



April 26, 2023

Dear Honorable Mayor London N. Breed:

The Port of San Francisco (Port) has a long history and demonstrated record of providing exceptional waterfront communities that include more housing and thousands of units of affordable homes for our City's residents. As San Franciscans face continued housing unaffordability, the Port looks forward to working collaboratively with the Mayor's Office and City departments to tackle the crisis.

The Port is already rising to the challenge of meeting your larger strategy to build housing necessary for people to be able to afford to live and work in the City. The Port is meeting and exceeding your earnest commitment to expedite housing delivery for the City and County of San Francisco.

The Port is proud to submit this Housing Delivery Performance Assessment and Improvement Plan in response to the Mayoral Executive Directive 23-01, Housing for All (Plan). The Plan reflects that the Port understands our City faces a housing crisis and underscores the commitment to collaboratively unlocking our housing pipeline and accelerating the approval of all types of new housing, ultimately delivering over 80,000 homes in the coming years for our City and its residents. Moreover, the Plan reflects the motivation to complement our waterfront's rich maritime history by planning and facilitating the construction of thousands of housing units that seamlessly blend along our working waterfront.

The Port has and will continue to deliver on the commitment to more housing for the City and continues to set the bar high for the City's future developments. In fact, last year, City leadership including yourself and members of our Board of Supervisors welcomed 125 new families to a prime waterfront location at Broadway and Davis Streets to the Broadway Cove development which delivered 100% permanent affordable housing for our City's families and seniors. At the end of 2023, the first residential building in the planned Mission Rock neighborhood called The Canyon, will open and provide over 280 housing units including over 100 below-market rate homes, reflecting our dedication to deliver at least 30% affordable homes in all waterfront communities. Some mixed-use waterfront communities will deliver an unprecedented 40% affordable homes, creating a standard for the waterfront and model for our nation. Looking to our future, the Port will continue guiding the creation of housing up and down the Port's 7.5 miles of jurisdiction and along the City's loved waterfront with a planned addition of 3,500 homes.

The Port is experienced working across City departments and with State and Federal agencies to move complex housing projects forward to deliver for the Mayor and City. The Port is ready and motivated to meet the Mayoral Executive Directive and deliver exceptional communities that create a more inclusive waterfront and City for all.

Sincerely,

A handwritten signature in blue ink, appearing to read "Elaine Forbes", is written over a light blue horizontal line.

Elaine Forbes

Executive Director, Port of San Francisco



# Port of San Francisco

## *Housing for All Plan*

### **Port Commission**

Kimberly Brandon, President  
Willie Adams, Vice President  
Gail Gilman, Commissioner  
Ed Harrington, Commissioner  
Steven Lee, Commissioner

### **Executive Director**

Elaine Forbes

### **Prepared by**

Joshua Keene, Housing Coordinator

## Role

Developing housing within the Port of San Francisco's (Port) jurisdiction involves four major stages: 1) Site Identification; 2) Entitlement and Pre-Development; 3) Horizontal Design and Construction; and 4) Vertical Construction and Post-Construction. As the Trustee for public trust property granted to the City by the State, the Port plays a significant role in all four stages of development.

### Site Identification

The Port has identified and obtained necessary legislative approvals at multiple sites to advance housing development within its jurisdiction including Pier 70, Mission Rock, 88 Broadway, and the forthcoming Seawall Lot 330 (part of the Piers 30/32 development). Due to Public Trust Doctrine constraints, the Port must obtain State legislation, in collaboration with the State Lands Commission, to allow residential uses on Trust property. The Port has obtained State legislation for three of four sites and is engaged in efforts to entitle the housing component at Seawall Lot 330.

### Entitlement and Pre-Development

Once housing is allowed on Port land, the Port will typically work with a private developer, selected through a competitive-bid process, to obtain the necessary entitlements and complete pre-development.

The Port and City must first consider, and potentially amend, local zoning and height limits to allow for the housing development envisioned. The Port, City, and prospective "Developer" work on a series of documents that will govern the future of the Development, including a Disposition and Development Agreement (between the Port and Developer), a Development Agreement (between City and Developer), Design Controls, and infrastructure planning documents. The Port executes Memoranda of Understanding (MOUs) and Work Orders with City Departments needed to support the Development (e.g., San Francisco Public Works (SFPW), San Francisco public Utilities Commission (SFPUC), San Francisco Municipal Transportation Agency (SFMTA), and the City's Department of Building Inspection (DBI).

