



Legislation Text

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PRESENTATION AND UPDATE ON THE RESPONSES TO THE WORLD-CLASS WATERFRONT DEVELOPMENT OPPORTUNITY (CENTRAL EMBARCADERO) REQUEST FOR PROPOSALS AND DIRECTION TO STAFF REGARDING FURTHER ANALYSIS AND PROCESSING OF THE PROPOSALS

EXECUTIVE SUMMARY:

The World-Class Waterfront Development Opportunity Request for Proposals (RFP) (Attachment A) was issued on February 22, 2016. The RFP included 70 acres of land and water situated between downtown and the Bay in the District's Central Embarcadero area (Site). As shown on Attachment I, the Site is bordered by the USS Midway Museum and Harbor Drive to the north, Manchester Grand Hyatt and Kettner Boulevard to the east, and San Diego Bay to the south and west. The Site also includes Embarcadero Marina Park North, Ruocco Park and Tuna Harbor. This ideal location in the heart of the City of San Diego, presents the District with a unique opportunity to solicit proposals to develop the site into an internationally recognized waterfront destination.

The RFP stated that proposers should "present a well-conceived plan that establishes that the proposer understands and has the ability to achieve the District's visions and goals" including demonstrating how their proposed concepts align with the Vision and Guiding Principles and the Framework Report as established through the Integrated Planning effort. After conducting an international marketing and targeted outreach campaign that reached over two million people in 90 countries, and hosting a boat tour and information exchange meeting (drawing over 120 attendees), staff was pleased to receive eleven proposals on May 2, 2016. After analyzing the proposals, it was deemed that six proposals were complete and were submitted on planetbids from the following entities:

- Gafcon, Inc. - San Diego, CA (Attachment B)
- Great Western Pacific - Seattle, WA (Attachment C)
- HKS - New York, NY (Attachment D)
- McWhinney - Denver, CO (Attachment E)
- Oliver McMillan, Inc. - San Diego, CA (Attachment F)
- Ripley Entertainment, Inc. - Orlando, FL (Attachment G)

On June 13 & 14, 2016, staff hosted a public open house where the proposers were able to showcase their proposals to the 1,200 people in attendance and receive feedback from the public.

Staff has reviewed the proposals and conducted preliminary due diligence through site visits and

meetings with each of the teams. As discussed below, staff will provide the Board with a qualitative analysis of the proposals, including a summary of the public comments received at the open house. Following presentations by staff and the proposers, staff will seek direction on further analysis and processing of the proposals.

RECOMMENDATION:

Receive Presentation and Provide Direction to Staff Regarding Next Steps of the Request for Proposals process.

FISCAL IMPACT:

Receiving staff's presentation will not have a direct fiscal impact. It is assumed that the cost of entitlement processing will be borne by the development partner or partners, once selected. Selecting a development partner or partners is also expected to provide the District with additional future revenue.

COMPASS STRATEGIC GOALS:

As part of efforts to support a vibrant and active waterfront, the District initiated a public solicitation process for the redevelopment of 70 acres of land and water in the area known as the Central Embarcadero. Due to the high profile nature of this location and the end of several long-term leases, it was important to have a competitive process to ensure that the site's potential is maximized.

This agenda item supports the following Strategic Goals:

- A Port that the public understands and trusts.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.

DISCUSSION

On December 8, 2015, the Board directed staff to issue an RFP for the 70 acres of land and water located in the District's Central Embarcadero, where several long-term leases were coming to an end as detailed on Attachment I. Of the tenants with leases expiring, only Chesapeake Fish Company (Santa Monica Seafoods) responded to the RFP as part of the Great Western proposal. Terramar Retail Centers, which operates Seaport Village, did not respond to the RFP as a proposer or as a part of a proposing team, although they previously contemplated redeveloping the shopping center. American Tunaboat Association, Inc. also did not respond as a proposer or as a part of a proposing team, although several proposals contemplated commercial fishing uses.

On February 22, 2016, staff issued the RFP and launched an international multi-media marketing campaign that spanned 90 countries and reached over two million people, not including social or earned media. On March 21, 2016, there was a site tour by boat with 55 attendees followed by an information exchange with approximately 120 attendees. As a result of the marketing campaign, targeted developer outreach and information exchange, over 261 parties downloaded the RFP, which staff believes is the highest amount of downloads received for a real estate solicitation.

On May 2, 2016, the District received 11 proposals from across the country. Four proposals were deemed incomplete as they did not submit one or more of the required documents, such as: cover letter, lessee questionnaire or proposal documents outlined on pages 14-17 of the RFP. The responses deemed incomplete were submitted through planetbids by the following parties:

- American Youth Hostels, Inc. - San Diego, CA
- JCJ Architecture - San Diego, CA
- William DeLeeuw - LaJolla, CA
- RE/MAX Associates - LaJolla, CA

Santa Monica Seafoods - Rancho Dominguez, CA, withdrew its submittal as it was submitted in duplicate to its development partner, Great Western Pacific.

The remaining six proposals were deemed complete and were submitted through planetbids by the following parties:

- Gafcon, Inc. - San Diego, CA
- Great Western Pacific - Seattle, WA
- HKS - New York, NY
- McWhinney - Denver, CO
- Oliver McMillan, Inc. - San Diego, CA
- Ripley Entertainment, Inc. - Orlando, FL

On June 13 and 14, 2016 the District hosted an open house at the San Diego Convention Center. The open house provided an opportunity for the six respondents to showcase their proposals to the public and answer questions. The open house resulted in 1,200 people attending and almost 500 public comments being submitted. The comments ranged from being in favor of redevelopment of the site, opposing any changes to the site or neutral with the desire to obtain additional information.

General comments that were favorable included: overall excitement towards more activated public spaces, improved connections to the water, variety of retail and entertainment uses and improved integration of the site with existing waterfront destinations within close proximity. Some of the general public comments expressing concerns surrounded the potential elimination of Seaport Village and uncertainty of the commercial fishing industry. Other comments received included: questioning the demand for additional hotels, the need for entertainment venues, and additional retail and restaurant uses.

