MEMORANDUM

June 9, 2016

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

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Informational presentation on site conditions and assessment of trust use options for Piers 30-32, located adjacent to The Embarcadero between Bryant and Brannan Streets

DIRECTOR'S RECOMMENDATION: Information Only; No Action Requested

EXECUTIVE SUMMARY

This staff report provides an overview of Piers 30-32, including land use context, prior development efforts, permitting challenges, and financial feasibility analysis of public-trust consistent uses on the piers. The report responds to the Port Commission's request for an update about Piers 30-32 and is also intended as a resource to support the Waterfront Plan Working Group's process to recommend updates to the Port's Waterfront Land Use Plan.

OVERVIEW

As one of the Port's largest piers on the northern waterfront, Piers 30-32, a 13 acre open site, was designated in the 1997 Waterfront Land Use Plan as a mixed use development site. At the August 12, 2014 Port Commission meeting, Port Engineering staff gave a report on Piers 30-32 facility condition[1]. This report describes the regulatory environment, and key site concepts to analyze development feasibility, as well as the attempts to develop the site since 1997. These concepts are overlaid with recent findings and approaches for addressing a rising sea level in the Bay. This report

[1] Item 9A Staff Report:
http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/index.aspx-page=2483.html

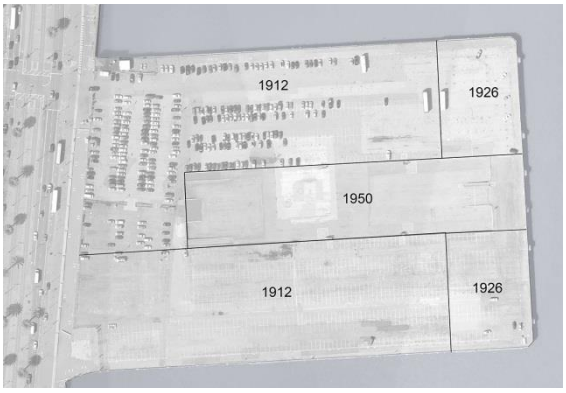
presents a few preliminary options for how the Pier 30-32 site could be used given the regulatory framework.

Piers 30-32 is a challenging development site. As discussed further in this report, a combination of factors – preliminary Federal Emergency Management Agency ("FEMA") flood hazard designations, projected sea level rise and the cost of substructure and seismic improvements – suggests that new development options will be costly and that uses will be constrained by the public trust doctrine and may be further limited by federal rules.

The current Waterfront Land Use Plan Update process will examine potential uses of this site when Port staff engages waterfront stakeholders in a focused look at uses of undeveloped sites in the South Beach area in order to develop public recommendations for Port Commission consideration. This report's examination of Piers 30-32 is intended to inform and support that forthcoming public process.

Given the costs of developing the Piers, Port staff's preliminary analysis focuses on trust consistent uses such as parks and maritime activities, and recognizes that any financially-feasible development may be limited to a different, as yet unknown "big idea" – where location matters much more than cost – with a development partner who is willing to obtain state legislation authorizing their project and has the patience to navigate a complicated State and City regulatory process. Although Piers 30-32 is a challenging development site, it is a one of a kind location with sweeping Bay views in the vibrant South Beach neighborhood.

CONSTRUCTION HISTORY OF PIERS 30-32



Located just south of the Bay Bridge in the South Beach area, Piers 30-32 is a 13 acre pier that was originally built as two separate pile supported finger piers. Prior to building the piers, the Port constructed the seawall in this area from 1910 to 1912, which extended the City out to its current location at the Embarcadero.

The wharf at Piers 30-32 is the pile supported portion of the structure adjacent to the seawall and was built at about the same time as the seawall. Immediately thereafter, Piers 30-32 were constructed as two piers extending approximately 750 feet into the bay to

facilitate shipping of sugar. In 1926 the piers were extended 124 feet further into the bay, and in 1950 the space between the two Piers was filled for its entire length with a pile supported section built at a lower loading dock height. In 1984 a fire broke out destroying the Piers' timber warehouse shed buildings. Soon after the remains of those buildings were removed leaving the concrete substructure similar to how it exists today. In preparation for the 34th America's Cup in 2013, the Port spent approximately $1.9 million to repair isolated sections of the Piers 30-32 wharf adjacent to the seawall. Prior to the 2013 repairs, the Port had made no significant structural repairs or improvements to the Piers substructure since the 1950 addition.