Finally, like other projects, all Port projects are also subject to the California Environmental Quality Act (CEQA) review and funding availability. Situated on a harbor constructed 100+ years ago, Port projects require significant infrastructure investments to transform maritime commerce land and facilities into new neighborhoods, resilient against sea level, extreme weather, and earthquake risks. In addition, nearly all new development is achieved via long-term lease, rather than land sales. With these significant capital needs which need to be financed via leased-land value, financial feasibility of projects is often more challenging and complex than other major developments within San Francisco.

### Horizontal Design and Construction

The Port permits site preparation, parks and open space, and shoreline and in-water improvements under the Port Building Code. Relevant infrastructure departments (e.g., SFPW, SFPUC, SFMTA) review and accept standard infrastructure. Infrastructure departments typically do not accept non-standard infrastructure (examples tend to include unique finishes or exploratory designs and solutions), rather

the Port or a developer-formed, district-specific entity (such as Mission Rock Utilities) accepts those improvements and assumes the ongoing maintenance and liability.

## Vertical Construction and Post-Construction

While the Port has building permit issuance authority over Port property, the Port has outsourced review and recommended approval of new construction (excluding tenant improvements) to DBI. The Port intakes plans and transmits them to DBI for review. DBI then provides the Port a Letter of Recommended Approval (LORA) when the permit is found code compliant. The Port provides cursory reviews on each round of review and for final approval, and issues a permit based on the LORA. Fees align to DBI's standard permit fees and are transmitted to DBI through the Port. The Port collects fees based on a time-and-materials basis.

## Performance Assessment

Despite the legislative constraints inherent on Port properties, which almost always include regulatory development constraints, the Port has created successful housing delivery projects and opportunities within its jurisdiction through legislative actions at the state and local levels. This includes lifting the public trust or otherwise shifting it onto other properties. Success in this sense is measured that residential development on Port property is disfavored if not an outright disallowed use and the Port has been able to overcome those limitations through the entitlement and delivery of housing.

Over time, Port staff have implemented multiple processes and meetings to identify and solve problems that arise on development projects. Internally, the Port has a Housing Coordination team meeting, a meeting with the Mission Rock developer, the Pier 70 developer, and the Seawall Lot 330 developer on a weekly basis. These meetings are critical touchpoints to track key workflows and identify any new issues that arise.

In a similar manner, the external-facing Priority Permit and Infrastructure Task Force meetings play this role for City interdepartmental coordination. Both meetings allow Port and City staff to elevate issues and brainstorm solutions with all relevant stakeholders. The size of the meetings sometimes makes it challenging for all parties to voice issues, however reducing the size of the meeting may eliminate a key stakeholder from the meeting. Regularly checking in with staff to make sure these meetings have the proper attendees, are elevating the appropriate issues, and efficiently solving problems is critical to their continued success.

Funding availability is often the key barrier to moving Port development projects forward. As previously discussed, in addition to other challenges to development in San Francisco, Port projects face unique costs to address infrastructure repair and resilience improvements. The Port, City, and Development teams must look to identify new funding sources or other options to make Port projects financially viable and feasible.

## Housing Coordination Team

The Port's Housing Coordination Team is led by the Housing Coordinator (the Assistant Deputy Director of Development) on the development side and an Infrastructure Manager on the horizontal infrastructure side. The Assistant Deputy Director of Development is Josh Keene, who directly manages development team staff, coordinating all waterfront development projects, including the real estate transactions (75 to 99-year ground leases and occasional land sales) and Community Facility District and Infrastructure Finance District bond sales which underpin the financial value that pays for require public infrastructure. The Infrastructure Manager, Kevin Masuda, manages Port engineering staff and consultants and coordinates with City infrastructure departments on subdivision mapping, infrastructure design and permitting, and Port's maintenance team who will maintain Port-accepted improvements. A Port organizational chart showing the full Housing Coordination Team – including staff from the Development, Engineering, Planning, Finance, and Accounting divisions – is in Exhibit 1.

The Housing Coordinator is the overall lead, convening weekly internal Monday afternoon meetings between the development staff and engineering staff for housing delivery projects. Project engineers from those projects, managed by and including the Infrastructure Manager, attend to update the Housing Coordination team on horizontal construction issues and obstacles. Representative from Port's Planning, Finance, and Accounting areas also attend these meetings, providing a more tangential but similar function. The primary purpose of this weekly meeting is to prepare for weekly meetings with the external development partners and City agencies that occur subsequently in the week (both horizontal and vertical, separately). The development team representatives attend both meetings while engineering joins the horizontal meeting. The Housing Coordinator also has a standing weekly 10am Monday meeting with the Executive Director, established as the first meeting of the week to highlight issues and successes from the last week with the housing projects. This is the most common forum in which issues are escalated. The Housing Coordinator has a direct line of communication to the Executive Director for any other times during the week any issues arise requiring immediate attention.