Qualitative Analysis of Proposals

The RFP required the proposers to include the following key components and content in their proposals (as outlined in pages 14-17):

Approach to Project:

Vision and Guiding Principles and Framework Report

As part of the Approach to Project, proposers were asked to “present a well-conceived plan that establishes that the Proposer understands and has the ability to achieve the District’s visions and goals.” This included demonstrating how their proposed concepts align with the Vision and Guiding Principles and the Framework Report as established through the Integrated Planning effort and outlined on pages 7 & 8 of the RFP.

The Integrated Planning effort is: *“The link of vision, priorities, people and the physical institution in a flexible system of evaluation, decision-making, and action.”* It is a multi-faceted and comprehensive approach to the District’s future. Integrated Planning includes various District initiatives, including, but not limited to, asset management, the Port as a business efforts (i.e., parking, advertising, etc.), a fiscal growth and sustainability framework, environmental initiatives, leasing policies, and land and water use planning and development Baywide. At this time, land and water use planning is anticipated to be developed over a multi-year process involving several phases (i.e., the Port Master Plan Update and larger site specific planning and development initiatives, like the Central Embarcadero) in the coming years.

One of the aspects of the Integrated Planning effort was the Board’s acceptance of the Assessment Report, Vision Statement and Guiding Principles, and the Framework Report. These two tools are intended to inform the District in all development on Tidelands, as well as other Integrated Planning efforts. For example, while not binding, the planning principles in the Vision Statement and Guiding Principles are filters by which the District strives to: achieve synergy among partnering agencies and stakeholders; promote clean air, healthy communities and environmental justice; ensure job creation, prudent economic policies and financial sustainability; preserves the working Port as a dynamic and thriving element of the region’s economy and cultural history; and incorporate state of the art sustainability practices. The Guiding Principles work in a similar manner. The Framework Report also specifies that it could be a tool to be used in site specific developments such as Central Embarcadero.

Because long-term leases are expiring, the District has solicited redevelopment proposals for the Central Embarcadero. As shown, these development proposals are detailed in nature. However, like all the Integrated Planning initiatives, the Vision Statement and Guiding Principles, and the Framework Report have been used as tools in evaluating each proposal.

As part of the Approach to Project analysis for each proposal below, a qualitative analysis of the proposal’s alignment with the Vision and Guiding Principles and Framework Report from staff’s perspective is included.

Proposer’s Relevant Experience and Capability to Perform

As part of its initial due diligence, staff visited one representative project provided by each of the proposers to better understand each proposer’s relevant experience and capability to perform, beyond just what was conveyed in their proposals. Staff met members of each development team to better understand how they developed their visions, their capacity to undertake the project, their experience with similar projects and entitlements, and their approach to financing. Highlights from staff’s meetings and visits are included as part of the analysis for each proposal below.

Revenue and Expense Projections.

Staff retained Jones Lang LaSalle to assist with a preliminary evaluation of the feasibility of the revenue and expense projections provided by the proposers in their proposals, as well as the programmatic components, which is attached as Attachment H. We expect to conduct a more detailed analysis of the economics as part of the next steps, as directed by the Board.

The four components and content listed above are the criteria on which staff has based its qualitative analysis of each proposal below. Please note that some of the square footage numbers were extrapolated from other data provided, for example: if a proposer said they would provide a one-acre park, we would indicate they are proposing 43,560 square feet of park. Also summarized are the qualitative public comments received from the open house that were specific to each proposal, rather than the general comments as summarized above.

Gafcon, Inc. - “Seaport San Diego” (Attachment B)

The “Seaport San Diego” proposal would be led by Protea Waterfront Development (Protea). Protea’s three principals are longtime San Diego residents Yehudi “Gaf” Gaffen, Jeff Jacobs and Jeff Essakow. Protea has also sought out specialty partners for its development team including:

- RCI, a waterfront developer based in Miami, FL;
- OdySea, who has experience in developing and operating aquariums; and,
- Thrill Corp, a developer and operator of observation attractions around the country.

Attachment B provides detailed information on all of the development team members, as well as their advisory board and consultant team (Section 3b and Appendix A4).

Approach to Project: The “Seaport San Diego” proposal is a multi-use master development plan bringing together educational, public, retail and leisure activities; highlighted by the Spire, a nearly 500 foot tall observation tower and an aquarium (detailed in Section 3a). A summary of the programmatic components proposed includes:

Retail	388,625SF
The Spire	18,000SF
Office	19,130SF
Full-service Hotel	405,805SF
Micro Hotel	117,450SF
Hostel	122,381SF
Education/School	65,150SF
Aquarium	178,490SF
Marina	10,670LF
Parking	808,920SF
Public Improvements	922,540SF
Total Development	3,046,491SF

Overall the programmatic elements proposed as part of this proposal are in alignment with the Vision and Guiding Principles and Framework Report outlined in Section IIB of the RFP as summarized below:

Vision and Guiding Principles

- **Honor the Water:** Inclusion of a comprehensive water plan (Attachment B, page 24) for 30 acres of water, which includes a variety of uses, such as: water taxis, expanded ferry services, kayak launch, kids paddle boats, improvements to fishing fleet and marina slips, the addition of mega-yacht berthing facilities and public piers for “dock & dine” use. The proposal also includes tidal pools and oyster beds, a public swimming facility in Tuna Harbor and beaches in the Embarcadero Marina Park North.
- **Guarantee the Public Realm:** Various land and water uses are intended for public use including a redesigned waterside esplanade, new plazas, public spaces throughout and new and improved water facilities.
- **Celebrate Nature and Ecology:** Inclusion of an aquarium and butterfly exhibit, which are intended to serve as an attraction and educational opportunity. The tidal pools with oyster beds in strategic locations along the water’s edge also allow visitors to learn and experience nature.
- **Create a Comprehensive Open Space Plan:** Creation of a 50-foot wide half-mile esplanade along the water’s edge, which connects a series of public spaces throughout the site, as well as through a pedestrian bridge to Embarcadero Marina Park South.
- **Provide Easy Mobility on Land and Water:** Inclusion of a water plan (Attachment B, page 24) and mobility plan (Attachment, page 25) that includes various transportation options linking to existing local and regional transportation systems and consideration of emerging transportation uses such as an aerial ropeway/skyway. The proposal includes two underground parking structures providing a total of 2,410 parking spaces. The mobility and parking strategy are further detailed in Attachment B, Appendix 9.

