

MEMORANDUM

February 23, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Francis X. Crowley
Hon. Leslie Katz
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval to award the Pier 70 20th Street Historic Buildings development opportunity to Orton Development, Inc. and to enter into exclusive negotiations for a lease and development agreement of these buildings to achieve the objectives specified in the Port's October 4, 2011 Request for Proposals

DIRECTOR'S RECOMMENDATION: Adopt Attached Resolution

EXECUTIVE SUMMARY

This staff report discusses the outcome of the Request for Proposals ("RFP") seeking a developer for six historic buildings on or near 20th Street in the Pier 70 Master Plan area. With two strong developers proposing on this extraordinary development opportunity, the Port is well positioned to return these buildings to active use.

The site, called the Pier 70 "20th Street Historic Buildings", is shown on Exhibit A. Port Staff recommends that Orton Development, Inc. ("ODI" or "Orton") be awarded the opportunity to enter into an Exclusive Negotiation Agreement ("ENA") with the Port for the 20th Street Historic Buildings. Of the responses received, Orton best meets the Port's needs for an experienced developer presenting a rehabilitation concept that includes a financing strategy that can work in the near term to meet the objectives of the RFP. Port Staff requests that the Port Commission authorize negotiation of an ENA that will guide the preparation of a development proposal for the site. This action would not approve any development project, only the parameters for considering a project.

THIS PRINT COVERS CALENDAR ITEM NO. 10C

BACKGROUND

In April 2010, the Port published its Preferred Master Plan (“Master Plan”) for the 65-acre Pier 70 area after an extensive community planning and technical feasibility analysis effort. The Pier 70 Master Plan provides a vision balancing sustained ship repair, historic preservation, new waterfront parks, and new development.

On May 11, 2010, the Port Commission authorized two efforts to attract development partners to realize the Master Plan vision (Resolution 10-27).¹ Accordingly, developer solicitation processes were undertaken for the following sites:

- The “Waterfront Site” is the southeast 25 acres of the site with capacity for 2.5 million square feet of new development and over 250,000 square feet of historic buildings. In July 2011, following a competitive solicitation process, the Port entered into an exclusive negotiating agreement with Forest City California for this site²; and
- The 20th Street Historic Buildings including six buildings and adjacent yard areas:
 1. Bethlehem Steel Office Building – Building 101
 2. Powerhouse – Building 102
 3. Union Iron Works Office Building – Building 104
 4. Union Iron Works Machine Shop – Building 113/114
 5. Union Iron Works Foundry – Building 115/116
 6. Heavy Warehouse – Building 14

In total, the 20th Street Historic Buildings have over 250,000 square feet of building space with potential, in some cases, for additional building space.

STRONG INTEREST SUPPORTED REQUEST FOR PROPOSAL

The 20th Street Historic Buildings comprise the “historic core” in the Master Plan. These buildings are generally the oldest and rarest at Pier 70 and some are the work of master architects and are individually eligible for National Register listing. Unfortunately they are in disrepair and require a significant investment – estimated in the Master Plan work to total \$150 million – to bring back to use. And, the buildings deteriorate more the longer they are unused, increasing the rehabilitation costs. Within this context, assessing the interest in these buildings from the private sector was critical to determining if a partner could be attracted for the historic buildings as an early implementation project of the Master Plan.

As discussed in the January 13, 2012 staff report to the Port Commission, the Request for Interest (“RFI”) process worked well to reach a wide range of potential users for the

¹ <http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%2010B%20P70%20RFQ%281%29.pdf>

² The evaluation process to select Forest City was presented to the Port Commission on April 11, 2011, <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1275>. The approval of the negotiations agreement is available at <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=1916>.

site. From February to September 2011, 176 people, representing 80 organizations toured the buildings. In total, the Port received 15 responses to the RFI.

On October 4, 2011, after consultation with the Port Commission, ten parties were invited to respond to a Request for Proposals for the 20th Street Historic Buildings development opportunity. The RFP defined development objectives and parameters for the development opportunity.

Port's Development Objectives

- Activities that promote public use and appreciation of the waterfront and provide an active entrance to Pier 70.
- Project concepts that can secure the needed financial investment to rehabilitate and revive these grand historic structures in the near term.
- Adaptive reuse consistent with the Secretary Standards.
- For the UIW Machine Shop (Building 113/114), a publicly-oriented use that activates Pier 70 and 20th Street.
- Adaptive reuse programs and activities that promote an understanding of the site's history, significance, and function through a program of coordinated interpretive exhibits.
- Destination uses that help knit Pier 70 into the eastern neighborhoods of San Francisco and bring people to the Bay's edge.
- Sustainable development program that minimizes reliance on automobiles, uses energy efficiently and, as possible, includes alternative energy sources.
- Business and employment opportunities for local workers and businesses during the design, construction and operation phases of the rehabilitated buildings.

Encouraged Land Uses and Activities

- Educational and institutional uses bringing the public, students and clients to activate 20th Street.
- Light industrial uses, including production, distribution, repair, warehousing, manufacturing, and art-related uses such as studios and exhibit spaces.
- Museum space or other types of exhibition space, such as film, music, or performance art, that preserves and makes open to the public the vast interiors of the Pier 70 industrial structures as a valued public amenity.
- Office, biotech, and research and development uses that support adaptive reuse.
- Restaurants, visitor-serving commercial, entertainment, and cultural uses that enhance the public nature of Pier 70.