For the purposes of the Port's Housing Delivery efforts, the assistant deputy director/housing coordinator reports directly to the Executive Director.

The composition of the Housing Coordination team works generally well, however, the work is only a portion of the Port's real estate and development functions and core mission. Thus, while some project managers and project-based employees are dedicated to specific projects or types of projects, some team members have other duties and projects and overall areas of work at the Port to focus on and devote time to, including the Housing Coordinator. In an ideal world, there would be enough residential delivery projects to structure the housing delivery function of the Port as a singular division within the Port, but that is not practical at this time.

## Process Improvements

The following process improvements have been implemented by the Port pursuant to Executive Directive 17-02:

- Implement schedule management system

- Port has established recurring project meetings and participates in City-wide task force meetings; Port also has recurring principals meetings and partnering meetings for the Mission Rock project.
- Establish design review protocols
  - Port has an agreement with DBI for building permit review and also works with City Planning to confirm project alignment with the project's approved Design Controls.
- Utilize detailed pre-entitlement design documents
  - Port will push for this in future project phases and with future Port projects.
- Utilize Decision Escalator
  - Port is using this tool on an as-needed basis.
- Create workflow and org charts to clearly show Port process
  - Port has created these tools.
- Participate in managing City permit tracking system
  - Port participates in this helpful monthly meeting.
- Transition to Electronic Plan Review (EPR)
  - The Port has recently begun using electronic Plan Review for Port-issued permits under DA projects. The Port assisted the Public Works Infrastructure Task Force with this implementation, and staff anticipate it will make plan review more efficient for Task Force issued permits.

Port staff identified the following areas of improvement within the four main stages of Port development projects.

### [Site Identification](#)

Due to Trust requirements over Port land, allowing residential uses on Port property is a lengthy and complex process. Identifying new sites on Port Property would require State legislation. The Port already has potentially over 3,000 housing units in its future pipeline (Mission Rock, Pier 70, and Seawall Lot 330) and recommends focusing on completing these developments. The Port will continue to consider future residential development on Port properties while being mindful of the Port's mission as an enterprise agency focused on maritime and other Trust-consistent uses.

### [Entitlements and Pre-Development](#)

The Waterfront has restrictive height and use limits that require a citywide vote to increase height limits on Port jurisdiction (both Mission Rock and Pier 70 project developers led costly initiatives to increase heights at those sites). These limitations make the entitlement process time-consuming and costly. Given the scarcity of potential sites on the waterfront (Seawall Lot 330 and one other small, 5,000 sq. ft. site), staff do not recommend undertaking a voter process to streamline development for so few housing opportunities.

Associated with project entitlements, there is also the issue of overall project feasibility. Projects are rightfully assessed impact fees attributable to the scope and impact of the project. These represent major costs within a project. The borrowing costs for fees create additional costs and impact project feasibility and the City should examine the timing of when impact fees are actually needed to be paid vs. when are they incurred. An option to defer collection until truly necessary would benefit projects financially.

## Horizontal Design and Construction

### *Coordination with DBI*

An item Port staff needs to prioritize is finalizing and executing an MOU with DBI for plan review on Port projects. Port and DBI staff have been negotiating minor revisions to a draft and are nearing execution. Another challenge that arose on previous projects is that buildings constructed on Port land are considered municipal buildings. Because of this quirk in code, residential buildings on Port land do not necessarily uniformly apply the same Green Building Code as residential buildings on other City land. The Port is examining ways to ensure higher standards for true municipal buildings while also aligning Green Building requirements with DBI code.

### *Streamlined Approval of Non-Standard Improvements*

Infrastructure guidelines allow for some design modifications to City standards, but the evaluation of any non-standard improvement is lengthy and sometimes burdensome given the nature of the improvement. Some examples of non-standard improvements in Port projects have included:

***Curbless Streets.*** Port and other City staff dedicated a significant amount of time and resources to reviewing curbless streets. SFPW acceptance was not known for an extended period, which created uncertainty for long-term maintenance plans. Ultimately, SFPW accepted roadway, while Port accepted non-standard paving; this agreement also required Port project to purchase a special street cleaner for curbless streets.