Framework Report

- **Increase or maximize public space:** 75 percent of the 40 acres of land area is dedicated to parks and public open space.
- **Extends streets to the water:** Kettner Blvd., Pacific Highway and California Street are extended to the water.
- **Preserve and enhance view corridors:** The extension of Kettner Blvd. and Pacific Highway will enhance views looking south.
- **Facilitates enjoyment of the Bay:** The proposal includes a variety of uses both on land and water that will be accessible to the public.

Proposer’s Relevant Experience: As noted above, the “Seaport San Diego” would be led by Protea, with RCI, Odysea and Thrill Corp rounding out the development team. The diverse experience of the team includes mixed-use public-private partnerships on leased land with complex entitlement processes, similar to the proposed project.

The team selected its Miami Beach Marina in South Beach, Florida as a representative project for staff to visit. On June 23, 2016, staff visited the site and met with members of the development team. RCI acquired a 50-year lease from the City in 1991 after the prior developer was foreclosed upon, following an RFP process, due to its inability to successfully obtain entitlements. RCI worked with the City to develop the property, which is featured on Attachment B, page 85, and includes: 65,000 square feet of commercial and residential development with an expansive waterside promenade and active green spaces for the public to use. The 400 slip marina is one of the East coast’s premier

facilities for vessels traveling to and from the Bahamas, Florida Keys and the Caribbean. The facility hosts a variety of guests, ranging from recreational boaters that wish to dock and dine for a few hours to mega yachts visiting from the Mediterranean. The redevelopment of the marina has catalyzed development in the surrounding uplands areas, including RCI's development of two towers of residential condominiums (1,300 units) with two more currently under development.

Attachment B, Section 3b provides additional examples of similar projects and information regarding the team's relevant experience.

Capability to Perform: Protea has demonstrated its ability to successfully complete development projects as summarized above and in the proposal. The team has conveyed that they have developed a financing strategy for "Seaport San Diego" within which they intend to work with trusted partners with whom they have worked on financing for prior projects.

Revenue and Expense Projections: Gafcon proposed to invest approximately \$1.2 billion into "Seaport San Diego" and to pay the District ground rent of approximately \$22.5 million per year upon stabilization (year 9). Gafcon also noted that they would anticipate receipt of public financing to subsidize public improvement costs, which are part of the \$1.2 billion and are not reflected as a discount to the rent. The preliminary analysis of the proposal and its feasibility is provided on Attachment H, page 7.

Public Comments: A consistent theme of the public comments for proposals with an attraction is how "The Spire" would be unique to San Diego compared to similar attractions in other cities around the world. Another theme of the public comments for proposals with an aquarium is how it would be different from Sea World or the Birch Aquarium. Other comments included an appreciation for the comprehensive nature of the proposal, proposed activation of public space and consideration for both local residents and visitors. Favorable comments were also received regarding the variety of proposed uses at affordable price points. Another consistent theme included concerns regarding how new structures will affect views of the bay and the limited availability of parking to accommodate all of the new uses proposed for the area.

Great Western Pacific - "Tuna Harbor Pavilion" (Attachment C)

The "Tuna Harbor Pavilion" proposal would be led by Great Western Pacific, Inc. (Great Western). The Great Western team is comprised of three generations of the Griffith family, which owns and operates restaurant and attractions facilities along the west coast. Great Western has also sought out Santa Monica Seafood Company (Chesapeake Fish) as a partner for this commercial fishing-themed facility. Attachment C (pages 21-32) provides additional information on the development team.

Approach to Project: The Tuna Harbor Pavilion is proposed as an approximately three acre development, focusing on commercial fishing operations through a partnership with Santa Monica Seafood Company; highlighted by an observation wheel and other amusement rides (detailed in Attachment C, pages 21-27). A summary of the programmatic components proposed includes:

Parking Garage	55,200SF
Great Wheel & Pier	16,900SF
Tuna Harbor Pavilion	110,000SF
Rides	23,400SF
Food/Restaurants	31,614SF
Retail	8,735SF
Fish Market	3,227SF
Food Processing	15,692SF
Total Development	264.775SF

Since the proposal only covers a smaller portion of the 70 acre site, some of the programmatic components proposed do not independently address the Vision and Guiding Principles and Framework Report as outlined in Section IIB of the RFP. If the “Tuna Harbor Pavilion” was just one portion of a comprehensive 70 acre master development, it could create the desired alignment with the Vision and Guiding Principles and Framework Report.

Vision and Guiding Principles

- **Honor the Water:** Emphasis placed on the commercial fishing industry and enhancement of an existing in-water facility. Enhances the existing public pier to walk and view the water's edge for more than 500 feet into Tuna Harbor and San Diego Bay.
- **Guarantee the Public Realm:** Not addressed.
- **Celebrate Nature and Ecology:** Not addressed.
- **Create a Comprehensive Open Space Plan:** Not addressed.
- **Provide Easy Mobility on Land and Water:** Does not include new uses related to mobility on land or in water. The proposal includes 170 parking spaces in one level of subterranean parking.

Framework Report

- **Increase or Maximize Public Space:** Not addressed.
- **Extends Streets to the Water:** Not addressed.
- **Preserve and Enhance View Corridors:** Based on the level of drawings received at this preliminary phase, staff will need to further analyze the size of the proposed structures to determine if they preserve existing view corridors.
- **Facilitates Enjoyment of the Bay:** Includes a variety of uses that will be accessible to the public.

Proposer's Relevant Experience: Great Western has experience with waterfront development projects and entitlement processing in both California and Washington.

