Resolution approving and authorizing a lease for the historic buildings having an
address at 400-600 20th Street east of Illinois Streets at Pier 70 between the Port
Commission and Orton Development, Inc., or its affiliate, Historic Pier 70, LLC, a
California limited liability company, for a term of 66 years to commence following
Board approval.

WHEREAS, The City and County of San Francisco, acting by and through the San
Francisco Port Commission ("Port" or "Port Commission"), owns a cluster of several historic
buildings in need of substantial rehabilitation (the "20th Street Historic Buildings"), having an
address at 400-600 20th Street, at and east of Illinois Street which buildings are generally
known as the "Historic Core" and form a part of the area generally referred to as Pier 70; and

WHEREAS, Pier 70 is the most intact 19th century industrial complex west of the
Mississippi River, containing a rich collection of resources, and provides a physical record
expressing continuity with past trends in industrial architecture and design; and

WHEREAS, The Union Iron Works Historic District (which encompasses all of Pier 70
including the 20th Street Historic Buildings) has been listed in the National Register of Historic
Places in April 2014; and

WHEREAS, Two of the 20th Street Historic Buildings, the Bethlehem Steel Main Office
Building (Building 101) and Powerhouse (Building 102), both designed by two renowned San
Francisco architects, Frederick H. Meyer and Charles Peter Weeks during World War I, create
a grand formal entrance to the shipyard at the corner of 20th and Illinois Streets; and these two
buildings, along with the Union Iron Works Administration (Building 104) and the Union Iron
Works Machine Shop and Foundry (Buildings 113/114) along 20th Street form the core of the proposed Pier 70 Historic District, and

WHEREAS, The 20th Street Historic Buildings are in poor condition, the Union Iron Works Administration (Building 104) and the Union Iron Works Machine Shop and Foundry (Buildings 113/114) are condemned, and all are deteriorating, and will be lost if they are not rehabilitated; and

WHEREAS, On February 28, 2012, by Resolution 12-18, the Port Commission awarded Orton Development, Inc. ("Orton") an exclusive right to negotiate with Port for the development, rehabilitation, and lease of the 20th Street Historic Buildings (the "Project") pursuant to a validly authorized and conducted RFP process; and

WHEREAS, On October 9, 2012, by Resolution No. 12-78, the Port Commission endorsed the term sheet for the Project ("Term Sheet") and on December 4, 2012, by Resolution No. 121045, the Board of Supervisors ("Board") endorsed the Term Sheet; and

WHEREAS, Port staff and Orton have negotiated the terms of the (1) Lease Disposition and Development Agreement ("LDDA"), (2) form of Lease No. L-15814 ("Lease"), and (3) such other documents related to the Project as contemplated in the foregoing documents (collectively, the "Transaction Documents"), described in the Memorandum for Agenda Item 12A for the Port Commission meeting of May 13, 2014, a copy of the Memorandum and Lease are on file with the Clerk of the Board in File No. 140729; and

WHEREAS, The Lease will require Orton to comply with the Secretary of the Interior’s Standards for the Treatment of Historic Properties in connection with rehabilitation of the 20th Street Historic Buildings; and

WHEREAS, City and Port staff and consultants have conducted substantial analysis of the Project’s costs and economic impacts and benefits on the Port and City; and
WHEREAS, The Project will generate significant public benefits for the Port and the City, including: (i) the rehabilitation and reuse of historic buildings that are currently vacant and dilapidated; (ii) the creation of new public access areas within historic buildings; (iii) the creation of significant new jobs and economic development; and (iv) both minimum rent and ongoing participation rent to Port to help the Port continue to promote public trust uses and purposes; and

WHEREAS, The Lease is structured to provide financial incentives to Orton to control costs including a cap of $14 million in recoverable developer equity, a cashflow bonus of 20% of revenues above pro forma projections for 20 years as well as project cost controls including a Guaranteed Maximum Price Contract reviewed by the Port prior to Lease execution; Orton providing monthly statement of costs as well as ongoing construction oversight from City and Port; and

WHEREAS, Based on third party analysis, the rehabilitation of the 20th Street Historic Buildings consistent with the Secretary Standards is not feasible with only public trust uses; and

