

MEMORANDUM

May 7, 2009

TO: MEMBERS, PORT COMMISSION
Hon. Rodney Fong, President
Hon. Stephanie Shakofsky, Vice President
Hon. Kimberly Brandon
Hon. Michael Hardeman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval (1) to award the SWL 337 development opportunity to Seawall Lot 337 Associates, LLC and (2) to authorize exclusive negotiations for a mixed-use development project at SWL 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.

DIRECTOR'S RECOMMENDATION: Adopt Attached Resolution

EXECUTIVE SUMMARY

This staff report provides information on the result of the Request for Proposals ("RFP") process initiated in 2008 to develop Seawall Lot (SWL) 337, currently a surface parking lot, and the adjacent Pier 48. This report presents reviews conducted by Port staff, consultants and the Seawall Lot 337 Advisory Panel of the qualified proposal received from Seawall Lot 337 Associates LLC ("SWL 337 LLC" or "Developer").

Based on the analysis presented in this report, Port Staff recommends that Developer be awarded the opportunity and asks for authorization to proceed with exclusive negotiations for the mixed use development of SWL 337 including China Basin Park, Pier 48 and portions of Terry Francois Boulevard. During the exclusive negotiating period, Staff intends to work with Developer to further define the development plan and develop a feasible economic structure that are viable to justify private investment, respond to the economic needs of the Port, and meet the public objectives of the City and its residents.

Staff recommends financial and negotiating principles (shown in Exhibit A) to guide in developing a complete master plan for the site, and to specify conditions to this award for additional future review and action by the Port Commission.

The Print Covers Calendar Item No. 11A

BACKGROUND

In October 2007, the San Francisco Port Commission initiated a two-phase developer solicitation process for Seawall Lot (SWL) 337, a 16 acre Port waterfront site located along the south side of China Basin Channel, generally bounded by Third and Mission Rock Streets, and Terry Francois Boulevard and Pier 48 adjacent to the northeast side of SWL 337 (Shown in Exhibit B). Currently SWL 337 is a surface parking lot leased to the San Francisco Giants. Currently, major uses of Pier 48 include ballpark overflow parking in the northern shed and storage for the Department of Elections in the southern shed. All of these current uses are on short term leases in anticipation of development. In the latest complete fiscal year the Port collected \$2.3 million in revenues from SWL 337 and \$1.4 million from Pier 48.

On October 23, 2007, the Port Commission authorized staff to issue a Request for Qualifications (“RFQ”) for development of SWL 337 and, as an option, Pier 48 based on objectives and criteria developed through a community planning process. The Port Commission also authorized the Executive Director to convene a Seawall Lot 337 Advisory Panel representing planning, environmental, economic, urban design & architecture, neighborhood and city-wide interests and expertise to review respondent submittals and provide findings and recommendations to the Port Commission for its consideration and action (Resolution No. 07-80). Four teams submitted timely, complete and responsive development concepts.

On February 26, 2008, the Port Commission received an informational presentation from the four developer teams regarding their RFQ submittals. On April 8, 2008, the Port Commission received an informational presentation from the SWL 337 Advisory Panel summarizing its deliberations and evaluation of the four RFQ submittals.¹

On April 22, 2008, the Port Commission approved the Advisory Panel’s recommendation to invite two of the development teams to respond to a Request for Proposals (RFP) (Resolution No. 08-25):

- Boston Properties, Kenwood Investments, Wilson Meany Sullivan
- Cordish Company, Farallon Asset Management, San Francisco Giants

The Port Commission also authorized issuance of the RFP with revised objectives and criteria (Resolution No. 08-26). The RFP was issued on May 27, 2008 with a deadline for submittals of August 27, 2008.

SHORTLISTED DEVELOPER TEAMS COMBINE INTO SINGLE ENTITY

On August 19, 2008 the two development teams invited to respond to the RFP informed the Port of their intention to combine into a single development entity “in an effort to strengthen [their] efforts, to devise the best possible design for the site, and to increase

¹ See the April 2, 2008 Memorandum to the San Francisco Port Commission which discusses the four proposals and their evaluations in detail, which is incorporated by reference. Said memorandum is available on the Port’s website at [http://www.sfgov.org/site/uploadedfiles/port/meetings/supporting/2008/Item9aSWL337\(1\).pdf](http://www.sfgov.org/site/uploadedfiles/port/meetings/supporting/2008/Item9aSWL337(1).pdf)

the likelihood that a financially beneficial and viable project can move forward and begin generating revenues for the Port". The combined developer team, SWL 337 Associates LLC, requested and was granted four separate extensions of the submittal deadline, culminating on January 15, 2009.

On January 15, 2009, the Port received an RFP submittal from SWL 337 LLC comprised of the following partners (listed in the order named in the submittal):

San Francisco Giants
Wilson Meany Sullivan
Kenwood Investments
The Cordish Company
Stockbridge Capital
Farallon Capital Management, LLC

At the February 10, 2009 Port Commission meeting, Developer presented its development concept for SWL 337 and Pier 48, which has been posted on the Port's webpage for this offering (www.sfport.com/swl337).

DEVELOPER PROPOSAL

Project Design and Development Concept

Developer has presented a vision for a new neighborhood, "The Mission Rock District" at SWL 337 including China Basin Park, Pier 48 and portions of Terry Francois Boulevard. The submittal includes renderings illustrating proposed parks, buildings, streets and promenades. Specifically, the proposal includes in excess of 8 acres of public open space, approximately 240,000 square feet of retail space, 1 million square feet of office space, 875 units of rental residential and 181,000 square feet of event/flex space at Pier 48. See Exhibit C for a detailed description of the proposal.

The proposal features a five acre waterfront open space, Mission Rock Park, extending from the Bay into a mixed-use neighborhood with office, residential, retail and recreational uses. With connections to streets in the adjacent Mission Bay Redevelopment Project Area, the proposed block pattern of SWL 337 is broken into ten city blocks to create a pedestrian environment, with views and paths to parks and water from within and outside the district.

Mission Rock Park and the historic rehabilitation of Pier 48, including rebuilding of the pier "aprons" to provide public access around the pier's perimeter, are two major public benefits of the project. They are proposed to be completed in the third and fourth development phases, projected for 2022 and 2026, respectively. Until they undergo development, Pier 48 would continue to be operated for interim uses with modest capital improvements, and SWL 337 would continue in surface parking use. SWL 337 surface parking would be replaced incrementally, corresponding with the phasing of development of individual blocks. The existing China Basin Park at the north edge of the site would remain until it is incorporated into the construction of the larger Mission Rock Park.

Technical Submittal: Project Team, Transportation Plan, Market Analysis, Operations

Development Team

SWL 337 LLC is a joint submittal of partners from the two teams short-listed in the RFQ process. The combined development entity has extensive local and national development experience. Wilson Meany Sullivan (WMS) emerged as the primary development manager for SWL 337 LLC with WMS and San Francisco Giants staff shown as the primary contact and day-to-day project management team. Boston Properties, a major capital partner, opted not to participate in the joint submittal and is no longer involved in the project. Developer has identified four entities (WMS, San Francisco Giants, Kenwood Investments, LLC, and The Cordish Company) to serve as operating members for the project with responsibility for construction and development, community outreach, regulatory compliance, procurement of entitlements, interaction with the Port and other day to day responsibilities. Farallon Capital Management, LLC and Stockbridge Capital are capital partners and must approve material financial decisions.

The project design team includes Perkins+Will (formerly SMWM), Beyer Blinder Belle Architects & Planners as lead architects, Hargreaves Associates as landscape architect, and Atelier Ten as sustainability consultant. General contractors for the project are Hathaway Dinwiddie and Nibbi Brothers with civil engineering expertise from BKF Engineers and geotechnical engineering by Engeo and Treadwell & Rollo. Environmental consultants are Ash Creek Associates and Eler Kalinowski. Legal representation for the team is Coblenz, Patch, Duffy & Bass and Sheppard Mullin Hampton & Richter. Parking consultants include Robert L. Harrison Transportation Planning, Adavant Consulting, Douglas Wright Consulting, Messagesmith Strategic Communications and Imperial Parking.

Transportation Demand Management Plan

The proposal includes technical information on a proposed Transportation Demand Management Plan (Transportation Plan), real estate market analysis, and business and operations plans.

The Transportation Plan presents the Developer's proposal of how the project would be designed and programmed to meet San Francisco's Transit-First policy and the transportation objectives for the RFP. The Transportation Plan presents public transit and parking demand estimates and strategies for achieving the Developer's stated project goal of reducing automobile use. Vehicle parking to support the built mixed-use project and the existing uses at AT&T Park is concentrated on the site's southern edge (approximately 2,000 spaces) with additional parking resources in the center of the project (320) and on the northern edge (163 spaces) for a total project count of 2,650 parking spaces. The Transportation Plan includes the concept of expanding Muni's E-Embarcadero historic streetcar line to the project site, although it does not present a financing or implementation strategy for such an improvement.

Market Analysis and Business Plan

The proposal includes a market study to support Developer conclusions regarding revenue assumptions and the viability of the proposed development program. However, citing the current financial turmoil impacting development and absorption for all types of uses, Developer provides only a generalized overview of the San Francisco real estate market and does not provide specific property-level information nor any project-level conclusions. Instead Developer has proposed to work with the Port to further refine the business plan for the project.

The proposal puts forth a narrative business plan, operations and management plan, a discussion on job creation and employment opportunities resulting from site development and a proposed open space maintenance budget.

Financial Proposal

The Developer's financial proposal acknowledges the project's many unknowns but recognizes the enduring development opportunity of this Site, given how the adjacent Mission Bay area is tailored to meet health, biotech and emerging industry markets. In light of the dramatic downturn in the economy in late 2008 and continuing unstable economic climate, Developer was continually adjusting its financial proposal up until the final RFP submittal deadline of January 15, 2009. As a result, Developer states that many financial assumptions in its proposal may vary from the plans and renderings in its design and land use proposal. For instance, the financial pro formas currently reflect office developments with larger building footprints and lower building heights than illustrated in the development design plans in order to target typical building needs of the health and biotech industry.

Developer proposed an approximately four year period to conduct due diligence and obtain all required entitlements followed by a four-phase, 17 year site build-out commencing in 2013. Taking advantage of proximate, existing infrastructure, Phase One focuses office and residential construction in the northwest portion of the site along Third Street, which would minimize land development costs in the early phases. The sequencing of subsequent development phases extending toward the water would entail higher development costs that must be supported by the project as a whole. These consist of the parking garages, a possible substation, Mission Rock Park, and a perimeter stabilization system for the entire site. Developer proposes a "just in time" approach to infrastructure improvements: land development is phased on a building-by-building basis, and is only undertaken once there is a disposition contract for each building.

The preliminary pro forma submittal is conceptual, and does not provide specific breakdown for individual development blocks of development costs and revenues. Instead, the financial proposal provides initial projections of investments, financing structure and returns, based on generic pro forma analysis of typical office and residential apartment development blocks. Developer acknowledges that further work will be needed to refine a development plan and economic structure that is viable to justify private capital investment, as well as respond to Port economic needs, and public

objectives of the City and the general public. Port staff will work during the ENA period to refine and develop a financial structure that provides fair market value to both the public and private sector.

Development Framework

Developer proposes a lease term of 75 years for SWL 337 and 66 years at Pier 48, the maximums allowed by State law. Developer proposes a master development framework with eight mixed use development pads plus sites for parks (Mission Rock Park and Mission Rock Square), an approximately 2,000 space parking structure, and Pier 48 build out, all between 2013 and 2027. Developer would lease the property from the Port, secure all entitlements and approvals, perform the infrastructure improvements, create parcels for vertical development, fund a portion of the parking costs, and build the open space improvements (sometimes referred to as “horizontal” development activities) and, in turn, lease the development parcels for construction of individual buildings. Individual developer’s for each of the development pads (sometimes referred as “vertical” developers) would pay ground rent to Developer, which would compensate for infrastructure improvements and land value created by SWL 337 LLC, as well as lease revenue to the Port. Developer estimates total infrastructure (horizontal) development would cost \$216 million. Developer estimates the total development costs including all building construction at \$2.2 billion.

