



MEMORANDUM

September 13, 2024

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Gail Gilman, Vice President
Hon. Willie Adams
Hon. Stephen Engblom
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of a resolution amending the Lease with Exploratorium at Piers 15 and 17 to, among other things, extend date by an additional 10 years to commence rehabilitation of Pier 17.

DIRECTOR'S RECOMMENDATION: Approved the Attached Resolution No. 24-40

EXECUTIVE SUMMARY

On September 8, 2009, the Port Commission adopted Resolution 09-47 approving a Lease Disposition and Development Agreement and the form of lease for a 66-year term with the non-profit organization Exploratorium to redevelop and operate the Exploratorium Museum at Pier 15 and 17. The Board of Supervisors subsequently adopted Resolution 430-09 on October 29, 2009, approving the form of lease. The parties subsequently executed the lease, and the effective date of the lease was November 3, 2010, and expires on November 2, 2076 (the “**Existing Lease**”).

The Exploratorium was founded in 1969 and originally based at the Palace of Fine Arts. The Exploratorium at Pier 15 opened to the public on April 17, 2013. Its mission is “to create inquiry-based experiences that transform learning worldwide”. The Exploratorium provides tools and experiences that include hundreds of explore-for-yourself exhibits, a website with over 35,000 pages of content, film screenings, and evening art and science events for adults. The organization creates professional development programs

for educators and shares its exhibits and expertise with museums worldwide. A restaurant and museum retail shop are also in operation at Pier 15.

The Exploratorium currently uses a large portion of Pier 17 as facility support space, including exhibit development, and subleases a portion of the pier (32,230 square feet), to The Consulate General of Switzerland, including Swissnex, an annex of the Consulate General (the “**Consulate Sublease**”). The Consulate Sublease expires on June 30, 2026.

The Existing Lease includes an option for the Exploratorium to expand the museum to Pier 17, requiring a full rehabilitation of the pier. Required improvements include substructure repair of the pier, loading dock, and east apron, seismic upgrades, construction of improvements, and utilities to accommodate the expansion and adjacent public access improvements. The Existing Lease requires Exploratorium to commence construction of the Pier 17 improvements by December 1, 2026, or the Pier 17 shed and east apron areas will be removed from the Existing Lease and revert to the Port.

The Exploratorium is still in the preliminary stages of preparing plans to develop Pier 17 and modernize the Pier 15 campus. A critical component is coordination with the Port Waterfront Resilience Program. These project efforts are in their early development stages at this time and as a result, Exploratorium requests a ten (10) year extension of the Pier 17 construction commencement date to December 1, 2036.

The BCDC permit authorizing the development of the Exploratorium at Pier 15-17 required the Port and Exploratorium to remove Bay fill separately at an off-site location along the San Francisco waterfront. The Exploratorium’s Existing Lease with the Port requires their contribution of up to \$2 million to satisfy this fill removal requirement.

At BCDC’s request, Port and Exploratorium are now working with BCDC to develop a sea level rise and resilience education program (“**Education Program**”) that would replace the off-site Bay fill removal requirement. The Education Program will be implemented at the sole cost of the Exploratorium as a public benefit for both San Francisco and the wider Bay Area region. Detailed Education Program elements and evaluation criteria will be outlined in the forthcoming San Francisco Waterfront Special Area Plan (“SAP”) and BCDC Permit amendments. All parties seek to secure BCDC Commission approval of the SAP amendment and Education Program from late 2024 to early 2025.

Port staff believe the requested extension will benefit the long-term integration and development of both the Exploratorium campus and Waterfront Resilience Program projects and recommends approval of an amendment to the Existing Lease to extend the Pier 17 construction commencement date. Specifically, Staff suggests the extension of ten (10) years with no change to the current rent structure, but adding a completion date of December 1, 2041, and requirement for an annual project status report from the Exploratorium.

Staff also recommends including language in the proposed amendment to replace the existing off-site Bay fill requirement with the Education Program if such changes are approved by the BCDC Commission.

STRATEGIC OBJECTIVE

Resilience:

A foundational driver of the development of Pier 17 and the Exploratorium campus is sustainability. Design development will focus on a facility with state-of-the-art construction while working in tandem with the Waterfront Resilience Program as resilience projects for the waterfront are developed.