LEASING AND DEVELOPMENT EFFORTS

During the past 15 years, Piers 30-32 has seen grand development proposals, spectacular special events, and daily life as commuter parking. Proposals have included a new cruise terminal in the early 2000s that included a mix of office and commercial uses, and more recently a proposal for a major sports arena/event center. Proponents abandoned major development projects for a combination of reasons including the high cost of renovating the Piers and the uncertainty of being able to receive project entitlements. A summary of those projects is provided in Exhibit 1. Detailed discussion of past Piers 30-32 development efforts was included in a comprehensive review of changes under the Waterfront Land Use Plan Review from 1997- 2014[2].

Since 2000 the Piers have been the site of various temporary uses such as the 'X Games', the annual Fleet Week celebration, a backup cruise terminal for the Port, commissioning of the USS America, and berthing of many visiting ships. Between events, the east berth frequently is used for lay-berthing. On a daily basis the Piers are a commuter parking lot during the day and are closed in the evening. More recently, special events and parking have been scaled back due to deteriorating substructure conditions resulting in weight limits on the Piers.

CURRENT USE AND CONDITION

Piers 30-32 are currently used for lay-berthing, auto parking, limited special events, and back-up cruise terminal berthing. In 2011 the Port's engineering consultant recommended repairs to the structural concrete slab, concrete girders and beams, and concrete piles that have deteriorated due to the presence of salt water and the porous nature of concrete. The Piers have long since survived beyond their anticipated design life, which at the time of construction was a 50 year expected lifespan. Given the unpredictable nature of deterioration, in 2014 the Port's Engineering Division estimated the remaining useful life of

[2] Waterfront Land Use Plan Review: http://sfport.com/sites/default/files/FileCenter/Documents/9896-WLUP_Review_Chapter4_June2015_part2.pdf

the Piers at about 10 years. During this period and beyond, the Piers are expected to suffer localized failures at random points throughout the 13 acres. When such failures occur, Port engineers will reassess the Piers and likely barricade the failed areas, taking them out of use. The Piers may also suffer serious damage during a moderate to major earthquake. As a result of a recent Port structural assessment load restrictions now limit vehicle access to parts of the Piers.

PLANNING CONTEXT

Historic District

The Embarcadero Historic District runs adjacent to Piers 30-32 and includes Pier 28 and the Embarcadero seawall. Piers 30-32 is not a contributing resource to the District because the Pier bulkheads and sheds burned down in the 1980's. Red's Java House, located on the northwest edge of Pier 30 near the Embarcadero, is not a contributing historic resource to the Embarcadero Historic District, but is a valued community resource.

State Lands

Piers 30-32 and most all property under the jurisdiction of the Port of San Francisco are subject to use limitations described in the Burton Act (which granted the Port to the City) and the common law public trust (together, the Public Trust). Uses allowed under the Public Trust include maritime, environmental preservation and recreation and ancillary or incidental uses that promote Trust uses or that facilitate the public's use and enjoyment of the waterfront. Common revenue generating uses such as private office and neighborhood serving retail (dry cleaners, barber and beauty shops) are not consistent with the Public Trust, except in the context of historic rehabilitation projects when combined with other Public Trust uses. Uses such as ship berthing, recreational marinas, public open space, and visitor serving retail are typically found to be consistent with the Public Trust.

Any proposed use of Piers 30-32 that includes significant uses that are not consistent with the Public Trust will likely require state legislation with California State Lands Commission (State Lands) and the Bay Conservation and Development Commission (BCDC) review and comment, similar to the legislation for the Bryant Street Pier and Golden State Warriors Multi-Purpose Arena projects (see Exhibit 1 for more detail).

Waterfront Land Use Plan

On August 11, 2014 the Port of San Francisco released the *Draft – Port of San Francisco Waterfront Land Use Plan 1997 – 2014 Review* (WLUP Review). The WLUP Review looked back at the Port's Land Use Plan and cited how the Port has implemented the Plan in the 17 years since its adoption. The WLUP Review also provided high level policy recommendations for Port Commission consideration and specific recommendations for Port properties including those in the South Beach area and Piers 30-32.

Addressing Piers 30-32, the WLUP Review stated:

> "Given the current understanding about the extraordinary expense of pile-supported pier repairs and new utilities and infrastructure, the Port and the local community should evaluate next steps for Piers 30-32. Until the Port Commission makes a decision about the disposition of this site, Piers 30-32 should continue to generate revenue from daily parking and provide periodic lay berthing access, including Fleet Week and other dignitary, scientific or visiting vessels."