Interim Rent

Surface parking, storage and other interim uses would continue on site until the subparcels are made available for development projected to be from 2009 to 2018. The Developer’s preliminary pro forma indicates that Port would continue to receive interim parking and storage rent totaling \$32 million between 2009 and 2018 (all rent estimates are shown on Exhibit D). Between 2013 and 2018, as each subparcel is “taken down” (as site and infrastructure improvements commence) it will become unavailable for interim leasing and the Port would receive a pro rata share of the site base rent attributable to that subparcel. After 2018, Developer expects to have site-wide infrastructure improvements underway (including perimeter subsurface stabilization and park construction) signifying the end of interim leases on the site.

Base Rent

Base rent would commence when each subparcel is taken down, and is projected at approximately \$1 million in 2014, and ultimately increasing to \$6 million annually at build out projected in 2027. The Port is projected to receive base rent totaling \$208 million between 2013 and 2053. Though the submittal has no specific proposal for base rent increases, the pro forma shows \$254 million in “performance rent” between 2013 and 2053 roughly equal to base rent escalations every 5 years at the rate of inflation.

The submittal indicates that base rent increases and participation rent are to be negotiated during the ENA period. Developer has proposed that public infrastructure to support SWL 337 development would be financed through Port revenue bonds backed by Developer’s funds and the growth in City tax revenues generated by the new

development (“SWL 337 tax increment”) that would not exist but for the project. Once the last of the Port revenue bonds are issued for the project, projected in 2028, SWL 337 tax increment revenue growth would flow to the Port and thus be available to finance other Port projects outside of SWL 337. The submittal’s proposed public financing mechanism is discussed further below.

Rent from Pier 48 begins at \$558,868 annually in 2009 increasing to approximately \$3 million in 2053, projected to total almost \$72 million through 2053. Developer has provided detailed lease revenue projections through 2053, however the proposed lease terms extend beyond 2053 until 2075 at Pier 48 and until 2084 at SWL 337.

Public Finance

The Developer’s submittal proposes that the Port issue revenue bonds beginning in 2013 to fund public infrastructure supporting the project. Developer proposes that revenue bonds be repaid from the SWL 337 project, initially backed by: 1) a reimbursement agreement from the Developer; 2) Community Finance District (Mello Roos or CFD) special taxes levied on each parcel as it is taken down; to be replaced by 3) incremental tax (IFD) revenues once each parcel is completed and placed on the tax roll. SWL 337 tax increment revenues would be used to pay off the revenue bond and to repay the Developer’s equity. Developer estimates that the project would generate total increment of \$452 million between 2013 and 2053. The Developer’s preliminary pro forma proposes that the Port issue revenue bonds funded by \$254 million in SWL 337 tax increment proceeds between 2013 and 2053 (equivalent to \$120 million of bonding capacity in 2013 when discounted to 2013 dollars at 6%) to fund infrastructure improvements for the SWL 337 development. Between 2028 and 2053 \$198 million of SWL 337 tax increment (equivalent to \$50 million in bonding capacity in 2028 dollars) would be available for other Port uses.

PROPOSAL EVALUATION PROCESS

After staff determined that Developer’s submittal was timely, complete and responsive to the RFP requirements, the Port conducted a thorough, multi-part evaluation of the proposal’s responsiveness to the Port’s objectives in the RFP. Port staff, its consultants, and the SWL 337 Advisory Panel reviewed the proposal’s adherence to the RFP’s evaluation and selection criteria as presented in Table 1. As only one proposal was evaluated, its consistency with each of the RFP criteria was assessed qualitatively rather than using a numeric scoring system.

The SWL 337 Advisory Panel took the lead in evaluating and making recommendations to the Port Commission regarding the responsiveness of the Developer’s proposal to the following RFP objective categories: Land Use, Open Space, Transportation, Neighborhood Character, Historic Resources & City Form, and Sustainability. The report of the Advisory Panel’s review and recommendations is presented in Exhibit E in this staff report. Port staff took the lead in evaluating the Developer’s proposal for responsiveness to the RFP’s Economic Objectives, with input from the SWL 337 Advisory Panel. Port Staff also was responsible for evaluating Developer’s financial proposal and qualifications.

Port staff was assisted by consultants who reviewed and provided technical assessments of various elements of the RFP submittal, presented below. These assessments (shown in Exhibit F) were distributed to the SWL 337 Advisory Panel, and were considered in both Port Staff and Advisory Panel reviews.

- Economic Analysis: CBRE Consulting/Conley Consulting Group
- Physical Planning and Urban Design: BMS Design Group
- Transportation Demand Management Analysis: Nelson/Nygaard Consulting Associates
- Transportation Muni and Parking: San Francisco Municipal Transportation Agency
- Sustainability: San Francisco Department of the Environment

Table 1: SWL 337 Evaluation and Selection Criteria Summary	Percent Scoring (100 Total Pts)
Criteria Quality of the Design and Development Submittal, which will include following considerations: <ul style="list-style-type: none"> ▪ response to RFP development objectives ▪ character and quality of the development (e.g. street network, location of buildings and open space, connectivity to the surrounding area, massing and treatment of buildings, quality of open space, clarity in sustainability proposals ▪ quality of Transportation Demand Management Plan ▪ evaluation of development program against public trust principles 	60%
Strength of Financial Proposal based on proposed economic return to the Port, based on base rent and percentage rent or other forms of participation proposed by the Respondent	40%
Financial capacity of the Respondent and economic viability of proposal, based on relevant factors such as: <ul style="list-style-type: none"> ▪ ability to raise and commit funds for the project and continuing operations and maintenance ▪ adequacy of projected revenues to support the investment ▪ reasonableness of the cash flow analysis ▪ proposed capital investment for improvements 	Supports the evaluation of economic return
Experience, organization and reputation of the Respondent's team on complex projects, based on relevant factors such as: <ul style="list-style-type: none"> ▪ history of on-time and on-budget projects ▪ economic success of similar ventures ▪ design excellence of completed projects ▪ clear lines of authority and responsibilities ▪ Team & key personnel qualifications ▪ availability of key team members ▪ ability to work with Port and community ▪ litigation and compliance record ▪ ability to comply with City Requirements 	Supports the evaluation of development concept and economic return

Summary of Public Comments

The Port has received substantial public comment on this proposed project which is summarized below. Public meeting presentations, comments and discussions occurred at the February 10, 2009 Port Commission meeting, March 11, 2009 Central Waterfront Advisory Group (CWAG) meeting, and the March 18, 2009 public workshop on the Developer's proposal. In addition, the Port has received many written comments through the Port SWL 337 web page. These public comments are presented in detail in Exhibits G, H, I & J in this staff report.

Port Commission Meeting Informational Presentation

On February 10, 2009, Developer gave an informational presentation to the Port Commission describing the project. Members of the public generally supported the project going forward, though several expressed an interest in having public benefits built earlier in the project's phasing schedule. Many representatives from local labor unions spoke in support of the project, specifically the anticipated job creation associated with project construction. See Exhibit G for excerpts from the Port Commission meeting minutes regarding SWL 337 RFP proposal public comments.

Central Waterfront Advisory Group ("CWAG") Review

On March 11, 2009, the CWAG chair, Toby Levine, led a discussion of CWAG's comments on the SWL 337 LLC submittal. CWAG members had many questions and observations. They generally liked the intimate scale and fine grain of development shown in the proposal and were encouraged by the overall project direction. They sought more discussion on the proposed project phasing and were interested in having significant open space development occur with aggressive linkage to vertical development. Notes from the CWAG discussion, including Developer team's responses, are attached as Exhibit H below.

SWL 337 Public Workshop

On March 18, 2009, the Port's SWL 337 Advisory Group sponsored a public workshop attended by approximately 70 interested neighbors, Port staff and developer team representatives. After presenting a project overview, Developer listened, responded and interacted with the assembly on questions of land use, open space, neighborhood character, project economics and sustainability. There were several comments pertaining to the character of the proposed retail program especially in contrast and/or complement to the existing retail on King Street and the retail planned for 4th Street in Mission Bay. Complete workshop notes are attached as Exhibit I to this staff report.

Comments Submitted to Port Website

Through the Port's SWL 337 web page, the public logged several comments on issues ranging from appropriate building heights, scale and density, project compatibility with Mission Bay, parking concerns, preservation of industrial uses at Pier 50, opportunities for youth development and education, and the possibility of addressing skating interests. A compilation of these comments is attached as Exhibit J to this staff report.

Experience, Organization and Reputation of the Respondent's Team

The members of Developer's team have demonstrated extensive experience developing large scale urban projects dedicated to architectural and urban design quality, quality of public amenities and historic preservation. Notable projects in development or completed by team members include the Ferry Building, AT&T Ballpark, China Basin Park, Mission Bay, Treasure Island, Bay Meadows, One Market, and the Power Plant Live (an 8 acre, 250,000 square foot retail/entertainment and office project in Baltimore, Maryland). Team members also operate smaller projects such as AT&T Ballpark, Flood Building and the Aquarium of the Bay.

The examples listed above demonstrate a good understanding of local market and community issues through implementation of complex development projects in challenging regulatory environments including the Ferry Building, Treasure Island and Bay Meadows. However, Cordish as the entertainment/retail lead has not demonstrated local expertise addressing the additional challenges in implementation of a San Francisco entertainment focused development.

Overall, staff finds that the development team represents very strong local development experience with a highly qualified professional and design consultant team. SWL 337 LLC is qualified to design, entitle and develop a project of the complexity posed by SWL 337 and Pier 48 development.

Financial Capacity of the Respondent

Review of the financial documents and qualifications submitted by SWL 337 LLC was conducted by Lawrence Brown, Port Financial Analyst. Mr. Brown was in contact with each of Developer team members to review records and documents. The Developer's proposal estimates that the infrastructure and entitlement of the project will cost \$216 million with SWL 337 LLC contributing approximately \$38 million. However, Mr. Brown based his financial capacity analysis on the Developer's demonstrated ability provide equity contribution of up to \$300 to 400 million. This is a more conservative assumption that would allow for sufficient equity to fund both the infrastructure (horizontal) and building (vertical) development with the balance of the funding coming from debt financing.

Mr. Brown's memorandum, (included as Exhibit K) indicates that the current economic downturn has had a significant negative impact on the development team's financial capacity as determined by the combined shareholder's equity. Nevertheless, SWL 337 LLC team members still have considerable resources and have no difficulty in providing the necessary capital needed for the project and in obtaining debt financing for the remainder of total (horizontal and vertical) development costs. In the worse case, should no debt financing be available, SWL 337 LLC has sufficient resources to fully finance the development. Overall, Developer is very strong financially and clearly has the resources to secure or access equity and debt financing to complete the project.

Quality of the Design and Development Submittal

As indicated above, the SWL 337 Advisory Panel was primarily responsible for reviewing Developer's proposal against the RFP Development Objectives, except the Economic Objectives (which were evaluated by Port Staff). The Advisory Panel's review was designed to ensure that the comments and diverse perspectives from the public were carefully considered in the evaluation of Developer's proposal. Its process was thorough and methodical, factoring all public comments received on the project, as summarized above; all consultant-prepared studies; written questions and answers, and an interview with Developer; and interactive deliberations which included Port Staff and consultants.