PROPOSALS RECEIVED

On December 2, 2011, the Port received RFP responses from the following parties:

- CULTURESTRUCTURE Partners LLC, a to-be-formed partnership of Development Advisory Services, Inc. (DAS) and NCA Real Estate (NCA)

- Equity Community Builders, LLC (ECB), Build Inc., and UP (a non-profit formed by Build, Inc.)
- Orton Development Inc.
- Placeworks, LLC

After submitting, CultureStructure Partners, LLC and Placeworks, LLC voluntarily withdrew their proposals. On January 20, 2012³, the Port Commission received a presentation on the process leading up to the RFP and heard short presentations from the prospective developers. Exhibit B summarizes key terms of each proposal.

The proposals from the remaining two parties were evaluated in depth by Port Staff, consultants, and an evaluation panel (described later). The two parties are:

Equity Community Builders, LLC, and UP: Equity Community Builders (ECB) has joined forces with UP, a nonprofit organization established by Build, Inc. ("Build"), to craft a joint proposal. ECB and Build are both San Francisco based real estate developers with extensive experience in the adaptive reuse of historic buildings, integration of traditional and non-traditional financing mechanisms, and developments serving non-profit and public benefit organizations, as well as for profit enterprises. Since 1994, ECB has completed or now manages over \$900 million worth of real estate development. Build is a real estate development firm established in 1999, which specializes in San Francisco in-fill residential development and has produced housing valued at over \$120 million. Build's role in the project will be through the non-profit UP, "dedicated to improving communities and neighborhoods through long-term, sustainable planning and redevelopment of blighted or under-utilized urban lands and buildings".

The development team includes LeddyMaytum Stacy, Jon Worden Architects, Architectural Resources Group, Ross Construction, Murphy Burr Curry, and Van Brunt & Associates. ECB/UP's submittal includes statements of interest from the following tenants: Prescience, Burning Man, the Museum of Craft and Design, Obscura Digital, and ConXTech.

Orton Development Inc.: Specializes in large-scale commercial and industrial rehabilitation and redevelopment projects. Orton has redeveloped over 16 million square feet of buildings, spanning approximately 60 projects including office, industrial, R&D, loft, and warehouse space. ODI's projects have predominately been rehabilitation of obsolete industrial and office buildings for modern uses. A notable project is the rehabilitation of the Ford Assembly Plant in Richmond, California, a \$50 million investment in a 525,000 square foot structure on the Richmond waterfront. Orton's development team includes Marcy Wong, Donn Logan Architects.

³Placeworks withdrew prior to the meeting and did not present. CultureStructure presented on January 20, 2012, but withdrew their proposal on January 27, 2012
<http://www.sfport.com/modules/showdocument.aspx?documentid=3230>

SUBMITTAL EVALUATION PROCESS

The following four components were required with each submittal.

1. A "Summary" that introduces the Respondent and describes the Rehabilitation Concept proposed. Copies of these summaries were part of the January 13, 2012 staff memorandum to the Port Commission.
2. A "Technical Information" submittal including developer team definition, developer qualifications, and conceptual pro-forma and expected sources of funds.
3. A "Confidential Financial Materials" submittal and financial disclosure questionnaire.
4. A \$5,000 earnest money deposit.

Given the complexities of historic rehabilitation projects, the RFP did not require detailed rehabilitation plans or a binding economic proposal. It asked for a Rehabilitation Concept, including a conceptual financial structure, and demonstration of qualifications and financial capacity to do the project. The RFP established evaluation criteria, shown in detail in Exhibit C. General categories are: Developer Qualifications (30 points), Financial Capacity (25 points), Rehabilitation Concept (20 points) and Feasibility (25 points).

Port Staff, aided by consultants and an evaluation panel, evaluated the submittals. The members of the evaluation panel were:

- Mike Buhler, Executive Director of San Francisco Architectural Heritage, also on the Port's Central Waterfront Advisory Group ("CWAG")
- Toby Levine, chair of the CWAG
- Terezia Nemeth, Vice President Asset Services & Development, Alexandria Real Estate Equities, Inc.
- Jennifer Sobol, recently retired Port senior development project manager

Exhibit D provides more background on the panel members. This panel, with Port Staff, interviewed the two teams on January 31, 2012 and individually and independently scored each team on the evaluation criteria.

Conley Consulting Group (CCG), directed by Lawrence Brown of the Port's finance division, reviewed the confidential financial statements and recommended the scoring for financial capacity. CCG also provided an analysis of how well each proposal met the RFP criteria (Exhibit F).

EVALUATION RESULTS

Distinctions between Proposals

ECB/UP and ODI both have strong track records of historic preservation, demonstrated the skills to undertake the project and showed strong understanding of the Pier 70 and 20th Street context and Port's objectives. The project pro-formas and project funding

plans submitted by each team served to elucidate significant economic differences between the proposals, even though the business terms were necessarily conceptual, rather than formal, rent term proposals.

The Orton proposal shows a project that can be funded from developer equity available now, historic tax credits equity, and project debt. The debt on the project would be repaid by the project rents with the developer and the Port sharing in any net proceeds. Orton estimates a lower project cost of \$98 million in total compared to ECB/UP's \$140 million estimate. Orton's cost estimate is based on their experience in rehabilitating similar dilapidated industrial buildings to meet modern office/light industrial needs.