While development plans have not succeeded at Piers 30-32, the WLUP Review states that "The Port Commission has directed Port staff to take stock of the challenge and return with a proposed strategy for Piers 30-32." The WLUP Review acknowledges the extent of deterioration that limits use opportunities and that more intense levels of use would trigger seismic upgrades, and that parking, layberthing on the east end, and interim special events will continue until the Port Commission decides on a more permanent use.

Currently the Waterfront Land Use Plan states a broad list of allowable uses for Piers 30-32 which include a variety of maritime uses, public open space, assembly and entertainment, general office, retail, warehousing, wholesale trade, and community facilities.

San Francisco Planning Code

Piers 30-32 is located in Waterfront Special Use District #2 on the San Francisco Zoning map, zoned M2 with a height limit of 40 feet.

Bay Conservation and Development Commission (BCDC)

BCDC has jurisdiction of land within 100 feet of the shoreline band and also is obligated to find a project consistent with the Public Trust principles when granting a permit. For example, BCDC policies require that any development proposal achieve "maximum feasible public access" within 100 feet of the edge, and that a project should not include new fill or bay cover. The BCDC *Special Area Plan for the San Francisco Waterfront* assumes Piers 30-32 is a development site, but also calls it out as a potential *fill removal* site.

Army Corps of Engineers (ACOE)

Piers 30-32 are subject to ACOE permitting for work in the Bay that involve installing piles or placing or removing fill. As described above, the ACOE may choose to regulate a substantial number of piles that have the effect of impeding water flow as fill under the Clean Water Act.

Federal Emergency Management Agency (FEMA)
FEMA's recently released draft flood insurance rate maps show that Piers 30-32 are in a Coastal High Hazard area (VE Zone). The current Base Flood Elevation (BFE) of Piers 30-32 with respect to North Atlantic Vertical Datum (NAVD) is 14.0 feet, which is about 1.3 feet higher than the existing Piers 30-32 deck. Subject to further direction from the Port Commission, Port staff is planning to appeal the BFE for Piers 30-32 and nearby piers to FEMA based on it being substantially higher than that of piers to the north and south.

In a Coastal High Hazard Zone, FEMA regulations prohibit construction of new buildings seaward of the mean high tide, with exceptions for water dependent uses. If a new project were to include construction of buildings that are not for water dependent uses, the proposal would need to address the current and future flooding associated with sea level rise and a remap of the Piers from the Coastal High Hazard Zone to a less hazardous flood zone.

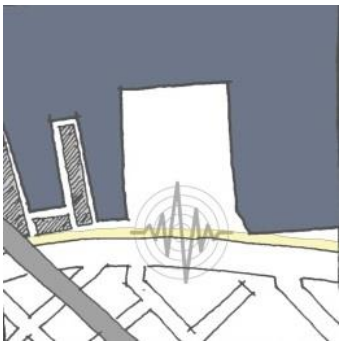
SITE PLANNING CONSIDERATIONS

The following are key concepts when the future of Piers 30-32 is considered. These concepts express the values of the Port's Public Trust mission, compatibility with the Embarcadero Historic District, desires by many City and waterfront visitors, and the natural environment of the Bay.

A Berth for Large Ships
Piers 30-32 has one of the Port's best deep water berths due to the tidal flushing action of the Bay. Reuse or reconstruction of the Piers should maintain the eastern edge in approximately its current location.

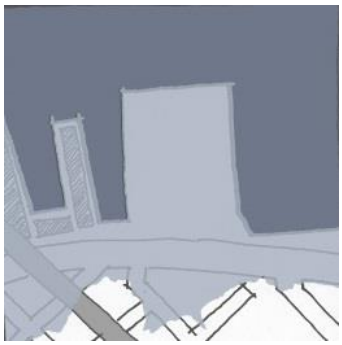
Views from and through the Piers
The South Beach waterfront features expansive views of the Bay Bridge, Yerba Buena Island and the East Bay hills. New structures should be positioned to maintain or frame significant views from Brannan Street Wharf, the Embarcadero and Spear Street. Development on the Piers could also provide new view opportunities across the Bay.

Reinforce the Waterfront Pattern of Buildings at the Embarcadero
Bulkhead buildings located at the seawall are one of the strongest and most defining features of the Embarcadero Historic District. Development on Piers 30-32 could consider reinforcing this built form with new structures.



Seismically Reinforce the Seawall and the Piers
To improve safety and the City's resilience in a major earthquake, strengthen the seawall and the Piers.