A full report of the review and recommendations from the SWL 337 Advisory Panel is presented in Exhibit E. In summary, the Advisory Panel found the RFP submittal overall to have many strengths that are worthy of consideration. The Advisory Panel found that it responds to the objective of creating a vital urban environment which takes full advantage of its special waterfront location and setting, and includes a broad mix of uses which would promote frequent and lively interactions between workers, residents, visitors and recreation enthusiasts. In particular, the Advisory Panel responded very positively to the orientation and thoughtful design of the Mission Rock Park at the north end of SWL 337, and how it incorporates and highlights historic features of the Mission Bay area, Lefty O'Doul/Third Street Bridge and Pier 48 (which would be rehabilitated). Overall, the Advisory Panel applauded the site layout, character, and distribution of open spaces, which provides a clear urban framework for development.

At the same time, the Advisory Panel also flagged a number of concerns and issues for reconsideration and/or further address. These include the need to provide a vision and details about how the substantial amount and character of proposed retail activity would be developed in the project, and how it would interact with existing or planned retail uses in the Mission Bay Redevelopment area. The Advisory Panel did not support the Developer's proposal for affordable housing in the RFP submittal, as it concentrates below-market housing exclusively on one block, across the street from Pier 50 which would continue in light industrial use. On the transportation front, the Advisory Panel questioned the viability of the Developer's proposal to extend the E-line into the project area, when there are no funding resources or implementation strategies proposed to support the concept. Additionally, several Advisory Panel members were not supportive of the size and scale of the large, approximately 2,000 space parking garage proposed at the southern end of SWL 337, nor were they convinced that this amount of parking must be located at SWL 337.

Although not tasked with evaluating it, the SWL 337 Advisory Panel received information and briefings on the Developer's financial proposal. The Advisory Panel recognized that the uncertainties of the current recession have made it more difficult for Developer, the Port and the public to define the ground rules for development which continue to be in flux. Thus, it is understood that the Developer's proposal is a starting concept with several unknowns in play. With this in mind, the Advisory Panel (as well as Port Staff) conducted its review recognizing the need to anticipate changes in the project design and program. The Advisory Panel's review of the Developer's proposal

against the RFP Objectives therefore not only produced feedback and comments on the particular features of the proposal, it also produced recommended principles that are intended to guide the further evolution and changes to the project if the Port Commission selects SWL 337 LLC to enter into exclusive development negotiations. The Advisory Panel report includes recommended principles for Land Use; Open Space; Neighborhood Character, Historic Resources and City Form; Transportation and Parking; and Sustainability, which have been incorporated into the Port Staff recommendation discussion, presented below in this report.

Strength of Financial Proposal

Port staff evaluated the Developer's Financial Proposal, assisted by technical financial and economic feasibility analysis conducted by CBRE Consulting and Conley Consulting Group. The financial proposal is based on a very conceptual development program where the lack of details at this time create many uncertainties about the economic performance of the project. As submitted, the financial proposal does not meet all of the original economic objectives of the RFP. Port staff recognizes that the timing of this proposal, in the midst of the extraordinary economic downturn and ongoing market volatility, limits the ability of an even highly experienced development team to provide a reliable and detailed economic proposal for such a complex project..

As stated above, the Developer acknowledges that further work will be needed to refine a development plan and economic structure that meets the economic needs and objectives of the Port. The ENA will be structured to allow the Port and Developer to develop a more detailed financial proposal while also advancing the development and entitlement of the proposed land use plan.

Port Revenue

The Developer's lease proposal of \$6 million in annual base rent from SWL 337 and \$558,868 in annual base rent from Pier 48 falls short of rent objective's outlined in the original RFP of \$8 million for SWL 337, phased in over several years, and \$2.2 million for Pier 48. The proposal indicates that annual rent increases, percentage rent, Port participation in sale and financing proceeds are to be negotiated at a later date and is silent on the timing of fair market value resets for base rent. Additionally, the proposal's treatment of Pier 48 seems to be incomplete, offering rents below current interim lease rates with major improvements at Pier 48 delayed until 2026. Based on the current proposal, Port staff does not believe a long-term lease is warranted at Pier 48. If the Port Commission chooses to proceed, Port staff would seek revisions to the proposal regarding Pier 48 or evaluate whether Pier 48 should be included in the scope of a long-term development agreement.

Public Finance

The Port's 10-Year Capital Plan identifies \$2 billion in capital needs to complete the deferred maintenance and historic preservation of Port facilities. Of the \$2 billion in total need, the Capital Plan identified a total of \$650 million in funding including: Port tenant obligations, the Port's operating budget, revenue bonds, development projects,

Infrastructure Financing District bonds, General Obligation bonds, and the mechanisms available to Pier 70 under 2008's Proposition D. In approving the 10-Year Capital Plan, the Port Commission anticipated petitioning the Board of Supervisors to create a local Infrastructure Financing District (IFD) to capture new tax increment revenues generated from new development on SWL 337 to help finance Port capital projects outside of SWL 337; these revenues were anticipated to be major sources of the \$650 million Capital Plan program, and were targeted to fund historic rehabilitation of some of the most valuable historic resources in Pier 70, plus Blue Greenway public access projects.

The Developer's proposal represents a change from the Port Commission's Capital Plan strategy. Developer proposes a structure that would use most of the SWL 337 IFD tax increment to support SWL 337 project development. All of the SWL 337-generated local tax increment proceeds from the projected start date of construction, 2013 through 2027 would be directed solely to the project. However, there would be no SWL 337 Tax Increment if a financially feasible project is not developed. From 2028, SWL 337 tax increment revenues would become available to the Port to fund other non-SWL 337 capital projects.

As described in the RFP, the Port is pursuing state legislation, AB 1176, to allow the Port to receive the portion of tax increment revenue currently allocated to the State of California to instead be directed to Pier 70 capital improvements. The legislation recognizes the Port's status as a public trust grantee and would allow the State's share of the tax increment to be applied to historic preservation, open space and environmental clean-up improvements at Pier 70. Developer's financial proposal does not include this potential tax increment (estimated by Developer to have a net present value of \$40 million). If the Port is able to secure approval of AB 1176 and extend it to include SWL 337 tax increment, the project could generate funds to finance some Pier 70 waterfront improvements.

Port Debt Capacity

Developer has proposed to fund the upfront entitlement costs of the development as equity. The construction costs of infrastructure improvements are funded by a combination of Port revenue bonds, funded by future SWL 337 tax increment, and private capital from the vertical developer. Taking on \$194 million of Port debt for the SWL 337 project is a departure from the RFP and the Port's 10-Year Capital Plan, even if that debt is repaid from new tax revenues generated by the project. During the ENA period, Port staff will examine the full range of financing options for development of SWL 337, to refine and develop a financial structure that provides fair market value to justify private investment and responds to the economic needs of the Port.

Summary of Proposal Evaluation

SWL 337 LLC is a very experienced development team with local and national experience with major waterfront development sites. Developer is extremely well capitalized and can fund the costs of both the horizontal and vertical development of the site. Developer submitted a site design and land use program that the Advisory Panel applauded for its site layout, character, and distribution of open spaces, which provides

a clear urban framework for development. The Advisory Panel also expressed concerns regarding transportation, affordable housing, phasing and other aspects of the Developer's submittal.

While the Developer's financial proposal does not meet all of the RFP's annual rent and other financial objectives, entering into an ENA with Developer now will give the parties an opportunity to assess whether a project can be feasibly developed that meets the Port's financial objectives and provides fair value to both the public and private sector participants.

The Port Commission authorized the SWL 337 RFP process with the premise that site development would include on-site benefits in addition to meeting a larger goal of generating rent and tax increment revenue to finance Port capital projects. If the Port is to proceed with the Developer, the Port Commission will need to carefully consider and appropriately balance the Port's design, rent, and financial objectives, based on a complete and integrated development and financial proposal. Such a detailed master plan would enable the Port and Developer to more readily determine whether the financial and development issues raised by the Advisory Panel and Port staff can be adequately addressed. Port staff believes that working in coordination with Developer to develop a master plan is the best way to explore the possibility of a project that allocates risk in a manner that meets the Port's objectives for the site.

Because of the overall quality of the development team and design proposal, staff believes that it would be fruitful to enter into exclusive negotiations with SWL 337 LLC and explore whether the parties can develop a potential project at SWL 337 that meets the Port's overall objectives and appropriately balances the financial risks of the project. The negotiation period allows time to see whether these goals can be achieved. Staff believes that, with a stabilized economy and guidance by a sound policy framework, the Port can develop a detailed master plan with the Developer leading to a successful project.

FINANCIAL AND NEGOTIATING PRINCIPLES

Based on the analysis of the proposal, the Advisory Panel, Port Staff, its consultants and City support staff have jointly created a policy framework for the proposed project. This policy framework includes negotiating principles and identifies specific tasks and milestones to be met by Developer. Staff believes these are sound principles to guide the ENA.

Balance Financial Risk and Reward: *Development of SWL 337 should balance the Port's risk related to bonding capacity and balance sheet with revenue associated with ground rent and IFD increment.*

1. The Port should be open to a careful examination of a full range of financing options for development of SWL 337. Any use of public debt instruments, including IFD and CFD bonds or other mechanisms, must be demonstrated to best achieve the Port's interests;

2. Create a structure that provides incentives and guarantees that the Developer will complete its obligations within an appropriate timeframe;
3. Risks to the Port should be carefully balanced against the potential reward from development. Port risk exposure from any use of its balance sheet or bonding capacity should be considered against the Port revenue from ground rent and IFD income. In particular the Port must consider the off site impacts, both positive and negative, of its actions on this property;
4. The substantial Port revenues generated by current uses of the property should be preserved (as interim uses) until they are replaced with higher revenue generating uses consistent with the Port's guiding principles for the site; and
5. Renegotiate existing on-site leases to establish floor for interim revenues.

Financial Transaction Structure: *Development of SWL 337 will be a public private partnership where both parties act to preserve and enhance the value of the asset, with risk, reward and return distributed equitably.*

1. Provide transparency on distribution of risks and rewards between the Port and Developer.
2. The financial returns to both parties should be parallel (not necessarily equivalent), with appropriate incentives for Developer to complete its obligations and create value to the Port.
3. The financial burdens and trust benefits of development (especially infrastructure and open space) should be appropriately distributed amongst the development phases, and not weighted towards the final phase.
4. The Port should participate in the 'upsides', particularly with regard to future increases in the revenue available to support ground rent and infrastructure payments over time.
5. Retail uses at this site should have a parallel land lease burden to retail elsewhere at the Port, with lease participation based on gross sales revenues.

Land Use – Development Program

1. Provide a clear description of the land use and development program, and the proposed uses by block.
2. Provide a clear retail vision for the project, including a description of the character/types (local, regional, visitor-oriented) amounts, and locations of the retail program across the project site.
3. Accelerate phasing of proposed Pier 48 improvements and activities.
4. Increase the program for water-oriented uses in the project (including water access), including clearer definition of locations, amounts, phasing and information on how those uses/programs would be delivered/phased as part of the project.
5. Revise program for incorporating affordable housing within the project that is not concentrated on a specific block which responds to applicable City requirements, defines the type and size of units that would be provided, defines funding sources and amounts of subsidies required to support the program, and provides legal basis for any preferences.

Open Space

1. Revise the development phasing plan to provide in each phase a balanced delivery of public open space with other developed uses.
2. Produce an open space maintenance and operations plan which describes how publicly-accessible parks and open spaces will be managed and funded without Port operating revenues. Include information about the entity/ arrangements to handle these management responsibilities.
3. For open space areas that are proposed for wildlife habitat benefit, provide sufficient information to demonstrate that the design concept incorporates site improvements that will actually be useful to wildlife and/or environmental education.

