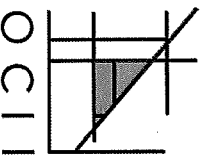


**1 Transbay Block 4- Option Agreement**

**San Francisco Board of Supervisors: Land Use Committee**

**Approving an Option Agreement with F4 Transbay Partners LLC for \$45 Million**

**May 16, 2016**



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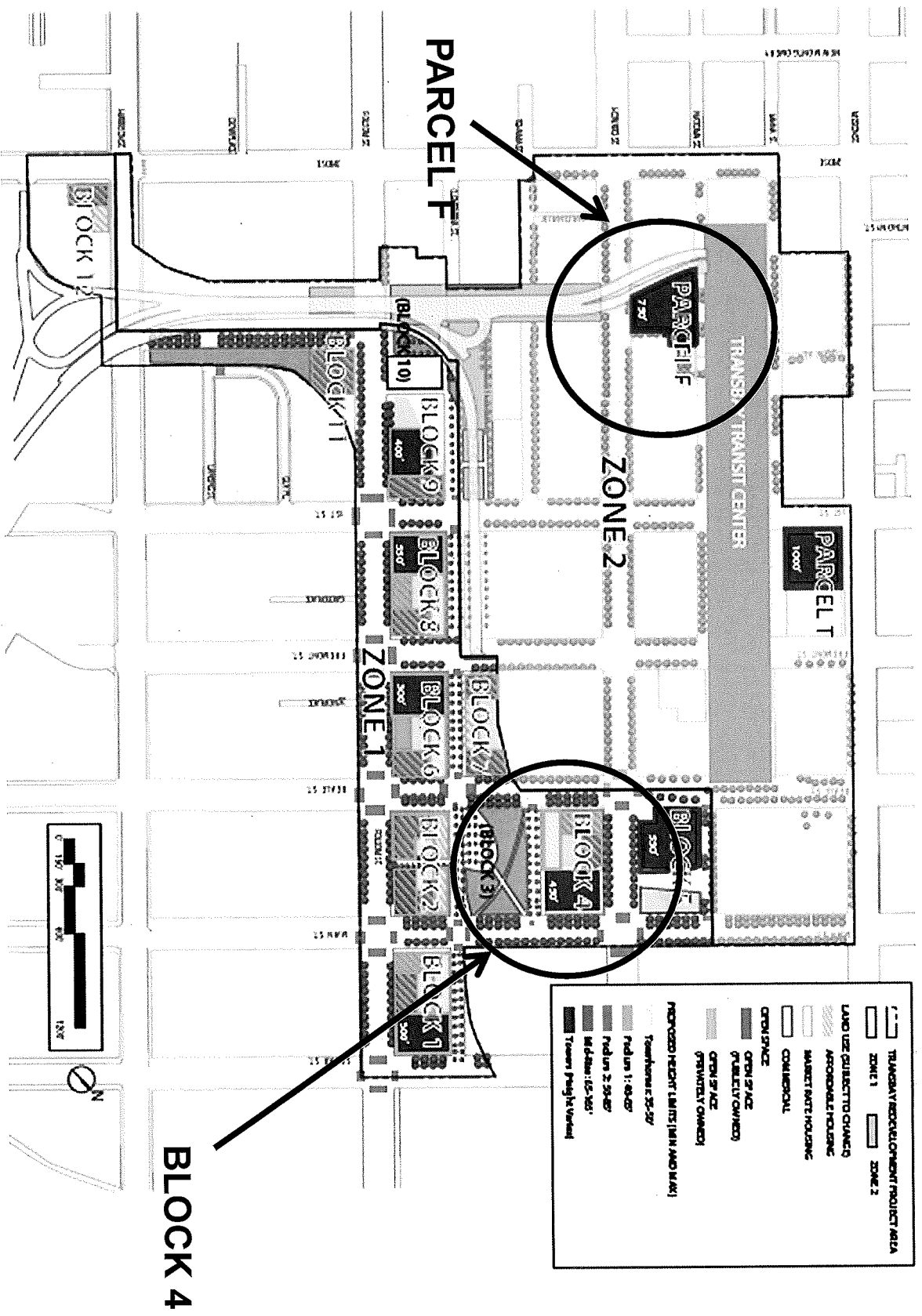
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# Agenda

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- Background on Block 4 and Parcel F
- Option Agreement Terms
- Fair Market Value Analysis
- Other Considerations
- Next Steps

