

SAN FRANCISCO

Terminal plan for cruise ships at piers 27-31

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Aging piers at the foot of Telegraph Hill could be turned into San Francisco's primary cruise ship terminal as part of a new proposal to revive the stalled development of a long-fought-over site.

Hoping to overcome objections from the state agency that regulates waterfront development in California, the Port of San Francisco and Shorenstein Properties LLC are working to reduce the amount of office space to be built on piers 27-31 and instead have the property serve as a landing place for cruise ships from all over the world.

The port has given Shorenstein and its partner, Farallon Capital Management LLC, until Aug. 31 to firm up a plan for a cruise ship terminal at Pier 27 and related development next door at Piers 29-31.

So far, the concept has been well-received by the State Lands Commission, which governs what can and can't be built along the California waterfront.

"A cruise ship terminal is ... a great benefit to the city," said Paul Thayer, executive officer of the State Lands Commission. "We would like to see more specifics; we would want to know that it will be a real cruise ship terminal and not just an occasional thing."

In January, Thayer said he had serious questions about a public-private partnership struck between the Port and Shorenstein Properties in which office space development would serve as the economic engine for repairing the decayed Piers 27-31 and creating a waterfront recreation center.

He said the proposal shortchanged public uses for which waterfront land is generally reserved under California law.

Those uses include maritime, historic and environmental restoration, recreation, and retail and other commercial activities, if they are used by the general public.

Office space is not considered compatible with public use of the waterfront, but has been supported by the State Lands Commission in some cases if the revenue generated by it makes possible preservation and other approved activities.

The objections of Thayer and environmental groups to Shorenstein Properties' original plans caused the developer to withdraw them prior to an expected Port Commission vote in January.

At the time, Shorenstein and the port had been hashing out a deal in which port-issued bonds would repay the developer \$60 million of \$145 million in pier repairs and allow the company to build a recreation center and offices.

The arrangement addressed a long-standing problem for the port; the agency oversees 7 1/2 miles of bayfront but doesn't make enough money to cover its soaring infrastructure repair costs, estimated at \$1 billion.

Even with the public funding, Shorenstein's plan featured about 440,000 square feet of office space.

At Pier 27, where the developer is now looking into the possibility of building the cruise ship terminal, Shorenstein Properties was planning 150,000 square feet of offices.

"Some of the office space will be cut from the original plan, but we don't know how much. We are putting together several plans with a number of different possibilities," said Todd Sklar, development group head at Shorenstein.

Historically, Pier 27 has been used as a berth for cruise ships docking in the city for a day, in contrast to a serving as a home port where cruises start and end voyages.

To make Pier 27 a home port, the pier's existing shed building would have to be modified to include an area for luggage, customs, waiting rooms, bathrooms and gangways.

Sklar said that port-issued bonds would likely still be part of the financing strategy to repair the piers. But port managers said that a new terminal at Pier 27 would drive down projected repair costs because it would not require seismic stabilization.

"If Pier 27 was simply a cruise terminal and the existing shed could be used and there weren't any new buildings or parking lots, then the seismic upgrades would not be triggered," said Jennifer Sobol, the Port's Piers 27-31 project manager.

Sobol said a cruise ship terminal at Pier 27 makes sense in two ways: Pier 27 is San Francisco's longest available berth and can accommodate modern cruise ships, which are getting bigger and bigger; and Pier 35, which has served as the city's home port for decades, is rotting and damaged by termites.

Support for Pier 27 as the city's home port gained momentum in February when the Queen Mary 2 docked there for a day, Sobol said.

But the Pier 27 property has been beset with controversy for years. Virginia-based shopping mall builder Mills Corp. spent millions on a plan but failed to win support from neighbors concerned about traffic on the Embarcadero. In March 2006, Mills gave up and sold its development rights to Shorenstein and Farallon.

Board of Supervisors President Aaron Peskin, whose district includes the piers, was among those leading the fight against Mills. In January, Peskin said he also did not like Shorenstein's plan and recommended the port examine other ways to generate revenue to fix the piers.

On Wednesday, Peskin said the new proposal was worth considering.

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