ECB/UP's analysis is that this project has a feasibility gap. They explain it as "Certain aspects of the 20th St. Historic buildings are not financeable by conventional means. The financing gap is too great, even with cross-subsidies." One of the mechanisms for addressing such a gap is a non-profit tenant accessing philanthropy or low cost debt; as such, Build Inc. has created the new entity UP. A second approach to meeting the feasibility gap would be public funds contributions.

ECB/UP indicates that they have funds available for this project to fund the buildings investigations and the negotiation of an agreement with the Port. Subsequent to reaching an agreement with the Port and reconciling any feasibility gap issues, ECB/UP would seek investment partners for the project.

With funds in hand and not requiring a complex public or philanthropic financing strategy, Orton suggests the project can be implemented within four years and can begin quickly with upgrading of the Bethlehem Steel Office Building (Building 101) to serve as its company offices. ECB/UP anticipates a four to seven year time frame to undertake the project.

Panel Scores

Scores for each submittal using the 100 point RFQ evaluation metric are shown on the table on the next page. ODI scored 89.5 points on average across the four panelists and ECB/UP 73.3 points. Exhibit E includes the detail of the evaluation panel scoring. The evaluation scores reveal that both developers had strong qualifications and presented rehabilitation concepts that met Port objectives. The difference in scoring between the two proposals is the assessed feasibility of achieving the project and the financial capacity of the developer.

**Technical Evaluation Panel Scores
20th Street Historic Buildings Developer Proposals**

| | Max | ECB/UP | Orton |
|---------------------------------------|------------|-------------|-------------|
| Developer Qualifications ¹ | 30 | 27.3 | 28.3 |
| Rehabilitation Concept ¹ | 20 | 16.8 | 16.5 |
| Feasibility ¹ | 25 | 15.3 | 21.8 |
| Financial Capacity ² | 25 | 14.0 | 23.0 |
| Total | 100 | 73.3 | 89.5 |

1. Panel scoring completed January 31, 2012
2. Evaluated by Conley Consulting Group based on review of confidential financial materials.

PUBLIC OUTREACH

On January 20, 2012, the Port Commission heard short presentations from the developers. Since January 13, 2012, summaries of each submittal have been available on the Port's web site. The Port's Central Waterfront Advisory Group (CWAG) hosted a community meeting at the Potrero Hill Neighborhood House on Wednesday, February 8, 2012. Over 50 people attended including neighbors from Potrero Hill, Dogpatch, Showplace Square, Mission Bay and China Basin. Both prospective developers presented their team and proposal for the 20th Street Historic Buildings. They were asked by CWAG members to address the following questions in their presentations:

1. How will you address the condition of the buildings and minimize the risk of further deterioration?
2. How will you determine uses that are feasible and will arouse the interest of the public and of other businesses/institutions? Please consider in your answer, impact on the surrounding neighbors and businesses.
3. In general terms, how will you fund this project?

After each presentation, CWAG members and the public asked additional questions of each team.

After these presentations, and without the prospective developer in the room, the CWAG members and the public discussed the two developers, identifying strengths and issues of concern. Similar to the evaluation discussed above, the community and the CWAG recognized that these are two very strong, capable developers with substantial historic preservation experience.

The ECB/UP team is well-known to the local community through Build's work on the Esprit Park project near Pier 70 where they worked closely with the community to craft a well-received project. The Burning Man participation and other arts-related uses in their proposal appealed to CWAG and the community as activating uses for 20th Street. ECB's experience at the Presidio was cited as a strength of the team. Concerns over

the strength of ECB/UP's financial capacity and whether this project is too big for the ECB/UP team were raised.

Although Orton has no San Francisco projects, the historic rehabilitation of the Richmond Ford Plant, their industrial experience and experience in Berkeley (where development is scrutinized closely) were discussed as strengths of the team. CWAG and the community viewed Orton's proposal to invest substantial equity in the project and relocate its offices to the site as strong statements to its commitment to the project. Orton and its concept were seen as practical, comprehensive, and nimble. Concerns consisted of how active and public the uses would be included in the Orton vision of the project and that this group is not local to San Francisco.

Several overarching issues were raised that address the potential project independent of the developer selected:

- Strong desire to return these buildings to use as soon as possible
- An opportunity to expand and reinforce the economic diversity and vibrancy of the neighboring areas
- Uses must be compatible with 24/7 ship repair industrial uses
- Recognition that this is a costly project and the importance of a strong funding strategy
- Opportunities for creating synergy between the use of the buildings and drawing connections between the activities in each building
- Urgency to stabilize the buildings to forestall further deterioration
- Concerns about how this project can proceed in a timely fashion due to infrastructure needs and community review process
- Ideas were raised as to if the two developer teams could collaborate on the project combining their differing strengths and community history

This meeting was very productive in advancing the community's understanding of options for the site's future and demonstrated continuing support for revitalizing Pier 70 and these historic buildings in particular. The Port will continue to work closely with CWAG and the community in the revitalization of 20th Street.

EXCLUSIVE NEGOTIATIONS PROCESS

The Port Commission has the sole discretion to award the development opportunity for the 20th Street Historic Buildings. Upon the Port Commission's award, Port Staff and the chosen developer will negotiate the terms of an Exclusive Negotiation Agreement ("ENA") committing the Port to not enter negotiations concerning the 20th Street Historic Buildings with any other party (other than for interim use) during the exclusive negotiation period. The ENA will also govern how required agreements will be negotiated. It will specify time frames and milestones for Port Commission and Board of Supervisors and other required agencies review and approval.

