



July 23, 2015

Mr. John Arntz  
Director of Elections  
Department of Elections  
City & County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 48  
San Francisco, CA 94102

VIA INTERDEPARTMENTAL MAIL AND  
VIA ELECTRONIC MAIL TO: [barbara.carr@sfgov.org](mailto:barbara.carr@sfgov.org)

**RE: Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative – November 2015 Ballot**

Dear Director Arntz:

I write in response to your request for the Port of San Francisco's analysis of the measure titled, "Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative," slated for consideration at the November 3, 2015 election.

*Background*

Seawall Lot (SWL) 337 and Pier 48 comprise the majority of an approximately 28 acre site located south of AT&T Park across China Basin Channel. The site is known as Mission Rock and is bounded to the north by China Basin Channel, west by Third Street, east by Piers 48 and 50, and south by Mission Rock Street, as shown on Exhibit A.

The Mission Rock project has been the subject of more than 50 public meetings during the past 7½ years. The Port initiated a public planning process in 2007 to establish a land use framework for the Seawall Lot 337 and Pier 48 sites, consistent with the requirements of SB 815 (state legislation that authorized the mixed use development of the site). The planning process for the site included: 1) an 18-month planning phase in which Port staff and Commissioners directly solicited planning and use ideas from neighbors and stakeholders; 2) an 8-month RFQ phase when the Port solicited development concepts and engaged in public review and dialogue about the submittals; 3) a 13-month RFP phase when the Port received development proposals and solicited public comments; and 4) a 5-year project predevelopment phase which is still ongoing and includes public input through outreach to neighborhood groups, regular updates to the Port's advisory groups, as well as public hearings at the Port Commission and Board of Supervisors. This process has resulted in a stable development proposal that is consistent with public input from the 2007 planning process.

*Project Term Sheet*

Since executing an Exclusive Negotiation Agreement ("ENA") in September 2010 for the development of Mission Rock, Seawall Lot 337 Associates, LLC ("Developer"), Port and City

staff have negotiated a non-binding term sheet (the "Term Sheet") with proposed financial terms for the lease and development of the Site (the "Project"). The Port Commission<sup>1</sup> and Board of Supervisors each unanimously endorsed the Term Sheet in the spring of 2013.

As described in the Term Sheet, the Port and Developer have proposed a mixed-use neighborhood at SWL 337 with appropriate height and density to create a vibrant, walkable neighborhood with new parks and public spaces. Under the Term Sheet, the Developer will build horizontal infrastructure including parks, streets and utilities using its own capital, and the Port will use its land value, property tax increment from an Infrastructure Financing District and Mello Roos taxes to acquire the infrastructure from the Developer and pay a fair market return. The Port will receive the remaining fair market value of its land in the form of annual ground rent and participation rent.

### *Land Use Program*

Developer will create a new mixed-use neighborhood linking Mission Bay to the urban fabric of the City by dividing SWL 337 into 11 buildable parcels, 10 of which would be developed as a mix of commercial/office, retail, and residential uses. The 11<sup>th</sup> parcel will hold structured parking to serve new development and other nearby uses, including games and other events at AT&T Ballpark. The parties anticipate that the Project will continue to evolve through modifications made through the CEQA, the public review processes and, with regard to the final mix of commercial and residential uses, to market demands.

The development program at the time of Term Sheet endorsement included:

- Up to 1,500 housing units, with 15% of these units to be delivered as on-site affordable housing at 55% AMI;
- up to 1.3 million gross square feet of Class A office and R&D space (which could be reduced to accommodate more residential);
- 160,000 GSF of retail and arts and innovation/light production/maker space;
- rehabilitation of Pier 48 consistent with Secretary of the Interior Standards for Treatment of Historic Properties;
- 7+ acres of parks and recreation space; and
- 2800 on-site parking spaces

When the Term Sheet was endorsed by the Port Commission and the Board of Supervisors in mid-2013, Developer and City staff proposed heights for the site, subject to environmental review under CEQA and further urban design analysis, of up to 380 feet for one of the parcels. City staff was persuaded that the site was large enough to accommodate some height in appropriate areas. The current height limit for buildings on the site is one story at SWL 337 and 40 feet at Pier 48.

