

## MEMORANDUM

April 21, 2016

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

**FROM:** Elaine Forbes  
Interim Executive Director

**SUBJECT:** Presentation regarding the responses to the Request for Proposals for the Retail Leasing Opportunity at the Pier 29 Bulkhead Building and (i) Request award of the opportunity described in the RFP to Jamestown L.P. and, (ii) authorize staff to initiate exclusive negotiations with Jamestown L.P. for a lease for approximately 20,000 square feet of the Pier 29 Bulkhead Building, located at Chestnut Street and the Embarcadero

**DIRECTOR'S RECOMMENDATION:** Approve the attached resolution

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### SUMMARY

Port staff received authorization from the Port Commission on December 8, 2015, pursuant to Resolution No. 15-41, to issue through the competitive solicitation process a Request for Proposals for approximately 20,000 square feet of the Pier 29 Bulkhead Building (the "Site").

On December 23, 2015 the Port issued the Request for Proposals (the "RFP") for lease and operation of the Site. The Port received written proposals from three qualified respondents (the "Respondents"). A four-member panel (the "Panel") was formed, comprised of Port and other City staff, and one community member from the Northeast Waterfront Advisory Group ("NEWAG"). The Panel members were individuals with expertise in real estate leasing and management, urban design and regulatory compliance, historic preservation, and financial feasibility analysis. The Panel evaluated, scored and ranked each written proposal and the oral presentations as outlined below. The proposal from Jamestown L.P. ("Jamestown") received the highest overall score. Port staff requests that the Port Commission authorize the award of the RFP and authorize the Port to enter into exclusive lease negotiations with Jamestown.

**THIS PRINT COVERS CALENDAR ITEM NO. 11A**

## **STRATEGIC OBJECTIVE**

This leasing opportunity complies with the goals of the Port's Strategic Plan as follows:

### Engagement:

*By proactively marketing Port maritime and commercial leasing opportunities through a robust multidimensional marketing campaign promoting the Port as a unique "brand".*

### Livability:

*By expanding the Port's diversity in lease opportunities through increased outreach to the underserved communities and through developing partnerships, and by marketing industrial facilities to capture a share of boutique manufacturing businesses which provide space to grow and preserve light manufacturing and industrial job opportunities.*

### Economic Vitality:

*By planning and executing a holistic and balanced strategy to the real estate portfolio and asset management to maximize asset value and income stream to the Port.*

### Stability:

*By increasing Port annual revenues to \$125 million and continuing to expand ongoing revenue sources, and by retaining a diversified tenant base that will perform through economic cycles.*

## **BACKGROUND**

Reuse of Pier 29, especially the bulkhead building fronting on The Embarcadero, is an important next step to support the Port's investment in and use of the James R. Herman Cruise Terminal and Cruise Terminal Plaza. On July 8, 2014, Port staff presented to the Port Commission a new leasing strategy and proposal to reposition the site for public-friendly activities, following upon the positive experience of the temporary Waiheke Island Yacht Club restaurant that occupied the bulkhead building during the 34<sup>th</sup> America's Cup. Rather than returning the facility to light industrial leases and/or parking, Port staff proposed a different direction given that the bulkhead of this facility was completely rebuilt following the major fire in 2012 and in light of the growth in pedestrian volumes since the opening of the James R. Herman Cruise Terminal, Cruise Terminal Plaza and The Exploratorium. The Port also sought to enhance offerings for local residents and workers. This re-tenanting proposal received encouragement and feedback from the Port Commission and the public. In investigating this use opportunity, Port staff had conversed with stakeholders including sessions with the NEWAG regarding the future use(s) of Pier 29.

At the July 9, 2015 Port Commission meeting, staff further explained a refined re-tenanting proposal for seeking potential use(s) and related lease(s) to improve and operate a visitor-serving facility within a 20,000 square foot portion of the site located in the Port's Northeast Waterfront adjacent to the James R. Herman Cruise Terminal. Staff's vision of the optimal re-tenanting of the Site included a master tenant to serve as the predominant manager or user of the Site. The master tenant may in turn sublet portions of the site to other complimentary uses. It is staff's goal that this use concept serve to augment the rich

experience of visitors, cruise ship passengers, businesses and residents in the Northeast Waterfront and highlight and promote that which is unique to our region and culture.

On December 8, 2015, the Port Commission approved Resolution No. 15-41 authorizing staff to issue the RFP for the Retail Leasing Opportunity at the Pier 29 Bulkhead Building. On December 23, 2015 Port staff issued the RFP for lease and operation of the Site.

