

MEMORANDUM

February 9, 2018

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

FROM: Elaine Forbes
Executive Director

SUBJECT: Informational presentation on the Phase Submittal for Phase 1 of the 28-Acre Site at Pier 70 located between 20th, Michigan, and 22nd Streets and San Francisco Bay

DIRECTOR'S RECOMMENDATION: Information Only – No Action Required

Executive Summary

On September 26, 2017, the Port Commission approved a mixed-use development project on the 28-Acre Site, the Illinois/20th Street parcel known as Parcel K, and the Hoedown Yard (the "Project"). Subsequently, on October 31st, 2017, the San Francisco Board of Supervisors finally approval the Project, and on November 15th, 2017, Mayor Lee signed all Project-related legislation.

The Port's development partner for development of the 28-Acre Site is FC Pier 70, LLC ("Developer"), an affiliate of Forest City Realty Trust, Inc. The 28-Acre Site project is governed by the Disposition and Development Agreement ("DDA") and related agreements between the Port and the Developer. Consistent with the requirements of the DDA, the Developer has submitted a Phase Submittal for Phase I of the 28-Acre Site development. This memorandum provides a summary of the Phase Submittal, the review and approval process, Port staff's recommendation regarding the investment of Port Capital, and next steps.

Scope of Phase 1 Improvements

The Phase Submittal for Phase 1 includes the construction of infrastructure, extension of the street grid, new parks and open space, and preparation of development pads that will result in the development of up to 720 residential units, 356,000 gross square feet ("gsf") of office, and 115,000 gsf of retail, arts, and light industrial space. Approximately \$128 million of Developer capital will be required to construct the Phase 1 improvements.

The following is a summary of the infrastructure and public benefits that are included in the Developer's Phase 1 Application, as further detailed in Exhibit 1:

- Streets: Maryland Street, Louisiana Street, 20th Street between Louisiana and Maryland, and 21st Street between Louisiana and Maryland Streets, as well as new intersection and signalization improvements for gateway streets (20th Street and 22nd Street at Illinois Street);
- Utilities: a low pressure water main; a non-potable water main; an auxiliary water supply main and hydrants; a combined sewer main and sewer storage facility; and dry utility systems, including electricity, natural gas, and communications;
- Parks and Open Space: 3.4 acres of new parks, including the 2.3-acre Slipway Commons, which will run through the center of the site to the Bay;
- Transportation: the establishment of a Transportation Management Agency; transportation demand management measures such as bike parking, bike share stations, car share parking, and transit subsidies; new bike lanes; and pedestrian safety improvements; and
- Public Benefits:
 - *Historic Buildings*: rehabilitation of historic buildings 12 and 2;
 - *Affordable Housing*: up to 87 inclusionary housing units and 105 stand-alone affordable housing units;
 - *PDR Space*: up to 50,000 square feet of production, distribution and repair uses in Building 12;
 - *Child Care*: one child care facility with a minimum capacity of 50 children;
 - *Workforce*: funding for workforce development, including Tech SF, City Build and YCD; a local hire programming that includes 30% percent local hire for construction jobs and participation in the First Source hiring program; and a 17% LBE goal.

Review and Approval

Port staff is currently reviewing the Phase Submittal for completeness. Once staff finds the submittal complete, staff will transmit the submittal to the Executive Director for review. Pursuant to Section 3.2(e) of the DDA, the Executive Director must then approve the Phase Submittal within 30 days if she finds in her reasonable discretion that the Phase Submittal 1) meets DDA and regulatory requirements and 2) delivers a mix of market rate development, public infrastructure and other public benefits that are consistent with the Phasing Plan attached to the DDA. If the Executive Director determines that the Phase Submittal includes major modifications to the Phasing Plan or Schedule of Performance that do not allow for development of the site in an orderly and proportional manner or meet the Project's funding goals, she will refer the Phase Submittal to the Port Commission for consideration.

Port Capital

Pursuant to the Financing Plan attached to the DDA, during its review of a Phase Budget, the Port may commit to use Port Capital by providing notice to the Developer. Port Capital expended on public infrastructure in the project earns a 10% annual Return

on Port Capital, payable after all prior Developer Capital and associated Developer Return is repaid.

