MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee  
Executive Director

SUBJECT: Workshop on the proposed Moscone Convention Center expansion project and its impact on Successor-Agency owned property in Yerba Buena Gardens; former Yerba Buena Center Redevelopment Project Area

EXECUTIVE SUMMARY

The convention facilities at the Moscone Center span large portions of a two-block area of Yerba Buena Gardens known as Central Block Two ("CB-2") and Central Block Three ("CB-3), in the former Yerba Buena Center Redevelopment Project Area. CB-2 and CB-3 are shown on Attachment 1 — Map of Yerba Buena Gardens. The former San Francisco Redevelopment Agency (the "Agency") issued lease revenue bonds to finance the construction and improvements associated with the Moscone Center. The bonds were secured by leases with the City and County of San Francisco (the "City").

The Moscone Center complex was built in phases on CB-2 and CB-3 between 1979 and 1992 (as described below), as the need for additional convention space grew. The Agency acquired all the real property on CB-2 and CB-3 — including the Moscone Center properties — with federal urban renewal funds in the 1960s and 1970s. Today, the Successor Agency to the Redevelopment Agency, commonly known as the Office of Community Investment and Infrastructure ("OCII"), and the City share ownership of the Moscone Center. See Attachment 2 — Map of Moscone Center's Ownership Interests, which illustrates the City's and the OCII's shared ownership above and below ground.

Now, the City is set to expand the Moscone Center complex again. In February 2013, the San Francisco Board of Supervisors unanimously approved funding for the expansion project, which is described later in this memorandum. The proposed expansion is needed to keep Moscone competitive with other public convention centers that offer larger and more contiguous exhibition spaces with more flexible meeting and ballroom spaces. Without the expansion, Moscone is predicted to lose $2 billion in future revenue as competitor markets build larger, more contiguous exhibition spaces with more flexible meeting and ballroom spaces.

The expansion project would add approximately 353,000 square feet to the existing Moscone Center above and below ground on CB-2 and CB-3. It will create contiguous exhibition spaces and increase the amount of flexible meeting and ballroom spaces throughout the Moscone Center. Additionally, the proposed design will improve Moscone's civic presence on Howard Street by creating an iconic and architecturally significant arrival experience. The expansion project would not affect Yerba Buena Gardens on CB-2 or the OCII's children's facilities (the ice skating/bowling centers, museum, playground, etc.) on CB-3.
The City has undertaken extensive community outreach to surrounding neighbors, businesses and affected parties and has engaged the services of a local public affairs firm to assist in ongoing comprehensive outreach. It also will follow the City’s mandatory local hire policies for construction of the expansion project, which is expected to start in late 2014 and finish in 2018.

Next steps include (1) possible Commission and/or Oversight Board approval of changes to the OCII’s property if the proposed Moscone renovation expands onto the OCII’s properties, and (2) submittal to the Commission, the Oversight Board, and the State Department of Finance, pursuant to redevelopment dissolution law, of a long-range property management plan in which the OCII must identify the future use and disposition of all OCII-owned properties.

BACKGROUND

As mentioned above, the convention facilities at the Moscone Center span large portions of CB-2 and CB-3. Between 1979 and 1988, the Agency issued lease revenue bonds to finance the construction and improvements associated with the Moscone Center on land owned by the Agency. The bonds, which were paid off and/or refunded over the years, are secured by leases with the City. The following summarizes the development of the Moscone Center on CB-2 and CB-3 since 1979 and the current property ownership interests between the OCII and the City.

- **The Original Moscone South.** In 1981, the first section of Moscone South was completed. It was primarily an underground structure spanning the length and width of CB-3, except for an above-ground lobby facing Howard Street and a few stairwell structures, ramp walls, and landscaping features (the “Original Moscone South”). The Original Moscone South was owned by the Agency and leased to the City under a 1979 Project Lease. In 2011, the City paid the bonds in full, and pursuant to the 1979 Project Lease, the Agency transferred this property to the City. The City’s Moscone property is shown on Attachment 2.