***Lightweight Cellular Concrete (LCC).*** The Mission Rock project was designed to be constructed on top of LCC. To review, Port commissioned a Technical Advisory Panel (TAP) and SFPW utilized a 3<sup>rd</sup> Party Consultant to review the TAP's work. In addition, City engineering and Developer's design team dedicated significant time and resources to the review and approval.

Each non-standard improvement creates significant follow up work to document ownership and maintenance in jurisdictional MOUs and maintenance agreements. The Port would like to explore ways to streamline review and accept some non-standard improvements while offsetting the increased costs.

As an example of an inefficient outcome, the Port is accepting some non-standard pavers and paving at development projects that SFPW would not accept. The Port does not have staff with the expertise to maintain these improvements, so if it retains maintenance responsibilities, the Port would contract with SFPW for their staff to perform the maintenance. This structure will require multiple agreements and work orders. As an alternative, SFPW could have accepted the improvements and received funding to directly offset increased maintenance costs.

Port proposes project sponsors cooperatively negotiate with City Departments having maintenance expertise to extend its capacity to maintain non-standard items subject to: meeting technical compliance, having materials available for replacement, and providing specific training.

#### *Inaccurate Projections of City Costs*

Final costs for developer-incurred expenses from several City Departments will be significantly higher than original budgets. Uncertainty about City costs creates financial feasibility risks for future projects and directly impacts Port revenues. Currently, City cost increases occur without notification. A standard change order process could prevent unknown cost increases and reduce overruns by creating developer awareness of City costs. Beyond the actual costs, the inability to forecast costs and understand potential overruns in the present time create budget impacts after the fact.

Port proposes to have the Developer provide a detailed list of activities and summary of the scopes of work from their consultant teams. The timing is needed at least three months prior to the City's fiscal year beginning. City Departments will provide a baseline cost estimate listing the personnel, level of participation, conditions, and exclusions. Changes to the Developer work plan will result in additional services, in which the City Departments will continue to support under a contingency budget, subject to replenishment.

The intent is to have cost certainty in a more transparent manner in which Developers can weigh changes more proactively understanding costs are driven by its work plans. Cost containment should be directly proportional to soft cost escalation occurring from the Developer consultants.

#### *Inability for Departments to Pay for Improvements Outside of Project*

City Departments could sometimes more efficiently and cost-effectively complete tasks near a development site by having a developer perform the work on behalf of the Department. Even though City Departments are signatories to the Development Agreements (DAs) and Interagency Cooperation Agreements and the public biddings requirements of Administrative Code Section 6 are waived for DA projects, City Departments (aside from the Port) do not have the authority to pay developers to do work on their behalf. One helpful exception has been SFPUC's effort to advance legislation to allow developers to install certain electrical infrastructure on its behalf. This process was successfully utilized at Mission Rock and was instrumental in meeting project needs for construction power. Broader authorization for City departments to contract with developers for work within development projects could expedite work in the future while saving project and City costs.

#### Vertical Construction and Post-Construction



### *Affordable Housing Lease Up Process*

It is critical that housing delivery agencies coordinate earlier than may otherwise be prescribed with the Mayor's Office of Housing and Community Development (MOHCD) regarding designation of any inclusionary units, applications for tax credits, and any compliance issues, recognizing the unique timelines of development projects may not cleanly align with standard infill projects. For example, the Mission Rock team has recently begun the lease up effort at Parcel A, The Canyon, for both market rate and affordable units. The Port suggests that once this effort has achieved 50% lease up for either market rate or affordable units, Port and MOHCD meet to discuss and agree on a shared understanding of lease up processes. An outside date for reaching consensus is December 1, 2023.

### *Delaying City Reimbursable Expenses Until Necessary*

Similar to the issue of impact fees discussed above under Entitlements and Predevelopment, reimbursement of City Costs incurred represent major costs within a project. The borrowing costs for fees create additional costs and impact project feasibility, especially when City costs are incurring associated development return, and the City should examine the timing of when cost reimbursements are actually needed to be paid vs. when they incurred. An option to defer collection until truly necessary would benefit projects financially.