As detailed in **Agenda Item 11B** regarding the Fiscal Year (FY) 2018-19 and FY 2019-20 Biennial Capital Budget, Port staff has just completed a thorough review of capital sources and needs to identify projects that best support the Port's capital priorities and help address the department's \$1.5 billion capital backlog. That process, which evaluated an investment in the 28-Acre Site against 65 other capital projects, culminated in a \$54.1 million proposal that emphasizes investments in state of good repair, health and safety, and improvements necessary to complete priority leasing opportunities. The 28-Acre Site investment was evaluated on its merit of providing sufficient revenue in the future to justify postponing other capital improvements.

After evaluating several possible investment levels in the 28-Acre Site, Port staff recommends a \$6.5 million capital election for Phase 1. This investment is projected to generate a positive return by the seventh year of the project (2025) and will generate an additional \$9.9 million return compared to the Project "Base Case", which assumes no Port contribution. These funds are comprised of approximately \$8.5 million in land proceeds that will come directly to the Port's Harbor Fund for reinvestment and \$1.3 million in Infrastructure Finance District (IFD) and Community Facilities District (CFD) proceeds that may be used to support historic infrastructure and shoreline improvements. As detailed in **Table 1**, below, Port staff recommends funding this investment through a variety of sources, including \$1.2 million in the proposed capital budget and \$5.3 million from existing project funds.

Table 1: Pier 70 Investment – Sources and Returns (*Nominal - Compared to Base*)

Port Investment	\$	6,500,000
Current Available Funding	\$	5,300,000
<i>Waterfront Development Project</i>	\$	2,030,000
<i>20th Street Improvements</i>	\$	3,270,000
New Funding, FY 2018-19	\$	1,200,000
Port Returns	\$	16,413,522
Capital Distribution (est. 2025)	\$	6,500,000
Return on Investment (10 years)	\$	8,514,731
IFD & CFD Proceeds (10 years)	\$	1,398,790
Net Return to the Port	\$	9,913,522

While a larger capital contribution would generate even greater return to the Port, this level of investment is balanced with other renewal and life-safety needs that are funded through the proposed capital budget. A greater investment would force the Port to forego time sensitive, mission-critical work or miss other opportunities for enhancements that improve state of good repair and increase Port revenue.

Public Outreach

Consistent with the Special Use District legislation approved by the Board of Supervisors, the Developer made informational presentations regarding the Phase Submittal to the Historic Preservation Commission on January 17, 2018 and to the Planning Commission on January 25, 2018. The Developer also made an informational presentation to the Central Waterfront Advisory Group on February 5, 2018, consistent with the DDA. CWAG had no comments on the Phase Submittal.

Next Steps

In March, following approval of the Phase Submittal and closing of the Master Lease, which will provide access to the 28-Acre Site, the Developer intends to commence site preparation, including the demolition of certain structures (Buildings 16, 19, 25, 32, and 66) and overall site-wide grading. The Developer anticipates starting the construction of infrastructure in Quarter 3 of 2018.