Plan for Sea Level Rise
The Port with the City continues to study sea-level-rise and its potential impacts on the San Francisco waterfront. As described in greater detail below, redevelopment of Piers 30-32 should accommodate the anticipated rise and consider the Piers' role in protecting the City.



SEA LEVEL RISE

As per most of the buildings within the Embarcadero Historic District, Piers 30-32 were built adjacent to the seawall when it was constructed from about 1910 to 1912. The deck elevation was set to provide adequate protection from tides and wave surge, while being at a height to allow loading and unloading of ships. Most piers are not currently prone to flooding even in the highest tide and storm conditions, however, sea levels are expected to rise in the coming years.

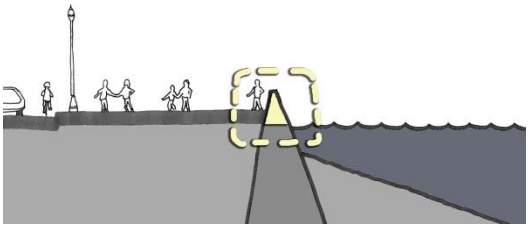
The City is in the process of determining the extent of impacts of sea level rise and is exploring options to adapt to a higher water level. At this time the City is planning for a sea level rise of about 16 inches by 2050, and 36 to 66 inches by 2100. By 2050 many of the Port's historic piers will experience regular flooding. A rise of 16 inches at Piers 30-32 could impact Piers 30-32 several times per year. When the Port's piers begin to experience flooding, so will the Embarcadero Roadway. The Mayor's Sea Level Rise Coordinating Committee has initiated long-range planning to examine possible solutions to the problem of coastal flooding due to sea level rise, including a planned design competition called Resiliency by Design. The City's sea level rise planning will examine options to protect the Port.

Sea level rise will likely create difficulties with pier maintenance and accelerate damage to piers. With rising sea levels, the available time windows to work under the piers to

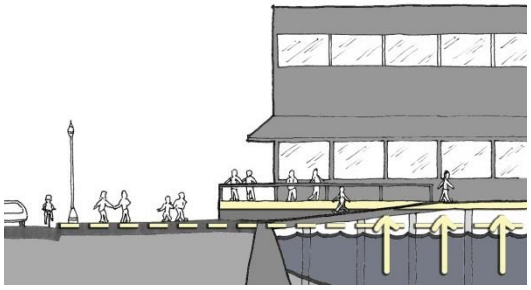
perform inspection, repair, and maintenance of pier substructure deck and piles, will slowly be reduced, thus incrementally increasing time and expense for conducting these activities. Also, due to increased exposure to the corrosive marine environment, concrete degradation is expected to accelerate.

Several approaches are explored here for how Piers 30-32, or the area now occupied by Piers 30-32, could be changed to accommodate the anticipated sea level rise in 2050 or possibly 2100.

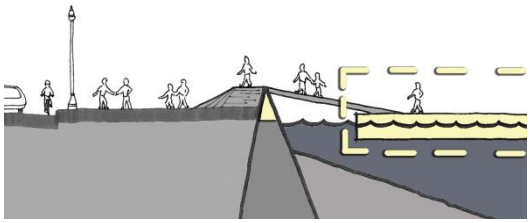
Raise the Seawall
Construct or modify the seawall, now located at the edge of the Embarcadero Promenade, to a higher elevation to limit City flooding. Raising the seawall could be part of a larger seismic strengthening project along the waterfront.



Build a Higher Wharf
The wharf, the pile supported area immediately adjacent to the seawall could be reconstructed at a higher elevation in conjunction with a raised seawall. A new adjoining pier could also be reconstructed at a higher elevation.



Floating Pier
Remove the existing Piers 30-32, raise the seawall as described above, and provide a new floating pier. The float could be sized for its intended use, whether as a simple walkway to provide access to a ship berth, or as a larger surface to accommodate a building or open uses.



FINANCIAL FEASIBILITY ANALYSIS OF PRELIMINARY TRUST-CONSISTENT OPTIONS

There are many ways that Piers 30-32 could be configured that would meet the suggestions described in Site Planning Considerations while also improved for projected sea level rise.

This section of the staff report enumerates several site options which would be consistent with the Public Trust and therefore would not require state legislation. Staff developed these options in response to the Port Commission's request, and to further

inform planning for Piers 30-32 as part of the Waterfront Plan Update process. Port Engineering and Finance staff provided assistance in the development of conceptual design, construction cost estimates, and revenue projections for each alternative. Not examined in this report is a mixed-use program (with significant non-trust uses) that in order to proceed would require state legislation.