Neighborhood Character, Historic Resources & City Form

1. Produce a site plan which identifies the locations, heights and building mass dimensions of the proposed development program.
2. Demonstrate that development orientation and design actively contribute to an inviting, pedestrian character of publicly-accessible open spaces, and avoid creating adverse microclimate conditions.
3. Incorporate architectural and urban design treatments in perimeter blocks to acknowledge and relate to the surrounding Mission Bay area, as well as integrate with activities and built elements internal to the project.

Transportation and Parking

1. Produce a Transportation Demand Management Plan (TDMP) that proactively promotes alternatives to private automobile ownership and use to achieve “low traffic” development which includes:
 - a. formalized mode split performance targets (e.g. vehicle trip reduction, auto vs. non-auto ratios) increased over time, in successive phases;
 - b. staffing and funding to educate users and implement TDMP action plan commitments, tailored to SWL 337 residents, employers/workers and attendees at AT&T Park events;
 - c. measures to improve effectiveness and consistency of transportation demand management programs for entire Mission Bay area by integrating SWL 337 TDMP efforts with those of Mission Bay and UCSF-Mission Bay transportation management programs.
2. Include strategies in the TDMP which create proactive incentives for public transit and alternative travel mode use; and market-based utilization of on-street and off-street project parking (for AT&T event and non-event days).

Sustainability

1. Incorporate site-wide sustainability practices and improvements that capitalize on the large size of the SWL 337 site, in addition to building-specific sustainability measures.
2. Prepare more detailed parking and circulation information accompanying detailed development proposals as they emerge, to develop a model for sustainable transportation operations.

EXCLUSIVE NEGOTIATIONS PROCESS

The Port Commission, under the terms of the RFP, has the sole discretion to authorize exclusive negotiations. Upon the Port Commission's award, Port staff and Developer would negotiate the terms of an Exclusive Negotiation Agreement ("ENA"). As called for in the RFP, the ENA will contain time and performance benchmarks, including provisions for payment of liquidated damages and termination for non-performance, and provide for Developer to fund the Port's costs associated with project planning and review. The ENA will set forth the Port's commitment to not enter negotiations concerning the Site with any other entities during the exclusive negotiation period.

The primary focus of the exclusive negotiations would be the Developer's creating a detailed master plan that outlines a flexible master plan development approach and includes a revised, integrated financial plan ("Revised Proposal") that responds to the Financial and Negotiating Principles presented above.

During the period of exclusive negotiations, the following events are anticipated:

- Review and refinement of the proposed development project to respond to Port and public concerns.
- Determine whether the master plan justifies a long term lease for Pier 48.
- Leases for Pier 48 and SWL 337 and related documents for the lease and development of the site in a final form approved by the City Attorney's Office will be negotiated incorporating specific terms, including the Port's and Developer's respective responsibilities, the economic parameters, development standards and requirements, and a performance schedule.
- Developer will complete its due diligence review of the site, finalize financial projections and complete preliminary site plans, including elevations and renderings for the site.
- Developer will secure financial commitments for the proposed project from lenders and/or equity sources and preliminary sublease commitments from potential vertical developers and proposed anchor tenants.
- Developer, with the Port's cooperation, will complete the project approval processes and any required environmental review.

The ENA is the agreement between the parties governing how the required agreements will be negotiated. It specifies time frames and milestones for Port Commission, Planning Commission and Board of Supervisors review and approval. It will also specify negotiation fees and recovery for Port project costs. Entering into negotiations is not an approval of the project, nor does it commit either party to the project. As outlined in the RFP and Developer's proposal, numerous policy actions must be taken for this project.

If the Port Commission chooses to award this opportunity to the Developer, Port staff recommends entering into an ENA for a 12 month period with 6 month extensions of up to an additional 3 years. The initial 12 months will provide time for Developer to submit a Revised Proposal that responds to the Financial and Negotiating Principles presented above. The Revised Proposal would require review and endorsement by the Port Commission, and endorsement by the Board of Supervisors of an early term sheet, prior

to negotiating a Lease Development Disposition Agreement and Lease, which also would require Port Commission and Board approval. The proposed extension periods allow for time for publication of an environmental impact report considering the project, site rezoning and other regulatory actions needed to entitle the project.

In addition to the standard terms of a Port development project ENA, this ENA will address the following milestones for project review:

1. Submit a complete proposal for the project site including master plan level of details regarding development program, height and massing, parking and transportation, phasing subject to the policy framework above and conditions outlined in the principles.
2. Development of a **term sheet** for review and approval by the Port Commission. That term sheet will include at a minimum the following terms:
 - Guaranteed minimum rent, annual increases, percentage rent and Port participation in sale and financing proceeds must be set at fair market value and must comply with the terms indicated in the RFP.
 - Developer will be responsible for all development and operating costs of the project and any land exchange or lease agreement will include provisions to ensure the Port has no ongoing costs from this project in perpetuity.
 - Port interest in the land will not be subordinated to any debt or claim.
 - The transaction documents should include specific requirements for public finance, creating and retaining public parks, open space, active recreation and public parking as permanent conditions of the project.
3. **Public trust study**, per Senate Bill 815 (SB 815), for review by the California State Lands Commission as a condition of securing the ability to develop non-trust uses on SWL 337², evaluate the type and amount of trust land uses included in the development program, and how the development program overall incorporates the waterfront setting and natural public trust features including:
 - Analyzing how SWL 337 development and design reflects public trust needs as specified in SB 815
 - Summary of viable public trust uses for SWL 337
 - Project transportation needs analysis

To verify the financial commitments of the various members of the project team, the Port staff recommends that the Port Commission condition the ENA approval on receipt of all joint venture, partnership or operating agreements among the named entities comprising Seawall Lot 337 Associates, LLC pertaining to this development opportunity.

² See Port website, http://www.sfgov.org/site/uploadedfiles/port/port_commission/StatelandsEvaluationCriteria.pdf for more information on SB 815 public trust study.

RECOMMENDATION

Based on the assessment of the proposal using the RFP evaluation criteria, Port staff recommends that the Port Commission (1) award the SWL 337 development opportunity to Seawall Lot 337 Associates, LLC and (2) authorize exclusive negotiations for a mixed used development project at SWL 337 and Pier 48 with SWL 337 Associates, LLC subject to the Financial and Negotiating Principles shown in Exhibit A.

NEXT STEPS

If the Port Commission chooses to adopt the attached resolution Port staff will negotiate an ENA with Developer for Port Commission approval. Developer acknowledges that further work will be needed to refine a development plan and economic structure that is viable to justify private capital investment, as well as respond to Port economic needs, and public objectives of the City and the general public. The ENA will require Developer to submit a complete master plan submittal and term sheet complying with the Financial and Negotiating Principles shown in Exhibit A. Port staff will negotiate a term sheet complying with the financial principles in Exhibit A. It is expected that a complete proposal and term sheet will be available for Port Commission consideration in early 2010.

ADVISORY PANEL APPRECIATION

Port staff expresses its thanks and appreciation to the SWL 337 Advisory Panel, Port consultants, and City staff for their participation in and support of the Port's evaluation of responses to the RFQ and RFP.

Prepared by: Phil Williamson, Project Manager
Jonathan Stern, Assistant Deputy Director, Waterfront Development
Diane Oshima, Assistant Deputy Director, Waterfront Planning
Lawrence Brown, Financial Analyst

For: Byron Rhett, Deputy Director, Planning & Development

Exhibits

- A. Financial and Negotiating Principles
- B. Location Map
- C. Summary of Proposal
- D. Developer Projections of Port Revenue
- E. Seawall Lot 337 Advisory Panel Report
- F. Consultant Reports (CBRE/Conley, BMS, Nelson Nygaard, MTA, DOE)
- G. Public Comments from February 10, 2009 Port Commission Meeting
- H. Notes from March 11, 2009 CWAG Meeting
- I. Notes from March 18, 2009 Public Workshop
- J. Public Comments to Port's Project Internet Page
- K. Financial Capacity Summary

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

RESOLUTION NO. 09-26

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and
- WHEREAS, The Port Commission adopted the Waterfront Land Use Plan, including the Design Access Element (the "Waterfront Land Use Plan"), in 1997 after a seven year planning process; and
- WHEREAS, The Port owns approximately 16 acres at Seawall Lot 337 (SWL 337) and Pier 48, bounded generally by China Basin, the San Francisco Bay, Mission Rock Street and Third Street, including China Basin Park and a portion of the existing Terry Francois, Jr. Blvd., which together provide short-term parking and ingress and egress serving visitors to the waterfront; and
- WHEREAS, The Port Commission and community have invested significant efforts to plan for the development of SWL 337, which included a community planning process in 2007 as prescribed by the Waterfront Land Use Plan, which was led by the SWL 337 Port Commission Committee composed of then-President Ann Lazarus and then-Vice President Kimberly Brandon and supported by an extraordinary interagency cooperative effort involving staff of the Mayor Gavin Newsom's Office, Redevelopment Agency, Planning Department, and Municipal Transportation Agency, to define development objectives for the site, prior to initiating the development solicitation process; and
- WHEREAS, During this planning effort, the Port and City also worked closely with the California State Lands Commission staff (State Lands) and Senator Carole Migden to sponsor Senate Bill 815 (SB 815), which was signed into law by Governor Arnold Schwarzenegger on October 13, 2007, and provides for a process that allows State Lands to lift public trust use restrictions from SWL 337 and specified other Port seawall lot sites to enable higher economic development and revenue generation, for the purpose of investing in preservation of National Register-listed Port historic resources and the creation of waterfront public open space recognized in San Francisco Bay Conservation and Development Commission (BCDC) plans; and
- WHEREAS, The Development Objectives and Criteria included an option to include Pier 48 in proposals, in recognition of its potential to provide a place for public events and activities adjacent to new waterfront open space, where any use program will still be required to comply with public trust restrictions; and

WHEREAS, The Port Commission recognized SWL 337 to be the Port's most valuable real estate asset and, consistent with SB 815, anticipated that development of this site would generate significant net new revenue to enable the Port to increase its capability to preserve and rehabilitate Port maritime historic resources that are listed on the National Register of Historic Places, and create waterfront public open space that is recognized in BCDC plans; and

WHEREAS, The extraordinary setting of SWL 337 and broader range of developable uses allowed under SB 815 yielded Development Objectives and Criteria that promote a vibrant and unique urban mixed use development that incorporates a public open space program with a substantial increase in shoreline open space; and

WHEREAS, At the direction of the Port Commission, Port staff established the SWL 337 Advisory Panel, made up of seven members with experience in real estate economics, land use planning, environmental issues, architecture/urban design and neighborhood and city-wide interests, to ensure input from community stakeholders in the review of development concepts and proposals for SWL 337 through a two-step Request for Qualifications (RFQ) and Request for Proposals (RFP) developer solicitation process that incorporated the Development Objectives and Criteria; and

WHEREAS, The Port Commission held public hearings on February 26, 2008 and April 22, 2008, to review development concepts of four interested developer teams that submitted timely, complete and responsive submittals in response to the RFQ and, by Resolution No. 08-26, authorized and directed Port staff to issue and invite two of the teams to respond to an RFP, which was issued on May 27, 2008; and

WHEREAS, Members of the two teams notified the Port of their decision to join into one team, called SWL 337 Associates, LLC (Developer), to prepare a response to the RFP. The team requested and was granted four extensions to the original August 2008 RFP submittal deadline and submitted a timely, complete and responsive proposal for the mixed-use development of SWL 337 and Pier 48 on the final RFP submittal deadline of January 15, 2009; and

WHEREAS, The Port Commission has received public presentations and comments on Developer's proposal at the Port Commission meeting of February 10, 2009, and public comments from the Port's Central Waterfront Advisory Group meeting on March 11, 2009, a SWL 337 public workshop on March 18, 2009, and input from citizens through letters and online comments on the Port's SWL 337 webpage; and