Sustainability:

Every aspect of the Exploratorium development will be designed to enhance environmental stewardship and protect the Bay. In addition to facilities, the Exploratorium will continue to create and offer expanded educational programs to address climate change on local, national, and international levels.

Evolution:

The design and development of Pier 17 and the Exploratorium campus will be a major step forward in the evolution of the Northeastern Waterfront. It will enhance public access to the Bay and increase available scientific and creative programming to visitors.

Engagement:

Development coordination with the Waterfront Resilience Program will support enhanced communication of project plans and activities with Exploratorium members and the public. The expanded campus vision and the Education Program are to further engage the community in cultural and educational programs for decades to come.

BACKGROUND

The Existing Lease became effective on November 3, 2010, and expires on November 2, 2076. The Leased space includes Pier 15 and 17 sheds, aprons, the marginal wharf, and water areas, for a total of 398,442 square feet.

The Exploratorium operates its experiential museum of science, education, and creative learning at Pier 15. The non-profit organization also creates professional development programs for educators, hosts evening art and science events for adults, and works with museums worldwide to develop and share exhibits. The current rent for Pier 15 is \$104,242 per month, which is fully offset by construction rent credits; this rate adjusts every five (5) years by the Consumer Price Index, with a minimum increase of ten percent (10%) and a maximum increase of twenty percent (20%). Average annual attendance for fiscal years 2015 through 2019 (July through June) was 814,000. The Exploratorium's first full year of operations post-pandemic was fiscal year 2023. Attendance is gradually returning, with 593,000 visitors in fiscal year 2024.

Pier 17 is currently utilized by the Exploratorium for support space, including storage, exhibit fabrication, and receiving. The Consulate Sublease occupies 32,230 sq. ft. of Pier 17. The Consulate Sublease expires on June 30, 2026.

The Consulate Sublease income helps offset the Exploratorium's Pier 17 rent obligation, currently \$101,285 per month. Pier 17 rent increases by three percent (3%) annually.

Baydelta Maritime also occupies 5,400 sq. ft. of space in Pier 17; the Port leases this space directly to Baydelta.

The Existing Lease provides the Exploratorium an option to expand the museum to Pier 17 if they commence, among other things, the rehabilitation of the Pier 17 shed by December 1, 2026, or the space will revert to the Port. Once the rehabilitation for Pier 17 is complete, rent for Pier 17 will be offset by rent credits, similar to Pier 15. The Existing Lease does not include a construction completion date.

The Exploratorium has retained consultants and is working with them on the project plan for the development of Pier 17 and integration within the Exploratorium campus as a whole. The team is having ongoing discussions with the Port's Waterfront Resilience Program as work on the development of resilience projects moves forward, with the goal of partnering over the next several years to identify projects and responsibilities between the groups, leverage federal funding for infrastructure, and align timeframes for delivery to avoid developing projects that will not work together. At this early stage, it is impossible to know with any specificity how each project impacts the other, but the need to partner is clear.

The Swiss Consulate has reached out to the Exploratorium about an extension to their sublease that expires on June 30, 2026. The Exploratorium is interested in pursuing a long-term extension of the Consulate Sublease but is unable to do so unless the Pier 17 construction start date for rehabilitation of Pier 17 is extended so that Pier 17 does not revert to the Port by the end of 2026.

The effort between the Exploratorium, Port, and BCDC to establish the Education Program as an alternative to the off-site fill requirement will require an amendment to the Existing Lease to reflect the exchange of obligations, replacing the Exploratorium's financial contribution toward fill removal with a new commitment to implement the Education Program.

STAFF ANALYSIS

Developer of Pier 17 is expected to be a very complex project including the rehabilitation of Pier 17, integration of Pier 17 into the existing Pier 15 facilities, and coordination of the project with the Port's Waterfront Resilience Program projects and multiple regulatory agencies. The Exploratorium's goal is to create a world-class

science, research, and education center at Pier 17 while modernizing the Pier 15 museum space.

Due to the complexities of the design development process for this concept and the need to integrate the development with resilience projects that are now only in the early planning stage, it is apparent that attempting to commence construction by December 1, 2026, is neither feasible nor educated by Port strategy. The Exploratorium reached out to Port staff to request an extension of the construction start date to no later than December 1, 2036. Such an extension will permit the Exploratorium to fully and thoughtfully develop its Pier 17 and campus development plans, identify funding sources for a project that is expected to cost several hundred million dollars, and phase the project in partnership with Waterfront Resilience Program projects.