Port staff expects that the Port Commission and the public will have further ideas about the future of Piers 30-32. The concepts discussed in this report are illustrative, based in part on ideas that members of the public have previously mentioned. The purpose of this analysis is to demonstrate an approach to site planning and financial feasibility analysis that can inform future land use recommendations in the subarea planning process planned for South Beach in 2017, and the Port Commission's future land use decisions for Piers 30-32 as it considers updates to the Waterfront Land Use Plan.

Based on staff's preliminary analysis, most of the preliminary options presented in this report are financially infeasible without significant public subsidy. Given the need to address the Port's seawall and steward the Port's historic resources, there are very important competing needs along the Port that also require public subsidy. The Port's 10 Year Capital Plan FY 2016-2025 identifies $1.1 billion of unmet need of which Piers 30-32 represents $102 million for substructure and seismic improvements. These estimates do not include costs for sea level rise adaptation improvements.

The following diagrams are concepts that respect the general framework of the current regulatory environment. None are intended to be a design for a project, but are rather intended as a springboard for Port Commission and public discussion about the future of Piers 30-32.

Each diagram presents a program of uses that would be consistent with the Port's Public Trust requirements. Each scenario would provide significant public space and access along the Pier's edges, and often in larger areas or in combination with other uses. Each scenario is configured to remain within the footprint of the existing Piers. In addition, most scenarios meet the following criteria:

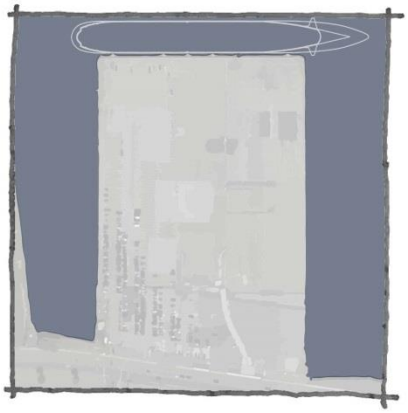
- Provide an opportunity for a ship berth at the deep, east end of the Piers
- Continue an Embarcadero built edge
- Consider views, and
- Provide an approach to accommodate a rising sea level

An approach for dealing with the deteriorated condition of Piers 30-32 is addressed in each of the options except in Option A, which would continue to use the Piers in their current condition. The analysis for each is based on a conceptual layout of uses. If a more complete understanding of project costs is desired the land use concepts would need to be developed into a design and analyzed further. Port staff has developed a planning level feasibility analysis that includes 2015 construction costs (without escalation), revenue estimates, operating cost estimates and financial assumptions which are summarized at a high level in this report.

Several use programs were tested, assuming a seismic upgrade of the existing Piers, or new construction. New construction is explored through both pile supported piers and floating piers. The concepts presented here are a starting point to assist others in imagining reuse possibilities.

Importantly, the analysis below does not assume that public subsidies are available to underwrite the costs of Piers 30-32. In the past, the Port has offered development of a portion of Seawall Lot 330 for mixed use development as a source of subsidy for Piers 30-32. Recent efforts have demonstrated that even with this subsidy, the costs associated with Piers 30-32 yield a *negative land value*. The Port's capital needs associated with its historic resources and the Seawall are so significant that staff recommends that the value of Seawall Lot 330, and associated tax increment, be reserved for high priority Port capital needs that will score well under the Port Commission's adopted capital planning criteria.

Option A
Continue Existing Uses



Option A Assumptions:
Continue to use for commuter parking

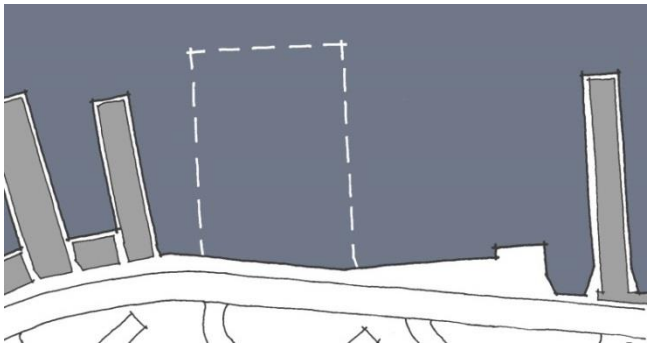
- Evaluate condition every 5 to 10 years
- Periodic structural repairs
- Cordon off unsafe areas
- Functional life likely will end in 20-30 years
- Red's Java House remains

The existing 13 acre Piers would continue with their present uses: special events, parking for Giants games and commuters on a daily basis; periodic ship berthing for cruise and other visiting ships; and special events about six times per year. Parking generates almost all of the $750,000 in annual revenue. The Piers would not be upgraded for assembly uses, but could continue with occasional special events. Red's Java House is located on the north edge of Piers 30-32 adjacent to The Embarcadero Promenade and would continue in operation as long as this section of the pier is safe.

