




# PORT OF SAN FRANCISCO WATERFRONT LAND USE PLAN 1997 – 2014 REVIEW



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# MIXED-USE DEVELOPMENT & HISTORIC REHABILITATION

# Background

The Waterfront Plan designates locations for “Waterfront Mixed Use Development”, where historic rehabilitation, improved maritime services, and commercial and recreational development is targeted to complement the Port’s planned parks and public access network. The Waterfront Plan’s goals convey the desire to create an urban waterfront edge that knits into the colorful mix and character of the surrounding neighborhoods. While ship repair and cargo shipping require large tracts of exclusively dedicated land, the Port’s other maritime industries are smaller scale and can be mixed with other uses. Indeed, the continuing effort to support these industries plays a strong role in expressing San Francisco’s rich history, as well as to imbue a waterfront character in Port developments that differentiates them from mixed use projects elsewhere. Fishing, excursions, passenger cruise, harbor services, recreational boating and vessel berthing require less dedicated space and, with careful management, can compatibly co-exist with commercial, recreational and institutional uses, as well as upland residential development.

The Waterfront Plan contemplated public-private development partnerships as a significant element to revitalize the Port. Even before development of the Port’s 10 Year Capital Plan in 2006, it was clear that the Port did not have the financial resources to improve the waterfront on its own. Public-private development partnerships have provided a means to access other capital resources to upgrade and improve maritime facilities and rehabilitate aging piers and bulkhead buildings, as part of developing a new mix of public-oriented uses that have transformed the waterfront over the past 17 years.

Recognizing the many voices and perspectives that must be considered in waterfront development projects, the Waterfront Plan sets forth a site-specific development review process, described in Chapter 2. It involves consulting with Port advisory committees and the public about the objectives and public values that should be sought before the Port Commission authorizes competitive development requests for qualifications or proposals.

This section summarizes the Port’s completed mixed use development projects that have gone through the Waterfront Plan pre-development community review processes during the past 17 years. Projects such as Pier 39 preceded this review period. Other projects discussed in section 4I – Unique Development



Opportunities, such as the Giants Ballpark, the International Museum of Women, the Exploratorium, the 34th America's Cup and the Golden State Warriors pavilion were unique development opportunities that could not, by their nature, be the subject of the competitive bidding process envisioned by the Waterfront Plan. As indicated, not all

development proposals are successful. The discussion below includes Port staff analysis and lessons learned from terminated projects to assist public understanding and consideration for future development opportunities.

## PROJECTS APPROVED FOLLOWING TO THE WATERFRONT PLAN BIDDING AND REVIEW PROCESS:

### *H1 - Pier 1 Historic Rehabilitation*



Pier 1 was the Port's first historic pier rehabilitation project, initiated to provide a new home for the Port's headquarters in order to make way for the subsequent Ferry Building historic rehabilitation. The Pier 1 substructure was repaired by the Port after the Loma Prieta earthquake allowing the project to focus on rehabilitation of the pier shed for office space to house the Port's headquarters and other office tenants. The project includes a retail/café space, public access that encircles the full perimeter of the pier and limited maritime berthing along the pier aprons. The pier was rehabilitated consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties and nominated and listed on the National Register of Historic Places. The project accessed Federal Rehabilitation Tax Credits and was later listed as a contributing structure to the Embarcadero Historic District. The project set a high bar for standards of historic rehabilitation projects that followed, earning AMB Property Corp. (now Prologis) and the Port numerous awards including recognition from the Urban Land Institute and American Institute of Architects.

**COMPLETED:** 2001

**COST:** \$54.8 MILLION

## H2 - Ferry Building Historic Rehabilitation



Photo credit: RBarnes

In 1998, after a public competition, the Port selected a joint venture of Equity Office Properties and Wilson Meany Sullivan to rehabilitate the Ferry Building. San Franciscans passed a special ballot measure to jump start this \$90 million development project in advance of the Waterfront Plan approval. The project includes a ground-floor public market hall totaling approximately 100,000 square feet, with retail shops, restaurants, transportation and public uses. The two upper floors, totaling approximately 170,000 square feet, include office uses, and the Port Commission Hearing Room. With the market hall's variety of local businesses, foods and artisan vendors, the development team created a destination that truly captures San Francisco's unique character achieving international renown. With the addition of the weekly farmers markets and education programs sponsored by Center for Urban Education about Sustainable Agriculture (CUESA), the Ferry Building has again become a community and civic gathering place, and the heart of the Port waterfront.