The team selected Miner's Landing (Pier 57) in Seattle, Washington as a representative project for staff to visit. On June 29, 2016, staff visited the site and met with members of the development team. In 1965, Great Western began leasing space from the Port of Seattle and, in the early 2000s, ultimately acquired Pier 57 for the redevelopment known as “Miner's Landing.” The redevelopment repositioned the pier as a destination for locals and visitors to learn about and have experiences tied to the Alaskan Gold Rush, which landed a ton of gold on the Seattle waterfront in July 1897. The pier

features a variety of food and beverage options, ranging from a food court to sit down dining featuring local fresh catches. The pier is also home to a variety of entertainment options, including a carousel, the Seattle Great Wheel and an attraction opening soon, known as “Wings over Washington.” The Seattle Great Wheel is the centerpiece of the development and is a draw not as a ride, but as an experience of views that could not be seen from any other perspective. Guests can experience views of and over the water, of the skyline and enjoy a different perspective based on the time of day or year, as well as unique lighting. Miner’s Landing also works with local municipalities to activate the pier and promenade on holidays and for special events, such as summer concerts.

Additional details on the team’s relevant experience begins on Attachment C, page 28.

Capability to Perform: As noted in their cover letter, the Griffith family companies’ success has put them in “a strong financial position.” Coupled with established banking relationships, Great Western believes they have the ability to develop the project, as has been demonstrated by and through their other projects. They have also demonstrated their commitment to reinvesting in their facilities by adding new components and attractions, such as the new addition of the “Wings over Washington” attraction in Seattle.

Revenue and Expense Projections: Great Western proposed to invest approximately \$57 million into “Tuna Harbor Pavilion” and did not include proposed ground rent to be paid to the District upon stabilization. The preliminary analysis of the proposal and its feasibility is provided on Attachment H, Page 8.

Public Comments: One theme of the public comments was in regards to the proposed observation wheel and how this attraction would be unique to San Diego, as compared to observation wheels in other cities (like Chicago, Las Vegas, London, Orlando and Seattle). A consistent theme of the public comment was appreciation for the activation of Tuna Harbor as well as the smaller scale of the proposed development.

HKS - “Celebration Place” (Attachment D)

The “Celebration Place” proposal would be led by Manchester Financial Group (MFG). MFG is headquartered in San Diego and founded by longtime San Diego resident and developer Doug Manchester. Attachment D, Section 5 provides detailed information on all of the development team members.

Approach to Project: “Celebration Place” is proposed as a multi-use development and land use plan consisting of retail, hotel, public parks and amenities, highlighted by the Spinnaker, an observation wheel-type attraction (detailed in Section 3). A summary of the programmatic components includes:

Boutique Hotel	385,000SF
Performing Arts Center	40,000SF
San Diego Spinnaker	33,000SF
Retail	200,000SF
Existing Retail	50,000SF
Blue Tech Office	10,000SF
New Parking	650,000SF
Public Improvements	1,132,560SF
Total Development	2,450,560SF

Overall, the programmatic elements proposed as part of this proposal are in alignment with the Vision and Guiding Principles and Framework Report outlined in Section IIB of the RFP as summarized below:

Vision and Guiding Principles

- **Honor the Water:** Creation of an entertainment harbor with transient boats, harbor tour boats, dinner cruises and a ferry landing. Addition of an over-water promenade encourages interaction with the water.
- **Guarantee the Public Realm:** Provides a variety of flexible public spaces including a redesigned and expanded Embarcadero Marina Park North.
- **Celebrate Nature and Ecology:** Provides an open mesh promenade over the water intended to allow the public to interact with the water. At this stage, this principle has not been clearly defined but the feature provides an opportunity for the integration of elements that could promote natural resources and ecology.
- **Create a Comprehensive Open Space Plan:** Includes a one-mile esplanade along the full length of the project site which is accessible from multiple pathways around the site linking the proposal's three main public spaces. Additional details on these spaces can be found in Attachment D, Section 3.
- **Provide Easy Mobility on Land and Water:** Includes various transportation options including bus, ferry, water taxi and light rail stop. The proposal includes one level of subterranean parking with 1,400 parking spaces and 200 surface parking spaces at The Fish Market Restaurant. Also proposes sharing 1,000 parking spaces with the proposed Manchester Pacific Gateway project (adjacent to Tidelands), which is anticipated to commence construction this year.

Framework Report

- **Increase or Maximize Public Space:** 60 percent (26 acres) of the project's land area is proposed to be public space.
- **Extends Streets to the Water:** Extends Kettner Blvd. and Pacific Highway to the water.
- **Preserve and Enhance View Corridors:** The extension of Kettner Blvd. and Pacific Highway are anticipated to enhance views looking south; however, based on the level of drawings received at this preliminary phase, staff will need to further analyze the size of proposed structures to determine if they preserve or enhance view corridors.
- **Facilitates Enjoyment of the Bay:** Includes a variety of uses both on land and water that will be accessible to the public.

Proposer's Relevant Experience: As noted above, the "Celebration Place" team would be led by MFG, who has development and entitlement experience on Tidelands and the region.

MFG selected its South Embarcadero complex, including the Manchester Grand Hyatt and the hotel now known as the Marriott Marquis San Diego Marina as a representative project for staff to visit. On July 6, 2016 staff visited the South Embarcadero and met with members of the development team. MFG credits the development of the South Embarcadero as "important symbols of San Diego's downtown revitalization." The development of these two hotels, along with the San Diego Convention Center, is credited with tremendous economic growth in the convention and tourism industry. The two hotels combined host almost 3,000 guest rooms and include 450 marina slips, a wide variety of meeting and public space, and food and beverage options ranging from grab and go to fine dining. MFG emphasized that its vision for the South Embarcadero included a great deal of public outreach and promoted an emphasis on connectivity, which they propose to bring to "Celebration Place."

Attachment D, Section 5 provides additional examples of similar projects and information regarding the team's relevant experience.

Capability to Perform: Over the years, MFG has established banking relationships that have allowed them to finance their projects as demonstrated through their completed projects. They have also expressed their willingness to use cash towards pre-development, while securing final financing, as a result of MFG's available equity.

Revenue and Expense Projections: MFG proposed to invest approximately \$1.2 billion into "Celebration Place" and did not include proposed ground rent to be paid to the District upon stabilization. The preliminary analysis of the proposal and its feasibility is provided on Attachment H, Page 9.