The pier structure should be evaluated every 5 to 10 years to determine the viability of continuing existing uses. It may be determined that the Piers are no longer able to be used and would need to be removed from service. The financial analysis assumes that the Port would perform $1M in repairs to the substructure every five years to extend the useful life. Because of the limited amount of investment and not addressing sea level rise, portions of the Piers could fail as soon as 5 or 10 years, and it is unlikely that the Piers could continue to be used beyond 20 to 30 years from this time.

Option A Financial Summary (Years 1-30)	
NPV (Sum of Cash Flow PV)	$9,999,377
Net Income	$21,000,833
Total Capital Costs	$6,000,000
ROI	350%

Option B
Remove Existing Piers



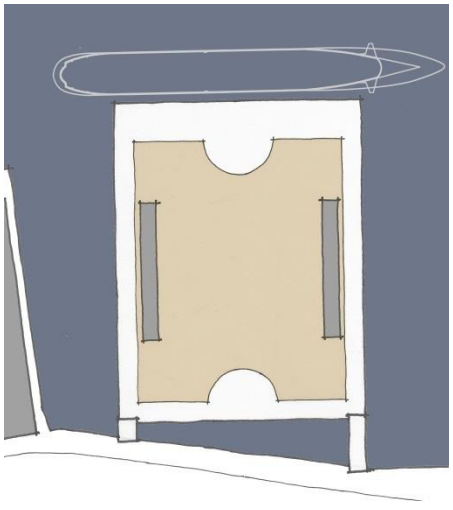
Option B Assumptions:

- Demolish existing piers and wharf
- New 13 acres of open water between Pier 28 and Brannan Street Wharf

The entire pier would be demolished to create a substantial new open water area. Because this option does not include any revenue producing uses the cost of removal likely would need to be publicly funded. Removal would require substantial public investment and the Port would need to absorb the loss of current revenue, which is not considered in the total capital cost assumption.

Option B Financial Summary	
Total Capital Costs	$40,180,000

Option C
Removal with Floating Open Space



Option C Assumptions:

- Remove existing pier and wharf
- Raise seawall for flood protection and improve for earthquake safety
- Construct new 11 acre float for public open space
- New ship berth
- New event building

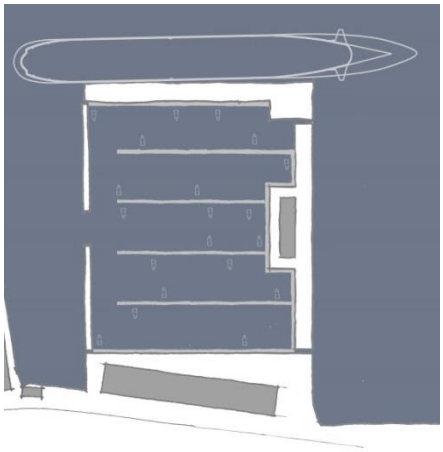
The entire pier would be demolished and the historic seawall would be strengthened for earthquake safety and raised for sea level rise protection. A new 480,000 square foot (11 acres) float would be constructed for use as a premier public open space. A 30,000 square foot multi-use event building is included at the ship berth.

Revenue from the event building and ship berth would not be enough to significantly offset the project cost. Construction would require substantial public investment.

Option C Financial Summary	
NPV (Sum of Cash Flow PV)	($504,184,025)
Total Construction Cost	$453,830,000
Total Capital Cost (1)	$722,222,641
ROI	-96%

(1) Capital cost is projected to be higher than construction cost due to ongoing capital costs to maintain a floating pier over its lifespan.

Option D
Pier Removal and New Marina



Option D Assumptions:
Remove existing pier and wharf

- Raise seawall for flood protection and improve for earthquake safety
- Construct new wharf for commercial uses and public access
- Construct a new floating walkway and ship dock
- New recreational marina and ship berth

The entire pier would be demolished, and the historic seawall would be strengthened for earthquake safety and raised for sea level rise protection. A new 130,000 square foot wharf would be constructed at a higher elevation with bulkhead buildings that would reinforce the built pattern along the Embarcadero seawall. The buildings assume a mix of retail uses. A new 220 berth recreational marina and ship berth would be built and accessed via large floats. Marina users would drop-off passengers and supplies on the pier, and parking would need to be supplied off pier. As part of pier demolition dredging would be required for the marina. Construction would require substantial public investment.

