



## MEMORANDUM

August 8, 2025

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

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Informational presentation to consider and possible action to approve a 12-month extension of the Lease Disposition and Development Agreement with TZK Broadway, LLC, a California limited liability company ("TZK") for the proposed hotel development (the "Development") at Seawall Lots 323/324 and portions of unimproved Vallejo and Davis Street right-of-ways on the west side of The Embarcadero at Vallejo.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 25-53

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### EXECUTIVE SUMMARY

TZK Broadway, LLC (TZK) is seeking a 12-month extension of the Lease Disposition and Development Agreement (LDDA) for the development of a hotel, dinner-theater, public open space, and ancillary uses at Seawall Lots 323/324. The LDDA, which commenced on September 18, 2020, is currently set to expire on September 17, 2025. This extension is necessary to finalize negotiations of proposed revisions to lease terms to secure financing.

### Key Points Demonstrating Progress:

- The project includes a 161-room luxury hotel, a dinner-theater, and a 14,000-square-foot public open space.
- TZK has obtained conditional commitments from lenders and a major hotel brand.
- The total development cost is now estimated at \$169 million.

**THIS PRINT COVERS CALENDAR ITEM NO. 9A**

## STRATEGIC PLAN ALIGNMENT

The development supports the Port's Strategic Plan goals:

- **Equity:** Provides business opportunities and a new live theater space.
- **Sustainability:** Incorporates sustainable practices and Commercial Property Assessed Clean Energy (C-PACE) financing.
- **Engagement:** Creates a new cultural and arts activity node.
- **Stability:** Diversifies the Port's revenue sources.

## BACKGROUND

The LDDA was originally approved in 2019, with an anticipated escrow closing by 2021. Due to the COVID-19 pandemic, the project faced delays. The Port Commission approved a second amendment in August 2024, extending the LDDA to September 17, 2025.

### Current Project Status:

- TZK has continued negotiations with potential lenders.
- TZK has met most conditions for another extension.
- The project remains compliant with the LDDA.

October 7, 2022<sup>1</sup> and August 9, 2024<sup>2</sup> staff reports to the Port Commission provide more background about this Project.

## PROJECT DETAILS

The proposed development at Seawall Lots 323/324 includes several key components:

1. **Hotel:** A luxury hotel with 161 rooms, reduced from the original 192 rooms to accommodate larger room sizes required by luxury brands. The hotel will be flagged and operated as a full-service NoMad hotel.
2. **Dinner-Theater:** A state-of-the-art venue to house Teatro ZinZanni's dinner-theater operations. Teatro ZinZanni is known for its unique blend of circus, comedy, and cabaret performances.
3. **Public Open Space:** Approximately 14,000 square feet of public open space, providing a new recreational area for both locals and visitors. This space is privately funded and will enhance the community's access to green areas.

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<sup>1</sup> [item 12a swl 324 tzk info final.pdf \(sfport.com\)](#)

<sup>2</sup> <https://www.sfport.com/media/9870/download?inline=>

4. **Sustainability Features:** The development will incorporate various sustainable practices, including leveraging C-PACE financing to fund significant investments in energy efficiency and renewable energy projects.
5. **Economic Impact:** The project is expected to generate significant economic benefits, including job creation during construction and operation, increased tourism, and additional revenue from hotel and theater operations.
6. **Financing Plan:** The updated capital stack for the project includes:
  - Debt Financing: \$55 million
  - C-PACE Financing: \$60 million
  - TOT (Transient Occupancy Tax) Financing Proceeds: \$10 million
  - Sponsor GP Equity + EB5: \$13.3 million
  - LP Equity: \$30.6 million
  - **Total: \$168.9 million**

To close the funding gap brought on by increased project costs, TZK has submitted a request to the Mayor's Office of Workforce and Economic Development for assistance with its application for a TOT abatement. The cash flow from the tax abatement will be bonded against raising upfront money or bond proceed to fund part of construction cost. TZK estimated a net proceed of between \$10 million to \$19 million for the TOT abatement if approved by the Board of Supervisors.

## KEY TERMS OF THE PROPOSED THIRD AMENDMENT

The proposed third amendment includes:

- **Extend the LDDA term by up to 12 months.** During the extension period, Port staff and TZK aim to conclude the negotiation and then seek approval of the necessary revisions to the current deal terms and the TOT abatement from the Port Commission and the Board of Supervisors. This new extension is subject to a new \$100,000 extension fee.
- **No deferral of the new extension fee due for extending LDDA term past September 17, 2025.** TZK is allowed to (1) pay incrementally the new \$100,000 extension fee due at \$25,000 for each three-month extension of the 12-month extension, and (2) pay the first \$25,000 on or before execution of the third LDDA amendment, and (3) pay upfront \$25,000 extension fee for each subsequent three-month extension TZK may need with cumulative extension limited to a total 12-month extension.
- **Continue to defer all prior deferred fees and payments due to the Port, and all new fees and payments that may accrue during the new extension period to the earlier of close of escrow or the expiration or termination of the LDDA.** TZK paid the Port a \$100,000 extension fee for extending the LDDA term from September 17, 2024 to September 16, 2025. TZK is allowed to continue to defer the approximately \$411,395 it currently owes the Port and to defer all additional

transaction costs incurred by the Port past March 2025 to the earlier of the close of escrow or the expiration or termination of the LDDA. New fees for extending the LDDA term past September 17, 2025 are not permitted to be deferred.