The restoration and historic rehabilitation of this National Register and City Landmark recreated lost portions of the 600 foot long Nave and restored the historic facades, met Secretary of the Interior's Standards for the Treatment of Historic Properties and utilized Federal Rehabilitation Tax Credits. The project was awarded the National Trust for Historic Preservation National Award and the State of California Governor's Award from the California Heritage Council.

**COMPLETED:** 2003

**COST:** \$109 MILLION



## H3 - The Watermark



**COMPLETED:** 2006  
**COST:** \$100 million

The Watermark is a 22-story, 136-unit luxury condominium tower located across from Piers 30-32 at Bryant Street and The Embarcadero that was completed in 2006. The one-half acre project site was removed from the public trust through State legislation authorizing a trust exchange and was then sold to the Port's development partner, Lend Lease, for total payments to the Port (including a share of sales proceeds of each condominium) of approximately \$30 million. The Watermark was initially conceived as Phase 1 of the larger "Bryant Street Pier" project that was also to include the construction of a new cruise terminal and mixed-use pavilion located across the street on Piers 30-32, as well as the construction of a new public park. The park, Brannan Street Wharf, opened in 2013. The cruise terminal and mixed-use project on Piers 30-32 proved to be financially infeasible and was abandoned by the developer. The new James R. Herman Cruise Terminal at Pier 27, subsequently completed by the Port and set to open in September 2014, owes a good deal of credit to the momentum and planning of the Bryant Street Pier project and seed funding from the proceeds for the sale of The Watermark site.

## H4 - Pier 1½-3-5 Historic Rehabilitation



Pacific Waterfront Partners rehabilitated the historic but condemned bulkhead buildings at Piers 1½ & 3 and added a new office building on a portion of Pier 3, a generous Bayside History Walk public access that meanders through Piers 1½-3-5, and recreational berthing facilities, including a public gangway for water taxi service and visiting motorized and hand-powered vessels. The project includes 60,000 square-feet of office space and 18,000 square-feet of retail space housing restaurants La Mar Cebicheria, Hard Water, Plant Café, and Coqueta. The Piers 1½-3-5 Historic Rehabilitation project was recognized with the California Preservation Award and San Francisco Architectural Heritage's Excellence in Architectural Heritage.

**COMPLETED:** 2006  
**COST:** \$65 million

## H5 - Rincon Restaurants



The Rincon Point-South Beach Redevelopment Plan included a 20,000 square-foot restaurant development site as part of designating Port land to create Rincon Park. The restaurant site is at the south end of Rincon Park along The Embarcadero between Folsom and Harrison Streets. To create restaurant experiences that responded to the market, the site was broken up into two restaurant venues, both operated by Pat Kuleto Restaurant Development & Management Co. EPIC Roasthouse features steak and other grilled meats, and Waterbar features primarily seafood. Each has decks and outdoor space that overlook the Embarcadero promenade and the Bay. The project was developed at a cost of \$12.6 million, much higher than originally scoped due to the pile-supported construction required for these two-story structures. The project underwent extensive architectural design review to integrate it into Rincon Park, and includes an 8,000 square foot outdoor dining piazza that opens onto Rincon Park and the Embarcadero promenade, with spectacular views of the Bay and Bay Bridge. **COMPLETED:** 2008 **COST:** \$12.6 million

## H6 - Pier 70 20th Street Historic Buildings



Works Historic District. These buildings are in a severe state of dilapidation and require \$90 million of investment to return them to a state-of-good-repair. This immense investment will be funded by ODI and assisted by a \$24 million loan from the City's Seismic Safety loan program and \$14 million of federal Historic Tax credits. The project includes 267,000 square feet of existing buildings. The project proposes to add up to approximately 70,000 square feet of new space, primarily in mezzanines, created as part of the seismic bracing needed for rehabilitation.

