



701-0022020-002

Agenda Item **No. 5(e)**
Meeting of December 1, 2020

TO: Commission on Community Investment and Infrastructure

FROM: Nadia Sesay, Executive Director

SUBJECT: Conditionally Approving an Amendment to the Schematic Design for Rincon Center, located at 101 Spear Street, to convert approximately 67,442 square feet of ground floor retail use to office use; Rincon Point - South Beach Redevelopment Project Area

EXECUTIVE SUMMARY

On January 5, 1981, the Board of Supervisors of the City and County of San Francisco ("Board of Supervisors") adopted, by Ordinance No. 14-81, the Rincon Point-South Beach Project Area Redevelopment Plan (the "Redevelopment Plan"), which expires on January 5, 2021. On August 20, 1985, the Redevelopment Agency of the City and County of San Francisco (the "Former Agency") approved, by Resolution No. 237-85, an Owner Participation Agreement ("OPA") with Rincon Center Associates, and approved, by Resolution No. 238, a Schematic Design to develop the mixed-use Rincon Center project in the Rincon Point - South Beach Redevelopment Project Area ("Project Area"). The development is located at 101 Spear Street, on Assessor's Block 3716, Lots 21, 22, 23 and 24 ("Rincon Center"). Rincon Center comprises one city block, with two buildings separated by a pedestrian plaza, and is bounded by Mission, Steuart, Howard and Spear Streets.

Hudson Pacific Properties, Inc. ("Hudson Pacific" or "Owner"), owns the former post office annex building portion of Rincon Center, or Assessor Block 3716, Lot 23 ("Rincon Annex"), bounded by Mission, Steuart, and Spear Streets, and the privately-owned, mid-block pedestrian plaza adjacent at the south. Hudson Pacific requests Commission on Community Investment and Infrastructure ("Commission") approval of an amendment to the 1985 Schematic Design for the Rincon Center to allow for the conversion of up to

London N. Breed
MAYOR

Nadia Sesay
EXECUTIVE DIRECTOR

Miguel Bustos
CHAIR

Mara Rosales
Bivett Brackett
Dr. Carolyn Ransom-Scott
COMMISSIONERS

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

approximately 67,442 square feet of ground-floor retail space to an office use within the Rincon Annex building at 101 Spear Street (the "Schematic Design Amendment" or "Project"). Approximately 14,500 square feet of this retail space has already been converted to office use without approval of the Former Agency or Office of Community Investment and Infrastructure ("OCII").

The proposed Project complies with the Redevelopment Plan for the Rincon Point - South Beach Project Area ("Redevelopment Plan"), the Design for Development Rincon Point South Beach Redevelopment Project Area ("Design for Development") and the OPA, but would require Commission approval of the Schematic Design Amendment.

Staff recommends the Commission's conditional approval of the proposed Schematic Design Amendment.

BACKGROUND & DISCUSSION

Rincon Center comprises Assessor's Block 3716, bounded by Mission, Steuart, Howard and Spear Streets and lies in the northernmost portion of the Project Area, within the Redevelopment Plan's Rincon Point sub-area boundary, shown in Figure 1, below.