# Transbay Block 4 & Parcel F

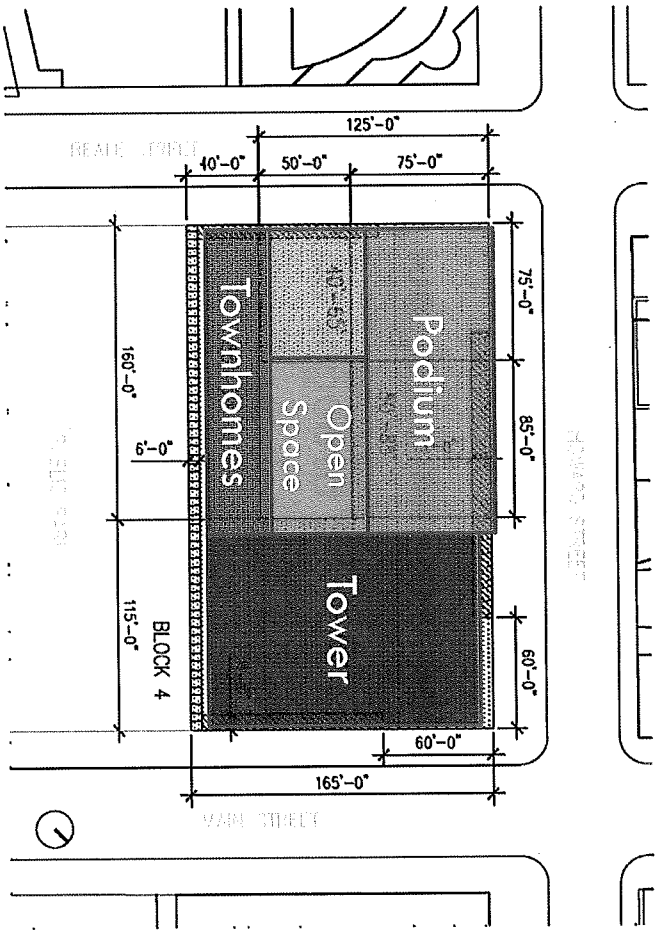
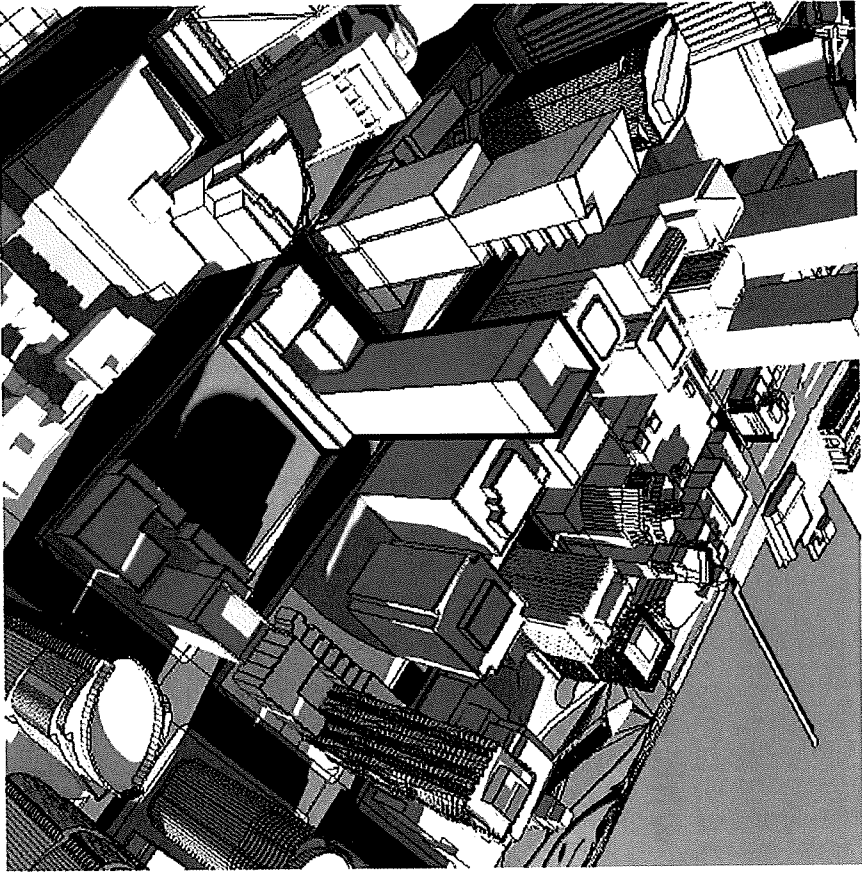


# Background – Block 4

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- Block 4 is in Zone 1 (OCII jurisdiction) and currently site of Temporary Terminal
- Zoned for up to 450' residential tower, adjacent 85' & 65' podium buildings, 50' townhomes; shared open space and parking
- Block 4 to be a mixed-income project
  - Affordable housing sufficient to keep district in balance for 35% Project Area Requirement
  - Block 4 could need to provide over 50% of its units as affordable housing