Developer and the Port will establish the development parameters for the Project through a Special Use District ("SUD"), which will be incorporated into the City's zoning code after environmental review is complete and the Project has been approved by appropriate Port Commission, Planning Commission, Board of Supervisors, and other regulatory actions. SWL 337 is currently zoned MB-OS (Mission Bay Open Space), and Pier 48 is zoned M-2 (Heavy Industrial).

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<sup>1</sup> A copy of the Term Sheet and the Port's staff report describing the Term Sheet can be found at:

[http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/committees/materials/bf050813\\_130286.pdf](http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/committees/materials/bf050813_130286.pdf)

A key element of the design proposal for the Project is a flexibility to respond to future real estate market demands while still upholding the objective of creating an authentic mix of uses. In the SUD legislation, certain parcels will be “fixed” as residential, certain will be commercial, and others will allow some later determination as to product type.

Developer will implement a Sustainability Plan that will provide a comprehensive strategy to achieve the Project goal of becoming a model of sustainability by exhibiting the concepts and practices of sustainable community development throughout the development process. Developer will collaborate with the City and the Port, specifically, the Department of the Environment, the Planning Department, and the Port Planning Division, to develop the Sustainability Plan.

Developer and the City and Port will develop an integrated plan that identifies measurable goals, standards, and performance metrics. This Eco-District Sustainability Plan will be included in the Disposition and Development Agreement. Multiple sustainable Site strategies will be considered from the outset of horizontal development to enable vertical development design proposals to exceed compliance with Port Building Code requirements and achieve Project goals for integrated sustainable design and a low carbon community.

#### *Statutory, Regulatory and Plan Amendments*

##### State Lands Commission

The Port must obtain the State Lands Commission’s (“State Lands”) prior approval of (a) the conclusions of a Port study on the retention of trust uses (including public parks and walkways, restaurants, hotels, maritime training, sales, and rentals, and waterfront visitor-serving retail services) at SWL 337, (b) the location of trust uses at SWL 337 and Pier 48, and (c) the transportation needs of the ballpark, and trust uses on nearby Port property.

State Lands must find that all non-trust leases are executed at fair market value, consistent with the trust (other than land use restrictions), and otherwise in the best interests of the State. In addition, staff will work with State Lands to obtain legislation for a technical amendment to SB 815 to add as eligible an approximately 20 foot wide strip along the southern edge of SWL 337. This area currently does not have relief from the trust use restrictions in SB 815. To the extent necessary and after further consultation with staff of the State Lands and Developer, the Port may seek other technical amendments to the Burton Act and other state legislation.

#### *Proposition B – Voter Approval for Waterfront Development Height Increases*

In June, 2013, San Francisco voters adopted Proposition B, a measure that prevents City staff or officers from taking action to permit development on Port property that would exceed waterfront height limits in effect as of January 1, 2014, unless voters approve the proposed increase in height for such proposed development. The measure requires the ballot language for future initiative ordinances to specify both the existing and proposed height limits.

In July 2014, the California State Lands Commission filed a lawsuit against the City and County of San Francisco challenging the validity of Proposition B and requesting that the court enjoin San Francisco from enforcing Proposition B. The lawsuit argues that Proposition B is invalid because it specifically targets State-owned tide and submerged lands over which the State Legislature has expressly precluded the right of local initiatives. The lawsuit also argues that Proposition B is invalid because under the 1968 Burton Act and Transfer Agreement, when the State of California conveyed the Port lands to the City to manage on behalf of the people of

California, the State, exclusively delegated administration of the Port lands to the Port Commission and not to the City or its electorate. The San Francisco City Attorney is defending Proposition B from this legal challenge.

This analysis does not address the validity of Proposition B, the California State Lands Commission lawsuit challenging Proposition B or the potential impact of the lawsuit on the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative ballot measure.

*Proposed Measure – Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative*

Developer has proposed a ballot measure that would increase the height limit on up to 10 acres in Mission Rock other than Pier 48 so that: buildings along Terry Francois Boulevard would have a 120 foot height limit with building frontages of no more than 40 feet and uses above 90 feet limited to residential, restaurant or retail; three of the proposed buildings on the site would have a 240 foot height limit with uses above 190 feet limited to residential, restaurant or retail; and buildings on the rest of the 10 acres would be allowed heights up to 190 feet.