- **The CB-3 Rooftop Surface.** Construction of the Original Moscone South resulted in a rooftop surface suitable for development (“CB-3 Rooftop Surface”). The CB-3 Rooftop Surface was divided into two development sites: (1) one site was for the City’s first expansion of Moscone Center (also known as Moscone North), which is defined below, and (2) another site was for the Agency’s children’s facilities (i.e., the Children’s Creativity Museum – formerly known as Zeum, the nearby playground, the bowling and ice skating center, and the childcare center) (the “Children’s Facilities”). The rooftop surface containing the Children’s Facilities was subject to a series of leases/subleases between the City and the Agency. Today, the City owns this portion of the CB-3 Rooftop Surface and the OCII leases it from the City to run the Children’s Facilities. The OCII continues to own the buildings and other improvements that comprise the Children’s Facilities located on the CB-3 Rooftop Surface.

- **The First Expansion (Enlarged Moscone South and New Moscone North).** In 1992, the final section of Moscone South (i.e., the building with the esplanade ballroom and administrative offices) was finished on a portion of the CB-3 Rooftop Surface. To
finance the construction, the Agency issued bonds and entered into another lease with the City as security for the bonds (the “1988 Project Lease”). The premises under the 1988 Project Lease includes (1) the esplanade ballroom and administration building on CB-3 (“Enlarged Moscone South”), and (2) an above-ground lobby on the CB-2 side of Howard Street; an underground portion of Howard Street connecting the Moscone buildings on both sides of Howard Street; and an expansive underground section of CB-2 (“Moscone North”). The OCII continues to own and lease this property to the City. However, in July 2014, the City expects to pay the bonds in full and the OCII will transfer the property to the City in accordance with the terms of the 1988 Project Lease. The OCII’s Moscone property is shown on Attachment 2.

DISCUSSION

Now, the City is set to expand the Moscone Center complex again. In February 2013, the San Francisco Board of Supervisors unanimously approved the creation of the Moscone Expansion District¹ (“MED”) and the issuance of $507 million in Certificates of Participation to fund the expansion. The proposed expansion is needed to keep Moscone competitive with other public convention centers that offer larger and more contiguous exhibition spaces with more flexible meeting and ballroom spaces. Although Moscone has expanded on average every 11 years to keep up with demand (including Moscone West), it risks losing up to $2 billion in foregone revenue if the rentable square footage is not increased again. Without the expansion, Moscone is predicted to lose future revenue as competitor markets build larger, more contiguous exhibition spaces with more flexible meeting and ballroom spaces. The expansion project allows the City to recover approximately $734 million of this future revenue through a phased construction schedule that keeps Moscone in continuous revenue-generating operation.

The Moscone expansion project sponsor is a partnership between the MED board of directors and the City’s conventions facilities division (the “Project Sponsor”).

Proposed Moscone Center Expansion Project (the “Expansion Project”)

The Expansion Project would add approximately 353,000 square feet to the existing Moscone Center. Approximately half of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street to create up to 580,000 square feet of contiguous exhibition space. Above grade, the project would construct expanded lobbies and multipurpose space for Moscone North (approximately 39,000 square feet) and Moscone South (approximately 92,000 square feet, including a new 40,000-square-foot ballroom, with a multipurpose terrace above), and replace the Esplanade Ballroom administration building at the corner of Howard and Third Streets with 116,000 square feet of additional lobby, meeting, circulation and ballroom space.

¹ The MED imposes a long-term assessment on San Francisco hotels in order to help fund the expansion project.
In addition to adding new rentable square footage, the project architects – Skidmore, Owings and Merrill – seek to create an iconic sense of arrival that enhances Moscone’s civic presence on Howard Street. As such, the project proposes two new, glass-enclosed pedestrian bridges connecting the upper levels of the new Moscone North and Moscone South buildings. One bridge would provide Moscone attendees access between the meeting rooms at the expanded Esplanade building and Yerba Buena Gardens. The other bridge would be a dual use bridge with glass-enclosed and open-air spans. The open-air portion would provide improved public access from Yerba Buena Gardens to the Children’s Facilities and the enclosed portion would give Moscone attendees access to meeting rooms in Moscone South. Under this proposal, the existing pedestrian bridge would be demolished once the new bridges are built. These proposed additions and changes will help to frame the main public arrival space between the two new buildings, provide enhanced circulation for Moscone convention attendees, and reduce on-street congestion all while maintaining full-time elevated public access across Howard Street from Yerba Buena Gardens on CB-2 to the Children’s Facilities on CB-3.