# Block 4 massing - Transbay DCDG



# Background – Parcel F

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- Parcel F is in Zone 2 (Planning Department jurisdiction through OCII delegation) and owned by TJPA
- Zoned for 750' mixed use tower
- Subject of TJPA auction process in 2015 with pre-qualified bidders – one of which was Urban Pacific
- Auction was not held, but TJPA continued discussions with bidders
- Urban Pacific brought on Hines + Broad Street (Goldman Sachs) to create F4 Transbay Partners
  - Submitted offer for Parcel F and Block 4 together
  - Parcel F program: residential/hotel/office
- TJPA Board approved Purchase & Sale Agreement with Developer for Parcel F for \$160 million
  - Condition of purchase is option to purchase Block 4 from OCII

# Block 4 Option Agreement

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- Purchase price: **\$45 million**
  - Price could be lowered through negotiation or appraisal
  - If ready to close by June 2018 but can't transfer site (e.g. Temporary Terminal still there), \$3m Extension Discount
  - Ultimate purchase price must be equal or greater than "Fair Market Value" (Board of Supervisors approval)
- Developer will deposit \$500k to cover OCII costs during Option period; additional \$100k available if needed
- Developer will pay for at least 45% affordable housing with no OCII subsidy
- OCII Commission approved Option Agreement April 19, 2016

# Other Considerations

- Option lasts until October 2018
- During that time, OCII and Developer would finalize Project Concept, Schematic Design and Disposition and Developer Agreement
- OCII would have approval rights over Parcel F's residential component
  - Could include review of proposal to off-site affordable housing from F to Block 4, subject to OCII/Board of Supervisor Approval
- Affordable housing developer must be brought on (subject to OCII approval)



# Community Benefits

- DDA negotiations will include provision of community benefits program focusing on issues such as:
  - Best practices for housing for Certificate of Preference Holders and other impacted communities
  - Maximizing workforce development & contracting opportunities, particularly for economically disadvantaged San Francisco residents and businesses
  - Inclusion of community-serving space & commercial space that is available to local non-profit organizations/small businesses at below-market rates to create a diverse and inclusive neighborhood

# Fair Market Value Determination

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- Transbay Redevelopment Plan requires the Board to approve OCII's dispositions of Transbay properties using provisions under CA Health & Safety Code Sec. 33433
  - **Consideration for property constitutes fair market value**
- OCII 33433 Report includes
  - Copy of proposed disposition (Option Agreement)
  - Cost of agreement to OCII (\$0 – costs paid by Developer)
  - How disposition helps eliminate blight (vacant lot → housing)
  - Estimated value of interest to be conveyed

# FMV Analysis of \$45 M Purchase Price

Project Concepts*		Rental	Rental/Condo
Units	480	same	same
Floors	47	same	same
% & Units Affordable	45% (216 units)	same	same
Affordable Unit Distribution			
Tower: Top 1 / 3 (Flrs 32-47)	Market Rate Rental	Market Rate Rentals	Market Rate Condos
Tower: Lower 2/3 + Townhomes	Market Rate & Aff. Rentals	same	same
Podium	Aff. Rentals	same	same
OCII Subsidy	\$0	same	same
Development Costs & Revenues			
Estimated Value	\$18.6 M	Range based on Transbay area comparables	same
			\$41.5 M

\* Project not yet designed; scenarios are hypothetical

# Staff Analysis and Recommendation

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- \$45 million purchase price meets 33433 requirements
- Facilitates sale of Parcel F which is critical to Transit Center Funding
- Developer subsidy of at least 45% affordable units is highest level of Developer subsidy to date
- All other terms subject to future OCII approvals
  - Affordable Developer
  - Design concept
  - DDA terms
- Staff recommends approval of the Option Agreement

# Community Outreach & Noticing

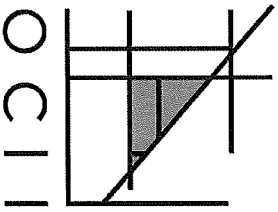
- Block 4 Option Agreement approved by the Transbay CAC on April 14, 2016
- CAC comments:
  - Thoughtful integration of affordable housing into Block 4
  - Transbay Block 3 (Transbay Park) should have high quality children's programming
  - High quality design – both exterior and unit design for affordable residents

# Next Steps: Estimated Timing

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- **June 2016:** TJPA and Developer close Parcel F sale
- **2016:**
  - Selection of Affordable Developer
  - Design concept & programmatic discussions
- **2017:** Design approvals and DDA negotiations
- **2018:** Block 4 available for construction after Temporary Terminal removed

THANK YOU



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