Development on the site will continue to be subject to public approval processes, including environmental review pursuant to CEQA. The height limit increase would not become effective until the Port, after compliance with CEQA, approves the development plan as consistent with the public trust and the state trust legislation. The proposed height increase, if adopted by voters, could be used for any future development at the Seawall Lot 337 site, whether that development is built by Developer or another developer.

The proposed measure includes the following non-binding policies to guide development of the site:

- Create approximately 8 acres of parks, open spaces and recreational opportunities;
- Build approximately 1,000 to 1,950 new residential units, with the majority available for rent and 33% affordable for middle-and low-income households;
- Rehabilitate, restore and renovate Pier 48 to historic standards;
- Create space for restaurants, retail, commercial, production, manufacturing, artist studio, small business, non-profit and neighborhood services uses;
- Create 3,100 parking spaces, including an above ground structure with up to 2,300 spaces to replace the parking spaces currently on the site; and
- Build up to 1.3 million gross square feet of Class A office and R&D space (which could be reduced to accommodate more residential)

*Analysis*

**Mix of Land Uses** The mix of land uses and density proposed by Developer in the measure is consistent with the development program negotiated with City staff during the ENA period and presented during the public process that led to a Term Sheet endorsed by the Port Commission and the Board of Supervisors. Two exceptions are: 1) the increased number of residential units due to the addition of a third residential tower based on design feedback and direction from the City Planning Department and 2) an increase in parking spaces of 500 spaces.

**Height**

Having up to three tall slender towers in the proposed project is consistent with the vision statement created through the public outreach process for this site. Building heights for the remaining parcels are consistent with the tallest existing and proposed buildings at the adjacent Mission Bay parcels, but will be 140 feet lower than the maximum height envisioned by the Term Sheet.

**Affordable Housing**

The increase in the target percentage of housing affordable to middle and low-income residents from 15% (at Term Sheet) to 33% is consistent with Citywide policy direction from Mayor Ed Lee. The San Francisco Giants have subsequently negotiated an agreement with several members of the Board of Supervisors to increase this percentage to 40%. If the measure passes, the Port and Developer would likely have to gain the approval of the California State Lands Commission to increase affordable housing production at the site. In the view of Port staff, there is a strong policy rationale for increasing affordable housing at the site, because the Term Sheet endorsed by the Board of Supervisors envisions that the City would use Infrastructure Financing District tax increment to fund project streets, utilities and parks – a major investment in the waterfront that should enable the City to shape the development to meet local policy goals like affordable housing.

With the exception of an increased number of affordable housing units, the development program is consistent with that from the Term Sheet development program. The initiative proposes funding the increased cost of these affordable housing units by directing project-generated Jobs Housing Linkage Fees be used on-site so that the impact of greater affordable housing requirements on the Port's land value is mitigated. Port staff does expect that the affordable housing requirements will still reduce Port land value compared to the Term Sheet requirements, but the policy goal of developing an affordable, mixed use neighborhood outweighs this consideration.

*Conclusion*

Port staff hopes that the above information is useful to the Ballot Simplification Committee. Port staff will be present to answer any further questions at its meeting on July 27, 2015. Should you require any further information, or have any questions, please do not hesitate to contact me.

Thank you for your attention to this matter.