The Port Commission and the Board of Supervisors have approved the lease and project construction is expected to commence in Spring 2015. Once rehabilitated, these historic office and industrial buildings will be used for a range of businesses, including light industrial, technology, life science, office, artisan/artist studios and showrooms, and restaurant uses. The proposed project would also create an indoor lobby/atrium in Building 113, and an outdoor courtyard/venue, both of which would be made accessible to the public.

After a competitive bid process in 2010, the Port selected Orton Development Inc. (ODI) to lease, rehabilitate and operate six historic buildings in the Pier 70 Master Plan area, all contributing resources to the newly created Union Iron

## H7 - Broadway Hotel Project (1998 – 2005)



In November 1998, the Port issued a request for proposals for development of a first-class, full-service hotel on Seawall Lots 323, 324 and 322-1, plus a City-owned parcel, at the corner of Broadway and The Embarcadero. Three respondents submitted qualifications. In March 1999 the Port Commission invited two respondents to submit proposals for the hotel. Stanford Hospitality, Inc. was the only respondent to submit a proposal, which was for a 410-room hotel.

In August 1999, the Port Commission authorized exclusive negotiations with Stanford Hospitality. Over the course of the next several years, the Port and Stanford Hospitality worked with the Northeast Waterfront Advisory Group and local neighborhood organizations to address community objections to the project as initially proposed. Challenges the project faced included:

- Local residents were concerned about the size of Stanford Hospitality's initial hotel proposal and preferred a smaller, boutique hotel.
- The initial proposal to build to 65 feet on Seawall Lot 324 was viewed by many residents as incompatible with surrounding development and the Northeast Waterfront Historic District, designated in Article 10 of the Planning Code. Residents believed that the then-existing 84 foot zoning

was a remnant of The Embarcadero Freeway and no longer relevant. The Waterfront Design and Access Element recommended building massing on Seawall Lot 324 at 40 feet stepping up to higher heights at the intersection of Broadway and The Embarcadero; there were differing views as to whether the project appropriately responded to this recommendation.

- The effort to assemble multiple parcels separated by Davis Street in a large development created unique challenges. For a period of time, there was a discussion of a pedestrian bridge over Davis Street designed to connect two parts of the hotel. The proposal for a pedestrian bridge over a public street was not endorsed by the Planning Department.
- Assembling Seawall Lot 324 and Seawall Lot 323 to build along this entire stretch of The Embarcadero required vacating the Vallejo Street right-of-way, which was not supported by the Planning Department.

In August 2002 Stanford Hospitality submitted a new, smaller design concept with a hotel on Seawall Lot 324 and a free-standing parking structure with 390 parking spaces on four levels on SWL 322-1, with retail shops on the first floor along Broadway. The hotel included approximately 255 rooms, two restaurants, a lobby bar, gift shop, meeting rooms, a banquet room, a fitness center, a business center and administrative offices. The maximum height of the hotel building was planned at 65 feet. The project also included a waterfront garden on SWL 323 and adjacent land located at the end of Vallejo Street at The Embarcadero.

In 2005, in the final stages of project consideration, the height of the proposed building on The Embarcadero was 58 feet, a height supported by the Planning Commission. The Waterfront Design Advisory Committee had reviewed the project several times and expressed its support of the design. The project had been presented to the Landmarks Preservation Advisory Board Architectural Review Committee and to San Francisco Heritage. A project environmental impact report was completed. While the revised project at this height won some neighborhood support, it failed to achieve broad community consensus. Nego-



tiations between Stanford Hospitality and the Board of Supervisors fell apart as the project headed to the Board of Supervisors. In June 2005, the Board of Supervisors passed legislation rezoning Seawall Lot 322-1 to 65 feet and Seawall Lots 324 and 323 to 40 feet. Stanford Hospitality withdrew from the project.

## ANALYSIS

The effort to develop a project that extended across so many parcels and across two public rights-of-way was too complicated. The pedestrian bridge connecting Seawall Lot 324 and Seawall Lot 322-1 across Davis Street was not supported by the Planning Department. The overall size and scale of the early development concepts presented urban design challenges and concerns about incompatibility with the Northeast Waterfront Historic District. These collective planning, design and ensuing community issues challenged Stanford Hospitality's original development expectations. The iterative process to respond to and revise the project, though supported by an accomplished architectural team, occurred over an extended period of time.