Public Comments: As with other proposals which included an attraction, public comments revolved around what would make the Spinnaker unique to San Diego. This proposal also includes an aquarium at the base of the Spinnaker and comments related to questions around the need for another aquarium in San Diego also apply. Another consistent theme included concerns regarding how new structures will affect views of the bay and the limited availability of parking to accommodate all of the new uses proposed for the area. Additionally, public comments included a positive response to the activation of Tuna Harbor, emphasis on maritime heritage, the variety of uses, proposed public space, and inclusion of a performing arts hall. Other comments expressed concern over the demand for a performing arts venue on the waterfront.

McWhinney - "SeaPort" (Attachment E)

The "SeaPort" proposal would be led by McWhinney, a private Denver-based real estate development, investment and management company with properties in the Rocky Mountain Region and West Coast. McWhinney has partnered with DJM Capital Partners (DJM), a development and asset management services firm that focuses on California coastal locations. Attachment E, Section I provides detailed information on the development team members, as well as their consultant team.

Approach to Project: The "Seaport" proposal is a multi-use redevelopment, including: hotel, office,

retail, entertainment and public-use space and amenities; highlighted by a wave park and performance venue with community meeting space (detailed in Attachment E, Section II.D.). A summary of the programmatic components proposed includes:

Hotel (Tower)	410,588SF
Boutique Hotel	114,706SF
Retail/Restaurant	280,000SF
Performance Venue & Community Meeting Space	30,000SF
Marina & Wave Park	223,000SF
Office	250,000SF
Total Non-Public	1,308,294SF
Public Improvements	424,524SF
Total Development	1,732,818SF

Vision and Guiding Principles

- **Honor the Water:** Proposes to proactively work with the commercial fishing industry. Provides a recreational marina providing opportunities for a number of water based activities including swimming and kayaking. Proposal provides a series of water walkways and a floating dock for public use and interaction with the water.
- **Guarantee the Public Realm:** Provides a series of passive and active waterfront public spaces. Developed a set of key guiding principles that drove the proposal's vision, including "focus on the public realm" and "connect for accessibility."
- **Celebrate Nature and Ecology:** At this preliminary stage, this principle has not been clearly defined; however, the water walkways and floating dock provide potential opportunities for integration of elements that could promote natural resources and ecology.
- **Create a Comprehensive Open Space Plan:** Includes a waterfront promenade connecting to a variety of public spaces and the overall open space network. A connectivity and accessibility plan was provided on Attachment E, page 56.
- **Provide Easy Mobility on Land and Water:** Provides opportunities for dock and dine, ferry/water taxi, and connections to the existing street grid and transportation networks. The proposal includes parking in an above-grade parking structure and internal shared parking with parking capacity for up to 2,240.

Framework Report

- **Increase or maximize public space:** 26 acres of the project's land area is proposed to be public space.
- **Extends streets to the water:** As illustrated on the connectivity plan on Attachment E, page 56, McWhinney proposes to extend Pacific Highway and Kettner Blvd. to the water and provides enhanced pedestrian and bicycle access.
- **Preserve and enhance view corridors:** The extension of Kettner Blvd. and Pacific Highway are anticipated to enhance views looking south. However, based on the level of drawings received at this preliminary phase, staff will need to further analyze the size of proposed structures to determine if they preserve or enhance view corridors.

- **Facilitates Enjoyment of the Bay:** Includes a variety of uses both on land and water that will be accessible to the public. It is staff's understanding from McWhinney that the wave pool/water arena in Embarcadero Marina Park North will be programmed to allow for public use and will provide an opportunity for a wide variety of water based recreational activities, such as: swimming, kayaking, surf classes and pro-surfing competitions.

Proposer's Relevant Experience: As noted above, the "SeaPort" team would be led by McWhinney, who will partner with DJM. The diverse experience of the team includes mixed-use public-private partnerships on leased land with complex entitlement processes, similar to the proposed project.

The team selected its Dairy Block project in Denver, Colorado as a representative project for staff to visit. On June 27, 2016, staff visited the site and met with members of the development team. The \$190 million mixed-use project commenced construction in 2015 and will be completed later this year. The mixed-use project is a full city block that includes office, retail, restaurants and a hotel. A unique feature of the project is the inclusion of downtown Denver's first "activated alley" that will include a mix of specialty retail and restaurant uses. The project will also renovate and reuse a half-block of historic structures. McWhinney conveyed that they pride themselves on creating projects that curate unique uses and provide special experiences for locals and visitors alike. One way that they do this is by being "civic-minded" and designing their projects around their public spaces. In doing so, they create places that reflect the local community which, in turn, creates a draw for visitors.

Attachment E, pages 7-33, provides additional examples of similar projects and information regarding the team's relevant experience, including McWhinney's receipt of the 2015 ULI Global Award for Excellence on its Union Station project in Denver, Colorado.

Capability to Perform: McWhinney has an available portfolio of private investors, available to fund their project. They believe that by combining equity with investments from private investors, vs. institutional investors, they have more flexibility and a better ability to develop during fluctuating economic cycles. While meeting with the team in Denver, Colorado, we met Dick Monfort, co-owner of the Colorado Rockies, who has invested with McWhinney on projects in Denver and expressed a personal interest in investing with McWhinney if they are selected for the "SeaPort" project.

Revenue and Expense Projections: McWhinney proposed to invest approximately \$711 million into "SeaPort" and to pay the District ground rent of approximately \$10.4 million per year upon stabilization (year 7). The preliminary analysis of the proposal and its feasibility is provided on Attachment H, Page 10

Public Comments: One theme of the public comments was related to how the overall vision for the site responded to locals and visitors alike and the team being receptive to the public's comments. Comments related to the Kelly Slater Wave Pool were both favorable, as an attraction and celebration of California, mixed with concern with the wave pool and how it would be used by the public. Positive comments were received regarding the proposals emphasis on place-making, the variety of uses for all demographics and commitment to address the commercial fishing industry.

Oliver McMillan, Inc. - "Embarcadero District" (Attachment F)

The “Embarcadero District” proposal would be led by Oliver McMillan (OM). OM was founded by San Diego natives Dene Oliver and Jim McMillan in 1978 and is a leading mixed-use real estate developer. OM has also sought out specialty partners for its development team including:

- AEG, an international sports and entertainment operator based in Los Angeles, CA;
- Evans Hotels, a San Diego based hotel operator;
- Scripps Institution of Oceanography, a San Diego based ecological learning center operator; and,
- San Diego Symphony, an entertainment/cultural partner.