Sincerely,

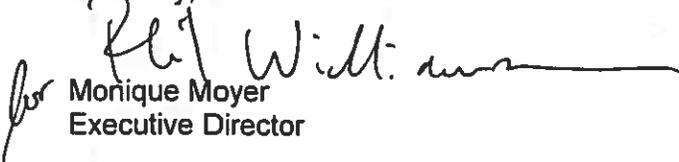
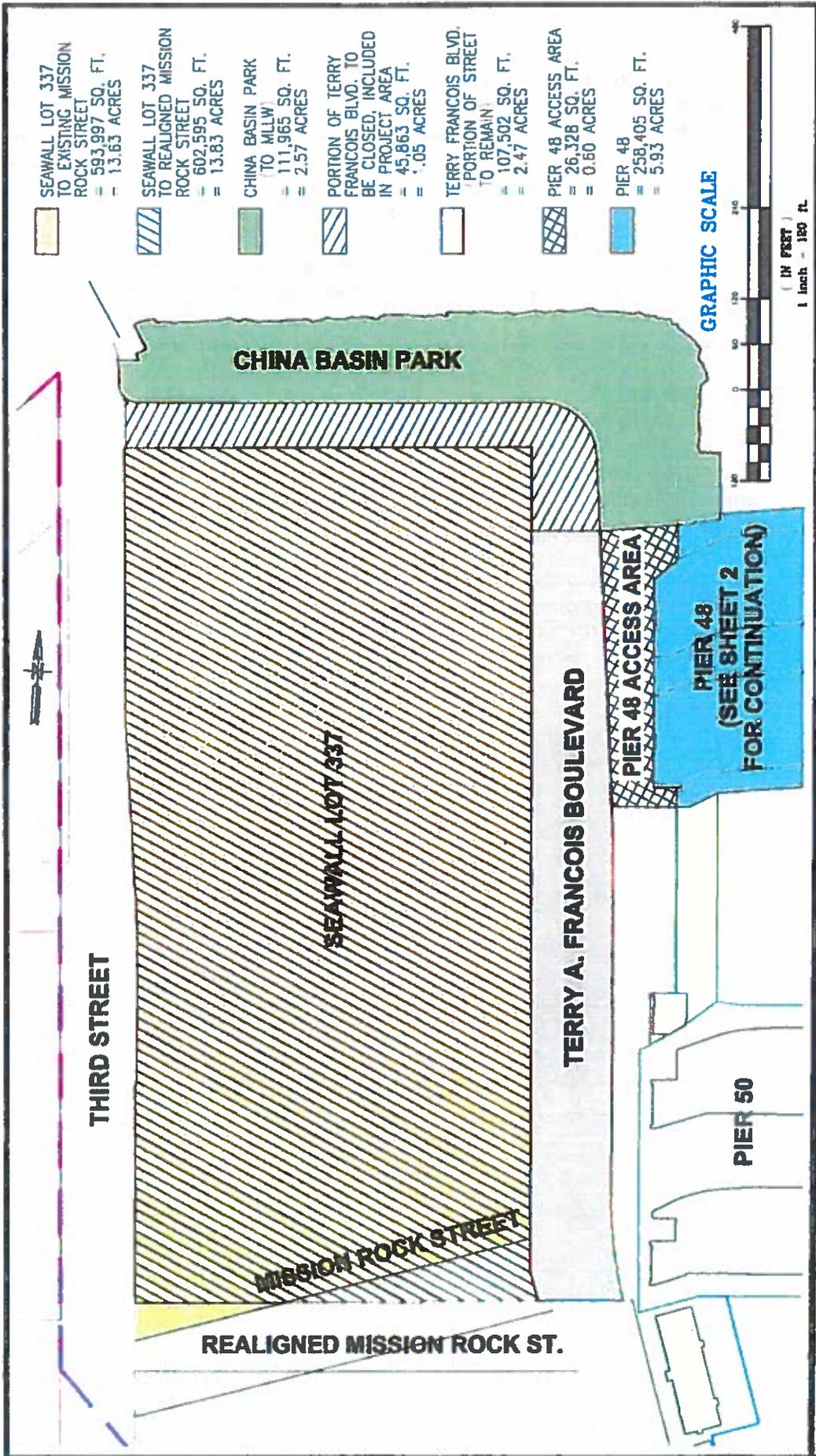
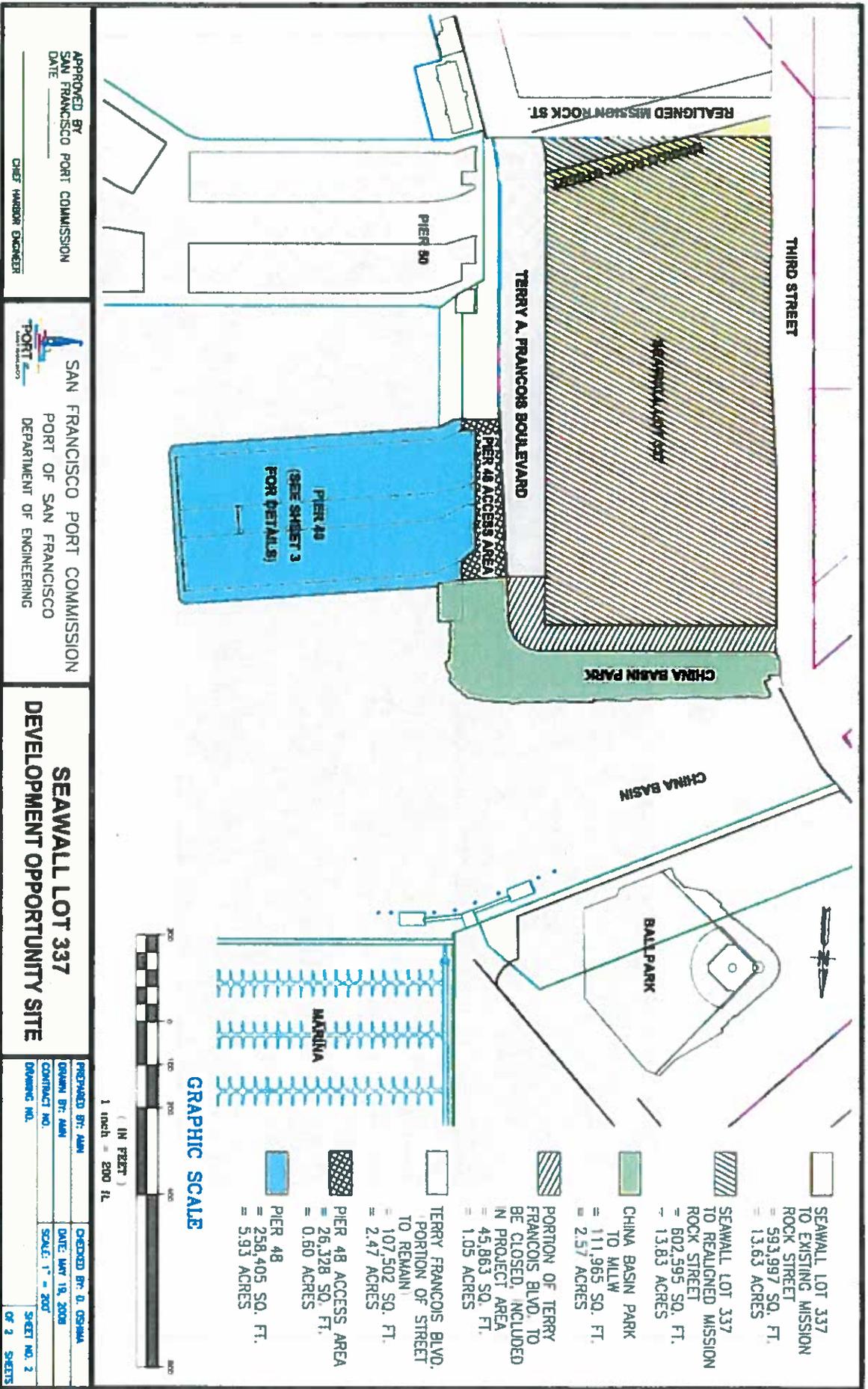
  