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Development Project Manager

For: Michael Martin, Deputy Director of
Real Estate and Development

Brad Benson, Director of Special
Projects

EXHIBITS

Exhibit 1: Summary of Phase Submittal for Phase 1

Pier 70 Phase 1 Overview

Submitted 1/8/2018 7 #

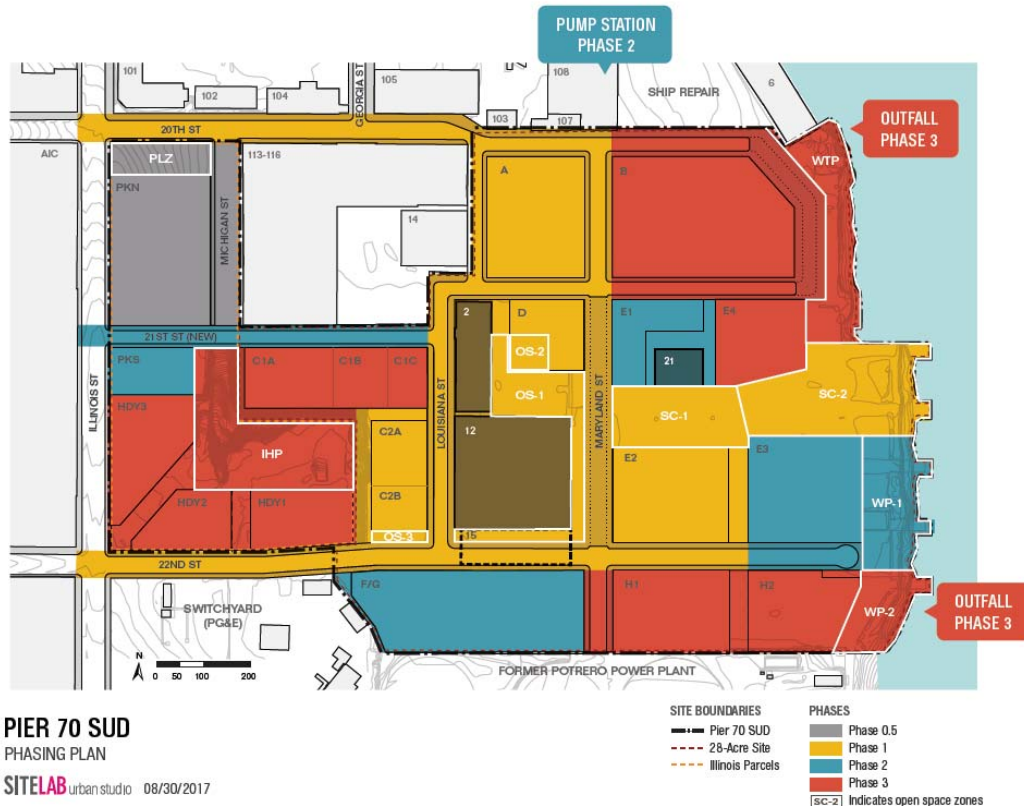
Context

After more than a decade of planning and community outreach, an election and unanimous project approvals, the Port of San Francisco (the “Port”) and Forest City (“Developer”) are ready to begin construction work related to the 28-Acre Site at Pier 70 (“The Project”). The Project Site is bounded by Michigan Street to the west, 20th Street to the north, San Francisco Bay to the east, and the PG&E Property and former Potrero Power Plant to the south. It contains a minimum of 15 parcels or development pads (which may be further subdivided), three historic buildings, and a network of public open spaces, streets and pedestrian facilities. As envisioned, the Project will include market-rate and affordable residential uses, commercial use, retail and light industrial uses, parking, shoreline improvements, infrastructure development and street improvements, and public open space.

The Project’s environmental document was unanimously certified by the Planning Commission on August 24, 2017, and the Project’s entitlement documents were approved at that same meeting. The Port Commission unanimously approved all Project approvals at its September 26, 2017 and the Board of Supervisors unanimously gave final approval to all Project documents at the November 14, 2017 meeting. The overall scope, program, phasing and public benefits of the Project have not changed from those presented and discussed at the Planning Commission in August 2017.



As described during the Project approvals process, the Project will be built out in three phases over the span of approximately 15 to 20 years. Phase 1 is generally bound by Louisiana Street and the PG&E Hoedown Yard to the west, 20th Street to the north, the San Francisco Bay and Parcel E2 to the east, and 22nd Street to the south. There are no changes to the Phase 1 area as compared to that identified and approved in the DDA, approved in November 2017.



Phase 1

Phase 1 includes rehabilitation of two historic structures, construction of infrastructure, extension of the street grid, construction of approximately 3.4 acres of new parks and open space, and preparation of development pads for new residential and commercial development. There are no changes to Phase 1 scope of phase improvements as compared to the DDA approved in 2017.

Table 1 below summarizes the proposed land uses, building heights, residential unit count, tenure, and commercial and retail square footage projected for each parcel in Phase 1. All development within Phase 1 conforms to the land use standards detailed in Table 2.1.1 of the D4D and the Pier 70 SUD.

Table 1: Projected Land Uses in Phase 1

Parcel	Land Use	Height (ft)	Tenure	Units	Office (gsf)	RALI (gsf)
Residential Parcels						
2	Residential	Historic	Rental	108 to 132		
E2	Residential	70'	Rental	222 to 272		
D1	Residential	90'	Condo	116 to 142		
C2B	Residential	90'	Condo	57 to 69		
C2A	Residential	90'	Affordable	105		
Commercial Parcels						
12	Office/RALI	Historic			54,000 to 66,000	95,000 to 115,000
A1	Office	90'			235,000 to 290,000	
Total				608 to 720	289,000 to 356,000	95,000 to 115,000

To prepare the site for construction and proposed infrastructure improvements, the Project will require demolition of certain structures and overall sitewide grading. Five structures (Buildings 16, 19, 25, 32, and 66) are proposed for demolition during Phase 1. Additionally, selective demolition of one structure (Building 15) is proposed, with Building 15's structural frame to remain. HABS documentation has been prepared, submitted to the Port for review and transmitted to local archives, in compliance with Project Improvement Measure I-CR-4a. A public interpretation master plan celebrating the history of the site will also be prepared and submitted to the Port for approval, in accordance with Project Improvement Measure I-CR-4b.