Attachment F, Section 3, provides detailed information on all of development team members, as well as their consultant team.

Approach to Project: The “Embarcadero District” is a multi-use redevelopment, including: hotel, office, retail, and public-use space and amenities; highlighted by a 15,000 to 18,000 seat entertainment arena and the Scripps Institution of Oceanography learning center and tide pools (detailed in Section IV). A summary of the programmatic components proposed includes:

Convention Hotel	850,000SF
Boutique Hotel	300,000SF
Select Service Hotel	250,000SF
Seaport Pavilion	600,000SF
San Diego Symphony	5,000SF
Scripps Institution with Tide Pools	110,000SF
Retail & Restaurant	250,000SF
Market Hall	75,000SF
Office	125,000SF
Parking	1,100,000SF
Public Improvements	1,045,440SF
Total Development	4,710,440SF

Overall, the programmatic elements proposed as part of this proposal are in alignment with the Vision and Guiding Principles and Framework Report outlined in Section IIB of the RFP as summarized below:

Vision and Guiding Principles

- **Honor the Water:** Provides a grid to the water’s edge with public spaces that tie into the existing open space network.
- **Guarantee the Public Realm:** Variety of public spaces including botanical gardens, beach areas with promenades, and plazas.
- **Celebrate Nature and Ecology:** The Scripps Institution of Oceanography Learning Center and Tide Pools are intended to be an environmental learning and observation destination with a focus on the bay ecology.
- **Create a Comprehensive Open Space Plan:** Provides access to parks, open space and

pathways with strong connectivity between various public spaces.

- **Provide Easy Mobility on Land and Water:** Provides connectivity both to and from the site. Provides water taxi, boat hub and various subterranean parking garages with 2,430 parking spaces.

Framework Report

- **Increase or Maximize Public Space:** Provides 20-24 acres of public space in the form of public parks, plazas and open spaces.
- **Extends Streets to the Water:** Streets are not extended to the water.
- **Preserve and Enhance View Corridors:** Based on the level of drawings received at this preliminary phase, staff will need to further analyze the size of the entertainment arena known as Seaport Pavilion and the hotels to determine if they preserve view corridors.
- **Facilitates Enjoyment of the Bay:** The proposal includes a variety of uses both on land and water that will be accessible to the public.

Proposer's Relevant Experience: As noted above, the "Embarcadero District" would be led by OM, with AEG, Evans Hotels, Scripps Institution of Oceanography and San Diego Symphony rounding out the development team. The diverse experience of the team includes mixed-use public-private partnerships on leased land with complex entitlement processes, similar to the proposed project.

The team selected River Oaks District in Houston, Texas as a representative project for staff to visit. On June 24, 2016, staff visited the site and met with members of the development team. River Oaks District is a mixed-use destination that includes retail, restaurant, entertainment and residential components. The site opened in October 2015 and has sparked development of surrounding areas. A second phase is contemplated to include additional office, retail, residential and a hotel. OM was very proud of the unique public spaces it provided throughout the project, allowing the different users and members of the public to converge and enjoy the area as whole. OM explained the importance of creating a user experience and connecting the project back to the city. OM believes that by paying attention to the details, both inside and out, the result is the creation of places visitors want to go because the locals do.

Attachment F, Section 3 provides additional examples of similar projects and information regarding the team's relevant experience.

Capability to Perform: With nearly 40 years in operation, OM has developed over 8 million square feet of mixed-use and infill residential projects with a total project value exceeding \$3 billion. OM is currently developing several new projects with a completed value of approximately \$2 billion. OM has forged strong and lasting relationships with institutional investors, lenders and capital markets advisors whom they would expect to work with on the "Embarcadero District."

Revenue and Expense Projections: OM proposed to invest approximately \$1.3 - \$1.5 billion into the "Embarcadero District" and did not include proposed ground rent to be paid to the District upon stabilization. The preliminary analysis of the proposal and its feasibility is provided on Attachment H, Page 11.

Public Comments: Public comments on this proposal were mixed both in support and in opposition

to the proposed arena. Favorable comments were received relative to the comprehensive nature of the proposal and the variety of uses. Comments were also received regarding the activation of public spaces, tide pools and the incorporation of the Scripps Institution of Oceanography. As with the other proposals concerns regarding new structures and their effect on views of the bay also applied to this proposal as did comments related to the availability of parking.

Ripley Entertainment, Inc. - “Ripley’s Aquarium of California” (Attachment G)

Ripley Entertainment, Inc. (Ripley’s) and its parent company, the Jim Pattison Group (JPG), have a history of developing large scale family attractions and aquariums internationally. In meeting with the Ripley’s team, they advised that they have yet to identify other key team members at this time but expect to hire consultants, if selected. Attachment G provides additional information on Ripley’s and JPG.

Approach to Project: The “Ripley’s Aquarium of California” proposal is a 110,000 square foot aquarium development on 4.26 acres. Ripley’s expressed a desire to be selected as one piece of a larger master planned redevelopment. Programming details on the aquarium are outlined beginning on page 27 of Attachment G, page 27.

Since the proposal covers only a smaller portion of the 70 acre site, some of the programmatic components proposed do not independently address the Vision and Guiding Principles and Framework Report as outlined in Section IIB of the RFP. If the aquarium was just one portion of a comprehensive 70 acre master development, it could create the desired alignment with the Vision and Guiding Principles and Framework Report.

Vision and Guiding Principles

- **Honor the Water:** Not addressed.
- **Guarantee the Public Realm:** Not addressed.
- **Celebrate Nature and Ecology:** The proposal for an aquarium is intended to promote bay ecology and marine life.
- **Create a Comprehensive Open Space Plan:** The proposal only includes the aquarium and provides minimal open space. The proposal does not provide any features that would allow integration with surrounding public spaces.
- **Provide Easy Mobility on Land and Water:** Not addressed.

