Resolution endorsing the term sheet between TZK Broadway, LLC, whose members include Teatro ZinZanni and its financial and development partner, Kenwood Investments No. 6, LLC, and the Port Commission for the lease and development of a 180-200 room hotel, a dinner-theater featuring Teatro ZinZanni, an approximately 7,500 square-foot public park and open space, and ancillary uses on Seawall Lots 323 and 324 and portions of unimproved Vallejo and Davis Street rights-of-way on the west side of The Embarcadero at Vallejo Street.

WHEREAS, Teatro ZinZanni ("Teatro"), a former San Francisco Port Commission ("Port") tenant at Pier 27, is a unique hybrid of comedy, theater, cabaret, music, performance and dining that is part circus and part cabaret combining improv comedy, vaudeville revue, music, dance, cirque, and sensuality into an evolving form that is never quite the same from evening to evening; and

WHEREAS, Teatro, first came to San Francisco in 2000, and for eleven years operated as a successful cultural event combining dinner, theater, performance and entertainment at Pier 27 and was a tenant in good standing as defined by the Port’s current leasing policies throughout its tenure as a Port tenant; and

WHEREAS, In 2011, the Port asked Teatro to terminate its lease at Pier 27 and vacate its premises to accommodate the hosting of the 34th America’s Cup and the construction of the new James R. Herman Cruise Terminal; and

WHEREAS, The Port and Teatro entered into a Mutual Agreement for Lease Termination and Reservation of Rights Agreement ("Mutual Terminal Agreement") dated August 12, 2011, which provides that in exchange for terminating its lease at Pier 27, Teatro
will be given the exclusive right to negotiate in good faith with the Port for a new lease at
Seawall Lot 324, located on The Embarcadero across from Pier 9; and

WHEREAS, Teatro, following execution of the Mutual Termination Agreement, spent
many months in 2012 and 2013 considering its long-term options to return to San Francisco at
Seawall Lot 324, and meeting with and listening to the concerns and suggestions of numerous
community groups and stakeholders such as The Barbary Coast Neighborhood Association,
Gateway Commons Buildings I, II, and III, Chinese Community Development Center,
Telegraph Hill Dwellers, Golden Gateway Tenants Association, the Northeast Waterfront
Advisory Group, the Historic Preservation Commission, Architectural Review Subcommittee,
and the Port and City staff; and

WHEREAS, The results of Teatro’s investigations and community meetings resulted in
accord among the groups that Teatro’s unique and highly successful dinner-theatre
performance and entertainment show is an unmatched addition to the neighborhood, City and
region and in returning to San Francisco, Teatro should devise a project that includes
improved public access as a gateway between the waterfront and North Beach and
Chinatown, incorporates Teatro’s historic Speigel-tent in a manner that better suits the
location and the neighborhood, is consistent with the character, zoning, and massing of the
historic warehouse district and is true to San Francisco’s unique cultural history; and

WHEREAS, The total cost of the design, permitting, and construction necessary to
rebuild Teatro as a stand-alone structure at Seawall Lot 324 would be at least five times the
original cost of its premises at Pier 27 so Teatro sought out and retained a partner to help with
plans, development, and financing for a new project on approximately 1.4 acres that includes
Seawall Lots 324 and 323 and portions of the Vallejo and Davis Street unimproved rights-of-
way on the west side of The Embarcadero at Vallejo Street (collectively, the “Site”); and

WHEREAS, Teatro, working with TZK Broadway, LLC (“TZK” or the “Developer”), a
California limited liability company comprised of Teatro and Kenwood Investments No. 6, LLC, wishes to build a new privately financed, state-of-the-art dinner-theatre-performance and entertainment venue that can serve those purposes as a long-term home for Teatro's internationally acclaimed dinner theatre performance and state-of-the-art 180-200 room boutique hotel which will include up to 10 rooms for visiting Teatro artists, situated within a 40-foot, four-story building, together with related public infrastructure and access improvements and other improvements, including construction of a new public park and open space at the north end of the Site (the "Project"); and

WHEREAS, A ground lease or other City contract relating to development of the proposed Project would be subject to the City's ordinances relating to labor representation procedures in hotel developments in which the City has an ongoing proprietary interest (Administrative Code, Sections 23.50 through 23.56) and the City's First Source Hiring Program (Administrative Code, Chapter 83), as they may apply to the proposed Project; and

WHEREAS, Teatro and TZK have stated their commitment to enter into an equal opportunity program in connection with the transaction documents for the Project that includes the Local Hiring Policy (Administrative Code, Section 6.22(G)), prevailing wage requirements (Administrative Code, Section 6.22(E)) and opportunities for local business enterprises; and

WHEREAS, On October 28, 2014, the Port Commission approved Resolution No. 14-58 directing Port staff to assist Teatro in developing and introducing a resolution to the Board of Supervisors ("Board") to consider exempting the potential lease of the Site for Teatro's proposed Project from the City's competitive bidding policy set forth in Administrative Code, Section 2.6-1; and