Stanford Hospitality's last iteration of the project – with a hotel on Seawall Lot 324 at 58 feet that incorporated a Vallejo Street view corridor – had the potential to be approved. Had the developer fully committed to this iteration of the project earlier in the public process, it may have been embraced by the public and led to successful project completion.

## LESSONS LEARNED AND RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port's experience with the Broadway Hotel project. The site-specific lessons learned by Port staff from this project and recommendations for this area going forward, are presented in Chapter 3, Northeast Waterfront Subarea.

- The duration of the Broadway Hotel project process was exhausting for everyone involved. Port projects that fail to win public trust and support within the first several years have difficulty obtaining required approvals.
- The Port's seawall lots north of Broadway should be developed separately, in a manner consistent with Article 10 of the Planning Code (where applicable) and within height limits that can gain public support. Port staff recommendations for a number of these lots can be found in Chapter 3, in the discussion about the Northeast Waterfront Subarea.

# H8 - Pier 45 Shed A (2000-2001)



occupied by either the Bay Center Coalition, the California Academy of Sciences or another non-profit entity, and significant new public access.

In November 2000, prior to finalizing lease negotiations between Malrite and the Port, voters approved Proposition R, a non-binding statement of policy of the City and County of San Francisco to create a public educational and interpretive facility at Pier 45, operated by an independent 501(c)(3) non-profit organization, not subsidized by San Francisco taxes. In response to the passage of Proposition R, Malrite terminated its negotiations with the Port Commission in April 2001.

## ANALYSIS

The Bay Center assembled a broad coalition of political support from elected officials, environmental organizations, Fisherman's Wharf businesses and other stakeholders which made it very difficult to negotiate a successful agreement with a for-profit entity proposing a tourist attraction with ancillary uses.

The vision of a Bay Center dedicated to the study of San Francisco Bay prompted Proposition R. The measure's passage signaled there was no real chance of winning approval of a lease between the Port and Malrite at the Board of Supervisors, thus prompting Malrite to terminate its negotiating agreement with the Port.

## LESSONS LEARNED & RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port's experience with the Pier 45 Shed A project.

- The original request for proposals — which contemplated a proposal by either a for-profit or a non-profit entity — may have sown the seeds of the controversy that later occurred, by setting up a competition between a non-profit and a for-profit entity.
- Port development solicitations that invite proposals from non-profit organizations should establish as a minimum bid requirement a verifiable endowment or fundraising track record as evidence of financial capacity.

In 2000, the Port Commission authorized a request for proposals seeking a qualified for-profit or non-profit firm or group to propose, develop and operate a San Francisco Bay/Maritime-Oriented Public Attraction at historic Pier 45 Shed A in the heart of Fisherman's Wharf.

Based on the analysis and recommendations of Port staff, the Port Commission selected The Malrite Company, who proposed a museum and entertainment space focusing on the history of San Francisco, over a competing respondent — the Bay Center, a proposed non-profit education center focused on the ecology of San Francisco Bay. Both respondents proposed investing more than \$30 million to rehabilitate Pier 45 Shed A. Port staff recommended Malrite as the more financially-feasible proposal, in large part because the Bay Center proposal relied on future fundraising by a non-profit that had yet to be created.

Malrite's proposed project involved the historic rehabilitation of Pier 45 Shed A to provide a public attraction consisting of approximately 25,000 gross square feet of museum/commercial assembly and entertainment space, with ancillary restaurant and retail space, support space for the U.S.S. Pampanito berthed at Pier 45, 3,000 square feet of museum space in Shed A to be

# H9 - Piers 27-31 Mixed Use Recreation Project (2000-2005)



- Historic rehabilitation of the Belt Railroad Office Building and Piers 29, 29½ and 31, with a combination of approximately 165,000 square feet of office space, 125,000 square feet of retail space, 36,000 square feet of restaurants and cafes, and 415 parking spaces;
- A 2.4 acre Northeast Wharf Plaza, consistent with the requirements of the BCDC Special Area Plan;
- A 110,000 square foot indoor “YMCA on the Bay” including an aquatic center, a climbing center, multi-court gymnasium, child play area, simulators to learn windsurfing and sailing, a health and wellness center, conference rooms and locker rooms;
- 116,000 square feet of outdoor recreation, including a skateplaza/BMX Track, recreational courts and fields, an ice rink, a jogging/exercise track, and additional playing areas; and
- A 161,000 square foot marine sports basin with a wave attenuator between Piers 29 and 31, a water taxi landing and a restored berth at Pier 31.