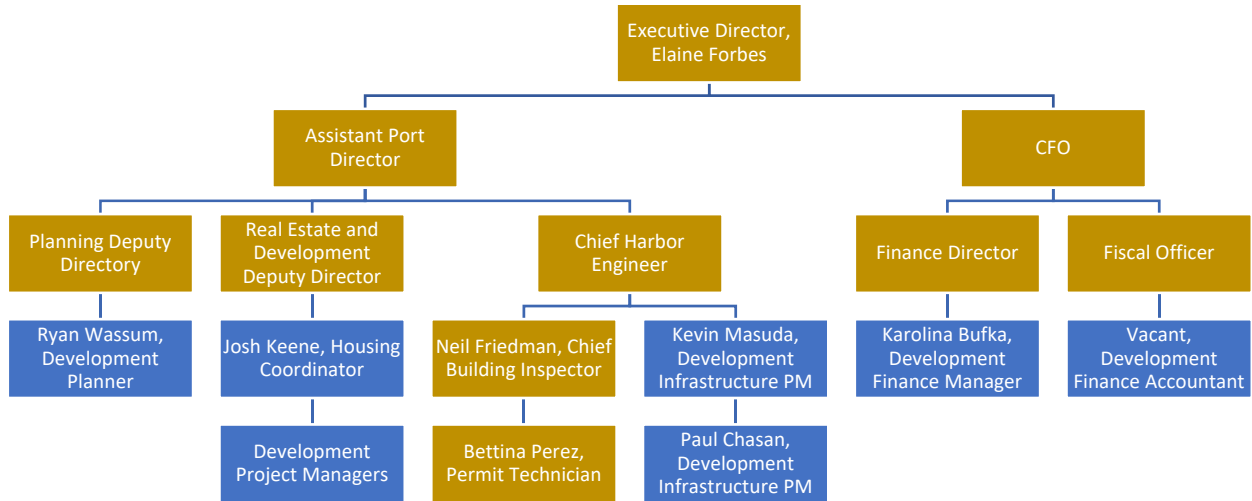
One Port-specific example is DBI's permit review work on behalf of the Port. Upon receiving Port permits for review, DBI charges the Port its standard intake fee for a permit review. However, unlike its standard process, DBI requests the remainder of fees upon completion of review rather than issuance of a permit. Aligning to the standard fee process, where the final fees are collected upon permit issuance would create consistency. The Port has proposed this in its MOU with DBI, but this has not been accepted to date. The Port will consult with the Mayor's Office and DBI to execute the MOU by August 1, 2023.

## Capacity Assessment and Plan

The Port generally has sufficient staff to manage implementation of existing project load and processes. The Development team is currently in the process of adding one project manager to lead the Piers 30/32 development and another for miscellaneous project support. Part of the goal of hiring additional staff is to create redundancies in case of staff turnover to ensure institutional knowledge is not lost in transitions. The Engineering team may contract additional building plan review and inspection services for Tenant Improvement permits based on need.

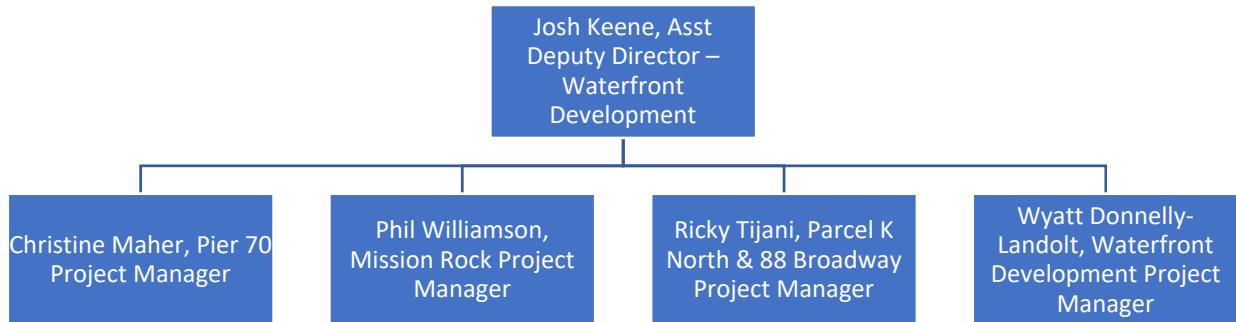
## Exhibit 1. Port Org Charts

**Port-wide Development-Related Staff**



*\* Note: Blue indicates members of Port’s Housing Delivery Team. Orange indicates team members are not a part of Port’s Housing Delivery Team but supervise or play a key role (i.e., permit review) in these projects.*

**Port Development Team (Housing staff only)**



*\* Note: For the purposes of the Port’s Housing Delivery efforts, the assistant deputy director/housing coordinator reports directly to the Executive Director.*