for Monique Moyer  
Executive Director

Exhibit A: Site Map



APPROVED BY SAN FRANCISCO PORT COMMISSION DATE _____ _____ CHIEF HARBOR ENGINEER	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	<b>SEAWALL LOT 337</b> <b>DEVELOPMENT OPPORTUNITY SITE</b>	PREPARED BY: AMN CHECKED BY: D. OSHIMA DRAWN BY: AMN DATE: MAY 18, 2008 CONTRACT NO. SCALE: 1" = 120' SHEET NO. 1 OF 2 SHEETS
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EXP. DATE: 05/18/2008



APPROVED BY  
SAN FRANCISCO PORT COMMISSION  
DATE \_\_\_\_\_  
CHIEF HARBOR ENGINEER

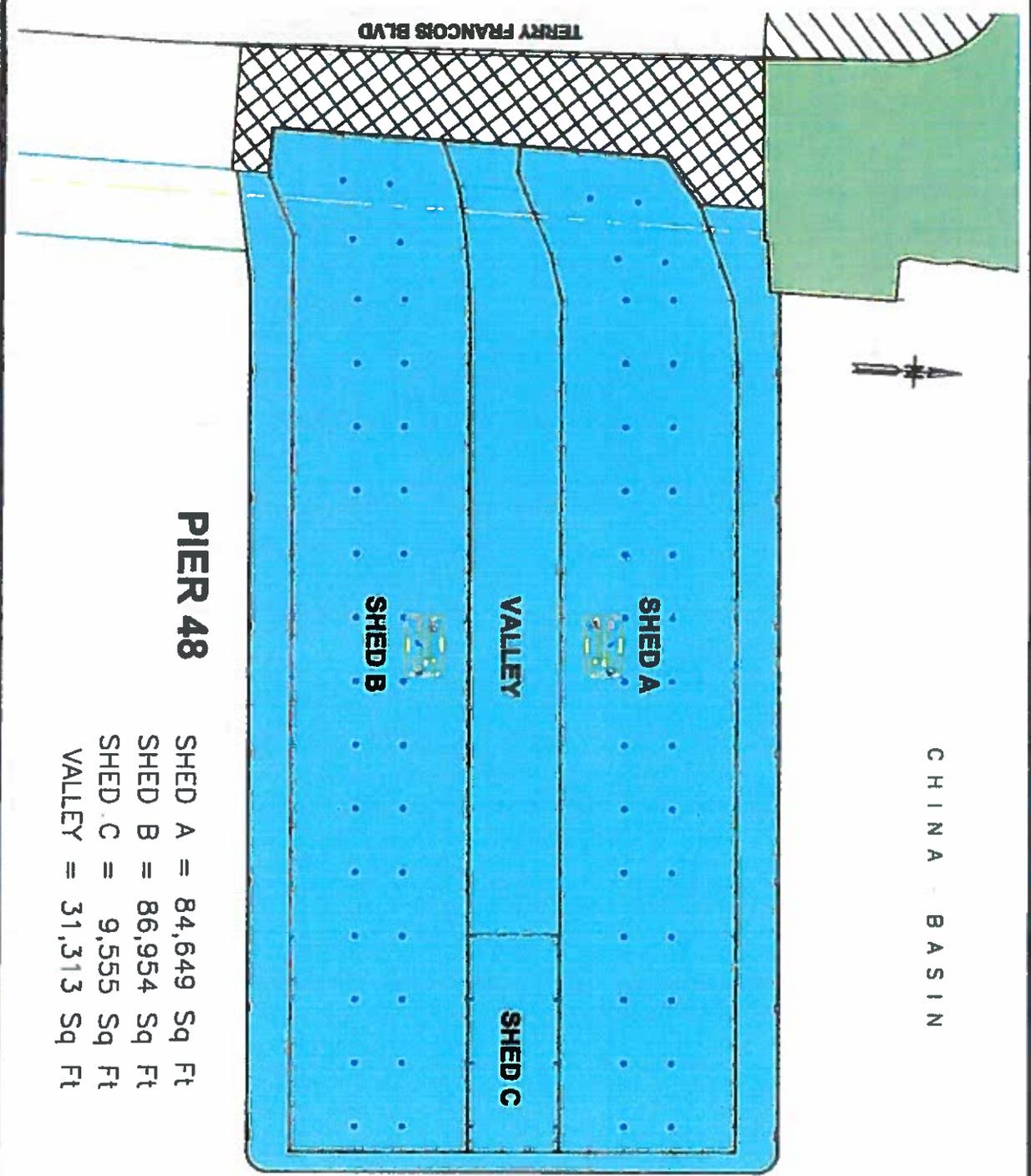
SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
DEPARTMENT OF ENGINEERING

**SEAWALL LOT 337  
DEVELOPMENT OPPORTUNITY SITE**

PREPARED BY: AMM	CHECKED BY: D. OSWALD
DRAWN BY: AMM	DATE: MAY 19, 2008
CONTRACT NO.	SCALE: 1" = 200'
DRAWING NO.	SHEET NO. 2 OF 2 SHEETS

6197 SW/10/08/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/100

EXHIBIT A



CHINA BASIN

SAN FRANCISCO BAY

TERRY FRANCOIS BLVD

**PIER 48**

- SHED A = 84,649 Sq Ft
- SHED B = 86,954 Sq Ft
- SHED C = 9,555 Sq Ft
- VALLEY = 31,313 Sq Ft

APPROVED BY SAN FRANCISCO PORT COMMISSION DATE _____ CHIEF MARINE ENGINEER		SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING		SEAWALL LOT 337 DEVELOPMENT OPPORTUNITY SITE PIER 48 DETAILS		DRAWN BY: EDC CHECKED BY: D. OSWALD PLACE CODE NO. 1480-00	DATE: MAY 19, 2008 SCALE: 1" = 100' SHEET NO. 3 OF 3 SHEETS
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EXHIBIT A

6:47 2007/05/19 14:00:00 1480-00 3 OF 3 SHEETS