After concluding a public process at its Northeast Waterfront Advisory Group consistent with the Waterfront Plan, the Port issued an amended request for proposals for a mixed use recreation project on Piers 27-31 in 2000. The public planning for the site indicated that the clear-span construction of Pier 27 was suitable for a variety of indoor recreation purposes.

The Port Commission selected Mills Corporation, a retail developer who teamed with the YMCA, over Chelsea Piers, an indoor recreation and entertainment provider. The Port negotiated with Mills Corporation over a five-year period, during which the project was reviewed multiple times each by the Northeast Waterfront Advisory Group, BCDC and State Lands. State Lands provided a public trust consistency determination for the project in 2005. The project never garnered sufficient public support to be approved, despite some public support for the YMCA and outdoor recreation components of the project.

The final project included:

- Demolition of the non-historic Pier 27 Annex building, the non-historic addition to the Belt Railroad Office Building, and the entire non-historic Pier 27 shed;

The Board of Supervisors rejected the Port’s Chapter 29 fiscal feasibility analysis in 2005 by a 9-1 vote. The project was subsequently assigned to Shorenstein Properties LLC and Farallon Capital Management, which investigated potential project alternatives for several years, but never sought project approvals from the Port.

## ANALYSIS

The Port’s selection of Mills Corporation over Chelsea Piers was viewed by members of the northeast waterfront community as a politically-influenced selection. Some members of the public also felt that the initial Mills proposal relied primarily on office and retail as the primary uses, in conflict with the recreation objectives of the Port’s request for proposals. Local residents and interest groups who preferred Chelsea Piers joined forces with local business leaders who were concerned about competition from the retail component of the project, creating an entrenched opposition to the Mills Project that endured throughout project planning.

The final Mills proposal included a strong active recreation component

that responded to the requirements of the Port's amended request for proposals. The YMCA, the broad range of outdoor recreation opportunities and the marine sports basin would have created a unique mix of uses at this site, enlivening the northeast waterfront area. Retail uses in the bulkhead building would have created strong connections to Herb Caen Way and allowed the public to appreciate the architecture of these facilities.

Removal of the non-historic Pier 27 shed would have opened up views of the Bay (as has in fact occurred in connection with the construction of the James R. Herman Cruise Terminal). This combination of shed removal, the planned construction of the Northeast Waterfront Plaza (now Cruise Terminal Plaza) and the outdoor recreation components of the project earned strong staff support from BCDC. The original planning observation – that Pier 27's clear span design afforded an opportunity for a broad array of indoor recreation purposes – did not consider the potential policy benefits of removing the non-historic portion of the Pier 27 shed altogether, or the viability of the Pier 27 berth for cruise ship berthing.

The State Lands public trust consistency determination process was a long, extremely detailed and contentious process. The determination included a core finding that active indoor recreation (within the new building proposed for the YMCA) was not, in and of itself, consistent with the public trust for commerce, navigation and fisheries. The State Lands public trust determination found that the final negotiated project included an array of trust uses that made the project as a whole consistent with the trust.

The final negotiated business terms for the project were among the best ever negotiated by Port staff. The combination of base and percentage rent would have significantly strengthened the Port's balance sheet.

Confronted with a coordinated, funded campaign against the project,

Port staff worked with the developer to create a financially-feasible project that substantially met the objectives of the request for proposals, earned a trust-consistency finding from State Lands and could have been permitted by BCDC. Despite this effort, the project never gained sufficient political support to earn local approvals.

## LESSONS LEARNED & RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port's experience with the Piers 27-31 Mixed Use Recreation project.