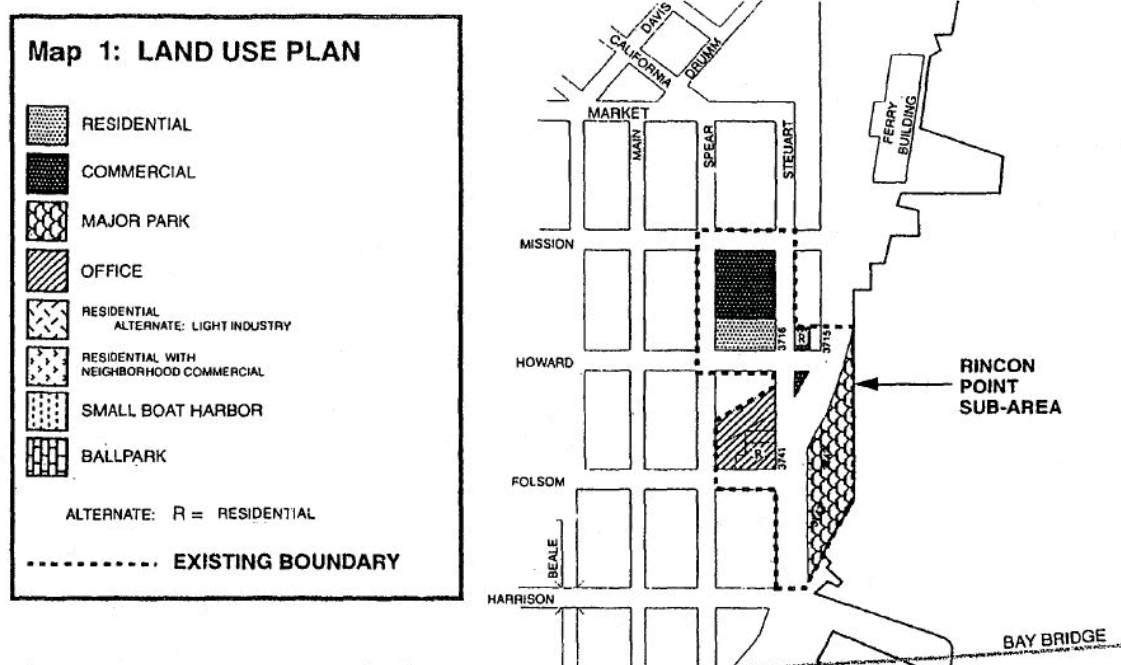


Figure 1: Redevelopment Plan Land Use Map

The northern portion of Assessor's Block 3716, the Rincon Annex, is an adaptive reuse of the Rincon Annex Post Office, an historic landmark pursuant to the City's Landmark Designation Ordinance No. 10-80.

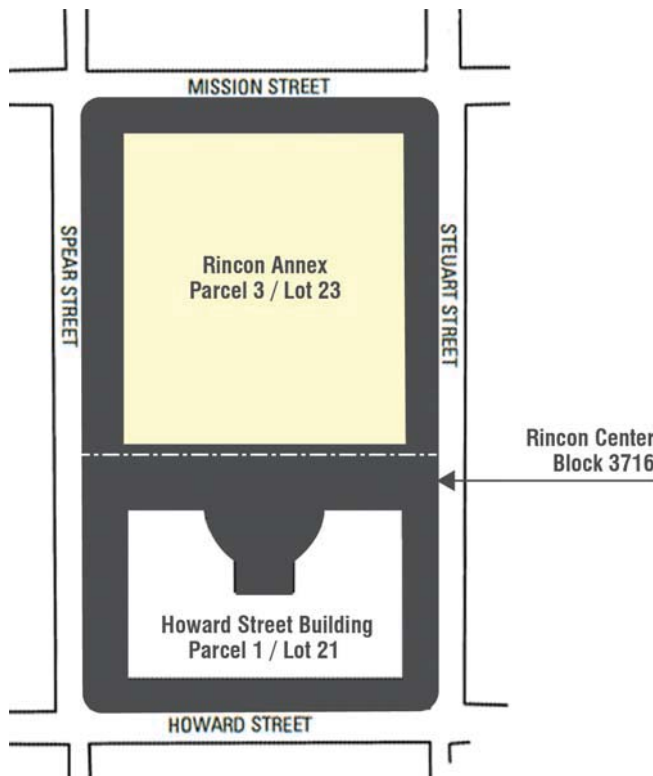


Figure 2: Rincon Center Block

On October 18, 1983, the Former Agency approved, by Resolution No. 287-1983, a maximum permitted development program and required developer contributions to low- and moderate-income housing on the site, then owned by the United States Postal Service. Based on this resolution, the Postal Service made a public offering of the property and entered into a 65-year lease with Rincon Center Associates as the developer. At its Commission meeting of August 20, 1985, the Former Agency approved the OPA with Rincon Center Associates and the Schematic Design for the mixed-use Rincon Center development in the Project Area.