Framework Report

- **Increase or Maximize Public Space:** Not addressed.
- **Extends Streets to the Water:** Not addressed.
- **Preserve and Enhance View Corridors:** Based on the level of drawings received at this preliminary phase, staff will need to further analyze the size and orientation of the proposed structure to determine if they preserve existing view corridors.
- **Facilitates Enjoyment of the Bay:** The proposal includes a variety of uses both on land and water that will be accessible to the public.

Proposer’s Relevant Experience: Ripley’s is the largest and fastest-growing international chain of

museum and aquarium type attractions with over 95 attractions in 11 countries, including projects in Southern California.

Ripley's selected its Aquarium of Canada as a representative project for staff to visit. On June 22, 2016, staff visited the site and met with members of the development team. The project was the result of Ripley's successfully response to an RFP with the Canadian government to redevelop a brownfield site under a 99-year lease. The aquarium opened in October 2013 and features a 135,000 square foot attraction with more than 1.5 million gallons of water featuring 50 live exhibits with 16,000 animals and a 315 foot acrylic tunnel with a moving walkway that goes through the large tank. Ripley's says the project has been an overwhelming success, which it believes is the result of a great collaboration with the government and community.

Additional examples of similar projects and information regarding the team's relevant experience begin on page 15 of Attachment G.

Capability to Perform: Ripley's is a part of the Jim Pattison Group, Canada's second largest private company with over \$9.1 billion in sales, resulting in access to cash flow generated by its ongoing business. Ripley's also stated on Attachment G, pages 3 & 4, that they have access to lines of credit from institutional investors, but have not historically had to draw upon those. Through its liquid assets and its available credit, Ripley's believes they would be able to perform on this project, as they have with their other projects.

Revenue and Expense Projections: Ripley's proposed to invest approximately \$129 million into its aquarium and to pay the District ground rent of approximately \$2 million per year upon stabilization (year 3). Ripley's also noted that they would anticipate receipt of public financing to subsidize its construction costs. The preliminary analysis of the proposal and its feasibility is provided on Attachment H, page 12.

Public Comments: One theme of public comment regarding the proposed aquarium is how this would be different from the other aquariums that exist in San Diego and how it would be different from SeaWorld.

Potential Board Direction and Next Steps

After hearing the presentations and public comment, the Board may direct staff on how to further process the proposals and to conduct additional analysis of the same. For example, the Board could direct staff to conduct more analysis and gather additional information on all the proposals. Alternatively, the Board may create a short-list from the proposals, while not necessarily rejecting the other proposals, and direct staff to analyze the short-listed proposals. The Board may also reject all the proposals.

If the Board directs staff to conduct additional analysis of all or a short-list of proposals, it is anticipated that staff would return to the Board at a future date with the requested information and analysis. At that future Board meeting, the Board may choose to direct staff to obtain additional analysis, further short-list the proposals or make a final selection based on the factors listed in the RFP (e.g., the evaluation criteria scores, which in accordance with the RFP, does not guarantee selection, reference checks, negotiations, and further analysis). Alternatively, in accordance with the RFP, the Board may at any time, reject or move forward any or all proposals or parts thereof, direct

staff to issue a subsequent RFP, negotiate with any, all or none of the proposers or solicit best and final offers.

General Counsel's Comments:

The General Counsel's Office has reviewed the agenda sheet as presented to it and approves it as to form and legality. A preliminary legal analysis regarding Public Trust consistency is provided below. If the Board directs staff to further evaluate some or all the proposals, additional legal analysis regarding the proposals' consistency with the Port Act, the California Coastal Act and other federal, State and District laws, regulations and policies will be conducted.

Public Trust Consistency: Tidelands are sovereign in character and are held in trust for the people of the State for purposes of commerce, navigation and fisheries. As such, the law places certain limits on how such lands can be used.

"Uses of trust lands, whether granted to a local agency or administered by the State directed, are generally limited to those that are water dependent or related, and include commerce, fisheries and navigation, environmental preservation and recreation. Public trust uses include, among others, ports, marinas, docks and wharves, buoys, hunting, commercial and sport fishing, bathing, swimming, and boating. Public trust lands may also be kept in their natural state for habitat, wildlife refuges, scientific study, or open space. Ancillary or incidental uses, that is, uses that directly promote trust uses, are directly supportive and necessary for trust uses, or that accommodate the public's enjoyment of trust lands, are also permitted." (California State Lands Commission (SLC), *Public Trust Policy*, pp. 1-2.)

However, "[t]he public uses to which [T]idelands are subject are sufficiently flexible to encompass changing public needs." (*Marks v. Whitney*, 6 Cal. 3d 251, 259 (1971); SLC, *The Public Trust Doctrine*, p. 3.) This includes a variety of uses ranging from preservation of land in its natural state (*id.*) to convention centers (*Haggerty v. City of Oakland*, 161 Cal. App. 2d 407, 413 (1958)), to restaurants, hotels, and visitor-serving retail uses that promote public enjoyment of the waterfront (*Martin v. Smith*, 184 Cal. App. 2d 571 (1960)). Moreover, the administration of the Public Trust "is not burdened with an outmoded classification favoring one mode of utilization over another." (*Marks*, 6 Cal. 3d at 259-260.)

Consistency with the Public Trust Doctrine is often a fact based determination that takes into account several factors including whether a use impairs or interferes with the Trust's purposes (see e.g., *San Pedro, Los Angeles and Salt Lake Railroad Company v. Hamilton*, 161 Cal. 610, 620 (1911) (citing *Pacific Coast Steamship Co. v. Kimball*, 114 Cal. 414 (1896) (trustee could lease portions of Tidelands for a steamship company with a private wharf or "for any lawful purpose not injurious to the harbor or an inconvenience to commerce"); *Boone v. Kingsbury*, 206 Cal. 148, 183 (1929) (oil and gas extraction leases permitted because they would not "substantially impair the paramount public interest" in the trust lands)). Other factors include, without limitation: whether the use has a municipal or traditional local governmental function (see Cal. Public Res. Code Section 6009(d) (grantees of Tidelands must manage them without "benefits to the inclination of local or municipal affairs, initiatives, or excises.")); whether the design and/or characteristics of a development and its uses further the public's use of Tidelands or hinders it; and whether the uses are water-dependent, an incidental use or could easily be located uplands. (SLC, *The Public Trust Doctrine*, pp. 7-8.) Conversely, at this time, some uses have been determined not to be Public Trust compliant, such as

residential uses. (See *City of Berkeley v. Superior Court*, 26 Cal. 3d 515, 538 (1980) (Clark, J., dissenting) (“under the trust [T]idelands may be filled and used for commercial and recreational purposes but not residential purposes”).