- The columns that typically support historic sheds make locating courts and playing fields in these sheds infeasible. The high costs of seismic improvements and rehabilitation of historic sheds require other uses – such as office and retail – to support a financially feasible use program that might include some indoor, active recreation. Other indoor recreation uses that do not require a large, open area could be a part of an overall use program in an historic shed.
- The Port should consult with the Recreation and Parks Department to identify other indoor and outdoor active recreation opportunities in the northeast waterfront for the benefit of the public.
- The Port should work with the current leadership of State Lands to re-examine whether active indoor recreation can further the purposes of the public trust. Indoor recreation facilities can attract people to the waterfront and be designed in a manner that provides Bay views. The National Park Service has successfully reused several buildings along Crissy Field by allowing indoor recreation activities such as rock climbing and trampoline jumping.

# H10 - Bryant Street Pier/ Piers 30-32 James R. Herman Cruise Terminal (2000 – 2006)



Photo credit: Jerde Partnership

Following a 1998 Port report that found that both Piers 27-29 and Piers 30-32 were strong candidates for a new cruise terminal, the Port Commission authorized a request for proposals for a mixed-use development at Piers 30-32 and Seawall Lot 330 in which the Port's primary objective was to develop a state-of-the-art James R. Herman cruise terminal facility, with a hotel on Seawall Lot 330. In May 1999, the Port issued a request for proposals and in January 2000, the Port Commission approved the recommendation by Port staff to enter into exclusive negotiations with San Francisco Cruise Terminal, Inc. ("SFCT"), a subsidiary of Bovis Lend Lease.

For a period of time, Bovis Lend Lease contemplated building a project on Piers 30-32 without developing a hotel on Seawall Lot 330. When Piers 30-32 project costs exceeded initial estimates, the developer proposed building a condominium project on Seawall Lot 330 instead of a hotel, necessitating a public trust exchange to relocate the public trust from Seawall Lot 330 to other Port-owned land in the Southern Waterfront. In 2001, the State Legislature passed AB 1389 finding that the development of the proposed mixed use cruise terminal project is consistent with the public trust doctrine and authorizing 325,000 square feet of office and a limited amount of non-trust (e.g., neighborhood-serving) retail to finance the project. The legislation accelerated the required removal date for Pier

36 and the required completion date of the Brannan Street Wharf (adjacent to Piers 30-32 and identified in the BCDC Special Area Plan), and authorized the trust exchange to allow residential development on Seawall Lot 330.

Port staff and SFCT negotiated a three-phase, \$347 million, 16-acre project at Piers 30-32 and Seawall Lot 330 featuring:

- a 22-story condominium tower known as the Watermark with 136 units (16 of which are below market rate units) on Seawall Lot 330, intended to generate proceeds to fund later project phases;
- demolition of Pier 36 and construction of the Brannan Street Wharf, utilizing funds generated from the Watermark and development of Piers 30-32;
- a 100,000 square foot, state-of-the-art international cruise terminal served by an 850 foot long berth along the pier's northern edge and a 1,000 foot long berth along the eastern edge, approximately 325,000 square feet of office space and 195,000 square feet of retail space, and 425 parking spaces, with 35% of Piers 30-32 dedicated to public access.

The Planning Department certified a project environmental impact report in 2002. On March 25, 2003 and July 15, 2003, respectively, the Port Commission and the Board of Supervisors approved the Lease Disposition and Development Agreement (LDDA) and the Purchase and Sale Agreement with SFCT for a portion of Seawall Lot 330. BCDC approved Major Permit No. 5-03 for the project in 2003.

The Watermark was constructed in 2004, which generated \$30 million in proceeds for the Port, which were later used to construct the James R. Herman Cruise Terminal at Pier 27 and the Brannan Street Wharf.

The final, detailed construction cost estimate provided by SFCT in 2006 indicated that the total substructure cost for Piers 30-32, estimated at \$57 million in 2003, had escalated to \$82 million, an increase of 45%. Similarly, the cruise terminal cost, based on the schematic design, was estimated to cost \$42 million in 2003. By 2006, SFCT projected the cost to be \$53 million, an increase of 24%. Brannan Street Wharf costs rose by approximately 37% as well.