Phase 1 includes rehabilitation of two structures at Pier 70 - Building 2 and Building 12. Building designs will conform with the Secretary of the Interior's Standards for Rehabilitation.

Streets and Utilities

Starting from the adjacent Dogpatch neighborhood, as part of Phase 1, the street grid will be extended east to the newly renovated waterfront on 22nd Street. Phase 1 includes construction of Maryland Street, the primary north-south spine of the Project. New intersection and signalization improvements are also planned for gateway streets (20th Street and 22nd Street at Illinois Street).

The Project proposes to construct public utility systems during Phase 1 to support future construction. The utility layout is designed to connect the Project's proposed utility infrastructure to existing adjacent public utility infrastructure. Proposed utility improvements include: (1) Low pressure water main; (2) Non-potable water main; (3) Auxiliary Water Supply Main and AWSS Hydrants; (4) Combined Sewer; (CS) Main/Combined Sewer Storage (CSS) facility; and (5) Dry Utility Systems.

Parking

Table 2 shows the number of parking spaces to be authorized to be constructed as part of Phase 1. The Pier 70 SUD does not require off-street parking for any use. The maximum quantities of off-street parking specified in Table 2 below illustrate the amount of off-street parking that may be provided as accessory parking, calculated from the proposed program for Phase 1.

Table 2: Projected Off-Street Parking in Phase 1

Land Use	Maximum Parking Ratio	Development Program	Off-Street Parking Spaces ¹
Residential	0.6 spaces per residential unit	608 to 720 units	401 to 475
Office	1 space per 1,500 square feet of gross floor area	289,000 to 356,000	212 to 261
Other Uses	none permitted	95,000 to 115,000	0
Total			613 to 736

Notes

1. Assumes 10 percent increase over maximum parking ratio during Phase 1, as permitted by Section 249.79(l)(5) of the Planning Code.

Public Benefits

The Project approvals and entitlement documents require that the Project deliver a number of important public benefits. Phase 1 community benefits include:

Affordable Housing

The Affordable Housing Plan (“AHP”) for the Project is designed to facilitate development of at least 30 percent of all residential units built as Below Market Rate (“BMR”) Units.

- Twenty percent of rental units in each market-rate rental project are required to be affordable to households with a range of incomes on average not exceeding 80 percent of Area Median Income.
- Additionally, each vertical developer of a for-sale market rate project will pay a fee in-lieu of providing below market rate units on-site. This fee will be dedicated to the construction of 100 percent affordable buildings.
- The remaining required units will be delivered via 100 percent affordable buildings to be developed by affordable housing developers selected by the Mayor’s Office of Housing and Community Development (“MOHCD”). The 100 percent affordable buildings at full build-out will include no less than 327 BMR Units; of which 105 units will be constructed in Phase 1.

Table 3 below outlines projected affordable housing in Phase 1. In order to ensure that the overall requirements of the AHP can be met, the AHP requires that at build-out of each phase area of the Project no fewer than 20 percent of all residential units cumulatively built be BMR units. As shown below in Table 3, it is estimated that between 26 and 28 percent of all units will be BMR units at build-out of Phase 1.

Table 3: Projected Affordable Housing in Phase 1

Parcel	Land Use	Projected Tenure	Projected Units	BMR Units	Percent BMR
Residential Parcels					
2	Residential	Rental	108 to 132	22 to 26	20%
E2	Residential	Rental	222 to 272	50 to 61	20%
D1	Residential	Condo	116 to 142	in-lieu fee	in-lieu fee
C2B	Residential	Condo	57 to 69	in-lieu fee	in-lieu fee
C2A	Residential	Affordable	105	105	100%

Commercial Parcels

12 Office/RALI
A1 Office

Total	608 to 720	171 to 185	26% to 28%
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Transportation

Transportation improvements during Phase 1 are intended to reduce the number of vehicle trips and the impacts of vehicular traffic within the Project, the Pier 70 Area, and the surrounding neighborhoods, while promoting and facilitating an array of safe, efficient, and sustainable means of transportation—such as transit services and pedestrian and bicycle facilities—for residents, workers, and visitors to the site. Phase 1 includes the following transportation improvements and programs.