While the California State Lands Commission and grantees, such as the District, are the primary arbitrator of whether a use or development is Public Trust compliant, ultimately, it is the responsibility of the California Legislature to determine how Public Trust lands should be used. (*City of Long Beach v. Mansell*, 3 Cal. 3d 462, 482 n.17 (1970) (“The administration of the trust by the state is committed to the Legislature.”); *Marks*, 6 Cal. 3d at 260-261; SLC, *The Public Trust Doctrine*, p. 13.). Legislation remains subject to review by the courts for compliance with the Public Trust Doctrine and constitutional provisions. (See, e.g., *Illinois Central R.R. Co. v. Illinois* (1892) 146 U.S. 387.).

Based on a preliminary Public Trust consistency analysis conducted by the General Counsel’s Office, the District needs further information, and will need to conduct further investigation and study for some of the proposed uses. This analysis is preliminary and not intended to be all-encompassing. As the process moves forward, additional Public Trust consistency issues and questions may arise. Moreover, obtaining the below information does not guarantee a consistency determination.

A school is a traditional municipal function and while it is the understanding of the General Counsel’s Office that a charter school has been located on Tidelands in the Port of Los Angeles, more information is needed on the context of that school and any proposed school, as well as their programming. Teaching maritime related trades may not be enough to make a school Public Trust compliant. Similarly, an enclosed/fenced dog or pet park that primarily serves surrounding residents may not be compliant due to its local/municipal serving nature. However, a dog park associated with a hotel, so that it primarily serves hotel guests and their pets, may be Public Trust compliant depending on the particulars of the facility.

Further details are also needed on the proposed “blue tech,” “blue economy,” “blue commerce” or other office space, such as the types of entities or companies that may lease this office space, the office spaces’ locations and size (top floor versus bottom floor (see SLC, *The Public Trust Doctrine*, pp. 9-10)), and how the use fits within overall development and use scheme (is it a large component or incidental in its size and nature, etc.).

More information is needed related to the proposed performance/event/entertainment centers, pavilions, halls and similar uses such as what type of activities will be conducted therein (conventions, sporting events, trade shows, concerts, etc.), the particulars of their design and their relationship with the Bay and surrounding public spaces. For example, the proposed Warriors’ basketball stadium on two piers in San Francisco required special State legislation (the facility was ultimately moved to a different location), but the AT&T baseball stadium did not require such legislation. Both facilities had the same primary “use” - housing a sporting team - but their design, location, programming and public amenities were very different.

The California State Lands Commission has found that a stand-alone enclosed gym - like a Gold’s Gym - is not compliant with the Public Trust Doctrine. (See SLC, Minute Item 47, pp. 9-10 (December 14, 2006) (“Gold’s Gym is not an appropriate public trust use, or one necessary and incidental in support of those uses”)). However, the proposed gyms and/or spa facilities may be compliant, but more information is needed. For example, whether the facilities are associated with a hotel, open to the public or charge membership fees.

Additional information is needed regarding retail and cinema programming because neighborhood-serving uses (as compared to visitor-serving uses) with no tie to the water are generally prohibited. (SLC, *The Public Trust Doctrine*, pp. 7-8.) Again, the programming, context and location are all factors that need investigation.

Environmental Review:

The item would provide direction to staff on the further processing and analysis of the proposals. The Board's direction does not constitute an "approval" of a "project" under the definitions set forth in California Environmental Quality Act (CEQA) Guidelines Sections 15352 and 15378 because it would not result in any direct or indirect physical changes to environment, including without limitation, physical changes to the environment. CEQA requires that the District adequately assess the environmental impacts of its projects. While the Board may give direction to staff, including without limitation, direction to that certain proposals or components thereof be further evaluated or alternatives analyzed, such direction to staff will not bind the District to a definite course of action prior to CEQA review. Moreover disapproval of a proposal would not be a project under CEQA. Full CEQA analysis will be completed prior to the District's commitment to a proposal(s) of components thereof, approval of any entitlements, concept approval, or agreements necessary for the implementation of a proposal(s), in whole or in part. Moreover, the Board reserves its discretion to adopt any and all feasible mitigation measures, alternatives to the project, including a no project alternative, a statement of overriding consideration, if applicable, and approve or disapprove the project and any permits or entitlements necessary for the same. Those decisions may be exercised in the sole and absolute discretion of the Board. Based on the totality of the circumstances and the entire record, the Board's direction and action do not commit the District to a definite course of action prior to CEQA review being conducted. Therefore, no further CEQA review is required.

In addition, the proposed Board direction and action allow for the District to administer its obligations under the Port Act and/or other laws. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board direction and/or action do not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations because they will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a CDP or exclusion is not required. However, the District's projects require processing under the District's CDP Regulations. If a proposal or component thereof moves forward, the Board will consider the same after the appropriate documentation under District's CDP Regulations has been completed and authorized by the Board, if necessary. The Board's direction in no way limits the exercise of the District's discretion under the District's CDP Regulations.

Equal Opportunity Program:

There was no Small Business Enterprise (SBE) goal established for this phase of the development of this location. The selected firm(s) will ultimately be requested to submit an SBE plan.

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Attachments:

Attachment A:	Waterfront Development Request for Proposals
Attachment B:	Gafcon Proposal
Attachment C:	Great Western Pacific Proposal
Attachment D:	HKS Proposal
Attachment E:	McWhinney Proposal
Attachment F:	Oliver McMillan Proposal
Attachment G:	Ripley's Proposal
Attachment H:	Jones Lang LaSalle - Central Embarcadero Preliminary Proposal Evaluation
Attachment I:	Location Maps