WHEREAS Port staff contracted with outside consultants CBRE Consulting/Conley Consulting Group, BMS Design Group, and Nelson/Nygaard, and with staff from the San Francisco Municipal Transportation Agency and the Department of the Environment to provide technical reviews of various elements of the RFP proposal, to supplement the review by Port staff and the SWL 337 Advisory Panel; and

WHEREAS, Port staff finds that SWL 337 Associates, LLC has the qualifications, experience and financial qualifications to undertake the project proposed; and

WHEREAS, The SWL 337 Advisory Panel, Port staff, its consultants, and City staff produced reports documenting their respective reviews, and found that the RFP submittal overall has many strengths that are worthy of consideration, that it responds to the objective of creating a vital urban environment fitting of its special waterfront location and setting, and includes a broad mix of uses to promote enjoyment and appreciation of the City and San Francisco Bay, and thus provides a clear urban framework for development; and

WHEREAS, While the financial proposal does not meet all of the Port's annual rent and other financial criteria established in the SWL 337 Development Objectives and Criteria, Port staff recommends entering into an ENA with Developer which will give the parties the opportunity to assess whether a project can be feasibly developed that meets the Port's financial objectives and provides fair value to both public and private sector participants, presents a financing strategy that would direct SWL 337 tax increment revenues to SWL 337 development instead of other Port capital projects as anticipated in SB 815 and the Port's adopted 10-Year Capital Plan; and

WHEREAS, The SWL 337 Advisory Panel, Port staff and consultants, and City staff recognize the need to anticipate change and to identify the underlying principles that should be used as guideposts to enable the Port and public to evaluate project changes as they evolve, as well as to identify specific tasks and milestones for Developer, which led to the development of "Financial and Negotiating Principles" for any negotiations with Developer, which are attached to this resolution as Exhibit A; and

WHEREAS, The Port Commission has reviewed and evaluated the summaries and analyses of Developer's proposal prepared by Port staff, the SWL 337 Advisory Panel, Port consultants, and City staff, has reviewed the Port staff recommendations set forth in the staff report accompanying this resolution, has considered the public testimony on this matter given to the Port Commission, and the Financial and Negotiating Principles; now therefore be it

RESOLVED, That the Port Commission hereby awards to Developer the opportunity to negotiate for the development of SWL 337 and Pier 48 as a mixed-use development project, and authorizes Port staff to proceed with exclusive negotiations with Developer for a complete master plan proposal for the site, with the understanding that the final terms and conditions of any Exclusive Negotiating Agreement (ENA) negotiated between the Port and Developer must include performance benchmarks consistent with the Financial and Negotiating Principles, and terms and conditions of the ENA as described in the staff report associated with this resolution, all of which will be subject to the further approval of the Port Commission; and be it further

RESOLVED, That the Port Commission reserves the right, if negotiations with Developer are unsuccessful and do not lead to approval of a development agreement, lease and related documents, to undertake other efforts such as issuing a new request for proposals, at the Port Commission's sole discretion; and be it further

RESOLVED, That the award of the opportunity to enter exclusive negotiations does not commit the Port Commission to approval of a final ENA, lease, lease disposition and development agreement, or related documents, and that the Port Commission will not take any discretionary actions committing it to the project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA); and be it further

RESOLVED, That the Port Commission expresses its thanks and appreciation to the SWL 337 Advisory Panel, Port consultants, and City staff for their participation in and support of the Port's evaluation of responses to the RFQ and RFP.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of May 12, 2009.

Secretary

Exhibit A

Financial and Negotiating Principles

Balance Financial Risk and Reward: *Development of SWL 337 should balance the Port's risk related to bonding capacity and balance sheet with revenue associated with ground rent and IFD increment.*

1. The Port should be open to a careful examination of a full range of financing options for development of SWL 337. Any use of public debt instruments, including IFD and CFD bonds or other mechanisms, must be demonstrated to best achieve the Port's interests;
2. Create a structure that provides incentives and guarantees that the developer will complete its obligations in accordance within an appropriate timeframe;
3. Risks to the Port should be carefully balanced against the potential reward from development. Port risk exposure from any use of its balance sheet or bonding capacity should be considered against the Port revenue from ground rent and IFD income. In particular the Port must consider the off site impacts, both positive and negative, of its actions on this property;
4. The substantial Port revenues generated by current uses of the property should be preserved (as interim uses) until they are replaced with higher revenue generating uses consistent with the Port's guiding principles for the site; and
5. Renegotiate existing on-site leases to establish floor for interim revenues.

Financial Transaction Structure: *Development of SWL 337 will be a public private partnership where both parties act to preserve and enhance the value of the asset, with risk, reward and return distributed equitably.*

1. Provide transparency on distribution of risks and rewards between the Port and Developer.
2. The financial returns to both parties should be parallel (not necessarily equivalent), with appropriate incentives for Developer to complete its obligations and create value to the Port.
3. The financial burdens and trust benefits of development (especially infrastructure and open space) should be appropriately distributed amongst the development phases, and not weighted towards the final phase.
4. The Port should participate in the 'upsides', particularly with regard to future increases in the revenue available to support ground rent and infrastructure payments over time.
5. Retail uses at this site should have a parallel land lease burden to retail elsewhere at the Port, with lease participation based on gross sales revenues.

Land Use – Development Program

1. Provide a clear description of the land use and development program, and the proposed uses by block.
2. Provide a clear retail vision for the project, including a description of the character/types (local, regional, visitor-oriented) amounts, and locations of the retail program across the project site.

3. Accelerate phasing of proposed Pier 48 improvements and activities.
4. Increase the program for water-oriented uses in the project (including water access), including clearer definition of locations, amounts, phasing and information on how those uses/programs would be delivered/phased as part of the project.
5. Revise program for incorporating affordable housing within the project that is not concentrated on a specific block which responds to applicable City requirements, defines the type and size of units that would be provided, defines funding sources and amounts of subsidies required to support the program, and provides legal basis for any preferences.

Open Space

1. Revise the development phasing plan to provide in each phase a balanced delivery of public open space with other developed uses.
2. Produce an open space maintenance and operations plan which describes how publicly-accessible parks and open spaces will be managed and funded without Port operating revenues. Include information about the entity/ arrangements to handle these management responsibilities.
3. For open space areas that are proposed for wildlife habitat benefit, provide sufficient information to demonstrate that the design concept incorporates site improvements that will actually be useful to wildlife and/or environmental education.

Neighborhood Character, Historic Resources & City Form

1. Produce a site plan which identifies the locations, heights and building mass dimensions of the proposed development program.
2. Demonstrate that development orientation and design actively contribute to an inviting, pedestrian character of publicly-accessible open spaces, and avoid creating adverse microclimate conditions.
3. Incorporate architectural and urban design treatments in perimeter blocks to acknowledge and relate to the surrounding Mission Bay area, as well as integrate with activities and built elements internal to the project.

Transportation and Parking

1. Produce a TDMP that proactively promotes alternatives to private automobile ownership and use to achieve “low traffic” development which includes:
 - a. formalized mode split performance targets (e.g. vehicle trip reduction, auto vs. non-auto ratios) increased over time, in successive phases;
 - b. staffing and funding to educate users and implement TDMP action plan commitments, tailored to SWL 337 residents, employers/workers and attendees at AT&T Park events;
 - c. measures to improve effectiveness and consistency of transportation demand management programs for entire Mission Bay area by integrating SWL 337 TDMP efforts with those of Mission Bay and UCSF-Mission Bay transportation management programs.

2. Include strategies in the TDMP which create proactive incentives for public transit and alternative travel mode use; and market-based utilization of on-street and off-street project parking (for AT&T event and non-event days).

Sustainability

1. Incorporate site-wide sustainability practices and improvements that capitalize on the large size of the SWL 337 site, in addition to building-specific sustainability measures.
2. Prepare more detailed parking and circulation information accompanying detailed development proposals as they emerge, to develop a model for sustainable transportation operations.

Exhibit B
Location Map

Exhibit C

Seawall Lot 337 RFP Submittal

Development Entity:	
Managing Partners	San Francisco Giants Wilson Meany Sullivan Kenwood Investments The Cordish Company
Capital Partners	Stockbridge Capital Farallon Capital Management, L.L.C.
Project Team:	
Land Use/Urban Designer	SMWM/Perkins & Will Beyer Blinder Belle
Architecture	SMWM/Perkins & Will Beyer Blinder Belle
Landscape Architect	Hargreaves Associates
Civil Engineers	BKF Civil Engineers
Transportation and Parking	Robert L. Harrison Transportation Planning Adavant Consulting Douglas Wright Consulting Messagesmith Strategic Communications Imperial Parking
Legal Counsel	Coblentz, Patch, Duffy & Bass Sheppard Mullin Hampton & Richter
Geotechnical Engineers	Treadwell & Rollo ENGEO
Sustainability Advisors	Atelier Ten
Hazardous Materials Remediation/Environmental	Ash Creek Associates, Inc. Eler Kalinowski
Construction	Hathaway Dinwiddie Nibbi Brothers
Community Relations	San Francisco Giants Wilson Meany Sullivan Kenwood Investments The Cordish Company
Lead Negotiator	Seawall Lot 337 Associates, LLC
Comparable development & construction projects of development entity principals	SF Giants: AT&T Park; China Basin Park Cordish: Ballpark Village, St. Louis, MO; Kansas City Power & Light District Farallon: Mission Bay WMS: The Ferry Building Kenwood: Treasure Island

Project Concept:	
<ul style="list-style-type: none"> Overview 	SWL 337 will feature a major waterfront open space sweeping up from the Bay into a lively mixed-use neighborhood with office, residential, retail and recreational uses. Linking to the streets of Mission Bay, the proposed block pattern of SWL 337 is broken into ten small city blocks to create a pedestrian friendly environment and provide views and paths to the park and water from all directions within and outside the district.
<ul style="list-style-type: none"> Open Space 	8.7 acres of public open space including a 1.5 acre neighborhood square within the core of the development, a 1 acre plaza at the entrance to Pier 48 and a 5.1 acre park directly on the Bay bringing people close to the water through a promenade that extends over the rip-rap and steps leading down to the water and to a kayak launch. Park to be activated by programs for family recreation, gatherings, performances and enjoyment of Bay and China Basin views. Rooftop gardens and playfields, primary streets and sidewalks <u>are in addition</u> to the 8.7 acres.
<ul style="list-style-type: none"> Total Commercial Space 	Retail space: 242,375 sq. ft. Event/Flex space: 181,200 sq. ft. Office: 1,037,400 sq. ft. Residential: 875 units Parking: 2,650 spaces
<ul style="list-style-type: none"> Pier 48 	Front portion of 48A: Restaurant; Front portion of 48B: Retail Central portion of both sheds: Flexible space for events, trade shows, exhibits, festivals with some game day parking. Rear portion of both sheds and connector building: major event and conference center with small café. Renovated pier apron: Maritime operations and vessel berthing, public access, fishing, Bayside History Walk.
Key Financial Terms	
Term	75 Years at SWL 337 A master lease converting to a parcel-by-parcel lease upon commencement of construction on each parcel.
Base Rent – SWL 337	\$6M/Yr. Allocated at commencement of construction for each development parcel.
Base Rent – Pier 48	\$558,868
SWL 337 Construction/Interim Rent	Continued parking revenues (~\$2.8M/Yr.)
Rent Escalations	To be negotiated
Participation Rent	To be negotiated

Public Financing	
Infrastructure Finance District (IFD)/Revenue Bonds	Developer proposed Port issue revenue bonds be backed by a Reimbursement Agreement from the Developer (Paid by CFD taxes on leasehold and IFD) to fund public infrastructure supporting the project.
IFD tax increment to project	Tax increment totaling \$452 million Supporting \$194 million of Port revenue bonds issued from 2013 through 2026 Estimated bonding capacity of \$120 million in 2013 \$s
IFD tax increment to Port	Tax increment totaling \$198 million from 2028 to 2053 Estimated bonding capacity of \$50 million in 2028
Bonding capacity of Base Rent	Currently site rent funds Port operations. If the Port chooses to bond against base rent, estimated bonding capacity of \$45 to \$60 million
Debt Service Coverage	Reimbursement Agreement includes 1.05x coverage
ERAF (state) share of property tax	To Port if State law changes Total increment \$154 million Estimated Port bonding capacity of \$40 million

Exhibit D
Developer Projections of Port Revenue

Exhibit E
Advisory Panel Summary

Exhibit F

Consultant Reports

Insert reports from:

CBRE/CCG

BMS

Nelson Nygaard

MTA

DOE

Exhibit G

Minutes from Developer's Informational Presentation at the February 10, 2009 Port Commission Meeting Including Public Comment

Informational Presentation by Port Staff and the Potential Developer for the 16 Acre Mixed Use Development Opportunity at Seawall Lot 337 (includes AB 8719, Lot 002; AB 9900, Lot 62; AB 9900, Lot 048; and AB 9900, Lot 048H; all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street and Third Street)

Phil Williamson, Port Project Manager, indicated that this is an informational presentation on Seawall Lot 337 mixed-use development opportunity. The potential development team will present an overview of their development concept.