During the period of exclusive negotiations, the following events are anticipated:

- The developer will prepare a development project proposal to respond to the objectives of the RFP in the context of the Master Plan
- The Port and the Developer will negotiate documents for the lease and development of the site, including the Port's and developer's respective responsibilities, the economic parameters, development standards and requirements, and a performance schedule, in a final form approved by the City Attorney's Office.
- The developer will complete its due diligence review of the site, finalize financial projections and complete preliminary plans.
- The developer will secure financial commitments for the proposed project from lenders and/or equity sources.
- The developer, with the Port's cooperation, will complete the project approval process and any required environmental review.

Entering into negotiations is not an approval of the chosen developer's project concept, nor does it commit either party to the 20th Street Historic Buildings project. As outlined in the RFP and Master Plan, numerous policy actions must be taken prior to approval of development of the 20th Street Historic Buildings.

NEXT STEPS

If authorized by the Port Commission, Port Staff will negotiate the terms of an ENA with the chosen developer. Once negotiated, the Port Commission would review and authorize the execution of the ENA. The ENA will specify major milestones such as defining a rehabilitation design, undertaking environmental review, negotiating business terms for the transaction, securing the approvals needed, and crafting the necessary legal agreements.

RECOMMENDATION

Based on the assessment of the proposals using the RFP evaluation criteria, Port staff recommends that the Port Commission award the Pier 70 20th Street Historic Buildings development opportunity to Orton Development Inc. and authorize negotiation of an Exclusive Negotiations Agreement for a lease disposition and development agreement to achieve the objectives specified in the Port's October 4, 2011 RFP for the Pier 70 20th Street Historic Buildings.

Prepared by: Kathleen Diohep, Project Manager

For: Byron Rhett, Deputy Director
Planning & Development

Exhibits

- A. 20th Street Historic Buildings
- B. Summary of Developer Submittals
- C. Evaluation Criteria
- D. Review Panel Biographies
- E. Evaluation of 20th Street Historic Buildings Developer Proposals
- F. Conley Consulting Group Evaluation Report

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

RESOLUTION NO. 12-18

- 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 Port owns an approximately 65-acre site, located on San Francisco's Central Waterfront, between 18th and 22nd Streets and east of Illinois Street, known as Pier 70; and
- WHEREAS, The Port Commission designated a substantial portion of the site as a Development Opportunity Area in the Waterfront Land Use Plan in 2000 to provide revenues for the Port's effort to preserve the Union Iron Works and Bethlehem Administration buildings; and
- WHEREAS, In late 2006, the Port initiated a community planning process to develop a master plan for Pier 70 to address regulatory, economic, maritime, historic preservation, open space and shoreline access challenges to redevelopment; and
- WHEREAS, In July 2009, after six informational Port Commission hearings, four community workshops, Central Waterfront Advisory Group policy discussions, and additional community outreach, the Port published its draft Preferred Master Plan for review, and after an additional informational Port Commission hearing on March 9, 2010, the Port published its final Pier 70 Preferred Master Plan ("Master Plan"), which addresses policymaker and community comment; and
- WHEREAS, On May 11, 2010, by Resolution 10-27, the Port Commission endorsed the vision, goals, objectives, and design criteria of the Master Plan for Pier 70 which identifies about 3 million square feet of capacity for new buildings and 700,000 square feet of potential adaptive reuse capacity, and a system of infrastructure, roadways, shoreline parks, plazas and open space while retaining 17 acres for ship repair use; and
- WHEREAS, The 20th Street corridor of Pier 70 includes a cluster of several historic buildings in need of substantial rehabilitation (the "20th Street Historic Buildings"), which, if adaptively reused would create an extraordinary showcase for Pier 70's heritage; and
- WHEREAS, The Port Commission, by Resolution 10-27, authorized staff to solicit interest in the 20th Street Historic Buildings through a request for interest ("RFI") process guided by the Preferred Master Plan to allow both the potential future users and the Port to address the potential for

rehabilitation and adaptive reuse of these buildings and provide the Port Commission with information upon which to direct staff on disposition of these important structures; and

WHEREAS, On February 16, 2011, the Port issued a RFI for six 20th Street Historic Buildings and commenced a substantial outreach effort -- 176 people, representing 80 organizations toured the buildings; and by September 23, 2011, a total of 15 responses to the RFI were received; and

WHEREAS, After consultation with the Port Commission, on October 4, 2011, the Port issued a Request for Proposals (RFP) for the 20th Street Historic Buildings and invited ten respondents to the RFI to respond to the RFP; and

WHEREAS, On December 2, 2011 four parties submitted timely submittals to the Port; subsequently two voluntarily withdrew their proposals; and

WHEREAS, The RFP required proposing a rehabilitation concept for the buildings including a conceptual pro forma and a demonstration of qualifications and financial capacity to undertake the project proposed; and

WHEREAS, Port staff convened an evaluation review panel of four persons with experience in real estate economics, land use planning and architecture/urban design to review the two remaining proposals against the RFP objectives and evaluation criteria; and

WHEREAS, The evaluation panel, Port Staff, and consultants found that the proposals from both Orton Development Inc. ("ODI") and the proposed joint venture of Equity Community Builders, Build Inc. and UP, a non-profit formed by Build Inc. (ECB/UP) were well qualified to undertake the 20th Street Historic Buildings effort and presented rehabilitation concepts that meet the Port's objectives; and