## **BUSINESS AND COMMUNITY OUTREACH**

Port staff advertised the RFP opportunity on the Port and Office of Contract Administration websites. Port staff sent copies of the RFP notice to all Port tenants and to other parties that have expressed an interest in participating in opportunities at the Port. In addition, the RFP was advertised using the following resources:

- San Francisco African American Chamber of Commerce
- Hispanic Chamber of Commerce of San Francisco
- Chinese Chamber of Commerce, San Francisco
- LGBT Chamber of Commerce, San Francisco (Golden Gate Business Association)
- San Francisco Chamber of Commerce
- San Francisco Business Times
- Board of Supervisors Neighborhood Outreach Advertising Newspapers
- SPUR
- District 3 Board of Supervisor's Office
- San Francisco Office of Small Business
- #@SFPORT
- The Port of San Francisco Facebook
- @SFPORT Digital Magazine

On January 21, 2016, the Port hosted a pre-bid conference to review the RFP, answer respondent questions and provide a networking opportunity for potential bidders. The pre-bid conference was followed by a site tour. The Port also provided two additional site tours on February 4, 2016 and February 25, 2016. Over 30 individuals participated in site tours of Pier 29.

## **SELECTION PROCESS**

The Request for Proposals was issued and advertised on December 23, 2015, with a proposal due date of January 21, 2016.

On January 21, 2016, the Port received three written proposals in response to the RFP. Port staff determined that all three proposals met the minimum qualifications.

### Selection Panel

A four-member panel was convened to evaluate and score the written proposals on March 25, 2016. The panel consisted of a Senior Property Manager from the Recreation and Parks Department, the Port's Senior Waterfront Planner, the Port's Assistant Deputy

Director of Planning and Development, and a community member from the Northeast Waterfront Advisory Group.

Evaluation Criteria

On March 25, 2016, written proposals were evaluated and scored by each member of the Panel based upon the following criteria:

- 10 points – Organization/Experience of Respondent Team
- 15 points – Qualifications/Experience of Respondent
- 10 points – Experience/Qualifications of the Design Team
- 15 points – Quality of Concept
- 10 points – Quality of Conceptual Design for Improvements
- 20 points – Financial Capacity and Plan
- 20 points – Economic Return to the Port
- 100 Points Total

The RFP stated that the top five respondents would be eligible to participate in the oral interview phase of the evaluation process. Port staff forwarded all three proposals to the oral interview phase.

On April 1, 2016, oral interviews were evaluated and scored by each member of the Panel based upon the following criteria:

- 25 points – Organization/Experience of Respondent Team
- 10 points – Experience of Design Team
- 25 points – Quality of Concept and Design Improvements
- 40 points – Financial Capacity and Economic Return to the Port
- 100 Points Total

The complete rankings are shown in the following table:

Proposer	Written Proposal Score (Avg/Total)	Oral Interview Score (Avg/Total)	Final Total Score	Final Average Score	Final Ranking
Jamestown	339/85	352/88	691	173	1
IARTSF	267/67	253/63	520	130	2
Premier	214/54	224/56	438	110	3

Port staff issued a Notice of the Most Qualified Respondent on April 14, 2016.

**MOST QUALIFIED RESPONDENT**

The Jamestown L.P. proposal is a collaboration between Jamestown L.P. (Project Lead), Plant Construction (General Contactor), BCV Architects (Architecture), Holmes Culley (Structural Engineers), Page & Turnbull (Historic Preservation), Gehl Studios (Design) and Gibson, Dunn, & Crutcher (Legal Counsel).

The Jamestown L.P. team has significant experience working on successful development and rehabilitation projects including Chelsea Market in New York City, a 1.4 million square foot office and retail development in Manhattan's Meatpacking District that includes a food hall with over 35 vendors that attracts six million visitors annually. Jamestown is also responsible for the development of Ponce City Market a 2.1 million square foot mixed-use rehabilitation project consisting of 259 housing units, 300,000 square foot retail and market space in Atlanta. The team is also familiar with the Port and San Francisco Waterfront having worked on projects at Ghirardelli Square, the Ferry Building, and the Exploratorium. Jamestown is currently a tenant (in good standing) as managers of the Waterfront Office Plaza located at 50 Francisco Street.

Jamestown's concept offering includes a retail destination that showcases and sells products manufactured in San Francisco supported through a partnership with local non-profit SF Made. The proposed retail space will feature flexible rail-car like displays made of industrial brand and recycled materials that will allow for different configurations to accommodate fluctuating merchandise presentation or open the space for large events as illustrated in Attachment B.

Jamestown also proposes a local craft beverage operation that will feature an urban brewery and/or winery and/or coffee roastery. The back wall of the bulkhead will be anchored by a craft alcohol manufacturer and the zone closest to the Embarcadero is envisioned as an indoor/outdoor café showcasing a local San Francisco coffee roastery. The beverage-focused uses will have limited food service.

The evaluation panel scored Jamestown's proposal high in each of the different evaluation criteria sections. Panelists noted Jamestown's strong experience and qualifications with similar development projects and described their proposal as an authentic San Francisco experience that complements and fits well with existing Port uses with the ability to attract both locals and visitors alike. Jamestown will be encouraged to ensure that subtenants represent all economic and cultural segments of the regions diverse population.