On October 23, 2007, the Commission authorized staff to issue a request for qualifications for the development of Seawall Lot 337 based on objectives and criteria developed through a community planning process. Four teams submitted timely, complete, and responsive development concepts.

The Commission also authorized the Port's Executive Director to convene a Seawall Lot 337 advisory panel representing planning, environmental, economic, urban design and architecture, neighborhood and citywide interests and expertise to review respondent development concepts.

On April 22, 2008, the Port Commission approved the advisory panel's recommendation to invite two of the development teams to respond to a request for proposals. The Commission also authorized issuance of that RFP with revised objectives and criteria.

On August 19, 2008, the two development teams invited to respond to the RFP informed the Port of their intention to combine into a single development entity. The combined developer team requested, and was granted, four extensions of the submittal deadline to the RFP. On January 15, 2009, the Port received an RFP submittal from the combined team comprised of the following partners: San Francisco Giants, Wilson Meany Sullivan, Kenwood Investments, the Cordish Company, Stockbridge Capital, and Farallon Capital Management, LLC.

Today, the team will present its development concept for Seawall Lot 337 which has been posted on our website as well. In order to provide additional opportunity for public comment beyond today, the development team will also present its proposal at a public workshop to be held March 18 at 5 p.m. at the Prologis Exhibit Hall in the Mission Bay neighborhood.

The development proposal will also be reviewed and discussed by the Central Waterfront Advisory Group (CWAG) at their March 2009 meeting. The Port is also seeking public comment on our website on a continuing basis.

The development proposal will undergo review by the Seawall Lot 337 Advisory Panel, many members of which are here today to witness and view the presentation, with assistance from Port staff, city support staff, and independent consultants. The results

of the Advisory Panel evaluation, and a summary of the public comment received, will be presented to the Port Commission at a forthcoming meeting for consideration prior to making a decision on the developer selection.

Darius Anderson, Kenwood Investments, indicated that when they started this process, they were the outsiders and had a long shot. Through the first step, they learned a tremendous amount, and realized through that process that in the collaboration with the Giants, Cordish and Farallon that there would be tremendous synergies and benefits to the Port.

They started several meetings that occurred between them and the Giants. They took the best of both plans, as well as the best that the management teams had to offer, and they will be showing the vision of the combined team.

The six entities represent the best and the brightest in San Francisco and across the country. Many of the things that were said, they heard. They've tried to go ahead and put together a proposal that addressed not only the Port's concerns, but when they attended the Advisory Board and hearings, they learned a tremendous amount of what the community wanted, and tried to address them.

There were originally three members from his team – Kenwood, Wilson Meany and Boston Properties. Boston Properties decided to pull out. They then brought in StockBridge, which is their capital partner with Wilson Meany. Tom Sullivan, the partner from Wilson Meany, will be presenting part of their plan.

Tom Sullivan indicated that they are here today to look forward, forward to a time when the economy is back on its feet, and forward to what will be a time of opportunity for the Port and for Seawall 337. They have the opportunity to design a ballpark district, a new neighborhood that takes advantage of its unique features, the baseball park and the activity it generates in the beautiful waterfront setting.

The site represents future opportunity for jobs and housing for the citizens of San Francisco, and it represents opportunity for future economic returns to the city and to the Port. They believe that the way to take advantage of these future opportunities is to begin taking the steps toward them now so that you're ready before they arrive.

The potential of Seawall 337 does need to be viewed through the lens of the reality on the ground today. It's an unimproved site with poor geotechnical conditions, no infrastructure, no distribution of utilities. Pier 48, while it's in better shape than some other piers, does suffer from deterioration. The physical condition of this site, and the cost, time, and uncertainty involved in the environmental review process means that a significant amount of high-risk capital must be attracted to make development a reality.

They've submitted a proposal that they will present to you today as a roadmap toward that reality. It's a starting point, and they recognize that at this stage there are still many more questions than answers. For example, it hasn't yet been established what level of density is appropriate. Although they've done a great deal of work to this point, there's still much more that must be done to resolve uncertainties and unknowns on many

fronts, including things such as infrastructure costs, geotechnical conditions, soil contamination, perimeter retention measures, and the scope and detail of the public open space program.

The best answers to these questions come only through the commitment of the magnitude of time, energy, creativity, and capital that's necessary for any project of this scope and complexity, and through the active constructive participation of the Port and the community.

What they believe is essential at this point at the outset of the process is that both their development and the Port recognize that the way to make this process and ultimately the end result, namely the entitlement and development of the site, successful is to understand that the effort must be undertaken truly as a partnership, a joint venture of their group and the Port, in mindset, economic structure, and in practice.

From the private side, they bring a very talented team, a willingness to commit their time to this effort rather than some other opportunity in some other place, and the risk capital that will fund the entitlement process. On the public side, they will need the Port to bring its public financing toolkit, the commitment to work with them as they seek the best way to balance competing objectives on the site, and the understanding that the only exercise that will be ultimately productive is one that explicitly acknowledges that the business proposition has to make economic sense.

Finally, it's essential that the deal be structured with an alignment of interests. This means that they will work together to get the project defined and ready. They will make it flexible enough to adapt to future market conditions that are at this point unknowable. They will wait out the market. They will be ready to be highly responsive when the market is there. It also means that our economic fortunes should be linked. They are patient as the market may require, probably will. When the opportunity is there, we will profit together.

They think this site has fantastic potential. It is a remarkable piece of property. The Port has a great opportunity in front of it, and they certainly hope that the Port share their enthusiasm for it. They can't affect how and when the economy will recover, or when the market will need the space that they envision for this site. What they can affect is whether the site is ready to participate and reap the rewards when that time does come, as it will. They look forward to working with the Port staff and the Commission to make it a reality.

Karen Alschuler, SMWM/Perkins & Will Beyer Blinder Belle, indicated that Tom outlined the opportunities and the challenges ahead. They stand ready to meet them and have begun with a set of principles and first concepts for the site which Mary Margaret and she will highlight, focusing on the foundations of their plan, the principles that guide them, and the evolution of the plan since they last talked and learned a lot from everybody in 2008.

Their plan is rooted in the history of the site. They're inspired by the life and activity that was there at one time on this site, and in particular by the transformation that the site

went through most dramatically, turning from Bay to land, and to an economic generator for the city, an economic engine of commerce and exchange. They were inspired by the pattern of development that was on the site, in particular the power of the trains coming in and that north-south organization of the site linking the City to the Bay, to the region, and to the world, as they would like to do in a sense of this century.

They therefore respect the landmarks that embrace this site, Pier 48, the Lefty O'Doul Bridge and the ballpark itself. They will lay a pattern on the site, which means that everyone enjoying the streets and blocks and walking through will have framed views and be encouraged to relate to the landmarks beyond, whether on Channel Street looking across the Bay or looking north to the Bay Bridge, McCovey Cove, and other landmarks in the city.

As a result, they present a plan which is rooted in the principles they've agreed to, which were discussed in the open meetings with the community and the special panel, a set of principles which focus on open access, on invitation, mix and diversity of uses, as well as users who are invited to the site, a lively day-and-night urban life. The principle of engaging the edge is taken very seriously, bringing people to enjoy and understand the importance of the edge throughout the site. They also reach deep into the heart of the site with open space that becomes not just a destination but the glue that ties the various uses together.

They've gone the extra mile and envisioned one last piece of transit that might actually come onto the site, with the possibility, a proposal to bring the E-line through the historic trolley, which could extend through, make a turnaround at Pier 48 as its destination, and therefore link it to the regional system very powerfully. They assured the Port Commission that through their plan and program Pier 48 will be an integral part of this project and very important to its completion and its life.

The result is a vision, the beginnings of their thinking about this plan of walkable blocks, of consistent north-south orientation as there was historically on this site for buildings and blocks, that reinforces the historical form on the site that provides sunny streets and light-filled public spaces and gardens on the site, and that has a fine-grained urban character.

Looking at the drawing, you can see the primarily residential area to the north with low- and mid-rise buildings over retail on each of the blocks, and then, a few finely-scaled higher buildings that forms a crescent and step down toward the water. Further back into this drawing, you can see the beginnings of the very important office program that takes up the southern part of the site and gives a great new edge to 3rd Street, a sense of a great street character for 3rd Street in that location. It's a plan for San Francisco of its time and this place.

Mary Margaret Jones, Hargreaves, indicated that the open space on the site is not just an amenity for this new neighborhood but it is also a part of a network of open spaces. Therefore, it must connect to the open spaces built to the north on the waterfront, to those built to the south, and those built and yet to be built within Mission Bay. It becomes part of this necklace of green spaces around the Bay edge, not the least of which is the Blue Greenway and Bay Trail.

The components of the open space within their vision for this project include soft green spaces that are both waterfront and inland, as Karen described. The promenade, which is a key piece that loops around this site, plazas that activate the edges of these green spaces and activate the streets to make pedestrian-friendly streets, and even roofscapes and smaller-scaled spaces within the project itself.

The focus of the open spaces, of course, is the 100 percent corner, this waterfront park at the very point at which you focus out to the Bay Bridge and to the landmarks beyond. This is scaled appropriately to work on a day-to-day basis, but also to work for events and to be very flexible in its use with its plazas on the edges.

As you walk along the promenade, it's important to think about that experience of being able to actually get to the water's edge, which is a rare experience in San Francisco Bay. The promenade will sometimes swing out over the water, and you'll be aware that you're over water. It will sometimes swing back allowing the terraces that you see in this image to get down to kayaking, to get down and touch the water. The promenade will interact with the wetlands that are actually cleaning the storm water from our site before it enters the Bay.

If you pivot to the right and look toward Pier 48, you see what is currently Terry Francois Boulevard, but they propose it to be, instead a plaza, a place for people, a very active place for bicyclists, pedestrians, kids of all ages, a plaza and gardens that activate the retail edge. In the distance, you see a reinvigorated Pier 48. As you grow closer to Pier 48, you see this idea of a multiuse plaza as something that could help invigorate the uses of Pier 48 and help invigorate the edges of the park, a very important aspect of the way parks work. Its multi-use, and a plaza like this could make that happen. It must work, as Karen said, day and night. This must be a place of life throughout the cycles.