Option D Financial Summary	
NPV (Sum of Cash Flow PV)	($266,062,128)
Total Construction Cost	$256,415,000
Total Capital Cost (2)	$446,524,454
ROI	-85%

(2) Capital cost is projected to be higher than construction cost due to ongoing capital costs to maintain a new wharf, marina and berth over its lifespan.

CONCLUSIONS AND NEXT STEPS

Staff has prepared this preliminary site analysis to assist the Port Commission and the public in forthcoming discussions regarding potential uses of this unique site. Staff welcomes feedback on the analysis from the Port Commission.

Prior proposals for Piers 30-32 required state legislation – developed with input from State Lands and BCDC – to authorize non-trust uses contemplated to make the developments financially feasible. Those development use programs were much more intensive than the options examined in this report. With the exception of continued use of the piers for parking, the public trust-consistent uses analyzed in this report require public subsidy ranging from $40 million for pier removal to hundreds of millions of dollars for marina or floating park uses. There are likely more financially feasible locations for such uses along the waterfront.

Port staff did not examine costs and financial feasibility for the next "big idea" that may be proposed for Piers 30-32. For such a use to be successful at the site, location must matter more than cost, and patience will be required to obtain public support and to navigate the very challenging regulatory process for this unique site. New state legislation developed in consultation with State Lands and BCDC may very well be required for such an effort. In the view of Port staff, the Port's other capital needs, including the Seawall, will preclude Port subsidy of such a redevelopment effort,

The Port Commission has already directed staff to engage the public in a focused discussion of land use in South Beach, including the Piers 30-32 site; staff expects that this subarea planning effort will commence in 2017 after the Waterfront Plan Working Group completes its 2016 analysis of waterfront-wide land use policies. Staff will report back to the Port Commission with Piers 30-32 discussions as they unfold in this process.

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For: Byron Rhett,
Deputy Director of Planning
and Development

Exhibit 1: Major Piers 30-32 Development Efforts

Exhibit 1: Major Piers 30-32 Development Efforts

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

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.

In attempting to become an economically viable project, the Port and SFCT pursued and obtained State Legislation (AB 1389) to allow a greater amount of office space to support the Trust consistent maritime uses. The project received environmental clearance, but did not receive all permits required for in-water construction. The Watermark was constructed and opened in 2006. Despite better than expected revenues from condominium sales, SFCT determined that the cost of the piers and the cruise terminal had escalated by 45% and 24%, respectively, and that the pier project was not financially feasible - -a finding later confirmed by DeBartolo Development. Port revenues from the Watermark were used to fund construction of the Brannan Street Wharf and the James R. Herman International Cruise Terminal at Pier 27.

34th America's Cup (2010-13)

In December 2010, the BMW Oracle Racing, sailing for the Golden Gate Yacht Club selected San Francisco as the host city for the 34th America's Cup and created the America's Cup Event Authority, LLC (the "Event Authority") for purposes of organizing the event and the America's Cup Race Management ("Race Management") to adjudicate the event.

The City and the Event Authority concluded negotiations on a Lease Disposition and Development Agreement ("LDDA") in early 2012, which provided long-term development rights at Piers 30-32 and Seawall Lot 330 rent free in exchange for the Event Authority's initial $55 million investment for improvements to support the America's Cup race events, and provisions for lease and development rights affecting Piers 26, 28 and 29 if investment exceeded $55 million. The LDDA included a City pledge to form an infrastructure financing district to fund public improvements associated with future development at long-term development sites. There was no proposed development program for these sites articulated in the LDDA. Negotiations and the entitlement process sought to define the details of temporary improvements required for the America's Cup race events, and lease and development parameters for the other piers.

The Event Authority expended considerable effort analyzing Piers 30-32 and the costs to seismically strengthen and improve the piers – first to host team bases for competitors in the event – and then as a platform for future development. Costs to improve Piers 30-32 rose throughout the negotiations. While the City managed to permit the America's Cup race improvements in time, City staff had real concerns about the ability to construct Piers 30-32 improvements in time for the event.

The rising cost estimates for long-term development and Board of Supervisors and community stakeholder concerns made the negotiations challenging. There was controversy regarding Port and City expenditures to support the event compared to the tax and economic benefits of the event which were originally forecast. Ultimately, the Event Authority's withdrew from the LDDA negotiations and gave up on the proposition of long-term development as a means of financing waterfront improvements.