Rincon Center was developed in the late 1980s on the 151,000-square-foot site. It was a pioneering and significant historic reuse project that preserved portions of the Rincon Annex Post Office, a major San Francisco historic landmark, while creating a large number of housing units in an area where there previously was no housing. The new buildings were sensitive to and complemented the existing historic structure, and the project included a new pedestrian plaza connecting the two buildings on the site.

Currently, Rincon Center is a mixed-use residential and commercial development and encompasses the entire Assessor's Block 3716 (see Figure 2). Character-defining features of the Rincon Annex are described in Landmark Designation Ordinance No. 10-80, which identifies the Rincon Annex encompassing "the portion of the Rincon Annex Post Office designed by Gilbert S. Underwood and its interior public lobby containing murals painted by Anton Refregier located on the south line of Mission Street, between Steuart and Spear Streets..."

The ground floor of the Rincon Annex is divided into two main sections: the historic post office lobby off Mission Street that is open to the public and not a part of the proposed Project, and an interior atrium that was historically used for back-of-house postal operations and redeveloped into a retail and restaurant gallery in accordance with the Rincon Center Schematic Design. The upper floors of the Rincon Annex are occupied by office uses.

The proposed Project will convert the inward-facing atrium retail to office use. The atrium contains retail and restaurant spaces that have no visibility from the street. The atrium's retail gallery cannot be opened to the street due to the landmark status of the historic façades of the Rincon Annex fronting Mission, Steuart and Spear Streets. The ownership has struggled to tenant vacant retail spaces in the atrium during the past five years. The atrium has become dramatically less viable as retail space during the COVID-19 pandemic.

The southern half of the block, or the Howard Street portion of Rincon Center, contains two residential towers situated above a six-story commercial podium. The Howard Street building is not within the scope of this Project.

Land Use and Development Controls

The Redevelopment Plan establishing the Project Area was adopted in 1981 and expires on January 5, 2021. OCII will maintain its land use authority in the Project Area until plan expiration; after which, the Planning Department will assume land use authority over the area.

The Redevelopment Plan states that area development will be accomplished through binding owner participation agreements, which provide for privately-owned properties to be “developed, maintained, or rehabilitated for use in conformity with the Plan, Declaration of Restrictions, and Owner Participation Rules promulgated by the Agency.” Accordingly, in addition to the Redevelopment Plan and the Deign for Development, the OPA governs the scope of development at Rincon Center, both at the time of its original construction in the 1980s and through subsequent changes or alterations to the existing buildings.

The Redevelopment Plan allows for flexible commercial development in order to adaptively reuse the historic Rincon Annex. The Redevelopment Plan designates the Rincon Annex property as “Commercial.” Ground-floor office uses are permitted by the Redevelopment Plan in the Commercial land use district, which allow uses that “include, but are not limited to, business and professional offices, retail sales and eating and drinking establishments.”

The Redevelopment Plan speaks specifically to the Rincon Annex property: “The Rincon Annex Building shall be retained and historically restored for adaptive reuse, such reuse may include such uses as a local post office and/or museum in the lobby area and the above permitted commercial uses around a new interior courtyard...”. The Redevelopment Plan does not restrict the amount of ground-floor office use at the Rincon Annex and does not require a minimum area of ground-floor retail and/or circulation. It also does not require a specific authorization or approval from the Former Agency for changes from one principally permitted commercial use to another.