It's also important that that open-space system reach inland. They see the central parks as having the potential to be much more neighborhood-oriented, a place for the people who will be living in this new neighborhood. They see this one as multi-use so that it's surrounded by multi-use buildings on all sides, but also is multi-use within it so that there is retail that is more neighborhood-focused, a place to have coffee on Saturday morning if you live in this neighborhood. You see as their inspiration, the Shake Shack in Madison Square Park in New York, the idea of a more intimate neighborhood-oriented place.

The open spaces have another job to do as well. They must contribute to the sustainability of a site. You see their sort of kit of parts of all the ways they want to use the water on this site sustainably. You can imagine plazas that are both rain gardens as well as porous pavement. They're lively, but they're also doing their job. That would spread to roofscapes, green roofs as well as to the design of the buildings themselves. They envision this as being a very sustainable neighborhood park and place.

Karen Alschuler indicated that the commitment to sustainability is not only in the site and the buildings, but in the operations of the long-term experience and enjoyment of the site. This plan invites many different forms of transportation and is backed up by a

commitment to encourage people to shed their cars and take one of the items on the irresistible menu of alternative access choices that they have on the site.

If you're walking there to the site or within, you can enjoy the small-scaled local streets. If you're coming on your bike as a commuter or as a visitor to the site, you're accommodated and encouraged to use the site. If you arrive by the T- line on the light rail, you are greeted by a gracious new edge on 3rd Street and are invited into the site in several locations.

You may be riding the E-line historic trolley arriving at the site or even coming from the water. In any case, they think their plan will allow people to use the regional transportation system and reduce the number of people who are dependent on cars. Because within five minutes of almost every part of the site, people can get to just about every part of our regional transportation system.

Over the last several months, they focused in on Pier 48 and have begun to have some ideas about how to feature the historic resources while looking for opportunities such as reinventing the idea of the valley and opening up a view to the Bay at the end, such as understanding the ways in which they can open and close the edges of the site, connecting life and activity inside to what's happening where the ferries arrive across from the ballpark, and just making the experience of the edge something which is really dramatically important and available and part of the public trust commitment on the site.

They've also reconsidered and reinvented the retail strategy with a mix of uses that can integrate homegrown businesses and really encourage them to expand on the site, whether it's in many different kinds of tenant spaces that are available through all seasons of the year. Whether it's inspired by the earth, by the sea, or by the hearth, they invite those kinds of activities and uses as part of the mix of retail on the site. This way, it would be a place with no backdoors, but only front door on great streets and public places. This will be a 100 percent corner that realizes the Port's principles and objectives, one of dramatic beauty, history, invention, and open arms to all the users on this site.

Jack Bair, San Francisco Giants, indicated that this is a compelling, dramatic location along the waterfront. Today they have shared their vision for its future, attempting to strike the right balance between the competing interests for this site and achieving the following fundamental objectives set forth in the RFP: a smart mix of uses keeping the district alive and relevant throughout the day and into the evening, a place that actively promotes and features public trust consistent uses, a meaningful and diverse program of open spaces, a transit-oriented district designed also to meet the practical needs both of the site itself and surrounding uses such as the ballpark, an innovative, sustainable project, and a project that generates significant economic benefits to the Port so that the Port can effectively address its critical needs elsewhere along the waterfront.

With current economic conditions, we will have to face down and overcome significant challenges together. The Port, through its sponsorship of state legislation and its considerable public education efforts, has built a strong foundation for this effort. They look forward to working with the Port, the Advisory Panel, the Central Waterfront Advisory Group, the CACs of Rincon Point and Mission Bay, and the neighbors such as

UCSF to achieve their collective goals. Together we can meet the challenge. They have a long history of working well together. Their development team has an established track record of working effectively on projects all along waterfronts, landmarks that have achieved international recognition: Crissy Field, the Ferry Building, and AT&T Park.

The Giants and their partners in this project are dedicated, experienced, and local. They care about doing things right and following through with their commitments. They have the right combination of talents to produce another great legacy for our hometown. They look forward to working together with the Port to get this project underway and to get the job done.

Public Comment

Gabriel Metcalf, executive director of SPUR, urged the Port to move forward with negotiations with this team. From a planning perspective, this is the right set of uses for the site. It's a very ambitious project. Frankly, it's very surprising that they are able to even be moving forward with it as capitalism melts down all around us. We should be so lucky to get this project to happen.

Joe D'Alessandro, president and CEO of the San Francisco Convention and Visitor Bureau, indicated that he is in favor of this project and encouraged the Port Commission to move forward with this project. Travel and tourism is San Francisco's most important industry, even in these tough economic times. His agency is responsible not only for marketing San Francisco, but for making sure that the long-term development of San Francisco continues to make it a competitive city for tourism. They've identified a number of projects that will help do that, including the expansion of the Moscone Center, including the cruise ship terminal. He feels that this piece really fits into the project and the long-term needs of San Francisco. One of the things they've identified as one of the greatest needs is public assembly space and special event space which this city does not have a lot of. This project combines a wonderful new neighborhood in San Francisco, great access to the waterfront, tremendous retail experiences, but also the use of public assembly spaces that is going to be critical for San Francisco's long-term future. He believes that this project is a tremendous one for the long term, a tremendous one for San Francisco, and he encouraged the Port to go forward on it. He believes it will benefit the community and the economy of San Francisco in the long term.

Corinne Woods, a neighbor of Seawall Lot 337 among other things and worked with the Giants for many years, indicated that a lot of the pictures up here emphasized the bayfront park, the park, the big gateway to the Blue Greenway. If you look at the fine details of this proposal, that's not planned until phase three. When you talk about having public assembly space and visitor-attracting uses, we need to make sure that the public open space is done early in the process to make this a little different than just another development. It is a very critical piece. They look forward to negotiating further with the Giants, among other things on the name of the park. They almost lost China Basin Channel. They've lost China Basin Cove. They've lost China Basin Street. She doesn't want to lose the name China Basin Park.

Paul Nixon, one of the directors of the Bay Access, which is the human-powered boat group which is sponsored and advocating for the Bay Water Trail, indicated that this is a marvelous project. The way this comes down to the water, people can actually touch the water, kayaks can get into the water, and it fits in very nice with what they have been building around the southern waterfront for a long time. This was the site in 1873 of the South End Swimming and Rowing Club. They started right where the ballpark is. The Dolphin Rowing and Swimming Club also used this site for rowing in the 1950s. During the 2007 All-Star Game, the whole area was full of kayaks. It's appropriate that we have these kayaks here and that we're looking at the water. This is also a wonderful space for water recreation activities like boat racing and things like that where people can view on both sides of the water. This might be something that also be considered. Both groups had a swimming pool of some type in the original plans, and it doesn't seem to be there now. This area is one of the first areas for bay swimming in San Francisco, and it is actually a place where people do swim occasionally. He congratulated the developers for a fine plan.

Maureen Gaffney, the Association of Bay Area Governments and the San Francisco Bay Trail Project, indicated that the Bay Trail is a planned 500-mile recreational pathway encircling the entire San Francisco Bay, and 300 miles are complete today. Seawall Lot 337 will form a critical piece of the Bay Trail and the Blue Greenway. They appreciate the developer's recognition of their importance. It is their hope that the public access and open spaces can be implemented in the early phases of the project so that residents and visitors can enjoy this spectacular and unique waterfront location as soon as possible. ABAG/San Francisco Bay Trail would like to work with the developer and the Port on this exciting opportunity to implement new trail and access.

Michael Brown, senior field rep for Carpenters Local 22, indicated that they are in favor of this project. They're going to work with the developers to make sure that local union workers work on the project, apprentices and pre-apprentices come to the training and work on these projects. His only regret is that it isn't starting tomorrow, because of the economy. They need a private industry to step forward, because the government is going to take a while to get the funds that they're promising. They would appreciate it if the Port could move this project along.

Ernestine Weiss indicated that she's very proud to see the development of all of this so far. She loves what she sees. It's the right fit, and we should go forward as soon as possible. As the creator of Ferry Park, she's especially interested in open space. She can't wait to see the trails developed and the open space to be used by the people who come here, the tourists, the residents, etc. It's the right mix. It's the right design, and let's go forward. She helped the Giants locate in their unique location on the waterfront. This is another piece of the prize that will benefit San Francisco in the long run.

Dennis McKenzie indicated that he provided the Commission a copy of his proposal to build a joint venture partnership with the City and County of San Francisco, the San Francisco Unified School District, the Port Commission, and the developers to create a basketball education and career pathway arena. The intention of this is to, as the Giants and all the developers have done, instead of competing, they've joined forces to create one team effort. His proposal is to make people aware of the fact that 55,000 public high

school students have no sports pathway. He proposes that as a joint venture, the City, the Port and the developers create a basketball education center with a sports management and facilities pathway arena. The basketball arena would be accessible for all high school students throughout the city, as you can imagine trying to update and modernize the basketball arenas or basketball gymnasiums in all the San Francisco high schools, it would be impossible. This one facility could provide access for all the high schools to meet and join forces and all the resources necessary. The idea of the pathway is to create a basketball arena with classrooms surrounding, and, as an integral part of this facility, to teach the kids all the jobs and careers that are available. They need to learn about what college programs there are available. Through a cooperative venture, he believes the students could have the facility that they much deserve.

Manuel Flores, field representative of Carpenters Local Union 22, echoed Mike Brown's comments that it's too bad we couldn't start this project right away. It would be a shot in the arm for our economy and they really need this. A few of the Carpenters Local 22 members are here. This project will give them a vision and hope for the future because this is what they really need. They look forward for the Port's approval of this project.

Toby Levine, co-chair of the Central Waterfront Advisory Group, indicated that she's excited about this project. They have studied the previous projects very closely. She iterated the importance of what Corinne Woods said, which is that a way, if possible, be found to build in the open spaces and the public amenities earlier rather than later. As a new resident of Mission Bay, she finds that it's a little lonely in some cases being in the middle of a building in the middle of an area where there's nothing around it, and you're just kind of out there. There are at least two examples of that in Mission Bay. Eventually there will be more. It's very important that the open space and the other amenities be brought in early if you really want to have a successful project.

Louise Williams, Local 22 carpenter, indicated that she really supports this project.

Commissioner Michael Hardeman indicated that the project looks outstanding. It's wonderful to see the graphics that were presented and some of the verbiage passed on by the proposed developers. He certainly concurs with the speakers that are looking for work. They're certainly going to need it this year the way things are going. It's a tragedy that the Commission couldn't vote on this today and decide whether to move it along because there are many hoops to go through. The project looks very nice on its surface. He thanked all the presenters for an outstanding job.

Commissioner Stephanie Shakofsky, seconded Commissioner Hardeman's remarks. She's very excited by what was presented today and looks forward to a full partnership with the Port and the developers. She looks forward to working with the developers as we move forward in these rather tentative economic times but continue to move forward with the idea that we will see better times.

Commissioner Kimberly Brandon reiterated her fellow Commissioners' comments. She thanked the developers for still thinking about proceeding with this project during these hard economic times. She looks forward to the Advisory Committee looking over the

project and getting more into the specifics in how the project will be developed and how the Port will partner with this project. She wished the developers the best of luck.

Commissioner Ann Lazarus added her thanks for the combined effort. She's a big believer in collaboration, so it's great to see that so many of the developers were able to come together and give the Commission a vision of what the lot might look like. She hearkens back to the earlier item about capital planning and capital needs for the Port. The Port envisions this project as in many ways not only being a financial engine for that part of the city, but as another tool in our quiver for how we're going to rehabilitate our waterfront. The Commission looks forward to working out those details so it's a classic win-win for everybody.