## **PROPOSED TERMS**

In its response to the RFP Jamestown proposed the following basic terms:

Term of Lease:	15 Years
Base Rent:	\$25,000 Per month (\$300,000 annualized)
Base Rent Adjustment:	5% every 5 years
Percentage Rent:	33% of percentage rents collected
Capital Investment:	\$5,800,000
Rent Credits:	\$1,450,000

These terms are subject to further negotiation during the period of exclusive negotiations described below. All terms and conditions are subject to final approval by the Port Commission and the Board of Supervisors.

## **PERIOD OF EXCLUSIVE NEGOTIATIONS**

Under the terms of the RFP, Jamestown will pay a \$30,000 fee to the Port for a four-month period of exclusive negotiations. Accordingly, Port staff plans to enter into a written agreement containing standard exclusive negotiation terms and conditions for a four-month period of exclusive negotiations with Jamestown during which time terms and conditions for a lease will be negotiated. The terms outlined above are subject to change during the exclusive negotiation period. If necessary, the period for exclusive negotiations may be extended by the Port's Executive Director on a month-by-month basis at a rate of \$10,000 per month

## **SCHEDULE**

Period of exclusive negotiations:	Spring/Summer 2016
Port Commission approval of lease:	September 2016
Board of Supervisors' approval of lease:	October 2016
Lease Commencement:	November 2016

## **FACILITY CONDITION**

On April 12, 2016, Port staff presented initial results of an engineering study regarding the seismic performance of the Seawall. This design level study showed vulnerabilities due to soil conditions around and underneath the Seawall. In particular, the study showed vulnerabilities in the Pier 29 area. Should the Port Commission authorize the exclusive negotiations with Jamestown, Port staff will work with Jamestown to 1) better understand the engineering study, 2) conduct greater assessment of the Pier 29 superstructure seismic performance which was rebuilt after the Pier 29 fire and, 3) develop mitigation strategies as necessary. The Port has budgeted \$2.7 million for Pier 29 improvements and plans to deploy this budget to perform deferred maintenance and achieve improved seismic performance of the facility as deemed necessary.

## **RECOMMENDATION**

Port staff is requesting that the Port Commission award the RFP opportunity to Jamestown and authorize staff to enter into exclusive lease negotiations with Jamestown based on the terms described in this staff report. Port staff will return to the Port Commission in summer 2016 to request an approval of a new lease with Jamestown. All terms and conditions to be included in the proposed lease are subject to environmental review and final approval by the Port Commission. The lease will also be subject to approval by the Board of Supervisors.

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Boris Delepine, Contracts Manager

Prepared For: Susan Reynolds  
Deputy Director of Real Estate

Attachment A – Location Plan  
Attachment B – Design Renderings

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

**RESOLUTION NO. 16-17**

- 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 December 8, 2015, the Port Commission, by Resolution 15-41, authorized Port staff to issue a request for proposals for the Retail Leasing Opportunity at the Pier 29 Bulkhead Building located at Chestnut Street and the Embarcadero, and
- WHEREAS, on December 23, 2015, the Port issued the Request for Proposals for the Retail Leasing Opportunity at the Pier 29 Bulkhead Building (the “RFP”); and
- WHEREAS, a four-member selection panel with combined expertise in real estate leasing and management, urban design and regulatory compliance, historic preservation, and financial feasibility analysis was convened to review, evaluate and score the proposals against the objectives and evaluation criteria set forth in the RFP; and
- WHEREAS, the Port staff has evaluated the scores of the selection panel and reviewed the Port staff’s own analysis and has determined that the Jamestown L.P. (“Jamestown”) proposal received the highest overall score from the selection panel and is the most qualified to the requirements of the RFP; and
- WHEREAS, Port staff is requesting that the Port Commission award the lease opportunity to Jamestown and authorize staff to enter into exclusive lease negotiations with Jamestown for a lease at the Pier 29 Bulkhead Building as further described in the Memorandum dated, April 21, 2016; now therefore be it
- RESOLVED, the Port Commission hereby awards to Jamestown the opportunity described in the RFP and authorizes the Executive Director to enter into an exclusive negotiations agreement for a lease for the Pier 29 Bulkhead Building on the terms generally described in the Memorandum dated, April 21, 2016 and if these negotiations fail then Port staff is authorized to exclusively negotiate with the next most qualified Respondent; and be it further

RESOLVED, that the Port Commission reserves the right, if negotiations with Jamestown are unsuccessful or the parties are unable to obtain approval of a lease from the Port Commission and the Board of Supervisors, to undertake other efforts including, but not limited to, determining no new lease will be pursued for the Pier 29 Bulkhead Building, or negotiating with the next highest scoring respondent to the RFP, at the Port's sole discretion; and be it further

RESOLVED, that entering into lease negotiations does not commit the Port Commission to approval of a final lease or related documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 26, 2016.***

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Secretary