2 Northeastern Historic Waterfront District; and

3 WHEREAS, Teatro and TZK are committed to designing the Project to address
4 neighborhood concerns and fulfill the Port's design, public trust, economic vitality, historic
5 preservation, Transit First, local hiring, labor relations and sustainability goals and policies and
6 to enhance public access to the waterfront; and

7 WHEREAS, Any ground lease or other City contract relating to development of the
8 proposed Project would be subject to the City's ordinances relating to labor representation
9 procedures in hotel developments in which the City has an ongoing proprietary interest
10 (Administrative Code, Sections 23.50 through 23.56) and the City's First Source Hiring
11 Program (Administrative Code, Chapter 83), as they may apply to the proposed Project; and

12 WHEREAS, Teatro and TZK have stated their commitment to enter into an equal
13 opportunity program in connection with the transaction documents for the Project that includes
14 the Local Hiring Policy (Administrative Code, Section 6.22(G)), prevailing wage requirements
15 (Administrative Code, Section 6.22(E)) and opportunities for local business enterprises; and

16 WHEREAS, As set forth in Administrative, Code Section 2.6-1, the Board of
17 Supervisors' policy is to approve only such proposed leases involving City property or facilities
18 that departments have awarded to the highest responsible bidder under competitive bidding
19 procedures, except where competitive bidding is impractical or impossible; and

20 WHEREAS, Teatro has, over the course of its 11-year run, become a civic asset for the
21 whole San Francisco Bay Area, is a one-of-a-kind, unique cultural attraction for San
22 Francisco, and is a place where artists from San Francisco, the Bay Area and around the
23 world can find opportunities to perform in live theater; and

24 WHEREAS, Teatro has a demonstrated track record in, and is committed to continue
25 positively impacting, its community and the greater Bay Area by providing assistance and

1 opportunities to other non-profit, civic and community organizations that benefit and enrich the
2 lives of children, youth and those in need; and

3 WHEREAS, The proposed Project presents an important opportunity to provide special
4 public serving, cultural, historic and other significant public benefits to the people of the City
5 and the entire Bay Area region, including an opportunity for a new unique waterfront
6 destination that will achieve public access objectives for the Site while adding an attractive
7 mix of uses and destinations along the waterfront; and

8 WHEREAS, The Port's Waterfront Land Use Plan, including the Design and Access
9 Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for
10 property within Port jurisdiction, such as the Site, and provides the policy foundation for
11 waterfront development and improvement projects; and

12 WHEREAS, The Waterfront Plan identifies the Site as a mixed-use development
13 opportunity site, and the City, through its Port, previously sought a development partner for a
14 hotel on the Site through a competitive request for proposal bid in accordance with the
15 Waterfront Plan's objectives and continues to contemplate a hotel and entertainment use at
16 the Site; and

17 WHEREAS, As the proposed Project may be refined and improved through the public
18 review process, including the City's Waterfront Design Advisory Committee process, Teatro
19 and TZK and the Port are committed to designing the proposed Project to meet the other
20 design objectives of the Waterfront Plan, the City Planning Department's Northeastern
21 Waterfront Subarea Plan, and the Northeast Embarcadero Study, including: a design that
22 respects the Northeast Waterfront Historic District, provides plentiful and high quality public
23 access, pedestrian improvements and bicycle parking for attendees of events at the Site and
24 addresses neighborhood concerns, including building heights; and

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1 WHEREAS, The proposed Project is a publicly-oriented use that will draw visitors from
2 the entire Bay Area to this unique site along the Bay, and Teatro, TZK, the Port and the City
3 are committed to designing the proposed Project and its uses to provide both a high-quality
4 visitor experience before, during and after events that is appropriate to the Site and its
5 waterfront setting and a high quality project that is appropriate for the neighborhood; and