WHEREAS, The evaluation panel, Port Staff, and consultants found that the ODI proposal presented a feasible rehabilitation concept and demonstrated strong financial capacity needed to address the 20th Street Historic Buildings; and

WHEREAS, The evaluation panel, Port Staff, and consultants found that ODI's proposal best met the evaluation criteria in the RFP; and Port Staff recommends that the Port enter into negotiations with ODI to define mutually acceptable terms for undertaking rehabilitation of the 20th Street Historic Buildings; and

WHEREAS, The Port Commission has reviewed and evaluated the analyses prepared by Port staff, consultants, and the evaluation panel, the Port

Staff recommendations set forth in the Staff Report accompanying this resolution, and has determined that ODI possesses the qualifications and financial capacity required by the RFP and presents a rehabilitation concept for 20th Street that meets Port's objectives; now therefore be it

RESOLVED, That the Port Commission hereby determines that following an extensive outreach and marketing process the proposals received by both the ECB/UP team and ODI present rehabilitation concepts that meet the objectives of the Port's RFP and are submitted by developers with the skills and capabilities to undertake the project proposed; and be it further

RESOLVED, That the Port Commission hereby awards to ODI the Pier 70 20th Street Historic Buildings development opportunity and directs Staff to negotiate the terms of an Exclusive Negotiations Agreement ("ENA") for the lease disposition and development of this site to achieve the objectives specified in the RFP for a period of time ending May 8, 2012 unless the Port Director extends this period in her determination that the parties have made substantial progress towards reaching agreement; and be it further

RESOLVED, The Port Commission must approve the terms of an ENA establishing performance benchmarks for the 20th Street Historic Buildings and authorize the Executive Director of the Port, or her designee to execute that agreement; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with ODI are unsuccessful and do not lead to approval of an ENA or a development agreement, lease and related documents to undertake other efforts including, but not limited to, determining no project will be pursued, selecting a tenant by any other means, negotiating ECB/UP, issuing a new development solicitation at the Port Commission's sole discretion; and be it further

RESOLVED, That awarding the development opportunity to ODI begins a process of defining a project for the 20th Street Historic Buildings and the development concepts envisioned in the Master Plan and the RFP; that the ODI proposal will evolve through the extensive public review process including changes to the rehabilitation concept, uses, the mix of uses, or other fundamental terms, all leading to a final project proposal, subject to Port Commission review; and be it further

RESOLVED, That the direction to staff to negotiate an ENA does not commit the Port Commission to approval of the terms of the ENA or any specific development concept or project proposal, nor will the ENA or the project review process it establishes foreclose the possibility of alternative development concepts, mitigation measures, or deciding not to grant

entitlement or approve the lease and development of the 20th Street Historic Buildings; and be it further

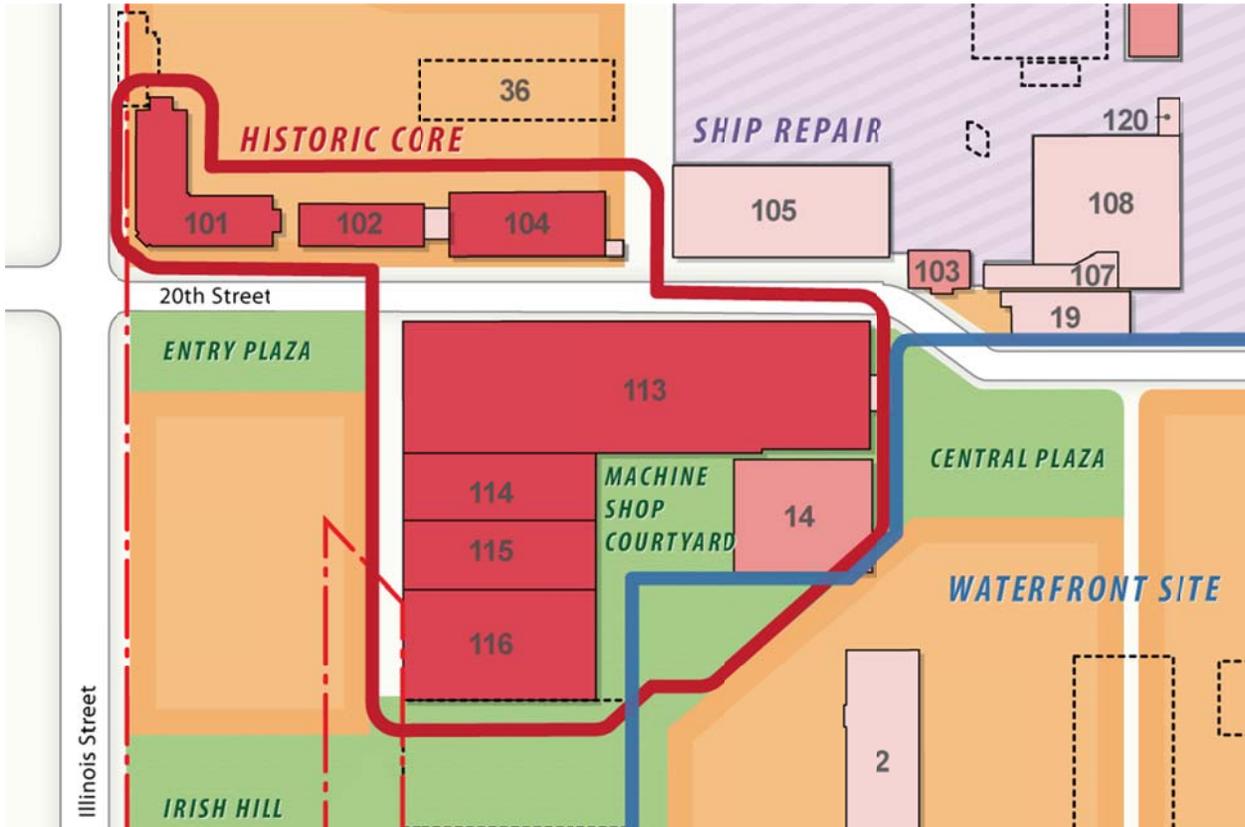
RESOLVED, That entering into exclusive negotiations does not commit the Port Commission to approval of a final lease disposition and development agreement, lease or related documents and that the Port Commission shall not take any discretionary actions committing it to the project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA); and be it further