The Project is also in accordance with broader Redevelopment Plan's objectives, among others, of 1) "Stimulate and attract private investment, thereby improving the City's economic health, tax base, and employment opportunities"; 2) "Provide for job opportunities through economic development improvements, including neighborhood commercial facilities, a small-boat harbor, a hotel complex, and the restoration and adaptive re-use of certain structures".

Similarly, the Design for Development does not restrict the potential for establishing ground floor office use in the Rincon Annex. With regard to the property, its associated urban design guidelines encourage new development to be designed with consideration to the historic elements and the surrounding urban context, and the requirement that any addition of building height at the site be consistent with its scale and character. The Schematic Design Amendment does not include modifications to the exterior of the Rincon Annex building. Also, the required number of parking and loading spaces for the proposed uses are provided within the Rincon Center shared parking facility. Therefore, the Schematic Design Amendment is compliant with the Design for Development standards and urban design guidelines

The OPA authorizes the maximum scope of development at Rincon Center, both through original construction and through future modifications. Section 3 of the OPA Scope of Development provides as follows:

III. Development Elements. The Development consists of two major components described below:

A. Rincon Annex Building

The Rincon Annex Building (located on the northerly portion of Assessor's Block 3716 will be retained and historically restored for adaptive reuse. An addition of approximately 72,000 gross square feet of commercial space may be developed above the roofline of the existing main structure.

B. Howard Street Portion of Site

On the approximately 61,000 square feet portion of the Site fronting on Howard Street and not occupied by the Rincon Annex Building, the development shall consist of six stories of commercial development of approximately 240,000 gross square feet. and two residential towers containing a total of approximately 260,000 gross square feet and approximately 250 to 350 residential units.

The OPA language broadly authorizes the adaptive re-use of the historic Rincon Annex building for commercial purposes permitted under the Redevelopment Plan. It further authorizes development of approximately 72,000 gross square feet of commercial space above its roofline. The OPA does not limit the amount of office use authorized at the ground floor of the Rincon Annex Building, nor does it require retail area at this floor.

Of the total 460,000 square feet of commercial space, approximately 103,000 square feet was approved as ground-floor retail and 357,000 square feet was allocated to office use. The Schematic Design approval authorized 103,000 square feet of ground-floor retail at Rincon Center, which was ultimately built. This Schematic Design Amendment (Attachment 1) proposes converting up to 67,442 square feet of that 103,000 square feet (located in the Rincon Annex atrium) from retail to office use. Approximately,

14,500 square feet of the ground-floor retail space has already been converted to office use without Former Agency or OCII approval.

The Project

In July 2020, Hudson Pacific submitted a draft revised Rincon Annex tenant improvement package and requested the Schematic Design Amendment in order to convert up to 67,442 square feet of ground-floor retail space in the Rincon Annex atrium to office uses. The Project area shown in yellow in Figure 3 below is the ground-floor space to be converted from retail to office use.