WHEREAS, In addition to commitments of over $35 million of construction loan proceeds from an institutional lender and Orton equity in excess of $5 million, Port and Orton have identified public financing mechanisms, as potential additional funding sources for the Project including: (1) up to $24,000,000 of loan proceeds from the City’s Seismic Safety Loan Program to fund some or all of the seismic work for the unreinforced masonry Buildings 113/114 and 104 conditioned on the Board’s approval, pursuant to Board Resolution No. 284-14, a copy of which, along with supporting documents for such resolution are on file with the Clerk of the Board in File No. 140727, of the issuance and sale of general obligation bonds not to exceed the principal amount of $24,000,000 [in one or more series to be designated as “City and County of San Francisco Taxable General Obligation Bonds (Seismic

Mayor Lee; Supervisor Cohen
BOARD OF SUPERVISORS
Safety Loan Program, 1992), Series 2014”] for the purposes set forth in Proposition A
approved by the voters on November 3, 1992, which Proposition A authorized the issuance of
$350,000,000 aggregate principal amount of general obligation bonds to provide funds for
loans to finance the seismic strengthening of unreinforced masonry buildings within the City],
and (2) tax increment from the leasehold, conditioned on the Board's creation of a Port
Infrastructure Financing District and approval of an Infrastructure Financing Plan for public
realm improvements within and adjacent to the leasehold, phase 2 of Crane Cove Park, and
Crane Cove waterfront remediation; and

WHEREAS, The Project is within the Eastern Neighborhoods Community Plan Area,
for which the San Francisco Planning Commission certified the Eastern Neighborhoods
Rezoning and Area Plans Final EIR (“EN FEIR”) (Planning Department Case
No. 2004.0160E); and

WHEREAS, The Planning Department reviewed the Project and determined that a
community plan exemption under California Environmental Quality Act (“CEQA”) Guidelines
Section 15183 would be appropriate because the Project is within the scope of the EN FEIR
and would not have any additional or significant adverse effects that were not examined in the
EN FEIR, nor has any new or additional information come to light that will alter the
conclusions of the EN FEIR and the proposed Project will not have any new effects on the
environment that were not previously identified in the EN FEIR, nor will any environmental
impacts be substantially greater than described in the EN FEIR and no mitigation measures
previously found infeasible have been determined to be feasible, nor have any new mitigation
measures or alternatives been identified but rejected by the project sponsors and this Board
affirms and adopts these findings; and

WHEREAS, The San Francisco Planning Department prepared a Community Plan
Exemption for the proposed Project, which exemption was approved on May 7, 2014; and
WHEREAS, A copy of the Community Plan Exemption is on file with the Clerk of the Board in File No. 140729; and

WHEREAS, All applicable mitigation measures from the EN FEIR have been incorporated into the proposed Project and the Port Commission has imposed them as conditions of approval through the adoption of the Mitigation Monitoring and Reporting Program ("MMRP") on file with the Clerk of the Board in File No. 140729; now, therefore, be it

RESOLVED, That the Board adopts and incorporates by reference as though fully set forth herein the MMRP on file with the Clerk of the Board in File No. 140729; and, be it

FURTHER RESOLVED, That Orton was selected to rehabilitate the 20th Street Historic Buildings pursuant to a validly authorized and conducted RFP process; and, be it

FURTHER RESOLVED, That the Lease will require Orton to comply with the Secretary of the Interior’s Standards for the Treatment of Historic Properties in connection with rehabilitation of the 20th Street Historic Buildings; and, be it

FURTHER RESOLVED, That this Board has reviewed and is satisfied with the Project’s (1) revised cost estimates, project financing, and pro forma financial analysis; and (2) Port’s procedures to control and verify project costs; and, be it

FURTHER RESOLVED, That this Board approves the form and the substance of the Lease pursuant to its authority under Charter Section 9.118, including attachments and exhibits thereto, and the transactions and other agreements which such Transaction Documents contemplate, incorporating the material business terms set forth in the Memorandum for Agenda Item 12A for the Port Commission meeting on May 13, 2014, a copy of which is on file with the Clerk of the Board in File No. 140729; and, be it

FURTHER RESOLVED, That this Board authorizes and directs the Executive Director of the Port ("Executive Director") to execute the Lease upon satisfaction or waiver of the conditions precedent set forth in the LDDA, in substantially the form on file with the Clerk of