RESOLVED, That the Port Commission expresses its thanks and appreciation to the Central Waterfront Advisory Group and the 20th Street Historic Buildings Evaluation panel for their participation in and support of the Port's evaluation of responses to the RFP.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 28, 2012.

Secretary

Exhibit A
Pier 70 20th Street Historic Buildings



Pier 70 20th Street Historic Buildings

| | |
|---|--|
|  | <p>Building 113-114 UIW Machine Shop Size: 100,000 sqft Rehab Cost: \$50 Million Very Significant Building Vacant</p> |
|  | <p>Building 115-116 Size: 38,000 sqft; could add 42k sqft Rehab Cost: \$31 Million Very Significant Building Port Maintenance Department use.</p> |
|  | <p>Building 101 Size: 56,000 sqft Rehab Cost: \$25 Million Very Significant Building Vacant</p> |
|  | <p>Building 102 Size: 8,000 sqft Rehab Cost: \$4.5 M. Very Significant Building Vacant</p> |
|  | <p>Building 104 Size: 38,000 sqft Rehab Cost: \$18 M. Very Significant Building Vacant</p> |
|  | <p>Building 14 -- behind 113 Size: 16,000 sqft, add 23k sqft Rehab Cost: \$21.5 M. with addition Encouraged Uses: Office, Cultural Institutional, , Commercial, Ind Context Building Vacant now.</p> |

Exhibit B
Comparison of Key Proposal Terms -- 20th Street Historic Buildings

| | ECB/UP | Orton | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|---------|----------------------------|----|-------------------|----|----------------|----|---|----------|---------------|---------|-----------------|--------|--|-------------------------|--------|----------------------------|----|-------------------|----|-----------------------|-----------|---------------|--------|-----------------|------|
| Entity | For-Profit Special Purpose, LLC to be formed for project; partnership of ECB and UP; UP or another non-profit may be a significant sub-tenant. | The Workshops at Pier 70 LLC formed by Orton Development Inc. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rehabilitation Concept by Building | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 101 | Small offices; professional services, sole practitioners | Office with shared reception for complex of buildings | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 102 | Cafe/ Restaurant/Bar/Museum | Restaurant main floor; ground floor: meeting/class rooms, workout area | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 104 | Small to medium offices | Office/Showroom/Flex space; potential ground floor retail | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 113-114 | Light industrial/arts (interim use)/ Large technology offices; arts and other nonprofit offices | "New American Workplace": craftsmen and trades, artisans, designers, food production, technology-driven startups, media and software companies, research and design, apparel, and green energy. Design, prototyping, manufacturing, wholesaling, office, and sales/retail activities | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 115-116 | Clean technology incubator | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 14 | Industrial Arts Orgs, Garage type incubator space | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Financial Concept | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity | Pre-development funds available now; remainder of equity raised after securing agreement with the Port. Equity partners will be institutional or individual investors; Cost of equity in the mid to high teens. Syndicate historic tax credits to investors | ODI equity available now; Seeking a 14 % return on equity Syndicate historic tax credits to investors | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conceptual Pro-forma | <table border="0" style="width: 100%;"> <tr> <td>Total Development Costs</td> <td style="text-align: right;">\$140 M</td> </tr> <tr> <td>Proposed Equity Investment</td> <td style="text-align: right;">18</td> </tr> <tr> <td>Tax Credit Equity</td> <td style="text-align: right;">27</td> </tr> <tr> <td>Supported Debt</td> <td style="text-align: right;">82</td> </tr> <tr> <td><u>1st Phase Cross Subsidy</u></td> <td style="text-align: right;"><u>4</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;">\$131 M</td> </tr> <tr> <td>Feasibility Gap</td> <td style="text-align: right;">\$ 9 M</td> </tr> </table> | Total Development Costs | \$140 M | Proposed Equity Investment | 18 | Tax Credit Equity | 27 | Supported Debt | 82 | <u>1st Phase Cross Subsidy</u> | <u>4</u> | Total Sources | \$131 M | Feasibility Gap | \$ 9 M | <table border="0" style="width: 100%;"> <tr> <td>Total Development Costs</td> <td style="text-align: right;">\$98 M</td> </tr> <tr> <td>Proposed Equity Investment</td> <td style="text-align: right;">15</td> </tr> <tr> <td>Tax Credit Equity</td> <td style="text-align: right;">14</td> </tr> <tr> <td><u>Supported Debt</u></td> <td style="text-align: right;"><u>69</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;">\$98 M</td> </tr> <tr> <td>Feasibility Gap</td> <td style="text-align: right;">none</td> </tr> </table> | Total Development Costs | \$98 M | Proposed Equity Investment | 15 | Tax Credit Equity | 14 | <u>Supported Debt</u> | <u>69</u> | Total Sources | \$98 M | Feasibility Gap | none |
| Total Development Costs | \$140 M | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed Equity Investment | 18 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tax Credit Equity | 27 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Supported Debt | 82 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>1st Phase Cross Subsidy</u> | <u>4</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Sources | \$131 M | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Feasibility Gap | \$ 9 M | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Development Costs | \$98 M | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed Equity Investment | 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tax Credit Equity | 14 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Supported Debt</u> | <u>69</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Sources | \$98 M | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Feasibility Gap | none | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Port Rent | None shown | Port would receive 50% of net income after debt service after a preferred developer return of 14% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Public Funds/ Means to fill gap | Gap could be filled with IFD, other public funds or with philanthropic loans or gifts; pro-forma does not reflect repayment of gap funds | Suggest the Port and ODI collaborate to find the lowest cost source of debt for project. All debt service to be re-paid with project income | | | | | | | | | | | | | | | | | | | | | | | | | | |