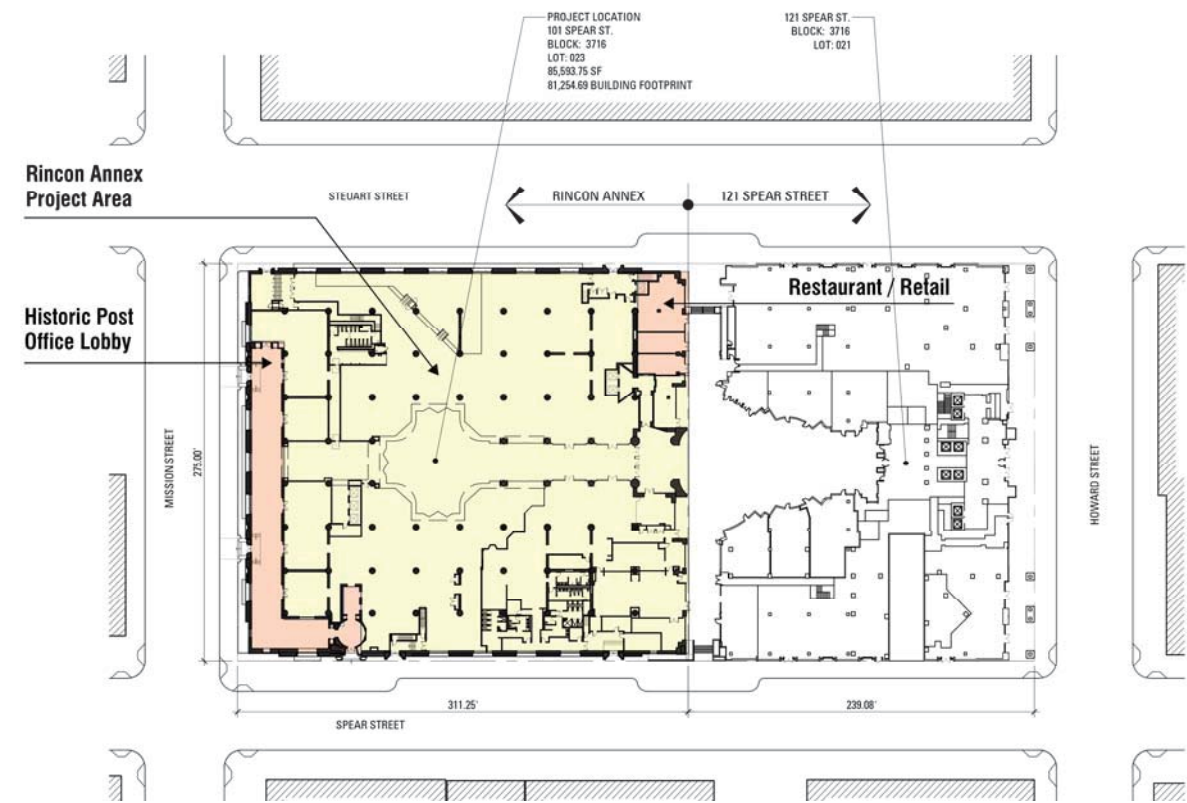


Figure 3: Rincon Center Ground Floor Site Plan

The Project would result in the program areas within the Rincon Annex Building, shown in Table 3, below. Table 2 outlines the existing program area.

Rincon Annex Existing Program						
	Ground-Floor (GSF)	Level 2 (GSF)	Level 3 (GSF)	Level 4 (GSF)	Level 5 (GSF)	Total (GSF)
Retail	70,404 ¹	-	-	-	-	70,404
Office	-	76,730	68,152	38,167	38,500	278,726
Historic Lobby	7,391	-	-	-	-	7,391
Circulation	3,468	-	-	-	-	3,468
Total	81,263	76,730	68,152	38,167	38,500	302,812

Table 2

Rincon Annex Proposed Program						
	Ground-Floor (GSF)	Level 2 (GSF)	Level 3 (GSF)	Level 4 (GSF)	Level 5 (GSF)	Total (GSF)
Retail	2,962	-	-	-	-	2,962
Office	67,442	76,730	68,152	38,167	38,500	288,991
Historic Lobby	7,391	-	-	-	-	7,391
Circulation	3,468	-	-	-	-	3,468
Total	81,263	76,730	68,152	38,167	38,500	302,812

Table 3

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Commission's approval of the Schematic Design Amendment is categorically exempt from environmental review pursuant to Section 15301 of the California Environmental Quality Act because it authorizes minor alterations to the interior of an existing structure, including interior partitions, plumbing and electrical conveyances, that involve no expansion of an existing or a former use.

¹ Approximately 14,500 of which was previously converted to office without OCII approval

EQUAL OPPORTUNITY PROGRAM

Although the Project is not subject to any enforceable obligation requiring compliance with OCII's Equal Opportunity Program, the Owner has voluntarily agreed to comply with OCII's Small Business Enterprise ("SBE") Program and will work with OCII staff to make good-faith efforts to achieve the goals of the SBE Program in the construction of the project. In addition, the Owner has a practice of employing union contractors and intends to hire union contractors for this project, satisfying OCII's prevailing wage standards. It will also participate in the City's First Source Hiring Program, which is comparable to the OCII requirement for local construction hiring.