The Port and Office of Economic and Workforce Development subsequently negotiated a plan with the Event Authority whereby the City would fund all necessary waterfront improvements for the event and provide venues rent-free, without long-term development rights. The Port implemented strategic repairs and improvements to serve

the race events and ongoing uses thereafter, which were financed primarily through Port sources. This included $1.9 M spent on Piers 30-32 to repair a portion of the marginal wharf and pier to support industrial truck access and permit team bases to occupy the Piers. The Port Commission and the Board of Supervisors approved this plan, which City staff executed, and the focus shifted to the 34th America's Cup sailboat racing events on San Francisco Bay.

Golden State Warriors Piers 30-32 Multi-Purpose Pavilion and Seawall Lot 330 Mixed Use Development

In 2012, the City and the Golden State Warriors (GSW) partnered on a proposal to develop and build a premiere sports and entertainment pavilion at Piers 30-32 pursuant to sole source negotiations which the Board of Supervisors and Port Commission authorized unanimously. GSW proposed to repair and seismically upgrade 13 acres of deteriorating piers to build a multi-purpose venue with private funds and develop Seawall Lot 330 with a mix of residential, hotel and retail uses. The project included open space for public access, while also providing enhanced amenities and maritime facilities for the San Francisco Bay. Total project costs were estimated at over $1 billion.

The facility was designed to host the Bay Area's NBA basketball team, as well as provide a new venue for concerts, cultural events and conventions, and other prominent events that the City currently cannot accommodate with existing facilities. The cost of repairing and seismically upgrading Piers 30-32 for these uses eventually rose to $165 million. The City's contribution to project pier substructure costs was capped at $120 million, with funding to come from project-generated Infrastructure Financing District (IFD) tax increment proceeds, rent credits against the fair market value rent of Piers 30-32 and the fair market land value of Seawall Lot 330.

The design of the facility by Snøhetta was generally recognized as being world class and responded to virtually all comments from Port, Planning Department and San Francisco Bay Conservation and Development Commission ("BCDC") staff. The proposed facility's maritime program included a new fire station to house the San Francisco Fire Department's marine unit, currently housed at Pier 22½ and would have preserved the deep water vessel berth at the east end of the pier. The public nature of the project, with its emphasis on entertainment and public open space would have enlivened this area of the waterfront. Many residents, however, see the neighborhood as a predominantly residential neighborhood that could not handle the twin pressures of baseball games at AT&T Park and events hosted at GSW's proposed pavilion. Some members of the public made a distinction between an open air baseball park with Bay views, and a closed basketball arena, and concluded that a basketball arena could not be a public trust use. Others viewed the project – which would have required rezoning from 40 feet to approximately 128 feet – as inappropriate for the site, and not in keeping with an established consensus for waterfront heights. In June, 2014, voters approved Proposition B – a measure requiring voter approval of height increases on Port property

Site due diligence revealed that Piers 30-32 substructure costs exceeded the City's sources to repay the private investment in that public infrastructure. As a result, the project dealt with a clear capital need for the Port, but generated no future base rent. Early outreach by City staff to California State Lands Commission ("State Lands") and BCDC staff indicated the need for state legislation to address the consistency of the proposal with the public trust for commerce, navigation and fisheries. The California Legislature adopted AB 1273 setting standards for the facility and making findings of project trust consistency after lengthy negotiations with both State Lands and BCDC staff. The legislative approval of AB 1273 and BCDC hearings on the topic generated significant controversy.

The project required approvals from BCDC and the Army Corps of Engineers. BCDC staff determined that its Special Area Plan would need to be amended to address the height and scale issues raised by the proposed pavilion – a very lengthy process that requires the BCDC Commission to find that plan amendments are "necessary to the health, safety or welfare of the public in the entire Bay Area." Staff of the Army Corps of Engineers suggested a 3 to 5 year timeline for permitting new pile installation for the pier substructure, and also suggested that due to the number of piles proposed, the Corps retained the discretion to regulate the project as fill under the Clean Water Act. Placement of fill under the Clean Water Act requires three important findings:

- The fill is required for flood control purposes or to support a water-dependent use;
- There is no feasible upland location for the project; and
- The project is the least damaging practicable alternative.

In response to permitting challenges and the expected need for voter approval of the project, in Spring 2014 GSW changed plans to build at Piers 30-32 and purchased a site in Mission Bay for their new facility.