Commissioner Rodney Fong indicated that the word dramatic was used during the presentation and he thinks the photos are at least in the scale of this thing. He happened to show some of the photos to a very young San Francisco resident who was amazed by the Photoshop that was done there but it is spectacular. He was also impressed, in reading through the material, the proposed 875 residential units and the 4,700 jobs that will be created. That equates to a 9 percent increase in jobs in San Francisco and that's quite phenomenal. Joe D'Allesandro spoke about Pier 48 and the need for more event space. When Oracle came into town, they needed to block off space. There's really a need to have additional event space. To piggyback on Corinne's comment about the historic value of China Basin, China Basin did hold a lot of the Chinese clipper ships, giant clipper ships that brought a lot of Chinese labor into America to work on the gold mine as well as the railroad. He thinks that would be well served if we can preserve the history of China Basin. Mr. Sullivan referred to the Port's financial toolkit. He's not sure if our toolkit is a small bag or a tool locker, but he looks forward to discussing this issue further. Commissioner Fong indicated that he is a little bit concern about the two means of egress onto the site, the Lefty O'Doul Bridge and the 4th Street Bridge and would like to talk further about bringing more people from the northern part of the city towards the project site. He thinks the project is spectacular. They all look forward to moving forward with this project.

Exhibit H

Notes from March 11, 2009 Meeting of the Central Waterfront Advisory Group

The CWAG chair, Toby Levine, led a discussion of CWAG's comments on the following topics pertaining to the SWL 337 RFP Submittal. The developer team's responses are included.

Pier 48 Comments

- Is 48.5 marginal wharf in the project?
 - Per RFP, this area not included in project.
- Will the valley be opened at the east end?
 - There are no plans to remove the connector shed but the exterior, bayside wall may be sheathed in glass to create a more attractive exhibit/entertainment venue.
- Liked proposed flexible use of the space.
- Keep maritime uses at Pier 48, if possible.
- Can a boating/swimming club be considered as a possible use?
 - Developer has not looked at this idea.
- Why don't major improvements occur until Phase 4?
 - The high apron repair costs necessitate putting off major improvements until the project is generating significant revenues.

Open Space

- Are proposed bike lanes Class 1?
 - They are being considered.
- Bicyclists should be clearly separated from pedestrians.
 - Developer is working on design ideas to accomplish this.
- Like inclusion of wetlands and wildlife habitat.
- Like raised promenade over the rip-rap and blending of built form vs. natural form along the project's north edge.
- Like the pedestrian link between 3rd Street/Lefty O'Doul Bridge and Pier 48".
- Would like to see industrial aesthetic of Lefty O'Doul Bridge carried into the design elements of SWL 337.
- Liked the taller buildings as departure from uniform height of Mission Bay
- Liked wetland features especially as haven for birds and handling stormwater.

Water Access

- Recommendation to confirm existing currents when planning landing docks, launch areas.
- What happened to the floating swimming pool from RFQ phase?
 - This was analyzed and deemed to costly given the project's overall goals including revenue generation for the Port.
- Note that any stairs subject to tidal action would likely become slippery and unusable.

- Developer aware of this issue, looking at workable, safe designs for water access.
- Request for water dock/platform to encourage boat racing in McCovey Cove/China Basin.
- Request for swimmer dock/platform and dedicated swimming area in McCovey Cove/China Basin.
- Note that winter storms can damage docks/platforms/gangways and that developer should consider designing facilities for seasonal removal.

Urban Design

- Developer should consider impact and viability of proposed SWL 337 retail in light of possible competition/dilution from nearby King Street and proposed 4th Street retail corridors.
 - Developer is aware of this issue and believes an active, pedestrian, more intimate retail street is especially needed in the Mission Bay area.
- Like that tall buildings have been moved towards center of site.
- How will 3rd Street look at build out?
- Concern that project's Third Street frontage may wall off site.
 - Developer acknowledged they are working on this issue.
- Prefer that 3rd Street have distinct appearance especially in comparison to King Street.
- Liked openness and reduced height of built form adjacent to north open space.
- Request for more views of site from different angles, especially from 3rd Street.
- What are project heights and density?
- General comment that heights are OK, but need variation, street level articulation, varied setbacks and careful siting to avoid creating urban canyons.
 - Developer noted that heights in their proposal are conceptual and that they are still working on finding feasible, efficient balance between height and bulk. Developer acknowledged that Mission Bay's uniformity is not desirable at SWL 337 and that public input is helpful in determining how the final project will work.
- Request for street and sidewalk dimensions.

Uses

- Need for children/family friendly features such as tot lots, day care centers.
- Liked siting of residential away from Pier 50's light industrial uses.
- Liked screening/buffering of parking garage.
- Request to design parking aesthetically pleasing parking garages.
- Are entertainment uses still proposed?
 - Developer considers Pier 48 a likely entertainment venue. Also the large park would be programmed for outdoor events. The stand alone entertainment venue in the RFQ proposal was deemed too costly given the project's overall goals including generating revenues for the Port.
- Has developer considered SWL 337 as a location for the proposed Fisher Museum?
 - No.
- Does project include public basketball courts? Tennis courts?

- No.
- Has developer considered building a permanent recreation facility?
 - No.
- Developer should consider combining water-based recreation with other recreation uses.
- Developer should have many street level building entrances to enhance project's human scale.

Car Storage

- Phasing of garage needs further consideration especially as current available street parking is absorbed by Mission Bay construction.
- Concerns that parking disruption from SWL 337 construction will have negative impact on surrounding neighborhood.
 - Developer is aware of this concern and has developed a mathematical formula to determine when site development displaces surface parking to the point where the garage is needed to minimize impacts to the surrounding area.

Additional Comments

- Liked the intimate scale and fine grain shown in the proposal and encouraged by the overall project direction.
- More discussion needed on the proposed project phasing.
- Request that significant open space development occur with aggressive linkage to vertical development.
- The proposed E-line is a neat idea but not at the expense of the planned turn around loop at Pier 70.
 - Developer believes the Pier 70 and SWL 337 turn-arounds are not necessarily mutually exclusive. Developer will continue to work on the possibility of bringing the historic street cars from their planned terminus at the Cal Train depot to SWL 337.

Exhibit I

Notes from March 18, 2009 Public Workshop

LAND USE ISSUES

- Need for sports and recreation space to meet school sports/recreational needs
- Need to include rowing and water recreation – especially recognizing South End Rowing Club started here
 - Pier 48 provides opportunities for this
- What are the current uses at Pier 48 and 50?
 - 50: Port Maintenance: light industrial (also at Pier 48.5)
 - 48: Parking overflow, Department of Elections
 - Developer sees Pier 48 as great location for events, festivals, as reflected in proposal
 - Recognize trust requirements
 - Also recognize its historic value
 - Shed C at east end allows design flexibility
- Regarding Las Ramblas – What’s the draw of the retail for locals?
 - Ferry Building Market is great, but I don’t buy
 - King Street has lots of chains (though Safeway works well)
 - The retail program is not set, but intent is to attract retail services indigenous to San Francisco residents. It’s not assumed to be an economic driver.
- Phasing of development needs to clearly show what increment of public benefit is delivered along with the economic uses.

OPEN SPACE ISSUES

- Where is the wetlands? What is its characteristic?
 - wetland concept is not set, but is conceived as edge treatment to park and also meet storm water management needs. What is timeline for development of the Mission Rock Park?
 - timing is dependent on market... RFP proposal has a time table: Phase 3 9-10 years out
 - there are competing public interests and balancing to ultimately determine time/phasing
 - each development phase will include appropriate amount of open space
 - Existing China Basin Park is still a current amendment
- Would south edge of Mission Rock Park be altered?
 - Park assumes coverage of rip rap, but not cantilevered structure

ECONOMIC ISSUES

- What are the financial benefits the Port seeks?
 - \$6 million lease revenue
 - Tax revenues after payoff of infrastructure development costs
 - (Port would not have tax increment without development)

- Port will have complete financial analysis in May
- What is your management philosophy to manage this public-private partnership?
 - Treasure Island, Bay Meadows are similar complex public private projects
 - Lots of attention in physical development to create character and quality
 - Wilson Meany Sullivan and Kenwood is local and management partner address local issues
 - Kenwood – Legislative assistance
 - Cordish – Strategic overall management
 - Giants – knows the neighborhood; needs patterns to integrate into project or its management
 - transportation issues
- Is Pier 48 buildable? (Compared to Pier 15/17 Exploratorium which requires rent credits)
 - Pier 48 underwent substantial fire damage repairs, seismic repairs
- As a taxpayer, Port project make \$\$ for the public. Concerned about financial productivity

NEIGHBORHOOD CHARACTER, HISTORIC RESOURCES AND CITY FORM ISSUES

- More connection needed to south (Bayfront Park, Agua Vista Open Space network, Terry Francois Boulevard)
 - good point, connection to Bayfront is intended
- Development's orientation is to the north, back to residential to the south
- More character for Las Ramblas
- What are the heights, densities?
 - height/densities are evolving

SUSTAINABILITY ISSUES

Sustainability/wind towers may not be friendly to birds.

Public Workshop Speaker Card Notes

Name: Kit

Email address (to be notified of future meetings): jmail94133@yahoo.com

Please write your question/comment for Port meeting notes:

1. Encourage making Terry Francois to be wider and grander. This would help 18-wheeler maneuver in to Pier. Too narrow right now.
2. Like to see stronger connection with necklaces of park on the south side of Pier 18, Pier 19, Bayfront Park and Aqua Vista with Seawall 337 green space. Line of trees too faint of a connect right now.

Name: Bill Brase (BRAW zee)

Email address (to be notified of future meetings): willi2web@comcast.net

Please write your question/comment for Port meeting notes:

Doesn't take into account... neighbors to the South
Height limits? – Looking too high

Name: Dennis MacKenzie

Email address (to be notified of future meetings): DennisMacKenzie@RoundTheDiamond.com

Please write your question/comment for Port meeting notes:

Proposal to include a “Basketball Education and corner Pathway Arena” and SF Public High School “Sports Management Pathway”

Name: Fred Sherman

Email address (to be notified of future meetings): AnswersYes@gmail.com

Please write your question/comment for Port meeting notes:

What specific financial benefits does the Port anticipate from the development of SWL 337?
(\$60 million/year income plus and increment of tax revenue were mentioned)

Name: Ted Choi

Email address (to be notified of future meetings):

Please write your question/comment for Port meeting notes:

What's the timeline for waterfront park's completion?

Name: Noreen Weeden

Email address (to be notified of future meetings): nweeden@goldengateaudubon.org

Please write your question/comment for Port meeting notes:

Wetland area?
Bird-friendly design?

Name: Susan Phelan

Email address (to be notified of future meetings):

Please write your question/comment for Port meeting notes:

1. Buildability of Pier 48 (i.e. compared to pier that Exploratorium banned)
 2. What are you going to do to attract non-chain stores to Ramblas?
-

Name: Joe Boss

Email address (to be notified of future meetings): Joeboss@Joeboss.com

Please write your question/comment for Port meeting notes:

Is the south edge of the channel altered?

Name: Gail Brownell

Email address (to be notified of future meetings): gailbrownell@gmail.com

Please write your question/comment for Port meeting notes:

Rowing – water and history

South End Rowing was once at 3rd & Berry

Additional comment:

Love the “touch the water” and the connection to history.

South End Rowing Club was once located at 3rd & Berry. Can you consider a rowing club, which needs a large building near the water* and low docks for launching.

* To store long 8 person crew boats and smaller, plus equipment cleaning and changing – ideally a rowing machine and weight room.

A high school rowing program would benefit schools and others. Adult program bring recreation, water use and support for waterfront.

Exhibit J
Public Comment Submitted to Port's Project Internet Page

Exhibit K
Developer Responses to Advisory Panel's Clarifying
Questions