- TZK to endorse the payment tracker attached to the promissory note it already made to document what it now owes the Port.
- **Update the LDDA Schedule of Performance to reflect the new LDDA expiration date of September 17, 2026.** The schedule will include the necessary performance benchmarks to track progress, such as monthly project update meetings with staff and a quarterly written summary of progress.

## STAFF ANALYSIS

The San Francisco hotel market is improving, with a significant increase in convention activity expected in 2025. TZK anticipates that the lenders it has identified will be willing to stand by their commitments, subject to the approval of the proposed lease term revisions by the Port Commission and the Board of Supervisors. Extending the LDDA will:

- Demonstrate Port and City support to lenders.
- Allow TZK to benefit from improving market conditions.
- Enable TZK to finalize loan documentation.

## TIMELINE/NEXT STEPS

Port Commission approval of the proposed Third Amendment will allow TZK and the Port to seek input from consultants and wrap up negotiation on potential revisions to the existing deal terms. Port staff will bring the final negotiated deal to the Port Commission for its consideration and approval.

## RECOMMENDATION

Port staff recommend that the Port Commission approve the attached Resolution approving the proposed Third Amendment to the LDDA on such terms and conditions as described in this staff report.

Prepared by: Ricky Tijani, Development Project Manager  
Real Estate and Development

For: Scott Landsittel, Deputy Director  
Real Estate and Development

Attachment: Exhibit A - Site Map

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

**RESOLUTION NO. 25-53**

- 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, On September 10, 2019, by Resolution No. 19-36, the Port Commission, among other things, authorized and directed the Executive Director to (i) enter into a Lease Disposition and Development Agreement (“LDDA”) and other transaction documents with TZK Broadway, LLC, a California limited liability company (the “Developer” or “TZK”) for the lease and development of a mixed-use project that includes a hotel, dinner-theater venue and open space (the “Project”) at Seawall Lots 323 and 324 and certain additional lands (collectively, the “Site”) and (ii) seek approval of the form of Lease from the Board of Supervisors; and
- WHEREAS, On January 14, 2020, the Board of Supervisors approved Resolution No. 05-20 approving, among other things, the form of the lease; and
- WHEREAS, On September 18, 2020, Port and the Developer executed the LDDA and subsequently extended the term of the LDDA through force majeure extensions and a first amendment to the LDDA, which first amendment extended the LDDA term until September 17, 2024; and
- WHEREAS, Due to the impacts of the Covid-19 pandemic on the San Francisco hotel market and other market factors, TZK has had difficulty obtaining firm commitments from lenders to finance the Project at the Site with the existing deal terms and TZK has proposed several changes to the deal terms; and
- WHEREAS, On August 13, 2024, pursuant to Resolution No. 24-35, the Port Commission approved a Second Amendment to the LDDA, which, among other things, extended the LDDA term by 12 months to September 17, 2025; and
- WHEREAS, Since early 2024, Port and TZK have been negotiating potential revisions to the existing deal terms, but will be unable to complete negotiations and obtain necessary approvals from the Port Commission before the September 17, 2025 expiration date of the LDDA; and
- WHEREAS, Since approval of the Second Amendment, TZK has continued to negotiate with potential lenders, and recently, has obtained conditional commitments

from two lenders and a major hotel brand to build, flag, and operate the hotel as a full-service, luxury NoMad hotel; and

WHEREAS, The Port and TZK have negotiated the terms and conditions of the proposed Third Amendment to the LDDA ("Third Amendment") to, among other things, extend the term of the LDDA up to twelve additional months upon payment of a \$25,000 extension fee for each three-month extension, defer other existing amounts owed to Port until close of escrow or expiration or termination of the LDDA, all as described in the staff report accompanying this Resolution and a copy of the Third Amendment is on file with the Secretary to the Port Commission; now, therefore be it

RESOLVED, That the San Francisco Port Commission hereby (1) approves the proposed Third Amendment between the Port and TZK on terms substantially consistent with those described in this Resolution, the staff report accompanying this Resolution, and in the Third Amendment on file with the Secretary of the Port Commission, and (2) authorizes the Executive Director, or her designee, to execute such Third Amendment; and be it further

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

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 12, 2025.***

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Secretary

## EXHIBIT A Site Map