Exhibit C

Evaluation Criteria from Request for Proposals

Developer Qualifications (30 Points)

- a) Successful track record of the Respondent (including joint venture partners) and the development team in successfully rehabilitating, developing, and operating facilities similar to the proposed project.
- b) Experience with historic preservation projects, in particular with meeting the Secretary Standards.
- c) Experience with complex projects in identifying and securing target tenants, defining the rehabilitation scope, structuring the transactions, securing necessary approvals, and managing the construction process.
- d) Demonstrated ability to operate and maintain real estate projects once completed, including sustaining occupancy and addressing on-going operational needs.
- e) Proven ability to work with public agencies, to achieve development desired by the public sector.
- f) Sufficient staff and consultant resources to meet the project objectives.
- g) Track record of local hiring and participation of locally owned businesses in prior projects.
- h) Demonstrated ability to work with local organizations and/or address community concerns.
- i) Demonstrated understanding, ability, and flexibility to obtain key approvals and community support in a complex political and regulatory context.

Financial Capacity (25 points)

Proven ability of developer to possess or attract equity and debt capital for projects similar in scope and cost to the proposed Rehabilitation Concept as evidenced by:

- a) financing of comparable projects,
- b) access to sufficient debt and equity, including at risk equity, for the project proposed,
- c) ability to offer guarantees or bonding arrangements to ensure timely completion of the proposed project,
- d) on-going relationships with financial sources.

Rehabilitation Concept (20 points)

- a) Consistency of proposed Rehabilitation Concept with the Port's objectives for the 20th Street Historic Buildings.
- b) Fit of proposed use with other uses identified in the Master Plan for 20th Street and other portions of Pier 70.

Feasibility (25 points)

Determining if the proposed Rehabilitation Concept is feasible includes assessing the likelihood of Respondent and its concept meeting the Port's Objectives in an expedient manner. Factors considered will include:

- a) Evidence of ability of this Respondent to attract necessary public and private investment for the Rehabilitation Concept proposed.
- b) Feasibility of the Rehabilitation Concept to address the deteriorated state of the buildings in the near term.
- c) The probability of obtaining approvals for the proposed design, given the historic status of the buildings and the physical and regulatory constraints on development.
- d) Cash flow projections that demonstrate the project, once operational, will meet all lease, debt service and operating expenses.
- e) Demonstrated strength of real estate market for proposed uses.

Exhibit D
20th Street Historic Buildings Proposals Review Panel

The Port convened a technical review panel who evaluated the full proposals submitted by the developers, interviewed the two teams, and scored the proposals on the evaluation criteria included in the RFP. The following individuals served on the panel.

Michael Buhler

Mike Buhler is executive director of San Francisco Architectural Heritage, a nonprofit organization founded in 1971 to preserve and enhance San Francisco's unique architectural and cultural identity. Mike previously served as the director of advocacy for the Los Angeles Conservancy from 2006 to 2010 and regional attorney for the National Trust for Historic Preservation's Western Office in San Francisco from 1998 to 2006. He holds a J.D. from Santa Clara University School of Law and a B.A. degree in history from the University of Washington in Seattle.

Toby Levine

Toby Levine has served as the Co-Chair of the Central Waterfront Advisory Committee, originally called the Pier 70 Advisory Committee, since 2000. This is only one leadership role in over 40 years of civic involvement in neighborhood and land use issues including being part of founding the following organizations: the Victorian Alliance (1972-73), the Coalition of San Francisco Neighborhoods (1972), and the Mission Planning Council (1974-78). Toby served as a member of the Planning Commission from 1992 to 1996 appointed by Mayor Frank Jordan.