Though the revenues to the Port from the sale of condominium units exceeded 2003 projections, they did not cover the increases in project costs. Consequently, the anticipated return from the project fell short of the threshold that SFCT required to initiate phases 2 and 3 of the project. As a result, SFCT did not pay fees required to extend its option rights under the LDDA. During a brief site exploration, DeBartolo Development also found that the project was financially infeasible. The LDDA expired in 2006.

In response, the Mayor Gavin Newsom directed formation of the Cruise Terminal Advisory Panel, which recommended Pier 27 as the preferred location for the James R. Herman Cruise Terminal, which the Port proceeded to construct as a public works project using funding from The Watermark and other Port funds.

## ANALYSIS

The Bryant Street Pier project was a successful project entitlement effort that resulted in the construction of The Watermark, which ultimately provided partial funding for the Brannan Street Wharf and a new cruise terminal at Pier 27 – but more than 20 years after the Port first embarked on the effort to build a new cruise terminal. In this respect, the project largely succeeded in achieving the Port’s initial goals, albeit at a different site. The Port’s Cruise Terminal Environmental Advisory Committee (formed on behalf of the Bovis Lend Lease project) initiated an industry discussion of environmental best practices and led the Port to install a shoreside power system at Pier 27, and later at the Port’s Pier 70 shipyard.

The South Beach neighborhood engaged well with Port project planners throughout the process and embraced the notion of responsible development as a means of delivering desired public benefits, such as the

Brannan Street Wharf. State Lands and BCDC collaborated to help the Port deliver on its vision of a new cruise facility.

The failure to identify the final substructure costs until after LDDA approval was a major oversight: creating certainty about project financial feasibility is an early obligation. While higher than expected costs are a frequent occurrence along the waterfront, and construction costs inflate over time, effective project planning should build in sufficient contingencies so that projects do not fail a financial feasibility test after project approval.

## LESSONS LEARNED AND RECOMMENDATIONS

Port staff offers the following high level lessons learned and recommendations based on the Port’s experience with the Bryant Street Piers project.

- Port exclusive negotiating agreements should require detailed engineering analysis of project costs to support a Chapter 29 finding of fiscal feasibility. This will help ensure that major program changes are not required to ensure project financial feasibility after project environmental review has commenced.
- There is broad support for Port development that supports core maritime functions.
- The South Beach/Mission Bay neighborhood has historically been supportive of Port efforts to implement the Waterfront Plan. Continuing to foster this relationship will assist the Port in finding solutions to Piers 30-32 and other challenging piers – such as Piers 26 and 28 – in the area.

# H11 - Pier 70 Mixed Use Opportunity Area (2001 – 2002)



At the time of the release of these RFPs, San Francisco was in a period of heightened economic activity and the Port expected a substantial response from the development community, particularly for office uses. However, by the time the Port received responses in June 2001 only two developers submitted proposals, reflecting the comparatively sudden change in the local economic conditions from the fall of the dot-com industry. In August 2001, the Port Commission authorized staff to enter into an exclusive negotiating agreement with AMB Property, L.P. (“AMB”) for development of a Mixed Use Project and with the San Francisco Arts Future Consortium (“SFAFC”) for development of an Arts Project. The AMB proposal included restoration of Building 101, a high priority for the Port, plus preservation of several other valuable historic elements of this unique site. A six-acre shoreline public access area was also designed into the AMB response. The SFAFC proposal focused on a new building with an industrial design in the location proposed in the RFP.

In March 2001, the Port issued two requests for proposals (“RFPs”) for development projects within an approximately 16-acre Mixed Use Opportunity Area at Pier 70 in the Southern Waterfront near Illinois and 20th Streets (the entire Pier 70 area is 68 acres). Under the Waterfront Plan, the Pier 70 Mixed Use Opportunity Area was focused on preserving and rehabilitating the Bethlehem Steel Administration Building (Building 101) and the Union Iron Works buildings (including Buildings 102, 104 and 113-114) along 20th Street.

Port staff worked closely with the Pier 70 Community Advisory Group (the “Advisory Group”) to develop Goals and Objectives for each project RFP, which followed previous community-generated vision and land use study of Pier 70. The two development opportunities recognized that revenue-generating uses were necessary to support the economic investment required for historic rehabilitation, and a desire to incorporate arts-related non-profit organization and enterprise. This led the Port Commission to authorize the “Arts Project RFP,” which called for a non-profit arts project of at least 150,000 square feet on 1.5 acres; and the “Mixed Use RFP,” which called for a mixed-use development project on the remaining 12-acres.