6 WHEREAS, The proposed Project would generate substantial public benefits for the
7 City, including its Port, such as: (1) the improvement and productive reuse of Seawall Lots
8 324 and 323 consistent with the Port's and City's plans and policies for the Site; (2) the
9 construction of needed infrastructure improvements that benefit the Site and the surrounding
10 public trust lands and other areas; (3) the generation of significant new jobs and economic
11 development in a short period, including significant opportunities for local residents; (4) the
12 attraction of many people from the City and all over the region to enjoy the waterfront and the
13 Bay and to patronize businesses on the Site as well as other Port-owned land and privately
14 owned property in the vicinity of the Site; (5) the enhancement of the City's tourism industry,
15 including providing an additional venue for trust related events and other special events;
16 and(6) providing a cultural resource that will honor the theatrical history of San Francisco,
17 provide new jobs for local, regional and international performers, and provide a number of
18 short-term housing solutions for performers; and

19 WHEREAS, On October 28, 2014, the Port Commission approved Resolution No. 14-
20 58 directing Port staff to assist Teatro in developing and introducing a resolution to the Board
21 of Supervisors to consider exempting the proposed Project from the competitive bidding policy
22 in Administrative Code, Section 2.6-1 with respect to the potential lease of the Site to Teatro
23 and TZK; and

24 WHEREAS, A request for qualifications ("RFQ"), one of the defined competitive bidding
25 procedures under Administrative Code Section 23.2, provides a means of assuring that a

1 lease and development opportunity is awarded to a qualified developer; and

2 WHEREAS, In order to confirm that TZK is qualified to develop the Project on the Site,
3 (i) TZK will submit to the Port a description of its qualifications and financial capacity to
4 develop the Project, including information that the Port would customarily request in an RFQ,
5 and (ii) the Port will have one of its real estate economic consultants review TZK's
6 qualifications and issue a report confirming that TZK is qualified to develop the Project ("TZK
7 Qualifications Determination"); and

8 WHEREAS, It is the Port's practice to base lease and development opportunity
9 negotiations on recent, comparable projects, using well established methods for determining
10 fair market value; and

11 WHEREAS, Subject to the successful negotiation of an exclusive negotiating
12 agreement with Teatro and TZK, the Port, working in concert with the City's Office of
13 Economic and Workforce Development and other City agencies, intends to return to the Board
14 of Supervisors with a proposed term sheet based on a fair market value transaction for the
15 proposed Project for the Board to consider endorsing; now, therefore, be it

16 RESOLVED, That due to the unique, one-of-a-kind attributes of Teatro, the unique
17 opportunity presented by Teatro's proposal to build and finance the Project, Teatro's position
18 as a tenant in good standing under current Port policies, the provisions of the Mutual
19 Termination Agreement, and, in keeping with Administrative Code, Chapter 90A to retain an
20 important entertainment icon, provide performer lodging and workforce training, and
21 numerous other public benefits to the City and the region that the proposed Project would
22 produce, all as further described above, the proposed Project is exempt from competitive
23 bidding requirements pursuant to Administrative Code, Section 2.6-1 with respect to the
24 possible transaction with Teatro and TZK for development of the Site; and, be it

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1 FURTHER RESOLVED, That the Board urges the Port, Teatro and TZK to engage in
2 continued outreach to affected and interested neighbors, community members and
3 stakeholders to ensure that the proposed Project is designed with public input; and, be it

4 FURTHER RESOLVED, That the Board urges the Port Director, with the assistance of
5 Port staff, the City Attorney's Office and other City officials to take all actions needed to
6 negotiate an Exclusive Negotiating Agreement and a term sheet with Teatro and TZK on a
7 sole source basis, consistent with this resolution; provided nothing in this resolution
8 implements any approvals or facilities for the proposed Project, grants any entitlements for the
9 proposed Project or includes any determination as to whether the Port or any other unit of City
10 government should approve the proposed Project, nor does adoption of this resolution
11 foreclose the possibility of considering alternatives to the proposed Project, adopting
12 mitigation measures or deciding not to approve the proposed Project after conducting
13 appropriate environmental review under the California Environmental Quality Act (CEQA); and
14 be it

15 FURTHER RESOLVED, That prior to the Port Commission hearing at which the Port
16 Commission is scheduled to consider awarding the Exclusive Negotiating Agreement to TZK,
17 the Port will submit to the Clerk of the Board a copy of the TZK Qualifications Determination;
18 and be it

19 FURTHER RESOLVED, That the Board urges the Port Director to hire a third party real
20 estate economic consultant during negotiations with TZK to ensure the Port receives fair
21 market value for the lease of SWL 324/323.

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