Toby's waterfront-related community service includes:

- Member of the Advisory Committee on the Northeast Waterfront, appointed by the Board of Supervisors, (1978-84)
- Member of Board and later President, Mission Creek Conservancy (1984-present)
- Member, and later Vice President - Rincon Point - South Beach Redevelopment Advisory Committee - (1986- 1991)
- Member - Waterfront Land Use Advisory Board, appointed by the Port Commission and later representing the Planning Commission - (1991 to 1997)
- Member, Treasure Island Reuse Committee (1995 - 1996) - representing the Planning Commission
- Member, Port of San Francisco Technical Advisory Committee on Design Principles, (1995-96) appointed by the Director of the Port
- Member, and formerly chair, Northeast Waterfront Advisory Group (1998 - present) appointed by the Port Staff

Terezia Nemeth

Terezia Nemeth is Vice President of Asset Services and Development at Alexandria Real Estate Equities, Inc. Her role is to manage the operations of over 1 million square feet of laboratory/office buildings owned by Alexandria at Mission Bay. In addition, she manages the company's design, entitlements and overall development process in the Bay Area. Terezia serves on the Mission Bay Citizens Advisory Committee and is a Member of Lambda Alpha International.

Prior to joining Alexandria, Terezia also managed design and entitlements for 1.2 million square feet of office space at Mission Bay for Catellus Development Company. Terezia also served as a Special Assistant to the Mayor in Mayor Willie Brown's Office of Economic Development where she managed several large development projects including the Hunters Point Naval Shipyard and the development of a new headquarters for the Pacific Exchange. Terezia holds a Master of Science in Real Estate Development from M.I.T., as well as a Master of Architecture and B.A. from UC Berkeley.

Jennifer Sobol

Jennifer Sobol worked at the Port of San Francisco from 1992 to 2011, initially as a commercial property manager and leasing agent, and then as Senior Project Manager for waterfront development. She was responsible for overseeing and managing several complex public-private partnership development projects of piers on the National Register of Historic Places, including the historic rehabilitation and adaptive re-use of Pier 1 into Class A office; the restoration of Piers 1½-3-5 into offices, restaurants, water taxi landing/boat dock and public access; and the historic rehabilitation of Pier 15 by the Exploratorium museum. She negotiated the leases, development agreements and other transaction documents; assisted the developers in obtaining regulatory approvals, design review, and determinations of trust consistency; and assisted in obtaining Federal historic preservation tax credits.

Ms. Sobol has extensive experience in the leasing and management of commercial property, both in the private sector and within the Port's 7½ mile jurisdiction. She attended Stanford University, graduated from the University of California at Berkeley with a Bachelor of Arts Degree, and obtained her J.D. Degree from the University of California at Davis. She practiced law as a real estate attorney in the San Francisco Bay Area for many years and was a licensed California real estate broker.

Exhibit E

Evaluation of 20th Street Historic Buildings Developer Proposals

| Developer Evaluation 20th Street Historic Buildings | | | |
|---|------------|-------------|-------------|
| Developer Qualifications | Max | ECB | ODI |
| a) Successful track record of the Respondent (inc jv partners) & the development team in successfully rehabilitating, developing, & operating facilities similar to the proposed project. | 7 | 6.3 | 7.0 |
| b) Experience w/historic preservation projects, in particular with meeting the Secretary Stds. | 4 | 4.0 | 4.0 |
| c) Experience w/complex projects in identifying & securing target tenants, defining the rehab scope, structuring the transactions, securing necessary approvals, & managing construction. | 4 | 3.5 | 4.0 |
| d) Demonstrated ability to operate and maintain real estate projects once completed, including sustaining occupancy and addressing on-going operational needs. | 3 | 2.3 | 3.0 |
| e) Proven ability to work w/public agencies to achieve development desired by public sector | 3 | 2.5 | 3.0 |
| f) Sufficient staff and consultant resources to meet the project objectives. | 3 | 3.0 | 2.0 |
| g) Track record of local hiring and participation of locally owned businesses in prior projects. | 2 | 1.8 | 1.8 |
| h) Demonstrated ability to work w/local organizations and/or address community concerns. | 2 | 2.0 | 1.5 |
| i) Demonstrated understanding, ability, & flexibility to obtain key approvals & community support in a complex political & regulatory context. | 2 | 2.0 | 2.0 |
| Total | 30 | 27.3 | 28.3 |
| Rehabilitation Concept | | | |
| a) Consistency with the Port's Objectives for the 20th St Historic Buildings. | 15 | 13.0 | 12.3 |
| b) Fit of proposed use w/other uses identified in the Master Plan for 20th St & rest of P70. | 5 | 3.8 | 4.3 |
| Total | 20 | 6.8 | 6.5 |
| Feasibility | | | |
| Determining if the proposed Rehab Concept is feasible includes assessing the likelihood of Respondent & its concept meeting the Port's Objs in an expedient manner. Factors include: | | | |
| a) Evidence of ability of this Respondent to attract necessary public and private investment for the Rehab Concept proposed. | 5 | 3.0 | 4.8 |
| b) Feasibility of the Rehab Concept to address deteriorated state of the bldgs in near term. | 5 | 3.3 | 4.8 |
| c) The probability of obtaining approvals for the proposed design, given the historic status of the buildings and the physical and regulatory constraints on development. | 5 | 3.8 | 4.3 |
| d) Cash flow projections that demonstrate the project, once operational, will meet all lease, debt service and operating expenses. | 5 | 2.3 | 4.0 |
| e) Demonstrated strength of real estate market for proposed uses. | 5 | 3.0 | 4.0 |
| Total | 25 | 15.3 | 21.8 |
| Panel Review Total | 75 | 59.3 | 66.5 |
| Financial Capacity (evaluated by Conley Consulting Group) | 25 | 14.0 | 23.0 |
| Total | 100 | 73.3 | 89.5 |

Exhibit F
Conley Consulting Group
Evaluation of 20th Street Developer Proposals