- Establishment of a Transportation Management Agency (TMA) and implementation of TDM Program: TDM measures include tailored transportation marketing services, bike parking and bike share membership, sponsorship of a bike share station, car share parking and membership, and transit subsidies.
- Bicycle facilities and pedestrian safety improvements in design of new or altered streets.
- Driveway and Loading Operations Plan (DLOP): The DLOP provides a set of guidelines outlining specific truck routing, size restrictions, assisted guidance by flaggers, vehicular access restrictions, loading/unloading procedures and time limits, and permitting for curbside loading.
- Estimated generation of approximately \$14 Million in transportation sustainability fee revenues, to be expended in accordance with the Project Development Agreement.

Workforce

The Workforce Development Plan delineates several initiatives that apply to the Project including: (1) 17% LBE utilization goal, (2) 30% Local hire requirement, (3) First Source hiring agreements for entry level end use jobs for tenants larger than 25,000 square feet, (4) First Source/Tech SF hiring agreements for tech office tenants larger than 25,000 square feet, (5) marketing and outreach for small local businesses, and (6) funding commitments for City Build and Tech SF, through OEWD. In Phase 1, the Project will contribute approximately \$500,000 in funding to support city programs, City Build and Tech SF, and community based organization, Young Community Developers.

Other

The following community improvements will be constructed or implemented as part of Phase 1.

- Child Care: 2,500-square-foot (minimum) child care facility with capacity for 50 children.
- PDR Space: The maker's market hall in Building 12 is intended to provide 50,000 square feet of PDR space, subject to identification of tenants.
- Affordable Housing Parcel: Delivery of development pad to MOHCD for standalone affordable building development on Parcel C2A.
- Community Facility Space: Up to 15,000 square feet of community facilities.

Mitigation Monitoring and Reporting Program

A Mitigation Monitoring and Reporting Program (“MMRP”) has been established to regulate the monitoring of mitigation measures required of the Project, as set forth in the Final Environmental Impact Report. Prior to the issuance of building permits, Port and/or City staff will be responsible for ensuring compliance with mitigation monitoring applicable to the Project construction, development and design phases. The following mitigation measures will apply during Phase 1 infrastructure improvement construction.

Cultural Resources

- Archeological Testing, Monitoring, Data Recovery and Reporting (M-CR-1a)
- Interpretation (M-CR-1b)
- Preparation of Historic Resource Evaluation Reports, Review, and Performance Criteria (M-CR-5)

Transportation and Circulation

- Monitor and increase capacity on the 48 Quintara/24th Street bus routes as needed (M-TR-5)
- Improve pedestrian facilities on Illinois Street adjacent to and leading to the project site (M-TR-10)

Noise and Vibration

- Construction Noise Control Plan (M-NO-1)
- Vibration Control Measures During Construction (M-NO-3)

Air Quality

- Transportation Demand Management (M-AQ-1f)

Biological Resources

- Worker Environmental Awareness Program Training (M-BI-1a)
- Nesting Bird Protection Measures (M-BI-1b)
- Avoidance and Minimization Measures for Bats (M-BI-2)

Geology and Soils

- Paleontological Resources Monitoring and Mitigation Program (M-GE-6)

Hazards and Hazardous Materials

- Conduct Transformer Survey and Remove PCB Transformers (M-HZ-2a)
- Conduct Soil Sampling if Stained Soil is Observed (M-HZ-2c)
- Implement Construction and Maintenance-Related Measures of the Pier 70 Risk Management Plan (M-HZ-3a)

Improvement Measures

- HABS Documentation (I-CR-4a)
- Public Interpretation (I-CR-4b)
- Construction Management Plan (I-TR-A)
- Wind Reduction for Public Open Spaces and Pedestrian and Bicycle Areas (I-WS-3a)
- Wind Reduction for Slipways Commons (I-WS-3c)
- Wind Reduction for Building 12 Market Plaza and Market Square (I-WS-3d)

Schedule

Table 4 below summarizes the projected Phase 1 Project schedule. The projected schedule is subject to market conditions, processing of design and engineering documents, city review and approval timelines, and the actual construction schedule developed with contractors.

Table 4: Projected Phase 1 Project Schedule

Date	Task
Q4 2017	Project Approval
Q4 2017	Phase 1 Submittal
Q1 2018	Start Demolition
Q3 2018	Start Site Prep/Grading
Q3 2018	Start Infrastructure Construction
2021-2022	Finish Infrastructure Construction