WHEREAS, On May 5, 2015, the Board adopted Resolution No. 170-15 (the "Board Resolution"), which found that the proposed Project is exempt from competitive bidding requirements of Administrative Code, Section 2.6-1 on a number of basis, including the
the unique, one-of-a-kind attributes of Teatro; the unique opportunity presented by Developer's proposal to build and finance the Project; Teatro's position as a tenant in good standing under Port policies; the provisions of the Mutual Termination Agreement; and, in keeping with Administrative Code, Chapter 90A to retain an important entertainment icon, provide performer lodging and workforce training, and numerous other public benefits to the City and the region that the proposed Project would produce, as further described in the Board Resolution; and

WHEREAS, The Board Resolution also (i) urged Port, Teatro, and Developer to engage in continued outreach to affected and interested neighbors, community members and stakeholders to ensure that the proposed Development is designed with public input; (ii) urged Port to hire a third party real estate economic consultant during negotiations with Developer to ensure Port receive fair market value for the lease of the Site; and (iii) directed Port to submit to the Clerk of the Board a copy of Port's real estate consultant's report confirming TZK's qualifications to undertake the development prior to the Port Commission hearing at which the Port Commission considers awarding an exclusive negotiation agreement (“ENA”) to Developer; and

WHEREAS, In June 2015, Kenwood Investments provided the Port a description of its qualifications and financial capacity which BAE Urban Economics, Port-hired third-party real estate consultant (“BAE”), and Port staff respectively reviewed, with BAE issuing a report confirming that Kenwood Investments is qualified to develop the Project and which report the Port submitted to the Clerk of the Board on August 18, 2015; and

WHEREAS, Representatives of TZK and Teatro have continued outreach to affected and interested neighbors, community members and stakeholders to solicit public input on the design of the proposed Development and have committed to continued outreach during
Project entitlement, including public notification of planned discretionary actions related to the
Project; and

WHEREAS, On September 8, 2015, by Resolution No. 15-31, the Port Commission
authorized the Executive Director of the Port to enter into an Exclusive Negotiating Agreement
(“ENA”) with the Developer for its proposed Project to negotiate, among other things, a non-
binding term sheet describing the proposed terms and conditions to include a lease
disposition and development agreement (the “LDDA”), a lease (the “Lease”), and other related
transaction documents for moving forward with the Project; and

WHEREAS, Staff obtained a fair market appraisal of the Site, a hotel market study, a
survey of comparable ground leases, and a feasibility study to inform term sheet negotiations
for the Development; and

WHEREAS, On April 26, 2016, by Resolution No. 16-18, the Port Commission
endorsed a term sheet (“Term Sheet”) that sets forth certain basic financial terms and other
fundamental terms and conditions to serve as the basis for the Port and the Developer
negotiating a LDDA, a Lease, and other related transaction documents for moving forward on
the Project, and directed Port staff to present the Term Sheet to the Board of Supervisors for
endorsement; and

WHEREAS, The Term Sheet is on file with the Clerk of the Board of Supervisors in File
No. 160541, and is incorporated herein by reference; and

WHEREAS, The Port and Developer wish to obtain the endorsement of the Term
Sheet by the Board of Supervisors; and

WHEREAS, The Board of Supervisors has reviewed and considered the proposed
terms for a LDDA and Lease as set forth in the Term Sheet; now, therefore, be it
RESOLVED, That the Board endorses the Term Sheet, substantially in the form
presented to the Board; and, be it
FURTHER RESOLVED, That the Board of Supervisors' endorsement of the Term Sheet does not commit the Board of Supervisors, the Port or any other public agency with jurisdiction over any part of the Project to approve the terms of the final Lease or other transaction documents or grant any entitlements to Developer, nor does either Term Sheet endorsement foreclose the possibility of considering alternatives to the Project or mitigation measures to reduce or avoid significant environmental impacts or preclude the City, after conducting appropriated environmental review under the California Environmental Quality Act ("CEQA"), from deciding not to grant entitlements or approve or implement the Project, and while the Term Sheet identifies certain essential terms of the proposed transaction with the City through the Port Commission, it does not set forth all of the final, material terms and conditions of the transaction documents for the Project; and, be it

FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary actions committing City to implement the Project, and the provisions of the Term Sheet are not intended to and will not become contractually binding on the City, unless and until the Port Commission has reviewed and considered environmental documentation prepared in compliance with Administrative Code, Chapter 31 and CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved the terms of the final transaction documents for the Project.
Resolution endorsing the term sheet between TZK Broadway, LLC, whose members include Teatro ZinZanni and its financial and development partner, Kenwood Investments No. 6, LLC, and the Port Commission for the lease and development of a 180-200 room hotel, a dinner-theater featuring Teatro ZinZanni, an approximately 7,500 square-foot public park and open space, and ancillary uses on Seawall Lots 323 and 324 and portions of unimproved Vallejo and Davis Street rights-of-way on the west side of The Embarcadero at Vallejo Street.

June 27, 2016 Land Use and Transportation Committee - RECOMMENDED

July 12, 2016 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 7/12/2016 by the Board of Supervisors of the City and County of San Francisco.

Peggy Nevin
Angela Calvillo
Clerk of the Board

Mayor

Date Approved