The Expansion Project would not affect Yerba Buena Gardens, the Sister Cities Garden, the Martin Luther King Jr. Memorial, the Yerba Buena Center for the Arts buildings, the existing restaurants Samovar Tea Lounge and B Restaurant (all on CB-2), or the Children’s Facilities on CB-3. However, the Expansion Project may impact all or a part of the Children’s Learning Garden, which is tucked next to the administrative portion of the esplanade building. Specific impacts on this area will be defined during future Expansion Project design phases.

Community Outreach

The Project Sponsor has undertaken extensive community outreach to surrounding neighbors, businesses and affected parties and has engaged the services of a local public affairs firm to assist in ongoing comprehensive outreach. Additionally, in consultation with Supervisor Kim, the Mayor’s Office and OCII, the Project Sponsor has established a 16-member community advisory board comprised of diverse local stakeholders to advise the Project Sponsor on the expansion design and mitigation of impacts throughout the approvals process. As part of this effort, the Project Sponsor has launched a website (www.MosconeExpansion.com) to keep members of the public informed and engaged in the planning, design, and construction process, alert people to upcoming meetings, and broadcast other items of interest.

Local Hire Projections

As a publicly bid contract under City law, the Expansion Project will have a mandatory 30 percent local hire (i.e. San Francisco resident) requirement with no less than 25 percent of project hours in each trade performed by disadvantaged workers (as required by San Francisco Administrative Code Chapter 6). According to an independent study by Jones Lang LaSalle, the Expansion Project would generate 3,480 permanent end-use jobs (e.g., exhibitors, restaurant workers, hotel staff, etc.) through fiscal year 2022 plus an additional 3,407 construction jobs between 2014 and 2018. Additionally, the 1988 Project Lease requires the City to follow its own local hiring policies.
NEXT STEPS

Moscone Expansion

The following chart is an estimated schedule of key Expansion Project milestones.

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<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Spring 2013</td>
<td>Beginning of the environmental review process</td>
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<tr>
<td>July 2014</td>
<td>Moscone North bonds paid in full. Ownership of Moscone North transfers from OCII to the City</td>
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<tr>
<td>Winter 2014</td>
<td>Construction starts and continues intermittently around existing Moscone reservations</td>
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<tr>
<td>2018</td>
<td>Completion of construction</td>
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Future Commission/Oversight Board Actions

The 1988 Project Lease requires OCII approval of alterations or improvements to Moscone North. If for some unexpected reason, ownership in Moscone North does not transfer to the City before construction begins, then the OCII Commission will need to approve changes to Moscone North in compliance with the 1988 Project Lease. Additionally, any expansion onto the OCII’s surrounding Yerba Buena Gardens property will require the approval of both the OCII Commission and the Oversight Board.

Finally, as mentioned to the Commission in previous memoranda, redevelopment dissolution law requires the OCII to “address the use or disposition of all of the [Agency-owned] properties” in a long-range property management plan. California Health and Safety code §34191.5(c) (2). Staff will be drafting a long-term disposition and/or retention strategy for property it owns (including Yerba Buena Gardens and Moscone North). This plan is subject to various requirements regarding future use and ownership of the property. The long-term property management plan will be submitted to the Commission for its review and to the Oversight Board and the State Department of Finance for their approval, as required under state dissolution law. The proposed property management plan will come before the Commission for its review at a later date.

(Originated by Denise Zermani, Development Specialist, Adam Van de Water, Office of Economic and Workforce Development, and Brook Mebrahtu, Department of Public Works)

Tiffany Buhnee
Executive Director

Attachment 1: Map of Yerba Buena Gardens
Attachment 2: Map of Moscone Center’s Ownership Interests