Pursuant to the terms of the negotiating agreements, the parties commenced a 90-day site planning process to achieve optimal development plans for both projects within the Opportunity Area. Due to the complexity of the project, the parties agreed to extend this process for an additional 90 days, until June 12, 2002. At the conclusion of this process, neither Developer submitted a modified proposal.

SFAFC developed two other alternatives to its original proposals, including the full rehabilitation of the historic Building 113 Machine Shop. However, in late May 2002 the SFAFC notified the Port that it elected to terminate its negotiating agreement due to the withdrawal of the largest participant in the consortium entity, the San Francisco Arts Institute.

AMB, which also pursued several months of study and development of alternatives, finally elected not to submit a modified proposal on based on the high cost of developing the shoreline public access area and related amenities. AMB concluded that the limited land area available for development prevented the development of the existing Mixed Use Opportunity Area in

a manner that would satisfy the Port's Conditions of Approval, the Pier 70 Goals and Objectives for the Project and AMB's own development criteria. AMB indicated it would be willing to extend the site planning process if significant additional land were added to the Opportunity Area.

Port staff recommended against adding significant new land to the Opportunity Area and extending the site planning process in order to complete negotiations with San Francisco Drydock, the Port's shipyard operator, and to undertake further study of the entire Pier 70 area. Staff believed that the Port would be in a better position to achieve a successful development partnership for this property if such efforts were taken prior to offering a larger mixed use opportunity area, given the then-market downturn. The Port Commission accepted staff's recommendation, which ultimately led to public planning for the entire Pier 70 area and the publication of the Pier 70 Preferred Master Plan.

## **ANALYSIS**

The economic downturn of the dot-com bust coincided with the Port's first Pier 70 offering. While the AMB and SFAFC proposals represented interesting opportunities for the Port and the public, the AMB and staff concluded that the original offering was too small. The financial and economic requirements of the desired public benefits exceeded the development financial opportunity, especially during a time when the market and general public were generally unfamiliar with this part of the waterfront. Moreover, there were many unanswered questions

about the future of the rest of Pier 70 that made development planning difficult. As a result, Port staff recommended that the Port carry out more planning to produce a vision and comprehensive framework for improvements within the full 68 acre Pier 70 area. See Chapter 4A for a description of the Pier 70 Preferred Master Plan and public planning process.

## **LESSONS LEARNED AND RECOMMENDATIONS**

The patience of the Port Commission and staff in waiting to develop Pier 70 was rewarded by the broad public consensus generated during the Pier 70 Preferred Master Plan process, and the subsequent strong development interest in the site as evidenced by the agreement with Orton Development, Inc. to develop the 20th Street Historic Core and the Port's negotiating agreement with Forest City California, Inc. to develop the 28 acre Pier 70 Waterfront Site in 2010 (details in Chapter 5).



**Table 4-8 Development & Historic Rehabilitation Projects**

Project Number	Project Name - Location	Size (Square Feet)	Cost	Date Finished	Web
H1	Pier 1 Historic Rehabilitation	127,692	\$54,800,000	2001	
H2	Ferry Building Historic Rehabilitation	270,000	\$109,000,000	2003	<a href="http://sfport.com/index.aspx?page=196">http://sfport.com/index.aspx?page=196</a>
H3	The Watermark	134 Units	\$100,000,000	2006	
H4	Pier 1½, 3, 5 Historic Rehabilitation	78,000	\$65,000,000	2006	<a href="http://sfport.com/index.aspx?page=259">http://sfport.com/index.aspx?page=259</a>
H5	Rincon Restaurants	20,000	\$12,600,000	2007	<a href="http://www.sfport.com/index.aspx?page=1584">http://www.sfport.com/index.aspx?page=1584</a>
H6	Pier 70 20th Street Historic Buildings	337,000	\$76,000,000	on-going	<a href="http://sfport.com/index.aspx?page=2130">http://sfport.com/index.aspx?page=2130</a>
Total		832,692	\$417,400,000		