The extension will also permit the Exploratorium to commence discussions with the Swiss Consulate on an extension of the Consulate Sublease at Pier 17.

The rent structure for Pier 17 will not change, with the base rent increasing by three percent (3%) per year. Once the rehabilitation of Pier 17 is complete, the Exploratorium will offset base rent with construction rent credits. Extension of the construction commencement date does provide the Port with ongoing base rent payments in excess of \$1 million per year for Pier 17.

Including the Education Program in the proposed amendment as an alternative to the existing off-site Bay fill requirement provides the Port and the Exploratorium the flexibility to proceed with the Education Program upon BCDC Commission approval. The Exploratorium is responsible for development and implementation at its sole cost. The off-site fill removal obligations will be removed from the SAP and the BCDC Permit. This could also benefit the Port financially should the off-site fill removal costs exceed the Exploratorium's \$2 million obligation.

The First Amendment will include the following terms:

- Extend the Pier 17 construction commencement date from December 1, 2026, to no later than December 1, 2036.
- Establish a Pier 17 construction completion date of December 1, 2041, or five (5) years after the construction commencement date, whichever is earlier.
- The Exploratorium will submit a report to the Executive Director on the status of the Pier 17 rehabilitation efforts annually on July 1. This report will be made available to the Port Commission.
- An alternative to the off-site Bay fill removal requirement, subject to the approval of the BCDC Commission.
- Update standard City & County of San Francisco standard provisions.

RECOMMENDATION

Port staff recommend the Port proceed to finalize the First Amendment on the stated terms and seek the Port Commission and Board of Supervisors' approval of the Amendment.

Prepared by: Sandra Oberle, Sr. Property Manager
Real Estate and Development

For: Scott Landsittel, Deputy Director
Real Estate and Development

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

RESOLUTION NO. 24-40

WHEREAS, Pursuant to Charter Section B3.581, the Port Commission has 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, At its September 8, 2009 meeting, the Port Commission adopted Resolution 09-47 approving a Lease Disposition and Development Agreement and the form of lease for a 66-year term, with the Exploratorium ("**Exploratorium**") at Piers 15 and 17; and

WHEREAS, On October 25, 2009, the Board of Supervisors adopted Resolution No. 430-09 approving the form of the lease; and

WHEREAS, The Port Commission and Exploratorium entered into a 66-year lease ("**Existing Lease**") dated and effective November 3, 2010 ("**Commencement Date**"); and

WHEREAS, Under the Existing Lease, the Exploratorium has the option to expand the museum to Pier 17 if it commences construction of the Pier 17 rehabilitation by December 1, 2026, or the Pier 17 shed and east apron areas will be removed from the Existing Lease and revert to the Port; and

WHEREAS, The Existing Lease sets forth the obligations of Exploratorium to contribute to the removal of off-site fill as required by the BCDC permit for the construction of the museum at Pier 15; and

WHEREAS, BCDC, the Port, and the Exploratorium have been in discussions to replace the existing off-site fill removal obligation required under the BCDC permit with an education program ("**Education Program**") that would be developed by the Exploratorium at its sole cost; and

WHEREAS, Port and Exploratorium wish to enter into an amendment to the Existing Lease ("**First Amendment**") to (i) extend the Pier 17 rehabilitation construction commencement date to December 1, 2036, (ii) add a construction completion date for such rehabilitation of December 1, 2041, (iii) add a requirement for Exploratorium to provide Port with an annual report on the status of the Pier 17 design development project, (iv) replace the off-site fill removal requirement with the Education Program upon BCDC Commission approval, (v) add new City requirements, and (vi) make such other changes as described in the memorandum accompanying this resolution, a copy of which is on file with the Secretary of the Port Commission; now therefore be it

RESOLVED, The Port Commission hereby approves the First Amendment between the Port and the Exploratorium on terms substantially consistent with those described in the memorandum accompanying this resolution and the First Amendment on file with the Secretary of the Port Commission; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or her designee, to execute the First Amendment on terms substantially consistent with those described in the memorandum accompanying this resolution and the First Amendment on file with the Secretary of the Port Commission; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port to enter into any additions, amendments, or other modifications to the First Amendment and any other agreement necessary to effectuate the purpose of the First 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 Port, and are necessary and advisable to complete the transaction and effectuate the 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 September 17, 2024.

Secretary