COMMUNITY OUTREACH

Hudson Pacific conducted outreach to Carmel Properties, which owns the residential condominium development at the south end of Rincon Center, and the United States Post Office, which owns and operates the post office at the southeast end of Rincon Center. Neither neighbor objects to the Project, and Carmel Properties has provided the attached letter of support.

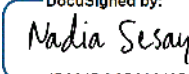
There is no active Citizen Advisory Committee in the Project Area. However, Hudson has engaged in outreach communications with Alice Rogers and Bruce Agid of the South Beach | Rincon | Mission Bay Neighborhood Association ("SBRMBNA"). The SBRMBNA does not object to the Project and expressed interest in securing neighborhood access to conference space either within the Project or in a nearby off-site location. Hudson Pacific has committed to working with the SBRMBNA to provide access to such space, as documented in the attached letter. Furthermore, Hudson Properties has conducted outreach to Andrew Robinson, Executive Director of the East Cut Community Benefits District ("CBD") and John Bozeman, Executive Director of the Downtown CBD. Neither party has expressed opposition to the Project.

STAFF RECOMMENDATION AND NEXT STEPS

If the Schematic Design Amendment is approved, Hudson Pacific intends to obtain Department of Building Inspection approval of their tenant improvement permit and begin the construction process in the first quarter of 2021.

Staff recommends the Commission's approval of the Rincon Center Schematic Design Amendment.

(Originated by Laura Shifley, Associate Planner)

DocuSigned by:

4B924DCCB39648D...
Nadia Sesay
Executive Director

Attachments:

- Attachment 1: Letter of Support from Carmel Properties
- Attachment 2: Project Correspondence with the SBRMBNA

November 11, 2020

To the San Francisco Office of Community Investment and Infrastructure:

We are CP III Rincon Towers, Inc., the owner operator of the residential portion of Rincon Center known as The Towers at Rincon.

We are pleased that our neighbor, Hudson Pacific Properties, is investing in revitalizing the commercial portions of Rincon Center. We also agree that allowing interior-facing portions of the former Postal Annex to be used as office space, would be beneficial to the overall Rincon project.

Over the years much of the inward facing retail within the Rincon annex has had high vacancy compared to the street retail and we believe office will draw more foot traffic to support the remaining retail which serves as an amenity to our residents in addition to the day time commuters.

We support Hudson's continued efforts to bring people and business to Rincon Center.

Sincerely,

A handwritten signature in cursive script that reads "Gabi Franco". The signature is written in black ink and is positioned above the printed name "Carmel Partners".

Carmel Partners

Attachment 2



November 18, 2020

Alice Rogers, President
Bruce Agid, Director
South Beach | Rincon | Mission Bay Neighborhood Association

Dear Alice and Bruce,

Thank you for taking the time to speak with Hudson Pacific Properties regarding its proposed retail-to-office use conversion at the ground floor of the Rincon Annex. We appreciate your feedback.

During our discussion, you expressed that the SBRMBNA would be interested in having access to some conference room area either at Rincon Annex or in close proximity to the neighborhood. Hudson would like to offer SBRMBNA occasional use of the Port Room at the Ferry Building, which can be booked through our Tenant Coordinator at the contact below:

LALÉ LIDDELL
Tenant Coordinator

—
HUDSON PACIFIC PROPERTIES
One Ferry Building, Suite 260, San Francisco, CA 94111
hudsonpacificproperties.com

Please do not hesitate to reach out to us with any questions.

Best,
Very truly yours,

A handwritten signature in blue ink that reads 'Carl Cade'.

Carl Cade
Vice President